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Global Markets Research
31 October 2026

Sungrow Power Supply 300274.SZ 300274 CH

EQUITY: TECHNOLOGY

3Q26 net profit down 68% y-y as ESS GPM falls

Weak 3Q26 on lagged cell costs, rebate cut and FX; compliance costs cap ESS margin recovery into 2027F

3Q26 net profit down 68% y-y on ESS margin squeeze

Sungrow reported 3Q26 revenue of CNY17.95bn, down 21.5% y-y but up 17% q-q. Management attributed the q-q increase to recovering US shipments and revenue recognition, and fast growth in European utility-scale ESS (energy storage system). ESS revenue rose 14% q-q to CNY7.7bn on 17GWh of shipments. Only 9-10GWh was recognized, as management said overseas projects take about six months from shipment to recognition. Gross margin fell to 29.4% from 38.6% in 2Q26, with ESS GPM down to 21% from 34%. Management attributed the ESS decline to high-cost cells bought in 1H26, the export rebate cut to 6% from 9%, FX, freight, and the consumption tax levied from 1 September. 3Q26 net profit fell 67.7% y-y and 55% q-q to CNY1.34bn, which was due to a CNY489mn fair-value loss on financial assets, and higher opex ratio at 16.4%.

4Q26F recognition catch-up, but compliance may cap margin recovery in 2027F

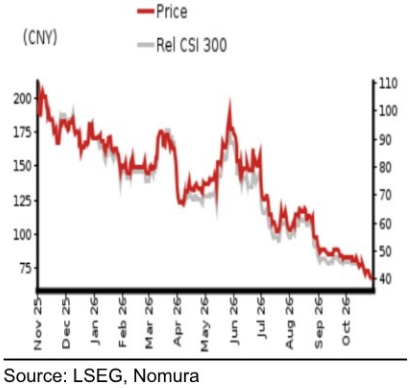
Management guided 4Q26E ESS shipments of about 25GWh, which would take 2026E shipments above 60GWh. For 2027E, management expects global ESS growth > 30%, and also sees domestic solar installations flat to slightly up. Further, management commented ESS pricing has stabilized and lithium has fallen to about CNY80k/t, though copper and other material costs are rising. For 2027F, we also see structural GPM pressure from 2027F: the battery export rebate will be abolished from 1 January 2027, and the consumption tax will rise to 4% from September 2027. Further, we estimate that the Poland plant costs 12-18% more than China supply. In the US, FCC re-certification and component re-sourcing should raise compliance costs further (*Compliance cost rises across the US and EU* on 16 August 2026).

Maintain Buy; lower TP to CNY63 on a lower ESS margin due to compliance costs

We maintain our Neutral rating and lower our TP to CNY63 (from CNY120), to reflect slow earnings growth due to gross margin pressure. We cut our 2026F/27F EPS toCNY4.18/5.24 from CNY7.25/8.78 to reflect: i) lower ESS GPM in 4Q26F-2027F as high-cost cells and tax changes flow through, and ii) higher compliance costs in the US and EU. Our new TP is based on 12x 2027F P/E (previously 14x 2027F P/E), at -0.5x SD of its historical average P/E of 19x. The stock currently trades at 13x 2027F P/E.

Rating Remains	**Neutral**
Target price Reduced from CNY 120.00	**CNY 63.00**
Closing price 30 October 2026	**CNY 65.29**
Implied upside	**-3.5%**
Market Cap (USD mn)	20,332.6
ADT (USD mn)	659.7

Relative performance chart



Source: LSEG, Nomura

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Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (CNY)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	89,184	103,136	67,740	125,455	78,694	152,317	89,137
Reported net profit (mn)	13,461	15,030	8,662	18,201	10,854	21,572	12,062
Normalised net profit (mn)	13,461	15,030	8,662	18,201	10,854	21,572	12,062
FD normalised EPS	6.55	7.25	4.18	8.78	5.24	10.41	5.82
FD norm. EPS growth (%)	23.1	11.7	-36.2	21.1	25.3	18.5	11.1
FD normalised P/E (x)	10.0	–	15.6	–	12.5	–	11.2
EV/EBITDA (x)	6.4	–	9.4	–	7.7	–	6.5
Price/book (x)	2.7	–	2.6	–	2.2	–	1.9
Dividend yield (%)	2.5	–	1.6	–	2.0	–	2.2
ROE (%)	29.9	26.1	17.0	24.2	19.2	22.4	18.4
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Key data on Sungrow Power Supply

