BERNSTEIN
SOCIETE GENERALE GROUP

China Semiconductors

Cambricon Technologies Corp Ltd

Rating

Outperform

Price Target

688256.CH **1,340.00 CNY**



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



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



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

Cambricon 3Q26: Rev missed but GPM improved; inventory, prepayments, account receivables all increased QoQ

Cambricon released its 3Q26 results on October 23, 2026, reporting revenue of RMB3.53bn and attributable net profit of RMB1.40bn. Revenue growth is much slower than our full year estimate and consensus, marking a significant miss despite strong headline growth. We view HBM shortages, manufacturing constraints and revenue recognition delays as likely contributors. **The stock may react negatively on Monday**.

Revenue growth is still slower than expected. Rev increased 104.5% YoY and 13.5% QoQ. The market had anticipated a substantially faster ramp, especially given the 2Q26 miss that potentially delayed some revenue recognition to 3Q26. The print reinforces concerns that HBM availability and other supply bottlenecks can constrain earnings delivery even when underlying demand remains strong. Separately, we believe investors may still underestimate the time required to convert CSP orders into revenue recognition, creating scope for revenue to shift into subsequent quarters.

GPM improved approximately 259 bps QoQ to 58.7%. We interpret the continued margin expansion as consistent with strong demand and improved bargaining power for domestic AI fabless suppliers amid constrained supply. This supports a more constructive assessment of pricing and profitability than the revenue miss alone would suggest. On top of that, product mix and manufacturing costs could also have contributed, although no details were given.

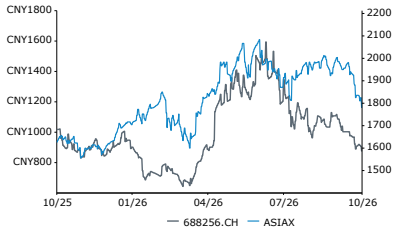
Inventory, prepayments, account receivables all continue to build up. Inventory reached RMB11.66bn at end-3Q26, up 41.4% QoQ from RMB8.25bn, while supplier prepayments increased 4.5% QoQ to RMB3.04bn. Accounts receivable rose to RMB957mn from RMB252mn, an increase of 279.8% QoQ. The inventory and prepayment build is consistent with procurement and production commitments running ahead of recognized sales, although inventory includes raw materials and work in progress and therefore does not establish the volume of completed chips awaiting recognition. The receivables increase warrants closer monitoring of collection timing, while 3Q operating cash flow was negative RMB84mn despite RMB1.40bn in attributable profit.

Close Date	23 Oct 2026
688256.CH Close Price (CNY)	932.20
Price Target (CNY)	1,340.00
Upside/(Downside)	44%
52-Week Range	1,620.00/649.66
ASIAX	1,779.14
FYE	Dec
Div Yield	0.1%
Market Cap (CNY) (M)	586,218
EV (CNY) (M)	586,841

Performance	YTD	1M	6M	12M
Absolute (%)	2.5	(14.6)	2.7	(8.9)
ASIAX (%)	8.8	(10.8)	(2.7)	10.0
Relative (%)	(6.3)	(3.8)	5.4	(18.9)

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Reported EPS	F25A	F26E	F27E
688256.CH (CNY)	3.28	7.50	14.52

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	6,497	16,150	32,284	--
Gross Margin (%)	55.2	55.4	55.2	--
Net Income Margin (%)	31.7	28.9	28.0	--

