

BaTeLab (2149 HK)

Analog IC gem with sustained growth potential ahead; TP lifted to HK\$93

We held an NDR with BaTeLab on 10 Jun. Investors' interests revolved around 1) demand outlook, 2) impacts from geopolitical uncertainties, and 3) investment plans for upstream manufacturing resources. We are impressed by the company's clear and sustainable growth strategy after the detailed explanation from the management team. The stock remains one of our top convictions in the semiconductor universe. **Maintain BUY with TP revised up to HK\$93, based on 25x 2025E P/E.**

■ **Industrial market demand is recovering.** After several quarters of weakness, Texas Instruments (TXN US, NR) has recently planned to have a global price adjustment on over 3.3k SKUs to enhance profitability ([news](#)). This resonates with its previous comments at 1Q25 earnings call that *industrial market is showing broad recovery across sectors and geographies*. BaTeLab also observed improved end market demand given a low inventory level in the channel. Mgmt. pointed out that top-line growth will be driven by new SKUs, which is confirmed to be 200+ per year (an achievable target given 275 new SKUs in 2024). We expect higher revenue growth in 2H25 than 1H25, considering 1) a high base in 1H24 (42% YoY), 2) tariff impacts, which led to a temporary halt in downstream orders in 2Q, per mgmt. We expect higher NP growth in 1H25, given lower 1H24 GPM (51.3%). Despite macro uncertainties, we think BaTeLab is able to maintain sustainable top-line and bottom-line growth going forward (20%-30%).

■ **Invest in upstream manufacturing resources to secure supply chain.** BaTeLab's long-tail, SKU-rich analog IC product strategy enables it to experience less volatility during industry downturn and price wars. However, fabrication capacity and supply chain security are vital to the company's success, especially under current geopolitical environment. Based on mgmt, net proceeds from a recent HK\$120mn private placement ([report](#)) will be used for investments in upstream manufacturing resources, to strengthen process control, improve lead time reliability, and mitigate geopolitical risks over the long run. We view this as a strategic step in reinforcing BaTeLab's supply chain resilience and unlocking future growth upside as SKU volume scales up.

■ **Maintain BUY with TP revised up to HK\$93.** Factoring in the US tariffs causing temporary order disruption in 2Q together with other uncertainties, we modestly lower our 2025 revenue/NP forecasts by 6%/4%. Our new TP is based on 25x 2025E P/E (~1x PEG) compared to 18x prev., as BaTeLab's liquidity has been improved after the placement ([report](#)). The company currently trades at 19.3x 2025E P/E and 0.77x PEG, which is attractive in our view (vs. domestic peers' average of 66.1x 2025E P/E). As more domestic analog peers are going to public on HKEX (e.g., [Novosense](#)), we believe there is a potential valuation revision opportunity for BaTeLab.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMBmn)	464	579	726	933	1,172
YoY growth (%)	31.6	24.8	25.4	28.6	25.6
Gross margin (%)	55.4	53.0	53.9	53.9	53.9
Net profit (RMBmn)	109.2	166.6	208.2	270.6	342.1
YoY growth (%)	14.6	52.6	25.0	30.0	26.4
EPS (Reported) (RMB)	2.42	2.78	3.47	4.51	5.70
P/E (x)	27.6	24.0	19.3	14.8	11.7
ROE (%)	17.7	18.1	18.8	20.1	20.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$93.00**
 (Previous TP) HK\$69.50
Up/Downside **27.4%**
Current Price **HK\$73.00**

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Stock Data

Mkt Cap (HK\$ mn)	1,314.0
Avg 3 mths t/o (HK\$ mn)	11.8
52w High/Low (HK\$)	73.00/23.05
Total Issued Shares(mn)	18.0

Source: FactSet

Shareholding Structure

CICC Financial Trading Ltd	12.9%
Asian Equity Special	7.2%

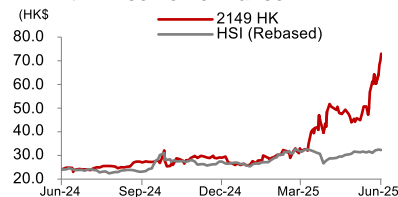
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	60.4%	57.2%
3-mth	125.3%	121.2%
6-mth	151.3%	113.3%

Source: FactSet

12-mth Price Performance



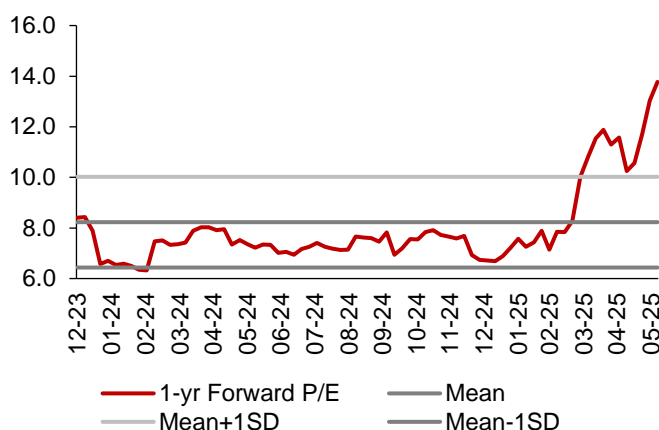
Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	726	933	1,172	770	1,006	1,284	-6%	-7%	-9%
Gross profit	391	503	632	414	539	684	-6%	-7%	-8%
Net profit	208	271	342	217	285	363	-4%	-5%	-6%
EPS (RMB)	3.47	4.51	5.70	3.61	4.75	6.05	-4%	-5%	-6%
Gross margin	53.9%	53.9%	53.9%	53.8%	53.5%	53.3%	0.1 ppt	0.4 ppt	0.6 ppt
Net margin	28.7%	29.0%	29.2%	28.2%	28.3%	28.3%	0.5 ppt	0.7 ppt	0.9 ppt