Performance

(%)	1M	3M	12M		
Absolute (CNY)	-20.9	-37.0	-66.5	M cap (USDmn)	20,332.6
Absolute (USD)	-20.3	-36.1	-64.2	Free float (%)	61.0
Rel to CSI 300	-13.6	-25.9	-52.3	3-mth ADT (USDmn)	659.7

Income statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	77,857	89,184	67,740	78,694	89,137
Cost of goods sold	-54,545	-60,795	-45,813	-54,458	-61,956
Gross profit	23,312	28,389	21,927	24,235	27,181
SG&A	-8,528	-11,230	-11,149	-11,489	-13,014
Employee share expense					
Operating profit	14,784	17,159	10,778	12,746	14,167
EBITDA	15,706	18,414	12,091	14,118	15,602
Depreciation	-783	-1,112	-1,168	-1,226	-1,288
Amortisation	-138	-143	-144	-146	-147
EBIT	14,784	17,159	10,778	12,746	14,167
Net interest expense	-290	-40	-596	-236	-267
Associates & JCEs					
Other income	-950	-859	62	111	126
Earnings before tax	13,544	16,260	10,244	12,621	14,026
Income tax	-2,280	-2,727	-1,755	-1,893	-2,104
Net profit after tax	11,264	13,533	8,489	10,727	11,922
Minority interests	-228	-72	173	126	140
Other items					
Preferred dividends					
Normalised NPAT	11,036	13,461	8,662	10,854	12,062
Extraordinary items					
Reported NPAT	11,036	13,461	8,662	10,854	12,062
Dividends	-2,217	-3,367	-2,165	-2,713	-3,016
Transfer to reserves	8,820	10,095	6,496	8,140	9,047
Valuations and ratios					
Reported P/E (x)	12.3	10.0	15.6	12.5	11.2
Normalised P/E (x)	12.3	10.0	15.6	12.5	11.2
FD normalised P/E (x)	12.3	10.0	15.6	12.5	11.2
Dividend yield (%)	1.6	2.5	1.6	2.0	2.2
Price/cashflow (x)	11.2	7.9	22.1	10.4	9.4
Price/book (x)	3.4	2.7	2.6	2.2	1.9
EV/EBITDA (x)	7.9	6.4	9.4	7.7	6.5
EV/EBIT (x)	8.4	6.9	10.5	8.5	7.2
Gross margin (%)	29.9	31.8	32.4	30.8	30.5
EBITDA margin (%)	20.2	20.6	17.8	17.9	17.5
EBIT margin (%)	19.0	19.2	15.9	16.2	15.9
Net margin (%)	14.2	15.1	12.8	13.8	13.5
Effective tax rate (%)	16.8	16.8	17.1	15.0	15.0
Dividend payout (%)	20.1	25.0	25.0	25.0	25.0
ROE (%)	31.7	29.9	17.0	19.2	18.4
ROA (pretax %)	18.5	18.0	11.7	13.6	13.8
Growth (%)					
Revenue		14.5	-24.0	16.2	13.3
EBITDA		17.2	-34.3	16.8	10.5
Normalised EPS		23.1	-36.2	25.3	11.1
Normalised FDEPS		23.1	-36.2	25.3	11.1

Source: Company data, Nomura estimates

Cashflow statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	15,706	18,414	12,091	14,118	15,602
Change in working capital	-6,009	1,473	5,575	-1,682	-1,639
Other operating cashflow	2,372	-2,969	-11,543	589	512
Cashflow from operations	12,068	16,918	6,123	13,024	14,475
Capital expenditure	-2,786	-3,008	-2,698	-2,754	-3,120
Free cashflow	9,282	13,910	3,425	10,270	11,355
Reduction in investments	0	0	0	0	
Net acquisitions					
Dec in other LT assets	-810	-1,623	-797	-863	
Inc in other LT liabilities	-1,099	-378	0	0	
Adjustments	-8,067	1,646	7,240	797	863
CF after investing acts	1,215	13,647	8,664	10,270	11,355
Cash dividends	-2,217	-3,367	-2,165	-2,713	-3,016
Equity issue					
Debt issue	897	-2,713	1,623	2,280	2,280
Convertible debt issue					
Others	3,637	-4,536	-3,041	-4,531	-4,228
CF from financial acts	2,317	-10,616	-3,583	-4,964	-4,964
Net cashflow	3,532	3,031	5,081	5,306	6,391
Beginning cash	16,267	19,799	22,831	27,912	33,218
Ending cash	19,799	22,831	27,912	33,218	39,609
Ending net debt	-10,722	-17,343	-21,751	-27,057	-33,448

