SMIC (981 HK)

Scaling through cycles, strengthening through constraints; initiate at BUY

We initiate coverage on Semiconductor Manufacturing International Corporation's (SMIC) H-share with a BUY rating and TP of HK$110. SMIC is China's core wafer manufacturing platform, combining domestic scale, broad mature/specialty process coverage, advanced-logic capability and deep access to China's fabless ecosystem. The investment angle is shifting from capacity expansion to 1) capacity conversion, with prior capex moving into qualified 12-inch output, 2) utilization rate remaining elevated, 3) ASP improving on mix, and 4) full ownership of SMNC lifting overall earnings. We believe depreciation will remain the main cap on margin recovery, but SMIC's strategic scarcity in China and improving revenue quality should support a positive risk-reward.

- **SMIC is entering a more disciplined growth phase.** We believe the Company's next phase is less about adding capacity and more about converting prior capex into qualified 12-inch output. We forecast its revenue to grow 22%/14%/12% in 2026/27/28E, driven by elevated utilization, ASP improvement from a favorable product mix and gradual capacity conversion across existing 12-inch fabs. The company's 2Q26 guidance of 14–16% QoQ revenue growth and 20–22% GPM confirms stronger shipments, better ASP and faster release of higher-value capacity. We see the key operating debate no longer on whether capacity can be added but whether it can qualify, load and monetize without pricing pressure.
- **AI supports SMIC's broader chip offerings rather than domestic accelerators alone.** AI-driven supply tightness is lifting demand for supporting chips such as PMIC, BCD, RF, CIS, specialty memory, data transmission and connectivity, while localization demand continues to shift domestic fabless customers toward local foundry capacity. SMIC's advanced-logic roadmap also adds strategic optionality for selected domestic AI and high-performance logic demand, although limited EUV/latest DUV access means the path remains higher-cost and less elastic than global frontier scaling.
- **We value SMIC at 5.0x FY27E P/B, applied to FY27E BVPS of US$2.8 (HK$22.2 based on US$/HK$ exchange rate of 7.82), deriving a TP of HK$110.** We believe the valuation is justified by SMIC's unique domestic position, capacity monetization potential and strategic scarcity in China's semiconductor supply chain. **Key risks** include tighter WFE restrictions, rising depreciation, slower capacity conversion, advanced-node execution challenges and weaker-than-expected wafer demand or pricing.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	8,030	9,327	11,413	13,042	14,615
YoY growth (%)	27.0	16.2	22.4	14.3	12.1
Gross margin (%)	18.0	21.0	21.5	23.3	24.4
Operating profit (US$ mn)	473.9	1,109.9	1,376.3	1,838.9	2,310.3
YoY growth (%)	32.5	134.2	24.0	33.6	25.6
Net profit (US$ mn)	492.7	685.1	1,166.5	1,622.1	2,030.4
YoY growth (%)	(45.4)	39.0	70.3	39.1	25.2
EPS (Adjusted) (US$ cents)	5.99	8.39	13.55	18.95	20.26
P/E (Adjusted) (x)	170.4	121.6	75.3	53.8	50.3
P/B (x)	3.9	3.8	3.9	3.6	3.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price	**HK$110.00**
Up/Downside	**37.5%**
Current Price	**HK$80.00**

China Semiconductors

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Stock Data

Mkt Cap (HK$ mn)	481,112.0
Avg 3 mths t/o (HK$ mn)	8,792.5
52w High/Low (HK$)	91.05/43.30
Total Issued Shares (mn)	6013.9

Source: FactSet

Shareholding Structure

Datang Holdings	18.7%
National Integrated Circuit Industry Inv	7.9%

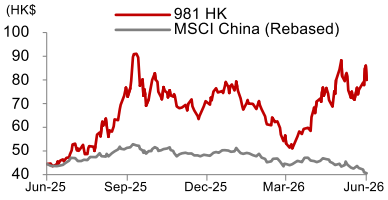
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-5.2%	4.1%
3-mth	50.5%	63.7%
6-mth	12.6%	33.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Investment thesis

China's irreplaceable foundry platform

SMIC is China's leading foundry by scale, manufacturing footprint, process breadth and advanced-logic capability. In a market increasingly defined by supply security, localization and constrained access to overseas advanced nodes, SMIC is not just a cyclical foundry proxy but a core domestic wafer manufacturing platform.

Capacity conversion drives the next growth phase

SMIC is moving from capacity buildout to capacity conversion. Prior capex is turning into usable 12-inch output, while utilization remains elevated and ASP is improving on a better product mix. We forecast revenue to grow 22%/14%/12% YoY in 2026/27/28E, supported by disciplined capacity ramp-up across existing fabs and stronger demand for mature/specialty platforms.

AI spillover supports utilization and ASP resilience

SMIC's AI exposure is broader than domestic accelerator wafers. AI demand is tightening supply in supporting chips such as power management ICs (PMIC), bipolar-CMOS-DMOS (BCD), radio frequency (RF), CMOS image sensors (CIS), specialty memory, data transmission and connectivity, while localization demand continues to pull more domestic fabless customers toward local wafer capacity. This helps SMIC defend utilization through smartphone/PC weakness and improves pricing resilience in supply-tight platforms.

Advanced logic adds scarcity value

SMIC's advanced-logic roadmap remains important because domestic AI and high-performance logic customers need a local manufacturing path. Limited EUV/latest DUV access means progress depends on installed ArFi DUV tools, multi-patterning, design-technology co-optimization (DTCO), yield tuning and process optimization. This path is more complex than global frontier scaling, but it gives SMIC differentiated scarcity value within China's semiconductor supply chain.

Initiate at BUY with TP of HK$110

We value SMIC at 5.0x FY27E P/B, applied to FY27E BVPS of US$2.8, equivalent to HK$22.2 based on US$/HK$ of 7.82, deriving a TP of HK$110. We believe the valuation is justified by SMIC's unique domestic position, improving capacity monetization and strategic scarcity.

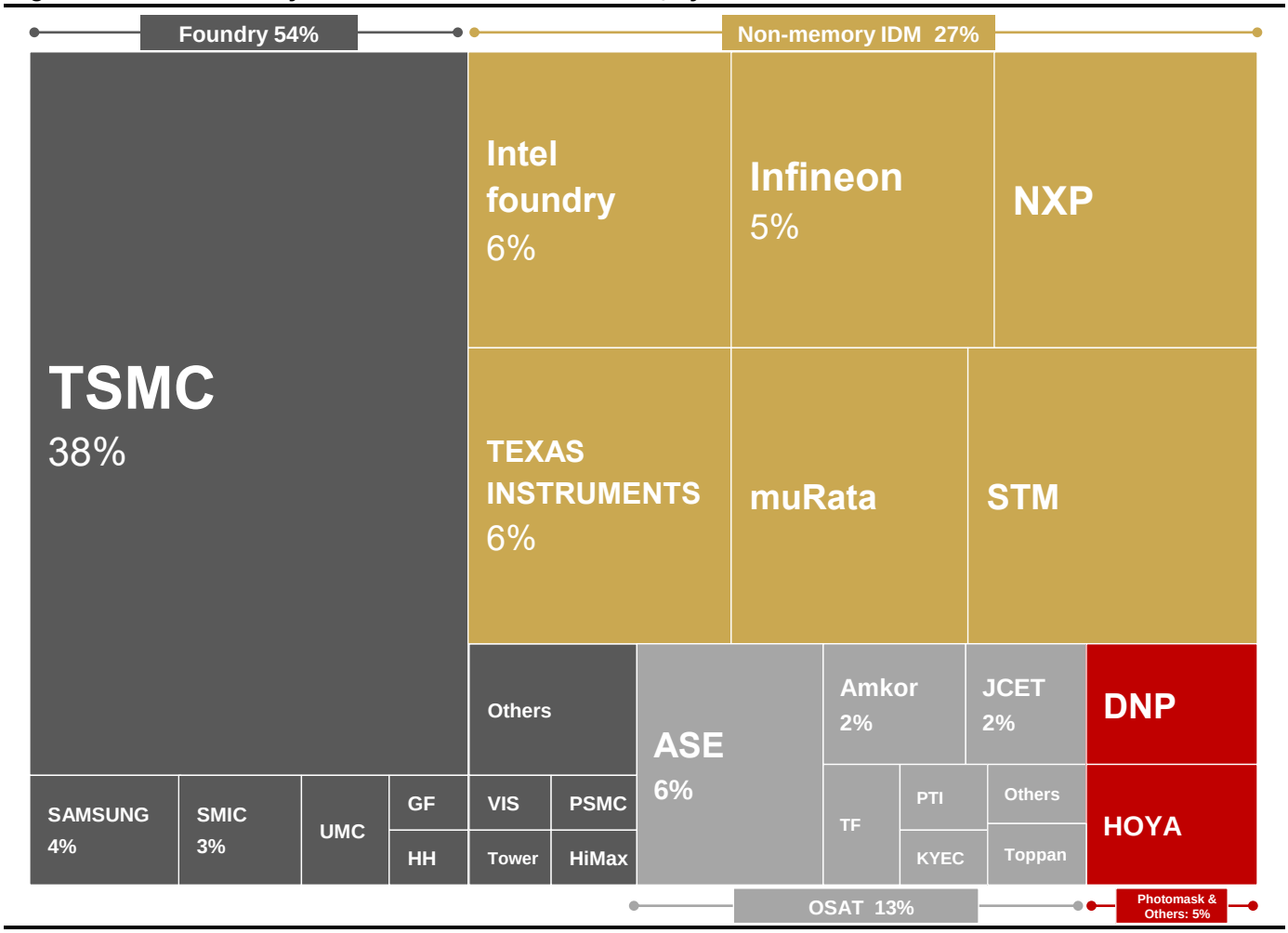
Contents

Industry overview

Global foundries in the AI age: Manufacturing scarcity expands beyond wafer capacity

AI is changing the foundry industry from a wafer-capacity cycle into a full-stack manufacturing bottleneck. Counterpoint's Foundry 2.0 framework is not just a larger TAM definition, but captures how value is moving from front-end wafer fabrication into advanced packaging, testing, photomasks, design enablement and supply-chain coordination. According to Counterpoint, in 2025, the global Foundry 2.0 market grew 16% YoY to US$320bn, driven by sustained AI GPU and custom ASIC demand. Pure-play foundries remained the core growth engine, accounting for 54% of total industry revenue and growing revenue by 26% YoY, while OSAT (outsourced semiconductor assembly and test) and photomask/others revenue also expanded by 10%/6% YoY. We believe AI demand is no longer only a wafer story but a manufacturing-platform cycle.

Figure 1: Global Foundry 2.0 market breakdown in 2025, by revenue

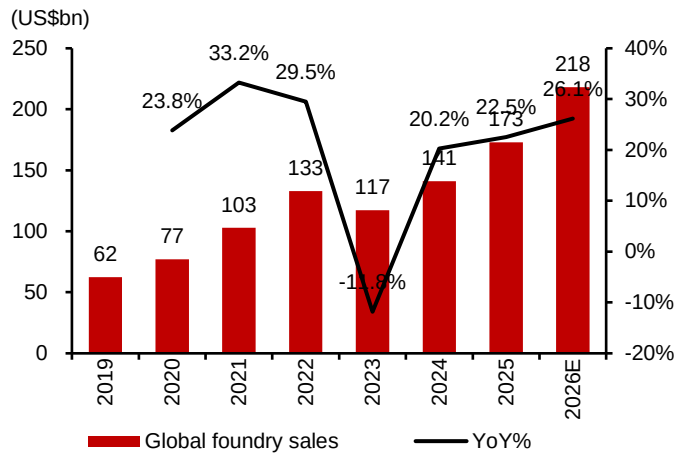


Source: Counterpoint, CMBIGM

We expect the global pure-play foundry sector to grow by 26% in 2026E after growing 23% in 2025, driven by advanced node capacity expansion on growing demand for logic and DRAM chips.

