17 Aug 2026

CMB International Global Markets | Equity Research | Company Update

Shengyi Tech (600183 CH)

Robust Q2 earnings; AI-driven mix upgrade and ASP hikes in full swing

Shengyi Tech (SYT) reported strong 1H26 results, with revenue increasing 50% YoY to RMB19.0bn and net profit surging 130% YoY to RMB3.3bn. In 2Q26, revenue rose 54% YoY/34% QoQ to RMB10.9bn, slightly below Bloomberg consensus of RMB11.2bn. Net profit reached RMB2.13bn, up 147% YoY/84% QoQ and well above consensus of RMB1.7bn. GPM expanded to 32.6% from 28.1% in 1Q26, beating the 30.4% consensus estimate. The results reinforce our view that SYT remains a key beneficiary of the AI infrastructure upcycle. **Reiterate BUY and raise our TP to RMB190, based on 40x 2027E P/E (previously RMB90 based on 35x 2026E P/E), approximately 2-SD above its 1-yr historical mean.** We forecast revenue and earnings CAGRs of 47% and 68% over 2025-28E, implying a PEG of 0.58x. We lift revenue forecasts by 16%/39% and net profit forecasts by 15%/31% in FY26/27E, respectively, reflecting strong AI-CCL/PCB demand and higher margin assumptions driven by ASP increases and a richer high-end product mix.

- **Core segments: Broad-based AI-driven growth across CCL & PCB.** CCL & prepreg sales volumes increased 14.2%/12.4% YoY, respectively in 1H26, while segment revenue rose 47.7% to RMB12.4bn, reflecting price adjustments and a richer AI product mix. Subsidiary Shengyi Electronics (688183 CH, NR) recorded revenue of RMB5.8bn, up 53.5% YoY, and net profit of RMB1.1bn, up 109% YoY. PCB shipments increased 23.1% YoY, with sales growth outpacing volume as high-layer-count and HDI products continued to ramp up. SYT's strength across CCL and PCB gives it broad exposure to the AI infra. value chain. We forecast revenue growth of 62%/51% in FY26/27E driven by expansion of high-end CCL products.
- **Margins:** ASP increases and mix upgrades drove another step-up. GPM expanded by 4.8ppt YoY to 30.7% in 1H26. CCL & prepreg GPM increased by 5.5ppt to 29.2%, while PCB GPM rose by 3.4ppt to 31.2%. Stronger pricing and premium AI products drove profit growth ahead of sales. SYT recorded RMB410mn of fair-value gains, mainly related to Novoray's (688300 CH, NR) convertible bonds, while adj. net profit nevertheless increased 111% YoY. We forecast GPM of 30.6%/31.7% in FY26/27E.
- **Capacity expansion supports medium-term growth.** Jiangxi Phase II reached full production in 1H26, adding annual capacity of 18mn sqm of CCL and 34mn meters of prepreg. Thailand plant is expected to begin trial production in 2H, while the two-phase Songshan Lake project is planned to add 48mn sqm of CCL and 100mn meters of prepreg. Capex reached RMB1.88bn in 1H26. Ramp-up execution and the availability of critical upstream materials remain key variables for earnings delivery beyond 2026.
- **Reiterate BUY with TP raised to RMB190, based on 40x FY27E P/E, approx. 2-SD above SYT's one-year historical mean.** We believe the multiple is justified by accelerating earnings, structural mix upgrades and exposure to tight AI-related CCL and PCB capacity. Key risks include slower capacity ramp-up, raw-material costs, intensifying competition, etc.

