Yangtze Optical Fibre and Cable

Overcapacity concerns overdone; AI opportunity underappreciated

Equities

China

Communications Technology

12-month rating **Buy**

12m price target	**HK$330.00**
	Prior : HK$290.00
Price (22 Sep 2026)	**HK$190.50**

RIC: 6869.HK **BBG:** 6869 HK

Trading data and key metrics

52-wk range	HK$287.60-31.48
Market cap.	HK$158b/US$20.1b
Shares o/s	828m (ORD)
Free float	49%
Avg. daily volume ('000)	30,306
Avg. daily value (m)	HK$4,791
Common s/h equity (12/26E)	Rmb22.6b
P/BV (12/26E)	5.9x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (CNY)

	From	To	% ch	Cons.
12/26E	4.98	10.96	120	7.65
12/27E	8.73	18.86	116	11.97
12/28E	8.95	23.12	158	12.70

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Industry leading position underestimated

We assume coverage on YOFC. Share price has declined by 37% since its June peak as investors appear concerned about fiber production capacity expansion announced by peers and new entrants, which could lead to earnings peaking in 2027E. However, we believe overcapacity risk is limited given 1) YOFC's better positioning than Chinese peers in expanding into the global data center market with higher-performance fiber products given years of accumulated R&D investments; 2) capacity expansion by peers or new entrants might take longer than expected due to supply bottlenecks of key production equipment and customer verification. We reiterate our Buy rating on YOFC-H.

Healthier pricing environment with structural supply tightness in high-end fiber

As highlighted in our industry report, we see a more constructive outlook for the fiber industry as demand becomes increasingly driven by global AI-related infrastructure rollouts rather than domestic telecom capex budgets. Meanwhile, supply remains constrained by upstream preform bottlenecks, where YOFC is the top 2 supplier globally and capacity additions of peers might face longer timelines. We expect tight supply-demand dynamics to persist through at least 2027-28E, particularly for high-specification fiber used in data centers, benefiting YOFC through stronger pricing, long-term contracts with global CSPs, and expansion into higher-value products.

Increasing capacity allocation to higher-value products

We raise our 2026-28E earnings by 116-158% for YOFC to Rmb9.1/15.6/19.1bn, driven by stronger-than-expected AI-driven fiber pricing in general and a mix shift towards higher-performance fiber products. As a result, gross margin should sustain at high levels, which we estimate at >70%, assuming stable unit production cost of fiber production given YOFC's sufficient preform capacity and industry-leading technology capabilities. Our 2027/28E earnings estimates for YOFC are 7%/19% higher than VA consensus, as we assume average pricing of YOFC could be sustained at an elevated level beyond 2027E given tight industry supply and production mix shift.

Valuation: price target of HK$330 based on 16x 2027E P/E; Buy

While we raise our earnings forecasts to reflect much steeper-than-expected optical fiber pricing growth, we lower our target multiple to incorporate our expectation that pricing will gradually normalize over the longer term. We lower target multiples of YOFC-H to 16x 2027E P/E (from 30x) on the back of a 16% 2027-30E earnings CAGR. We reiterate Buy with a price target of HK$330/share (up 14% from HK$290). YOFC-H is trading at 8-9x 2027E P/E based on our estimates, significantly lower than Chinese peers and global peers at 12-36x. We believe H-share investors underappreciate the longevity of the industry upcycle and YOFC's leading position.

Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	13,353	12,197	14,252	24,349	33,941	43,369	52,149	57,088
EBIT (UBS)	852	929	1,620	11,454	19,618	24,000	27,571	30,385
Net earnings (UBS)	1,297	676	814	9,075	15,615	19,137	22,166	24,562
EPS (UBS, diluted) (Rmb)	1.71	0.89	1.07	10.96	18.86	23.12	26.77	29.67
DPS (net) (Rmb)	0.51	0.27	0.30	3.29	5.66	6.93	8.03	8.90
Net (debt) / cash	(3,971)	(6,050)	(3,188)	2,173	10,523	20,252	31,871	46,542
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	6.4	7.6	11.4	47.0	57.8	55.3	52.9	53.2
ROIC (EBIT) %	5.7	5.5	8.6	55.1	76.5	76.4	73.4	70.5
EV/EBITDA (UBS core) x	7.0	6.7	9.2	10.8	6.2	4.8	3.9	3.1
P/E (UBS, diluted) x	6.5	9.3	23.9	15.1	8.6	7.0	6.1	5.5
Equity FCF (UBS) yield %	(11.9)	2.1	10.0	4.2	8.2	10.7	12.9	15.8
Dividend yield (net) %	4.6	3.2	1.2	2.0	3.5	4.3	4.9	5.5

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK$ 190.50 on 22-Sep-2026

This report has been prepared by UBS Securities Asia Limited. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 10.**

UBS Research THESIS MAP a guide to our thinking and what´s where in this report

PIVOTAL QUESTIONS

Q: Can data center demand continue to drive fiber price sustained at elevated level?
Yes. Historically, fiber demand in China was primarily driven by domestic telecom operator procurement budgets and multi-year capex plans, leading to periodic oversupply in the domestic market. Going forward, we expect YOFC to leverage growth from robust global AI infrastructure build-out demand, making fiber demand more consumption-oriented. This shift should diversify its customer base to a broader group of Chinese and global CSPs. At the same time, Chinese telcos are reallocating capex toward higher ROI computing networks and AI infrastructure. As a result, we believe Chinese telcos could be become more lenient on cost minimization, supporting a healthier pricing environment for fiber suppliers over time. more...

