

## Sungrow Power Supply 300274.SZ 300274 CH

EQUITY: TECHNOLOGY

### Downgrade to Neutral on balanced risk/reward

Soft 1Q26 driven by mix, lithium inflation, and FX; ESS growth narrative stalls due to lithium price hikes

#### Weak 1Q26 earnings as slower inverter business and FX drag

Sungrow reported 1Q26 revenue of CNY15.56bn, down 18.3% y-y, reflecting a contraction in the solar inverter market, product mix change, and a high base impact of ESS (energy storage system). In addition, net profit fell 40.1% y-y to CNY2.29bn, which was attributed to: (i) a 1.9pp gross margin decline due to elevated lithium prices and mix change; (ii) the expansion of the opex-to-sales ratio to 14.9%, which compressed the operating margin; and (iii) the negative impact from FX fluctuations (financial expenses swung to CNY328mn vs a CNY59mn gain in 1Q25).

#### ESS margin pressure due to higher lithium prices

On ESS, management guided to a continued downward drift in the gross profit margin in the long term, citing two reinforcing headwinds: (i) shifts in the regional mix in the EU from Western Europe to Eastern Europe, where the GPM is structurally lower, and (ii) upstream lithium carbonate price inflation that will take time to pass through. In addition, based on an industry survey, near-term lithium prices may further rise due to supply cuts and inventory drawdown, caused by Zimbabwe's export ban and likely diesel shortage in Australia.

We view this gross margin guidance as incrementally negative given the additional overhang from the 1 July 2026 *USMCA (United States-Mexico-Canada Agreement) review*, where potential tightening of Rules of Origin (ROO), a 75%+ Regional Value Content (RVC) threshold, and Prohibited Foreign Entity (PFE)-style Chinese equity restrictions could render Mexico-routed ESS shipments uneconomic and force a switch to higher-cost North American cells. Further, management flagged intensive AIDC (AI Data Center) customer engagement, with 800V and new power products targeting late-2026E sampling and 2027E volume — implying limited 2026E revenue contribution.

#### Downgrade to Neutral (from Buy) due to gross margin pressure

We downgrade Sungrow to Neutral from Buy and lower our TP to CNY120 (from CNY230). We trim our 2026/27F EPS to CNY7.28/9.13 from CNY9.76/12.22, to reflect: (i) likely continued ESS GPM compression, and (ii) a soft solar inverter market. Our new TP implies 16x 2026F P/E (vs 24x 2026F P/E previously), benchmarked to the historical average of 17x, given the current PEG ratio is no longer attractive as the consensus earnings growth has been reset lower. The stock trades at 18x 2026F P/E. We prefer CATL (300750 CH, Buy) in the sector.

| Year-end 31 Dec            |          | FY25     |          | FY26F    |          | FY27F |          | FY28F |     |
|----------------------------|----------|----------|----------|----------|----------|-------|----------|-------|-----|
| Currency (CNY)             | Actual   | Old      | New      | Old      | New      | Old   | New      | Old   | New |
| Revenue (mn)               | 89,184   | 142,220  | 106,417  | 183,462  | 128,480  | 0     | 156,765  |       |     |
| Reported net profit (mn)   | 13,461   | 20,231   | 15,083   | 25,329   | 18,924   | 0     | 23,222   |       |     |
| Normalised net profit (mn) | 13,461   | 20,231   | 15,083   | 25,329   | 18,924   | 0     | 23,222   |       |     |
| FD normalised EPS          | 6.49     | 9.76     | 7.28     | 12.22    | 9.13     |       | 11.20    |       |     |
| FD norm. EPS growth (%)    | 22.0     | 27.0     | 12.0     | 25.2     | 25.5     |       | 22.7     |       |     |
| FD normalised P/E (x)      | 20.2     | —        | 18.1     | —        | 14.4     | —     | 11.7     |       |     |
| EV/EBITDA (x)              | 13.9     | —        | 11.6     | —        | 8.6      | —     | 6.3      |       |     |
| Price/book (x)             | 5.5      | —        | 4.1      | —        | 3.2      | —     | 2.5      |       |     |
| Dividend yield (%)         | 1.2      | —        | 1.4      | —        | 1.7      | —     | 2.1      |       |     |
| ROE (%)                    | 29.9     | 33.6     | 26.1     | 31.4     | 25.1     |       | 23.6     |       |     |
| Net debt/equity (%)        | net cash | net cash | net cash | net cash | net cash |       | net cash |       |     |

