

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%

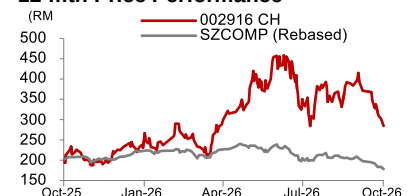
Source: Bloomberg

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

RMB mn	New			Old			Diff. (%)		
	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

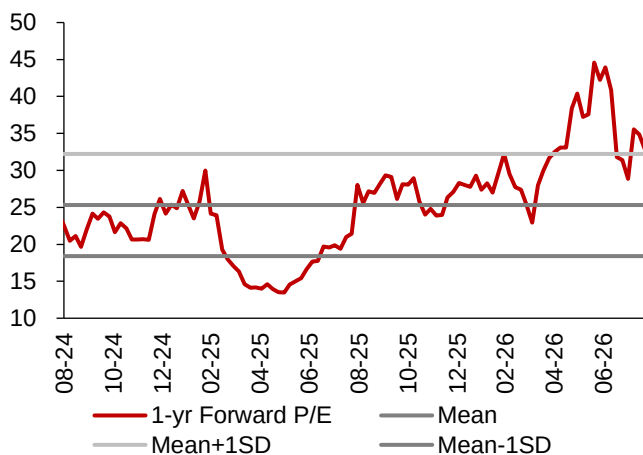
RMB mn	CMBIGM estimates			Bloomberg consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	36,783	47,828	61,823	33,834	45,846	59,011	8.7%	4.3%	4.8%
Gross profit	11,917	16,193	22,135	10,705	15,649	20,977	11.3%	3.5%	5.5%
Net profit	6,115	9,295	13,255	5,783	9,036	12,400	5.7%	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

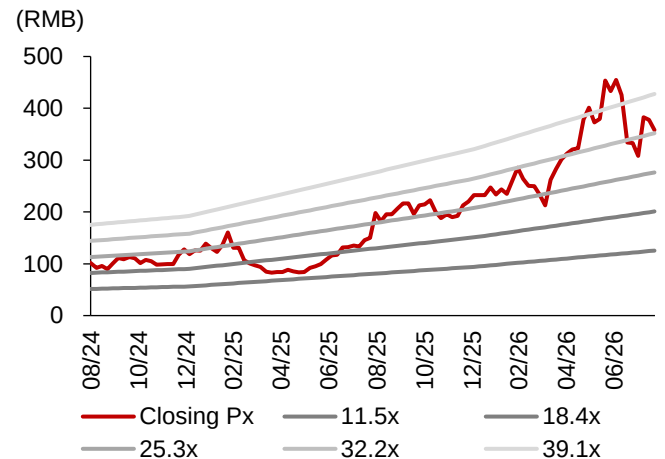
Figure 3: Peer table

Company	Ticker	P/E (x)		EPS (US\$)		GPM%	
		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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