

# SICC (2631 HK)

## 3Q26 earnings: Inflection confirmed

SICC released a strong set of 3Q26 results, with revenue rising 18% QoQ and 103% YoY to a record high of RMB646mn. Net profit improved substantially to RMB85.8mn, with net margin at 13.3% (vs. 0.3% in 2Q26 and -3.1% in 3Q25). GPM continued to recover, increasing to 27.5% from 19.1% in 1Q26 and 25.4% in 2Q26, reflecting stronger demand, an improving product mix and healthier industry dynamics. Quarterly operating cash flow also improved to RMB109mn. **Maintain BUY with TP unchanged at HK\$82.5.**

- **8-inch ramp-up and broad-based demand drove growth.** Revenue contribution from 8-inch products exceeded 50% in 3Q26, supporting both product-mix improvement and economies of scale, per mgmt. The Company attributed the strong shipment growth to rising penetration of 800V EV platforms, incremental demand from high-voltage power supplies for AI servers, and continued expansion across data centers, solid-state transformers, industrial power supplies, energy storage and high-power charging. Demand grew rapidly in both domestic and overseas markets.
- **Margin recovery is becoming increasingly sustainable.** For 9M26, revenue increased 40.2% YoY to RMB1.56bn, while GPM improved to 24.8% from 19.1% in 9M25. Operating cash flow rose 26.5% YoY to RMB89.0mn. We expect higher capacity utilization, a rising contribution from 8-inch products and continued cost reductions to support further profitability improvement going into 2027E.
- **Unchanged forecasts and TP.** The results reinforce our view that SICC is transitioning from capacity expansion to earnings delivery. Its leadership in 8-inch SiC substrates, improving end-market demand and visible operating leverage provide a solid foundation for sustained earnings recovery since early 2026. Maintain BUY at unchanged TP of HK\$82.5, based on the same 10.0x 2027E P/S. **Key risks include:** Weaker-than-expected pricing, slower downstream demand, aggressive industry capacity additions, etc.

### Earnings Summary

| (YE 31 Dec)               | FY24A | FY25A   | FY26E | FY27E | FY28E |
|---------------------------|-------|---------|-------|-------|-------|
| Revenue (RMB mn)          | 1,768 | 1,465   | 2,391 | 3,438 | 4,412 |
| YoY growth (%)            | 41.4  | (17.2)  | 63.2  | 43.8  | 28.4  |
| Gross margin (%)          | 25.9  | 13.1    | 25.8  | 29.9  | 32.5  |
| Operating profit (RMB mn) | 98.9  | (205.3) | 167.8 | 405.8 | 709.9 |
| YoY growth (%)            | 274.5 | na      | na    | 141.8 | 75.0  |
| Net profit (RMB mn)       | 179.0 | (208.3) | 92.2  | 409.7 | 724.4 |
| YoY growth (%)            | na    | na      | na    | 344.2 | 76.8  |
| P/S (x)                   | 13.0  | 15.6    | 9.6   | 6.7   | 5.2   |
| P/E (x)                   | 112.5 | ns      | 248.3 | 55.9  | 31.6  |

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

|               |           |
|---------------|-----------|
| Target Price  | HK\$82.50 |
| Up/Downside   | 48.6%     |
| Current Price | HK\$55.50 |

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### Stock Data

|                          |              |
|--------------------------|--------------|
| Mkt Cap (HK\$ mn)        | 26,896.3     |
| Avg 3 mths t/o (HK\$ mn) | 134.4        |
| 52w High/Low (HK\$)      | 128.70/44.40 |
| Total Issued Shares (mn) | 484.6        |

Source: FactSet

### Shareholding Structure

|                       |       |
|-----------------------|-------|
| Guoneng Environmental | 16.7% |
| Protection Investm    |       |
| JPMorgan Chase & Co   | 8.6%  |

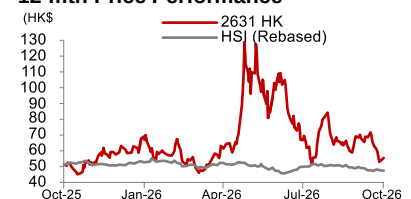
Source: Bloomberg

### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -19.8%   | -16.8%   |
| 3-mth | -16.9%   | -12.4%   |
| 6-mth | -9.7%    | -0.2%    |

