BERNSTEIN
SOCIETE GENERALE GROUP

2 November 2026


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Asia Tech Hardware

Luxshare Precision Industry Co Ltd

Rating

Outperform

Price Target

002475.CH **86.00 CNY**

Luxshare 3Q26: Apple weakness and FX weigh on earnings; AI server components on track

Luxshare reported 3Q26 earnings on 29 Oct and hosted its earnings call on 31 Oct.

3Q26 earnings missed cons. due to iPhone assembly and FX losses. Revenue grew 22% QoQ and 14% YoY to RMB111bn, beating cons. by 2%. GPM remained resilient despite higher material costs and FX headwinds. Memory cost increases were largely passed through, but other material inflation proved harder to offset. FX reduced 9M26 gross profit by c.RMB5B (1.75ppt of GPM), alongside RMB2.9bn in FX losses, including RMB880M in 3Q. Profit contributions from affiliates/JVs, mainly iPhone assembly business, fell 12% QoQ to RMB1.1B, reflecting demand pulled into 1H and the iPhone 18 base model launch delayed to 1Q27. EPS grew by 7% YoY to RMB 0.7, 14% below cons. Company guides 2026 net profit increase by 15-20% to RMB19.1B-19.9B, vs. buyside expectation of RMB19.5-20B.

Communications and auto businesses remain on track. 224G DAC/AAC products have entered volume production, leading peers by roughly one quarter. In optical transceivers, the company has resolved yield issues for 1.6T modules during the NPI phase and targets volume shipments in early 2027. Beyond connectivity, Luxshare has involved in 15 projects in AI cooling components that will drive revenue growth next year. The planned acquisition of KFM Kingdom (3816 HK, not covered) should enhance Luxshare's metal-processing capabilities in L1-L5 for AI rack. In **Auto**, Leoni integration continues to progress smoothly with c.70% of new design wins are overseas projects, reducing exposure to intense competition in the domestic market. The acquisition of BWI Group, parent of BWI International (2339 HK, not covered), should strengthen Luxshare's chassis capabilities, particularly suspension and braking.

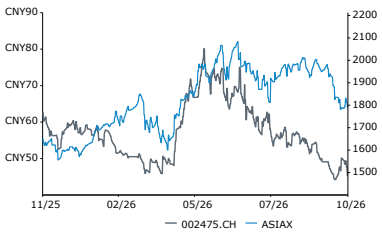
Non-Apple consumer electronics remain solid, with PC gaining traction and new edge AI device coming for 2027. Despite its recent entry into PC assembly, Luxshare shipped 10M+ units in 9M26 and targets annual volume increases of at least 5mn units, vs. annual shipments of 20–45mn at leading Taiwanese ODMs. News report indicates that Luxshare and Huaqin (603296 CH/3296 HK, not covered) are winning HP and Dell orders from TW peers. Technology and cost advantages support these gains as Taiwanese ODMs shift resources toward AI servers. In edge AI, management expects new products (likely for OpenAI) to generate revenue from 2027, with potential annual shipments exceeding 10mn units.
(continue on page 2)

Close Date	30 Oct 2026
002475.CH Close Price (CNY)	45.60
Price Target (CNY)	86.00
Upside/(Downside)	89%
52-Week Range	81.78/43.56
ASIAX	1,787.50
FYE	Dec
Div Yield	0.1%
Market Cap (CNY) (M)	350,250
EV (CNY) (M)	439,053

Performance	YTD	1M	6M	12M
Absolute (%)	(19.6)	(7.7)	(31.9)	(27.6)
ASIAX (%)	9.3	(8.3)	(2.7)	9.1
Relative (%)	(28.9)	0.5	(29.3)	(36.7)

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Reported EPS	F25A	F26E	F27E
002475.CH (CNY)	2.26	**2.60**	**3.47**
OLD	--	2.64	3.48

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	332,344	405,430	459,866	17.6%
EBIT Margin (%)	5.8	5.9	6.7	--