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	284.6	124.4	64.2

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

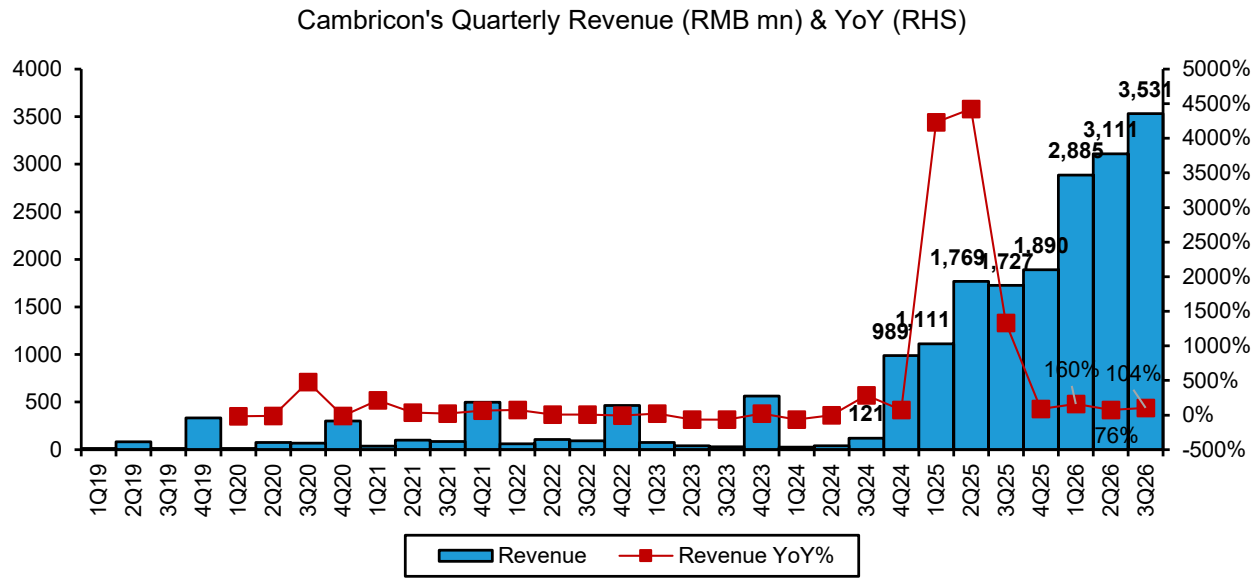
First Published: 23 Oct 2026 16:50 UTC Completion Date: 23 Oct 2026 16:29 UTC

EXHIBIT 1: **3Q26: revenue growth is weaker than the full-year expectation, but profitability materially beats full-year forecast**

(RMB mn)	3Q26 Actual	2Q26 Actual	3Q25 Actual	QoQ	YoY	2026E Bernstein	2026E Consensus	Bern. Diff. vs. Consensus	Bern. YoY	Consensus YoY
Revenue	3,531	3,111	1,727	13.5%	104.5%	16,150	17,109	-5.6%	149%	163%
Gross Profit	2,072	1,745	937	18.7%	121.3%	8,944	9,124	-2.0%	150%	155%
GPM	*58.7%*	*56.1%*	*54.2%*	*259bps*	*446bps*	*55.4%*	*53.3%*	*205bps*	*23bps*	*-182bps*
Operating Profit	1,407	1,287	567	9.3%	148.0%	5,248	5,936	-11.6%	155%	188%
OPM	*39.8%*	*41.4%*	*32.9%*	*-152bps*	*700bps*	*32.5%*	*34.7%*	*-220bps*	*77bps*	*297bps*
Net Income	1,404	1,298	567	8.2%	147.7%	4,674	5,633	-17.0%	127%	174%
NPM	*39.8%*	*41.7%*	*32.8%*	*-196bps*	*694bps*	*28.9%*	*32.9%*	*-398bps*	*-275bps*	*123bps*
Recurring Net Income	1,358	1,231	(406)	10.3%	N.M.	*0.0%*	*0.0%*	*0bps*		
Basic EPS (RMB)	2.23	2.07	0.91	7.8%	146.1%	7.56	9.38	-19.4%	128%	183%

