

Shennan Circuit (002916 CH)

AI-led PCB growth with substrate upside ahead

SCC's FY25 revenue grew 32% YoY to RMB23.6bn, in line with BBG consensus and 4% above our forecast. GPM improved significantly to 28.3% (0.3ppts above BBG consensus and 1.4ppts above our estimate), up from 24.8% in FY24, driven by improved product mix, better cost efficiency and higher utilization. Net profit rose 75% YoY to RMB3.3bn, slightly below BBG consensus (-0.7%) but 8% ahead of our forecast. By quarter, 4Q revenue increased 42% YoY and 9% QoQ, while net profit grew 144% YoY but declined 1.6% QoQ. 4Q GPM eased sequentially to 28.6% from 31.4% in 3Q mainly due to depreciation from the Nantong IV and Thailand facilities and higher raw material costs. Looking ahead, we expect SCC to continue benefiting from strong multilayer PCB demand driven by robust AI infra. capex, while its substrate business should gradually improve as BT supply remains tight and ABF/FC-BGA ramps on rising domestic demand. **Maintain BUY, with TP adjusted to RMB288.**

■ **PCB revenue grew 37% YoY in FY25 with GPM at 35.5%.** SCC continued to benefit from strong AI data center demand (~25% of PCB revenue), while telecom was ~40% of PCB revenue, with utilization maintained at around 95% across most fully ramped facilities. 4Q GPM softened slightly due to ramp-up costs at Nantong IV and Thailand, higher raw material prices (e.g., gold and CCL), and a higher contribution from lower-margin PCBA (revenue up 9% YoY, GPM at 15%). Looking ahead, we expect PCB revenue to remain supported by ongoing AI infra. capex, with strong demand from data centers, switches and optical modules sustaining high utilization, while margins should stabilize as new capacity ramps and product mix improves.

■ **Substrate revenue grew 31% YoY in FY25 with GPM improving to 22.6% (vs. 18.2% in FY24),** supported by stronger BT substrate shipments and improving utilization amid tight industry supply and relatively stable pricing. BT demand remained robust with long order visibility, and Guangzhou BT capacity operated at relatively high utilization. Meanwhile, ABF/FC-BGA substrates remained in the early volume ramp stage (ABF revenue was >RMB100mn in FY25), while the Guangzhou facility continued to post losses as scale, yields and customer ramps develop. Looking ahead, we expect the substrate segment to improve gradually, supported by resilient BT demand and rising domestic compute demand for ABF/FC-BGA, with segment GPM likely trending toward the mid-20% range as utilization improves.

■ **Reiterate BUY, with TP adjusted to RMB288 (prev. RMB235), based on 38x FY26E P/E (prev. 34x).** We value the Company using a blended peer average of both PCB (33x 2026 P/E) and substrate players (42x 2026 P/E) as we remain bullish on SCC's continued PCB growth and the long-term ramp of its high-end substrate business.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,907	23,647	30,693	37,826	46,449
YoY growth (%)	32.4	32.1	29.8	23.2	22.8
Gross margin (%)	24.8	28.3	30.1	31.1	31.6
Net profit (RMB mn)	1,877.6	3,275.7	5,047.7	6,838.1	8,687.5
YoY growth (%)	34.3	74.5	54.1	35.5	27.0
EPS (Reported) (RMB)	3.66	4.91	7.57	10.26	13.03
P/E (x)	68.4	51.0	33.1	24.4	19.2
ROE (%)	13.5	20.6	27.0	30.0	30.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB288.00
(Previous TP)	RMB235.00)
Up/Downside	15.1%
Current Price	RMB250.23

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Stock Data

Mkt Cap (RMB mn)	166,838.5
Avg 3 mths t/o (RMB mn)	2,574.3
52w High/Low (RMB)	290.14/80.35
Total Issued Shares (mn)	666.7

Source: FactSet

Shareholding Structure

AVIC International Holdings Ltd	64.0%
HKSCC	3.3%

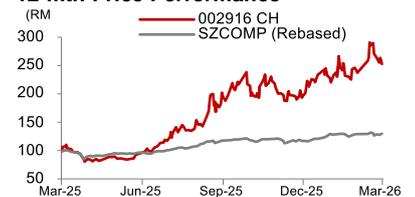
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	6.5%	5.7%
3-mth	30.1%	19.2%
6-mth	28.1%	16.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMBmn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	30,693	37,826	46,449	27,543	32,581	N/A	11%	16%	N/A
Gross profit	9,248	11,779	14,685	7,244	8,732	N/A	28%	35%	N/A
Net profit	5,048	6,838	8,687	3,574	4,535	N/A	41%	51%	N/A
EPS (RMB)	7.57	10.26	13.03	6.97	8.84	N/A	9%	16%	N/A
Gross margin	30.1%	31.1%	31.6%	26.3%	26.8%	N/A	3.8 ppt	4.3 ppt	N/A
Net margin	16.4%	18.1%	18.7%	13.0%	13.9%	N/A	3.5 ppt	4.2 ppt	N/A

