Huaqin Technology (603296.SS)

Expanding into AI servers from consumer electronics; initiate H-share and reinstate A-share at Buy

603296.SS	12m Price Target: **Rmb149.00**	Price: **Rmb106.40**	Upside: **40.0%**
3296.HK	12m Price Target: **HK$127.76**	Price: **HK$78.75**	Upside: **62.2%**

We reinstate coverage of Huaqin-A at Buy with a 12m TP of Rmb149, and initiate Huaqin-H at Buy with a 12m TP of HK$127.76. As the globally-leading consumer electronics (incl. smartphones, tablets, smartwatches and TWS) ODM in terms of shipment in 2024, we expect the company's growth to be driven by: 1) its expansion into AI data centers, with growing AI infrastructure investments in China; and 2) continued growth of its legacy business, driven by rising smartphone ODM penetration, and customer expansion from local to global-tier brands for its PC ODM business. We forecast 32% revenue CAGR in 2025-27E for Huaqin, supported by its end-to-end R&D capabilities across hardware, software, mechanical engineering, operational efficiency, supply chain management, and advanced manufacturing, along with GM improvements on product mix upgrades.

Key debates: Our NI forecasts are 8%/30% higher than Bloomberg consensus in 2026E/27E, mainly reflecting higher revenues driven by our positive view on Huaqin's data center business expansion. Key investor debates center on AI chip supply and a muted consumer electronics market amid rising memory costs. We believe Huaqin possesses strong R&D capabilities for designing smart products across various platforms and architectures, optimizing system performance through mechanical component and in-house mold design. Furthermore, the company prioritizes diverse customer needs and is rapidly expanding its product portfolio.

Valuation: We derive our A-share target P/E of 18.8x from a sector P/E vs. forward-year EPS YoY growth correlation (consistent with the company's avg. P/E since Aug 2023). Our H-share target P/E of 14.0x is based on an A-H discount of 26% (avg. A-H discount of tech peers in the last 60 days). **Key risks:** 1) slower-than-expected AI server ramp up in China; 2) slower-than-expected production site diversification; and 3) fiercer-than-expected pricing competition.

BUY

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Key Data

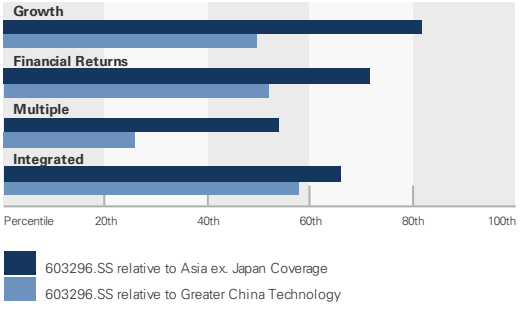
Market cap: Rmb114.3bn / $16.9bn
Enterprise value: Rmb132.9bn / $19.6bn
3m ADTV: Rmb1.5bn / $225.3mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**171,436.9**	**219,338.2**	**300,113.2**	**368,630.2**
Revenue (Rmb mn) Old	171,436.9	–	–	–
EBITDA (Rmb mn)	4,947.1	6,791.0	10,453.5	13,273.3
EPS (Rmb) New	**3.99**	**5.21**	**7.93**	**10.14**
EPS (Rmb) Old	3.99	–	–	–
P/E (X)	20.8	20.4	13.4	10.5
P/B (X)	3.3	3.4	2.9	2.4
Dividend yield (%)	1.4	1.5	2.2	2.9
CROCI (%)	21.0	16.4	19.9	21.7

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	1.04	0.94	1.58	1.64

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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BUY

Huaqin Technology (603296.SS)

Rating since Jun 1, 2026

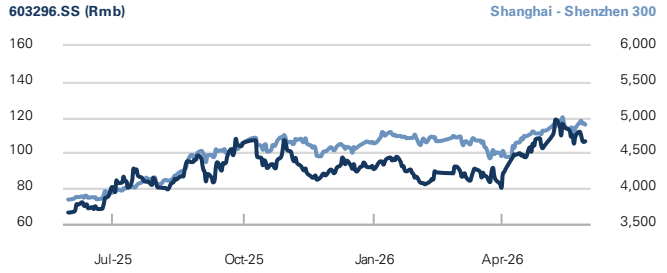
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	20.8	20.4	13.4	10.5
P/B (X)	3.3	3.4	2.9	2.4
FCF yield (%)	(4.3)	(3.4)	3.4	4.5
EV/EBITDAR (X)	20.5	19.4	12.6	9.8
EV/EBITDA (excl. leases) (X)	20.5	19.4	12.6	9.8
CROCI (%)	21.0	16.4	19.9	21.7
ROE (%)	16.8	18.6	23.3	25.1
Net debt/equity (%)	64.7	54.5	43.1	32.2
Net debt/equity (excl. leases) (%)	64.7	54.5	43.1	32.2
Interest cover (X)	11.6	12.7	20.1	26.3
Days inventory outst, sales	27.8	27.5	27.4	27.4
Receivable days	63.7	63.0	61.0	60.0
Days payable outstanding	73.4	66.0	66.0	66.0
DuPont ROE (%)	15.4	16.2	21.2	22.8
Turnover (X)	1.8	2.0	2.1	2.5
Leverage (X)	3.7	3.3	3.5	3.1
Gross cash invested (ex cash) (Rmb)	37,669.5	48,518.1	54,877.5	62,428.5
Average capital employed (Rmb)	36,468.1	48,079.5	55,098.7	60,284.7
BVPS (Rmb)	25.40	31.63	36.84	43.93

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	56.0	27.9	36.8	22.8
EBITDA growth	50.9	37.3	53.9	27.0
EPS growth	38.6	30.4	52.3	27.9
DPS growth	33.4	30.4	52.3	27.9
EBIT margin	2.1	2.4	2.9	3.1
EBITDA margin	2.9	3.1	3.5	3.6
Net income margin	2.4	2.5	2.8	3.0

Price Performance



	3m	6m	12m
Absolute	15.4%	21.3%	56.1%
Rel. to the Shanghai - Shenzhen 300	11.2%	12.2%	23.1%

Source: FactSet. Price as of 29 May 2026 close.

