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UPDATE

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## Cambricon Technology Corporation | Asia Pacific

# 3Q26 Margin Beat and Inventory Build Support 2027 Setup

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**AlphaSignals Earnings Reaction**

| **Unchanged** | **In-line** | **Largely unchanged** |
|---|---|---|
| Impact to our thesis | Financial results versus consensus | Direction of next 12-month consensus EPS |

Source: Company data, Morgan Stanley Research

**3Q26 results:**

- Revenue: Rmb3.5bn, in line with our preview (see our 3Q26 preview), reflecting slower-than-expected MLU690 series revenue recognition.
- Gross margin: 58.7%, up 2.6ppts Q/Q and above our 54% estimate, mainly on price increases for the MLU580 and MLU590, the key Q3 shipments.
- Net income: Rmb1.4bn, up 8% Q/Q and 147% Y/Y, above our estimate, supported by strong gross margin.

**Inventory build points to continued preparation for future shipments.** Inventory reached Rmb11.7bn at end-3Q26, up 41% Q/Q, which we believe reflects continued stocking ahead of future product ramp ups. Meanwhile, higher HBM3e prices have raised procurement costs for newly purchased memory. Prepayments were Rmb3.0bn, broadly stable vs. Rmb2.9bn in 2Q26.

**Keep OW.** We remain constructive on Cambricon given stronger-than-expected pricing and gross margin, continued inventory build ahead of future shipments, and improving earnings visibility into the 2027 product ramp up.

**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 (%) | 82 |
| Shr price, close (Oct 23, 2026) | Rmb932.20 |
| 52-Week Range | Rmb1,620.00-649.66 |
| Sh out, dil, curr (mn) | 628 |
| Mkt cap, curr (mn) | Rmb585,694.7 |
| EV, curr (mn) | Rmb579,816.5 |
| Avg daily trading value (mn) | Rmb12,640 |

| **Fiscal Year Ending** | **12/25** | **12/26e** | **12/27e** | **12/28e** |
|---|---|---|---|---|
| EPS (Rmb)** | 4.87 | 9.21 | 22.33 | 30.96 |
| Prior EPS (Rmb)** | - | - | - | - |
| EPS (Rmb)§ | - | 9.01 | 19.85 | 33.23 |
| 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 | 101.5 | 41.8 | 30.1 |
| P/BV | 32.5 | 32.4 | 20.1 | 12.7 |
| RNOA (%) | 57.8 | 75.0 | 178.3 | 131.4 |
| ROE (%) | 37.9 | 45.0 | 84.6 | 66.8 |
| EV/EBITDA | 171.3 | 96.7 | 31.8 | 22.6 |
| Div yld (%) | 0.0 | 0.1 | 0.3 | 0.4 |
| FCF yld ratio (%)** | 0.8 | 0.7 | 1.3 | 2.3 |
| 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

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e = Morgan Stanley Research estimates

# Valuation Methodology and Risks

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

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%.

**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

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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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## INDUSTRY COVERAGE: Greater China Technology Semiconductors

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (10/23/2026) |
|---|---|---|
| **Charlie Chan** | | |
| Advanced Wireless Semiconductor Co (8086.TWO) | U (07/14/2025) | NT$120.50 |
| Alchip Technologies Ltd (3661.TW) | O (05/14/2021) | NT$3,495.00 |
| ASE Technology Holding Co. Ltd. (3711.TW) | O (09/15/2024) | NT$654.00 |
| Cambricon Technology Corporation (688256.SS) | O (04/27/2026) | Rmb932.20 |
| CXMT Corp (688825.SS) | O (08/26/2026) | Rmb42.85 |
| Global Unichip Corp (3443.TW) | O (06/24/2026) | NT$7,585.00 |
| GlobalWafers Co Ltd (6488.TWO) | E (05/19/2026) | NT$826.00 |
| Gudeng Precision (3680.TWO) | O (11/25/2025) | NT$503.00 |
| Hua Hong Semiconductor Ltd (1347.HK) | E (03/12/2026) | HK$67.45 |
| Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK) | O (04/27/2026) | HK$75.80 |
| MediaTek (2454.TW) | O (11/28/2025) | NT$4,010.00 |
| MetaX Integrated Circuits (688802.SS) | E (04/27/2026) | Rmb488.00 |
| Nanya Technology Corp. (2408.TW) | O (05/28/2026) | NT$414.00 |
| OmniVision Integrated Circuits Group Inc (603501.SS) | E (11/17/2025) | Rmb82.20 |
| Phison Electronics Corp (8299.TWO) | E (02/25/2026) | NT$1,880.00 |
| SG Micro Corp. (300661.SZ) | E (11/03/2025) | Rmb88.08 |
| Silergy Corp. (6415.TW) | U (05/19/2026) | NT$472.00 |
| SMIC (0981.HK) | O (10/21/2025) | HK$47.06 |
| TSMC (2330.TW) | O (02/07/2022) | NT$2,385.00 |
| UMC (2303.TW) | O (05/19/2026) | NT$125.50 |
| Vanguard International Semiconductor (5347.TWO) | E (01/14/2026) | NT$161.00 |
| WIN Semiconductors Corp (3105.TWO) | E (10/09/2026) | NT$486.00 |
| **Daisy Dai, CFA** | | |
| ASMPT Ltd (0522.HK) | O (07/24/2025) | HK$121.70 |
| China Resources Microelectronics Limited (688396.SS) | U (03/02/2026) | Rmb52.98 |
| Empyrean Technology Co Ltd (301269.SZ) | E (01/17/2025) | Rmb108.20 |

