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Suzhou TFC Optical Communication Co Ltd. | Asia Pacific

Accelerated Revenue Growth in 3Q26 Implies Improving Component Supply

AlphaSignals Earnings Reaction

Unchanged	— In-line	— Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Key Takeaways

- 3Q26 revenue reached Rmb1,923 million, up 31.50% YoY and 28.37% QoQ. The faster revenue growth in 3Q26 implies that the component shortage is gradually easing.
- However, the high GP margin suggests that the active segment is not making a significant contribution.

Other details:

- **Gross margin reached 65.0% in 3Q26, a further improvement from 64.7% in 2Q26:** This implies that the active segment's contribution is still limited.
- **Net profit margin expanded to 45.7% in 3Q26** – up 701bps YoY from 38.7% in 3Q25.
- **Non-GAAP net profit** – Rmb879 million in 3Q26 (+55% YoY).
- **Operating cash flow** – Rmb1,462 million in 9M26 (+8.75% YoY). Operating cash flow grew more s;lowly slower than net profit as working capital expanded to support production ramp-up across domestic and overseas sites (including inventory buildup and supplier prepayments).

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the 2027 Extel Asia Research Survey. Voting opens 10 November 2026.

Suzhou TFC Optical Communication Co Ltd. (300394.SZ, 300394 CH)

Greater China Technology Hardware | China

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	Rmb265.00
Up/downside to price target (%)	32
Shr price, close (Oct 28, 2026)	Rmb201.43
52-Week Range	Rmb375.00-100.81
Sh out, dil, curr (mn)	1,091
Mkt cap, curr (mn)	Rmb219,725
EV, curr (mn)	Rmb215,208
Avg daily trading value (mn)	Rmb11,545

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	1.85	3.16	4.39	5.70
Prior EPS (Rmb)**	-	-	-	-
EPS (Rmb)§	2.82	3.38	4.90	6.82
Revenue, net (Rmb mn)	5,163	10,291	14,604	19,308
EBITDA (Rmb mn)	2,706	4,424	5,973	7,682
ModelWare net inc (Rmb mn)	2,017	3,443	4,785	6,221
P/E	78.2	63.8	45.9	35.3
P/BV	28.7	26.1	17.9	12.8
RNOA (%)	124.8	344.8	643.4	1,339.5
ROE (%)	50.7	62.5	56.9	50.7
EV/EBITDA	56.7	47.9	34.8	26.4
Div yld (%)	0.3	0.4	0.6	0.8
FCF yld ratio (%)**	0.9	1.7	2.3	3.0
Leverage (EOP) (%)	(54.4)	(73.8)	(84.9)	(91.4)

framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology

investors should be aware that the firm may have a conflict of

Research as only a single factor i
decision.
**For analyst certification and oth
refer to the Disclosure Section, l
report.**
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Results Summary

Exhibit 1: 3Q26 Results Review

Rmb mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	YoY%	QoQ%
Revenue	**945**	**1,511**	**1,463**	**1,245**	**1,330**	**1,498**	**1,923**	**31%**	**28%**
Gross profit	**501**	**746**	**785**	**754**	**753**	**968**	**1,251**	**59%**	**29%**
Operating expenses	-115	-122	-130	-108	-147	-162	-157	21%	-3%
Opearating income	386	624	655	646	606	806	1,094	67%	36%
Non-op	9	15	3	6	-32	-3	-68	-2076%	1900%
Tax& Minorities	-58	-77	-92	-100	-82	-91	-147	59%	62%
Net income	**338**	**562**	**566**	**552**	**492**	**712**	**879**	**55%**	**23%**
Key metrics %									
Gross margin	53.0%	49.4%	53.7%	60.6%	56.6%	64.7%	65.0%	11.4%	0.4%
Opex	12.2%	8.1%	8.9%	8.7%	11.0%	10.8%	8.2%	-0.7%	-2.7%
Net margin	35.7%	37.2%	38.7%	44.3%	37.0%	47.5%	45.7%	7.0%	-1.8%

Valuation Methodology and Risks

Suzhou TFC Optical Communication Co Ltd. (300394.SZ)

Residual income model, probability-weighted 30% bull, 50% base, 20% bear - skew reflects expected timeline for large-scale CPO application.

Key assumptions:

- CoE and terminal growth rate: 10% and 3.5% across scenarios
- High-end transceivers demand CAGR in 2026-2028e: bull 46%, base 43%, bear 43%
- 2025-35e net profit CAGR: bull 34%, base 30%, bear 25%.

Risks to Upside

- Faster-than-expected optical engine adoption
- Stronger 800G and 1.6T ramp-up
- Later breakthrough in CPO
- Faster-than-expected LiDAR adoption
- Stronger-than-expected cloud capex growth

Risks to Downside

- Geopolitical tensions, delaying 800G and 1.6T optical engine development
- Slower telco and cloud capex
- New optical engine entrants
- Earlier breakthrough in CPO or other new technology
- Component shortage