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IDEA

May 4, 2026 05:22 PM GMT

Cambricon Technology Corporation | Asia Pacific

Riding China's AI localization with improving supply visibility

WHAT'S CHANGED

Cambricon Technology Corporation (688256.SS)	From	To
Price Target	Rmb1,588.00	**Rmb2,000.00**

Improved supply visibility and strong demand support a continued re-rating. We raise our price target to Rmb2,000 and keep OW.

Impressive 1Q26 results spark market rally: Cambricon's 1Q26 results (see *Impressive results confirm domestic AI demand strength*) drove a 20% limit-up on April 30, 2026, vs. the CSI 300 Index up 0.8%. This sharp reaction shows investors' recognition of the company's accelerating growth. The results show remarkable order resilience and validate Cambricon's unique strategy of co-building software ecosystems with key customers, which has created significant moats and generated tangible returns in the current AI boom.

Supply chain improvements drive visibility: MLU580 is poised to become the company's mainstream shipping product in 2H26. Our industry checks confirm that SMIC-manufactured MLU580 chips have completed tape-out and are entering production, with volume shipments expected to start in 3Q26. Meanwhile, the overseas-produced MLU590 is about to conclude sales and deliveries in the near term. We expect Cambricon's next-generation flagship AI chip, the MLU690, to begin shipping in 4Q26, marking another roadmap milestone. Demand strength is reflected in 1Q26 prepayments, which surged 155% Q/Q, to Rmb1.9bn.

Booming domestic AI accelerator market in China: As highlighted in *China's AI Accelerators – Who's Poised to Win?*, China's AI computing chip market is showing robust growth, with TAM projected to reach US%67bn by 2030, a 23% CAGR from 2024. Driven by urgent AI inference demand and export control, the localization rate of domestic AI chips is expected to accelerate from 41% in 2025 to 86% by 2030, creating a very large window for leading domestic players like Cambricon to capture share.

Reiterate OW, raise price target to Rmb2,000 with improved supply chain outlook: We are raising our revenue forecasts 3% for 2026 and 16% each for 2027 and 2028, reflecting faster-than-expected supply chain stabilization at SMIC and stronger demand for domestic AI chips. Corresponding EPS estimates are up 8%, 15%, and 11%. As the second-largest domestic AI chip supplier after Huawei Ascend, we believe Cambricon is uniquely positioned to benefit from the ongoing wave of AI infrastructure investment.

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Cambricon Technology Corporation (688256.SS, 688256 CG)

Greater China Technology Semiconductors | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	Rmb2,000.00
Up/downside to price target (%)	18
Shr price, close (Apr 30, 2026)	Rmb1,699.96
52-Week Range	Rmb1,699.96-520.67
Sh out, dil, curr (mn)	631
Mkt cap, curr (mn)	Rmb1,073,397.1
EV, curr (mn)	Rmb1,067,518.9
Avg daily trading value (mn)	Rmb9,136

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	4.9	15.6	25.9	35.4
Prior EPS (Rmb)**	-	14.5	22.5	31.9
EPS (Rmb)§	-	11.9	20.6	41.8
Revenue, net (Rmb mn)	6,497.2	21,669.0	38,409.1	51,175.8
EBITDA (Rmb mn)	2,211.2	7,469.9	12,875.5	17,639.1
ModelWare net inc (Rmb mn)	2,059.2	6,973.5	11,009.3	15,050.9
P/E	278.3	116.2	65.6	48.0
P/BV	48.4	44.2	26.0	17.9
RNOA (%)	57.8	93.9	93.5	124.4
ROE (%)	37.9	58.9	60.1	54.1
EV/EBITDA	256.5	142.6	82.0	59.3
Div yld (%)	0.0	0.1	0.2	0.3
FCF yld ratio (%)**	0.5	0.3	1.5	1.6

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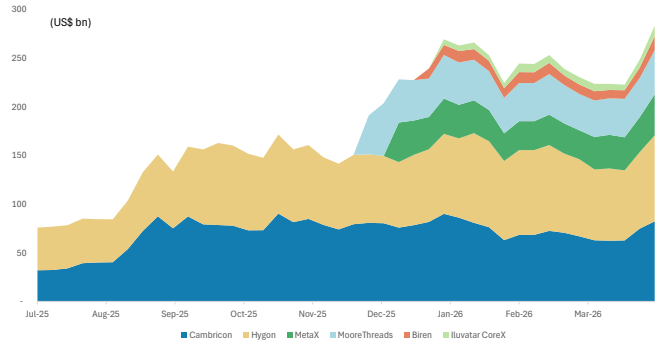
Leverage (EOP) (%)	(49.6)	(43.6)	(61.8)	(65.9)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

China – AI accelerators: expanding demand and localization open a large opportunity

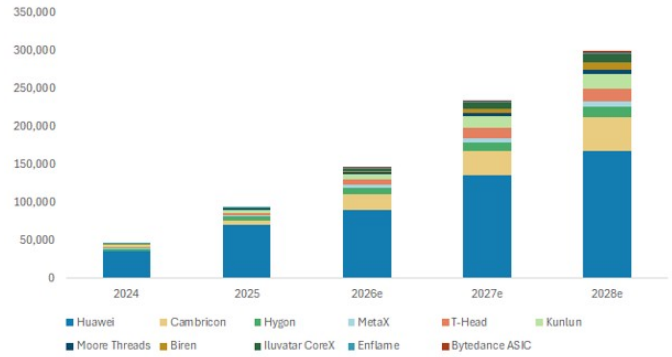
China's AI GPU market is shifting from a participation debate to a share-gain phase, driven by two structural forces: accelerating inference demand and persistent export controls. These dynamics expand the domestic TAM and reinforce localization as a long-term trend, with the market potentially reaching US$67bn by 2030 and self-sufficiency rising to 86%. While upside could come from broader use cases and ecosystem improvements, downside risks include pricing pressure and earlier-than-expected commoditization.

