# Shennan Circuit (002916 CH)

## 3Q26 earnings: Continued margin expansion fueled by AI demand

SCC delivered strong 3Q26 results, with revenue/net profit rising 66.3%/94.4% YoY and 20.4%/34.0% QoQ to RMB10.48bn/RMB1.88bn. Net profit was near the upper end of the profit alert range, while NPM expanded to 17.9%, from 16.1% in 2Q26 and 15.3% in 3Q25. GPM also improved to 34.9%, vs. 32.4%/31.4% in 2Q26/3Q25, driven by robust AI infrastructure demand, a richer product mix, high capacity utilization and the continued ramp-up of the Guangzhou plant. We adjust up the revenue estimates by 9.3%/9.8% and GPM estimates by 0.5ppt/0.3ppt in FY26/27E on surging demand and more favorable product mix. **Maintain BUY but lower our TP to RMB432 from RMB462,** as we reduce our target multiple to 31x 2027E P/E from 37x, broadly in line with the peer average.

- **AI demand and product upgrades drove broad-based growth.** According to mgmt., continued investment in AI infrastructure supported demand for AI servers, high-speed switches, optical modules, processors and memory-related substrates. High capacity utilization, product-mix improvement and the Guangzhou plant ramp-up altogether drove earnings growth. In 9M26, revenue/net profit increased 53.8%/77.5% YoY to RMB25.77bn/RMB4.13bn, while GPM expanded 4.4ppt to 32.6%. Net profit grew 87.8% despite higher finance expenses and lower government-related income, indicating solid underlying profitability.
- **AI-related products and new capacity to drive the growth outlook.** We expect AI-related PCBs, BT substrates, FC-BGA and ABF products to remain the key growth drivers into 2027E, supported by capacity expansion in Guangzhou, Thailand, Nantong and Wuxi. Further margin upside will depend on product-mix improvement and utilization gains to more than offset raw material inflation, ramp-up costs and incremental depreciation.
- **Key risks** include weaker hyperscalers' capex, slower client qualification, slower capacity ramp-up, etc.

### Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue (RMB mn)** | 17,907 | 23,647 | 36,783 | 47,828 | 61,823 |
| **YoY growth (%)** | 32.4 | 32.1 | 55.6 | 30.0 | 29.3 |
| **Gross margin (%)** | 24.8 | 28.3 | 32.4 | 33.9 | 35.8 |
| **Net profit (RMB mn)** | 1,877.6 | 3,275.7 | 6,115.3 | 9,295.5 | 13,255.3 |
| **YoY growth (%)** | 34.3 | 74.5 | 86.7 | 52.0 | 42.6 |
| **EPS (Reported) (RMB)** | 3.66 | 4.91 | 9.17 | 13.94 | 19.88 |
| **P/E (x)** | 77.7 | 57.9 | 31.0 | 20.4 | 14.3 |
| **ROE (%)** | 13.5 | 20.6 | 31.4 | 36.4 | 38.4 |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

| | |
|---|---|
| **Target Price** | **RMB432.00** |
| (Previous TP | RMB462.00) |
| **Up/Downside** | **52.0%** |
| **Current Price** | **RMB284.30** |

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**Stock Data**

| | |
|---|---|
| Mkt Cap (RMB mn) | 189,059.5 |
| Avg 3 mths t/o (RMB mn) | 3,214.1 |
| 52w High/Low (RMB) | 457.90/187.41 |
| Total Issued Shares (mn) | 665.0 |

Source: FactSet

**Shareholding Structure**

| | |
|---|---|
| Shentian Tech | 62.6% |
| E Fund Management | 2.7% |

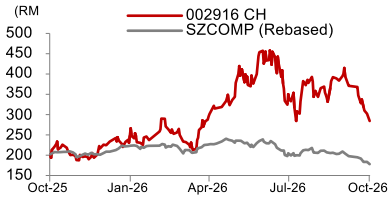
Source: Bloomberg

**Share Performance**

| | Absolute | Relative |
|---|---|---|
| 1-mth | -28.9% | -16.5% |
| 3-mth | -15.9% | -4.2% |
| 6-mth | -5.6% | 21.8% |