Q: Will industry enter another oversupply cycle after capacity expansion?
Not likely. We expect greenfield capacity expansion for established fiber manufacturers to extend to 2-3 years due to prolonged lead times for key equipment. For new entrants, the timeline could exceed three years. Meanwhile, AI-driven data center demand is structural and continues to accelerate; we expect S/D conditions to remain tight through 2027–28E. Demand from AI is shifting toward higher-specification fibers; these carry higher production barriers than G.652.D fibers that predominated in the previous cycle and saw oversupply. We believe AI end-customers will prioritize incumbents with established track records. Coupled with incumbents' disciplined expansion, we expect high-end fiber products' supply to remain tight, benefiting leaders such as YOFC. more...

Q: How well is YOFC positioned to capitalize on AI driven opportunities?
We believe YOFC is best positioned in China given 1) globally leading R&D and know-how in preform: according to our channel checks, YOFC is one of the few companies worldwide with all three preform processes (PCVD, VAD and OVD), and with largely in-house designed proprietary equipment, which in our view drives better product quality and faster commercialization of high-end/ AI fiber products. YOFC's PM fiber is already in mass production and holds a leading China market share, with hollow-core fiber at commercial scale. 2) YOFC covers the full value chain from preform through to downstream connectivity products, where we see margin accruing for AI/datacom products as fiber density increases. We expect YOFC to increasingly penetrate the global DC market and expand into downstream products, leveraging established customer relationships with CSPs.

UBSVIEW

Market concerns appear to remain centered on the risk of aggressive capacity expansion. However, we believe such concerns are overstated. We expect supply of high-end data center fiber to remain structurally tight and pricing to stay elevated. Hence YOFC with substantial preform capacity, strong technological capabilities and strong customer relationships could continue expanding market share while benefiting from favourable pricing and margin dynamics. Reiterate Buy and top pick YOFC-H.

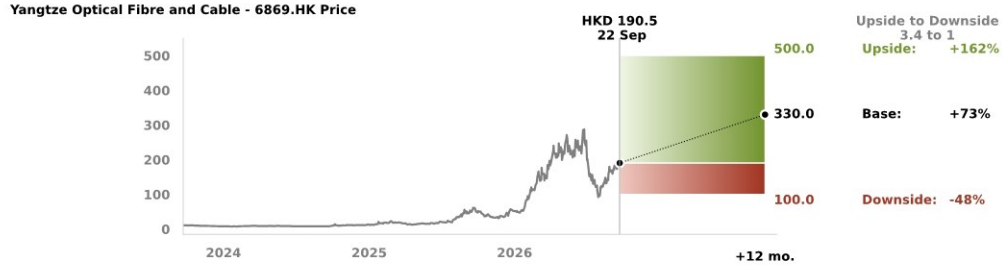
EVIDENCE

1) Chinese telcos' recent fiber tenders were postponed several times as vendors did not accept procurement prices significantly lower than market spot prices; 2) according to YOFC's H126 report, YOFC is one of the few companies worldwide with all three PCVD/VAD/OVD preform manufacturing technologies; 3) China's fiber export value has increased significantly in 2026.

WHAT´S PRICED IN?

YOFC-H is trading at 8-9x 2027E P/E (UBSe), much lower than Chinese/global peers at 12-36x. We believe investors underappreciate the longevity of this AI upcycle and YOFC's leader position.

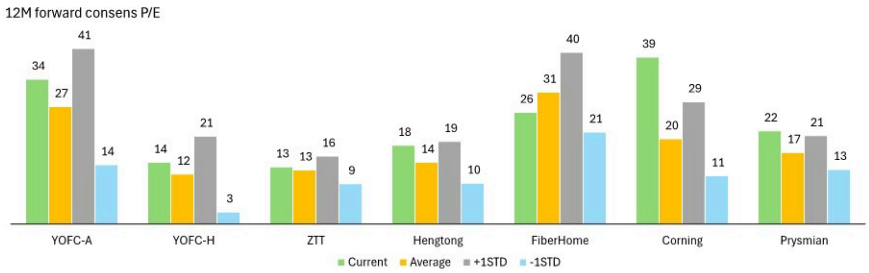
UPSIDE/DOWNSIDE SPECTRUM



2027E Value Drivers	Optical transmission seg. rev. growth	Optical transmission GPM	Blended GPM	Operating Margin	Target P/E
HK$500 upside	60.00%	85.00%	74.20%	59.50%	20x
HK$330 base	45.00%	85.00%	72.50%	57.80%	16x
HK$100 downside	30.00%	65.00%	57.20%	42.50%	8x

Source: UBS estimates

WHAT'S PRICED IN?



China optical fiber sector is trading <1SD above its historical average while global peers are trading above.

Source: LSEG. Price data as of Sept 22, 2026.

