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IDEA

*October 8, 2026 11:56 AM GMT*

## Cambricon Technology Corporation | Asia Pacific

# 3Q26 Preview: Looking through 3Q softness to a stronger 2027

**WHAT'S CHANGED**

| Cambricon Technology Corporation (688256.SS) | From | To |
|---|---|---|
| Price Target | Rmb1,408.00 | **Rmb1,700.00** |

3Q26 revenue is likely to be affected by MLU692 revenue-recognition timing and limited MLU580 shipments. We turn more constructive on 2027, supported by: 1) the MLU692 volume ramp and 2) higher pricing. Keep OW.

**3Q26 preview – MLU690 revenue recognition slippage drives a 2026 estimate cut:** We expect Cambricon to report 3Q26 revenue of Rmb3.65bn, below our prior Rmb4.77bn estimate, mainly owing to delayed MLU690 series (MLU692) revenue recognition and limited MLU580 deliveries. Cambricon delivered MLU692 to a major CSP in 3Q for testing, but we expect most revenue to be recognized in 4Q. MLU580 shipments also remain limited as higher HBM costs pressure unit economics. Despite 3Q price increases, we still expect MLU580 gross margin to remain relatively low.

**2027 outlook – MLU690 series ramp should drive stronger shipments:** We expect Cambricon to ship nearly 350k units in 2027 to CSP clients, alongside the MLU692 ramp and the next-generation MLU580. We expect the company to rely primarily on SMIC N+2/N+1 capacity. HBM3e remains a key constraint, but based on our supply chain checks, Cambricon should have some inventory on hand and could also secure a share of CXMT's HBM3e output as domestic capacity ramps, supporting stronger product availability in 2027.

**Raise domestic AI computing TAM assumption but lower near-term unit shipments forecast in view of HBM3e constraints:** We raise our forecast of China's domestic AI accelerator TAM in 2030 to US$132bn from US$91bn, mainly reflecting higher chip pricing given surging memory prices. We lower our shipment forecast in view of tighter HBM3e supply. BIS restrictions limit direct HBM3e supply to China; CXMT will still need time to ramp capacity. We see limited impact from Tencent's reported 100k-Blackwell agreement with Oracle (link) – overseas GPUs are more likely to serve LLM training, while domestic accelerators remain more exposed to AI inference, where latency and data-security requirements limit offshore processing.

**Keep OW; raise price target to Rmb1,700 from Rmb1,408:** We lower our 2026 revenue estimate to reflect slower MLU690 series revenue recognition and limited MLU580 contribution, but raise our 2027 and 2028 forecasts in view of deliveries shifting into new products and potential price hikes. We now forecast 2027 revenue of Rmb54bn. Accordingly, we cut 2026e EPS 18%, while raising 2027e 17% and 2028e 26%. We remain OW and raise our price target 20%, reflecting a stronger 2027 product cycle and Cambricon's strategic position in the domestic AI computing market.

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**Cambricon Technology Corporation (688256.SS, 688256 CG)**

Greater China Technology Semiconductors | China

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **Attractive** |
| Price target | Rmb1,700.00 |
| Up/downside to price target (%) | 73 |
| Shr price, close (Oct 8, 2026) | Rmb981.00 |
| 52-Week Range | Rmb1,620.00-649.66 |
| Sh out, dil, curr (mn) | 628 |
| Mkt cap, curr (mn) | Rmb616,355.4 |
| EV, curr (mn) | Rmb610,477.2 |
| Avg daily trading value (mn) | Rmb12,912 |

| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| EPS (Rmb)** | 4.87 | 9.21 | 22.33 | 30.96 |
| Prior EPS (Rmb)** | - | 11.26 | 19.02 | 24.59 |
| EPS (Rmb)§ | - | 9.23 | 19.43 | 32.43 |
| Revenue, net (Rmb mn) | 6,497.2 | 15,640.3 | 53,966.1 | 77,031.7 |
| EBITDA (Rmb mn) | 2,211.2 | 5,962.7 | 17,949.3 | 24,706.2 |
| ModelWare net inc (Rmb mn) | 2,059.2 | 5,325.1 | 14,097.2 | 19,551.9 |
| P/E | 186.8 | 106.8 | 43.9 | 31.7 |
| P/BV | 32.5 | 34.1 | 21.2 | 13.4 |
| RNOA (%) | 57.8 | 75.0 | 178.3 | 131.4 |
| ROE (%) | 37.9 | 45.0 | 84.6 | 66.8 |
| EV/EBITDA | 171.3 | 101.8 | 33.5 | 23.9 |
| Div yld (%) | 0.0 | 0.1 | 0.2 | 0.4 |

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| | | | | |
|---|---|---|---|---|
| FCF yld ratio (%)** | 0.8 | 0.7 | 1.2 | 2.2 |
| Leverage (EOP) (%) | (49.6) | (54.7) | (51.8) | (57.0) |

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

# China and AI accelerators: higher HBM costs lift TAM; localization accelerates from 2027

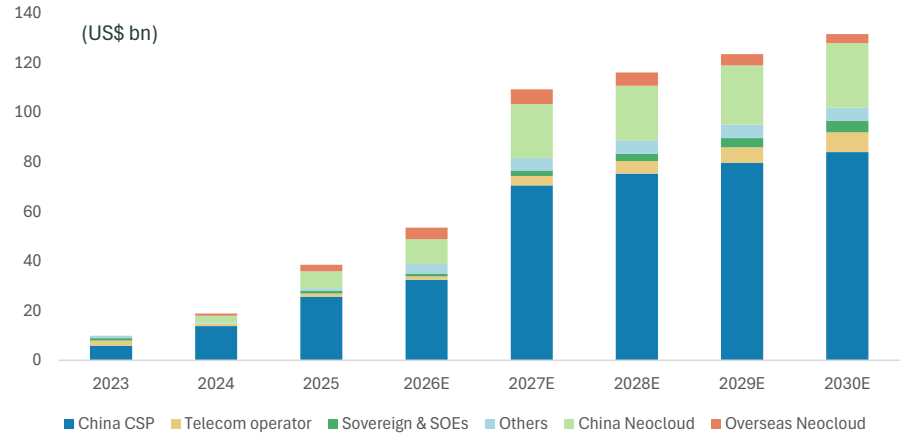
**We raise our forecast for China's AI GPU TAM to US$132bn by 2030, from US$91bn previously, implying a 28% CAGR over 2025-30:** The key driver of the revision is higher blended accelerator ASPs rather than a comparable increase in unit demand. In particular, the sharp rise in HBM3e pricing has materially increased the memory content cost of high-end AI accelerators, which we expect to be increasingly reflected in chip and system pricing. We now forecast China's AI GPU TAM to rise to US$54bn in 2026 and US$109bn in 2027, before reaching US$132bn by 2030. Importantly, the higher TAM does not necessarily imply higher near-term shipments – HBM3e availability remains a key supply constraint.

