October 30, 2026 05:43 PM GMT

StarPower Semiconductor Ltd | Asia Pacific

Structural Margin Pressure; Downgrade to UW

WHAT'S CHANGED

StarPower Semiconductor Ltd (603290.SS)	From	To
Rating	Equal-weight	**Underweight**
Price Target	Rmb110.00	**Rmb50.00**

We expect StarPower's gross margin to remain structurally lower due to rising depreciation, foundry cost inflation and limited pricing power. Meanwhile, increasing SiC substitution and delayed revenue contributions from new products could constrain earnings recovery.

IGBT pricing recovery unlikely to translate into meaningful margin improvement: We expect favorable power discrete pricing to continue into 1H27. However, StarPower's transition to a fab-lite model has significantly increased its fixed-cost burden, with depreciation doubling YoY to Rmb434mn in 2025 and rising another Rmb124mn YoY in 1-3Q26. Meanwhile, mature-node foundry price hikes since July 2026 add to the cost pressure. We expect StarPower's gross margin to be structurally lower at ~21% (2026-28) vs. ~34% in (2021-25), despite improving industry pricing, contrasting with margin recovery at domestic peers.

SiC substitution poses structural risks to legacy IGBT/IPM demand: The sharp decline in SiC prices during 2023-25 narrowed the cost gap with IGBTs, accelerating adoption beyond EVs into industrial ESS, solar inverters and home appliances. Gree disclosed that over 2mn air conditioners had adopted Starpower SiC chips as of January 2026, highlighting the broadening application scope. While StarPower's own SiC portfolio and production mix flexibility could mitigate some of the substitution risks, we see potential pressure on its legacy IGBT/IPM demand and pricing power.

Product diversification remains a longer-term opportunity: StarPower aims to transition from a power module supplier to a smart power module vendor by 2030, expanding into MCUs, gate drivers, sensors and PMICs. However, meaningful industrial MCU revenue is not expected until 2027, followed by automotive MCUs in 2028. DrMOS products are targeted for launch in 1H27, while SST SiC products remain at the small-volume shipment stage. We believe these initiatives will take time to meaningfully offset pressure on the core business.

Downgrade to UW; cut PT to Rmb50.00: We lower our 2026-28 EPS estimates by 43%, 32% and 35%, respectively, primarily reflecting weaker gross margin assumptions and slower revenue contributions from new products. We cut our PT to Rmb50.00 from Rmb110.00, reflecting lower earnings forecasts and a reduced intermediate growth assumption. Despite a cyclical recovery in IGBT pricing, we see limited near-term earnings upside given persistent cost pressure and structural competition from SiC.

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

StarPower Semiconductor Ltd (603290.SS, 603290 CG)

Greater China Technology Semiconductors | China

Stock Rating	**Underweight**
Industry View	**Attractive**
Price target	Rmb50.00
Up/downside to price target (%)	(23)
Shr price, close (Oct 30, 2026)	Rmb65.05
52-Week Range	Rmb159.69-65.02
Sh out, dil, curr (mn)	239
Mkt cap, curr (mn)	Rmb15,571
Avg daily trading value (mn)	Rmb732

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	1.69	0.76	1.61	2.40
Prior EPS (Rmb)**	-	1.34	2.37	3.69
EPS (Rmb)§	2.14	1.44	2.34	2.99
Revenue, net (Rmb mn)	4,012	4,352	4,867	5,563
EBITDA (Rmb mn)	828	617	800	1,011
ModelWare net inc (Rmb mn)	405	182	386	576
P/E	56.9	85.8	40.4	27.1
P/BV	3.3	2.2	2.1	2.0
ROE (%)	6.0	2.6	5.5	7.7
EV/EBITDA	28.5	26.9	20.4	15.6

framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates

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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Margin pressure persists – downgrade to UW

