

# BaTeLab (2149 HK)

## Maintaining high profitability amid strategic shifts; Expect stronger 2H25

BaTeLab reported 1H25 revenue of RMB292mn (record sales), largely flat at 0.4% YoY against a high base in 1H24 (RMB291mn, 42% YoY). The Company demonstrated strong profitability, with GPM holding firm at 51.8% (+0.5ppt YoY), while NP rose 14.9% YoY to RMB77mn (NPM up +3.3ppt YoY to 26.4%). 1H25 performance remained solid despite headwinds from tariffs and strategic distributor diversification, with the number of SKUs expanding to 850. BaTeLab remains one of our top convictions in the semiconductor universe. We are optimistic on its long-term growth prospect as it continues to build up its product portfolio and a robust IP/EDA design platform supporting the long-tail industrial market. **Reiterate BUY, with TP unchanged at HK\$93.**

- **SKU expansion remains robust; R&D efficiency intact.** The Company added 130 new SKUs during 1H25 (vs. ~235/275 in FY23/24), bringing its total portfolio to 850. We maintain our forecast of 200+ new SKU adds annually, supporting long-term revenue growth and market penetration.
- **Strategic distributor rebalancing weighed on near-term sales but strengthens long-term resilience.** Mgmt. has proactively reduced reliance on top customer and diversified its distributor network. While this transition temporarily dampens sales growth due to customer realignment and results in higher inventories (up 21% YoY in 1H), it should help reduce geopolitical dependency and improves channel sustainability, in our view.
- **Demand recovery may be underway; Capacity constraints may cap near-term growth.** The industrial analog market is showing signs of recovery, supported by pricing actions by TI and ADI's improving industrial outlook. However, tight foundry capacity may limit 2H25 revenue upside. BaTeLab's prepayments rose by 50%+ YoY in 1H25, showing mgmt.'s efforts in securing capacity. We revise our 2025E revenue growth forecast to 16% YoY (from 25%) to reflect these constraints. Our NP forecast is less affected at RMB202mn, up 21% YoY (vs. prior RMB208mn) due to better operating efficiency.
- **Sustained high profitability.** BaTeLab's patterned wafer business model and in-house EDA platform continue to support its high margins. We expect GPM to remain 50%+ and NPM 26%+ in FY25/26E.
- **Reiterate BUY, given BaTeLab's strategic repositioning, scalable R&D model, and a potentially more secured supply chain strategy.** TP is HK\$93, based on 26.6x 2025E P/E (vs. 25x prev. given tariff concern has eased and distributor network adjustment is almost completed), ~1x PEG (26% 2025-27E NP CAGR), which we feel comfortable and find attractive. The stock is currently trading at 17.4x/13.8x 2025/26E P/E, a significant discount to peers (domestic/ overseas peers' avg.: 113.2x/34.0x FY25E P/E). Potential risks: 1) slower SKU expansion, 2) change in relationship with its core customers, and 3) less capacity.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	464	579	672	841	1,046
YoY growth (%)	31.6	24.8	16.1	25.1	24.4
Gross margin (%)	55.4	53.0	52.4	52.4	52.4
Operating profit (RMB mn)	113.4	174.0	212.9	267.0	331.6
YoY growth (%)	15.2	53.4	22.4	25.4	24.2
Net profit (RMB mn)	109.2	166.6	201.9	255.0	318.9
YoY growth (%)	14.6	52.6	21.2	26.3	25.1
EPS (Reported) (RMB)	2.42	2.78	3.20	4.05	5.06
P/E (x)	23.1	20.1	17.4	13.8	11.0
ROE (%)	17.7	18.1	18.2	19.1	19.6

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** HK\$93.00  
**Up/Downside** 53.0%  
**Current Price** HK\$60.80

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### Stock Data

Mkt Cap (HK\$ mn)	1,094.4
Avg 3 mths t/o (HK\$ mn)	17.4
52w High/Low (HK\$)	73.25/25.25
Total Issued Shares (mn)	18.0