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Financial Summary

| INCOME STATEMENT              | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| YE 31 Dec (RMB mn)            |       |       |       |       |       |       |
| Revenue                       | 1,251 | 1,768 | 1,465 | 2,391 | 3,438 | 4,412 |
| Cost of goods sold            | 1,053 | 1,310 | 1,274 | 1,774 | 2,411 | 2,980 |
| Gross profit                  | 198   | 458   | 191   | 616   | 1,027 | 1,432 |
| Operating expenses            | 171   | 359   | 397   | 449   | 621   | 722   |
| Selling expense               | 20    | 29    | 31    | 43    | 55    | 62    |
| SG&A expense                  | 6     | 176   | 185   | 215   | 309   | 353   |
| R&D expense                   | 137   | 142   | 166   | 167   | 223   | 265   |
| Others                        | 8     | 13    | 14    | 23    | 33    | 43    |
| Operating profit              | 26    | 99    | (205) | 168   | 406   | 710   |
| Other income                  | 56    | 77    | 128   | 72    | 103   | 132   |
| Other gains/(losses)          | (3)   | (33)  | (93)  | 0     | 0     | 0     |
| Net Interest income/(expense) | 13    | 16    | (28)  | (137) | (54)  | (37)  |
| Pre-tax profit                | (56)  | 159   | (199) | 102   | 455   | 805   |
| Income tax                    | (10)  | (20)  | 9     | (10)  | (46)  | (80)  |
| After tax profit              | (46)  | 179   | (209) | 92    | 410   | 724   |
| Minority interest             | 0     | 0     | (0)   | 0     | 0     | 0     |
| Net profit                    | (46)  | 179   | (208) | 92    | 410   | 724   |

| BALANCE SHEET                 | 2023A | 2024A | 2025A | 2026E  | 2027E  | 2028E  |
|-------------------------------|-------|-------|-------|--------|--------|--------|
| YE 31 Dec (RMB mn)            |       |       |       |        |        |        |
| Current assets                | 2,804 | 3,125 | 5,292 | 5,665  | 6,823  | 8,339  |
| Cash & equivalents            | 812   | 1,155 | 3,098 | 2,547  | 2,859  | 3,696  |
| Restricted cash               | 218   | 84    | 80    | 80     | 80     | 80     |
| Account receivables           | 364   | 566   | 551   | 983    | 1,271  | 1,451  |
| Inventories                   | 843   | 1,022 | 1,063 | 1,556  | 2,114  | 2,613  |
| Prepayment                    | 144   | 39    | 121   | 121    | 121    | 121    |
| Other current assets          | 423   | 258   | 378   | 378    | 378    | 378    |
| Non-current assets            | 4,107 | 4,232 | 4,291 | 4,759  | 4,674  | 4,560  |
| PP&E                          | 3,418 | 3,615 | 3,588 | 3,941  | 3,940  | 3,853  |
| Right-of-use assets           | 18    | 9     | 20    | 20     | 20     | 20     |
| Deferred income tax           | 37    | 60    | 107   | 107    | 107    | 107    |
| Intangibles                   | 273   | 275   | 269   | 339    | 327    | 315    |
| Other non-current assets      | 361   | 274   | 307   | 352    | 280    | 265    |
| Total assets                  | 6,911 | 7,357 | 9,583 | 10,424 | 11,497 | 12,899 |
| Current liabilities           | 1,304 | 1,543 | 1,540 | 2,416  | 2,642  | 3,186  |
| Short-term borrowings         | 3     | 600   | 658   | 1,295  | 1,238  | 1,485  |
| Account payables              | 1,070 | 771   | 732   | 972    | 1,255  | 1,551  |
| Tax payable                   | 37    | 39    | 42    | 42     | 42     | 42     |
| Other current liabilities     | 94    | 87    | 99    | 99     | 99     | 99     |
| Contract liabilities          | 99    | 45    | 8     | 8      | 8      | 8      |
| Non-current liabilities       | 381   | 501   | 868   | 740    | 1,178  | 1,311  |
| Long-term borrowings          | 0     | 86    | 345   | 217    | 655    | 788    |
| Deferred income               | 366   | 365   | 511   | 511    | 511    | 511    |
| Other non-current liabilities | 15    | 50    | 12    | 12     | 12     | 12     |
| Total liabilities             | 1,685 | 2,044 | 2,408 | 3,156  | 3,820  | 4,497  |
| Share capital                 | 430   | 430   | 485   | 485    | 485    | 485    |
| Retained earnings             | (298) | (123) | (331) | (239)  | 171    | 895    |
| Other reserves                | 5,094 | 5,006 | 7,021 | 7,021  | 7,021  | 7,021  |
| Total shareholders equity     | 5,227 | 5,313 | 7,174 | 7,266  | 7,676  | 8,400  |
| Minority interest             | 0     | 0     | 1     | 1      | 1      | 1      |
| Total equity and liabilities  | 6,911 | 7,357 | 9,583 | 10,424 | 11,497 | 12,899 |