Source: Bloomberg, Company reports, Bernstein analysis and estimates

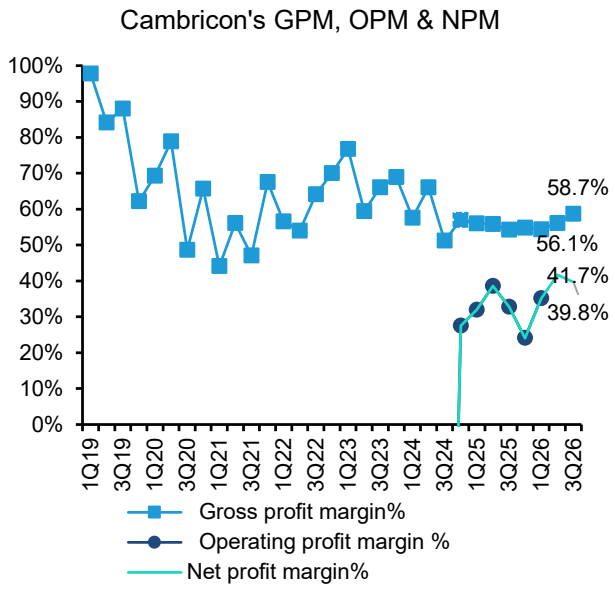
EXHIBIT 2: **Cambricon's 3Q26 revenue was RMB 3,531mn, YoY+104% & QoQ +13%**



Source: Company reports, Bernstein analysis

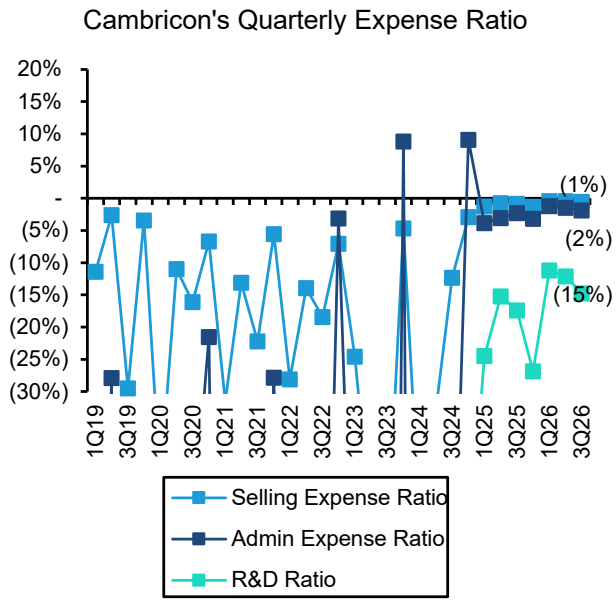
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EXHIBIT 3: **Cambricon's 3Q26 OPM & NPM was 58.7%/39.8%, respectively**



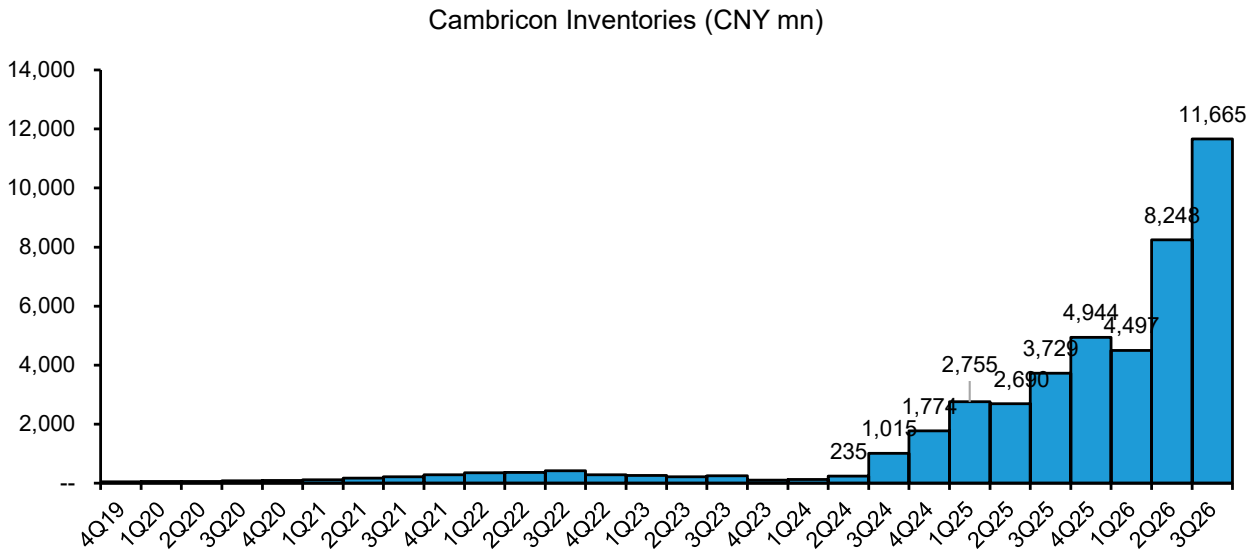
Source: Company reports, Bernstein analysis

