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Sungrow Power Supply (300274.SZ)

New SST Launch Today with Representatives from NVIDIA, Amazon and Microsoft Joining Event

CITI'S TAKE

Sungrow held its global launch event for its 10kV commercial Solid-State Transformer (SST) at its headquarters in Hefei, China today. This product is designed for usage at 800V high-voltage DC AI data centers with the advantages of simplified power supply architecture, high (98.5%) peak conversion efficiency, sophisticated intelligent features and good safety standards. Representatives from NVIDIA, Amazon and Microsoft have also joined the event. Sungrow has targeted to get grid safety certifications from Underwriters Laboratories ('UL') in the US by end 2026E to meet market access standards for AIDC (AI Data Center) facilities there. The company will provide samples for its potential customers to review in 2H26E when new orders are expected to receive and will be delivered in 2027E. We think this a positive share price driver for Sungrow in next 12 months. Sungrow's 13.6x 2027E PER looks inexpensive with 17% 2025-28E EPS CAGR.

Buy	
Catalyst Watch: Upside, expires 26-JUL-26	
Price (09 Jul 26 15:00)	Rmb124.010
Target price	Rmb185.000
Expected share price return	49.2%
Expected dividend yield	1.5%
Expected total return	50.6%
Market Cap	Rmb257,099M US$37,980M

China ESS & Solar Sector

Pierre Lau, CFA[AC]

Air Ma

New news – Sungrow held the global launch event for its 10kV commercial Solid-State Transformer (SST) themed "New Computing Infrastructure, Born for AI"—at its Hefei headquarters today. The company unveiled a comprehensive power supply solution featuring Silicon Carbide (SiC) SSTs designed for 800V high-voltage DC AI data centers. Sungrow introduced a new industry model of "immediate mass production and stock delivery" for this product, which is the first commercial medium-voltage SST in China to achieve grid-level certification and qualify for mass export to overseas computing centers.

New product development background – The project involved five years of continuous R&D with a capex over Rmb500m pa and involving 300 R&D specialists. The product development has leveraged on proprietary SiC high-frequency topology and high-frequency magnetic material technologies. Sungrow has targeted to get grid safety certifications from Underwiters Laboratories ('UL') in the US by end 2026E to meet market access standards for AIDC (AI Data Center) facilities there.

High product quality – The product quality looks high in view of (i) power supply architecture with direct conversion from 10-13.8kV AC to 800V DC, eliminating 2–3 stages of traditional transformer and rectification equipment found in conventional data centers; (ii) high peak conversion efficiency of 98.5% (around 3-5ppts above traditional transformers), with equipment volume being just one-third that of traditional oil-immersed transformers saving data center footprint by 70%; (iii) sophisticated intelligent features in term of software-programmable control, millisecond-level frequency and voltage regulation, and bidirectional energy flow; its energy storage and PV systems are supported by simultaneous integration; and (iv) high safety standards with oil-free design eliminating the risk of oil leaks and fires in

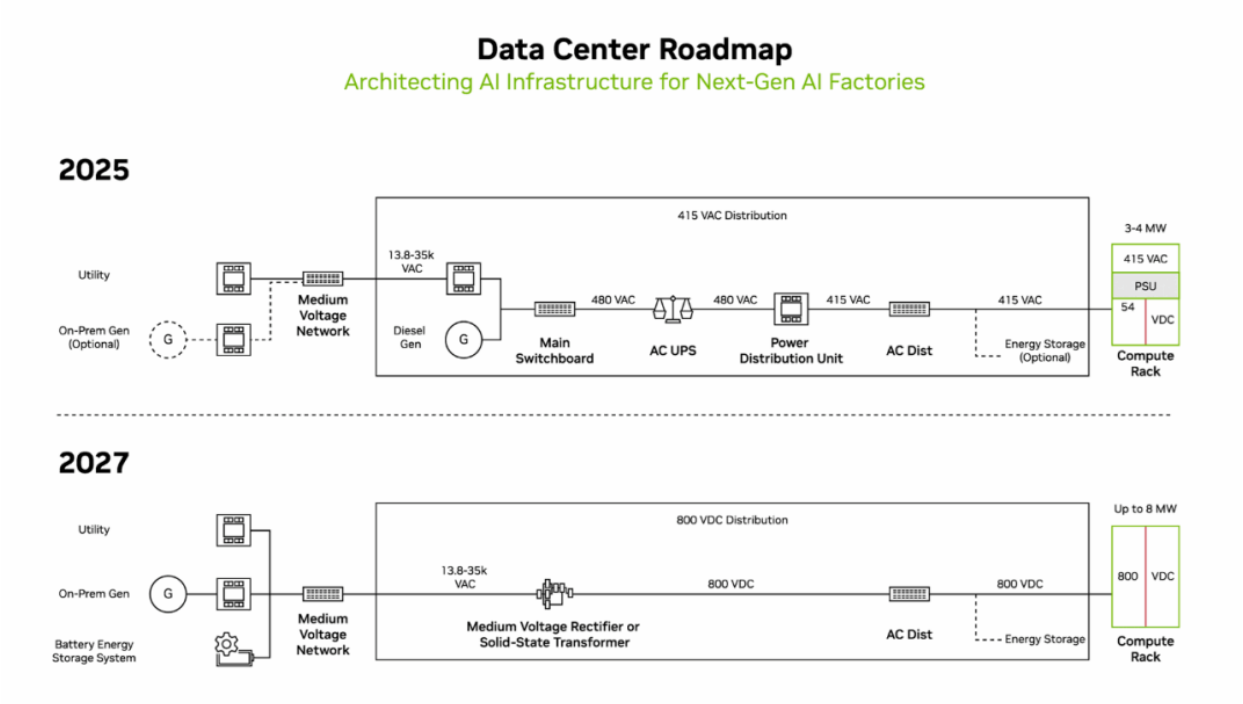
See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

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data centers, making it suitable for the enclosed environments of high-density super computing centers.