Exhibit 1: China – AI accelerators: market cap trend



Source: FactSet, Morgan Stanley Research

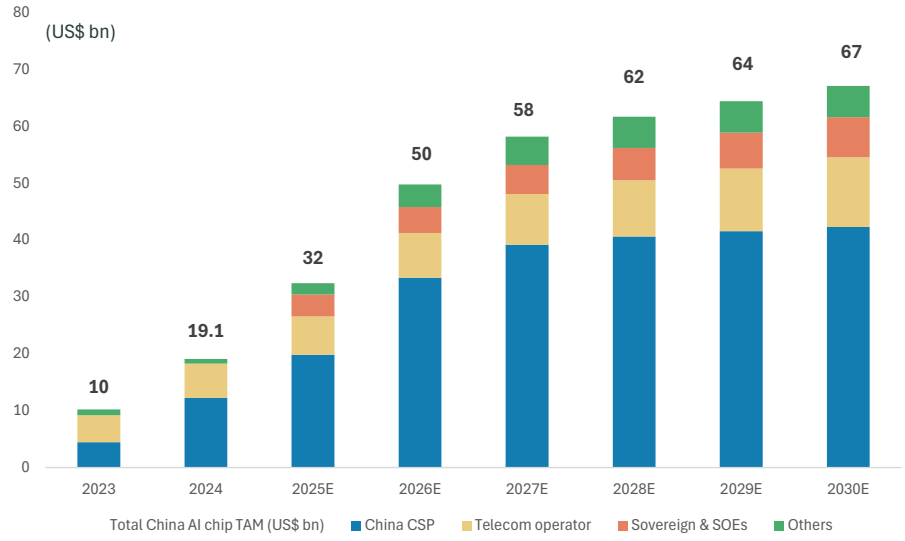
Exhibit 2: China – AI accelerators: revenue trend



Source: Company data, Morgan Stanley Research estimates

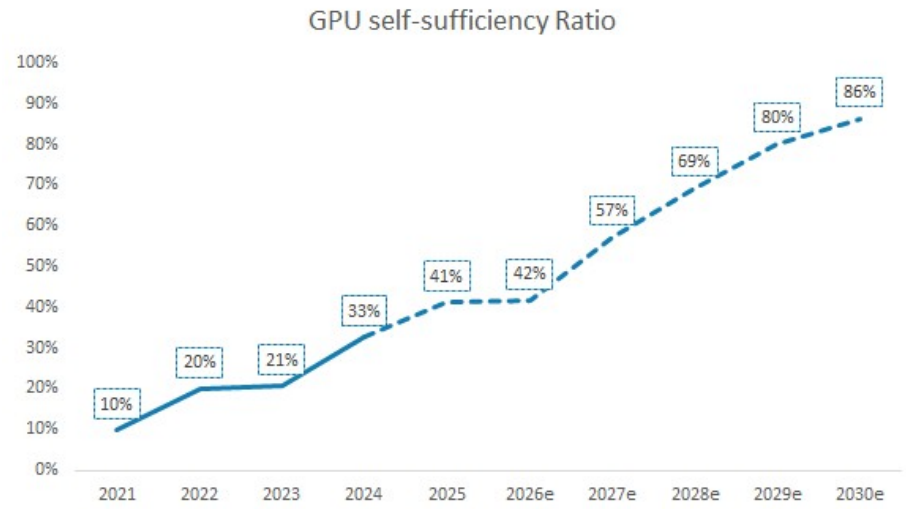
Exhibit 3:

We expect China's AI chip TAM to grow to US$67bn by 2030



Source: Company data, Morgan Stanley Research (E) estimates

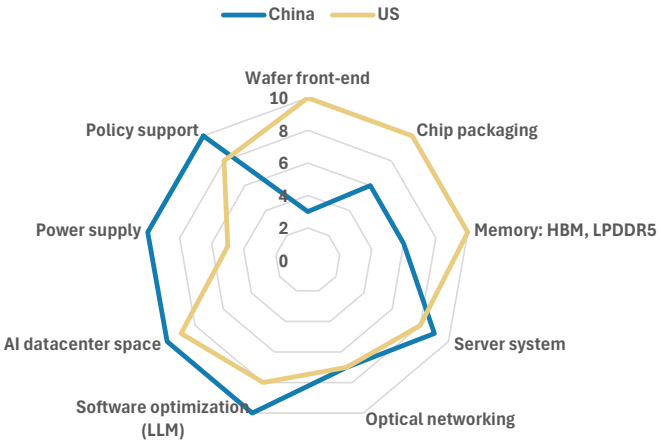
Exhibit 4: We expect China's AI chip self-sufficiency to reach 86% in 2030



