YOFC (6869.HK): Optical fiber pricing to remain at high level in 2H26E; 2Q26 GM beat; Neutral

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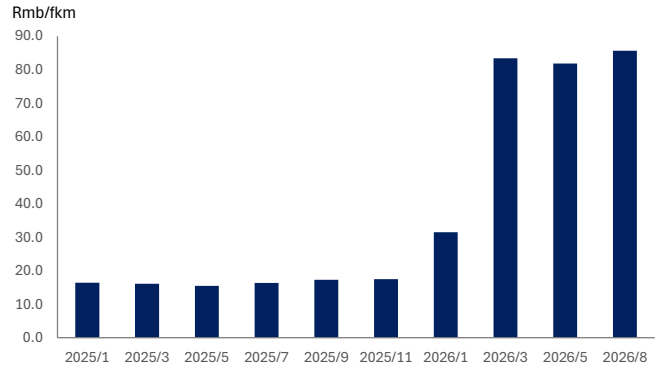
Post the 2Q26 result, we see three investor debates—optical fiber supply/ demand, fiber pricing outlook, and sector multiple. YOFC delivered 2Q26 NI at 606% QoQ to Rmb2.4bn, in line with the guided range of Rmb1.9bn-Rmb2.5bn, mainly driven by ASP increase of the fiber products. 2Q GM was better than we expected at 60.5% (vs. 41.5%/ 28.7% in 1Q26/ 2Q25), driven by the price hike. Looking ahead, we expect to see sequential QoQ growth in 2H, supported by more fiber projects to reflect higher pricing, and mix upgrade towards AI data center products carrying higher ASPs. The company's subsidiary EverProx (300548.SZ) recently announced a long-term agreement (4 years) with clients to provide scale-across solution, which is valued at no less than Rmb4.5bn. We remain positive on the company's mix upgrade from telecom to the AI data center market and expansion to PMF (Polarization Maintaining Fiber) to capture CPO/ NPO opportunities. Maintain Neutral.

Optical Fiber S/D: Investors' discussions focus on recent announcements of optical fiber suppliers' capacity expansion, including new entrants (e.g. Han's Laser, Hoshine). Management said that the new capacity will take time to ramp up, given it could take years for new comers to produce fiber performance that meets the high requirements of process, yield rate etc., and given material constraints. We also see longer lead times for optical fiber equipment which result in a longer time to scale production. Overall, we expect the demand to grow at a 4% CAGR in 2025-30E vs. supply growth at 6%, and we expect supply to outstrip demand from 2028E at 2% (Report link).

Pricing outlook: The China G652.D fiber pricing was up slightly to Rmb85.7/ fkm in May 2026 (vs. Mar/ May 2026 at Rmb83.4/ fkm & Rmb81.9/ fkm), per CRU, showing the continuous pricing strength in 3Q26. The pricing of G657.A1 and G657.A2 also see sequential improvement in Aug 2026, per CRU. China Mobile re-launched the 2026-27 optical fiber procurement (Link) in August and raised the ceiling price from Rmb71/ fkm to Rmb80/ fkm. Overall, we remain positive and expect fiber pricing to remain at a high level in 2H, and expect the company to benefit from the higher pricing level of new projects.

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Exhibit 1: China G.652.D pricing remained at high level in Aug 2026



Source: CRU

Earnings revisions: We factor in YOFC 2Q26 result and raise earnings by 44%/ 36%/ 12% in 2026-28E mainly on higher revenues and higher GM. We raise our revenue forecasts on higher price of optical fiber and mix upgrade towards AI solution. We raise our GM forecasts to reflect improving margin amid better pricing and larger scale.