We expect StarPower's margins to remain under pressure: The shift to a fab-lite model adds a depreciation burden. StarPower began transitioning from a fabless to a fab-lite model in 2021. While this preserves flexibility during capacity shortages such as in 2021, the higher depreciation expense pressures near-term gross margin. Depreciation reached Rmb434mn in 2025, doubling from 2024 levels, and for 1-3Q26 depreciation was Rmb124mn higher vs. same period in 2025. We expect this burden to continue to weigh on gross margin, and despite rising power discrete pricing, we see Starpower margins remaining under pressure while its peers all seen margin improvement (Exhibit 2). We expect StarPower's gross margin to be structurally lower at ~21% (2026-28) vs. ~34% in (2021-25), despite improving industry pricing, contrasting with margin recovery at domestic peers.

In addition, mature-node foundries continue to raise prices. In July 2026, StarPower's partner started to raise foundry prices, and we expect the trend to continue as mature node foundry capacity remains tight.

Exhibit 1: StarPower depreciation cost in 2025 was high, doubling the level in 2024

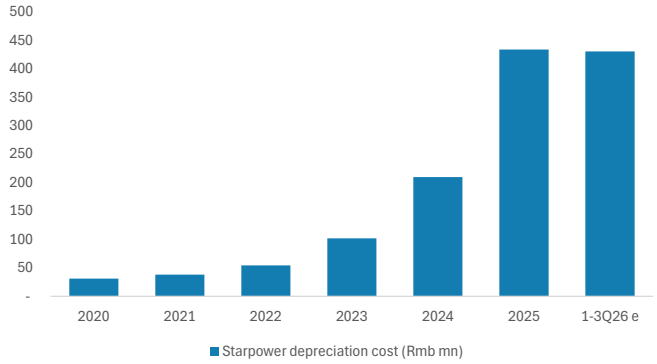


Exhibit 2: Starpower EBIT vs. EBITDA margin trend

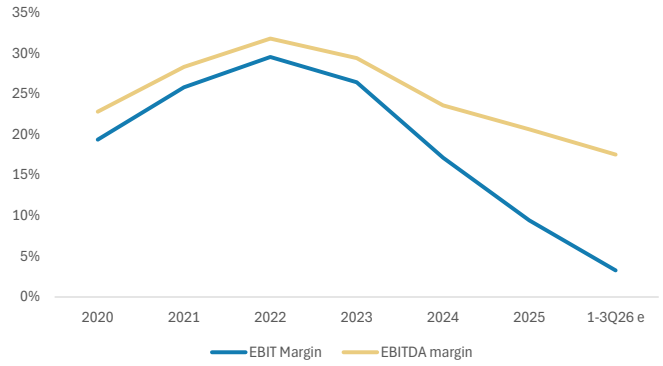
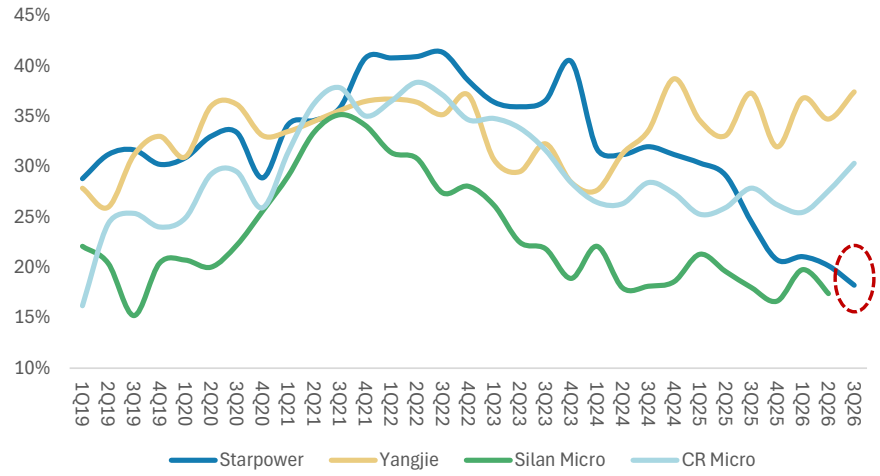