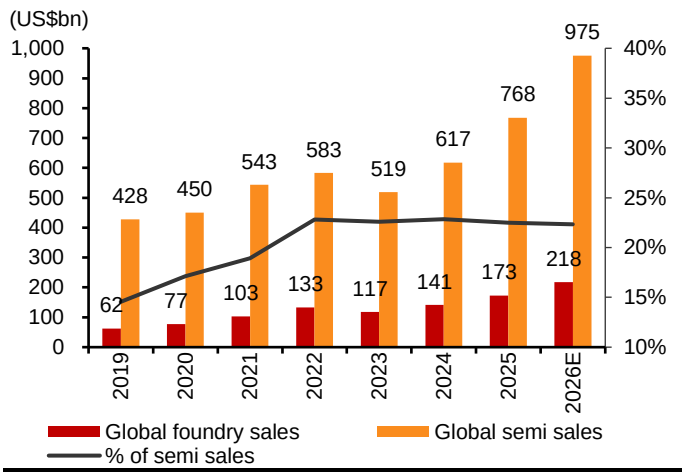
In our view, this AI-led sector strength is not merely cyclical, but increasingly structural: Demand is being reinforced by sustained AI infrastructure investment, migration toward higher-value advanced nodes, ongoing process innovation, and a growing strategic emphasis on manufacturing resilience and supply-chain independence amid heightened geopolitical uncertainty.

Figure 2: Global foundry sales and growth



Source: Counterpoint, CMBIGM estimates

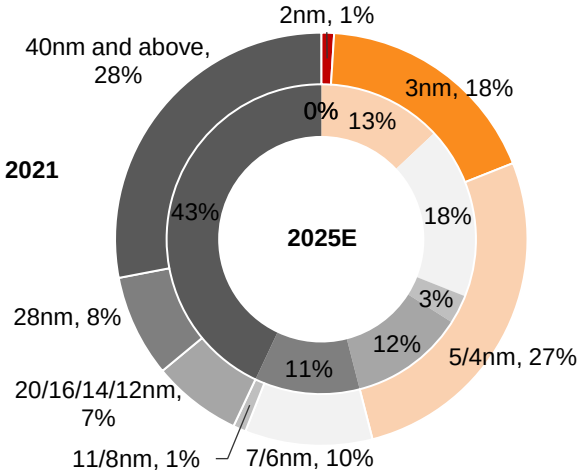
Figure 3: Global foundry sales and % of semi sales



Source: Counterpoint, CMBIGM estimates

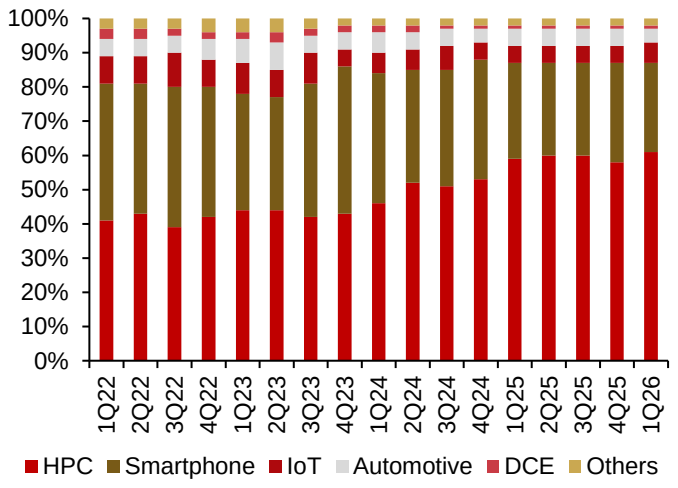
The pure-play foundry revenue expansion is increasingly concentrated in AI and driven by leading-edge technology. For example, TSMC's revenue mix illustrates this shift as its High-Performance Computing (HPC) segment's revenue contribution rose from 41% in 2022 to 59% in 2025.

Figure 4: Global foundry (pure-play) advancing toward 2/3nm nodes



Source: Counterpoint, CMBIGM

Figure 5: TSMC's revenue breakdown by application: Rising contribution from HPC



Source: Company data, CMBIGM

The AI accelerator roadmap explains why market share concentration is self-reinforcing. NVIDIA and AMD's flagship accelerators are manufactured on TSMC's most advanced node platform, including 4N, N3P and future 2nm/3nm-class chiplet architectures. As transistor counts rise from tens of billions to hundreds of billions, manufacturing risk shifts from simple wafer availability to reticle-size die management, chiplet partitioning, advanced packaging, thermal constraints and high-volume yield execution.

These raise switching costs for AI customers and reinforces incumbent foundry advantages. Once a foundry becomes the qualified platform for a major AI roadmap, it gains not only current wafer demand, but also future process-learning data, packaging scale and customer lock-in.

Figure 6: Leading overseas AI accelerators are using advanced node processes

Accelerator model	Date of launch	Foundry / process	Complexity
Next-gen: NVIDIA Vera Rubin	2H26	TSMC N3P	208bn transistors; two reticle-limited dies in one GPU
NVIDIA B300			
NVIDIA H200	2H23	TSMC 4N	80bn+ transistors
Next-gen: AMD MI500X		TSMC N2P	N/A
AMD MI455X		TSMC 2nm + 3nm chiplet mix	320bn transistors
AMD MI350X		TSMC N3P	185bn transistors

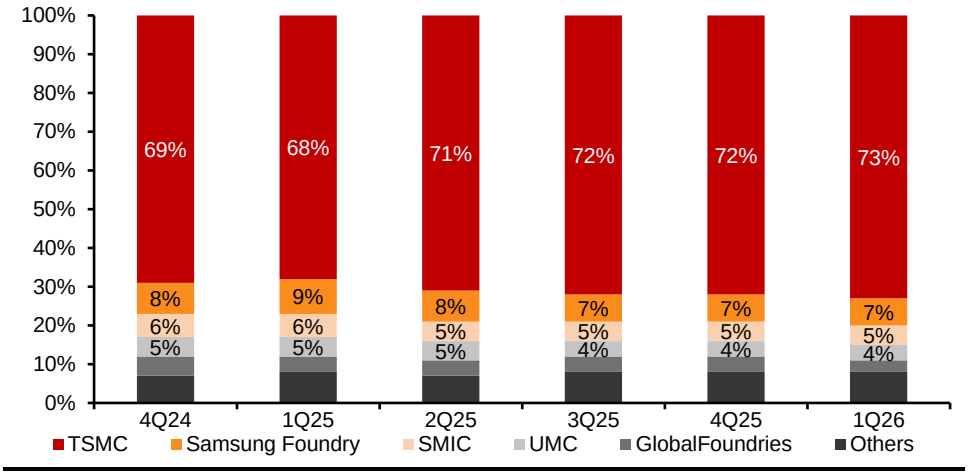
Source: Company data, Wccftech, Counterpoint, CMBIGM

This is why AI is intensifying market-share concentration rather than broadly lift all foundries equally. Advanced-node leaders benefit from a flywheel:

- AI customer demand drives utilization and pricing, which supports capex, which accelerates yield learning and packaging expansion, which further strengthens customer stickiness.
- Mature-node foundries may still benefit from automotive, industrial, power management and localization demand, but they do not capture the same scarcity premium unless they own differentiated specialty platforms.

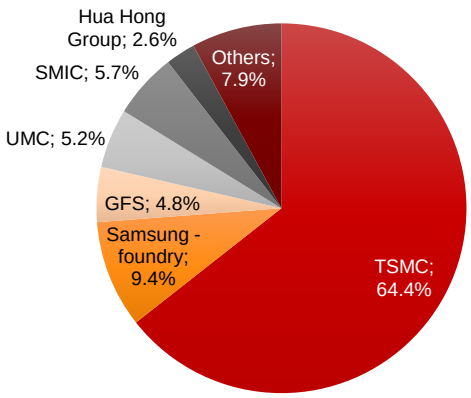
The foundry market is therefore becoming more polarized between frontier manufacturing platforms and capacity providers.

Figure 7: Global pure-play foundries quarterly market share



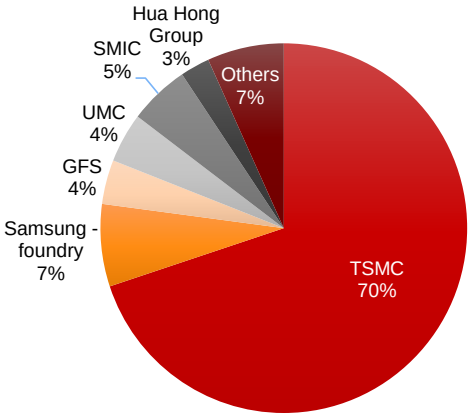
Source: Company data, Counterpoint, CMBIGM

Figure 8: Global pure-play foundries market share in 2024



Source: Counterpoint, CMBIGM

Figure 9: Global pure-play foundries market share in 2025



Source: Counterpoint, CMBIGM

Geopolitical fragmentation adds a second layer to this industry structure. 1) The premium AI profit pool is concentrated around foundries with unrestricted access to EUV, advanced process-control tools, advanced packaging ecosystems and global equipment support. 2) Governments and customers are increasingly prioritizing manufacturing resilience, creating regional localization cycles in mature and specialty nodes. This does not reverse the leading-edge concentration trend, but creates a parallel demand pool for domestic manufacturing platforms where supply security can outweigh pure node leadership.

We therefore see the global foundry market evolving into a two-track structure:

- The first track is the frontier AI manufacturing cycle, dominated by advanced-node platforms with process, packaging and yield scale.
- The second track is the localization-led manufacturing cycle, where regional foundries compete on supply security, customer proximity, mature/specialty process depth and ecosystem integration.

