Cambricon (688256.SS)

China AI demand and localization trend to drive growth ahead; TP up to Rmb1,841; Buy

688256.SS	12m Price Target: **Rmb1,841.00**	Price: **Rmb1,035.00**	Upside: **77.9%**

We are positive on Cambricon and see strong China AI chips demand (read more: CHIPS IV: China Semis self-sufficiency builds) supporting the company's growth ahead. Cambricon's AI chips are expanding to various industries, along with continuous specification upgrades driving the blended ASP. We raise Cambricon's EBITDA by 1% / 41% / 69% / 71% / 82% in 2026-30E mainly on higher revenues, reflecting the strong China AI chips demand along with the nation's commitments toward self-sufficiency. Our TP is raised from Rmb1,614.77 to Rmb1,841 (implied 82x 2027E PE vs. +111% avg. EPS YoY in 2027-28E). Maintain Buy.

AI chips in various verticals: Cambricon enables enterprise clients across multiple sectors to deploy AI applications. Its customer base spans foundation model providers, server suppliers, AI software suppliers, cloud, energy, education, financial institutions, telecom operators, hospitals, and internet companies. For financial institutions, Cambricon's AI chips are used in business operation optimization and service efficiency improvement; for internet companies, its chips are tailored for foundation models, multimodal AI applications, search and recommendation. Its AI chips adapt to mainstream AI applications and realize scale training in 1H26. In areas including smart grids, smart mines, smart cities, and smart supermarkets, customers use Cambricon's AI chips to deploy intelligent analytics applications: (1) smart cities: intelligent semantic search and video structured analysis, (2) smart mines: cargo visual intelligent inspection, intelligent operation and maintenance of power equipment, safety production monitoring, (3) smart transportation: traffic incident detection. In 1H26, Cambricon further expanded to the supermarket / retail industry, empowering clients to adopt AI, such as customer traffic counting and recognition, smart inspection, store anti-theft and loss prevention.

AI chips migration with rising R&D engineers: On AI chips, Cambricon's next-generation intelligent processor

BUY

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Key Data

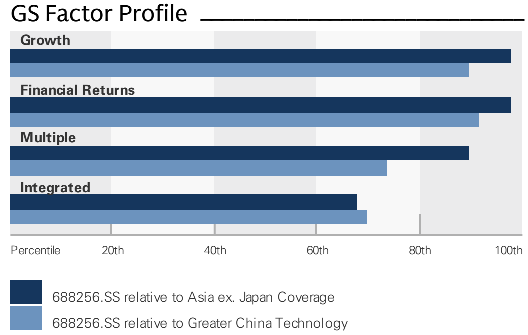
Market cap: Rmb601.9bn / $89.6bn
Enterprise value: Rmb599.1bn / $89.1bn
3m ADTV: Rmb17.7bn / $2.6bn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**6,497.2**	**23,980.4**	**91,261.6**	**172,469.6**
Revenue (Rmb mn) Old	6,497.2	23,661.8	39,106.5	62,158.3
EBITDA (Rmb mn)	2,185.3	6,744.1	16,004.0	31,225.8
EPS (Rmb) New	**4.90**	**10.63**	**22.58**	**43.40**
EPS (Rmb) Old	3.29	9.78	15.90	25.45
P/E (X)	125.2	97.4	45.8	23.9
P/B (X)	21.6	26.4	16.4	9.6
Dividend yield (%)	0.2	0.3	0.7	1.3
CROCI (%)	28.2	42.6	63.9	73.4

	6/26	9/26E	12/26E	3/27E
EPS (Rmb)	2.06	2.81	3.34	3.51

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

BUY

Cambricon (688256.SS)

