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UPDATE

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## SJ Semiconductor Corp | Asia Pacific

# 3Q26 earnings miss; maintain caution

**AlphaSignals Earnings Reaction**

**Unchanged**
Impact to our thesis

**Modest shortfall**
Financial results versus consensus

**Meaningful revision lower**
Direction of next 12-month consensus EPS

**3Q26 earnings missed MSe by 51%, dragged by material shortages and rising depreciation:** SJ Semi reported 3Q26 revenue of Rmb1.7bn, flat QoQ and down 8% YoY, and 34% below MSe. Management attributed the weakness primarily to shortages of critical materials, which constrained revenue, alongside higher depreciation expenses from ongoing capacity expansion. Gross margin slid to 26% in 3Q26 from 31% in 2Q26. Net profit was Rmb186mn, down 28% QoQ and 46% YoY, and 51% below MSe.

**Reiterate cautious view despite share price correction:** Although SJ Semi's share price has corrected by 27% in the past month (vs. CSI300 down 6%)), we believe its valuation remains elevated. We continue to see downside risks from intensifying competition in advanced packaging, high customer concentration, and potential constraints on HBM availability, which could limit the pace of revenue growth and capacity utilization ramp-up. In our view, current valuation still leaves limited room for execution disappointment, and we remain EW.

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*the 2027 Extel Asia Research Survey. Voting opens 10 November 2026.*

**SJ Semiconductor Corp (688820.SS, 688820 CG)**

Greater China Technology Semiconductors | China

| | |
|---|---|
| **Stock Rating** | **Equal-weight** |
| **Industry View** | **Attractive** |
| Price target | Rmb118.40 |
| Up/downside to price target (%) | 35 |
| Shr price, close (Oct 28, 2026) | Rmb87.90 |
| 52-Week Range | Rmb235.32-75.00 |
| Sh out, dil, curr (mn) | 1,863 |
| Mkt cap, curr (mn) | Rmb163,737.8 |
| EV, curr (mn) | Rmb162,054.0 |
| Avg daily trading value (mn) | Rmb3,671 |

| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| EPS (Rmb)** | 0.6 | 0.6 | 0.9 | 1.2 |
| Revenue, net (Rmb mn) | 6,521.4 | 7,873.8 | 10,371.0 | 12,863.0 |
| EBITDA (Rmb mn) | 2,847.5 | 4,080.2 | 4,861.2 | 6,210.0 |
| ModelWare net inc (Rmb mn) | 920.5 | 1,100.8 | 1,617.8 | 2,208.8 |
| P/E | - | 148.7 | 101.2 | 74.1 |
| P/BV | - | 8.0 | 7.4 | 6.7 |
| RNOA (%) | 9.4 | 9.3 | 10.9 | 12.6 |
| ROE (%) | 6.8 | 7.6 | 7.9 | 10.0 |

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

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| | | | | |
|---|---|---|---|---|
| EV/EBITDA | - | 39.0 | 33.0 | 25.8 |
| Div yld (%) | - | 0.0 | 0.0 | 0.0 |
| FCF yld ratio (%)** | - | (0.9) | (0.2) | 0.5 |
| Leverage (EOP) (%) | (30.4) | (38.7) | (34.2) | (34.6) |

framework
** = Based on consensus methodology



# Valuation Methodology and Risks

**SJ Semiconductor Corp (688820.SS)**

We derive our price target from a residual income model, as we believe this methodology is best suited to capturing long-term value. We assume an 8.0% cost of equity (beta 1.09, risk-free rate 2.0% and risk premium 5.5%), a payout ratio of 50%, a medium-term growth rate of 26.0%, and a terminal growth rate of 5.0%, all of which are in line with other China AI supply chain companies under our coverage.

**Risks to Upside**

- China front-end leading node yield improves significantly
- Local HBM capacity ramp-up faster than expected, HBM sourcing from overseas market becomes easier.
- Signficant progress in 3D packaging

**Risks to Downside**

- Limited improvment in front-end leading node yield
- Local HBM capacity ramp-up slower and tightening restrictions of HBM imports from overseas
- Limited progress in 3D packaging