Balance sheet (CNYmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	19,799	22,831	27,912	33,218	39,609
Marketable securities					
Accounts receivable	28,486	24,733	20,688	23,699	26,571
Inventories	29,028	27,255	23,392	26,523	29,870
Other current assets	17,836	20,609	18,417	19,935	21,578
Total current assets	95,149	95,428	90,409	103,374	117,627
LT investments					
Fixed assets	11,267	13,674	14,967	15,459	16,006
Goodwill	297	297	297	297	297
Other intangible assets	1,122	1,231	1,717	1,752	1,787
Other LT assets	7,239	8,049	9,672	10,469	11,332
Total assets	115,074	118,679	117,062	131,351	147,050
Short-term debt	4,214	2,422	3,285	3,285	3,285
Accounts payable	36,757	36,636	32,164	36,469	41,071
Other current liabilities	19,327	18,169	18,115	19,788	21,409
Total current liabilities	60,298	57,228	53,565	59,541	65,765
Long-term debt	4,863	3,065	2,876	2,876	2,876
Convertible debt					
Other LT liabilities	9,714	8,615	8,237	8,237	8,237
Total liabilities	74,875	68,908	64,678	70,654	76,878
Minority interest					
Preferred stock					
Common stock	2,073	2,073	2,073	2,073	2,073
Retained earnings	28,346	37,640	43,565	54,419	66,481
Proposed dividends					
Other equity and reserves	9,779	10,058	6,746	4,204	1,618
Total shareholders' equity	40,199	49,772	52,384	60,697	70,173
Total equity & liabilities	115,074	118,679	117,062	131,351	147,050
Liquidity (x)					
Current ratio	1.58	1.67	1.69	1.74	1.79
Interest cover	50.9	433.8	18.1	54.0	53.0
Leverage					
Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Per share					
Reported EPS (CNY)	5.32	6.55	4.18	5.24	5.82
Norm EPS (CNY)	5.32	6.55	4.18	5.24	5.82
FD norm EPS (CNY)	5.32	6.55	4.18	5.24	5.82
BVPS (CNY)	19.38	24.22	25.27	29.28	33.85
DPS (CNY)	1.07	1.64	1.04	1.31	1.45
Activity (days)					
Days receivable	133.5	108.9	122.4	102.9	103.2
Days inventory	194.2	169.0	201.8	167.3	166.6
Days payable	246.0	220.3	274.1	230.0	229.0
Cash cycle	81.8	57.5	50.1	40.2	40.7

Source: Company data, Nomura estimates

Company profile

Sungrow Power Supply is a top-tier power control system and energy storage vendor in China, with major product being PV inverter, energy storage equipment, and solar EPC.

Valuation Methodology

We use P/E method to value Sungrow and our TP of CNY63 is based on 12x 2027F P/E, -0.5x SD of its historical average at 19x, which is due to declining gross margins in 2026-28F. The benchmark index is CSI300.

Risks that may impede the achievement of the target price

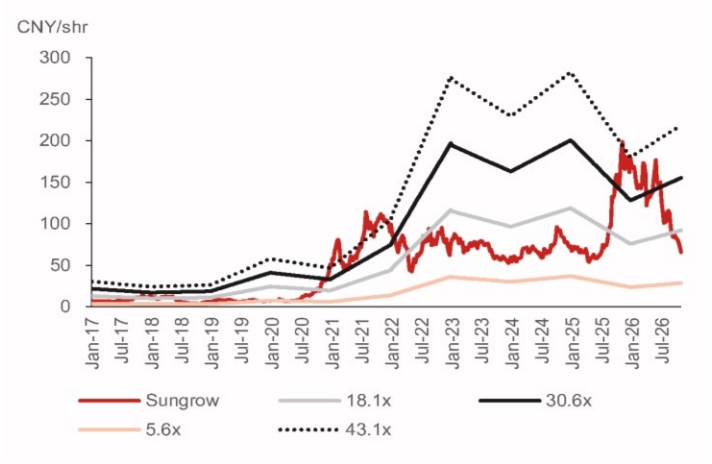
Upside risks include: 1) faster ESS development in data center clients; 2) better gross margins due to stable battery prices. Downside risks include: 1) policy headwinds for ESS business; 2) softening utility-scale project demand.