Exhibit 3:

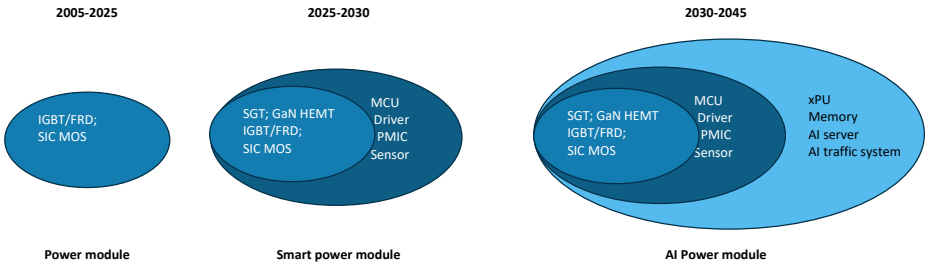
Starpower's gross margin has been on a downward trend since 2024



SiC adoption expanding beyond EVs, posing structural risks to StarPower's IGBT/IPM business: The sharp decline in SiC prices during 2023-25 has narrowed the cost gap with IGBTs, accelerating substitution beyond EVs into industrial ESS, solar inverters and home appliances. Notably, Gree disclosed that over 2mn air conditioners had adopted Starpower's SiC chips as of January 2026, highlighting growing penetration into traditionally IGBT-dominated applications. We see potential pressure on StarPower's legacy IGBT/IPM demand and pricing power. However, StarPower's existing SiC product portfolio and ability to adjust its production mix based on customer demand could mitigate some of the impact.

We appreciate the company's efforts to diversify beyond IGBT, although meaningful contributions will take time: At StarPower's 20-year anniversary, the chairman outlined a strategy to evolve into a smart power module vendor by 2030 and an AI power module vendor by 2045 (Exhibit 3). To broaden its product portfolio, StarPower has been developing MCUs, gate drivers, current sensors and power supply PMICs since 2025. Management now expects industrial MCUs to make meaningful revenue contributions in 2027, followed by automotive MCUs in 2028. Meanwhile, the company targets its first DrMOS product launch in 1H27, while SST SiC products have entered small-volume shipments.

Exhibit 4: StarPower's corp strategy for the next 20 years



Why it is not too late to downgrade the stock

- Our EPS estimates are 30%, 19% and 13% lower than consensus forecasts for 2026-28, respectively. We believe the market has yet to fully reflect StarPower's structurally lower profitability.
- We think the competition from SiC devices in the automotive area is well-known by the market, while for non-auto segments such as industrial and home appliances, the market still believes the IGBT market is where Starpower enjoys technology leadership.
- We think the market is overly optimistic regarding new product revenue contribution; our sales forecasts are 3%, 10% and 12% below consensus' for 2026-28, respectively.

What are the downside catalysts from here

- More downstream customers (industrial, home appliance) launch new products using SiC device instead of IGBT.
- Foundry partner price hike.
- Capacity ramp-up at its IDM peers, which makes supply less tight.

Earnings Estimate Revisions and Quarterly Financials

We cut our EPS estimates by 43%, 32% and 35% for 2026-28, respectively: We incorporate 3Q26 financial results. We cut our revenue assumptions to reflect a longer than expected time for new products to contribute to revenue. We also reduce our gross margin assumptions, as higher depreciation costs will likely weigh on margins.

