YOFC (6869.HK): AI data center growth to drive optical fiber growth and mix upgrade; 2Q26 NI better than expected; Neutral

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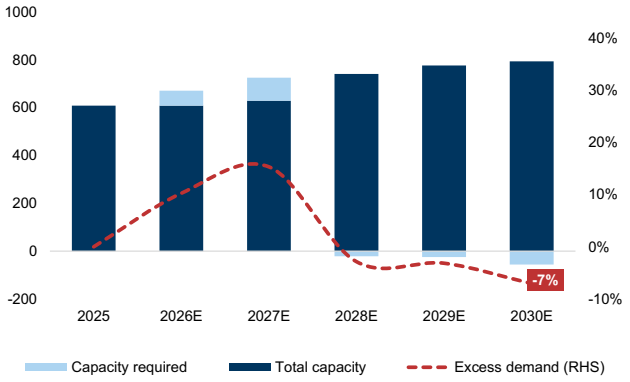
YOFC announced 1H26 profit alert at 711%~914% YoY to Rmb2.4bn~Rmb3.0bn, suggesting 2Q26 NI range at Rmb1.3bn~Rmb1.9bn, or better than our 2Q NI estimates at Rmb1.2bn. Management attributes strong NI growth to strong data center demand, with company's customer expansion and product mix optimization. We see YOFC continues to benefit from the optical fiber pricing upcycle, and remain positive on the specification upgrade of optical fiber for CPO/ NPO high-speed interconnections. Given multiple fiber suppliers have plans of expanding new capacity, based our industry S/D analysis base case (Report link), we expect the demand imbalance to turn in 2028E, with strong data center demand, while modest growth of telecom demand. The company maintains its key focus on the mix upgrade to capture AI data center opportunities, and long-term upside from high-end products like HCF (Hollow-core fiber). Maintain Neutral on fair valuation.

Positive on optical fiber demand from CPO/ NPO: With rising demand from AI data center clients on faster bandwidth, larger scale and easier deployment, we see optical fiber is able to support long distance and high speed interconnections with better signal quality. In terms of recent discussions on the GlassBridge (Link) offering a compact fiber-to-PIC interface to address the Manufacturability challenges, we view GlassBridge as the supplement to reach better performance and remain positive on the specification upgrade (e.g. Multi-Core Fiber, HCF etc.), with YOFC as the early entrant in this leading technology.

Optical fiber S/D analysis: China G652.D fiber pricing was down slightly to Rmb81.9/ fkm in May 2026 (vs. Mar at Rmb83.4/ fkm), per CRU, while it remained at a higher level vs. May 2025 at ~Rmb15.5/ fkm, supported by the strong data center and defense demand. In the base case of our optical fiber industry analysis (Report link), we expect the demand to grow at 4% CAGR in 2025-30E vs. supply growth at 6%, driven by data center demand while modest growth of telecom segments, the S/D imbalance will turn in 2028E. Despite potential pricing pressures with growing supply, we see YOFC remains disciplined on capacity expansion and to benefit from the product structure optimization.

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Exhibit 1: Supply to outstrip demand by 2030 (in base case)
GS fiber optic demand vs. supply value model (in mn fkm)



Source: Company data, Goldman Sachs Global Investment Research

Earnings revision: We factor in YOFC 2Q26 NI guidance, and revise up 2026-28E NI by 11%/ 8%/ 7% in 2026-28E mainly on higher revenues of optical fiber products for data center clients on strong client demand. GM is revised up 1.2ppts/ 0.7ppts/ 1.1ppts in 2026-28E to reflect favorable pricing and product mix upgrade to drive better margin.

Exhibit 2: Earnings revision

	2026E			2027E			2028E		
Rmb mn	GS	Old	Diff(%)	GS	Old	Diff(%)	GS	Old	Diff(%)
Revenue	22,523	21,943	3%	29,559	28,782	3%	37,245	36,266	3%
Gross profit	9,224	8,733	6%	13,707	12,980	6%	17,662	16,775	5%
Op. income	5,898	5,411	9%	10,223	9,502	8%	14,023	13,123	7%
Net income	4,798	4,336	11%	9,182	8,497	8%	12,792	11,947	7%
Margins									
GM	41.0%	39.8%		46.4%	45.1%		47.4%	46.3%	
OPM	26.2%	24.7%		34.6%	33.0%		37.7%	36.2%	
NM	21.3%	19.8%		31.1%	29.5%		34.3%	32.9%	

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We derive our 12-month target price for YOFC of HK$290 (vs. unchanged) based on a 2029E discounted P/E methodology to capture the company's long-term growth, in line with our Greater China Tech coverage. We use a target P/E multiple at 16.4x (vs. previously at 17.7x) on 2029E EPS, and discount back to 2026E using a COE at 11% (beta at 1.2, risk-free rate at 3.5%, and market risk premium at 6.5%). Our target P/E multiple is derived from the correlation between peers' P/E and forward-year NI YoY growth.

