

BaTeLab (2149 HK)

Strong 1H24 results signal brighter days ahead

BaTeLab posted strong 1H24 earnings. Revenue grew by 42.1% YoY to RMB291mn driven by 1) continued launch of new industrial products (SKUs reached over 500 in 1H24 from ~400 in FY23), 2) strengthened partnership with key customers (new energy revenue contributed 30% of total revenue in 1H24, and 3) an expanded distribution network (partnership with several new distributors). Net profit grew by 46.3% YoY to RMB67mn. 1H24 revenue/NP accounted for 45%/46% of our full-year estimates (vs. 44%/42% for 1H23). Gross margin declined to 51.3% in 1H24 from 55.2%/55.4% in 1H23/FY23 mainly due to higher inventory provisions. Excluding this impact, GPM remained stable on a YoY basis (1H23: 55.2%). Net profit margin was 23.1% in 1H24, compared to 22.4%/23.5% in 1H23/FY23. The company is one of China's leading industrial-grade analog IC patterned wafer providers with its proprietary EDA tools and a reusable IP library. **We continue to like BaTeLab as the company's 1H24 results confirm its growth trajectory remains intact. Maintain BUY on BaTeLab with unchanged TP at HK\$49.8, based on the same 19x 2024E P/E.**

■ **Expect revenue to maintain strong growth on continued expansion of SKUs.** BaTeLab's revenue has experienced strong growth in the past four years (73.6% 2020-2023 CAGR). One of the key drivers is fast expansion of analog IC patterned wafer product offerings (8/45/157/~400 during 2020-2023). By end-1H24, the number had increased to 500+, confirming the company's strength in R&D and strong execution of the mgmt. team. We expect BaTeLab's FY24/FY25 sales will grow at 40.2%/37.8% YoY, respectively (unchanged estimates). In addition, BaTeLab has built stronger partnership with distributors. In 1H24, 90% of the company's revenue came from sales through distributors, up from 87.5% in FY23. We believe this is a smart strategy as the company leverages distributors' sales channels while reducing reliance on any single customer.

■ **Maintain BUY rating with unchanged TP at HK\$49.8.** Despite that the 1H24 GPM (51.3%) was lower than our full-year forecast of 53.8%, it was mainly an accounting adjustment effect (higher inventory provisions). We remain confident that the company can maintain its GPM at 53-55% in 2024-26E. Maintain BUY on BaTeLab with an unchanged TP at HK\$49.8, based on the same 19x 2024E P/E (1-year historical avg. forward P/E of its semiconductor peers listed on HK stock market). The stock is currently trading at 10x/7x 2024/25E P/E, which is very attractive in our view. Potential risks: 1) volatile economic conditions; 2) change in relationship with its core customers or suppliers; and 3) slower-than-expected introduction of new product categories.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMBmn)	353	464	650	896	1,220
YoY growth (%)	65.7	31.6	40.2	37.8	36.1
Gross margin (%)	56.5	55.4	53.8	54.3	54.3
Operating profit (RMBmn)	98.5	113.4	154.4	220.0	314.2
YoY growth (%)	61.8	15.2	36.1	42.5	42.8
Net profit (RMBmn)	95.3	109.2	146.3	210.5	305.2
YoY growth (%)	67.2	14.6	34.0	43.9	45.0
P/E (x)	11.6	10.2	10.1	7.0	4.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$49.80
Up/Downside 102.4%
Current Price HK\$24.60

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Stock Data

Mkt Cap (HK\$ mn)	1,476.0
Avg 3 mths t/o (HK\$ mn)	0.2
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	60.0

Source: FactSet

Shareholding Structure

Li Zhen	53.5%
Zhang Guangping	39.5%

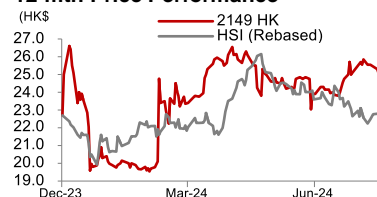
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	3.4%	8.8%
3-mth	-3.7%	7.3%
6-mth	24.5%	16.0%

