BERNSTEIN
SOCIETE GENERALE GROUP

8 August 2026

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China Semiconductors

Cambricon Technologies Corp Ltd

Rating

Outperform

Price Target

688256.CH **1,340.00 CNY** (2,000.00 *OLD*)

Cambricon 2Q26: Weak revenue growth but could be just quarterly fluctuation, profitability very strong

Cambricon released 2Q26 earnings on Aug 7th. 2Q revenue grew 75.8% YoY, weaker than our full year projection at 149% YoY. Profitability remain strong, GPM rising to 56.1%, NPM reached 41.7%, both better than expected. Amidst current weak sentiment, stock might react slightly negatively to the print. We believe this is just quarterly fluctuation in rev recognition, QoQ likely will accelerate in 2H26. **Maintain Outperform, PT unchanged but adjusted for stock split to CNY 1340**.

2Q26 revenue growth came in below expectation, likely just quarterly fluctuation. 2Q26 rev reached RMB3.11bn, up 75.8% YoY and 7.8% QoQ, below the pace implied by both our full-year forecast and consensus FY expectations. Weaker rev growth likely is just quarterly fluctuation, last year 2Q rev was higher than 3Q, and the cadence of revenue recognitions was high unpredictable.

2Q26 profitability remained strong from GPM to NPM. Gross margin improved to 56.1% in 2Q26, and OPM expanded to 41.4%, NPM to 41.7%. Operating profit and net profit grew 88% YoY and 90% YoY, outpacing revenue growth and demonstrating significant operating leverage. R&D intensity remained well controlled at c.12% of revenue, allowing earnings to scale rapidly. We believe the strong margin profile reflects favorable product mix, improving manufacturing efficiency and sustained pricing power in an undersupplied AI chip market.

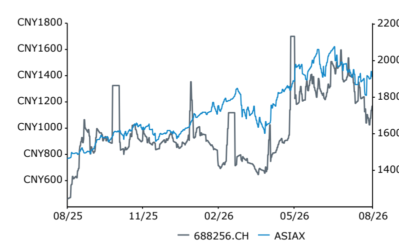
Advanced logic capacity expansion is accelerating and should gradually alleviate supply bottlenecks, while China AI chip demand remains robust. We expect China's advanced logic capacity to ramp quickly, providing increasing support for domestic AI chip production. Our industry model suggests China's AI chip supply will remain below demand throughout 2026-27 despite rapid capacity expansion, and gradually become more balanced thereafter. Against this backdrop, we expect demand from hyperscalers, telecom operators, internet platforms, SOEs and emerging AI service providers to remain strong, supported by China's ongoing AI capex cycle. As advanced-node capacity continues to ramp, Cambricon should be well positioned to convert strong demand into faster revenue growth over the coming years.

Close Date	7 Aug 2026
688256.CH Close Price (CNY)	1,199.93
Price Target (CNY)	1,340.00
Upside/(Downside)	12%
52-Week Range	1,620.00/449.66
ASIAX	1,909.27
FYE	Dec
Div Yield	0.1%
Market Cap (CNY) (M)	753,908
EV (CNY) (M)	752,725

Performance	YTD	1M	6M	12M
Absolute (%)	31.9	(15.1)	72.4	158.1
ASIAX (%)	16.7	(1.9)	10.9	29.6
Relative (%)	15.1	(13.2)	61.5	128.5

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Reported EPS	F25A	F26E	F27E
688256.CH (CNY)	**3.28**	**7.50**	**14.52**
OLD	--	11.17	21.63

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	6,497	16,150	32,284	--
Gross Margin (%)	55.2	55.4	55.2	--
Net Income Margin (%)	31.7	28.9	28.0	--

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	366.4	160.1	82.7

Source: Bloomberg, Bernstein estimates and analysis.

Investment Implications

We rate Cambricon **Outperform.**

The company completed a 49% capitalization issue in May 2026, increasing its total shares outstanding by 49%. As a result, our forecast EPS has been accordingly adjusted downward on a per-share basis, and our TP has been revised accordingly. There is no change to our net income projections or valuation multiple. The TP adjustment is therefore purely mechanical and does not imply any change in our earnings outlook or investment thesis.

