

# 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

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

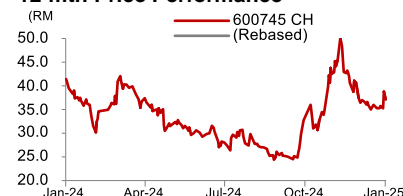
Source: HKEx

### 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)
<b>Total of nine sub.</b>	<b>28,200</b>	<b>26,401</b>	<b>1,799</b>	<b>85,833</b>	<b>(205)</b>	<b>22,692</b>	<b>20,704</b>	<b>1,988</b>	<b>84,618</b>	<b>(19)</b>
<b>Company total</b>	<b>78,136</b>	<b>40,092</b>	<b>38,044</b>	<b>53,161</b>	<b>415</b>	<b>76,968</b>	<b>39,302</b>	<b>37,666</b>	<b>61,213</b>	<b>1,181</b>
% 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

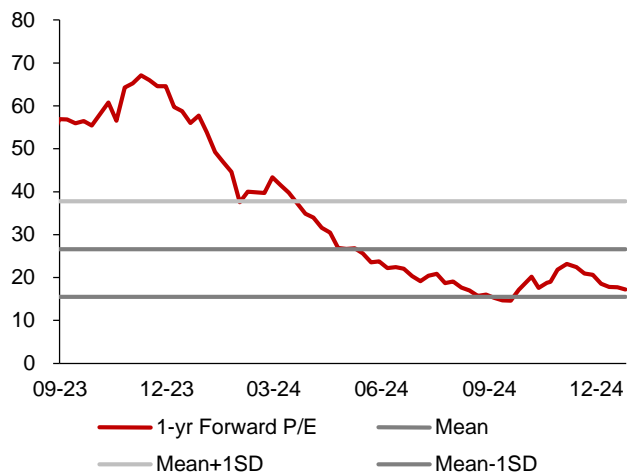
Figure 2: Global and domestic power semi peers table

Company	Ticker	Mkt Cap (US\$mn)	Price (LC)	P/E (x)		EPS (US\$)	
				FY25E	FY26E	FY25E	FY26E
<b>Overseas</b>							
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
<b>Average</b>				<b>19.6</b>	<b>13.6</b>	<b>2.8</b>	<b>4.5</b>
<b>Domestic</b>							
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
<b>Average</b>				<b>30.3</b>	<b>23.8</b>	<b>0.2</b>	<b>0.3</b>

