

Faratronic - A

Model Update

Faratronic's 1Q26 net profit of Rmb268mn (+1% yoy) was 16% above JPMe, based on 8% beat on revenue (+7% yoy) and 1.4ppt beat on GPM (+0.4ppt yoy). We attribute this to better-than-expected demand in energy the storage space and a better product mix. However, we stay cautious on full-year growth with consideration of slowing NEV momentum and price/cost pressure. We largely keep our earnings estimates unchanged, projecting 8%/10% yoy net profit growth in 2026/27, and we stay Neutral with an unchanged Dec-26 PT of Rmb125.

Neutral

600563.SS, 600563.CH

Price (30 Apr 26): Rmb118.02

Price Target (Dec-26): Rmb125.00

China

Technology

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J.P. Morgan Securities (China) Company Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Net income - 26E (Rmb mn)	1,269	1,282	1.0%
Net income - 27E (Rmb mn)	1,397	1,406	0.7%

Quarterly Forecasts (FYE Dec)

Revenue (Rmb mn)	2025A			2026E			2027E		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
Q1	1,204	1,296	1,445	1,285A	1,437	1,583	1,399	1,565	1,724
Q2	1,296	1,445	1,383	1,437	1,652	1,798	1,565	1,724	1,798
Q3	1,445	1,383	1,383	1,583	1,652	1,798	1,724	1,798	1,798
FY	5,327	5,327	5,327	5,956	5,956	6,487	6,487	6,487	6,487

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	42	38	40	49	54
Growth	53	32	17	19	48
Momentum	52	39	53	76	16
Quality	26	17	11	11	35
Low Vol	53	52	63	76	65

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

Price Performance



— 600563.SS Price (Rmb) SSEA (rebased)

	YTD	1m	3m	12m
Abs	12.4%	-10.9%	8.6%	13.4%
Rel	8.8%	-15.7%	8.7%	-12.1%

Company Data

Shares O/S (mn)	225
52-week range (Rmb)	143.03-99.65
Market cap (\$ mn)	3,882
Exchange rate	6.84
Free float (%)	57.4%
3M ADV (mn)	7.01
3M ADV (\$ mn)	124.5
Volatility (90 Day)	44
Index	SHASHR
BBG ANR (Buy Hold Sell)	12 2 0

Key Metrics (FYE Dec)

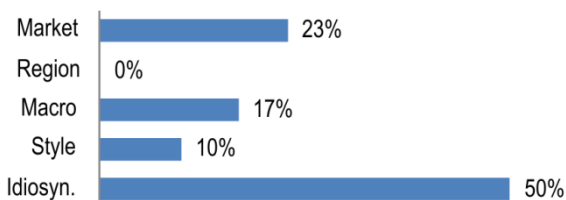
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	5,327	5,956	6,487	7,001
Adj. EBIT	1,211	1,367	1,500	1,644
Adj. EBITDA	1,458	1,613	1,720	1,841
Adj. net income	1,192	1,282	1,406	1,541
Adj. EPS	5.30	5.70	6.25	6.85
BBG EPS	5.42	6.10	7.08	8.03
Cashflow from operations	1,273	1,167	1,427	1,513
FCFF	728	810	1,118	1,230
Margins and Growth				
Revenue Growth Y/Y (%)	11.6%	11.8%	8.9%	7.9%
EBIT margin	22.7%	22.9%	23.1%	23.5%
EBIT Growth Y/Y (%)	8.3%	12.9%	9.7%	9.6%
EBITDA margin	27.4%	27.1%	26.5%	26.3%
EBITDA Growth Y/Y (%)	8.9%	10.6%	6.7%	7.0%
Net margin	22.4%	21.5%	21.7%	22.0%
Adj. EPS growth	14.7%	7.6%	9.7%	9.5%
Ratios				
Adj. tax rate	13.3%	13.2%	13.2%	13.2%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROE	21.1%	20.2%	19.9%	19.6%
Valuation				
FCFF yield	2.7%	3.0%	4.2%	4.6%
Dividend yield	1.7%	2.2%	2.4%	2.6%
EV/Revenue	4.9	4.3	3.9	3.6
EV/EBITDA	18.0	16.1	14.8	13.5
Adj. P/E	22.3	20.7	18.9	17.2

Summary Investment Thesis and Valuation

Faratronic is China's leading film capacitor supplier and one of the top three players globally, based on our market-share estimates. In terms of film capacitor demand, Faratronic has a ~35% global share of the NEV segment and a ~65% share of the global renewable energy segment, per our estimates. We are cautious on Faratronic considering slowing demand in NEV segment and persistent margin pressure. We model 8%/10% yoy earnings for 2026/27 and have a Neutral rating.