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	20.2	17.5	13.1
EV/EBITDA (x)	13.5	11.9	9.9

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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We forecast revenue/EPS CAGRs of 15%/33% over 2026–28E. We model non-Apple revenue to grow a 25%+ revenue CAGR, driven by AI server components (copper interconnects, optical transceivers, cooling and power), PC ODM share gains, and steadily growth in auto segment. We model iPhone shipments down 1% in 2026 and up 2–3% annually in 2027–28, with margin expansion at Lizhen driving 20%+ earnings CAGR in iPhone assembly. Reflecting weaker A-share sentiment, particularly across Apple and optical supply chains, we lower our target P/E to 21x from 25x and roll forward to average 2027–28E EPS of RMB4.0 (previously 2027E EPS of RMB3.5), maintaining our price target at RMB86.

Investment Implications

Overall, we view Luxshare as an emerging AI server component platform for global customers, spanning copper and optical connectivity, cooling, and power solutions. Its time-to-market advantage and mass-production capabilities should become increasingly valuable as CSPs seek to manage rising AI server BOM costs. Trading at 13x P/E, the valuation remains attractive, particularly with EPS growth expected to accelerate next year. **Outperform.**

DETAILS

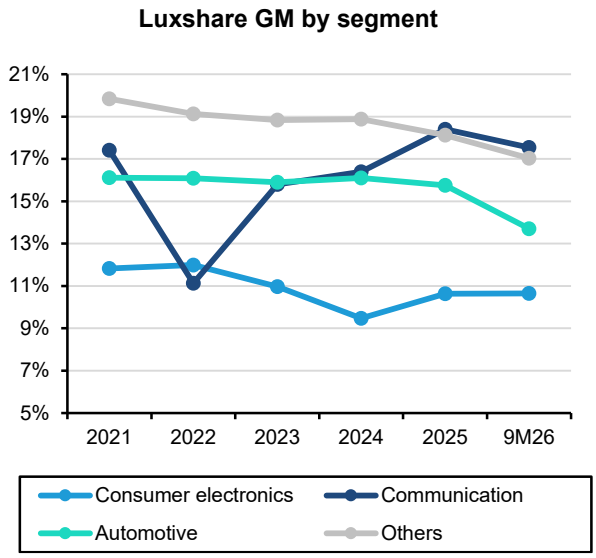
3Q26 EARNINGS RESULTS

EXHIBIT 1: **3Q26 revenue came in 2% above cons., with gross margin largely in line; net profit missed cons. by 13%, primarily due to lower-than-expected earnings contributions from iPhone assembly JV and increased R&D spending**

Luxshare (RMB in Millions)	3Q25 Actual	2Q26 Actual	3Q26 Actual	QoQ	YoY	Bernstein	Consensus	Difference vs. Bernstein	Difference vs. Consensus
Revenue	96,411	90,616	110,507	22.0%	14.6%	107,070	108,808	3.2%	1.6%
Gross Profit	12,382	10,554	13,384	26.8%	8.1%	13,434	13,181	-0.4%	1.5%
Margin	12.8%	11.6%	12.1%	0.5%	-0.7%	12.5%	12.1%	-0.4%	0.0%
Adj. Operating Profit	5,684	5,207	6,473	24.3%	13.9%	6,868	5,530	-5.7%	17.0%
Margin	5.9%	5.7%	5.9%	0.1%	0.0%	6.4%	5.1%	-0.6%	0.8%
Profit Attribute to Shareholders	4,874	4,183	5,214	24.7%	7.0%	5,877	5,963	-11.3%	-12.6%
Margin	5.1%	4.6%	4.7%	0.1%	-0.3%	5.5%	5.5%	-0.8%	-0.8%
EPS (RMB)	0.66	0.56	0.68	22.3%	3.8%	0.79	0.79	-13.0%	-13.6%

