September 1, 2026 08:30 AM GMT

Inspur Electronic Information | Asia Pacific

2Q26 Margin Beat

WHAT'S CHANGED

Inspur Electronic Information (000977.SZ)	From	To
Price Target	Rmb75.00	**Rmb96.50**

AlphaSignals Earnings Reaction

Unchanged
Impact to our thesis

Meaningful upside
Financial results versus consensus

Meaningful revision higher
Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Inspur exhibited stronger pricing power, posting a large margin beat vs our and consensus estimates. OpM grew 180bps q/q and 270bps y/y, while 2Q EPS materially exceeded our and consensus expectations. We raise our PT to factor in sustainably stronger margins over the coming quarters.

2Q26 results beat: Revenue was Rmb48.9bn (+38% q/q, +47% y/y), 4%/3% below MSe/consensus. GM came was 10.1% (+370bps q/q, +420bps y/y), 550/440bps above MSe/consensus, which we attribute to stronger pricing power. OP reached Rmb2.2Bbn (+130% q/q, +275% y/y), 232%/92% above MSe/consensus, for OpM of 4.5%. Non-op income was above MSe and consensus as well, primarily due to financial asset valuation gains. As a result, NP rose to Rmb2.3bn (+288% q/q, +599% y/y), 228%/74% above MSe/consensus, for EPS of Rmb1.59.

Similar to our view on Lenovo (report), **we believe "chipflation" has fundamentally improved OEMs' ability to pass through higher component costs**, supporting their profitability. Customers are no longer delaying purchases in anticipation of future price declines. Instead, they are willing to absorb the higher component costs and proceed with purchases, reflecting expectations that prices will remain elevated for the foreseeable future.

Capex commentary remained supportive of hardware demand from China clouds. Baidu (Aug. 18) did not provide quantitative guidance, but reiterated that it remains firmly in an AI investment cycle, with its commitment unchanged and deployment subject to ROI discipline. Alibaba (Aug. 20) attributed its 2Q capex to procurement timing, a step-up in CPU purchases ahead of expected AI agent adoption, and higher chip component costs. Mgmt maintained its FY capex guidance of Rmb380bn, with Rmb190bn spent through June, and expects AI compute supply to remain tight through at least 2030. Tencent (Aug. 12), by contrast, characterized AI-native capex as a one-off investment spread across this year and next, rather than a recurring annual increase. Mgmt views model development as a fixed cost, with incremental compute spend tied to realized returns.

PT rises by ~29%; stay EW: Our PT implies 24.2x 2027e P/E, vs its 3-year historical average of ~24.4x, which we view as justified by its rising exposure to AI servers, supported by key customers such as Together AI.

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Inspur Electronic Information (000977.SZ, 000977 CS)

Greater China Technology Hardware | China

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	Rmb96.50
Up/downside to price target (%)	13
Shr price, close (Aug 31, 2026)	Rmb85.18
52-Week Range	Rmb96.37-55.36
Sh out, dil, curr (mn)	1,454
Mkt cap, curr (mn)	US$18,428
EV, curr (mn)	US$17,781
Avg daily trading value (mn)	US$724

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	1.64	4.00	3.99	4.26
Prior EPS (Rmb)**	1.64	2.26	3.03	3.77
EPS (Rmb)§	1.85	2.48	2.99	3.96
Revenue, net (Rmb mn)	164,782	195,719	248,223	279,354
EBITDA (Rmb mn)	1,819	6,327	6,542	7,003
ModelWare net inc (Rmb mn)	2,413	5,893	5,867	6,270
P/E	40.6	21.3	21.4	20.0
P/BV	4.4	4.5	3.9	3.3
RNOA (%)	9.7	31.6	26.0	21.3
ROE (%)	11.9	26.7	21.3	19.3
EV/EBITDA	51.5	18.7	18.4	17.2
Div yld (%)	0.7	0.3	0.7	0.7
FCF yld ratio (%)**	4.9	1.2	(0.7)	0.7
Leverage (EOP) (%)	(19.7)	(19.8)	(11.1)	(9.5)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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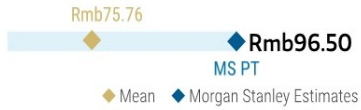
Risk Reward – Inspur Electronic Information (000977.SZ)