Source: Company data, Nomura estimates

|                     |            |
|---------------------|------------|
| Rating              | Neutral    |
| Down from Buy       |            |
| Target price        | CNY 120.00 |
| Reduced from        | CNY 230.00 |
| Closing price       | CNY 131.39 |
| 27 April 2026       |            |
| Implied upside      | -8.7%      |
| Market Cap (USD mn) | 39,893.8   |
| ADT (USD mn)        | 1,468.1    |

#### Relative performance chart



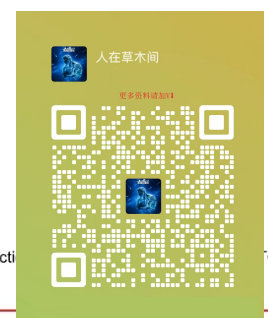
Source: LSEG, Nomura

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# Key data on Sungrow Power Supply

## Performance

| (%)            | 1M    | 3M    | 12M   |                   |          |
|----------------|-------|-------|-------|-------------------|----------|
| Absolute (CNY) | -19.6 | -16.9 | 123.4 | M cap (USDmn)     | 39,893.8 |
| Absolute (USD) | -18.6 | -15.4 | 138.4 | Free float (%)    | 61.0     |
| Rel to CSI 300 | -25.5 | -18.3 | 97.4  | 3-mth ADT (USDmn) | 1,468.1  |

## Income statement (CNYmn)

| Year-end 31 Dec        | FY24    | FY25    | FY26F   | FY27F   | FY28F    |
|------------------------|---------|---------|---------|---------|----------|
| Revenue                | 77,857  | 89,184  | 106,417 | 128,480 | 156,765  |
| Cost of goods sold     | -54,545 | -60,795 | -73,801 | -89,113 | -109,047 |
| Gross profit           | 23,312  | 28,389  | 32,616  | 39,367  | 47,718   |
| SG&A                   | -8,528  | -11,230 | -13,578 | -15,417 | -18,341  |
| Employee share expense |         |         |         |         |          |
| Operating profit       | 14,784  | 17,159  | 19,038  | 23,949  | 29,377   |
| EBITDA                 | 15,706  | 18,414  | 20,350  | 25,321  | 30,812   |
| Depreciation           | -783    | -1,112  | -1,168  | -1,226  | -1,288   |
| Amortisation           | -138    | -143    | -144    | -146    | -147     |
| EBIT                   | 14,784  | 17,159  | 19,038  | 23,949  | 29,377   |
| Net interest expense   | -290    | -40     | -651    | -449    | -549     |
| Associates & JCEs      |         |         |         |         |          |
| Other income           | -950    | -859    | -592    | -1,105  | -1,347   |
| Earnings before tax    | 13,544  | 16,260  | 17,796  | 22,395  | 27,482   |
| Income tax             | -2,280  | -2,727  | -2,682  | -3,359  | -4,122   |
| Net profit after tax   | 11,264  | 13,533  | 15,113  | 19,036  | 23,359   |
| Minority interests     | -228    | -72     | -30     | -112    | -137     |
| Other items            |         |         |         |         |          |
| Preferred dividends    |         |         |         |         |          |
| Normalised NPAT        | 11,036  | 13,461  | 15,083  | 18,924  | 23,222   |
| Extraordinary items    |         |         |         |         |          |
| Reported NPAT          | 11,036  | 13,461  | 15,083  | 18,924  | 23,222   |
| Dividends              | -2,217  | -3,367  | -3,771  | -4,731  | -5,806   |
| Transfer to reserves   | 8,820   | 10,095  | 11,312  | 14,193  | 17,417   |

