China SPE: Strong and sustainable growth with attractive valuation; analysis on AMEC/Naura; global WFE model updated

Bottom line: We maintain our positive outlook on China's Semiconductor Production Equipment (SPE) industry, driven by the continuous growth of semis capex in China to build domestic manufacturing capacity. **We conducted a sensitivity analysis** around capex growth and the domestic supply ratio to evaluate the potential upside/downside for key SPE names after the share price hikes YTD. Our analysis suggests that **AMEC and NAURA** have 11% and 5% share price upside, respectively, even in a **bear case**, while in a **bull case**, share prices could increase by 53% and 46% from current valuation levels. We believe the market has not factored in: (1) a potentially stronger capex growth in 2027/28 compared to 2026 due to rising demand from memory and AI-related applications; (2) expanding revenue opportunities from advanced (memory and logic) production lines driven by domestic demand; and (3) higher supply ratios from Chinese vendors due to supply-chain security concerns and cost-saving considerations. **We reiterate our positive view on AMEC (Buy with a 12m TP of Rmb471) and NAURA (Buy with a 12m TP of Rmb638).** Our global semis team raised its WFE estimates to $141/$186/$208 bn in 2026E/27E/28E (read more).

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.

James Schneider, Ph.D.
+1(212)357-2929 |
jim.schneider@gs.com
Goldman Sachs & Co. LLC

Shuhei Nakamura
+81(3)4587-9932 |
shuhei.nakamura@gs.com
Goldman Sachs Japan Co., Ltd.

Xuan Zhang
+852-2978-1478 | xuan.zhang@gs.com
Goldman Sachs (Asia) L.L.C.

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

Yifan Hu
+852-2978-0996 | yifan.hu@gs.com
Goldman Sachs (Asia) L.L.C.

Exhibit 1: Naura and AMEC both show attractive risk-reward profiles

Implied price (Rmb) and upside/downside (%) from current levels under bear/base/bull scenarios

NAURA — Implied price (Rmb)

↓ P/E Multiple \ 2027E EPS →	13.5	15.5	17.5	19.5	21.5
32.5x	438.1	503.1	568.1	633.1	698.1
33.5x	451.6	518.6	585.6	652.6	719.6
34.5x	465.1	534.1	603.1	672.1	741.1
35.5x	478.5	549.5	620.5	691.5	762.5
36.5x	492.0	565.0	638.0	711.0	784.0
37.5x	505.5	580.5	655.5	730.5	805.5
38.5x	519.0	596.0	673.0	750.0	827.0
39.5x	532.5	611.5	690.5	769.5	848.5
40.5x	545.9	626.9	707.9	788.9	869.9

AMEC — Implied price (Rmb)

↓ P/E Multiple \ 2027E EPS →	7.1	8.1	9.1	10.1	11.1
47.8x	339.0	386.9	434.7	482.5	530.3
48.8x	346.1	395.0	443.8	492.6	541.4
49.8x	353.2	403.0	452.9	502.7	552.5
50.8x	360.3	411.1	462.0	512.8	563.6
51.8x	367.4	419.2	471.0	522.9	574.7
52.8x	374.5	427.3	480.1	533.0	585.8
53.8x	381.6	435.4	489.2	543.0	596.9
54.8x	388.7	443.5	498.3	553.1	608.0
55.8x	395.8	451.6	507.4	563.2	619.0

NAURA — Upside/Downside (%)

↓ P/E Multiple \ 2027E EPS →	13.5	15.5	17.5	19.5	21.5
32.5x	-18%	-6%	6%	18%	30%
33.5x	-16%	-3%	9%	22%	34%
34.5x	-13%	-1%	12%	25%	38%
35.5x	-11%	2%	16%	29%	42%
36.5x	-8%	5%	19%	32%	46%
37.5x	-6%	8%	22%	36%	50%
38.5x	-3%	11%	25%	40%	54%
39.5x	-1%	14%	29%	43%	58%
40.5x	2%	17%	32%	47%	62%