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	171,436.9	219,338.2	300,113.2	368,630.2
Cost of goods sold	(157,768.4)	(200,956.5)	(274,353.5)	(336,468.0)
SG&A	(3,742.3)	(4,551.1)	(5,702.2)	(6,819.7)
R&D	(6,363.5)	(8,498.7)	(11,314.3)	(13,897.4)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**4,947.1**	**6,791.0**	**10,453.5**	**13,273.3**
Depreciation & amortization	(1,384.2)	(1,459.2)	(1,710.3)	(1,828.2)
EBIT	**3,562.8**	**5,331.8**	**8,743.3**	**11,445.1**
Net interest inc./(exp.)	92.2	(70.9)	(55.0)	(6.7)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**4,448.9**	**6,010.9**	**9,248.2**	**11,838.4**
Provision for taxes	(344.4)	(470.2)	(730.6)	(947.1)
Minority interest	(50.2)	(9.1)	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**4,054.3**	**5,531.7**	**8,517.6**	**10,891.4**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**4,054.3**	**5,531.7**	**8,517.6**	**10,891.4**
EPS (basic, pre-except) (Rmb)	**3.99**	**5.21**	**7.93**	**10.14**
EPS (diluted, pre-except) (Rmb)	**3.99**	**5.21**	**7.93**	**10.14**
EPS (basic, post-except) (Rmb)	**3.99**	**5.21**	**7.93**	**10.14**
EPS (diluted, post-except) (Rmb)	**3.99**	**5.21**	**7.93**	**10.14**
DPS (Rmb)	1.20	1.56	2.38	3.04
Div. payout ratio (%)	30.0	30.0	30.0	30.0

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	13,997.1	16,141.7	17,455.9	19,358.1
Accounts receivable	34,368.7	41,348.0	58,963.8	62,229.7
Inventory	14,623.9	18,410.0	26,689.2	28,620.6
Other current assets	7,757.3	7,757.3	7,757.3	7,757.3
Total current assets	**70,747.0**	**83,657.0**	**110,866.1**	**117,965.7**
Net PP&E	12,253.4	15,357.0	16,522.3	17,450.4
Net intangibles	1,918.0	1,745.4	1,570.8	1,394.9
Total investments	4,161.8	4,161.8	4,161.8	4,161.8
Other long-term assets	7,125.5	7,125.5	7,125.5	7,125.5
Total assets	**96,205.6**	**112,046.6**	**140,246.5**	**148,098.3**
Accounts payable	34,183.9	38,490.8	60,727.4	60,954.2
Short-term debt	26,287.0	30,000.0	30,000.0	30,000.0
Short-term lease liabilities	–	–	–	–
Other current liabilities	3,229.7	3,229.7	3,229.7	3,229.7
Total current liabilities	**63,700.6**	**71,720.5**	**93,957.1**	**94,183.9**
Long-term debt	4,749.5	4,749.5	4,749.5	4,749.5
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	1,410.2	1,410.2	1,410.2	1,410.2
Total long-term liabilities	**6,159.7**	**6,159.7**	**6,159.7**	**6,159.7**
Total liabilities	**69,860.3**	**77,880.2**	**100,116.8**	**100,343.6**
Preferred shares	–	–	–	–
Total common equity	25,797.4	33,609.4	39,572.6	47,197.8
Minority interest	**548.0**	**557.0**	**557.0**	**557.0**
Total liabilities & equity	**96,205.6**	**112,046.6**	**140,246.5**	**148,098.3**
Net debt, adjusted	17,039.4	18,607.8	17,293.6	15,391.4

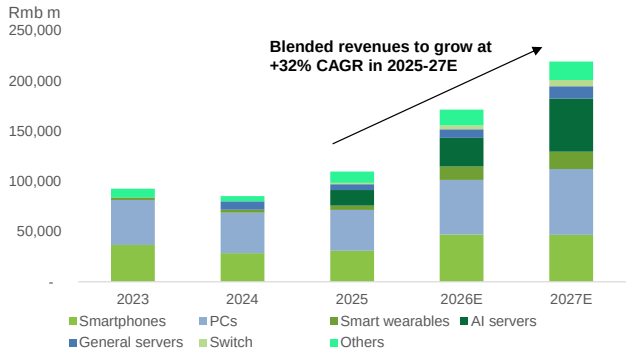
Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	4,054.3	5,531.7	8,517.6	10,891.4
D&A add-back	1,384.2	1,459.2	1,710.3	1,828.2
Minority interest add-back	50.2	9.1	–	–
Net (inc)/dec working capital	(7,060.3)	(6,458.5)	(3,658.3)	(4,970.7)
Other operating cash flow	1,348.3	0.2	–	–
Cash flow from operations	**(223.3)**	**541.7**	**6,569.6**	**7,748.9**
Capital expenditures	(3,431.6)	(4,390.4)	(2,701.0)	(2,580.4)
Acquisitions	(2,513.5)	–	–	–
Divestitures	–	–	–	–
Others	(1,438.5)	–	–	–
Cash flow from investing	**(7,383.6)**	**(4,390.4)**	**(2,701.0)**	**(2,580.4)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(1,288.6)	(1,658.9)	(2,554.4)	(3,266.2)
Inc/(dec) in debt	10,756.0	3,713.0	–	–
Other financing cash flows	(1,516.5)	3,939.2	0.0	0.0
Cash flow from financing	**7,950.9**	**5,993.3**	**(2,554.4)**	**(3,266.2)**
Total cash flow	**344.0**	**2,144.6**	**1,314.2**	**1,902.3**
Free cash flow	(3,654.9)	(3,848.7)	3,868.5	5,168.5

Source: Company data, Goldman Sachs Research estimates.