EXHIBIT 4: **Operation costs to revenue ratios all declined YoY, releasing operation leverage and boosting the OPM**



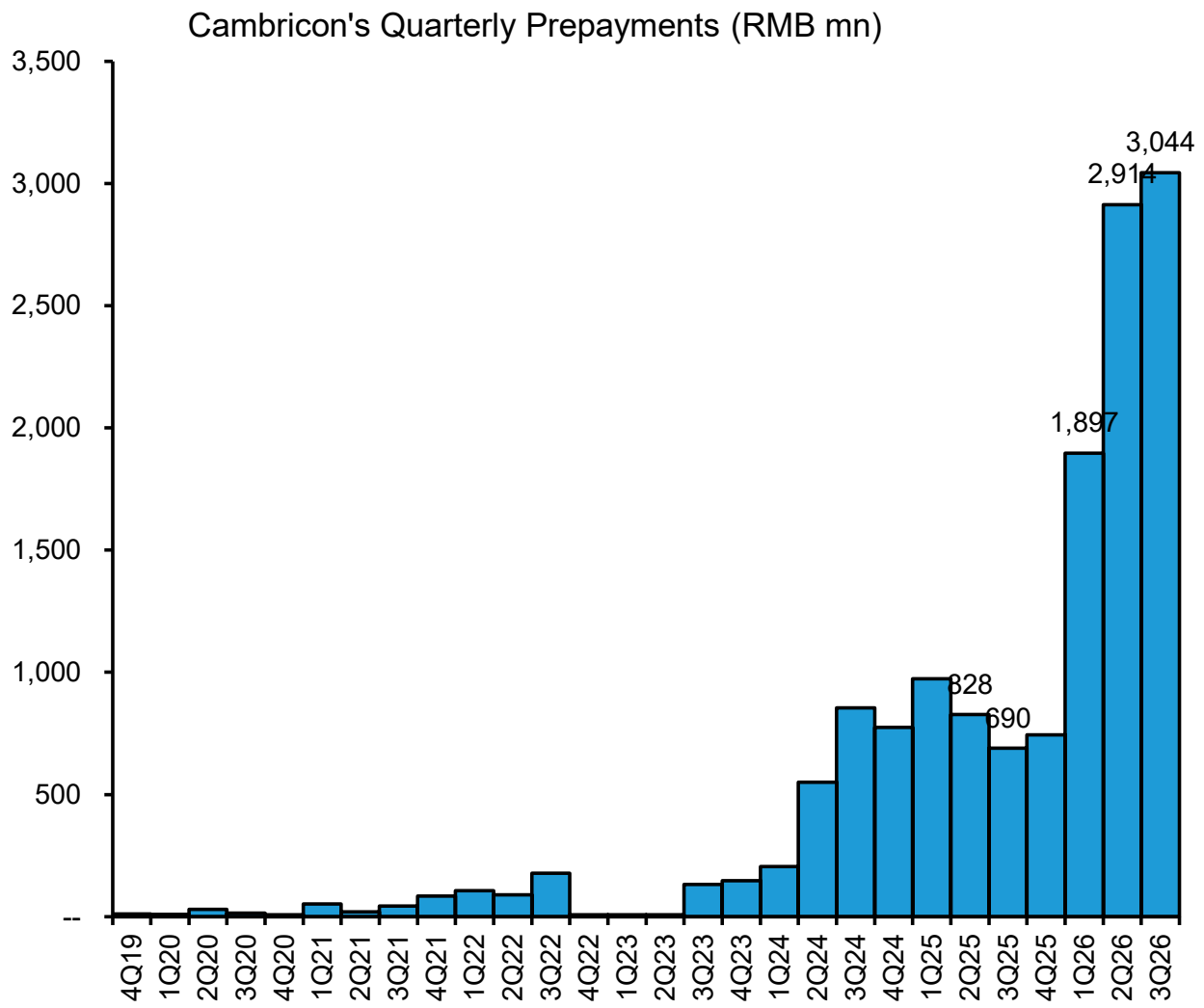
Source: company reports, Bernstein analysis