ESG

Sungrow fits the ESG theme since it is one of leading solar inverter companies, helping generate renewable energy with low consumption costs.

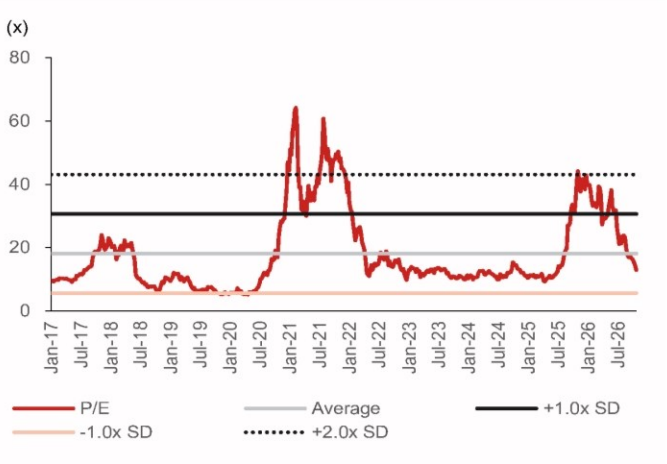


Fig. 1: Sungrow – forward P/E band



Source: Bloomberg Finance L.P., Nomura research

Fig. 2: Sungrow – forward P/E with -1/+2x SD



Source: Bloomberg Finance L.P., Nomura research

Appendix A-1

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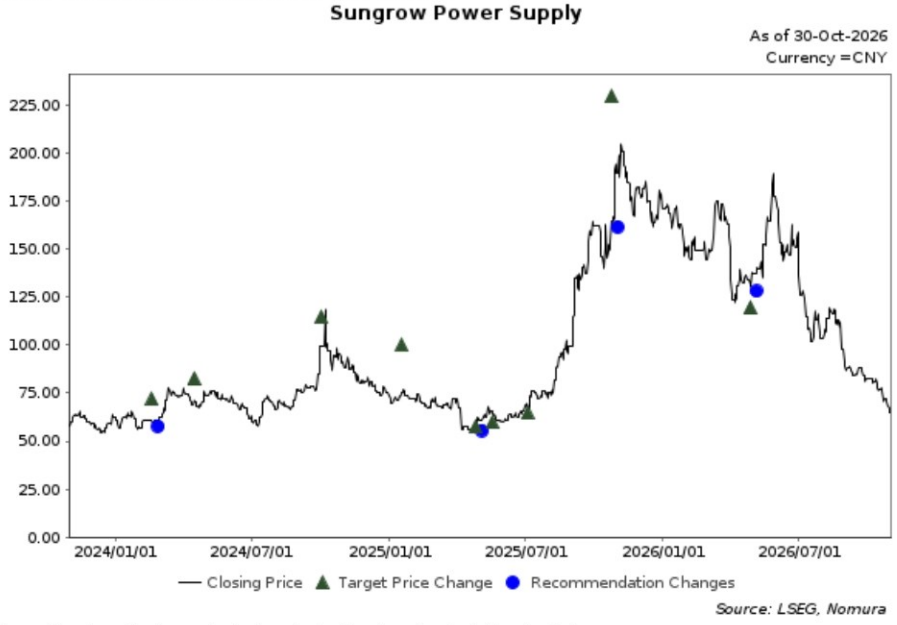
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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sungrow Power Supply	300274 CH	CNY 65.29	30-Oct-2026	Neutral	N/A	

Sungrow Power Supply (300274 CH) **CNY 65.29 (30-Oct-2026)** Neutral (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
27-Apr-26	Neutral		131.39
27-Apr-26		120.00	131.39
24-Oct-25	Buy		165.00
24-Oct-25		230.00	165.00
04-Jul-25		65.00	67.70
18-May-25		60.00	65.31
26-Apr-25	Neutral		58.82
26-Apr-25		58.00	58.82
17-Jan-25		100.00	75.05
02-Oct-24		115.00	99.58
15-Apr-24		82.97	71.24
19-Feb-24	Buy		60.99
19-Feb-24		72.15	60.99

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We use P/E method to value Sungrow and our TP of CNY63 is based on 12x 2027F P/E, -0.5x SD of its historical average at 19x, which is due to declining gross margins in 2026-28F. The benchmark index is CSI300.
Risks that may impede the achievement of the target price Upside risks include: 1) faster ESS development in data center clients; 2) better gross margins due to stable battery prices. Downside risks include: 1) policy headwinds for ESS business; 2) softening utility-scale project demand.

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