

What's Hot Today:

► **Deye Technology (605117 CH, RMB74.49, RMB67.37 bn)**
A better pick in the new energy value chain

Deye Co., Ltd. was founded in 2000 and is headquartered in Ningbo, Zhejiang Province. It started by supplying injection-molded parts and air-conditioning heat exchangers to home appliance enterprises such as Midea. In 2016, the company entered the inverter field, and now its inverter products are mainly exported to overseas markets.

An inverter is a power conversion device that converts direct current (DC) to alternating current (AC), commonly used in the new energy sector such as solar farms and energy storage facilities. The inverter industry is currently benefiting from three aspects: 1) widening application of new energy sources into daily use, which drives the demand for inverters of different power range; 2) continuous growth in the global PV installation; 3) the ample replacement demand as the lifespan of an inverter is roughly 10 years compared to the 25 years of PV modules.

About 74% of the company's businesses is new energy related: **1) Inverters (48%):** It has a complete product portfolio including energy storage inverters, string inverters and micro-inverters, focusing on residential and small industrial/commercial usages. About 90% of its inverters are exported and sold through local distributors in both OBM and OEM. Revenue of the segment saw a robust CAGR of nearly 70% from RMB1.2bn in 2021 to over RMB5.56bn in 2024. The GPM has been maintained consistently at around 48% during the period. **2) Energy storage battery packs (26%):** The company has been actively developing the energy storage battery business by leveraging its well-established sales channel from the inverter products. In just one year, the segment's revenue has tripled to RMB2.45bn in 2024. **3) Home appliance sector:** The sales of its heat exchangers and dehumidifier products have been very solid and ranking first on various e-commerce platforms for several consecutive years in terms of revenue.

China & HK Indices	CLOSE	1D	YTD
HSI	26,086	-0.4%	30.0%
HSCEI	9,260	-0.7%	27.0%
HSCCI	4,379	0.1%	15.8%
CSI300	4,548	2.3%	15.6%
Shanghai A	4,062	1.7%	-1.2%
Shanghai B	264	0.8%	-1.2%
Shenzhen A	2,582	2.5%	26.1%
Shenzhen B	1,363	0.3%	12.4%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	46,108	1.4%	8.4%
S&P 500	6,587	0.8%	12.0%
Nasdaq	22,043	0.7%	14.1%
Nikkei Index	44,709	0.8%	12.1%
FTSE Index	9,297	0.8%	13.8%
CAC Index	7,823	0.8%	6.0%
DAX Index	23,703	0.3%	19.1%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,634	-0.2%	38.4%
STEEL (US\$/oz.)	2,137	1.3%	21.3%
SILVER (US\$/oz.)	41	1.2%	43.7%
CRUDE OIL (US\$/bbl)	62	-2.0%	-13.4%
COPPER (US\$/oz.)	10,051	1.4%	14.6%
ALUMINIUM (US\$/oz.)	2,673	1.9%	4.8%
PLATINUM (US\$/oz.)	1,390	0.1%	51.8%
ZINC (US\$/oz.)	2,900	1.5%	-2.6%
WHEAT (US\$/bu)	503	0.4%	-8.8%
CORN (US\$/bu)	419	0.7%	-5.4%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	1,033	0.8%	0.8%
PVC (US\$/t.)	N/A	N/A	-12.2%
CRB	301	0.6%	3.0%
BDI			111.8%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.789	0.852	147.060	0.796	7.119
HKD	0.128		0.109	18.882	10.220	0.914
EUR	1.174	9.141		172.610	1.071	8.355
JPY	0.007	5.296	0.579		0.541	0.048
CHF	1.256	9.785	1.071	184.783		8.944
RMB	0.140	1.094	0.120	20.676	0.112	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	15	-3.9%

