Kingboard Laminates (1888 HK)

1H26: Net Profit Soars 209% On Burgeoning AI Demand; Expecting Intensified Supply Shortage In 2H26

Highlights

- KBL's 1H26 revenue/net profit soared 58%/209% yoy respectively on multiple laminates ASP hikes, meaningful gross margin expansion and operating leverage.
- KBL is stepping up capacity expansion for high-end specialty fibreglass yarn and fabric. We expect the price of laminates and upstream materials to remain at an elevated level in 2H26 due to intensifying supply shortage and estimate that AI-related specialty yarn will contribute 3.3%/10.6%/12.8% of total revenue in 2026-28.
- Maintain BUY with a higher target price of HK$42.43 from HK$25.30.

1H26 Results

Year to 31 Dec (HK$m)	1H26	yoy	hoh	1H25	2H25	2025
Revenue	14,904	55.4%	37.8%	9,588	10,812	20,400
Laminates and upstream materials	13,786	58.1%	42.9%	8,718	9,648	18,366
Others	1,118	28.5%	-4.0%	870	1,164	2,034
Gross profit	4,580	159.8%	105.6%	1,763	2,228	3,991
Operating profit	3,887	228.0%	147.5%	1,185	1,571	2,755
Net profit	2,887	209.3%	91.3%	933	1,509	2,442
Margins (%)						
Gross margin	30.7	12.3ppt	10.1ppt	18.4	20.6	19.6
Operating margin	26.1	13.7ppt	11.6ppt	12.4	14.5	13.5
Net margin	19.4	9.6ppt	5.4ppt	9.7	14.0	12.0

Source: Kingboard Laminates, UOB Kay Hian

Analysis

- **Strong 1H26 results.** Kingboard Laminates' (KBL) laminates revenue grew 58.1% yoy to HK$13,786m, representing 58% of our full-year estimate, primarily driven by strong AI demand. Sales volume rose 14% yoy to an average monthly shipment of 10m sheets. Gross margin expanded 12.3ppt yoy to 30.7% (vs our full-year estimate of 22.0%) on multiple ASP hikes for laminates and upstream materials in 1H26, driven by burgeoning AI demand and supply shortage. Attributable net profit soared 209% yoy to HK$2,887m, representing 90% of our full-year estimate, driven by strong revenue growth, meaningful gross margin expansion and operating leverage.

Key Financials

Year to 31 Dec (HK$m)	2024	2025	2026F	2027F	2028F
Net turnover	18,541	20,400	29,866	32,788	34,359
EBITDA	2,917	4,138	9,822	10,759	11,304
Operating profit	1,968	3,207	8,834	9,693	10,155
Net profit (rep./act.)	1,326	2,442	6,854	7,505	7,896
Net profit (adj.)	1,467	2,082	6,854	7,505	7,896
EPS (HK cents)	42.5	78.2	218.5	239.2	251.7
P/E (x)	82.6	44.9	16.1	14.7	13.9
P/B (x)	7.3	7.3	7.1	6.7	5.2
EV/EBITDA (x)	38.1	26.8	11.3	10.3	9.8
Dividend yield (%)	1.8	1.9	1.8	2.0	2.1
Net margin (%)	7.2	12.0	22.9	22.9	23.0
Net debt to equity (%)	8.8	15.7	27.4	(2.7)	(3.8)
Interest cover (x)	8.0	16.2	34.1	29.6	31.0
ROE (%)	9.7	13.1	36.3	31.1	26.6
Consensus net profit			5,838	7,385	8,353
UOBKH/Consensus (x)			1.17	1.02	0.95

Source: Kingboard Laminates, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$35.10
Target Price	HK$42.43
Upside	20.9%
Previous TP	HK$25.30

Stock Data

Sector	Information Technology
Bloomberg ticker	1888 HK
Shares issued (m)	3,135
Market cap (HK$m)	110,049
Market cap (US$m)	14,200
3-mth avg daily t'over (US$m)	710.4

Price Performance (%)

52-week high/low: HK$107.20/HK$10.45

1mth	3mth	6mth	1yr	YTD
(6.9)	(31.0)	54.0	169.8	167.3

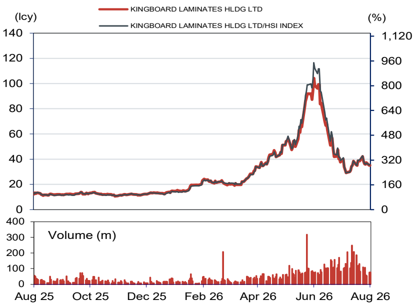
Major Shareholders (%)

Kingboard Holdings	61.7

Balance Sheet Metrics

FY26 NAV/Share (HK$)	6.73
FY26 Net Debt/Share (HK$)	1.85

Price Chart



Source: Bloomberg

Company Description

Kingboard Laminates operates as a vertically-integrated electronic materials manufacturing company. Its laminate products include glass epoxy laminates, paper laminates, and composite epoxy material laminates.

