Shennan Circuits 002916.SZ 002916 CH

EQUITY: TECHNOLOGY

3Q26: solid margin expansion driven by AI PCB

Quick Note

Rating Remains	Buy
Target price Remains	CNY 518.00
Closing price 22 October 2026	CNY 284.30

Research Analysts

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Shennan Circuits (SCC) reported 9M26 results on 22 October after market close and held an earnings call today. Revenue/earnings grew 53.8%/77.5% y-y in 9M26, translating into 3Q26 revenue/earnings growth of 66.3%/94.4% y-y (up 20.4%/34.0% q-q). 9M26 earnings of CNY4.13bn was at the high end of the company's profit alert of CNY4.05-4.15bn. 9M26 GPM increased by 4.4pp y-y to 32.6% and 3Q26 GPM improved by 3.5pp y-y to 34.9% (+2.4pp q-q), driven by more favorable AI PCB product mix and continued production ramp-up in IC substrate, in our view. OCF declined by 15.4% y-y in 9M26, likely due to price hikes in raw materials resulting in higher procurement. We think the company has significant room to grow in the high-end product segment (i.e., AI PCB and ABF-substrate) in 2H26F, driven by rising demand from domestic AI chip and memory customers. We maintain our Buy rating and TP of CNY518, based on 43x FY27F EPS of CNY12.05, in line with an FY26-28F earnings CAGR of 43%. The stock is currently trading at 22.7x FY27F EPS.

SCC continues to invest in AI PCB capacity proactively, with capex increasing 265% y-y to CNY2.9bn, and we expect the FY26F capex to exceed CNY10bn. In June 2026, Shennan Circuits announced a private-placement, targeting investment in Wuxi Shennan Circuits AI Computing PCB Project. In September, the maximum fundraising amount was adjusted from CNY4.88bn to CNY4.37bn, with up to 204,340,198 shares, and was approved by regulators on 14 October. We think Shennan Circuits is in a favorable upcycle of AI PCB and IC substrate market.

AI PCB: solid demand and better product mix leading to higher margins

AI PCB should have higher revenue contribution in 3Q26F (~60% in PCB sector vs ~50% in 2Q26), thanks to the buoyant demand from AI accelerator, network switch, optical transceivers, as well as AI power, in our view. Led by technology upgrade in all these subsectors, the PCB content value upgrade may become the major driver for the strong GPM uptick in 3Q26, in our view. Moreover, the company is working with major non-AI PCB customers to pass down the cost pressure from the upstream material sector (i.e. CCL, or Copper Clad Laminate). We think 1.6T transceivers, 800G / 1.6T switches, as well as ASIC / CPU chips will continue to drive the company's PCB margin improvement.

IC substrate: BT-substrate poised to gain share due to tight supply, ABF-substrate on track to turn profitable in 4Q26F

Due to the supply tightness in IC substrate, and global competitors who are primarily focusing on ABF substrate business expansion, SCC has enjoyed strong order momentum for BT-substrate, and we think the company should be able to gain more share in the BT-substrate market, as the company continues to expand its capacity in Guangzhou. Meanwhile, for the more high-end ABF-substrate market, SCC is making steady process to improve its technology, and we expect the business to turn profitable in the near term (likely 4Q26F). Owing to buoyant demand from China's AI GPU / CPU / ASIC customers, SCC plans to continue expanding its ABF substrate capacity in existing and new factories in Guangzhou, which should enable the company to ride further upside in China's AI infra investment, in our view.

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Fig. 1: Shennan Circuits - 3Q26 results review