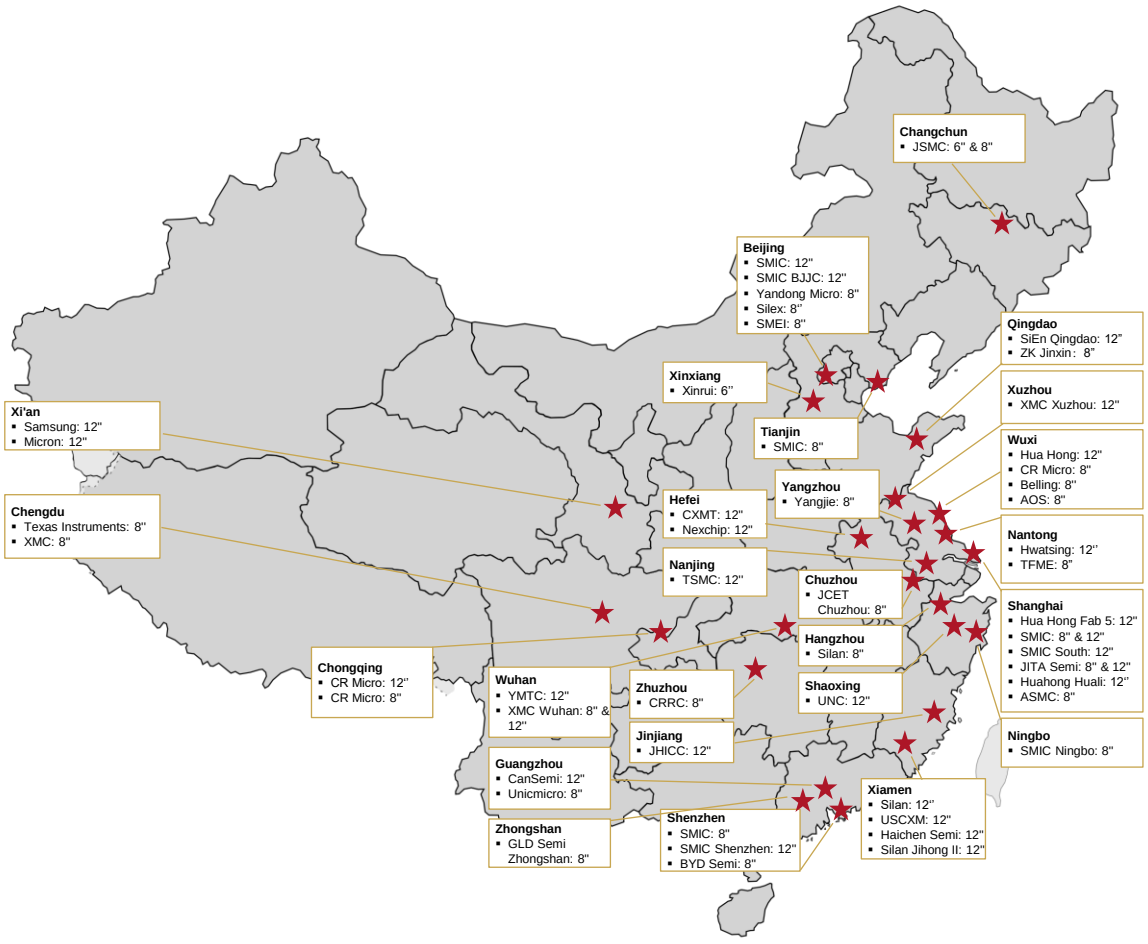
For China, the implication is critical. The domestic foundry opportunity should not be framed as immediate replication of global frontier roadmap. It is a parallel platform cycle built around localization, specialty-node demand and constrained but persistent capability formation.

China's domestic foundry market: A localization-led platform cycle, not a weaker version of the global advanced-node race

China's foundry industry is developing under a set of constraints and incentives different from the global advanced-node cycle. While global incremental value is increasingly concentrated in AI GPUs, custom ASICs, advanced nodes and advanced packaging, China's near-term opportunity is anchored in mature and specialty-node localization across power management, analog, MCU, CIS, display driver, RF, embedded memory, industrial, automotive and edge AI applications. These areas are less dependent on EUV-based leading-edge technology, but remain essential to China's domestic semiconductor supply chain.

We view China's foundries as strategic manufacturing infrastructure for the domestic fabless ecosystem. The key growth driver is disciplined capacity conversion into qualified utilization across a broad application base, supporting a multi-year structural TAM expansion.

Figure 10: Domestic foundries in capacity ramp-up in 2025



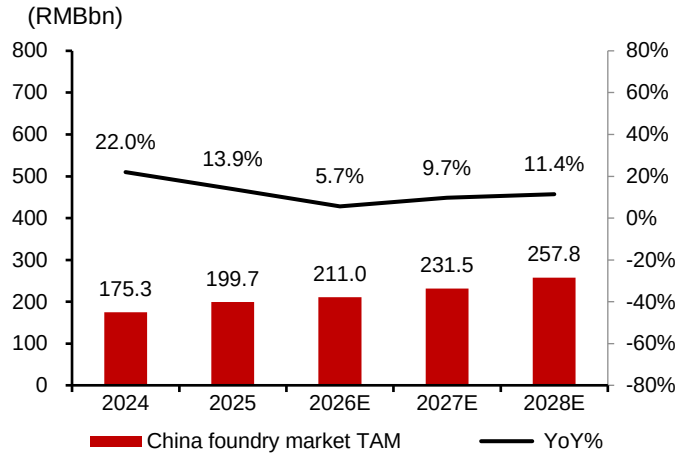
Source: Company data, EET-China, CMBIGM

The industry's competitive focus is also shifting from capacity additions to qualified, profitable utilization. Mature-node capacity should not be treated as one homogeneous category. While generic logic capacity may face oversupply and pricing pressure, specialty platforms such as BCD, high-voltage, embedded NVM, RF, CIS and automotive-grade processes require long qualification cycles, process customization and local engineering support. At the same time, China's advanced-node progress remains constrained but not

frozen. Without EUV, domestic advanced-node production is likely to carry higher cost, longer cycle time and greater yield-management complexity due to DUV multi-patterning and tighter process-control requirements. This makes manufacturing know-how, including process control, metrology, defect learning, tool matching and yield tuning, a key differentiator beyond headline wafer capacity.

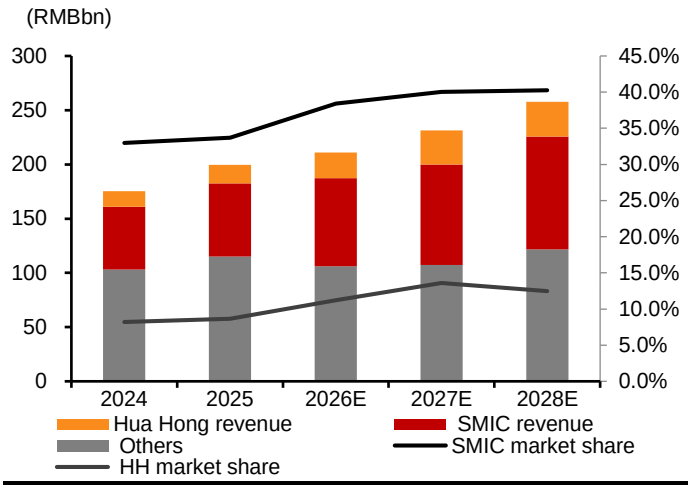
This is why we believe China's foundry cycle should be assessed through a different lens from the global advanced-node race. For global leaders, the key moat is increasingly leading-edge process, advanced packaging and AI customer scale. For China foundries, the more relevant moat is the ability to provide secure, qualified and locally supported manufacturing capacity across a broad set of domestic applications. In this sense, scale is valuable not only because it adds wafer starts, but also because it accelerates customer qualification, process learning and upstream equipment/material validation. **The winners of China's domestic cycle are therefore likely to be determined by process breadth, utilization quality and ecosystem integration, rather than capacity size alone.**

Figure 11: China's foundry market TAM and growth



Source: Leadleo, CMBIGM

Figure 12: Leading domestic foundries' revenue and market share



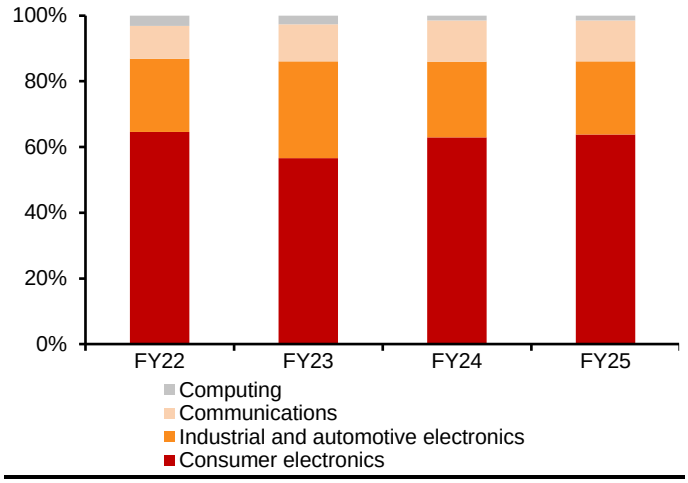
Source: Company data, Leadleo, CMBIGM estimates

China's foundry market is expected to grow from around RMB200bn in 2025 to RMB211bn/232bn in 2026/27E, reaching RMB258bn by 2028E, implying a 2025–28E CAGR of 9%, according to Leadleo. We expect SMIC's revenue to grow by 22%/14% in 2026/27E, representing 40.0%/40.2% of China's total foundry market TAM, as we believe SMIC should remain the main beneficiary of China's localization-led foundry cycle, supported by its scale, process breadth, customer coverage and leading position in domestic capacity ramp-up.

Diverse end-market demand to drive structural growth through cycles

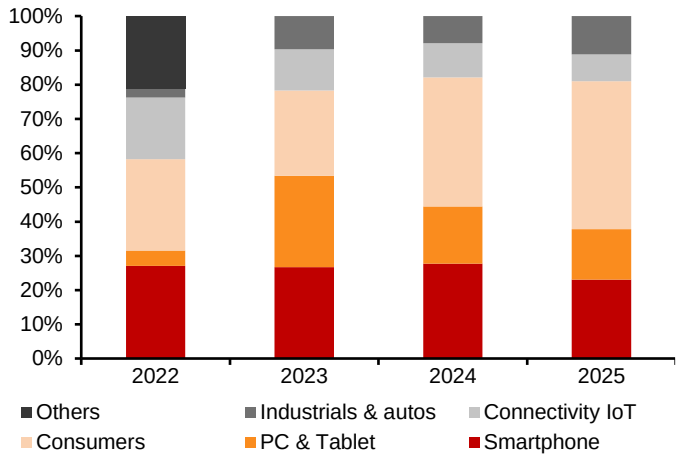
China's foundry demand is broad, fragmented and increasingly shaped by AI-driven supply tightness. Unlike the global leading-edge market, where a few AI/HPC customers drive large volumes at advanced nodes, China's domestic wafer demand comes from a wide range of fabless customers across consumer electronics, smartphones, PC/tablets, industrial, automotive, power management, analog, logic ICs, etc. This structure does not remove cyclicality, but it reduces dependence on any single device cycle and gives leading domestic foundries a wider base to sustain utilization.

Figure 13: Hua Hong Semi revenue by end market



Source: Company data, CMBIGM

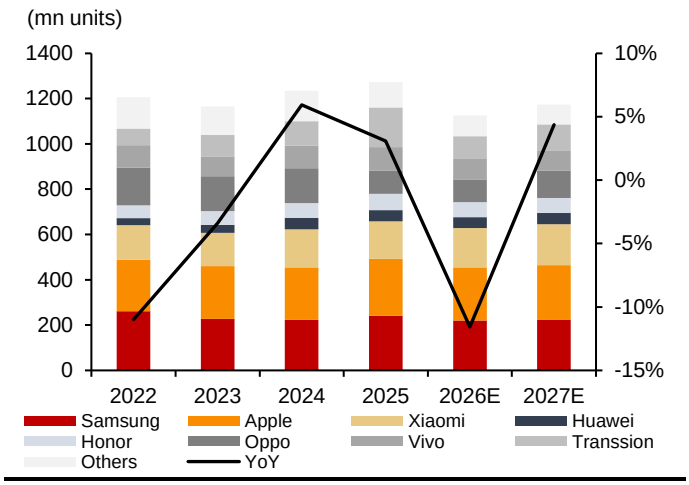
Figure 14: SMIC revenue by end market



Source: Company data, CMBIGM

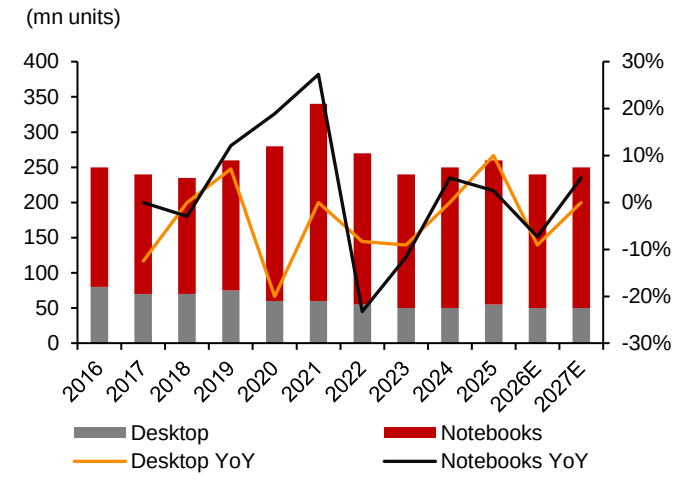
SMIC is not a pure product-cycle proxy. In 1Q26, consumer electronics accounted for 46% of SMIC's revenue, followed by smartphones at 19%, PC/tablets at 13.6%, industrial/auto at 14% and connectivity/IoT at 7%. Smartphones and PCs remain near-term drags as memory tightness and component ASP inflation pressure low-end device demand, but the broader mix provides offsets from consumer electronics, AI glasses, smart home, edge AI, IoT, connectivity and industrial applications. This diversified exposure gives SMIC more flexibility to fill capacity as demand rotates across end markets.