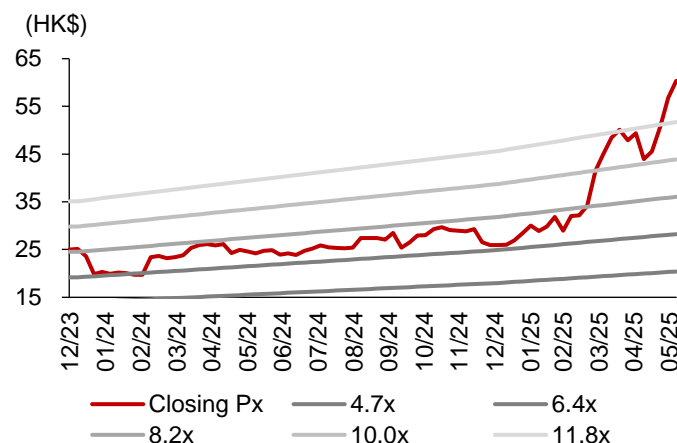
Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: P/E Band



Source: Bloomberg, CMBIGM estimates

Figure 3: P/E Chart



Source: Bloomberg, CMBIGM estimates

Figure 4: Peers table

Company	Ticker	Mkt Cap US\$(mn)	Price (LC)	P/E (x)		Revenue (US\$mn) FY25E	Revenue YoY% FY25E	GPM (%)	
				FY25E	FY26E			FY24	FY25E
BaTeLab	2149 HK	586	73.00	18.5	14.1	107.0	33.0	53.0	53.8
SG Micro	300661 CH	6,083	91.84	61.9	43.8	570.8	22.8	51.5	50.2
Novosen	688052 CH	3,461	174.28	-	137.7	390.7	43.5	32.7	36.8
3Peak	688536 CH	2,669	144.46	117.7	58.2	263.1	55.3	48.2	47.7
Average				66.1	63.4	332.9	38.7	46.3	47.1
TI	TXN US	180,463	198.65	36.2	30.3	17,299.4	10.6	58.1	57.4
ADI	ADI US	115,010	231.76	31.2	26.3	10,619.6	12.7	57.1	69.6
Average				33.7	28.3	13,959.5	11.6	57.6	63.5

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	353	464	579	726	933	1,172
Cost of goods sold	(153)	(207)	(272)	(335)	(430)	(540)
Gross profit	199	257	307	391	503	632
Operating expenses	(101)	(144)	(133)	(173)	(221)	(278)
Admin expense	(22)	(26)	(32)	(39)	(50)	(63)
R&D expense	(85)	(119)	(129)	(156)	(194)	(238)
Others	6	2	28	22	23	24
Operating profit	98	113	174	218	282	354
Interest expense	(2)	(4)	(8)	(11)	(12)	(13)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	97	109	166	207	270	341
Income tax	(2)	0	1	1	1	1
After tax profit	95	109	167	208	271	342
Minority interest	0	0	0	0	0	0
Net profit	95	109	167	208	271	342

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	530	1,166	1,451	1,741	2,067	2,471
Cash & equivalents	163	551	636	826	947	1,112
Account receivables	67	69	52	64	74	93
Inventories	76	218	315	354	412	476
Prepayment	203	261	396	436	560	703
Other current assets	21	67	52	62	74	88
Non-current assets	66	105	158	187	221	263
PP&E	59	62	62	70	82	96
Right-of-use assets	3	7	4	6	9	10
Intangibles	0	0	1	1	1	1
Other non-current assets	3	35	91	109	130	155
Total assets	596	1,271	1,609	1,928	2,288	2,734
Current liabilities	195	427	602	712	802	905
Short-term borrowings	96	172	320	371	402	434
Account payables	96	249	278	337	394	464
Lease liabilities	4	7	4	5	6	7
Other non-current liabilities	5	6	2	2	3	3
Total liabilities	200	433	604	714	804	908
Share capital	45	60	60	60	60	60
Other reserves	351	778	945	1,153	1,424	1,766
Total shareholders equity	396	838	1,005	1,213	1,484	1,826
Minority interest	0	0	0	0	0	0
Total equity and liabilities	596	1,271	1,609	1,928	2,288	2,734

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	97	109	166	207	270	341
Depreciation & amortization	3	6	8	10	13	17
Change in working capital	(110)	(52)	(177)	(31)	(136)	(155)
Others	(22)	(33)	16	(15)	(17)	(23)
Net cash from operations	(31)	30	14	171	130	180
Investing						
Capital expenditure	(19)	(44)	(34)	(22)	(28)	(35)
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)	(22)	(28)	(35)
Financing						
Net cash from financing	63	401	128	40	20	21
Net change in cash						
Cash at the beginning of the year	147	163	551	636	826	947
Exchange difference	0	(1)	8	0	0	0
Others	16	389	77	190	121	165
Cash at the end of the year	163	551	636	826	947	1,112
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	65.7%	31.6%	24.8%	25.4%	28.6%	25.6%
Gross profit	66.1%	29.0%	19.4%	27.5%	28.6%	25.6%
Operating profit	61.8%	15.2%	53.4%	25.6%	29.1%	25.6%
Net profit	67.2%	14.6%	52.6%	25.0%	30.0%	26.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	56.5%	55.4%	53.0%	53.9%	53.9%	53.9%
Operating margin	27.9%	24.5%	30.1%	30.1%	30.2%	30.2%
Return on equity (ROE)	27.4%	17.7%	18.1%	18.8%	20.1%	20.7%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.7	2.7	2.4	2.4	2.6	2.7
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	31.5	27.6	24.0	19.3	14.8	11.7

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

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