Rating since Apr 22, 2025

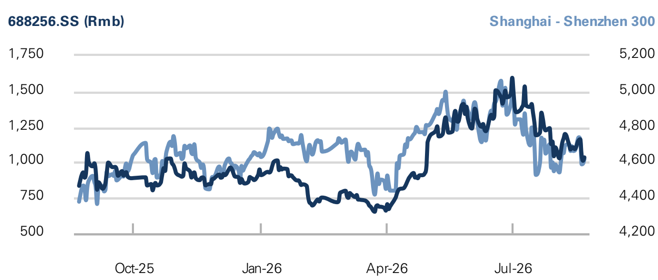
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	125.2	97.4	45.8	23.9
P/B (X)	21.6	26.4	16.4	9.6
FCF yield (%)	(0.4)	0.4	1.7	2.8
EV/EBITDAR (X)	117.5	88.8	40.2	20.0
EV/EBITDA (excl. leases) (X)	117.5	88.8	40.2	20.0
CROCI (%)	28.2	42.6	63.9	73.4
ROE (%)	23.9	43.9	67.1	76.4
Net debt/equity (%)	(8.0)	(17.3)	(45.4)	(56.4)
Net debt/equity (excl. leases) (%)	(8.0)	(17.3)	(45.4)	(56.4)
Interest cover (X)	929.4	166.8	8,384.6	16,522.2
Days inventory outst, sales	188.7	102.2	49.0	44.5
Receivable days	27.7	10.3	3.0	2.0
Days payable outstanding	80.1	30.0	30.0	30.0
DuPont ROE (%)	17.4	37.8	54.5	60.4
Turnover (X)	0.5	1.2	2.5	2.8
Leverage (X)	1.1	1.2	1.4	1.4
Gross cash invested (ex cash) (Rmb)	12,925.9	17,735.3	27,959.6	47,182.8
Average capital employed (Rmb)	7,228.1	12,198.2	13,906.7	16,997.8
BVPS (Rmb)	28.41	39.18	62.94	108.29

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	453.2	269.1	280.6	89.0
EBITDA growth	445.6	208.6	137.3	95.1
EPS growth	551.8	116.6	112.5	92.2
DPS growth	NM	116.6	112.5	92.2
EBIT margin	29.9	26.8	17.2	17.9
EBITDA margin	33.6	28.1	17.5	18.1
Net income margin	31.7	25.8	15.7	15.8

Price Performance



	3m	6m	12m
Absolute	(19.8)%	37.6%	48.9%
Rel. to the Shanghai - Shenzhen 300	(17.0)%	38.8%	38.2%

Source: FactSet. Price as of 21 Aug 2026 close.

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	6,497.2	23,980.4	91,261.6	172,469.6
Cost of goods sold	(2,913.9)	(11,674.5)	(44,716.5)	(85,370.3)
SG&A	(266.1)	(266.7)	(293.3)	(322.7)
R&D	(1,350.8)	(5,468.5)	(30,116.3)	(55,190.3)
Other operating inc./(exp.)	(25.8)	(146.8)	(456.3)	(689.9)
EBITDA	**2,185.3**	**6,744.1**	**16,004.0**	**31,225.8**
Depreciation & amortization	(244.8)	(320.1)	(324.9)	(329.3)
EBIT	**1,940.6**	**6,424.1**	**15,679.1**	**30,896.5**
Net interest inc./(exp.)	11.1	(30.6)	9.5	10.1
Income/(loss) from associates	8.9	83.3	67.3	–
Pre-tax profit	**2,059.4**	**6,374.5**	**15,863.3**	**30,986.5**
Provision for taxes	(0.9)	(194.1)	(1,576.9)	(3,718.4)
Minority interest	0.7	(1.3)	(2.9)	(2.9)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**2,059.2**	**6,179.0**	**14,283.6**	**27,265.3**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**2,059.2**	**6,179.0**	**14,283.6**	**27,265.3**
EPS (basic, pre-except) (Rmb)	**4.90**	**10.63**	**22.58**	**43.40**
EPS (diluted, pre-except) (Rmb)	**4.90**	**10.63**	**22.58**	**43.40**
EPS (basic, post-except) (Rmb)	**4.90**	**10.63**	**22.58**	**43.40**
EPS (diluted, post-except) (Rmb)	**4.90**	**10.63**	**22.58**	**43.40**
DPS (Rmb)	1.51	3.26	6.94	13.33
Div. payout ratio (%)	30.7	30.7	30.7	30.7

