on 14-Aug-2026

BERNSTEIN
SOCIETE GENERALE GROUP

14 August 2026


Qingyuan Lin, Ph.D.
+852 2123 2654
qingyuan.lin@bernsteinsg.com


Kai Zhang
+852 2123 2665
kai.zhang@bernsteinsg.com


Francis Ma
+852 2123 2626
francis.ma@bernsteinsg.com

China Semiconductors

Semiconductor Manufacturing International Corp

Rating

Outperform

Price Target

981.HK	**120.00 HKD**
688981.CH	**220.00 CNY**

SMIC 2Q26: Strong beat across the board, AI related demand keeps capacity tight

SMIC released 2Q26 earnings on Aug 13th, 2026, with a strong beat across the board by revenue, GPM, OPM to NPM, driven by growing capacity, better UT, and higher ASP. Management remains constructive into 2H and 2027 on overall demand and hinted that they will continue to add new capacity given that supply continues to see shortages. **Maintain Outperform,** the stock already reacted positively today post earnings, but we believe there is still clear upside from here. We adjust our model slightly according to the results with PT unchanged (120HKD/220 CNY).

Both 25% GPM and 70% EBITDA are far ahead of expectations. The company delivered $3.0bn revenue (+36% YoY/+20% QoQ), beating prior guidance of +14-16% QoQ and consensus. GPM expanded to 25.3%, well above the 20-22% guidance, as ASP and product mix improved. Gross profit jumped +51% QoQ/+69% YoY. EBITDA reached $2.1bn, with EBITDA margin at a striking 70.2%, and the management indicated that they will be able to maintain at sucha high level for the next few quarters, we believe the advanced logic contribution is starting to play an increasingly important role. Wafer shipments rose +14% QoQ, and utilization ticked up to 93.7%. Monthly capacity edged to 1,096 kwpm, reaching a new height in history.

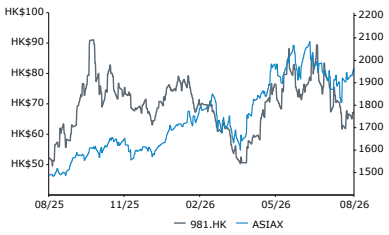
Breakdown by end markets, AI is a clear performance pull, auto and consumer also provide solid support, and memory spillover further broadening the cycle. AI-related demand was the highlight. Mgmt cited that QoQ absolute value revenue growth for AI peripheral chips, compute/tablet and industrial & automotive reached over 40%. As for revenue mix, industrial and automotive further increased to 16.5% in 2Q26 (from 14.0% in 1Q26). Consumer electronics remained the largest bucket at 44.2%, still resilient. Computer & tablet mix also increased to 15.6%. We read this as classic AI spillover into mature logic/ specialty. Memory tightness and AI infrastructure buildout are pulling adjacent ICs (including but not limit to PMIC, connectivity, and display), lifting foundry loading beyond pure AI SoC wafers. China revenue share climbed further to 90.2%.

Close Date	14 Aug 2026
981.HK Close Price (HKD)	71.30
Price Target (HKD)	120.00
Upside/(Downside)	68%
52-Week Range	93.50/49.32
ASIAX	1,956.05
FYE	Dec
Div Yield	NA
Market Cap (HKD) (M)	822,615
EV (HKD) (M)	125,854

Performance	YTD	1M	6M	12M
Absolute (%)	(0.2)	(9.0)	1.4	37.1
ASIAX (%)	19.6	2.4	10.2	31.1
Relative (%)	(19.8)	(11.4)	(8.9)	6.0

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Continues on the next page...

Reported EPS	F25A	F26E	F27E
981.HK (USD)	0.09	**0.13**	**0.17**
OLD	--	0.12	0.16
688981.CH (USD)	0.09	**0.13**	**0.17**
OLD	--	0.12	0.16

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	9,327	11,835	14,604	25.1%
Gross Margin (%)	21.0	22.8	24.5	--

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	104.4	71.5	52.8

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.
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Mgmt guided a further price uplift in 3Q26 and UT will further go up as demand is expected to stay strong. 3Q26 guidance calls for +2-4% revenue growth QoQ and GPM further expenses to 26-28%, the GPM is a clear beat and the weaker rev growth guidance is due to the company proactively controlling the front loading of wafer shipment to maintain a smooth growth, demand outlook in the call from the CEO sounds much stronger than the number. UT is expected to reach 95% with more capacity added, ASP will further go up as the new capacity added are loaded with higher pricing products, we believe the company could deliver another beat next quarter. Across the end markets that are relatively weak in growth (such as mobile phone and TV related chips), supply is not growing much and likely will get tight again in the next few quarters, which should gradually support ASP recovery in those segments as well. Capacity expansion is set to accelerate, with customers continuing to revise demand up. Mgmt stated that they will flex existing capacity and fast-track qualification of incremental tools to relieve chain shortages.

Investment Implications

We rate SMIC Outperform.

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DETAILS

EXHIBIT 1: **Semiconductor Manufacturing International Corp (981.HK): Results Review**

(US$M)	2Q26 Actual	1Q26 Actual	2Q25 Actual	QoQ	YoY	Consensus	2Q26 Guidance	Difference vs. Consensus	Difference vs. Guidance
Revenue	3,005.6	2,505.5	2,209.1	20.0%	36.1%	2,858	2856~2906	5.2%	3.4%~5.2%
Gross Profit	760.6	503.6	449.8	51.0%	69.1%	610.1	571~639	24.7%	19.0%~33.2%
GPM	*25.3%*	*20.1%*	*20.4%*	*521bps*	*495bps*	*21.4%*	*20.0%~22.0%*	*396bps*	*331bps~531bps*
Operating Profit	534.2	247.8	150.7	115.6%	254.5%	332.7		60.6%	
OPM	*17.8%*	*9.9%*	*6.8%*	*788bps*	*1095bps*	*11.6%*		*613bps*	
Net Income	479.2	197.4	132.5	142.7%	261.7%	251.3		90.7%	
NPM	*15.9%*	*7.9%*	*6.0%*	*806bps*	*995bps*	*8.8%*		*715bps*	
EPS (in US Cents)	5.9	2.5	1.7	141.1%	258.6%	3.4		75.0%	

