

12 May 2026 19:29:51 ET | 13 pages

NAURA Technology (002371.SZ)

What's New from Citi's 2026 China Elite Corporate Day: Strong Memory Capacity Expansion

CITI'S TAKE

NAURA attended Citi's 2026 China Elite Conference via Zoom on 12 May and brought to investors below positive takeaways: **1)** China's advanced memory capacity expansion could increase by 50% YoY from 80k/wspm in 2025 to 120k/wspm in 2026, and mgmt. believes that the capacity expansion could be more aggressive in 2027 given AI-led memory supply shortage. **2)** The upper bound of 2026 new order growth guidance could exceed 30% - the previous guidance ceiling. However, a negative comment was that NAURA's GPM and NPM could both be under pressure due to **1)** price discount given to key customers and **2)** high ESOP expenses. Although we trim our 2026/27E earnings forecasts by 21%/18% to reflect GPM pressure and ESOP expenses, we raise our TP by ~47% to Rmb695 as we roll over P/S base to 2027E and apply a higher P/S multiple to reflect the continuous import replacement trend.

1Q26 order book and 2026 order outlook – 60% of new orders is for advanced logic customers, including some other advanced foundries in Southern China. However, mgmt. indicated that the orders from China's advanced memory companies will be seen in 2Q26 onwards and estimated that the advanced memory capacity expansion will increase from 80k/wspm in 2025 to 120k/wspm in 2026 and even more in 2027. As such, mgmt. now believe that 2026 new order growth could be from 20% to >30% YoY (instead of 30% previously), growing from Rmb48bn in 2025.

GPM and NPM pressure – Mgmt. estimates that GPM could stay ~40% since NAURA needs to give price discounts to key clients for their large volume of equipment purchase. Besides, mgmt. indicated that ~Rmb1.7bn ESOP expense would be booked in 4Q26, causing NPM pressure for 2026.

Advanced packaging – +Rmb1.0bn revenue came from advanced packaging equipment in 2025, and mgmt. guided the amount to double in 2026E.

Valuation – Our new TP of Rmb695 is based on ~8x 2027E P/S (2026E ~7x previously), set at +0.5x SD. We apply a higher P/S multiple and roll over to 2027E to reflect better top line growth. (we revise up 2026/27E revenue by 2%/9%)

Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	5,621	10.565	44.0	55.0	10.0	20.3	0.2
2025A	5,522	7.640	-27.7	76.1	11.2	16.1	0.1
2026E	7,314	10.126	32.5	57.4	9.5	17.8	0.2
2027E	9,322	12.905	27.5	45.1	8.0	19.2	0.2
2028E	11,694	16.190	25.5	35.9	6.7	20.2	0.3

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

Not for distribution in the People's Republic of China, excluding the Hong Kong Special Administrative Region and Foreign Institutional Investors.

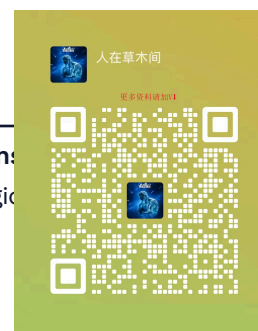
Buy

Price (12 May 26 15:00)	Rmb581.450
Target price	Rmb695.000↑
	from Rmb472.000
Expected share price return	19.5%
Expected dividend yield	0.1%
Expected total return	19.7%
Market Cap	Rmb421,454M
	US\$62,051M

Price Performance (RIC: 002371.SZ, BB: 002371 CH)