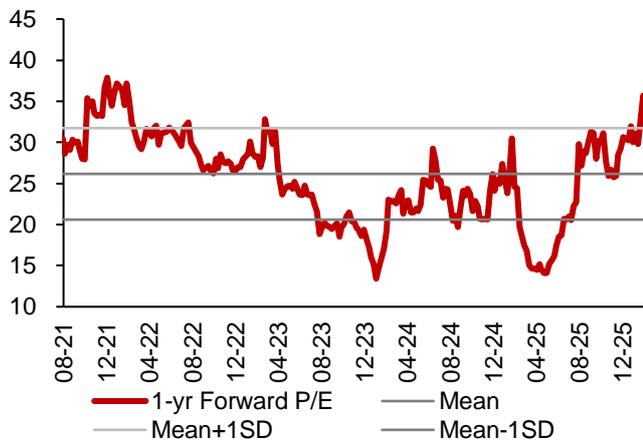
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs. BBG consensus

RMBmn	CMBIGM			BBG Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	30,693	37,826	46,449	30,145	37,719	39,948	2%	0%	16%
Gross profit	9,248	11,779	14,685	9,185	12,019	11,843	1%	-2%	24%
Net profit	5,048	6,838	8,687	4,972	6,727	6,195	2%	2%	40%
EPS (RMB)	7.57	10.26	13.03	7.31	9.97	9.29	4%	3%	40%
Gross margin	30.1%	31.1%	31.6%	30.5%	31.9%	29.6%	-0.3 ppt	-0.7 ppt	2 ppt
Net margin	16.4%	18.1%	18.7%	16.5%	17.8%	15.5%	0 ppt	0.2 ppt	3.2 ppt

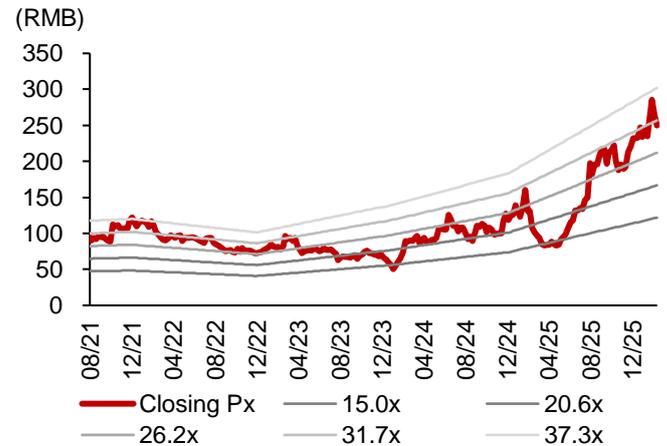
Source: Bloomberg consensus, CMBIGM estimates

Figure 3: Forward P/E chart



Source: Company data, CMBIGM estimates

Figure 4: P/E band



Source: Company data, CMBIGM estimates

Figure 5: Peers table

Company	Ticker	Mkt Cap US\$(mn)	P/E		GPM%	
			FY26E	FY27E	FY26E	FY27E
PCB players						
Shengyi Elec.	688183 CH	9,774	25.3	18.4	33.8	34.6
WUS	002463 CH	22,647	29.0	21.2	37.5	38.4
Victory Giant	300476 CH	35,269	27.0	16.4	40.0	41.4
Avary	002938 CH	17,194	51.1	21.3	22.5	23.2
		Average	33.1	19.3	33.5	34.4
Substrate players						
Unimicron	3037 TT	25,033	43.8	23.9	21.5	27.4
Ibiden	4062 JT	13,885	40.9	31.9	31.9	34.4
		Average	42.4	27.9	26.7	30.9