## Valuations and ratios

|                        |      |      |      |      |      |
|------------------------|------|------|------|------|------|
| Reported P/E (x)       | 24.7 | 20.2 | 18.1 | 14.4 | 11.7 |
| Normalised P/E (x)     | 24.7 | 20.2 | 18.1 | 14.4 | 11.7 |
| FD normalised P/E (x)  | 24.7 | 20.2 | 18.1 | 14.4 | 11.7 |
| Dividend yield (%)     | 0.8  | 1.2  | 1.4  | 1.7  | 2.1  |
| Price/cashflow (x)     | 22.6 | 16.1 | 16.5 | 12.0 | 9.8  |
| Price/book (x)         | 6.8  | 5.5  | 4.1  | 3.2  | 2.5  |
| EV/EBITDA (x)          | 16.7 | 13.9 | 11.6 | 8.6  | 6.3  |
| EV/EBIT (x)            | 17.7 | 14.9 | 12.4 | 9.1  | 6.6  |
| Gross margin (%)       | 29.9 | 31.8 | 30.6 | 30.6 | 30.4 |
| EBITDA margin (%)      | 20.2 | 20.6 | 19.1 | 19.7 | 19.7 |
| EBIT margin (%)        | 19.0 | 19.2 | 17.9 | 18.6 | 18.7 |
| Net margin (%)         | 14.2 | 15.1 | 14.2 | 14.7 | 14.8 |
| Effective tax rate (%) | 16.8 | 16.8 | 15.1 | 15.0 | 15.0 |
| Dividend payout (%)    | 20.1 | 25.0 | 25.0 | 25.0 | 25.0 |
| ROE (%)                | 31.7 | 29.9 | 26.1 | 25.1 | 23.6 |
| ROA (pretax %)         | 18.5 | 18.0 | 17.9 | 19.9 | 21.9 |

## Growth (%)

|                  |       |      |      |      |      |
|------------------|-------|------|------|------|------|
| Revenue          | 7.8   | 14.5 | 19.3 | 20.7 | 22.0 |
| EBITDA           | 18.9  | 17.2 | 10.5 | 24.4 | 21.7 |
| Normalised EPS   | -16.4 | 22.0 | 12.0 | 25.5 | 22.7 |
| Normalised FDEPS | -16.4 | 22.0 | 12.0 | 25.5 | 22.7 |

Source: Company data, Nomura estimates

## Cashflow statement (CNYmn)

| Year-end 31 Dec             | FY24    | FY25    | FY26F   | FY27F   | FY28F   |
|-----------------------------|---------|---------|---------|---------|---------|
| EBITDA                      | 15,706  | 18,414  | 20,350  | 25,321  | 30,812  |
| Change in working capital   | -6,009  | 1,473   | 6,101   | 191     | -1,778  |
| Other operating cashflow    | 2,372   | -2,969  | -9,893  | -2,804  | -1,167  |
| Cashflow from operations    | 12,068  | 16,918  | 16,559  | 22,708  | 27,866  |
| Capital expenditure         | -2,786  | -3,008  | -3,834  | -4,497  | -5,487  |
| Free cashflow               | 9,282   | 13,910  | 12,724  | 18,211  | 22,380  |
| Reduction in investments    | 0       | 0       | 0       | 0       |         |
| Net acquisitions            |         |         |         |         |         |
| Dec in other LT assets      | -810    | -899    | -738    | -798    |         |
| Inc in other LT liabilities | -1,099  | -689    | 0       | 0       |         |
| Adjustments                 | -8,067  | 1,646   | 2,242   | 738     | 798     |
| CF after investing acts     | 1,215   | 13,647  | 13,379  | 18,211  | 22,380  |
| Cash dividends              | -2,217  | -3,367  | -3,771  | -4,731  | -5,806  |
| Equity issue                |         |         |         |         |         |
| Debt issue                  | 897     | -2,713  | 570     | 0       | 0       |
| Convertible debt issue      |         |         |         |         |         |
| Others                      | 3,637   | -4,536  | 9,204   | 4,731   | 5,806   |
| CF from financial acts      | 2,317   | -10,616 | 6,003   | 0       | 0       |
| Net cashflow                | 3,532   | 3,031   | 19,382  | 18,211  | 22,380  |
| Beginning cash              | 16,267  | 19,799  | 22,831  | 42,213  | 60,424  |
| Ending cash                 | 19,799  | 22,831  | 42,213  | 60,424  | 82,804  |
| Ending net debt             | -10,722 | -17,343 | -36,851 | -55,062 | -77,442 |