Key beneficiary of China's localization efforts, but valuation keeps us EW

PRICE TARGET Rmb96.50

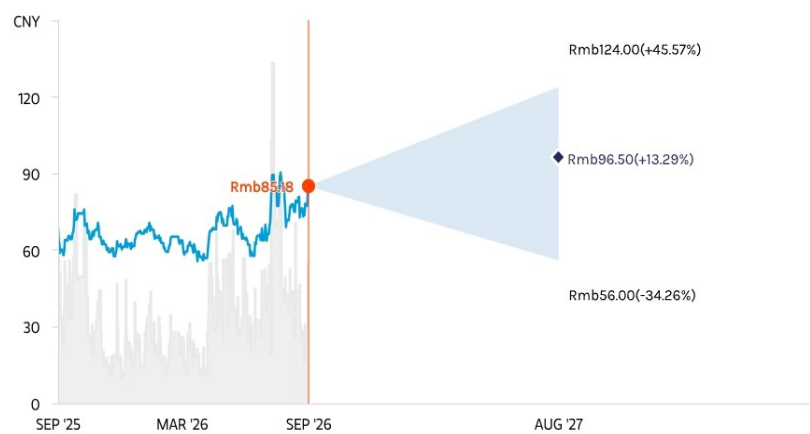
We use a residual income model for our PT. Key assumptions include a cost of equity at 8.4% (beta of 1.2, equity risk premium of 5.9% and risk-free rate of 1.3%) a mid-term growth rate of 11% and a terminal growth rate of 3%.

Consensus Price Target Distribution Rmb64.30



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



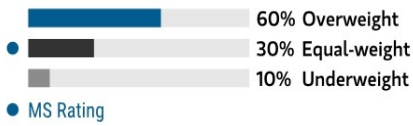
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- Key beneficiary of rising adoption of local brands in China driving demand growth, and likely beneficiary of AI story in China.
- Aims to move to mid-range/high-end and overseas mature markets, but limited traction in the past two years. We like its ambition but progress has been slow over the past few years.
- Potential further restrictions on US chip exports remains an overhang for Inspur.
- Valuation is insufficiently attractive at ~21x 2027e P/E, vs. our target implied P/E of ~24x, so we stay EW.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb124.00

31x 2027e EPS

Strong sales growth with accelerating OPM expansion: We project a total sales CAGR of 70-75% in 2025-28, driven by share gains in China, higher exposure to the mid-range to high-end server market and faster expansion into overseas markets. We estimate OPM to improve to ~5% or above by 2028 from 1.1% in 2025.

BASE CASE Rmb96.50

24x 2027e EPS

Decent sales growth with continued increase in OPM: We project a total sales CAGR of 15-20% in 2025-28, driven by datacenter demand. We estimate OPM to be 2.5% by 2028 vs. 1.1% in 2025, due to stronger pricing power of OEMs in the 'Chipflation' era.

BEAR CASE Rmb56.00

14x 2027e EPS

Flattish sales growth with slight increase in OPM: We project total sales CAGR to be 0-5% in 2025-28 due to lower-than-expected economic growth in China and fierce competition. We estimate OPM to increase slightly to 1.5% by 2028, vs. 1.1% in 2025.

Risk Reward – Inspur Electronic Information (000977.SZ)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Server shipment y/y (%)	(12.0)	6.7	10.9	8.8
Server OPM (%)	1.1	3.8	2.9	2.7
Server ASP (US$) (Rmb)	27,251	31,616	32,694	31,350

INVESTMENT DRIVERS

- Server demand
- Server ASP

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger-than-expected shipment growth, driving larger operating leverage to offset some opex increases.
- Faster-than-expected share gains at mid-range/high-end servers driving margin recovery.
- Lower-than-expected increases in opex thanks to effective cost controls.

RISKS TO DOWNSIDE

- Weaker-than-expected domestic/overseas shipment growth.
- Trade tension escalates.
- Higher opex spend to penetrate into overseas market.