Source: Company data, Morgan Stanley Research (e) estimates

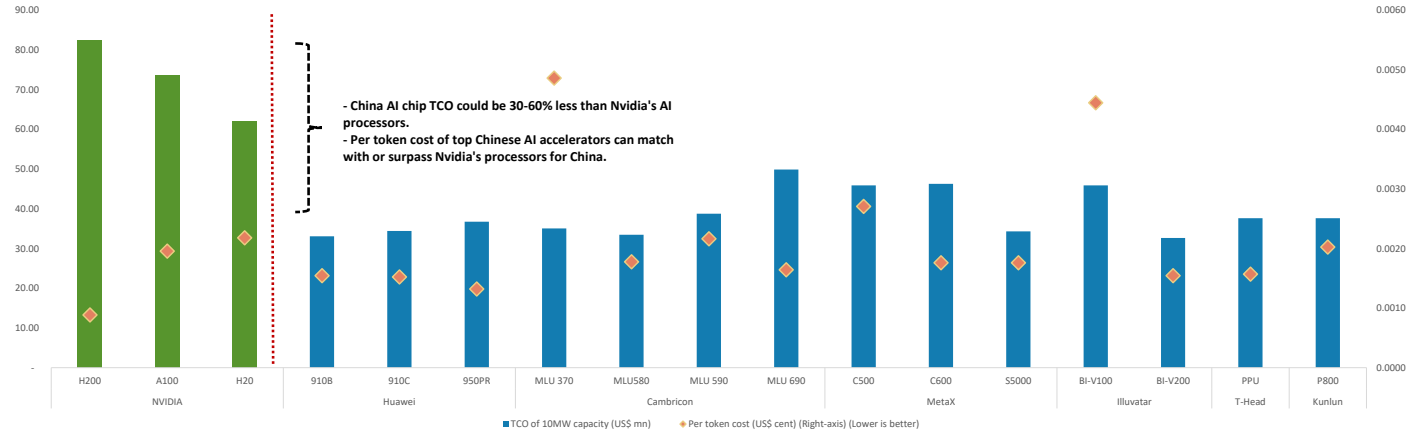
We believe competitiveness is increasingly determined at the system level rather than by chip specifications alone. Despite a node gap versus global leaders, Chinese vendors are narrowing performance differences through packaging, system architecture, and software-hardware optimization. As adoption becomes more economics-driven, customers prioritize token cost and deployability over peak performance, favoring vendors that can deliver scalable solutions with strong ecosystem support and execution capabilities.

Exhibit 5: Relative strengths of AI industries in the US and China



Source: Morgan Stanley Research

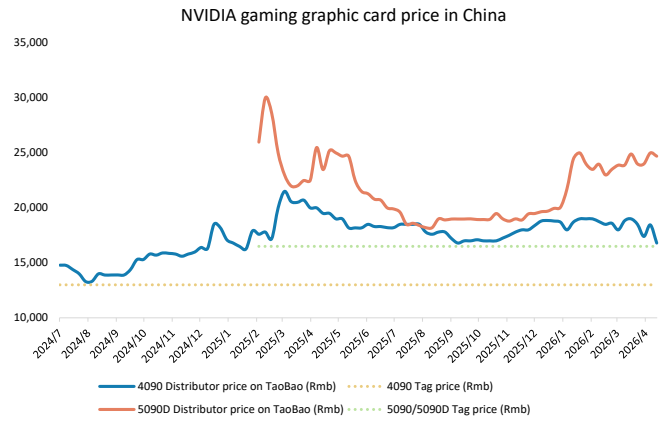
Exhibit 6: Domestic chips have lower TCO and comparable per token cost (AI LLM inference) vs. NVIDIA's processors for China



Source: Company data, Morgan Stanley Research estimates

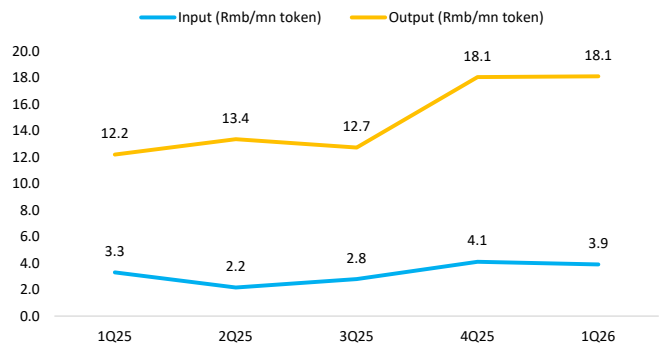
Near-term conditions are turning supportive, with tighter Nvidia supply in China and resilient inference demand reflected in higher GPU rental and token pricing. However, competition is intensifying, with early signs of price pressure suggesting a faster transition to a market-share phase. This underscores the importance of execution—particularly in software, customer access, and product roadmap—as key differentiators, with upcoming product launches (e.g., at WAIC 2026) likely to be important catalysts.

Exhibit 7: Nvidia's 5090 price keeps rising in China



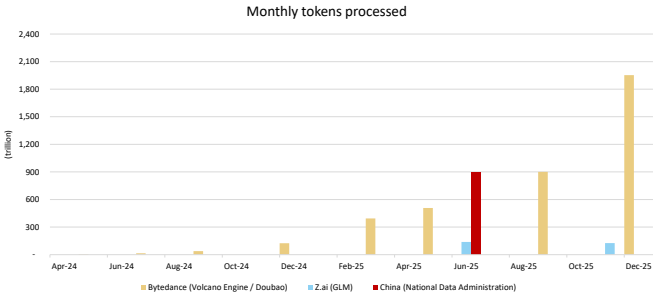
Source: Taobao, Morgan Stanley Research

Exhibit 8: Average token price for China's mainstream AI LLMs



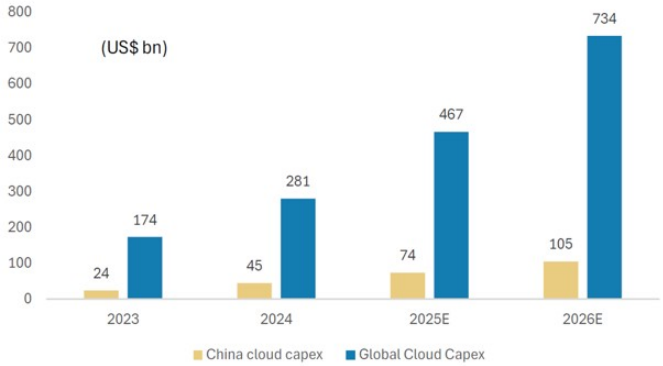
Source: Company data, Morgan Stanley Research

Exhibit 9: Surge in ByteDance (Volcano Engine/Doubao) tokens indicates high AI demand



Source: Company data, Morgan Stanley Research. ByteDance numbers represent monthly run-rate based on daily numbers.