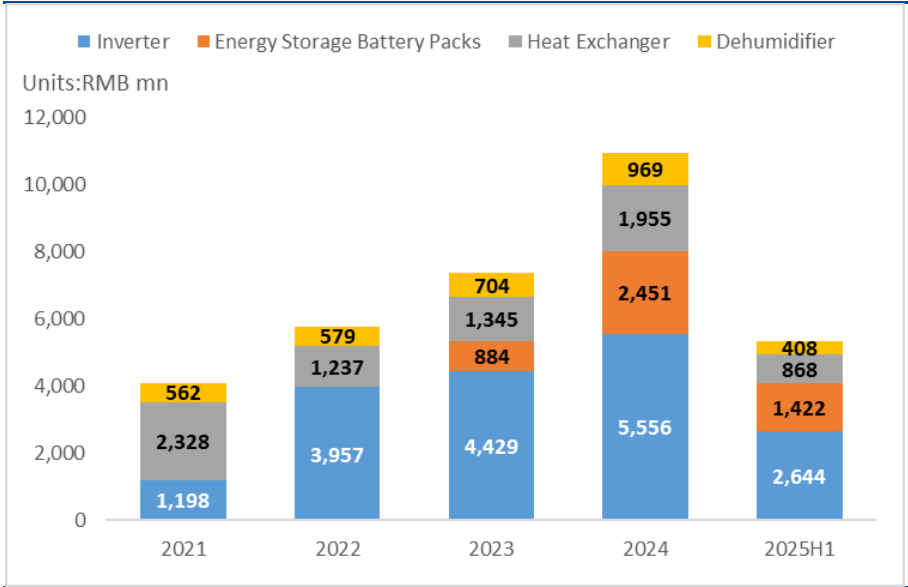
Source: Bloomberg

Strong export sales and better GPM: Driven by the rapid development of its inverters and energy storage businesses, the company's proportion of export sales jumped to 70% of revenue in 1H25 from only 30% in 2021. Currently, its inverters are mainly sold to emerging markets such as Asia, Africa and Latin America, ranking first in market share in South Africa and Brazil. Meanwhile, the company has built a sales network with leading local distributors to solidify its market presence. In terms of profitability, the GPM of export products reached 43% in 1H25 compared to about 25% for domestic sales.

Outstanding Profitability: The company has strong control over costs to maintain its profitability. Despite the decline in GPM from 40% in 2023 to 37% in 1H25, its OPM rose steadily from 27% to 29% over the same period. In addition, it commands a much more lucrative ROE of 30%+ and a ROIC of around 25%, compared to the PV module industry where both are on the same value chain.

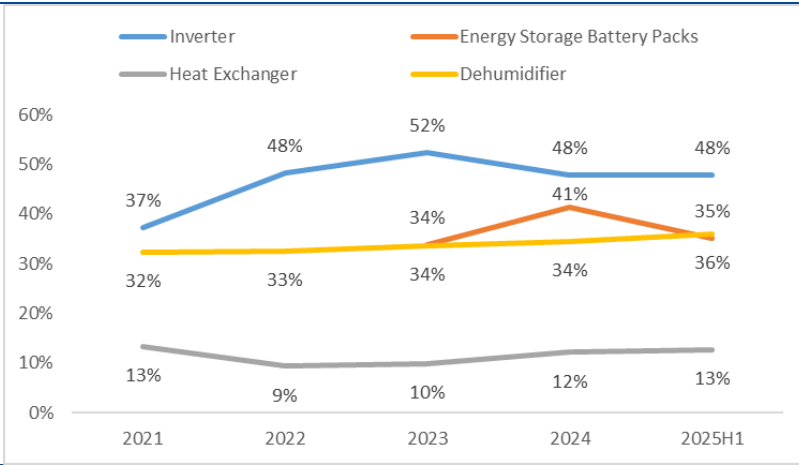
Our Views: Inconsistent power supply in certain areas and rising electricity prices have boosted the demand for inverter-equipped PV energy and storage systems. Its products are among the highest in terms of conversion ratio and such advantage has helped the company to establish a strong foothold in Asia, Africa and Latin America with a market share of over 50%. It has a net cash position of RMB2.3bn at the end of Jun 2025 with a debt ratio of merely 24%. Given the high profitability of the inverter products, it is believed that Deye should be a better investment choice than the peers in the new energy value chain. The market consensus of 2025 NP is about RMB3.5bn and the counter is trading at 18x FY25E P/E. (Research Department)