OWNERSHIP POSITIONING

Inst. Owners, % Active 42%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

Sales / Revenue (Rmb, mn)	157,236.6	244,005.8	248,222.6 / 340,948.0
EBITDA (Rmb, mn)	3,374.7	4,613.7	6,542
Net income (Rmb, mn)	3,549.4	4,392.4	5,867 / 6,061.0
EPS (Rmb)	2.4	3.0	4.0 / 4.1

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

2Q26 Results Summary

Exhibit 1: Inspur: 2Q26 results summary

Year to Dec. 31 (RMB mn)	Actual 2Q26P	Q/Q	Y/Y	MS Forecast 2Q26E	Diff. %	Consensus 2Q26E	Diff. %
P&L Summary							
Net sales	**48,908**	**38%**	**47%**	**50,909**	**-4%**	**50,678**	**-3%**
COGS	(43,947)			(48,550)		(47,544)	
Gross profit	**4,961**	**117%**	**149%**	**2,359**	**110%**	**3,134**	**58%**
Operating expenses	(2,782)			(1,703)		(2,001)	
Operating income	**2,179**	**130%**	**275%**	**656**	**232%**	**1,133**	**92%**
Non-operating income	548			97		292	
Pre-tax income	**2,727**	**308%**	**652%**	**753**	**262%**	**1,425**	**91%**
Income tax	(376)			(38)		(78)	
Net income	**2,347**	**288%**	**599%**	**716**	**228%**	**1,347**	**74%**
EPS (RMB)	**1.59**			**0.49**		**0.91**	
Margins		**ppt**	**ppt**		**ppt**		**ppt**
Gross margin	10.1%	3.7	4.2	4.6%	5.5	6.2%	4.0
Operating margin	4.5%	1.8	2.7	1.3%	3.2	2.2%	2.2
Pretax margin	5.6%	3.7	4.5	1.5%	4.1	2.8%	2.8
Net margin	4.8%	3.1	3.8	1.4%	3.4	2.7%	2.1

Source: Company data, Visible Alpha, Morgan Stanley Research estimates.

Estimate Changes

We adjust our model to reflect the 2Q26 result beat, which raises our 2026-28e EPS estimates by 77% for 2026, 32% for 2027, and 13% for 2028. The increases in our earnings estimates are mainly driven by higher margin assumptions, reflecting stronger pricing power among OEMs amid ongoing Chipflation.

Exhibit 2: Inspur: Estimate changes

Year to Dec. 31	2026E			2027E			2028E		
(RMB mn)	New	Old	% diff	New	Old	% diff	New	Old	% diff
P&L Summary									
Net sales	**195,719**	**221,860**	**-12%**	**248,223**	**313,413**	**-21%**	**279,354**	**421,565**	**-34%**
COGS	(179,290)	(211,535)		(226,647)	(299,763)		(254,259)	(404,389)	
Gross profit	**16,429**	**10,325**	**59%**	**21,576**	**13,651**	**58%**	**25,095**	**17,176**	**46%**
Operating expenses	(10,102)	(7,243)		(15,033)	(9,397)		(18,093)	(11,791)	
Operating income	**6,327**	**3,082**	**105%**	**6,542**	**4,254**	**54%**	**7,003**	**5,385**	**30%**
Non-operating income	337	389		140	389		140	389	
Pre-tax income	**6,664**	**3,471**	**92%**	**6,683**	**4,643**	**44%**	**7,143**	**5,774**	**24%**
Income tax	(767)	(137)		(816)	(184)		(873)	(228)	
Minority interest	(4)	-		-	-		-	-	
Net income	**5,893**	**3,334**	**77%**	**5,867**	**4,458**	**32%**	**6,270**	**5,546**	**13%**
EPS (RMB)	**4.00**	**2.26**	**77%**	**3.99**	**3.03**	**32%**	**4.26**	**3.77**	**13%**
Margins									
Gross margin	8.4%	4.7%		8.7%	4.4%		9.0%	4.1%	
Operating margin	3.2%	1.4%		2.6%	1.4%		2.5%	1.3%	
Pretax margin	3.4%	1.6%		2.7%	1.5%		2.6%	1.4%	
Net margin	3.0%	1.5%		2.4%	1.4%		2.2%	1.3%	

Source: Morgan Stanley Research (E) estimates.