Huaqin: Thesis in six charts

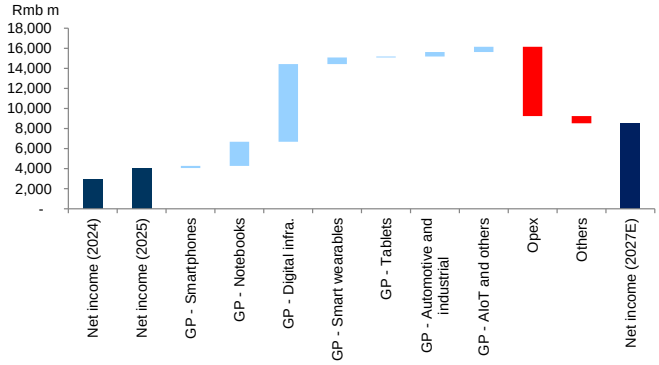
Exhibit 1: Huaqin revenues to grow at a 32% CAGR in 2025-27E...



Source: Company data, Goldman Sachs Global Investment Research

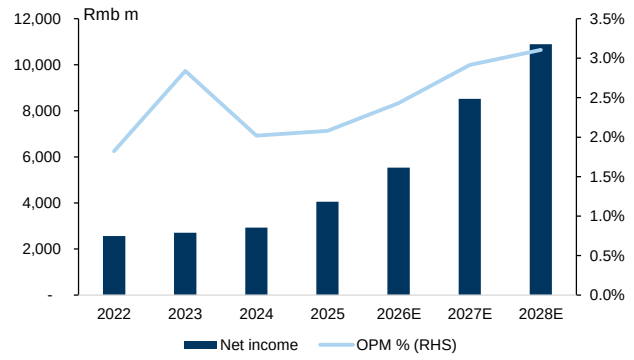
Exhibit 2: ...with digital infrastructure and notebooks being the main drivers

Waterfall chart in 2025-27E



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Margin improvement on larger scale and mix upgrade



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Huaqin 3+N+3 product matrix to drive growth



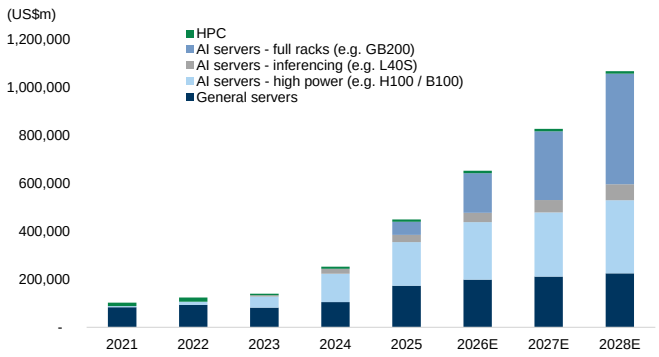
Source: Company data

Exhibit 5: Huaqin smart product portfolio



Source: Company data

Exhibit 6: Global server TAM: 45%/27%/29% YoY to US$652bn/827bn/1,067bn in 2026E-28E



Source: Company data, Goldman Sachs Global Investment Research

Investment thesis

Huaqin highlighted that it has established a strategy focused on the "3+N+3" smart product matrix, covering the ODM business of smartphones, laptops, smart wearables, tablets, and digital infrastructure, while expanding to automotive electronics, software, and robotics. Amid the rising trend of AI and cloud computing, smart products are undergoing upgrades that improve intelligence, broaden applications, and enhance connectivity; the company noted that as an ODM supplier it is deeply involved and develops products tailored to clients' requirements.

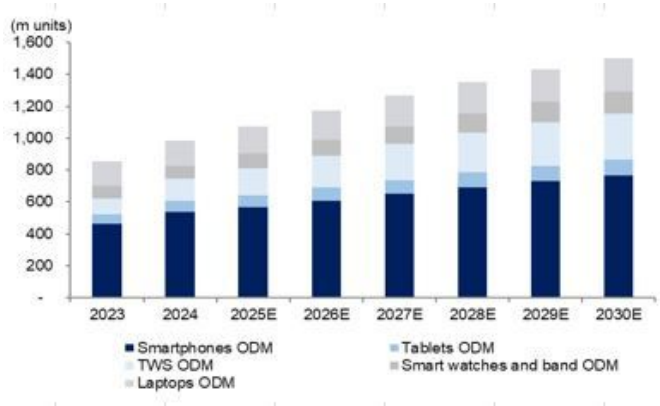
Market leader in the global consumer electronics ODM market

In 2024, Huaqin was ranked as the largest global consumer electronics ODM with a market share of 22.5%, per CIC. According to Canalys/IDC/CIC, the global consumer electronics market is expected to grow at a 3.7% CAGR in 2024-30E to 2.6bn units in 2030E, supported by AI technology advancements that drive continuous upgrades. Considering ongoing technology innovation and brand clients' focus on product competitiveness, leading ODM companies are focused on providing customers with high-quality product performance and facilitating faster product iteration. The global consumer electronics ODM market is expected to grow at a 7.2% CAGR in 2024-30E to 1.5bn units, per CIC/Counterpoint, with a rising ODM penetration rate to leverage the technical expertise of ODM companies.

Expansion into the data center market

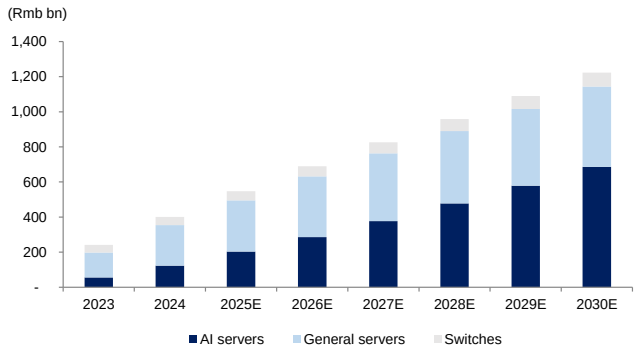
Huaqin noted that it is expanding into the data center business, benefiting from growing demand for digital infrastructure. The China digital infrastructure market is expected to grow at a 20.4% CAGR in 2024-30E to Rmb1,223bn in 2030E, per CIC/IDC, or 24% of the global market, driven by growing demand for AI computing, and technological innovations/upgrades. The company accounted for 5% of the China digital infrastructure market in 2024, per IDC/CIC. We believe AI development drives model training and inferencing, thereby leading to higher demand for computing and networking equipment, and some clients have customization requirements for higher data processing efficiency and cost optimization.