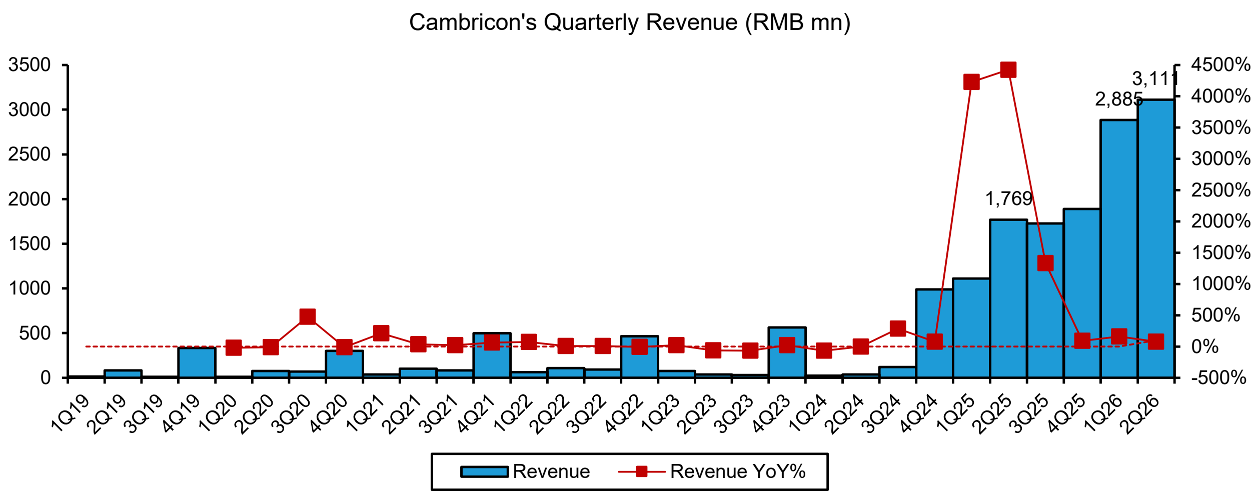
DETAILS

EXHIBIT 1: **2Q26: revenue growth is weaker than expectation, but profitability remains strong**

(RMB mn)	2Q26 Actual	1Q26 Actual	2Q25 Actual	QoQ	YoY	2026E Bernstein	2026E Consensus	Bern. Diff. vs. Consensus	Bern. YoY	Consensus YoY
Revenue	3,111	2,885	1,769	7.8%	75.8%	16,150	18,174	-11.1%	149%	180%
Gross Profit	1,745	1,567	989	11.4%	76.5%	8,944	9,839	-9.1%	150%	175%
GPM	*56.1%*	*54.3%*	*55.9%*	*177bps*	*22bps*	*55.4%*	*54.1%*	*124bps*	*23bps*	*-101bps*
Operating Profit	1,287	1,014	683	26.9%	88.4%	5,248	6,005	-12.6%	155%	191%
OPM	*41.4%*	*35.2%*	*38.6%*	*621bps*	*276bps*	*32.5%*	*33.0%*	*-54bps*	*77bps*	*131bps*
Net Income	1,298	1,013	683	28.1%	90.1%	4,674	5,798	-19.4%	127%	182%
NPM	*41.7%*	*35.1%*	*38.6%*	*659bps*	*313bps*	*28.9%*	*31.9%*	*-296bps*	*-275bps*	*21bps*
Recurring Net Income	1,231	934	637	31.8%	93.4%	*0.0%*	*0.0%*	*0bps*		
EPS (RMB)	2.07	1.61	1.11	28.5%	86.9%	7.50	10.19	-26.5%	127%	208%

