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Greater China Semiconductors | Asia Pacific

Double Catalysts from Memory Expansion and Huawei's t (Tau)-Law

We reiterate our OW ratings on Naura, AMEC, and ACMR, with meaningful price target upside driven by memory capex acceleration and Huawei's 3D IC breakthrough.

Upgrading China WFE market forecasts: Our Global Semi team recently raised its 2026 global WFE market forecast to US$149bn (+27% Y/Y) and its 2027 forecast to US$191bn (+28% Y/Y) driven by stronger-than-expected memory and leading-edge foundry logic spending. Based on the updated regional breakdown, China's WFE market is on track to grow 15% Y/Y in 2026 to US$48bn and 18% Y/Y in 2027 to US $56bn (see Shane Brett's 2Q'26 WFE Update).

Accelerating memory capacity expansion in China: Our industry checks indicate YMTC and CXMT will start building additional fabs in 2026 to expand production. YMTC laid out its Fab 3/4/5 roadmap, with Fab 3 under construction and set to begin ramping in 2026. Beyond existing fabs in Hefei and Beijing, CXMT also plans to expand capacity in Shanghai. Based on our industry checks, our YMTC capacity expansion forecasts have been lifted to 85kwpm for 2027 and 100kwpm for 2028. For CXMT, our capacity projections have also been raised to 80kwpm for 2026, 90kwpm for 2027, and 100kwpm for 2028.

Implications of Huawei's t (Tau)-Law for WFE: On May 25, Huawei published a research paper (link) introducing t-scaling theory and presenting Logicfolding as a production-proven advance. In our interpretation, this approach uses vertical integration of circuit layers during wafer manufacturing to reduce interconnect lengths (a 3D IC architecture), lowering latency. This breakthrough could enable China to circumvent node limitations by allowing 5nm/7nm chips to deliver performance comparable to more advanced nodes. The paper repeatedly cites hybrid bonding and TSV (through-silicon via) as critical enablers for this architecture. We believe semicap companies capable of supplying corresponding tools, including hybrid bonding systems and TSV copper ECP, will be the primary beneficiaries.

Keep OW on Naura, AMEC, and ACMR: We raise our price targets for Naura to Rmb818 and for AMEC to Rmb550, driven primarily by significant upward revisions to our memory capacity forecasts and robust localization demand from domestic memory manufacturers. For ACMR, we lift our price target to US$90, reflecting strong demand from memory clients and our expectation that Huawei's LogicFolding process will drive increased adoption of ECP for TSV metallization, catalyzing rapid growth in ACMR's non-wet cleaning tool business.

Charlie Chan
Equity Analyst
Charlie.Chan@morganstanley.com +886 2 2730-1725

Daniel Yen, CFA
Equity Analyst
Daniel.Yen@morganstanley.com +886 2 2730-2863

Daisy Dai, CFA
Equity Analyst
Daisy.Dai@morganstanley.com +852 2848-7310

Henry Zhao
Research Associate
Henry.Zhao@morganstanley.com +852 2239-7731

Tiffany Yeh
Equity Analyst
Tiffany.Yeh@morganstanley.com +886 2 7712-3032

Lucas Wang
Research Associate
Lucas.Wang@morganstanley.com +886 2 2730-2875

Ethan Jia
Research Associate
Ethan.Jia@morganstanley.com +852 3963-2287

GREATER CHINA TECHNOLOGY SEMICONDUCTORS

Asia Pacific	
Industry View	**Attractive**

WHAT'S CHANGED

	From	To
NAURA Technology Group Co Ltd (002371.SZ) Price Target	Rmb600.00	**Rmb818.00**
Advanced Micro-Fabrication Equipment Inc (688012.SS) Price Target	Rmb450.00	**Rmb550.00**
ACM Research Inc (ACMR.O) Price Target	US$68.00	**US$90.00**

China WFE Market Outlook Raised on Stronger AI and Memory Investment Cycles

China WFE market outlook revised higher on stronger AI and memory investment cycle

Following our Global Semi team's WFE forecast upgrade, we now project China's WFE market to grow 15% Y/Y to US$48bn in 2026, then a further 18% Y/Y to US$56bn in 2027. Stronger-than-expected memory foundry investment and sustained domestic AI-related semiconductor demand primarily drive the revision.

China remains a key contributor to incremental WFE demand despite ongoing export restrictions. Our industry checks indicate Chinese foundries and memory players continue expanding capacity across mature and advanced nodes to support domestic AI compute, automotive, and industrial demand. While US-origin restrictions still limit direct access to some leading-edge tools, Japanese and domestic Chinese vendors have increasingly filled gaps across multiple process steps.

In parallel, local equipment suppliers are accelerating product localization and broadening technology coverage, particularly in etch, deposition, and cleaning systems. We therefore remain constructive on China domestic WFE vendors, as ongoing localization and capacity expansion should continue to support market share gains and revenue growth over the next several years.

Exhibit 1: China's WFE market – Our forecasts

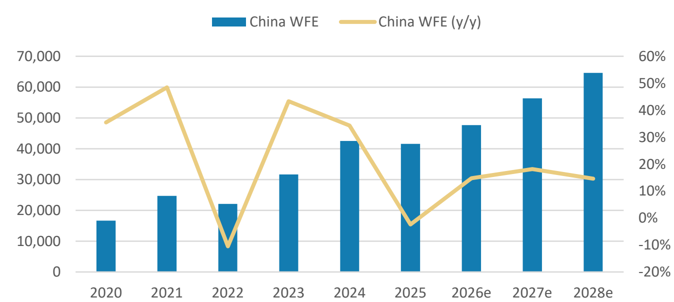
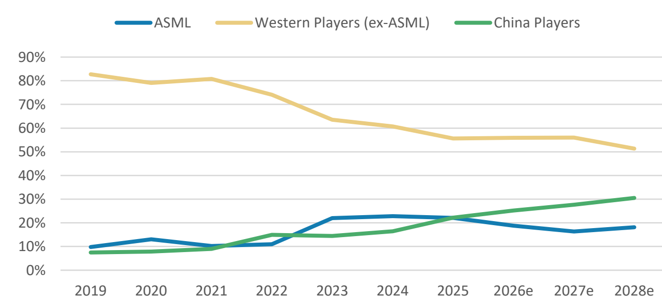


Exhibit 2: Chinese WFE vendors is expected to account for 25% of local WFE market share in 2026e



China Memory: IPO Momentum Fuels Accelerated Capacity Expansion and Localization Upside

CXMT is set for a pivotal milestone, with its listing committee review scheduled for May 27, 2026 (link), and a late-June 2026 STAR Market IPO widely anticipated. Concurrently, YMTC officially commenced pre-IPO coaching on May 19, 2026 (link), marking a critical step toward its A-share listing. If completed, we believe these listings would strengthen capital positions, providing a solid foundation for long-term capex and capacity scaling.

CXMT (Pre-IPO): We now expect a more aggressive capacity trajectory amid faster-than-anticipated qualification of domestic 1z nm (Gen4B) tooling. Our industry checks point to steady progress on DDR5 readiness, while localization rates track 5-10pp above our prior estimates to 35% for future projects due to tighter US export controls. Accordingly, CXMT's 2026-28 capacity expansion forecasts are raised to 80k, 90k and 100kwpm (from 30k, 50k, 50kwpm), respectively.

YMTC (IPO-coaching): Our supply-chain checks confirm YMTC continues filling Fab 2, with Fab 3 construction and tool move-in advancing despite modest delays that do not alter our core ramp-up thesis. Based on our industry checks, YMTC's 2027-28 capacity additions are forecast to be 85k and 100kwpm (from 40k and 50kwpm), respectively, reflecting more aggressive buildout on Fab 4/5 post–Fab 3 construction. Our 2026 capacity expansion forecast is unchanged at 35kwpm. In addition, our supply chain checks indicate localization penetration has increased to ~60% for new fabs as YMTC increasingly prioritizes qualified domestic vendors for 3D NAND etch, deposition, and hybrid bonding-related equipment. The ongoing IPO tutoring reinforces confidence in sustained capex support.

Exhibit 3: Local equipment adoption ratios of different key projects

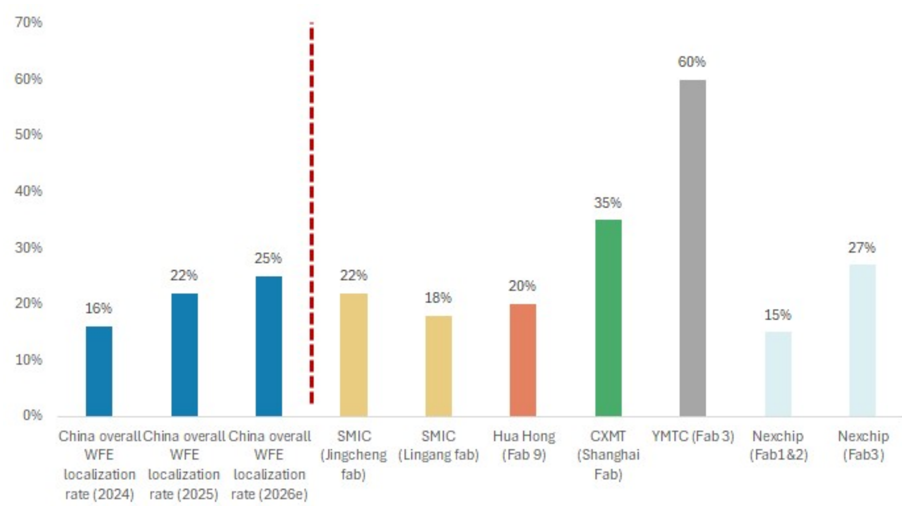


Exhibit 4: Greater China Semis: Chinese foundries – Capacity forecasts

Chinese fab capacity (kwpm - 12" equiv)	2023	2024	2025	2026e	2027e	2028e
YMTC*	120	150	180	215	300	400
CXMT*	122	200	270	350	440	540
SMIC	358	399	464	541	640	757
HLMC*	120	130	145	180	205	225
Hua Hong	175	190	226	255	262	279
Silan	144	139	142	144	147	150
Yangjie	149	172	198	209	218	227
CR Micro	143	148	163	178	203	218
CanSemi*	45	60	67	77	85	96
AOS - China*	56	62	68	74	77	81
GTA*	76	96	116	116	116	116
NexChip*	120	180	220	260	300	340
SMEC*	67	67	87	97	107	112
SiEN*	73	93	103	113	128	143
XLMEC*	-	-	20	40	55	65
Guangmao*	-	-	5	30	40	60
Total	**1,768**	**2,086**	**2,471**	**2,849**	**3,284**	**3,750**