BUY (Maintain)

Target Price	**RMB190.00**
(Previous TP	RMB90.00)
Up/Downside	**32.7%**
Current Price	**RMB143.21**

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Stock Data

Mkt Cap (RMB mn)	336,514.9
Avg 3 mths t/o (RMB mn)	10,974.3
52w High/Low (RMB)	187.20/44.42
Total Issued Shares (mn)	2349.8

Source: FactSet

Shareholding Structure

Guangdong Guangxin Holdings Group	24.4%
Dongguan Guohong Investment	13.3%

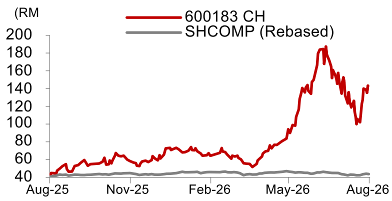
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-3.2%	-2.2%
3-mth	53.5%	63.3%
6-mth	122.9%	131.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	20,388	28,431	45,930	69,545	90,640
YoY growth (%)	22.9	39.4	61.5	51.4	30.3
Gross margin (%)	22.0	26.5	30.6	31.7	32.8
Net profit (RMB mn)	1,738.7	3,334.0	7,223.3	11,538.9	15,919.7
YoY growth (%)	49.4	91.8	116.7	59.7	38.0
EPS (Reported) (RMB)	0.74	1.39	2.97	4.75	6.55
P/E (x)	193.5	103.0	48.2	30.1	21.9

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Earnings revision

	New			Old			Diff (%)		
RMBmn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	45,930	69,545	90,640	39,631	50,221	N/A	15.9%	38.5%	N/A
Gross profit	14,052	22,039	29,761	12,087	16,221	N/A	16.3%	35.9%	N/A
Net profit	7,223	11,539	15,920	6,272	8,786	N/A	15.2%	31.3%	N/A
EPS (RMB)	2.97	4.75	6.55	2.58	3.62	N/A	15.3%	31.2%	N/A
Gross margin	30.6%	31.7%	32.8%	30.5%	32.3%	N/A	0.1 ppt	-0.6 ppt	N/A
Net margin	15.7%	16.6%	17.6%	15.8%	17.5%	N/A	-0.1 ppt	-0.9 ppt	N/A

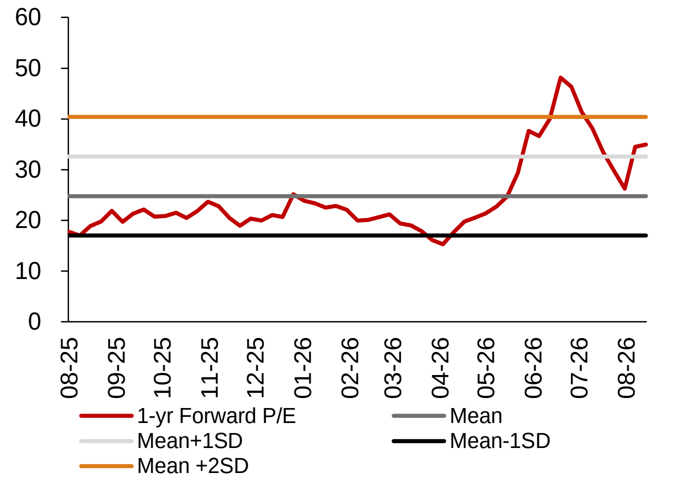
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs. BBG consensus

	CMBI estimates			Consensus			Diff (%)		
RMBmn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	45,930	69,545	90,640	45,573	66,570	88,843	0.8%	4.5%	2.0%
Gross profit	14,052	22,039	29,761	13,349	20,676	28,621	5.3%	6.6%	4.0%
Net profit	7,223	11,539	15,920	7,296	10,964	14,824	-1.0%	5.2%	7.4%
EPS (RMB)	2.97	4.75	6.55	3.24	4.93	6.10	-8.1%	-3.6%	7.4%
Gross margin	30.6%	31.7%	32.8%	29.3%	31.1%	32.2%	1.3 ppt	0.6 ppt	0.6 ppt
Net margin	15.7%	16.6%	17.6%	16.0%	16.5%	16.7%	-0.3 ppt	0.1 ppt	0.9 ppt