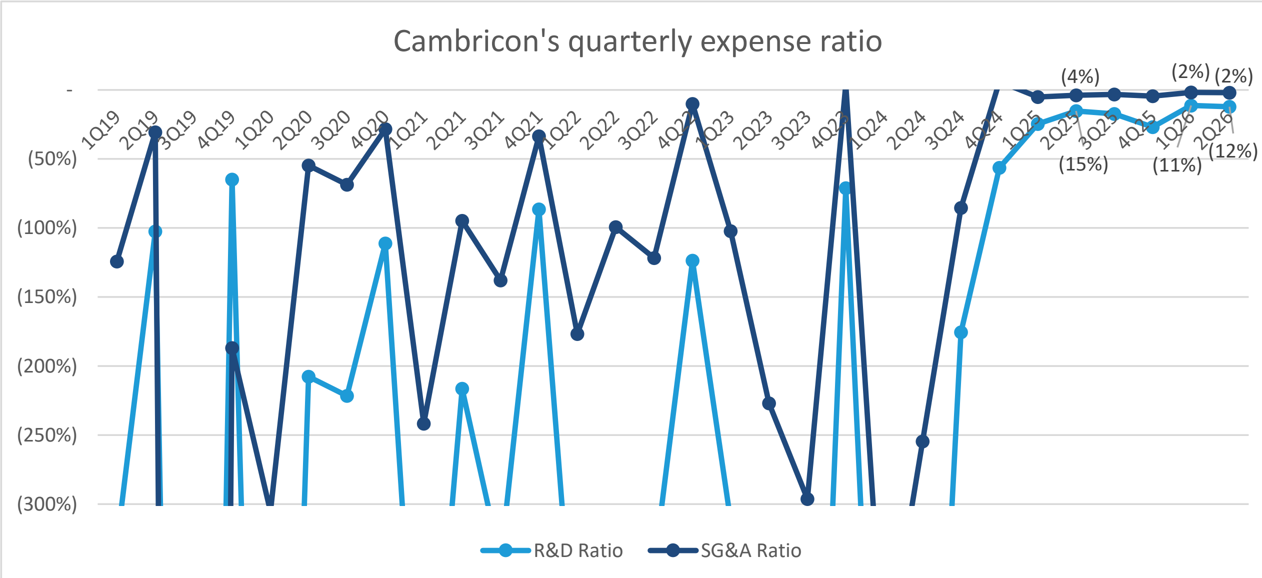
Source: Bloomberg, Company reports, Bernstein analysis and estimates

EXHIBIT 2: **Cambricon's 2Q26 revenue was RMB 3,111Mn, YoY+75.8%**



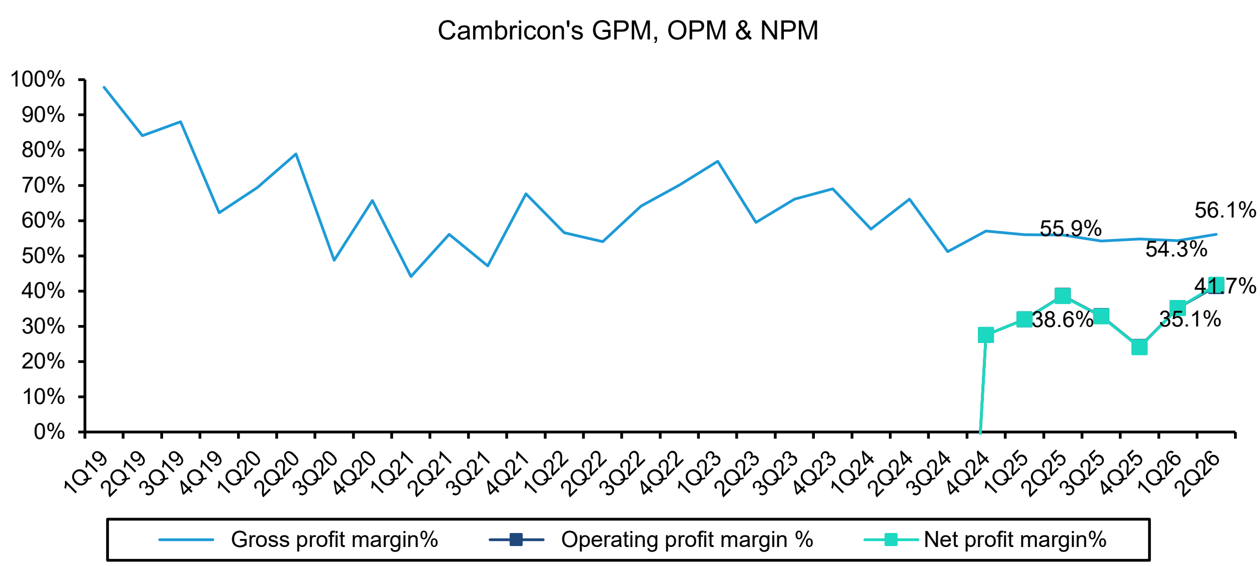
Source: company reports, Bernstein analysis