AMEC — Upside/Downside (%)

↓ P/E Multiple \ 2027E EPS →	7.1	8.1	9.1	10.1	11.1
47.8x	-10%	3%	16%	28%	41%
48.8x	-8%	5%	18%	31%	44%
49.8x	-6%	7%	20%	34%	47%
50.8x	-4%	9%	23%	36%	50%
51.8x	-2%	11%	25%	39%	53%
52.8x	0%	14%	28%	42%	56%
53.8x	1%	16%	30%	44%	59%
54.8x	3%	18%	32%	47%	62%
55.8x	5%	20%	35%	50%	65%

(1) Orange/ Blue/ Green squares: Bear/ Base/ Bull case; (2) Base case in-line with our 12m TP

Source: Goldman Sachs Global Investment Research

Exhibit 2: WFE spending to earnings power for NAURA and AMEC

	2020	2021	2022	2023	2024	2025	2026E	2027E Bear	2027E Base	2027E Bull	2028E Bear	2028E Base	2028E Bull
Total Semis Capex in China (US$ m)	25,534	32,563	33,156	34,095	40,732	42,596	44,586	44,586	44,855	48,598	44,586	45,125	52,972
YoY %		28%	2%	3%	19%	5%	5%	0%	1%	9%	0%	1%	9%
% to WFE	75%												
% to Chinese suppliers	10%	12%	14%	14%	17%	26%	32%	35%	36%	37%	39%	40%	41%
Total WFE spending in China to Chinese suppliers (US$ m)	1,965	2,994	3,546	3,681	5,242	8,202	10,593	11,704	12,162	13,486	13,041	13,589	16,289
YoY %		52%	18%	4%	42%	56%	29%	10%	15%	27%	11%	12%	21%

Naura	C20	C21	C22	C23	C24	C25	C26E	2027E Bear	2027E Base	2027E Bull	2028E Bear	2028E Base	2028E Bull
Revenue (Rmb)	6,056	9,683	14,688	22,079	29,838	39,353	51,163	59,580	63,056	73,087	71,264	75,752	99,153
YoY		60%	52%	50%	35%	32%	30%	16%	23%	43%	20%	20%	36%
Beta x WFE		1.1x	2.8x	13.2x	0.8x	0.6x	1.0x	1.57x	1.57x	1.57x	1.72x	1.72x	1.72x
Diluted EPS (Rmb)	0.81	1.59	3.30	5.43	7.83	7.64	10.56	15.46	17.48	23.32	18.88	21.46	32.71
YoY		96%	107%	65%	44%	-2%	38%	46%	66%	121%	22%	23%	40%
EPS leverage		1.6x	2.1x	1.3x	1.3x	-0.1x	1.3x	2.8x	2.8x	2.8x	1.1x	1.1x	1.1x

AMEC	C20	C21	C22	C23	C24	C25	C26E	2027E Bear	2027E Base	2027E Bull	2028E Bear	2028E Base	2028E Bull
Revenue (Rmb)	2,273	3,108	4,740	6,264	9,065	12,385	16,931	20,540	22,031	26,333	25,362	27,341	37,574
YoY		37%	52%	32%	45%	37%	37%	21%	30%	56%	23%	24%	43%
Beta x WFE		0.7x	2.8x	8.4x	1.1x	0.6x	1.3x	2.03x	2.03x	2.03x	2.05x	2.05x	2.05x
Diluted EPS (Rmb)	0.92	1.76	1.90	2.88	2.60	3.37	6.47	8.32	9.09	11.30	10.77	11.83	17.33
YoY		91%	8%	52%	-10%	30%	92%	29%	40%	74%	29%	30%	53%
EPS leverage		2.5x	0.2x	1.6x	-0.2x	0.8x	2.5x	1.3x	1.3x	1.3x	1.3x	1.3x	1.3x