Exhibit 5:

TAM to rise 4% Y/Y in 2026

($mn)	2021	2022	2023	2024	2025	2026e	2027e	2028e
WFE by Region								
Total	91,092	96,222	96,008	105,057	117,048	149,041	191,043	215,312
North America	7,755	10,239	11,346	13,657	10,534	12,221	15,666	17,656
Europe	2,879	5,982	5,741	4,202	2,341	2,534	2,866	3,230
Japan	6,879	7,244	6,438	7,354	8,779	10,433	13,755	15,718
Korea	22,757	19,655	18,965	18,910	23,410	33,534	44,513	50,168
Taiwan	23,566	26,566	19,501	15,233	27,506	39,049	53,492	60,287
China	24,695	22,105	31,682	42,548	41,552	47,693	56,358	64,594
Other	2,561	4,431	2,334	3,152	2,926	3,577	4,394	3,660
WFE by Region (Y/Y)								
North America	28%	32%	11%	20%	-23%	16%	28%	13%
Europe	8%	108%	-4%	-27%	-44%	8%	13%	13%
Japan	14%	5%	-11%	14%	19%	19%	32%	14%
Korea	51%	-14%	-4%	0%	24%	43%	33%	13%
Taiwan	54%	13%	-27%	-22%	81%	42%	37%	13%
China	48%	-10%	43%	34%	-2%	15%	18%	15%
Other	40%	73%	-47%	35%	-7%	22%	23%	-17%
WFE by Region (% of Total)								
North America	9%	11%	12%	13%	9%	8%	8%	8%
Europe	3%	6%	6%	4%	2%	2%	2%	2%
Japan	8%	8%	7%	7%	8%	7%	7%	7%
Korea	25%	20%	20%	18%	20%	23%	23%	23%
Taiwan	26%	28%	20%	15%	24%	26%	28%	28%
China	27%	23%	33%	41%	36%	32%	30%	30%
Other	3%	5%	2%	3%	3%	2%	2%	2%

Exhibit 6: CXMT may keep its capacity expansion strong in 2026

CXMT	2021	2022	2023	2024	2025	2026e	2027e	2028e
Capacity (kwpm - 8" equiv)	**113**	**128**	**275**	**450**	**608**	**788**	**990**	**1,215**
12-inch fabs	**50**	**57**	**122**	**200**	**270**	**350**	**440**	**540**
Hefei Phase 1 (12-inch)	50	52	100	100	100	100	100	100
Hefei Phase 2 (12-inch)	0	0	0	50	90	100	100	100
Beijing (12-inch)	0	5	22	50	80	100	100	100
SH Chuansha (12-inch)	0	0	0	0	0	50	140	200
Fab 5								40

Exhibit 7: YMTC to ramp up capacity for Fab 2 and Fab 3 in 2026

YMTC	2021	2022	2023	2024	2025	2026e	2027e	2028e
Capacity (kwpm - 8" equiv)	**191**	**236**	**270**	**338**	**405**	**484**	**675**	**900**
12-inch fabs	**85**	**105**	**120**	**150**	**180**	**215**	**300**	**400**
Wuhan Fab1 (12-inch)	85	95	95	95	100	100	100	100
Wuhan Fab2 (12-inch)	0	10	25	55	80	100	100	100
Wuhan Fab3 (12-inch)	0	0	0	0	0	15	100	100
Fab4 (12-inch)								100
Fab5 (12-inch)								

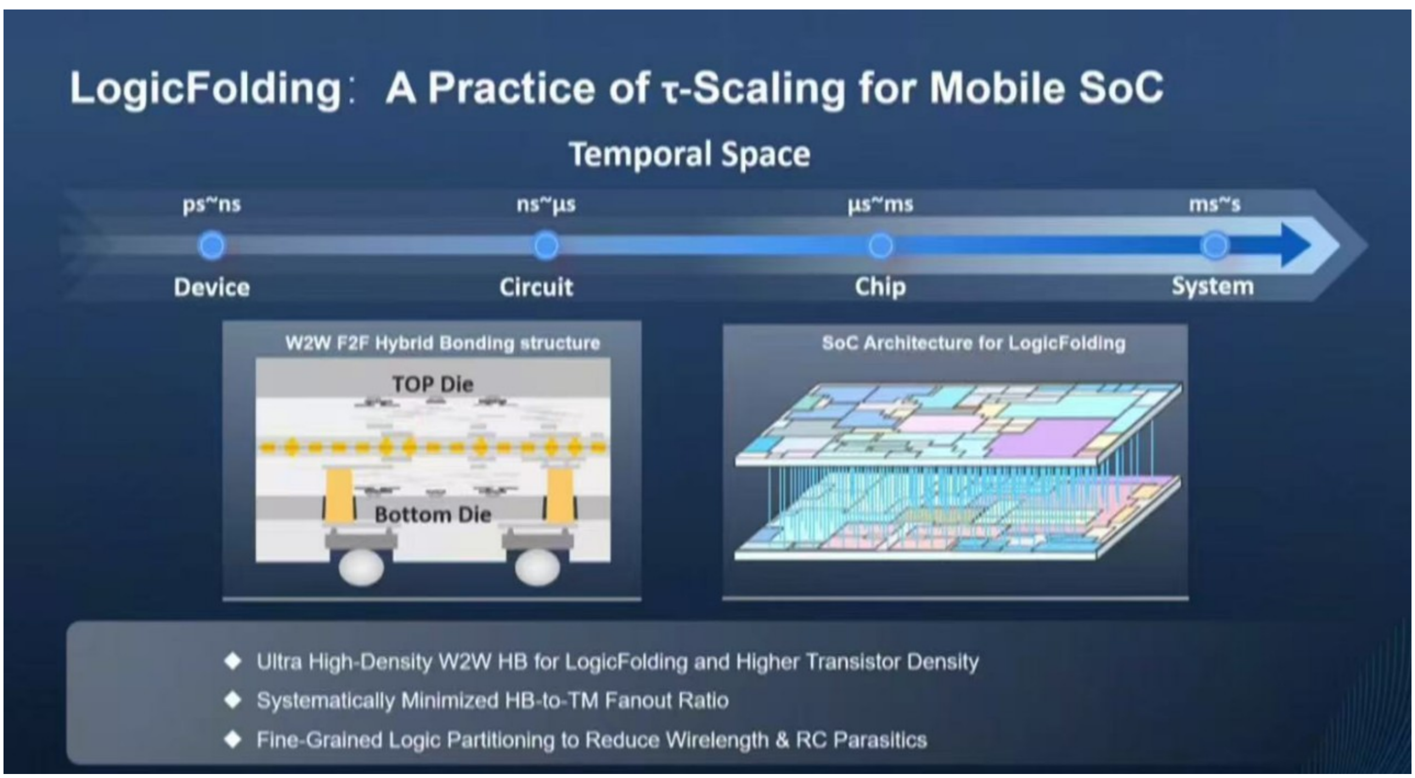
Huawei's t (Tau)-Scaling Breakthrough: Unlocking China's Advanced Node Catch-up Trajectory

Huawei's t-scaling theory shifts focus from geometric node shrink to systematically reducing the system time constant (t) across device, circuit, chip, and system layers

LogicFolding vertically stacks digital circuits to shorten interconnects and cut RC delay, enabling meaningful gains in transistor density, power efficiency, and frequency on mature process nodes. This 3D integration bypasses advanced lithography, creating a sustainable performance path despite constrained node access.

Realizing LogicFolding and broader t-scaling depends on advanced packaging and wafer fab infrastructure, with two key enablers: hybrid bonding and TSV (through-silicon via). The paper sets stringent requirements: 1) hybrid bonding pitch below 2   m; 2) overlay accuracy under 0.5   m; 3) tight TSV dimension/pitch controls; and 4) near-100% yield via smart redundancy. These translate into incremental WFE demand for hybrid bonding tools, TSV etchers, and copper electroplating equipment for via fill.

Exhibit 8: LogicFolding for Huawei's mobile SoC



Source: Huawei.