EXHIBIT 3: **2Q26 R&D to rev ratio further declined to 12%**



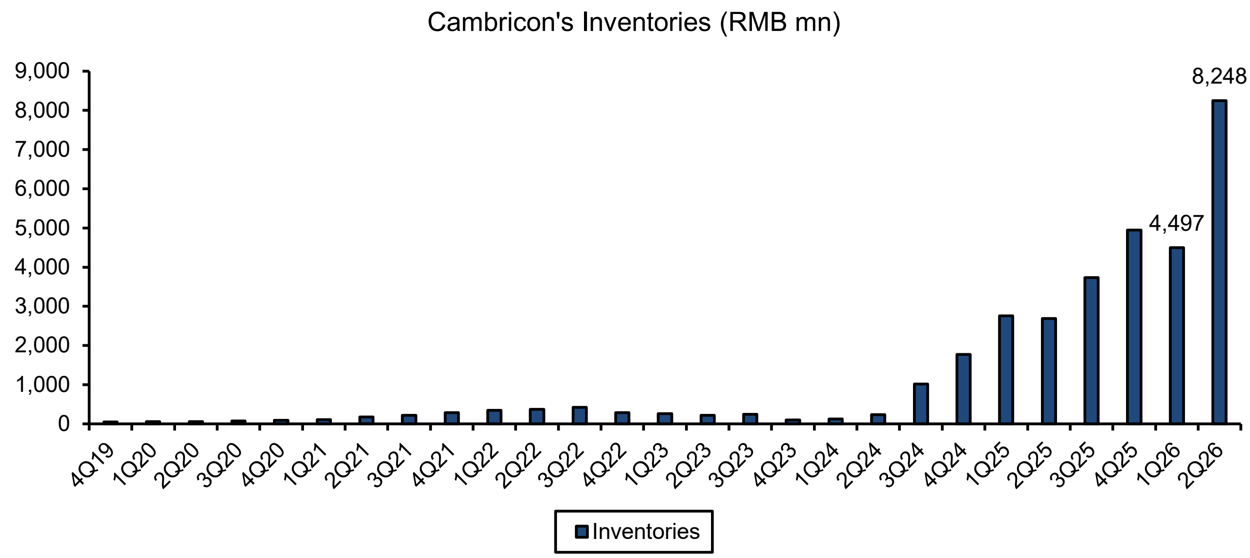
Source: company reports, Bernstein analysis

EXHIBIT 4: **Cambricon's 2Q26 GPM & NPM was 56.1% and 41.7%, respectively**



Source: company reports, Bernstein analysis

EXHIBIT 5: **Its inventories nearly double vs. the end of 1Q26**



Source: company reports, Bernstein analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 6: **Cambricon's income statement**