Figure 15: Global smartphone shipment forecast



Source: IDC, CMBIGM

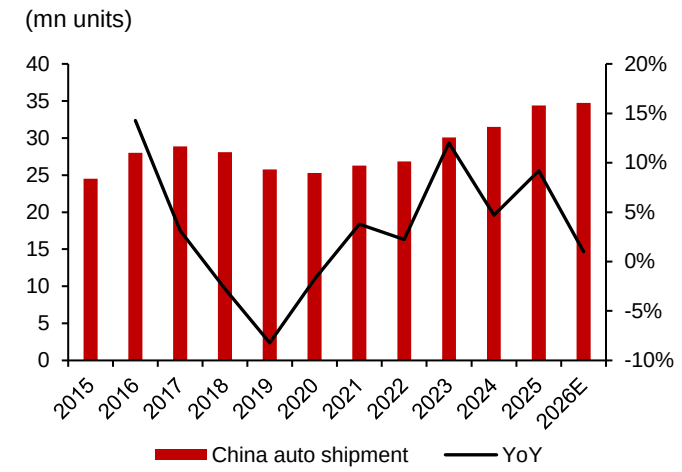
Figure 16: Global PC shipment forecast



Source: Omdia, CMBIGM

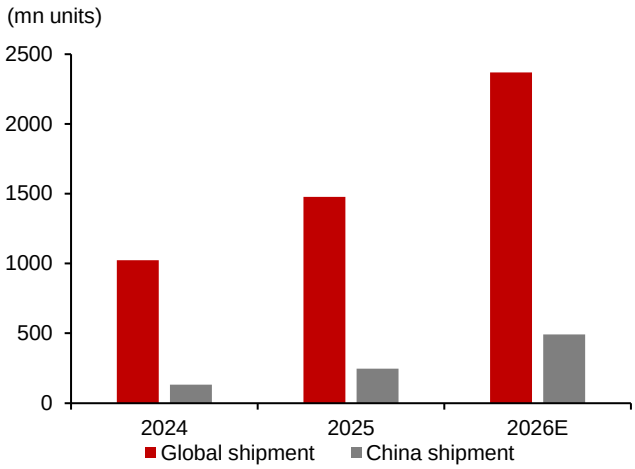
The memory squeeze is a headwind for low-end smartphones, PCs and tablets, but it also signals a tighter semiconductor supply environment. AI demand is absorbing HBM, DRAM, advanced packaging and leading-edge capacity, while component shortages are pushing customers to reassess supply security across the broader chip stack. For domestic foundries, this creates a mixed but constructive setup that weaker consumer-device shipments may limit some wafer demand, but tight supply supports higher value for qualified mature and specialty capacity in PMIC, BCD, RF, CIS, and other applications.

Figure 17: China auto shipment forecast



Source: CAAM, CMBIGM

Figure 18: Global AI glasses shipment forecast



Source: IDC, CMBIGM

We are constructive on SMIC's utilization outlook because its customer base is broad enough to capture demand rotation. When smartphones and PCs weaken, consumer electronics, IoT, connectivity and industrial applications can partly offset the drag. When AI-driven memory and capacity tightness disrupt downstream demand, the same supply squeeze raises the strategic value of qualified domestic wafer capacity. **Over time, this should support SMIC's utilization rate and improve ASP resilience, especially if the mix shifts toward specialty processes and domestically critical applications.**

Figure 19: Leading domestic foundries' earnings commentaries

Company	Time	Key management comment	Industry implication
SMIC	**4Q25**	AI-driven memory demand squeezed supply for mobile phones, especially mid/low-end markets; higher memory prices pressured terminal demand and reduced mid/low-end foundry orders.	Clear evidence of **BOM inflation hurting low-end consumer foundry demand**.
SMIC	**1Q26**	Smartphone wafer revenue fell QoQ, but 8-inch revenue grew on AI-supporting chips and supply squeeze in other sectors.	Demand is becoming **barbell-shaped**: weak smartphones, stronger PMIC/BCD/memory/AI-supporting chips.
Hua Hong	**4Q25**	DRAM shortages spilled into NAND and NOR; high DRAM prices may delay consumer product refresh cycles, but growth areas outweighed the drag.	Memory inflation hurts some consumer demand but supports specialty memory pricing.
Hua Hong	**1Q26**	NOR flash prices expected to rise 10–15%; PMIC demand strong from AI servers; DRAM price hikes had only a small negative effect on consumer demand.	Specialty mature nodes benefit: **NOR, PMIC, BCD** offset consumer weakness.

Source: Company data, CMBIGM

This reinforces the logic of China's localization-led foundry cycle. Growth is not dependent on a single end-market recovery, but on the gradual localization of multiple chip categories across mature and specialty processes. The key industry question is no longer just capacity addition, but which fabs can sustain profitable utilization through customer qualification, process depth and local supply-chain support.

Competitive landscape

AI frontier concentration vs China's constrained advanced-logic path

AI is widening the gap between global leading-edge foundries and Mainland Chinese foundries, but it is also raising the strategic value of China's local manufacturing path. TSMC, Samsung and Intel are moving along the mainstream EUV/GAA (gate-all-around) roadmap, where the moat is process efficiency, advanced packaging, yield learning and AI customer lock-in. China lacks the same tool access, but its roadmap has not stalled. Through FinFET extension, DUV multi-patterning, design technology co-optimization (DTCO) and process optimization, domestic foundries are building a constrained but usable advanced-logic platform.

Figure 20: Global transistor roadmap from FinFET to GAA/CFET scaling

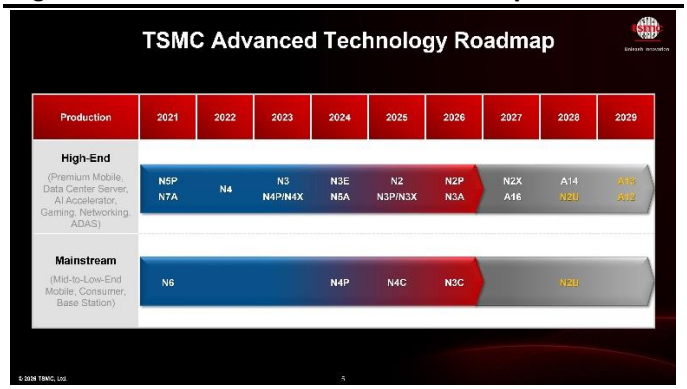
Structure	Structure and adoption period	Applications and future trends
Phase I: Transistor architecture evolution		
 **Planar FET**	Flat transistor built on the silicon surface, with current flowing laterally in a planar channel under the gate; Remained the mainstream logic transistor for decades before **FinFET** entered production; Best suited to earlier and mature-node scaling eras.	Mostly used in **mature nodes** and cost-sensitive applications; Still relevant in **analog, MCU, PMIC, embedded, and power-sensitive** applications; No longer the path for leading-edge logic scaling.
 **3D Structure FinFET**	Channel formed as a **vertical fin**, with gate wrapping around three sides; Major step up from planar in electrostatic control and leakage reduction; Became the mainstream leading-edge logic device from **~16nm down to 3nm.**	Dominated leading-edge logic for multiple generations; Enabled strong **performance-per-watt** improvements vs planar; Scaling is becoming harder at advanced nodes, driving migration to **GAA.**
 **GAAFET**	**Gate-all-around transistor** where the gate surrounds the channel on all sides; Represents the next major transistor architecture after FinFET; Commercial transition began at advanced nodes; implemented through nanosheet / nanoribbon forms.	Likely to become the mainstream architecture for future leading-edge logic; Offers better **electrostatic control, leakage, and voltage scaling** than FinFET; Forms the base platform for further scaling into **nanosheet, forksheet, and CFET.**
Phase II: GAA-based scaling roadmap		
Nanosheet FET	Mainstream commercial implementation of **GAAFET**, using **stacked horizontal nanosheets** as channels; Gate fully wraps each sheet, with tunable sheet width for better design flexibility; Entering mass production in **3nm–2nm-class nodes.**	Becomes the **core leading-edge transistor platform** for AI, HPC, and mobile SoCs; Extends PPA scaling beyond FinFET limits; Serves as the starting point for later density-focused extensions such as **forksheet** and **CFET.**
Forksheet	Evolution of nanosheet with a **dielectric wall between NMOS and PMOS**; Preserves GAA device physics while enabling tighter N/P spacing; Currently in **R&D / pathfinding** rather than mass production.	Improves **cell density** without immediately moving to full vertical CMOS stacking; Acts as a potential **bridge technology** between nanosheet and CFET; Could be adopted at future angstrom-class nodes if manufacturability is acceptable.
CFET	**Complementary FET** stacks NMOS and PMOS **vertically** instead of side by side; Built on GAA/nanosheet concepts but moves into a true **3D CMOS layout**; Still in **research / pre-production** stage.	Offers the **highest density scaling potential** among these architectures; Seen as a long-term path for **post-GAA / beyond-angstrom** scaling; Faces major integration challenges including thermal budget, contacts, and variability.

Source: Samsung, Intel, CMBIGM

The transistor roadmap highlights the structural gap. Global leaders are moving from FinFET to GAA/nanosheet and eventually backside-power and CFET-based scaling, while China is still extending the FinFET platform under equipment constraints. This creates weaker process economics, but not a dead end. The domestic path may require more

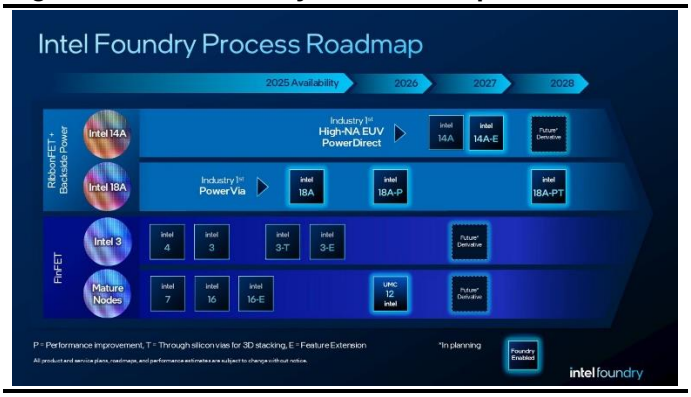
masks, longer cycle time, tighter overlay control and heavier yield tuning, but it still provides a local manufacturing base for increasingly complex logic designs.