Exhibit 7: Consumer electronics ODM market to grow at a 7.2% CAGR in 2024-30E to 1.5bn units in 2030E



Source: Counterpoint, CIC

Exhibit 8: China's digital infrastructure market to grow at a 20% CAGR in 2024-30E to Rmb1,223bn in 2030E

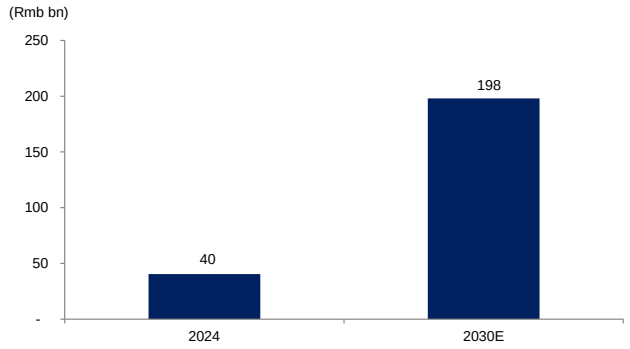


Source: IDC, CIC

Opportunities in the AIoT market

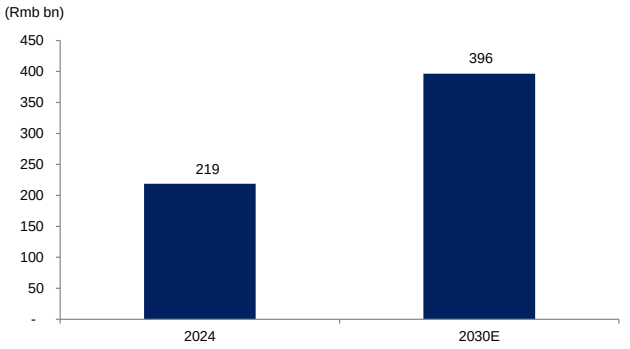
With rising opportunities in AI edge devices, we see the company as one of the key beneficiaries of the AIoT market across XR, smart homes, gaming consoles, and smart communities. The global markets for XR, smart homes, and gaming consoles are expected to grow at CAGRs of 30%, 10%, and 6% respectively in 2024-30E, reaching Rmb198bn, Rmb396bn, and Rmb172bn in 2030E. We expect adoption rates to rise, supported by advanced hardware specifications and expanding AI applications that enhance device capabilities. As a leading ODM, Huaqin collaborates with clients on hardware innovation and virtual use-case expansion to facilitate the development of upgraded devices.

Exhibit 9: Global XR market to grow at a 30% CAGR in 2024-30E to Rmb198bn in 2030E



Source: IDC, Trendforce, VG Chartz, CIC

Exhibit 10: Global smart home market to grow at a 10% CAGR in 2024-30E to Rmb396bn in 2030E



Source: IDC, Trendforce, VG Chartz, CIC

Exhibit 11: Huaqin key revenues assumption

		2025	2026E	2027E	2028E
	Total revenues (Rmb m)	**171,437**	**219,338**	**300,113**	**368,630**
	YoY %	*56%*	*28%*	*37%*	*23%*
A	**Digital infrastructure (Rmb m)**	**40,916**	**71,231**	**127,676**	**172,096**
	YoY %	*81%*	*74%*	*79%*	*35%*
	as a % of total revenues	*24%*	*32%*	*43%*	*47%*
i.	AI servers, Rmb m	28,501	52,845	102,565	141,371
a.	Shipment (k units)	28	66	128	176
b.	ASP (US$k)	145	113	112	112
c.	*China TAM (Rmb m)*	*203,100*	*285,900*	*377,500*	*477,600*
	Market share in China	*14%*	*18%*	*27%*	*30%*
d.	*# of AI chips per AI servers*	*8*	*8*	*8*	*8*
	AI chips as a % of BOM	*60%*	*60%*	*60%*	*60%*
	Server ASP implied AI chips ASP (US$k)	*10.9*	*8.5*	*8.4*	*8.4*
ii.	Switch, Rmb m	3,726	6,132	8,796	11,864
a.	Shipment (k units)	40	69	104	147
b.	ASP (US$k)	13	13	12	11
c.	*China TAM (Rmb m)*	*51,800*	*57,700*	*63,300*	*68,600*
	Market share in China	*7%*	*11%*	*14%*	*17%*
iii.	General servers, Rmb m	8,689	12,254	16,316	18,861
a.	Shipment (k units)	228	314	410	465
b.	ASP (US$k)	5	6	6	6
c.	*China TAM (Rmb m)*	*291,900*	*346,000*	*385,600*	*412,200*
	Market share in China	*3%*	*4%*	*4%*	*5%*
B.	**Consumer electronics (Rmb m)**	**114,769**	**129,640**	**149,126**	**167,101**
	YoY %	*51%*	*13%*	*15%*	*12%*
	as a % of total revenues	*67%*	*59%*	*50%*	*45%*
i.	Smartphones, Rmb m	47,010	46,852	50,295	54,747
a.	Shipment (m units)	180	176	188	206
b.	ASP (US$)	37	37	37	37
c.	*Global smartphone shipment (m units)*	*1,255*	*1,303*	*1,347*	*1,386*
	ODM penetration	*45%*	*47%*	*48%*	*50%*
	Global smartphone ODM shipment (m units)	*565*	*608*	*650*	*691*
	Market share globally	*32%*	*29%*	*29%*	*30%*
ii.	Notebook, Rmb m	34,559	45,416	57,002	66,363
a.	Shipment (m units)	18	21	26	31
b.	ASP (US$)	263	312	305	300
c.	*Global notebook shipment (m units)*	*212*	*223*	*233*	*240*
	ODM penetration	*81%*	*82%*	*82%*	*82%*
	Global notebook ODM shipment (m units)	*173*	*182*	*191*	*197*
	Market share globally	*11%*	*11%*	*14%*	*16%*
iii.	Tablets, Rmb m	19,927	20,117	21,123	22,179
a.	Shipment (m units)	36	37	39	42
b.	ASP (US$)	77	76	75	75
c.	*Global tablets shipment (m units)*	*157*	*167*	*176*	*183*
	ODM penetration	*48%*	*49%*	*50%*	*51%*
	Global tablets ODM shipment (m units)	*75*	*82*	*87*	*92*
	Market share globally	*48%*	*46%*	*45%*	*45%*
iv.	Wearables, Rmb m	13,273	17,255	20,706	23,812
a.	Shipment (m units)	80	106	128	148
b.	ASP (US$)	23	23	23	22
c.	*Global wearables shipment (m units)*	*577*	*623*	*663*	*694*
	ODM penetration	*46%*	*48%*	*51%*	*54%*
	Global wearables ODM shipment (m units)	*264*	*301*	*337*	*372*
	Market share globally	*30%*	*35%*	*38%*	*40%*
C.	**Others (Rmb m)**	**15,752**	**18,468**	**23,311**	**29,433**
	YoY %	*39%*	*17%*	*26%*	*26%*