Exhibit 9: t-Scaling roadmap

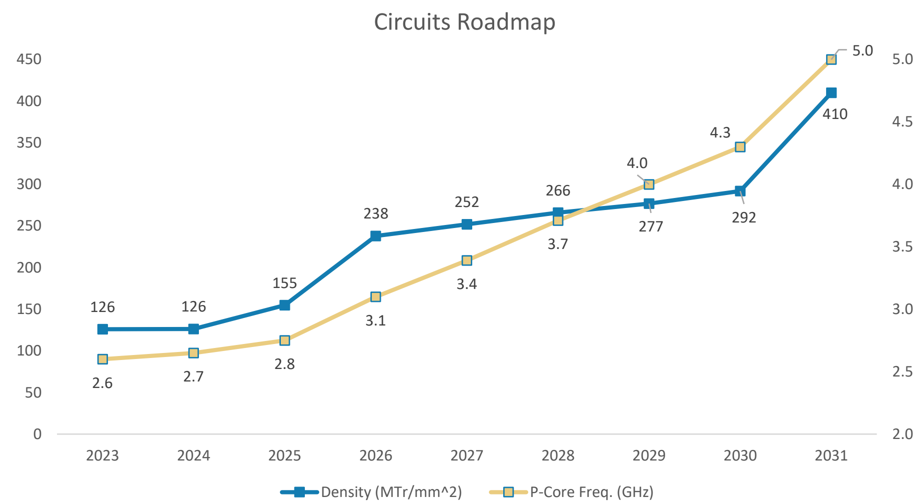


Exhibit 10: SMIC is ramping up its N+2 node (7nm), which remains roughly two generations behind TSMC; while this supports national security objectives, it may not be cost-competitive for consumer chips

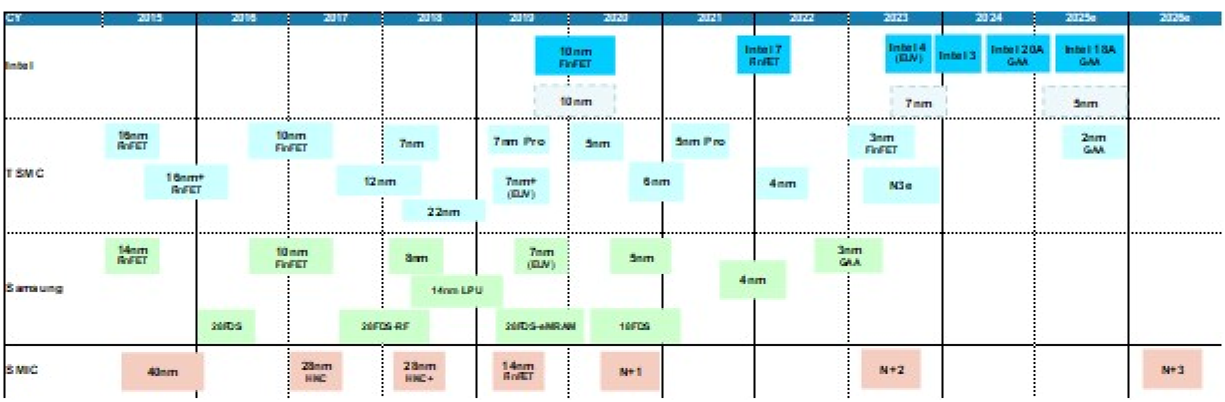


Exhibit 11: China's semi equipment imports slowdown in January-April 2026

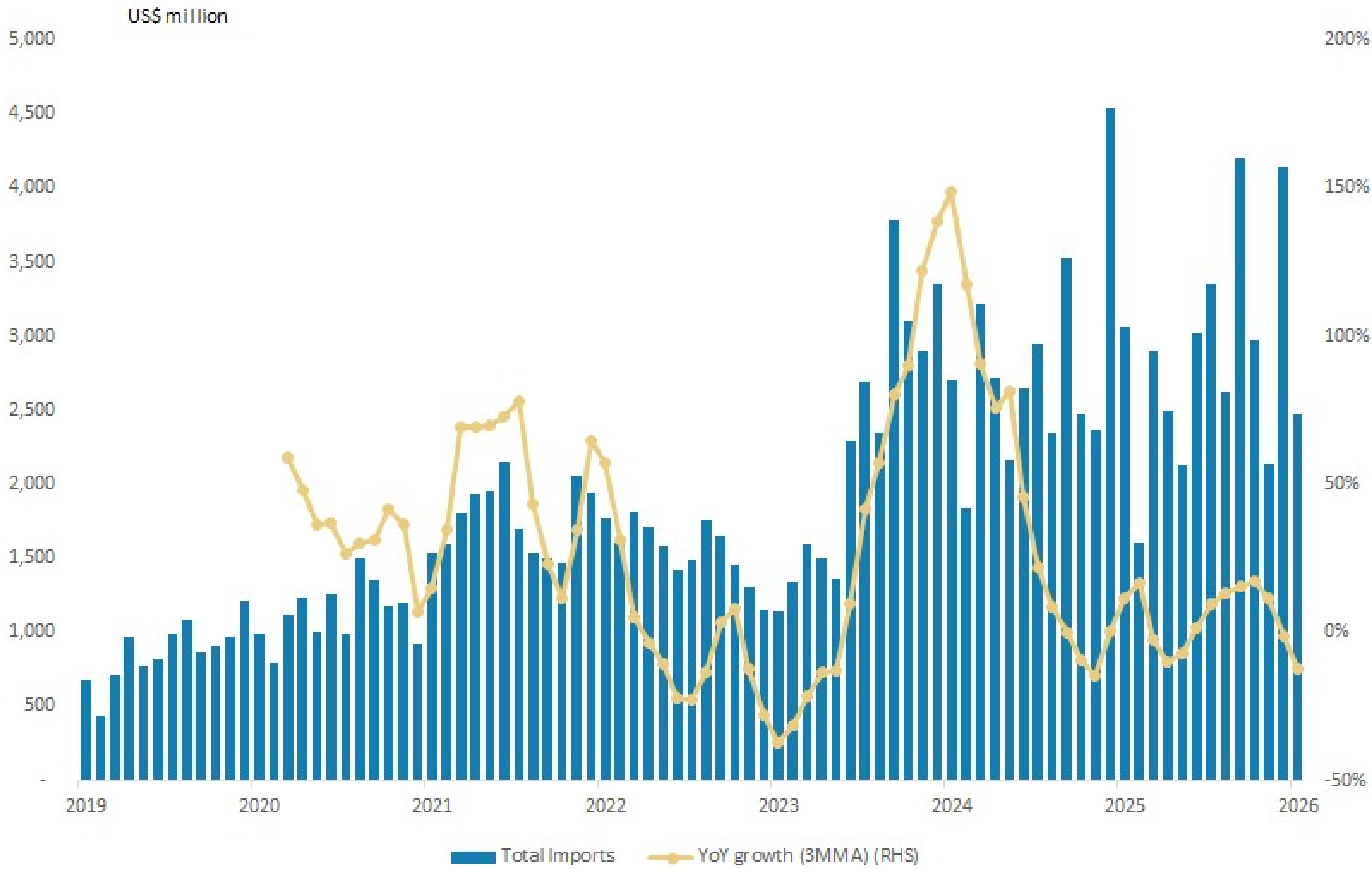


Exhibit 12: Japan, Netherlands, Korea, and the US down y/y; Singapore up y/y (January-April 2026)

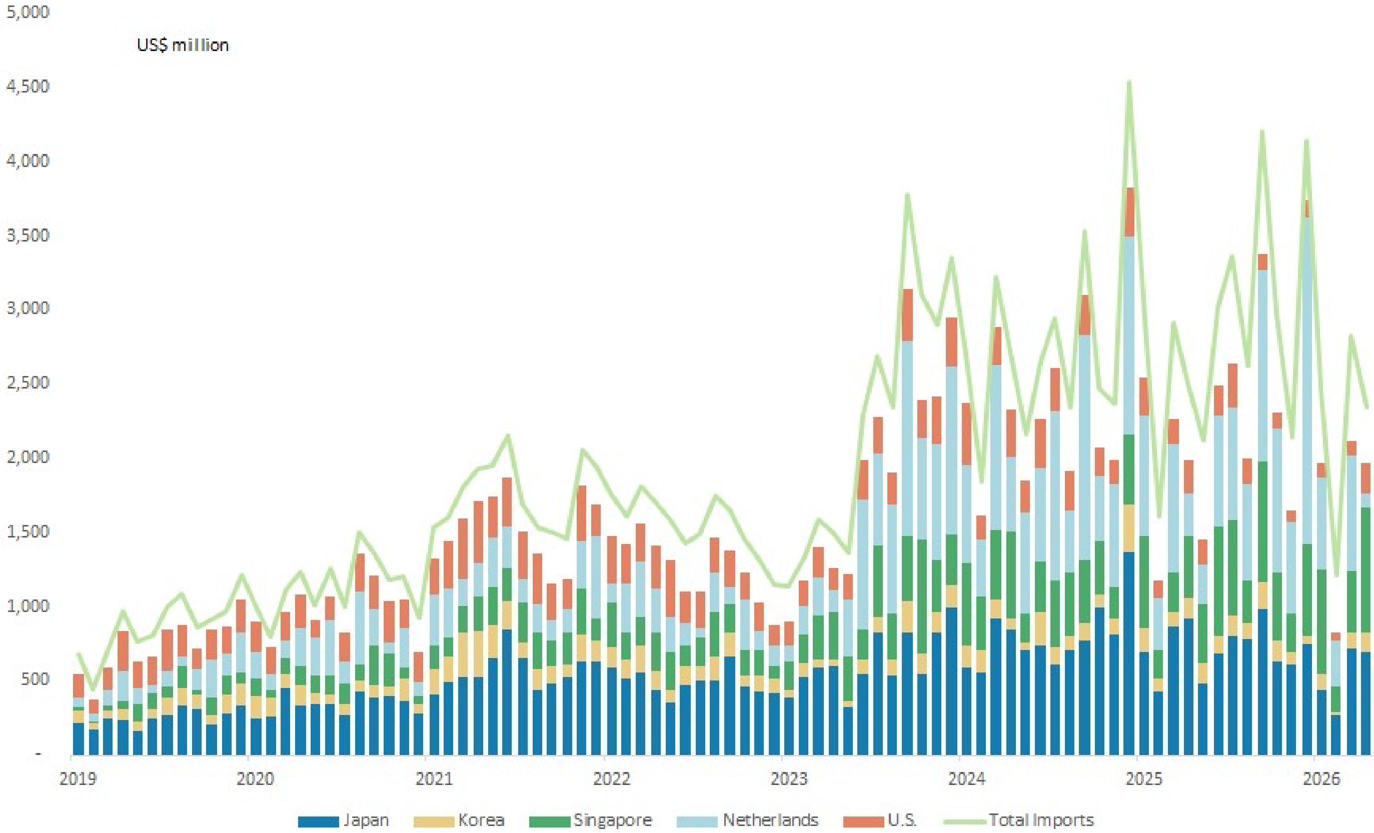
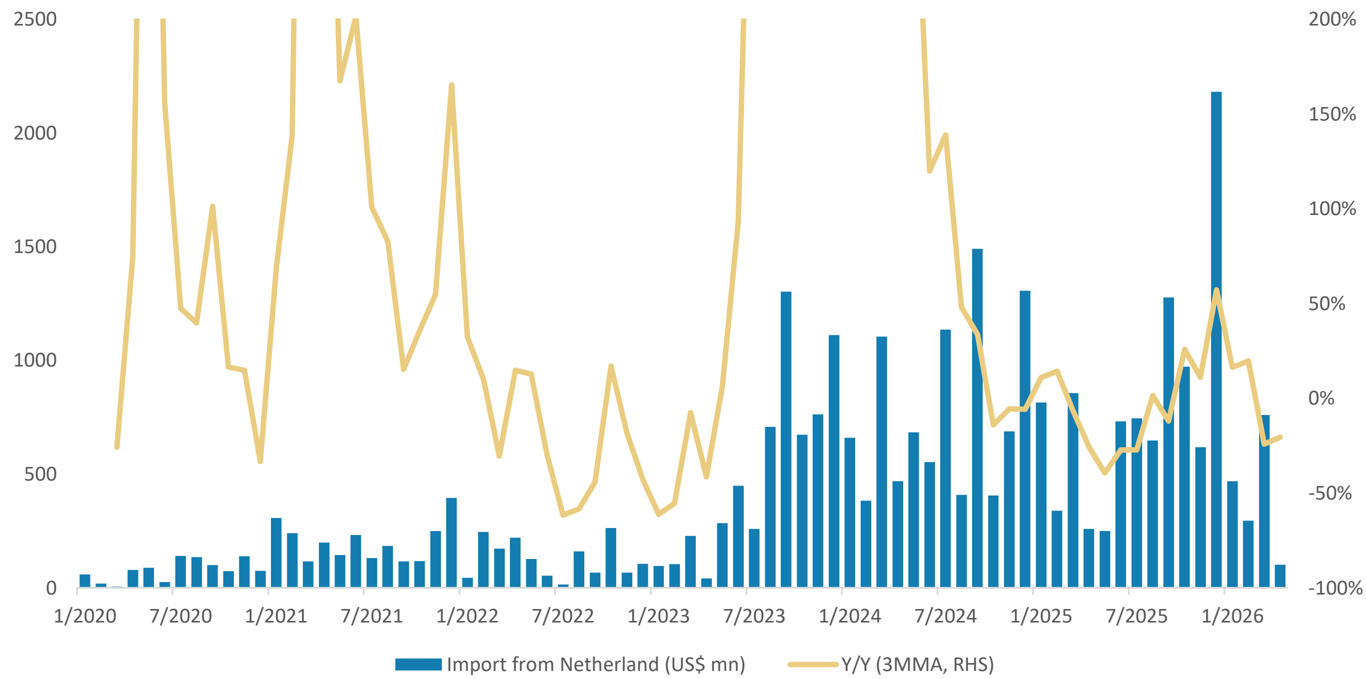