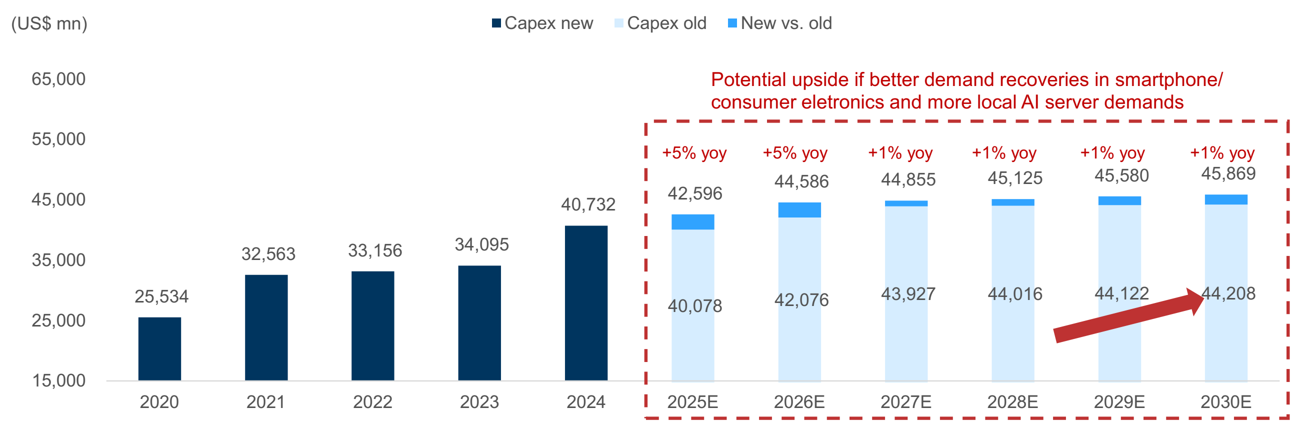
Base case revenue and EPS are consistent with our latest published estimates

Source: Company data, Goldman Sachs Global Investment Research

We conducted a sensitivity analysis of Chinese SPE vendors by linking: (1) semiconductor capex to the WFE revenues of Chinese suppliers, then to: (2) the earnings power of NAURA and AMEC, and finally to: (3) current equity valuations to assess the relative risk/reward. **Our analysis is as follows:**

1. Our base case forecasts for **China semiconductor capex** imply 5%/ 1%/ 1% growth for 2026-28E (read more in our China semis thematic report). However, we see upside (our bull case suggests 5%/ 9%/ 9% YoY capex growth in 2026-28E) if the growing demand from AI devices/ AI data centers, the memory supply gap, recovering industrial demands, and more advanced node capacity expansions are better than our base case and downside (our bear case suggests 5%/ 0%/ 0% YoY growth) if demand weakens due to depressed consumer demand and tighter constraints of overseas equipment supply.
2. **Domestic companies** are expected to account for 32%/ 36%/ 40% of the China WFE market in 2026-28E in our base case, with 32%/ 35%/ 39% in our bear case and 32%/ 37%/ 41% in our bull case.
3. **Bull-case 2027 EPS** are Rmb11.30 / Rmb23.32 (+74% YoY / +121% YoY) for AMEC / NAURA; **Bear-case 2027 EPS** are Rmb8.32 / Rmb15.46 (+29% YoY / +46% YoY). Base-case EPS for 2027 is consistent with our last publication at Rmb9.09/ Rmb17.48 (+40% YoY/ +66% YoY) for AMEC and NAURA.
4. Using 51.8x / 36.5x P/E for AMEC / NAURA, consistent with the multiples implied by our target prices for the two companies, we see **11%/ 5% price upsides even in our bear cases**. Accordingly, we believe the current valuations are attractive.