**China's CSPs remain the largest source of demand:** We estimate their AI GPU spending will reach US$84bn in 2030, or 64% of total TAM, followed by Chinese neoclouds at US $26bn, or 20%. Telecom operators, sovereign/SOE customers, and other domestic buyers should contribute another US$19bn combined, while overseas neocloud demand adds around US$4bn. We expect the sharpest TAM step-up in 2027, driven by continued AI infrastructure investment, higher accelerator ASPs, and broader deployment of inference infrastructure.

**Localization should also accelerate meaningfully from 2027:** We estimate China's AI chip self-sufficiency at 35% in 2025 and 45% in 2026, before rising sharply to 68% in 2027, 77% in 2028, and 95% by 2030. We see 2027 as an important inflection point as domestic accelerator products ramp alongside improvements in leading-node capacity and local HBM supply. While HBM3e constraints could limit absolute unit shipments during the transition, restrictions on overseas high-end accelerators and HBM should structurally increase the share of available AI computing captured by domestic suppliers.

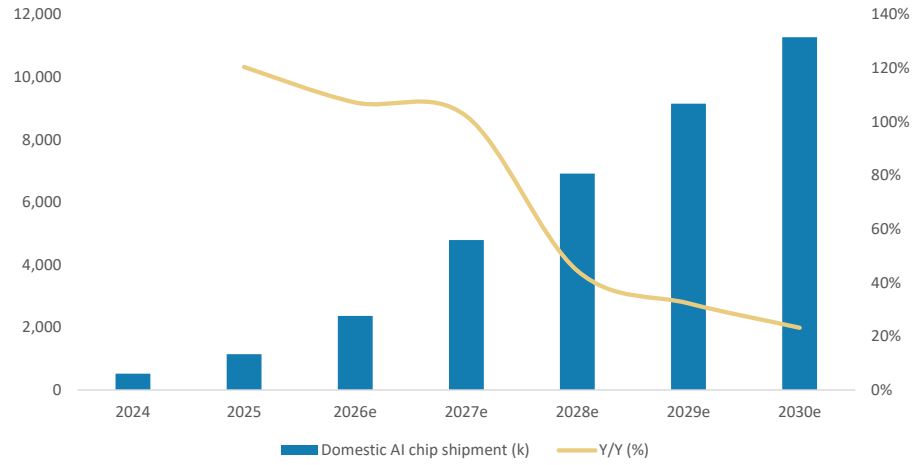
**We also see "token exports" emerging as an incremental demand driver for China's AI GPUs:** In our definition, token exports refers to Chinese CSPs using China-produced AI chips and selling AI computing services or generated tokens to global customers. This effectively expands the addressable market for domestic accelerators beyond China's onshore AI infrastructure demand. Alibaba's target of more than 20GW of data center capacity by 2032 is one example of this trend (See Tracking China's Semi Localization: Alibaba's Apsara Conference Takeaways: AI ASIC, CPU, HBM3E, and Supernodes). We believe a meaningful portion of future overseas expansion could be supported by China-produced chips. As domestic GPU performance improves and supply scales, token exports could therefore become an increasingly important channel for Chinese AI chip vendors to access overseas AI demand.