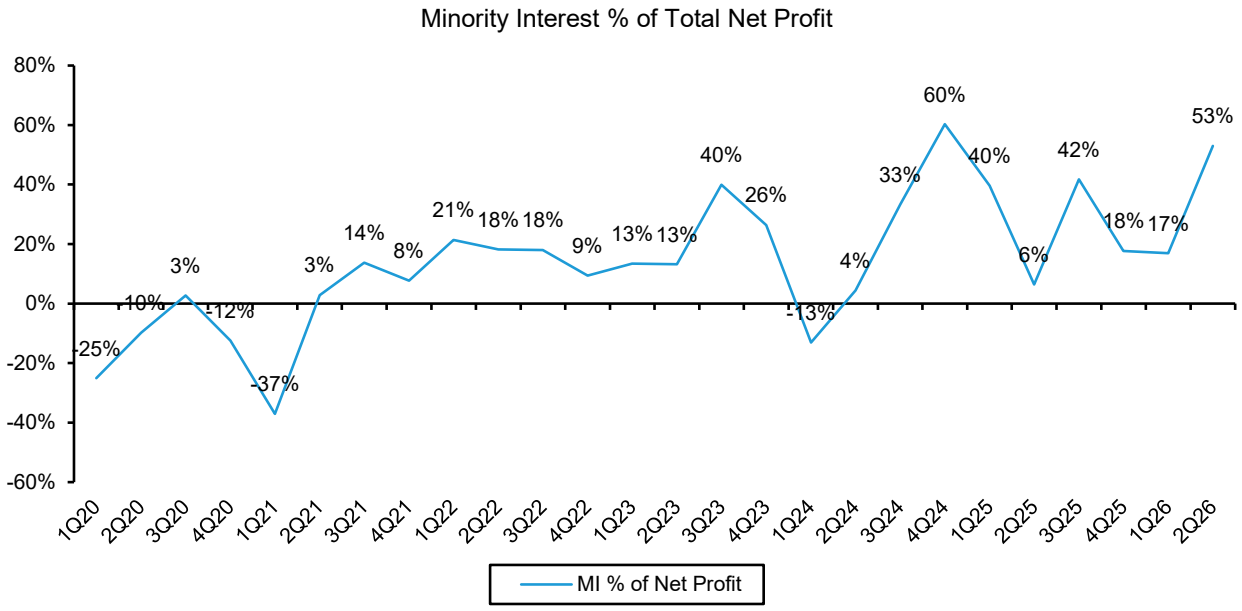
Source: Bloomberg, Company data, Bernstein analysis

EXHIBIT 2: **SMIC 3Q26 guidance beat street consensus**

(US$M)	3Q26 Guidance	3Q26 Consensus	Guidance vs. Consensus	QoQ Guidance	QoQ Consensus
Revenue	3,066 ~ 3,126	3,067	0% ~ 2%	2% ~ 4%	2.1%
Gross Profit	797 ~ 875	676	18% ~ 29%	5% ~ 15%	-11.1%
Gross Profit Margin	*26% ~ 28%*	*22.0%*	*395bps ~ 595bps*	*69bps ~ 269bps*	*-326bps*

Source: Bloomberg, Company data, Bernstein analysis

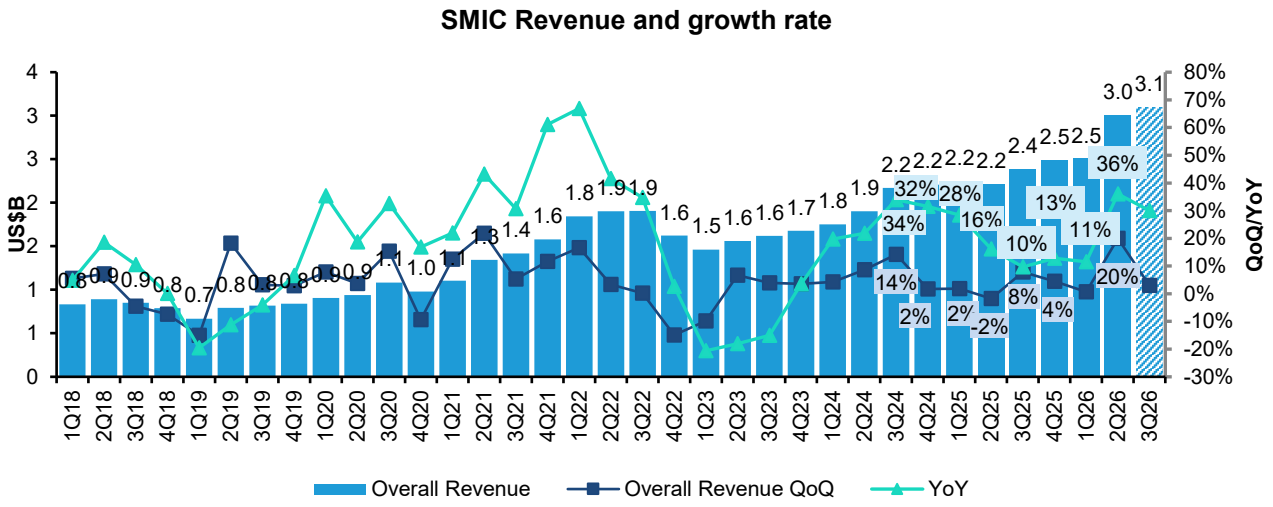
EXHIBIT 3: **Minority interest % of total net proift increased to 53% in 2Q26.**



