Sunresin New Materials

Framing UPW resin upside driven by the memory upcycle via 5 whys

Equities

China

Chemicals, Commodity

12-month rating	**Buy**
12m price target	**Rmb90.00**
Price (09 Jul 2026)	**Rmb70.98**

RIC: 300487.SZ **BBG:** 300487 CS

Trading data and key metrics

52-wk range	Rmb77.44-49.46
Market cap.	Rmb36.0b/US$5.30b
Shares o/s	508m (ORDA)
Free float	44%
Avg. daily volume ('000)	6,696
Avg. daily value (m)	Rmb420.4
Common s/h equity (12/26E)	Rmb5.62b
P/BV (12/26E)	6.4x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (Rmb)

	UBS	Cons.
12/26E	2.42	2.23
12/27E	3.48	2.79
12/28E	4.60	3.72

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Accelerating UPW resin growth momentum driving a re-rating

Sunresin is riding on the semi capex upcycle in China, driven by memory, and it could witness significant rise in ultrapure water (UPW) resin sales and profits. While the share price is up c30% since early June, we think the market has not fully priced in UPW resin growth potential as: 1) China's memory capacity expansion, led by CXMT and YMTC, could drive a 6-8x rise in UPW resin demand in 2025-30E; 2) supply is structurally tighter and highly concentrated with a long capacity expansion lead time; and 3) Sunresin is the only domestic supplier in the supply chain with its jetting tech essential for UPW resin. We therefore expect Sunresin's market share to rise from 5% in 2025 to 20% in 2030E, underpinned by its comparable product performance, price discounts and readily available capacity. In our blue-sky scenario (a 40% market share), Sunresin's UPW resin net profit would reach Rmb567m in 2030E, warranting an Rmb17bn valuation.

UPW resin: Rmb4-5bn TAM in 2030E, driven by robust memory capex

Driven by significant AI demand, UPW resin TAM should expand materially as China's memory fabs enter a multi-year capacity build-out, requiring more UPW resin to produce UPW to cleanse wafers. Specifically, UPW resin TAM for CXMT and YMTC could grow from cRmb100m in 2025 to cRmb315m/648m/956m by 2030E in our conservative/base/blue-sky scenarios. Including other semi applications (e.g. logic chips), overall China semi UPW resin TAM could reach Rmb1.5-2.2bn by 2030E. Together with growing demand for display panels and nuclear power plants, this could lift total China UPW resin TAM to Rmb4-5bn by 2030E.

Sunresin: well placed to expand market share amid favourable landscape

UPW resin is an oligopolistic market with DuPont and Mitsubishi controlling c90% of supply in China. Sunresin has entered the market via sustained R&D, proprietary jetting tech and competitive pricing, while product quality is comparable to or better than major peers. As the sole domestic company able to substitute overseas supply and based on the nature of the product (critical for the operation of semi/nuclear plants), we forecast Sunresin's China market share to rise from 5% in 2025 to 20%/40% in 2030E and reach Rmb900m/1.9bn UPW resin sales by 2030E in our base/blue-sky scenarios. Along with tighter supply (DuPont recently hiked ASP 10-30%), sales momentum has picked up, evidenced by 80% YoY order growth in Q126 and a doubling of sales guidance for 2026.

Valuation: reiterate Buy and PT of Rmb90.00 (WACC: 10.5%)

Our SOTP analysis suggests the UPW resin business would be valued at Rmb8bn/17bn in 2030E (base/blue-sky), based on on 30% net margin and 30x PE (largely in line with semi material peers).

Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	2,489	2,554	2,786	3,256	4,474	5,738	6,800	7,852
EBIT (UBS)	842	883	1,040	1,281	1,782	2,343	2,810	3,284
Net earnings (UBS)	717	787	897	1,228	1,768	2,337	2,777	3,235
EPS (UBS, diluted) (Rmb)	1.42	1.56	1.77	2.42	3.48	4.60	5.47	6.37
DPS (net) (Rmb)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	1,819	1,794	2,086	3,047	4,196	5,865	8,023	10,618
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	33.9	34.6	37.3	39.3	39.8	40.8	41.3	41.8
ROIC (EBIT) %	55.4	47.2	47.3	53.1	62.4	67.0	67.9	68.9
EV/EBITDA (UBS core) x	28.7	21.4	20.5	23.5	16.7	12.9	10.8	9.3
P/E (UBS, diluted) x	41.4	30.1	28.9	29.3	20.4	15.4	13.0	11.1
Equity FCF (UBS) yield %	2.0	2.6	2.2	2.7	3.2	4.6	6.0	7.2
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of Rmb 70.98 on 09-Jul-2026