**Exhibit 1:** We expect China's AI chip TAM to grow to US$132bn by 2030E



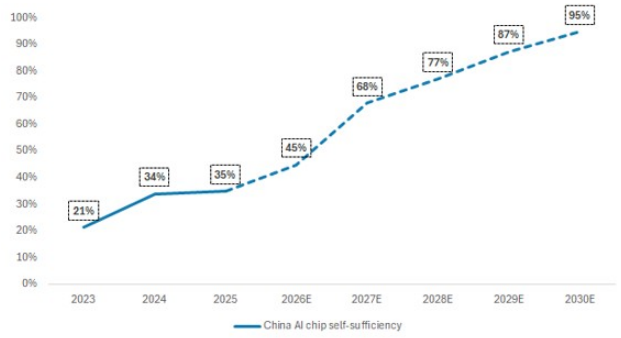

Source: Company data, Morgan Stanley Research (E) estimates

**Exhibit 2:** Domestic AI chip shipments are forecast to reach 4.8mn in 2027e



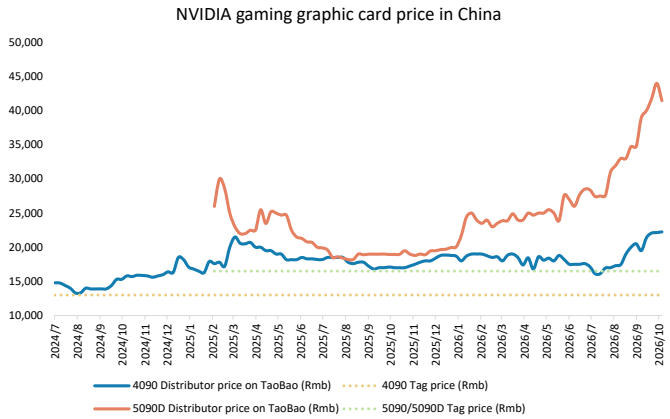

Source: Company data, Morgan Stanley Research (e) estimates

**Exhibit 3:** We expect China's AI chip self-sufficiency to reach 95% in 2030E



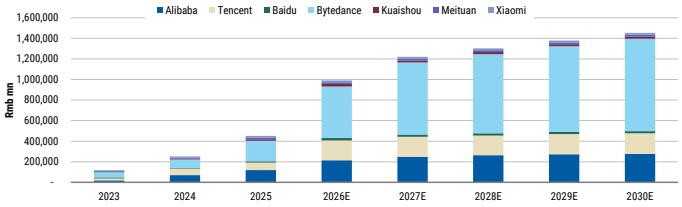

Source: Company data, Morgan Stanley Research (e) estimates

**Exhibit 4:** Nvidia's 5090 price surged in China in September




Source: Taobao, Morgan Stanley Research

**Exhibit 5:** Chinese CSP's capex will be a key demand driver for China's AI GPU




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

# Earnings estimate revisions and quarterly financials

**We lower our 2026 revenue forecast 14% but raise 2027e 40% and 2028e 50%; EPS estimates change -18%, +17%, and +26%, respectively:** The 2026 estimate cut mainly reflects slower MLU692 revenue recognition and still-limited MLU580 deliveries, while our higher 2027 and 2028 forecasts are driven by a stronger MLU690 series ramp, the next generation of MLU580 product shipments, and materially higher chip ASP assumptions. We now forecast revenue of Rmb15.6bn for 2026, Rmb54bn for 2027, and Rmb77bn for 2028.

On profitability, we lower our gross margin assumptions to 54.5%, 50.7%, and 48.5%, from 55.1%, 52.2%, and 49.5% previously, mainly reflecting higher HBM costs. Together with higher opex ratios, this results in EPS estimates of Rmb9.21, Rmb22.33, and Rmb30.96 for 2026, 2027, and 2028, versus Rmb11.26, Rmb19.02, and Rmb24.59 previously.

**Exhibit 6:** Cambricon: Earnings estimate revisions

| Rmb$ mn | New '26 | Old'26E | Diff. | New '27 | Old'27E | Diff. | New '28 | Old'28E | Diff. |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 15,640 | 18,111 | -14% | 53,966 | 38,541 | 40% | 77,032 | 51,480 | 50% |
| Gross profit | 8,521 | 9,976 | -15% | 27,373 | 20,121 | 36% | 37,354 | 25,463 | 47% |
| Operating profit | 5,963 | 7,130 | -16% | 17,949 | 14,070 | 28% | 24,706 | 18,224 | 36% |
| Pretax Income | 5,504 | 6,986 | -21% | 17,621 | 14,128 | 25% | 24,439 | 18,267 | 34% |
| Net income | 5,325 | 6,620 | -20% | 14,097 | 12,009 | 17% | 19,552 | 15,527 | 26% |
| **EPS for consensus** | **9.21** | **11.26** | **-18%** | **22.33** | **19.02** | **17%** | **30.96** | **24.59** | **26%** |
| | | | | | | | | | |
| **Margins** | | | | | | | | | |
| Gross margin | 54.5% | 55.1% | | 50.7% | 52.2% | | 48.5% | 49.5% | |
| Operating margin | 38.1% | 39.4% | | 33.3% | 36.5% | | 32.1% | 35.4% | |
| Pretax margin | 35.2% | 38.6% | | 32.7% | 36.7% | | 31.7% | 35.5% | |
| Net margin | 34.0% | 36.6% | | 26.1% | 31.2% | | 25.4% | 30.2% | |
| Opex % | 16.4% | 15.7% | | 17.5% | 15.7% | | 16.4% | 14.1% | |