Source: FactSet

### Shareholding Structure

ASIAN EQUITY SPECIAL OPPORTUNITY	10.0%
CICC Financial Trading	8.4%

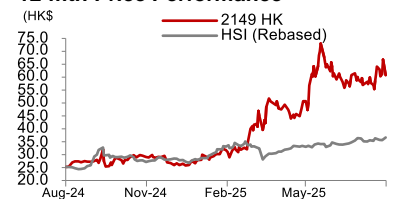
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	3.1%	1.3%
3-mth	19.9%	8.1%
6-mth	94.9%	73.8%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

Figure 1: CMBIGM earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	672	841	1,046	726	933	1,172	-7%	-10%	-11%
Gross profit	352	441	549	391	503	632	-10%	-12%	-13%
Net profit	202	255	319	208	271	342	-3%	-6%	-7%
EPS (RMB)	3.20	4.05	5.06	3.47	4.51	5.70	-8%	-10%	-11%
Gross margin	52.4%	52.4%	52.4%	53.9%	53.9%	53.9%	-1.5 ppt	-1.5 ppt	-1.5 ppt
Net margin	30.0%	30.3%	30.5%	28.7%	29.0%	29.2%	1.4 ppt	1.3 ppt	1.3 ppt

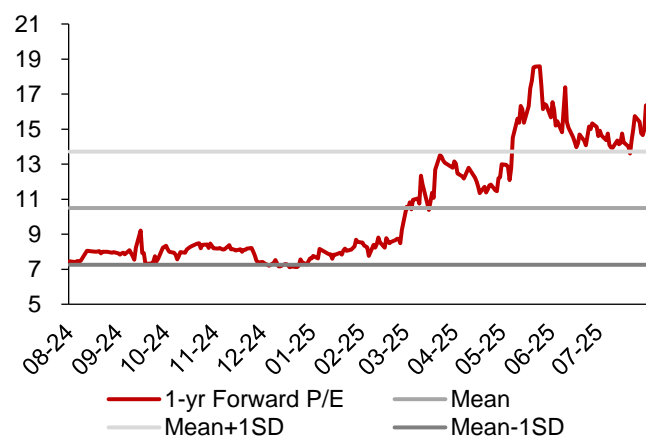
Source: CMBIGM estimates

Figure 2: Peers table

Company	Ticker	Mkt Cap (US\$mn)	Price (LC)	P/E (x)			EPS (US\$)		
				FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
3PEAK	688536 CH	2,898	153.15	155.2	72.9	48.1	0.14	0.29	0.44
SG MICRO	300661 CH	6,847	79.45	71.3	48.4	39.3	0.16	0.23	0.28
Average				113.2	60.7	43.7	0.1	0.3	0.4
Texas Instr	TXN US	187,337	206.06	35.4	29.7	24.7	5.82	6.95	8.35
Analog Dev	ADI US	124,071	252.20	32.5	27.0	23.1	7.76	9.34	10.90
Average				34.0	28.3	23.9	6.8	8.1	9.6