Exhibit 2: Earnings revision

	2026E			2027E			2028E		
Rmb mn	GS	Old	Diff(%)	GS	Old	Diff(%)	GS	Old	Diff(%)
Revenue	24,587	22,523	9%	34,936	29,559	18%	38,848	37,245	4%
Gross profit	12,307	9,224	33%	18,635	13,707	36%	19,418	17,662	10%
Op. income	8,623	5,898	46%	14,777	10,223	45%	15,604	14,023	11%
Net income	6,898	4,798	44%	12,516	9,182	36%	14,294	12,792	12%
Margins									
GM	50.1%	41.0%		53.3%	46.4%		50.0%	47.4%	
OPM	35.1%	26.2%		42.3%	34.6%		40.2%	37.7%	
NM	28.1%	21.3%		35.8%	31.1%		36.8%	34.3%	

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We derive our 12-month target price for YOFC of HK$292 (vs. previously at HK$290) based on a 2030E discounted P/E (rolled over from 2029E) 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 14.6x on 2030E EPS, and discount back to 2030E 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	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	**13,830**	**13,353**	**12,197**	**14,252**	**24,587**	**34,936**	**38,848**	**43,510**	**48,296**	**53,608**	**59,505**
Fibre preform	1,242	1,041	949	1,095	1,931	2,707	3,066	3,833	4,331	4,894	5,530
Fibre optics	2,572	2,132	2,281	2,839	4,745	7,310	9,962	12,453	14,071	15,830	17,730
Fibre cable	5,799	5,358	6,272	6,891	14,664	21,424	22,058	27,572	31,157	35,207	38,728
Optical transceivers	1,435	1,470	1,400	1,540	1,694	1,863	2,050	2,357	2,569	2,801	3,053
Overseas EPC and others	2,781	3,352	1,295	1,887	1,553	1,630	1,712	(2,705)	(3,833)	(5,124)	(5,536)
Rev YoY %		*-3%*	*-9%*	*17%*	*73%*	*42%*	*11%*	*12%*	*11%*	*11%*	*11%*
Gross margin	23.5%	24.5%	27.3%	30.7%	50.1%	53.3%	50.0%	50.2%	50.1%	49.9%	49.7%
Gross profit	3,243	3,272	3,330	4,380	12,307	18,635	19,418	21,835	24,189	26,743	29,565
Opex	**2,063**	**2,420**	**2,402**	**2,760**	**3,684**	**3,858**	**3,814**	**4,098**	**4,307**	**4,513**	**4,771**
Opex ratio	15%	18%	20%	19%	15%	11%	10%	9%	9%	8%	8%
OP income	**1,181**	**852**	**929**	**1,620**	**8,623**	**14,777**	**15,604**	**17,738**	**19,882**	**22,230**	**24,794**
OPM	*9%*	*6%*	*8%*	*11%*	*35%*	*42%*	*40%*	*41%*	*41%*	*41%*	*42%*
Non-op gains	(29)	364	(336)	(475)	(167)	(600)	(600)	(200)	-	-	(200)
Pre-tax profit	**1,152**	**1,216**	**593**	**1,145**	**8,455**	**14,177**	**15,004**	**17,538**	**19,882**	**22,230**	**24,594**
Net profit	**1,167**	**1,297**	**676**	**814**	**6,898**	**12,516**	**14,294**	**16,032**	**18,175**	**20,321**	**22,482**
YoY		11%	-48%	20%	748%	81%	14%	12%	13%	12%	11%
EPS	1.54	1.71	0.89	1.07	9.10	16.51	18.86	21.15	23.98	26.81	29.66
2029 Target P/E									14.6x		
12M target price (HK$)						**292**					
TP implied P/E						**18**					