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	1,317.4	2,845.8	11,939.0	25,456.8
Accounts receivable	670.6	682.8	817.4	1,072.7
Inventory	4,943.5	8,490.1	16,012.1	26,088.3
Other current assets	5,148.9	5,149.1	5,149.2	5,149.2
Total current assets	**12,080.4**	**17,167.8**	**33,917.6**	**57,767.0**
Net PP&E	372.7	1,099.9	1,802.0	2,495.0
Net intangibles	189.1	168.3	147.4	126.5
Total investments	299.7	299.7	299.7	299.7
Other long-term assets	495.8	495.8	495.8	495.8
Total assets	**13,437.7**	**19,231.5**	**36,662.6**	**61,184.0**
Accounts payable	765.0	1,154.1	6,196.6	7,836.9
Short-term debt	366.8	17.0	17.0	17.0
Short-term lease liabilities	–	–	–	–
Other current liabilities	201.2	1,466.5	3,955.8	7,943.0
Total current liabilities	**1,333.0**	**2,637.6**	**10,169.3**	**15,796.9**
Long-term debt	–	–	–	–
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	261.5	261.5	261.5	261.5
Total long-term liabilities	**261.5**	**261.5**	**261.5**	**261.5**
Total liabilities	**1,594.5**	**2,899.1**	**10,430.8**	**16,058.4**
Preferred shares	–	–	–	–
Total common equity	11,836.2	16,324.0	26,220.5	45,111.4
Minority interest	**7.1**	**8.4**	**11.3**	**14.2**
Total liabilities & equity	**13,437.7**	**19,231.5**	**36,662.6**	**61,184.0**
Net debt, adjusted	(950.5)	(2,828.8)	(11,922.0)	(25,439.8)

Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	2,059.2	6,179.0	14,283.6	27,265.3
D&A add-back	244.8	320.1	324.9	329.3
Minority interest add-back	(0.7)	1.3	2.9	2.9
Net (inc)/dec working capital	(3,275.8)	(3,169.7)	(2,614.1)	(8,691.2)
Other operating cash flow	474.2	(0.2)	(0.1)	–
Cash flow from operations	**(498.4)**	**3,330.5**	**11,997.1**	**18,906.3**
Capital expenditures	(568.7)	(887.3)	(867.0)	(862.3)
Acquisitions	(3,554.1)	–	–	–
Divestitures	–	–	–	–
Others	(407.5)	(139.2)	(139.1)	(139.0)
Cash flow from investing	**(4,530.3)**	**(1,026.5)**	**(1,006.1)**	**(1,001.3)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(4.1)	(632.5)	(1,897.8)	(4,387.1)
Inc/(dec) in debt	247.3	(349.8)	–	–
Other financing cash flows	4,112.3	(425.9)	(1,897.8)	(4,387.1)
Cash flow from financing	**4,359.6**	**(775.7)**	**(1,897.8)**	**(4,387.1)**
Total cash flow	**(669.1)**	**1,528.4**	**9,093.2**	**13,517.8**
Free cash flow	(1,067.1)	2,443.3	11,130.2	18,043.9

Source: Company data, Goldman Sachs Research estimates.

microarchitecture and instruction set are under development, aiming at optimizing scenarios such as training and inference for natural language processing foundation models, video and image generation foundation models, and vertical foundation models, enhancing programming flexibility, ease of use, performance, power consumption, and chips size. The company continues to focus on stronger computing power, memory capacity and bandwidth, enhancing the adaptability in various AI training and inferencing tasks. Cambricon's AI chips completed adaptation for mainstream local foundation models, including GLM, DeepSeek, Qwen, Kimi, and MiniMax. Cambricon was added to the US Entity list in Dec 2022, and suffered from a talent loss in 2023. While the number of R&D engineers troughed in 1H24 at 727 people, it has risen back to 1,007 people in 1H26, which should support the company's future growth.

