

Wingtech (600745 CH)

Both semi/ODM segments showed turnaround signals with sequential growth

Wingtech released 3Q24 results and we attended the mgmt. call. Q3 revenue was RMB19.6bn (a record quarterly revenue since 2020), up 28.7% YoY/12.9% QoQ, beating Bloomberg consensus by 16%. GPM was 11% vs. 9.2%/9.7% in 1Q/2Q24, beating consensus of 10.5%. Net profit was RMB274mn, turning positive after Q2 loss (-RMB3mn). Both ODM and semiconductor segments achieved sequential growth in sales (15%/6% QoQ) and GPM (both up 1.8ppt), suggesting the business gradually recovered from the cyclical trough. **We revise up EPS forecast for 25/26E by 22%/15% on further margin improvement. Maintain BUY with TP adjusted to RMB52, based on 25x 2025E P/E based on 0.5SD below 1-yr historical forward P/E (previously 23.5x reflecting 1SD below) as we think the worst has passed for both segments and turning point is in near sight.**

- Semiconductor sales grew on strong domestic auto demand and seasonal consumer electronics procurement; margin back to 40%.** 3Q semiconductor sales were RMB3.8bn (20% of 3Q revenue), down 4% YoY but up 6% QoQ. Revenue mix remained similar (vs. 1H24), with auto contributing ~60%. For 3Q24, 1) auto sales increased modestly, with mixed growth from domestic (strong) and overseas (weak); 2) consumer electronics sales grew by double digits QoQ, driven by soaring computing demand and recovering personal electronics restocking behaviour due to the upcoming holiday season; 3) industrial/power/NE had weaker recovery with mild growth sequentially. Heading into Q4, we anticipate semiconductor sales to decline 3% QoQ on seasonality, and Q4 GPM to remain stable at 40.5%.
- Legacy ODM grew with revenue structure improvement; net loss narrowed.** ODM sales was RMB15.7bn in 3Q24 (80% of 3Q revenue), up 46% YoY and 15% QoQ. Within the segment, smartphone/tablet contributed ~50% of revenue (vs. ~100% previously). The rest came from home appliances/ auto/IoT sales. Smartphone/tablet business began to profit this quarter, while home appliances profited for two consecutive quarters. GPM rose to 3.8% (vs. 2% in 2Q24) due to higher ASP, lower BOM costs and better operating efficiency. Excluding FX impacts, net loss narrowed in Q3 at less than RMB10mn vs. RMB42mn in Q2. We expect Q4 ODM sales to slightly decrease 2%, a mixed impact from seasonality and platform transition.
- Maintain BUY, with TP adjusted to RMB52, based on 25x 2025E P/E which is 0.5SD below 1-yr historical forward P/E as both segments indicate a turning point towards recovery.** Potential risks include: slower-than-expected recovery in demand, heightened China-US trade relations, and unfavorable 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)	30.9	38.1	49.3	17.2	11.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB52.00
 (Previous TP) RMB48.00
Up/Downside 43.8%
Current Price RMB36.17

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Stock Data

Mkt Cap (RMB mn)	44,952.1
Avg 3 mths t/o (RMB mn)	592.7
52w High/Low (RMB)	53.63/24.23
Total Issued Shares (mn)	1242.8

Source: FactSet

Shareholding Structure

WENTIANXIA TECH GRP	12.4%
WUXI GUOLIAN INTE CIR INV	9.8%

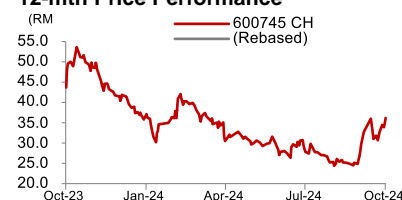
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	35.1%	NM
3-mth	29.9%	NM
6-mth	19.1%	NM

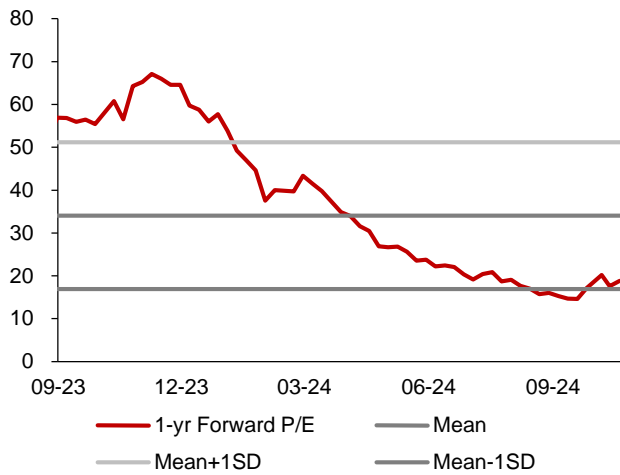
Source: FactSet

12-mth Price Performance



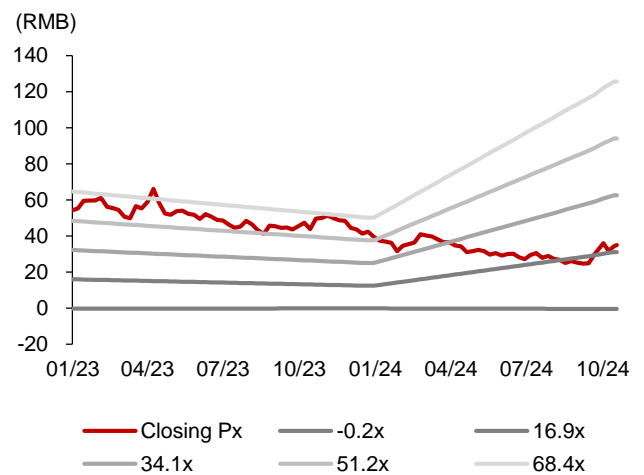
Source: FactSet

Figure 1: 1-yr forward PE band



Source: Company data, Bloomberg

Figure 2: PE chart



Source: Company data, Bloomberg

Figure 3: Earnings revisions

US\$m	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	72,306	80,197	84,823	68,118	75,439	83,251	6%	6%	2%
Gross profit	7,551	10,563	12,534	8,586	11,003	12,651	-12%	-4%	-1%
Net profit	911	2,611	3,785	1,314	2,356	3,269	-31%	11%	16%
EPS (RMB)	0.73	2.10	3.05	0.85	1.73	2.65	-14%	22%	15%
Gross margin	10.4%	13.2%	14.8%	12.6%	14.6%	15.2%	-2.2 ppt	-1.4 ppt	-0.4 ppt
Net margin	1.3%	3.3%	4.5%	1.9%	3.1%	3.9%	-0.7 ppt	0.1 ppt	0.5 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs. Bloomberg consensus

US\$m	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	72,306	80,197	84,823	71,227	79,340	79,340	2%	1%	7%
Gross profit	7,551	10,563	12,534	7,650	9,994	11,683	-1%	6%	7%
Net profit	911	2,611	3,785	923	2,554	3,684	-1%	2%	3%
EPS (RMB)	0.73	2.10	3.05	0.74	2.06	2.96	-1%	2%	3%
Gross margin	10.4%	13.2%	14.8%	10.7%	12.6%	14.7%	-0.3 ppt	0.6 ppt	0.1 ppt
Net margin	1.3%	3.3%	4.5%	1.3%	3.2%	4.6%	0 ppt	0 ppt	-0.2 ppt

Source: Company data, CMBIGM estimates, Bloomberg consensus

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
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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	17.1	30.9	38.1	49.3	17.2	11.9
P/E (diluted)	17.1	30.9	38.1	49.3	17.2	11.9

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

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