Exhibit 10: Chinese CSP's capex will be a key demand driver for China's AI GPU



Source: Company data, Morgan Stanley Research (E) estimates

Earnings estimate revisions and quarterly financials

We raise our revenue forecasts 3% for 2026 and 16% each for 2027 and 2028: This primarily reflects faster-than-expected supply chain normalization at SMIC and stronger visibility on volume shipments of MLU580 from 2H26, alongside sustained robust demand for domestic AI accelerators.

With regard to profitability, we lift our gross margin assumptions to 50.9%, 49.3%, and 48.7% (from 50.6%, 48.2%, and 47.0%y), driven by improved product mix (higher contribution from more advanced AI chips) and better cost absorption as scale ramps. We also adjust our other margin assumptions. As a result, we increase our EPS estimates 8%, 15%, and 11% for 2026, 2027, and 2028.

Exhibit 11: Cambricon: Earnings estimate revisions

US$ mn	New '26	Old'26E	Diff.	New '27	Old'27E	Diff.	New '28	Old'28E	Diff.
Net sales	21,669	20,944	3%	38,409	33,186	16%	51,176	44,256	16%
Gross profit	11,037	10,588	4%	18,944	16,009	18%	24,940	20,801	20%
Operating profit	7,470	6,240	20%	12,875	11,097	16%	17,639	15,772	12%
Pretax Income	7,377	6,356	16%	12,952	11,244	15%	17,707	15,934	11%
Net income	6,973	6,156	13%	11,009	9,558	15%	15,051	13,544	11%
EPS for consensus	**15.63**	**14.49**	**8%**	**25.92**	**22.50**	**15%**	**35.43**	**31.88**	**11%**
Margins									
Gross margin	50.9%	50.6%		49.3%	48.2%		48.7%	47.0%	
Operating margin	34.5%	29.8%		33.5%	33.4%		34.5%	35.6%	
Pretax margin	34.0%	30.3%		33.7%	33.9%		34.6%	36.0%	
Net margin	32.2%	29.4%		28.7%	28.8%		29.4%	30.6%	
Opex %	16.5%	20.8%		15.8%	14.8%		14.3%	11.4%	

Source: Morgan Stanley Research (e) estimates

Exhibit 12: Cambricon: Quarterly financials

(Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E	2028E
Total revenues	**1,111.4**	**1,769.2**	**1,726.8**	**1,889.8**	**2,884.7**	**3,871.7**	**5,913.8**	**8,998.8**	**6,497.2**	**21,669.0**	**38,409.1**	**51,175.8**
Q/Q Change	*12.4%*	*59.2%*	*-2.4%*	*9.4%*	*52.6%*	*34.2%*	*52.7%*	*52.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Y/Y Change	*4229.6%*	*4424.9%*	*1332.5%*	*91.0%*	*159.6%*	*118.8%*	*242.5%*	*376.2%*	*453.2%*	*233.5%*	*77.3%*	*33.2%*
Cost of Sales	**489.1**	**780.5**	**790.2**	**854.0**	**1,317.4**	**1,858.4**	**2,956.8**	**4,499.3**	**2,913.9**	**10,632.0**	**19,465.0**	**26,235.9**
Percent of Revenues	*44%*	*44%*	*46%*	*45%*	*46%*	*48%*	*50%*	*50%*	*45%*	*49%*	*51%*	*51%*
Gross Profit	**622.3**	**988.7**	**936.6**	**1,035.7**	**1,567.3**	**2,013.3**	**2,957.0**	**4,499.5**	**3,583.3**	**11,037.1**	**18,944.1**	**24,939.9**
Gross Margin	***1.0%***	***55.9%***	***54.2%***	***54.8%***	***54.3%***	***52.0%***	***50.0%***	***50.0%***	***55.2%***	***50.9%***	***49.3%***	***48.7%***
Incremental Margin	*47.9%*	*55.7%*	*NM*	*60.8%*	*53.4%*	*45.2%*	*46.2%*	*50.0%*	*54.8%*	*49.1%*	*47.2%*	*47.0%*
Total Opex	**330.0**	**338.0**	**355.2**	**593.7**	**372.6**	**689.2**	**993.5**	**1,511.8**	**1,616.9**	**3,567.1**	**6,068.6**	**7,300.8**
Percent of Revenues	*29.7%*	*19.1%*	*20.6%*	*31.4%*	*12.9%*	*17.8%*	*16.8%*	*16.8%*	*24.9%*	*16.5%*	*15.8%*	*14.3%*
R&D	272.6	269.3	300.9	508.0	324.0	619.5	887.1	1,349.8	1,350.8	3,180.4	5,377.3	6,379.7
Percent of Revenues	*24.5%*	*15.2%*	*17.4%*	*26.9%*	*11.2%*	*16.0%*	*15.0%*	*15.0%*	*20.8%*	*14.7%*	*14.0%*	*12.5%*
General & Adm Exp.	43.1	54.9	39.8	60.4	35.9	50.3	76.9	117.0	198.1	280.1	499.3	665.3
Percent of Revenues	*3.9%*	*3.1%*	*2.3%*	*3.2%*	*1.2%*	*1.3%*	*1.3%*	*1.3%*	*3.0%*	*1.3%*	*1.3%*	*1.3%*
Selling Expenses	14.4	13.7	14.6	25.4	12.6	19.4	29.6	45.0	68.0	106.6	192.0	255.9
Percent of Revenues	*1.3%*	*0.8%*	*0.8%*	*1.3%*	*0.4%*	*0.5%*	*0.5%*	*0.5%*	*1.0%*	*0.5%*	*0.5%*	*0.5%*
Operating Income	**292.2**	**650.8**	**581.3**	**442.1**	**1,194.6**	**1,324.2**	**1,963.5**	**2,987.7**	**1,966.4**	**7,469.9**	**12,875.5**	**17,639.1**
Operating Margin	*26.3%*	*36.8%*	*33.7%*	*23.4%*	*41.4%*	*34.2%*	*33.2%*	*33.2%*	*30.3%*	*34.5%*	*33.5%*	*34.5%*
Total Non-operating Income (loss)	**63.1**	**31.6**	**(15.2)**	**13.5**	**(180.4)**	**30.5**	**20.7**	**36.4**	**93.0**	**(92.7)**	**76.2**	**67.4**
Profit Before Taxes	**355.4**	**682.4**	**566.1**	**455.5**	**1,014.2**	**1,354.7**	**1,984.2**	**3,024.1**	**2,059.4**	**7,377.2**	**12,951.7**	**17,706.5**
Percent of Revenues	*32.0%*	*38.6%*	*32.8%*	*24.1%*	*35.2%*	*35.0%*	*33.6%*	*33.6%*	*31.7%*	*34.0%*	*33.7%*	*34.6%*
Taxes	**0.1**	**(0.0)**	**(0.3)**	**1.1**	**1.1**	**1.4**	**99.2**	**302.4**	**0.9**	**404.1**	**1,942.8**	**2,656.0**
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.2%*	*0.1%*	*0.1%*	*5.0%*	*10.0%*	*0.0%*	*5.5%*	*15.0%*	*15.0%*
Total Net Income to Parent	**355.5**	**682.6**	**566.6**	**454.6**	**1,013.2**	**1,353.4**	**1,885.1**	**2,721.7**	**2,059.2**	**6,973.5**	**11,009.3**	**15,050.9**
Percent of Revenues	*32.0%*	*38.6%*	*32.8%*	*24.1%*	*35.1%*	*35.0%*	*31.9%*	*30.2%*	*31.7%*	*32.2%*	*28.7%*	*29.4%*
EPS for consensus (Rmb)	**0.8**	**1.6**	**1.3**	**1.1**	**1.6**	**3.2**	**4.4**	**6.4**	**4.9**	**15.6**	**25.9**	**35.4**