Source: Morgan Stanley Research (e) estimates

**Exhibit 7:** Cambricon: Quarterly financials

| (Rmb mn) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26E | 4Q26E | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total revenues** | **1,111.4** | **1,769.2** | **1,726.8** | **1,889.8** | **2,884.7** | **3,110.9** | **3,655.3** | **5,989.4** | **6,497.2** | **15,640.3** | **53,966.1** | **77,031.7** |
| *Q/Q Change* | *12.4%* | *59.2%* | *-2.4%* | *9.4%* | *52.6%* | *7.8%* | *17.5%* | *63.9%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| *Y/Y Change* | *4229.6%* | *4424.9%* | *1332.5%* | *91.0%* | *159.6%* | *75.8%* | *111.7%* | *216.9%* | *453.2%* | *140.7%* | *245.0%* | *42.7%* |
| **Cost of Sales** | **489.1** | **780.5** | **790.2** | **854.0** | **1,317.4** | **1,365.6** | **1,681.4** | **2,755.1** | **2,913.9** | **7,119.5** | **26,593.4** | **39,677.9** |
| *Percent of Revenues* | *44%* | *44%* | *46%* | *45%* | *46%* | *44%* | *46%* | *46%* | *45%* | *46%* | *49%* | *52%* |
| **Gross Profit** | **622.3** | **988.7** | **936.6** | **1,035.7** | **1,567.3** | **1,745.3** | **1,973.9** | **3,234.3** | **3,583.3** | **8,520.8** | **27,372.7** | **37,353.8** |
| ***Gross Margin*** | ***1.0%*** | ***55.9%*** | ***54.2%*** | ***54.8%*** | ***54.3%*** | ***56.1%*** | ***54.0%*** | ***54.0%*** | ***55.2%*** | ***54.5%*** | ***50.7%*** | ***48.5%*** |
| *Incremental Margin* | *47.9%* | *55.7%* | *NM* | *60.8%* | *53.4%* | *78.7%* | *42.0%* | *54.0%* | *54.8%* | *54.0%* | *49.2%* | *43.3%* |
| **Total Opex** | **330.0** | **338.0** | **355.2** | **593.7** | **372.6** | **438.5** | **519.1** | **1,227.8** | **1,616.9** | **2,558.0** | **9,423.4** | **12,647.6** |
| *Percent of Revenues* | *29.7%* | *19.1%* | *20.6%* | *31.4%* | *12.9%* | *14.1%* | *14.2%* | *20.5%* | *24.9%* | *16.4%* | *17.5%* | *16.4%* |
| R&D | 272.6 | 269.3 | 300.9 | 508.0 | 324.0 | 378.4 | 446.0 | 1,078.1 | 1,350.8 | 2,226.5 | 8,086.0 | 10,977.2 |
| *Percent of Revenues* | *24.5%* | *15.2%* | *17.4%* | *26.9%* | *11.2%* | *12.2%* | *12.2%* | *18.0%* | *20.8%* | *14.2%* | *15.0%* | *14.3%* |
| General & Adm Exp. | 43.1 | 54.9 | 39.8 | 60.4 | 35.9 | 46.5 | 54.8 | 89.8 | 198.1 | 227.1 | 960.1 | 1,191.3 |
| *Percent of Revenues* | *3.9%* | *3.1%* | *2.3%* | *3.2%* | *1.2%* | *1.5%* | *1.5%* | *1.5%* | *3.0%* | *1.5%* | *1.8%* | *1.5%* |
| Selling Expenses | 14.4 | 13.7 | 14.6 | 25.4 | 12.6 | 13.6 | 18.3 | 59.9 | 68.0 | 104.4 | 377.4 | 479.2 |
| *Percent of Revenues* | *1.3%* | *0.8%* | *0.8%* | *1.3%* | *0.4%* | *0.4%* | *0.5%* | *1.0%* | *1.0%* | *0.7%* | *0.7%* | *0.6%* |
| **Operating Income** | **292.2** | **650.8** | **581.3** | **442.1** | **1,194.6** | **1,306.8** | **1,454.8** | **2,006.5** | **1,966.4** | **5,962.7** | **17,949.3** | **24,706.2** |
| *Operating Margin* | *26.3%* | *36.8%* | *33.7%* | *23.4%* | *41.4%* | *42.0%* | *39.8%* | *33.5%* | *30.3%* | *38.1%* | *33.3%* | *32.1%* |
| **Total Non-operating Income (loss)** | **63.1** | **31.6** | **(15.2)** | **13.5** | **(180.4)** | **(19.8)** | **(138.5)** | **(120.1)** | **93.0** | **(458.8)** | **(328.1)** | **(266.8)** |
| **Profit Before Taxes** | **355.4** | **682.4** | **566.1** | **455.5** | **1,014.2** | **1,287.0** | **1,316.3** | **1,886.4** | **2,059.4** | **5,503.9** | **17,621.2** | **24,439.5** |
| *Percent of Revenues* | *32.0%* | *38.6%* | *32.8%* | *24.1%* | *35.2%* | *41.4%* | *36.0%* | *31.5%* | *31.7%* | *35.2%* | *32.7%* | *31.7%* |
| **Taxes** | **0.1** | **(0.0)** | **(0.3)** | **1.1** | **1.1** | **(10.7)** | **0.0** | **188.6** | **0.9** | **179.1** | **3,524.2** | **4,887.9** |
| Tax Rate | *0.0%* | *0.0%* | *0.0%* | *0.2%* | *0.1%* | *-0.8%* | *0.0%* | *10.0%* | *0.0%* | *3.3%* | *20.0%* | *20.0%* |
| **Total Net Income to Parent** | **355.5** | **682.6** | **566.6** | **454.6** | **1,013.2** | **1,297.7** | **1,316.4** | **1,697.8** | **2,059.2** | **5,325.1** | **14,097.2** | **19,551.9** |
| *Percent of Revenues* | *32.0%* | *38.6%* | *32.8%* | *24.1%* | *35.1%* | *41.7%* | *36.0%* | *28.3%* | *31.7%* | *34.0%* | *26.1%* | *25.4%* |
| **EPS for consensus (Rmb)** | **0.8** | **1.6** | **1.3** | **1.1** | **2.4** | **2.1** | **2.1** | **2.7** | **4.9** | **9.2** | **22.3** | **31.0** |

Source: Company data, Morgan Stanley Research (e) estimates

# Raise price target to Rmb1,700 from Rmb1,408

We continue to derive our price target (our base case scenario value) using a residual income model. The increase in our price target change reflects our EPS estimate revisions for 2026-28.

Our key valuation assumptions remain unchanged: cost of equity of 8.4% (beta of 1.06, risk-free rate of 2%, and risk premium of 6%), intermediate growth rate of 16%, terminal growth rate of 6.0%, and long-term payout ratio assumption of 40%.

We also raise our bull and bear case scenario values to Rmb3,212 and Rmb856, respectively, from Rmb2,660 and Rmb709, implying 2027e P/S of 35x and 9x, respectively.

**Exhibit 8:** Cambricon: Residual income model

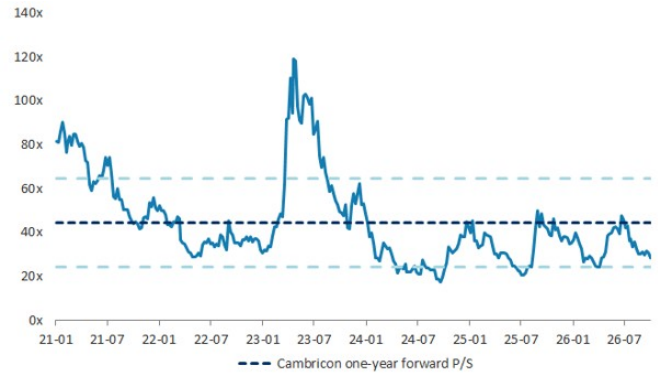
| Rmb million | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E | 2035E | 2036E | 2037E | 2038E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Equity** | **16,668** | **29,266** | **46,317** | **59,880** | **75,613** | **93,863** | **115,033** | **139,590** | **168,077** | **201,121** | **239,452** | **283,916** | **335,495** |
| **Net Profit** | **5,325** | **14,097** | **19,552** | **22,680** | **26,309** | **30,518** | **35,401** | **41,066** | **47,636** | **55,258** | **64,099** | **74,355** | **86,252** |
| **ROAE** | **37.4%** | **61.4%** | **51.7%** | **42.7%** | **38.8%** | **36.0%** | **33.9%** | **32.3%** | **31.0%** | **29.9%** | **29.1%** | **28.4%** | **27.8%** |
| **Residual Income** | 3,434 | 8,838 | 12,694 | 15,911 | 18,248 | 20,911 | 23,967 | 27,488 | 31,556 | 36,261 | 41,709 | 48,020 | 55,334 |
| **Spread** | **29.0%** | **53.0%** | **43.4%** | **34.4%** | **30.5%** | **27.7%** | **25.5%** | **23.9%** | **22.6%** | **21.6%** | **20.7%** | **20.1%** | **19.5%** |
| Ending Equity Capital | 16,668 | | | | | | | | | | | | |
| PV of Forecast Period | 161,926 | | | | | | | | | | | | |
| PV of Continuing Value | 894,726 | | | | | | | | | | | | |
| **Equity Value** | **1,073,320** | | | | | | | | | | | | |
| No. of Shares | 631 | | | | | | | | | | | | |
| **Price Target** | **1,700** | | | | | | | | | | | | |