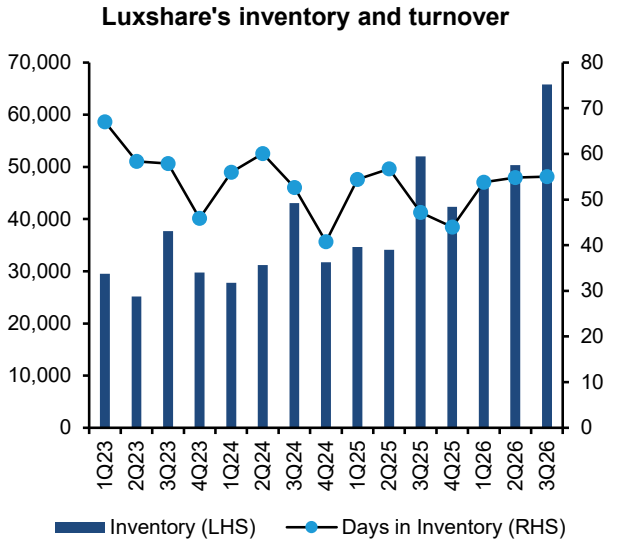
Source: Company data, Bloomberg, Bernstein analysis and estimates

EXHIBIT 2: **GM declined across major segments, weighed by adverse FX movements, greater contribution from low-margin ODM business, and inflation in raw-material costs**



Source: Company reports, Bernstein analysis

EXHIBIT 3: **Despite growing inventory levels, Luxshare's inventory turnover days remain stable**



Source: Company reports, Bernstein analysis

MODEL UPDATE

We project Luxshare's non-Apple business to grow at a 25%+ CAGR from 2026 to 2028. **Communications** should deliver 50%+ revenue growth, driven by AI server demand for copper connectivity, optical transceivers, cooling and power solutions. Luxshare has begun pilot production of 1.6T modules, with mass production scheduled for 1Q27. We model 2027 transceiver revenue of RMB13bn, largely from 2.5mn 1.6T shipments. At an 18% net margin, this implies c.RMB2.5bn in net profit, or c.10% of group earnings. Leoni accounts for c.10% of group revenue; we forecast a c.10% revenue CAGR over 2026–28E and a c.5% contribution to group net profit in 2027. Non-Apple consumer revenue should grow at a 20% CAGR, supported by Android and PC ODM share gains.

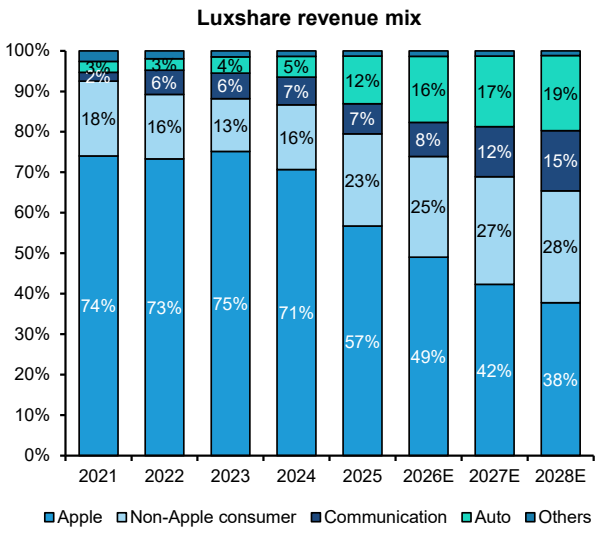
For **Apple**-related businesses, we lower 2026 iPhone shipment growth to -1% from +1%, followed by 2–3% annual growth in 2027–28. We expect Apple-related revenue (Airpod, Apple Watch assembly, iPhone components, etc.) to remain broadly flat over 2026–28E. However, Lizhen's net margin should improve from c.1.4% to c.1.7%, lifting net profit attributable to Luxshare

to nearly RMB5.5bn by 2028E, equivalent to c.15% of group adjusted operating profit.