Figure 21: TSMC advanced tech roadmap



Source: TSMC, CMBIGM

Figure 22: Intel Foundry tech roadmap

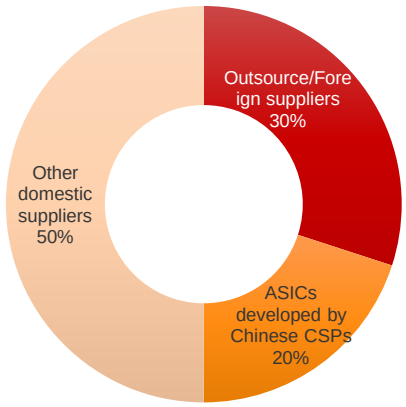


Source: Intel, CMBIGM

We believe the key comparison is not whether China mainland peers can replicate TSMC or Intel's roadmap in the near term. **The more relevant question is whether China can provide a secure and improving manufacturing path for domestic AI chip designers that face restricted access to overseas advanced nodes.** For sanctioned or supply-constrained customers, we believe local manufacturing availability can outweigh absolute process leadership. This gives domestic foundries strategic value before they reach global frontier performance.

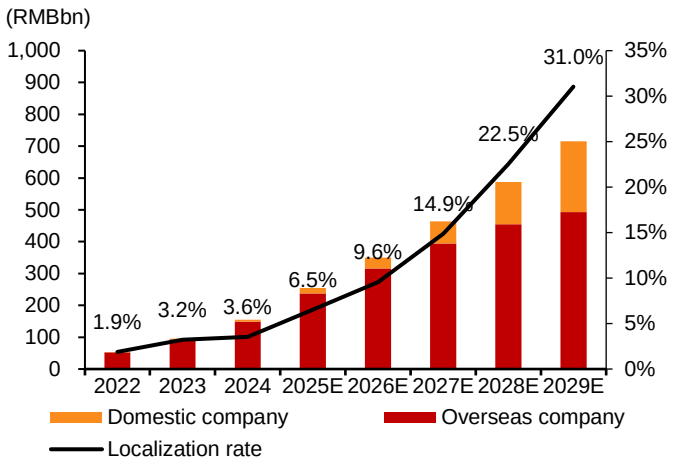
This shifts the China foundry thesis from mature-node substitution alone to **AI manufacturing optionality plus mature/specialty localization**. SMIC's role is to provide China's scale manufacturing base by extending FinFET where possible, supporting domestic AI accelerator development, and anchoring broader localization across PMIC, BCD, RF, specialty memory, CIS, MCU and other critical chip categories.

Figure 23: China's high-end AI chip supply breakdown by revenue in 2026E



Source: TrendForce, CMBIGM

Figure 24: China's GPGPU localization rate is expected to reach 31% by 2029E



Source: Frost & Sullivan, CMBIGM

The demand side is becoming more supportive. TrendForce expects China's high-end AI chip market to grow by more than 60% by revenue in 2026, with domestic general-purpose AI chip designers potentially reaching around 50% share. Frost & Sullivan forecasts China's GPGPU domestication rate to reach 22.5%/31.0% in 2028/29E. These forecasts point to a larger domestic accelerator base, which increases the need for local advanced-logic manufacturing.

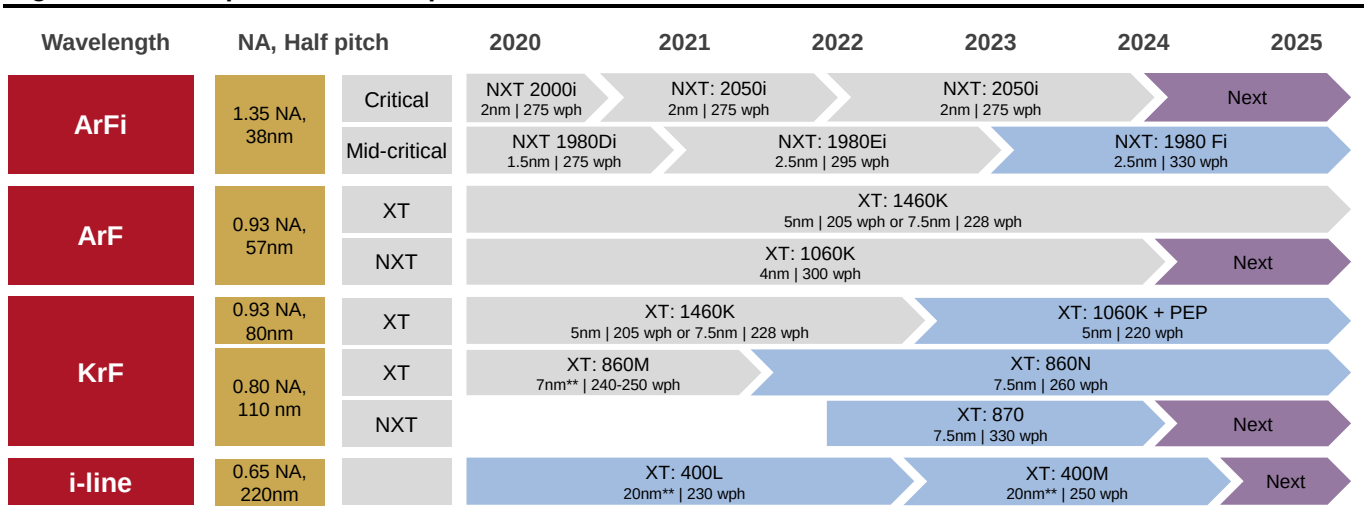
Policy support adds another demand anchor. Bloomberg reported that China is preparing a roughly RMB2tn / US$295bn five-year AI data-center buildout, with domestic suppliers prioritized across chips, servers and software. The plan is still reported rather than formally finalized, but the direction is clear that China's AI infrastructure buildout is becoming more domestic-supply-chain oriented. We believe half of the semiconductor manufacturing equipment used in China will be domestically made by the end of the decade.

For foundries, the implication is direct. Advanced logic capacity is becoming part of China's AI infrastructure, not just a technology milestone. Domestic AI demand will still be constrained by wafer capacity, HBM, packaging and yield, but those constraints increase the strategic value of local manufacturing. We believe SMIC is best positioned among mainland foundries because it combines scale, domestic customer access, process breadth and the most advanced logic capability in China.

Limited access to advanced WFE shifts focus to installed-base sustainability

SMIC's WFE constraint is shifting from new-tool access to installed-base sustainability. EUV has been effectively unavailable to domestic foundries since 2019, while access to advanced immersion DUV tightened materially during 2023–24 as NXT:2000i and later systems, and subsequently NXT:1970i/1980i tools, moved under stricter licensing regimes. As a result, SMIC's advanced-logic roadmap increasingly depends on extending the useful life and process capability of its installed ArFi DUV base, rather than continuous access to ASML's latest lithography roadmap.

Figure 25: ASML product roadmap



Source: Company data, CMBIGM

The US's proposed MATCH Act could potentially further tighten this constraint by extending policy pressure from equipment sales to servicing, spare parts, software support, technical assistance and calibration, in our view. For SMIC, the implication is not an immediate capacity cliff, but a higher-cost and lower-elasticity advanced-logic path. Installed ArFi DUV tools can still support FinFET extension through multi-patterning, DTCO and process optimization, but tool availability, overlay control, cycle time, yield stability and new product introduction could become harder without reliable OEM-level support.

Company overview

China's scaled foundry platform entering capacity conversion phase

Founded in 2000 and headquartered in Shanghai, SMIC is China's leading foundry by revenue scale, manufacturing footprint, process breadth and advanced-logic capability. We see the company as China's core manufacturing platform for constrained equipment access, combining domestic AI manufacturing optionality with broad mature/specialty demand across PMIC, BCD, RF, CIS, MCU, specialty memory and industrial applications.

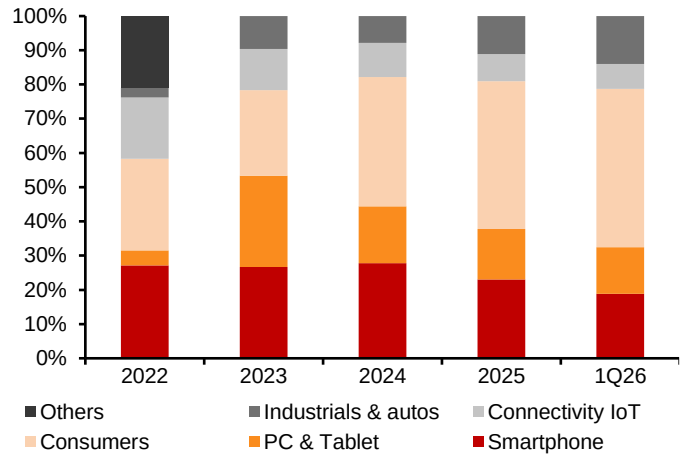
Figure 26: The Company's development history

	Phase of capacity buildout, scaling, capital market recognition, and intense R&D efforts		*Phase of major breakthroughs, technology upgrade, geopolitical tension, and continuous R&D*			*Phase of rising geopolitical tension, exports limits, but more significant breakthroughs and thriving domestic supply chain*		
	2000-2003	**2004-2008**	**2009-2014**	**2015-2018**	**2019-2020**	**2021-2022**	**2023-2024**	**2025- now**
Fab capacity & Geographic expansion	Shanghai fab construction	Beijing + Tianjin Fabs	Steady capacity expansion	Multi-fab mainland layout	12-inch fab expansion accelerated	Advanced-node capacity ramp	High utilization + steady expansion	Continuous 12-inch expansion nationwide +
Strategic positioning	Startup / catch-up	Mature-node volume production	Steady technology upgrade	Transition to advanced FinFET	Historic advanced-node breakthrough	Independent development under sanctions	Leading domestic foundry with advanced capability	Scale expansion + self-sufficient ecosystem
Process technology & mass production	0.25μm / 0.18μm ramp-up	90nm / 65nm mass production	40nm / 28nm mass production; advanced-node R&D continued	14nm FinFET development and qualification	14nm entered mass production / revenue contribution	N+1 / N+2 volume production	Public validation of 7nm-class capability; expansion into auto / industrial / AI-related demand areas	Advanced + mature process expansion; specialty process push
Capital market & listings	Private financing rounds	HKEX + NYSE listing	Dual-listing maintained	Dual-listing maintained	NYSE delisting; STAR IPO	STAR listing supports R&D / capex	Stable HK + A-share platform	SMNC 49% acquisition
Regulatory & external environment	Early patent disputes	Major lawsuits resolved	Relatively normal global competition	US-China trade friction emerges	Entity List	Export controls tightened	Operated under strict restrictions; localized supply chain	Stable production despite continued regulation

Source: Company data, CMBIGM

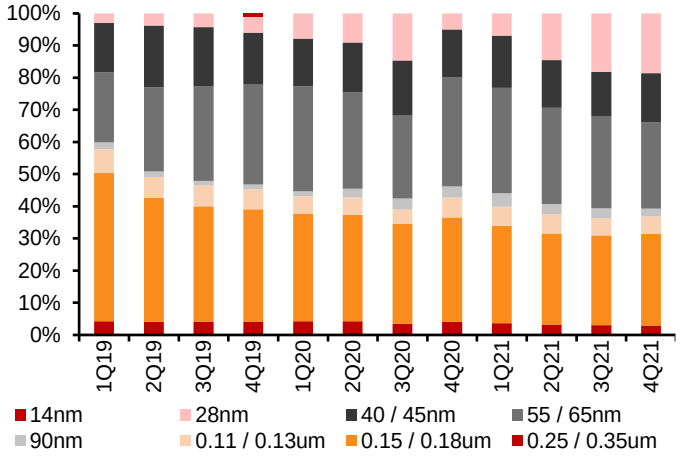
SMIC serves a diversified application base across smartphones, PC/tablets, consumer electronics, connectivity/IoT and industrial/auto. Its revenue mix has shifted away from a handset-led structure, with consumer electronics becoming the largest contributor and industrial/auto gradually increasing in importance. The recent decline in smartphone contribution is consistent with weaker mid/low-end handset demand, memory price increases, BOM inflation and cautious inventory management, which have weighed on terminal demand and handset-related foundry orders. At the same time, demand has rotated toward specialty memory, power management, connectivity, etc., supported by broader AI-driven supply tightness across the semiconductor chain. This wider application exposure gives SMIC more flexibility to sustain utilization as demand rotates across end markets.