Exhibit 5: Earnings estimate revisions

RMB$ mn	New '26	Old '26E	Diff.	New '27	Old '27E	Diff.	New '28	Old '28E	Diff.
Net sales	4,352	4,770	-9%	4,867	5,562	-12%	5,563	7,004	-21%
Gross profit	864	1,062	-19%	999	1,292	-23%	1,250	1,761	-29%
Operating profit	183	322	-43%	366	569	-36%	577	920	-37%
Pretax Income	206	363	-43%	426	629	-32%	637	980	-35%
Net income	182	321	-43%	386	569	-32%	576	885	-35%
EPS for consensus	**0.76**	**1.34**	**-43%**	**1.61**	**2.37**	**-32%**	**2.40**	**3.69**	**-35%**
Margins									
Gross margin	19.9%	22.3%		20.5%	23.2%		22.5%	27.1%	
Operating margin	4.2%	6.7%		7.5%	10.2%		10.4%	15.3%	
Pretax margin	4.7%	7.6%		8.8%	11.3%		11.4%	15.3%	
Net margin	4.2%	6.7%		7.9%	10.2%		10.4%	13.1%	

Exhibit 6: StarPower: Quarterly financials

(RMB$ mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26E	2025	2026E	2027E	2028E
Total revenues	**919**	**1,016**	**1,054**	**1,023**	**864**	**1,064**	**1,157**	**1,267**	**4,012**	**4,352**	**4,867**	**5,563**
Q/Q Change	*-5.8%*	*10.6%*	*3.7%*	*-3.0%*	*-15.5%*	*23.1%*	*8.7%*	*9.6%*				
Y/Y Change	*14.2%*	*39.5%*	*19.6%*	*4.8%*	*-6.0%*	*4.6%*	*9.7%*	*23.9%*	*18.3%*	*8.5%*	*11.8%*	*14.3%*
Cost of Sales	**640**	**720**	**795**	**810**	**682**	**849**	**946**	**1,011**	**2,966**	**3,488**	**3,868**	**4,313**
Percent of Revenues	*69.6%*	*70.8%*	*75.5%*	*79.2%*	*78.9%*	*79.8%*	*81.8%*	*79.8%*	*73.9%*	*80.1%*	*79.5%*	*77.5%*
Gross Profit	**279**	**296**	**259**	**212**	**182**	**215**	**211**	**256**	**1,047**	**864**	**999**	**1,250**
Gross Margin	***30.4%***	***29.2%***	***24.5%***	***20.8%***	***21.1%***	***20.2%***	***18.2%***	***20.2%***	***26.1%***	***19.9%***	***20.5%***	***22.5%***
Incremental Margin	*NM*	*18%*	*-100%*	*NM*	*NM*	*16%*	*-4%*	*41%*	*-4%*	*-54%*	*26%*	*36%*
Total Opex	**175**	**133**	**160**	**200**	**159**	**172**	**177**	**174**	**668**	**681**	**633**	**673**
Percent of Revenues	*19.0%*	*13.1%*	*15.2%*	*19.6%*	*18.4%*	*16.1%*	*15.3%*	*13.7%*	*16.7%*	*15.7%*	*13.0%*	*12.1%*
R&D	138.4	91.3	113.9	138.0	121.6	127.1	133.4	126.7	481.6	509.0	462.3	495.1
Percent of Revenues	*15.1%*	*9.0%*	*10.8%*	*13.5%*	*14.1%*	*12.0%*	*11.5%*	*10.0%*	*12.0%*	*11.7%*	*9.5%*	*8.9%*
General & Adm Exp.	8.1	7.5	7.0	12.8	8.0	10.0	7.2	7.9	35.4	33.2	48.7	55.6
Percent of Revenues	*0.9%*	*0.7%*	*0.7%*	*1.3%*	*0.9%*	*0.9%*	*0.6%*	*0.6%*	*0.9%*	*0.8%*	*1.0%*	*1.0%*
Selling Expenses	28.0	34.5	39.5	49.3	29.2	34.5	35.9	39.4	151.3	139.0	121.7	122.4
Percent of Revenues	3.0%	3.4%	3.8%	4.8%	3.4%	3.2%	3.1%	3.1%	3.8%	3.2%	2.5%	2.2%
Operating Income	**105**	**163**	**98**	**12**	**23**	**43**	**34**	**82**	**378**	**183**	**366**	**577**
Operating Margin	*11.4%*	*16.1%*	*9.3%*	*1.2%*	*2.7%*	*4.0%*	*3.0%*	*6.5%*	*9.4%*	*4.2%*	*7.5%*	*10.4%*
Total Non-operating Income (loss)	**21**	**22**	**14**	**7**	**4**	**7**	**(3)**	**15**	**64**	**23**	**60**	**60**
Profit Before Taxes	**126**	**185**	**112**	**19**	**27**	**50**	**31**	**97**	**443**	**206**	**426**	**637**
Percent of Revenues	*13.7%*	*18.2%*	*10.7%*	*1.9%*	*3.2%*	*4.7%*	*2.7%*	*7.7%*	*11.0%*	*4.7%*	*8.8%*	*11.4%*
Taxes	**21**	**11**	**5**	**(4)**	**1**	**12**	**(0)**	**10**	**33**	**22**	**43**	**64**
Tax Rate	16.9%	5.8%	4.4%	-19.2%	2.5%	23.2%	-0.4%	10.0%	7.5%	10.7%	10.0%	10.0%
Minor interest	1.2	2.5	1.0	(0.3)	0.0	0.3	1.1	1.1	4.4	2.4	(2.9)	(2.9)
Total Net Income to Parent	**104**	**172**	**106**	**23**	**27**	**38**	**30**	**87**	**405**	**182**	**386**	**576**
Percent of Revenues	*11.3%*	*16.9%*	*10.1%*	*2.3%*	*3.1%*	*3.6%*	*2.6%*	*6.8%*	*10.1%*	*4.2%*	*7.9%*	*10.4%*
EPS for consensus (Rmb)	**0.43**	**0.72**	**0.44**	**0.10**	**0.11**	**0.16**	**0.13**	**0.36**	**1.69**	**0.76**	**1.61**	**2.40**