We forecast group revenue/EPS CAGRs of 15%/33% over 2026–28E, with EPS growth accelerating from 2027 as copper and optical connectivity scale. Following the 3Q miss, we model 2026 net profit growth of 18%, within management's 15–20% guidance, and EPS growth of 14% after Hong Kong IPO dilution. Reflecting weaker A-share sentiment, particularly across Apple and optical supply chains, we lower our target P/E to 21x from 25x. Rolling forward to average 2027–28E EPS of RMB4.0, versus 2027E EPS of RMB3.5 previously, we maintain our RMB86 price target.

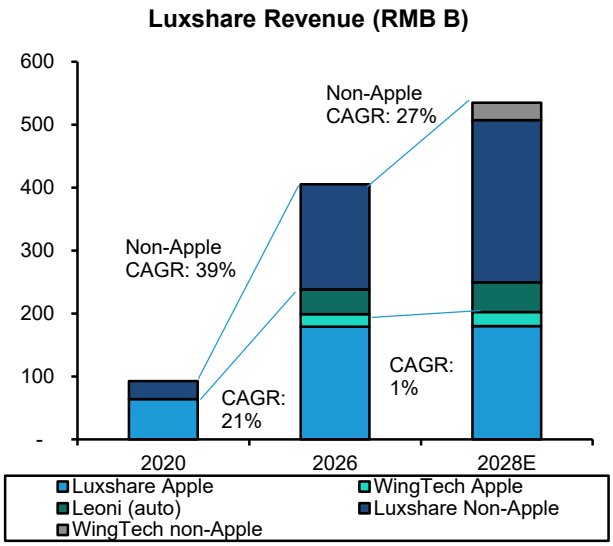
Overall, we view Luxshare as an emerging AI server component platform for global customers, spanning copper and optical connectivity, cooling, and power solutions. Its time-to-market advantage and mass-production capabilities should become increasingly valuable as CSPs seek to manage rising AI server BOM costs. Trading at 13x P/E, the valuation remains attractive, particularly with EPS growth expected to accelerate next year. **Outperform.**

EXHIBIT 4: **Luxshare continues to diversify its business ...**



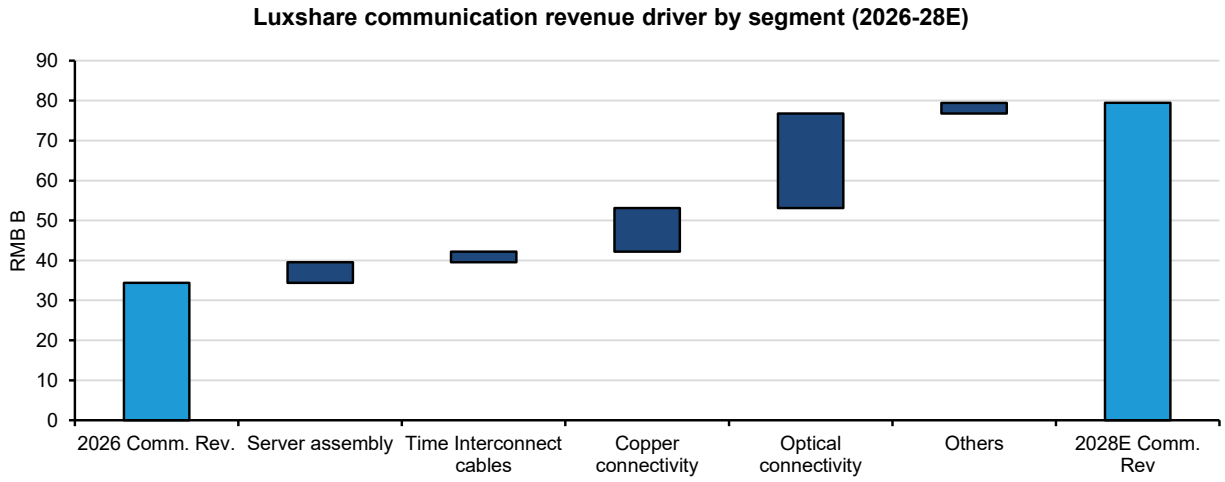
Company reports, Bernstein analysis and estimates
Source: Company reports, Bernstein analysis and estimates

