Shennan Circuits (002916.SZ): AI PCB growth on spec upgrade and 800G / 1.6T optical modules ramp up; Improving ABF business; Buy

Ting Song
+852-2978-6466 | ting.song@gs.com
Goldman Sachs (Asia) L.L.C.

Allen Chang
+852-2978-2930 |
allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

Verena Jeng
+852-2978-1681 | verena.jeng@gs.com
Goldman Sachs (Asia) L.L.C.

We reiterate our Buy rating on Shennan, supported by multiple growth drivers: (1) PCB specification upgrade for AI server and switch; (2) optical module PCB on volume growth and mix upgrade towards 800G / 1.6T products for high-speed transmission; (3) BT substrate growth driven by memory demand; and (4) ABF business recovery with improving utilization rate. The company announced a new Capex plan at no more than Rmb4.6bn on MLPCB capacity expansion, and we expect to see gradual revenues contribution from 2027E. Maintain Buy rated with a raised 12m TP of Rmb450 (from Rmb394).

1.6T Optical module PCB to ramp up from 2Q26: The company's AI PCB business covers AI server, general server, switch and optical module, and we see Shennan as one of the key suppliers of optical module PCB. We expect 800G / 1.6T global optical modules shipment at 45m / 46m in 2027E and 3.2T shipment ramping up to 13m, benefiting the company with rising exposure to high-speed products. The company has started mass production of 1.6T optical module PCB from 1Q26, which should ramp up from 2Q26E. We view 800G products remaining the key revenue contributor this year, and higher contribution from 1.6T optical module PCB from 2027E.

Improving ABF business: The company has started the mass production of 22 layers ABF, and is currently working on the verification of 24 layers products. We are positive on the accelerated growth of ABF revenues and better profitability this year, supported by improving utilization rate in Guangzhou sites. We see rising ABF demand in the China market from both GPU and CPU clients.

Earnings revision: We revise up our earnings for Shennan by 2%/ 2% in 2027E / 2028E mainly on higher revenues and GM. We revise up revenues (c.1%) to reflect higher revenues of optical module PCB and ABF business on rising demand. We raise GM by 0.1ppts in 2027E /2028E on better product mix, and lower Opex ratio by 0.1ppts in 2027E/ 28E on better operational efficiency with larger scale.

Exhibit 1: Earnings revision

	2026E			2027E			2028E		
Rmb m	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Revenue	31,338	31,327	0%	42,964	43,361	1%	50,583	51,030	1%
GP	9,249	9,253	0%	13,478	13,653	1%	15,902	16,092	1%
OP	5,768	5,771	0%	8,783	8,952	2%	11,130	11,315	2%
Net income	5,232	5,235	0%	8,142	8,299	2%	10,325	10,497	2%
Margins									
GM	29.5%	29.5%	0ppts	31.4%	31.5%	0.1ppts	31.4%	31.5%	0.1ppts
OPM	18.4%	18.4%	0ppts	20.4%	20.6%	0.2ppts	22.0%	22.2%	0.2ppts
NM	16.7%	16.7%	0ppts	19.0%	19.1%	0.2ppts	20.4%	20.6%	0.2ppts

Source: Company data, Goldman Sachs Global Investment Research

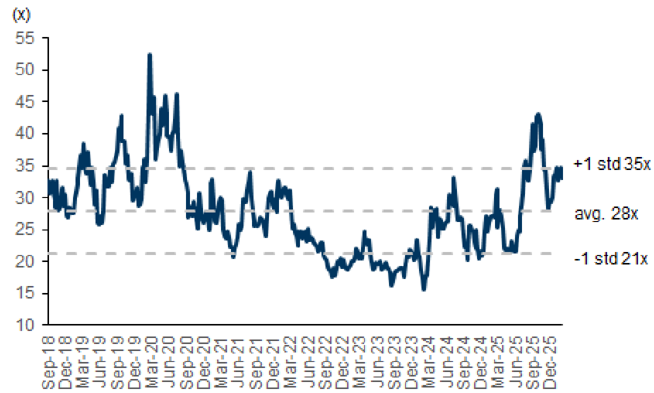
Valuation: Our 12m TP remains based on a 2027E P/E (methodology unchanged). Our target P/E is revised up to 36.9x (vs. at 33.0x previously), mainly based on the company's 2027E-28E EPS growth and still derived from peers correlation between peers' 2027 trading P/E vs. the sum of 2027-28 EPS YoY growth and 2027-28 OPM (the PEG&M ratio). We think the higher multiple reflects re-rating potential on a more positive outlook on rising AI demand and higher-than-expected PCB / optical dollar content. With our updated earnings estimate and target multiple, our 12m TP is raised to Rmb450 (vs. Rmb394 previously).