Our Dec-26 PT of Rmb125 is based on a 20x one-year forward P/E, 20% below its historical average, with consideration of slowing demand in NEV segment and margin pressure.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.39	0.45
Region: China	0.08	0.14
Macro:		
JPM Global Equity Sentiment	0.41	0.35
Citi Economic Surprise - EM	-0.27	-0.32
Emerging Economies CPI(YoY)	0.03	-0.14
Quant Styles:		
DivYld	-0.46	-0.43
Growth	0.37	0.36
LowVol	-0.21	-0.28

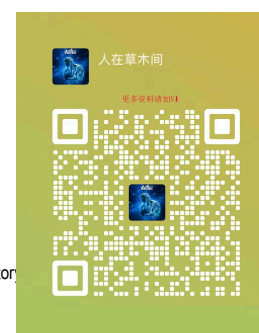
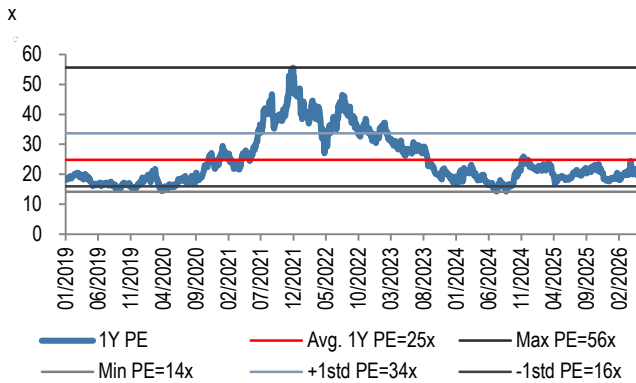


Table 1: Faratronic earnings revisions

Rmb Mn	New			Old			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	5,956	6,487	7,001	5,865	6,354	6,857	2%	2%	2%
Gross Profit	1,903	2,074	2,236	1,872	2,032	2,192	2%	2%	2%
GPM	31.9%	32.0%	31.9%	31.9%	32.0%	32.0%	0ppt	0ppt	0ppt
Operating Profit	1,367	1,500	1,644	1,334	1,466	1,605	2%	2%	2%
OPM	22.9%	23.1%	23.5%	22.7%	23.1%	23.4%	0.2ppt	0.1ppt	0.1ppt
Net Income	1,282	1,406	1,541	1,272	1,397	1,525	1%	1%	1%
NPM	21.5%	21.7%	22.0%	21.7%	22.0%	22.2%	-0.2ppt	-0.3ppt	-0.2ppt
EPS	5.70	6.25	6.85	5.65	6.21	6.78	1%	1%	1%

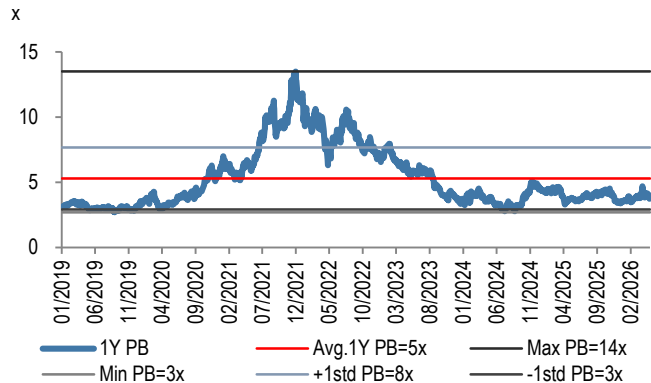
Source: J.P. Morgan estimates.

Figure 1: Faratronic P/E band



Source: Wind, J.P. Morgan estimates. Data as of April 30, 2026.

Figure 2: Faratronic P/B band



Source: Wind, J.P. Morgan estimates. Data as of April 30, 2026.