EXHIBIT 5: **Cmabricon's inventory was significantly elevated in 3Q26**



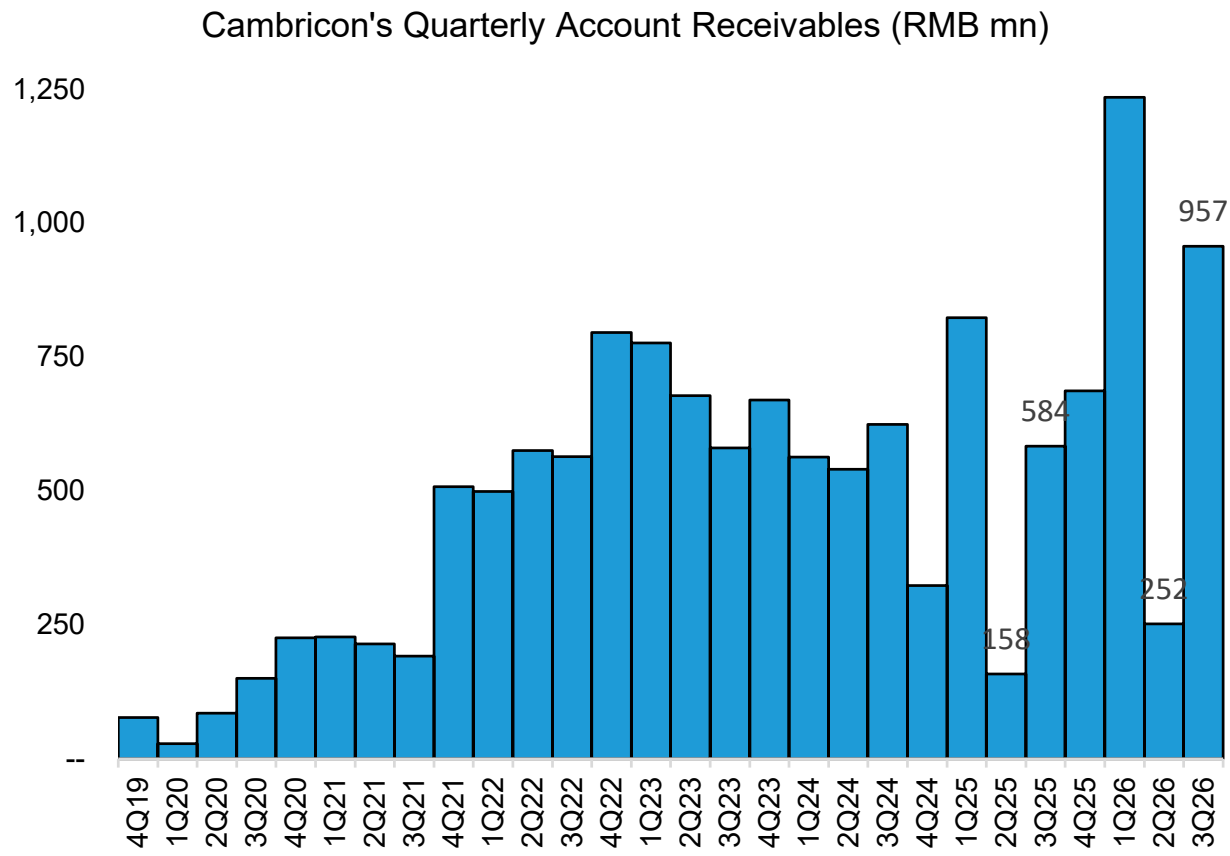
Source: Company reports, Bernstein analysis