- **Interim dividend payout of 30%.** Interim DPS declared was 28.0 HK cents, representing a payout ratio of about 30.0% (1H25: 15 HK cents), vs 50.1% in 1H25.
- **Growing earnings contribution from high-end specialty fiberglass yarn/fabric.** In addition to one kiln of electronic fiberglass yarn that commenced operation in 2025, another four kilns began production in 1H26, of which one was ahead of its schedule planned in 2H26. As existing production capacity largely shifted to AI-related production, the price of traditional electronic fiberglass yarn and fabric spiked due to severe shortage. As such, net profit from electronic glass fiberglass yarn and fabric soared 280% yoy to about HK$1.0b, representing about 35% of 1H26 net profit. We estimate that AI-related specialty yarn will contribute 3.3%/10.6%/12.8% of 2026-28 revenue respectively.
- **Stepping up capacity addition for high-end upstream materials and laminates.** KBL plans to accelerate the construction of another eight kilns of specialty electronic fiberglass yarn (to a total of 13), with two kilns targeted to commence operations in 2H26. It also plans to step up Phase 2 of its ultra-fine electronic fiberglass project with an annual capacity of 10,000 tonnes, with commencement targeted in 1Q27. Meanwhile, it is ramping up electronic fiberglass fabric facilities with an annual capacity of 95m/150m/78m, scheduled to kick-start production in 3Q26/3Q27/1H27 respectively. For laminates, it targets the operation of new production capacity with a monthly capacity of 1.1m sheets in Jiangxi province in 1H27. We expect HK$4b in capex in 2026.
- **Expecting supply shortage of electronic fiberglass fabric in 2H26.** We expect the price of laminates and upstream materials to remain at an elevated level in 2H26 due to intensifying supply shortage of upstream materials, such as electronic fiberglass fabric.

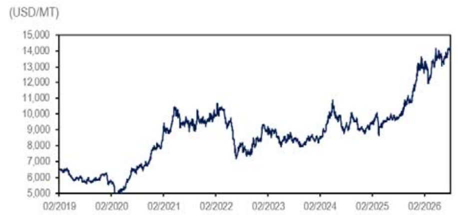
Earnings Revision

- We raise our 2026-28 revenue forecasts by 13%/11%/14% respectively to factor in higher ASPs for laminates and upstream materials and lift our 2026-28 net profit estimates by 114%/96%/90% respectively to reflect higher revenue forecasts and meaningful gross margin expansion. We lower our dividend payout ratio forecast in 2026-28 from 87% to 30% to reflect higher capex for capacity expansion.

Valuation/Recommendation

- **Maintain BUY and raise target price to HK$42.43.** Our target price is based on 19.4x 2026F PE, pegged to 1.5SD above its historical mean of 10.8x.

Copper Price Chart (LME Copper 3-Month)



Source: Bloomberg

Profit & loss

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Net turnover	20,400	29,866	32,788	34,359
EBITDA	4,138	9,822	10,759	11,304
Deprec. & amort.	(932)	(988)	(1,065)	(1,148)
EBIT	3,207	8,834	9,693	10,155
Total other non-operating income	451	-	-	-
Net interest income/(expense)	(147)	(248)	(291)	(263)
Pre-tax profit	3,060	8,587	9,402	9,892
Tax	(618)	(1,733)	(1,898)	(1,996)
Minorities	0	0	0	0
Net profit	2,442	6,854	7,505	7,896
Net profit (adj.)	2,082	6,854	7,505	7,896

Balance Sheet

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Fixed assets	7,122	10,134	12,068	12,920
Other LT assets	2,811	2,811	2,811	2,811
Cash/ST investment	1,628	1,324	7,901	8,409
Other current assets	13,915	20,178	16,884	21,774
Total assets	25,475	34,446	39,664	45,914
ST debt	3,552	6,552	6,552	6,552
Other current liabilities	4,561	5,488	5,257	5,862
LT debt	637	637	637	637
Other LT liabilities	358	358	358	358
Shareholders' equity	16,342	21,386	26,834	32,479
Minority interest	25	25	25	25
Total liabilities & equity	25,475	34,446	39,664	45,914

Cash flow

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Operating	2,160	2,754	11,924	5,022
Pre-tax profit	3,060	8,587	9,402	9,892
Tax	(618)	(1,733)	(1,898)	(1,996)
Deprec. & amort.	932	988	1,065	1,148
Working capital changes	(1,840)	(5,336)	3,063	(4,285)
Other operating cashflows	627	248	291	263
Investing	(1,339)	(4,000)	(3,000)	(2,000)
Capex (growth)	(822)	(4,000)	(3,000)	(2,000)
Others	(517)	-	-	-
Financing	(1,119)	943	(2,347)	(2,515)
Dividend payments	(1,934)	(1,810)	(2,056)	(2,251)
Issue of shares	-	-	-	-
Proceeds from borrowings	5,174	3,000	3,000	3,000
Loan repayment	(4,306)	-	(3,000)	(3,000)
Others/interest paid	(53)	(248)	(291)	(263)
Net cash inflow (outflow)	(298)	(304)	6,577	508
Beginning cash & cash equivalent	1,924	1,628	1,324	7,901
Changes due to forex impact	2	-	-	-
Ending cash & cash equivalent	1,628	1,324	7,901	8,409

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	19.6	34.0	34.0	34.0
Pre-tax margin	15.0	28.8	28.7	28.8
Net margin	12.0	22.9	22.9	23.0
ROE	8.2	19.9	18.9	17.2
ROA	13.1	36.3	31.1	26.6
Growth (% yoy)				
Turnover	10.0	46.4	9.8	4.8
Gross profit	41.9	137.3	9.5	5.1
EBITDA	83.6	180.6	9.5	5.2
Pre-tax profit	84.2	180.6	9.5	5.2
Net profit	41.9	229.2	9.5	5.2
EPS	84.0	179.3	9.5	5.2
Leverage				
Debt to total capital	16.4	20.9	18.1	15.7
Debt to equity	25.6	33.6	26.8	22.1
Net debt/(cash) to equity	15.7	27.4	(2.7)	(3.8)
Interest cover (x)	16.2	34.1	29.6	31.0