

BaTeLab (2149 HK)

Potential EDA restrictions not to impede growth

On 28 May, the Trump administration issued a new directive prohibiting leading EDA (Electronic Design Automation) software companies, including Synopsys (SNPS US, NR), Cadence (CDNS US, NR), and Siemens EDA (Mentor Graphics, SIEGY US, NR), from selling their products to Chinese entities. This action represents yet another significant escalation between US-China technological decoupling. EDA is instrumental in semi design, in which overseas vendors currently command 70% of the market share in China, per [Reuters](#). We believe this policy will expedite the EDA domestication progress in China. In the near term, companies that have developed their own EDA capabilities will be less impacted, such as BaTeLab. Maintain BUY, with TP unchanged at HK\$69.5.

■ **The full impact of the EDA export ban remains difficult to quantify at this stage, but we expect it to catalyze accelerated development of domestic alternatives.** EDA tools are critical to the semi supply chain, enabling engineers to model, verify, and simulate chip architectures ahead of fabrication. China accounted for 16% and 12% of Synopsys and Cadence's total revenue in 2024, respectively. Following the announcement on 28 May, Synopsys and Cadence saw their share prices plunged by 9.6% and 10.7% respectively at market close. Notably, Synopsys also withdrew its annual and quarterly guidance after receiving a notification from the US BIS, uncertain of its ability to continue selling products to China going forward.

■ **BaTeLab's self-developed EDA platform insulates it from the latest export restrictions.** We believe the company stands to benefit from the restriction due to its unique full-stack analog IC design capability. Unlike traditional fabless semi companies that rely heavily on overseas EDA software and third-party IP vendors, BaTeLab has developed a full-stack design platform for analog ICs, integrating EDA tools, IP libraries, and design processes under one roof. Such vertical integration empowers the company to efficiently develop and deliver patterned wafers in a more fragmented and increasingly localized supply chain. In our view, as global EDA access becomes more constrained, the company's independence from overseas toolchain is a strategic asset, particularly in China's long-tail analog IC market. As of end-2024, the company has incorporated over 600 IP modules and implemented a Tool-IP-Design (TID) framework that significantly reduces the chip design barrier.

■ **Reiterate BUY, with TP unchanged at HK\$69.5, implying a 22.4% upside.** We view BaTeLab as a key beneficiary riding on the semi localization trend on top of its EDA self-sufficiency, which will help the company maintain its robust revenue growth and high margins amid the rising geopolitical uncertainties. The company currently trades at 14.4x 2025E P/E and 0.48x PEG, which we find attractive compared to its domestic peers' average of 64.0x.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	464	579	770	1,006	1,284
YoY growth (%)	31.6	24.8	33.0	30.8	27.6
Gross margin (%)	55.4	53.0	53.8	53.5	53.3
Net profit (RMB mn)	109.2	166.6	216.7	285.1	363.3
YoY growth (%)	14.6	52.6	30.1	31.5	27.4
EPS (Reported) (RMB)	2.42	2.78	3.61	4.75	6.05
P/E (x)	21.5	18.7	14.4	11.0	8.6
ROE (%)	17.7	18.1	19.5	20.9	21.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$69.50
Up/Downside 22.4%
Current Price HK\$56.80

China Semiconductors

Lily YANG, Ph.D
 (852) 3916 3716
 lilyyang@cmbi.com.hk

Kevin ZHANG
 (852) 3761 8727
 kevinzhang@cmbi.com.hk

Jiahao Jiang
 (852) 39163739
 JiangJiahao@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	3,408.0
Avg 3 mths t/o (HK\$ mn)	7.3
52w High/Low (HK\$)	56.80/23.05
Total Issued Shares (mn)	60.0

Source: FactSet

Shareholding Structure

CICC Financial Trading Ltd	12.6%
Value Partners Group	6.6%

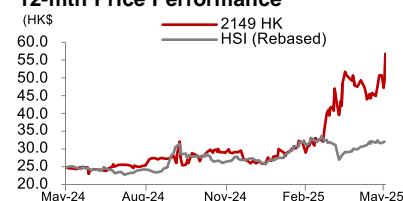
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	19.0%	13.0%
3-mth	96.2%	93.3%
6-mth	96.2%	63.6%

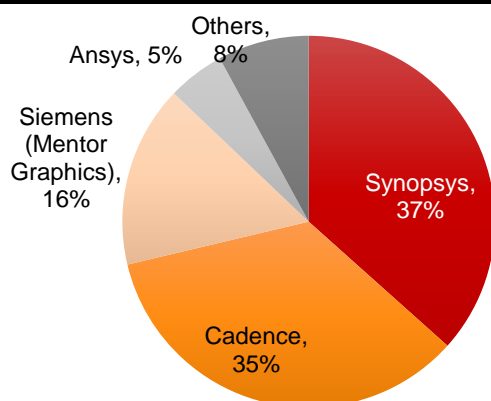
Source: FactSet

12-mth Price Performance



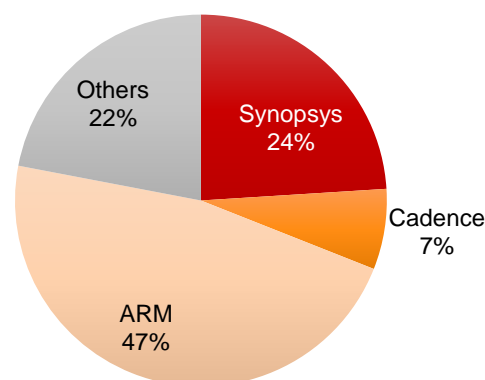
Source: FactSet

Figure 1: EDA market share (2024 TAM: US\$11.3bn)