Source: Bloomberg consensus as of Mar.13th

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	13,526	17,907	23,647	30,693	37,826	46,449
Cost of goods sold	(10,357)	(13,460)	(16,951)	(21,445)	(26,047)	(31,765)
Gross profit	3,170	4,447	6,696	9,248	11,779	14,685
Operating expenses	(1,558)	(2,141)	(2,642)	(3,214)	(3,810)	(4,492)
SG&A expense	(870)	(1,030)	(1,446)	(1,692)	(2,009)	(2,375)
R&D expense	(1,073)	(1,272)	(1,591)	(1,974)	(2,357)	(2,801)
Others	385	161	396	452	556	683
Operating profit	1,611	2,306	4,054	6,034	7,970	10,192
Other income	5	6	6	0	0	0
Other expense	(4)	(11)	(18)	0	0	0
Other gains/(losses)	(182)	(231)	(370)	(386)	(344)	(545)
Interest income	12	10	16	13	33	64
Interest expense	(66)	(80)	(78)	(95)	(119)	(131)
Others	23	23	13	17	21	25
Pre-tax profit	1,398	2,023	3,624	5,582	7,561	9,606
Income tax	(1)	(145)	(345)	(532)	(720)	(915)
After tax profit	1,398	1,879	3,279	5,050	6,841	8,690
Minority interest	(0)	1	3	3	3	3
Net profit	1,398	1,878	3,276	5,048	6,838	8,687
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	8,597	10,854	13,654	16,325	22,928	28,796
Cash & equivalents	853	1,553	998	1,099	4,268	5,974
Account receivables	3,091	3,806	5,250	7,532	8,013	11,076
Inventories	2,686	3,395	5,140	4,848	7,283	7,512
Prepayment	8	9	36	22	32	36
Other current assets	1,959	2,091	2,230	2,823	3,332	4,198
Non-current assets	14,010	14,448	16,929	19,474	22,156	24,771
PP&E	10,083	12,396	13,339	14,570	16,214	17,946
Right-of-use assets	26	9	61	124	196	275
Deferred income tax	272	187	259	303	381	453
Intangibles	544	585	639	743	873	1,035
Goodwill	0	0	0	0	0	0
Other non-current assets	3,085	1,271	2,631	3,735	4,492	5,062
Total assets	22,607	25,302	30,583	35,799	45,083	53,567
Current liabilities	6,425	7,489	10,024	11,987	16,015	17,947
Short-term borrowings	400	10	15	2,539	2,340	3,773
Account payables	2,037	2,687	3,934	3,586	5,263	5,529
Tax payable	42	59	216	253	318	378
Other current liabilities	3,291	3,933	4,762	4,221	6,354	6,186
Contract liabilities	212	208	173	307	378	464
Accrued expenses	443	592	924	1,081	1,361	1,618
Non-current liabilities	2,995	3,167	3,378	3,497	3,710	3,904
Long-term borrowings	2,407	2,577	2,679	2,679	2,679	2,679
Bond payables	0	0	0	0	0	0
Deferred income	372	471	525	615	774	920
Other non-current liabilities	217	119	174	203	256	304
Total liabilities	9,420	10,656	13,402	15,485	19,724	21,851
Share capital	513	513	667	667	667	667
Retained earnings	6,179	7,594	10,024	13,011	17,866	23,990
Other reserves	6,492	6,510	6,459	6,603	6,790	7,019
Total shareholders equity	13,184	14,617	17,149	20,280	25,322	31,677
Minority interest	3	29	31	34	37	39
Total equity and liabilities	22,607	25,302	30,583	35,799	45,083	53,567

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,398	1,879	3,279	5,050	6,841	8,690
Depreciation & amortization	1,272	1,437	1,668	1,894	2,098	2,466
Change in working capital	(364)	(846)	(1,611)	(3,056)	656	(3,477)
Others	268	(10)	492	9	238	(72)
Net cash from operations	2,574	2,459	3,827	3,899	9,832	7,607
Investing						
Capital expenditure	(3,250)	(2,526)	(3,765)	(4,513)	(4,776)	(5,150)
Acquisition of subsidiaries/ investments	0	0	(904)	0	0	0
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	(311)	601	10	184	197	235
Net cash from investing	(3,561)	(1,925)	(4,660)	(4,329)	(4,579)	(4,915)
Financing						
Dividend paid	(589)	(543)	(846)	(1,730)	(1,633)	(2,182)
Net borrowings	1,117	133	207	2,524	(200)	1,433
Proceeds from share issues	0	31	0	0	0	0
Others	(617)	(10)	(11)	(294)	(294)	(294)
Net cash from financing	(89)	(389)	(650)	500	(2,126)	(1,043)
Net change in cash						
Cash at the beginning of the year	1,912	851	1,551	997	1,097	4,266
Exchange difference	(0)	32	12	12	12	12
Others	(1,061)	668	(567)	89	3,157	1,694
Cash at the end of the year	851	1,551	997	1,097	4,266	5,972
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(3.3%)	32.4%	32.1%	29.8%	23.2%	22.8%
Gross profit	(11.2%)	40.3%	50.6%	38.1%	27.4%	24.7%
Operating profit	(14.3%)	43.1%	75.8%	48.8%	32.1%	27.9%
Net profit	(14.8%)	34.3%	74.5%	54.1%	35.5%	27.0%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	23.4%	24.8%	28.3%	30.1%	31.1%	31.6%
Operating margin	11.9%	12.9%	17.1%	19.7%	21.1%	21.9%
Return on equity (ROE)	11.0%	13.5%	20.6%	27.0%	30.0%	30.5%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.3	1.4	1.4	1.4	1.4	1.6
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	92.1	68.4	51.0	33.1	24.4	19.2

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

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