Source: Company data, Goldman Sachs Global Investment Research

ODM platform solution with strong R&D capabilities

Huaqin possesses over 20 years of experience in mobile phone motherboard design, with expertise spanning various platforms and architectures. The company optimizes system performance and leverages in-house mold design to create lightweight, slim form factors with advanced thermal management. We believe Huaqin's "ODMM" platform enables it to rapidly address diverse customer needs and accelerate product iteration. We summarize Huaqin's competitive moats as follows: (1) ODM platform solution; (2) diversified product coverage; (3) strong R&D capabilities and IP; and (4) expanding ecosystem with global manufacturing, client base, and operations.

ODM platform solution: Huaqin highlighted that it has accumulated and built ODMM (operations, development, manufacturing, and mechanical design) platform capabilities to better address clients' diverse requirements and accelerate product iteration. In terms of operations, the company noted that it has established strong capabilities in operational efficiency and global delivery through its digital and intelligent management system. For R&D, Huaqin adopts a customer-centric methodology to support product development across different product categories and improve efficiency. For manufacturing, per the company, its "multi-base manufacturing + flexible manufacturing and delivery" model incorporates automation and digitalization to meet clients' requirements for efficiency and reliability.

Diversified product coverage: According to the company, it collaborates with clients to define and address multi-scenario product requirements, and develops a wide range of products including smartphones, PC, tablets, AIoT, AI servers, and switches, supported by rising opportunities in the AI era. Based on the "3+N+3" product matrix, Huaqin noted that it continues to broaden its business scope, accumulate industry insights, and further deepen its competitive moats, enabling the company to secure orders for emerging products earlier by leveraging its established track record.

Strong R&D capabilities and IP: Since 2005, Huaqin has developed mobile phone motherboard design capabilities. The company also possesses design expertise across various platforms and architectures, optimizing system performance for x86/ARM architectures, Android/Windows OS, and Intel/AMD/Qualcomm/NV chipset platforms. Additionally, the company's innovative mechanical parts design enables lightweight/slim form factors, waterproofing, and thermal management, supported by in-house mold design. As of 1H25, Huaqin held 3,300+ domestic registered patents, 50+ international registered patents, and ~2,000 material software copyrights; the company had 19k engineers, or 27% of total employees.

Expanding ecosystem with global manufacturing, client base and operation: Huaqin noted that it is building an ecosystem with synergistic products, global customers and suppliers, and is expanding global production sites from mainland China to Vietnam, Mexico, and India. In addition, Huaqin highlighted that it has also implemented automated production to improve efficiency, with over 500 engineers and over 20% of equipment used in automated production. Per the company, it has a significant local and overseas client base, covering clients across different categories, and is diversifying its client base to reduce concentration risk.

Financial highlights

Revenues: We forecast Huaqin revenues to grow at a 32% CAGR in 2025-27E, driven by (1) China data center capex; and (2) overall market share gains in Huaqin's consumer electronics ODM business.

- **China data center capex:** We expect China's cloud industry to continue investing in AI infrastructure along with growing AI applications; greater reliance on local AI chips would also benefit Huaqin's order wins in its server and switch ODM business. We expect Huaqin's AI server volumes to grow at a 116% CAGR in 2025-27E. Huaqin is the AI server ODM for major Chinese cloud service providers, with the potential to penetrate additional CSPs, tier-2 cloud providers, and enterprise customers. We expect Huaqin's switch volumes to grow at a 61% CAGR in 2025-27E, rising along with AI compute needs.
- **Market share gain in wearables and notebooks ODM business:** We expect Huaqin to expand its ODM strength from smartphones and tablets to notebooks, wearables, and AIoT devices. We model the company to achieve market share gains in wearables and notebooks in 2025-27E; specifically, we forecast its market share in wearables ODM to increase from 30% to 38% (+8ppts) in 2025-27E, and market share in notebooks ODM from 11% to 14% (+3ppts). We expect the smartphone ODM and tablet ODM businesses, which are already at a high base, to sustain their leading market shares in the coming years. While end-demand growth remains modest, we expect the penetration of the ODM business model (vs. in-house production) will increase gradually as the products become more standardized and vendors see a greater need for cost reduction. AIoT products are still at an early stage of form-factor innovation, and we model a 25% revenue CAGR in this segment for Huaqin in 2025-27E, supported by new demand, new products, and the evolution of AI technologies.

GM: We expect GM to gradually improve from 8.0% in 2025 to 8.4%/8.6% in 2026E/27E. **Digital infrastructure products** would be the major driver of profitability enhancements, in our view. We expect multiple positive trends for GM in the segment, including (1) larger production scale of AI servers, (2) the shift from NVIDIA AI chip platform to domestically sourced AI chips, where Huaqin has more opportunities to design GPU modules and achieve vertical integration, and (3) increasing revenue contribution from switches, which have higher margins than the company-blended level. We expect gross margins for the **smartphone, notebook, tablet, wearable ODM segments** to gradually decline due to persistent competition. Conversely, we expect innovative business segments such as **AIoT** and **automotive and industrial** to command gross margins above the company average. However, we project that the revenue contribution from these businesses will remain in the single digits in 2027E.