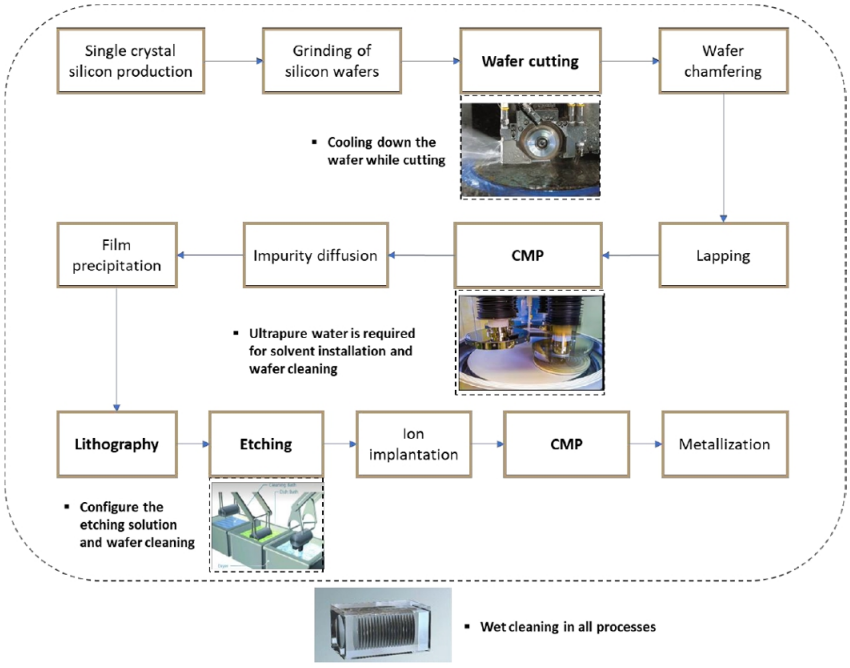
This report has been prepared by UBS Securities Co. Limited. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 12.**

1. Why is UPW needed for wafer manufacture?

UPW largely refers to water with resistivity of ≥18.2MΩ·cm (the lower the impurities, the higher resistivity). There are many specifications for UPW, including total organic carbon (TOC), dissolved silicon/oxygen/nitrogen and metal ions (for more detail, see Figure 18).

During the production process, the wafer needs to be thoroughly cleaned at each step to remove all impurities before beginning the subsequent step, which can affect the production yield. In addition to each step in the cleaning process, UPW is used in the chemical mechanical planarization, cutting and etching processes. Producing one 12-inch memory wafer requires 10-15 cubic metres (1 cubic metre = 1 tonne) of UPW.

Figure 1: UPW is used in wafer cutting, etching, CMP and all cleaning processes



Source: Company data, UBS-S

2. Why are resins needed in UPW production?

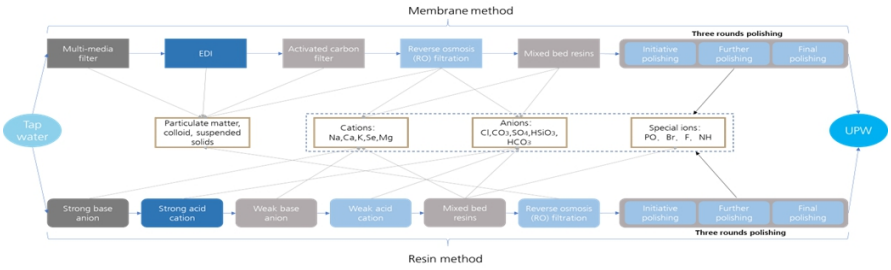
There are two main methods of producing UPW:

- **The membrane method** involves multi-media filters, electro deionization (EDI), activated carbon filter and reverse osmosis filtration (each use membranes) to pretreat the water, followed by a polishing process that uses resins.
- **The resin method** involves pretreating water with a variety of resins, followed by the polishing process. The resin method is more suitable in production environments that require large water flow and stable water quality (e.g. display panels).

The membrane method is relatively new and requires much larger initial investment and energy consumption (1.08kW·h/t for the membrane method vs. 0.84kW·h/t for the resin method); hence practical application remains difficult.

Both methods employ a polishing process (up to three rounds) that ultimately lifts water resistivity to above18.2MΩ·cm. As per our checks with experts, panels and semiconductors usually use the resin method.