Strong 3Q26 ahead: 2Q26 revenues were up 8% QoQ, slower than the +53% QoQ in 1Q26. We attribute it to clients' procurement pace and wafer supply. Historically, the slow increase in inventory is usually followed by a slow revenue QoQ in the next quarter. The company's inventory was down 9% QoQ in 1Q26 (vs. revenues +8% QoQ in 2Q26), while the inventory strongly increased 83% QoQ in 2Q26, and mainly contributed by raw materials (mainly wafer), suggesting a strong growth in revenue QoQ in 3Q26. The strong raw material increase (+779% YoY in 1H26) also reflects local foundries' development of advanced nodes, supporting the nation's development in generative AI.

Earnings revision: We raised EBITDA by 1% / 41% / 69% / 71% / 82% in 2026-30E mainly on higher revenues, reflecting strong AI demand in China and the nation's commitments on localization. We expect Cambricon's continuous AI chips specification upgrade to drive its ASP increase in the coming years. We reduce GM considering the expansion in China CSPs, who have strong bargaining power, and an industry practice of lowering ASP when undergoing large scale procurement. We also raise R&D to support Cambricon's AI chip development which spans across AI chip design, hardware development based on the AI chips (e.g. GPU module, baseboard, motherboard, server), and base software (e.g. AI application development platform, and toolkits).

Exhibit 1: Cambricon earnings revision

	2026E			2027E			2028E			2029E			2030E		
Rmb m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	23,662	23,980	1%	39,107	91,262	133%	62,158	172,470	177%	91,060	253,524	178%	108,454	319,437	195%
GP	12,856	12,306	-4%	21,119	46,545	120%	33,256	87,099	162%	48,264	126,764	163%	56,941	159,721	181%
OP	6,451	6,424	0%	11,114	15,679	41%	18,188	30,896	70%	27,331	47,073	72%	33,252	60,787	83%
EBITDA	6,698	6,744	1%	11,376	16,004	41%	18,486	31,226	69%	27,646	47,407	71%	33,571	61,129	82%
Net income	6,142	6,179	1%	9,991	14,284	43%	15,992	27,265	70%	23,492	40,558	73%	27,885	51,100	83%
Margins															
GM	54.3%	51.3%		54.0%	51.0%		53.5%	50.5%		53.0%	50.0%		52.5%	50.0%	
OPM	27.3%	26.8%		28.4%	17.2%		29.3%	17.9%		30.0%	18.6%		30.7%	19.0%	
NM	26.0%	25.8%		25.5%	15.7%		25.7%	15.8%		25.8%	16.0%		25.7%	16.0%	

Source: Goldman Sachs Global Investment Research

Exhibit 2: Cambricon P&L

Rmb mn	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Income statement																
Revenue	709	1,174	6,497	23,980	91,262	172,470	253,524	319,437	1,111	1,769	1,727	1,890	2,885	3,111	8,178	9,807
Gross profit	491	666	3,583	12,306	46,545	87,099	126,764	159,721	622	989	937	1,036	1,567	1,745	4,089	4,904
OP income	(867)	(803)	1,941	6,424	15,679	30,896	47,073	60,787	290	649	569	433	1,161	1,270	1,822	2,172
Net income	(845)	(452)	2,059	6,179	14,284	27,265	40,558	51,100	355	683	567	455	1,014	1,297	1,768	2,100
EBITDA	(617)	(632)	2,185	6,744	16,004	31,226	47,407	61,129	351	710	630	494	1,241	1,349	1,902	2,252
EPS (Rmb)	(2.05)	(1.09)	4.90	10.63	22.58	43.40	64.55	81.33	0.85	1.63	1.34	1.08	2.40	2.06	2.81	3.34
Ratios																
Opex ratio	191%	125%	25%	25%	34%	33%	31%	31%	30%	19%	21%	32%	14%	15%	28%	28%
Tax rate	0%	0%	0%	3%	10%	12%	14%	16%	0%	0%	0%	0%	0%	-1%	5%	5%
Margins																
Gross margin	69.2%	56.7%	55.2%	51.3%	51.0%	50.5%	50.0%	50.0%	56.0%	55.9%	54.2%	54.8%	54.3%	56.1%	50.0%	50.0%
Operating margin	-122.2%	-68.4%	29.9%	26.8%	17.2%	17.9%	18.6%	19.0%	26.1%	36.7%	32.9%	22.9%	40.3%	40.8%	22.3%	22.1%
Net margin	-119.1%	-38.5%	31.7%	25.8%	15.7%	15.8%	16.0%	16.0%	32.0%	38.6%	32.8%	24.1%	35.2%	41.7%	21.6%	21.4%
EBITDA margin	-189.1%	-61.5%	-618.4%	-212.7%	-371.8%	-42.3%	-457.7%	-307.2%	31.6%	40.1%	36.5%	26.2%	43.0%	43.4%	23.3%	23.0%
YoY																
Revenue	-3%	66%	453%	269%	281%	89%	47%	26%	4230%	4425%	1333%	91%	160%	76%	374%	419%
Gross profit	2%	36%	438%	243%	278%	87%	46%	26%	4108%	3727%	1417%	84%	152%	77%	337%	373%
OP income	na	na	na	231%	144%	97%	52%	29%	na	na	na	562%	301%	96%	220%	401%
Net income	na	na	na	200%	131%	91%	49%	26%	na	na	na	67%	185%	90%	212%	362%
EBITDA	na	na	na	209%	137%	95%	52%	29%	na	na	na	357%	253%	90%	202%	356%

