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China Semiconductors

China Semicap: Reaccelerating growth with $100bn TAM


Qingyuan Lin, Ph.D.
+852 2123 2654
qingyuan.lin@bernsteinsg.com


Stacy A. Rasgon, Ph.D.
+1 213 559 5917
stacy.rasgon@bernsteinsg.com


David Dai, CFA
+852 2918 5704
david.dai@bernsteinsg.com


Kai Zhang
+852 2123 2665
kai.zhang@bernsteinsg.com


Francis Ma
+852 2123 2626
francis.ma@bernsteinsg.com


Alrick Shaw
+1 917 344 8454
alrick.shaw@bernsteinsg.com


Arpad von Nemes
+1 917 344 8461
arpad.vonnemes@bernsteinsg.com


Juho Hwang
+81 3 6777 6980
juho.hwang@bernsteinsg.com


Carmine Milano, CFA
+44 20 7762 1857
carmine.milano@bernsteinsg.com


Jack Lin
+852 2123 2683
jack.lin@bernsteinsg.com

We provide more details to our China WFE model update in this report following our global WFE model update (updated China WFE model here). We now project China WFE TAM to reach USD 57/73/101 bn from 2026-28 (was 58/67/77 bn), as we continue to see the capacity expansion for logic/memory in China is stronger than expected. Local semicap stocks were already up 60%-110% YTD, but we continue to see more upside from here, as we expect their revenue growth rate in 2028 will be even stronger than 2027. **Reiterate Outperform for NAURA, AMEC, Piotech, PT revised up to CNY 1380/660/1200 (was 680/336/580) respectively.**

Significantly stronger China WFE demand in 2027/28 will drive revenue growth reacceleration for local WFE vendors in 2027/28. As we continue to get more confirmation from our channel check over the past quarter, stronger AI demand and higher urgency for localization across the supply chain is pushing local fabs (both logic and memory) to start more clean room construction in 26/27, as a result we saw significantly stronger WFE demand in 27/28 (the clean room lead time is about 1 year). For local vendors, we expect the order growth in 2027 to be faster than 2026, which indicate that their average 2028E revenue growth (+93% YoY) will be faster than 2027E (+68% YoY), on top of an already strong growth in 2026E (+41% YoY). With the second derivative of revenue growth still accelerating, it's too early to call it an end.

Logic demand in China is still massively underestimated, we revised up logic WFE by 4.7/16.1bn in 2027/28. We became a lot more positive on both advanced logic and matured logic demand projection. For advanced logic, the introduction of Huawei's Tau (τ) Scaling Law gives us confidence on much stronger advanced logic demand in China. It brings two key changes, each single chip with LogicFolding will now consume at least 2x wafer, and the ability to build superPoD even more powerful than Nvidia NVL72 will allow local AI chips to also capture the demand for AI training on top of inferencing. We believe China's demand for advanced logic is going to surge to support massive compute power requirement in the following years, WFE demand for advanced logic expected to reach USD 26/33bn in 2027/28, +13%/+30% YoY respectively (from a relatively high base). This will also bring clear upside for matured logic demand, we expect each advanced logic wafer will need to pair with 2-3 wafers of mature logic (for analog, discrete, MCU etc.). At the same time the strong demand for memory also incentivize local memory IDMs to outsource part of their production (the CMOS portion) to matured logic foundries as a way to accelerate capacity expansion, starting from YMTC on their XStacking followed by CXMT on their CBA structure for 4F2, this further adds on to the shortage for mature logic especially given most foundries/IDM are already at full utilization and global peers are cutting 8-inch supply. As a result, we project mature logic to enter another phase of capacity expansion in 2027/28, WFE demand expected to reach USD 21/25bn, implying +10%/+22% YoY growth respectively.

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Memory WFE is revised up by 1.7/8.0 bn in 2027/28, as JHICC also start to add more capacity. Memory is still the segment we expect to have the fastest growth, but most of the upside is already expected, with JHICC as the major incremental upside in this revision, both confirmed by local and global vendors. We forecast China WFE demand from memory vendors to reach $14/$26/$42 billion in 2026-2028, representing 88%/81%/62% YoY growth respectively. Such a strong growth is generated by considering both capacity addition from CXMT and YMTC and production resumption from JHICC. Note that Chinese memory players can ramp up new clean room just within one year compared to global players that need 2-3 years, allowing them to accelerate the capex spending much faster than global peers for the next two years. Recent CXMT IPO and the coming YMTC IPO also allow them to have much more cash to spend for capex. In addition, the AI chip localization also indicates that China will need its own HBM and eSSD to power the local AI datacenters, which could further boosted China's demand on DRAM and NAND capacity and also brings additional upside to our memory projection.

Together with strong demand momentum, local vendors continue to take share from global peers. Before 2025, the increased in localization ratio was mainly driven by advanced logic and NAND due to higher urgency, but in 2026 DRAM localization is expected to experience a step change due to the new import restriction for CXMT in early 2025 which forced them to witch away from US vendors. Matured logic localization is picking up gradually as the performance of local tools improves. With some stockpiling of global tools in 2023-26, the localization ratio was underestimated. We now forecast localization ratio to reach 37%/52% in 2027/28.

We revised up our semicap models to reflect these changes, top pick NAURA. We updated our company models and target prices for NAURA, AMEC and Piotech to reflect the upside they are sharing within China WFE industry. To be more specific: we increased **NAURA**'s EPS in 2026E/2027E/2028E by 5%/23%/89% respectively and updated its target price to CNY 1,380 (was 680), implying 32x P/E multiple against 2028E EPS, NAURA is our top pick as they benefit the most from advanced logic capacity expansion with almost 40% order exposure, however we also expect their 2Q26 earnings to miss, so best to wait for the dip from the earnings; we increased **AMEC**'s EPS in 2026E/2027E/2028E by 64%/59%/121% respectively and updated its target price to CNY 660 (was 336), implying 39x P/E multiple against 2028E EPS; and we increased **Piotech**'s EPS in 2026E/2027E/2028E by 3%/28%/90% respectively and updated its target price to CNY 1,200 (580), implying 36x P/E multiple against 2028E EPS. Next catalysts to watch out for: the new Huawei mobile AP Kirin 2026 tear down (the first LogicFolding chip), deployment of Huawei superPoD Atlas 950 with up to 8192 chips, and YMTC IPO prospectus.

BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	11 Aug 2026 Closing Price	Price Target	TTM Rel. Perf.	Reported EPS Cur	2025A	2026E	2027E	Reported P/E (x) 2025A	2026E	2027E
688012.CH (AMEC)	O	CNY	363.10	**660.00**	149.7%	CNY	2.28	**5.44**	**7.65**	159.1	66.7	47.5
OLD				335.57				3.32	4.82			
002371.CH (NAURA)	O	CNY	746.10	**1,380.00**	93.4%	CNY	5.66	**10.76**	**20.21**	131.8	69.4	36.9
OLD				680.00				10.22	16.41			
688072.CH (Piotech)	O	CNY	700.00	**1,200.00**	298.7%	CNY	3.32	**8.39**	**15.90**	210.8	83.5	44.0
OLD				580.00				8.12	12.40			
AMAT (Applied Materials)	O	USD	522.12	675.00	165.1%	USD	9.42	12.17	16.68	55.5	42.9	31.3
LRCX (Lam Research)	O	USD	306.40	385.00	183.2%	USD	5.82	9.22	10.97	52.7	33.2	27.9
KLAC	O	USD	192.74	250.00	97.4%	USD	3.76	5.47	7.05	51.3	35.2	27.3
8035.JP (Tokyo Electron)	O	JPY	56,750	79,300	125.8%	JPY	1,250.88	1,687.17	2,635.81	45.4	33.6	21.5
7735.JP (Screen)	M	JPY	13,175	15,000	77.6%	JPY	486.61	574.49	759.55	27.1	22.9	17.3
6525.JP (Kokusai)	O	JPY	8,006.00	12,420	117.8%	JPY	128.63	262.29	373.69	62.2	30.5	21.4
6920.JP (Lasertec)	O	JPY	39,590	54,000	117.8%	JPY	863.65	1,185.31	1,348.53	45.8	33.4	29.4
ASML (ASML)	O	USD	1,733.48	2,859.00	127.4%	USD	27.95	44.01	60.58	53.7	34.1	24.8
ASML.NA (ASML)	O	EUR	1,554.00	2,500.00	126.5%	EUR	24.72	38.91	53.56	62.9	39.9	29.0
ASIAX			1,926.85									
SPX			7,753.11									
JPL			2,666.30									
EDME			1,639.69									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