Figure 2: UPW production process – membrane vs. resin method

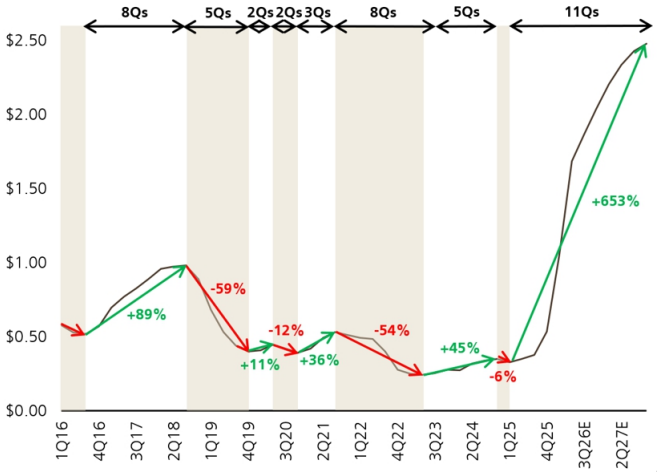


Source: Company data, UBS-S

3. Why do we expect upside for UPW resin?

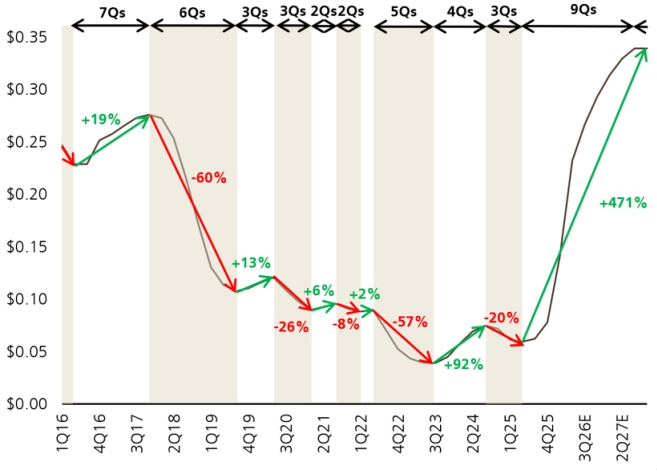
Driven by rising AI adoption and applications in edge computing (e.g. autonomous driving, humanoid robots), global wafer demand is set to increase, in our view, leading to a prolonged upcycle for memory globally.

Figure 3: DDR cycles in context (measured by ASP/GB of data)



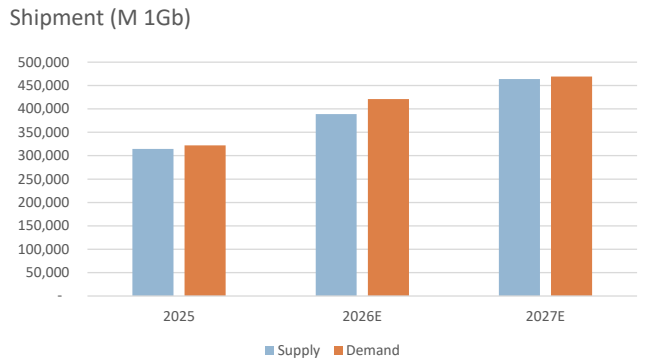
Source: Company data, UBS estimates

Figure 4: NAND cycles in context (measured by ASP/GB of data)



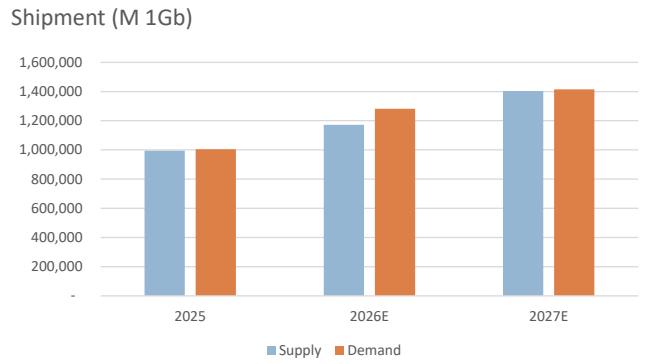
Source: Company data, UBS estimates

Figure 5: DRAM supply-demand by shipments



Source: Dell'Oro Group, Gartner, company data, UBS estimates

Figure 6: NAND supply-demand by shipments



Source: Dell'Oro Group, Gartner, company data, UBS estimates

In China the two local memory leaders, CXMT and YMTC, could expand capacity at a faster pace than US/Korean peers. For the two, UBS's Tech team expects a modest 17% capacity CAGR from 2025-27E. However, to fully gauge the UPW resin potential in the longer term, we set out three different capacity expansion scenarios (conservative/base case/blue sky) for CXMT and YMTC over 2025-30E. Our base case is that the combined

capacity for both companies would grow 4x, while our blue-sky scenario is a 6x expansion over the same period.