Fig 1: Revenue Breakdown (RMB'mn) and YoY



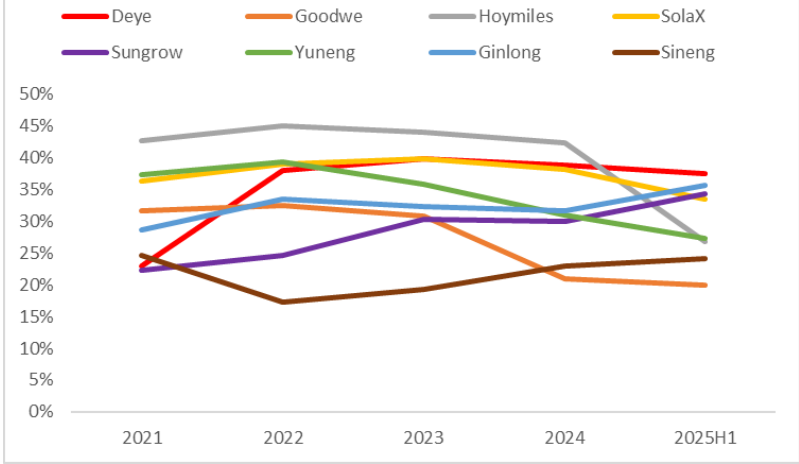
Source: Company Data, Sunwah Kingsway Research

Fig 2: GPM Breakdown



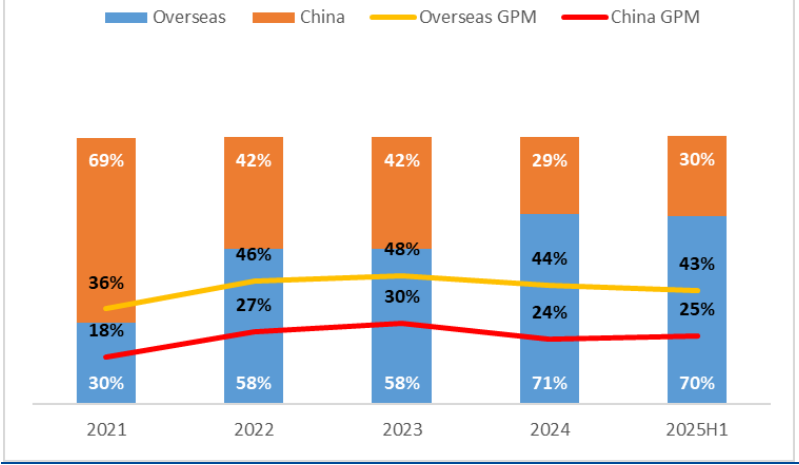
Source: Company Data, Sunwah Kingsway Research

Fig 3: Peers GPM comparison



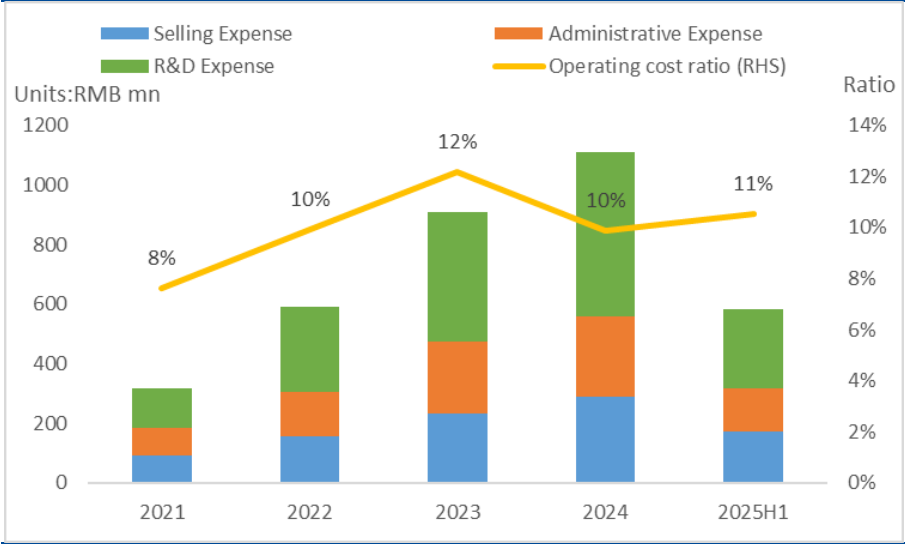
Source: Company Data, Sunwah Kingsway Research

