China PCB: Kinwong (603228.SS / 3228.HK): PCB for AI servers and Optical module in expansion with growing capacity

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We visited Kinwong's (603228.SS / 3228.HK, not covered) management in Shenzhen recently. Management remains positive about its growth trajectory, driven by PCBs for AI servers and optical module along with its ongoing capacity expansion. Management's positive tone on AI server clients' end demand echoes our positive view on AI server PCB. As we highlighted in Aug (report link), we raised our global AI PCB TAM to reflect the ramp-up of AI server racks, and PCB specification upgrade with the adoption of next-generation high-end AI servers. Overall, we expect the global PCB market for AI servers to reach US$38bn by 2027E (from US$27bn), then US$84bn by 2028E, implying a 148% 2026-28E CAGR for AI PCB TAM. With continuous capacity expansion and utilization rate maintaining at high level given AI infrastructure ramp up, we remain constructive on AI PCB/ CCL.

Company profile: Kinwong (603228.SS / 3228.HK, not covered), established in 1993, is a leading PCB supplier globally, covering multilayer PCBs, SLPs, thick copper PCBs, high-frequency high-speed PCBs, metal-based PCBs, double-layer / multiplayer flexible PCBs, high density flexible PCBs, HDI PCBs, rigid-flex PCBs, special material PCBs, etc., used in fields such as AI servers, optical modules, automotive, communication, PCs, smart terminals, industrial, etc. Kinwong's production sites are across China and Thailand.

Key takeaways

1. AI data center to drive growth ahead: Management remains positive on its PCB for AI servers and optical modules, riding on the strong AI infrastructure upcycle. The company is a major PCB supplier in the latest AI server racks' switch boards and midplanes, riding on the new racks shipment ramp up. The company's high-end HDI is also in capacity expansion to capture the strong market demand in coming years.

2. PCB for optical modules: The company is aggressively scaling its optical module PCB business, which enjoys strong market growth. Management highlights their capacity expansion focus on AI data center, with majority for AI servers, followed by a meaningful portion dedicated to optical modules. China remains the most efficient site for PCB production; while the company would also diversify into Thailand to offer flexibility for its global-tier clients.

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