

## The Compute China Can't Import

- US sanctions created a captive AI compute market — Cambricon is the pure-play.
- FY25 +454% y-y, first profit, 4x volume guide — the inflection is in the numbers.
- BUY, TP THB8.65, ~35% upside.

### The Chip That Prints Money Inside the Wall

The most consequential chip you have never heard of is already profitable. Cambricon Technology (688256.SS / CAMBRI80) designs AI accelerators for data centre inference — the high-volume, economically critical work of serving trained models to real users at scale. Its flagship Siyuan 590 matches NVIDIA's A100 on inference throughput at ~45% lower cost, a gap wide enough to determine whether a hyperscaler's AI product makes money or destroys it. Alibaba routes 60% of its public-cloud AI inference through Cambricon silicon; ByteDance is the single largest customer. This is not a promise — it is already in the order book.

### Demand Guaranteed, Supply Constrained

The geopolitical setup is as close to a structural moat as equity markets produce. Progressive US export controls have removed NVIDIA's A100, H100, H20 and L40S from the Chinese market, converting procurement into forced domestic substitution. Simultaneously, Chinese hyperscaler capex is accelerating: ByteDance guiding RMB160b for 2026, Alibaba committing to exceed its RMB380b three-year AI infrastructure plan and explicitly prioritising market share over near-term margins. Every incremental yuan lands in a market where the marginal compute dollar must flow domestic. Industry forecasts put domestic chips at 76% of China AI accelerator demand by 2030, from 41% today.

### Share Doesn't Tell You Everything. Quality Does

What makes Cambricon's position distinctive is not its current 7% domestic share — it is the quality of that share. Every peer of scale is structurally fed: Huawei into its own cloud, T-Head into Alibaba's workloads, Kunlunxin into Baidu's. Cambricon wins in open competition, which is why its customer list reads as genuine validation. Alibaba — which runs T-Head in-house — still routes 60% of its public-cloud AI inference through Cambricon parts. DeepSeek granted it early model access alongside Huawei. These are arm's-length endorsements from counterparties with every incentive to go elsewhere.

### First Profit. Then Acceleration

The earnings inflection has already crossed from narrative to numbers. FY25 revenue of RMB6.5b (+454% y-y) delivered Cambricon's first-ever annual net profit of RMB2.06b, with operating cash flow turning positive. 1Q26 alone matched all of 1H25. The 2026 delivery target of 500k chips — 4x+ the 116k shipped in 2025 — is the most aggressive volume guide among listed Chinese AI peers, with consensus pencilling FY26E revenue near RMB23b.

### Initiated with BUY and a TP of THB8.65 (CNY1,800, CNY/THB at 4.80)

We initiate with BUY and a TP of THB8.65 (~35% upside). At that level the stock trades ~95x our FY26E EPS of CNY19, compressing toward ~55x on FY27E EPS of CNY32 as earnings compound — the multiple de-rates into the growth. Risks are real: customer concentration, TSMC-dependent advanced packaging supply, and Huawei's capacity to extend rather than share its lead. But for listed, liquid exposure to China's AI compute sovereignty buildout, no comparable vehicle exists on A-shares. That scarcity premium is only beginning to be priced.

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## Why Cambricon, Why Now?

The global AI race is, at its core, a compute race — and the US has used export controls to deny China access to NVIDIA's most advanced chips. The A100, H100, H20 and L40S have been progressively restricted from 2023 onward, severing China's hyperscalers from the silicon that powers every major Western AI lab. Yet China's AI ambitions have not paused; if anything, US 'Magnificent Seven' AI capex set to exceed USD 400b in 2026 has only intensified the pressure on China to build a domestic compute stack of its own. The economic security stakes are too high to remain a customer.

## What Cambricon Does: The Inference Workhorse

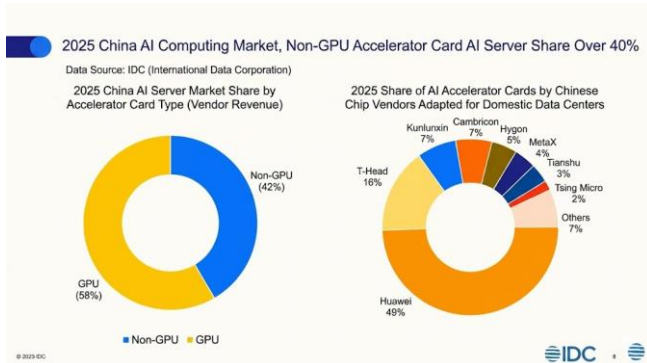
Cambricon designs the chips that run AI applications inside data centres. When ByteDance serves a recommendation, when Alibaba's cloud answers a chatbot question, when an enterprise runs an internal LLM — Cambricon's chips are increasingly the ones doing the work. The company specialises in **AI inference** — the ongoing 'serving' of trained AI models to real users — rather than the upfront 'training' that builds them. Inference is where the volume is, and where economics matter most.

