E-Town Semis (688729.SS): Riding on memory and advanced node capacity expansion in local market; maintain Neutral on fair valuation

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We remain positive on the China Semi supply chain, riding on rising advanced node capacity expansion and the generative AI trend supporting China semis ecosystem development. Media reports (Link) of a long-term supply agreement between CXMT and Tencent for server DRAM chips indicate strong demand from local clients and mix upgrade towards high-end applications. We expect E-Town to benefit from the China Semi capex uptrend, along with its supply chain switching to China suppliers, driving the company's revenue growth and profitability improvement. The company's 1Q26 GM was higher than our estimate, representing 3 consecutive quarters with GM over 40%, while 1Q26 revenue was lower than our estimate, which we attribute to new products' ramp up taking more time. We maintain our Neutral rating as we believe the positives are largely priced in.

Earnings revision: We factor in E-Town's 4Q25 and 1Q26 results and revise down our 2026E net income by 5%, mainly on lower revenues. We lower our 2026E revenue to reflect the 1Q26 revenue miss due to new products' ramp up taking more time, but raise 2027-28E revenues as we expect E-Town to benefit from memory and advanced node capacity expansion in the local market. We raise our 2026-28E GMs to reflect the company moving its supply chain to China suppliers. Our 2026-28E opex ratios are largely unchanged, leading to 2026-28E net incomes -5% / +4% / +6%.

Exhibit 1: Earnings revision

	2026E			2027E			2028E		
Rmb mn	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	7,131	6,204	-13%	8,762	8,938	2%	9,936	10,231	3%
GP	2,747	2,465	-10%	3,438	3,584	4%	3,921	4,136	5%
OP	1,337	1,185	-11%	1,979	2,078	5%	2,317	2,463	6%
Net income	1,298	1,235	-5%	1,877	1,950	4%	2,173	2,294	6%
Margins									
GM	38.5%	39.7%		39.2%	40.1%		39.5%	40.4%	
OPM	18.7%	19.1%		22.6%	23.3%		23.3%	24.1%	
NM	18.2%	19.9%		21.4%	21.8%		21.9%	22.4%	

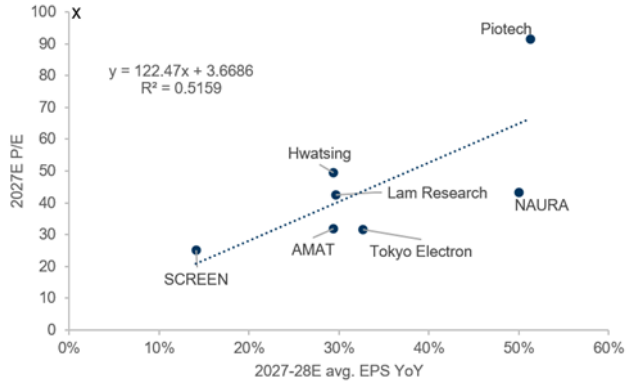
Source: Company data, Goldman Sachs Global Investment Research

Valuation: We roll over our base year to 2027E and continue to use a near-term P/E to derive our 12M TP. Our 2027E target P/E is updated to 49.9x (vs. 45.9x previously), which is derived from peers' correlation of 2027E P/E to 2027-28E avg. EPS growth, and reflects the sector re-rating on memory and advanced node capacity expansion and rising AI related end demand. With the updated target multiple and earnings estimates, our 12M TP is updated to Rmb32.9 (vs. Rmb28.9 previously). Our new TP

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implied PEG is at 1.3x, within peers' range of 0.9x to 1.8x. **The stock currently trades at 57.9x 2027E P/E, vs. our 2027E target P/E at 49.9x, implying the positives are largely priced in. Maintain Neutral.**

Exhibit 2: Peers' correlation of 2027E P/E to 2027-28E avg. EPS growth



Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 3: E-Town Semis 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: E-Town and peers' PEG

	Ticker	Rating	2027E PE	2027-28E avg. EPS growth	PEG
NAURA	002371.SZ	Buy	43.3	50%	0.9
Piotech	688072.SS	NC	91.5	51%	1.8
Hwatsing	688120.SS	Neutral	49.5	29%	1.7
Lam Research	LRCX	Buy	42.6	30%	1.4
E-Town Semi	**688729.SS**	**Neutral**	**49.9**	**38%**	**1.3**