Exhibit 13: Imports of semi lithography equipment from the Netherlands (mostly DUV tools) also slowed down in 1Q26



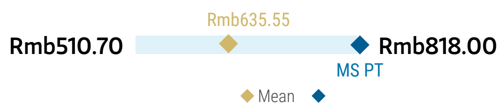
Risk Reward – NAURA Technology Group Co Ltd (002371.SZ)

Memory capacity expansion with long-term 3D IC opportunities; OW

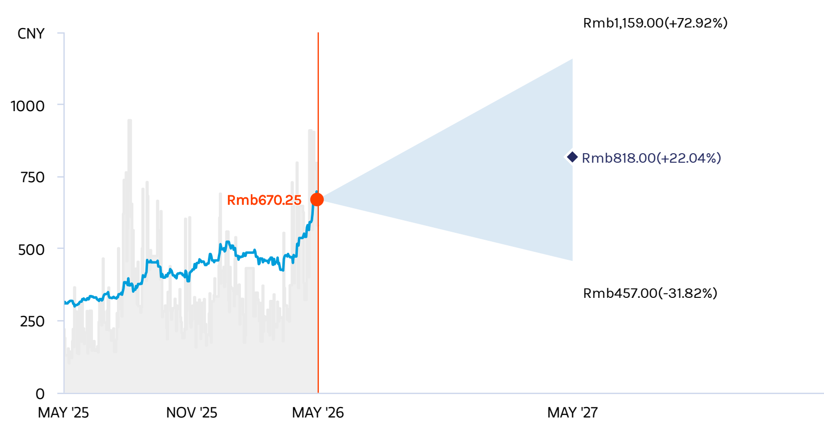
PRICE TARGET Rmb818.00

We use a residual income model to value NAURA. Our base case assumptions are:
- WACC of 10.1%, derived from a risk-free rate of 2.0%, beta of 1.35 and a market risk premium of 6.0%.
- Intermediate growth rate of 15%, reflecting opportunities in domestic advanced node capacity expansion.
- Terminal growth rate of 5%.

Consensus Price Target Distribution



RISK REWARD CHART



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

OVERWEIGHT THESIS

- Chinese logic and memory foundries appear likely to maintain high capex in 2026, which should help fuel NAURA's revenue growth.
- We view NAURA as a long-term beneficiary of China's semiconductor equipment localization trend. We believe its key customers will continue to expand capacity aggressively over the next few years.
- The company has acquired a 17.9% share in KingSemi, whose track, cleaning, and back-end equipment could complement NAURA's product portfolio.
- 2026e P/E is lower than its average P/E since 2016, which we view as appealing.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

● MS Rating

Risk Reward Themes

Secular Growth:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb1,159.00

91x 2026e P/E

We assume: 1) >45% revenue CAGR in 2025-28e, fueled by stronger-than-expected semi capex; 2) NAURA's domestic market share rises in 2026; and 3) gross margin improves to over 45% in 2026, thanks to scale effects and the company's technology competitiveness. Customers' capex also resumes a bullish trend.

BASE CASE Rmb818.00

64x 2026e P/E

We expect: 1) 30% revenue CAGR in 2025-28e, thanks to the robust capacity expansion plans of downstream fabs; 2) NAURA's domestic market share to increase gradually; and 3) gross margin to grow slightly through 2026-28e.

BEAR CASE Rmb457.00

36x 2026e P/E

We assume: 1) <15% revenue CAGR in 2025-28e, owing to slower-than-expected capacity expansion plans by fabs; 2) NAURA's domestic market share is stable or even declines because of slower-than-expected R&D and slower cost reduction versus peers; and 3) gross margin falls below 35%, owing to the high bargaining power of its customers. Customers' capex also deteriorates more than expected.

Risk Reward – NAURA Technology Group Co Ltd (002371.SZ)

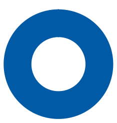
KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Sales to Memory Customers (Rmb, mn)	36,271	46,740	63,998	78,781
Sales to Front-end Logic Customers (Rmb, mn)	1,705	1,978	2,709	3,335
Sales to backend and others (Rmb, mn)	137	195	267	328

INVESTMENT DRIVERS

- Strong demand from China's semiconductor localization trend
- Production capacity expansion of domestic fabs

GLOBAL REVENUE EXPOSURE



● 100% Mainland China

View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 MOST	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger-than-expected semi capex cycle in China
- Faster-than-expected R&D, leading to substantial market share increases for NAURA
- Tight production capacity in chips, leading to faster capacity expansion by fabs

RISKS TO DOWNSIDE

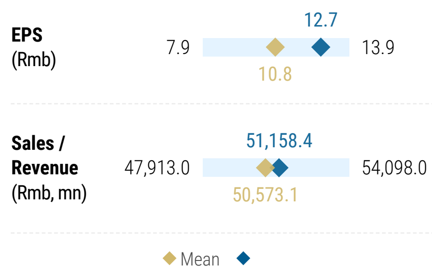
- Slowdown in China's semi capex cycle
- NAURA's market share declines
- Weakening demand in automotive, factory automation, and IoT, resulting in oversupply of chips

OWNERSHIP POSITIONING

Inst. Owners, % Active 94%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Naura: Earnings Estimate Revisions

We raise our 2026-28e EPS estimates 1%, 11%, and 16%, respectively: We believe NAURA will be one of the key beneficiaries of rising Chinese memory fab capacity and increasing localization rate due to tighter US export controls. Also, given the LogicFolding technology introduced by Huawei, foundries will also see more hybrid bonding and wet cleaning tools to conduct the 3D IC process, which will benefit NAURA. Therefore, we raise our 2026-28e revenue estimates for the company by 1%, 12%, and 18%, respectively. As our margin forecasts are effectively unchanged, our 2026-28e EPS forecasts rise by 1%, 11%, and 16%, respectively.

Exhibit 14: Naura: Estimate revisions

Rmb$ mn	New '2026E	Old '2026E	Diff.	New '2027E	Old '2027E	Diff.	New '2028E	Old '2028E	Diff.
Net sales	51,158	50,450	1%	70,469	62,918	12%	86,805	73,469	18%
Gross profit	21,187	20,889	1%	30,244	26,972	12%	37,417	31,611	18%
Operating profit	8,811	8,685	1%	13,483	12,008	12%	17,123	14,435	19%
Pretax Income	9,641	9,515	1%	14,116	12,640	12%	17,756	15,068	18%
Net income	9,228	9,115	1%	13,504	12,176	11%	17,180	14,761	16%
EPS for consensus	**12.71**	**12.56**	**1%**	**18.60**	**16.77**	**11%**	**23.67**	**20.34**	**16%**
Margins									
Gross margin	41.4%	41.4%		42.9%	42.9%		43.1%	43.0%	
Operating margin	17.2%	17.2%		19.1%	19.1%		19.7%	19.6%	
Pretax margin	18.8%	18.9%		20.0%	20.1%		20.5%	20.5%	
Net margin	18.0%	18.1%		19.2%	19.4%		19.8%	20.1%	
Opex %	24.2%	24.2%		23.8%	23.8%		23.4%	23.4%	

Naura: Valuation Methodology

We raise our price target to Rmb818 from Rmb600 to factor in our EPS estimate changes. We also roll over our model from 2026 to 2H26-1H27.

