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CMB International Global Markets | Equity Research | Company Update

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Shengyi Tech (600183 CH)

Strong 1H25 results underscore AI-driven strength

BUY (Maintain)

Target Price	**RMB41.10**
(Previous TP	RMB34.50)
Up/Downside	**15.1%**
Current Price	**RMB35.70**

China Semiconductors

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Stock Data

Mkt Cap (RMB mn)	83,887.9
Avg 3 mths t/o (RMB mn)	786.2
52w High/Low (RMB)	35.70/16.64
Total Issued Shares (mn)	2349.8

Source: FactSet

Shareholding Structure

Guangdong Guangxin Holdings Group	24.4%
Dongguan Guohong Investment	13.3%

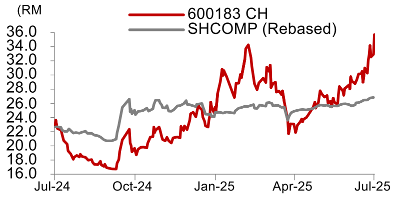
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	27.5%	23.8%
3-mth	56.2%	45.6%
6-mth	43.1%	31.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Shengyi Tech announced its 1H25 preliminary earnings. The company projected 1H25 NP to surge by 50%-56% YoY, reaching RMB1.40bn-RMB1.45bn. 2Q NP alone is estimated to be RMB836mn-RMB886mn, implying 55%-64% YoY/48%-57% QoQ growth, and exceeding Bloomberg consensus of RMB611mn by 37%-45%. The strong results were driven by 1) volume growth of CCL products, 2) surging PCB sales (85%-97% YoY in 1H25) and 3) GPM increase from a favorable product mix. **Reiterate BUY** on Shengyi Tech as the company is one of the key beneficiaries in the global AI supply chain (report). **TP is revised up to RMB41.1.**

- **Surging PCB sales underscore AI-driven strength.** The company's PCB subsidiary Shengyi Electronics (688183 CH, NR) also released prelim. 1H25 results, projecting revenue growth of 85%-97% YoY to RMB3.7bn-RMB3.9bn, and NP growth of 432%-471% YoY to RMB511-549mn. Shengyi Electronics has showed sequential growth in 2Q. Its latest quarterly sales are estimated to be RMB2.1bn-RMB2.3bn, showing 90%-111% YoY/31%-46% QoQ growth (following 5% QoQ growth in 1Q). 2Q NP is guided to be RMB311mn-RMB349mn, with 346%-401% YoY and 56%-75% QoQ increases. We believe that such strong performance is supported by resilient AI-driven demand and further product mix enhancement, which together drove margin expansion and earnings acceleration.
- **Margin continues to improve, which may offset the rising copper cost headwinds.** Shengyi Tech's mgmt. sees GPM increase in its CCL business, driven by optimization in product structure. In addition, NPM of Shengyi's PCB segment continues to recover, with mid-point NPM rising to 15.1% in 2Q25 vs. 12.7%/6.4% in 1Q25/2Q24. Meanwhile, we have observed that rising copper price appears to be headwinds to its PCB segment. Copper price remains at its high level at above US$9.6k/tonne during the month. The material cost pressure may sustain in our view, primarily attributable to the tariffs and growing demand from AI/data centers, auto and etc. However, we think Shengyi Elec. will manage the impact, as it focuses on high value products and has strengthened its competitiveness in the mid- to high-end market.
- **Reiterate BUY with TP raised to RMB41.1** based on 30x 2025E P/E (vs. 30.6x prev.), close to 1-SD above its 5-yr hist. forward P/E. We raise our revenue/NP growth forecasts to 39%/92% YoY in 2025 on higher volume sales and better GPM. We think the valuation is justified as the company is experiencing upcycle and robust growth (revenue/NP to grow). **Key risks include:** slower-than-expected capacity ramp-up, intensified competition, geopolitical uncertainties, etc.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	16,586	20,388	28,380	34,134	38,486
YoY growth (%)	(7.9)	22.9	39.2	20.3	12.7
Gross margin (%)	19.2	22.0	25.6	26.2	26.5
Net profit (RMB mn)	1,164.0	1,738.7	3,330.0	4,289.0	5,001.6
YoY growth (%)	(24.0)	49.4	91.5	28.8	16.6
EPS (Reported) (RMB)	0.50	0.74	1.37	1.77	2.06
P/E (x)	71.4	48.2	26.0	20.2	17.3
ROE (%)	8.5	12.0	21.0	24.6	26.7