What sets Cambricon apart is the commercial validation. Its flagship Siyuan 590 chip runs leading AI models at roughly the same speed as NVIDIA's A100 — but at **~45% lower cost**. For hyperscalers running billions of AI queries a day, that cost gap is the difference between profitable and unprofitable AI products. Alibaba reportedly uses Cambricon chips to serve 60% of its public cloud's AI inference demand. ByteDance is the largest single customer. Even DeepSeek — China's most-watched AI lab — gave Cambricon early access to its latest models, alongside Huawei, to optimise inference deployment

### Market Share: From #3 Domestic to #2 in 12 Months

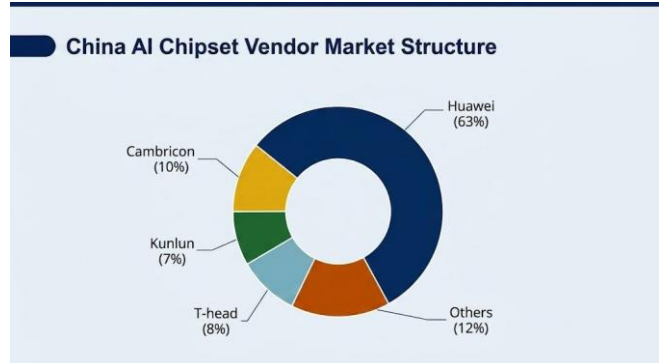
China's AI accelerator market shipped ~4mn units in 2025: foreign vendors (mainly NVIDIA) at 59%, domestic at 41%. Within domestic, Huawei dominates at 49%, T-Head/Alibaba sits at 16%, with Cambricon and Kunlunxin tied for #3 at 7% each. Industry forecasts have Cambricon overtaking T-Head as #2 domestic in 2026E (10% domestic share), supported by its 500k chip delivery target — over 4x the 2025 output of 116k units. Looking further out, domestic chips are forecast to reach 76% of total China demand by 2030 (from 41% today). The trajectory — not the headline 7% — is what the equity is pricing.

Exhibit 1: China domestic AI GPU market 2025



Sources: IDC, Globlex Research

Exhibit 2: China domestic AI GPU market 2026E



Sources: Company data, Morgan Stanley Research estimates

## Investment Thesis: Three Pillars

**#1 Riding China's compute sovereignty mega-trend.** US sanctions on NVIDIA chips have created a captive domestic AI silicon market — forecast to grow from 41% of China demand today to 76% by 2030. Cambricon is the only listed pure-play A-share name positioned for this multi-year tailwind.

**#2 Earnings inflection is real, not a story.** FY25 revenue +454% y-y to RMB6.5b, first-ever annual profit of RMB2.06b, and 1Q26 alone matched all of 1H25. Operating cash flow turned positive. The 500k chip delivery target for 2026 (4x+ vs 2025) is the most aggressive volume guide among listed Chinese AI peers.

**#3 Commercial validation that captive peers cannot claim.** Cambricon ships parity volumes to Kunlunxin (Baidu's captive chip) and competes with T-Head (Alibaba's captive chip) — without a parent cloud feeding it. Every chip Cambricon sells is an independent commercial win. Alibaba uses Cambricon for 60% of its public cloud AI inference; DeepSeek optimised its latest model for Cambricon. The market is voting with orders.

## Competitive Position: The Only Pure-Play

Within China's domestic AI chip cohort, Huawei dominates with 49% share (2025) — captive HiSilicon design heritage, end-to-end stack, the natural national champion. T-Head/Alibaba sits at 16%, structurally advantaged by being captive to Alibaba's own hyperscaler workloads. Cambricon and Kunlunxin (Baidu) are tied for #3 at 7% each.

Industry forecasts see the picture shifting meaningfully in 2026E: Huawei extending to 63%, Cambricon climbing to 10% and overtaking T-Head (8%) for #2 domestic, while Kunlunxin holds at 7%. This trajectory matters because the top four are forecast to consolidate to 88% of domestic shipments — Cambricon is on the right side of that consolidation.

