Goldman Sachs Research

Equity Research

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Shengyi Tech (600183.SS): AI CCL capacity expansion with mix upgrade to high-end products; TP raised to Rmb217.6; Buy

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We remain constructive on Shengyi on its capacity expansion of AI CCL and mix upgrade towards higher-end products. The company continues to ramp up new capacity in 2Q26, and has announced the new capex plan of Rmb5.2bn for CCL production lines, targeting the annual capacity at ~38.4m sheets. Besides company's commitments on the capacity expansion, we see Shengyi's accumulated efforts on its innovative product development (e.g. new materials, formula, processing etc.), supporting the migration to M9 and above CCL products and dollar content increase. Maintain Buy with TP raised to Rmb217.6.

New Capex plan to support CCL expansion: The company plans to start the capex plan of Rmb5.2bn from later this year, focusing on the expansion of high-end CCL products, including Rmb1.6bn for the factory construction, and Rmb2.4bn for the equipment. The annual CCL capacity targets at 48m square meters, or 38.4m sheets, and management expects the annual sales to reach Rmb9.3bn when the production line reaches 100% UT rate.

Mix upgrade towards higher-end CCL: With the specification upgrade of rack-level AI server towards higher speed, we expect the rising valuation contribution from M9 and above products, driving global AI servers CCL value to grow 142%/ 222% YoY in 2026/ 27E. The company has capabilities of innovative solutions (e.g. new materials, formula, processing etc.) for early new product launch, and we expect Shengyi to be one of key beneficiaries of high-end CCL migration.

Earnings revision: We revise up company's 2026-28E earnings by 8%/ 28%/ 29% mainly on higher revenues, higher GM and lower Opex ratio. **Revenues are** raised on (1) higher AI CCL volume on the new capacity expansion plan from later this year focusing on the high-end CCL products, (2) favorable CCL pricing, and (3) specification upgrade. **GM is** raised on product mix upgrade towards higher-end CCL products carrying better margin.

Exhibit 1: Earnings revision

Rmb mn	2026E Old	2026E New	2026E Chg	2027E Old	2027E New	2027E Chg	2028E Old	2028E New	2028E Chg
Revenue	38,776	40,436	4%	60,082	68,034	13%	84,489	97,158	15%
GP	11,040	11,694	6%	17,943	21,018	17%	25,384	30,494	20%
OP	6,994	7,475	7%	11,328	14,241	26%	16,293	20,719	27%
Net income	5,402	5,821	8%	9,052	11,577	28%	13,169	16,975	29%
EPS (Diluted)	2.26	2.43	8%	3.78	4.83	28%	5.50	7.09	29%
Margins									
GM	28.5%	28.9%		29.9%	30.9%		30.0%	31.4%	
OPM	18.0%	18.5%		18.9%	20.9%		19.3%	21.3%	
NM	13.9%	14.4%		15.1%	17.0%		15.6%	17.5%	

Source: Company data, Goldman Sachs Global Investment Research

Valuation: with our updated earning estimates and refreshed multiple, **we raise our 12m TP by to Rmb217.6** (vs. previously at Rmb146.3)**, based on 45.0x 2027E P/E (previously 38.7x).** Our target P/E of 45.0x is derived from the correlation between P/E and EPS growth of its peers, based on the company's 2027-28E EPS YoY growth. The target multiple is raised as we mark to market and as we raised 2027-28E EPS growth to 73% (vs. 56% previously). Our target PE multiple of 45.0x is higher than the company's avg +1std P/E, reflecting our positive view on Shengyi Tech product mix upgrade toward AI CCL. Maintain Buy.