Source: Company reports, Bernstein analysis

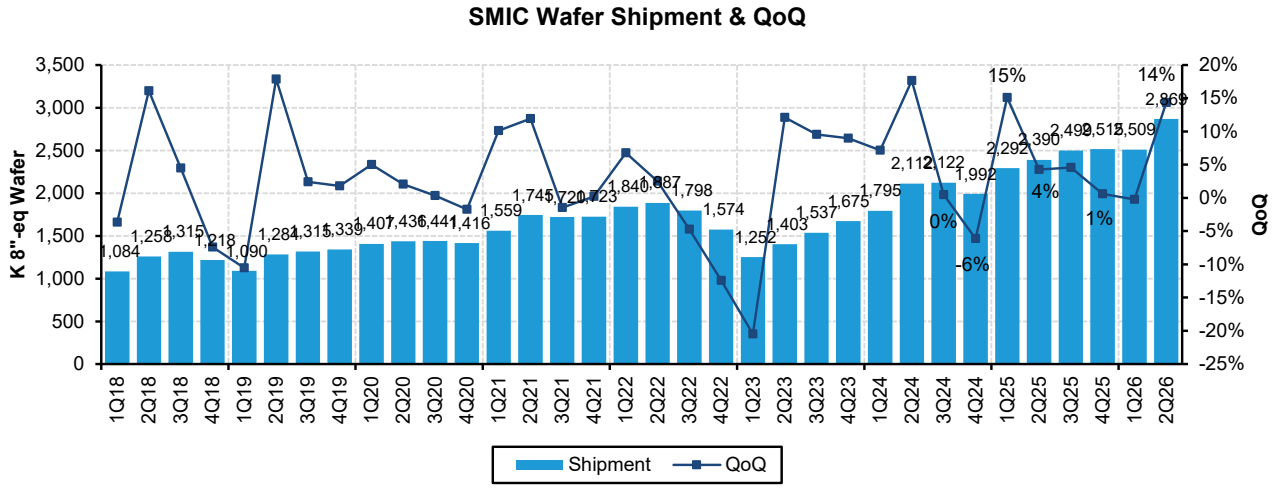
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EXHIBIT 4: **SMIC 3Q26 revenue guidance QoQ +3% at midpoint**



Source: Company reports, Bernstein analysis

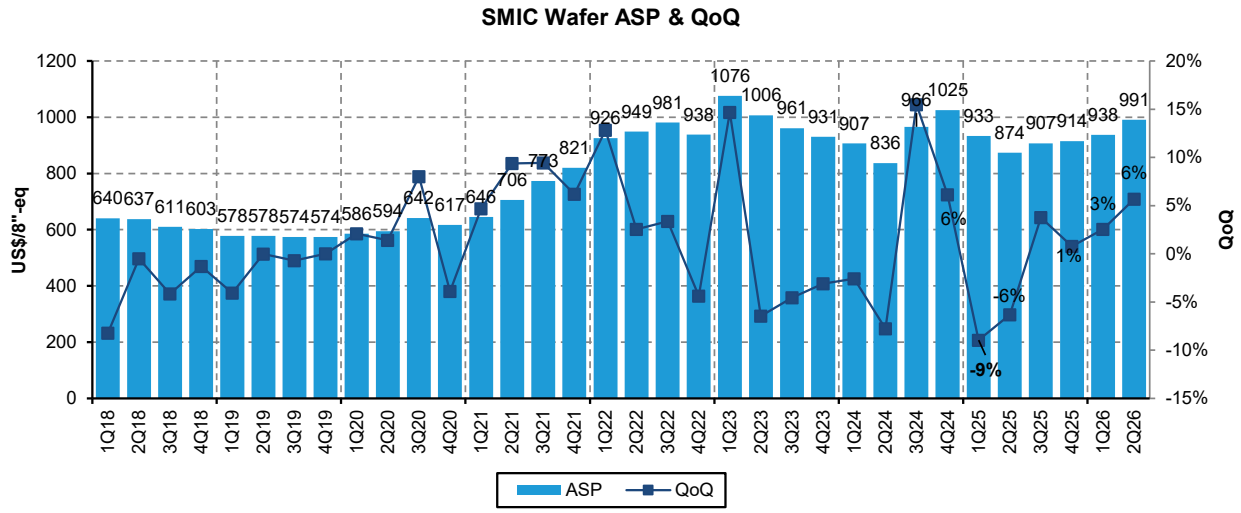
EXHIBIT 5: **2Q26 shipment increased 14% QoQ**



Source: Company reports, Bernstein analysis

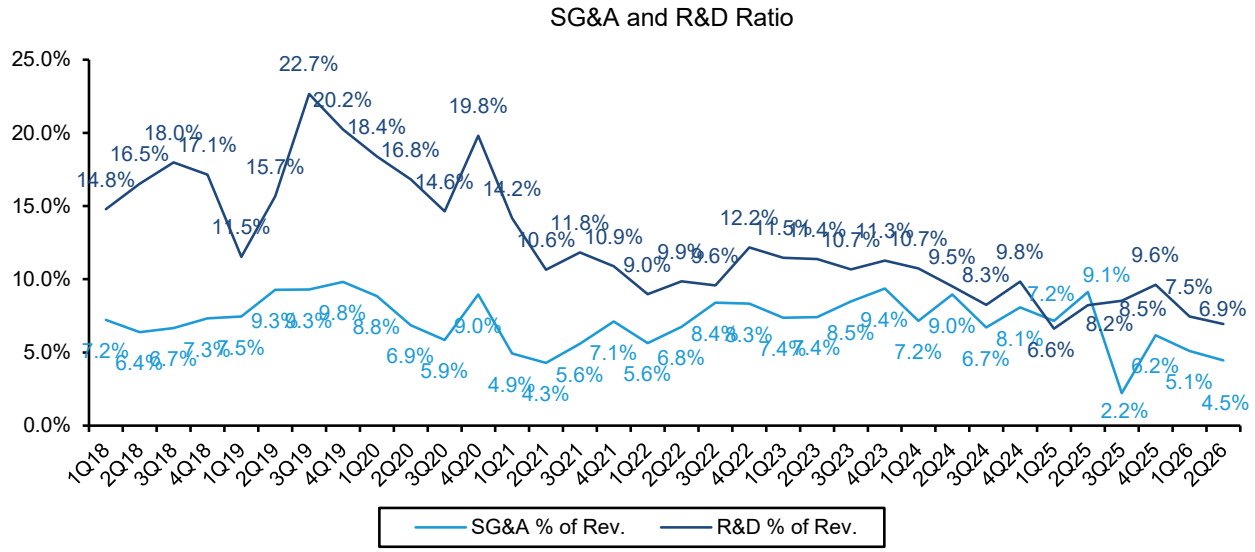
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EXHIBIT 6: **SMIC's ASP increased 6% QoQ in 2Q26**



