Flash | Citi Research

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China Jushi (600176.SS)

E-fabric Tightness to Persist Through 2027; Further Pricing Upside and Low-Dk Progress

CITI'S TAKE

We attended China Jushi's International Fiberglass Annual Conference in Tongxiang on October 20 and discussed key industry trends and company developments with Board Secretary Ding Chengche. Our key takeaways are: **1)** Further E-fabric price hikes remain possible in 4Q26 and 2027, as persistent shortages have made it difficult for producers to moderate pricing; **2)** Effective supply growth should remain constrained by bottlenecks in electronic yarn and weaving capacity, while the shift towards thinner and specialty fabrics could absorb much of the incremental capacity; and **3)** Demand growth is supported not only by AI infrastructure but also by enterprise digitalization, smart manufacturing and broader adoption of intelligent technologies. Meanwhile, first-generation Low-Dk fabric has secured orders, with commercial sales expected to begin in 1Q27. We believe sustained pricing power and limited effective supply additions support further earnings upside in 2027. Reiterate Buy.

Buy

Catalyst Watch: Upside, expires 07-NOV-26

Price (21 Oct 26 15:00)	Rmb34.590
Target price	Rmb71.000
Expected share price return	105.3%
Expected dividend yield	2.7%
Expected total return	108.0%
Market Cap	Rmb138,468M US$20,742M

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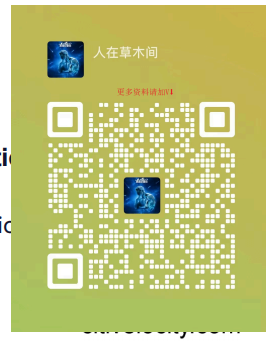
E-fabric: Further price hikes possible in 4Q26, with upside extending into 2027. Management initially planned just one round of price increases in 4Q26. However, persistent supply shortages and industry-wide price hikes made this difficult to implement. Another price hike in November remains possible, while management hopes to avoid further increases in December. Management also sees room for additional price increases in 2027, supported by tight supply/demand conditions through at least end-2027, although the magnitude remains difficult to predict.

Supply: Limited effective capacity additions in 2027 despite new loom installations. Management expects only modest E-fabric volume growth next year. The ongoing shift toward thinner and higher-value fabrics will absorb much of the incremental capacity, limiting net volume growth. Domestic looms are currently used mainly for lower-grade products and are unlikely to materially ease supply constraints for high-end fabrics. Both electronic yarn and qualified weaving capacity remain bottlenecks.

Competition: New entrants unlikely to disrupt supply before 2028–29. Management sees substantially higher entry barriers in E-fabric than in coarse roving, given stringent quality requirements and lengthy customer qualification processes. Even established suppliers must undergo additional qualification when entering new customers' supply chains. Newly announced capacity could take until late 2028 or 2029 to become operational, with further uncertainty around commercial qualification.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliati

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Foreign Institutional Investors.



Specialty E-fabric: Low-Dk1 orders secured, with commercial sales likely to commence in 1Q27. Management confirmed that Low-Dk1 has already secured customer orders, although deliveries are pending product formulation adjustments. A revised formulation is expected in 4Q26, with initial commercial sales anticipated in 1Q27. T-fabric continues to progress through downstream end-customer qualification, while Jushi has established in-house glass rod production capabilities for Q-fabric. However, management noted relatively soft Q-fabric demand, although some industry participants have recently observed signs of additional orders in 4Q26.

Demand: AI infrastructure and enterprise smart manufacturing support structural growth. Management emphasized that the current upcycle should not be attributed solely to AI infrastructure investment. Despite weak consumer electronics, PCB/CCL demand continues to grow, supported by enterprise digitalization, industrial automation and smart manufacturing. Jushi's own digital transformation budget increased from c.Rmb36mn in 2025 to over Rmb70mn in 2026, with an initial proposal of c.Rmb170mn for 2027, illustrating the accelerating adoption of intelligent technologies across traditional industries.

Coarse roving: Stable fundamentals; 4Q unit profitability could improve. Management attributed the modest QoQ decline in 3Q26 coarse roving unit profitability to higher seasonal electricity costs and minor price reductions for selected lower-end products. Lower seasonal power costs should support 4Q margins, although further modest price adjustments remain possible. Looking into 2027, management expects limited industry capacity additions and broadly stable fundamentals, while its pricing strategy for lower-end products remains under discussion.

Long-term strategy: Downstream expansion and overseas capacity growth. Under its 15th Five-Year Plan, Jushi intends to explore new composite-material applications without directly competing with existing customers. Potential M&A targets will focus on businesses complementary to its core operations, subject to regulatory approvals. Overseas expansion will proceed along two tracks: further capacity additions in Egypt and the development of a third overseas production base, for which preliminary site evaluations have already been conducted.

China Jushi

Valuation

Our target price of Rmb71 is based on 17.3x 2027E P/E, in line with its historical average. Our 2027E earnings already incorporate a substantial uplift from stronger E-fabric pricing and product-mix improvement; we therefore believe the historical average provides an appropriate valuation benchmark. We believe our target multiple is justified by Jushi's global cost leadership, integrated electronic yarn-and-cloth platform and superior earnings leverage to the ongoing E-fabric upcycle, while potential structural upside from specialty E-fabric expansion and further mix improvement is not yet fully reflected in our valuation.

Risks

Major downside risks that could impede the shares from reaching our target price include: 1) weaker-than-expected demand for glass fiber products; 2) rising energy/power costs; and 3) greater-than-expected capacity additions. Major upside risks include better-than-expected demand and supply-side discipline that helps protect margins.