This would drive UPW resin consumption accordingly. As per an industry expert, a typical memory fab with 900k units pa capacity consumes 1.5k cubic metres of UPW per hour. In turn, it would consume c360 cubic metres of UPW resin per annum, including deionization, mixed bed, polishing and recycling water resins with a total resin value of Rmb25m.

After incorporating a steadily rising ASP due to tight supply, UPW resin TAM for both memory companies in China could reach cRmb315m/648m/956m in 2030E under our conservative/base case/blue-sky scenarios, up from cRmb116m in 2025.

Figure 7: UPW resin TAM (memory)

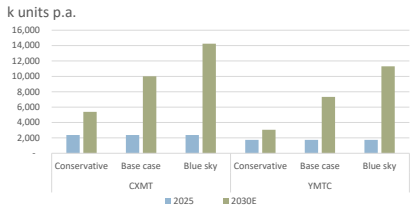
Memory		2025	2026E	2027E	2030E	Notes:
UPW resin consumption volume (m3)		**360**	**360**	**360**	**360**	
- Deionization		90	90	90	90	300-350 m3 replaced every 4 year
- Mixed bed		45	45	45	45	150-160 m3 replaced every 4 year
- Polishing		100	100	100	100	100 m3 replaced every year
- Recycling		125	125	125	125	400-600 m3 replaced every 4 year
UPW resin ASP (Rmb/L)		**70**	**77**	**81**	**93**	Assume 5-10% price hike per year
- Deionization		45	50	52	60	
- Mixed bed		70	77	81	93	
- Polishing		100	110	116	133	
- Recycling		65	72	75	86	
UPW resin consumption value (Rmb m/fab)		**25.3**	**27.9**	**29.3**	**33.6**	
- Deionization		4.1	4.5	4.7	5.4	
- Mixed bed		3.2	3.5	3.6	4.2	
- Polishing		10.0	11.0	11.6	13.3	
- Recycling		8.1	8.9	9.4	10.8	
Annual production capacity for single fab ('000 pieces)		900	900	900	900	Per industry experts
Total annual capacity of CXMT & YMTC ('000 pieces)	**Conservative**	4,116	4,908	5,616	8,435	
	Base case	4,116	7,409	13,336	17,337	
	Blue sky	4,116	10,290	20,580	25,566	
# of fabs	**Conservative**	5	5	6	9	
	Base case	5	8	15	19	
	Blue sky	5	11	23	28	
UPW resin TAM (Rmb m)	**Conservative**	**116**	**152**	**183**	**315**	
	Base case	**116**	**229**	**433**	**648**	
	Blue sky	**116**	**319**	**669**	**956**	

Source: Company data, UBS-S estimates

This should drive semi UPW resin TAM, including more advance logic chips, to Rmb1.5-2.2bn in 2030E under our three scenarios, up from Rmb860m in 2025. Together with UPW resins for display panels and nuclear reactors that are recording steadily growing capex in China, this could unlock total UPW resin TAM of Rmb4-5bn in 2030E.

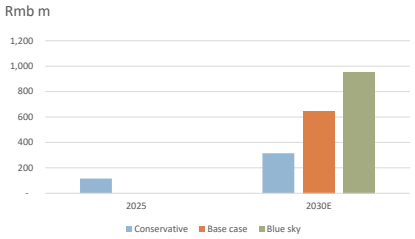


Figure 8: Three capacity expansion scenarios for CXMT and YMTC...



