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UPDATE

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Yangtze Optical Fibre and Cable JSC Ltd | Asia Pacific

3Q26 Results Upbeat, AI-related Optical Fibers of Strong Demand

AlphaSignals Earnings Reaction

Strengthens our thesis	Modest upside	Modest revision higher
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Key Takeaways

- Revenue was 14% ahead of our estimate, while net profit beat by 27%.
- Accelerated deployment of AI clusters and data centers has triggered a sustained industry upcycle, materially elevating demand for AI-related optical fibers.

Revenue reached Rmb9.3bn, up 139% YoY. Management said the growth was driven by an improved revenue mix in its main business, alongside relatively rapid YoY increases in both sales volume and ASP of major optical products.

Gross margin was 57.4% in 3Q26, a significant increase vs. 29.7% in 3Q25, but slightly lower than 60.5% in 2Q26.

The selling & distribution expense ratio decreased to 2.35% in 3Q26, from 3.75% in 1H26.

The G&A expense ratio compressed significantly to 5.00% in 3Q26, from 7.16% in 1H26.

The R&D expense ratio was steady at 5.31% in 3Q26, vs. 5.11% in 1H26, reflecting sustained R&D investments in next-generation optical communication solutions alongside strong revenue.

The opex ratio fell to 12.66% in 3Q26, from 16.02% in 1H26.

Net profit of Rmb3.2bn was up 1,742% YoY, due mainly to rapid revenue growth and significant margin expansion.

Andy Meng, CFA
Equity Analyst
Andy.Meng@morganstanley.com +852 2239-7689

Betty Chen
Research Associate
Betty.H.Chen@morganstanley.com +852 2239-7213

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

Yangtze Optical Fibre and Cable JSC Ltd (6869.HK, 6869 HK)

Greater China Technology Hardware | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	HK$230.00
Up/downside to price target (%)	139
Shr price, close (Oct 30, 2026)	HK$96.15
52-Week Range	HK$305.00-31.14
Sh out, dil, curr (mn)	350
Mkt cap, curr (mn)	Rmb131,263.5
EV, curr (mn)	Rmb135,437.8
Avg daily trading value (mn)	HK$3,592

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	1.0	9.1	15.4	13.8
EPS (Rmb)§	1.1	9.5	14.4	15.4
Revenue, net (Rmb mn)	14,252.1	27,387.6	34,486.6	40,004.4
EBITDA (Rmb mn)	2,792.7	10,131.1	15,187.7	13,964.1
ModelWare net inc (Rmb mn)	813.7	7,506.7	12,730.3	11,435.2
P/E	47.3	9.0	5.3	5.9
P/BV	2.2	2.7	1.9	1.6
RNOA (%)	6.1	30.1	36.7	29.7
ROE (%)	5.2	42.2	50.8	32.2
EV/EBITDA	25.4	13.3	8.4	8.7
Div yld (%)	1.2	0.4	3.3	5.7
FCF yld ratio (%)**	9.5	2.1	14.1	13.9
Leverage (EOP) (%)	15.1	6.2	(16.4)	(26.7)

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 in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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Results Summary

Exhibit 1: 3Q26 Results Review

Rmb mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	Mse	YoY	QoQ	Actual vs. Mse
Revenue	**2,894**	**3,491**	**3,891**	**3,977**	**3,695**	**6,114**	**9,316**	**8,171**	**139%**	**52%**	**14%**
COGS	(2,088)	(2,490)	(2,735)	(2,558)	(2,161)	(2,414)	(3,973)	(3,741)	45%	65%	6%
Gross profit	**806**	**1,001**	**1,155**	**1,418**	**1,534**	**3,700**	**5,343**	**4,429**	**362%**	**44%**	**21%**
Opex	(581)	(635)	(692)	(852)	(704)	(939)	(1,265)	(1,520)	83%	35%	-17%
Selling	(115)	(126)	(162)	(184)	(161)	(208)	(219)	(351)	35%	6%	-38%
ADM	(267)	(272)	(283)	(342)	(302)	(400)	(465)	(654)	64%	16%	-29%
Pre-tax income	**184**	**202**	**289**	**470**	**703**	**3,101**	**4,004**	**2,905**	**1284%**	**29%**	**38%**
Tax & minority interests	(32)	(58)	(115)	(126)	(208)	(672)	(801)	(386)	595%	19%	107%
Net income	**152**	**144**	**174**	**344**	**495**	**2,429**	**3,203**	**2,519**	**1742%**	**32%**	**27%**
Margins											
Gross margin	**27.8%**	**28.7%**	**29.7%**	**35.7%**	**41.5%**	**60.5%**	**57.4%**	**54.2%**	**27.7%**	**-3.2%**	**3.1%**
Operating margin	7.8%	10.5%	11.9%	14.3%	22.5%	45.2%	43.8%	35.6%	31.9%	-1.4%	8.2%
Selling %	4.0%	3.6%	4.2%	4.6%	4.3%	3.4%	2.4%	4.3%	-1.8%	-1.0%	-1.9%
ADM %	9.2%	7.8%	7.3%	8.6%	8.2%	6.5%	5.0%	8.0%	-2.3%	-1.6%	-3.0%
R&D %	6.1%	6.0%	5.7%	7.2%	5.6%	4.8%	5.3%	5.3%	-0.4%	0.5%	0.0%
Net margin	**5.2%**	**4.1%**	**4.5%**	**8.7%**	**13.4%**	**39.7%**	**34.4%**	**30.8%**	**29.9%**	**-5.4%**	**3.6%**

Valuation Methodology and Risks

Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)

Base case, derived from our residual income model (RIM), the same methodology we use for our Greater China Tech coverage. We apply a CoE of 11% (3% risk-free rate, 8% equity risk premium, and 1.0 beta), a medium-term growth rate of 15%, and a terminal growth rate of 2%.

Risks to Upside

- Price improvement in optical fiber/cable in response to tighter supply
- Better-than-expected demand from 5G-related applications
- AI infrastructure boom to create a super-cycle on the demand side

Risks to Downside

- Downside in cable and fiber prices
- Irrational capacity expansion in the industry
- Margin squeeze from telecom operators, the major customers