AMAT, LRCX, KLAC estimate is Adjusted EPS; AMAT, LRCX, KLAC valuation is Adjusted P/E (x); LRCX, KLAC, 6920.JP base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

NAURA (Outperform, CNY **1,380.00**): As the domestic WFE leader, NAURA has the broadest product portfolio covering Deposition (PVD, CVD), Dry Etch (ICP), Thermo Processes, and Cleaning, as well as a more diverse client base covering leading logic, DRAM, NAND players, benefiting from the WFE domestic substitution in China with acceleration share gain.

AMEC (Outperform, CNY **660.00**): Primarily focused on Dry Etch (CCP, ICP) with rapid expansion in Deposition (ALD, LPCVD, EPI), commonly perceived as the domestic WFE company with the best technology and widest global recognition, continue to benefit from the WFE domestic substitution in China with acceleration share gain.

Piotech (Outperform, CNY **1,200.00**): Rising domestic WFE vendor primarily focused on Deposition (PECVD, HDPCVD, SACVD, ALD) with expansion in W2W and C2W hybrid bonding equipment for advanced packaging. Piotech has a strong track record of product innovation, which should allow it to benefit from the WFE domestic substitution in China with acceleration share gain.

Tokyo Electron (Outperform, ¥**79,300**): TEL is the #4 SPE supplier globally and the biggest Japanese SPE supplier with major presence in 6 product segments. It is expected to gain share and expand margins with competitive pricing after yen depreciation.

Kokusai (Outperform, ¥**12,420**): Batch ALD should see more adoption in advanced nodes especially GAA (gate-all-around). The biggest use of batch ALD is in NAND, and NAND capex recovery is accelerating.

Screen (Market-Perform, ¥**15,000**): Cleaning intensity is not increasing, and the market is competitive with both global rivals (TEL, Lam) and Chinese (ACMR, Naura). Potential upside from panel level packaging is worth watching.

AMAT (Outperform, $**675.00**): We maintain a positive view on secular WFE growth and see a number of drivers for AMAT including SAM growth, an increasing services narrative, and capital return.

LRCX (Outperform, $**385.00**): CY25 commentary seems supportive, and a NAND upgrade cycle may be starting.

KLAC (**Outperform**, $**250.00**): Amid positive WFE trends KLAC possesses structural growth drivers, a strong and durable competitive position, lower China replacement risk, and disciplined capital allocation, warranting premium valuation

ASML (Outperform, EUR **2,500.00**): We adopt a conservative stance on ASML's growth profile relative to consensus and guidance. While ASML's technological leadership and the critical role of EUV lithography are clear, our revenue forecast for 2030 aligns with the lower end of ASML's guidance and is 20% below consensus, with lower assumptions for EUV and China.

DETAILS

FURTHER REVISING UP CHINA WFE DEMAND

After witnessing existent Litho shortage and strong capacity expansion plans in the following years among both memory and logic foundries, we adjusted our China WFE demand forecast by revising down 2026 number by 2% and revising up 2027 and 2028 demands by 10% and 31% separately. As a result, China WFE demand will reach $57.0 billion/$73.0 billion/$101.0 billion in 2026/2027/2028, indicating 26% CAGR from 2025 to 2028. We believe that domestic vendors are the major beneficiaries from China WFE's high demand growth, and they will achieve 66% CAGR in the same time horizon, bringing up self-sufficiency to 52% in 2028.

Imports in 2026 has been revised down to around $41 billion, but still slightly higher than the level in 2025. Within the recent earning releases, we observed leading global incumbents signals lower revenue contribution from China compared with historical levels. While strong momentum in Advanced Logic and DRAM worldwide is definitely playing a role in the migration, we recognize that the willingness for Chinese foundries purchasing WFE from foreign vendors has been decreasing as well. This is also endorsed by management comments from Lam Research: the trend of declining revenue from its indigenous Chinese customers will likely hold in the rest of the year. Together with relative weak imports data (-10% YoY for 1H26, but we are still positive on the outlook for 2H26), we believe it is reasonable to assume that imports will remain flat at an elevated level. Although less exciting, the level achieved in 2025 has already been the historical high, indicating that an elevated flat level in 2026 does not infer an overall slowdown in China WFE demand, especially when we count in domestic growth.

Domestic players are expected to grow 41% to $16 billion in 2026. We hold high confidence that Chinese domestic players will further grow, as their 2026 revenue should be largely in line with their 2025 order, and now we are revising 2026 domestic revenue up by $1 billion to $16 billion as we have more visibility on it. Import data may still be inflated & twisted given the potential stock up, but the rapid progress of local vendors at least reflect the compound effects we keep emphasizing: (1) fast capacity expansion & (2) fast domestic substitution.

Early visibility on 2027/2028 is significantly more positive than our previous projection. We significantly further revised up our 2027 and 2028 China WFE market assumptions by $6.3 billion and $24.0 billion respectively. We also assume import will achieve single-digit CAGR between 2025 and 2028, but early order guidance of domestic players have shown that YoY growth rate in 2027/2028 may further increase to 68%/93%, resulting in an absolute value of $27/$52 billion, respectively. Together with import, total China WFE market in 2027E/2028E could reach $73 billion/$101 billion. Per our channel checks, our confidence on these numbers comes from strong capacity expansion plans among all sectors, including advanced logic, mature logic, DRAM and NAND.

Domestic vendors are still taking share from global players, and we expect this trend to be inevitable & irreversible. **We rate NAURA, AMEC, and Piotech Outperform.**

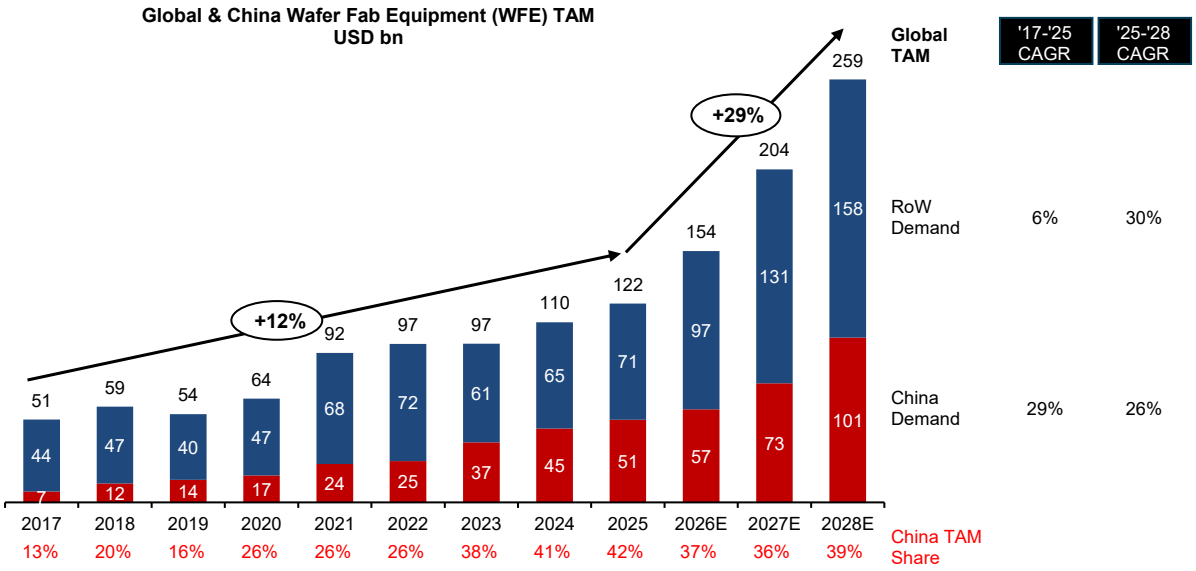
We revise up our China WFE market forecast in this call:

- **China has gradually stepped out of the spotlight, as global wafer fabrication equipment (WFE) demand from 2026 onward is increasingly driven by overseas markets**. We forecast RoW WFE to achieve 30% CAGR from 2025 to 2028. In contrast, China's WFE demand is projected to grow by 26% CAGR in the same time horizon, reflecting a high base effect. As a result, China's share of global WFE demand is expected to decline to 36%~39% in 2026E to 2028E, down from a peak of 42% in 2025.