(CNY mn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	y-y	q-q
	A	A	A	A	A	A	A	A	A	A	A		
Turnover	3,961	4,360	4,728	4,858	4,783	5,671	6,301	6,893	6,596	8,701	10,478	66.3%	20.4%
% chg yoy	42%	34%	38%	20%	21%	30%	33%	42%	38%	53%	66%		
COGS	(2,963)	(3,178)	(3,528)	(3,792)	(3,600)	(4,106)	(4,323)	(4,922)	(4,672)	(5,880)	(6,826)		
Gross Profit	998	1,182	1,201	1,066	1,183	1,564	1,978	1,971	1,924	2,820	3,652		
OPEX	(590)	(515)	(675)	(639)	(656)	(583)	(915)	(907)	(981)	(1,219)	(1,523)		
Operating Income	408	668	526	427	527	981	1,063	1,064	943	1,601	2,128	100.3%	32.9%
% chg yoy	94%	179%	20%	-16%	29%	47%	102%	149%	79%	63%	100%		
Pretax income	407	668	525	424	523	976	1,060	1,065	941	1,607	2,127	100.6%	32.3%
% chg yoy	95%	177%	20%	-17%	29%	46%	102%	151%	80%	65%	101%		
Tax	(28)	(60)	(25)	(33)	(31)	(106)	(93)	(114)	(89)	(204)	(246)		
Profit to shareholders	380	608	501	390	491	869	966	950	850	1,401	1,878	94.4%	34.0%
% chg yoy	84%	127%	15%	-21%	29%	43%	93%	144%	73%	61%	94%		
Ratio Analysis													
GPM	25.2%	27.1%	25.4%	22.0%	24.7%	27.6%	31.4%	28.6%	29.2%	32.4%	34.9%	3.5pp	2.4pp
OPEX	14.9%	11.8%	14.3%	13.2%	13.7%	10.3%	14.5%	13.2%	14.9%	14.0%	14.5%	0.0pp	0.5pp
OPM	10.3%	15.3%	11.1%	8.8%	11.0%	17.3%	16.9%	15.4%	14.3%	18.4%	20.3%	3.4pp	1.9pp
NPM	9.6%	13.9%	10.6%	8.0%	10.3%	15.3%	15.3%	13.8%	12.9%	16.1%	17.9%	2.6pp	1.8pp

Source: Company data, Nomura research

Appendix A-1

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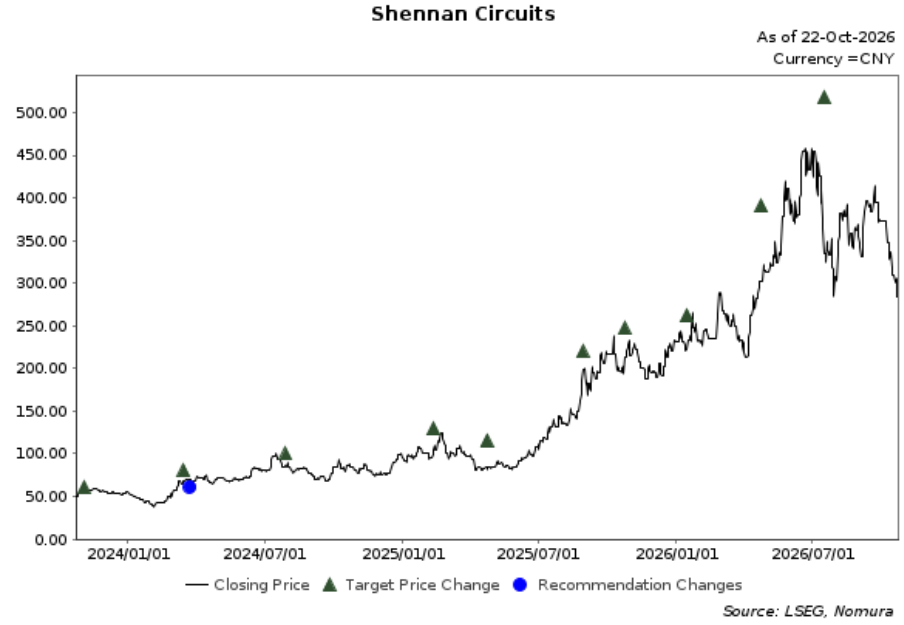
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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Shennan Circuits	002916 CH	CNY 284.30	22-Oct-2026	Buy	N/A	

Shennan Circuits (002916 CH) **CNY 284.30 (22-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
17-Jul-26		518.00	334.00
24-Apr-26		391.00	301.36
15-Jan-26		263.00	222.50
24-Oct-25		247.00	213.08
29-Aug-25		220.00	198.00
23-Apr-25		116.15	85.15
11-Feb-25		130.00	104.48
29-Jul-24		100.00	85.71
15-Mar-24	Buy		68.40
15-Mar-24		80.77	68.40
03-Nov-23		60.77	54.35

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of CNY518.00 is based on 43x 2027F EPS of CNY12.05, in line with FY26-28F earnings CAGR of 43%. The benchmark index is CSI300.
Risks that may impede the achievement of the target price Downside risks include: 1) delay in AI infra investment or slower-than-expected capacity expansion for AI PCB; 2) further sanctions on the telecom value chain companies in China by the US; and 3) intensified competition in the PCB market in China.

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