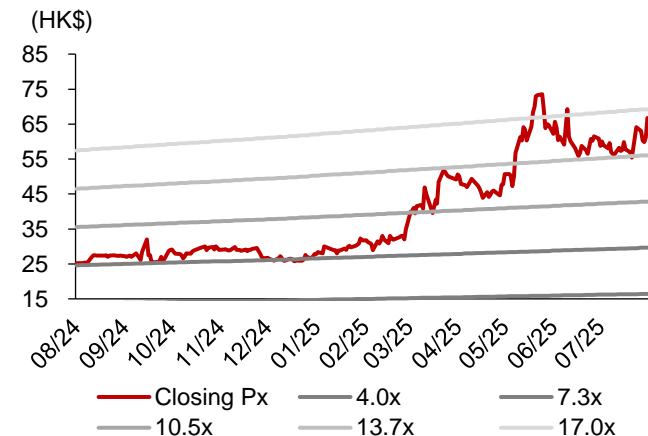
Source: Bloomberg, CMBIGM

Figure 3: Forward P/E chart



Source: Company data, CMBIGM estimates

Figure 4: P/E band



Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	353	464	579	672	841	1,046
Cost of goods sold	(153)	(207)	(272)	(320)	(400)	(498)
Gross profit	199	257	307	352	441	549
Operating expenses	(101)	(144)	(133)	(140)	(174)	(217)
Admin expense	(22)	(26)	(32)	(35)	(44)	(54)
R&D expense	(85)	(119)	(129)	(127)	(154)	(187)
Others	6	2	28	22	24	25
Operating profit	98	113	174	213	267	332
Interest expense	(2)	(4)	(8)	(11)	(12)	(13)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	97	109	166	202	255	319
Income tax	(2)	0	1	0	0	0
After tax profit	95	109	167	202	255	319
Minority interest	0	0	0	0	0	0
Net profit	95	109	167	202	255	319

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	530	1,166	1,451	1,680	1,983	2,346
Cash & equivalents	163	551	636	825	974	1,141
Account receivables	67	69	52	59	65	72
Inventories	76	218	315	332	369	422
Prepayment	203	261	396	403	505	628
Other current assets	21	67	52	60	71	83
Non-current assets	66	105	158	181	212	248
PP&E	59	62	62	69	79	91
Right-of-use assets	3	7	4	6	8	9
Intangibles	0	0	1	1	1	1
Other non-current assets	3	35	91	105	124	147
Total assets	596	1,271	1,609	1,861	2,195	2,594
Current liabilities	195	427	602	649	728	807
Short-term borrowings	96	172	320	362	380	406
Account payables	96	249	278	283	342	394
Lease liabilities	4	7	4	5	5	6
Other non-current liabilities	5	6	2	2	3	3
Total liabilities	200	433	604	651	730	810
Share capital	45	60	60	63	63	63
Other reserves	351	778	945	1,147	1,402	1,721
Total shareholders equity	396	838	1,005	1,210	1,465	1,784
Minority interest	0	0	0	0	0	0
Total equity and liabilities	596	1,271	1,609	1,861	2,195	2,594

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
<b>Operating</b>						
Profit before taxation	97	109	166	202	255	319
Depreciation & amortization	3	6	8	10	12	16
Change in working capital	(110)	(52)	(177)	(26)	(85)	(131)
Others	(22)	(33)	16	(10)	(16)	(21)
<b>Net cash from operations</b>	<b>(31)</b>	<b>30</b>	<b>14</b>	<b>175</b>	<b>166</b>	<b>184</b>
<b>Investing</b>						
Capital expenditure	(19)	(44)	(34)	(20)	(25)	(32)
Net proceeds from disposal of short-term investments	464	30	0	0	0	0
Others	(461)	(28)	(30)	0	0	0
<b>Net cash from investing</b>	<b>(15)</b>	<b>(42)</b>	<b>(64)</b>	<b>(20)</b>	<b>(25)</b>	<b>(31)</b>
<b>Financing</b>						
<b>Net cash from financing</b>	<b>63</b>	<b>401</b>	<b>128</b>	<b>34</b>	<b>8</b>	<b>15</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	147	163	551	636	825	974
Exchange difference	0	(1)	8	0	0	0
Others	16	389	77	189	149	167
<b>Cash at the end of the year</b>	<b>163</b>	<b>551</b>	<b>636</b>	<b>825</b>	<b>974</b>	<b>1,141</b>
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	65.7%	31.6%	24.8%	16.1%	25.1%	24.4%
Gross profit	66.1%	29.0%	19.4%	14.8%	25.1%	24.4%
Operating profit	61.8%	15.2%	53.4%	22.4%	25.4%	24.2%
Net profit	67.2%	14.6%	52.6%	21.2%	26.3%	25.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	56.5%	55.4%	53.0%	52.4%	52.4%	52.4%
Operating margin	27.9%	24.5%	30.1%	31.7%	31.7%	31.7%
Return on equity (ROE)	27.4%	17.7%	18.1%	18.2%	19.1%	19.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.7	2.7	2.4	2.6	2.7	2.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	26.4	23.1	20.1	17.4	13.8	11.0

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

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