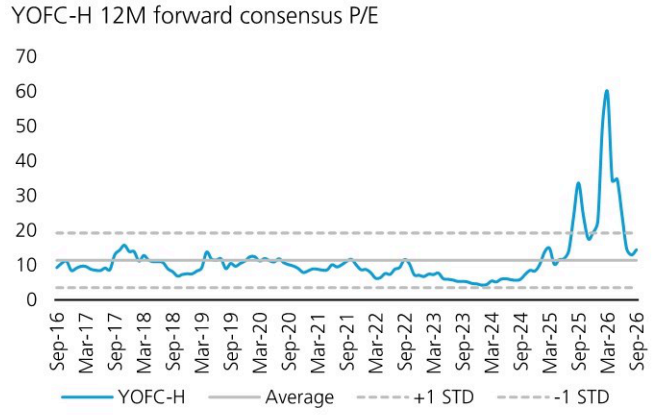
Share price correction reflects peak earnings concerns: The China optical fiber sector rallied >300% to its June peak before correcting 37% but remains up 170% YTD while NTM consensus P/E has de-rated from 40-50x to 23x (+0.2SD above its historical average) over the same period, compared to global peers such as Corning and Prysmian still traded well above 1SD above historical averages. We believe the valuation correction was driven by investor concerns on optical fiber oversupply, given a series of large capacity expansion announcements from new entrants, mirroring the pattern of previous upcycle ends. We see buy-side expectations of peak earnings in 2027E as potential capacity comes online thereafter.

Figure 2: China optical fiber sector year-to-date stock price performance



Source: LSEG. Price data as of Sept 22, 2026.

Figure 3: YOFC-H PE band



Source: LSEG. Price data as of Sept 22, 2026.

However, we expect upstream preform supply and demand to remain tight through 2028E, supported by robust AI data centre demand that in our view more than offsets slower telecom growth and potential tapering fiber-attached drone end-demand, which we assume in our base case from 2027E onwards. We view the traditional preform capacity announced by new entrants as ambitious. We estimate at least a three-year timeline for new greenfield investments before effective supply comes out, and at a materially smaller scale than planned, given the severity of the know-how and equipment bottlenecks involved. This should keep fiber prices higher for longer; we expect prices to continue rising through 2027E albeit at a slower pace.

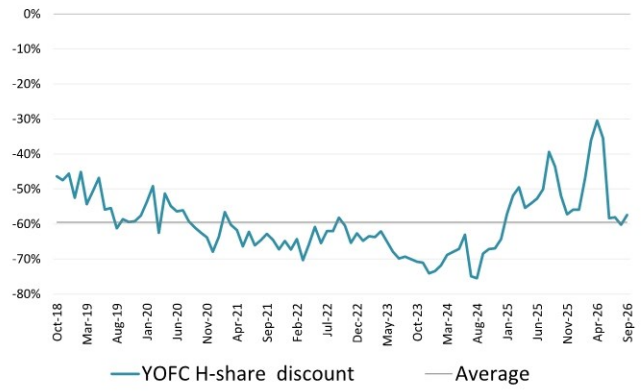
Figure 4: China optical fiber sector comps

Company	Ticker	Price Currency	Share price	Market Cap (USD mn)	P/E		P/B		ROE		Revenue CAGR	EPS CAGR
					2026E	2027E	2026E	2027E	2026E	2027E	2026-28E	2026-28E
YOFC-H	6869.HK	HKD	190.50	19,574	14.8	8.6	6.0	3.8	50%	54%	33%	45%
YOFC-A	601869.SS	Rmb	456.60	56,754	41.7	24.2	16.7	10.6	50%	54%	33%	45%
ZTT*	600522.SS	Rmb	36.88	18,835	17.6	12.6	2.9	2.5	18%	20%	11%	17%
Hengtong*	600487.SS	Rmb	73.00	26,430	23.4	18.6	4.6	3.6	19%	22%	12%	16%
Fiberhome*	600498.SS	Rmb	43.51	8,956	32.3	24.1	3.1	2.8	9%	11%	18%	43%
Average				**27,744**	**28.7**	**19.9**	**6.8**	**4.9**	**24%**	**27%**	**19%**	**30%**
Corning	GLW.N	USD	158.98	136,943	56.3	36.4	10.3	11.1	23%	30%	20%	57%
Prysmian	PRY.MI	EUR	126.10	44,685	21.9	17.3	4.7	3.8	20%	23%	10%	21%
Furukawa Electric	5801.T	JPY	3901.00	17,506	37.3	33.0	6.6	5.7	18%	20%	10%	20%
Average				**66,378**	**38.5**	**28.9**	**7.2**	**6.9**	**20%**	**25%**	**13%**	**32%**

Source: LSEG, UBS estimates. *Consensus estimates. Price data as of Sept 22, 2026.

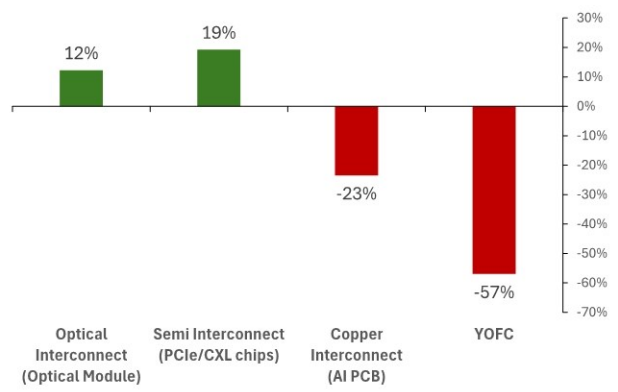
YOFC-H trades at an 8.6x 2027E PE on our earnings estimates, much lower than offshore peers and at a -57% discount to the A-share, while dual-listed AI beneficiaries across tech hardware trade mostly at an H-share premium. Optical interconnect (optical transceiver/module) and semi interconnect chip peers trade at an H-share premium, while its copper interconnect (AI PCB) peer trades at a meaningfully lower H-share discount than YOFC at -23%. We believe the divergence for YOFC suggests offshore investors are overly concerned about oversupply in the optical fiber industry and thus expect peak earnings in 2027 while potentially overlooking YOFC as a key player in the global AI supply chain.