 Jamie Wang^{AC}

Eric Lau



002371.SZ: Fiscal year end 31-Dec						Price: Rmb581.450; TP: Rmb695.000; Market Cap: Rmb421,454m; Recomm: Buy					
Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E	Valuation ratios	2024	2025	2026E	2027E	2028E
Sales revenue	29,838	39,353	49,565	63,692	79,991	PE (x)	55.0	76.1	57.4	45.1	35.9
Cost of sales	-17,051	-23,571	-29,761	-38,372	-48,289	PB (x)	10.0	11.2	9.5	8.0	6.7
Gross profit	12,787	15,782	19,804	25,320	31,702	EV/EBITDA (x)	62.0	64.8	41.7	35.4	29.6
Gross Margin (%)	42.9	40.1	40.0	39.8	39.6	FCF yield (%)	-0.2	0.0	0.8	0.7	0.9
EBITDA (Adj)	6,689	6,462	10,124	11,867	14,080	Dividend yield (%)	0.2	0.1	0.2	0.2	0.3
EBITDA Margin (Adj) (%)	22.4	16.4	20.4	18.6	17.6	Payout ratio (%)	9	10	10	10	10
Depreciation	-315	-441	-553	-651	-738	ROE (%)	20.3	16.1	17.8	19.2	20.2
Amortisation	-631	-981	-2,195	-1,737	-1,375	Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBIT (Adj)	5,743	5,040	7,377	9,479	11,967	EBITDA	6,689	6,462	10,124	11,867	14,080
EBIT Margin (Adj) (%)	19.2	12.8	14.9	14.9	15.0	Working capital	-6,103	-6,725	-5,972	-8,288	-9,552
Net interest	-60	-229	-479	-456	-432	Other	987	2,397	1,063	1,400	1,524
Associates	0	0	0	0	0	Operating cashflow	1,573	2,133	5,215	4,979	6,051
Non-Op/Except/Other Adj	827	1,034	844	844	844	Capex	-2,046	-2,262	-1,983	-1,911	-2,400
Pre-tax profit	6,511	5,845	7,742	9,867	12,379	Net acq/disposals	7	841	0	0	0
Tax	-817	-436	-578	-736	-924	Other	-172	-2,508	0	0	0
Extraord./Min.Int./Pref.div.	-72	113	150	191	240	Investing cashflow	-2,212	-3,929	-1,983	-1,911	-2,400
Reported net profit	5,621	5,522	7,314	9,322	11,694	Dividends paid	-615	-908	-729	-929	-1,166
Net Margin (%)	18.8	14.0	14.8	14.6	14.6	Financing cashflow	740	6,608	-729	-929	-1,166
Core NPAT	5,621	5,522	7,314	9,322	11,694	Net change in cash	107	4,798	2,503	2,139	2,486
Per share data	2024	2025	2026E	2027E	2028E	Free cashflow to s/holders	-473	-128	3,232	3,069	3,652
Reported EPS (Rmb)	10.565	7.640	10.126	12.905	16.190						
Core EPS (Rmb)	10.565	7.640	10.126	12.905	16.190						
DPS (Rmb)	1.000	0.762	1.009	1.286	1.614						
CFPS (Rmb)	2.957	2.952	7.220	6.893	8.377						
FCFPS (Rmb)	-0.889	-0.177	4.475	4.248	5.055						
BVPS (Rmb)	58.247	52.063	61.151	72.733	87.263						
Wtd avg ord shares (m)	532	722	722	722	722						
Wtd avg diluted shares (m)	532	723	722	722	722						
Growth rates	2024	2025	2026E	2027E	2028E						
Sales revenue (%)	35.1	31.9	25.9	28.5	25.6						
EBIT (Adj) (%)	59.7	-12.2	46.4	28.5	26.2						
Core NPAT (%)	44.2	-1.8	32.5	27.5	25.5						
Core EPS (%)	44.0	-27.7	32.5	27.5	25.5						
Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E						
Cash & cash equiv.	12,347	17,337	19,840	21,980	24,466						
Accounts receivables	7,349	9,773	12,309	15,817	19,865						
Inventory	23,479	28,627	36,145	46,603	58,647						
Net fixed & other tangibles	14,609	17,052	18,482	19,742	21,403						
Goodwill & intangibles	4,740	12,906	10,712	8,975	7,600						
Financial & other assets	3,185	4,106	4,106	4,106	4,106						
Total assets	65,709	89,801	101,594	117,222	136,087						
Accounts payable	12,190	15,544	19,626	25,304	31,844						
Short-term debt	3	319	319	319	319						
Long-term debt	3,946	12,973	12,973	12,973	12,973						
Provisions & other liab	17,345	17,037	18,163	19,720	21,517						
Total liabilities	33,484	45,873	51,081	58,317	66,653						
Shareholders' equity	31,082	37,726	44,311	52,704	63,232						
Minority interests	1,144	6,202	6,202	6,202	6,202						
Total equity	32,225	43,928	50,513	58,905	69,434						
Net debt (Adj)	-8,398	-4,045	-6,548	-8,688	-11,174						
Net debt to equity (Adj) (%)	-26.1	-9.2	-13.0	-14.7	-16.1						

For definitions of the items in this table, please click [here](#).