Fig 4: Oversea Revenue Proportion and GPM



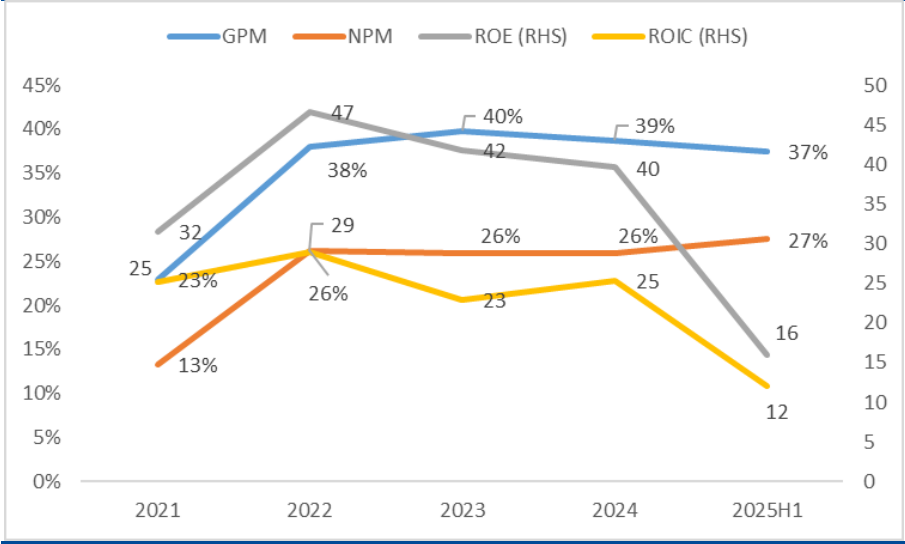
Source: Company Data, Sunwah Kingsway Research

Fig 5: Breakdown of Operating costs



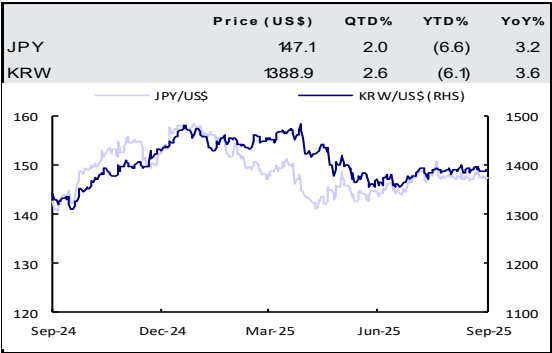
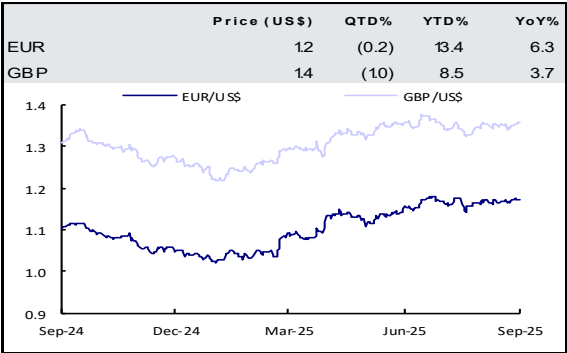
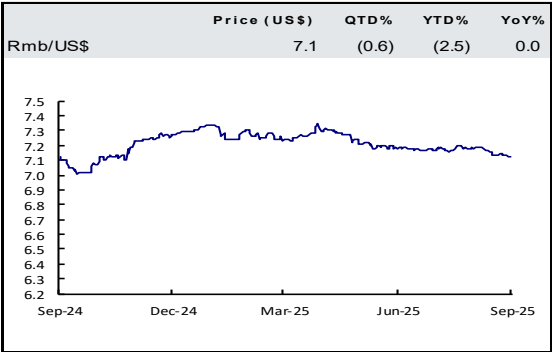
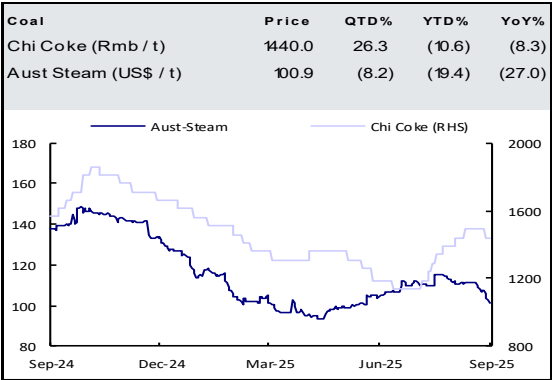
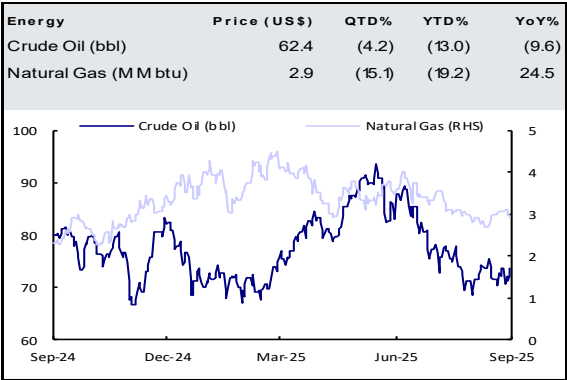
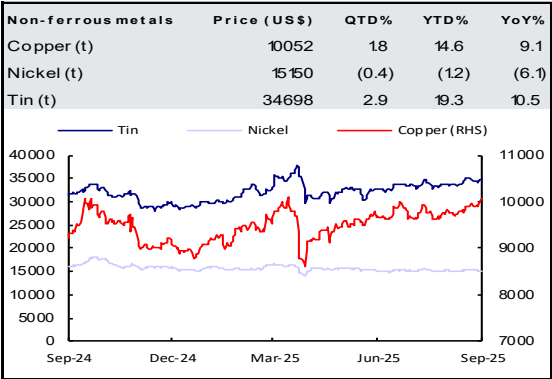
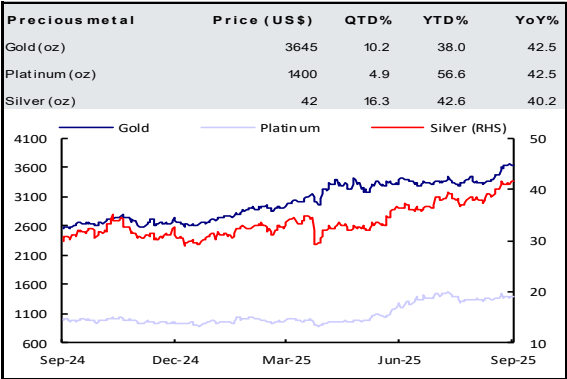
Source: Company Data, Sunwah Kingsway Research