Source: Company reports and Bernstein analysis

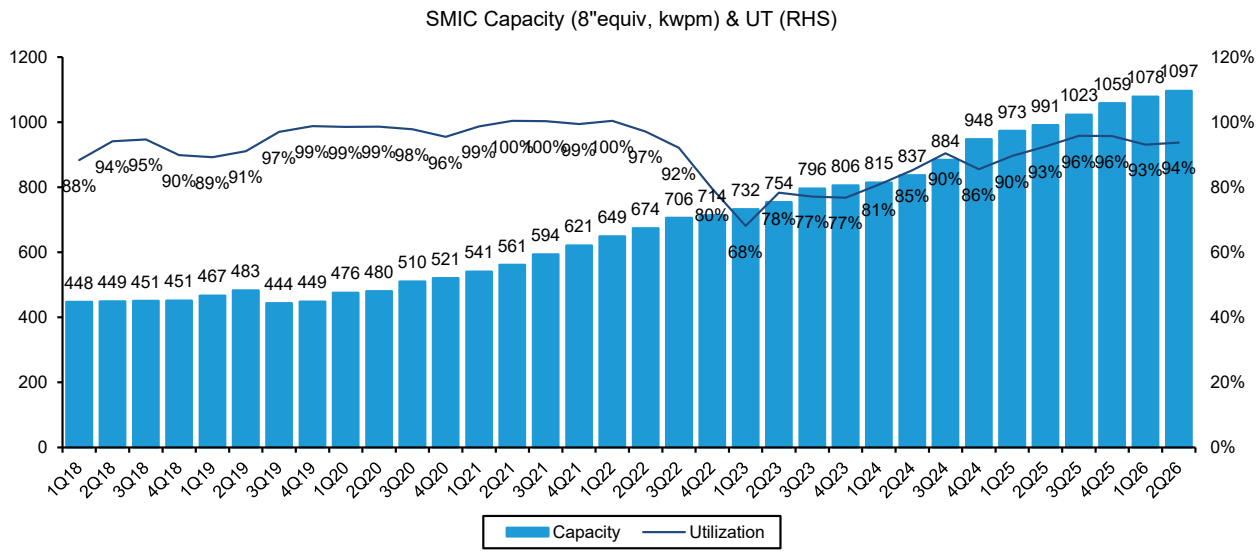
EXHIBIT 7: **R&D ratio decreased to 6.9% and SG&A ratio ratio decreased to 4.5% in 2Q26**



Source: Company reports, Bernstein analysis

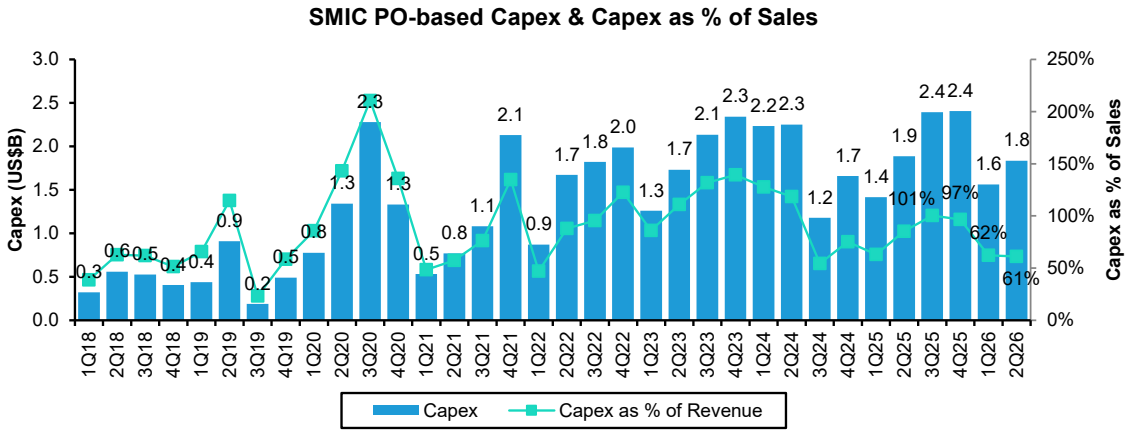
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EXHIBIT 8: **Capacity increased to 1,097 kwpm (8" equiv) and UT further increased to 94% in 2Q26**