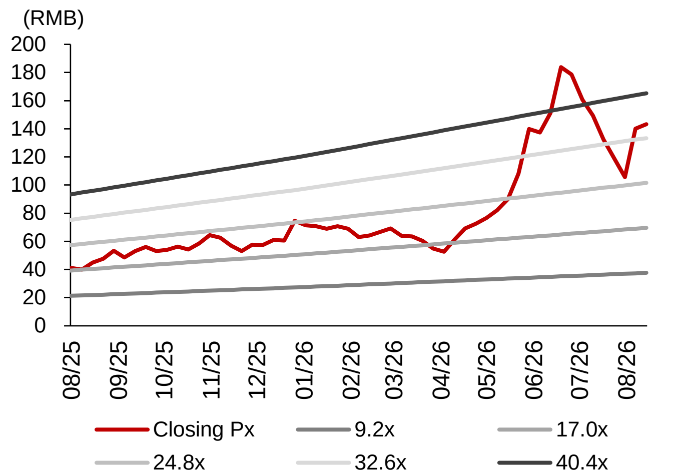
Source: Bloomberg consensus, CMBIGM estimates

Figure 3: P/E chart



Source: Company data, CMBIGM estimates

Figure 4: P/E band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**16,586**	**20,388**	**28,431**	**45,930**	**69,545**	**90,640**
Cost of goods sold	(13,395)	(15,895)	(20,905)	(31,878)	(47,506)	(60,878)
Gross profit	**3,191**	**4,493**	**7,526**	**14,052**	**22,039**	**29,761**
Operating expenses	**(1,821)**	**(2,352)**	**(3,082)**	**(4,674)**	**(6,994)**	**(9,016)**
Selling expense	(358)	(495)	(688)	(1,025)	(1,553)	(2,024)
Admin expense	(701)	(843)	(1,088)	(1,608)	(2,434)	(3,172)
R&D expense	(841)	(1,157)	(1,450)	(2,296)	(3,477)	(4,532)
Others	79	143	145	256	470	712
Operating profit	**1,273**	**2,072**	**4,434**	**9,437**	**15,074**	**20,798**
Other income	2	2	5	6	10	12
Other expense	(3)	(6)	(22)	0	0	0
Gain/loss on financial assets at FVTPL	(3)	(2)	17	34	45	60
Other gains/(losses)	(131)	(122)	(171)	(154)	(251)	(317)
EBIT	**1,271**	**2,068**	**4,416**	**9,442**	**15,084**	**20,810**
Interest income	49	29	18	0	0	0
Interest expense	(162)	(118)	(120)	(204)	(225)	(194)
Pre-tax profit	**1,271**	**2,068**	**4,416**	**9,442**	**15,084**	**20,810**
Income tax	(123)	(200)	(524)	(1,416)	(2,263)	(3,122)
After tax profit	**1,149**	**1,868**	**3,892**	**8,026**	**12,821**	**17,689**
Minority interest	(15)	129	558	803	1,282	1,769
Net profit	**1,164**	**1,739**	**3,334**	**7,223**	**11,539**	**15,920**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**13,999**	**16,613**	**19,389**	**30,447**	**36,224**	**48,133**
Cash & equivalents	2,756	2,004	1,732	5,137	4,527	7,256
Restricted cash	19	12	12	12	12	12
Account receivables	6,669	9,041	10,913	15,073	19,192	24,674
Inventories	4,271	5,119	5,786	9,061	11,243	14,777
Prepayment	33	132	45	165	233	315
Other current assets	251	304	901	999	1,017	1,100
Non-current assets	**10,958**	**11,031**	**13,381**	**15,395**	**16,685**	**18,543**
PP&E	9,064	8,635	9,729	11,070	11,996	13,000
Right-of-use assets	22	35	36	42	53	67
Deferred income tax	269	315	601	682	878	1,049
Investment in JVs & assos	783	836	952	1,032	1,052	1,123
Intangibles	666	1,095	1,973	2,164	1,955	2,050
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	30	11	10	265	606	1,061
Other non-current assets	124	103	79	141	145	194
Total assets	**24,957**	**27,643**	**32,770**	**45,843**	**52,909**	**66,676**
Current liabilities	**7,297**	**9,849**	**12,080**	**18,564**	**18,127**	**22,647**
Short-term borrowings	1,465	1,837	2,305	6,171	2,026	2,894
Account payables	4,152	5,968	7,913	10,217	13,351	16,483
Tax payable	82	113	195	230	290	349
Other current liabilities	1,072	1,172	452	460	462	470
Contract liabilities	92	232	264	382	592	763
Accrued expenses	435	528	951	1,104	1,405	1,688
Non-current liabilities	**1,959**	**1,289**	**1,780**	**3,138**	**3,876**	**5,109**