Source: Company data, Morgan Stanley Research (e) estimates

# Relative valuation

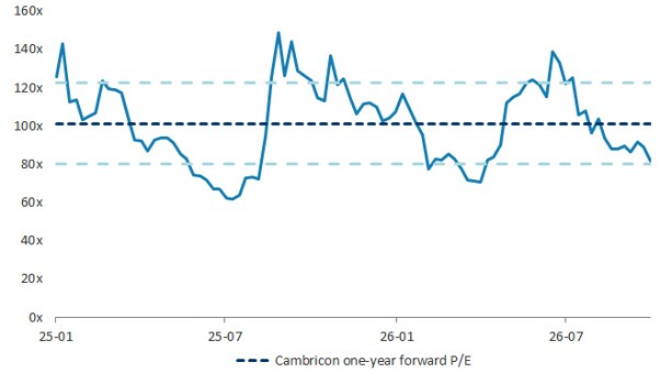
We forecast an EPS CAGR of 85% for Cambricon over 2025-28, alongside a revenue CAGR of 128%, underpinned by sustained AI infrastructure investment and continued domestic substitution of high-end AI accelerators. The stock is trading at ~11x 2027e P/S. While this remains a premium valuation relative to peers, we believe it is supported by Cambricon's stronger growth profile, strategic position in China's domestic AI computing ecosystem, and improving earnings visibility into 2027. In particular, the volume ramp of MLU692, the introduction of next-generation MLU580 products and higher chip ASPs should drive a significant step-up in revenue and earnings. We therefore believe Cambricon continues to warrant a premium valuation relative to peers.

**Exhibit 9:** Cambricon: One-year forward P/S trend




Source: Company data, FactSet, Morgan Stanley Research

**Exhibit 10:** Cambricon: One-year forward P/E trend




Source: Company data, FactSet, Morgan Stanley Research

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# Risk Reward – Cambricon Technology Corporation (688256.SS)

Looking through 3Q softness to a stronger 2027; keep OW

## PRICE TARGET Rmb1,700.00

Base case, residual income model. Key valuation assumptions underpinning our model include: an 8.4% cost of equity (derived from a beta of 1.06, risk-free rate of 2.0%, and equity risk premium of 6.0%), a long-term payout ratio of 40%, a medium-term growth rate of 16%, and a terminal growth rate of 6.0%.

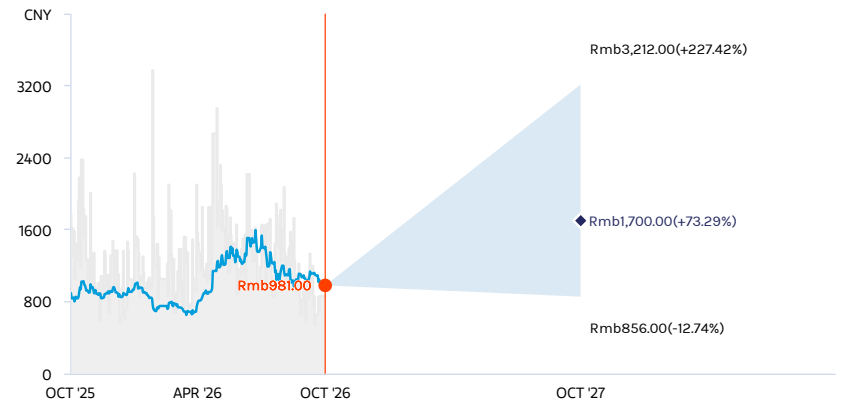
**Consensus Price Target Distribution**

Rmb1,340.00 — Rmb1,641.07 (MS PT) — Rmb2,020.00

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

## RISK REWARD CHART




Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

## OVERWEIGHT THESIS

- Cambricon has deep engagement with major CSPs with proven product-market fit. MLU590 is widely deployed in SAD workloads, supporting strong order visibility as AI infrastructure scales.
- Domestic supply chain transition is underway, with production shifting to SMIC. Yields remain a challenge, but we expect gradual improvement through 2H26.
- Aggressive product roadmap, with next-generation MLU690 expected in 4Q26, potentially boosting performance ~2.2x and sustaining technology leadership.
- P/E and P/S multiples are elevated in absolute terms, but we believe they're justified by strong growth profile, improving supply visibility, and strategic positioning as a key domestic AI chip supplier.

**Consensus Rating Distribution**

| | |
|---|---|
| 100% | Overweight |
| 0% | Equal-weight |
| 0% | Underweight |

● MS Rating

Source: Refinitiv, Morgan Stanley Research

**Risk Reward Themes**

| | |
|---|---|
| New Data Era: | *Positive* |
| Secular Growth: | *Positive* |
| Technology Diffusion: | *Positive* |

View descriptions of Risk Rewards Themes here

## BULL CASE Rmb3,212.00

**35x 2027e P/S**

We assume (1) >150% revenue CAGR in 2025-28, driven by stronger-than-expected domestic generative AI infrastructure build-out and large-scale procurement of cloud training and inference chips; (2) sustained share gains in China's domestic high-performance AI chip market; (3) gross margin improves to over 60% and 55% in 2026 and 2027 thanks to production scale effects, mature technology iteration, and optimized high-value product structure.

## BASE CASE Rmb1,700.00

**18x 2027e P/S**

We assume (1) 128% revenue CAGR in 2025-28, driven by domestic generative AI infrastructure spending from CSP clients; (2) gross margin reaches 55% and 51% in 2026 and 2027 given higher costs of domestic wafer manufacturing and HBM.

## BEAR CASE Rmb856.00

**9x 2027e P/S**

We assume (1) <60% revenue CAGR in 2025-28 given slower-than-expected domestic AI capex and LLM commercialization progress; (2) market share loss in China's AI chip market, and failure to secure ongoing mass orders from top-tier customers; and (3) gross margin falls below 40% in 2026 and 2027 because of fierce price competition, rising wafer fabrication costs, and underutilized production capacity.