Price Target Discussion and Valuation Methodology

We raise our 12-month price target by ~29% to Rm96.5 (from Rmb75.0); stay EW. The increase in our price target is mainly driven by the increases in our 2026-28e earnings estimates. Our new price target implies 24x our 2027e EPS or 23x our 2028e EPS, slightly above its 5-year P/E average of 22.0x. We believe this is justified by the strong domestic demand for AI servers in China. We maintain our EW rating on Inspur, as we do not view current valuation as sufficiently attractive relative to both its past 3-year P/E band and its competitor Lenovo, which we rate OW.

Our key residual income model assumptions are all unchanged, including a cost of equity of 8.4% (with a beta of 1.2, equity risk premium 5.9%, and risk-free rate 1.3%), a medium-term growth rate of 11%, and a terminal growth rate of 3%.

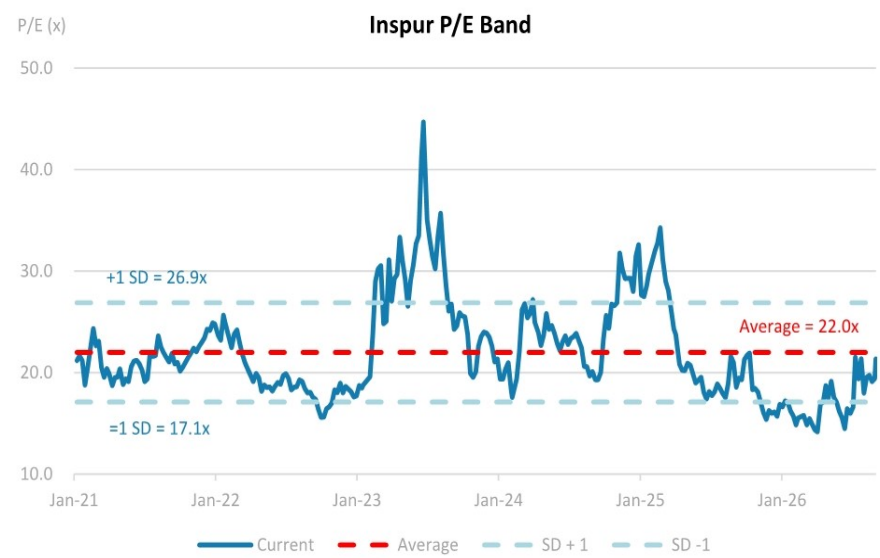
Our bull and bear case scenario values are raised to Rmb124 and Rmb56.0, respectively, in-line with the magnitude of increase in our base case scenario value.

Exhibit 3: Inspur: Residual income (RI) model

RMB mn	2026E	2027E	2028E	2029E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity	**27,582**	**32,505**	**37,835**	**39,551**	**41,455**	**43,569**	**45,916**	**48,520**	**51,411**	**54,620**	**58,182**	**62,136**
Net Profit	**5,893**	**5,867**	**6,270**	**6,960**	**7,726**	**8,575**	**9,519**	**10,566**	**11,728**	**13,018**	**14,450**	**16,039**
Return on Equity	**23.7%**	**19.5%**	**17.8%**	**18.0%**	**19.1%**	**20.2%**	**21.3%**	**22.4%**	**23.5%**	**24.6%**	**25.6%**	**26.7%**
Beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Equity Risk Premium (Rm-Rf)	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Risk Free Rate (Rf)	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Cost of Equity	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Beginning Equity Capital	27,582											
PV of Forecast Period	33,855											
PV of Continuing Value	80,621											
Equity Value	**142,058**											
No. of Shares	1,472											
Projected Price (EoY)	**96.50**											

Source: Morgan Stanley Research (e) estimates.

Exhibit 4: Inspur: P/E band



Source: TEJ, Morgan Stanley (e) Research estimates.

