Morgan Stanley | RESEARCH

UPDATE

October 23, 2026 01:27 AM GMT

SICC Co Ltd | Asia Pacific

Risk Reward Update

WHAT'S CHANGED

Updated Components
EPS
Investment Thesis
Bull Base Bear Scenarios

Risk Reward for SICC Co Ltd (688234.SS) has been updated

Reason for change

- We update our model to reflect 3Q26 actual financials, our 2026/27/28 EPS rose 5%/11%/13% as we raise our gross margin assumptions.
- We expect 8-inch prices to decline 5-10% in 2027, but believe SICC can maintain gross margin given its technology leadership. For 6-inch substrate, we expect flat pricing in 2027/28.
- We keep our price target at Rmb127.1, as we make no changes to our P/B valuation methodology.

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SICC Co Ltd (688234.SS, 688234 CH)

Greater China Technology Semiconductors | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**Rmb127.10**
Shr price, close (Oct 22, 2026)	Rmb84.50
52-Week Range	Rmb188.88-66.99

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	(0.4)	0.2	0.5	0.7
Prior EPS (Rmb)**	-	0.1	0.4	0.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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Risk Reward – SICC Co Ltd (688234.SS)

Global leading SiC substrate vendor set to gain further market share

PRICE TARGET Rmb127.10

We apply 8.5x 2026e P/B, 2 standard deviations above its average since listing in January 2022, reflecting continued market share gains and technology leadership. This method is in-line with the approach we adopt for Greater China IDM peers, in view of the industry's high volatility.

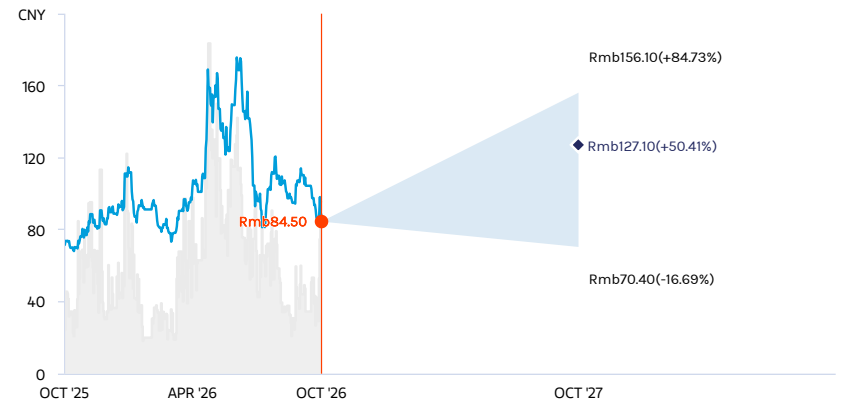
Consensus Price Target Distribution Rmb43.00 Rmb103.88 Rmb169.30

MS PT

◆ 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

- We expect SICC to gain share over its global and local competitors due to its technology leadership, especially in 8-inch.
- Substrate pricing is stabilizing this year, and we think SICC's technology breakthrough could lead to lower costs, thus offering some protection in case pricing starts to decline again in 2027.
- We expect SiC penetration in EV and data centers to continue to rise.
- We expect SICC to trade up to 8.5x 2026e BVPS, above the historical average level of 5.5x, owing to global market share gain and long-term secular drivers (EV, AI data centers, AR glass).

Consensus Rating Distribution

43% Overweight
29% Equal-weight
29% Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles: *Positive*
Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb156.10

10.4x 2026e BVPS

Leading AR glass companies start to adopt SiC waveguide AR glass in 2027, and UHV SiC devices start to be used in 800V data centers in 2027; lower-than-expected SiC substrate pricing erosion boosts its GM: 1) Revenue growth at a >45% CAGR in 2025-28; 2) GM improves to >33% in 2027 from ~13% in 2025; 3) SICC gains more market share over its Chinese and global peers; and 4) 8-inch fab capacity ramps even faster.

BASE CASE Rmb127.10

8.5x 2026e BVPS

More customer adoption as new 8-inch capacity opens faster than expected: 1) Revenue growth at a 35% CAGR in 2025-28e; 2) GM around 26% in 2026-28e; 3) SICC steadily gains market share over its Chinese and global peers; and 4) 8-inch capacity ramps up faster than expected.

BEAR CASE Rmb70.40

4.7x 2026e BVPS

Heavier-than-expected SiC substrate pricing erosion hampers GM: 1) Revenue growth shows a 15% CAGR in 2025-28; 2) GM declines to 15% in 2026 from ~13% in 2025; 3) SICC loses market share to Chinese tier-2 substrate peers, with global market share declining; and 4) 8-inch capacity ramp is further delayed.