Exhibit 2: Shengyi P&L Summary

Rmb m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E
Income statement								
Revenues	5,611	7,069	7,934	7,818	8,141	10,332	10,988	10,974
GP	1,380	1,898	2,233	2,015	2,288	3,011	3,201	3,195
S&M expenses	117	145	140	135	135	172	182	182
G&A expenses	244	288	272	284	271	345	374	373
R&D expenses	295	348	372	436	399	507	539	538
OP	699	1,079	1,416	1,107	1,441	1,936	2,051	2,046
EBITDA	919	1,300	1,651	1,342	1,697	2,192	2,307	2,303
Non OP	20	43	(24)	78	89	(30)	(30)	(19)
Pretax income	719	1,122	1,391	1,184	1,530	1,906	2,021	2,028
Net income	564	863	1,017	891	1,158	1,486	1,586	1,591
EPS (Rmb)	0.23	0.36	0.35	0.37	0.48	0.62	0.66	0.66
Margins								
GM	24.6%	26.9%	28.1%	25.8%	28.1%	29.1%	29.1%	29.1%
OPM	12.4%	15.3%	17.8%	14.2%	17.7%	18.7%	18.7%	18.6%
NM	10.0%	12.2%	12.8%	11.4%	14.2%	14.4%	14.4%	14.5%
Ratios								
Opex ratio	12.2%	11.6%	10.3%	11.6%	10.4%	10.4%	10.5%	10.5%
Tax rate	11.6%	12.0%	10.8%	13.2%	12.9%	12.9%	12.9%	12.9%
YoY								
Revenues	27%	36%	55%	39%	45%	46%	38%	40%
GP	47%	68%	91%	62%	66%	59%	43%	59%
OP	58%	86%	189%	127%	106%	79%	45%	85%
Net income	44%	60%	131%	143%	105%	72%	56%	79%
QoQ								
Revenues	-1%	26%	12%	-1%	4%	27%	6%	0%
GP	11%	37%	18%	-10%	14%	32%	6%	0%
OP	44%	54%	31%	-22%	30%	34%	6%	0%
Net income	54%	53%	18%	-12%	30%	28%	7%	0%

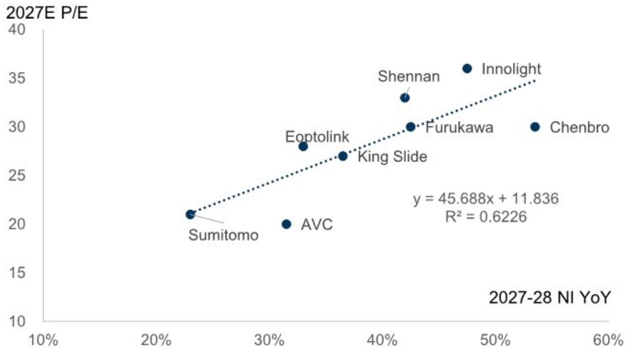
Rmb m	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Income statement								
Revenues	16,586	20,388	28,431	40,436	68,034	97,158	119,585	139,014
GP	3,182	4,486	7,526	11,694	21,018	30,494	37,358	42,624
S&M expenses	245	366	537	671	1,129	1,613	1,985	2,308
G&A expenses	701	843	1,088	1,363	2,177	3,206	4,066	4,865
R&D expenses	841	1,157	1,450	1,983	3,130	4,469	5,501	6,395
OP	1,291	1,998	4,300	7,475	14,241	20,719	25,208	28,360
EBITDA	2,115	2,861	5,213	8,500	15,536	22,316	27,111	30,651
Non OP	(20)	70	116	11	(134)	(171)	(238)	(287)
Pretax income	1,271	2,068	4,416	7,486	14,107	20,548	24,970	28,073
Net income	1,164	1,739	3,334	5,821	11,577	16,975	20,528	23,165
EPS (Rmb)	0.50	0.74	1.31	2.43	4.83	7.09	8.57	9.67
Margins								
GM	19.2%	22.0%	26.5%	28.9%	30.9%	31.4%	31.2%	30.7%
OPM	7.8%	9.8%	15.1%	18.5%	20.9%	21.3%	21.1%	20.4%
NM	7.0%	8.5%	11.7%	14.4%	17.0%	17.5%	17.2%	16.7%
Ratios								
Opex ratio	11.4%	12.2%	11.3%	10.4%	10.0%	10.1%	10.2%	10.3%
Tax rate	9.6%	9.7%	11.9%	12.9%	13.0%	14.0%	15.0%	15.0%
YoY								
Revenues	-8%	23%	39%	42%	68%	43%	23%	16%
GP	-20%	41%	68%	55%	80%	45%	23%	14%
OP	-32%	55%	115%	74%	91%	45%	22%	13%
Net income	-24%	49%	92%	75%	99%	47%	21%	13%
QoQ								
Revenues								
GP								
OP								
Net income								

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Shengyi 12M forward P/E

Source: Eikon Datastream

Exhibit 4: The target P/E multiple is derived from correlation between peers P/E and earnings YoY



