14 Jun 2026 17:30:19 ET | 11 pages

Shennan Circuit (002916.SZ)

Announcement of Funds Raised on Expanding AI-PCB Capacity in Wuxi

CITI'S TAKE

Shennan announced the issuance of new shares to raise a total Rmb4.88bn. The new shares will be placed to not more than 35 institutional investors who undergo the six-month lock-up period immediately after the placement. The use of proceeds is Rmb3.60bn for building AI-PCB new capacity in Wuxi with a total investment required of Rmb4.5bn, and the balance of Rmb1.28bn is used for working capital. The placement price is based on more than 80% of the average closing prices over the past 20 trading days. We estimate the new shares would account for ~2% of total enlarged capital. Therefore, we view the impact to share price drag as not material. **Maintain Buy on Shennan**, but we **prefer Han's Laser > Han's CNC > Shennan** skewing towards PCB equipment due to anticipation of more PCB capacity build among major comps – See **Fig 1**.

Buy	
Price (12 Jun 26 15:00)	Rmb379.500
Target price	Rmb360.000
Expected share price return	-5.1%
Expected dividend yield	0.5%
Expected total return	-4.7%
Market Cap	Rmb258,503M US$38,044M

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Balance sheet remains healthy – Shennan's net gearing was low at 15% in 2025. In view of anticipation of robust AI-demand, we see the company would allocate more cash for the increase in working capital and capex on existing ongoing projects. We see this placement would enable the company to manage a healthy balance sheet.

Commitment of cash dividend payout of at least 20% – The company will commit at least 20% of earnings for cash dividend during 2026-28.

Upcoming aggressive capacity expansion on PCB – Over the past 12 months, we have seen a couple of major PCB companies successfully arranging listing or dual listing in Hong Kong. The funds raised are mainly focused on AI-PCB capacity expansion. We see a number of leading PCB companies including Victory Giant, Wus, Avary, Kingboard would expand PCB capacity. **Fig 1** exhibits the summary based on latest 2025 or 1Q26 results reports. **We prefer Han's Laser > Han's CNC > Shennan** skewing towards PCB equipment due to upcoming more PCB capacity build among major regional comps.

Figure 1. Capacity plan of major Regional major PCB companies based on 2025 and 1Q26 financial reports. More PCB capacity build should benefit Han's CNC and Han's Laser

breaks ground 2026+ (new build) | under construction since 2025 or earlier | bar = groundbreaking → first production (bar end = online)

Company	Ticker	Site	Product	Expansion
Avary Hldg 鹏鼎控股	002938.SZ	Thailand	HDI/HLC + optical (AI server)	4 new plants
		Huaian	HDI/HLC PCB (AI server)	Capex Rmb8bn
		Huaian (new base)	High-end PCB (AI server)	Capex Rmb11bn
Chaoying Electronics 超颖电子	603175.SS	Thailand	High-end PCB (AI server)	Capex Rmb3.3bn
		Huangshi	HDI + multilayer PCB (server/auto)	+128k sqm/yr
Dongshan Precision 东山精密	002384.SZ	Multek	High-end PCB (AI server)	Capex ≤US$1.0bn
Guanghe Tech 广合科技	001389.SZ	Guangzhou	HDI/HLC PCB (AI server)	Capex Rmb2.6bn
		Thailand	High-end PCB (AI server)	Capex US$80m
Kingboard 建滔(集团/积层板)	0148 / 1888.HK	Vietnam	Multi-layer/HDI PCB (AI)	~1.2m sqm/yr
		Kaiping	Multi-layer + HDI PCB (AI)	~230k sqm/yr
		Thailand	Multi-layer/HDI PCB (AI)	~1.3m sqm/yr
Kinwong Electronic 景旺电子	603228.SS	Thailand	HDI + multilayer PCB (AI server)	Capex ≤Rmb0.7bn
		Zhuhai (existing)	HDI (AI server)	Capex Rmb1.0bn
		Zhuhai	HDI (AI server)	+800k sqm/yr
		Zhuhai (reserve land)	HDI / SLP (AI server)	Capex Rmb0.8bn
Shengyi Electronics 生益电子	688183.SS	Thailand	High-end PCB (AI server)	Capex Rmb1.03bn
		Dongguan (Plant 5)	HDI + multilayer PCB (AI server)	Capex Rmb1.4bn
		Ji'an	High-multilayer PCB (AI server)	+700k sqm/yr
		Dongguan	HDI (AI server)	+167k sqm/yr
Shennan Circuits 深南电路	002916.SZ	Wuxi	High-multilayer PCB (AI server)	Capex Rmb4.54bn
Victory Giant Tech 胜宏科技	300476.SZ	Thailand	High-multilayer PCB (server/switch)	+1.5m sqm/yr
		Vietnam	HDI (AI server)	+150k sqm/yr
WUS Printed Circuit 沪电股份	002463.SZ	Kunshan existing	High-end PCB (AI server)	Capex Rmb4.3bn
		Changzhou	Opto-electronic board (AI compute)	+1.3m pcs/yr
		Kunshan Gaoxin	HDI/HLC PCB (AI server)	+140k sqm/yr
		Kunshan bonded zone	High-end PCB (AI server)	Output Rmb6.5bn/yr
		Kunshan Hi-Tech zone	High-end PCB (AI server)	Capex Rmb6.8bn