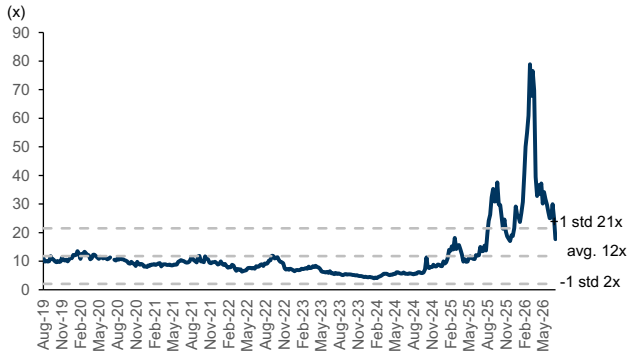
Exhibit 3: YOFC discounted P/E

Rmb mn	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	**13,353**	**12,197**	**14,252**	**22,523**	**29,559**	**37,245**	**46,929**	**52,091**	**57,821**	**64,181**
Fibre preform	1,041	949	1,095	1,719	2,169	2,938	3,672	4,150	4,689	5,299
Fibre optics	2,132	2,281	2,839	4,511	6,504	9,662	12,077	13,647	15,353	17,195
Fibre cable	5,358	6,272	6,891	12,869	17,206	20,689	25,861	29,223	33,022	36,324
Optical transceivers	1,470	1,400	1,540	1,694	1,863	2,050	2,357	2,569	2,801	3,053
Overseas EPC and others	3,352	1,295	1,887	1,730	1,816	1,907	2,961	2,502	1,956	2,311
Rev YoY %	*-3%*	*-9%*	*17%*	*58%*	*31%*	*26%*	*26%*	*11%*	*11%*	*11%*
Gross margin	24.5%	27.3%	30.7%	41.0%	46.4%	47.4%	47.6%	47.5%	47.3%	47.1%
Gross profit	3,272	3,330	4,380	9,224	13,707	17,662	22,348	24,754	27,362	30,243
Opex	**2,420**	**2,402**	**2,760**	**3,326**	**3,484**	**3,639**	**4,397**	**4,620**	**4,839**	**5,115**
Opex ratio	18%	20%	19%	15%	12%	10%	9%	9%	8%	8%
OP income	**852**	**929**	**1,620**	**5,898**	**10,223**	**14,023**	**17,951**	**20,134**	**22,522**	**25,128**
OPM	*6%*	*8%*	*11%*	*26%*	*35%*	*38%*	*38%*	*39%*	*39%*	*39%*
Non-op gains	364	(336)	(475)	(698)	(600)	(600)	(200)	-	-	(200)
Pre-tax profit	**1,216**	**593**	**1,145**	**5,200**	**9,623**	**13,423**	**17,751**	**20,134**	**22,522**	**24,928**
Net profit	**1,297**	**676**	**814**	**4,798**	**9,182**	**12,792**	**16,047**	**18,202**	**20,361**	**22,536**
YoY	11%	-48%	20%	490%	91%	39%	25%	13%	12%	11%
EPS	1.71	0.89	1.07	6.33	12.12	16.88	21.17	24.02	26.86	29.73
2029 Target P/E							16.4x			
12M target price (HK$)				**290**						
TP implied P/E				**46**	**24**					

COE assumption	
Beta	1.20
Risk free	3.5%
Market risk premium	6.5%
COE	**11%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: YOFC 12M forward P/E



Source: Eikon Datastream

Price Target Risks and Methodology - YOFC

Valuation: Our 12-month target price of HK$290 is based on a 16.4x 2029E P/E, discounted back to 2026E at a COE of 11%. Our target multiple is derived from the correlation between peers' P/E and forward-year NI yoy growth.

Key risks: (1) Higher- / lower-than-expected fiber optics prices; (2) stronger- / weaker-than-expected data center clients' spending on AI capex; (3) fie pricing competition; and (4) faster- / slower-than-expected HCF comm

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6869.HK	12m Price Target: **HK$290.00**	Price: **HK$153.90**	Upside: **88.4%**

Neutral

Market cap: HK$116.6bn / $14.9bn
Enterprise value: HK$123.2bn / $15.7bn
3m ADTV: HK$5.0bn / $639.9mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**14,252.1**	**22,523.4**	**29,558.5**	**37,245.2**
Revenue (Rmb mn) Old	14,252.1	21,943.4	28,781.9	36,265.5
EBITDA (Rmb mn)	2,353.1	6,892.4	11,240.4	15,061.0
EPS (Rmb) New	**1.07**	**6.33**	**12.12**	**16.88**
EPS (Rmb) Old	1.07	5.72	11.21	15.75
P/E (X)	23.8	21.0	11.0	7.9
P/B (X)	1.4	5.8	4.2	3.1
Dividend yield (%)	1.3	1.4	2.7	3.8
CROCI (%)	15.2	20.2	31.6	38.7

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	0.65	1.81	1.99	1.88

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 14 Jul 2026 close.