Investment Thesis, Valuation and Risks

Faratronic - A (Neutral; Price Target: Rmb125.00)

Investment Thesis

Faratronic is China's leading film capacitor supplier and one of the top three players globally, based on our market-share estimates. In terms of film capacitor demand, Faratronic has a ~35% global share of the NEV segment and a ~65% share of the global renewable energy segment, per our estimates. We are cautious on Faratronic considering slowing demand in NEV segment and persistent margin pressure. We model 8%/10% yoy earnings for 2026/27 and have a Neutral rating.

Valuation

Our Dec-26 PT of Rmb125 is based on a 20x one-year forward P/E, 20% below its historical average, with consideration of slowing demand in NEV segment and margin pressure.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) weaker-than-expected demand, especially from the NEV market; and 2) margin deterioration amid fierce competition for market-share gains.

Key upside risks include: 1) stronger-than-expected demand from power customers for datacenter application; 2) better-than-expected revenue growth in the NEV or solar PV segment; and 3) better-than-expected margin improvement.

Faratronic - A: Summary of Financials

Income Statement - Annual					Income Statement - Quarterly						
	FY24A	FY25A	FY26E	FY27E	FY28E	1Q26A	2Q26E	3Q26E	4Q26E		
Revenue	4,772	5,327	5,956	6,487	7,001	1,285	1,437	1,583	1,652		
COGS	(3,179)	(3,616)	(4,053)	(4,413)	(4,764)	(878)	(967)	(1,078)	(1,130)		
Gross profit	1,593	1,711	1,903	2,074	2,236	407	470	504	522		
SG&A	(212)	(236)	(258)	(277)	(290)	(54)	(73)	(72)	(59)		
Adj. EBITDA	1,339	1,458	1,613	1,720	1,841	366	394	421	431		
D&A	(220)	(247)	(246)	(220)	(197)	(65)	(63)	(60)	(58)		
Adj. EBIT	1,119	1,211	1,367	1,500	1,644	301	331	361	373		
Net Interest	4	3	10	21	33	2	2	4	3		
Adj. PBT	1,201	1,376	1,476	1,620	1,774	308	360	401	408		
Tax	(158)	(183)	(195)	(214)	(234)	(40)	(48)	(53)	(54)		
Minority Interest	(3)	(1)	1	1	1	0	(0)	1	0		
Adj. Net Income	1,039	1,192	1,282	1,406	1,541	268	312	348	354		
Reported EPS	4.62	5.30	5.70	6.25	6.85	1.19	1.38	1.55	1.57		
Adj. EPS	4.62	5.30	5.70	6.25	6.85	1.19	1.38	1.55	1.57		
DPS	2.01	2.03	2.65	2.85	3.13	0.00	2.65	0.00	0.00		
Payout ratio	43.6%	38.3%	46.5%	45.6%	45.6%	0.0%	191.3%	0.0%	0.0%		
Shares outstanding	225	225	225	225	225	225	225	225	225		
Balance Sheet & Cash Flow Statement					Ratio Analysis						
	FY24A	FY25A	FY26E	FY27E	FY28E	FY24A	FY25A	FY26E	FY27E	FY28E	
Cash and cash equivalents	327	272	647	1,111	1,624	Gross margin	33.4%	32.1%	31.9%	32.0%	31.9%
Accounts receivable	2,277	2,346	2,712	2,881	3,076	EBITDA margin	28.1%	27.4%	27.1%	26.5%	26.3%
Inventories	803	962	1,149	1,253	1,352	EBIT margin	23.4%	22.7%	22.9%	23.1%	23.5%
Other current assets	4,017	3,677	4,271	4,583	4,914	Net profit margin	21.8%	22.4%	21.5%	21.7%	22.0%
Current assets	5,319	5,509	6,086	6,862	7,706	ROE	20.8%	21.1%	20.2%	19.9%	19.6%
PP&E	1,809	2,131	2,249	2,351	2,449	ROA	14.7%	14.4%	13.9%	13.9%	14.0%
LT investments	0	46	0	0	0	ROCE	19.4%	18.5%	18.6%	18.4%	18.1%
Other non current assets	579	939	1,232	1,233	1,237	SG&A/Sales	4.4%	4.4%	4.3%	4.3%	4.1%
Total assets	7,818	8,728	9,668	10,544	11,488	Net debt/equity	NM	NM	NM	NM	NM
Short term borrowings	25	14	0	0	0	P/E (x)	25.6	22.3	20.7	18.9	17.2
Payables	2,010	2,177	2,447	2,542	2,627	P/BV (x)	5.0	4.4	4.0	3.6	3.2
Other short term liabilities	232	267	271	288	310	EV/EBITDA (x)	19.7	18.0	16.1	14.8	13.5
Current liabilities	2,266	2,458	2,718	2,829	2,936	Dividend Yield	1.7%	1.7%	2.2%	2.4%	2.6%
Long-term debt	0	0	0	0	0	Sales/Assets (x)	0.7	0.6	0.6	0.6	0.6
Other long term liabilities	203	239	258	258	258	Interest cover (x)	NM	NM	NM	NM	NM
Total liabilities	2,469	2,698	2,976	3,087	3,194	Operating leverage	9.4%	71.1%	108.8%	109.4%	121.0%
Shareholders' equity	5,288	6,030	6,693	7,458	8,295	Revenue y/y Growth	23.0%	11.6%	11.8%	8.9%	7.9%
Minority interests	60	0	(1)	(1)	(2)	EBITDA y/y Growth	5.2%	8.9%	10.6%	6.7%	7.0%
Total liabilities & equity	7,818	8,728	9,668	10,544	11,488	Tax rate	13.2%	13.3%	13.2%	13.2%	13.2%
BVPS	23.50	26.80	29.75	33.15	36.87	Adj. Net Income y/y Growth	1.5%	14.7%	7.6%	9.7%	9.5%
y/y Growth	12.5%	14.0%	11.0%	11.4%	11.2%	EPS y/y Growth	1.5%	14.7%	7.6%	9.7%	9.5%
Net debt/(cash)	(302)	(258)	(647)	(1,111)	(1,624)	DPS y/y Growth	8.2%	0.7%	30.6%	7.6%	9.7%
Cash flow from operating activities	1,258	1,273	1,167	1,427	1,513						
o/w Depreciation & amortization	220	247	246	220	197						
o/w Changes in working capital	(802)	544	(321)	(200)	(224)						
Cash flow from investing activities	(1,102)	(920)	(71)	(321)	(296)						
o/w Capital expenditure	(391)	(545)	(358)	(309)	(284)						
as % of sales	8.2%	10.2%	6.0%	4.8%	4.1%						
Cash flow from financing activities	(417)	(411)	(620)	(642)	(704)						
o/w Dividends paid	(453)	(456)	(596)	(641)	(703)						
o/w Net debt issued/(repaid)	5	(11)	(14)	0	0						
Net change in cash	(271)	(69)	474	463	513						
Adj. Free cash flow to firm	868	728	810	1,118	1,230						
y/y Growth	33.0%	(16.1%)	11.2%	38.0%	10.0%						