Figure 1. NAURA: Earnings forecast revisions

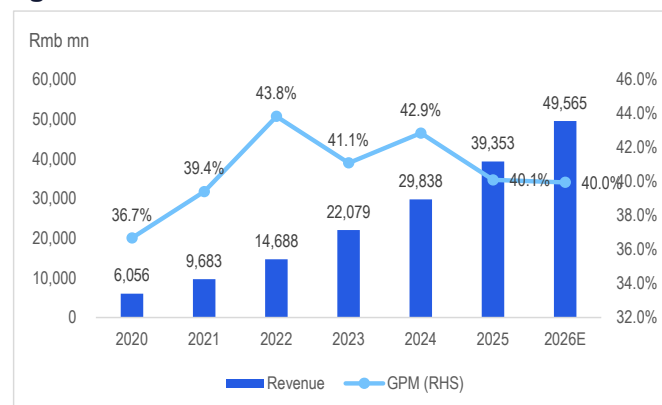
In Rmb mn	Old			New			% Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
P&L									
Revenue	48,621	58,580	n/a	49,565	63,692	79,991	2%	9%	n/a
Gross profit	20,865	25,346	n/a	19,804	25,320	31,702	-5%	0%	n/a
Operating profit	10,687	13,076	n/a	7,742	9,867	12,379	-28%	-25%	n/a
Net profit	9,227	11,289	n/a	7,314	9,322	11,694	-21%	-17%	n/a
EPS (Rmb)	12.79	15.64	n/a	10.13	12.91	16.19	-21%	-18%	n/a
Margins									
GPM	42.9%	43.3%	n/a	40.0%	39.8%	39.6%	-3.0pp	-3.5pp	n/a
OPM	22.0%	22.3%	n/a	15.6%	15.5%	15.5%	-6.4pp	-6.8pp	n/a
NPM	19.0%	19.3%	n/a	14.8%	14.6%	14.6%	-4.2pp	-4.6pp	n/a

In Rmb mn	Consensus			CitiE			CitiE vs. Consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
P&L									
Revenue	50,183	63,012	79,486	49,565	63,692	79,991	-1%	1%	1%
Gross profit	20,724	26,217	32,227	19,804	25,320	31,702	-4%	-3%	-2%
Operating profit	9,012	12,283	15,658	7,742	9,867	12,379	-14%	-20%	-21%
Net profit	8,400	11,432	13,996	7,314	9,322	11,694	-13%	-18%	-16%
EPS (Rmb)	11.63	15.83	19.38	10.13	12.91	16.19	-13%	-18%	-16%
Margins									
GPM	41.3%	41.6%	40.5%	40.0%	39.8%	39.6%	-1.3pp	-1.9pp	-0.9pp
OPM	18.0%	19.5%	19.7%	15.6%	15.5%	15.5%	-2.3pp	-4.0pp	-4.2pp
NPM	16.7%	18.1%	17.6%	14.8%	14.6%	14.6%	-2.0pp	-3.5pp	-3.0pp

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Source: Company Reports and Citi Research Estimates

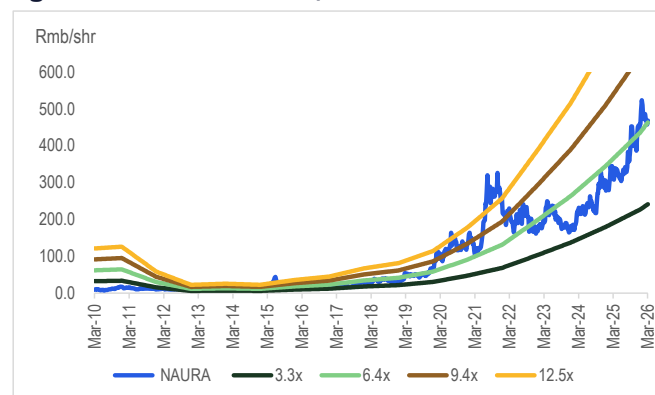
Figure 2. NAURA: Revenue and GPM



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Source: Company Reports and Citi Research Estimates