- **That said, localization in China is expected to continue progressing**. We assume that the global suppliers' revenue can only achieve single-digit CAGR between 2025 and 2028 in China, leading to the absolute value gradually increasing toward USD 50 billion. Notably, this USD 50 billion includes both on-the-ground capacity expansion demand and potential inventory stockpiling (i.e., global equipment pre-purchase before local equipment move in as the lead time for global tools are uncertain). Revenue growth for domestic vendors reflects the combined impact of: (1) ongoing capacity expansion with stronger demand across all sectors, and (2) further increases in the localization ratio, which remains the primary driver of China's WFE growth. Consequently, we expect China's semiconductor equipment self-sufficiency ratio to rise to 28% in 2026E and 37% in 2027E and 52% in 2028E.

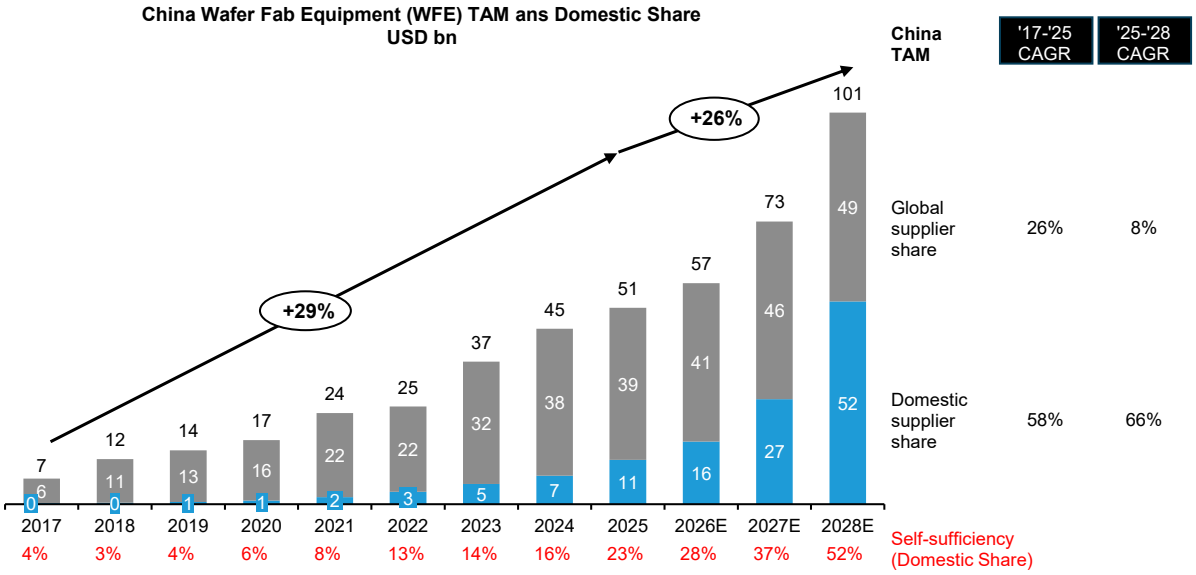
Exhibit 1 and Exhibit 2 summarize our China WFE demand/supply analysis.

EXHIBIT 1: **Global WFE: China demand expected to be continue strong while non-China will grow stronger going forward**



Source: Gartner, SEMI, Bernstein estimates and analysis

EXHIBIT 2: **China WFE: Acceleration in domestic substitution continues, expect the self-sufficiency to reach 52% by 2028**



Source: Gartner, SEMI, Company reports, Bernstein estimates and analysis

A few highlights to the industry model update (Exhibit 3):

From a supply side perspective:

- For 2025 China WFE market, our analysis stays the same with previous version, implying a total supply of $50.6 billion with $11.5 billion from domestic suppliers and $39.2 billion from overseas suppliers (23% self-sufficiency ratio).

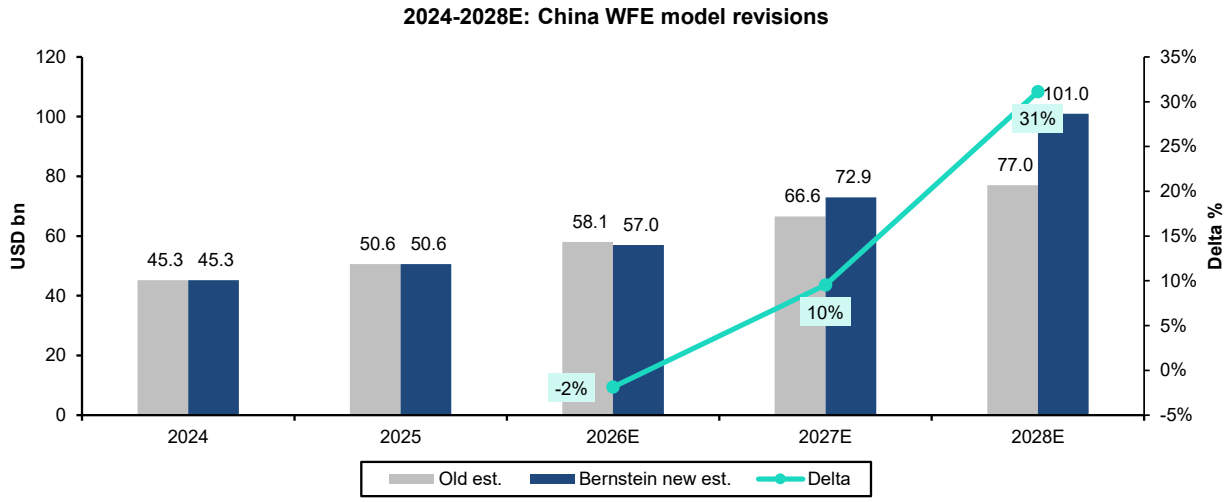
- For 2026 China WFE market, we now lower our China WFE market forecast to grow 13% YoY to $57 billion. The downsizing mainly comes from our conservative view for the full year import. Within the most recent earnings releases, all the top global players reconfirmed the flattish trend they previously observed for China business and expected the trend to stay in the later part of the year (Exhibit 5). The customs' import data we are tracking also indicates 10% YoY decline in 1H26. Although we remain confident that the situation will recover in second half due to much stronger memory WFE import, the full year performance may still slightly weaker than our previous forecast. Meanwhile, we would also like to remind that $39 billion in 2025 marked a record high import in history. Therefore, even such a flattish forecast makes Chine WFE import to be another elevated year. On the other hand, we now have higher visibility on domestic players' new order guidance from 2025 onward, which are their 2026 revenue sources (mostly due to revenue recognition difference between domestic vendors vs. overseas vendors, where the former need almost 1 year from order to revenue while the latter just need 1~2 quarters as long as the equipment leave the shore). Based on recent channel check, we are confident to further raise up domestic vendors' revenue to $16 billion, indicating a 41% YoY growth. All together, we forecast China WFE market to keep growing, mainly driven by strong performance of domestic vendors.

