

Wingtech (600745 CH)

Entering 2025 with a clean slate, with the worst left behind

Wingtech announced its preliminary FY24 results. The company expects a net loss to be around RMB3.5-4.55bn (vs. RMB1.1bn NP in FY23). Mgmt. attributed the NL primarily to 1) impairment related to the sale of ODM business announced in Dec ([link](#)), 2) a write-down on deferred tax assets, and 3) further goodwill impairments (RMB600mn/RMB500mn in 2022/23, with RMB200mn to be fully impaired in 2024). Despite short-term financial setbacks, we believe Wingtech is better-positioned for LT value creation as it moves forward with a lighter load as it transforms itself to a predominately semiconductor-focused company. **Maintain BUY with TP unchanged at RMB52.**

- **Net loss in FY24 due to one-off impairments from ODM spin-off.** Per Counterpoint, the top three ODM players (Longcheer, Huaqin, Wingtech) accounted for 75% of total market in 1H24 in China. Wingtech ranked third with 17% share, down 3ppts vs. 1H23. Despite a challenging 1H24, its ODM business continued to improve in 4Q (after +46%/15% YoY/QoQ in 3Q), with a record revenue (est. double-digit YoY and single-digit QoQ). Excluding the impairments (ODM business spin-off, write-down on DTA, and goodwill), the segment turned profitable in 4Q as mgmt. expected. However, ODM is a low-margin business, with the top three ODM players in China seeing <3% NPM on average in 9M24. We see No.2 player **Huaqin (603296 CH, NR)** is actively diversifying its business portfolio towards higher-margin opportunities ([recently acquired 75% of HCTRobot](#)). We believe Wingtech is better-positioned now as it moves forward with a lighter load.
- **Semi business continued to show resilience amid seasonal slowdown.** Semi business revenue grew sequentially in FY24 (2Q/3Q: 10/15% QoQ). While 4Q24 sales faced seasonal softness, the business still recorded single-digit YoY (~7%) and flattish QoQ growth, driven by strong demand in consumer, data center, and auto sectors. Notably, China contributed ~40% of total semi revenue, offsetting weakness overseas resulting from continued inventory correction. 4Q GPM was near 2Q level (1Q/2Q/3Q: 31.0%/38.7%/40.5%). Mgmt. expects overseas auto OEMs to resume restocking in 2025, with auto revenue currently accounting for 60% of total semi revenue.
- **Looking forward, we expect to see more upside in Wingtech's valuation,** lifted by 1) increasing semiconductor revenue share, 2) robust domestic auto demand with gradual recovery overseas, and 3) a re-rating opportunity given its business transformation to being a semi-centric company. **Maintain BUY, with TP unchanged at RMB52, corresponding to 24.8x FY25E P/E,** based on unchanged financial forecasts. Potential risks include heightened US-China trade relations, unfavourable exchange rates, and weaker-than-expected overseas auto inventory correction.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	58,079	61,213	72,306	80,197	84,823
YoY growth (%)	10.1	5.4	18.1	10.9	5.8
Gross margin (%)	18.2	16.1	10.4	13.2	14.8
Operating profit (RMB mn)	3,775.8	3,438.9	1,636.3	4,182.3	5,701.2
YoY growth (%)	28.6	(8.9)	(52.4)	155.6	36.3
Net profit (RMB mn)	1,459.8	1,181.2	911.4	2,610.7	3,784.6
YoY growth (%)	(44.1)	(19.1)	(22.8)	186.4	45.0
EPS (Reported) (RMB)	1.17	0.95	0.73	2.10	3.05
P/E (x)	28.4	34.9	45.3	15.8	10.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB52.00
Up/Downside 56.6%
Current Price RMB33.20

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Stock Data

Mkt Cap (RMB mn)	41,261.0
Avg 3 mths t/o (RMB mn)	1,676.5
52w High/Low (RMB)	49.98/24.23
Total Issued Shares (mn)	1242.8