INCOME STATEMENT	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	**1,174**	**6,497**	**16,150**	**32,284**	**60,679**	**78,878**	**98,594**
Revenue YoY%	66%	453%	149%	100%	88%	30%	25%
Revenue QoQ%							
Quarterly revenue mix							
Cost of sales (enter as -)	(508)	(2,914)	(7,206)	(14,466)	(27,308)	(35,655)	(44,763)
Gross Profit	**666**	**3,583**	**8,944**	**17,818**	**33,371**	**43,223**	**53,831**
Gross profit margin%	*56.71%*	*55.15%*	*55.4%*	*55.2%*	*55.0%*	*54.8%*	*54.6%*
YoY Bp Δ	*-1245 bps*	*-156 bps*	*23 bps*	*-19 bps*	*-20 bps*	*-20 bps*	*-20 bps*
Selling Expenses	(70)	(68)	(323)	(969)	(1,820)	(2,366)	(2,958)
General & admin expenses	(181)	(198)	(484)	(969)	(1,820)	(2,366)	(2,958)
Total SG&A	**(251)**	**(266)**	**(807)**	**(1,937)**	**(3,641)**	**(4,733)**	**(5,916)**
Research and development expenses	(1,216)	(1,351)	(2,907)	(5,811)	(10,922)	(14,198)	(17,747)
Financial income / (expense)	19	(11)	18	62	76	176	339
Net income / (loss) from investment	23	9	--	--	--	--	--
Other gain / (loss)	303	97	--	--	--	--	--
Total operating expenses	**(1,122)**	**(1,522)**	**(3,696)**	**(7,686)**	**(14,487)**	**(18,755)**	**(23,323)**
Ratio analysis & assumptions							
Selling Expense Ratio	(6%)	(1%)	(2%)	(3%)	(3%)	(3%)	(3%)
Admin Expense Ratio	(15%)	(3%)	(3%)	(3%)	(3%)	(3%)	(3%)
SG&A Ratio	(21%)	(4%)	(5%)	(6%)	(6%)	(6%)	(6%)
R&D Ratio	(104%)	(21%)	(18%)	(18%)	(18%)	(18%)	(18%)
Financial expenses as % of beginning balance of net debt (annualized)	*(0%)*	*1%*	*(1%)*	*(3%)*	*(1%)*	*(1%)*	*(1%)*
Investment income as % of beginning balance of LT Investment (annualized)	10%	4%	-	-	-	-	-
Other gain / (loss) as of sales	*26%*	*1%*	-	-	-	-	-
Total Operating Expenses Ratio	*(96%)*	*(23%)*	*(23%)*	*(24%)*	*(24%)*	*(24%)*	*(24%)*
Operating profit	**(456)**	**2,061**	**5,248**	**10,132**	**18,885**	**24,468**	**30,507**
Operating profit margin %	*(38.8%)*	*31.7%*	*32.5%*	*31.4%*	*31.1%*	*31.0%*	*30.9%*
Non-operating activities	(0)	(2)	--	--	--	--	--
Pretax profit	**(456)**	**2,059**	**5,248**	**10,132**	**18,885**	**24,468**	**30,507**
Taxes (enter expense as -)	(1)	(1)	(525)	(1,013)	(1,888)	(2,447)	(3,051)
Effective tax rate	*0.3%*	*(0.0%)*	*(10.0%)*	*(10.0%)*	*(10.0%)*	*(10.0%)*	*(10.0%)*
Net Profit	**(457)**	**2,059**	**4,723**	**9,118**	**16,996**	**22,021**	**27,456**
Loss/(gain) attributable to the noncontrolling inte	(5)	(1)	49	66	210	219	270
Minority interest as % of net profit	1.0%	(0.0%)	1.0%	0.7%	1.2%	1.0%	1.0%
Net Profit	**(452)**	**2,059**	**4,674**	**9,053**	**16,787**	**21,802**	**27,187**
Net profit margin%	*(38.5%)*	*31.7%*	*28.9%*	*28.0%*	*27.7%*	*27.6%*	*27.6%*
Net Proft YoY	*47%*	*555%*	*127%*	*94%*	*85%*	*30%*	*25%*
Basic EPS	(0.73)	3.31	7.56	14.63	27.13	35.24	43.94
Diluted EPS	(0.73)	3.28	7.50	14.52	26.92	34.96	43.59
Check with reported	--	--					
Check quarterly with semi-annual							
Dividends	618	629	--	--	--	--	--
DPS	1.00	1.00	--	--	--	--	--
% payout ratio	*(137%)*	*31%*	-	-	-	-	-
Basic shares outstanding	618	622	619	619	619	619	619
Impact of dilutive securities	-	6	5	5	5	5	5
Diluted shares outstanding	618	629	624	624	624	624	624

