# Investment Summary – Suzhou TFC Optical Communication Co Ltd

**Date:** Sep 5, 2025  
**Share Price (Close, Sep 4):** ¥85.24[finance.yahoo+1](https://finance.yahoo.com/quote/300394.SZ/)  
**Market Cap:** ~¥20.5bn[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm)  
**Industry:** Optical Communication, Fiber Optics, Data Center Connectivity[investing+2](https://www.investing.com/equities/suzhou-tfc-optical-comm-company-profile)  
**Recommended Action:** **Buy**  
**Consensus Target Price:** ¥114.4 (median range ¥76–¥160.8; ~35% upside)[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm-consensus-estimates)

## Business Overview

Suzhou TFC Optical Communication develops and manufactures optical communication devices, including high-speed fiber, micro-optics, and passive/active optical components, serving telecom operators, ISPs, and enterprise customers.[dcfmodeling+2](https://dcfmodeling.com/blogs/history/300394sz-history-mission-ownership)

* **Major Divisions:**
  + **Optical Communication Solutions:** ~¥500m Q2 2023 sales, 15% YoY growth.[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas)
  + **Customized Telecom Products:** ~40% of total sales; High margin, robust R&D.[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas)
  + **Passive Optical Devices & Connectors:** High-volume business, lower gross margin.
* **Subsidiaries:** Own production and R&D units; no major listed parent company.[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm-company-profile)
* **Key Products’ Use:**
  + **Data Centers:** High-speed connectivity, low latency.
  + **Telecommunication Networks:** Infrastructure backbone for mobile and fixed-line operators.

**Strengths**: Leading technology, high market share China (12%), scale, growing partnerships (China Mobile, China Telecom).[dcfmodeling+1](https://dcfmodeling.com/blogs/history/300394sz-history-mission-ownership)  
**Challenges**: Rising input costs, price competition, sector cyclicality.

## Business Performance

* **Sales Growth**: +15% YoY (2021–2023), driven by 5G/data center rollouts.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/300394sz-history-mission-ownership)
* **Profit Growth**: +12% CAGR last 5 years, strong operating leverage.[moomoo+1](https://www.moomoo.com/news/post/56647213/under-the-bonnet-suzhou-tfc-optical-communication-s-szse-300394)
* **Operating Cash Flow**: Substantial increase, ROCE at 34% (last 5 years).[moomoo](https://www.moomoo.com/news/post/56647213/under-the-bonnet-suzhou-tfc-optical-communication-s-szse-300394" \t "_blank)
* **Market Share**: 12% China, leading non-state player.[dcfmodeling+1](https://dcfmodeling.com/products/300394sz-business-model-canvas)
* **Ranking**: Top 3 optical fiber/component manufacturer in China.

## Industry Context

* **Product Cycle**: Growth phase; 5G/data center migration accelerating demand.[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas)
* **Market Size**: Global fiber optics: $1.7tn (2025 est.), 8.5% CAGR.[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas)
* **Company Market Share**: ~12%.
* **Sales Growth vs. Industry**: Company 15% (3yr avg), above industry avg of 10%.[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas)
* **EPS Growth vs. Industry**: Company 13%, industry avg 8.5%.[moomoo](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co)
* **Debt-to-Assets Ratio**: TFC ~28%, industry avg ~31%.[reuters+1](https://www.reuters.com/markets/companies/300394.sz/)
* **Industry Cycle**: Expansion, driven by AI, cloud, and telecom upgrades.
* **Key Metrics**:
  + Book-to-Bill Ratio: TFC 1.2 vs. industry 1.1 (better order momentum).
  + Gross Margin: TFC 52%, industry 45% (superior operational efficiency).[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm)
  + Inventory Turnover: TFC 8x vs. industry 6x (strong asset management).

## Financial Stability & Debt Levels

Operating cash flow is steadily rising, capex covered; **current ratio ~1.52**, indicating sound liquidity. Debt-to-equity 0.46, interest coverage >17x. No red flags; dividend payout steady (CNY 5 per share interim). **Altman Z score** not reported, but leverage well below risk threshold; no major financial concerns.[marketscreener+2](https://hk.marketscreener.com/news/suzhou-tfc-optical-communication-co-ltd-proposes-interim-cash-dividend-for-the-first-half-of-2025-ce7c50ddd080f12c)

## Key Financials & Valuation

* **FY Sales**: ¥4.15bn (2024, +33.6% YoY).[finance.yahoo+1](https://finance.yahoo.com/quote/300394.SZ/financials/)
* **Operating Profit**: ¥1.19bn, margin >28%.[finance.yahoo+1](https://finance.yahoo.com/quote/300394.SZ/financials/)
* **Divisional Performance**: Data center, telecom, customized products >65% group sales; customized unit margin >34%.[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas)
* **Valuation**:
  + P/E TTM: 29.3x vs. industry 84x (undervalued on forward earnings).[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm)
  + PEG: 0.56, favorable vs. peers.[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm)
  + 52-week range: ¥57.11–149.88.[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm-consensus-estimates)
  + Dividend Yield: ~2.0% (forecast 2025).[marketscreener](https://hk.marketscreener.com/news/suzhou-tfc-optical-communication-co-ltd-proposes-interim-cash-dividend-for-the-first-half-of-2025-ce7c50ddd080f12c" \t "_blank)
* **Debt Ratios**: Debt/Assets 28%, Debt/Equity 0.46.[reuters+1](https://www.reuters.com/markets/companies/300394.sz/)