Source: FactSet

Shareholding Structure

WENTIANXIA TECH GRP	12.4%
WUXI GUOLIAN INTE CIR INV	8.8%

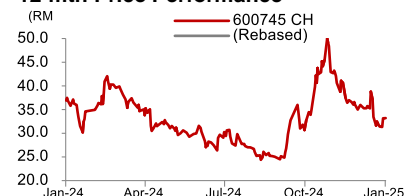
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-5.4%	NM
3-mth	7.4%	NM
6-mth	11.0%	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	52,729	58,079	61,213	72,306	80,197	84,823
Cost of goods sold	(44,200)	(47,534)	(51,369)	(64,755)	(69,634)	(72,288)
Gross profit	8,528	10,545	9,844	7,551	10,563	12,534
Operating expenses	(5,592)	(6,769)	(6,405)	(5,915)	(6,381)	(6,833)
Selling expense	(760)	(919)	(886)	(899)	(930)	(984)
Admin expense	(2,026)	(2,320)	(2,277)	(1,954)	(2,113)	(2,234)
SG&A expense	(117)	(136)	(184)	(145)	(133)	(141)
R&D expense	(2,689)	(3,394)	(3,057)	(2,916)	(3,205)	(3,474)
Operating profit	2,936	3,776	3,439	1,636	4,182	5,701
Other income	388	436	292	214	205	174
Other expense	(382)	(560)	(570)	(692)	(556)	(560)
Gain/loss on financial assets at FVTPL	72	(371)	4	83	0	0
Investment gain/loss	67	61	25	218	80	85
Other gains/(losses)	(134)	(1,229)	(1,202)	(78)	(501)	(451)
EBITDA	2,948	2,112	1,988	1,381	3,411	4,949
Other income/expense	24	(5)	(8)	(9)	3	3
Pre-tax profit	2,972	2,107	1,980	1,372	3,414	4,952
Income tax	(460)	(747)	(1,014)	(443)	(853)	(1,238)
After tax profit	2,513	1,360	967	929	2,560	3,714
Minority interest	(99)	(100)	(215)	18	(50)	(71)
Net profit	2,612	1,460	1,181	911	2,611	3,785
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	30,446	29,829	29,748	31,870	34,280	35,126
Cash & equivalents	11,250	7,873	5,637	7,079	9,581	11,732
Restricted cash	(745)	955	572	142	142	142
Account receivables	9,633	8,615	9,398	9,659	9,545	9,372
Inventories	6,299	10,132	10,596	11,048	11,083	9,911
Prepayment	284	204	144	284	271	310
Financial assets at FVTPL	2,731	843	1,204	2,421	2,421	2,421
Other current assets	993	1,206	2,197	1,238	1,238	1,238
Non-current assets	42,130	46,861	47,220	48,464	48,255	48,431
PP&E	8,138	10,524	11,154	13,768	14,204	14,680
Right-of-use assets	898	859	579	509	470	449
Deferred income tax	1,027	1,285	1,219	1,337	1,337	1,337
Investment in JVs & assos	196	500	452	345	345	345
Intangibles	4,527	4,991	5,584	5,515	5,407	5,214
Goodwill	22,697	22,188	21,697	21,697	21,698	21,699
Financial assets at FVTPL	587	434	416	390	122	(120)
Other non-current assets	4,060	6,080	6,119	4,903	4,672	4,828
Total assets	72,576	76,690	76,968	80,334	82,536	83,557
Current liabilities	23,727	26,674	27,649	26,031	26,114	25,464
Short-term borrowings	3,537	7,951	9,286	6,667	6,730	7,254
Account payables	17,753	16,163	16,441	17,805	17,819	16,643
Tax payable	411	381	290	261	261	261
Other current liabilities	1,122	909	694	391	391	391
Contract liabilities	96	68	17	45	53	55
Accrued expenses	809	1,201	921	861	861	861
Non-current liabilities	14,332	13,402	11,653	15,699	15,369	13,662
Long-term borrowings	4,218	2,617	278	3,784	3,455	1,747
Bond payables	7,190	7,556	7,943	8,225	8,225	8,225
Obligations under finance leases	683	621	437	395	395	395
Deferred income	1,119	1,482	1,914	2,217	2,217	2,217
Other non-current liabilities	1,122	1,126	1,081	1,078	1,078	1,078
Total liabilities	38,060	40,076	39,302	41,730	41,483	39,126
Share capital	2,790	2,790	2,786	2,786	2,786	2,786
Capital surplus	(294)	(197)	(200)	(200)	(200)	(200)
Retained earnings	5,945	7,668	9,023	9,926	12,424	15,873
Other reserves	25,258	25,638	25,557	25,575	25,575	25,575
Total shareholders equity	33,699	35,899	37,166	38,087	40,585	44,035
Minority interest	817	715	499	517	467	396
Total equity and liabilities	72,576	76,690	76,968	80,334	82,536	83,557

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,513	1,360	967	929	2,560	3,714
Depreciation & amortization	1,961	2,714	3,020	2,808	3,241	3,574
Tax paid	220	81	510	185	0	0
Change in working capital	(3,940)	(4,632)	(664)	1,061	4	126
Others	995	2,140	1,993	407	705	599
Net cash from operations	1,749	1,664	5,824	5,390	6,511	8,013
Investing						
Capital expenditure	(5,092)	(6,927)	(4,891)	(5,216)	(5,366)	(5,487)
Acquisition of subsidiaries/ investments	(453)	(213)	(297)	(353)	347	326
Net proceeds from disposal of short-term investments	31	14	60	227	1,094	524
Others	(431)	0	0	0	0	0
Net cash from investing	(5,945)	(7,127)	(5,127)	(5,342)	(3,925)	(4,637)
Financing						
Dividend paid	(480)	(449)	(303)	(844)	(796)	(1,019)
Net borrowings	7,992	2,671	(2,018)	1,085	(268)	(1,183)
Proceeds from share issues	1,036	13	0	18	0	0
Others	(638)	(227)	(643)	1,130	972	972
Net cash from financing	7,910	2,008	(2,964)	1,389	(92)	(1,231)
Net change in cash						
Cash at the beginning of the year	7,659	11,250	7,873	5,637	7,079	9,581
Exchange difference	(123)	100	32	7	7	7
Others	3,715	(3,476)	(2,268)	1,436	2,494	2,145
Cash at the end of the year	11,250	7,873	5,637	7,079	9,581	11,732
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	2.0%	10.1%	5.4%	18.1%	10.9%	5.8%
Gross profit	12.2%	23.6%	(6.6%)	(23.3%)	39.9%	18.7%
Operating profit	(7.0%)	28.6%	(8.9%)	(52.4%)	155.6%	36.3%
EBITDA	10.1%	(28.4%)	(5.9%)	(30.5%)	147.0%	45.1%
Net profit	8.1%	(44.1%)	(19.1%)	(22.8%)	186.4%	45.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	16.2%	18.2%	16.1%	10.4%	13.2%	14.8%
Operating margin	5.6%	6.5%	5.6%	2.3%	5.2%	6.7%
EBITDA margin	5.6%	3.6%	3.2%	1.9%	4.3%	5.8%
Return on equity (ROE)	8.3%	4.2%	3.2%	2.4%	6.6%	8.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.8	0.9	0.9	0.9	0.8	0.6
Current ratio (x)	1.3	1.1	1.1	1.2	1.3	1.4
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	15.7	28.4	34.9	45.3	15.8	10.9
P/E (diluted)	15.7	28.4	34.9	45.3	15.8	10.9

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

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