Source: FactSet

**12-mth Price Performance**




Source: FactSet

## Figure 1: Earnings forecasts update

| | New | | | Old | | | Diff. (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| RMB mn | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Revenue | 36,783 | 47,828 | 61,823 | 33,644 | 43,550 | 56,105 | 9.3% | 9.8% | 10.2% |
| Gross profit | 11,917 | 16,193 | 22,135 | 10,716 | 14,639 | 19,932 | 11.2% | 10.6% | 11.1% |
| Net profit | 6,115 | 9,295 | 13,255 | 5,470 | 8,326 | 11,932 | 11.8% | 11.6% | 11.1% |
| EPS (RMB) | 9.17 | 13.94 | 19.88 | 8.20 | 12.49 | 17.90 | 11.9% | 11.6% | 11.1% |
| **Gross margin** | 32.4% | 33.9% | 35.8% | 31.9% | 33.6% | 35.5% | 0.5 ppt | 0.3 ppt | 0.3 ppt |
| **Net margin** | 16.6% | 19.4% | 21.4% | 16.3% | 19.1% | 21.3% | 0.3 ppt | 0.3 ppt | 0.1 ppt |

Source: Company data, CMBIGM estimates

## Figure 2: CMBIGM forecast vs. Bloomberg consensus

| | CMBIGM estimates | | | Bloomberg consensus | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| RMB mn | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Revenue | 36,783 | 47,828 | 61,823 | 33,834 | 45,846 | 59,011 | 8.7% | 4.3% | 4.8% |
| Gross profit | 11,917 | 16,193 | 22,135 | 10,705 | 15,649 | 20,977 | 11.3% | 3.5% | 5.5% |
| Net profit | 6,115 | 9,295 | 13,255 | 5,783 | 9,036 | 12,400 | 5.7% | 2.9% | 6.9% |
| EPS (RMB) | 9.17 | 13.94 | 19.88 | 8.55 | 13.45 | 18.48 | 7.3% | 3.7% | 7.6% |
| **Gross margin** | 32.4% | 33.9% | 35.8% | 31.6% | 34.1% | 35.5% | 0.8 ppt | -0.3 ppt | 0.3 ppt |
| **Net margin** | 16.6% | 19.4% | 21.4% | 17.1% | 19.7% | 21.0% | -0.5 ppt | -0.3 ppt | 0.4 ppt |

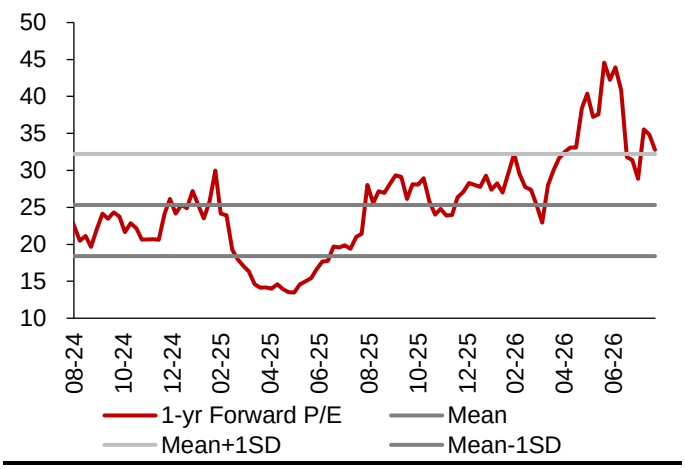
Source: Company data, CMBIGM estimates, Bloomberg consensus

## Figure 3: Peer table

| | | P/E (x) | | EPS (US$) | | GPM% | |
|---|---|---|---|---|---|---|---|
| Company | Ticker | CY26E | CY27E | CY26E | CY27E | CY26E | CY27E |
| **Shengyi Elec.** | 688183 CH | 26.8 | 17.6 | 0.48 | 0.73 | 34.3 | 35.0 |
| **Avary** | 002938 CH | 31.4 | 20.6 | 0.33 | 0.51 | 24.2 | 25.9 |
| **WUS** | 002463 CH | 32.2 | 20.9 | 0.50 | 0.77 | 38.8 | 40.3 |
| **Victory Giant** | 300476 CH | 21.1 | 11.4 | 1.27 | 2.34 | 36.2 | 38.8 |
| **Ibiden** | 4062 JT | 89.3 | 54.2 | 0.62 | 1.00 | 31.9 | 38.0 |
| **Fastprint** | 002436 CH | 137.3 | 63.6 | 0.04 | 0.08 | 24.1 | 27.2 |
| **Unimicron** | 3037 TT | 49.0 | 26.0 | 0.68 | 1.29 | 26.1 | 36.6 |
| | ***Average*** | ***55.3*** | ***30.6*** | ***0.56*** | ***0.96*** | ***30.8*** | ***34.5*** |