We continue to derive our price target via a residual income model. Key assumptions remain a WACC of 10.1% (beta of 1.35, cost of equity of 6%, and risk-free rate of 2%) and terminal growth rate of 5.0%.

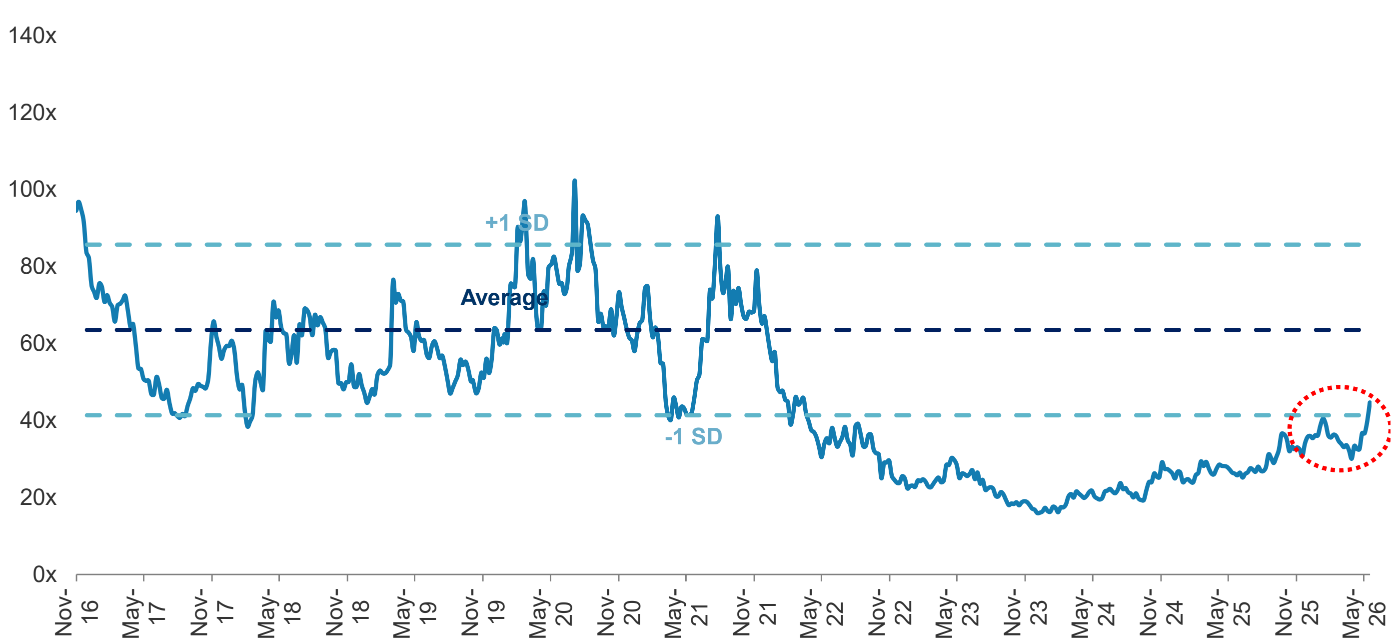
We raise our medium-term growth rate forecast to 15% from 14%, reflecting opportunities in domestic advanced node capacity expansion, which should continue to boost orders for NAURA following memory fab expansions.

We raise our bull-case scenario value to Rmb1,159 from Rmb850, implying 91x 2026e P/E, and our bear-case value to Rmb457 from Rmb336, implying 36x 2026e P/E.

Exhibit 15: Naura: Residual income model

Rmb million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E
Total Equity	**51,420**	**62,161**	**75,297**	**89,087**	**104,946**	**123,184**	**144,158**	**168,277**	**196,015**	**227,913**	**264,596**	**306,781**	**355,294**	**411,084**
Net Profit	**9,228**	**13,504**	**17,180**	**19,757**	**22,721**	**26,129**	**30,048**	**34,555**	**39,739**	**45,699**	**52,554**	**60,437**	**69,503**	**79,928**
ROAE	**19.4%**	**23.8%**	**25.0%**	**24.0%**	**23.4%**	**22.9%**	**22.5%**	**22.1%**	**21.8%**	**21.6%**	**21.3%**	**21.2%**	**21.0%**	**20.9%**
Residual Income	4,066	7,034	9,260	10,495	11,866	13,440	15,249	17,328	19,717	22,463	25,621	29,251	33,425	38,225
Spread	**9.3%**	**13.7%**	**14.9%**	**13.9%**	**13.3%**	**12.8%**	**12.4%**	**12.0%**	**11.7%**	**11.5%**	**11.2%**	**11.1%**	**10.9%**	**10.8%**
Ending Equity Capital	51,420	62,161												
PV of Forecast Period	102,634	117,917												
PV of Continuing Value	397,338	454,395												
Equity Value	**551,392**	**634,473**												
No. of Shares	725	725												
Implied Value	**761**	**876**												
Price Target (2H26-1H27)	**818**													

Exhibit 16: Naura: Historical P/E band



Naura: Financial Summary

Exhibit 17: Naura: Financial summary

Income Statement

Rmbmn (Years End Dec)	2025	2026E	2027E	2028E
Net sales	39,353	51,158	70,469	86,805
COGS	(23,571)	(29,971)	(40,225)	(49,388)
Gross profit	15,782	21,187	30,244	37,417
Operating expenses	(10,505)	(12,376)	(16,760)	(20,294)
Operating income	**5,277**	**8,811**	**13,483**	**17,123**
Non-operating income	568	830	633	633
Pre-tax income	5,845	9,641	14,116	17,756
Income tax	436	1,029	1,412	1,776
Minority Interest	113	617	800	1,200
Reported net Income	**5,522**	**9,228**	**13,504**	**17,180**
Adj. wtd. avg. shrs(m)	627	725	725	725
Reported EPS (Rmb)	**9.25**	**12.74**	**18.64**	**23.71**
EPS for consensus (Rmb)	**9.23**	**12.71**	**18.60**	**23.67**

Balance Sheet

Rmbmn (Years End Dec)	2025	2026E	2027E	2028E
Cash	17,337	21,398	22,895	27,963
Mkt Securities	42	42	42	42
AR/NR	9,402	10,647	14,665	18,065
Inventory	28,627	33,127	44,461	54,588
Other	3,912	3,912	3,912	3,912
Current Assets	**59,321**	**69,126**	**85,975**	**104,570**
Long-term investments	300	300	300	300
Fixed assets	7,568	7,568	7,568	7,568
Deffered assets	1,239	1,239	1,239	1,239
Other assets	21,372	21,372	21,372	21,372
Total Assets	**89,801**	**99,605**	**116,455**	**135,050**
S/T borrowings	319	319	319	319
AP/NP	15,544	17,856	23,965	29,424
Other ST liabilities	10,317	10,317	10,317	10,317
LT debt	12,973	12,973	12,973	12,973
Other LT liabilities	6,720	6,720	6,720	6,720
Common shares	725	725	725	725
Total Liabilities	**45,873**	**48,185**	**54,294**	**59,753**
Additional capital	17,966	17,966	17,966	17,966
Retained earning	18,802	26,294	37,035	50,171
Other shareholders' equity	6,436	6,436	6,436	6,436
Total Equity	**43,928**	**51,420**	**62,161**	**75,297**
Total Liab. & Shrhldr's Equity	**89,801**	**99,605**	**116,455**	**135,050**

E = Morgan Stanley Research Estimates

Source: Morgan Stanley Research, Company Data

Cash Flow Statement

Rmbmn (Years End Dec)	2025	2026E	2027E	2028E
Cashflow from Operations	**2,133**	**6,237**	**4,702**	**9,553**
Net profits	5,522	9,228	13,504	17,180
Depreciation	441	441	441	441
Working Capital Change	(1,537)	(3,432)	(9,243)	(8,068)
Other adjustments	(2,293)	0	0	0
Cashflow from Investing	**(3,929)**	**(441)**	**(441)**	**(441)**
Capex	(1,804)	(441)	(441)	(441)
Change of LT Investment	(234)	0	0	0
Change of ST Investment	(42)	0	0	0
Other adjustments	(1,849)	0	0	0
Cashflow from financing	**6,607**	**(1,736)**	**(2,764)**	**(4,044)**
Increase in L/T debt	9,027	0	0	0
Increase in S/T debt	316	0	0	0
Cash Dividend Paid	(1,682)	(1,736)	(2,764)	(4,044)
Issuance of stock	191	0	0	0
Other adjustments	(1,244)	0	0	0
Exchange rate adjustment	840	0	0	0
Net change in cash	**5,652**	**4,061**	**1,497**	**5,068**

Financial Ratios

	2025	2026E	2027E	2028E
Growth(%)				
Turnover	31.9	30.0	37.7	23.2
Operating profits	-10.9	67.0	53.0	27.0
Pretax profits	-10.2	64.9	46.4	25.8
Net profits	-1.6	67.1	46.3	27.2
EPS	-12.7	37.8	46.3	27.2
Margins (%)				
Gross Margin	40.1	41.4	42.9	43.1
Operating Margin	13.4	17.2	19.1	19.7
Pretax Margin	14.9	18.8	20.0	20.5
Net Profit	14.0	18.0	19.2	19.8
Return (%)				
ROAE	14.5	19.4	23.8	25.0
ROAA	7.1	9.7	12.5	13.7
Gearing (%)				
Net Debt/Equity	(38.7)	(41.0)	(36.3)	(36.7)
Liabilities/Equity	104.4	93.7	87.3	79.4
Ratios (X)				
Current ratio	2.3	2.4	2.5	2.6
Quick ratio	1.0	1.1	1.1	1.1
Others				
AR/NR Turnover (days)	76	76	76	76
Inventory Turnover (days)	403	403	403	403
AP Turnover (days)	217	217	217	217
Cash Conversion (days)	262	262	262	262