Source: Company reports, Bernstein analysis

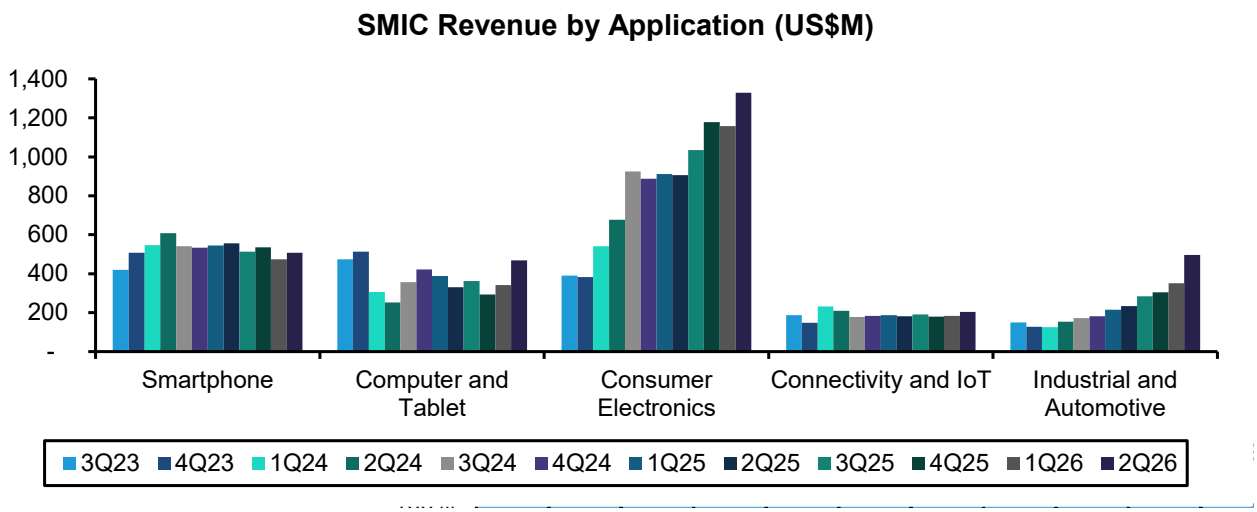
EXHIBIT 9: **CapEx was 1.8bn in 2Q26**



PO: purchase-based
Source: Company reports, Bernstein analysis

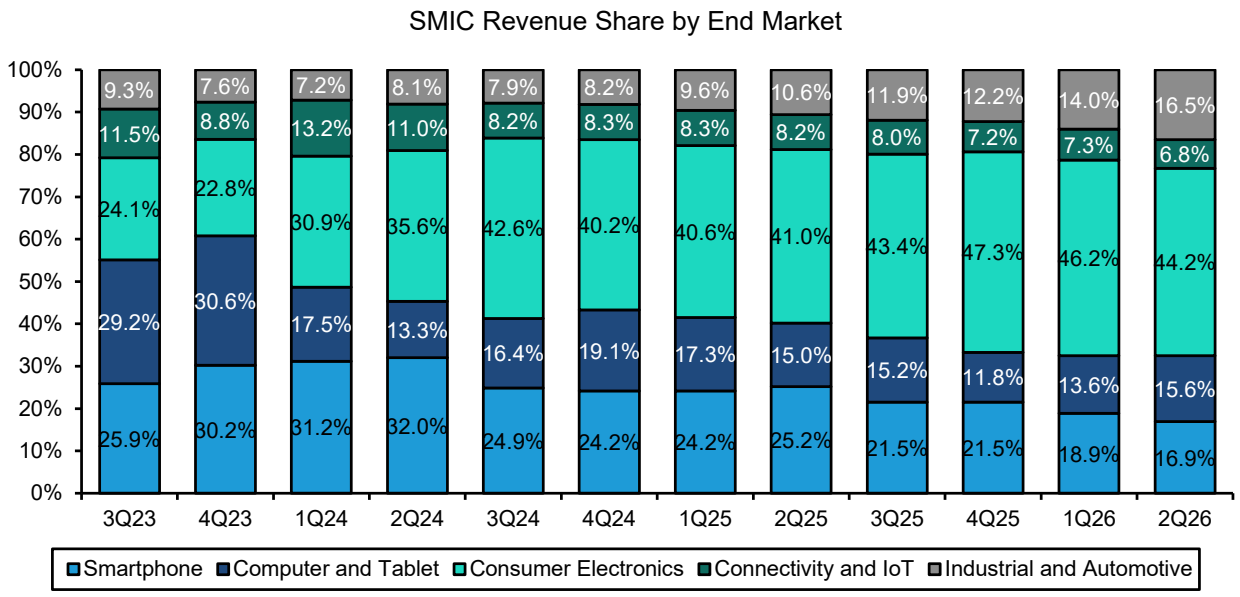
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EXHIBIT 10: **Compute and Industrial & Automotive kept driving the growth in 2Q26**



Source: Company reports, Bernstein analysis

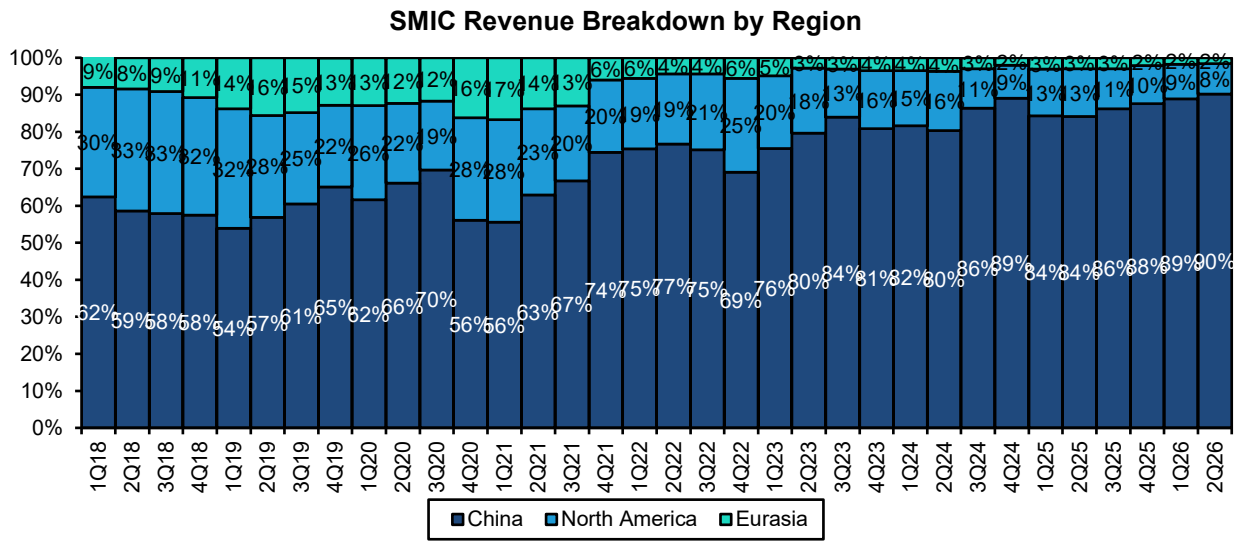
EXHIBIT 11: **Compute and Industrial & Automotive drove the growth in 2Q26**



Source: Company reports, Bernstein analysis

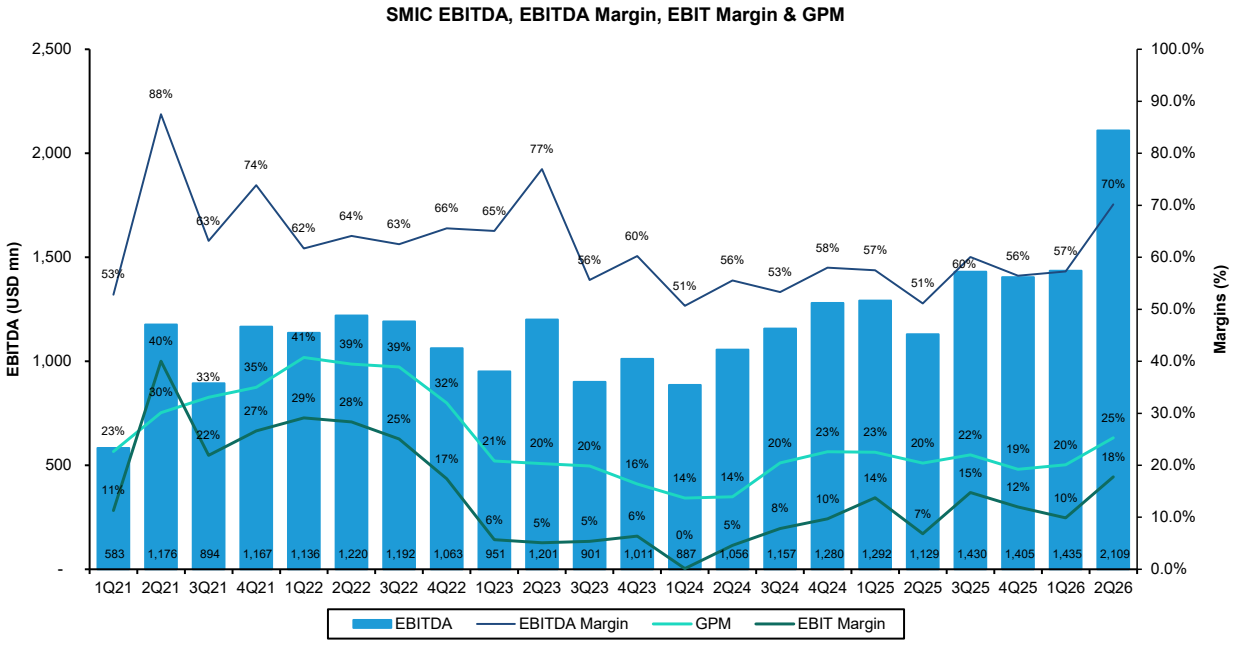
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EXHIBIT 12: **China revenue contribution further increased 100bps to 90% in 2Q26**