EXHIBIT 5: **We believe Luxshare will continue to diversify from Apple with non-Apple business growing much faster in 2026-28**



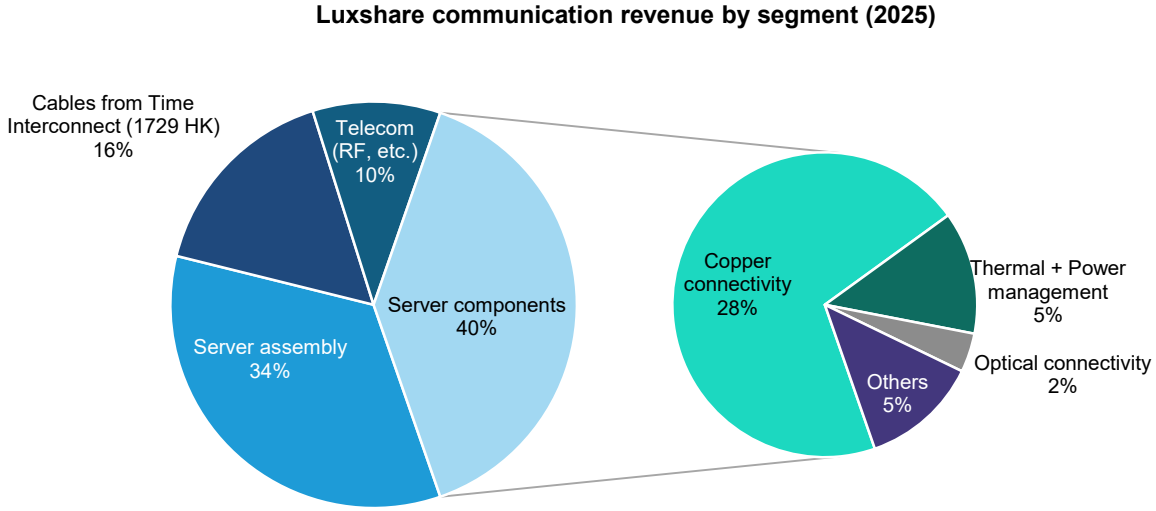
Source: Company reports, Bernstein estimates and analysis

EXHIBIT 6: **Components for AIDC will be major growth driver for Luxshare in 2026-28E**



Source: Company reports, Bernstein analysis and estimates

EXHIBIT 7: **Luxshare's communication segment revenue breakdown in 2025**



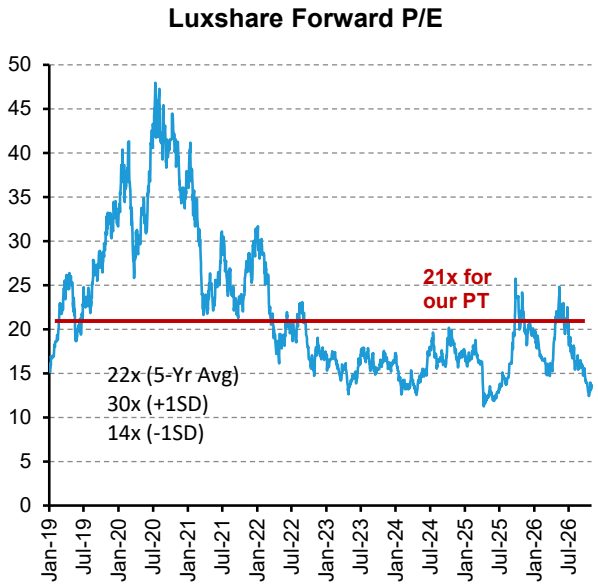
Source: Company reports, Bernstein analysis and estimates