Exhibit 2: Shennan P&L Summary

P&L (Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2022	2023	2024	2025	2026E	2027E	2028E
Revenues	4,783	5,671	6,301	6,893	6,596	7,538	8,429	8,764	13,992	13,526	17,907	23,647	31,327	43,361	51,030
GP	1,183	1,564	1,978	1,971	1,924	2,276	2,501	2,552	3,571	3,170	4,447	6,696	9,253	13,653	16,092
OP	540	858	1,077	1,058	1,085	1,452	1,634	1,600	1,738	1,124	2,015	3,533	5,771	8,952	11,315
Pretax income	523	976	1,060	1,065	941	1,445	1,627	1,593	1,720	1,398	2,023	3,624	5,605	8,924	11,287
Net income	491	869	966	950	850	1,358	1,529	1,498	1,640	1,398	1,878	3,276	5,235	8,299	10,497
Margins															
GM	24.7%	27.6%	31.4%	28.6%	29.2%	30.2%	29.7%	29.1%	25.5%	23.4%	24.8%	28.3%	29.5%	31.5%	31.5%
OPM	11.3%	15.1%	17.1%	15.4%	16.5%	19.3%	19.4%	18.3%	12.4%	8.3%	11.3%	14.9%	18.4%	20.6%	22.2%
NM	10.3%	15.3%	15.3%	13.8%	12.9%	18.0%	18.1%	17.1%	11.7%	10.3%	10.5%	13.9%	16.7%	19.1%	20.6%
Ratios															
Opex ratio	13.4%	12.5%	14.3%	13.2%	12.7%	10.9%	10.3%	10.9%	13.1%	15.1%	13.6%	13.4%	11.1%	10.8%	9.4%
Tax rate	6.0%	10.9%	8.8%	10.7%	9.5%	6.0%	6.0%	6.0%	4.7%	0.0%	7.1%	9.5%	6.6%	7.0%	7.0%
YoY															
Revenues	21%	30%	33%	42%	38%	33%	34%	27%	0%	-3%	32%	32%	32%	38%	18%
GP	19%	32%	65%	85%	63%	45%	26%	30%	8%	-11%	40%	51%	38%	48%	18%
OP	30%	41%	73%	188%	101%	69%	52%	51%	5%	-35%	79%	75%	63%	55%	26%
Net income	29%	43%	93%	144%	73%	56%	58%	58%	11%	-15%	34%	74%	60%	59%	26%
QoQ															
Revenues	-2%	19%	11%	9%	-4%	14%	12%	4%							
GP	11%	32%	26%	0%	-2%	18%	10%	2%							
OP	47%	59%	25%	-2%	3%	34%	13%	-2%							
Net income	26%	77%	11%	-2%	-10%	60%	13%	-2%							

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Shennan 12M forward P/E



Source: Eikon Datastream

Price Target Risks and Methodology - Shennan Circuits

We are Buy rated on Shennan Circuits with a 12-month target price of Rmb450, which is based on a 36.9x target P/E multiple on our 2027E EPS.

Downside risks: 1) slower-than-expected expansion to AI PCB; 2) fiercer-than-expected competition, which could lead to ASP erosion and margin pressure; 3) customer concentration risk; and 4) slower-than-expected server/automotive PCB and IC substrate growth.

002916.SZ	12m Price Target: **Rmb450.00**	Price: **Rmb378.27**	Upside: **19.0%**

Buy

Market cap: Rmb194.0bn / $28.6bn
Enterprise value: Rmb196.3bn / $28.9bn
3m ADTV: Rmb3.1bn / $451.7mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**23,647.0**	**31,326.7**	**43,360.8**	**51,030.1**
Revenue (Rmb mn) Old	23,647.0	31,337.7	42,964.3	50,582.8
EBITDA (Rmb mn)	5,150.4	7,633.2	11,385.6	14,035.4
EPS (Rmb) New	**4.91**	**7.69**	**12.18**	**15.41**
EPS (Rmb) Old	4.91	7.68	11.95	15.16
P/E (X)	28.6	49.2	31.0	24.5
P/B (X)	5.5	12.4	9.8	7.7
Dividend yield (%)	1.7	0.7	1.0	1.3
CROCI (%)	24.4	25.3	31.6	33.2

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	1.25	1.99	2.24	2.20

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 22 May 2026 close.

Disclosure Appendix

Reg AC

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Contributing Authors: Ting Song Goldman Sachs (Asia) L.L.C., Allen Chang Goldman Sachs (Asia) L.L.C., Verena Jeng Goldman Sachs (Asia) L.L.C..

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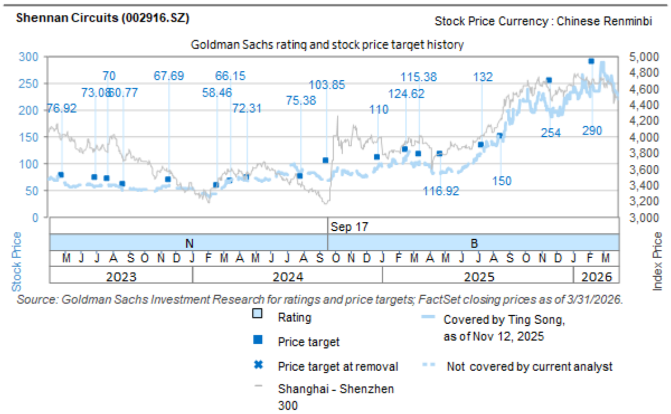

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Target price history table(s)
Shennan Circuits (002916.SZ)

Date of report	Target price (Rmb)	Closing price (Rmb)
06-May-26	394.00	318.75
09-Feb-26	290.00	246.05
20-Nov-25	254.00	197.88
19-Aug-25	150.00	145.00
14-Jul-25	132.00	123.98
24-Apr-25	152.00	81.75
13-Mar-25	150.00	98.46
17-Feb-25	162.00	113.83
26-Dec-24	143.00	98.89
17-Sep-24	135.00	73.53
29-Jul-24	98.00	85.71
18-Apr-24	94.00	68.64
18-Mar-24	86.00	70.58
20-Feb-24	76.00	44.14
20-Nov-23	88.00	59.29
24-Aug-23	79.00	49.01
25-Jul-23	91.00	61.35
03-Jul-23	95.00	58.12

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