## Balance sheet (CNYmn)

| As at 31 Dec               | FY24    | FY25    | FY26F   | FY27F   | FY28F   |
|----------------------------|---------|---------|---------|---------|---------|
| Cash & equivalents         | 19,799  | 22,831  | 42,213  | 60,424  | 82,804  |
| Marketable securities      |         |         |         |         |         |
| Accounts receivable        | 28,486  | 24,733  | 35,589  | 36,089  | 44,151  |
| Inventories                | 29,028  | 27,255  | 39,731  | 43,689  | 53,616  |
| Other current assets       | 17,836  | 20,609  | 16,038  | 17,360  | 18,791  |
| Total current assets       | 95,149  | 95,428  | 133,571 | 157,563 | 199,362 |
| LT investments             |         |         |         |         |         |
| Fixed assets               | 11,267  | 13,674  | 14,554  | 15,324  | 16,241  |
| Goodwill                   | 297     | 297     | 297     | 297     | 297     |
| Other intangible assets    | 1,122   | 1,231   | 1,295   | 1,321   | 1,348   |
| Other LT assets            | 7,239   | 8,049   | 8,948   | 9,685   | 10,483  |
| Total assets               | 115,074 | 118,679 | 158,664 | 184,190 | 227,731 |
| Short-term debt            | 4,214   | 2,422   | 2,279   | 2,279   | 2,279   |
| Accounts payable           | 36,757  | 36,636  | 54,631  | 60,073  | 73,722  |
| Other current liabilities  | 19,327  | 18,169  | 25,036  | 25,566  | 29,557  |
| Total current liabilities  | 60,298  | 57,228  | 81,945  | 87,917  | 105,558 |
| Long-term debt             | 4,863   | 3,065   | 3,083   | 3,083   | 3,083   |
| Convertible debt           |         |         |         |         |         |
| Other LT liabilities       | 9,714   | 8,615   | 7,926   | 7,926   | 7,926   |
| Total liabilities          | 74,875  | 68,908  | 92,954  | 98,926  | 116,567 |
| Minority interest          |         |         |         |         |         |
| Preferred stock            |         |         |         |         |         |
| Common stock               | 2,073   | 2,073   | 2,073   | 2,073   | 2,073   |
| Retained earnings          | 28,346  | 37,640  | 52,724  | 71,647  | 94,869  |
| Proposed dividends         |         |         |         |         |         |
| Other equity and reserves  | 9,779   | 10,058  | 10,913  | 11,544  | 14,221  |
| Total shareholders' equity | 40,199  | 49,772  | 65,710  | 85,264  | 111,164 |
| Total equity & liabilities | 115,074 | 118,679 | 158,664 | 184,190 | 227,731 |

## Liquidity (x)

|                |      |       |      |      |      |
|----------------|------|-------|------|------|------|
| Current ratio  | 1.58 | 1.67  | 1.63 | 1.79 | 1.89 |
| Interest cover | 50.9 | 433.8 | 29.3 | 53.3 | 53.6 |

## Leverage

|                     |          |          |          |          |          |
|---------------------|----------|----------|----------|----------|----------|
| Net debt/EBITDA (x) | net cash | net cash | net cash | net cash | net cash |
| Net debt/equity (%) | net cash | net cash | net cash | net cash | net cash |

## Per share

|                    |       |       |       |       |       |
|--------------------|-------|-------|-------|-------|-------|
| Reported EPS (CNY) | 5.32  | 6.49  | 7.28  | 9.13  | 11.20 |
| Norm EPS (CNY)     | 5.32  | 6.49  | 7.28  | 9.13  | 11.20 |
| FD norm EPS (CNY)  | 5.32  | 6.49  | 7.28  | 9.13  | 11.20 |
| BVPS (CNY)         | 19.39 | 24.01 | 31.69 | 41.13 | 53.62 |
| DPS (CNY)          | 1.07  | 1.62  | 1.82  | 2.28  | 2.80  |

## Activity (days)

|                 |       |       |       |       |       |
|-----------------|-------|-------|-------|-------|-------|
| Days receivable | 133.5 | 108.9 | 103.4 | 101.8 | 93.7  |
| Days inventory  | 194.2 | 169.0 | 165.6 | 170.8 | 163.3 |
| Days payable    | 246.0 | 220.3 | 225.7 | 234.9 | 224.5 |
| Cash cycle      | 81.8  | 57.5  | 43.4  | 37.7  | 32.4  |

Source: Company data, Nomura estimates

## Company profile

Sungrow Power Supply is a top-tier power control system and energy storage vendor in China, with major product being PV inverter, energy storage equipment, and solar EPC.

