# Ruijie Networks (301165.SZ): AI data center switch ramp up on solid client demand; 3Q26 Rev better-than-expected, OP in line; Neutral

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Ruijie continued to deliver solid 3Q26 revenue growth of 43% YoY (or -1% QoQ) to Rmb5.8bn, or 7% higher than our estimates, which we attribute it to the ramp up of data center switch shipment and strong client demand. 3Q GM was improved to 32.9% (vs. 2Q26 at 29.5%), overall in line with our estimates due to product mix with lower contribution from white box data center switches. OP in 3Q26 was largely in line, while NI was 10% higher than our estimates due to higher-than-expected non-OP. As one of the leading switch suppliers in China, the company continues to migrate to next generation of 1.6T high-speed switches and 51.2T CPO switches to support clients' AI platform development, benefiting from growing Capex spending by CSP clients. Maintain Neutral.

**Solid AI switch order momentum:** Ruijie's inventory was up to Rmb9.1bn by end of 3Q26 (vs. Rmb3.8bn/ Rmb5.6bn by end of 1Q26/ 2Q26), and management noted the increase of inventory was due to (1) solid client order momentum in 4Q26E/ 2027E, (2) strong client demand, and (3) company's strategy to better secure supply in advance. Regarding the rising cost of upstream material, management noted the company shares the cost burden with clients, while optimizing the model and design to improve the cost structure.

**Exhibit 1: Ruijie 3Q26 result snapshot**

| Rmb m | 3Q25 | 2Q26 | 3Q26 | QoQ | YoY | GS | Act/GS |
|---|---|---|---|---|---|---|---|
| Revenue | 4,031 | 5,833 | 5,764 | -1% | 43% | 5,381 | 7% |
| GP | 1,433 | 1,721 | 1,894 | 10% | 32% | 1,819 | 4% |
| OP | 200 | 544 | 362 | -33% | 81% | 360 | 0% |
| Net income | 228 | 571 | 387 | -32% | 69% | 351 | 10% |
| Margins | | | | | | | |
| GM | 35.6% | 29.5% | 32.9% | | | 33.8% | |
| OPM | 5.0% | 9.3% | 6.3% | | | 6.7% | |
| NM | 5.7% | 9.8% | 6.7% | | | 6.5% | |

Source: Company data, Goldman Sachs Global Investment Research

**Earnings revision:** We factor in Ruijie Networks' 3Q26 result, revise up 2026E earnings by 1%, and keep 2027-30E estimates largely unchanged. We revise up 2026E revenues mainly on higher-than-expected data center switch growth on solid client demand.

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**Exhibit 2: Earnings revision**

| | 2026E | | | 2027E | | | 2028E | | | 2029E | | | 2030E | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rmb mn | Old | New | Chg | Old | New | Chg | Old | New | Chg | Old | New | Chg | Old | New | Chg |
| Revenue | 19,789 | 19,917 | 1% | 30,809 | 30,919 | 0% | 38,920 | 39,036 | 0% | 46,691 | 46,809 | 0% | 56,958 | 57,092 | 0% |
| GP | 6,518 | 6,525 | 0% | 9,166 | 9,238 | 1% | 11,088 | 11,163 | 1% | 12,952 | 13,027 | 1% | 15,167 | 15,246 | 1% |
| OP | 1,450 | 1,412 | -3% | 2,563 | 2,573 | 0% | 3,448 | 3,452 | 0% | 4,089 | 4,085 | 0% | 4,844 | 4,831 | 0% |
| Net income | 1,433 | 1,440 | 1% | 2,340 | 2,351 | 0% | 2,965 | 2,970 | 0% | 3,521 | 3,516 | 0% | 4,168 | 4,156 | 0% |
| Margins | | | | | | | | | | | | | | | |
| GM | 32.9% | 32.8% | | 29.7% | 29.9% | | 28.5% | 28.6% | | 27.7% | 27.8% | | 26.6% | 26.7% | |
| OPM | 7.3% | 7.1% | | 8.3% | 8.3% | | 8.9% | 8.8% | | 8.8% | 8.7% | | 8.5% | 8.5% | |
| NM | 7.2% | 7.2% | | 7.6% | 7.6% | | 7.6% | 7.6% | | 7.5% | 7.5% | | 7.3% | 7.3% | |

Source: Company data, Goldman Sachs Global Investment Research

**Valuation:** We continue to derive our 12M TP based on a near-term P/E; our 2027E target P/E is updated to 56.5x (vs. 63.0x previously) mainly on lower 2027E-28E net income growth, still based on peer correlation between forward year trading P/E and net income growth, and recent re-rating due to key debates on clients' AI spending and networking architecture. With our updated target P/E and earnings estimates, **our 12M TP is revised down to Rmb119.3** (vs. Rmb133.1 previously).