Figure 3. NAURA: Forward P/S trends



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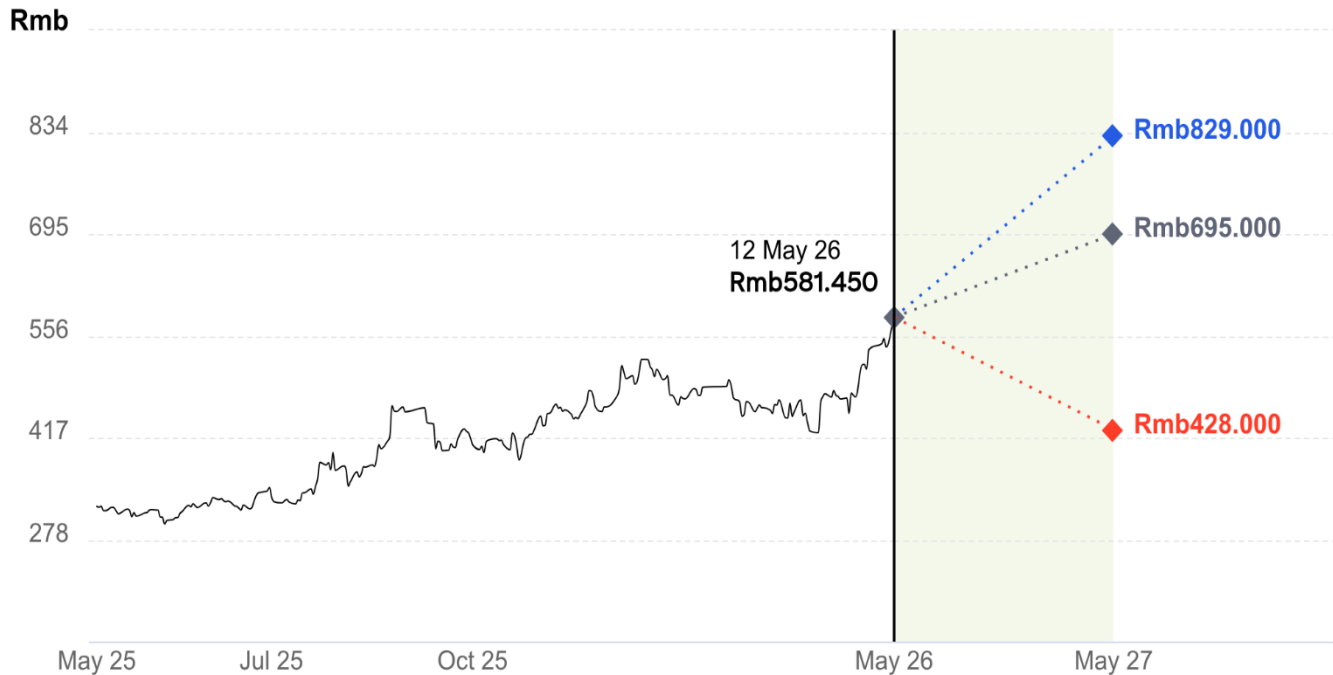
Source: Company Reports and Citi Research Estimates

Bull/Bear: NAURA Technology (002371.SZ)

Rmb **829.000**
▲43% Upside

Rmb **695.000**
▲20% Upside

Rmb **428.000**
▼26% Downside



Spread 69pp
Current Price and expected returns (upside/downside) as of 12 May 2026

BULL Assumptions

- Faster import replacement rerates the stock to 9.4x 2027E P/S
- Stronger GPM expansion

BASE Assumptions

- Target price set at 8x 2027E P/S

BEAR Assumptions

- Slower import replacement derates the stock to 4.9x 2027E P/S
- Significant GPM erosion