Goldman Sachs Research

Equity Research

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# CR Micro (688396.SS): Expanding to AI server power supply and optical module with 12’’ capacity ramping up

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We remain positive on CR Micro’s revenue growth and GM improvement ahead, supported by its 12” production line capacity ramp up, solid utilization rate, and the price increase announced in Feb 2026. Management mentioned that CR Micro is leveraging its IDM business model to capture the rising demand in emerging markets (link), such as AI server power supply components, low-altitude economy, robots, etc. For AI server power supply components, CR Micro covers PSU, HVDC, SST, IBC, POL, etc, offering total solutions of power devices and modules, which is expected to have a rising contribution in coming years, in management’s view. CR Micro is also collaborating with a leading optical module player to develop next generation optical module power driver modules, with mass production expected in the second half of 2026, leveraging the company’s high density PoP packaging technology. Overall, we are positive on CR Micro riding on the demand uptrend of power semis industry, along with the GM recovery, driving its earnings growth ahead, while we maintain the Sell rating on CR Micro’s stretched valuation and a competitive power semis market. We roll over our base year to 2027E, introduce our 2028E estimates, and raise our 12M TP to Rmb42.69.

**Earnings revision:** We factor in CR Micro’s 4Q25 and 1Q26 results and raise our 2026-27E net incomes by 1% / 5%, mainly on higher revenues and GMs. We raise our 2026-27E revenues by 6% / 9%, reflecting the company’s expansion to AI server, optical module, robots, etc. Our 2026-27E GMs are revised up by 0.3~0.6ppts, considering CR Micro’s GM beat in 1Q26 driven by product price increase and high utilization rate of foundries. We raise our 2026-27E R&D expense to reflect the company’s expansion to AI related end products (e.g. AI server, optical module). We introduce our 2028E estimate.

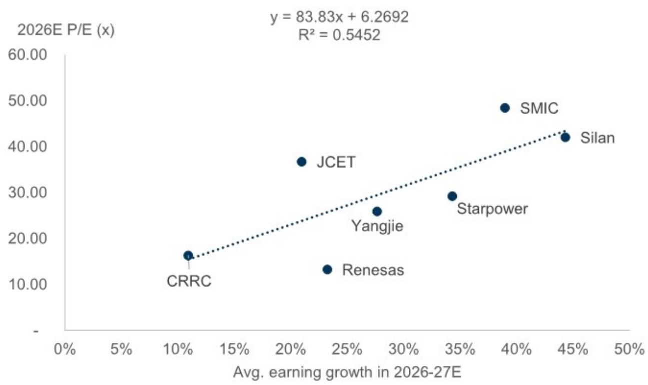
**Exhibit 1: Earnings revisions, we introduce 2028E estimates**

| | 2026E | | | 2027E | | | 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| (Rmb mn) | New | Old | Diff | New | Old | Diff | New | Old | Diff |
| Revenue | 13,235 | 12,470 | 6% | 14,808 | 13,634 | 9% | 17,444 | | |
| Gross profit | 3,692 | 3,436 | 7% | 4,229 | 3,805 | 11% | 5,125 | | |
| Operating income | 1,563 | 1,411 | 11% | 2,043 | 1,721 | 19% | 2,931 | | |
| Net income | 1,476 | 1,457 | 1% | 1,797 | 1,711 | 5% | 2,490 | | |
| **Margins** | | | | | | | | | |
| Gross margin | 27.9% | 27.6% | 0.3ppts | 28.6% | 27.9% | 0.6ppts | 29.4% | | |
| Operating margin | 11.8% | 11.3% | 0.5ppts | 13.8% | 12.6% | 1.2ppts | 16.8% | | |
| Net margin | 11.2% | 11.7% | -0.5ppts | 12.1% | 12.5% | -0.4ppts | 14.3% | | |