| <b>CASH FLOW</b>                    | <b>2023A</b> | <b>2024A</b> | <b>2025A</b> | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>YE 31 Dec (RMB mn)</b>           |              |              |              |              |              |              |
| <b>Operating</b>                    |              |              |              |              |              |              |
| Profit before taxation              | (46)         | 179          | (209)        | 92           | 410          | 724          |
| Depreciation & amortization         | 227          | 358          | 375          | 397          | 440          | 468          |
| Change in working capital           | (173)        | (488)        | (35)         | (683)        | (564)        | (382)        |
| Others                              | 5            | 16           | 100          | 5            | 5            | 6            |
| <b>Net cash from operations</b>     | <b>13</b>    | <b>66</b>    | <b>231</b>   | <b>(189)</b> | <b>291</b>   | <b>816</b>   |
| <b>Investing</b>                    |              |              |              |              |              |              |
| Capital expenditure                 | (1,395)      | (568)        | (403)        | (870)        | (360)        | (360)        |
| Others                              | 1,519        | 275          | (117)        | 0            | 0            | 0            |
| <b>Net cash from investing</b>      | <b>123</b>   | <b>(293)</b> | <b>(520)</b> | <b>(870)</b> | <b>(360)</b> | <b>(360)</b> |
| <b>Financing</b>                    |              |              |              |              |              |              |
| Net borrowings                      | 0            | 695          | 238          | 508          | 381          | 381          |
| Proceeds from share issues          | 0            | 0            | 2,062        | 0            | 0            | 0            |
| Others                              | (6)          | (124)        | (22)         | 0            | 0            | 0            |
| <b>Net cash from financing</b>      | <b>(6)</b>   | <b>571</b>   | <b>2,278</b> | <b>508</b>   | <b>381</b>   | <b>381</b>   |
| <b>Net change in cash</b>           |              |              |              |              |              |              |
| Cash at the beginning of the year   | 682          | 812          | 1,155        | 3,098        | 2,547        | 2,859        |
| Exchange difference                 | (1)          | (0)          | (45)         | 0            | 0            | 0            |
| <b>Cash at the end of the year</b>  | <b>812</b>   | <b>1,155</b> | <b>3,098</b> | <b>2,547</b> | <b>2,859</b> | <b>3,696</b> |
| <b>GROWTH</b>                       | <b>2023A</b> | <b>2024A</b> | <b>2025A</b> | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> |
| <b>YE 31 Dec</b>                    |              |              |              |              |              |              |
| Revenue                             | 199.9%       | 41.4%        | (17.2%)      | 63.2%        | 43.8%        | 28.4%        |
| Gross profit                        | na           | 131.5%       | (58.2%)      | 222.4%       | 66.6%        | 39.5%        |
| Operating profit                    | na           | 274.5%       | na           | na           | 141.8%       | 75.0%        |
| Net profit                          | na           | na           | na           | na           | 344.2%       | 76.8%        |
| <b>PROFITABILITY</b>                | <b>2023A</b> | <b>2024A</b> | <b>2025A</b> | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> |
| <b>YE 31 Dec</b>                    |              |              |              |              |              |              |
| Gross profit margin                 | 15.8%        | 25.9%        | 13.1%        | 25.8%        | 29.9%        | 32.5%        |
| Operating margin                    | 2.1%         | 5.6%         | (14.0%)      | 7.0%         | 11.8%        | 16.1%        |
| Return on equity (ROE)              | (0.9%)       | 3.4%         | (3.3%)       | 1.3%         | 5.5%         | 9.0%         |
| <b>GEARING/LIQUIDITY/ACTIVITIES</b> | <b>2023A</b> | <b>2024A</b> | <b>2025A</b> | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> |
| <b>YE 31 Dec</b>                    |              |              |              |              |              |              |
| Current ratio (x)                   | 2.2          | 2.0          | 3.4          | 2.3          | 2.6          | 2.6          |
| <b>VALUATION</b>                    | <b>2023A</b> | <b>2024A</b> | <b>2025A</b> | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> |
| <b>YE 31 Dec</b>                    |              |              |              |              |              |              |
| P/E                                 | ns           | 112.5        | ns           | 248.3        | 55.9         | 31.6         |
| P/E (diluted)                       | ns           | 112.5        | ns           | 248.3        | 55.9         | 31.6         |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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