**Exhibit 3: Ruijie Network P&L Summary**

| Rmb m | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | 4Q26E | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | | | | | | | | | | | |
| Revenues | 2,536 | 4,113 | 4,031 | 3,636 | 2,999 | 5,833 | 5,764 | 5,321 | 11,326 | 11,542 | 11,699 | 14,316 | 19,917 | 30,919 | 39,036 | 46,809 | 57,092 |
| GP | 951 | 1,256 | 1,433 | 1,439 | 1,071 | 1,721 | 1,894 | 1,839 | 4,492 | 4,430 | 4,518 | 5,079 | 6,525 | 9,238 | 11,163 | 13,027 | 15,246 |
| OP | 54 | 374 | 200 | 47 | 151 | 544 | 362 | 355 | 140 | (78) | 128 | 675 | 1,412 | 2,573 | 3,452 | 4,085 | 4,831 |
| Net income | 107 | 345 | 228 | 16 | 123 | 571 | 387 | 359 | 552 | 401 | 574 | 696 | 1,440 | 2,351 | 2,970 | 3,516 | 4,156 |
| EPS (Rmb) | 0.19 | 0.43 | 0.29 | 0.02 | 0.15 | 0.51 | 0.35 | 0.32 | 1.10 | 0.71 | 1.01 | 0.93 | 1.34 | 2.11 | 2.67 | 3.16 | 3.73 |
| **Margins** | | | | | | | | | | | | | | | | | |
| GM | 37.5% | 30.5% | 35.6% | 39.6% | 35.7% | 29.5% | 32.9% | 34.6% | 39.7% | 38.4% | 38.6% | 35.5% | 32.8% | 29.9% | 28.6% | 27.8% | 26.7% |
| OPM | 2.1% | 9.1% | 5.0% | 1.3% | 5.0% | 9.3% | 6.3% | 6.7% | 1.2% | -0.7% | 1.1% | 4.7% | 7.1% | 8.3% | 8.8% | 8.7% | 8.5% |
| NM | 4.2% | 8.4% | 5.7% | 0.4% | 4.1% | 9.8% | 6.7% | 6.8% | 4.9% | 3.5% | 4.9% | 4.9% | 7.2% | 7.6% | 7.6% | 7.5% | 7.3% |
| **Ratios** | | | | | | | | | | | | | | | | | |
| Opex ratio | 35.3% | 21.5% | 30.6% | 38.3% | 30.6% | 20.2% | 26.6% | 27.9% | 38.4% | 39.1% | 37.5% | 30.8% | 25.7% | 21.6% | 19.8% | 19.1% | 18.2% |
| Tax rate | -30.6% | 14.7% | 16.4% | 75.8% | 2.4% | 5.5% | 0.9% | 0.9% | -30.7% | -158.3% | -41.6% | 15.6% | 2.9% | 10.0% | 15.0% | 15.0% | 15.0% |
| **YoY** | | | | | | | | | | | | | | | | | |
| Revenues | 18% | 42% | 21% | 9% | 18% | 42% | 43% | 46% | 23% | 2% | 1% | 22% | 39% | 55% | 26% | 20% | 22% |
| GP | 15% | 27% | 24% | -7% | 13% | 37% | 32% | 28% | 31% | -1% | 2% | 12% | 28% | 42% | 21% | 17% | 17% |
| OP | na | 465% | -5% | na | 178% | 46% | 81% | 657% | -18% | na | na | 428% | 109% | 82% | 34% | 18% | 18% |
| Net income | 4544% | 128% | -11% | -90% | 15% | 66% | 69% | 2158% | 20% | -27% | 43% | 21% | 107% | 63% | 26% | 18% | 18% |
| **QoQ** | | | | | | | | | | | | | | | | | |
| Revenues | -24% | 62% | -2% | -10% | -18% | 94% | -1% | -8% | | | | | | | | | |
| GP | -38% | 32% | 14% | 0% | -26% | 61% | 10% | -3% | | | | | | | | | |
| OP | -302% | 587% | -46% | -77% | 223% | 259% | -33% | -2% | | | | | | | | | |
| Net income | -34% | 221% | -34% | -93% | 673% | 365% | -32% | -7% | | | | | | | | | |

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 4: Ruijie 12M forward P/E**




Source: Company data, Goldman Sachs Global Investment Research

**Valuation:** We derive our 12M TP of Rmb119.3 based on a target P/E multiple of 56.5x 2027E EPS. Our target P/E of 56.5x is derived from the correlation between P/E and EPS growth of Ruijie's peers, based on Ruijie's 2027E-28E EPS YoY growth.

**Key risks:** Higher / lower-than-expected China Cloud capex; Faster /

slower-than-expected product migration; Milder / fiercer-than-expected pricing competition.

| 301165.SZ | 12m Price Target: **Rmb119.30** | Price: **Rmb76.53** | Upside: **55.9%** |
|---|---|---|---|

**Neutral**

Market cap: Rmb43.5bn / $6.5bn
Enterprise value: Rmb42.6bn / $6.4bn
3m ADTV: Rmb2.3bn / $345.3mn
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) New** | **14,316.3** | **19,916.6** | **30,918.6** | **39,036.1** |
| Revenue (Rmb mn) Old | 14,316.3 | 19,788.8 | 30,809.5 | 38,919.6 |
| EBITDA (Rmb mn) | 841.2 | 1,557.4 | 2,725.5 | 3,609.6 |
| **EPS (Rmb) New** | **0.93** | **1.34** | **2.11** | **2.67** |
| EPS (Rmb) Old | 0.93 | 1.33 | 2.10 | 2.66 |
| P/E (X) | 49.5 | 57.2 | 36.2 | 28.7 |
| P/B (X) | 6.9 | 14.8 | 13.1 | 11.1 |
| Dividend yield (%) | 1.2 | 1.0 | 1.7 | 2.1 |
| CROCI (%) | 32.2 | 38.9 | 56.3 | 64.8 |

| | 9/26 | 12/26E | 3/27E | 6/27E |
|---|---|---|---|---|
| EPS (Rmb) | 0.35 | 0.32 | 0.38 | 0.56 |

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 22 Oct 2026 close.