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Earnings revision

	New			Old			Diff (%)		
RMBmn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	28,380	34,134	38,486	22,928	25,080	NA	24%	36%	NA
Gross profit	7,278	8,943	10,210	5,411	6,245	NA	35%	43%	NA
Net profit	3,330	4,289	5,002	2,739	3,534	NA	22%	21%	NA
EPS (RMB)	1.37	1.77	2.06	1.13	1.45	NA	21%	22%	NA
Gross margin	25.6%	26.2%	26.5%	23.6%	24.9%	NA	2 ppt	1.3 ppt	NA
Net margin	11.7%	12.6%	13.0%	11.9%	14.1%	NA	-0.2 ppt	-1.5 ppt	NA

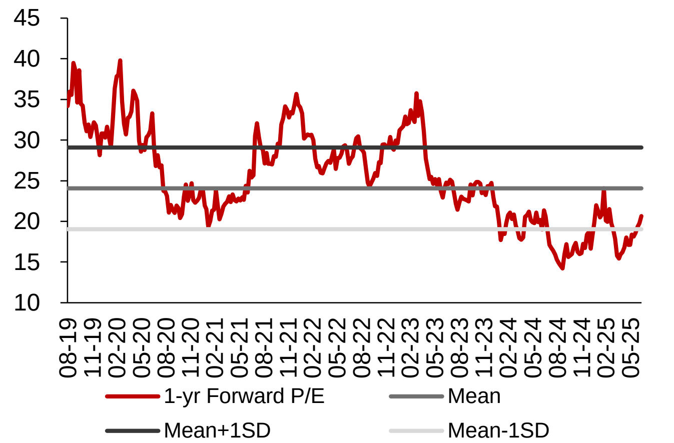
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs. Bloomberg consensus

	CMBIGM			BBG Consensus			Diff (%)		
RMBmn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	28,380	34,134	38,486	24,420	28,293	32,680	16%	21%	NA
Gross profit	7,278	8,943	10,210	5,904	7,061	8,361	23%	27%	NA
Net profit	3,330	4,289	5,002	2,566	3,199	3,890	30%	34%	NA
EPS (RMB)	1.37	1.77	2.06	1.07	1.33	1.62	29%	33%	NA
Gross margin	25.6%	26.2%	26.5%	24.2%	25.0%	25.6%	1.5 ppt	1.2 ppt	NA
Net margin	11.7%	12.6%	13.0%	10.5%	11.3%	11.9%	1.2 ppt	1.3 ppt	NA