Risk Reward – Advanced Micro-Fabrication Equipment Inc (688012.SS)

Higher backlog guidance given robust memory capacity expansion

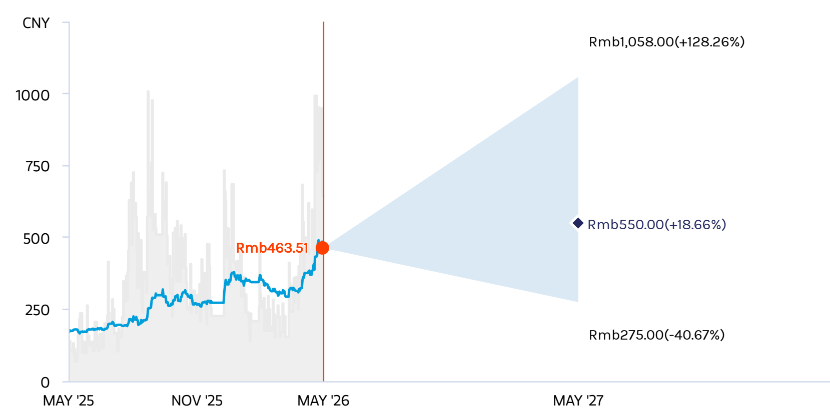
PRICE TARGET Rmb550.00

Base case, residual income model. We assume a 6.2% cost of equity, a medium-term growth rate of 14% and a terminal growth rate of 4.0%. We believe these assumptions are justified, given AMEC's structural position in the Chinese semiconductor equipment industry, allowing it to grasp opportunities coming from any fab expansions.

Consensus Price Target Distribution Rmb220.00 — Rmb443.08 (Mean) — MS PT — Rmb614.00

◆ Mean ◆ MS PT

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

OVERWEIGHT THESIS

- We remain positive on AMEC's new orders signed in 2026 and localization trends.
- We believe AMEC is strategically positioned to benefit from China's demand for domestic etching equipment and deposition over the long run.
- AMEC continues to expand its pipeline, including critical wafer fab equipment like EPI tools, process control, etc. As well, AMEC has entered the CMP field by acquiring SiZone Tech.
- Our estimates and price target reflect heavy spending on R&D and investment income from Piotech; valuation still looks attractive.

Consensus Rating Distribution

●	96%	Overweight
	4%	Equal-weight
	0%	Underweight

● MS Rating

Risk Reward Themes

Disruption:	*Negative*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb1,058.00

173x 2026e P/E

AMEC rides China's semi localization wave with global market rebound: 1) Semi fab projects start to proliferate with substantial equipment demand; 2) shipments of AMEC's leading-edge equipment increase significantly; 3) all US export controls are lifted -- Chinese memory customers ramp up faster than expected and contribute significantly to AMEC's revenue; and 4) AMEC's margins start recovering with high-end product sale.

BASE CASE Rmb550.00

90x 2026e P/E

AMEC is a beneficiary of Chinese local semi demand; strong demand and capex in 2026: 1) Chinese localized semi fab capacity starts to proliferate with steady local equipment demand in the long run; 2) shipments of AMEC's leading-edge and memory equipment grow as expected; 3) AMEC's margins expand slightly to 39.9% in 2026.

BEAR CASE Rmb275.00

45x 2026e P/E

Global semi market weakens with limited expansion overseas: 1) Chinese localized semi fab projects slow with minimal equipment demand; 2) Chinese memory customers ramp up more slowly than expected and barely contribute to AMEC's revenue; and 3) AMEC's margins decline further due to stronger bargaining power of major fab clients.

Risk Reward – Advanced Micro-Fabrication Equipment Inc (688012.SS)

KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Revenue from Equipment for Etching (Rmb, mn)	9,419	11,690	14,875	17,866
Revenue from Equipment for MOCVD (Rmb, mn)	616	737	997	1,362
MOCVD business revenue Y/Y (%)	62.6	19.6	35.4	36.6

INVESTMENT DRIVERS

- Semi equipment industry demand
- Technology migration to more advanced nodes
- New projects driven by China's semi localization efforts

GLOBAL REVENUE EXPOSURE

- 0-10% Europe ex UK
- 0-10% Japan
- 0-10% North America
- 10-20% APAC, ex Japan, Mainland China and India
- 50-60% Mainland China

View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 MOST | 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger-than-expected semi market
- Faster-than-expected product development
- Acceleration in China's local demand

RISKS TO DOWNSIDE

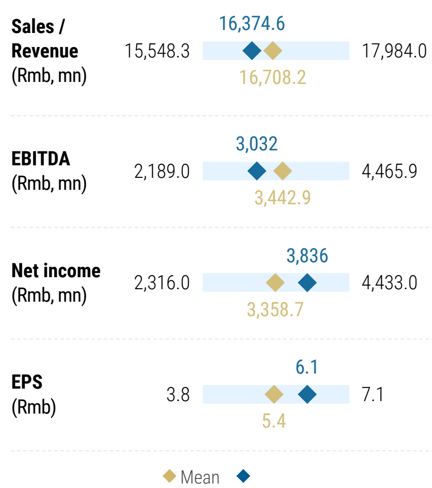
- Weak semi demand, leading vendors to compete on pricing
- Slower-than-expected product development
- Deceleration in China's local demand

OWNERSHIP POSITIONING

Inst. Owners, % Active 96.1%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



AMEC: Earnings Estimate Revisions

We raise our EPS estimates 1%, 6%, and 11% for 2026-28e, respectively, reflecting potential market share gains at memory fab and advanced node clients. The company recently raised its backlog growth guidance for 2026 to 50% from 30%, which we believe will fuel top-line growth in 2027 and 2028. Therefore, we raise our 2026-28e revenue forecasts by 1%, 4%, and 8%, respectively. Given operating leverage, we raise our 2026-28e operating margin forecasts for AMEC by 0.2ppt, 0.6ppt, and 1.2ppt, respectively.

Exhibit 18: AMEC: Estimate revisions

Rmb mn	New '26E	Old '26E	Diff.	New '27E	Old '27E	Diff.	New '28E	Old '28E	Diff.
Net sales	16,375	16,237	1%	21,955	21,143	4%	27,839	25,718	8%
Gross profit	6,534	6,476	1%	8,744	8,415	4%	11,053	10,200	8%
Operating profit	2,879	2,827	2%	4,744	4,443	7%	6,847	6,068	13%
Pretax Income	4,200	4,148	1%	5,744	5,443	6%	7,847	7,068	11%
Net income	3,836	3,788	1%	5,236	4,959	6%	7,171	6,454	11%
EPS for consensus	**6.13**	**6.05**	**1%**	**8.36**	**7.92**	**6%**	**11.45**	**10.31**	**11%**
Margins									
Gross margin	39.9%	39.9%		39.8%	39.8%		39.7%	39.7%	
Operating margin	17.6%	17.4%		21.6%	21.0%		24.6%	23.6%	
Pretax margin	25.6%	25.5%		26.2%	25.7%		28.2%	27.5%	
Net margin	23.4%	23.3%		23.8%	23.5%		25.8%	25.1%	
Opex %	22.3%	22.5%		18.2%	18.8%		15.1%	16.1%	

AMEC: Valuation Methodology

We raise our price target to Rmb550 from Rmb450, factoring in our EPS changes. We also roll over our model from 2026 to 2H26-1H27.

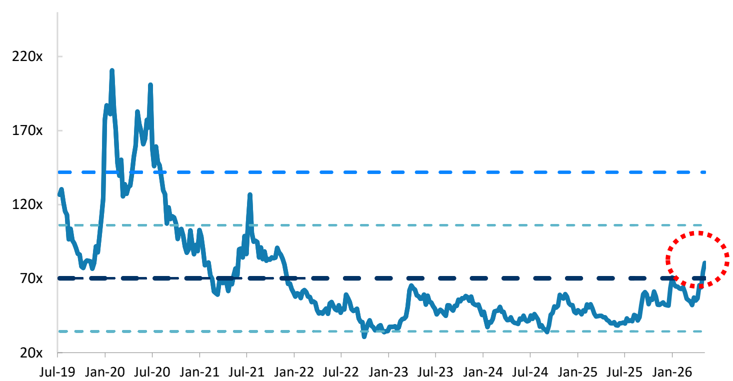
We continue to utilize a residual income model for valuation, including a WACC of 6.2% and terminal growth rate of 4.0% (unchanged). We believe these assumptions match AMEC's structural position in the Chinese semiconductor equipment industry. Our medium-term growth rate is 14%, reflecting AMEC's market share in memory clients and its quick pipeline expansion.

We also increase our bull-case scenario value to Rmb1,058 from Rm865, implying 173x 2026e P/E, and our bear-case value to Rmb275 from Rmb225, implying 45x 2026e P/E.