Figure 27: SMIC's revenue breakdown by end market



Source: Company data, CMBIGM

Figure 28: SMIC's past revenue breakdown by node process

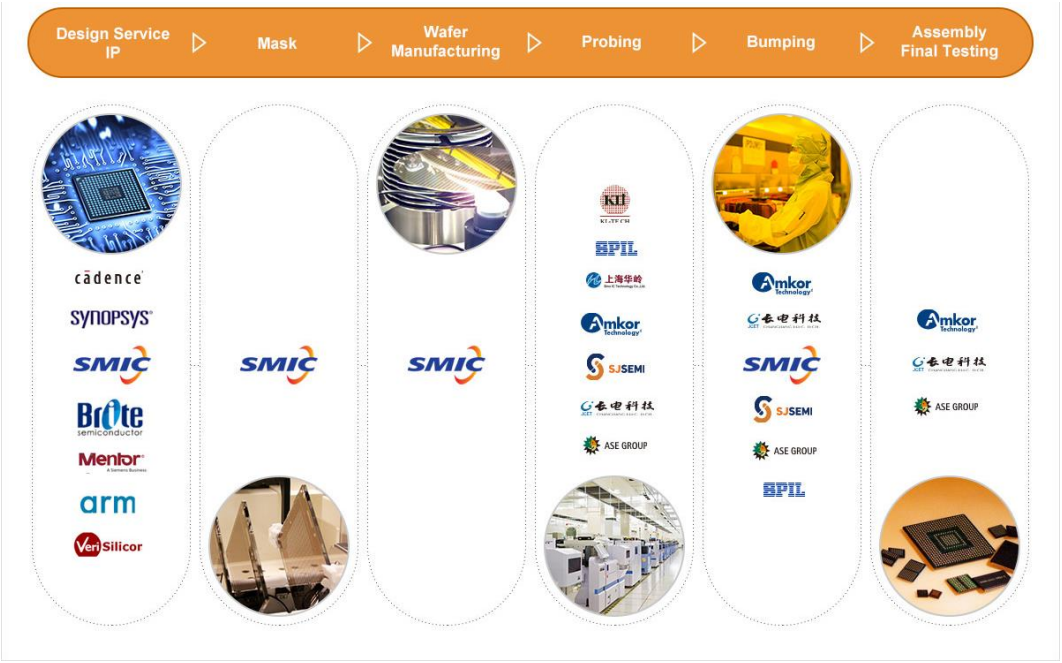


Source: Company data, CMBIGM

SMIC has built an ecosystem-oriented foundry platform that extends beyond wafer manufacturing into key upstream and downstream support functions. The company's core role remains mask and wafer manufacturing, while it also participates in bumping and works with external partners across design services/IP, probing, assembly and final testing.

The platform model improves customer stickiness by lowering tape-out and production coordination barriers, especially for domestic fabless customers that need local design enablement, mask support, wafer capacity and backend integration. Rather than operating as a standalone wafer supplier, SMIC increasingly functions as a manufacturing hub that connects EDA/IP vendors, wafer fabrication, packaging/testing partners and end customers across China's semiconductor supply chain.

Figure 29: The Company's participation in semiconductor supply chain



Source: Company data, CMBIGM

SMIC's monthly capacity reached 1,078k 8-inch equivalent wafers in 1Q26, up from 806k/948k/1,059k at end-2023/24/25. We believe the next phase of capacity growth is mainly driven by large 12-inch projects, including **SMIC Dongfang, SMIC Jingcheng and SMIC Xiqing.**

Figure 30: The Company's fabs that are currently in capacity ramp-up

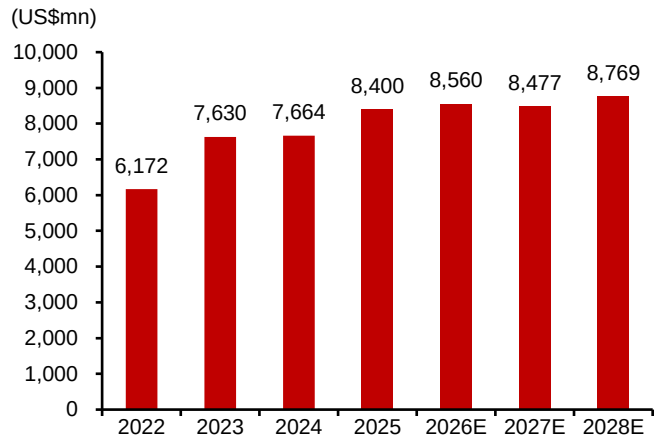
Foundry name	Chinese name	Node process & application focus
SMIC Dongfang: 12-inch **Planned capacity:** 100 kwpm	中芯东方（临港）	**Node process:** 28nm+ **Applications:** Industrial, auto, AIoT
SMIC Beijing Jingcheng: 12-inch **Planned capacity:** 100 kwpm	中芯京城	**Node process:** 180-28nm **Applications:** Industrial, auto, display
SMIC Tianjin Xiqing: 12-inch **Planned capacity:** 100 kwpm	中芯天津（西青）	**Node process:** 40-28nm **Applications:** Industrial, auto

Source: Company data, CMBIGM

We expect SMIC's monthly wafer production capacity to reach ~1.2mn / ~1.3mn 8-inch equivalent wafers in 2026E/27E. Equipment access remains the key external constraint, but the more important operating question is no longer capacity announcement. It is whether new capacity can be qualified, loaded and monetized without excessive pricing pressure.

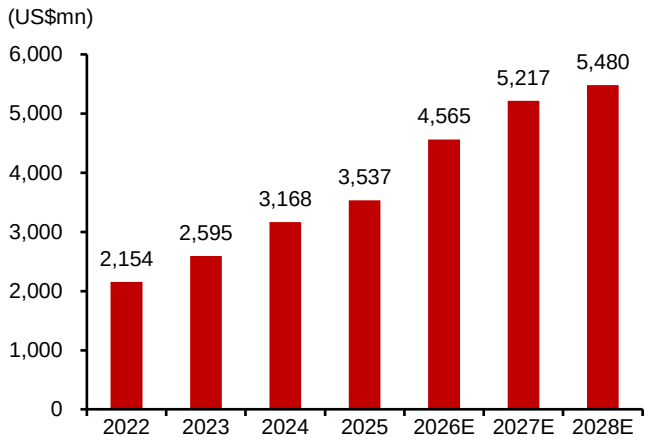
On the other hand, capacity expansion also brings a rising depreciation burden. SMIC's capex increased from US$6.1bn in 2022 to US$8.4bn in 2025, while depreciation expenses rose from US$2.3bn to US$3.8bn over the same period. **We expect capex to increase 2.0% YoY in 2026E, and depreciation expenses to rise 29% YoY as prior investments flow through.**

Figure 31: SMIC's capex



Source: Company data, CMBIGM estimates

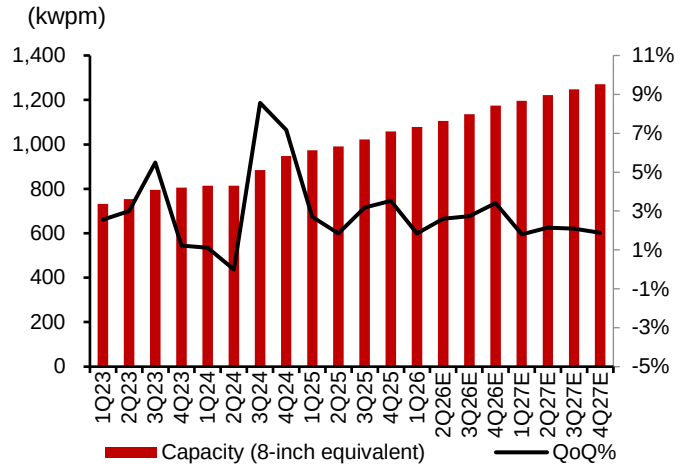
Figure 32: SMIC's depreciation expenses



Source: Company data, CMBIGM estimates

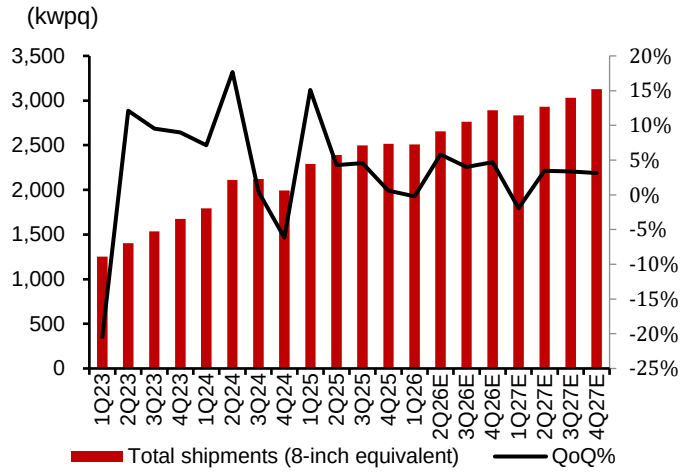
We believe SMIC is entering a capacity-conversion cycle. Prior capex is turning into usable 12-inch capacity, while domestic AI, mature/specialty localization and supply-chain reshoring support wafer loading. The risk is that depreciation rises before utilization and ASP mix fully catch up. The upside is that once new capacity reaches qualified utilization, SMIC's scale can translate into stronger operating leverage and higher strategic value within China's semiconductor ecosystem.

Figure 33: SMIC's wafer production capacity



Source: Company data, CMBIGM estimates

Figure 34: SMIC's quarterly wafer shipments

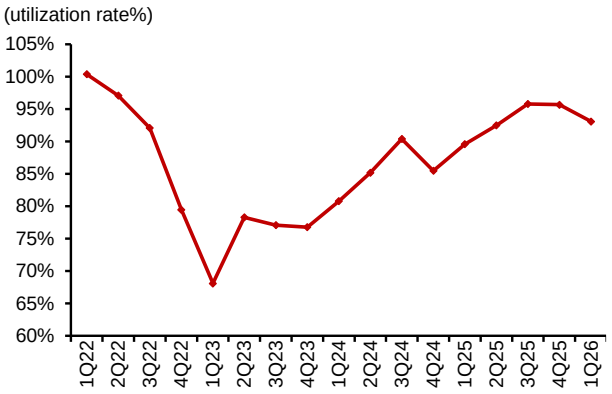


Source: Company data, CMBIGM estimates

SMIC's utilization recovery shows that capacity absorption is improving. Utilization rose from the 1Q23 trough of 68.1% to 95.7%/93.1% in 4Q25/1Q26, supported by domestic mature/specialty demand, AI-related supporting chips and supply-chain reshoring. The 1Q26 results also showed better revenue quality as wafer revenue increased despite flat shipments, implying ASP improvement. We do not view this as broad-based pricing power, but as product-specific mix improvement in tighter platforms.