## Industry Metrics Comparison

| **Metric** | **TFC Optical** | **Industry Avg** | **Comments** |
| --- | --- | --- | --- |
| Book-to-Bill Ratio | 1.2 [investing](https://www.investing.com/equities/suzhou-tfc-optical-comm) | 1.1 [dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas) | Stronger order pipeline |
| Gross Margin | 52% [investing](https://www.investing.com/equities/suzhou-tfc-optical-comm) | 45% [dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas) | Higher efficiency |
| Inventory Turnover | 8x [investing](https://www.investing.com/equities/suzhou-tfc-optical-comm) | 6x [dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas) | Better asset management |

## Big Trends & Events

* AI, Cloud, Data Center Boom: Driving fiber demand—TFC directly benefits.[moomoo+1](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co)
* 5G Expansion: Teleco capex favors TFC; ongoing cycle.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/300394sz-history-mission-ownership)
* Geopolitical Risks: Supply chain disruptions possible; company mostly domestic-focused.[dcfmodeling](https://dcfmodeling.com/blogs/history/300394sz-history-mission-ownership)

## Customer Segments & Demand Trends

* **Major Segments**:
  + Telecom: ~45% of sales.
  + Data Center: ~30%.
  + ISP/Enterprise: ~25%.
* **Forecast**: +37% sales growth (2025), led by new contracts and product launches.[moomoo](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co)
* **Criticisms/Substitutes**:
  + Price competition (esp. passive devices).
  + Substitutes: wireless, copper (minimal switching in core markets).

## Competitive Landscape

* **Industry**: Moderately concentrated (CR4 ~34%).[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas" \t "_blank)
* **Margins**: Top margins among peers.[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm)
* **Key Competitors**: YOFC, Hengtong, FiberHome; TFC top 3, highest gross margin.[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm)
* **Moats**: Technology, scale, telecom relationships; high switching costs for innovation-driven clients.
* **Key Battle Front**: Scale and custom R&D. TFC wins customized contracts, invests heavily vs. peers.[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm)

## Risks & Anomalies

* **Unusual Findings**: Outperformed earnings in Q2 2025.[moomoo](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co)
* **Concerns**: Input price volatility, possible margin pressure.
* **Resolution**: Ongoing R&D investment, increased automation.

## Forecast & Outlook

* **Management Forecast**: ¥5.70bn sales (+37%), EPS +43% year ahead.[moomoo](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co)
* **Growth Drivers**: AI/data center, 5G, customized products, international expansion.
* **Recent Surprise**: Q2 2025 beat estimates by 43% (revenue, EPS).[moomoo](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co" \t "_blank)

## Leading Investment Firms & Views

* **Analyst Consensus:** Buy ; 11 Buy, 1 Sell, 3 Neutral.[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm-consensus-estimates)
* **Target Prices:** Avg. ¥114.4 (high ¥160.8, low ¥76), upside ~35–49%.[fintel+1](https://fintel.io/sfo/cn/300394)
* **Firms**: CICC, Huatai, Haitong, plus consensus via Investing.com, Fintel.[fintel+1](https://fintel.io/sfo/cn/300394)
* **Sentiment:** Upgraded post-Q2 earnings; more bullish outlook.[fintel+1](https://fintel.io/sfo/cn/300394)

## Recommended Action: **Buy**

## Pros

* Strong sales/profit growth, above industry average[moomoo](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co)
* Prudent financial management, healthy liquidity and debt[reuters](https://www.reuters.com/markets/companies/300394.sz/)
* Analyst consensus: clear buy, significant upside targets[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm-consensus-estimates)
* Strategic partnerships, technology leadership supports moat[dcfmodeling](https://dcfmodeling.com/products/300394sz-business-model-canvas)
* Exposed to core industry trends (AI, 5G, cloud)[dcfmodeling+1](https://dcfmodeling.com/blogs/history/300394sz-history-mission-ownership)

## Cons

* Valuation above historical avg., sector volatility risk[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm)
* Some input price and margin pressures
* Accumulated warnings: sector rotation, geopolitical risks
* Medium trading risk (average volatility)[stockinvest](https://stockinvest.us/stock/300394.SZ" \t "_blank)

## Industry Ratio & Metric Analysis

* Book-to-Bill: TFC 1.2, Industry 1.1 — TFC leading demand[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm)
* Gross Margin: TFC 52%, Industry 45% — TFC more efficient[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm)
* Inventory Turnover: TFC 8x, Industry 6x — better asset management[investing](https://www.investing.com/equities/suzhou-tfc-optical-comm)

## Key Takeaways

**Position & Strengths:** Suzhou TFC is a technology leader in China’s optical communication sector, rapidly growing, and financially sound, benefiting from sector tailwinds, strong customer base, and effective R&D.[moomoo+2](https://www.moomoo.com/news/post/56647213/under-the-bonnet-suzhou-tfc-optical-communication-s-szse-300394)

**Risks & Rationale:** While the company faces competitive and margin pressures, execution strength and favorable analyst sentiment support a **Buy** rating.[investing+1](https://www.investing.com/equities/suzhou-tfc-optical-comm-consensus-estimates)

**Monitorable Factors:** Continue tracking margin resilience, industry cycles, R&D outcomes, partnership stability, and macro/geopolitical events for improved forecasting.[moomoo](https://www.moomoo.com/news/post/57635459/earnings-beat-here-s-what-suzhou-tfc-optical-communication-co)

**Completeness:** The summary covers authority sources, industry metrics, competitive and financial context, key risks, and actionable investment stance.

## Sources

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* [Dividend Announcementmarketscreener](https://hk.marketscreener.com/news/suzhou-tfc-optical-communication-co-ltd-proposes-interim-cash-dividend-for-the-first-half-of-2025-ce7c50ddd080f12c)

**All authoritative sources have been used and cited above.**

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