Source: Bloomberg, Bernstein analysis and estimates

EXHIBIT 7: **Cambricon's balance sheet**

BALANCE SHEET	2024	2025	2026E	2027E	2028E	2029E	2030E
Assets							
Cash & equivalents	1,986	1,317	2,372	6,241	14,991	30,348	50,651
Financial assets held for trading	760	4,261	700	700	700	700	700
Accounts & other receivables, prepayments	1,108	1,431	5,702	9,328	14,612	18,995	23,744
Inventories	1,774	4,944	2,766	4,630	6,993	9,131	11,464
Other current assets	172	127	1,797	3,590	6,747	8,771	10,963
Total current assets	**5,800**	**12,080**	**13,337**	**24,489**	**44,044**	**67,946**	**97,522**
	0		--	--	--	--	--
Total PP&E, intangible assets, ROU and inves	580	743	583	639	646	651	661
Long-term equity investment	247	300	244	244	244	244	244
Goodwill	--	--	--	--	--	--	--
Other non-current assets	91	315	282	282	282	282	282
Total non-current assets	**917**	**1,357**	**1,109**	**1,165**	**1,171**	**1,177**	**1,186**
Total assets	**6,718**	**13,438**	**14,446**	**25,654**	**45,215**	**69,123**	**98,708**
	0	0					
Liabilities and Shareholder's Equity							
Accounts payables and other payables	705	1,318	1,383	3,241	5,245	6,848	8,598
Short-term borrowings	100	--	100	100	100	100	100
Contract Liabilities	1	1	248	465	976	1,227	1,571
Other current liabilities	12	14	28	57	107	139	174
Total Current Liabilities	**818**	**1,333**	**1,760**	**3,863**	**6,428**	**8,314**	**10,443**
		0	-	-	-	-	-
Long-term borrowings	--	--	--	--	--	--	--
Other non-current liabilities	469	261	225	225	225	225	225
Total Non Current Liabilities	**469**	**261**	**225**	**225**	**225**	**225**	**225**
Total liabilities	**1,287**	**1,594**	**1,985**	**4,088**	**6,653**	**8,539**	**10,668**
			-	-	-	-	-
Capital Reserve & Additional Add-in Capital	10,226	11,692	10,250	10,237	10,237	10,237	10,237
Less: Treasury Stock	(130)	(20)	(123)	(123)	(123)	(123)	(123)
Retained earnings / (accumulated deficit)	(4,673)	164	2,237	11,289	28,076	49,878	77,065
Other comprehensive income / (loss)	--	--	--	--	--	--	--
Other equity tools	--	--	--	--	--	--	--
Total Shareholders Equity	**5,423**	**11,836**	**12,363**	**21,403**	**38,190**	**59,992**	**87,179**
Minority shareholders' interest	8	7	97	163	372	591	861
Total Equity	**5,430**	**11,843**	**12,460**	**21,566**	**38,562**	**60,583**	**88,040**
Total Liabilities & Equity	**6,718**	**13,438**	**14,446**	**25,654**	**45,215**	**69,122**	**98,708**

Source: Bloomberg, Bernstein analysis and estimates

EXHIBIT 8: **Cambricon's cash flow statement**

CASH FLOW STATEMENT	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net Income	(457)	2,059	4,723	9,118	16,996	22,021	27,456
Depreciation and Amortization	209	285	296	307	333	333	337
Others	191	199	--	--	--	--	--
Net working capital	*1,866*	*4,907*	*8,380*	*13,560*	*21,799*	*28,458*	*35,602*
Change in net working capital	**(1,561)**	**(3,041)**	**(3,472)**	**(5,180)**	**(8,239)**	**(6,658)**	**(7,144)**
Change in net working capital (reported)	(1,263)	(3,019)					
Cash from operating activities	**(1,618)**	**(498)**	**1,547**	**4,245**	**9,089**	**15,696**	**20,649**
Net capex	(366)	(569)	(302)	(363)	(339)	(339)	(347)
Cash paid for equity investment	(17)	(53)	56	--	--	--	--
Other investments	(29)	(3,909)	--	--	--	--	--
Cash from investing activities	**(411)**	**(4,530)**	**(246)**	**(363)**	**(339)**	**(339)**	**(347)**
Change in debt	100	(100)	--	--	--	--	--
Change in equity	232	1,466	(1,442)	(13)	--	--	--
Cash Paid for Distribution of Dividends, Profit ar	(0)	(4)	--	--	--	--	--
Other Cash Paid Related to Financing Activities	(284)	2,624	--	--	--	--	--
Cash from financing activities	**48**	**3,986**	**(1,442)**	**(13)**	**--**	**--**	**--**
Exchange Gains (losses) on Net Cash	(0)	(0)	--	--	--	--	--
Net change in cash during period	**(1,981)**	**(1,043)**	**(142)**	**3,869**	**8,750**	**15,357**	**20,303**

Source: Bloomberg, Bernstein analysis and estimates

BERNSTEIN TICKER TABLE

I. REQUIRED DISCLOSURES

References to "Bernstein" or the "Firm" in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK（サンフォード・C・バーンスタイン株式会社）and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

Bernstein is part of a joint venture between Société Générale (SG) and AllianceBernstein, L.P. (AB). Unless specifically noted otherwise, for purposes of these disclosures, references to Bernstein's "affiliates" relate to both SG and AB and their respective affiliates.

VALUATION METHODOLOGY

Cambricon Technologies Corp Ltd

For Cambricon (PT of CNY 1340), we apply a 91.5x Price to EPS (P/E) multiple at 2027 EPS of 14.52 RMB.