Risk Reward – SICC Co Ltd (688234.SS)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
SiC substrates shipment growth (%)	77.3	35.6	21.4	14.8
SiC blended gross margin (%)	12.9	27.0	27.0	27.0
Blended ASP Per Wafer (Rmb)	1.9	2.4	2.8	2.9

INVESTMENT DRIVERS

- Better-than-expected EV sales performance, especially in China
- More SiC adoption in different end-markets
- More LTAs and qualifications from customers

GLOBAL REVENUE EXPOSURE



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

MS ALPHA MODELS

5/5 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

- Lower-than-expected SiC substrate pricing erosion
- More qualifications and long-term agreements from global IDMs
- Faster market share gains over Chinese and global peers
- Operating leverage comes faster than expected

RISKS TO DOWNSIDE

- Higher-than-expected SiC substrate pricing erosion
- Fewer qualifications and long-term agreements from global IDMs
- Slower market share gains over Chinese and global peers

OWNERSHIP POSITIONING

Inst. Owners, % Active 37.5%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

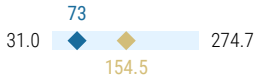
FY Dec 2026e

EPS (Rmb)



Note: There are not sufficient brokers supplying consensus data for this metric

Net income (Rmb, mn)



Sales / Revenue (Rmb, mn)



Note: There are not sufficient brokers supplying consensus data for this metric

Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research



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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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	

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.

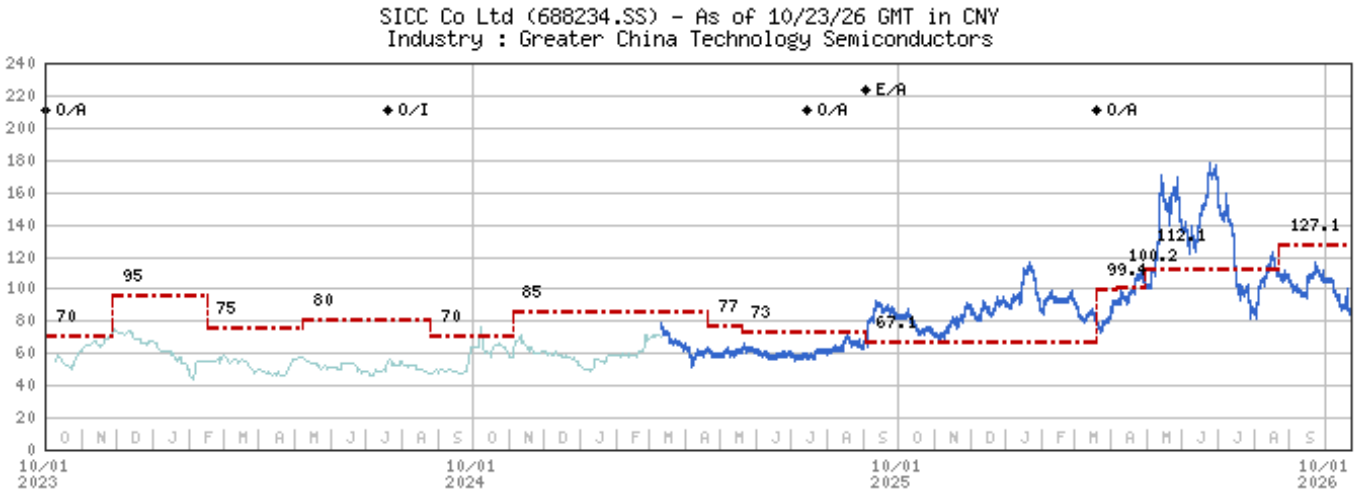
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 6/5/23 : E/I; 7/7/23 : E/A; 9/18/23 : O/A; 7/21/24 : O/I; 7/14/25 : O/A; 9/3/25 : E/A; 3/20/26 : O/A

Price Target History: 6/5/23 : 85; 9/18/23 : 70; 11/28/23 : 95; 2/16/24 : 75; 5/8/24 : 80; 8/26/24 : 70; 11/4/24 : 85; 4/21/25 : 77; 5/19/25 : 73; 9/3/25 : 67.1; 3/20/26 : 99.4; 4/6/26 : 100.2; 4/30/26 : 112.1; 8/23/26 : 127.1

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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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/22/2026)
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)	Rmb883.94
CXMT Corp (688825.SS)	O (08/26/2026)	Rmb39.70
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$66.55
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$73.10
MediaTek (2454.TW)	O (11/28/2025)	NT$4,010.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb430.09
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$414.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb78.40
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,880.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb86.74
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$472.00
SMIC (0981.HK)	O (10/21/2025)	HK$46.84
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$123.10
China Resources Limited (688396.SS)	U (03/02/2026)	Rmb51.00

Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb97.50
Hangzhou Silan Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb25.65
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb191.02
Innoscience (2577.HK)	E (10/13/2025)	HK$30.82
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb59.00
Shanghai Fudan (1385.HK)	O (03/07/2025)	HK$22.68
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb84.50
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb92.00
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb70.26
Unigroup Guoxin Co Ltd (002049.SZ)	U (01/10/2023)	Rmb53.80
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb21.04
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb75.60
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 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)	Rmb141.36
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb276.75
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$208.40
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb175.33
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)	Rmb51.35
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 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)	Rmb264.18
Maxscend Co Ltd (300782.SZ)	U (01/11/2021)	Rmb55.34
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb542.00
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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