Source: Company data, Morgan Stanley Research (e) estimates

Raising price target to Rmb2,000 from Rmb1,588

We continue to derive our price target (our base case scenario value) from a residual income model. The price target change reflects our EPS estimate revisions for 2026-28, with more meaningful upgrades in the outer years (2027–28 vs. 2026), driven by improved supply visibility and a more sustained volume ramp.

We have also materially increased our long-term dividend payout ratio assumption – from 26% to 57% – to reflect the company's healthy and robust cash flow generation and sustained profitability.

All other key valuation assumptions remain the same: cost of equity of 8.4% (beta of 1.06, risk-free rate of 2%, and risk premium of 6%), intermediate growth rate of 16%, and terminal growth rate of 6.0%.

Our bull and bear case scenario values also rise from Rmb3,000 and Rmb800 to Rmb3,778 and Rmb1,008, respectively, implying 2026e P/S of 83x and 22x.

Exhibit 13: Cambricon: Residual income model

Rmb million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E
Total Equity	**18,317**	**27,826**	**40,377**	**47,954**	**56,744**	**66,940**	**78,767**	**92,486**	**108,401**	**126,862**	**148,277**	**173,118**	**201,934**
Net Profit	**6,973**	**11,009**	**15,051**	**17,459**	**20,252**	**23,493**	**27,252**	**31,612**	**36,670**	**42,537**	**49,343**	**57,238**	**66,396**
ROAE	**46.2%**	**47.7%**	**44.1%**	**39.5%**	**38.7%**	**38.0%**	**37.4%**	**36.9%**	**36.5%**	**36.2%**	**35.9%**	**35.6%**	**35.4%**
Residual Income	4,487	7,209	9,955	12,586	14,543	16,812	19,444	22,495	26,033	30,137	34,897	40,418	46,822
Spread	**37.9%**	**39.4%**	**35.8%**	**31.2%**	**30.3%**	**29.6%**	**29.0%**	**28.6%**	**28.1%**	**27.8%**	**27.5%**	**27.3%**	**27.0%**
Ending Equity Capital	18,317												
PV of Forecast Period	132,331												
PV of Continuing Value	802,446												
Equity Value	**953,094**												
No. of Shares	476												
Price Target	**2,000**												

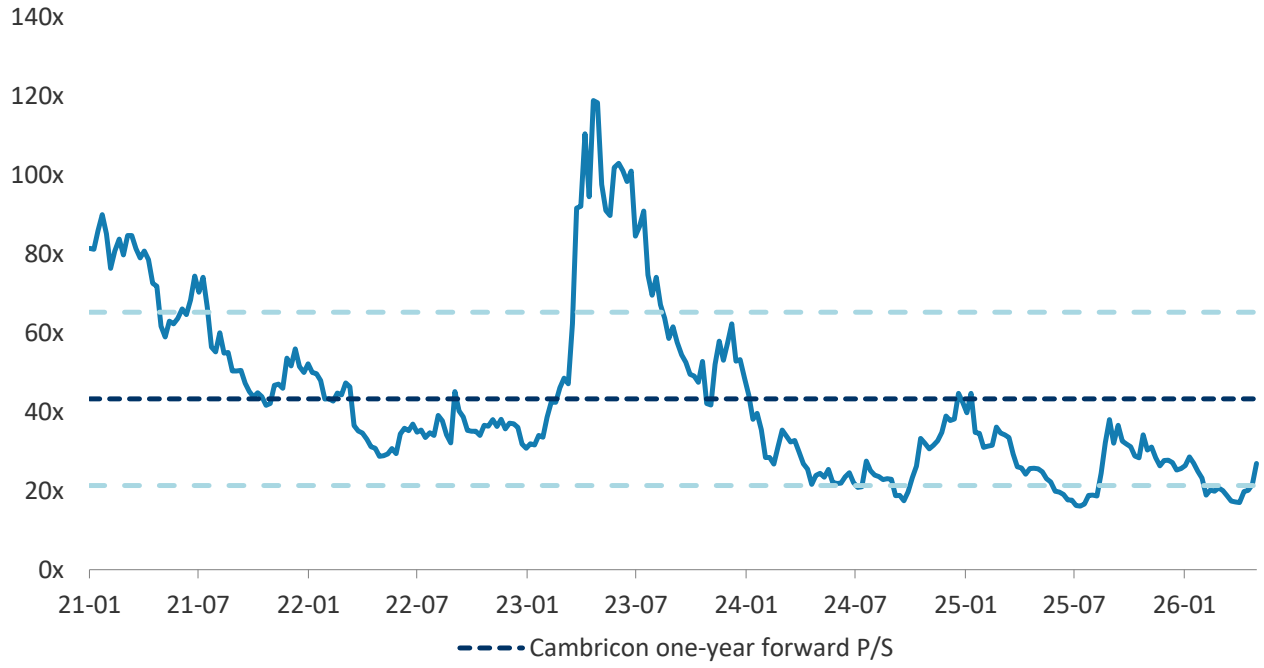
Source: Company data, Morgan Stanley Research (e) estimates