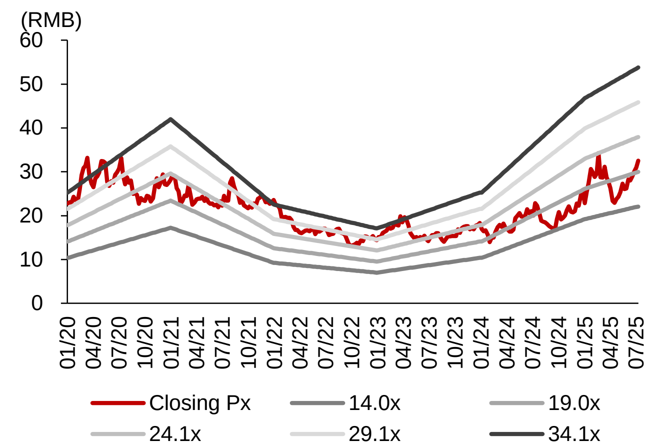
Source: Bloomberg, CMBIGM estimates

Figure 3: Forward P/E chart



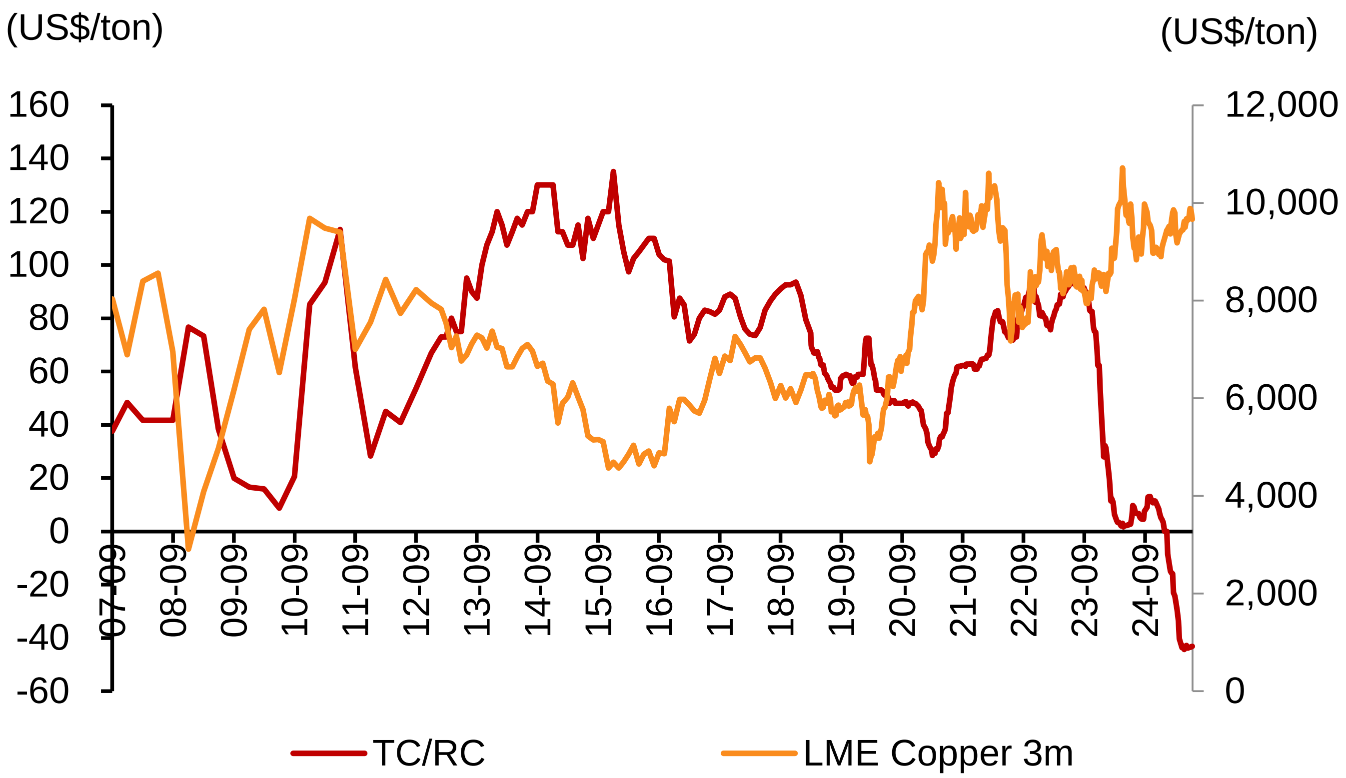
Source: Company data, CMBIGM estimates

Figure 4: P/E band



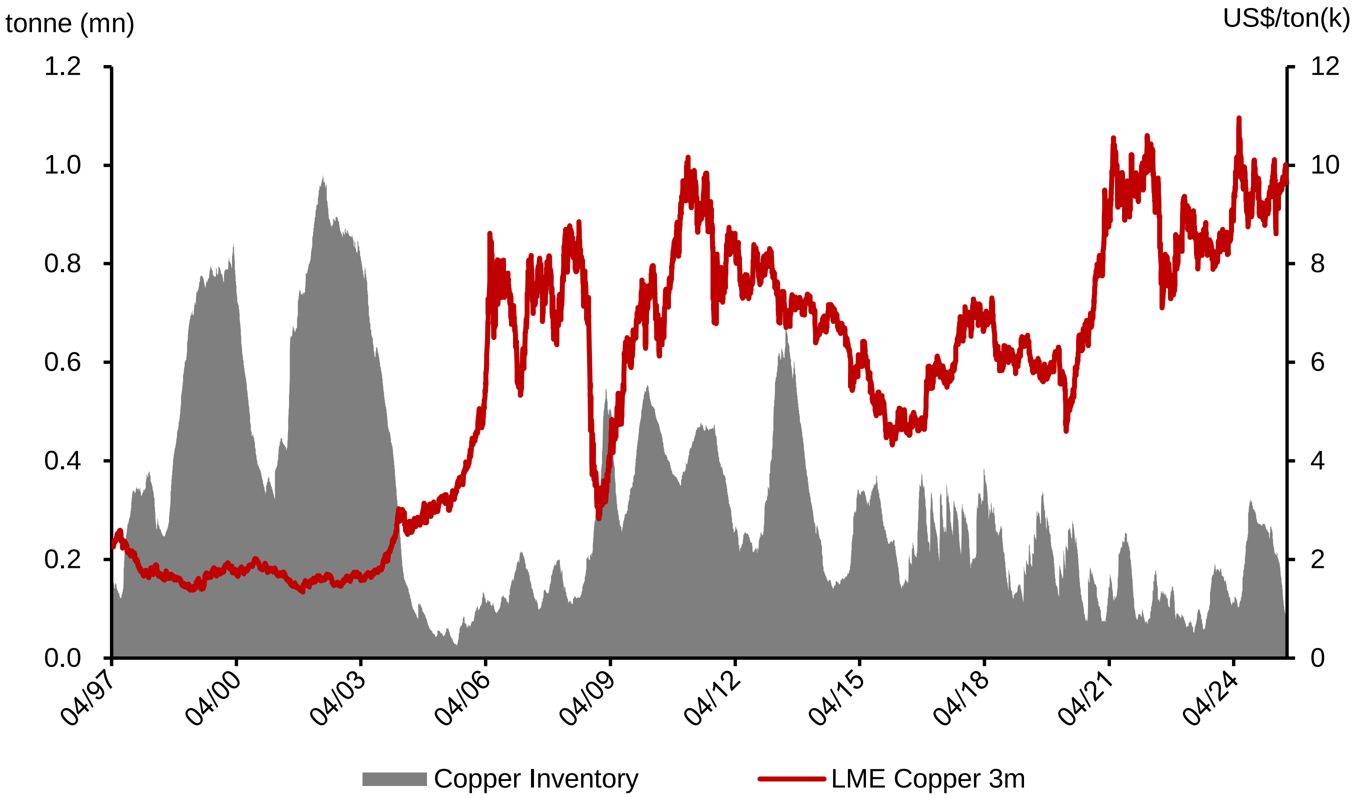
Source: Company data, CMBIGM estimates

Figure 5: TC/RC and copper price



Source: Company data, CMBIGM estimates

Figure 6: Copper inventory and copper price



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**18,014**	**16,586**	**20,388**	**28,380**	**34,134**	**38,486**
Cost of goods sold	(14,045)	(13,395)	(15,895)	(21,102)	(25,190)	(28,276)
Gross profit	**3,969**	**3,191**	**4,493**	**7,278**	**8,943**	**10,210**
Operating expenses	**(2,105)**	**(1,821)**	**(2,352)**	**(2,968)**	**(3,411)**	**(3,742)**
Selling expense	(341)	(358)	(495)	(639)	(724)	(767)
Admin expense	(797)	(701)	(843)	(1,078)	(1,229)	(1,309)
R&D expense	(943)	(841)	(1,157)	(1,419)	(1,638)	(1,847)
Others	(24)	79	143	168	180	180
Operating profit	**1,785**	**1,273**	**2,072**	**4,249**	**5,474**	**6,382**
Other income	2	2	2	3	3	4
Other expense	(14)	(3)	(6)	(7)	(9)	(10)
Gain/loss on financial assets at FVTPL	(23)	(3)	(2)	18	27	42
Other gains/(losses)	(82)	(131)	(122)	(139)	(154)	(207)
EBIT	**1,773**	**1,271**	**2,068**	**4,245**	**5,467**	**6,376**
Interest income	56	49	29	29	44	66
Interest expense	(171)	(162)	(118)	(112)	(120)	(136)
Pre-tax profit	**1,773**	**1,271**	**2,068**	**4,245**	**5,467**	**6,376**
Income tax	(141)	(123)	(200)	(494)	(637)	(742)
After tax profit	**1,632**	**1,149**	**1,868**	**3,751**	**4,831**	**5,634**
Minority interest	101	(15)	129	421	542	632
Net profit	**1,531**	**1,164**	**1,739**	**3,330**	**4,289**	**5,002**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**14,232**	**13,999**	**16,613**	**20,049**	**21,244**	**26,886**
Cash & equivalents	3,095	2,756	2,004	1,918	4,010	4,888
Restricted cash	11	19	12	287	287	287
Account receivables	6,809	6,669	9,041	11,008	10,797	13,299
Inventories	4,084	4,271	5,119	6,443	5,704	7,931