Fig 6: Profitability Breakdown



Source: Company Data, Sunwah Kingsway Research

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Initial Jobless Claims	WoW		11-Sep-25
CPI	MoM		11-Sep-25
Business Inventories	MoM		16-Sep-25
Retail Sales	MoM		16-Sep-25
Industrial Production	MoM		16-Sep-25
Housing Starts / Building Permits	MoM		17-Sep-25
Existing Home Sales	MoM		23-Sep-25
New home Sales	MoM		24-Sep-25
Wholesale Inventories	MoM		25-Sep-25
Durable Goods Orders	MoM		25-Sep-25
GDP	QoQ		25-Sep-25
Personal Income & Spending	MoM		26-Sep-25
Consumer Confidence	MoM		30-Sep-25
ISM Manufacturing PMI	MoM		1-Oct-25
Factory Orders	MoM		2-Oct-25
Employment Report	MoM		3-Oct-25
Trade Balance	MoM		7-Oct-25
PPI	MoM		16-Oct-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		12-Sep-25
Retail Sales	MoM		14-Sep-25
Industrial Production	MoM		14-Sep-25
PMI Manufacturing	MoM		29-Sep-25
Foreign Exchange Reserves	QoQ		7-Oct-25
Trade Balance	MoM		13-Oct-25
PPI	MoM		14-Oct-25
CPI	MoM		14-Oct-25
GDP	YoY		19-Oct-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Producer Prices Index	QoQ		15-Sep-25
Industrial Production	QoQ		15-Sep-25
Unemployment Rate	MoM		16-Sep-25
CPI	MoM		22-Sep-25
Trade Balance	MoM		25-Sep-25
Money Supply - M2	MoM		30-Sep-25
Retail Sales	MoM		2-Oct-25
PMI	MoM		5-Oct-25
Foreign Currency Reserve	MoM		8-Oct-25
GDP	QoQ		31-Oct-25
Composite Interest Rate	MoM		

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