EXHIBIT 8: **Our 27-28 EPS estimates are slightly below consensus**

Luxshare Comparision Table	2026E	2027E	2028E
Revenue (RMB B)			
Bernstein Old	399	449	520
YoY	20%	12%	16%
Bernstein	405	460	535
YoY	22%	13%	16%
Consensus	413	487	578
YoY	24%	18%	19%
New vs. old	2%	3%	3%
BERN vs. consensus	-2%	-6%	-8%
GM			
Bernstein Old	11.9%	12.7%	13.1%
Bernstein	12.0%	12.7%	13.1%
Consensus	12.1%	12.7%	13.3%
New vs. old	0.1%	0.0%	0.0%
BERN vs. consensus	0.0%	0.0%	-0.2%
OPM			
Bernstein Old	5.8%	6.8%	7.6%
Bernstein	5.9%	6.7%	7.7%
Consensus	5.4%	6.1%	6.7%
New vs. old	0.0%	0.0%	0.1%
BERN vs. consensus	0.5%	0.7%	0.9%
Profit Attributable to Shareholders (RMB B)			
Bernstein Old	19.7	25.9	33.9
YoY	19%	32%	31%
Bernstein	19.7	26.4	35.0
YoY	18%	34%	33%
Consensus	21.6	27.9	35.8
YoY	26%	29%	29%
New vs. old	0%	2%	3%
BERN vs. consensus	-9%	-5%	-2%
Basic EPS (RMB)			
Bernstein Old	2.7	3.5	4.6
YoY	18%	32%	31%
Bernstein	2.6	3.5	4.7
YoY	14%	34%	33%
Consensus	2.9	3.7	4.7
YoY	22%	28%	28%
New vs. old	-3%	-1%	0%
BERN vs. consensus	-9%	-5%	-2%

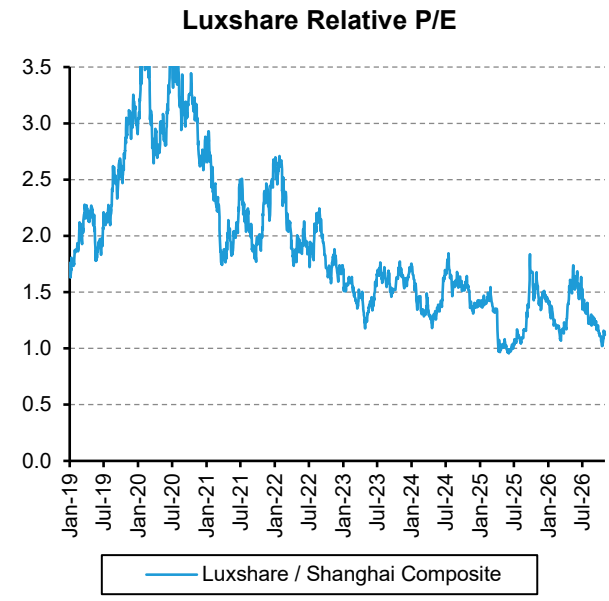
Source: Bloomberg, Bernstein analysis and estimates

EXHIBIT 9: **Luxshare is trading below its average P/E**



Source: Bloomberg, Bernstein estimates and analysis

EXHIBIT 10: **Luxshare's relative P/E to Shanghai Composite is not stretched**



Source: Bloomberg, Bernstein analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 11: **Luxshare Financial Statements**