RISKS

Cambricon Technologies Corp Ltd

Downside risks:

- Failure to commercialize next-gen AI chips or secure sufficient domestic advanced node production capacity may lead to severe de-rating;
- Cambricon may lose market share due to increased competition from other emerging AI chip suppliers in the domestic market;
- Given Cambricon is on the Entity List, the US and its Western allies may continue to impose increasingly stringent sanctions on the company.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

Coverage Suspended: Coverage of a company under the Bernstein research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

- Outperform (OP): Stock will outpace the relevant index by more than 10 pp
- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
- Underperform (UP): Stock will trail the performance of the relevant index by more than 10 pp

Coverage Suspended: Coverage of a company under the Autonomous research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

Not Covered (NC) denotes companies that are not under coverage.

Autonomous brand common stock ratings are based on a 12-month time horizon.

Autonomous brand – preferred stocks

The Autonomous brand has three categories of preferred stock ratings:

- Outperform (OP): The total return of the preferred instrument is expected to outperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Neutral (N): The total return of the preferred instrument is expected to perform in line with preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous preferred stock ratings are based on a 6-month time horizon.

AUTONOMOUS CREDIT RESEARCH

Where this report contains investment recommendations for credit instruments, as defined in article 3(1)(35) of the Market Abuse Regulation, the information below is presented to comply with its disclosure requirements.

The report may also include reference(s) to published opinions by other Autonomous or Bernstein analysts covering the equity securities of the issuer(s) referenced herein. Please note an investment recommendation for credit instruments published by the author(s) of this report may differ from the published view of the analyst covering equity securities for the issuer(s) contained in this report and vice versa.

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CREDIT RATINGS DEFINITIONS

The Autonomous brand has three categories of credit ratings:

- Credit Outperform (C-OP): The total return of the Reference Credit Instrument is expected to outperform the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.
- Credit Neutral (C-N): The total return of the Reference Credit Instrument is expected to perform in line with the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.
- Credit Underperform (C-UP): The total return of the Reference Credit Instrument is expected to underperform the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous credit ratings are based on a 6-month time horizon.

A list of all investment recommendations produced by the author(s) of this report alongside credit ratings history are available upon request.

It is at the sole discretion of the Firm as to when to initiate, update and cease research coverage. The Firm has established, maintains and relies on information barriers to control the flow of information contained in one or more areas (i.e. the private side) within the Firm, and into other areas, units, groups or affiliates (i.e. public side) of the Firm

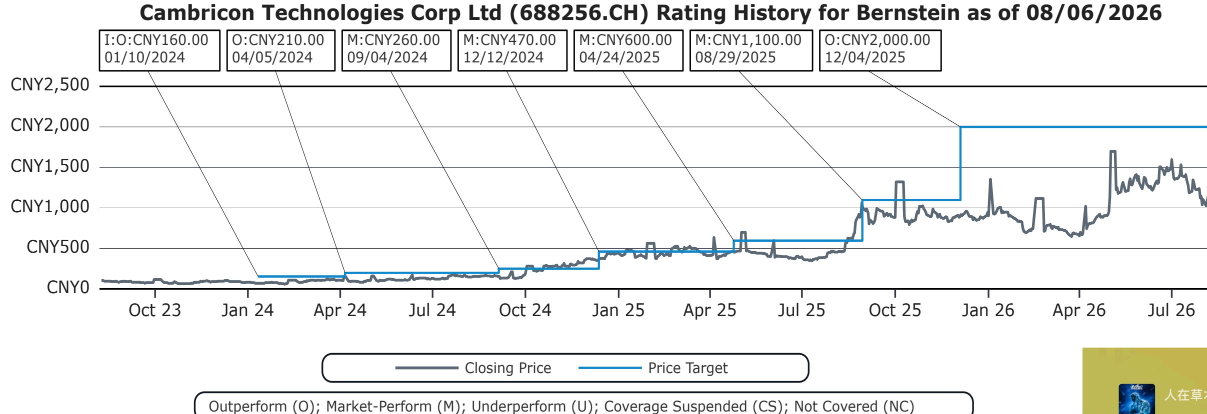
DISTRIBUTION OF EQUITY RATINGS/INVESTMENT BANKING SERVICES

Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	51.2%	15.3%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.8%	16.2%
Underperform	SELL	13.1%	13.6%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
As of June 30, 2026. All figures are updated quarterly.

PRICE CHARTS / RATINGS AND PRICE TARGET HISTORY

Cambricon Technologies Corp Ltd (688256.CH) Rating History for Bernstein as of 08/06/2026



All price target and closing price data in the chart(s) above are denominated in the currency noted in the Ticker Ta

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