Source: SEMI, IDC, Bloomberg

Figure 2: IP market share (2024 TAM: US\$7.6bn)



Source: SEMI, IDC, Bloomberg

Figure 3: Peers Table

Company	Ticker	Mkt Cap US\$(mn)	Price (LC)	P/E		EPS(US\$)	
				FY25E	FY26E	FY25E	FY26E
BaTeLab	2149 HK	456	56.80	14.4	11.0	0.50	0.66
SG Micro	300661 CH	6,071	92.22	62.2	43.9	0.21	0.29
Novosense	688052 CH	3,621	182.80	-	144.4	-0.03	0.18
3Peak	688536 CH	2,672	145.01	115.3	55.8	0.17	0.36
Joulwatt	688141 CH	1,869	30.10	-	144.0	-0.05	0.03
Average				64.0	79.8	0.2	0.3
TI	TXN US	168,058	184.99	33.8	28.2	5.48	6.56
Analog Devices	ADI US	107,066	215.75	29.1	24.5	7.42	8.81
Average				31.4	26.3	6.5	7.7

Source: Company data, Bloomberg

Note: data as of market close on 30 May

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	353	464	579	770	1,006	1,284
Cost of goods sold	(153)	(207)	(272)	(355)	(467)	(600)
Gross profit	199	257	307	414	539	684
Operating expenses	(101)	(144)	(133)	(187)	(243)	(310)
Admin expense	(22)	(26)	(32)	(42)	(55)	(70)
R&D expense	(85)	(119)	(129)	(165)	(209)	(260)
Others	6	2	28	20	21	21
Operating profit	98	113	174	227	296	375
Interest expense	(2)	(4)	(8)	(11)	(12)	(13)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	97	109	166	216	284	362
Income tax	(2)	0	1	1	1	1
After tax profit	95	109	167	217	285	363
Minority interest	0	0	0	0	0	0
Net profit	95	109	167	217	285	363

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	530	1,166	1,451	1,712	2,054	2,468
Cash & equivalents	163	551	636	888	1,004	1,151
Account receivables	67	69	52	71	89	115
Inventories	76	218	315	308	384	471
Prepayment	203	261	396	385	503	642
Other current assets	21	67	52	61	73	88
Non-current assets	66	105	158	186	224	269
PP&E	59	62	62	71	84	101
Right-of-use assets	3	7	4	7	9	12
Intangibles	0	0	1	1	1	2
Other non-current assets	3	35	91	107	129	155
Total assets	596	1,271	1,609	1,899	2,277	2,737
Current liabilities	195	427	602	675	768	863
Short-term borrowings	96	172	320	373	393	404
Account payables	96	249	278	297	369	453
Lease liabilities	4	7	4	5	6	7
Other non-current liabilities	5	6	2	2	3	3
Total liabilities	200	433	604	677	770	867
Share capital	45	60	60	60	60	60
Other reserves	351	778	945	1,162	1,447	1,810
Total shareholders equity	396	838	1,005	1,222	1,507	1,870
Minority interest	0	0	0	0	0	0
Total equity and liabilities	596	1,271	1,609	1,899	2,277	2,737

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	97	109	0	216	284	362
Depreciation & amortization	3	6	0	10	13	18
Change in working capital	(110)	(52)	0	19	(140)	(168)
Others	(22)	(33)	0	(13)	(19)	(24)
Net cash from operations	(31)	30	0	232	138	187
Investing						
Capital expenditure	(19)	(44)	(34)	(23)	(31)	(39)
Net proceeds from disposal of short-term investments	464	30	0	0	0	0
Others	(461)	(28)	(30)	0	0	0
Net cash from investing	(15)	(42)	(64)	(23)	(30)	(39)
Financing						
Net cash from financing	63	401	128	43	8	(1)
Net change in cash						
Cash at the beginning of the year	147	163	551	636	888	1,004
Exchange difference	0	(1)	8	0	0	0
Others	16	389	77	252	116	147
Cash at the end of the year	163	551	636	888	1,004	1,151
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	65.7%	31.6%	24.8%	33.0%	30.8%	27.6%
Gross profit	66.1%	29.0%	19.4%	35.0%	30.1%	27.0%
Operating profit	61.8%	15.2%	53.4%	30.5%	30.5%	26.5%
Net profit	67.2%	14.6%	52.6%	30.1%	31.5%	27.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	56.5%	55.4%	53.0%	53.8%	53.5%	53.3%
Operating margin	27.9%	24.5%	30.1%	29.5%	29.4%	29.2%
Return on equity (ROE)	27.4%	17.7%	18.1%	19.5%	20.9%	21.5%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.7	2.7	2.4	2.5	2.7	2.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	24.6	21.5	18.7	14.4	11.0	8.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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