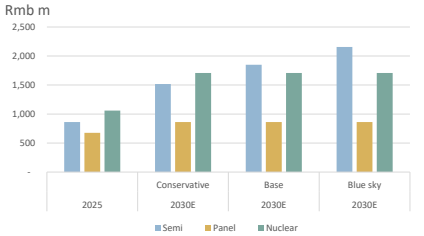
Source: Company data, UBS estimates, UBS-S estimates

Figure 9: ...leading to strong UPW resin TAM expansion for two memory foundries in 2030E



Source: Company data, UBS estimates, UBS-S estimates

Figure 10: Overall TAM of UPW resins could reach Rmb4-5bn by 2030E

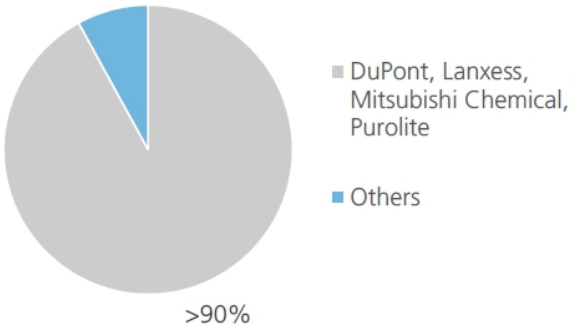


Source: Company data, UBS estimates, UBS-S estimates

4. Why is Sunresin well positioned in the segment?

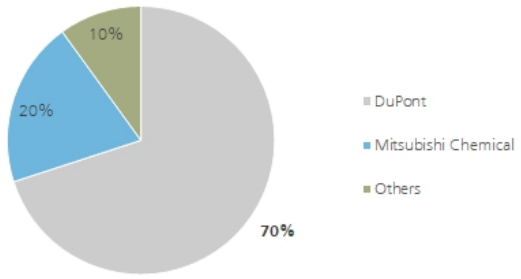
Four major companies (DuPont, Mitsubishi, Lanxess and Purolite) have over 90% shares of the global and China markets for UPW resin (DuPont/Mitsubishi have c70%/20% shares in China). Only DuPont and Mitsubishi can produce and supply polishing resins.

Figure 11: UPW resin global market share distribution (2025E)



Source: Company data, UBS-S estimates

Figure 12: UPW resin China market share distribution (2025E)



Source: Company data, UBS-S estimates

Due to sustained R&D, Sunresin broke the overseas producers' monopoly in jetting tech (a core technology that produces even-sized UPW resins) in 2019 and obtained a patent in 2021 to become the first manufacturer in China to master this technology. After years of testing and verification by downstream customers, Sunresin has penetrated key clients in the semi/panel/nuclear segments. Sunresin is the sole domestic firm with jetting tech.

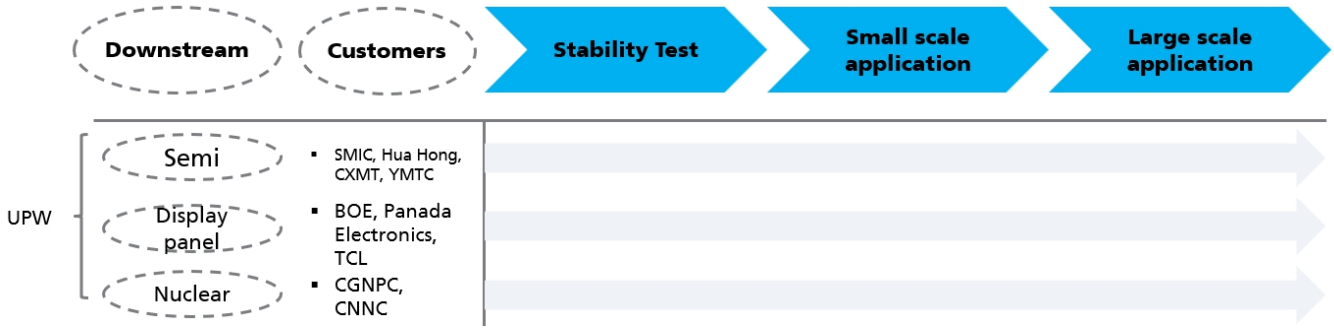
Regarding performance, Sunresin's UPW resins match leading companies in the segment. For high-end advanced logic chips, Sunresin's products have achieved 0.5ppb in terms of TOC, matching the quality/performance of overseas peers as per testing results from a top semi manufacturer in China. **On pricing**, Sunresin typically offers a 10-20% discount over overseas peers; the gap widened recently post price hikes by foreign companies (DuPont raised ASP for UPW resins 10-30% vs. Sunresin's minimal increase). **For capacity**,given rising demand from semi manufacturers, overseas companies are facing capacity constraints. It takes four to five years for overseas peers to expand UPW resin capacity, especially for companies involved in polishing, as per Sunresin. Sunresin has sufficient capacity on hand to maintain growth in the next few years and can quickly add capacity if demand rises, per management. **On the client front**,Sunrein has passed verifications from major clients in the semi, nuclear and panel segments, and has started to scale supply. For CXMT and YMTC, Sunresin has gained decent wallet share in replacement demand (we estimate c30%). Sunresin has said it is in a good position to pursueCXMT and YMTC's new projects.