Relative valuation

We forecast an EPS CAGR of 94% for Cambricon over 2025–28, alongside a revenue CAGR of 99%, underpinned by sustained AI infrastructure investment and rapid domestic substitution of high-end AI chips.

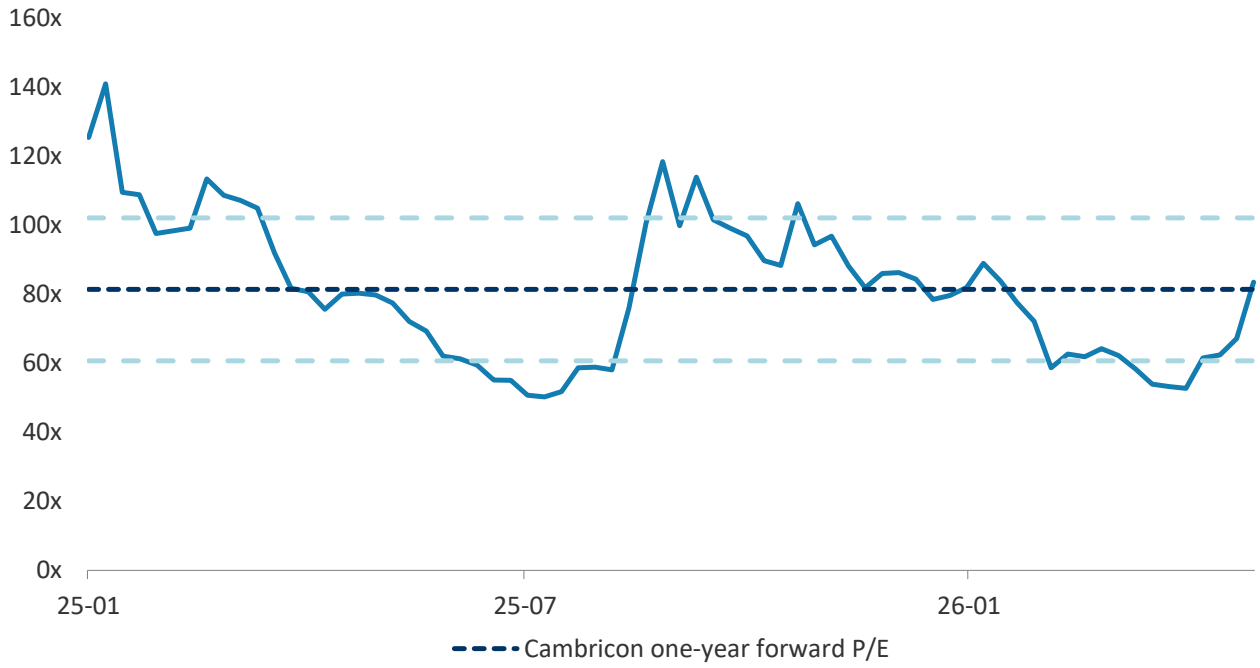
Following our estimate revisions, the stock is currently trading at ~109x 2026e P/E and ~37x 2026e P/S. While elevated in absolute terms, we believe these multiples are justified by the company's superior growth profile, improving supply visibility, and strong positioning as a key domestic AI chip supplier. In particular, accelerating volume ramp (MLU580) and a clear product roadmap (MLU690) enhance earnings durability, supporting a premium valuation.

Exhibit 14: Cambricon: One-year forward P/S trend



Source: Company data, FactSet, Morgan Stanley Research

Exhibit 15: Cambricon: One-year forward P/E trend



Source: Company data, FactSet, Morgan Stanley Research

Risk Reward – Cambricon Technology Corporation (688256.SS)

Riding China's AI localization with improving supply visibility

PRICE TARGET Rmb2,000.00

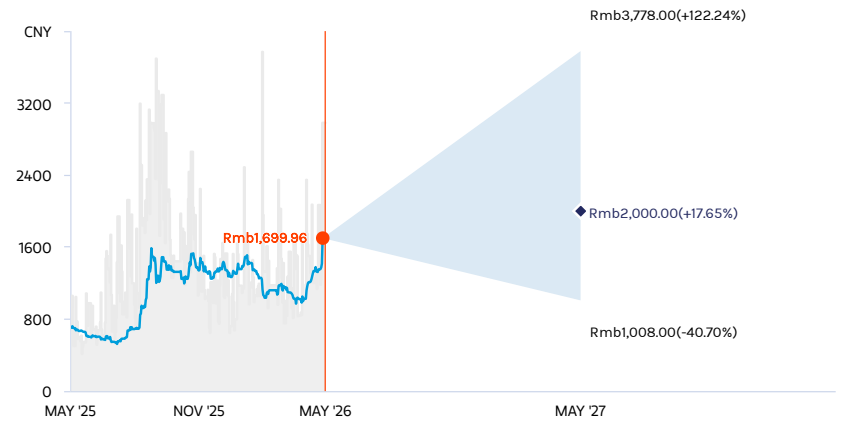
Key valuation assumptions underpinning our model include: an 8.4% cost of equity (derived from a beta of 1.06, risk-free rate of 2.0%, and equity risk premium of 6.0%), a long-term payout ratio of 57%, a medium-term growth rate of 16%, and a terminal growth rate of 6.0%.