Exhibit 19: AMEC: Residual income model

Rmb million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E
Total Equity	**26,661**	**31,993**	**39,261**	**44,596**	**50,678**	**57,612**	**65,516**	**74,527**	**84,799**	**96,510**	**109,860**	**125,079**	**142,428**
Net Profit	**3,932**	**5,333**	**7,267**	**8,285**	**9,445**	**10,767**	**12,274**	**13,993**	**15,952**	**18,185**	**20,731**	**23,633**	**26,942**
ROAE	**15.9%**	**18.2%**	**20.4%**	**19.8%**	**19.8%**	**19.9%**	**19.9%**	**20.0%**	**20.0%**	**20.1%**	**20.1%**	**20.1%**	**20.1%**
Residual Income	2,213	3,199	4,547	5,330	6,084	6,943	7,923	9,040	10,314	11,766	13,421	15,308	17,459
Spread	**9.7%**	**12.0%**	**14.2%**	**13.6%**	**13.6%**	**13.7%**	**13.8%**	**13.8%**	**13.8%**	**13.9%**	**13.9%**	**13.9%**	**14.0%**
Ending Equity Capital	26,661	31,993											
PV of Forecast Period	53,494	62,004											
PV of Continuing Value	240,439	274,224											
Equity Value	**320,594**	**368,221**											
No. of Shares	626	626											
Implied Value	**512**	**588**											
Price Target (2H26-1H27)	550												

Exhibit 20: AMEC: P/E band



AMEC: Financial Summary

Exhibit 21: AMEC: Financial summary

Income Statement Rmb mn (Years End Dec)	2025	2026E	2027E	2028E
Net sales	12,385	16,375	21,955	27,839
COGS	(7,534)	(9,841)	(13,211)	(16,785)
Gross profit	4,850	6,534	8,744	11,053
Operating expenses	(3,452)	(3,655)	(4,000)	(4,206)
Operating income	**1,399**	**2,879**	**4,744**	**6,847**
Non-operating income	791	1,321	1,000	1,000
Pre-tax income	2,190	4,200	5,744	7,847
Income tax	126	316	460	628
Minority Interest	(47)	(48)	(48)	(48)
Reported net Income	**2,017**	**3,836**	**5,236**	**7,171**
Adj.wtd.avg.shrs(m)	625	626	626	626
EPS for consensus (NT$)	**3.23**	**6.13**	**8.36**	**11.45**

Balance Sheet Rmb mn (Years End Dec)	2025	2026E	2027E	2028E
Cash	5,997	7,957	9,696	13,030
Mkt Securities	792	792	792	792
AR/NR	2,047	2,309	3,096	3,925
Inventory	7,170	9,279	12,457	15,828
Other	2,928	2,928	2,928	2,928
Current Assets	**18,934**	**23,265**	**28,969**	**36,503**
Long-term investments	1,445	1,445	1,445	1,445
Fixed assets	2,829	3,095	3,515	4,087
Deffered assets	335	335	335	335
Other assets	6,303	4,705	4,705	4,705
Total Assets	**29,846**	**32,844**	**38,968**	**47,074**
S/T borrowings	0	0	0	0
AP/NP	1,856	2,309	3,100	3,939
Other ST liabilities	2,959	2,959	2,959	2,959
LT debt	730	730	730	730
Other LT liabilities	1,572	185	185	185
Common shares	626	626	626	626
Total Liabilities	**7,117**	**6,184**	**6,975**	**7,813**
Additional capital	15,042	15,042	15,042	15,042
Retained earning	6,922	10,854	16,186	23,454
Other shareholders' equity	139	139	139	139
Total Equity	**22,729**	**26,661**	**31,993**	**39,261**
Total Liab. & Shrhldr's Equity	**29,846**	**32,844**	**38,968**	**47,074**

E = Morgan Stanley Research Estimates
Source: Morgan Stanley Research, Company Data

Cash Flow Statement Rmb mn (Years End Dec)	2025	2026E	2027E	2028E
Cashflow from Operations	**2,295**	**2,379**	**2,312**	**4,060**
Net profits	2,111	3,932	5,333	7,267
Depreciation	153	153	153	153
Working Capital Change	11	(1,706)	(3,174)	(3,361)
Other adjustments	20	0	0	0
Cashflow from Investing	**(2,105)**	**(419)**	**(572)**	**(726)**
Capex	(266)	(419)	(572)	(726)
Change of LT Investment	(7,628)	0	0	0
Change of ST Investment	6,891	0	0	0
Other adjustments	(1,101)	0	0	0
Cashflow from financing	**182**	**0**	**0**	**0**
Increase in L/T debt	9	0	0	0
Increase in S/T debt	0	0	0	0
Cash Dividend Paid	0	0	0	0
Issuance of stock	0	0	0	0
Other adjustments	173	0	0	0
Exchange rate adjustment	(31)	0	0	0
Net change in cash	**342**	**1,960**	**1,740**	**3,334**

Financial Ratios	2025	2026E	2027E	2028E
Growth(%)				
Turnover	36.6	32.2	34.1	26.8
Operating profits	4.1	105.8	64.8	44.3
Pretax profits	28.1	91.8	36.8	36.6
Net profits	24.8	90.2	36.5	37.0
EPS	24.2	89.8	36.5	37.0
Margins (%)				
Gross Margin	39.2	39.9	39.8	39.7
Operating Margin	11.3	17.6	21.6	24.6
Pretax Margin	17.7	25.6	26.2	28.2
Net Profit	16.3	23.4	23.8	25.8
Return (%)				
ROAE	9.5	15.5	17.9	20.1
ROAA	7.2	12.2	14.6	16.7
Gearing (%)				
Net Debt/Equity	(26.4)	(29.8)	(30.3)	(33.2)
Liabilities/Equity	31.3	23.2	21.8	19.9
Ratios (X)				
Current ratio	3.9	4.4	4.8	5.3
Quick ratio	1.7	1.9	2.1	2.5
Others				
AR/NR Turnover (days)	51	51	51	51
Inventory Turnover (days)	344	344	344	344
AP Turnover (days)	86	86	86	86
Cash Conversion (days)	310	310	310	310

Risk Reward – ACM Research Inc (ACMR.O)

Key beneficiary of Huawei's LogicFolding via ECP tool upside

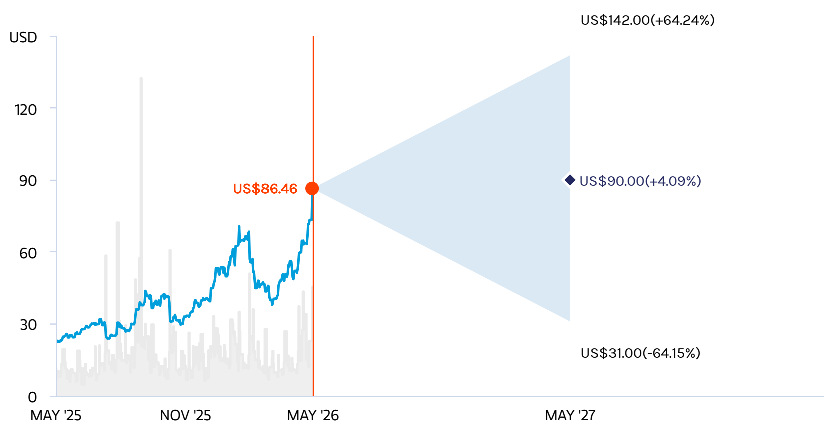
PRICE TARGET US$90.00

Base case, residual income model. Key assumptions: a 10.1% WACC (beta 1.35, risk-free rate 2%, and cost of equity of 6%), a medium-term growth rate of 11%, and a terminal growth rate of 4.0%. Dividend payout ratio is 77%, reflecting long-term shareholder payback with stronger cash flow.

Consensus Price Target Distribution

US$68.00 — US$74.63 (Mean) — US$90.00 (MS PT)

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

OVERWEIGHT THESIS

- We are positive on 2026 WFE demand from China, given rising capex investments by Chinese logic and memory fabs.
- ACMR has a long-term revenue target of US$4.0bn, in view of increased confidence in new product cycles and opportunities in China. Its market share gain has been stronger than expected.
- ACMR's long-term gross margin target is 42-48%, but we might see some margin pressure in 1H26 due to competition and inventory provisions.
- ACMR's ECP and wet cleaning tools could be key enablers for Huawei's LogicFolding technology.
- We view our price target as justified by increasing Chinese foundry capex and ACMR's ongoing share gains.

Consensus Rating Distribution

88%	Overweight
13%	Equal-weight
0%	Underweight

● MS Rating

Risk Reward Themes

Disruption: *Positive*
Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE US$142.00

50x 2026e P/E

Greater-than-expected equipment shipments from foundry players and memory customers: We assume 1) ACMR's equipment continues to attract more aggressive end-demand with some market share gains from Chinese customers; 2) revenue rises at a >30% CAGR in 2025-28e; 3) gross margin exceeds 50% in 2026; and 4) The US reduces restrictions on Chinese semis.

BASE CASE US$90.00

32x 2026e P/E

Strong equipment shipments and backlog orders from Chinese foundry players: We expect 1) ACMR's equipment continues to attract steady end-demand with some market share gains from Chinese customers; 2) a revenue CAGR of 23% in 2025-28e; and 3) gross margin to be 45.4% in 2026e, up 1 ppt from 44.4% in 2025.

BEAR CASE US$31.00

11x 2026e P/E

Worse-than-expected equipment shipments from foundry players and memory customers: We assume 1) ACMR's equipment is more affected by order cancellations, and the share gains with Chinese customers turn out to be slower; 2) revenue to grow <5% in 2025-28e; 3) gross margin to drop further to <40% in 2026; 4) The US implements more restrictions on Chinese semis and ACMR's operations are affected.