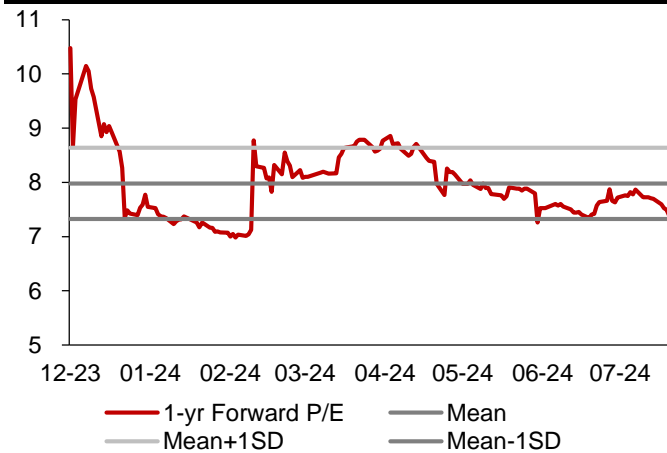
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12-mth Price Performance



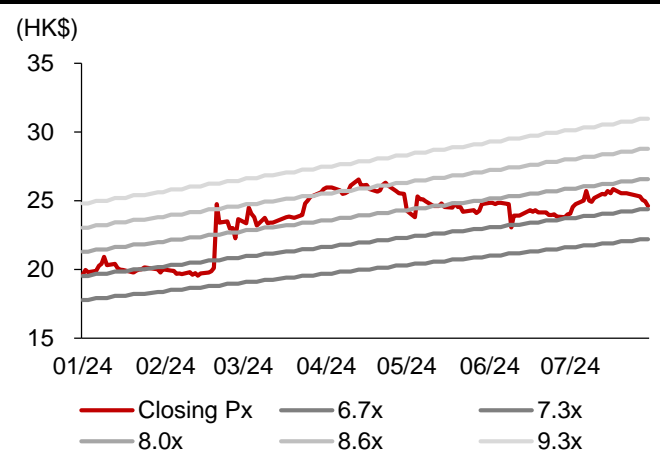
Source: FactSet

Figure 1: 1-yr forward PE band



Source: Company data, Bloomberg

Figure 2: PE chart



Source: Company data, Bloomberg

Figure 3: Company financials

(RMB mn)	2022A	2023A	1H24A	2H24E	2024E	2025E	2026E
Power management IC revenue	294.8	408.3	256.5	317.5	574.0	792.2	1,082.1
yoy%	52.8%	38.5%	42.8%	38.8%	40.6%	38.0%	36.6%
%	83.6%	88.0%	88.3%	88.2%	88.3%	88.4%	88.7%
Signal chain revenue	57.7	55.6	34.1	42.4	76.3	104.1	137.9
yoy%	191.3%	-3.7%	37.2%	37.6%	37.3%	36.3%	32.5%
%	16.4%	12.0%	11.7%	11.8%	11.7%	11.6%	11.3%
Total sales	352.5	463.9	290.6	359.8	650.4	896.2	1,220.00
yoy%	65.7%	31.6%	42.1%	38.7%	40.2%	37.8%	36.1%
Cost of sales	-153.0	-207.0	-141.6	-158.4	-300.0	-409.0	-558.0
Gross profit	199.0	257.0	149.0	201.4	350.0	487.0	662.0
YoY%	66.1%	29.0%	31.9%	39.9%	36.1%	39.1%	36.1%
GPM%	56.5%	55.4%	51.3%	56.0%	53.8%	54.3%	54.3%
Other income and net gains	10.0	8.0	17.1	-7.1	10.0	10.0	10.0
YoY%	139.6%	-17.4%	202.8%	-400.3%	20.6%	1.1%	-1.0%
Operating expenses	-111.0	-152.0	-92.0	-113.0	-205.0	-277.0	-358.0
YoY%	74.9%	37.2%	28.0%	41.1%	35.3%	34.7%	29.4%
% rev.	-31.4%	-32.7%	31.7%	31.4%	-31.6%	-30.9%	-29.3%
Operating income	98.0	113.0	74.0	81.4	154.0	220.0	314.0
YoY%	61.8%	15.2%	58.8%	22.8%	36.1%	42.5%	42.8%
OPM%	27.9%	24.5%	25.5%	22.6%	23.7%	24.5%	25.8%
Net profit attributable to shareholders	95	109	67.1	78.9	146	210	305
YoY%	67.2%	14.6%	46.3%	24.9%	34.0%	43.9%	45.0%
NPM%	27.0%	23.5%	23.1%	21.9%	22.5%	23.5%	25.0%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMBmn)						
Revenue	213	353	464	650	896	1,220
Cost of goods sold	(93)	(153)	(207)	(300)	(409)	(558)
Gross profit	120	199	257	350	487	662
Operating expenses	(59)	(101)	(144)	(196)	(267)	(348)
Admin expense	(14)	(22)	(26)	(34)	(46)	(60)
R&D expense	(48)	(85)	(119)	(163)	(220)	(285)
Others	2	6	2	1	(1)	(4)
Operating profit	61	98	113	154	220	314