Exhibit 3: Semis capital expenditures in China: We expect them to remain high at US$43-46bn in 2025-30E



Compared to our last update in Oct-24, we raised our 2025-30E capex by 6%/ 6%/ 2%/ 3%/ 3%/ 4%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Expanding product coverage of SPE suppliers in China

Green highlights denote new products announced after Oct 2024

	Ticker	002371.SZ	688012.SS	ACMR	688037.SS	688072.SS	600641.SS	Private	688729.SS	688120.SS	688361.SS	300567.SZ	Private	688200.SS	New product launch
		NAURA 北方华创	AMEC	ACM	KINGSEMI	拓荆科技	万业企业	SiCARRIER	BEST	HWATSING	中科飞测		SMEE	AccoTest	
Thermal process	Oxidation / Diffusion	✔ (14nm)		✔ Matured				✔							
Thermal process	Annealing	✔ (14nm)		✔ Matured				✔	✔						
Thermal process	Rapid thermal processing	✔ (14nm)					✔ Matured	✔	✔						
Lithography	DUV												✔ Matured		
Lithography	Immersion DUV														
Lithography	EUV														
Etcher	CCP	✔	✔ (5nm)				✔ Matured	✔ Advanced							
Etcher	Double Damascus CCP	✔						✔ Advanced							
Etcher	High Aspect Ratio	✔ (50:1)	✔ (90:1 in R&D)					✔ Advanced							**2025: AMEC expect to deliver 90:1 high aspect ratio CCP to clients**
Etcher	ICP	✔ (7nm)	✔				✔ Matured	✔	✔						
Etcher	TSV	✔ (14nm)	✔												
Etcher	Bevel etch	✔	✔												**2025: AMEC announced the upgraded wafer bevel etch equipment Primo Halona**
Etcher	ALE	✔													
Photoresist	Coater/ Developer	✔* (Kingsemi)		Evaluation (KrF, 2025)	✔ (28nm)										**2025: AMEC's KrF Track sample model entered customer evaluation**
Photoresist	Stripper	✔* (Kingsemi)		✔	✔ (28nm)				✔						
CVD	LPCVD	✔ (14nm)	✔ Advanced	✔											2022-23: AMEC developed LPCVD tools, achieved first sales in 2024
CVD	PECVD	✔	Evaluation (2022)	Evaluation (2024)		Evaluation (14nm)	✔ Matured	✔							2022: ACMR delivered its first PECVD tool
CVD	EPI	✔	Evaluation (2024)					✔							2024: AMEC's EPI CVD tool is in customer evaluation
CVD	SACVD					✔ (28nm)	✔ Matured								2022-23: Wanye won new client orders on MOCVD and SACVD tools
CVD	HDPCVD	Evaluation (2024)				✔	✔ Matured								2024: NAURA HDPCVD entered client production line
CVD	Flowable CVD					✔									2024: Piotech's FCVD pass customer evaluation
CVD	MOCVD	✔	✔				✔ Matured								2022-23: Wanye won new client orders on MOCVD and SACVD tools
CVD	Tube CVD	✔		✔											
ALD	PEALD		✔	Evaluation (2024)		✔ (14nm)		✔							2022-23: AMEC launched ALD tools **2024: ACMR launched PEALD tools**
ALD	Thermal ALD	✔ (14nm)		✔		Evaluation (2024)		✔							2022-23: Piotech launched thermal ALD 2022: ACMR launched thermal ALD
PVD	Al-Pad	✔ (14nm)					✔ Matured	✔							**2025: AMEC started R&D of PVD**
PVD	Hard mask	✔ (14nm)	R&D (2025-29)					✔							2022-23: Wanye won new client orders on PVD tools (Al PAD, CuBS)
PVD	CuBS	(14nm)					✔ Matured	✔							
Ion Implanter	High energy						✔ (28nm)			R&D					
Ion Implanter	High current	Announced (2025)					✔ (28nm)			✔ Advanced					**2025: Naura announced the first Ion implanter**
Ion Implanter	Medium/ low current														
CMP	CMP									✔ (14nm)					
Cleaning tool	Single wafer	✔ (14nm)		✔	Evaluation (14nm, 2024)					✔					2024: Kingsemi launched new single wafer cleaning tool
Cleaning tool	Batch	✔ (28nm)		✔											2024: Hwatsing expects revenues from cleaning tool
ECP	Electroplating	Announced		✔											**2025: Naura announced its first 12'' ECP equipment**
Inspection	Bright field pattern wafer		✔ Raintree					✔			Evaluation (2024)	✔ (14nm)			2024: Skyverse's bright field pattern wafer tool is in customer evaluation
Inspection	Dark field pattern wafer							✔			Evaluation (2024)	R&D			2024: Skyverse's dark field pattern wafer tool is in customer evaluation
Inspection	Unpatented wafer							✔			✔ Matured	✔ Advanced			
Inspection	Patterned wafer										✔ Matured				
Metrology	Optical critical dimension (OCD)		✔ Raintree								✔ Matured	✔ Advanced			
Metrology	CDSEM		R&D (2025)									✔ Advanced			**2025:** AMEC announced to penetrate to the process control market
Metrology	Overlay accuracy							✔			✔ Matured				
Metrology	Dielectric thin-film		✔ Raintree									✔ Advanced			
Metrology	Metal thin-film		✔ Raintree								✔ Matured	✔ Advanced			
Metrology	3D Metrology										✔ Matured				
Back-end															
Testing	Analog													✔	
Testing	SoC													Evaluation (2024)	2023: Accotest launched STS8600 tester
Testing	Power							✔						✔	
Die bonder	Traditional				✔ (Temp bonding)										
Die bonder	TCB														
Die bonder	Hybrid bonding					✔									