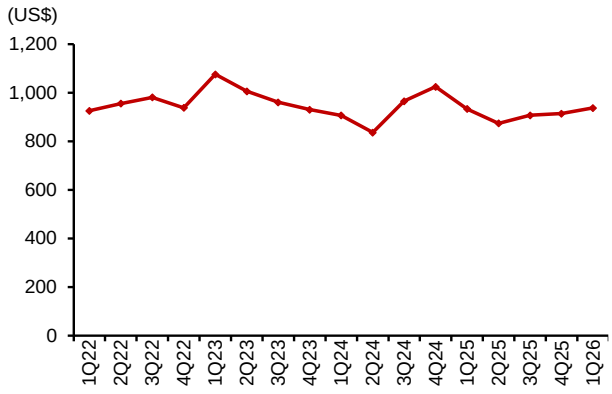
We expect utilization to remain elevated as SMIC converts new capacity into qualified mass-production output at a disciplined pace, supported by mature/specialty demand, AI-related supporting chips and selected higher-ASP platforms.

Figure 35: SMIC's utilization rate



Source: Company data, CMBIGM

Figure 36: SMIC's ASP trend



Source: Company data, CMBIGM

The Company's product offering

The company covers logic, PMIC/BCD, RF, CIS, MCU, embedded memory, display driver, specialty memory and automotive-related processes, giving it exposure to multiple domestic chip categories rather than a single consumer-device cycle. This breadth is important as SMIC ramps new 12-inch capacity. Generic mature logic can face pricing pressure, but specialty platforms require longer qualification, process tuning and supply stability. Customers are therefore less likely to switch once products are qualified, especially in PMIC, BCD, RF, CIS, MCU, eNVM and auto-grade applications. This improves the quality of utilization, not just the level of utilization.

Figure 37: The Company's product offering

	Category	Products / Platforms	End Applications
Core product platforms	Logic (low-power)	Logic IC, low-power SoC	IoT, mobile communication, smartphones, digital TV, set-top box (STB), image processing
	Analog & Power (BCD)	PMIC, audio amplifier, motor driver	Power management, industrial, automotive
	DDIC / High-voltage driver	LCD / OLED DDIC	Small/medium LCD & OLED; medium/large display; automotive display
	Mixed Signal & RF	RF IC, mixed-signal IC	Smartphone RF FEM, Wi-Fi, connectivity
	Embedded NVM (eNVM)	OTP, MTP, embedded EEPROM / Flash	Industrial, automotive; MCU / smart card / IoT
	Non-Volatile Memory (NVM)	NVM platform	Consumer, industrial, storage-type use cases
	Image Sensing (CIS)	CMOS image sensor	Imaging, sensing
Product / solution layers	IGBT / Power device	Trench IGBT, backside-integrated IGBT	Industrial, appliance, rail, EV, grid, wind/solar
	IoT Solutions	MCU/AP + RF + eNVM + PMIC + sensor-related blocks	Smart home, energy, security, industrial, wearable, logistics, healthcare
	Automotive Service	Digital + analog + sensing domains	ADAS, infotainment, telematics, BCD, CIS, eNVM

Source: Company data, CMBIGM

We see SMIC's portfolio as well-aligned with current industry dynamics. Smartphone and PC demand remains pressured by memory tightness and BOM inflation, but AI, industrial, auto, connectivity and edge-device demand is increasing the value of qualified mature/specialty capacity. Over time, the key upside is not simply higher wafer loading, but better ASP resilience as more capacity is allocated to domestically critical and supply-tight platforms.

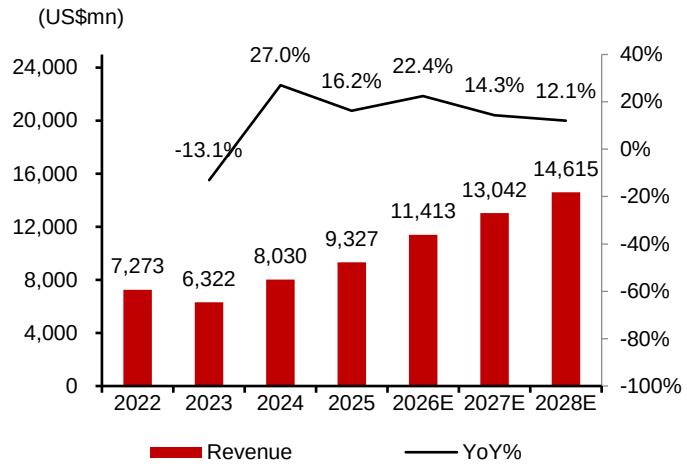
Financial analysis

Revenue quality improving, but depreciation refrains margin recovery

We forecast SMIC's revenue to grow 22%/14%/12% YoY in 2026/27/28E, driven by 1) elevated utilization rate (~90% in 2026E on our estimates) especially in mature node and specialty platforms, 2) ASP improvement (+10-15% YoY in 2026E) from a more favorable product mix, and 3) disciplined capacity conversion across its existing 12-inch fabs (~11mn 8-inch equivalent wafer shipment in 2026E). The company's 2Q26 guidance of 14-16% QoQ revenue growth and 20-22% GPM points to **stronger shipments, better ASP and faster release of higher-value capacity,** confirming that the recovery is becoming more mix-driven rather than purely volume-led.

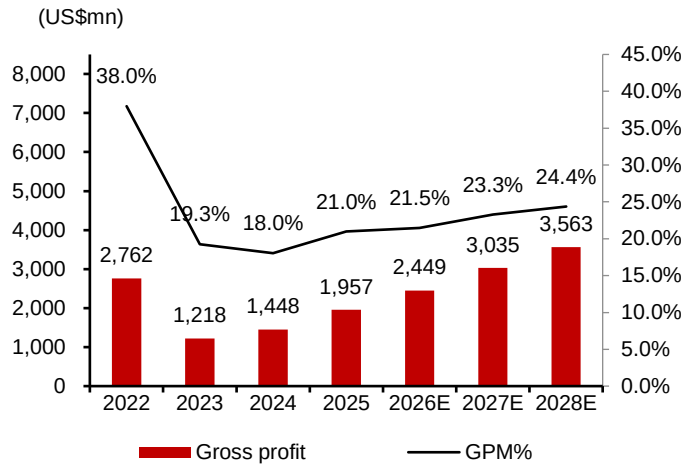
However, we expect depreciation to remain the major constraint on margin expansion. Despite the strong 2Q26 revenue guidance, GPM is still guided at only 20-22%, indicating that rising D&A continues to absorb part of the operating leverage from higher loading and ASP. We expect GPM to recover gradually from 21.0% in 2025 to 21.5%/23.3%/24.4% in 2026/27/28E, supported by an improving product mix and higher utilization, but capped by continued depreciation pressure as new capacity moves into production.

Figure 38: SMIC's revenue and growth



Source: Company data, CMBIGM estimates

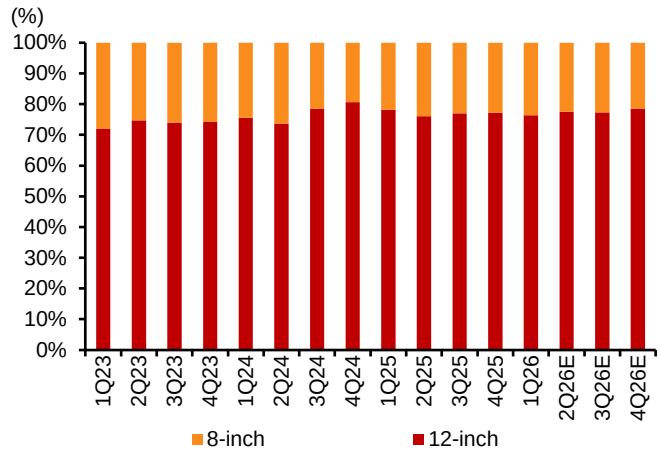
Figure 39: SMIC's gross profit and GPM%



Source: Company data, CMBIGM estimates

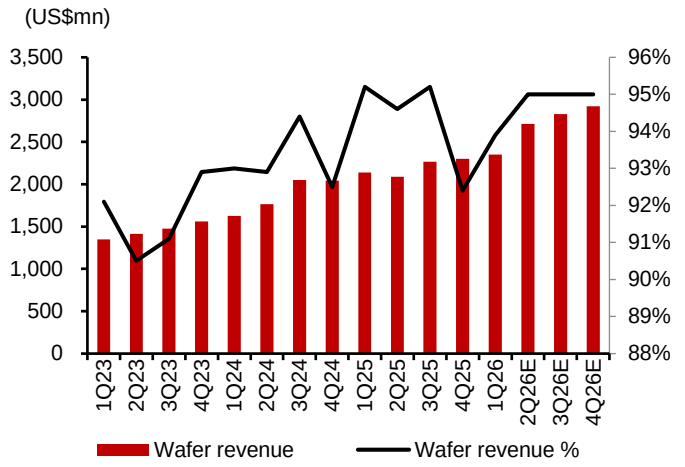
We expect the Company's revenue to be primarily driven by 12-inch wafers, supported by rising ASPs from strong, localized domestic demand and an influx of overseas orders as leading global foundries such as TSMC (link) progressively phase out mature-node capacity. We expect 12-inch wafers to contribute ~80% of total wafer revenue by 2027E. We also expect wafer revenue to make up ~95% of total revenue throughout 2026-2027E.

Figure 40: SMIC's revenue breakdown by wafer size



Source: Company data, CMBIGM estimates

Figure 41: SMIC's wafer sales and % of total revenue



Source: Company data, CMBIGM estimates

We forecast SMIC's R&D expenses to increase from US$774mn in 2025 to US$971mn/US$1,174mn in 2026/27E, as we see continued investment in three key areas: 1) improving yield and process stability on domestically advanced logic, 2) expanding specialty platforms such as PMIC/BCD, RF, CIS, embedded memory and auto to capture AI-related demand spillover, and 3) strengthening vertical ecosystem capabilities such as advanced packaging.