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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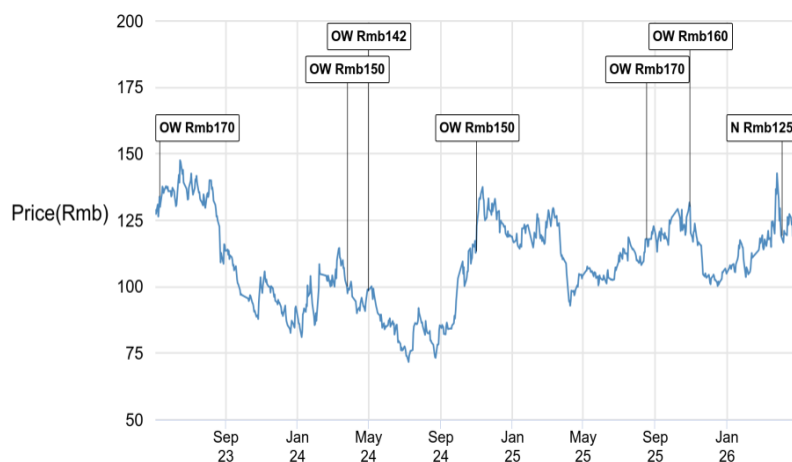
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Faratronic - A (600563.SS, 600563 CH) Price Chart



Date	Rating	Price (Rmb)	Price Target (Rmb)
12-May-23	OW	133.85	170
26-Mar-24	OW	100.09	150
01-May-24	OW	98.50	142
01-Nov-24	OW	113.40	150
18-Aug-25	OW	117.89	170
31-Oct-25	OW	130.08	160
06-Apr-26	N	119.18	125

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jan 04, 2023. All share prices are as of market close on the previous business day.

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