

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**

China Semiconductors

Lily YANG, Ph.D

(852) 3916 3716

lilyyang@cmbi.com.hk

Kevin ZHANG

(852) 3761 8727

kevinzhang@cmbi.com.hk

Jiahao Jiang

(852) 39163739

JiangJiahao@cmbi.com.hk

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%

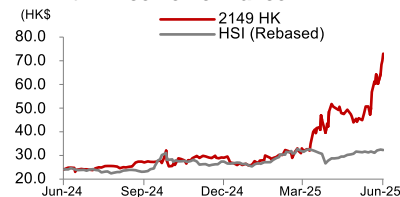
Source: HKEx

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



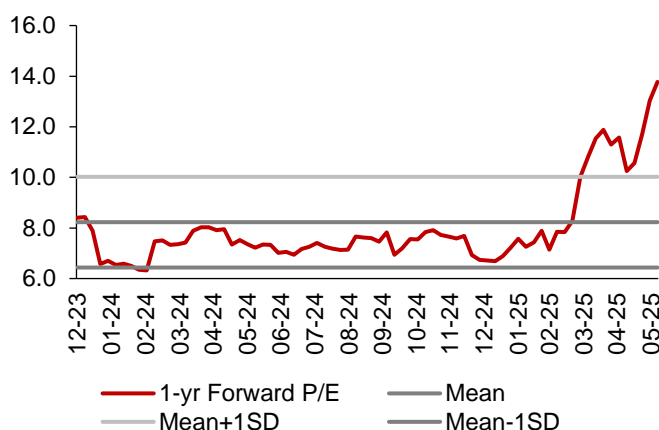
Source: FactSet

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

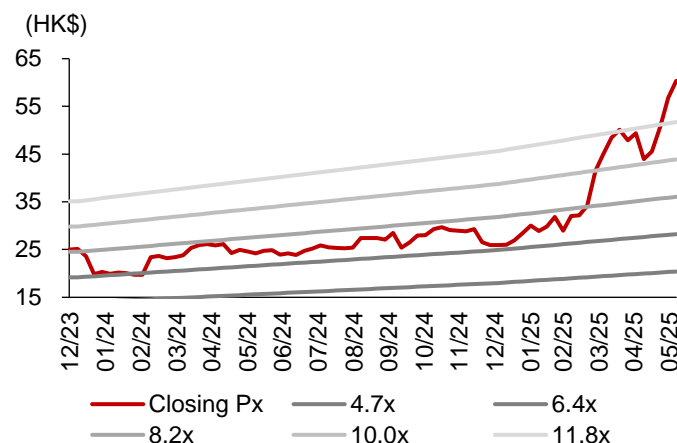
Source: Company data, Bloomberg, CMBIGM estimates

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\$m)	Revenue YoY%	GPM (%)	
				FY25E	FY26E	FY25E	FY25E	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.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
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
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.