EXHIBIT 6: **Cambricon's quarterly prepayment also significantly rose in 2026**



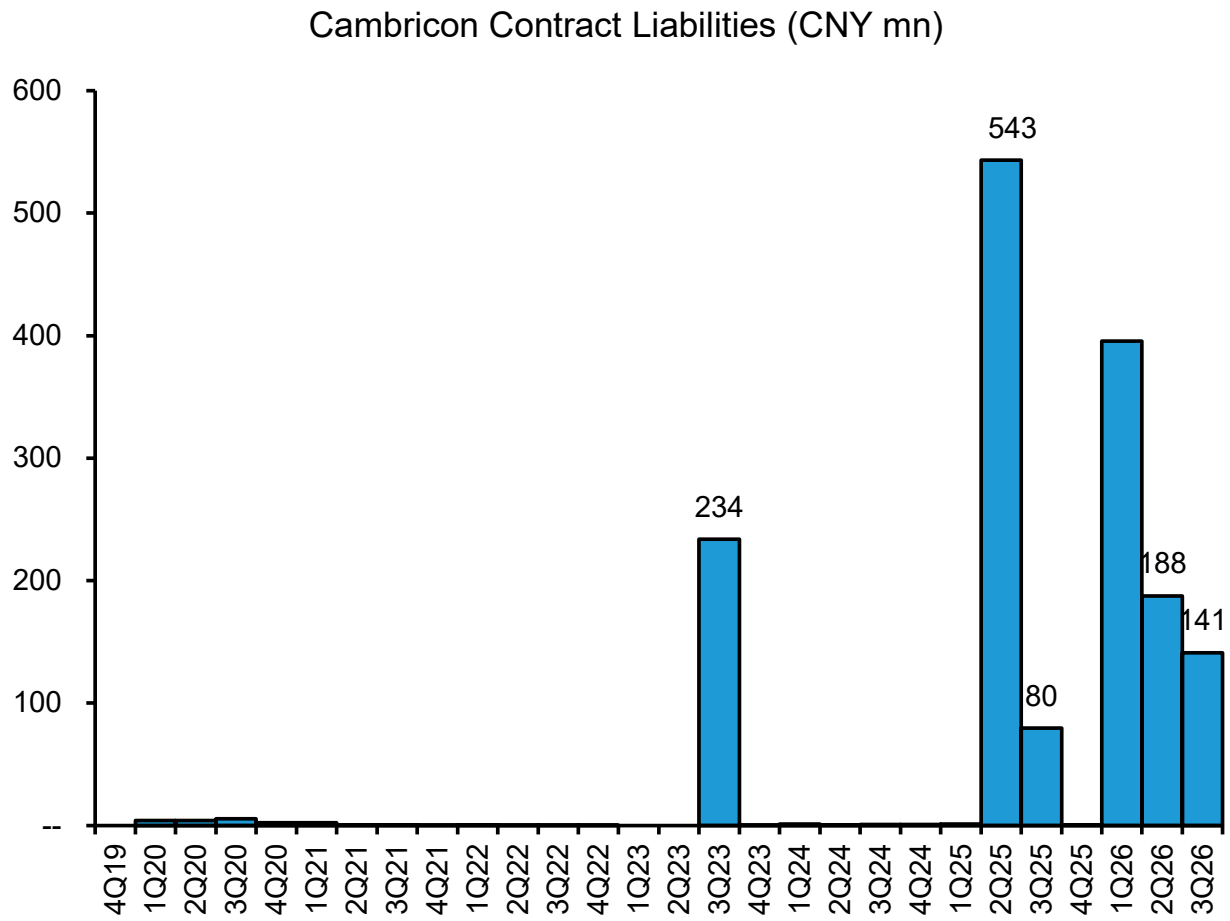
Source: Company reports, Bernstein analysis