Financials

Exhibit 5: Inspur: Quarterly earnings estimates

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2025A	2026E	2027E	2028E
Net sales	**46,858**	**33,334**	**40,477**	**44,113**	**35,470**	**48,908**	**53,406**	**57,934**	**164,782**	**195,719**	**248,223**	**279,354**
COGS	(45,293)	(31,345)	(38,280)	(42,045)	(33,180)	(43,947)	(48,952)	(53,211)	(156,962)	(179,290)	(226,647)	(254,259)
Gross profit	**1,566**	**1,989**	**2,197**	**2,068**	**2,290**	**4,961**	**4,454**	**4,723**	**7,820**	**16,429**	**21,576**	**25,095**
Operating expenses	(1,071)	(1,407)	(1,521)	(2,001)	(1,341)	(2,782)	(2,833)	(3,146)	(6,001)	(10,102)	(15,033)	(18,093)
SG&A, R&D exp.	(1,071)	(1,407)	(1,521)	(2,001)	(1,341)	(2,782)	(2,833)	(3,146)	(6,001)	(10,102)	(15,033)	(18,093)
Employee bonus	13	14	15	16	17	18	19	20	2	3	4	5
Operating income	**495**	**582**	**676**	**66**	**949**	**2,179**	**1,621**	**1,577**	**1,819**	**6,327**	**6,542**	**7,003**
Non-operating income	**(13)**	**(219)**	**2**	**880**	**(281)**	**548**	**35**	**35**	**650**	**337**	**140**	**140**
Interest income	(164)	(420)	(48)	344	(338)	(195)	(280)	(280)	(289)	(1,092)	(1,120)	(1,120)
Investment income	(2)	0	(2)	35	11	4	15	15	32	45	60	60
Disposal of investment	0	0	0	0	0	0	0	0	0	0	0	0
Exchange gain	0	0	0	0	0	0	0	0	0	0	0	0
Other	154	201	52	501	46	738	300	300	907	1,385	1,200	1,200
Pre-tax income	**482**	**363**	**678**	**946**	**669**	**2,727**	**1,656**	**1,612**	**2,468**	**6,664**	**6,683**	**7,143**
Income tax	(20)	(26)	13	(26)	(64)	(376)	(166)	(161)	(59)	(767)	(816)	(873)
Minority interest	1	(1)	(7)	11	(0)	(4)	0	0	4	(4)	0	0
Net income	**463**	**336**	**683**	**931**	**605**	**2,347**	**1,490**	**1,451**	**2,413**	**5,893**	**5,867**	**6,270**
Adj.wtd.avg.shrs (mn)	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472
EPS (RMB)	**0.31**	**0.23**	**0.46**	**0.63**	**0.41**	**1.59**	**1.01**	**0.99**	**1.64**	**4.00**	**3.99**	**4.26**
Fully diluted shares (mn)	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,472
Diluted EPS (RMB)	**0.31**	**0.23**	**0.46**	**0.63**	**0.41**	**1.59**	**1.01**	**0.99**	**1.64**	**4.00**	**3.99**	**4.26**
Margins (%)												
Gross Margin	3.3	6.0	5.4	4.7	6.5	10.1	8.3	8.2	4.7	8.4	8.7	9.0
Operating Margin	1.1	1.7	1.7	0.2	2.7	4.5	3.0	2.7	1.1	3.2	2.6	2.5
Pretax Margin	1.0	1.1	1.7	2.1	1.9	5.6	3.1	2.8	1.5	3.4	2.7	2.6
Net Margin	1.0	1.0	1.7	2.1	1.7	4.8	2.8	2.5	1.5	3.0	2.4	2.2
QoQ Growth (%)												
Sales	48	-29	21	9	-20	38	9	8				
Gross Profit	-30	27	10	-6	11	117	-10	6				
Operating Profit	51	18	16	-90	1,329	130	-26	-3				
Pretax Profit	-55	-25	87	40	-29	308	-39	-3				
Net Profit	-54	-27	103	36	-35	288	-36	-3				
YoY Growth (%)												
Sales	166	36	-1	39	-24	47	32	31	44	19	27	13
Gross Profit	12	10	-3	-8	46	149	103	128	1	110	31	16
Operating Profit	34	25	-14	-80	92	275	140	2,274	(7)	248	3	7
Pretax Profit	57	24	-3	-11	39	652	144	70	4	170	0	7
Net Profit	51	16	-2	-7	31	599	118	56	5	144	(0)	7

Source: Company data, Morgan Stanley Research (E) estimates.

