

Wingtech (600745 CH)

Valuation to improve on ODM business spin-off

On December 31, 2024, Wingtech signed a “Letter of Intent for Sale” for nine wholly-owned ODM subsidiaries with Luxshare Limited in an all-cash deal. This move follows its recent addition to the US trade blacklist ([news](#)). According to mgmt., this transaction serves two primary purposes: (1) to align with the risk preferences of certain ODM clients, and (2) to mitigate potential risks to its semiconductor leg. The deal reflects a broader 2025 trend of event-driven M&A opportunities in China's semiconductor sector amid strategic geopolitical shifts and favourable policies, as indicated in our 2025 outlook report as a new investment theme ([link](#)). **Maintain BUY on Wingtech, with TP unchanged at RMB52.**

■ **The sale exclusively involves its Android-focused ODM business, a burden on the company's financial performance and valuation.** Together, these subsidiaries held a total asset value of RMB28.2bn as of 9M24, representing 36.1% of the company's total assets and over 50% of total revenue ([triggering one of CSRC's asset restructuring regulations](#)) in 3Q24. In 9M24, the ODM segment contributed ~79% of total revenue but recorded a substantial net loss of RMB1.2bn.

■ **Wingtech will focus on its high-margin semiconductor business, Nexperia.** In 9M24, semi segment generated RMB10.9bn in sales (~20% of total revenue), with GPM at 37% (RMB4bn) and NPM at 16% (RMB1.7bn), outperforming the company's overall 9% GPM and 1% NPM during the same period. In 2Q/3Q24, semi segment saw sequential growth of 6%/6%, driven by 1) strong domestic auto sales, recovering consumer electronics and robust computing demand. We expect the company's semi segment sales to grow by 11.8%/12.9% in FY25/26E, compared to Bloomberg consensus of 9%/9%.

■ **Maintain BUY, with TP unchanged at RMB52, corresponding to 24.8x FY25E P/E.** We expect this business transformation will lead to a higher valuation for Wingtech, as it has almost transformed into a predominately semi-focused company. The company currently trades at 17.7x/12.2x FY25/26E P/E, which is appealing comparing to its domestic peers that trade at an average 25/26E P/E of 30.3x/23.8x. Potential risks include: heightened China-US trade relations, and unfavourable exchange rates.

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)	31.8	39.1	50.7	17.7	12.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB52.00
Up/Downside	40.0%
Current Price	RMB37.15

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Stock Data

Mkt Cap (RMB mn)	46,170.0
Avg 3 mths t/o (RMB mn)	1,680.8
52w High/Low (RMB)	49.98/24.23
Total Issued Shares (mn)	1242.8

Source: FactSet

Shareholding Structure

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

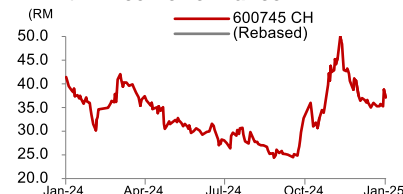
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.9%	NM
3-mth	13.5%	NM
6-mth	33.0%	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Financial information on the nine subsidiaries involved in the transaction

Subsidiaries involved (RMBmn)	9/30/2024			9M24		12/31/2023			FY23	
	Total Assets	Total Liabilities	Net Assets (liab.)	Revenue	Net Profit	Total Assets	Total Liabilities	Net Assets (liab.)	Revenue	Net Profit
嘉兴永瑞电子科技有限公司	1,310	1,774	(464)	1,439	(60)	540	944	(404)	1,126	(364)
上海闻泰信息技术有限公司	777	208	569	268	(67)	799	175	624	821	129
上海闻泰电子科技有限公司	391	257	134	205	(50)	425	245	180	455	67
黄石闻泰通讯有限公司	2,085	1,967	118	1,540	(195)	2,008	1,695	313	3,075	4
Wingtech International Inc.	459	399	60	1,024	(5)	369	304	65	1,532	23
Wingtech Group (HK) Ltd.	16,339	15,559	780	63,658	163	11,313	10,691	622	55,958	116
深圳市闻耀电子科技有限公司	24	2	22	16	1	21	3	19	24	3
闻泰科技(深圳)有限公司	6,797	6,235	562	17,683	9	7,199	6,647	551	21,627	5
昆明闻耀电子科技有限公司	18	0	18	0	(1)	18	0	18	0	(2)
Total of nine sub.	28,200	26,401	1,799	85,833	(205)	22,692	20,704	1,988	84,618	(19)
Company total	78,136	40,092	38,044	53,161	415	76,968	39,302	37,666	61,213	1,181
% of total	36.1%	65.9%	4.7%	161.5%	N/A	29.5%	52.7%	5.3%	138.2%	-1.6%