Figure 5: Historical YOFC-H discount to A-share



Source: LSEG. Price data as of Sept 22, 2026.

Figure 6: YOFC H-share discount compared to dual-listed tech sector peers (green = H-A premium)



Source: LSEG. Price data as of Sept 22, 2026.

We believe offshore investors still see YOFC-H as more of a cyclical stock. As fiber prices boomed in H126, YOFC-H outperformed YOFC-A in the run up to the June peak, and then sold off as the pace of spot fiber price increases decelerated alongside aggressive capacity expansion plans announced by peers and new entrants, while the recent rebound from the trough has also been weaker than the A-share's. We also think H-share investors are discounting YOFC's potential geographical penetration of global AI data centre demand and strategic expansion into downstream high value-added connectivity products. We expect YOFC-H to re-rate with the H-A discount narrowing as spot prices stay higher for longer.

Figure 7: What's changed?

	2026E					2027E					2028E				
Rmb mn	UBSe	UBSe (old)	Diff.	Consensus	Diff.	UBSe	UBSe (old)	Diff.	Consensus	Diff.	UBSe	UBSe (old)	Diff.	Consensus	Diff.
Total revenue	**24,349**	**21,062**	15.6%	**26,940**	-9.6%	**33,941**	**26,686**	27.2%	**36,002**	-5.7%	**43,369**	**28,762**	50.8%	**41,034**	5.7%
YoY	*70.8%*	*47.8%*		*89.0%*		*39.4%*	*26.7%*		*33.6%*		*27.8%*	*7.8%*		*14.0%*	
Gross profit	**15,375**	**8,554**	79.7%	**15,406**	-0.2%	**24,609**	**12,524**	96.5%	**21,950**	12.1%	**30,334**	**13,039**	132.7%	**24,514**	23.7%
margin	*63.1%*	*40.6%*		*57.2%*		*72.5%*	*46.9%*		*61.0%*		*69.9%*	*45.3%*		*59.7%*	
Operating profit	**11,454**	**5,120**	123.7%	**11,845**	-3.3%	**19,618**	**8,786**	123.3%	**17,506**	12.1%	**24,000**	**9,010**	166.4%	**19,650**	22.1%
margin	*47.0%*	*24.3%*		*44.0%*		*57.8%*	*32.9%*		*48.6%*		*55.3%*	*31.3%*		*47.9%*	
Net profit	**9,075**	**4,122**	120.1%	**9,961**	-8.9%	**15,613**	**7,226**	116.1%	**14,605**	6.9%	**19,134**	**7,413**	158.1%	**16,105**	18.8%
margin	*37.3%*	*19.6%*		*37.0%*		*46.0%*	*27.1%*		*40.6%*		*44.1%*	*25.8%*		*39.2%*	
EPS (Rmb)	**10.96**	**4.98**	120.1%	**12.03**	-8.9%	**18.86**	**8.73**	116.1%	**17.64**	6.9%	**23.11**	**8.95**	158.1%	**19.45**	18.8%
YoY	*924.4%*	*365.4%*		*1024.5%*		*72.0%*	*75.3%*		*46.6%*		*22.6%*	*2.6%*		*10.3%*	

Source: UBS estimates

What's changed?: We lift our 2026-28E earnings by 116-158% for YOFC. We see risk-reward as more attractive for YOFC-H and reiterate our Buy rating with a price target of HK$330, based on 16x 2027E PE on the back of a 16% 2027-30E earnings CAGR (30x 2027E P/E previously). While we raise our earnings forecasts to reflect much stronger-than-expected optical fiber pricing in 2026 YTD, we lower our target multiple to incorporate our expectation that pricing will gradually normalize over the longer term. Our 2027/28E earnings estimates remain 7%/19% higher than consensus estimates. Our YOFC-A share price target of Rmb510 is based on 27x 2027E P/E (35x 2027E PE previously), which implies a target H-A discount at -40%, and we maintain our Neutral rating.

Earnings changes: Given strong demand driven by AI data center and drones, we now assume YOFC to allocate more production capacity (we assume total 4,500 tons) to G.657.A1/A2 to more than 50%, and assume G.657.A1/A2 prices sustain at more than Rmb130-150/fkm, double that of G.652.D. Meanwhile, we assume unit production cost remains largely stable at Rmb15-20/fkm. Assuming 4,500 tons of production capacity and a mixed fiber price of Rmb150/fkm, we calculate 2027E net profit at Rmb15-16bn. For 2028E, we assume a further 10% production allocation to data center products from telecom products and calculate a 20%+ growth.

