Morgan Stanley | RESEARCH

UPDATE

October 22, 2026 01:46 PM GMT

JCET Group Co Ltd | Asia Pacific

Capex Raised Sharply, Gross Margin Expanded; OW

AlphaSignals Earnings Reaction

Unchanged	Modest upside	Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key highlight: JCET raised its F26 capex guidance by 73% to Rmb17.3bn (from Rmb10bn previously), signaling accelerating investment in advanced packaging capacity and confidence in medium-term demand visibility.

Earnings review: 3Q26 revenue rose 10% Q/Q and 14% Y/Y to Rmb11bn, 6% below consensus and 7% below MSe. Gross margin improved by 1.8ppt to 17.5%, reflecting improving operating leverage, a more favorable product mix and high utilization. 3Q26 net income rose 39% Q/Q and 60% Y/Y to Rmb773mn, 8% above consensus but 18% below MSe.

Stay OW: We continue to like JCET, underpinned by accelerating advanced packaging investment, improving gross margins and strengthening earnings growth visibility into F27.

JCET will host a 3Q26 earnings call after the market close on 27 October.

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JCET Group Co Ltd (600584.SS, 600584 CG)

Greater China Technology Semiconductors | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	Rmb90.20
Up/downside to price target (%)	53
Shr price, close (Oct 22, 2026)	Rmb59.00
52-Week Range	Rmb113.87-34.58
Sh out, dil, curr (mn)	1,790
Mkt cap, curr (mn)	Rmb105,584
EV, curr (mn)	Rmb101,619
Avg daily trading value (mn)	Rmb6,509

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	0.87	1.47	2.05	2.67
EPS (Rmb)§	0.86	1.31	1.85	2.37
Revenue, net (Rmb mn)	38,871	44,311	51,375	59,837
EBITDA (Rmb mn)	6,135	7,991	9,017	10,365
ModelWare net inc (Rmb mn)	1,565	2,628	3,670	4,783
P/E	42.1	40.2	28.8	22.1
P/BV	2.2	3.3	3.0	2.7
RNOA (%)	6.7	10.2	12.1	13.9
ROE (%)	5.3	8.8	11.4	13.5
EV/EBITDA	10.1	12.9	11.5	9.9
Leverage (EOP) (%)	(25.3)	(21.7)	(20.7)	(22.0)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

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Valuation Methodology and Risks

JCET Group Co Ltd (600584.SS)

Base case, residual income model. We assume a cost of equity of 8.6% (risk free rate of 2%, equity risk premium 5.5% and beta of 1.2%), an intermediate growth rate of 19.0%, and a terminal growth rate of 4.0%.

Risks to Upside

- Better-than-expected demand for communications, computing, and consumer electronics
- Providing 2.5D/3D advanced packaging sooner than we expect
- Faster-than-expected share gains

Risks to Downside

- Worse-than-expected demand for communications, computing, and consumer electronics
- Providing 2.5D/3D advanced packaging later than we expect
- Slower-than-expected share gains

