First Read

StarPower Semiconductor

3Q26 profit missed; GPM under pressure

3Q26 revenue rose 9% QoQ; recurring profit fell 28% QoQ

3Q26 revenue grew 9.7% YoY/8.7% QoQ to Rmb1.157bn, 4.6% above UBS-Se; net profit (NP) to parent fell 71.7% YoY/~28% QoQ to Rmb30.1m, Rmb2.3mn lower than UBS-Se; recurring net profit was down 79.6% YoY/~28% QoQ to Rmb21.25m. Profit came under pressure chiefly as: 1) its overall product mix was dragged by a relatively high proportion of lower-GPM automotive business. 3Q26 GPM shrank 6.3ppts YoY/1.9ppts QoQ to 18.2%; 2) depreciation expenses increased due to wafer capacity investment and ramp-up.

StarPower has a positive outlook for revenue; focus on GPM recovery

At the earnings conference, mgmt. continued to express high conviction in future revenue growth: 1) Industrial control sector: demand remained solid, with rapid overseas growth. Some customers have begun ramping up their order volumes; 2) Automotive sector: domestic demand was relatively weak, and 3Q26 saw a slight sequential recovery with further improvement observed in 4Q26. While, overseas markets registered good growth. On the pricing front, while the automotive segment (a relatively large revenue contributor) still faces pressures in passing through price increases, mgmt. believes industry demand is still on an upward trajectory and remains confident in further GPM recovery.

Steady progress in SiC, MCU businesses

In terms of SiC, the company's SST-related SiC products have already shipped in small volumes, covering multiple voltage classes. For MCUs, industrial-grade MCUs were launched in late 2025 and have already brought small-scale revenue contribution; automotive-grade MCUs were launched in H226 and are currently in the customer validation stage, with longer product introduction cycles. Meanwhile, the IGBT business has maintained solid growth with healthy capacity utilization. StarPower continued to maintain high R&D investment; 3Q26 R&D expenses increased 17% YoY to Rmb133m, mainly used for R&D and client validation of new products such as automotive-grade MCUs, GaN HEMT, and DrMOS.

Valuation: Maintain Buy rating; Rmb142.80 price target

Our price target of Rmb142.80 is based on an average 2027-28E P/BV of 4.5x. We are currently reviewing our earnings estimates.

Equities

China
Semiconductors

12-month rating	**Buy**
12m price target	**Rmb142.80**
Price (30 Oct 2026)	**Rmb65.05**

RIC: 603290.SS **BBG:** 603290 CH

Trading data and key metrics

52-wk range	Rmb152.94-65.05
Market cap.	Rmb15.6b/US$2.34b
Shares o/s	239m (ORDA)
Free float	28%
Avg. daily volume ('000)	5,797
Avg. daily value (m)	Rmb501.7
Common s/h equity (12/26E)	Rmb7.08b
P/BV (12/26E)	2.2x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (CNY)

	UBS	Cons.
12/26E	0.86	1.44
12/27E	1.63	2.34
12/28E	2.24	2.99

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Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	3,663	3,391	4,012	4,252	5,039	5,989	6,828	7,654
EBIT (UBS)	987	600	411	199	386	546	704	857
Net earnings (UBS)	886	487	377	206	391	537	679	818
EPS (UBS, diluted) (Rmb)	3.70	2.04	1.57	0.86	1.63	2.24	2.84	3.42
DPS (net) (Rmb)	1.14	0.32	0.64	0.26	0.49	0.67	0.85	1.02
Net (debt) / cash	869	(428)	(616)	2,830	2,944	2,984	3,074	3,196

Profitability/valuation	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
EBIT (UBS) margin %	27.0	17.7	10.3	4.7	7.7	9.1	10.3	11.2
ROIC (EBIT) %	21.6	9.4	5.6	3.3	8.7	11.7	13.9	15.7
EV/EBITDA (UBS core) x	34.6	27.6	35.5	22.7	15.3	12.2	10.5	9.2
P/E (UBS, diluted) x	44.5	46.8	58.5	75.6	39.8	29.0	22.9	19.0
Equity FCF (UBS) yield %	(3.3)	(7.2)	(2.3)	3.3	1.5	1.3	1.9	2.4
Dividend yield (net) %	0.7	0.3	0.7	0.4	0.8	1.0	1.3	1.6

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of Rmb 65.05 on 30-Oct-2026

This report has been prepared by UBS Securities Co. Limited. This is a translation of a Chinese research note published by UBS Securities Co Ltd on the same date. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 5.**

3Q26 results

Figure 1: 3Q26 results vs UBS-S and consensus estimates

	Actual	UBSe	vs UBSe	Cons.	vs cons.
Revenue	1,157	1,105	4.63%	1,206	-4.12%
GPM	18.2%	21.8%	-3.5ppt	22.4%	-4.1ppt
Net profit	30	53	-43.48%	85	-64.72%