Figure 8: YOFC earnings (Rmb m) sensitivity to production capacity and fiber price

Preform production capacity (tons) \ Average optical fiber price (Rmb/fkm)	80	90	100	110	120	130	140	150	160	170	180
4,000	6,653	7,709	8,765	9,821	10,877	11,933	12,989	14,045	15,101	16,157	17,213
4,100	6,819	7,902	8,984	10,066	11,149	12,231	13,314	14,396	15,478	16,561	17,643
4,200	6,985	8,094	9,203	10,312	11,421	12,529	13,638	14,747	15,856	16,965	18,073
4,300	7,152	8,287	9,422	10,557	11,693	12,828	13,963	15,098	16,233	17,369	18,504
4,400	7,318	8,480	9,641	10,803	11,964	13,126	14,288	15,449	16,611	17,772	18,934
4,500	7,484	8,672	9,860	11,048	12,236	13,424	14,612	15,800	16,988	18,176	19,364
4,600	7,651	8,865	10,080	11,294	12,508	13,723	14,937	16,152	17,366	18,580	19,795
4,700	7,817	9,058	10,299	11,539	12,780	14,021	15,262	16,503	17,743	18,984	20,225
4,800	7,983	9,251	10,518	11,785	13,052	14,319	15,587	16,854	18,121	19,388	20,655
4,900	8,150	9,443	10,737	12,030	13,324	14,618	15,911	17,205	18,498	19,792	21,086
5,000	8,316	9,636	10,956	12,276	13,596	14,916	16,236	17,556	18,876	20,196	21,516

Source: UBS estimates

Yangtze Optical Fibre and Cable (6869.HK)

Income Statement (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**13,353**	**12,197**	**14,252**	**24,349**	*70.8*	**33,941**	*39.4*	**43,369**	**52,149**	**57,088**
Gross profit	3,272	3,330	4,380	15,375	*251.0*	24,609	*60.1*	30,334	35,136	38,609
EBITDA (UBS)	**1,704**	**1,804**	**2,814**	**12,733**	*352.6*	**21,097**	*65.7*	**25,729**	**29,594**	**32,723**
Depreciation & amortisation	(851)	(875)	(1,193)	(1,279)	*-7.2*	(1,479)	*-15.6*	(1,729)	(2,023)	(2,338)
EBIT (UBS)	**852**	**929**	**1,620**	**11,454**	*NM*	**19,618**	*71.3*	**24,000**	**27,571**	**30,385**
Associates & investment income	534	(172)	(219)	0	-	0	-	0	0	0
Other non-operating income	(52)	(4)	(59)	200	-	0	-	0	0	0
Net interest	(118)	(160)	(198)	(153)	*22.4*	(73)	*52.4*	52	198	372
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**1,216**	**593**	**1,145**	**11,500**	*NM*	**19,545**	*70.0*	**24,052**	**27,770**	**30,757**
Tax	(39)	(12)	(263)	(1,725)	*NM*	(2,932)	*-70.0*	(3,608)	(4,165)	(4,614)
Profit after tax	**1,177**	**581**	**882**	**9,775**	*NM*	**16,613**	*70.0*	**20,444**	**23,604**	**26,144**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	120	95	(68)	(700)	*NM*	(997)	*-42.5*	(1,307)	(1,438)	(1,582)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**1,297**	**676**	**814**	**9,075**	*NM*	**15,615**	*72.1*	**19,137**	**22,166**	**24,562**
Net earnings (UBS)	**1,297**	**676**	**814**	**9,075**	*NM*	**15,615**	*72.1*	**19,137**	**22,166**	**24,562**
Tax rate (%)	3.2	2.0	23.0	15.0	*-34.7*	15.0	*0.0*	15.0	15.0	15.0

Per Share (Rmb)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	1.71	0.89	1.07	10.96	*NM*	18.86	*72.1*	23.12	26.77	29.67
EPS (local GAAP, diluted)	1.71	0.89	1.07	10.96	*NM*	18.86	*72.1*	23.12	26.77	29.67
EPS (UBS, basic)	1.71	0.89	1.07	10.96	*NM*	18.86	*72.1*	23.12	26.77	29.67
DPS (net) (Rmb)	0.51	0.27	0.30	3.29	*NM*	5.66	*72.1*	6.93	8.03	8.90
Cash EPS (UBS, diluted) [1]	2.83	2.05	2.64	12.51	*374.0*	20.65	*65.1*	25.20	29.22	32.49
Book value per share	14.92	15.34	16.68	27.34	*64.0*	42.91	*57.0*	60.37	80.21	101.85
Average shares (diluted)	758	758	761	828	*8.9*	828	*0.0*	828	828	828