Prepayment	24	33	132	115	139	156
Other current assets	210	251	304	278	308	325
Non-current assets	**10,963**	**10,958**	**11,031**	**10,927**	**10,745**	**10,868**
PP&E	7,866	9,064	8,635	7,807	6,983	6,169
Right-of-use assets	44	22	35	57	81	106
Deferred income tax	220	269	315	329	352	408
Investment in JVs & assos	671	783	836	865	874	902
Intangibles	2,128	666	1,095	1,556	2,080	2,668
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	25	30	11	85	199	372
Other non-current assets	10	124	103	228	177	244
Total assets	**25,196**	**24,957**	**27,643**	**30,976**	**31,990**	**37,754**
Current liabilities	**7,377**	**7,297**	**9,849**	**10,764**	**9,696**	**13,314**
Short-term borrowings	1,558	1,465	1,837	2,175	2,631	2,955
Account payables	3,984	4,152	5,968	7,145	5,482	8,662
Tax payable	50	82	113	160	148	185
Other current liabilities	1,237	1,072	1,172	646	645	649
Contract liabilities	20	92	232	225	271	305
Accrued expenses	529	435	528	413	519	558
Non-current liabilities	**2,522**	**1,959**	**1,289**	**1,425**	**1,613**	**1,868**
Long-term borrowings	1,175	806	558	634	782	895
Bond payables	800	500	0	0	0	0
Obligations under finance leases	39	21	32	33	35	41
Deferred income	108	118	113	121	128	149
Other non-current liabilities	400	515	586	636	668	782
Total liabilities	**9,899**	**9,256**	**11,138**	**12,189**	**11,309**	**15,182**
Share capital	2,327	2,355	2,429	2,429	2,429	2,429
Retained earnings	5,366	5,357	5,902	7,625	8,976	10,235
Other reserves	5,805	6,272	6,574	6,713	6,713	6,713
Total shareholders equity	**13,498**	**13,983**	**14,905**	**16,767**	**18,118**	**19,378**
Minority interest	1,798	1,717	1,600	2,021	2,563	3,195
Total equity and liabilities	**25,196**	**24,957**	**27,643**	**30,976**	**31,990**	**37,754**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,632**	**1,149**	**1,868**	**3,751**	**4,831**	**5,634**
Depreciation & amortization	726	835	870	893	907	925
Tax paid	4	(34)	(25)	36	8	57
Change in working capital	104	494	(1,798)	(1,788)	(670)	(1,555)