* Naura acquired Kingsemi in 2025; Data source of SMEE: http://www.smee.com.cn/eis.pub?service=homepageService&method=indexinfo&onclicknodeno=1_4_1_1

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

AMEC (Buy)

We are positive on AMEC's expansion towards comprehensive product offerings across etching, deposition, metrology, and CMP tools, along with a product mix upgrade towards fulfilling rising spending on advanced nodes. During SEMICON (report link), AMEC launched its new ICP etcher, high selectivity etchers, and Micro LED MOCVD tools with enhanced performance. The company also announced its plans to acquire 64.69% shares of CMP supplier Hangzhou Sizonetech. We believe AMEC will continue to outgrow the industry given its high exposure to memory customers and rapid production expansions.

Investment Thesis – AMEC
AMEC is a key supplier of etching equipment and metal-organic chemical vapor deposition (MOCVD) equipment. The company has also been expanding its product line-up with the near-term focus on: 1) CCP etchers for dual-damascene process in advanced nodes and high aspect ratio process in memory, and 2) ICP etcher for advanced nodes and dual-station product - Twinstar. In the longer term, AMEC is also expanding into Epi tools and LPCVD tools. We are Buy-rated on AMEC, expecting the company to enjoy solid growth on the back of product line expansion, clients' continuous capacity expansions, and growing adoption of domestic equipment. The company is now trading below its historical average 12M forward P/E, implying an attractive valuation.

Price Target Risks and Methodology – AMEC
Valuation: Our 12-month target price of Rmb471 is based on 43.8x 2029E P/E, discounted back to 2026E at COE of 11%. Our target multiple is based on its long-term EPS growth compared to global peers' P/E vs. EPS growth correlation.

Key downside risks: (1) Current trade restrictions do not specifically target matured node fabs, but if restrictions were to expand to matured nodes, it would further reduce demand for AMEC's products. (2) AMEC supplies etchers that can be used for 5nm production lines overseas (i.e., advanced nodes); if its ability to supply such products is hindered, it could lead to further downside risks. (3) Weaker-than-expected capex of major foundries in China.

Naura (Buy)

We are positive on NAURA as a leading local SPE platform provider. The company has accelerated its R&D roadmap to invest in enhanced tools for advanced-node clients. Additional product lines are being developed to offer comprehensive coverage across thermal processes, deposition, etching, cleaning, and ion implantation. Despite elevated near-term R&D spending, we expect sustained growth momentum in both top-line revenue and market share.