Balance Sheet (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	3,896	3,293	5,764	11,124	*93.0*	19,474	*75.1*	29,203	40,822	55,494
Other current assets	10,660	11,325	12,433	15,173	*22.0*	19,218	*26.7*	24,157	28,910	31,362
Total current assets	**14,556**	**14,617**	**18,197**	**26,297**	*44.5*	**38,692**	*47.1*	**53,361**	**69,732**	**86,855**
Net tangible fixed assets	7,697	10,541	11,359	12,764	*12.4*	14,861	*16.4*	17,546	20,675	23,839
Net intangible fixed assets	2,508	2,638	2,719	2,529	*-7.0*	2,339	*-7.5*	2,149	1,959	1,769
Investments / other assets	4,381	3,931	4,088	4,068	*-0.5*	4,047	*-0.5*	4,026	4,005	3,985
Total assets	**29,142**	**31,727**	**36,363**	**45,658**	*25.6*	**59,939**	*31.3*	**77,081**	**96,371**	**116,447**
Trade payables & other ST liabilities	6,070	5,794	6,396	6,159	*-3.7*	6,551	*6.4*	7,933	9,360	9,942
Short term debt	3,012	4,551	4,233	4,233	*0.0*	4,233	*0.0*	4,233	4,233	4,233
Total current liabilities	**9,082**	**10,345**	**10,629**	**10,392**	*-2.2*	**10,784**	*3.8*	**12,166**	**13,593**	**14,175**
Long term debt	4,855	4,791	4,718	4,718	*0.0*	4,718	*0.0*	4,718	4,718	4,718
Other long term liabilities	808	1,010	3,243	3,243	*0.0*	3,243	*0.0*	3,243	3,243	3,243
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**14,745**	**16,145**	**18,590**	**18,354**	*-1.3*	**18,745**	*2.1*	**20,127**	**21,554**	**22,136**
Common s/h equity	**11,307**	**11,629**	**13,806**	**22,637**	*64.0*	**35,529**	*57.0*	**49,982**	**66,407**	**84,319**
Minority interests	3,090	3,952	3,967	4,667	*17.6*	5,665	*21.4*	6,972	8,410	9,992
Total liabilities & equity	**29,142**	**31,727**	**36,363**	**45,658**	*25.6*	**59,939**	*31.3*	**77,081**	**96,371**	**116,447**

Cash Flow (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	1,297	676	814	9,075	*NM*	15,615	*72.1*	19,137	22,166	24,562
Depreciation & amortisation	851	875	1,193	1,279	*7.2*	1,479	*15.6*	1,729	2,023	2,338
Net change in working capital	(194)	93	882	(2,976)	-	(3,654)	*-22.8*	(3,557)	(3,326)	(1,869)
Other operating	(666)	(65)	513	700	*36.4*	997	*42.5*	1,307	1,438	1,582
Operating cash flow	**1,288**	**1,579**	**3,402**	**8,078**	*137.5*	**14,438**	*78.7*	**18,616**	**22,301**	**26,613**
Tangible capital expenditure	(2,263)	(1,386)	(1,422)	(2,435)	*-71.2*	(3,326)	*-36.6*	(4,163)	(4,902)	(5,252)
Intangible capital expenditure	(34)	(61)	(39)	(39)	*0.0*	(39)	*0.0*	(39)	(39)	(39)
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(351)	(913)	(1,283)	0	-	0	-	0	0	0
Investing cash flow	**(2,647)**	**(2,360)**	**(2,744)**	**(2,474)**	*9.9*	**(3,365)**	*-36.0*	**(4,202)**	**(4,941)**	**(5,291)**
Equity dividends paid	(350)	(390)	(203)	(244)	*-20.2*	(2,723)	*NM*	(4,685)	(5,741)	(6,650)
Share issues / (buybacks)	0	0	2,023	0	-	0	-	0	0	0
Other financing	(149)	48	514	0	-	0	-	0	0	0
Change in debt & pref shares	1,403	581	(581)	0	-	0	-	0	0	0
Financing cash flow	**903**	**240**	**1,752**	**(244)**	-	**(2,723)**	*NM*	**(4,685)**	**(5,741)**	**(6,650)**
Cash flow inc/(dec) in cash	**(456)**	**(541)**	**2,410**	**5,360**	*122.5*	**8,350**	*55.8*	**9,729**	**11,619**	**14,672**
FX / non cash items	28	(62)	62	0	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	**(428)**	**(603)**	**2,471**	**5,360**	*116.9*	**8,350**	*55.8*	**9,729**	**11,619**	**14,672**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Yangtze Optical Fibre and Cable (6869.HK)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	6.5	9.3	23.9	15.1	8.6	7.0	6.1	5.5
P/E (UBS, diluted)	6.5	9.3	23.9	15.1	8.6	7.0	6.1	5.5
P/CEPS	3.9	4.1	9.7	13.2	7.9	6.5	5.6	5.0
Equity FCF (UBS) yield %	(11.9)	2.1	9.9	4.1	8.2	10.7	12.9	15.8
Dividend yield (net) %	4.6	3.2	1.2	2.0	3.5	4.3	4.9	5.5
P/BV	0.8	0.6	1.5	5.9	3.8	2.7	2.0	1.6
EV/revenues (core)	0.9	1.0	1.8	5.6	3.9	2.8	2.2	1.8
EV/EBITDA (UBS core)	7.0	6.7	9.2	10.8	6.2	4.8	3.9	3.1
EV/EBIT (core)	14.0	13.0	15.9	12.0	6.7	5.1	4.1	3.4
EV/OpFCF (core)	11.9	8.6	10.4	11.7	6.7	5.1	4.1	3.3
EV/op. invested capital	0.8	0.7	1.4	6.6	5.1	3.9	3.0	2.4