- Signals on 2027/2028 give us more confidence to be optimistic. We admit that we also have very limited visibility about how 2027/2028 import will look like, but right now we are modeling single-digit CAGR from 2025 to 2028, given China WFE demand in the following years will grow way much higher. On the flip side, domestic 2026 order guidance looks rather positive and may even further accelerate, hence we now model 2027E domestic revenue YoY+68% to $27 billion and 2028E +93% to $52 billion. We consistently view the next several years as an overwhelming upcycle for China WFE vendors.

From a demand side perspective:

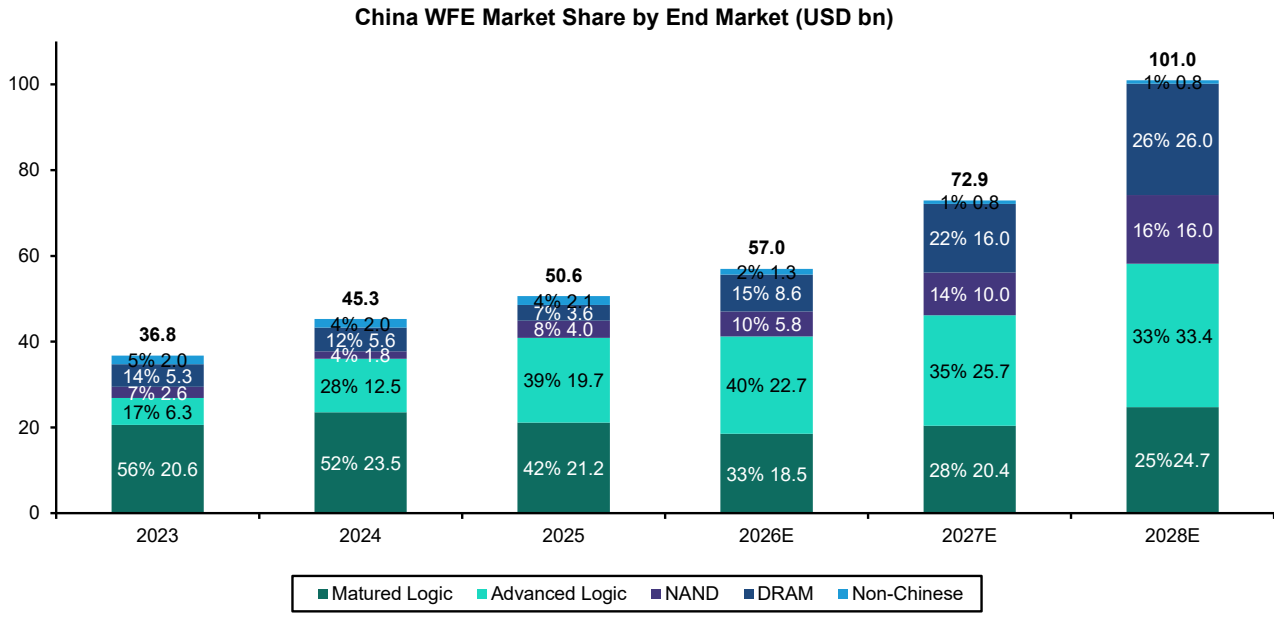
- We revise up our assumptions on capex on all sectors, including memory, advanced logic, and mature logic, due to better than expected capacity expansion based on our channel check. We think next two years there will be massive expansion in domestic Advanced Logic & Memory to meet the surging demand of local AI. And mature logic will also welcome substantial capacity growth in order to ease tight supply and demand caused by spillover effect from local AI development. For our view on domestic Advanced logic & AI, please see our report here.

EXHIBIT 3: **We revised up 2026E/2027E/2028E by -$1.1/$6.4/$24.0 billion**



Source: SEMI, company reports, Bernstein analysis and estimates

EXHIBIT 4: **We revised up our numbers due to stronger CapEx among full spectrum**



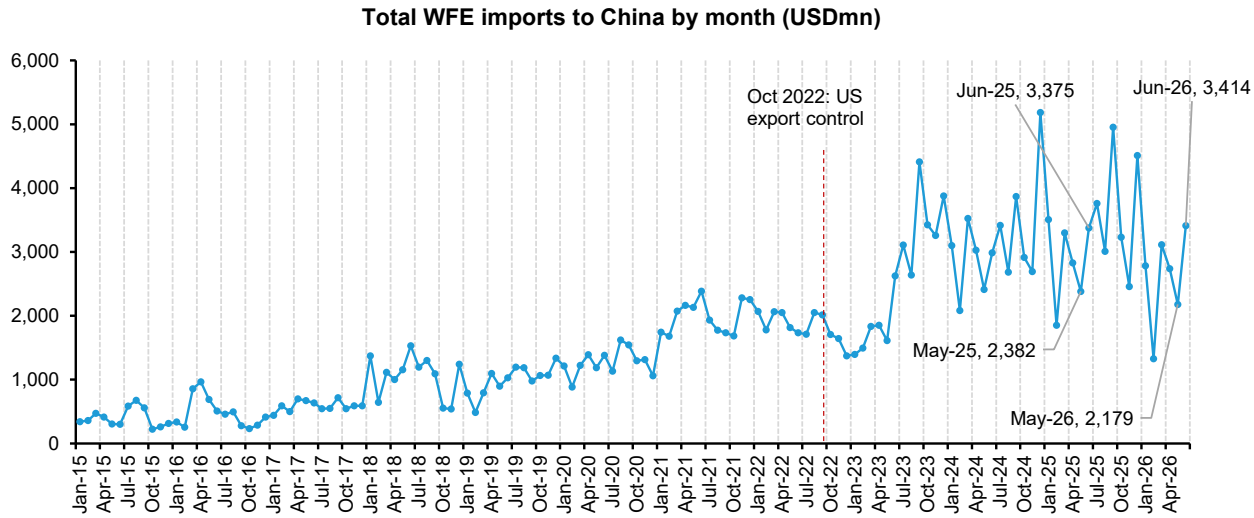
Source: Company reports, Bernstein analysis and estimates

EXHIBIT 5: **All five companies expect China WFE to be roughly flat YoY but China as a percentage of revenue to normalize lower in 2026 vs. the elevated 2024–2025 levels**

Company	Ticker	Lastest Comments on China WFE (CY3Q26 & CY2026)
ASML	ASML.NV	ASML guided China to represent approximately 20% of total net sales in 2026, consistent with its current system backlog — a significant decline from 33% in 2025 and 41% in 2024. Management views the elevated 2024–2025 China sales levels as unsustainable, reflecting a normalization after fulfilling a substantial backlog.
Applied Materials	AMAT	In Q2 FY2026, China accounted for 24% of semiconductor systems plus AGS revenue, down from 30% of overall sales in Q1 FY2026, where revenue declined 7% year-over-year. For the full calendar year, Applied Materials expects its China business, along with its ICAPS business worldwide, to be flat to slightly higher — an improvement from the prior guidance of down year-over-year.Management expects China to be flat to slightly up for the calendar year, with ICAPS globally also guided to be flattish.
Lam Research	LRCX	China accounted for 26% of total revenue in Q4 FY2026, further decreased from 34% in Q3 FY2026, also the lowest quarter in absolute terms in FY2026. Lam explained that revenues from global multinational custormers with fabs in China increased while revenues from indigenous Chinese customers decliend, and it anticipates that similar trend will hold in the later part of the year.
KLA	KLAC	China represented 26% of total revenue in Q4 FY2026, up from approximately 24% in Q3 FY2026, with minimal impact expected from additional US export bans. For FY2026, KLA's revenue from China accounted ~30% of its total revenue.
Tokyo Electron	8035.JP	In Q1 FY2027, China represented 30.4% of total sales, increasing 3.6 percentage point QoQ. On FY2027 full-year basis, proportion of sales in China is expected to be in the low 30s percentage level.