Long-term borrowings	806	558	903	1,919	2,464	3,332
Bond payables	500	0	0	0	0	0
Obligations under finance leases	21	32	31	48	53	69
Deferred income	118	113	124	181	204	260
Other non-current liabilities	515	586	722	991	1,154	1,448
Total liabilities	**9,256**	**11,138**	**13,859**	**21,702**	**22,003**	**27,755**
Share capital	2,355	2,429	2,429	2,429	2,429	2,429
Retained earnings	5,357	5,902	6,585	11,014	16,497	22,743
Other reserves	6,272	6,574	7,709	7,709	7,709	7,709
Total shareholders equity	**13,983**	**14,905**	**16,724**	**21,152**	**26,635**	**32,881**
Minority interest	1,717	1,600	2,187	2,989	4,271	6,040
Total equity and liabilities	**24,957**	**27,643**	**32,770**	**45,843**	**52,909**	**66,676**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,149**	**1,868**	**3,892**	**8,026**	**12,821**	**17,689**
Depreciation & amortization	835	870	921	1,013	1,158	1,273
Tax paid	(34)	(25)	37	184	(31)	121
Change in working capital	494	(1,798)	(199)	(5,173)	(3,339)	(6,051)
Others	300	542	624	145	628	373
Net cash from operations	**2,743**	**1,456**	**5,274**	**4,195**	**11,236**	**13,404**
Investing						
Capital expenditure	(1,109)	(926)	(2,898)	(2,576)	(1,913)	(2,417)
Acquisition of subsidiaries/ investments	64	47	170	204	263	341
Net proceeds from disposal of short-term investments	(116)	(55)	(722)	(221)	(296)	(395)
Others	(2)	(0)	6	(80)	(20)	(71)
Net cash from investing	**(1,162)**	**(934)**	**(3,444)**	**(2,673)**	**(1,967)**	**(2,542)**
Financing						
Dividend paid	(1,287)	(1,192)	(1,551)	(2,999)	(6,281)	(9,868)
Net borrowings	(935)	(281)	94	4,881	(3,598)	1,735
Proceeds from share issues	318	773	1,147	0	0	0
Others	(15)	(577)	(1,215)	0	0	0
Net cash from financing	**(1,919)**	**(1,276)**	**(1,525)**	**1,883**	**(9,879)**	**(8,133)**
Net change in cash						
Cash at the beginning of the year	3,095	2,756	2,004	1,732	5,137	4,527
Exchange difference	(1)	3	3	0	0	0
Others	(338)	(754)	(275)	3,405	(610)	2,729
Cash at the end of the year	**2,756**	**2,004**	**1,732**	**5,137**	**4,527**	**7,256**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(7.9%)	22.9%	39.4%	61.5%	51.4%	30.3%
Gross profit	(19.6%)	40.8%	67.5%	86.7%	56.8%	35.0%
Operating profit	(28.7%)	62.9%	113.9%	112.8%	59.7%	38.0%
EBIT	(28.3%)	62.7%	113.6%	113.8%	59.7%	38.0%
Net profit	(24.0%)	49.4%	91.8%	116.7%	59.7%	38.0%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	19.2%	22.0%	26.5%	30.6%	31.7%	32.8%
Operating margin	7.7%	10.2%	15.6%	20.5%	21.7%	22.9%
Return on equity (ROE)	8.5%	12.0%	21.1%	38.1%	48.3%	53.5%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.9	1.7	1.6	1.6	2.0	2.1

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	286.4	193.5	103.0	48.2	30.1	21.9
P/E (diluted)	292.3	196.2	103.8	48.2	30.1	21.9

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

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