Consensus Price Target Distribution

Rmb1,588.00 — Rmb1,838.90 (Mean) — Rmb2,104.00 (MS PT)

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



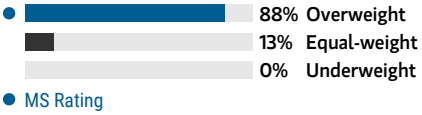
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Cambricon has deep engagement with major CSPs with proven product-market fit. MLU590 is widely deployed in SAD workloads, supporting strong order visibility as AI infrastructure scales.
- Domestic supply chain transition is underway, with production shifting to SMIC. Yields remain a challenge, but we expect gradual improvement through 2026.
- Aggressive product roadmap, with next-generation MLU690 expected in 4Q26, potentially boosting performance ~2.2x and sustaining technology leadership.
- P/E and P/S multiples are elevated in absolute terms, but we find them justified by superior growth profile, improving supply visibility, and strong positioning as a key domestic AI chip supplier.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Secular Growth:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb3,778.00

83x 2026e P/S

We assume (1) >130% revenue CAGR in 2025-28 driven by stronger-than-expected domestic generative AI infrastructure build-out and large-scale procurement of cloud training and inference chips; (2) sustained share gains in China's domestic high-performance AI chip market; (3) gross margin improves to over 55% in 2026 and 2027 thanks to production scale effects, mature technology iteration and optimized high-value product structure.

BASE CASE Rmb2,000.00

44x 2026e P/S

We assume (1) 99% revenue CAGR in 2025-28 driven by domestic generative AI infrastructure spending from CSP clients; (2) gross margin reaches 51% and 49% in 2026 and 2027 given lower selling prices due to products with smaller die size.

BEAR CASE Rmb1,008.00

22x 2026e P/S

We assume (1) <60% revenue CAGR in 2025-28 given slower-than-expected domestic AI capital expenditure and LLM commercialization progress; (2) market share loss in China's AI chip market, and failure to secure continuous mass orders from top-tier customers; and (3) gross margin falls below 40% in 2026 and 2027 due to fierce price competition, rising wafer fabrication costs and underutilized production capacity.

Risk Reward – Cambricon Technology Corporation (688256.SS)

KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Gross Profit (YoY) (%)	438.0	208.0	71.6	31.6

INVESTMENT DRIVERS

- CSP capex expansion
- Large model deployment growth
- Domestic substitution tailwind
- Product iteration (MLU roadmap)
- Software ecosystem improvement
- Policy support for AI chips
- New customer penetration
- Scaling of AI clusters

GLOBAL REVENUE EXPOSURE



100% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger-than-expected AI demand
- CSP order ramp-up
- Accelerating localization

RISKS TO DOWNSIDE

- Capacity and yield constraints
- Customer concentration risk
- Slower technology iteration

OWNERSHIP POSITIONING

Inst. Owners, % Active 66.2%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (Rmb, mn)	12,184.9	15,646.5	21,669.0
Net income (Rmb, mn)	3,665.1	5,102.9	6,973
EPS (Rmb)	8.7	11.9	15.6

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Cambricon: Financial Summary

Income Statement

Rmb mn (Years End Dec)	2025	2026E	2027E	2028E
Net sales	6,497.2	21,669.0	38,409.1	51,175.8
COGS	2,913.9	10,632.0	19,465.0	26,235.9
Gross profit	3,583.3	11,037.1	18,944.1	24,939.9
Operating expenses	1,616.9	3,567.1	6,068.6	7,300.8
Operating income	**1,966.4**	**7,469.9**	**12,875.5**	**17,639.1**
Non-operating income	93.0	(92.7)	76.2	67.4
Pre-tax income	2,059.4	7,377.2	12,951.7	17,706.5
Income tax	0.9	404.1	1,942.8	2,656.0
Minority Interest	(0.7)	(0.4)	(0.4)	(0.4)
Reported net Income	**2,059.2**	**6,973.5**	**11,009.3**	**15,050.9**
Adj.wtd.avg.shrs(m)	419.6	473.3	421.7	421.7
Reported EPS (Rmb)	**4.9**	**15.7**	**26.1**	**35.7**
EPS for consensus (Rmb)	**4.9**	**15.6**	**25.9**	**35.4**

Balance Sheet

Rmb mn (Years End Dec)	2025	2026E	2027E	2028E
Cash	1,317.4	3,426.1	12,629.6	22,031.8
Mkt Securities	4,261.2	4,261.2	4,261.2	4,261.2
AR/NR	670.6	2,374.7	4,209.2	5,608.3
Inventory	4,943.5	8,738.6	7,999.3	10,781.9
Other	887.8	887.8	887.8	887.8
Current Assets	**12,080.4**	**19,688.3**	**29,987.0**	**43,570.9**
Long-term investments	299.7	299.7	299.7	299.7
Fixed assets	372.7	372.7	372.7	372.7
Intangible Assets	189.1	169.1	149.1	129.1
Other assets	495.8	595.8	695.8	795.8
Total Assets	**13,437.7**	**21,125.6**	**31,504.3**	**45,168.2**
S/T borrowings	0.0	0.0	0.0	0.0
AP/NP	1,115.9	2,330.3	3,199.7	4,312.8
Other ST liabilities	217.0	217.0	217.0	217.0
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	261.5	261.5	261.5	261.5
Total Liabilities	**1,594.5**	**2,808.8**	**3,678.3**	**4,791.3**
Common shares	421.7	421.7	421.7	421.7
Additional capital	11,270.3	11,270.3	11,270.3	11,270.3
Retained earning	(11.8)	6,461.7	15,971.0	28,521.9
Other shareholders' equity	163.0	163.0	163.0	163.0
Total Equity	**11,843.3**	**18,316.7**	**27,826.0**	**40,376.9**
Total Liab. & Shrhldr's Equity	**13,437.7**	**21,125.6**	**31,504.3**	**45,168.2**