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: Shengyi Balance sheet

Rmb m	2024	2025	2026E	2027E	2028E	2029E	2030E
Balance Sheet							
Cash and equivalents	2,016	1,744	1,849	2,249	2,385	2,534	3,483
Accounts receivable	7,313	9,536	10,516	11,106	15,513	16,923	20,782
Inventory	5,119	5,786	6,813	10,963	11,320	15,714	15,976
Other current assets	2,164	2,323	2,323	2,323	2,323	2,323	2,323
Current assets	**16,613**	**19,389**	**21,500**	**26,641**	**31,540**	**37,493**	**42,564**
Net PP&E/Fixed assets	8,635	9,729	12,369	15,316	18,310	20,255	21,789
Net intangibles	626	620	594	570	547	524	315
Other long-term assets	1,769	3,031	3,031	3,031	3,031	3,031	3,031
Non-current assets	**11,031**	**13,381**	**15,995**	**18,918**	**21,888**	**23,811**	**25,135**
Total assets	**27,643**	**32,770**	**37,495**	**45,559**	**53,428**	**61,304**	**67,700**
Accounts payable	3,423	4,421	6,918	11,630	14,670	17,770	20,258
Short-term debt	2,994	2,743	2,743	2,743	2,743	2,743	2,743
Other current liabilities	3,433	4,916	4,916	4,916	4,916	4,946	4,916
Current liabilities	**9,849**	**12,080**	**14,577**	**19,289**	**22,328**	**25,459**	**27,916**
Long-term debt	558	903	1,703	2,903	4,903	6,403	6,703
Other long-term liabilities	731	877	877	877	877	877	877
Non-current liabilities	**1,289**	**1,780**	**2,580**	**3,780**	**5,780**	**7,280**	**7,580**
Total liabilities	**11,138**	**13,859**	**17,157**	**23,069**	**28,108**	**32,739**	**35,496**
Common stock	2,429	2,429	2,429	2,429	2,429	2,429	2,429
Retained earnings	7,650	8,555	9,287	10,741	12,874	15,454	18,365
Other common equity	4,825	5,739	5,739	5,739	5,739	5,739	5,739
Total common equity	**14,905**	**16,724**	**17,455**	**18,910**	**21,043**	**23,622**	**26,533**
Minority interest	1,600	2,187	2,883	3,580	4,277	4,973	5,670
Total equity	**16,505**	**18,910**	**20,338**	**22,490**	**25,319**	**28,596**	**32,203**
BVPS	6.26	6.55	7.29	7.90	8.79	9.87	11.08
Cash conversion cycle							
Account receivable days	115	108	91	58	50	50	50
Inventory days	108	95	80	69	61	60	60
Net payable days	71	68	72	72	72	72	72
Cash conversion cycle	152	135	99	55	39	38	38
Ratios							
ROE (common equity)	12%	21%	34%	64%	85%	92%	92%
ROA	7%	11%	17%	28%	34%	36%	36%
Net debt to total equity	9%	10%	13%	15%	21%	23%	19%
Net cash per share (Rmb)	(0.65)	(0.75)	(1.08)	(1.42)	(2.20)	(2.76)	(2.49)
Total liabilities to total assets	40%	42%	46%	51%	53%	53%	52%
Dupont analysis							
Asset turnover	0.8	0.9	1.2	1.6	2.0	2.1	2.2
Leverage (assets to equity)	1.8	1.9	2.1	2.3	2.5	2.6	2.6
Net margin	9%	12%	14%	17%	17%	17%	17%
ROE (total equity)	11%	19%	30%	54%	71%	76%	76%
ROA	7%	11%	17%	28%	34%	36%	36%
CROCI (EDBITA/total equity)	17%	28%	42%	69%	88%	95%	95%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: Shengyi Cash flow statement