Exhibit 6: Inspur: Consolidated financial summary

Consolidated Income Statement

RMBmn (Year End Dec 31)	2025A	2026E	2027E	2028E
Net sales	**164,782**	**195,719**	**248,223**	**279,354**
COGS	(156,962)	(179,290)	(226,647)	(254,259)
Gross profit	**7,820**	**16,429**	**21,576**	**25,095**
Operating expenses	(6,001)	(10,102)	(15,033)	(18,093)
Operating income	**1,819**	**6,327**	**6,542**	**7,003**
Non-operating income	**650**	**337**	**140**	**140**
Interest income	(289)	(1,092)	(1,120)	(1,120)
Investment income	32	45	60	60
Disposal of investment	-	-	-	-
Exchange gain	-	-	-	-
Other	907	1,385	1,200	1,200
Pre-tax income	**2,468**	**6,664**	**6,683**	**7,143**
Income tax	(59)	(767)	(816)	(873)
Minority interests	4	(4)	-	-
Net income	**2,413**	**5,893**	**5,867**	**6,270**
Adj. wtd. Avg. shrs (m)	1,472	1,472	1,472	1,472
Reported EPS (Rmb)	**1.64**	**4.00**	**3.99**	**4.26**
Diluted shrs (m)	1,472	1,472	1,472	1,472
Diluted EPS (Rmb)	**1.64**	**4.00**	**3.99**	**4.26**

Consolidated Cash Flow Statement

RMBmn (Year End Dec 31)	2025A	2026E	2027E	2028E
Operating Cashflow	**5,453**	**3,020**	**809**	**3,237**
Net Profits	2,413	5,893	5,867	6,270
Depreciation & Amort.	0	0	0	0
Investment losses/(income)	(32)	(45)	(60)	(60)
Working capital change	2,825	(11,193)	(4,735)	(2,818)
Other adjustments	247	8,365	(263)	(156)
Investing Cashflow	**(205)**	**(1,957)**	**(2,482)**	**(2,794)**
Capex	(225)	(1,957)	(2,482)	(2,794)
Change of L/T investment	0	0	0	0
Change of S/T investment	0	0	0	0
Other adjustments	20	0	0	0
Financing Cashflow	**(1,380)**	**3,056**	**2,819**	**2,537**
Increase in L/T debt	(266)	0	0	0
Increase in S/T debt	0	3,000	3,000	3,000
Issuance of stock	0	4	0	0
Cash dividends	(647)	(362)	(884)	(880)
Other adjustments	(466)	415	703	417
FX adjustment	(929)	0	0	0
Net change in cash	**2,939**	**4,119**	**1,147**	**2,980**

Consolidated Balance Sheet

RMBmn (Year End Dec 31)	2025A	2026E	2027E	2028E
Cash	**10,314**	**14,433**	**15,580**	**18,560**
Mkt securities	-	-	-	-
AR/NR	13,066	21,529	27,304	30,729
Inventory	46,508	50,201	63,461	71,192
Others	9,344	979	1,241	1,397
Current Assets	**79,232**	**87,143**	**107,587**	**121,878**
Long-term investments	350	350	350	350
Fixed assets	2,592	4,549	7,031	9,825
Other assets	1,620	1,620	1,620	1,620
Total Assets	**83,794**	**93,662**	**116,588**	**133,673**
S/T borrowings	1,900	4,900	7,900	10,900
AP/NP	27,754	25,101	31,731	35,596
Other ST liabilities	25,423	29,039	36,709	41,181
Total Current Liabilities	**55,077**	**59,039**	**76,339**	**87,677**
L/T debt	4,418	4,418	4,418	4,418
Other LT libilities	2,208	2,622	3,326	3,743
Total Liabilities	**61,702**	**66,080**	**84,083**	**95,838**
Common shares	1,468	1,472	1,472	1,472
Retained Earnings	12,865	18,352	23,275	28,605
Other SH' Equity	7,758	7,758	7,758	7,758
Total Shareholders' Equity	**22,092**	**27,582**	**32,505**	**37,835**
Total Liab./SH's Equity	**83,794**	**93,662**	**116,588**	**133,673**