# Risk Reward – Cambricon Technology Corporation (688256.SS)

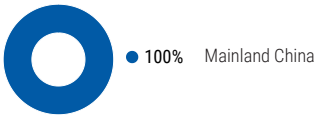
## KEY EARNINGS INPUTS

| Drivers | Dec 2025 | Dec 2026e | Dec 2027e | Dec 2028e |
|---|---|---|---|---|
| Gross Profit (YoY) (%) | 438.0 | 137.8 | 221.2 | 36.5 |

## INVESTMENT DRIVERS

- CSP capex expansion
- Large model deployment growth
- Domestic substitution tailwind
- Product iteration (MLU roadmap)
- Software ecosystem improvement
- Policy support for AI chips
- New customer penetration
- Scaling of AI clusters

## 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 AI demand
- CSP order ramp-up
- Accelerating localization

**RISKS TO DOWNSIDE**

- Capacity and yield constraints
- Customer concentration risk
- Slower technology iteration

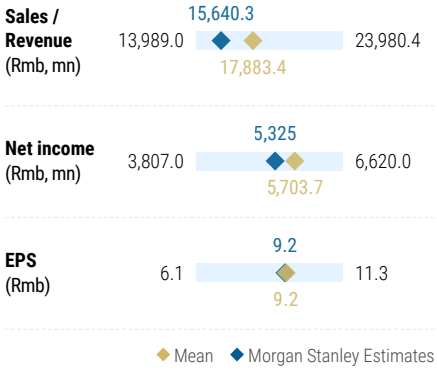
## OWNERSHIP POSITIONING

**Inst. Owners, % Active** 84%

Source: Refinitiv, Morgan Stanley Research

## MS ESTIMATES VS. CONSENSUS

*FY Dec 2026e*




Source: Refinitiv, Morgan Stanley Research

# Cambricon: Financial Summary

| Income Statement<br>Rmb mn (Years End Dec ) | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Net sales | 6,497.2 | 15,640.3 | 53,966.1 | 77,031.7 |
| COGS | 2,913.9 | 7,119.5 | 26,593.4 | 39,677.9 |
| Gross profit | 3,583.3 | 8,520.8 | 27,372.7 | 37,353.8 |
| Operating expenses | 1,616.9 | 2,558.0 | 9,423.4 | 12,647.6 |
| **Operating income** | **1,966.4** | **5,962.7** | **17,949.3** | **24,706.2** |
| Non-operating income | 93.0 | (458.8) | (328.1) | (266.8) |
| Pre-tax income | 2,059.4 | 5,503.9 | 17,621.2 | 24,439.5 |
| Income tax | 0.9 | 179.1 | 3,524.2 | 4,887.9 |
| Minority Interest | (0.7) | (0.3) | (0.3) | (0.3) |
| **Reported net Income** | **2,059.2** | **5,325.1** | **14,097.2** | **19,551.9** |
| Adj.wtd.avg.shrs( m) | 419.6 | 576.6 | 628.3 | 628.3 |
| **Reported EPS (Rmb)** | **4.9** | **9.3** | **22.4** | **31.1** |
| **EPS for consensus (Rmb)** | **4.9** | **9.2** | **22.3** | **31.0** |

| Balance Sheet<br>Rmb mn (Years End Dec ) | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Cash | 1,317.4 | 4,555.5 | 10,606.5 | 21,824.4 |
| Mkt Securities | 4,261.2 | 4,261.2 | 4,261.2 | 4,261.2 |
| AR/NR | 670.6 | 1,714.0 | 5,914.1 | 8,441.8 |
| Inventory | 4,943.5 | 5,851.7 | 10,928.8 | 16,306.0 |
| Other | 887.8 | 887.8 | 887.8 | 887.8 |
| **Current Assets** | **12,080.4** | **17,270.1** | **32,598.3** | **51,721.1** |
| Long-term investments | 299.7 | 299.7 | 299.7 | 299.7 |
| Fixed assets | 372.7 | 372.7 | 372.7 | 372.7 |
| Intangible Assets | 189.1 | 169.1 | 149.1 | 129.1 |
| Other assets | 495.8 | 595.8 | 695.8 | 795.8 |
| **Total Assets** | **13,437.7** | **18,707.3** | **34,115.6** | **53,318.4** |
| S/T borrowings | 0.0 | 0.0 | 0.0 | 0.0 |
| AP/NP | 1,115.9 | 1,560.4 | 4,371.5 | 6,522.4 |
| Other ST liabilities | 217.0 | 217.0 | 217.0 | 217.0 |
| LT debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT liabilities | 261.5 | 261.5 | 261.5 | 261.5 |
| **Total Liabilities** | **1,594.5** | **2,039.0** | **4,850.0** | **7,000.9** |
| Common shares | 421.7 | 421.7 | 421.7 | 421.7 |
| Additional capital | 11,270.3 | 11,270.3 | 11,270.3 | 11,270.3 |
| Retained earning | (11.8) | 4,813.3 | 17,410.6 | 34,462.4 |
| Other shareholders' equity | 163.0 | 163.0 | 163.0 | 163.0 |
| **Total Equity** | **11,843.3** | **16,668.4** | **29,265.6** | **46,317.4** |
| **Total Liab. & Shrhldr's Equity** | **13,437.7** | **18,707.3** | **34,115.6** | **53,318.4** |

E = Morgan Stanley Research Estimates
Source: Morgan Stanley Research, Company Data

| Cash Flow Statement<br>Rmb mn (Years End Dec ) | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Cashflow from Operations** | **(498.5)** | **3,818.1** | **7,631.1** | **13,797.8** |
| Net profits | 2,059.2 | 5,325.1 | 14,097.2 | 19,551.9 |
| Depreciation | 116.7 | 0.0 | 0.0 | 0.0 |
| Working Capital Change | (3,126.6) | (1,507.0) | (6,466.2) | (5,754.0) |
| Other adjustments | 452.2 | 0.0 | 0.0 | 0.0 |
| **Cashflow from Investing** | **(4,142.0)** | **(80.0)** | **(80.0)** | **(80.0)** |
| Capex | (142.8) | 0.0 | 0.0 | 0.0 |
| Change of LT Investment | (53.1) | 0.0 | 0.0 | 0.0 |
| Change of ST Investment | (3,501.0) | 0.0 | 0.0 | 0.0 |
| Other adjustments | (445.1) | (80.0) | (80.0) | (80.0) |
| **Cashflow from financing** | 3,986.0 | (500.0) | (1,500.0) | (2,500.0) |
| Increase in L/T debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Increase in S/T debt | (100.1) | 0.0 | 0.0 | 0.0 |
| Cash Dividend Paid | 0.0 | (500.0) | (1,500.0) | (2,500.0) |
| Issuance of stock | 1,465.7 | 0.0 | 0.0 | 0.0 |
| Other adjustments | 2,620.4 | 0.0 | 0.0 | 0.0 |
| Exchange rate adjustment | (0.0) | 0.0 | 0.0 | 0.0 |
| **Net change in cash** | **(654.6)** | **3,238.1** | **6,051.1** | **11,217.8** |