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 5: E-Town P&L summary

Rmb m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Income statement																	
Revenues	1,160	1,322	1,314	1,280	1,037	1,230	1,962	1,975	4,763	3,931	4,633	5,076	6,204	8,938	10,231	11,317	12,318
GP	413	478	528	523	415	488	778	784	1,358	1,377	1,732	1,942	2,465	3,584	4,136	4,573	4,984
OP	97	134	202	183	114	166	450	455	385	275	494	615	1,185	2,078	2,463	2,734	3,031
Net income	218	130	168	155	159	168	452	455	383	309	541	671	1,235	1,950	2,294	2,514	2,765
EPS (Rmb)	0.07	0.04	0.06	0.05	0.05	0.06	0.15	0.15	0.14	0.12	0.20	0.23	0.42	0.66	0.78	0.85	0.94
Margins																	
GM	35.6%	36.1%	40.1%	40.9%	40.0%	39.7%	39.6%	39.7%	28.5%	35.0%	37.4%	38.3%	39.7%	40.1%	40.4%	40.4%	40.5%
OPM	8.4%	10.1%	15.3%	14.3%	11.0%	13.5%	23.0%	23.0%	8.1%	7.0%	10.7%	12.1%	19.1%	23.3%	24.1%	24.2%	24.6%
NM	18.8%	9.9%	12.8%	12.1%	15.4%	13.6%	23.1%	23.1%	8.0%	7.9%	11.7%	13.2%	19.9%	21.8%	22.4%	22.2%	22.4%
Ratios																	
Opex ratio	27.3%	26.0%	24.8%	26.6%	29.0%	26.2%	16.7%	16.7%	20.4%	28.0%	26.7%	26.1%	20.6%	16.9%	16.4%	16.3%	15.9%
Tax rate	-19.0%	-0.4%	17.1%	6.2%	0.0%	0.0%	0.0%	0.0%	4.4%	-16.8%	-5.6%	1.4%	0.0%	7.2%	8.0%	9.0%	10.0%
YoY																	
Revenues	15%	23%	6%	-2%	-11%	-7%	49%	54%	47%	-17%	18%	10%	22%	44%	14%	11%	9%
GP	12%	4%	12%	22%	0%	2%	47%	50%	39%	1%	26%	12%	27%	45%	15%	11%	9%
OP	23%	-7%	21%	73%	18%	24%	123%	149%	78%	-29%	80%	24%	93%	75%	19%	11%	11%
Net income	113%	-11%	-2%	29%	-27%	29%	170%	194%	111%	-19%	75%	24%	84%	58%	18%	10%	10%
QoQ																	
Revenues	-11%	14%	-1%	-3%	-19%	19%	60%	1%									
GP	-4%	16%	10%	-1%	-21%	18%	59%	1%									
OP	-8%	38%	50%	-9%	-38%	45%	172%	1%									
Net income	80%	-40%	29%	-8%	3%	5%	169%	1%									

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We derive our 12M TP of **Rmb32.9** on a target P/E multiple of 49.9x 2026E EPS. Our target P/E of 49.9x is derived from the correlation between P/E and EPS growth of E-Town's peers, based on E-Town's 2027-28E EPS YoY growth.

Key risks: Faster-/slower-than-expected semis capex expansion in China; Milder-/fiercer-than-expected competition; Faster-/slower-than-expected ramp up of RTP and dry etcher's shipments

688729.SS	12m Price Target: **Rmb32.90**	Price: **Rmb37.57**	Downside: **12.4%**

Neutral

Market cap:
Rmb111.0bn / $16.3bn
Enterprise value:
Rmb108.9bn / $16.0bn
3m ADTV:
Rmb796.6mn / $117.3mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?:
Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**5,076.3**	**6,204.4**	**8,937.8**	**10,231.4**
Revenue (Rmb mn) Old	5,076.3	7,131.3	8,762.3	9,935.5
EBITDA (Rmb mn)	777.7	1,324.2	2,195.8	2,579.1
EPS (Rmb) New	**0.23**	**0.42**	**0.66**	**0.78**
EPS (Rmb) Old	0.23	0.44	0.63	0.74
P/E (X)	112.3	89.9	56.9	48.4
P/B (X)	8.4	10.9	9.2	7.7
Dividend yield (%)	0.1	0.0	0.0	0.0
CROCI (%)	1.0	20.8	27.9	29.5

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	0.05	0.06	0.15	0.15

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 9 Jul 2026 close.