Valuation methodology

Price target cut to Rmb50.00 from Rmb110.00: The sharp decline in our price target, which is also our base-case value, primarily reflects the reductions in our earnings estimates and a lower intermediate growth rate of 12% (down from 18%), reflecting SiC competition impact on IGBT and IPM – although Starpower also has SiC products, the majority of its revenue is from IGBT.

We continue to derive our base-case price target using a residual income model. All other assumptions remain unchanged, including an 8.2% cost of equity (beta 1.04, risk-free rate 2.0% and risk premium 6.0%) and a terminal growth rate of 5.5%, in line with other IC design companies under our coverage.

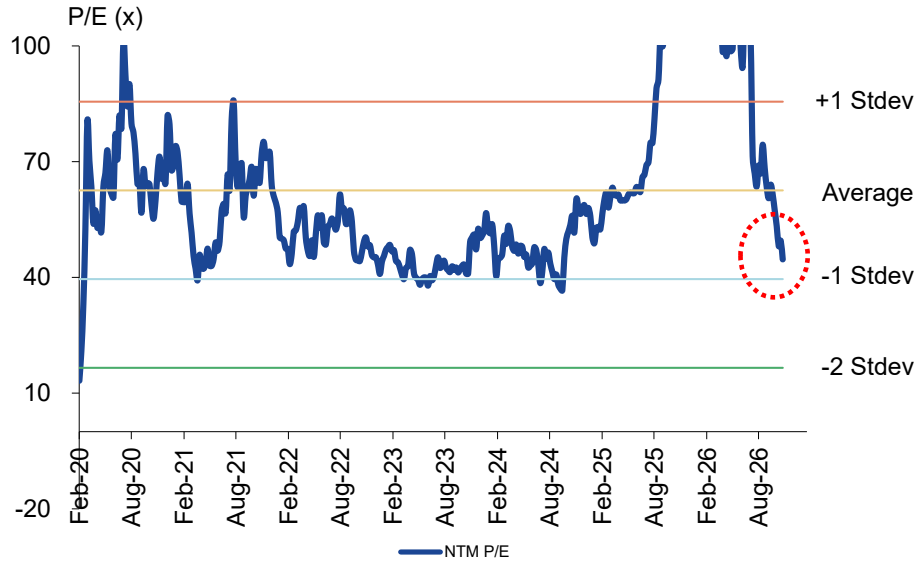
Our base-case value/price target implies 31x our 2027e EPS.