RMB in Millions	2022	2023	2024	2025	2026E	2027E	2028E
Income Statement							
Net Sales	214,028	231,905	268,795	332,344	405,430	459,866	534,884
Gross Profit	26,100	26,864	27,985	39,589	48,831	58,606	70,185
SG&A Expense	5,907	6,432	7,412	12,529	14,168	15,026	15,777
R&D Expense	8,447	8,189	8,556	11,428	13,872	14,812	16,293
EBIT	11,154	12,860	16,142	19,156	23,725	31,007	40,928
EBITDA	18,728	22,889	26,972	32,419	36,971	44,494	56,164
Pretax Income	11,158	12,885	16,109	19,550	23,735	31,007	40,928
Tax	667	642	1,530	1,380	2,544	3,044	4,184
Net Income	9,163	10,953	13,366	16,600	19,656	26,420	35,018
Earnings Per Share (RMB) (Basic)	1.3	1.5	1.9	2.3	2.6	3.5	4.7
Margin Analysis							
Gross Profit	12.2%	11.6%	10.4%	11.9%	12.0%	12.7%	13.1%
EBIT	5.2%	5.5%	6.0%	5.8%	5.9%	6.7%	7.7%
Net Income	4.3%	4.7%	5.0%	5.0%	4.8%	5.7%	6.5%
Sequential Growth							
Net Sales	39.0%	8.4%	15.9%	23.6%	22.0%	13.4%	16.3%
EBIT	36.6%	15.3%	25.5%	18.7%	23.9%	30.7%	32.0%
Net Income	29.6%	19.5%	22.0%	24.2%	18.4%	34.4%	32.5%
Earnings Per Share	27.7%	19.4%	20.8%	23.1%	14.1%	34.4%	32.5%
Balance Sheet							
Cash and Cash Equivalents	19,367	33,620	48,360	61,159	92,216	103,787	105,847
Accounts Receivable	26,993	23,766	34,017	50,224	55,685	69,108	91,790
Inventory	37,363	29,758	31,703	42,333	50,852	62,394	82,168
Net Fixed Assets	46,721	46,787	53,610	70,191	67,432	72,340	73,150
Total Assets	148,384	161,992	223,828	306,538	368,964	421,323	484,128
Accounts Payable	50,302	46,401	65,966	84,013	93,155	114,298	150,522
Total Debt	26,851	35,470	58,394	80,496	94,235	95,471	80,883
Total Equity	58,784	70,285	84,687	104,020	148,424	173,438	206,219
Cash Flow							
Cash Flow From Operations	10,167	30,127	25,804	19,431	64,109	35,377	40,985
Cash Flow From Investments	(13,326)	(19,560)	(35,656)	(24,207)	(59,501)	(19,050)	(16,189)
Cash Flow From Financing	8,156	4,070	25,890	19,290	30,937	(1,712)	(18,552)
Depreciation & Amortization	7,573	10,029	10,830	13,263	13,246	13,487	15,237
Capex	(13,584)	(11,387)	(12,111)	(17,904)	(19,655)	(18,395)	(16,047)
FCF	(4,088)	18,074	12,193	(219)	41,901	13,939	26,660
As % of EBITDA	-22%	79%	45%	-1%	113%	31%	47%
Key Financial Metrics							
ROE	22.7%	21.5%	21.3%	21.5%	18.5%	19.0%	21.1%
ROA	7.8%	7.9%	7.6%	6.9%	6.3%	7.1%	8.1%
Debt / Equity	45.7%	50.5%	69.0%	77.4%	63.5%	55.0%	39.2%
Net Debt / Equity	12.7%	2.6%	11.8%	18.6%	1.4%	-4.8%	-12.1%
Debt / Capital	31.4%	33.5%	40.8%	43.6%	38.8%	35.5%	28.2%
Dividend Per Share (RMB)	0.1	0.1	0.3	0.2	0.3	0.4	0.5
Dividend Payout Ratio	10.0%	8.8%	17.6%	10.0%	11.1%	13.9%	14.2%