Interest expense	(4)	(2)	(4)	(6)	(6)	(4)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	57	97	109	149	214	310
Income tax	0	(2)	0	(2)	(3)	(5)
After tax profit	57	95	109	146	210	305
Minority interest	0	0	0	0	0	0
Net profit	57	95	109	146	210	305

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMBmn)						
Current assets	311	530	1,166	1,349	1,616	2,027
Cash & equivalents	147	163	551	563	622	746
Account receivables	32	67	69	91	130	191
Inventories	56	76	218	300	362	463
Prepayment	76	203	261	341	439	549
Other current assets	0	21	67	53	63	78
Non-current assets	45	66	105	130	160	172
PP&E	7	59	62	115	143	151
Right-of-use assets	5	3	7	7	8	10
Intangibles	0	0	0	1	1	1
Other non-current assets	33	3	35	7	8	10
Total assets	356	596	1,271	1,478	1,776	2,199
Current liabilities	51	195	427	483	567	682
Short-term borrowings	31	96	172	179	189	196
Account payables	19	96	249	295	367	473
Lease liabilities	2	4	7	9	11	13
Other non-current liabilities	4	5	6	11	13	17
Total liabilities	55	200	433	494	581	699
Share capital	45	45	60	60	60	60
Other reserves	256	351	778	925	1,135	1,440
Total shareholders equity	301	396	838	985	1,195	1,500
Minority interest	0	0	0	0	0	0
Total equity and liabilities	356	596	1,271	1,478	1,776	2,199

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMBmn)						
Operating						
Profit before taxation	57	97	109	149	214	310
Depreciation & amortization	3	3	6	8	12	15
Change in working capital	(53)	(110)	(52)	(138)	(125)	(167)
Others	3	(22)	(33)	46	(10)	(18)
Net cash from operations	9	(31)	30	65	91	139
Investing						
Capital expenditure	(36)	(19)	(44)	(62)	(40)	(24)
Net proceeds from disposal of short-term investments	106	464	30	0	0	0
Others	(50)	(461)	(28)	2	1	1
Net cash from investing	20	(15)	(42)	(60)	(40)	(23)
Financing						
Net cash from financing	105	63	401	7	7	7
Net change in cash						
Cash at the beginning of the year	13	147	163	551	563	622
Exchange difference	0	0	(1)	0	0	0
Others	133	16	389	12	59	123
Cash at the end of the year	147	163	551	563	622	746

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

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