Earnings forecasts: Factoring in Huaqin's 1Q26 earnings, new share count and net proceeds from H-share listing, we forecast EPS to grow 30%/52%/28% in 2026E/27E/28E and revenues to grow 28%/37%/23% YoY in 2026E/27E/28E, driven by rising ODM penetration, and the company's expansion into the data center business; we also expect gross margins to improve to 8.6%/8.7% in 2027E/28E (vs. 8% in 2025) on mix upgrades. We expect the company to face continued near-term pressures in 2Q26

for its smartphone/PC ODM businesses on the back of muted demand and memory cost pressures; however, we are positive on recovery in 2H26 fueled by mix upgrades towards mid/high-end smartphones, and AI server business expansion.

Exhibit 12: Huaqin P&L summary

Rmb m	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2022	2023	2024	2025	2026E	2027E	2028E
Income statement															
Revenues	**34,998**	**48,942**	**44,943**	**42,555**	**40,746**	**48,039**	**59,330**	**71,223**	**92,646**	**85,338**	**109,878**	**171,437**	**219,338**	**300,113**	**368,630**
GP	**2,945**	**3,491**	**3,674**	**3,559**	**3,480**	**4,033**	**5,062**	**5,807**	**9,121**	**9,631**	**10,191**	**13,669**	**18,382**	**25,760**	**32,162**
OP	**752**	**983**	**1,044**	**783**	**876**	**964**	**1,709**	**1,782**	**1,689**	**2,424**	**2,219**	**3,563**	**5,332**	**8,743**	**11,445**
EBITDA	1,082	1,313	1,406	1,145	1,241	1,329	2,074	2,147	2,430	3,357	3,278	4,947	6,791	10,454	13,273
Non OP	162	245	263	217	221	151	151	155	1,111	410	815	886	679	505	393
Pretax income	914	1,228	1,307	1,000	1,098	1,115	1,861	1,937	2,800	2,834	3,034	4,449	6,011	9,248	11,838
Net income	**839**	**1,051**	**1,225**	**989**	**1,070**	**1,015**	**1,693**	**1,763**	**2,493**	**2,655**	**2,914**	**4,105**	**5,541**	**8,518**	**10,891**
Net income (Attributed to owners)	**842**	**1,047**	**1,210**	**956**	**1,061**	**1,015**	**1,693**	**1,763**	**2,564**	**2,707**	**2,926**	**4,054**	**5,532**	**8,518**	**10,891**
Margins															
GM	8.4%	7.1%	8.2%	8.4%	8.5%	8.4%	8.5%	8.2%	9.8%	11.3%	9.3%	8.0%	8.4%	8.6%	8.7%
OPM	2.1%	2.0%	2.3%	1.8%	2.2%	2.0%	2.9%	2.5%	1.8%	2.8%	2.0%	2.1%	2.4%	2.9%	3.1%
NM	2.4%	2.1%	2.7%	2.3%	2.6%	2.1%	2.9%	2.5%	2.7%	3.1%	2.7%	2.4%	2.5%	2.8%	3.0%
NM (Attributed to owners)	2.4%	2.1%	2.7%	2.2%	2.6%	2.1%	2.9%	2.5%	2.8%	3.2%	2.7%	2.4%	2.5%	2.8%	3.0%
Ratios															
Opex ratio	6.3%	5.1%	5.9%	6.5%	6.4%	6.4%	5.7%	5.7%	8.0%	8.4%	7.3%	5.9%	5.9%	5.7%	5.6%
S&M ratio	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
G&A ratio	1.9%	1.4%	1.7%	1.9%	1.9%	1.9%	1.5%	1.5%	2.1%	2.5%	2.1%	1.7%	1.7%	1.5%	1.5%
R&D ratio	3.9%	3.3%	3.7%	4.1%	4.1%	4.1%	3.8%	3.8%	5.4%	5.3%	4.7%	3.7%	3.9%	3.8%	3.8%
Tax rate	8.2%	14.4%	6.3%	1.0%	2.5%	9.0%	9.0%	9.0%	11.0%	6.3%	4.0%	7.7%	7.8%	7.9%	8.0%
YoY															
Revenues	116%	111%	23%	26%	16%	-2%	32%	67%	11%	-8%	29%	56%	28%	37%	23%
GP	32%	47%	32%	27%	18%	16%	38%	63%	41%	6%	6%	34%	34%	40%	25%
OP	36%	97%	87%	29%	17%	-2%	64%	128%	78%	44%	-8%	61%	50%	64%	31%
Net income	41%	54%	62%	12%	28%	-3%	38%	78%	33%	7%	10%	41%	35%	54%	28%
Net income (Attributed to owners)	39%	53%	59%	9%	26%	-3%	40%	84%	35%	6%	8%	39%	36%	54%	28%
QoQ															
Revenues	3%	40%	-8%	-5%	-4%	18%	24%	20%							
GP	5%	19%	5%	-3%	-2%	16%	26%	15%							
OP	24%	31%	6%	-25%	12%	10%	77%	4%							
Net income	-5%	25%	17%	-19%	8%	-5%	67%	4%							
Net income (Attributed to owners)	-4%	24%	16%	-21%	11%	-4%	67%	4%							

Source: Company data, Goldman Sachs Global Investment Research

GS vs. BBG consensus: Our net income forecasts are 8%/30% higher than Bloomberg consensus in 2026E/27E, mainly on higher revenues, reflecting our positive view on its AI server shipment ramp up, switch shipment ramp up, and notebook ODM market share gains. Our blended GM forecasts are lower than Bloomberg consensus, reflecting our positive view on its AI server shipment ramp up, given AI servers carry lower GMs across its product lines.

Exhibit 13: GSe vs. Bloomberg consensus

	2026E			2027E		
Rmb mn	GS	BBG	Diff %	GS	BBG	Diff %
Revenue	219,338	201,290	9%	300,113	241,831	24%
GP	18,382	17,458	5%	25,760	21,167	22%
OP	5,332	5,469	-3%	8,743	6,956	26%
Net income	5,532	5,134	8%	8,518	6,534	30%
Margins						
GM	8.4%	8.7%		8.6%	8.8%	
OPM	2.4%	2.7%		2.9%	2.9%	
NM	2.5%	2.6%		2.8%	2.7%	

Source: Bloomberg, Goldman Sachs Global Investment Research

CCC days improved to 21 days in 2025 due to lower payable days and higher inventory days, and we expect CCC days to further improve to 24 days in 2028E on lower payable days. **ROE** was up to 16% in 2025, and we expect it to reach 25% in 2028E mainly on improving asset turnover. **FCF** was down to Rmb344mn in 2025, but we expect it to grow to Rmb5.2bn in 2028E.