Source: Company reports, Bernstein analysis

EXHIBIT 13: **SMIC EBITDA margin increased to 70% in 2Q26**



Source: Company reports, Bernstein analysis

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MODEL UPDATE

To reflect the strong results, we update our company model and future forecasts. In detail, we further revise up the revenue forecasts in 2026, given the strong performance the company achieved in 2Q26 and consistent confidence for the rest of the year. And we agree that the tight supply-demand relationship is going to maintain in 2027/28, securing further improvement room for topline performance. As for GPM, we believe the ASP improvement will not stop in the near future, implying further improvement potential in GPM, therefore, we futher revise up our GPM forecasts from 2026 to 2028 to 27%/23%/18% respectively. Sequentially, strong topline performance ensures the company more capability on expense control, leading to further revise up in OPM as well (13%/15%/19% respectively for 2026/27/28). All these increases should ultimately translate into the company's net profit and NPM performances. The detailed company model can be downloaded here.

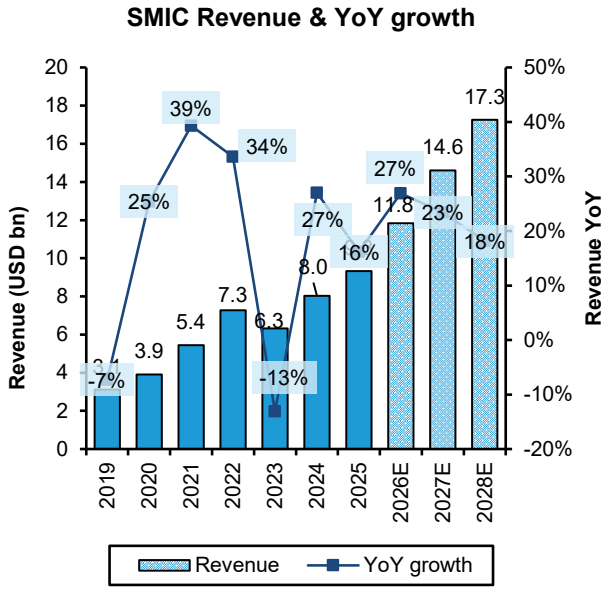
EXHIBIT 14: **SMIC: Bernstein vs. Consensus**

Revenue (USD mn)	2023	2024	2025	2026E	2027E	2028E
Bernstein	**6,322**	**8,030**	**9,327**	**11,835**	**14,604**	**17,250**
Growth YoY	(13%)	27%	16%	27%	23%	18%
Consensus				**11,579**	**13,805**	**16,011**
Growth YoY				24%	19%	16%
Bernstein vs. consensus				2%	6%	8%
Bernstein old				**11,497**	**13,969**	**16,325**
Growth YoY				23%	22%	17%
New vs. Old				3%	5%	6%
Gross profit						
Bernstein	**1,218**	**1,448**	**1,957**	**2,694**	**3,584**	**4,747**
GP Margin	19%	18%	21%	23%	25%	28%
GP Growth YoY	(56%)	19%	35%	38%	33%	32%
Consensus				**2,585**	**3,297**	**4,086**
GP Margin				22%	24%	26%
GP Growth YoY				32%	28%	24%
Bernstein vs. consensus - GPM				44bps	66bps	200bps
Bernstein vs. consensus - GP				4%	9%	16%
Bernstein old				**2,535**	**3,265**	**4,157**
GP Margin				22%	23%	25%
GP Growth YoY				30%	29%	27%
New vs. Old - GPM				71bps	117bps	206bps
New vs. Old - GP				6%	10%	14%
Operating profit						
Bernstein	**358**	**474**	**1,110**	**1,579**	**2,239**	**3,192**
OP Margin	6%	6%	12%	13%	15%	19%
OP Growth YoY	(81%)	32%	134%	42%	42%	43%
Consensus				**1,447**	**1,977**	**2,567**
OP Margin				12%	14%	16%
OP Growth YoY				30%	37%	30%
Bernstein vs. consensus - OPM				85bps	100bps	247bps
Bernstein vs. consensus - OP				9%	13%	24%
Bernstein old				**1,380**	**1,927**	**2,626**
OP Margin				12%	14%	16%
OP Growth YoY				24%	40%	36%
New vs. Old - OPM				134bps	153bps	242bps
New vs. Old - OP				14%	16%	22%
Net income attributable to shareholders						
Bernstein	**874**	**464**	**695**	**1,050**	**1,507**	**2,326**
NP Margin	14%	6%	7%	9%	10%	13%
Growth YoY	(48%)	(47%)	50%	51%	44%	54%
Consensus				**1,121**	**1,553**	**2,052**
NP Margin				9%	11%	12%
Growth YoY				58%	39%	32%
Bernstein vs. consensus - NPM				(60bps)	(32bps)	159bps
Bernstein vs. consensus				-6%	-3%	13%
Bernstein old				**994**	**1,345**	**2,021**
NP Margin				9%	10%	12%
Growth YoY				43%	35%	50%
New vs. Old - NPM				22bps	69bps	111bps
New vs. Old - NP				6%	12%	15%