E = Morgan Stanley Research Estimates
Source: Morgan Stanley Research, Company Data

Cash Flow Statement

Rmb mn (Years End Dec)	2025	2026E	2027E	2028E
Cashflow from Operations	**(498.5)**	**2,688.7**	**10,783.5**	**11,982.3**
Net profits	2,059.2	6,973.5	11,009.3	15,050.9
Depreciation	116.7	0.0	0.0	0.0
Working Capital Change	(3,126.6)	(4,284.8)	(225.8)	(3,068.6)
Other adjustments	452.2	0.0	0.0	0.0
Cashflow from Investing	**(4,142.0)**	**(80.0)**	**(80.0)**	**(80.0)**
Capex	(142.8)	0.0	0.0	0.0
Change of LT Investment	(53.1)	0.0	0.0	0.0
Change of ST Investment	(3,501.0)	0.0	0.0	0.0
Other adjustments	(445.1)	(80.0)	(80.0)	(80.0)
Cashflow from financing	3,986.0	(500.0)	(1,500.0)	(2,500.0)
Increase in L/T debt	0.0	0.0	0.0	0.0
Increase in S/T debt	(100.1)	0.0	0.0	0.0
Cash Dividend Paid	0.0	(500.0)	(1,500.0)	(2,500.0)
Issuance of stock	1,465.7	0.0	0.0	0.0
Other adjustments	2,620.4	0.0	0.0	0.0
Exchange rate adjustment	(0.0)	0.0	0.0	0.0
Net change in cash	**(654.6)**	**2,108.7**	**9,203.5**	**9,402.3**

Financial Ratios

	2025	2026E	2027E	2028E
Growth(%)				
Revenue	453.2	233.5	77.3	33.2
Operating profits	NA	279.9	72.4	37.0
Pretax profits	NA	258.2	75.6	36.7
Net profits	NA	238.6	57.9	36.7
EPS	NA	220.8	65.8	36.7
Margins (%)				
Gross Margin	55.2	50.9	49.3	48.7
Operating Margin	30.3	34.5	33.5	34.5
Pretax Margin	31.7	34.0	33.7	34.6
Net Profit	31.7	32.2	28.7	29.4
Return (%)				
ROAE	23.8	46.2	47.7	44.1
ROAA	20.4	40.4	41.8	39.3
Gearing (%)				
Net Debt/Equity	(11.1)	(18.7)	(45.4)	(54.6)
Liabilities/Equity	13.5	15.3	13.2	11.9
Ratios (X)				
Current ratio	9.1	7.7	8.8	9.6
Quick ratio	1.5	2.3	4.9	6.1
Others				
AR/NR Turnover (days)	40.0	40.0	40.0	40.0
Inventory Turnover (days)	500.0	300.0	150.0	150.0
AP Turnover (days)	90.0	80.0	60.0	60.0
Cash Conversion (days)	450.0	260.0	130.0	130.0

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1546	42%	467	51%	30%	709	44%
Equal-weight/Hold	1568	43%	358	39%	23%	715	44%
Not-Rated/Hold	4	0%	0	0%	0%	1	0%
Underweight/Sell	555	15%	84	9%	15%	202	12%
Total	3,673		909			1627	

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (05/04/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$52.15
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb376.30
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$150.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$4,250.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$525.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,699.96
Global Unichip Corp (3443.TW)	O (07/27/2024)	NT$4,685.00
GlobalWafers Co Ltd (6488.TWO)	O (09/19/2025)	NT$606.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$564.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$121.00
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$560.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$332.50
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb99.62
MediaTek (2454.TW)	O (11/28/2025)	NT$2,870.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb758.03
Nanya Technology Corp. (2408.TW)	E (03/20/2026)	NT$237.00
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb536.99
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb98.30
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,010.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb91.94
Silergy Corp. (6415.TW)	E (04/21/2026)	NT$435.00
SMIC (0981.HK)	O (10/21/2025)	HK$72.15
TSMC (2330.TW)	O (02/07/2022)	NT$2,275.00
UMC (2303.TW)	E (04/20/2026)	NT$81.20
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$151.00
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$524.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$165.10
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb56.65

Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$137.50
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb88.82
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb28.90
Innoscience (2577.HK)	E (10/13/2025)	HK$68.70
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb45.56
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$41.76
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb101.00
StarPower Semiconductor Ltd (603290.SS)	O (03/01/2022)	Rmb103.92
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb77.32
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb37.80
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb75.88
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$924.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,390.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$17,545.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$123.50
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb172.12
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb312.99
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$154.50
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$270.40
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb173.30
Novatek (3034.TW)	U (02/04/2026)	NT$415.50
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$162.00
Parade Technologies Ltd (4966.TWO)	E (01/30/2026)	NT$575.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$53.10
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$528.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb64.89
Winbond Electronics Corp (2344.TW)	E (03/20/2026)	NT$95.40
WPG Holdings (3702.TW)	O (03/16/2026)	NT$104.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$210.50
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb143.77
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb401.12
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,330.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$838.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$12.31
Hon Precision (7769.TW)	O (04/17/2026)	NT$5,380.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,165.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$234.52
Winway Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$10,700.00

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