Our bull- and bear-case values are down to Rmb90.00 and Rmb23.00, respectively, implying 56x and 14x our 2027e EPS.

Exhibit 7: Residual income model

Rmb million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
Total Equity	7,089	7,440	7,938	8,119	8,321	8,548	8,787	9,039	9,305	9,586	9,882	10,195
Net Profit	182	386	576	645	723	809	854	901	950	1,003	1,058	1,116
ROAE	2.6%	5.3%	7.5%	8.0%	8.8%	9.6%	9.9%	10.1%	10.4%	10.6%	10.9%	11.1%
Residual Income	(398)	(207)	(56)	(16)	45	113	138	164	192	221	252	284
Spread	-5.7%	-2.9%	-0.7%	-0.2%	0.5%	1.4%	1.6%	1.9%	2.1%	2.4%	2.6%	2.9%
Ending Equity Capital	7,089											
PV of Forecast Period	361											
PV of Continuing Value	4,580											
Equity Value	12,029											
No. of Shares	239											
Price Target	50											

Exhibit 8: P/E band



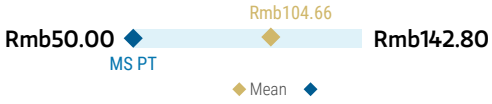
Risk Reward – StarPower Semiconductor Ltd (603290.SS)

Margin pressure persists, despite cyclical recovery

PRICE TARGET Rmb50.00

Base case, residual income model - we believe this methodology best captures a stock's long-term value. We assume an 8.2% cost of equity (beta 1.04, risk-free rate 2.0% and risk premium 6.0%), a payout ratio of 80%, a medium-term growth rate of 12.0% and a terminal growth rate of 5.5%, all of which are in line with other IC design companies that we cover.

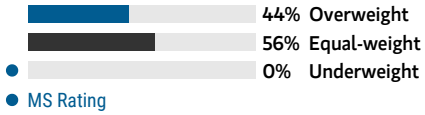
Consensus Price Target Distribution



UNDERWEIGHT THESIS

- IGBT is in cyclical recovery, but IGBT still faces competition from SiC device.
- Auto MCU development cycle is long, so we expect limited near-term contribution.
- Margins may remain structurally lower due to the depreciation burden.

Consensus Rating Distribution

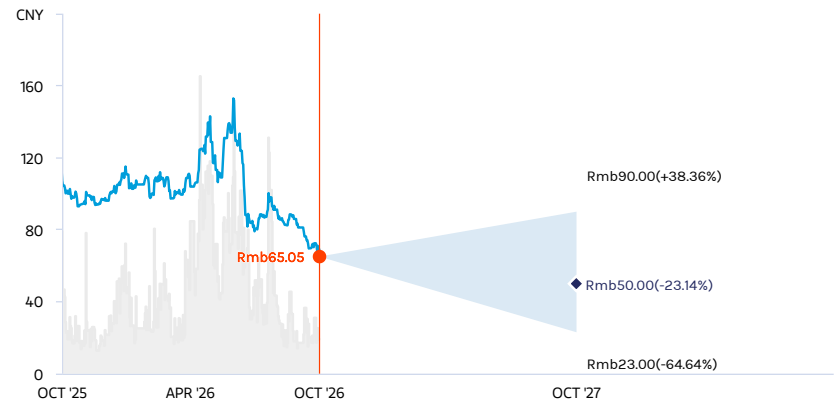


Risk Reward Themes

Contrarian: *Negative*

View descriptions of Risk Rewards Themes here

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

BULL CASE Rmb90.00

56x 2027e EPS

Stronger sales growth with better-than-expected operating margin: We assume: 1) >20% revenue CAGR, 2025-28e; 2) gross margin reaches >30% in 2027 from 26% in 2025; 3) operating margin reaches 15% in 2027 vs. 9% in 2025.