Source: Goldman Sachs Global Investment Research

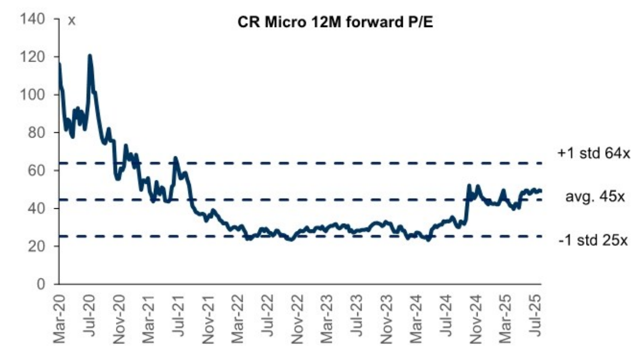
**Valuation:** We roll over our base year to 2027E and continue to derive our 12M TP based on near-term P/E. Our 2027E target P/E is updated to 31.5x (vs. old TP implied 2027E P/E at 29.0x), which is derived from the refreshed peers' correlation of forward trading P/E and EPS growth, reflecting the re-rating on power semiconductor given the rising applications in AI data centers. With our updated earnings estimates and target multiple, our 12M TP is raised at Rmb42.69 (vs. Rmb37.46 previously). Our target P/E is still between the company's historical avg. and avg. -1stv. forward trading P/E, considering the competitive power semis market. Maintain Sell.

**Exhibit 2: CR Micro's peers: avg. NI growth in 2027E-28E and 2027E P/E**




Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

**Exhibit 3: CR Micro 12M forward P/E**




Source: Refinitiv Eikon

**Exhibit 4: CR Micro P&L summary**

| (Rmb m) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26E | 3Q26E | 4Q26E | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 2,355 | 2,863 | 2,851 | 2,985 | 2,857 | 3,253 | 3,520 | 3,605 | 10,060 | 9,901 | 10,119 | 11,054 | 13,235 | 14,808 | 17,444 |
| Gross profit | 596 | 743 | 795 | 783 | 728 | 879 | 1,026 | 1,058 | 3,694 | 3,190 | 2,752 | 2,916 | 3,692 | 4,229 | 5,125 |
| Operating expense | 474 | 465 | 525 | 556 | 473 | 502 | 564 | 590 | 1,733 | 2,060 | 1,932 | 2,020 | 2,129 | 2,186 | 2,194 |
| Operating income | 121 | 278 | 270 | 227 | 256 | 377 | 462 | 468 | 1,961 | 1,130 | 820 | 896 | 1,563 | 2,043 | 2,931 |
| Net income | 83 | 256 | 187 | 135 | 330 | 331 | 396 | 420 | 2,617 | 1,479 | 762 | 661 | 1,476 | 1,797 | 2,490 |
| EPS (Rmb) | 0.06 | 0.19 | 0.14 | 0.10 | 0.25 | 0.25 | 0.30 | 0.32 | 1.98 | 1.12 | 0.58 | 0.50 | 1.11 | 1.35 | 1.88 |
| **Margins / ratio** | | | | | | | | | | | | | | | |
| Gross margin | 25.3% | 25.9% | 27.9% | 26.2% | 25.5% | 27.0% | 29.2% | 29.4% | 36.7% | 32.2% | 27.2% | 26.4% | 27.9% | 28.6% | 29.4% |
| Opex ratio | 20.1% | 16.2% | 18.4% | 18.6% | 16.5% | 15.4% | 16.0% | 16.4% | 17.2% | 20.8% | 19.1% | 18.3% | 16.1% | 14.8% | 12.6% |
| Operating margin | 5.1% | 9.7% | 9.5% | 7.6% | 8.9% | 11.6% | 13.1% | 13.0% | 19.5% | 11.4% | 8.1% | 8.1% | 11.8% | 13.8% | 16.8% |
| Net margin | 3.4% | 9.7% | 7.9% | 4.7% | 13.7% | 12.0% | 13.5% | 14.1% | 26.4% | 17.0% | 7.9% | 6.5% | 13.4% | 14.7% | 17.7% |
| **QoQ** | | | | | | | | | | | | | | | |
| Revenue | -11% | 22% | 0% | 5% | -4% | 14% | 8% | 2% | | | | | | | |
| Gross profit | -18% | 25% | 7% | -1% | -7% | 21% | 17% | 3% | | | | | | | |
| Operating income | -54% | 130% | -3% | -16% | 13% | 48% | 23% | 1% | | | | | | | |
| Net income | -68% | 207% | -27% | -28% | 144% | 0% | 20% | 6% | | | | | | | |
| EPS | -68% | 207% | -27% | -28% | 144% | 0% | 20% | 6% | | | | | | | |
| **YoY** | | | | | | | | | | | | | | | |
| Revenue | 11% | 8% | 5% | 13% | 21% | 14% | 23% | 21% | 9% | -2% | 2% | 9% | 20% | 12% | 18% |
| Gross profit | 6% | 7% | 3% | 8% | 22% | 18% | 29% | 35% | 13% | -14% | -14% | 6% | 27% | 15% | 21% |
| Operating income | 56% | 27% | 3% | -13% | 111% | 35% | 71% | 107% | 3% | -42% | -27% | 9% | 74% | 31% | 43% |
| Net income | 151% | 3% | -15% | -49% | 297% | 29% | 112% | 211% | 15% | -43% | -48% | -13% | 124% | 22% | 39% |
| EPS | 150% | 3% | -15% | -49% | 296% | 29% | 112% | 211% | 12% | -43% | -49% | -14% | 124% | 22% | 39% |