Exhibit 14: Huaqin balance sheet

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E
Balance Sheet							
Cash and equivalents	7,851	12,756	13,653	13,997	16,142	17,456	19,358
Accounts receivable	14,357	14,418	25,507	34,369	41,348	58,964	62,230
Inventory	6,211	4,344	11,476	14,624	18,410	26,689	28,621
Other current assets	2,639	4,617	5,585	7,757	7,757	7,757	7,757
Current assets	**31,059**	**36,134**	**56,222**	**70,747**	**83,657**	**110,866**	**117,966**
Net PP&E/Fixed assets	5,352	6,656	7,800	12,253	15,357	16,522	17,450
Net intangibles	1,176	1,179	1,791	1,918	1,745	1,571	1,395
Other long-term assets	6,234	7,541	10,484	11,287	11,287	11,287	11,287
Non-current assets	**12,762**	**15,376**	**20,075**	**25,459**	**28,390**	**29,380**	**30,133**
Total assets	**43,821**	**51,510**	**76,297**	**96,206**	**112,047**	**140,246**	**148,098**
Short-term debt	9,551	11,333	17,808	26,287	30,000	30,000	30,000
Other current liabilities	2,023	1,724	2,627	3,230	3,230	3,230	3,230
Current liabilities	**27,178**	**28,426**	**49,669**	**63,701**	**71,721**	**93,957**	**94,184**
Long-term debt	3,386	1,345	2,473	4,749	4,749	4,749	4,749
Other long-term liabilities	846	896	1,231	1,410	1,410	1,410	1,410
Non-current liabilities	**4,232**	**2,241**	**3,704**	**6,160**	**6,160**	**6,160**	**6,160**
Total liabilities	**31,410**	**30,667**	**53,373**	**69,860**	**77,880**	**100,117**	**100,344**
Common stock	652	724	1,016	1,016	1,074	1,074	1,074
Retained earnings	6,651	9,358	11,275	14,367	18,240	24,203	31,828
Other common equity	5,080	10,784	10,252	10,415	14,295	14,295	14,295
Total common equity	**12,383**	**20,866**	**22,543**	**25,797**	**33,609**	**39,573**	**47,198**
Minority interest	28	(23)	381	548	557	557	557
Total equity	**12,411**	**20,843**	**22,924**	**26,345**	**34,166**	**40,130**	**47,755**
Cash conversion cycle							
Account receivable days	65	62	66	64	63	61	60
Inventory days	31	25	29	30	30	30	30
Net payable days	79	75	82	73	66	66	66
Cash conversion cycle	16	12	14	21	27	25	24
Ratios							
ROE (common equity)	23%	16%	13%	17%	19%	23%	25%
ROA	6%	6%	5%	5%	5%	7%	8%
Net debt to total equity	41%	0%	29%	65%	54%	43%	32%
Net cash per share (Rmb)		0.11	(6.52)	(16.77)	(17.51)	(16.10)	(14.33)
Total liabilities to total assets	72%	60%	70%	73%	70%	71%	68%
Dupont analysis							
Asset turnover	2.1	1.8	1.7	2.0	2.1	2.4	2.6
Leverage (assets to equity)	4.1	2.9	2.9	3.6	3.5	3.4	3.3
Net margin	3%	3%	3%	2%	3%	3%	3%
ROE (total equity)	23%	16%	13%	16%	18%	23%	25%
ROE (common equity)	23%	16%	13%	17%	19%	23%	25%
ROA	6%	6%	5%	5%	5%	7%	8%
CROCI (EBITDA/total equity)	20%	16%	14%	19%	20%	26%	28%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 15: Huaqin cash flow statement

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E
Cash flow statement							
Net income	2,564	2,707	2,926	4,054	5,532	8,518	10,891
Minority interest add-back	(71)	(51)	(13)	50	9	-	-
Depreciation and amortization add-back	741	933	1,059	1,384	1,459	1,710	1,828
(Increase)/decrease in working capital	803	1,572	(4,356)	(7,060)	(6,458)	(3,658)	(4,971)
Other operating cash flow items	(1,470)	(1,311)	1,759	1,348	0	-	-
Cash flow from operating	**2,567**	**3,850**	**1,376**	**(223)**	**542**	**6,570**	**7,749**
Capital expenditure	(2,365)	(1,465)	(2,067)	(3,432)	(4,390)	(2,701)	(2,580)
Other investment cash flow items	(829)	(1,860)	(1,553)	(3,952)	-	-	-
Cash flow from investing	**(3,194)**	**(3,325)**	**(3,619)**	**(7,384)**	**(4,390)**	**(2,701)**	**(2,580)**
Dividends paid	(243)	(176)	(1,066)	(1,289)	(1,659)	(2,554)	(3,266)
Increase/(decrease) in short-term debt	(257)	1,782	6,475	8,479	3,713	-	-
Increase/(decrease) in long-term debt	2,311	(2,041)	1,128	2,277	-	-	-
Other financing cash flow items	(552)	5,872	(3,189)	(2,776)	3,939	-	-
Cash flow from financing	**1,259**	**5,437**	**3,348**	**6,692**	**5,993**	**(2,554)**	**(3,266)**
Others	858	(1,057)	(207)	1,259	-	(0)	-
Net change in cash	1,490	4,905	897	344	2,145	1,314	1,902
FCF	202	2,385	(691)	(3,655)	(3,849)	3,869	5,168
Ratio							
Capex to revenue	3%	2%	2%	2%	2%	1%	1%

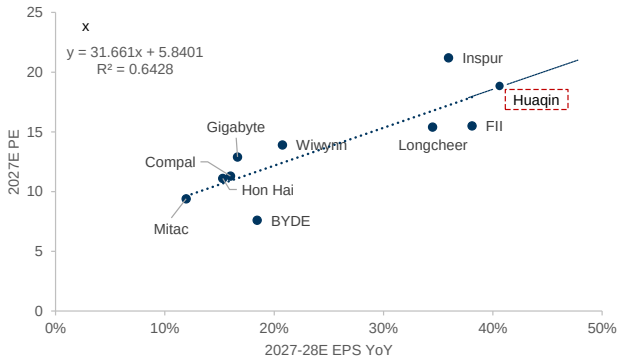
Source: Company data, Goldman Sachs Global Investment Research

Valuation and downside risks

We derive our 12m TPs for Huaqin-A/H based on 2027E P/E, which we believe is appropriate given this captures the company's near-term earnings growth potential. This methodology is also consistent with companies under our GC Tech coverage.

