

MLCC Powder

Growth empowered by high-end MLCC demand: 10 key takeaways from fireside chat with Sinocera

JPM View: We hosted Sinocera's senior management for a virtual fireside chat yesterday (8 June) in conjunction with our MLCC zoom series. The key takeaways from the event were that MLCC is being fueled by strong demand for AI servers and automotive electronics, and the MLCC powder industry entered a robust upward cycle in 1H26, exceeding both market and company expectations. Sinocera's MLCC business is well-positioned to deliver over 20% annual revenue growth, supported by thriving, newly completed, high-end MLCC product lines. Capacity has ramped up for high-end MLCC powders, which boast higher selling prices and gross margins. Meanwhile, its portfolio of AI-related new materials is progressing steadily. Backed by sound R&D systems and rational capital arrangements, the company is poised for sustainable long-term development.

Global MLCC manufacturers are shifting production capacity to high-end products, leading to capacity spillover and a notable rise in the utilization rate of Sinocera's conventional MLCC powder lines. The company's AI and automotive-grade products have completed qualification at Samsung and will enter mass production in Q3. We believe such initiatives could materialize the company's earnings growth in 2H26 and onwards. In the long run, China's stringent controls on rare earth exports will create lasting advantages for domestic suppliers. Multiple new material projects including ceramic substrates, spherical silicon and satellite packaging components are in the client validation stage, with clear timelines for volume production ahead.

- **1. Industry Trend & Annual Growth Target.** The MLCC sector had much stronger momentum in 1H26 than expected, as AI server demand drove robust consumption growth of high-end MLCC components. Capacity reallocation by overseas players lifted the operating rate of low-end MLCC producers. With dual growth drivers from conventional and high-end MLCC products, Sinocera stated that its full-year earnings growth target of 20+% would be highly achievable amid current tailwinds.
- **2. Product Pricing & Profit Margin Structure.** There is a clear tiered pricing and profitability across product lines. Conventional MLCC powder is priced at Rmb60k-70k/t, with a gross margin of 33+%. Automotive-grade products sell for Rmb80k-90k/t, while AI server-grade powder exceeds Rmb100k/t. High-end varieties deliver gross margins of 45% to 50%, substantially lifting overall profitability levels.
- **3. Capacity Planning for MLCC Powders.** Sinocera has built a well-structured capacity framework. Its stable production capacity for consumer-grade MLCC powder stands at 10,000 tons, which operated at a 70+% utilization rate last year. A 2,000-ton high-end production line was launched at end-2025, and another 3,000-ton expansion will be finished by year-end 2026. Total capacity will reach 15,000 tons, and the firm expects to sell over 1,000 tons of high-end products in 2026.
- **4. Market Share & Key Customer Profile.** Sinocera dominates the domestic MLCC powder market, holding more than 80% market share and around 20% of the global market. Domestically, it is the largest supplier for major client Fenghua, alongside other key partners. Internationally, Samsung is its core high-

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end customer. After a nearly one-year qualification process, the premium products will be shipped in large volumes starting from 3Q26.

- **5. Rare Earth Policy & Long-term Competitive Edge.** China supplies 80% to 95% of global rare earth resources essential for MLCC powder production. Japanese manufacturers hold strategic inventories covering one to two years of usage, so there is no immediate supply pressure. Nevertheless, continuous strict export controls on rare earths would constrain overseas production capacity in the long term, bringing sustained order transfers to domestic players including Sinocera.
- **6. Technical Threshold & Product Qualification.** High-end MLCC powder requires stricter technical standards: particle size ranges from 100–150nm for domestic AI clients and 200nm for Samsung, with higher requirements on uniformity and dispersion. The yield rate of finished high-end MLCC powder may only reach 80%, versus over 95% for conventional products. With proven qualified products, subsequent client qualification cycles will be greatly shortened.
- **7. Progress of New Material Businesses.** Sinocera's new material projects are moving forward on schedule. Spherical Silicon will pass qualification at Taiwanese clients in 2H26, generating tens of millions RMB in revenue, with 2,000 tons of new capacity to be added by end of this year. Low-orbit satellite ceramic casings are projected to achieve 30%–40% annual growth. Ceramic substrates and TEC components are under client testing and will contribute revenue starting in 2027.
- **8. Industrial Strategy & Downstream Layout.** The company adopts a differentiated industrial expansion strategy. It focuses on upstream ceramic powder materials for mature downstream MLCC markets with established giants. For high-end downstream sectors monopolized by overseas enterprises and still in early stages domestically, Sinocera may extend to finished products. Centered on domestic substitution, this strategy lowers operational risks and improves the success rate of industrial layout.
- **9. Development Model: R&D plus M&A.** Sinocera sticks to a dual growth model combining in-house R&D and external M&A. Annual R&D investment accounts for roughly 7% of revenue with no spending cap for key projects. Two-tier R&D teams undertake long-term cutting-edge research and existing product upgrades respectively. Targeted M&As in medical and fine ceramic sectors complement technological strengths and accelerate business expansion.
- **10. Capital Allocation & Shareholder Returns.** The company strikes a balance between long-term investment and shareholder returns. It maintains steady spending on R&D and M&A, while actively implementing annual and semi-annual dividends as well as share repurchases. The proportion of overseas shareholders has fallen from a peak of 28% to current 5%–6%. Sinocera remains open to global investors and optimizes corporate governance to support its overseas business expansion.

Companies Discussed in This Report (all prices in this report as of market close on 09 June 2026, unless otherwise indicated)

Shandong Sinocera - A(300285.SZ/Rmb66.40/OW)

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Shandong Sinocera - A (300285.SZ, 300285 CH) Price Chart



Date	Rating	Price (Rmb)	Price Target (Rmb)
19-Feb-24	OW	20.10	28
07-Aug-24	OW	17.63	25
26-Feb-25	OW	19.15	26
30-Oct-25	OW	23.21	28.547
27-May-26	OW	49.65	60.4

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Dec 06, 2022. All share prices are as of market close on the previous business day.

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