Private Tech Tour: xFusion (AI Servers): AI scenarios in expansion to drive AI inferencing demand in China

Allen Chang
+852-2978-2930 | allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

Verena Jeng
+852-2978-1681 | verena.jeng@gs.com
Goldman Sachs (Asia) L.L.C.

Ting Song
+852-2978-6466 | ting.song@gs.com
Goldman Sachs (Asia) L.L.C.

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We hosted xFusion management in Hong Kong on April 20 during our Private-Tech Tour (April 20 - 28). xFusion is a leading AI server provider across global-tier GPU platforms and local AI chips. Key discussions included (1) local clients' demand on AI server, (2) AI training and inferencing, and (3) memory and CPU cost. Overall, management is positive on rising spending from CSPs and enterprise clients, driven by expanding scenarios of AI applications, and video/ image/ text generation. Per management, rising memory costs could weigh on near-term profits; however, as a leading AI server supplier, the company believes it could better secure their component supply, and expects continued business expansion to drive revenues and margins, including in areas such as switch and liquid cooling, etc.

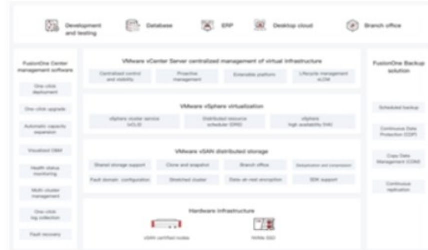
Read-across to AI spending: Management's positive tone on AI servers echoes our positive view on China AI servers supply chain, where we see rising inferencing demand following the advancement of local foundation models (e.g. DeepSeek) and new AI application scenarios (Openclaw, video generation etc.), supporting China Cloud Capex in AI infrastructure. Read more: Global AI Server TAM.

Company profile: xFusion is a local AI server supplier offering AI servers, rack-level solutions, liquid cooling, HPC (High Performance Computing), and HCI (Hyper-converged Infrastructure) solutions to 10k+ clients across China and Southeast Asia, etc. The company is one of the leading liquid-cooled suppliers in China market, per IDC (link), featuring solutions with Ultra-High power (105kW) with energy efficiency (PUE at 1.06) and capabilities for large-scale AI cluster deployment.

xFusion AI Server Rack-level solution

xFusion develops liquid cooling in-house

HCI solution integrate hardware/ software



Source: Company data

Key takeaways

1. Local AI client demand for AI servers: Overall, management noted the major spending on AI infrastructure comes from CSP clients, followed by enterprise and government clients. With rising Capex spending from CSP clients (report link), management expects strong demand to sustain ahead, with the emergence of AI application scenarios (for example, Seedance video generation, open-source AI agent OpenClaw) to drive spending on AI inferencing with an expanding user base.

2. Memory and CPU cost: Per management, rising memory costs could weigh on near-term profits; however, the company, as a leading AI server supplier, is working closely with industry partners to better secure supply. Management remains positive on rising AI server demand in China market and the expansion of local chipset platforms; meanwhile the company also provides a total solution (including software, cooling) and is expanding into new businesses (such as ERP, energy) to diversify.

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Contributing Authors: Allen Chang Goldman Sachs (Asia) L.L.C., Verena Jeng Goldman Sachs (Asia) L.L.C., Ting Song Goldman Sachs (Asia) L.L.C..

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