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UPDATE

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Greater China Semiconductors | Asia Pacific

Old memory: Near-term outlook remains positive

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What happened? On the evening of Monday Jun 29, GigaDevice published an announcement. It mentioned that the company's niche memory products are seeing price hikes due to supply gap as mainstream vendors focus on mainstream memory products. It warned that the total end market demand for niche memory remains relatively stable, and has been, to some extent, inhibited due to the price hikes, and that with niche memory capacity expansion, there may be substantial price declines in the future.

Our take: Across DDR4, SLC/MLC NAND and NOR flash markets, we see pricing strength into at least the end of 2026 (Old Memory: Better to buy more). We believe GigaDevice warned about a future industry risk faced by the old memory vendors that may still be relatively far ahead, and we do not see the substantial price decline in the near term. We remain OW on the old memory names under our coverage.

GREATER CHINA TECHNOLOGY SEMICONDUCTORS

Asia Pacific

Industry View **Attractive**

Valuation Methodology and Risks

GigaDevice Semiconductor Beijing Inc (603986.SS)

Our price target is our base case value, derived from our residual income model. Key assumptions: cost of equity of 8.9% (beta 1.1, risk-free rate 2% and risk premium 6%), a payout ratio of 40%, medium-term growth rate of 16.4%, and a terminal growth rate of 3.0%.

Risks to Upside

- NOR up-cycle driven by stronger demand
- Superior chip design, leading to increasing exposure to low-density NOR
- Faster-than-expected DRAM development

Risks to Downside

- NOR down-cycle driven by weaker demand
- Inferior chip design, leading to increasing exposure to mid-/high-density NOR
- Slower-than-expected DRAM development