Consolidated Financial Ratios

	2025A	2026E	2027E	2028E
Margins (%)				
Gross margin	4.7	8.4	8.7	9.0
Operating margin	1.1	3.2	2.6	2.5
Pretax margin	1.5	3.4	2.7	2.6
Net margin	1.5	3.0	2.4	2.2
YoY growth (%)				
Sales	43.6	18.8	26.8	12.5
Operating profits	(6.7)	247.9	3.4	7.0
Pretax profits	4.5	170.0	0.3	6.9
Net profits	5.3	144.2	(0.4)	6.9
Others				
Cash dividend payout (%)	15	15	15	15
Cash div (Rmb)	1.7	4.1	4.1	4.4
Yield (%)	4	10	10	11
Net Debt/Equity (%)	(18)	(19)	(10)	(9)
Liabilities/Equity (%)	279	240	259	253
Liabilities/Assets (%)	74	71	72	72
ROAE (%)	11	24	20	18
ROAA (%)	3	7	6	5
AR/NR Turnover (days)	27	32	36	38
Inventory Turnover (days)	101	98	92	97
AP/NP Turnover (days)	62	54	46	48
Cash conversion cycle	67	77	82	86

Source: Company data, Morgan Stanley Research (E) estimates.



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Valuation Methodology and Risks

Lenovo (0992.HK)

Base case, residual income model. Our key assumptions include a cost of equity of 9.3% (based on a beta of 1.1, risk-free rate of 2.0%), a medium-term growth rate of 5.0%, and a terminal growth rate of 3.0%.

Risks to Upside

- Faster-than-expected smartphone and data center turnaround
- Stronger PC demand recovery in China
- Better cost savings and improved product mix
- Lower-than-expected increase in memory price

Risks to Downside

- Slower-than-expected smartphone and data center turnaround
- Weaker PC demand recovery in China
- Deterioration in cost savings and product mix
- Higher-than-expected increase in memory price

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of August 31, 2026)
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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1555	42%	450	48%	29%	767	44%
Equal-weight/Hold	1577	43%	395	42%	25%	770	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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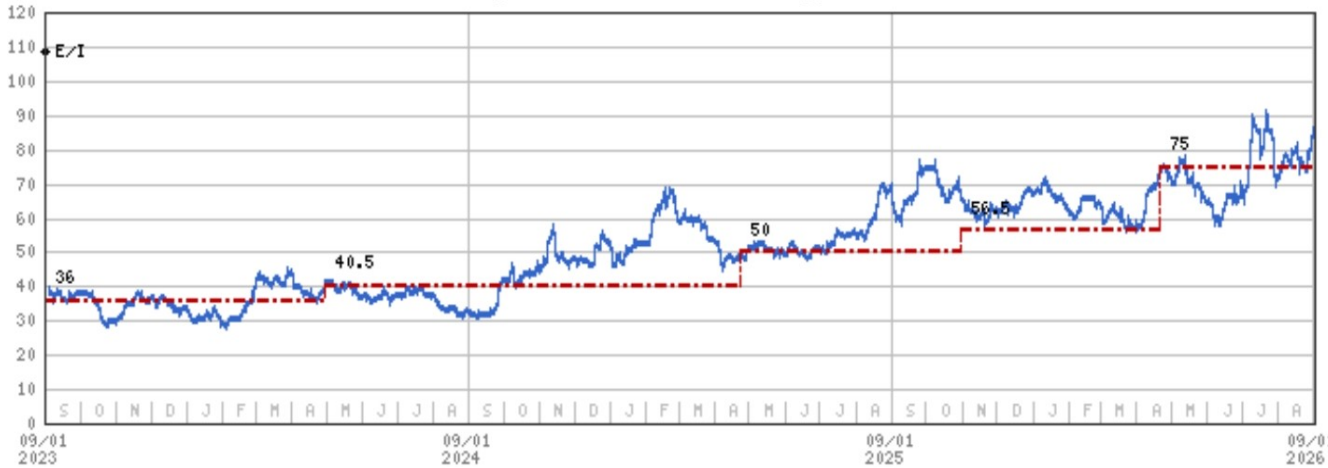
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Stock Price, Price Target and Rating History (See Rating Definitions)