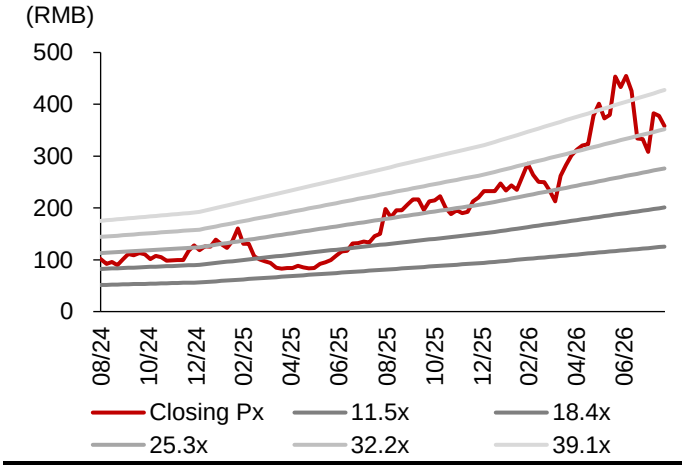
Source: Company data, CMBIGM, Bloomberg consensus as of 22 Oct, 2026

## Figure 4: Forward P/E chart




Source: Company data, CMBIGM estimates

## Figure 5: P/E band




Source: Company data, CMBIGM estimates

# Financial Summary

| INCOME STATEMENT | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Revenue** | **13,526** | **17,907** | **23,647** | **36,783** | **47,828** | **61,823** |
| Cost of goods sold | (10,357) | (13,460) | (16,951) | (24,866) | (31,635) | (39,687) |
| **Gross profit** | **3,170** | **4,447** | **6,696** | **11,917** | **16,193** | **22,135** |
| **Operating expenses** | **(1,558)** | **(2,141)** | **(2,642)** | **(4,235)** | **(5,124)** | **(6,128)** |
| SG&A expense | (870) | (1,030) | (1,446) | (2,248) | (2,780) | (3,408) |
| R&D expense | (1,073) | (1,272) | (1,591) | (2,207) | (2,631) | (3,091) |
| Others | 385 | 161 | 396 | 221 | 287 | 371 |
| **Operating profit** | **1,611** | **2,306** | **4,054** | **7,683** | **11,070** | **16,007** |
| Other income | 5 | 6 | 6 | 0 | 0 | 0 |
| Other expense | (4) | (11) | (18) | 0 | 0 | 0 |
| Other gains/(losses) | (182) | (231) | (370) | (449) | (199) | (621) |
| Interest income | 12 | 10 | 16 | 14 | 42 | 78 |
| Interest expense | (66) | (80) | (78) | (137) | (158) | (170) |
| Others | 23 | 23 | 13 | (237) | (308) | (398) |
| **Pre-tax profit** | **1,398** | **2,023** | **3,624** | **6,874** | **10,447** | **14,897** |
| Income tax | (1) | (145) | (345) | (756) | (1,149) | (1,639) |
| **After tax profit** | **1,398** | **1,879** | **3,279** | **6,118** | **9,298** | **13,258** |
| Minority interest | (0) | 1 | 3 | 3 | 3 | 3 |
| **Net profit** | **1,398** | **1,878** | **3,276** | **6,115** | **9,295** | **13,255** |

