China Memory: Expert call takeaways: Capacity, Product, Price; Buy China SPE

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We hosted the China Memory Expert Webinar on July 24. The discussion was mainly on China DRAM capacity expansion, product development, and overall memory price trends. The expert's comments echoes our positive view on China SPE, which we expect to ride on the local foundries' and memory factories' capacity expansion in coming years, with growing adoption of local SPEs. **Buy:** Naura, AMEC, ACMR, Kematek; **Read more:** China Semis self-sufficiency (2023), China Semi's accelerating momentum (2024), China Semi's capex and migration (2025).

Key takeaways

1. Capacity in expansion: The expert is positive on local DRAM suppliers capacity expansion in coming years, and believes annual capacity for the industry leaders could more than double by 2030 compared to current level, where the expert sees capacity expansion across Hefei, Shanghai and Beijing that should all be fully operational by 2028 which, along with a mega site starting to contribute beyond 2028, should continue driving local DRAM supply. The expert also sees that this new DRAM capacity is not only using global-tier SPEs but also local SPEs, with some factories mainly using local SPEs excluding premium equipment (e.g. lithography).

2. Product development: The expert sees local DRAM suppliers' products continuing to evolve. Take the local leader, for example, that as it upgrades production processes, it also brings further product development progress compared to last year, despite their DRAM product still lagging global peers (e.g. slower speed). HBM3 & 3E production remains the target for the local leader in 2026E, per the expert. Given SPE constraints (e.g. EUV, extreme ultraviolet lithography), local DRAM suppliers would need to use DUV (deep ultraviolet lithography) or other innovative manufacturing processes to develop high-end products (e.g. 3D DRAM), and the expert believes that 3D DRAM could see new advances in product development in 2027E.

3. Memory price trend: The expert believes local suppliers' DRAM price is at a similar level to global-tier suppliers, despite a yield rate that could be lower. On memory pricing trends, the expert expects a smaller degree of increase in 3Q / 4Q26 compared to 1H26, given smartphone brand makers' pushback on the higher costs; nevertheless, the demand from AI across China and overseas markets remains strong, supporting continued memory price increases in 2027E. The expert also does not expect global-tier suppliers to transfer HBM capacity back to traditional DRAM in the near term, considering the strong AI demand, and expects more long-term

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contracts between memory suppliers and customers, which is positive to memory price stabilization.

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