Investment Thesis – NAURA
NAURA is a key local SPE maker with diversified end-markets and product offerings across thermal process, deposition, and silicon etching, and cleaning tools for semiconductor fabs. We are Buy rated on NAURA, mainly because of its leading market position and comprehensive offerings, which enables NAURA to ride on local semis capacity expansion in mature nodes. We expect: 1) strong China semis capex given

stronger-than-expected 2024 guidance due to localoundries' and IDMs' capacity expansion in mature nodes; (2) NAURA's improved contract liability to revenues ratio to support 2024 revenue growth; and (3) better operating efficiencyor NAURA under its rising revenue scale. The stock is trading at the lower end of its historical trading range, which we find attractive as well.

Price Target Risks and Methodology - NAURA

Valuation: We are Buy rated on NAURA with a 12-month target price of Rmb638, which is based on a 36.5x 2027E P/E. Our target P/E is derived from global SPEs' regression of P/E andorward year earnings growth.

Key downside risks: 1) Further US export restrictions on China semiconductor firms, which could delay their capacity expansion schedule and therefore reduce the demand or NAURA's equipment; 2) Slower-than-expected capacity expansion progress at NAURA's matured nodes customers, which could lead to slower revenue growth than we expect and therefore lower earnings vs. our current estimates.

Disclosure Appendix

Reg AC

We, Allen Chang, Verena Jeng, James Schneider, Ph.D., Shuhei Nakamura, Xuan Zhang, Ting Song and Yifan Hu, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Contributing Authors: Allen Chang Goldman Sachs (Asia) L.L.C., Verena Jeng Goldman Sachs (Asia) L.L.C., James Schneider, Ph.D. Goldman Sachs & Co. LLC, Shuhei Nakamura Goldman Sachs Japan Co., Ltd., Xuan Zhang Goldman Sachs (Asia) L.L.C., Ting Song Goldman Sachs (Asia) L.L.C., Yifan Hu Goldman Sachs (Asia) L.L.C..

Unless otherwise stated, the individuals listed in the Contributing Authors disclosure of this report are analysts in Goldman Sachs' Global Investment Research division.

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AMEC (Buy, Rmb376.30) and NAURA (Buy, Rmb536.99)

The rating(s) for AMEC and NAURA is/are relative to the other companies in its/their coverage universe: AAC, ACM Research, AMEC, ASMPT, AVC, AccoTest, Anji Micro, Asus, Auras, BOE, BYDE, Biren, CR Micro, Cambricon, Chenbro, China Mobile (HK), China Telecom, China Tower Corp., China Unicom, Chinasoft Intl, Compal, Desay SV, E Ink, E-Town Semis, EHang, Empyrean, Eoptolink, Fositek, Foxconn Industrial Internet, Gigabyte, Gigadevice, Glodon Co., HTC Corp., Hikvision, Hon Hai, Horizon Robotics, Hua Hong, Hwatsing, Innolight, Inspur, Insta360, Inventec, JCET, Kematek, King Slide, Kingdee, Kingsoft Office, LandMark, Largan, Lenovo, Lingyi, Luxshare, Maxscend, Meitu, MetaX, Mitac, Montage (A), Montage (H), NAURA, NSIG, Nexchip, OmniVision, Pegatron, Pony AI Inc. (ADR), Pony AI Inc. (H), Quanta, RoboTechnik, Ruijie Networks, SG Micro, SICC, SMIC (A), SMIC (H), SZS, Sangfor, SenseTime, Shengyi Tech, Shennan Circuits, StarPower, Sunny Optical, TFC Optical, Thundersoft, Transsion, UMT, UNIS, VPEC, Vanchip, VeriSilicon, Victory Giant, WNC, WUS, WeRide, Wistron, Wiwynn, YJ Semitech, YOFC, Yonyou, ZTE (A), ZTE (H), iFlytek