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 P&L Summary

Rmb m	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Income statement														
Revenue	13,353	12,197	14,252	24,587	34,936	38,848	2,894	3,491	3,891	3,977	3,695	6,114	6,763	8,016
Gross profit	3,272	3,330	4,380	12,307	18,635	19,418	806	1,001	1,155	1,418	1,534	3,700	3,155	3,918
Selling expense	502	489	586	747	758	762	115	126	162	184	161	208	185	193
G&A expense	1,048	1,042	1,164	1,461	1,558	1,578	267	273	282	342	302	400	356	403
R&D expense	775	787	894	1,301	1,297	1,202	176	210	221	287	205	296	379	421
OP income	852	929	1,620	8,623	14,777	15,604	225	364	464	567	830	2,761	2,187	2,844
Pretax income	1,216	593	1,145	8,455	14,177	15,004	184	202	289	470	703	3,101	1,997	2,654
Net income	1,297	676	814	6,898	12,516	14,294	152	144	174	344	495	2,429	1,708	2,266
EBITDA	1,589	1,660	2,353	9,617	15,794	16,642	408	548	648	750	1,079	3,009	2,436	3,093
EPS (Rmb)	1.71	0.89	1.07	9.10	16.51	18.86	0.20	0.19	0.23	0.45	0.65	2.95	2.07	2.75
Cash div	387	203	244	2,070	3,756	4,290								
Ratios														
R&D to rev	5.8%	6.5%	6.3%	5.3%	3.7%	3.1%	6.1%	6.0%	5.7%	7.2%	5.6%	4.8%	5.6%	5.2%
Opex ratio	18.1%	19.7%	19.4%	15.0%	11.0%	9.8%	20.1%	18.2%	17.8%	21.4%	19.0%	15.4%	14.3%	13.4%
Tax rate	3.2%	2.0%	23.0%	15.6%	12.0%	5.0%	3.6%	16.4%	32.8%	27.4%	16.7%	16.1%	15.0%	15.0%
Payout ratio	29.8%	30.1%	30.0%	30.0%	30.0%	30.0%								
Margins														
Gross margin	24.5%	27.3%	30.7%	50.1%	53.3%	50.0%	27.8%	28.7%	29.7%	35.7%	41.5%	60.5%	46.6%	48.9%
Operating margin	6.4%	7.6%	11.4%	35.1%	42.3%	40.2%	7.8%	10.4%	11.9%	14.3%	22.5%	45.2%	32.3%	35.5%
Pretax margin	9.1%	4.9%	8.0%	34.4%	40.6%	38.6%	6.4%	5.8%	7.4%	11.8%	19.0%	50.7%	29.5%	33.1%
Net margin	9.7%	5.5%	5.7%	28.1%	35.8%	36.8%	5.2%	4.1%	4.5%	8.7%	13.4%	39.7%	25.2%	28.3%
EBITDA margin	11.9%	13.6%	16.5%	39.1%	45.2%	42.8%	14.1%	15.7%	16.6%	18.9%	29.2%	49.2%	36.0%	38.6%
YoY														
Revenue	-3%	-9%	17%	73%	42%	11%	21%	18%	16%	14%	28%	75%	74%	102%
Gross profit	1%	2%	32%	181%	51%	4%	26%	17%	25%	56%	90%	270%	173%	176%
OP income	-28%	9%	75%	432%	71%	6%	102%	33%	51%	141%	269%	658%	371%	402%
Pretax income	6%	-51%	93%	638%	68%	6%	308%	-33%	37%	1240%	282%	1432%	591%	465%
Net income	11%	-48%	20%	748%	81%	14%	162%	-55%	-11%	234%	226%	1587%	882%	559%
QoQ														
Revenue							-17%	21%	11%	2%	-7%	65%	11%	19%
Gross profit							-12%	24%	15%	23%	8%	141%	-15%	24%
OP income							-5%	62%	27%	22%	46%	233%	-21%	30%
Pretax income							425%	10%	43%	62%	50%	341%	-36%	33%
Net income							47%	-5%	21%	98%	44%	391%	-30%	33%

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - YOFC

Valuation: Our 12-month target price of HK$292 is based on a 14.6x 2
discounted back to 2027E at a COE of 11%. Our target multiple is deriv
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) stronger/easing pricing competition; and (4) faster-/slower-than-expected HCF commercialization.

6869.HK	12m Price Target: **HK$292.00**	Price: **HK$179.80**	Upside: **62.4%**

Neutral

Market cap: HK$136.3bn / $17.4bn
Enterprise value: HK$142.2bn / $18.1bn
3m ADTV: HK$5.2bn / $660.3mn
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**	**24,587.3**	**34,935.6**	**38,847.9**
Revenue (Rmb mn) Old	14,252.1	22,523.4	29,558.5	37,245.2
EBITDA (Rmb mn)	2,353.1	9,616.9	15,794.0	16,641.6
EPS (Rmb) New	**1.07**	**9.10**	**16.51**	**18.86**
EPS (Rmb) Old	1.07	6.33	12.12	16.88
P/E (X)	23.8	16.9	9.3	8.2
P/B (X)	1.4	6.2	4.2	3.1
Dividend yield (%)	1.3	1.8	3.2	3.7
CROCI (%)	15.2	28.1	40.4	41.4

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	0.65	2.96	2.08	2.76

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 27 Aug 2026 close.