| Financial Ratios | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Growth(%)** | | | | |
| Revenue | 453.2 | 140.7 | 245.0 | 42.7 |
| Operating profits | NA | 203.2 | 201.0 | 37.6 |
| Pretax profits | NA | 167.3 | 220.2 | 38.7 |
| Net profits | NA | 158.6 | 164.7 | 38.7 |
| EPS | NA | 88.8 | 142.2 | 38.7 |
| **Margins (%)** | | | | |
| Gross Margin | 55.2 | 54.5 | 50.7 | 48.5 |
| Operating Margin | 30.3 | 38.1 | 33.3 | 32.1 |
| Pretax Margin | 31.7 | 35.2 | 32.7 | 31.7 |
| Net Profit | 31.7 | 34.0 | 26.1 | 25.4 |
| **Return (%)** | | | | |
| ROAE | 23.8 | 37.4 | 61.4 | 51.7 |
| ROAA | 20.4 | 33.1 | 53.4 | 44.7 |
| **Gearing (%)** | | | | |
| Net Debt/Equity | (11.1) | (27.3) | (36.2) | (47.1) |
| Liabilities/Equity | 13.5 | 12.2 | 16.6 | 15.1 |
| **Ratios (X)** | | | | |
| Current ratio | 9.1 | 9.7 | 7.1 | 7.7 |
| Quick ratio | 1.5 | 3.5 | 3.6 | 4.5 |
| **Others** | | | | |
| AR/NR Turnover (days) | 40.0 | 40.0 | 40.0 | 40.0 |
| Inventory Turnover (days) | 500.0 | 300.0 | 150.0 | 150.0 |
| AP Turnover (days) | 90.0 | 80.0 | 60.0 | 60.0 |
| Cash Conversion (days) | 450.0 | 260.0 | 130.0 | 130.0 |

# 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 September 30, 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 | 1599 | 43% | 455 | 48% | 28% | 783 | 44% |
| Equal-weight/Hold | 1563 | 42% | 394 | 42% | 25% | 763 | 43% |
| Not-Rated/Hold | 2 | 0% | 1 | 0% | 50% | 1 | 0% |
| Underweight/Sell | 570 | 15% | 96 | 10% | 17% | 227 | 13% |
| Total | 3,734 | | 946 | | | 1774 | |

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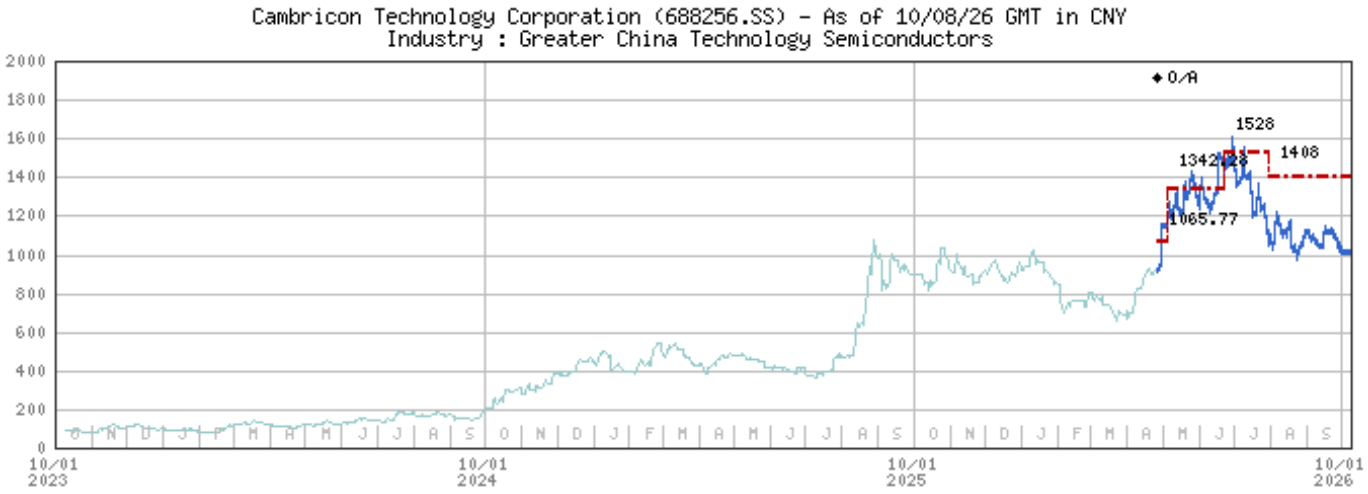
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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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## INDUSTRY COVERAGE: Greater China Technology Semiconductors