Source: Company data, UBS-S estimates, Reuters

Figure 2: 3Q26 financial summary

	1Q24	2Q24	3Q24	Q424	Q125	Q225	Q325	Q425	Q126	Q226	Q326
Revenue	**805**	**728**	**881**	**976**	**919**	**1,016**	**1,054**	**1,023**	**864**	**1,064**	**1,157**
YoY	*3.2%*	*-19.8%*	*-5.3%*	*-6.5%*	*14.2%*	*39.5%*	*19.6%*	*4.8%*	*-6.0%*	*4.6%*	*9.7%*
QoQ	*-22.9%*	*-9.5%*	*21.0%*	*10.7%*	*-5.8%*	*10.6%*	*3.7%*	*-3.0%*	*-15.5%*	*23.1%*	*8.7%*
COGS	-549	-501	-599	-671	-640	-720	-795	-810	-682	-849	-946
Gross profit	**256**	**227**	**282**	**305**	**279**	**296**	**259**	**212**	**182**	**215**	**211**
GPM	**31.8%**	**31.2%**	**32.0%**	**31.2%**	**30.4%**	**29.2%**	**24.5%**	**20.8%**	**21.1%**	**20.2%**	**18.2%**
Business tax	-3	-4	-4	-8	-5	-6	-6	-6	-6	-7	-5
Selling expense	-5	-8	-7	-14	-8	-7	-7	-13	-8	-10	-7
Selling expense ratio	*-0.7%*	*-1.1%*	*-0.8%*	*-1.4%*	*-0.9%*	*-0.7%*	*-0.7%*	*-1.3%*	*-0.9%*	*-0.9%*	*-0.6%*
Admin expense	-18	-24	-27	-31	-28	-34	-40	-49	-29	-34	-36
Admin expense ratio	*-2.2%*	*-3.3%*	*-3.1%*	*-3.2%*	*-3.0%*	*-3.4%*	*-3.8%*	*-4.8%*	*-3.4%*	*-3.2%*	*-3.1%*
R&D expense	-64	-88	-76	-127	-138	-91	-114	-138	-122	-127	-133
R&D expense ratio	*-7.9%*	*-12.0%*	*-8.6%*	*-13.0%*	*-15.1%*	*-9.0%*	*-10.8%*	*-13.5%*	*-14.1%*	*-12.0%*	*-11.5%*
EBIT	**167**	**104**	**167**	**125**	**99**	**158**	**92**	**6**	**18**	**36**	**29**
EBIT margin	**20.7%**	**14.3%**	**19.0%**	**12.8%**	**10.8%**	**15.5%**	**8.8%**	**0.6%**	**2.0%**	**3.4%**	**2.5%**
Non-operating expense/income	31	16	11	-15	27	27	20	13	10	14	2
PBT	**197**	**121**	**178**	**110**	**126**	**185**	**112**	**19**	**27**	**50**	**31**
Income tax	-32	-7	-29	-25	-21	-11	-5	4	-1	-12	0
Effective tax rate	*-16.3%*	*-5.7%*	*-16.3%*	*-22.6%*	*-16.9%*	*-5.8%*	*-4.4%*	*19.2%*	*-2.5%*	*-23.2%*	*0.4%*
Minority interest	-3	-2	-1	-1	-1	-3	-1	0	0	0	-1
Net profit	**163**	**112**	**149**	**84**	**104**	**172**	**106**	**23**	**27**	**38**	**30**
YoY	*-21.1%*	*-49.9%*	*-34.9%*	*-66.6%*	*-36.2%*	*53.2%*	*-28.4%*	*-72.3%*	*-74.3%*	*-77.7%*	*-71.7%*
QoQ	*-35.6%*	*-31.0%*	*32.5%*	*-43.2%*	*22.9%*	*65.6%*	*-38.1%*	*-78.0%*	*13.8%*	*44.1%*	*-21.6%*
NPM	*20.2%*	*15.4%*	*16.9%*	*8.6%*	*11.3%*	*16.9%*	*10.1%*	*2.3%*	*3.1%*	*3.6%*	*2.6%*

Source: Company data, UBS-S

Forecast returns

Forecast price appreciation	119.5%
Forecast dividend yield	0.4%
Forecast stock return	119.9%
Market return assumption	6.7%
Forecast excess return	113.2%

Valuation Method and Risk Statement

We value StarPower using the PB method.

Downside risks include: 1) intensifying competition in China's IGBT industry due to excessive wafer capacity build-out, leading to potential share loss or bigger margin erosion; 2) slower-than-expected penetration of SiC MOSFET devices on EVs; and 3) escalation of geopolitical tensions, which could hinder StarPower's overseas business expansion.

Upside risks include: 1) a meaningful recovery in power semis demand, especially from the consumer and industrial end-markets; 2) meaningful foundry pricing cuts, which could partially hedge the margin downside due to weakening product ASP; 3) smoother-than-expected production ramp-up at newly built in-house fabs; and 4) new product design-wins with overseas auto OEMs or tier-1 suppliers.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

StarPower Semiconductor

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	N/A
11. What is the catalyst?	