## Valuation Methodology

We use P/E method to value Sungrow and our TP of CNY120 is based on 16x 2026F P/E, largely in-line with its historical average at 17x, which is supported by solid ESS volume growth in 2026F but capped by declining gross margins. The benchmark index is CSI300.

## Risks that may impede the achievement of the target price

Upside risks include: 1) faster ESS development in data center clients; 2) better gross margins due to stable battery prices. Downside risks include: 1) policy headwinds for ESS business; 2) softening utility-scale project demand.

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## ESG

Sungrow fits the ESG theme since it is one of leading solar inverter companies, helping generate renewable energy with low consumption costs.

# Appendix A-1

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| Issuer                          | Ticker    | Price      | Price date  | Stock rating | Sector rating | Disclosures |
|---------------------------------|-----------|------------|-------------|--------------|---------------|-------------|
| Sungrow Power Supply            | 300274 CH | CNY 131.39 | 27-Apr-2026 | Neutral      | N/A           |             |
| Contemporary Amperex Technology | 300750 CH | CNY 434.88 | 27-Apr-2026 | Buy          | N/A           | A10,A35     |

A10 The Nomura Group is a registered market maker in the securities / related derivatives of the issuer.

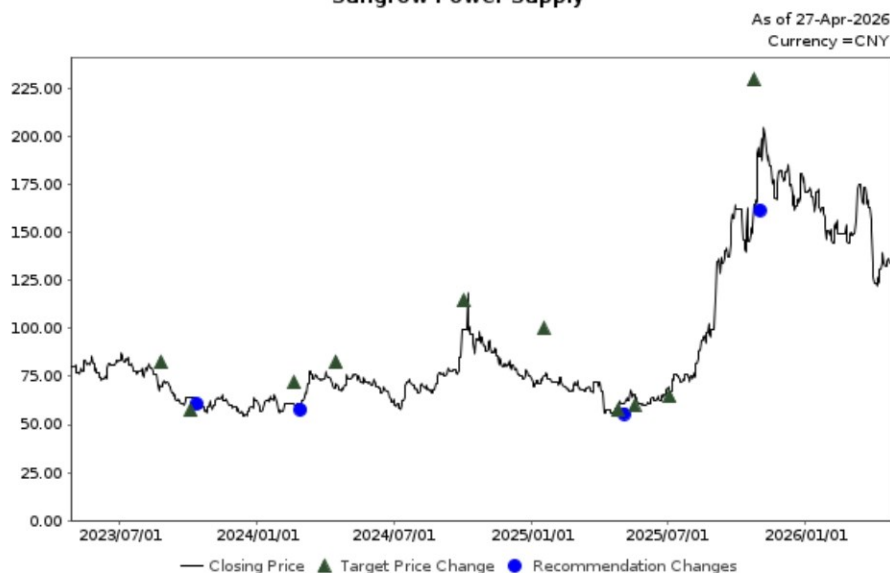
A35 The Nomura Group beneficially owns 1% or more financial interest in the subject company.

### Sungrow Power Supply (300274 CH)

CNY 131.39 (27-Apr-2026) Neutral (Sector rating: N/A)

Rating and target price chart (three year history)

#### Sungrow Power Supply



| Date      | Rating  | Target price | Closing price |
|-----------|---------|--------------|---------------|
| 24-Oct-25 | Buy     |              | 165.00        |
| 24-Oct-25 |         | 230.00       | 165.00        |
| 04-Jul-25 |         | 65.00        | 67.70         |
| 18-May-25 |         | 60.00        | 65.31         |
| 26-Apr-25 | Neutral |              | 58.82         |
| 26-Apr-25 |         | 58.00        | 58.82         |
| 17-Jan-25 |         | 100.00       | 75.05         |
| 02-Oct-24 |         | 115.00       | 99.58         |
| 15-Apr-24 |         | 82.97        | 71.24         |
| 19-Feb-24 | Buy     |              | 60.99         |
| 19-Feb-24 |         | 72.15        | 60.99         |
| 04-Oct-23 | Neutral |              | 63.94         |
| 04-Oct-23 |         | 57.72        | 63.94         |
| 25-Aug-23 |         | 82.97        | 70.13         |