What sets Cambricon apart from the broader domestic field is the only listed pure-play AI accelerator on A-shares, real technical edge (1.2TB/s memory bandwidth on Siyuan 590, domain-specific architecture, chiplet/3D stacking leadership), and execution: 2025 P&L (revenue RMB 6.5b, net profit RMB 2.06b) is materially ahead of every listed domestic peer, and the 500k chip delivery target for 2026 (4x+ uplift) is the most aggressive volume guide in the field. Our base case — ~18% domestic share by 2028E — assumes the 500k 2026 target is achieved and Cambricon converts its technical edge into continued share gains versus T-Head specifically.

## Demand Signals: Hyperscaler Capex Is Inflecting

**Alibaba's capex raise is a direct demand pull.** At its March-quarter and FY26 results on 13 May 2026, Alibaba told the market it will spend beyond its previously announced RMB380b (USD56b) three-year AI-and-cloud capex plan, with CEO Eddie Wu stating explicitly that establishing AI-infrastructure leadership and market share now takes precedence over near-term margins.

Cloud Intelligence revenue rose 38% y-y, external cloud revenue +40% y-y, and AI-related product revenue posted an 11th consecutive quarter of triple-digit growth, now ~30% of external cloud revenue. Group free cash flow swung to an outflow, driven specifically by the cloud-infrastructure build — spending ahead of profit is exactly the signal a domestic accelerator supplier wants to see.

For Cambricon the mechanism is simple: every incremental yuan of Chinese hyperscaler capex lands in a market where NVIDIA's most advanced parts are restricted, so the marginal AI-compute dollar is increasingly forced onto domestic silicon. As noted above, Alibaba already serves a majority of its public-cloud AI inference on Cambricon parts; a larger Alibaba infrastructure envelope widens the absolute pool of inference workloads that domestic accelerators can address.

Alibaba is not alone. ByteDance — Cambricon’s largest single customer — is guiding to RMB160b of 2026 capex, and the aggregate Chinese hyperscaler AI-infrastructure commitment is inflecting just as Beijing has discouraged domestic use of NVIDIA’s H20. That combination, rising domestic capex plus tightening access to foreign chips, is the precise engine behind our forecast that domestic chips climb from 41% of China demand today to 76% by 2030. Through the recent earnings season, Chinese platforms repeatedly flagged domestic AI-compute supply shortages — a tailwind for every credible local supplier with volume, Cambricon among them given its 500k-unit 2026 delivery target.

## Initiated with BUY and a TP of THB8.65

We initiate coverage of **CAMBRI80** with a **BUY** rating and a target price of **THB8.65**, implying ~35% upside. We set fair value for the Cambricon A-share (688256.SS) at CNY1,800, versus CNY1,340 at the close on our initiation date. Cambricon does not lend itself to trailing multiples: on FY25 earnings the stock trades on a trailing P/E in the low hundreds and ~100x sales, because the company is at the front edge of an earnings inflection, not in steady state.

We therefore anchor on forward earnings. FY25 delivered revenue of RMB6.5b (+454% y-y) and net profit of RMB2.06b; consensus looks for FY26E revenue to more than triple to roughly RMB23b as the 500k-unit ramp lands.

On our assumptions — net margin widening from ~32% in FY25 toward the high-30s as operating leverage builds, on ~420m shares, that points to FY26E EPS near CNY19 and FY27E EPS near CNY32. At CNY1,800 the stock would trade on ~95x our FY26E EPS, compressing toward ~55x on FY27E as earnings compound — the multiple de-rates into the growth, which is the heart of the bull case.

### Exhibit 3: CAMBRI80 target under A-share scenarios

Scenario	A-share (CNY)	CNY/THB	DR (THB)
Bear	1,000	4.80	4.80
Base (our TP)	1,800	4.80	8.65
Bull (~Goldman)	2,400	4.80	11.52

Sources: Globlex Research

### Exhibit 4: CAMBRI80’s Conversion Ratio

$$\text{CAMBRI80 (DR)} = \frac{\text{SHA:688256} \times \text{CNY/THB}}{1000}$$

Sources: Globlex Research; SET

## Risks: What Would Break the Thesis

**Valuation / multiple de-rating.** The shares price in near-flawless execution. Any slip in the 500k 2026 delivery target, or a broader correction in China AI-chip equities, would hit a name on these multiples hardest — this is the dominant near-term risk to the DR.

**Customer concentration and in-sourcing.** ByteDance and Alibaba dominate the order book; loss of a major customer, or accelerated in-sourcing to captive silicon (Alibaba T-Head, Baidu Kunlunxin), would materially dent volumes.

## GENERAL DISCLAIMER

### Analyst Certification

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

- BUY:** Expected return of 10% or more over the next 12 months.  
**HOLD:** Expected return between -10% and 10% over the next 12 months.  
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.  
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.  
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.