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (10/08/2026) |
|---|---|---|
| **Charlie Chan** | | |
| Advanced Wireless Semiconductor Co (8086.TWO) | U (07/14/2025) | NT$154.00 |
| Alchip Technologies Ltd (3661.TW) | O (05/14/2021) | NT$4,345.00 |
| ASE Technology Holding Co. Ltd. (3711.TW) | O (09/15/2024) | NT$744.00 |
| Cambricon Technology Corporation (688256.SS) | O (04/27/2026) | Rmb981.00 |
| CXMT Corp (688825.SS) | O (08/26/2026) | Rmb50.52 |
| Global Unichip Corp (3443.TW) | O (06/24/2026) | NT$8,360.00 |
| GlobalWafers Co Ltd (6488.TWO) | E (05/19/2026) | NT$1,130.00 |
| Gudeng Precision (3680.TWO) | O (11/25/2025) | NT$571.00 |
| Hua Hong Semiconductor Ltd (1347.HK) | E (03/12/2026) | HK$95.60 |
| Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK) | O (04/27/2026) | HK$92.25 |
| King Yuan Electronics Co Ltd (2449.TW) | O (03/03/2023) | NT$304.50 |
| MediaTek (2454.TW) | O (11/28/2025) | NT$4,690.00 |
| MetaX Integrated Circuits (688802.SS) | E (04/27/2026) | Rmb467.58 |
| Nanya Technology Corp. (2408.TW) | O (05/28/2026) | NT$532.00 |
| OmniVision Integrated Circuits Group Inc (603501.SS) | E (11/17/2025) | Rmb78.96 |
| Phison Electronics Corp (8299.TWO) | E (02/25/2026) | NT$2,060.00 |
| SG Micro Corp. (300661.SZ) | E (11/03/2025) | Rmb96.00 |
| Silergy Corp. (6415.TW) | U (05/19/2026) | NT$462.50 |
| SMIC (0981.HK) | O (10/21/2025) | HK$56.80 |
| TSMC (2330.TW) | O (02/07/2022) | NT$2,550.00 |
| UMC (2303.TW) | O (05/19/2026) | NT$147.50 |
| Vanguard International Semiconductor (5347.TWO) | E (01/14/2026) | NT$186.50 |
| WIN Semiconductors Corp (3105.TWO) | U (07/14/2025) | NT$581.00 |
| **Daisy Dai, CFA** | | |
| ASMPT Ltd (0522.HK) | O (07/24/2025) | HK$163.80 |
| China Resources Microelectronics Limited (688396.SS) | U (03/02/2026) | Rmb52.02 |

| | | |
|---|---|---|
| Empyrean Technology Co Ltd (301269.SZ) | E (01/17/2025) | Rmb85.45 |
| Hangzhou Silan Microelectronics Co. Ltd. (600460.SS) | U (08/25/2025) | Rmb29.64 |
| Hygon Information Technology Co., Ltd. (688041.SS) | O (07/03/2026) | Rmb220.53 |
| Innoscience (2577.HK) | E (10/13/2025) | HK$37.20 |
| JCET Group Co Ltd (600584.SS) | O (09/16/2026) | Rmb62.60 |
| Shanghai Fudan Microelectronics (1385.HK) | O (03/07/2025) | HK$24.16 |
| SICC Co Ltd (688234.SS) | O (03/20/2026) | Rmb102.50 |
| SJ Semiconductor Corp (688820.SS) | E (09/16/2026) | Rmb105.95 |
| StarPower Semiconductor Ltd (603290.SS) | E (05/14/2026) | Rmb78.85 |
| Unigroup Guoxin Microelectronics Co Ltd (002049.SZ) | U (01/10/2023) | Rmb56.14 |
| Universal Scientific Ind. (Shanghai) (601231.SS) | O (11/05/2025) | Rmb23.07 |
| Yangjie Technology (300373.SZ) | O (06/10/2022) | Rmb81.00 |
| **Daniel Yen, CFA** | | |
| AP Memory Technology Corp (6531.TW) | O (07/11/2025) | NT$980.00 |
| ASMedia Technology Inc (5269.TW) | U (10/03/2025) | NT$1,490.00 |
| Aspeed Technology (5274.TWO) | O (06/09/2025) | NT$17,485.00 |
| Egis Technology Inc (6462.TWO) | E (01/28/2026) | NT$100.50 |
| Elan Microelectronics Corp (2458.TW) | O (10/03/2025) | NT$132.00 |
| eMemory Technology Inc (3529.TWO) | O (08/18/2026) | NT$2,915.00 |
| Espressif Systems (688018.SS) | O (05/15/2023) | Rmb117.65 |
| GigaDevice Semiconductor Beijing Inc (603986.SS) | O (05/15/2025) | Rmb334.40 |
| Macronix International Co Ltd (2337.TW) | O (09/18/2025) | NT$116.00 |
| Montage Technology Co Ltd (6809.HK) | O (03/18/2026) | HK$273.40 |
| Montage Technology Co Ltd (688008.SS) | O (03/18/2026) | Rmb197.01 |
| Novatek (3034.TW) | U (02/04/2026) | NT$531.00 |
| Nuvoton Technology Corporation (4919.TW) | U (11/10/2025) | NT$155.50 |
| Parade Technologies Ltd (4966.TWO) | O (05/27/2026) | NT$558.00 |
| Powerchip Semiconductor Manufacturing Co (6770.TW) | O (10/27/2025) | NT$72.20 |
| Realtek Semiconductor (2379.TW) | E (01/30/2026) | NT$749.00 |
| Shenzhen Goodix Technology Co Ltd (603160.SS) | U (07/14/2025) | Rmb51.55 |
| Winbond Electronics Corp (2344.TW) | O (05/28/2026) | NT$177.00 |
| WPG Holdings (3702.TW) | O (03/16/2026) | NT$117.50 |
| WT Microelectronics Co. Ltd. (3036.TW) | O (01/27/2026) | NT$215.50 |
| **Duan Liu** | | |
| Dosilicon Co Ltd (688110.SS) | U (09/06/2024) | Rmb105.73 |
| Shenzhen Longsys Electronics Co Ltd (301308.SZ) | E (02/25/2026) | Rmb288.60 |
| **Henry Zhao** | | |
| ACM Research Inc (ACMR.O) | O (03/07/2023) | US$72.77 |
| Advanced Micro-Fabrication Equipment Inc (688012.SS) | O (11/06/2023) | Rmb313.24 |
| Maxscend Microelectronics Co Ltd (300782.SZ) | U (01/11/2021) | Rmb64.65 |
| NAURA Technology Group Co Ltd (002371.SZ) | O (11/06/2023) | Rmb600.32 |
| **Tiffany Yeh** | | |
| AllRing Tech Co. (6187.TWO) | O (09/23/2025) | NT$1,525.00 |
| FOCI Fiber Optic Communications Inc (3363.TWO) | O (01/15/2025) | NT$667.00 |
| Himax Technologies Inc (HIMX.O) | E (02/04/2026) | US$14.09 |
| Hon Precision (7769.TW) | O (04/17/2026) | NT$5,925.00 |
| MPI Corporation (6223.TWO) | O (04/17/2026) | NT$5,575.00 |
| Silicon Motion (SIMO.O) | O (05/06/2024) | US$285.78 |
| WinWay Technology Co Ltd (6515.TW) | O (04/17/2026) | NT$5,615.00 |

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