Enterprise value (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	8,444	6,305	19,449	134,749	134,749	134,749	134,749	134,749
Net debt (cash)	3,043	5,010	4,619	508	(6,348)	(15,387)	(26,061)	(39,206)
Buy out of minorities	3,742	3,521	3,960	4,317	5,166	6,318	7,691	9,201
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**15,228**	**14,837**	**28,027**	**139,574**	**133,567**	**125,680**	**116,379**	**104,743**
Non core assets	(3,303)	(2,794)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)
Core enterprise value	**11,925**	**12,043**	**25,771**	**137,318**	**131,311**	**123,424**	**114,123**	**102,487**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	(3.5)	(8.7)	16.8	70.8	39.4	27.8	20.2	9.5
EBITDA (UBS)	(4.7)	5.9	56.0	NM	65.7	22.0	15.0	10.6
EBIT (UBS)	(27.8)	8.9	74.5	NM	71.3	22.3	14.9	10.2
EPS (UBS, diluted)	11.2	(47.9)	20.0	NM	72.1	22.6	15.8	10.8
Net DPS	11.3	(47.9)	10.1	NM	72.1	22.6	15.8	10.8

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	24.5	27.3	30.7	63.1	72.5	69.9	67.4	67.6
EBITDA margin	12.8	14.8	19.7	52.3	62.2	59.3	56.7	57.3
EBIT (UBS) margin	6.4	7.6	11.4	47.0	57.8	55.3	52.9	53.2
Net earnings (UBS) margin	9.7	5.5	5.7	37.3	46.0	44.1	42.5	43.0
ROIC (EBIT)	5.7	5.5	8.6	55.1	NM	NM	73.4	70.5
ROIC post tax	5.4	5.4	7.0	46.8	65.0	64.9	62.4	59.9
ROE (UBS)	12.1	5.9	6.4	49.8	53.7	44.8	38.1	32.6

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	2.3	3.4	1.1	(0.2)	(0.5)	(0.8)	(1.1)	(1.4)
Net debt / total equity %	27.6	38.8	17.9	(8.0)	(25.5)	(35.6)	(42.6)	(49.3)
Net debt / (net debt + total equity) %	21.6	28.0	15.2	(8.6)	(34.3)	(55.2)	(74.2)	(97.4)
Net debt/EV %	20.0	33.8	16.5	0.4	(4.8)	(12.2)	(22.4)	(37.4)
Capex / depreciation %	NM	196.6	144.8	NM	NM	NM	NM	NM
Capex / revenue %	16.9	11.4	10.0	10.0	9.8	9.6	9.4	9.2
EBIT / net interest	11.7	4.7	7.1	74.7	NM	-	-	-
Dividend cover (UBS)	3.3	3.3	3.6	3.3	3.3	3.3	3.3	3.3
Div. payout ratio (UBS) %	30.0	30.1	27.6	30.0	30.0	30.0	30.0	30.0

Revenues by division (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	13,353	12,197	14,252	24,349	33,941	43,369	52,149	57,088
Total	**13,353**	**12,197**	**14,252**	**24,349**	**33,941**	**43,369**	**52,149**	**57,088**

EBIT (UBS) by division (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	852	929	1,620	11,454	19,618	24,000	27,571	30,385
Total	**852**	**929**	**1,620**	**11,454**	**19,618**	**24,000**	**27,571**	**30,385**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	73.2%
Forecast dividend yield	3.5%
Forecast stock return	76.7%
Market return assumption	10.9%
Forecast excess return	65.8%

Company Description

Yangtze Optical Fibre and Cable (YOFC) is one of the world's leading optical preform, fibre and cable suppliers, powering global telecom networks and data centers. The company was founded in 1988 as a Sino-foreign equity joint venture and is listed both in Hong Kong and Shanghai.

Valuation Method and Risk Statement

Upside risks to the optical fiber/cable industry include: 1) higher-than-expected global data traffic growth; 2) government-backed digital infrastructure initiatives; 3) improving competitive dynamics.
Downside risks to the optical fiber/cable industry include: 1) weakening telcos capex; 2) technological substitutes; 3) raw material cost volatility.
We value YOFC-H and -A by target P/E multiple.
Upside risks to the company include: 1) faster adoption of high-margin emerging products; 2) overseas market share gains; 3) efficient cost management.
Downside risks to the company include: 1) extended demand downturn in China; 2) escalated competition in emerging products; 3) currency and geopolitical risks.



Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Yangtze Optical Fibre and Cable