EXHIBIT 7: **Cambricon's accounts receivables were elevated in 3Q26**



Source: company reports, Bernstein analysis

EXHIBIT 8: **Cambricon's contract liabilities surged to RMB 543mn in 2Q25**



Source: Company reports, Bernstein analysis

INVESTMENT IMPLICATIONS

Cambricon is the leading AI accelerator ASIC chip provider in China, which is the best alternative to the leading domestic AI chip player Huawei in China, benefiting from the domestic substitution in AI chip. We like the tech foundation of the company with PT CNY 1,340, we apply a 91.5x Price to EPS (P/E) multiple at 2027 EPS of 14.52 RMB.

BERNSTEIN TICKER TABLE

			23 Oct 2026		TTM	Reported EPS				Reported P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
688256.CH (Cambricon)	O	CNY	932.20	1,340.00	(18.9)%	CNY	3.28	7.50	14.52	284.6	124.4	64.2
ASIAX			1,779.14									

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

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

Cambricon Technologies Corp Ltd

For Cambricon (PT of CNY 1340), we apply a 91.5x Price to EPS (P/E) multiple at 2027 EPS of 14.52 RMB.

RISKS

Cambricon Technologies Corp Ltd

Downside risks:

- Failure to commercialize next-gen AI chips or secure sufficient domestic advanced node production capacity may lead to severe de-rating;
- Cambricon may lose market share due to increased competition from other emerging AI chip suppliers in the domestic market;
- Given Cambricon is on the Entity List, the US and its Western allies may continue to impose increasingly stringent sanctions on the company.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

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The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

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Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

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- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
- Underperform (UP): Stock will trail the performance of the relevant index by more than 10 pp

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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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- Neutral (N): The total return of the preferred instrument is expected to perform in line with preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

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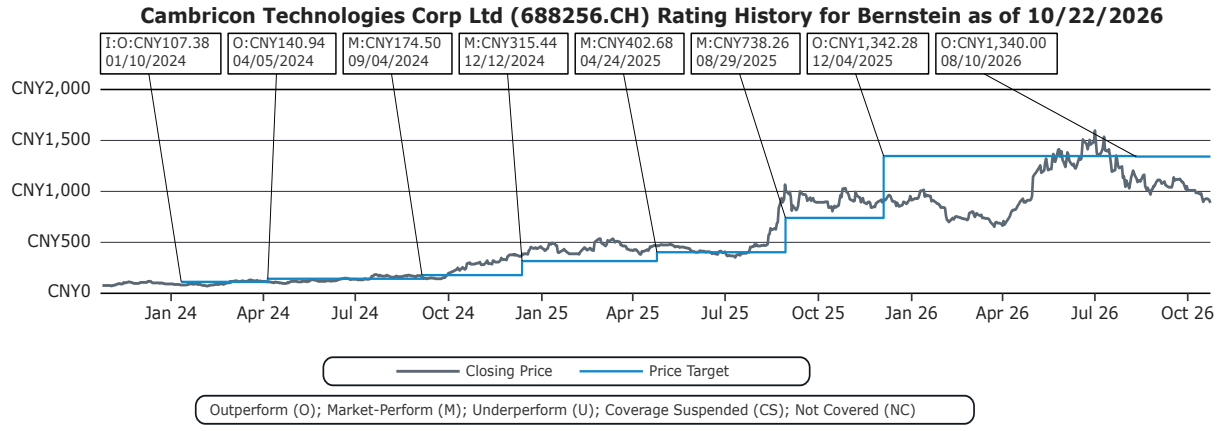
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Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	52.3%	14.2%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.6%	16.1%
Underperform	SELL	12.1%	13.6%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
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