Inspur Electronic Information (000977.SZ) - As of 09/01/26 GMT in CNY
Industry : Greater China Technology Hardware



Stock Rating History: 9/1/21 : E/I; 2/16/23 : O/I; 8/28/23 : E/I

Price Target History: 11/2/20 : 31.5; 8/30/22 : 25.5; 11/8/22 : 25; 2/16/23 : 43.5; 8/28/23 : 36; 4/29/24 : 40.5; 4/23/25 : 50; 10/31/25 : 56.5; 4/20/26 : 75

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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Lenovo (0992.HK) - As of 09/01/26 GMT in HKD
Industry : Greater China Technology Hardware



Stock Rating History: 9/1/21 : E/I; 5/1/23 : O/I; 1/29/24 : E/I; 5/22/24 : O/I; 5/28/24 : NA/I; 8/20/24 : NA/I; 9/12/24 : NA/I; 2/5/25 : O/I; 11/16/25 : E/I; 7/10/26 : O/I

Price Target History: 8/12/21 : 9; 11/5/21 : 9.5; 2/21/22 : 9.8; 3/7/22 : 8.5; 5/24/22 : 7.5; 7/15/22 : 7.2; 8/10/22 : 7.6; 10/6/22 : 6.6; 11/3/22 : 6.7; 1/18/23 : 6.5; 2/20/23 : 6.4; 5/1/23 : 10.4; 5/25/23 : 10.3; 8/1/23 : 10; 8/18/23 : 9; 11/17/23 : 10; 1/29/24 : 9.7; 2/23/24 : 8.8; 5/6/24 : 9.1; 5/22/24 : 15; 5/28/24 : NA; 2/5/25 : 13.8; 2/20/25 : 13.15; 3/27/25 : 13.1; 4/23/25 : 10; 5/19/25 : 11.4; 8/6/25 : 13; 11/16/25 : 10.2; 11/21/25 : 9.8; 4/17/26 : 10.3; 5/19/26 : 14.2; 7/10/26 : 30; 8/7/26 : 34; 8/14/26 : 46

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/31/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$44.50
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb179.90
BYD Electronics (0285.HK)	O (04/28/2023)	HK$27.00
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb8.02
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.42
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb401.87
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$1,005.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb24.25
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.59
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb35.79
Largan Precision (3008.TW)	O (07/10/2026)	NT$7,580.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb7.14
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.79
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$6.54
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$63.00
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb57.62
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb7.71
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$6.08
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb61.64
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$44.78
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb57.15
Sunny Optical (2382.HK)	E (03/23/2026)	HK$71.10
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb263.00
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb19.12
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$27.62
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb418.57
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$166.70
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb115.86
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb26.71
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb851.90
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$23.76
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb34.18
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,205.00
Advantech (2395.TW)	O (01/20/2021)	NT$711.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,445.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,410.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$26.40
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,250.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,315.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb6.01
Chenbro (8210.TW)	O (07/23/2025)	NT$990.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,030.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,865.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$156.50
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$62.50
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,285.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$359.00
Innolux (3481.TW)	E (04/07/2025)	NT$49.30
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$14,150.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb38.93
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$300.50

TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb5.09
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.75
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb216.92
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.75
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$1,010.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$213.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$39.90
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$5.33
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb64.84
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$359.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,225.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$256.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb85.18
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$3,530.00
Lenovo (0992.HK)	O (07/10/2026)	HK$30.04
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,745.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,225.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$91.00
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$342.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb153.40
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb369.08
Unimicron (3037.TW)	O (02/23/2026)	NT$971.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$524.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$182.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$7,800.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$568.00
Zhen Ding (4958.TW)	++	NT$535.00

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