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	



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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	40%	21%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 June 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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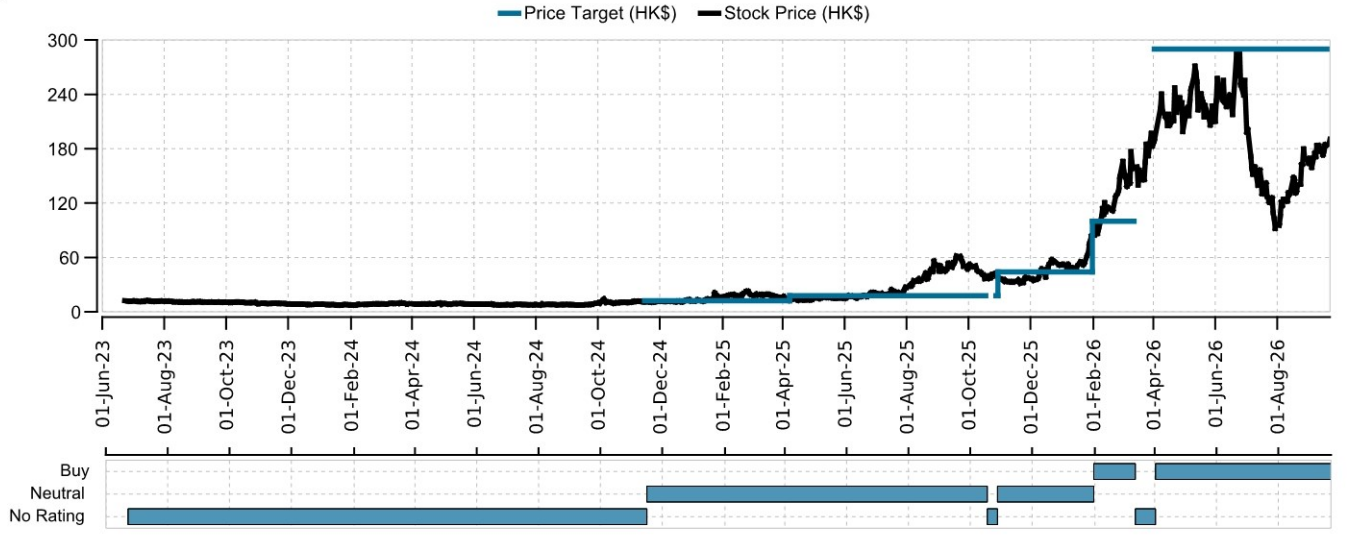
Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Yangtze Optical Fibre and Cable[16,28,18]	6869.HK	Buy	HK$190.50	22 Sep 2026
Yangtze Optical Fibre and Cable - A[16,28,18]	601869.SS	Neutral	Rmb456.60	22 Sep 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.
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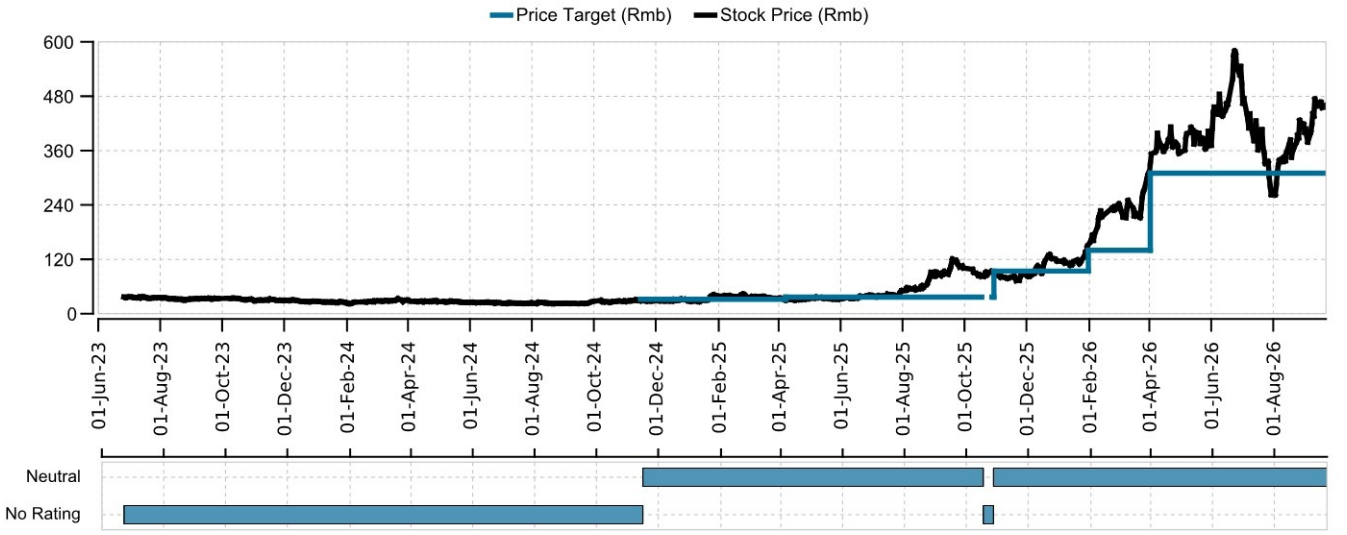
Yangtze Optical Fibre and Cable (HK$)



Date	Stock Price (HK$)	Price Target (HK$)	Rating
2023-06-22	NaN	-	No Rating
2024-11-15	11.12	12.10	Neutral
2025-04-07	12.82	17.80	Neutral
2025-10-17	36.68	-	No Rating
2025-10-27	42.62	17.80	Neutral
2025-10-29	40.04	44.00	Neutral
2026-01-30	83.70	100.00	Buy
2026-03-12	158.20	-	No Rating
2026-04-01	185.90	290.00	Buy

Source: UBS Global Research; LSEG Eikon as of 22-Sep-2026. All prices as of local market close. Ratings as of date shown.

Yangtze Optical Fibre and Cable - A (Rmb)



Date	Stock Price (Rmb)	Price Target (Rmb)	Rating
2023-06-22	NaN	-	No Rating
2024-11-15	28.45	31.90	Neutral
2025-04-07	30.60	36.60	Neutral
2025-10-17	82.60	-	No Rating
2025-10-27	93.38	36.60	Neutral
2025-10-29	91.00	94.00	Neutral
2026-01-30	149.12	140.00	Neutral
2026-04-01	308.00	310.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 22-Sep-2026. All prices as of local market close. Ratings as of date shown.

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