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We continue to use a discounted EV / EBITDA to derive our 12m target price and continue to use 2030E as the base year. Our target EV / EBITDA is based on peers' trading EV / EBITDA vs. forward year fundamentals (EBITDA YoY and EBITDA margin). After factoring in updated peer numbers, and Cambricon's updated EBITDA YoY (29% vs. 21% previously) and EBITDA margin (19% vs. 31% previously), our target EV / EBITDA is 27x (vs. 43x previously). We apply 27x to 2030E EBITDA and discount back to 2027E using a 12.7% COE (no change), and our new target price is Rmb1,841, implying 82x 2027E P/E, largely in line with Cambricon's avg. P/E of 84x since July 2024. Maintain Buy.

Exhibit 3: Cambricon vs. peers comparison

Company	Naura	Hygon	Piotech	Hua Hong	Empyrean
Ticker	002371.SZ	688041.SS	688072.SS	1347.HK	301269.SZ
Rating	Buy	NC	NC	Buy	Neutral
2027E EV/EBITDA	30	52	64	22	82
2027-28E EBITDA YoY	43%	44%	44%	39%	123%
2027-28E EBITDA margin	26%	34%	25%	36%	27%
Ratio	**0.4**	**0.7**	**0.9**	**0.3**	**0.5**
Peers avg.					**0.6**

NC: not covered, estimates from Bloomberg consensus; price as of 21 Aug, 2026

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 4: Cambricon discounted EV / EBITDA

Rmb m	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Cambricon cloud chips (k units)	-	-	10	4	11	4	26	116	405	1,033	1,859	2,602	3,123
Cambricon cloud chips ASP (US$)	-	-	1,288	1,506	1,914	2,913	6,252	7,776	8,239	12,358	12,976	13,625	14,306
Revenue	117	444	459	721	729	709	1,174	6,497	23,980	91,262	172,470	253,524	319,437
Revenue YoY	*1392%*	*279%*	*3%*	*57%*	*1%*	*-3%*	*66%*	*453%*	*269%*	*281%*	*89%*	*47%*	*26%*
GM	*99.9%*	*68.2%*	*65.4%*	*62.4%*	*65.8%*	*69.2%*	*56.7%*	*55.2%*	*51.3%*	*51.0%*	*50.5%*	*50.0%*	*50.0%*
GP	117	303	300	450	479	491	666	3,583	12,306	46,545	87,099	126,764	159,721
Opex ratio	*249.1%*	*365.1%*	*213.7%*	*222.6%*	*261.4%*	*191.4%*	*125.1%*	*25.3%*	*24.5%*	*33.8%*	*32.6%*	*31.4%*	*31.0%*
OP	(175)	(1,318)	(681)	(1,155)	(1,426)	(867)	(803)	1,941	6,424	15,679	30,896	47,073	60,787
OPM	*-149.2%*	*-296.9%*	*-148.3%*	*-160.2%*	*-195.6%*	*-122.2%*	*-68.4%*	*29.9%*	*26.8%*	*17.2%*	*17.9%*	*18.6%*	*19.0%*
Pretax profit	(41)	(1,179)	(435)	(824)	(1,323)	(875)	(456)	2,059	6,374	15,863	30,987	47,163	60,837
EBITDA	(159)	(1,268)	(560)	(965)	(1,141)	(617)	(632)	2,185	6,744	16,004	31,226	47,407	61,129
EBITDA YoY									*209%*	*137%*	*95%*	*52%*	*29%*
Net profit	(41)	(1,179)	(435)	(825)	(1,257)	(845)	(452)	2,059	6,179	14,284	27,265	40,558	51,100
NP YoY									*200%*	*131%*	*91%*	*49%*	*26%*