Source: Company data, Goldman Sachs Global Investment Research

**Price Target Risks and Methodology - CR Micro**

**Valuation methodology:** Our 12-month target price of **Rmb42.69** is based on 31.5x 2027E P/E. Our target multiple is derived from sector P/E and earnings growth correlation. Our target P/E is within CR Micro's historical trading range.

**Key risks** include: 1) Better-than-expected ASP trend among MOSFET, IGBT, SiC; 2) faster-than-expected new design wins and market share gains; 3) faster-than-expected new product (IGBT and power IC) development progress; 4) fewer entrants within IGBT/

SiC space, which helps to reduce the competition.

| 688396.SS | 12m Price Target: **Rmb42.69** | Price: **Rmb67.68** | Downside: **36.9%** |
|---|---|---|---|

**Sell**

Market cap: Rmb89.6bn / $13.2bn
Enterprise value: Rmb81.2bn / $12.0bn
3m ADTV: Rmb1.7bn / $249.8mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

## GS Forecast

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| **Revenue (Rmb mn) New** | **11,053.8** | **13,235.1** | **14,808.4** | **17,444.2** |
| Revenue (Rmb mn) Old | 11,092.9 | 12,470.3 | 13,634.4 | – |
| EBITDA (Rmb mn) | 2,149.4 | 3,116.3 | 3,689.6 | 4,630.8 |
| **EPS (Rmb) New** | **0.50** | **1.11** | **1.35** | **1.88** |
| EPS (Rmb) Old | 0.69 | 1.10 | 1.29 | – |
| P/E (X) | 97.8 | 60.9 | 50.0 | 36.1 |
| P/B (X) | 2.8 | 3.7 | 3.5 | 3.2 |
| Dividend yield (%) | 0.2 | 0.3 | 0.3 | 0.4 |
| CROCI (%) | 5.5 | 6.9 | 7.3 | 8.3 |

| | 3/26 | 6/26E | 9/26E | 12/26E |
|---|---|---|---|---|
| EPS (Rmb) | 0.25 | 0.25 | 0.30 | 0.32 |

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 9 Jun 2026 close.

# Disclosure Appendix

## Reg AC

We, Allen Chang, Verena Jeng and Yifan Hu, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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**Growth** is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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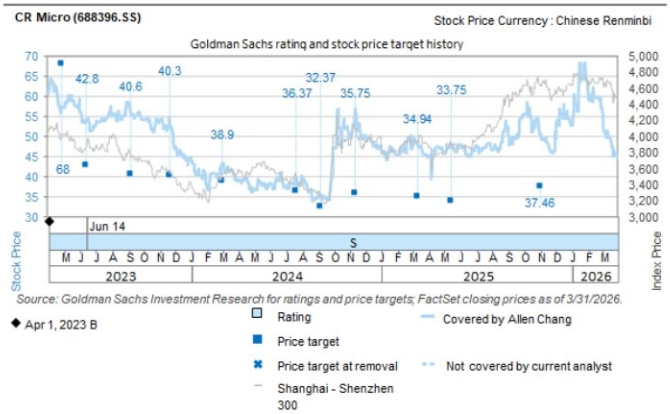


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## Target price history table(s)
### CR Micro (688396.SS)

| Date of report | Target price (Rmb) | Closing price (Rmb) |
|---|---|---|
| 02-Nov-25 | 37.46 | 50.74 |
| 16-May-25 | 33.75 | 47.99 |
| 12-Mar-25 | 34.94 | 47.85 |
| 12-Nov-24 | 35.75 | 56.13 |
| 06-Sep-24 | 32.37 | 35.30 |
| 22-Jul-24 | 36.37 | 39.98 |
| 02-Mar-24 | 38.90 | 43.38 |
| 23-Nov-23 | 40.30 | 52.51 |
| 08-Sep-23 | 40.60 | 55.43 |
| 14-Jun-23 | 42.80 | 53.82 |

Price targets shown in table(s) are unadjusted for corporate actions.

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