Source: Company reports, Bernstein analysis and estimates

BERNSTEIN TICKER TABLE

			30 Oct 2026		TTM	Reported EPS				Reported P/E (x)	
			Closing	Price	Rel.						
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
002475.CH (Luxshare)	O	CNY	45.60	86.00	(36.7)%	CNY	2.26	**2.60**	**3.47**	20.2	17.5	13.1
OLD								2.64	3.48			
ASIAX			1,787.50									

ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

I. REQUIRED DISCLOSURES

References to "Bernstein" or the “Firm” in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK（サンフォード・C・バーンスタイン株式会社）and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

Bernstein is part of a joint venture between Société Générale (SG) and AllianceBernstein, L.P. (AB). Unless specifically noted otherwise, for purposes of these disclosures, references to Bernstein’s “affiliates” relate to both SG and AB and their respective affiliates.

VALUATION METHODOLOGY

Luxshare Precision Industry Co Ltd

We set a RMB86 target price using a P/E multiple of 21x against our average 2027–28E EPS of RMB4.0

RISKS

Luxshare Precision Industry Co Ltd

Downside risks to our price target for Luxshare include:

- Weaker-than-expected iPhone 18 replacement cycle
- Slower-than-expected share gains for key products in AI server
- Stronger-than-expected margin pressure due to new product ramp or competition
- Higher-than-expected memory price impact

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

Coverage Suspended: Coverage of a company under the Bernstein research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors

on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

- Outperform (OP): Stock will outpace the relevant index by more than 10 pp
- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
- Underperform (UP): Stock will trail the performance of the relevant index by more than 10 pp

Coverage Suspended: Coverage of a company under the Autonomous research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

Not Covered (NC) denotes companies that are not under coverage.

Autonomous brand common stock ratings are based on a 12-month time horizon.

Autonomous brand – preferred stocks

The Autonomous brand has three categories of preferred stock ratings:

- Outperform (OP): The total return of the preferred instrument is expected to outperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Neutral (N): The total return of the preferred instrument is expected to perform in line with preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous preferred stock ratings are based on a 6-month time horizon.

AUTONOMOUS CREDIT RESEARCH

Where this report contains investment recommendations for credit instruments, as defined in article 3(1)(35) of the Market Abuse Regulation, the information below is presented to comply with its disclosure requirements.

The report may also include reference(s) to published opinions by other Autonomous or Bernstein analysts covering the equity securities of the issuer(s) referenced herein. Please note an investment recommendation for credit instruments published by the author(s) of this report may differ from the published view of the analyst covering equity securities for the issuer(s) contained in this report and vice versa.

CREDIT RATINGS DEFINITIONS

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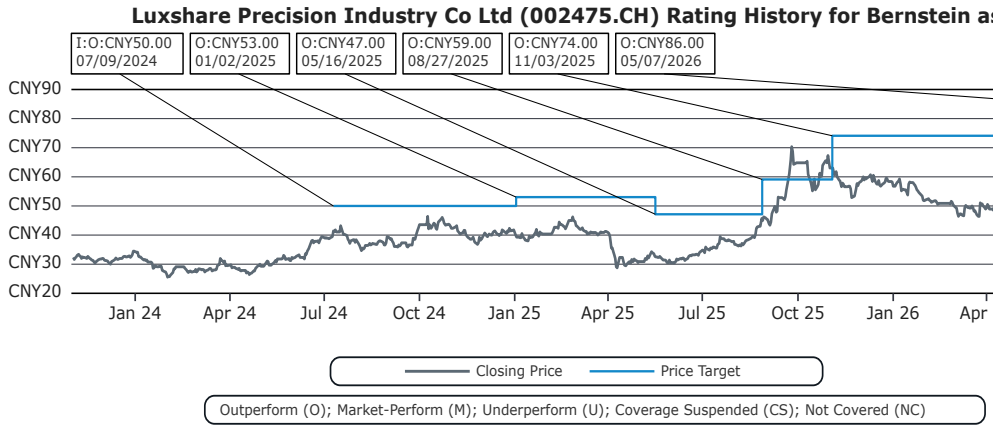
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