Source: Company reports, Bloomberg, Bernstein estimate and analysis

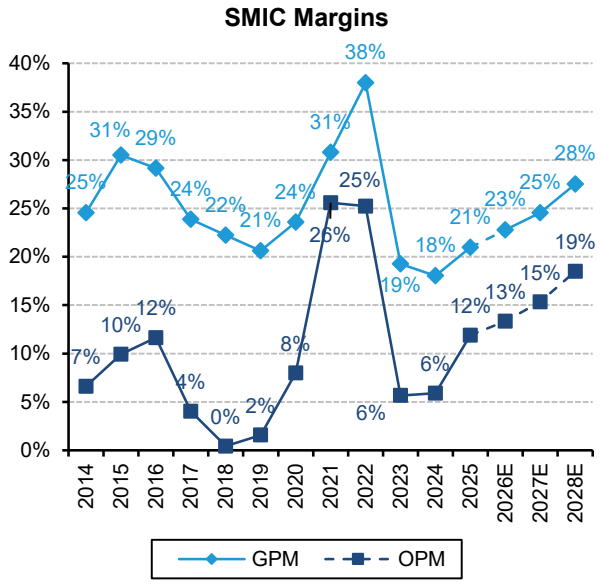
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EXHIBIT 15: **SMIC Revenue & YoY growth**



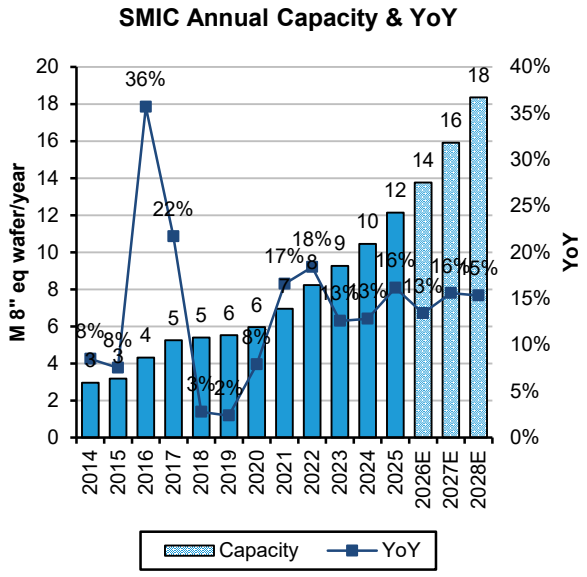
Source: Company reports, Bernstein estimates and analysis

EXHIBIT 16: **SMIC GPM & OPM**



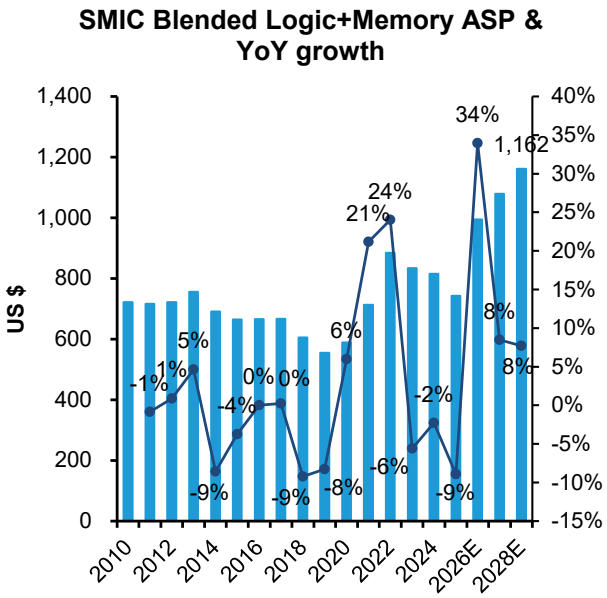
Source: Company reports, Bernstein estimates and analysis

EXHIBIT 17: **SMIC capacity and YoY growth**



Source: Company reports, Bernstein estimates and analysis

EXHIBIT 18: **SMIC blended ASP & YoY growth**



Source: Company reports, Bernstein estimates and analysis

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APPENDIX - FINANCIAL FORECASTS

EXHIBIT 19: **SMIC financial statements**

Income Statement							
Net Sales	7,273	6,322	8,030	9,327	11,835	14,604	17,250
Gross Profit	2,762	1,218	1,448	1,957	2,694	3,584	4,747
SG&A Expense+Govt Grants	193	153	209	73	276	382	417
R&D Expense	733	707	765	774	838	964	1,139
EBIT	1,836	358	474	1,110	1,579	2,239	3,192
EBITDA	4,107	3,025	3,697	4,920	6,455	8,077	9,322
Non-operating Income	257	801	357	(26)	132	156	189
Pretax Income	2,093	1,159	831	1,083	1,712	2,395	3,380
Tax	16	63	130	84	256	455	714
Net Income	1,696	874	464	695	1,050	1,507	2,326
Earnings Per Share (US$ in Cents)	21.45	11.02	5.84	8.70	12.72	17.20	25.96
Margin Analysis							
Gross Profit	38.0%	19.3%	18.0%	21.0%	22.8%	24.5%	27.5%
EBIT	25.2%	5.7%	5.9%	11.9%	13.3%	15.3%	18.5%
EBITDA	56.5%	47.9%	46.0%	52.8%	54.5%	55.3%	54.0%
Pretax Income	28.8%	18.3%	10.3%	11.6%	14.5%	16.4%	19.6%
Net Income	23.3%	13.8%	5.8%	7.5%	8.9%	10.3%	13.5%
Sequential Growth							
Net Sales	33.6%	-13.1%	27.0%	16.2%	26.9%	23.4%	18.1%
Gross Profit	64.8%	-55.9%	18.9%	35.1%	37.7%	33.0%	32.4%
EBIT	31.8%	-80.5%	32.5%	134.2%	42.3%	41.7%	42.6%
EBITDA	25.9%	-26.3%	22.2%	33.1%	31.2%	25.1%	15.4%
Pretax	31.8%	-44.6%	-28.3%	30.4%	58.0%	39.9%	41.2%
Net Income	17.0%	-48.5%	-46.9%	49.8%	51.0%	43.5%	54.4%
Earnings Per Share	16.9%	-48.6%	-47.0%	49.0%	46.1%	35.3%	51.0%
Balance Sheet							
Cash and Cash Equivalents	6,933	6,215	6,364	5,873	8,313	9,199	11,879
Accounts Receivable	1,303	1,170	840	1,433	1,794	2,122	2,522
Inventory	1,911	2,736	2,958	3,630	4,619	5,393	6,032
Net Fixed Assets	18,856	23,945	28,092	32,558	34,700	36,861	38,731
Total Assets	43,808	47,787	49,161	52,271	60,350	66,937	76,716
Accounts Payable	3,022	3,728	3,279	2,966	4,232	4,558	5,249
Total Debt	8,585	10,150	11,570	12,588	14,660	16,268	18,191
Shareholders' Equity	19,150	20,116	20,614	21,440	26,509	30,412	36,881
Minority Interests & PSCS	9,811	10,730	11,256	13,581	12,826	13,260	13,600
Cash Flow							
Cash Flow From Operations	5,348	3,358	3,176	3,194	6,861	7,277	8,757
Cash Flow From Investments	(10,392)	(6,208)	(4,518)	(6,495)	(8,168)	(8,000)	(8,000)
Cash Flow From Financing	3,614	2,466	1,608	2,676	3,616	1,608	1,924