BASE CASE Rmb50.00

31x 2027e EPS

Steady revenue growth with mild OPM expansion: We expect: 1) 12% revenue CAGR, 2025-28e; 2) gross margin to be 21% on average (2026-28); 3) operating margin dropped to 4% in 2026 then gradually improve to 10% in 2028.

BEAR CASE Rmb23.00

14x 2027eEPS

Slower sales growth with margin erosion: We assume: 1) 3% revenue CAGR, 2025-28e; 2) gross margin drops to <15% in 2027 from 26% in 2025; 3) operating margin declines to 3% in 2027 from 9% in 2025.

Risk Reward – StarPower Semiconductor Ltd (603290.SS)

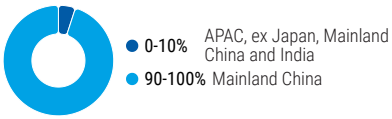
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Industrial control (Rmb, mn)	230	326	239	274
New energy (Rmb, mn)	570	470	627	688
White brand home appliance and others (Rmb, mn)	95	91	128	173

INVESTMENT DRIVERS

- Better revenue momentum thanks to increasing demand
- Structural demand from China's IGBT market
- Steady R&D investment results in product specifications similar to those of global IDM players

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- IGBT content per car for EVs rises.
- SiC MOS receives more design wins from auto OEMs.
- Auto MCU receives more design wins from auto OEMs.

RISKS TO DOWNSIDE

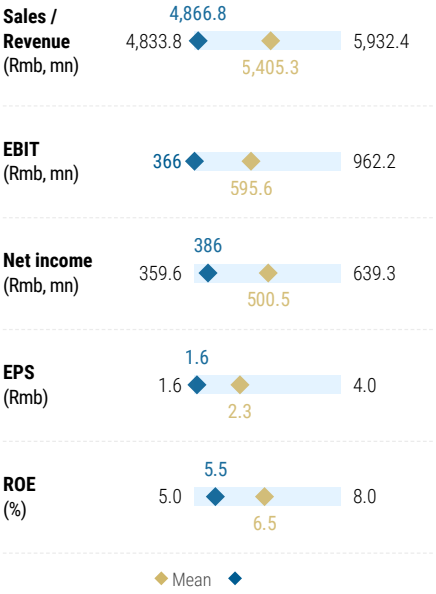
- There is less IGBT content per car for EVs.
- Margins decline because revenue scale is not big enough to provide operating leverage.
- No technology breakthrough in auto MCU.

OWNERSHIP POSITIONING

Inst. Owners, % Active 56.1%

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Financial summary

Exhibit 9: Starpower: Financial summary

Income Statement

RMB$ mn (Years End Dec)	2025	2026E	2027E	2028E
Net sales	4,012	4,352	4,867	5,563
COGS	(2,966)	(3,488)	(3,868)	(4,313)
Gross profit	1,047	864	999	1,250
Operating expenses	(668)	(681)	(633)	(673)
Operating income	**378**	**183**	**366**	**577**
Non-operating income	64	23	60	60
Pre-tax income	443	206	426	637
Income tax	33	22	43	64
Minority Interest	4	2	(3)	(3)
Reported net Income	**405**	**182**	**386**	**576**
Adj.wtd.avg.shrs(m)	239.5	239.5	239.5	239.5
Reported EPS (Rmb)	**1.69**	**0.76**	**1.61**	**2.41**
EPS for consensus (Rmb)	**1.69**	**0.76**	**1.61**	**2.40**

