Lingyi (002600.SZ): Readore factory visit: Liquid cooling for AI servers and optical modules to drive growth ahead

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We visited Lingyi's subsidiary, Readore's, factory in Dongguan recently. Management remains positive on its business expansion from consumer electronics toward AI data centers, across liquid cooling and power management. On liquid cooling, the company maintains its strong commitments on capacity expansion, and highlights its penetration in leading global-tier CSPs, along with expansion toward other GPU or ASIC platforms, supporting its future growth. Management's positive tone on AI server chassis echoes our positive view on Global Server TAM (link) which we expect AI server rack (NVL72-equivalent) shipments (incl. Nvidia and AMD) to reach 55k/ 105k/ 163k in 2026E-28E.

Key takeaways

1. Liquid cooling in capacity expansion: Management maintains its long term capacity expansion target to become significantly larger than current levels, leveraging Lingyi's global footprints and strong automated production to facilitate liquid cooling capacity expansion. Other than China, the company's current liquid cooling production site is in Philippines and the company plans to further expand to Vietnam / Thailand, closer to the ODMs. China remains the most efficient place to produce while the company would also add diversity to offer more flexibility to its global-tier clients. Management highlighted their comprehensive coverage in liquid cooling components, and would focus more on those new products (e.g. liquid cooling for optical modules, newly adopted in the latest AI server racks) or better profitability.

2. Competition advantages: Management remains positive on its position in serving leading global CSPs, highlighting it takes time for new entrants to pass customers' qualification, and the strong demand along with fast specification upgrade also lifts entry barriers. Leveraging its experience in AI server racks powered by global leading GPU, the company is also expanding to other GPU and ASIC platforms, to further expand its product portfolio. Lingyi's overseas capacity along with strong automated production and metal precision processing would also enhance its capability in liquid cooling component production.

Valuation: We have a Buy rating on Lingyi. We derive our 12-m TP of Rmb18.1 on a target P/E multiple of 29.5x 2027E EPS. Our target P/E of 29.5x is derived from (1) the refreshed correlation between 2027E P/E and 2027-28E EPS growth of its peers, and (2) the company's 2027-28E EPS YoY growth. **Key risks:** Slower-than-expected foldable phone / AI terminal penetration; Potential competition from more suppliers;

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Weak macro economy continuing to drag market demand.

002600.SZ	12m Price Target: **Rmb18.10**	Price: **Rmb10.01**	Upside: **80.8%**

Buy

Market cap: Rmb81.3bn / $12.1bn
Enterprise value: Rmb91.6bn / $13.7bn
3m ADTV: Rmb1.2bn / $181.2mn
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)	51,428.9	61,028.3	76,304.0	95,030.1
EBITDA (Rmb mn)	5,221.5	6,831.7	9,445.6	12,448.7
EPS (Rmb)	0.32	0.38	0.61	0.88
P/E (X)	34.0	26.5	16.3	11.4
P/B (X)	3.2	3.0	2.6	2.2
Dividend yield (%)	0.4	0.5	0.8	1.1
N debt/EBITDA (ex lease,X)	2.0	1.5	1.1	0.5
CROCI (%)	16.7	14.0	17.2	19.6
FCF yield (%)	(0.5)	0.6	0.7	6.1

	6/26	9/26E	12/26E	3/27E
EPS (Rmb)	0.05	0.13	0.14	0.14

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 16 Oct 2026 close.