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Global	50%	34%	16%	65%	60%	45%

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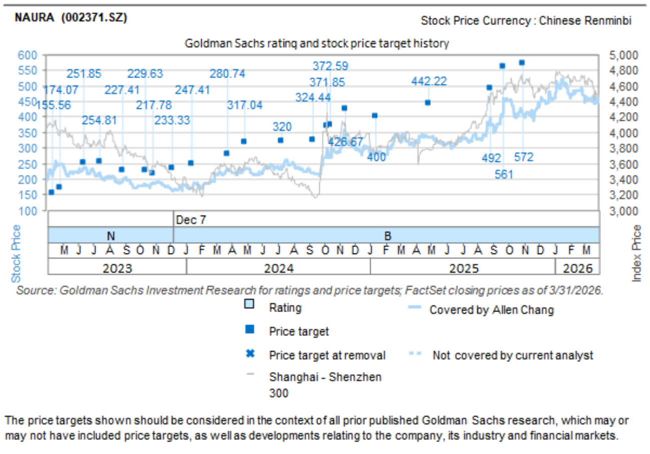
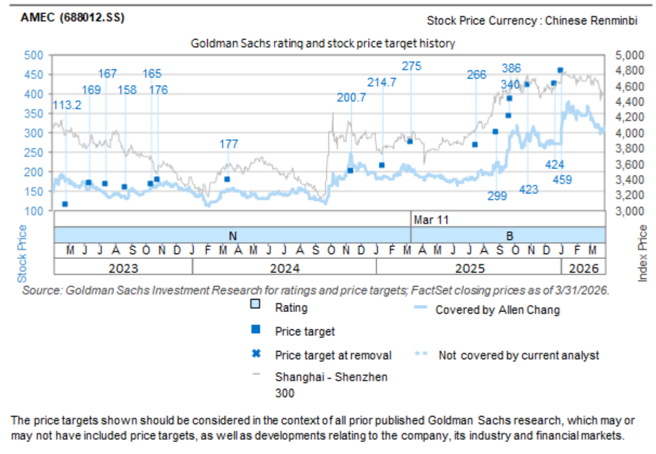
Price target and rating history chart(s)





Target price history table(s)

NAURA (002371.SZ)

Date of report	Target price (Rmb)	Closing price (Rmb)
30-Apr-26	638.00	536.99
21-Apr-26	600.00	450.36
01-Nov-25	572.00	407.05
24-Sep-25	561.00	460.68
29-Aug-25	492.00	372.50
28-Apr-25	597.00	336.61
14-Jan-25	540.00	289.89
14-Nov-24	576.00	332.82
14-Oct-24	503.00	273.34
09-Oct-24	502.00	300.00
11-Sep-24	438.00	222.56
11-Jul-24	432.00	232.05
29-Apr-24	428.00	239.26
25-Mar-24	379.00	234.67
15-Jan-24	334.00	171.84
07-Dec-23	315.00	160.39
31-Oct-23	294.00	189.63
13-Oct-23	310.00	184.22
29-Aug-23	307.00	193.64
16-Jul-23	344.00	221.41
14-Jun-23	340.00	234.52

AMEC (688012.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
28-Apr-26	471.00	362.27
04-Apr-26	462.00	293.50
06-Jan-26	459.00	329.67
22-Dec-25	424.00	272.72
30-Oct-25	423.00	300.04
26-Sep-25	386.00	290.00
23-Sep-25	340.00	280.00
29-Aug-25	299.00	214.17
18-Jul-25	266.00	182.25
11-Mar-25	275.00	204.70
15-Jan-25	214.70	186.39
13-Nov-24	200.70	242.50
14-Mar-24	177.00	151.49
27-Oct-23	176.00	165.56
14-Oct-23	165.00	162.82
24-Aug-23	158.00	133.80
17-Jul-23	167.00	139.80
14-Jun-23	169.00	164.86

Price targets shown in table(s) are unadjusted for corporate actions.

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