Balance Sheet

RMB$mn (Years End Dec)	2025	2026E	2027E	2028E
Cash	1,224	796	1,116	1,611
Mkt Securities	4	4	4	4
AR/NR	1,171	1,351	1,511	1,727
Inventory	1,664	1,957	2,170	2,420
Other	126	126	126	126
Current Assets	**4,189**	**4,234**	**4,927**	**5,888**
Long-term investments	0	0	0	0
Fixed assets	6,059	6,225	5,991	5,658
Deffered assets	25	25	25	25
Other assets	296	296	296	296
Total Assets	**10,569**	**10,780**	**11,240**	**11,867**
S/T borrowings	0	0	0	0
AP/NP	855	1,006	1,115	1,244
Other ST liabilities	406	406	406	406
LT debt	1,841	1,841	1,841	1,841
Other LT liabilities	438	438	438	438
Common shares	239	239	239	239
Total Liabilities	**3,540**	**3,691**	**3,800**	**3,929**
Additional capital	3,964	3,964	3,964	3,964
Retained earning	2,626	2,686	3,036	3,535
Other shareholders' equity	200	200	200	200
Total Equity	**7,029**	**7,089**	**7,440**	**7,938**
Total Liab. & Shrhldr's Equity	**10,569**	**10,780**	**11,240**	**11,867**

E = Morgan Stanley Research Estimates

Source: Morgan Stanley Research, Company Data

Cash Flow Statement

RMB$mn (Years End Dec)	2025	2026E	2027E	2028E
Cashflow from Operations	**595**	**293**	**557**	**672**
Net profits	405	182	386	576
Depreciation	434	434	434	434
Working Capital Change	(54)	(323)	(264)	(338)
Other adjustments	(190)	0	0	0
Cashflow from Investing	**(773)**	**(600)**	**(200)**	**(100)**
Capex	(688)	(600)	(200)	(100)
Change of LT Investment	0	0	0	0
Change of ST Investment	10	0	0	0
Other adjustments	(94)	0	0	0
Cashflow from financing	**226**	**(122)**	**(36)**	**(77)**
Increase in L/T debt	450	0	0	0
Increase in S/T debt	3	0	0	0
Cash Dividend Paid	(222)	(122)	(36)	(77)
Issuance of stock	0	0	0	0
Other adjustments	(6)	0	0	0
Exchange rate adjustment	(14)	0	0	0
Net change in cash	**34**	**(429)**	**320**	**495**

Financial Ratios

	2025	2026E	2027E	2028E
Growth(%)				
Turnover	18.3	8.5	11.8	14.3
Operating profits	-34.9	-51.6	100.1	57.5
Pretax profits	-27.0	-53.5	106.8	49.4
Net profits	-20.2	-55.2	112.7	49.0
EPS	-25.9	-55.2	112.7	49.0
Margins (%)				
Gross Margin	26.1	19.9	20.5	22.5
Operating Margin	9.4	4.2	7.5	10.4
Pretax Margin	11.0	4.7	8.8	11.4
Net Profit	10.1	4.2	7.9	10.4
Return (%)				
ROAE	5.9	2.6	5.3	7.5
ROAA	4.0	1.7	3.5	5.0
Gearing (%)				
Net Debt/Equity	(17.4)	(11.2)	(15.0)	(20.3)
Liabilities/Equity	50.4	52.1	51.1	49.5
Ratios (X)				
Current ratio	3.3	3.0	3.2	3.6
Quick ratio	1.9	1.5	1.7	2.0
Others				
AR/NR Turnover (days)	113	113	113	113
Inventory Turnover (days)	205	205	205	205
AP Turnover (days)	105	105	105	105
Cash Conversion (days)	213	213	213	213

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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