Source: Company data, CMBIGM estimates

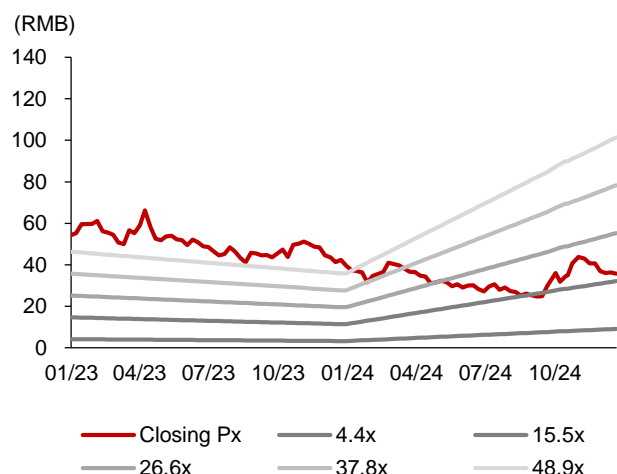
Note: Data as of 2 Jan 2025

**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
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>52,729</b>	<b>58,079</b>	<b>61,213</b>	<b>72,306</b>	<b>80,197</b>	<b>84,823</b>
Cost of goods sold	(44,200)	(47,534)	(51,369)	(64,755)	(69,634)	(72,288)
<b>Gross profit</b>	<b>8,528</b>	<b>10,545</b>	<b>9,844</b>	<b>7,551</b>	<b>10,563</b>	<b>12,534</b>
<b>Operating expenses</b>	<b>(5,592)</b>	<b>(6,769)</b>	<b>(6,405)</b>	<b>(5,915)</b>	<b>(6,381)</b>	<b>(6,833)</b>
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)
<b>Operating profit</b>	<b>2,936</b>	<b>3,776</b>	<b>3,439</b>	<b>1,636</b>	<b>4,182</b>	<b>5,701</b>
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)
<b>EBITDA</b>	<b>2,948</b>	<b>2,112</b>	<b>1,988</b>	<b>1,381</b>	<b>3,411</b>	<b>4,949</b>
Other income/expense	24	(5)	(8)	(9)	3	3
<b>Pre-tax profit</b>	<b>2,972</b>	<b>2,107</b>	<b>1,980</b>	<b>1,372</b>	<b>3,414</b>	<b>4,952</b>
Income tax	(460)	(747)	(1,014)	(443)	(853)	(1,238)
<b>After tax profit</b>	<b>2,513</b>	<b>1,360</b>	<b>967</b>	<b>929</b>	<b>2,560</b>	<b>3,714</b>
Minority interest	(99)	(100)	(215)	18	(50)	(71)
<b>Net profit</b>	<b>2,612</b>	<b>1,460</b>	<b>1,181</b>	<b>911</b>	<b>2,611</b>	<b>3,785</b>
<b>BALANCE SHEET</b>						
	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>30,446</b>	<b>29,829</b>	<b>29,748</b>	<b>31,870</b>	<b>34,280</b>	<b>35,126</b>
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
<b>Non-current assets</b>	<b>42,130</b>	<b>46,861</b>	<b>47,220</b>	<b>48,464</b>	<b>48,255</b>	<b>48,431</b>
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
<b>Total assets</b>	<b>72,576</b>	<b>76,690</b>	<b>76,968</b>	<b>80,334</b>	<b>82,536</b>	<b>83,557</b>
<b>Current liabilities</b>	<b>23,727</b>	<b>26,674</b>	<b>27,649</b>	<b>26,031</b>	<b>26,114</b>	<b>25,464</b>
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
<b>Non-current liabilities</b>	<b>14,332</b>	<b>13,402</b>	<b>11,653</b>	<b>15,699</b>	<b>15,369</b>	<b>13,662</b>
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
<b>Total liabilities</b>	<b>38,060</b>	<b>40,076</b>	<b>39,302</b>	<b>41,730</b>	<b>41,483</b>	<b>39,126</b>
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
<b>Total shareholders equity</b>	<b>33,699</b>	<b>35,899</b>	<b>37,166</b>	<b>38,087</b>	<b>40,585</b>	<b>44,035</b>
Minority interest	817	715	499	517	467	396
<b>Total equity and liabilities</b>	<b>72,576</b>	<b>76,690</b>	<b>76,968</b>	<b>80,334</b>	<b>82,536</b>	<b>83,557</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>2,513</b>	<b>1,360</b>	<b>967</b>	<b>929</b>	<b>2,560</b>	<b>3,714</b>
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
<b>Net cash from operations</b>	<b>1,749</b>	<b>1,664</b>	<b>5,824</b>	<b>5,390</b>	<b>6,511</b>	<b>8,013</b>
<b>Investing</b>						
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
<b>Net cash from investing</b>	<b>(5,945)</b>	<b>(7,127)</b>	<b>(5,127)</b>	<b>(5,342)</b>	<b>(3,925)</b>	<b>(4,637)</b>
<b>Financing</b>						
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
<b>Net cash from financing</b>	<b>7,910</b>	<b>2,008</b>	<b>(2,964)</b>	<b>1,389</b>	<b>(92)</b>	<b>(1,231)</b>
<b>Net change in cash</b>						
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
<b>Cash at the end of the year</b>	<b>11,250</b>	<b>7,873</b>	<b>5,637</b>	<b>7,079</b>	<b>9,581</b>	<b>11,732</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
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%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
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%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
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
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
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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**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

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