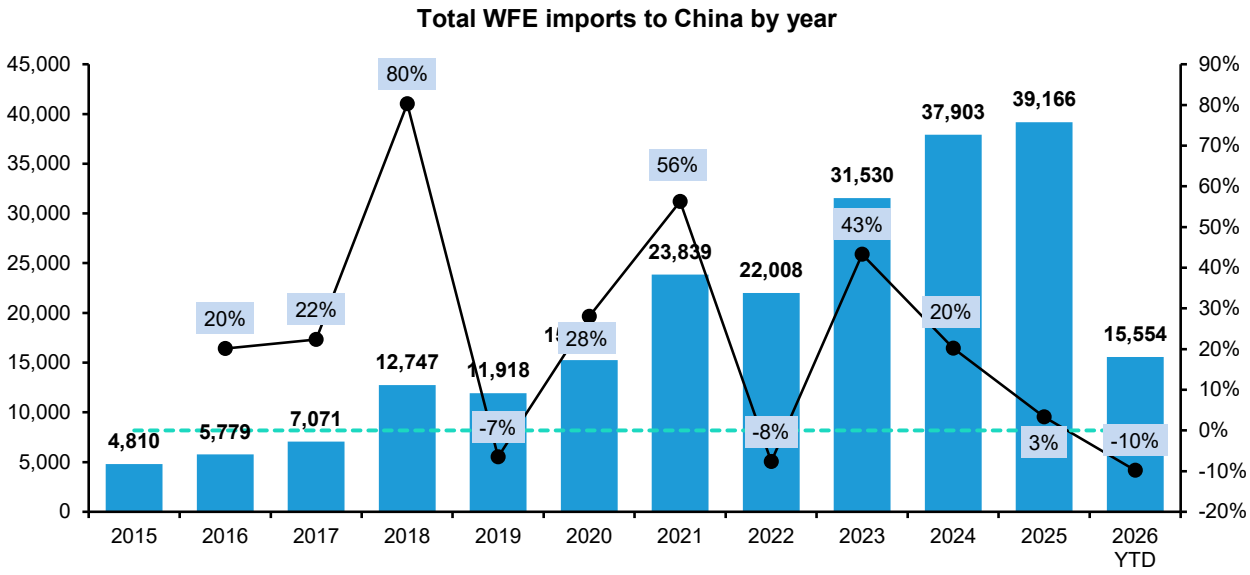
Source: Company reports, Bernstein analysis

EXHIBIT 6: **Jun 2026 WFE import was USD 3,414 mn, YoY +1% & MoM +57%**



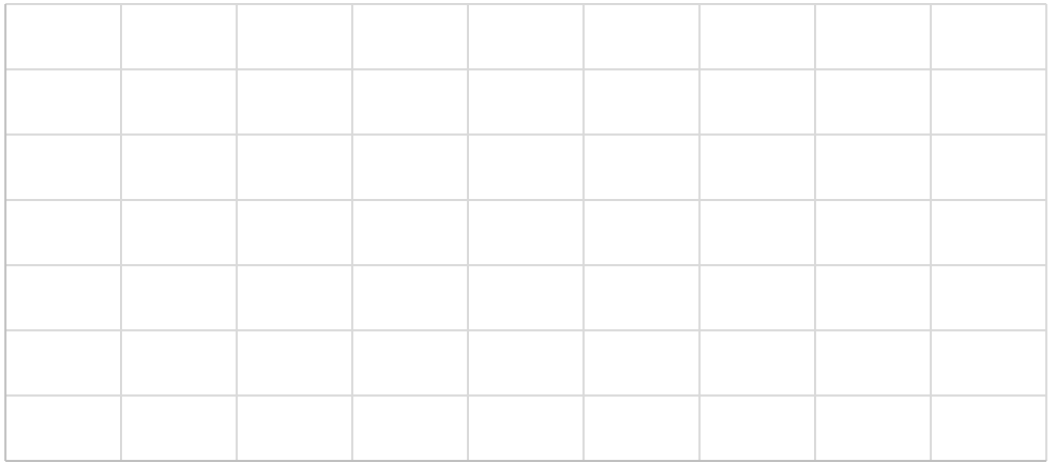
Source: General Administration of Customs of the People's Republic of China, Bernstein analysis

EXHIBIT 7: **Jun 2026 YTD import YoY -10%, mainly due to weak Lithography & Material Removal and Cleaning import**



Source: General Administration of Customs of the People's Republic of China, Bernstein analysis

EXHIBIT 8: **2Q26 import data was above historical trendline. We suspect this is mostly due to the time windows difference between shipment & reveneu.**



DOMESTIC CAPACITY EXPANSION KEEP SURGING IN ALL SEGMENTS

While the increasing substitution thesis we discussed before still holds, we believe the total WFE market will embrace tremendous upside in the coming years due to downstream capacity surging in all segments. Therefore, we expect domestic WFE suppliers to benefit from both trends and exhibit significantly higher growth than global players. Based on the trend of WFE orders we saw from major domestic vendors and recent technology breakthroughs in advanced logic/memory equipment, we now expect China WFE supply from domestic suppliers will reach $16 billion with the self-sufficiency ratio of 28% by 2026, and both numbers will continue to grow in 2027/2028.

Exhibit 2 shows our analysis of the domestic supply value and share in China's WFE market based on our bottom-up calculation of the top 5 global suppliers and top 11 Chinese listed WFE vendors' historical revenue and their high-level guidance:

- In 2026, we project local vendors' revenue will grow at 41% YoY and reach $16 billion based on the order they received in 2025, we expect the localization ratio will reach 28%. The additional increase in localization ratio in 2025 is mainly supported by NAND, and in 2026 we expect the localization ratio in mature logic and DRAM to start to catch up given the strong order they received in these two segments in 2025. We previously expect the localization ratio to remain low for mature logic for some time due to limited competition, but the feedback from local vendors confirm that they are gaining share from global vendors as some new equipment they developed has reached a similar performance compared to global vendors, while they are able to lower the price by ~20% with lower costs. The trend has also been mentioned by the management from Lam Research that they have witnessed the decline on willingness of indigenous Chinese customers purchasing from overseas vendors. We expect the trend to continue with an additional 5-10% share gain per year in mature logic for the next few years as more and more equipment types reach performance parity. Note that we do see local equipment still showing some performance gap vs global leaders (in yield, uptime etc.), but for certain equipment the gap is closing very fast.

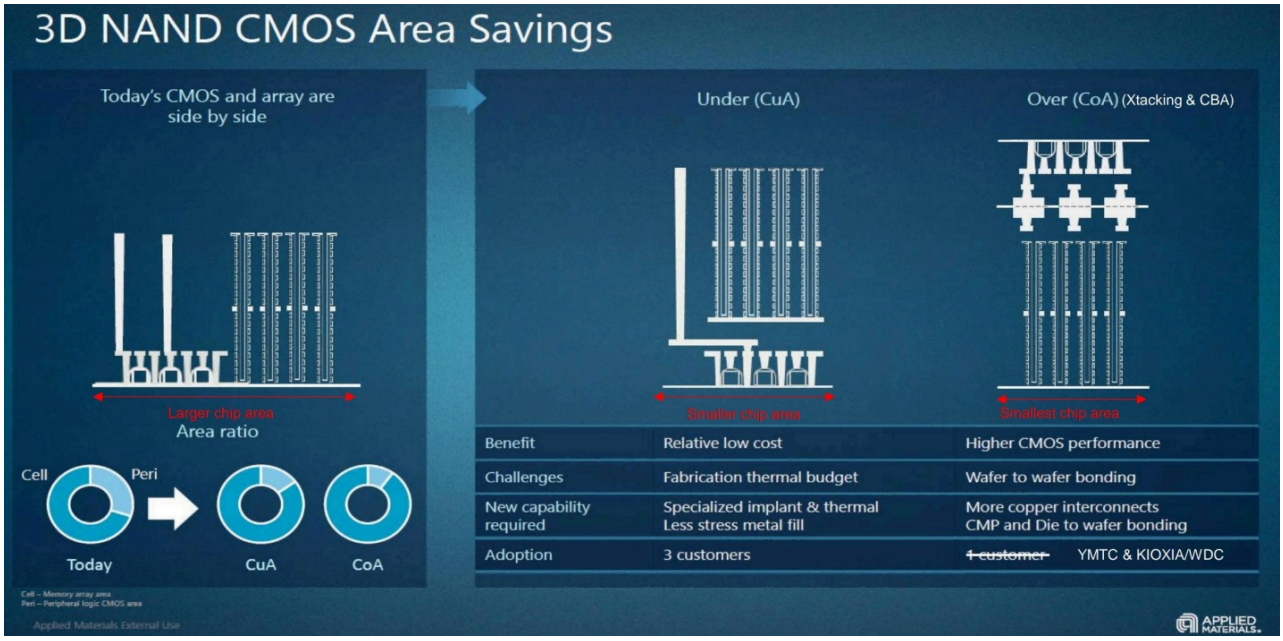
We discussed the key drivers behind the WFE domestic substitution in our previous note, and we believe they remain intact. Besides, we would like to focus more on the massive capacity expansion happening downstream in this note and discuss the rationale behind:

1. Memory vendors actively expanse capacity to answer the shortage resulted from memory supercycle. The worldwide memory supercycle has led to a significant shortage in DRAM/NAND supply, and the situation in China has no exception. In addition, local customers increasingly interest in adopting local memory chips, especially for DRAM where the technology has been behind and adoption is lagging, making local and non-US vendors become key beneficiaries. We would like to reiterate that we are now expecting both CXMT and YMTC to ramp up one new fab each in 2026 and another two new fabs each in 2027, with more to come in 2028 (although much less visibility on exact scale at this point). In addition, we also recognized that JHICC has been ready to resume DRAM capacity expansion and the equipment purchase will start from 2H26 as well. The planed capacity ramp up route for JHICC also adopts a quite steep slope from 2026 onward. All these aggressive capacity expansion plans are secured by sufficient capital the memory chip producers received from improving profitability and successful/upcoming IPOs, making us less concern about the feasibility issues. Translating to WFE side, since most Chinese vendors recognize revenue about 1 year after they receive the order, most of the memory capex upside will reflect in 2027/2028 WFE demand, leading to our $26/$42 billion forecast for domestic WFE demand in memory sector in 2027/2028 (+81%/+62% YoY respectively).

2. Technology breakthrough has triggered tremendous demand for advanced logic in China. Huawei's Tau (τ) Scaling Law (Tau Law) introduced earlier this year marked the another DeepSeek moment in advanced logic area (see our previous discussion here). The Tau Law not only provides a successor industry benchmark to Moore's Law, but also rebuild competition logic for Chinese players under export controls. Previously, Chinese players dedicated on improving single chip performance, which is extremely difficult without EUV. However, the Tau Law indicates that, with a tech innovation called "LogicFolding", the performance of single chip could be improved by staking multiple dies on top of each other (with a completely new design vs. global peers), and hence the wafer consumption is at least 2x. In addition, the compute power can be improved significantly at the cluster level by connecting hundreds of times more chips than Nvidia, providing a predicable and scalable roadmap metric to guide the China Semis to go beyond the EUV constrain and continuously improve for the next decades. From perspective of advanced logic foundries, the introducing of Tau Law implies that capacity demand will explode in the flowing years. And related WFE demand will also surge benefited from the foundries' capacity expansion process, leading us to revise our forecast on China advanced logic WFE demand to $26/$33 billion in 2027/2028 (+13%/+30% YoY respectively).

3. Demand for matured logic capacity expansion is mainly driven by AI affiliated demand and the spillover from memory outsourcing to matured logic foundries. The technology breakthrough here is mainly referred to the cell over array (COA) structure for NAND chip. YMTC was the first to develop COA structure for NAND in 2016, which was initially the efforts to break IP block set by overseas giants, and gradually evolved into a superior technology roadmap within the sector. As showed in Exhibit 9, the core idea for COA structure is to build peripheral CMOS circuits and memory cell array on separate wafers and, then, bond them together using wafer-to-wafer bonding. By adopting COA structure, both storage density and wafer utilization has been improved, and continuous scaling of 3D NAND technology beyond hundreds of stacked layers becomes possible. Taking the recent surge in memory demand we discussed earlier into consideration, one of the YMTC's solutions to scale up capacity is to outsource CMOS production to matured logic foundries, which not only brings capacity expansion 1.5-2 years ahead, but also provides more flexibility in dealing with downstream demand changes. And according to our channel check, CXMT will adopt the same strategy by outsourcing production of CMOS on DRAM chips to other matured logic foundries as they start to adopt 4F2 structure for their nexe generation of production. Consequently, we have witnessed price improvement for matured logic foundries this year because their existing capacity has largely been locked by YMTC/CXMT. The remaining capacity for matured logic chips production becomes limited, resulting in further capacity expansion demands in order to ease tight supply. On top of this, each advanced logic wafer need to pair with 2-3 matured logic wafer for analog, discrete, MCU etc., leading to strong demand growth for matured logic, which we expect that will translate into additional capacity expansion in 2027/28. To incorporate this new development into our China WFE forecast, we revised up China matured logic WFE demand to $20/$24 billion in 2027/2028 (+10%/+21% YoY respectively).

EXHIBIT 9: **YMTC pioneers in cell over array structure using wafer-to-wafer bonding**



Source: Company reports, Bernstein analysis

DOMESTIC SEMICAP VENDOR MODEL UPDATE

Echoing our confidence on China WFE industry promising outlook in the upcoming years, we believe domestic leading vendors will be the key beneficiaries along with the whole industry expansion. They will keep gaining market shares with consistent technology leadership and substantial clients networks. Therefore, we further revise up our business performance forecasts all the semicap companies within our coverage.

NAURA will maintain its market leadership as the largest Semicap vendors in China with the broadest product portfolio. We further increase the company revenue by 20%/75% respectively in 2027/2028, reaching RMB 81.2bn/153.7bn. While GPM is largly inline with our previous forecast, we expect the company's OPM will be upgraded stepping into 2027/28 (14bps/60bps respectively) by slowing down employee addition, which was the main factor dragging the company's profitability in recent quarters. All these revisions contribute to the company's EPS improvement in 2027/28, reaching RMB 20.21/43.46 separately (+23%/+89% compared with previous version).

AMEC will be the major beneficiary of the capacity expansion of domestic memory sector given its higher exposure. With better visibility of the memory foundries capex plan in the following years, we further increase AMEC's 2027/2028 revenue forecast by 26% and 85% respectively, reaching RMB 30.7bn/60.8bn. GPM has also been revised up due to product mixed will gradually shift to high-end deposition. OPM expansion will mainly be achieved via R&D expense normalization, and upgrading GPM/OPM will lead to consistent increase in NPM. As a result, our EPS forecast has been revised up to RMB 7.65/16.89 respectively for 2027/28, increasing 59%/121% from previous version.

Piotech will also embrace high growth potential due to roughly 2/3 of its orders comes from the memory sector, especially in core thin-film processes driven by the increasing number of 3D NAND stacking layers. Therefore, we positively revise up its revenue forecast in 2027/28 by 27%/89%, reaching RMB 15.7bn/31.5bn respectively. Our optimistic about the company's NPM is mainly due to its efforts on normalizing R&D ratio and reduction on material consumption for new tool development. in the end, the EPS has been revised up to RMB 15.90/33.74 in 2027/28, increasing 28% and 90% from our previous version.