Target EV/EBITDA (sector EV/EBITDA)					27
Target EV/EBITDA x 2030 EBITDA					1,650,491
Enterprise value (Rmb, 2027E)		1,152,296			
Equity value (Rmb, 2027E)		1,164,218			
Value per share (Rmb, 2027E); Target Price		**1,841**			
Implied EV/Sales	**48**	**13**	**7**	**5**	**4**
Implied P/E	**188**	**82**	**43**	**29**	**23**

COE	12.7%
Beta	1.5
Risk-free rate	3.0%
Market risk premium	6.5%

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 5: Cambricon AI chips shipment and ASP

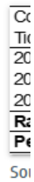


Exhibit 6: AI chips shipment and ASP: Cambricon vs peers

Price Target Risks and Methodology – Cambricon

Valuation: We are Buy rated on Cambricon. Our 12-month target price of Rmb1,841 is derived from a discounted EV/EBITDA analysis. We apply 27X EV/EBITDA to our 2030E EBITDA and discount it back to 2027E at a COE of 12.7%. Our 27X target EV/EBITDA multiple is derived from China semis peers' correlation between the trading EV/EBITDA and forward year fundamentals (EBITDA YoY and EBITDA margin).

Key downside risks: 1) wafer supply restriction: Cambricon was added to US Entity list in Dec 2022; 2) slower-than-expected cloud chip development; 3) fiercer-than-expected competition in cloud chips.

Disclosure Appendix

Reg AC

We, Verena Jeng, Allen Chang 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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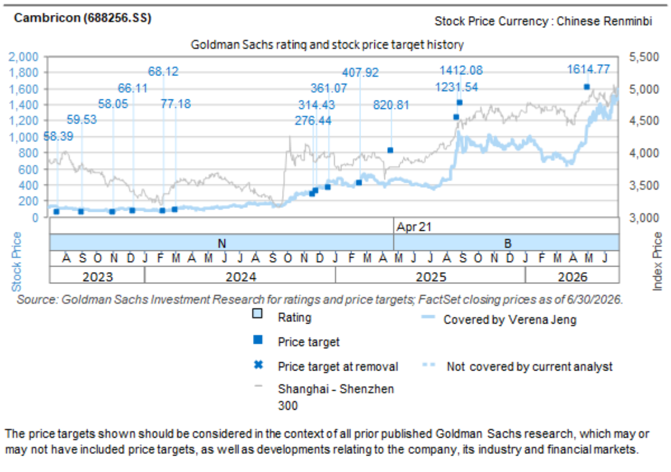
Price target and rating history chart(s)



Target price history table(s)
Cambricon (688256.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
04-May-26	2,406.00	1,140.91
31-Aug-25	2,104.00	1,001.67
24-Aug-25	1,835.00	834.36
21-Apr-25	1,223.00	466.44
20-Feb-25	607.80	415.11
23-Dec-24	538.00	435.40
29-Nov-24	468.50	376.51
21-Nov-24	411.90	345.18
02-Mar-24	115.00	114.09
08-Feb-24	101.50	77.45
12-Dec-23	98.50	103.36
03-Nov-23	86.50	73.17
05-Sep-23	88.70	96.98

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

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