Others	354	300	542	(433)	127	60
Net cash from operations	**2,820**	**2,743**	**1,456**	**2,459**	**5,204**	**5,121**
Investing						
Capital expenditure	(1,534)	(1,109)	(926)	(562)	(646)	(738)
Acquisition of subsidiaries/ investments	377	64	47	(201)	83	95
Net proceeds from disposal of short-term investments	(36)	(116)	(55)	(75)	(86)	(132)
Others	(0)	(2)	(0)	(11)	(8)	(28)
Net cash from investing	**(1,193)**	**(1,162)**	**(934)**	**(849)**	**(657)**	**(803)**
Financing						
Dividend paid	(1,619)	(1,287)	(1,192)	(1,569)	(2,911)	(3,732)
Net borrowings	800	(935)	(281)	(116)	604	438
Proceeds from share issues	192	318	773	136	0	0
Others	(21)	(15)	(577)	(146)	(146)	(146)
Net cash from financing	**(648)**	**(1,919)**	**(1,276)**	**(1,696)**	**(2,454)**	**(3,440)**
Net change in cash						
Cash at the beginning of the year	2,105	3,095	2,756	2,004	1,918	4,010
Exchange difference	11	(1)	3	0	0	0
Others	979	(338)	(754)	(86)	2,092	877
Cash at the end of the year	**3,095**	**2,756**	**2,004**	**1,918**	**4,010**	**4,888**
GROWTH	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Revenue	(11.1%)	(7.9%)	22.9%	39.2%	20.3%	12.7%
Gross profit	(27.0%)	(19.6%)	40.8%	62.0%	22.9%	14.2%
Operating profit	(46.2%)	(28.7%)	62.9%	105.0%	28.8%	16.6%
EBIT	(46.4%)	(28.3%)	62.7%	105.3%	28.8%	16.6%
Net profit	(45.9%)	(24.0%)	49.4%	91.5%	28.8%	16.6%
PROFITABILITY	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Gross profit margin	22.0%	19.2%	22.0%	25.6%	26.2%	26.5%
Operating margin	9.9%	7.7%	10.2%	15.0%	16.0%	16.6%
Return on equity (ROE)	11.5%	8.5%	12.0%	21.0%	24.6%	26.7%
GEARING/LIQUIDITY/ACTIVITIES	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Net debt to equity (x)	(0.5)	(0.5)	(0.6)	(0.6)	(0.4)	(0.5)
Current ratio (x)	1.9	1.9	1.7	1.9	2.2	2.0
VALUATION	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
P/E	54.1	71.4	48.2	26.0	20.2	17.3
P/E (diluted)	54.9	72.9	48.9	26.0	20.2	17.3

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

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