Much interest from US potential buyers – According to Sungrow, representatives from NVIDIA, Amazon and Microsoft have also joined the event in Anhui, China today. We believe that these American companies are interested in the new product. This product seems likely to target AI data centers initially, and could be subsequently expand into four additional application scenarios namely wind-solar-storage power stations, offshore wind power, DC micro-grids, and hydrogen electrolysis systems which would render more demands. We also expect this product to be cost competitive and with shorter lead time compared to supplier overseas.

Figure 1. AIDC Related Value Chain

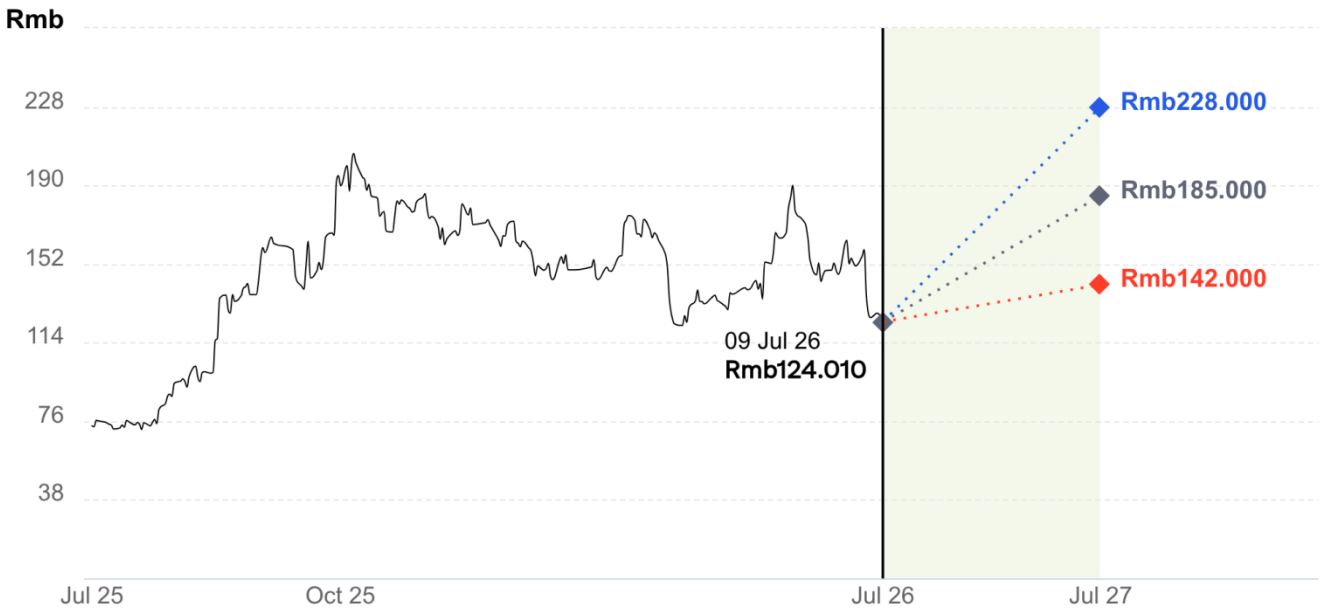


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Source: Citi Research

Bull/Bear: Sungrow Power Supply

Rmb 228.000	Rmb 185.000	Rmb 142.000
▲84% Upside	▲49% Upside	▲15% Upside



Spread 69pp
Current Price and expected returns (upside/downside) as of 09 Jul 2026

BULL Assumptions

- PV inverter shipment up 10%
- ESS shipment up 10%
- GP margin of ESS up 5ppts

BASE Assumptions

- PV inverter shipment of 146GW in 2026E
- ESS shipment up 50% yoy in 2026E
- GP margin of ES at 29% in 2026E

BEAR Assumptions

- PV inverter shipment down 10%
- ESS shipment down 10%
- GP margin of ESS down 5ppts

Sungrow Power Supply

Valuation

Our target price for Sungrow shares of Rmb185.0 is based on a DCF valuation, which we believe is appropriate because it captures the long-term potential returns of the company. We factor in earnings forecasts up to 2035E and terminal growth of 4%. Our WACC for Sungrow is 10.2%, which assumes: 1) a risk-free rate of 5.2%; 2) a market risk premium of 6.8%; 3) an equity beta of 1.1x; 4) a cost-of-debt of 3.9%; 5) a target debt-to-capital ratio of 30%; and 6) a 25.0% corporate tax rate. At our DCF-based target price, Sungrow would trade at 20.2x 2027E PE and 5.3x PB.

Risks

Key downside risks that could prevent Sungrow shares from reaching our target price include: (i) slower-than-expected solar installation that could accelerate Sungrow's PV inverter and EPC business growth; (ii) less-than-expected energy storage system demand from China and the overseas market; and (iii) intensification of overseas trade tensions that could lessen the exports of Sungrow's products.