Figure 42: P&L forecast

US$mn	2025	2026E	2027E	2028E
Revenue	**9,327**	**11,413**	**13,042**	**14,615**
YoY%	*16.2%*	*22.4%*	*14.3%*	*12.1%*
COGS	-7,370	-8,964	-10,007	-11,052
Gross profit	**1,957**	**2,449**	**3,035**	**3,563**
YoY%	*35.1%*	*25.2%*	*23.9%*	*17.4%*
GPM%	***21.0%***	***21.5%***	***23.3%***	***24.4%***
Selling expenses	-43	-44	-50	-56
% rev	*-0.5%*	*-0.4%*	*-0.4%*	*-0.4%*
G&A expenses	-526	-564	-626	-687
% rev	*-5.6%*	*-4.9%*	*-4.8%*	*-4.7%*
R&D expenses	-774	-971	-1,174	-1,242
% rev	*-8.3%*	*-8.5%*	*-9.0%*	*-8.5%*
Other operating income	500	504	652	731
Impairment loss on financial assets	-4	2	2	2
Operating income	**1,110**	**1,376**	**1,839**	**2,310**
YoY%	*134.2%*	*24.0%*	*33.6%*	*25.6%*
Op. margin	*11.9%*	*12.1%*	*14.1%*	*15.8%*
Other non-operating income/(loss)	-37	34	65	73
% rev	*-0.4%*	*0.3%*	*0.5%*	*0.5%*
Pretax income	**1,073**	**1,411**	**1,904**	**2,383**
YoY%	*24.9%*	*31.4%*	*35.0%*	*25.2%*
Income tax expense	**-84**	**-140**	**-190**	**-238**
Tax rate%	*-7.9%*	*-9.9%*	*-10.0%*	*-10.0%*
Net profit	**989**	**1,271**	**1,714**	**2,145**
YoY%	*35.5%*	*28.5%*	*34.9%*	*25.2%*
Minority interest	**304**	**104**	**92**	**115**
% NP	*30.7%*	*8.2%*	*5.3%*	*5.3%*
Net profit attri. to shareholders	**685**	**1,167**	**1,622**	**2,030**
YoY%	*39.0%*	*70.3%*	*39.1%*	*25.2%*
NPM%	***7.3%***	***10.2%***	***12.4%***	***13.9%***
Diluted shares outstanding (mn)	*8,013*	*8,286*	*8,560*	*8,560*
Diluted EPS (US$)	0.084	0.141	0.189	0.237
BVPS (US$)	2.68	2.73	2.83	3.07
BVPS (HK$)	20.86	21.35	22.15	24.01

Source: Company data, CMBIGM estimates

SMIC also plans to acquire the remaining 49% equity interest in SMNC (acquisition completed in Jun 2026), its Beijing-based 12-inch wafer manufacturing subsidiary, for RMB40.6bn through the issuance of 547.18mn new A-shares at RMB74.20/share, according to the company's announcement on Dec 29, 2025 (link). We view the transaction as earnings-accretive and strategically positive for capacity coordination. SMNC is one of SMIC's important 12-inch manufacturing platforms, and we believe full ownership should improve governance efficiency, internal capacity allocation and long-term integration with SMIC's process and customer roadmap.

Valuation and risks

Initiate at BUY with TP at HK$110, based on 5.0x FY27E P/B

We use P/B valuation methodology to value SMIC. In a capital-intensive industry characterized by front-loaded depreciation, earnings-based metrics can be highly distorted, so we believe a P/B framework provides a more stable reflection of underlying capacity and long-term earnings potential.

We value SMIC using a foundry peer group, which trades at an average 2027E P/B of 5.0x. **We apply a 5.0x FY27E P/B to SMIC's FY27E BVPS of US$2.8 (HK$22.2 based on US$/HK$ of 7.82), deriving a TP of HK$110**. We believe assigning a peer-average P/B multiple is justified despite SMIC's lower ROE (6.9% in FY27E per our estimate vs. peers' average of 13.8%). While the Company is currently navigating a capex expansion cycle that naturally suppresses near-term return profiles, our FY27E estimate still implies a meaningful structural recovery from its 3.3% ROE in 2025. More importantly, this valuation is anchored by SMIC's irreplaceable position in China's semiconductor supply chain. It is the leading domestic foundry platform with meaningful scale, broad mature/specialty process coverage, advanced-logic capability and deep customer access across China's fabless ecosystem.

In a market where supply security, localization and constrained advanced-node capacity are becoming strategic assets, SMIC is not just another foundry peer but a core domestic wafer manufacturing platform, in our view.

Figure 43: Peers table

		Mkt Cap	P/E (x)		P/B (x)		EV/EBITDA (x)		GPM%		ROE%
Company	Ticker	(US$mn)	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY27E
CR Micro	688396 CH	15,324	78.8	57.3	4.2	4.0	38.9	30.0	28.1	29.6	7.0
Silan Micro	600460 CH	10,999	77.1	54.8	5.7	5.3	29.5	24.2	20.8	22.4	10.0
TSMC	2330 TT	2,057,149	25.4	20.2	8.6	6.6	16.6	13.2	65.7	65.2	37.1
UMC	2303 TT	63,598	34.4	29.0	4.9	4.6	16.0	13.8	31.5	34.4	11.7
ASE	3711 TT	95,022	40.5	28.4	7.6	6.7	18.8	14.0	21.1	22.9	25.5
VIS	5347 TT	11,376	33.4	29.6	4.3	3.8	17.8	14.0	31.7	29.9	15.4
GFS	GFS US	47,095	44.8	33.7	3.9	3.6	18.1	15.2	29.6	32.9	7.7
Intel	INTC US	673,434	121.6	85.2	5.6	5.3	38.8	30.8	40.4	42.9	6.5
Hua Hong	1347 HK	44,766	189.1	127.2	5.4	5.0	47.8	36.2	15.2	17.2	3.8
		Average	***71.7***	***51.7***	***5.6***	***5.0***	***26.9***	***21.2***	***31.6***	***33.1***	***13.8***

	Ticker	FY27E BVPS	P/B (x)	Target Price	FY27E ROE
SMIC	981 HK	HK$22.2	5.0x	HK$110	6.9%

Source: Bloomberg, CMBIGM
Note: Data as of 22 Jun, 2026

Risks

1) **WFE restriction risk.** Tighter controls on DUV tools, servicing, spare parts or software could pressure SMIC's advanced-logic yield and tool availability.
2) **Depreciation risk.** Rising D&A from prior capex could limit margin recovery even if revenue and utilization improve.
3) **Capacity conversion risk.** New 12-inch capacity may take longer to qualify, load and monetize, weighing on utilization and ASP.
4) **Advanced-node execution risk.** DUV-based scaling requires more masks, tighter overlay control and longer cycle time, limiting cost competitiveness.
5) **Demand and pricing risk.** Weak smartphones/PCs or generic mature-node oversupply could pressure wafer demand, pricing and GPM.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Revenue	**6,322**	**8,030**	**9,327**	**11,413**	**13,042**	**14,615**
Cost of goods sold	(5,104)	(6,582)	(7,370)	(8,964)	(10,007)	(11,052)
Gross profit	**1,218**	**1,448**	**1,957**	**2,449**	**3,035**	**3,563**
Operating expenses	**(860)**	**(974)**	**(847)**	**(1,073)**	**(1,196)**	**(1,253)**
Selling expense	(36)	(40)	(43)	(44)	(50)	(56)
Admin expense	(482)	(580)	(526)	(564)	(626)	(687)
R&D expense	(707)	(765)	(774)	(971)	(1,174)	(1,242)
Others	366	411	496	506	654	733
Operating profit	**358**	**474**	**1,110**	**1,376**	**1,839**	**2,310**
Other income	830	386	(37)	34	65	73
EBIT	**1,187**	**860**	**1,073**	**1,411**	**1,904**	**2,383**
Income tax	(63)	(130)	(84)	(140)	(190)	(238)
After tax profit	**1,125**	**730**	**989**	**1,271**	**1,714**	**2,145**
Minority interest	222	237	304	104	92	115
Net profit	**903**	**493**	**685**	**1,167**	**1,622**	**2,030**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Current assets	**13,635**	**14,784**	**15,625**	**13,996**	**15,216**	**17,397**
Cash & equivalents	6,215	6,364	5,873	3,305	3,410	4,285
Restricted cash	180	0	0	0	0	0
Account receivables	1,170	840	1,433	1,421	1,840	1,814
Inventories	2,736	2,958	3,630	4,519	4,578	5,469
Prepayment	106	56	68	68	68	68
Financial assets at FVTPL	215	272	381	326	375	429
Other current assets	3,014	4,292	4,242	4,358	4,945	5,333
Non-current assets	**34,152**	**34,378**	**36,646**	**42,470**	**45,318**	**49,477**
PP&E	23,945	28,092	32,558	36,439	39,569	42,710
Right-of-use assets	474	432	375	375	375	375
Deferred income tax	13	29	35	35	35	35
Investment in JVs & assos	2,045	1,253	1,310	1,976	2,119	2,341
Intangibles	34	24	20	15	12	9
Financial assets at FVTPL	482	427	811	645	719	865
Other non-current assets	7,160	4,120	1,538	2,985	2,490	3,142
Total assets	**47,787**	**49,161**	**52,271**	**56,467**	**60,534**	**66,874**
Current liabilities	**7,602**	**8,760**	**6,817**	**8,305**	**9,733**	**10,458**
Short-term borrowings	1,216	2,926	2,593	3,000	4,500	4,500
Account payables	3,728	3,280	2,966	3,437	3,465	3,903
Other current liabilities	274	987	241	241	241	241
Lease liabilities	32	19	7	7	7	7
Contract liabilities	2,053	1,186	599	1,210	1,110	1,396
Accrued expenses	298	362	410	410	410	410
Non-current liabilities	**9,340**	**8,532**	**10,434**	**11,439**	**11,439**	**13,439**
Long-term borrowings	8,335	8,038	9,995	11,000	11,000	13,000
Bond payables	599	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Obligations under finance leases	26	8	1	1	1	1
Deferred income	307	375	378	378	378	378
Other non-current liabilities	73	111	60	60	60	60
Total liabilities	**16,942**	**17,292**	**17,251**	**19,744**	**21,172**	**23,897**
Share capital	32	32	32	32	32	32
Capital surplus	14,117	14,266	14,395	14,395	14,395	14,395
Retained earnings	5,680	6,173	6,858	8,025	9,647	11,677
Other reserves	287	142	155	155	155	155
Total shareholders equity	**20,116**	**20,614**	**21,440**	**22,606**	**24,228**	**26,259**
Minority interest	10,730	11,256	13,581	14,117	15,133	16,719
Total equity and liabilities	**47,787**	**49,161**	**52,271**	**56,467**	**60,534**	**66,874**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**1,125**	**730**	**989**	**1,167**	**1,622**	**2,030**
Depreciation & amortization	2,667	3,223	3,810	4,581	5,233	5,497
Change in working capital	(143)	(652)	(1,695)	317	(419)	7
Others	2,376	3,098	3,900	(667)	(142)	(222)
Net cash from operations	**6,026**	**6,399**	**7,004**	**5,398**	**6,293**	**7,313**
Investing						
Capital expenditure	(7,630)	(7,664)	(8,400)	(8,560)	(8,477)	(8,769)
Acquisition of subsidiaries/ investments	(1,213)	(807)	(964)	220	(123)	(200)
Net proceeds from disposal of short-term investments	1,125	795	496	0	0	0
Others	1,511	3,158	2,373	(1,573)	(104)	(1,054)
Net cash from investing	**(6,208)**	**(4,518)**	**(6,495)**	**(9,913)**	**(8,705)**	**(10,023)**
Financing						
Net borrowings	1,738	1,539	1,354	1,412	1,500	2,000
Others	728	70	1,322	536	1,017	1,585
Net cash from financing	**2,466**	**1,608**	**2,676**	**1,948**	**2,517**	**3,585**
Net change in cash						
Cash at the beginning of the year	6,933	6,215	6,364	5,873	3,305	3,410
Others	(718)	149	(492)	(2,567)	105	875
Cash at the end of the year	**6,215**	**6,364**	**5,873**	**3,305**	**3,410**	**4,285**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(13.1%)	27.0%	16.2%	22.4%	14.3%	12.1%
Gross profit	(55.9%)	18.9%	35.1%	25.2%	23.9%	17.4%
Operating profit	(80.5%)	32.5%	134.2%	24.0%	33.6%	25.6%
EBIT	(46.4%)	(27.6%)	24.9%	31.4%	35.0%	25.2%
Net profit	(50.4%)	(45.4%)	39.0%	70.3%	39.1%	25.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	19.3%	18.0%	21.0%	21.5%	23.3%	24.4%
Operating margin	5.7%	5.9%	11.9%	12.1%	14.1%	15.8%
Return on equity (ROE)	4.6%	2.4%	3.3%	5.3%	6.9%	8.0%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.8	1.7	2.3	1.7	1.6	1.7

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/B	4.0	3.9	3.8	3.9	3.6	3.3

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

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