Source: Company reports, Bernstein estimates and analysis

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BERNSTEIN TICKER TABLE

			14 Aug 2026		TTM	Reported EPS				Reported P/E (x)	
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
981.HK (SMIC-H)	O	HKD	71.30	120.00	6.0%	USD	0.09	**0.13**	**0.17**	104.4	71.5	52.8
OLD								0.12	0.16			
688981.CH (SMIC-A)	O	CNY	132.87	220.00	17.4%	USD	0.09	**0.13**	**0.17**	226.3	154.9	114.5
OLD								0.12	0.16			
ASIAX			1,956.05									

ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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DISCLOSURE APPENDIX

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

Semiconductor Manufacturing International Corp

We value SMIC with H-share PT HKD 120 and A-share PT CNY 220, based on average NTM+1 BVPS of 3.36 USD, and 4.6x P/B with 1.6x A-H Premium.

RISKS

Semiconductor Manufacturing International Corp

Downside risks:

- Further unexpected sanctions from the U.S. hinder its capacity expansion plan or seriously affect its continuous operation.
- Worse-than-expected downstream demand recovery results in lower-than-expected utilization and ASP at SMIC.
- Faster-than-expected capacity expansion from competitors would lead to supply/demand imbalance and worse prices.

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.

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on events and developments.

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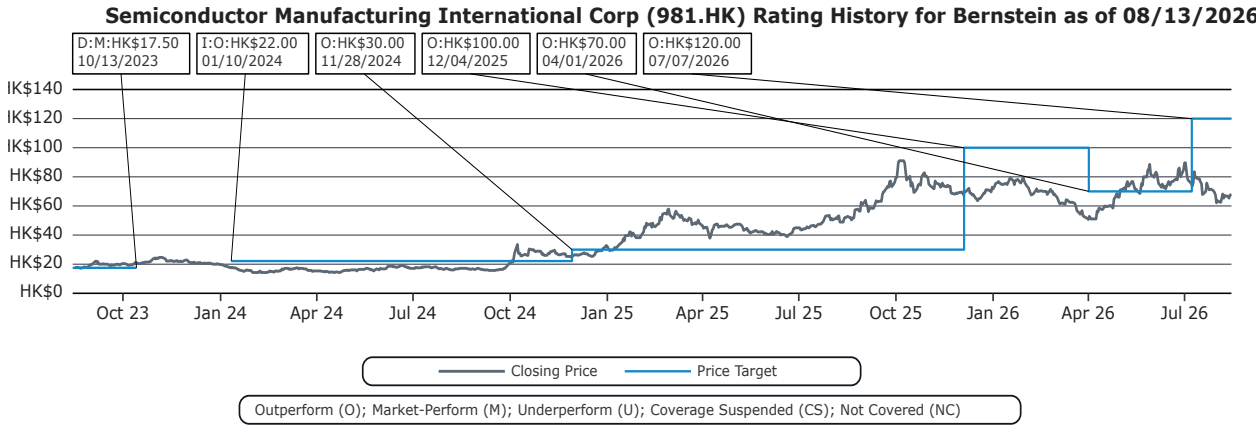
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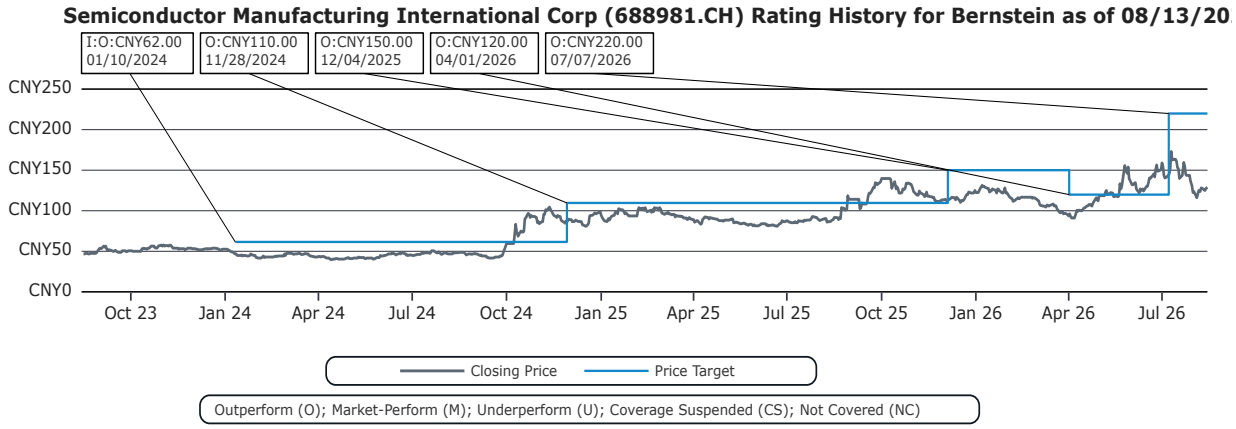
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PRICE CHARTS / RATINGS AND PRICE TARGET HISTORY



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