Source: Citi Research, Company Reports

Companies Mentioned:
Avary Holding (002938.SZ; Rmb101.52; Not Rated; 12 Jun 26; 15:00) | Delton Tech (001389.SZ; Rmb178.4; 1; 12 Jun 26; 15:00) | Dongshan Precision (002384.SZ; Rmb217.55; 1; 12 Jun 26; 15:00) | Dynamic Electronics Co Ltd (603175.SS; Rmb83.98; Not Rated; 12 Jun 26; 15:00) | Han's CNC Technology (3200.HK; HK$154.2; 1; 12 Jun 26; 16:10) | Han's Laser Technology (002008.SZ; Rmb119.12; 1; 12 Jun 26; 15:00) | Kingboard Holdings (0148.HK; HK$89.3; 1; 12 Jun 26; 16:10) | Kingboard Laminates Holdings (1888.HK; HK$65.6; 1; 12 Jun 26; 16:10) | Shengyi Electronics Co Ltd (688183.SS; Rmb123.65; Not Rated; 12 Jun 26; 15:00) | Shenzhen Kinwong Electronic Co Ltd (603228.SS; Rmb73.1; Not Rated; 12 Jun 26; 15:00) | Victory Giant Tech (300476.SZ; Rmb327.21; 1; 12 Jun 26; 15:00) | WUS Printed Circuit (002463.SZ; Rmb125.2; 1; 12 Jun 26; 15:00)

Shennan Circuit

Valuation

Our target price for Shennan shares of RMB360 is based on forward 2027E PE target of 38x at +2sd over mean as we roll over from prior 43x PE to 38x PE (at +2SD) following the release of 1Q26 results beat. We employ +2SD over mean for Shennan earnings upcycle under AI-PCB demand. This is backed by 3-yr EPS CAGR of 32% thru 2028E. The company's status is one of the key proxies on AI server and BT substrate – both contributed ~75% of total sales. The PE target reflects the sustained PCB industry upcycle with datacenter server, AI server, EV, etc. during 2026-28E, though the 5G base station installations maintain modest growth in China this year. The start-up loss for new plant for Guangzhou FC-BGA Ph1 took place in 2025 but this would start operate breakeven from 2026 which is about 1yr earlier than prior guidance of 2027. Our target PE of 38x forward equates to a ~20-30% premium to the sector average, which we see as warranted given: 1) Shennan's leading position in the communication PCB sector, enhanced by its SOE background; and 2) the company's technology leadership position on AI-server, communication, datacenters, autos (on ADAS) among peers with the potential to deliver a higher margin on a more advanced technology curve.

Risks

Downside risks that could hinder the shares from reaching to our target price include: 1) Foreign AI server boom and other leading players is slower than expected; 2) weaker-than-expected demand on auto and ADAS system; 3) lower-than-expected profit of BT substrate new plant in Wuxi; and 4) higher-than-expected laminate cost inflation.

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Appendix A-1

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Shennan Circuit (002916.SZ)

Ratings and Target Price History
Fundamental Research

Analyst: Eric Lau

	Date	Rating	Target Price	Closing Price
1	23-Aug-23 12:40:58	3	*36.92	47.80
2	14-Mar-24 12:44:06	3	*44.62	64.29
3	15-Apr-24 18:02:05	3	*57.69	75.37
4	12-Sep-24 19:07:57	3	*61.54	70.62
5	12-Mar-25 12:31:10	3	*73.08	97.75
6	23-Apr-25 13:51:13	*1	*103.85	85.15
7	05-Jun-25 06:00:50	1	*103.85	92.42
8	27-Aug-25 18:20:49	1	*201.00	169.50
9	18-Sep-25 12:35:26	1	*230.00	197.47
10	29-Oct-25 12:55:41	1	*281.00	227.80
11	12-Mar-26 16:42:37	1	*320.00	252.61
12	24-Apr-26 13:03:49	1	*360.00	301.36

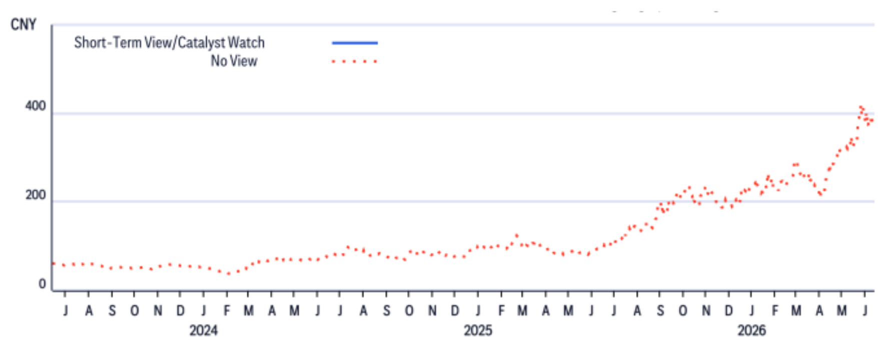
*Indicates Change

Rating/target price changes above reflect Eastern Time

Shennan Circuit (002916.SZ)

Short-Term View/Catalyst Watch Research

Analyst: Eric Lau



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