Source: Company data, CMBIGM

Note: total revenue of subsidiaries exceeds the company's total revenue due to related transactions

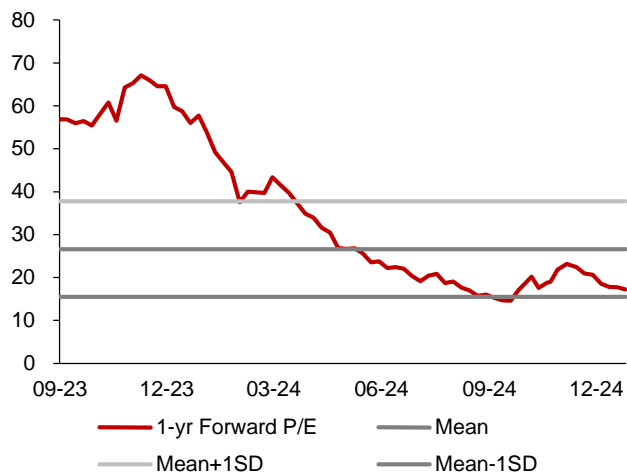
Figure 2: Global and domestic power semi peers table

Company	Ticker	Mkt Cap (US\$mn)	Price (LC)	P/E (x)		EPS (US\$)	
				FY25E	FY26E	FY25E	FY26E
Overseas							
Infineon	IFX GY	42,494	31.40	21.0	15.2	1.55	2.14
Onsemi	ON US	26,847	63.05	14.6	11.5	4.31	5.47
STM	STM US	22,512	24.97	18.3	11.4	1.36	2.19
NXP	NXPI US	52,826	207.85	16.2	13.6	12.80	15.31
Diodes	DIOD US	2,857	61.67	29.9	16.3	2.06	3.78
Vishay	VSH US	2,301	16.94	17.2	-	0.98	N/A
Wolfspeed	WOLF US	851	6.66	-	-	-3.53	-2.17
Average				19.6	13.6	2.8	4.5
Domestic							
Wingtech	600745 CH	6,271	38.78	17.7	12.2	0.29	0.42
Silan	600460 CH	5,636	26.02	52.0	40.1	0.07	0.09
CR Micro	688396 CH	8,323	47.19	44.9	36.6	0.14	0.17
Jiangsu JieJie	300623 CH	3,697	34.16	42.1	33.8	0.11	0.14
Starpower	603290 CH	2,849	89.82	21.0	17.8	0.57	0.68
NCE Power	605111 CH	1,844	33.91	22.9	18.8	0.19	0.24
Yangjie Elec.	300373 CH	3,102	43.52	19.6	15.6	0.29	0.37
Sanan IC	600703 CH	8,052	12.17	36.7	25.6	0.04	0.06
CRRC	688187 CH	7,750	47.92	15.6	13.6	0.41	0.48
Average				30.3	23.8	0.2	0.3

Source: Company data, CMBIGM estimates

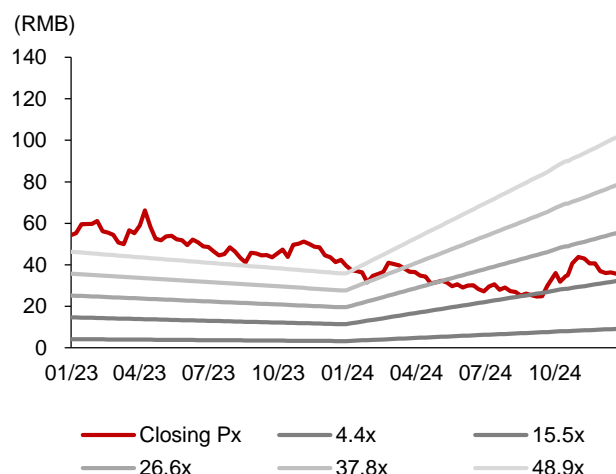
Note: Data as of 2 Jan 2025

Figure 3: 1-yr forward PE band



Source: Company data, Bloomberg

Figure 4: PE chart



Source: Company data, Bloomberg

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	17.6	31.8	39.1	50.7	17.7	12.2
P/E (diluted)	17.6	31.8	39.1	50.7	17.7	12.2

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

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