EXHIBIT 10: **NAURA: Bernstein vs. Consenus**

Revenue (CNY mn)	2023	2024	2025E	2026E	2027E	2028E
Bernstein	**22,079**	**29,838**	**39,353**	**51,159**	**81,213**	**153,717**
Growth YoY	50%	35%	32%	30%	59%	89%
Consensus				**50,570**	**65,197**	**81,946**
Growth YoY				29%	29%	26%
Bernstein vs. consensus				1%	25%	88%
Bernstein old				**50,345**	**67,848**	**88,130**
New vs. Old				2%	20%	74%
Gross profit						
Bernstein	**9,003**	**12,787**	**15,782**	**20,906**	**33,311**	**63,214**
Growth YoY	40%	42%	23%	32%	59%	90%
GP Margin	40.8%	42.9%	40.1%	40.9%	41.0%	41.1%
Consensus				**20,502**	**26,595**	**33,612**
Growth YoY				30%	27%	1%
GP Margin				40.5%	40.8%	41.0%
Bernstein vs. consensus - GP				2%	25%	88%
Bernstein vs. consensus - GPM				32bps	22bps	11bps
Bernstein old				**20,559**	**27,776**	**36,132**
Growth YoY				30%	35%	30%
GP Margin				40.8%	40.9%	41.0%
New vs. Old - GP				2%	20%	75%
New vs. Old - GPM				3bps	8bps	13bps
Operating profit						
Bernstein	**4,448**	**6,527**	**5,802**	**8,512**	**16,075**	**33,542**
Growth YoY	55%	47%	(11%)	47%	89%	109%
OP Margin	20.1%	21.9%	14.7%	16.6%	19.8%	21.8%
Consensus				**8,076**	**11,674**	**15,786**
Growth YoY				39%	45%	35%
OP Margin				16.0%	17.9%	19.3%
Bernstein vs. consensus - OP				5%	38%	112%
Bernstein vs. consensus - OPM				67bps	189bps	256bps
Bernstein old				**8,305**	**13,336**	**18,701**
Growth YoY				43%	61%	40%
GP Margin				16.5%	19.7%	21.2%
New vs. Old - OP				2%	21%	79%
New vs. Old - OPM				14bps	14bps	60bps
Net income attributable to shareholders						
Bernstein	**3,899**	**5,621**	**5,522**	**7,792**	**14,641**	**31,547**
Growth YoY	66%	44%	(2%)	41%	88%	115%
NP Margin	17.7%	18.8%	14.0%	15.2%	18.0%	20.5%
Consensus				**7,696**	**11,067**	**14,733**
Growth YoY				39%	44%	33%
NP Margin				15.2%	17.0%	18.0%
Bernstein vs. consensus - NP				1%	32%	114%
Bernstein vs. consensus - NPM				1bps	105bps	254bps
Bernstein old				**7,400**	**11,882**	**16,662**
Growth YoY				34%	61%	40%
NP Margin				14.7%	17.5%	18.9%
New vs. Old - NP				5%	23%	89%
New vs. Old - NPM				53bps	51bps	162bps
EPS						
Bernstein	**5.45**	**7.83**	**5.66**	**10.76**	**20.21**	**43.56**
Growth YoY	65%	44%	(28%)	90%	88%	115%
Consensus				**10.59**	**15.26**	**20.36**
Growth YoY				87%	44%	33%
Bernstein vs. consensus				2%	32%	114%
Bernstein old				**10.22**	**16.41**	**23.01**
Growth YoY				80%	61%	40%
New vs. Old				5%	23%	89%

Source: Bloomberg, Bernstein analysis and estimates

EXHIBIT 11: **AMEC: Bernstein vs. Consenus**

Revenue (CNY mn)	2023	2024	2025	2026E	2027E	2028E
Bernstein	**6,264**	**9,065**	**12,385**	**16,818**	**30,707**	**60,755**
Growth YoY	32%	45%	37%	36%	83%	98%
Consensus				**16,643**	**22,631**	**29,588**
Growth YoY				34%	36%	31%
Bernstein vs. consensus				1%	36%	105%
Bernstein old				**16,773**	**24,283**	**32,820**
New vs. Old				0%	26%	85%
Gross profit						
Bernstein	**2,744**	**3,722**	**4,851**	**6,798**	**12,513**	**25,042**
Growth YoY	26.6%	35.6%	30.3%	40.1%	84.1%	100.1%
GP Margin	43.8%	41.1%	39.2%	40.4%	40.8%	41.2%
Consensus				**6,692**	**9,207**	**12,152**
Growth YoY				38.0%	37.6%	32.0%
GP Margin				40.2%	40.7%	41.1%
Bernstein vs. consensus - GP				2%	36%	106%
Bernstein vs. consensus - GPM				20bps	7bps	15bps
Bernstein old				**6,581**	**9,607**	**13,131**
Growth YoY				35.7%	46.0%	36.7%
GP Margin				39.2%	39.6%	40.0%
New vs. Old - GP				3%	30%	91%
New vs. Old - GPM				118bps	119bps	121bps
Operating profit						
Bernstein	**1,980**	**1,704**	**2,191**	**3,400**	**7,136**	**15,832**
Growth YoY	56.8%	(14.0%)	28.6%	55.2%	109.9%	121.9%
OP Margin	31.6%	18.8%	17.7%	20.2%	23.2%	26.1%
Consensus				**3,068**	**4,773**	**6,702**
Growth YoY				40.1%	55.5%	40.4%
OP Margin				18.4%	21.1%	22.7%
Bernstein vs. consensus - OP				11%	50%	136%
Bernstein vs. consensus - OPM				178bps	215bps	341bps
Bernstein old				**3,226**	**4,668**	**7,419**
Growth YoY				47.3%	44.7%	58.9%
GP Margin				19.2%	19.2%	22.6%
New vs. Old - OP				5%	53%	113%
New vs. Old - OPM				98bps	401bps	345bps
Net income attributable to shareholders						
Bernstein	**1,786**	**1,616**	**2,111**	**5,022**	**7,056**	**15,579**
Growth YoY	53%	(10%)	31%	138%	41%	121%
NP Margin	28.5%	17.8%	17.0%	29.9%	23.0%	25.6%
Consensus				**3,516**	**4,843**	**6,683**
Growth YoY				67%	38%	38%
NP Margin				21.1%	21.4%	22.6%
Bernstein vs. consensus - NP				43%	46%	133%
Bernstein vs. consensus - NPM				873bps	158bps	305bps
Bernstein old				**3,062**	**4,448**	**7,060**
Growth YoY				45%	45%	59%
NP Margin				18.3%	18.3%	21.5%
New vs. Old - NP				64%	59%	121%
New vs. Old - NPM				1160bps	466bps	413bps
EPS						
Bernstein	**1.94**	**1.75**	**2.28**	**5.44**	**7.65**	**16.89**
Growth YoY	52%	(10%)	30%	139%	41%	121%
Consensus				**4.15**	**5.65**	**7.80**
Growth YoY				82%	36%	38%
Bernstein vs. consensus				31%	35%	117%
Bernstein old				**3.32**	**4.82**	**7.65**
New vs. Old				64%	59%	121%