Figure 13: Sunresin vs. Dupont – UPW resin specifications

Brand	DuPont		Sunresin	
Product specs	AmberTec™ UP6040		Monojet® 6040U	
Resin type	Cation resin (H)	Anion resin (OH)	Cation resin (H)	Anion resin (OH)
Uniform Coefficient	<=1.2	<=1.2	<=1.1	<=1.1
Average particle size(um)	525+/-50	630+/-50	600+/-50	630+/-50
Exchange volume capacity	>=2.0	>=1.1	>=2.1	>=1.1
Water content (%)	45-51	54-60	43-51	50-60
Hydrogen rate (%)	>=99	-	>=99	-
Hydroxide rate (%)	-	>=95	-	>=95
Delta TOC (ppb)*	**<=3** (at 2 hour rinse)		**<=0.5** (after 80 bv rinse)	

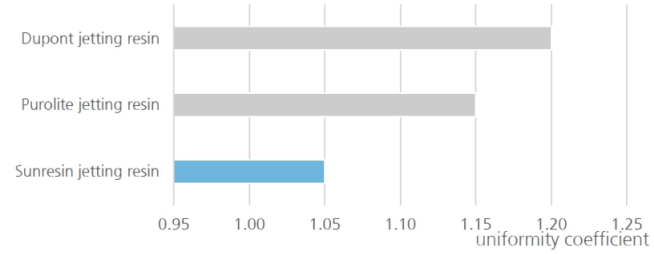
Source: Company data, DuPont, UBS-S. * Delta of TOC between the resin input and output. Note: Important measurement of final water cleanliness; the lower the better. Normally for IC industry Delta TOC has to drop below 1ppb in a short timeframe

Figure 14: Sunresin's progresses in UPW resins



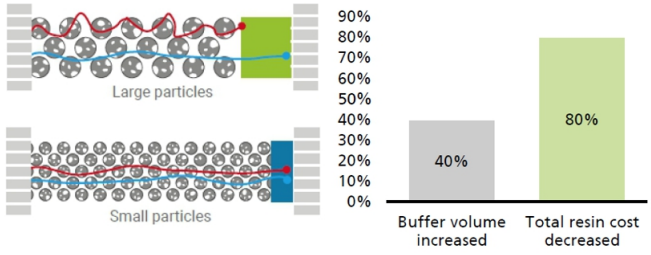
Source: Company data, UBS-S

Figure 15: Sunresin's jetting resin UC ahead of Purolite and traditional resins



Source: Company data, Purolite product handbook, UBS-S. Note: UC close to 1 suggests better adsorption

Figure 16: Lower UC leads to higher buffer volume and lower resin cost



Source: Company data, Purolite product handbook, UBS-S

5. Why does Sunresin deserve a re-rating?

Firstly, TAM is substantial and should expand rapidly in the next five to 10 years. More importantly, the competitive landscape remains favourable for Sunresin, in our view. As the sole domestic company able to substitute the two overseas companies and based on the nature of the product (critical for the operation of semi/nuclear plants), we flag substantial upside potential for Sunresin in both the replacement and new instalment markets. Moreover, companies along the semi value chain have re-rated substantially. Semi gas manufacturers including Guanggang, Jinhong and Huate, whose products we think are comparable in nature to UPW resin, trade on average at 69x 2028F PE (based on Wind consensus).

Specifically, our base cases assumes Sunresin's UPW resin market share in China increases from 5% in 2025 to 20% in 2030E, leading to total UPW resin sales of Rmb884m by 2030E vs. cRmb100m in 2025. In our blue-sky scenario, wallet share would reach 40%, generating Rmb1.9bn in sales by 2030E. Sales momentum has started to pick up after Q126 UPW resin orders rose 80% YoY, and management remains confident that sales would double in 2026 from Rmb100m in 2025 and double again in 2027F.

Along with strong margins (30%+ net profit margin), this could drive incremental net profit of Rmb567m in our blue-sky scenario. Assuming 30x 2030E PE, similar to the semi materials value chain, this implies a market cap of Rmb17bn in 2030E.

Figure 17: Gauging the market cap upside for Sunresin's UPW resin (2030E)

Rmb m	Market share	Sales	Net profits	PE	Market cap
Base	20%	884	265	30	7,956
Blue sky	40%	1,891	567	30	17,020

Source: Company data, UBS-S estimates