| BALANCE SHEET | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Current assets** | **8,597** | **10,854** | **13,654** | **21,986** | **28,378** | **40,914** |
| Cash & equivalents | 853 | 1,553 | 998 | 1,894 | 6,542 | 9,160 |
| Account receivables | 3,091 | 3,806 | 5,250 | 10,068 | 9,587 | 15,819 |
| Inventories | 2,686 | 3,395 | 5,140 | 6,442 | 8,292 | 10,192 |
| Prepayment | 8 | 9 | 36 | 26 | 40 | 48 |
| Other current assets | 1,959 | 2,091 | 2,230 | 3,555 | 3,917 | 5,695 |
| **Non-current assets** | **14,010** | **14,448** | **16,929** | **20,525** | **23,970** | **28,235** |
| PP&E | 10,083 | 12,396 | 13,339 | 15,009 | 17,198 | 19,871 |
| Right-of-use assets | 26 | 9 | 61 | 139 | 232 | 343 |
| Deferred income tax | 272 | 187 | 259 | 359 | 443 | 585 |
| Intangibles | 544 | 585 | 639 | 769 | 942 | 1,168 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 3,085 | 1,271 | 2,631 | 4,248 | 5,155 | 6,269 |
| **Total assets** | **22,607** | **25,302** | **30,583** | **42,511** | **52,348** | **69,149** |
| | | | | | | |
| **Current liabilities** | **6,425** | **7,489** | **10,024** | **17,056** | **19,179** | **25,100** |
| Short-term borrowings | 400 | 10 | 15 | 5,141 | 3,660 | 6,350 |
| Account payables | 2,037 | 2,687 | 3,934 | 4,786 | 5,961 | 7,521 |
| Tax payable | 42 | 59 | 216 | 300 | 370 | 488 |
| Other current liabilities | 3,291 | 3,933 | 4,762 | 5,177 | 7,129 | 8,034 |
| Contract liabilities | 212 | 208 | 173 | 368 | 478 | 618 |
| Accrued expenses | 443 | 592 | 924 | 1,284 | 1,581 | 2,088 |
| **Non-current liabilities** | **2,995** | **3,167** | **3,378** | **3,651** | **3,876** | **4,260** |
| 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 | 730 | 899 | 1,188 |
| Other non-current liabilities | 217 | 119 | 174 | 241 | 297 | 393 |
| **Total liabilities** | **9,420** | **10,656** | **13,402** | **20,707** | **23,054** | **29,360** |
| | | | | | | |
| Share capital | 513 | 513 | 667 | 681 | 681 | 681 |
| Retained earnings | 6,179 | 7,594 | 10,024 | 14,361 | 21,603 | 31,759 |
| Other reserves | 6,492 | 6,510 | 6,459 | 6,728 | 6,972 | 7,309 |
| **Total shareholders equity** | **13,184** | **14,617** | **17,149** | **21,770** | **29,257** | **39,749** |
| Minority interest | 3 | 29 | 31 | 34 | 37 | 39 |
| **Total equity and liabilities** | **22,607** | **25,302** | **30,583** | **42,511** | **52,348** | **69,149** |

| CASH FLOW | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Operating** | | | | | | |
| **Profit before taxation** | **1,398** | **1,879** | **3,279** | **6,118** | **9,298** | **13,258** |
| Depreciation & amortization | 1,272 | 1,437 | 1,668 | 1,857 | 2,137 | 2,514 |
| Change in working capital | (364) | (846) | (1,611) | (5,248) | 1,738 | (6,180) |
| Others | 283 | 513 | 503 | (149) | 294 | (315) |
| **Net cash from operations** | **2,589** | **2,982** | **3,838** | **2,578** | **13,468** | **9,277** |
| **Investing** | | | | | | |
| Capital expenditure | (3,250) | (2,526) | (3,765) | (5,362) | (5,573) | (6,661) |
| 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 | 201 | 244 |
| **Net cash from investing** | **(3,561)** | **(1,925)** | **(4,660)** | **(5,177)** | **(5,372)** | **(6,417)** |
| **Financing** | | | | | | |
| Dividend paid | (589) | (543) | (846) | (1,772) | (1,993) | (2,959) |
| Net borrowings | 1,117 | 133 | 207 | 5,126 | (1,481) | 2,691 |
| Proceeds from share issues | 0 | 31 | 0 | 114 | 0 | 0 |
| Others | (617) | (10) | (11) | 14 | 14 | 14 |
| **Net cash from financing** | **(89)** | **(389)** | **(650)** | **3,483** | **(3,460)** | **(254)** |
| **Net change in cash** | | | | | | |
| Cash at the beginning of the year | 1,912 | 851 | 1,551 | 997 | 1,892 | 6,540 |
| Exchange difference | (0) | 32 | 12 | 12 | 12 | 12 |
| **Cash at the end of the year** | **851** | **1,551** | **997** | **1,892** | **6,540** | **9,158** |

| GROWTH | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Revenue | (3.3%) | 32.4% | 32.1% | 55.6% | 30.0% | 29.3% |
| Gross profit | (11.2%) | 40.3% | 50.6% | 78.0% | 35.9% | 36.7% |
| Operating profit | (14.3%) | 43.1% | 75.8% | 89.5% | 44.1% | 44.6% |
| Net profit | (14.8%) | 34.3% | 74.5% | 86.7% | 52.0% | 42.6% |

| PROFITABILITY | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Gross profit margin | 23.4% | 24.8% | 28.3% | 32.4% | 33.9% | 35.8% |
| Operating margin | 11.9% | 12.9% | 17.1% | 20.9% | 23.1% | 25.9% |
| Return on equity (ROE) | 11.0% | 13.5% | 20.6% | 31.4% | 36.4% | 38.4% |

| GEARING/LIQUIDITY/ACTIVITIES | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Current ratio (x) | 1.3 | 1.4 | 1.4 | 1.3 | 1.5 | 1.6 |

| VALUATION | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| P/E | 104.6 | 77.7 | 57.9 | 31.0 | 20.4 | 14.3 |

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

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| | |
|---|---|
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| | |
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