Source: LSEG, Nomura

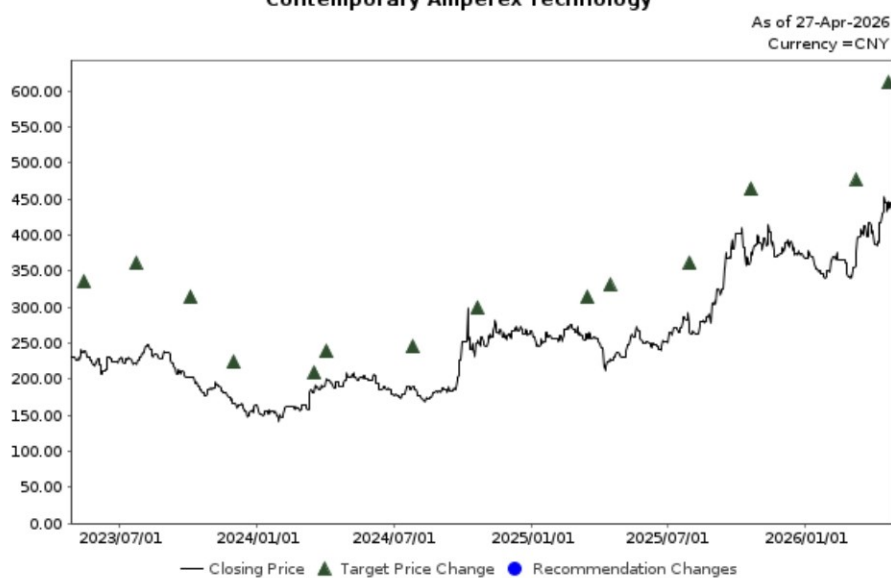
For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** We use P/E method to value Sungrow and our TP of CNY120 is based on 16x 2026F P/E, largely in-line with its historical average at 17x, which is supported by solid ESS volume growth in 2026F but capped by declining gross margins. The benchmark index is CSI300.

**Risks that may impede the achievement of the target price** Upside risks include: 1) faster ESS development in data center clients; 2) better gross margins due to stable battery prices. Downside risks include: 1) policy headwinds for ESS business; 2) softening utility-scale project demand.

**Contemporary Amperex Technology (300750 CH)****CNY 434.88 (27-Apr-2026) Buy** (Sector rating: N/A)

Rating and target price chart (three year history)

**Contemporary Amperex Technology**

| Date      | Rating | Target price | Closing price |
|-----------|--------|--------------|---------------|
| 22-Apr-26 |        | 612.00       | 436.35        |
| 10-Mar-26 |        | 476.00       | 376.30        |
| 20-Oct-25 |        | 465.00       | 366.50        |
| 31-Jul-25 |        | 362.00       | 264.62        |
| 15-Apr-25 |        | 331.00       | 228.15        |
| 16-Mar-25 |        | 315.00       | 262.00        |
| 20-Oct-24 |        | 300.00       | 249.89        |
| 26-Jul-24 |        | 246.00       | 189.35        |
| 02-Apr-24 |        | 240.00       | 199.70        |
| 17-Mar-24 |        | 210.00       | 181.00        |
| 30-Nov-23 |        | 225.00       | 167.00        |
| 04-Oct-23 |        | 315.00       | 203.03        |
| 23-Jul-23 |        | 361.00       | 221.59        |
| 15-May-23 |        | 336.00       | 238.29        |

For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** Our TP of CNY612.00 is based on 25x of 2027F EPS of CNY24.47, which implies 1.25x FY27F PEG based on FY26-28F earnings CAGR of 20%. The benchmark index is CSI300.

**Risks that may impede the achievement of the target price** Downside risks: 1) stronger-than-expected raw material price hike; 2) slower-than-expected shipments to global OEMs; and 3) intensified competition in both China and overseas markets.

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As at 31 March 2026.

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\*\* As defined by the EU Market Abuse Regulation

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analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

## STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/m/Disclosures>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

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## Target Price

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