For Huaqin-A, we apply an **18.8x** target multiple on our 2027E EPS to derive a 12m TP of Rmb149. Our target P/E multiple for Huaqin-A is derived from peers' correlation of 2027E P/E and 2027E-28E EPS growth, based on the company's 2027E-28E average EPS growth of 41% YoY. For Huaqin-H, we apply a 26% A-H discount and derive a 12m TP of HK$127.76 (with FX rate at 1HKD:0.9CNY). The A-H discount references tech peers' (see Exhibit 17) avg. A-H discount in the last 60 days.

Exhibit 16: We derive our target P/E from the P/E and EPS growth correlation of peers



Longcheer data based on Bloomberg consensus, others based on GSe.

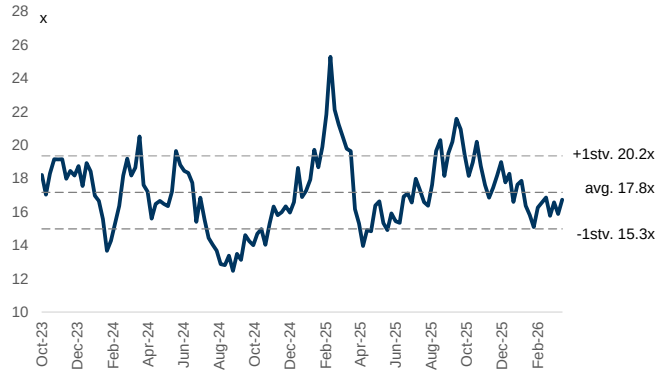
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 17: A-H discount for Huaqin is derived from peers' A-H discount on avg. in last 60 days

A-H discount	Last 60 days
BYD	-11%
Omnivision	-23%
Gigadevice	26%
Cambridge Industries	-37%
Lens Tech	-39%
SICC	-43%
Hua Hong	-33%
YOFC	-45%
Avg	**-26%**
Last date: 2026/5/25	

Source: Bloomberg

Exhibit 18: Huaqin-A 12m forward P/E



Source: Eikon Datastream

M&A Framework: We assign an M&A rank of 3 (indicating a low probability of the company being acquired) to Huaqin, given the company has a long operational history and the founding family has over 37% of total shares. With this, we do not include an M&A component in our price target methodology.

Key downside risks

1. Slower-than-expected AI server ramp up in China: The ramp up pace of AI server in China is one of the main drivers of Huaqin's earnings growth. If the AI capex spending of Chinese CSP clients and ramp up pace of demand/production are slower than expected, there could be downside risk to our earnings estimates.

2. Slower-than-expected production site diversification: Huaqin has meaningful exposure (~10%) to US end demand, and has been expanding overseas capacity to diversify risks. If its capacity expansion is slower than expected, we see downside risk to our earnings estimates.

3. Fiercer-than-expected pricing competition: As a system integrator, we see the company as having limited bargaining power with clients. If pricing competition among ODM suppliers is fiercer than expected, there could be downside risk to our estimates.

Price Target Risks and Methodology - Huaqin

Valuation: For Huaqin-A/H, our 12-m TPs of Rmb149.0/HK$127.76 are based on target 2027E P/E multiples of 18.8x/14.0x. Our target P/E is based on the correlation of earnings growth (2027E-28E average net income YoY growth) and valuation multiple (2027E P/E) of Huaqin's peers.

Key risks: slower-than-expected AI server ramp up in China; slower-than-expected production site diversification; and fiercer-than-expected pricing competition.

Investment Thesis - Huaqin

Huaqin is an ODM company focusing on the design and manufacturing of diversified products, from smartphones, PCs, tablets to general servers, AI servers, smart wearables, and automotives. We expect key growth drivers of Huaqin to include the raised capex spending on AI training or inferencing from Chinese CSP clients, Huaqin's market share gains in PC and server ODM, and its new product expansion into AI devices (AI PCs, smart wearables). Huaqin is currently trading at a level lower than our TP implied forward P/E, and looks undervalued, in our view. As such, we are Buy rated on Huaqin-A/H.

Disclosure Appendix

Reg AC

We, Verena Jeng, Allen Chang and Ting Song, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

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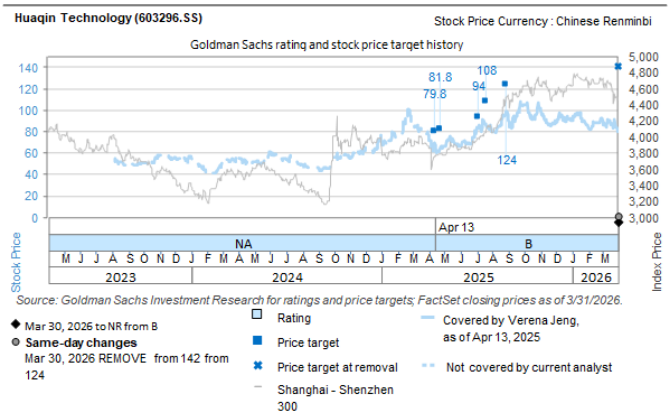
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Target price history table(s)

Huaqin Technology (603296.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
30-Mar-26	142.00	82.30
28-Aug-25	124.00	96.06
20-Jul-25	108.00	87.18
06-Jul-25	94.00	82.89
24-Apr-25	81.80	64.18
13-Apr-25	79.80	68.10

Price targets shown in table(s) are unadjusted for corporate actions.

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