| | | |
|---|---|---|
| Hangzhou Silan Microelectronics Co. Ltd. (600460.SS) | U (08/25/2025) | Rmb26.28 |
| Hygon Information Technology Co., Ltd. (688041.SS) | O (07/03/2026) | Rmb201.10 |
| Innoscience (2577.HK) | E (10/13/2025) | HK$31.64 |
| JCET Group Co Ltd (600584.SS) | O (09/16/2026) | Rmb59.78 |
| Shanghai Fudan Microelectronics (1385.HK) | O (03/07/2025) | HK$23.58 |
| SICC Co Ltd (688234.SS) | O (03/20/2026) | Rmb85.88 |
| SJ Semiconductor Corp (688820.SS) | E (09/16/2026) | Rmb94.94 |
| StarPower Semiconductor Ltd (603290.SS) | E (05/14/2026) | Rmb72.46 |
| Unigroup Guoxin Microelectronics Co Ltd (002049.SZ) | U (01/10/2023) | Rmb56.29 |
| Universal Scientific Ind. (Shanghai) (601231.SS) | O (11/05/2025) | Rmb21.82 |
| Yangjie Technology (300373.SZ) | O (06/10/2022) | Rmb78.14 |
| **Daniel Yen, CFA** | | |
| AP Memory Technology Corp (6531.TW) | O (07/11/2025) | NT$795.00 |
| ASMedia Technology Inc (5269.TW) | U (10/03/2025) | NT$1,465.00 |
| Aspeed Technology (5274.TWO) | O (06/09/2025) | NT$16,010.00 |
| Egis Technology Inc (6462.TWO) | E (01/28/2026) | NT$96.30 |
| Elan Microelectronics Corp (2458.TW) | O (10/03/2025) | NT$130.00 |
| eMemory Technology Inc (3529.TWO) | O (08/18/2026) | NT$2,485.00 |
| Espressif Systems (688018.SS) | O (05/15/2023) | Rmb154.36 |
| GigaDevice Semiconductor Beijing Inc (603986.SS) | O (05/15/2025) | Rmb292.00 |
| Himax Technologies Inc (HIMX.O) | E (02/04/2026) | US$11.10 |
| Macronix International Co Ltd (2337.TW) | O (09/18/2025) | NT$99.50 |
| Montage Technology Co Ltd (6809.HK) | O (03/18/2026) | HK$214.80 |
| Montage Technology Co Ltd (688008.SS) | O (03/18/2026) | Rmb180.00 |
| Novatek (3034.TW) | U (02/04/2026) | NT$583.00 |
| Nuvoton Technology Corporation (4919.TW) | U (11/10/2025) | NT$134.50 |
| Parade Technologies Ltd (4966.TWO) | O (05/27/2026) | NT$512.00 |
| Powerchip Semiconductor Manufacturing Co (6770.TW) | O (10/27/2025) | NT$66.40 |
| Realtek Semiconductor (2379.TW) | E (01/30/2026) | NT$772.00 |
| Shenzhen Goodix Technology Co Ltd (603160.SS) | U (07/14/2025) | Rmb56.49 |
| Silicon Motion (SIMO.O) | O (05/06/2024) | US$187.96 |
| Winbond Electronics Corp (2344.TW) | O (05/28/2026) | NT$154.50 |
| WPG Holdings (3702.TW) | O (03/16/2026) | NT$114.50 |
| WT Microelectronics Co. Ltd. (3036.TW) | O (01/27/2026) | NT$213.00 |
| **Henry Zhao** | | |
| ACM Research Inc (ACMR.O) | O (03/07/2023) | US$49.12 |
| Advanced Micro-Fabrication Equipment Inc (688012.SS) | O (11/06/2023) | Rmb266.70 |
| Maxscend Microelectronics Co Ltd (300782.SZ) | U (01/11/2021) | Rmb57.86 |
| NAURA Technology Group Co Ltd (002371.SZ) | O (11/06/2023) | Rmb537.49 |
| **Lucas Wang** | | |
| AllRing Tech Co. (6187.TWO) | O (09/23/2025) | NT$1,260.00 |
| FOCI Fiber Optic Communications Inc (3363.TWO) | E (10/09/2026) | NT$506.00 |
| Hon Precision (7769.TW) | O (04/17/2026) | NT$5,275.00 |
| King Yuan Electronics Co Ltd (2449.TW) | O (03/03/2023) | NT$262.50 |
| MPI Corporation (6223.TWO) | O (04/17/2026) | NT$4,890.00 |
| **Tiffany Yeh** | | |
| WinWay Technology Co Ltd (6515.TW) | O (04/17/2026) | NT$4,795.00 |

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* Historical prices are not split adjusted.

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