Risk Reward – ACM Research Inc (ACMR.O)

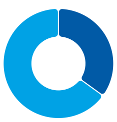
KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Sales to Memory Customers (US$, mn)	341	405	489	570
Sales to Front-end Logic Customers (US$, mn)	265	312	372	434
Sales to backend and others (US$, mn)	295	411	568	662

INVESTMENT DRIVERS

- Successful ramp-up from key customer YMTC and CXMT
- Strong revenue growth and guidance
- Expanding gross margin

GLOBAL REVENUE EXPOSURE



- 30-40% APAC, ex Japan, Mainland China and India
- 60-70% Mainland China

View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 **BEST**	24 Month Horizon	5/5 **MOST**	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger-than-expected equipment demand from China given faster capacity ramp-up
- Accelerating global semiconductor demand

RISKS TO DOWNSIDE

- Weaker-than-expected equipment demand from China given slower capacity ramp-up
- Decelerating global semiconductor demand

OWNERSHIP POSITIONING

Inst. Owners, % Active	46.1%
HF Sector Long/Short Ratio	2x
HF Sector Net Exposure	25.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (US$, mn): 1,104 – 1,238; MS 1,127; Mean 1,149

EBITDA (US$, mn): 201

Note: There are not sufficient brokers supplying consensus data for this metric

Net income (US$, mn): 198

Note: There are not sufficient brokers supplying consensus data for this metric

EPS (US$): 2.84

Note: There are not sufficient brokers supplying consensus data for this metric

Mean

ACMR: Earnings Estimate Revisions

We lift our EPS estimates 3%, 11%, and 17% for 2026-28, respectively: We believe ACMR could benefit from the strong demand for WFE from memory capacity expansion in China. In addition, as 3D IC requires ECP and more wet cleaning tools, Huawei's -3D IC-like LogicFolding technology could be a major driver for ACMR's future order growth. Therefore, we raise our 2026-28e revenue estimates by 2%, 8%, and 11%, respectively. With operating leverage, we estimate operating margin to expand to 24% in 2027 and 24.4% in 2028.

Exhibit 22: ACMR: Estimate revisions

US$ mn	New '26E	Old '26E	Diff.	New '27E	Old '27E	Diff.	New '28E	Old '28E	Diff.
Net sales	1,127	1,104	2%	1,428	1,317	8%	1,667	1,504	11%
Gross profit	511	501	2%	664	612	8%	775	699	11%
Operating profit	200	194	3%	291	261	12%	355	300	18%
Pretax Income	247	242	2%	342	312	10%	406	351	16%
Net income	198	193	3%	288	261	11%	346	296	17%
EPS for consensus	**2.84**	**2.76**	**3%**	**4.13**	**3.73**	**11%**	**4.95**	**4.25**	**17%**
Margins									
Gross margin	45.4%	45.4%		46.5%	46.5%		46.5%	46.5%	
Operating margin	17.8%	17.6%		20.4%	19.8%		21.3%	20.0%	
Pretax margin	21.9%	21.9%		24.0%	23.7%		24.4%	23.4%	
Net margin	17.6%	17.5%		20.2%	19.8%		20.7%	19.7%	
Opex %	27.6%	27.8%		26.1%	26.7%		25.2%	26.5%	

ACMR: Valuation Methodology

We raise our price target to US$90 from US$68: We factor in our EPS changes for 2026-28 and roll over our model from 2026 to 2H26-1H27.

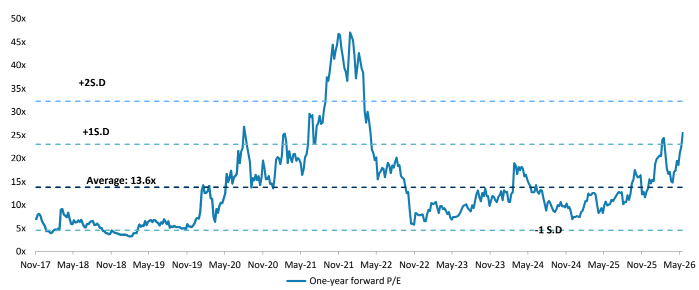
We derive our price target from a residual income model, with key assumptions unchanged, including a WACC of 10.1% (beta of 1.35, cost of equity of 6%, and risk-free rate of 2%), intermediate growth rate of 11%, and terminal growth rate of 4.0%. We now assume a dividend payout ratio of 77% (vs 64% previously), reflecting long-term shareholder payback with stronger cash flow.

We also raise our bull-case scenario value to US$142 from US$107, implying 50x 2026e P/E, and our bear-case value to US$31 from US$24, implying 11x 2026e P/E.

Exhibit 23: ACMR: Residual income model

US$million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E
Total Equity	2,102	2,334	2,408	2,489	2,580	2,680	2,792	2,916	3,054	3,207	3,376	3,564	3,773
Net Profit	198	288	320	355	394	438	486	539	598	664	737	818	908
ROAE	9.8%	13.0%	13.5%	14.5%	15.6%	16.6%	17.7%	18.9%	20.0%	21.2%	22.4%	23.6%	24.8%
Residual Income	(6)	61	79	106	135	168	205	245	290	339	394	455	522
Spread	-0.3%	2.9%	3.4%	4.4%	5.4%	6.5%	7.6%	8.8%	9.9%	11.1%	12.3%	13.5%	14.6%
Ending Equity Capital	2,102	2,334											
PV of Forecast Period	1,062	1,283											
PV of Continuing Value	2,682	3,079											
Equity Value	5,846	6,696											
No. of Shares	70	70											
Implied Value	84	96											
Price Target (2H26-1H27)	90												

Exhibit 24: ACMR: P/E band



ACMR: Financial Summary

Exhibit 25: ACMR: Financial summary

Income Statement

US$mn (Years End Dec)	2025	2026E	2027E	2028E
Net sales	901.3	1,127.3	1,428.4	1,666.8
COGS	(501.2)	(615.8)	(764.5)	(892.1)
Gross profit	400.1	511.4	663.9	774.7
Operating expenses	(290.6)	(311.3)	(372.6)	(419.6)
Operating income	**109.4**	**200.1**	**291.3**	**355.0**
Non-operating income	25.8	47.2	51.1	51.1
Pre-tax income	135.2	247.3	342.5	406.2
Income tax	13.3	25.5	34.2	40.6
Minority Interest	(27.8)	(23.9)	(20.0)	(20.0)
Reported net Income	**94.1**	**197.9**	**288.2**	**345.6**
Adj.wtd.avg.shrs(m)	64.1	65.8	65.8	65.8
Reported EPS (US$)	**1.47**	**3.01**	**4.38**	**5.25**
EPS for consensus (US$)	**1.39**	**2.84**	**4.13**	**4.95**

Balance Sheet

US$mn (Years End Dec)	2025	2026E	2027E	2028E
Cash	757.4	1,410.9	1,513.1	1,670.4
Mkt Securities	8.6	8.6	8.6	8.6
AR/NR	504.3	278.0	352.2	411.0
Inventory	702.6	381.3	473.3	552.4
Other	463.8	463.8	463.8	463.8
Current Assets	**2,436.7**	**2,542.6**	**2,811.1**	**3,106.2**
Long-term investments	66.0	66.0	66.0	66.0
Fixed assets	314.8	314.8	314.8	314.8
Deffered assets	29.4	29.4	29.4	29.4
Other assets	25.3	25.3	25.3	25.3
Total Assets	**2,872.2**	**2,978.1**	**3,246.6**	**3,541.7**
S/T borrowings	74.0	74.0	74.0	74.0
AP/NP	215.4	150.2	186.4	217.5
Other ST liabilities	456.2	456.2	456.2	456.2
LT debt	178.9	178.9	178.9	178.9
Other LT liabilities	17.0	17.0	17.0	17.0
Common shares	0.0	0.0	0.0	0.0
Total Liabilities	**941.7**	**876.4**	**912.6**	**943.8**
Additional capital	1,115.5	1,115.5	1,115.5	1,115.5
Retained earning	350.4	521.6	753.8	1,017.9
Other shareholders' equity	464.6	464.6	464.6	464.6
Total Equity	**1,930.5**	**2,101.7**	**2,333.9**	**2,597.9**
Total Liab. & Shrhldr's Equity	**2,872.2**	**2,978.1**	**3,246.6**	**3,541.7**

Cash Flow Statement

US$mn (Years End Dec)	2025	2026E	2027E	2028E
Cashflow from Operations	**(76.2)**	**681.0**	**159.0**	**239.7**
Net profits	94.1	197.9	288.2	345.6
Depreciation	0.8	0.8	0.8	0.8
Working Capital Change	(171.1)	482.3	(130.0)	(106.7)
Other adjustments	0.0	0.0	0.0	0.0
Cashflow from Investing	**135.9**	**(0.8)**	**(0.8)**	**(0.8)**
Capex	45.6	0.0	0.0	0.0
Change of LT Investment	0.0	0.0	0.0	0.0
Change of ST Investment	0.0	0.0	0.0	0.0
Other adjustments	90.3	(0.8)	(0.8)	(0.8)
Cashflow from financing	**(29.0)**	**(26.7)**	**(56.0)**	**(81.6)**
Increase in L/T debt	73.4	0.0	0.0	0.0
Increase in S/T debt	41.2	0.0	0.0	0.0
Cash Dividend Paid	(29.0)	(26.7)	(56.0)	(81.6)
Issuance of stock	0.0	0.0	0.0	0.0
Other adjustments	(114.6)	0.0	0.0	0.0
Exchange rate adjustment	291.8	0.0	0.0	0.0
Net change in cash	**322.4**	**653.5**	**102.2**	**157.3**

Financial Ratios

	2025	2026E	2027E	2028E
Growth(%)				
Turnover	15.2	25.1	26.7	16.7
Operating profits	-27.5	82.9	45.6	21.9
Pretax profits	-18.7	82.9	38.5	18.6
Net profits	-9.2	110.3	45.7	19.9
EPS	-10.7	104.2	45.7	19.9
Margins (%)				
Gross Margin	44.4	45.4	46.5	46.5
Operating Margin	12.1	17.8	20.4	21.3
Pretax Margin	15.0	21.9	24.0	24.4
Net Profit	10.4	17.6	20.2	20.7
Return (%)				
ROAE	6.2	9.8	13.0	14.0
ROAA	4.0	6.8	9.3	10.2
Gearing (%)				
Net Debt/Equity	(35.4)	(63.6)	(61.7)	(61.4)
Liabilities/Equity	48.8	41.7	39.1	36.3
Ratios (X)				
Current ratio	3.3	3.7	3.9	4.2
Quick ratio	1.7	2.5	2.6	2.8
Others				
AR/NR Turnover (days)	90	90	90	90
Inventory Turnover (days)	226	226	226	226
AP Turnover (days)	89	89	89	89
Cash Conversion (days)	227	227	227	227

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