Rmb m	2024	2025	2026E	2027E	2028E	2029E	2030E
Cash flow statement							
Net income	1,739	3,334	5,821	11,577	16,975	20,528	23,165
Minority interest add-back	129	558	697	697	697	697	697
Depreciation and amortization add-back	863	913	1,025	1,295	1,597	1,903	2,290
(Increase)/decrease in working capital	(1,949)	(1,891)	491	(28)	(1,724)	(2,704)	(1,634)
Other operating cash flow items	675	2,360	0	-	-	-	-
Cash flow from operating	**1,456**	**5,274**	**8,033**	**13,541**	**17,544**	**20,424**	**24,518**
Capital expenditure	(926)	(2,376)	(3,639)	(4,218)	(4,566)	(3,827)	(3,614)
Other investment cash flow items	(8)	(557)	-	-	-	-	-
Cash flow from investing	**(934)**	**(2,933)**	**(3,639)**	**(4,218)**	**(4,566)**	**(3,827)**	**(3,614)**
Dividends paid	(1,192)	(2,727)	(5,089)	(10,122)	(14,842)	(17,948)	(20,254)
Change in common stock	75	(0)	-	-	-	-	-
Increase/(decrease) in short-term debt	462	(251)	-	-	-	-	-
Increase/(decrease) in long-term debt	(248)	345	800	1,200	2,000	1,500	300
Other financing cash flow items	(373)	17	-	-	-	-	-
Cash flow from financing	**(1,276)**	**(2,616)**	**(4,289)**	**(8,922)**	**(12,842)**	**(16,448)**	**(19,954)**
Net change in cash	(759)	(272)	105	401	136	148	949
FCF	530	2,898	4,394	9,323	12,978	16,597	20,904
Ratio							
Capex to revenue	5%	8%	9%	6%	5%	3%	3%

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We derive our 12M TP of **Rmb217.6** on a target P/E multiple of 45.0x 2027E EPS. Our target P/E of 45.0x is derived from the correlation between P/E and EPS growth of Shengyi Tech's peers, based on the company's 2027-28E EPS YoY growth.

Key risks: Lower-than-expected AI infrastructure investment, Lower-than-expected allocation, Change in the direction of technology.

600183.SS	12m Price Target: **Rmb217.60**	Price: **Rmb146.90**	Upside: **48.1%**

Buy

Market cap: Rmb351.8bn / $51.9bn
Enterprise value: Rmb357.2bn / $52.7bn
3m ADTV: Rmb5.9bn / $867.8mn
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	**28,431.1**	**40,436.2**	**68,034.0**	**97,157.9**
Revenue (Rmb mn) Old	28,431.1	38,776.0	60,082.3	84,489.1
EBITDA (Rmb mn)	5,212.6	8,499.6	15,536.3	22,316.0
EPS (Rmb) New	**1.31**	**2.43**	**4.83**	**7.09**
EPS (Rmb) Old	1.31	2.26	3.78	5.50
P/E (X)	30.8	60.4	30.4	20.7
P/B (X)	5.4	17.3	15.6	13.9
Dividend yield (%)	2.8	1.4	2.9	4.2
CROCI (%)	29.3	28.0	44.2	53.6

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	0.48	0.62	0.66	0.66

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jun 2026 close.

Disclosure Appendix

Reg AC

We, Allen Chang, Verena Jeng and Ting Song, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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Goldman Sachs expects to receive or intends to seek compensation for investment banking services in the next 3 months: Shengyi Tech (Rmb146.90)

Goldman Sachs had an investment banking services client relationship during the past 12 months with: Shengyi Tech (Rmb146.90)

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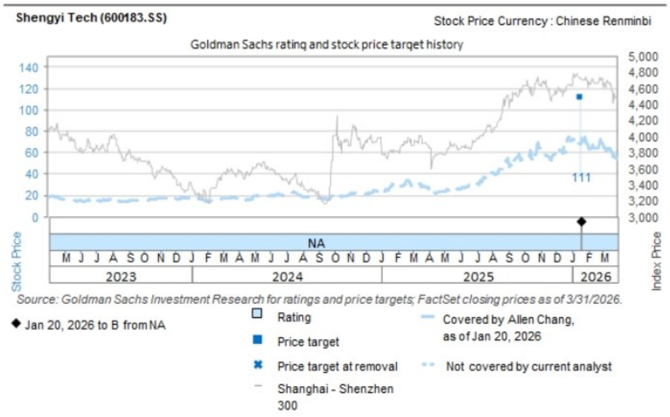
Price target and rating history chart(s)



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

Target price history table(s)

Shengyi Tech (600183.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
30-May-26	146.30	140.62
22-May-26	127.40	108.01
20-Jan-26	111.00	68.00

Price targets shown in table(s) are unadjusted for corporate actions.

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