Source: Bloomberg, company reports, Bernstein analysis and estimates

EXHIBIT 12: **Piotech: Bernstein vs. Consenus**

Revenue (CNY mn)	2023	2024	2025	2026E	2027E	2028E
Bernstein	**2,705**	**4,103**	**6,519**	**8,933**	**15,708**	**31,491**
Growth YoY	59%	52%	59%	37%	76%	100%
Consensus				**8,789**	**12,085**	**16,287**
Growth YoY				35%	38%	35%
Bernstein vs. consensus				2%	30%	93%
Bernstein old				**8,713**	**12,399**	**16,696**
Growth YoY				34%	42%	35%
New vs. Old				3%	27%	89%
Gross profit						
Bernstein	**1,274**	**1,711**	**2,279**	**3,633**	**6,533**	**13,214**
Growth YoY	51.7%	34.2%	33.2%	59.5%	79.8%	102.3%
GP Margin	47.1%	41.7%	35.0%	40.7%	41.6%	42.0%
Consensus				**3,455**	**4,827**	**6,603**
Growth YoY				51.7%	39.7%	36.8%
GP Margin				39.3%	39.9%	40.5%
Bernstein vs. consensus - GP				5%	35%	100%
Bernstein vs. consensus - GPM				136bps	165bps	142bps
Bernstein old				**3,541**	**5,142**	**6,939**
Growth YoY				55.4%	45.2%	35.0%
GP Margin				40.6%	41.5%	41.6%
New vs. Old - GP				3%	27%	90%
New vs. Old - GPM				3bps	12bps	40bps
Operating profit						
Bernstein	**729**	**679**	**875**	**2,345**	**4,445**	**9,436**
Growth YoY	104.5%	(6.9%)	29.0%	167.9%	89.6%	112.3%
OP Margin	27.0%	16.5%	13.4%	26.3%	28.3%	30.0%
Consensus			**875**	**1,828**	**2,663**	**3,693**
Growth YoY				108.8%	45.7%	38.7%
OP Margin				20.8%	22.0%	22.7%
Bernstein vs. consensus - OP				28%	67%	156%
Bernstein vs. consensus - OPM				546bps	627bps	729bps
Bernstein old				**2,271**	**3,467**	**4,969**
Growth YoY				159.5%	52.6%	43.3%
OP Margin				26.1%	28.0%	29.8%
New vs. Old - OP				3%	28%	90%
New vs. Old - OPM				18bps	34bps	21bps
Net income attributable to shareholders						
Bernstein	**663**	**688**	**927**	**2,342**	**4,440**	**9,425**
Growth YoY	79.8%	3.9%	34.7%	152.7%	89.6%	112.3%
NP Margin	24.5%	16.8%	14.2%	26.2%	28.3%	29.9%
Consensus				**1,833**	**2,639**	**3,935**
Growth YoY				97.8%	44.0%	49.1%
NP Margin				20.9%	21.8%	24.2%
Bernstein vs. consensus - NP				28%	68%	139%
Bernstein vs. consensus - NPM				537bps	643bps	577bps
Bernstein old				**2,269**	**3,463**	**4,962**
Growth YoY				144.8%	52.6%	43.3%
NP Margin				26.0%	27.9%	29.7%
New vs. Old - NP				3%	28%	90%
New vs. Old - NPM				18bps	34bps	21bps
EPS						
Bernstein	**3.54**	**2.48**	**3.32**	**8.39**	**15.90**	**33.74**
Growth YoY	11.3%	(29.9%)	33.9%	152.6%	89.6%	112.3%
Consensus				**6.56**	**9.40**	**13.57**
Growth YoY				97.5%	43.4%	44.3%
Bernstein vs. consensus				28%	69%	149%
Bernstein old				**8.12**	**12.40**	**17.77**
Growth YoY				144.6%	52.6%	43.3%
New vs. Old				3%	28%	90%

Source: Bloomberg, company reports, Bernstein analysis and estimates

GLOSSARY

EXHIBIT 13: **Glossary of some semiconductor manufacturing techniques**

Abbreviation	Full name	Process	Detailed explanation
Semicap	Semiconductor Capital Equipment		Semicap refers to the broader category of equipment used in the semiconductor industry, including WFE, assembly and packaging equipment, and testing equipment
WFE	Wafer Fabrication Equipment		WFE is a subset of Semicap that specifically refers to the machines and tools used in the manufacturing process of semiconductor wafers, i.e., Front End of chip manufacturing (including part of advanced packaging where the equipment is also used to process wafers)
ICP-RIE	Inductively Coupled Plasma - Reactive Ion Etching	Dry etch	ICP-RIE uses a high-frequency electromagnetic field to generate a dense and highly reactive plasma remove material from a substrate
CCP-RIE	Capacitively Coupled Plasma - Reactive Ion Etching	Dry etch	CCP-RIE uses a radio frequency electric field to generate a plasma and remove material from a substrate
PVD	Physical Vapor Deposition	Deposition	PVD is a thin film deposition technique that involves the transfer of material from a source to a substrate in a vacuum environment
PECVD	Plasma-Enhanced Chemical Vapor Deposition	Deposition	PECVD is a thin film deposition technique that uses a plasma to enhance the chemical reactions between gases and a substrate to deposit a thin film on a substrate
LPCVD	Low Pressure Chemical Vapor Deposition	Deposition	LPCVD involves the reaction of gases at low pressure and high temperature to deposit a thin film on a substrate
SACVD	Sub-Atmospheric Pressure Chemical Vapor Deposition	Deposition	SACVD involves the reaction of gases at sub-atmospheric pressure and high temperature to deposit a thin film on a substrate
ALD	Atomic Layer Deposition	Deposition	ALD involves the sequential exposure of a substrate to alternating gas-phase precursors, resulting in a highly controlled and conformal deposition of thin films with atomic-scale precision
ACHM	Amorphous Carbon Hard Mask	Deposition	One of the advanced dielectric films deposited, which can provide good etch selectivity
UV Cure	Ultraviolet Cure	Deposition	UV cure is a process of curing or hardening a material using ultraviolet light, which triggers a chemical reaction that causes the material to harden or cure in a matter of seconds
HDP-CVD	High-Density Plasma Chemical Vapor Deposition	Deposition	HDP-CVD deposits a thin film on a substrate at relatively low temperature, which helps to minimize thermal stress on the substrate and reduce the risk of defects
CMP	Chemical Mechanical Planarization		CMP is a polishing process used in chip manufacturing to remove imperfections and create a smooth, flat surface on the semiconductor wafer after it has been processed with various layers of materials

Source: Encyclopedia of Integrated Circuit Industry, Bernstein analysis

METHODOLOGY FOR SUPPLIER BOTTOM UP ANALYSIS

We have analyzed China's top 10 semiconductor equipment companies by adjusting their China and semicap revenue mix. We have calculated their combined China semicap revenue through a bottom-up approach. The top 10 Chinese semicap companies we have selected are AMEC, NAURA, Piotech, ACMR Shanghai, Kingsemi, PNC, Hwatsing Tech, Leadmicro Nano, Skyverse, and Wuhan Jingce (AMEC, NAURA, and Piotech are covered, rest not covered). We calculated the top 10 Chinese semicap companies' revenue in 2025 using their officially reported annual results. To estimate the revenue for 2026-28, we have used Wind or Bloomberg revenue consensus for listed and uncovered companies and adjusted it with our China semicap mix estimation. We have used our estimates for the revenue of private and covered companies. We have followed a similar methodology for the top 5 global semicap companies. The top 5 Global semicap companies are: ASML, Lam Research, Applied Materials, Tokyo Electron, KLA.

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 14: **AMEC Financial Summary**

AMEC (688012.CH) - Income Statement (in RMB million, unless otherwise stated)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	**2,273**	**3,108**	**4,740**	**6,264**	**9,065**	**12,385**	**16,818**	**30,707**	**60,755**
Cost of sales	(1,417)	(1,761)	(2,572)	(3,519)	(5,343)	(7,534)	(10,021)	(18,194)	(35,713)
Gross profit	**856**	**1,348**	**2,168**	**2,744**	**3,722**	**4,851**	**6,798**	**12,513**	**25,042**
Total SG&A	(390)	(499)	(645)	(709)	(961)	(976)	(1,226)	(2,006)	(3,679)
R&D expenses	(331)	(398)	(605)	(817)	(1,418)	(2,475)	(2,876)	(3,492)	(5,689)
Financial income / (expense)	7	71	151	87	87	48	83	121	158
Net income from investment	284	437	137	583	241	674	621	-	-
Other gain / (loss)	87	174	56	91	32	70	-	-	-
Operating Profit	**515**	**1,133**	**1,263**	**1,980**	**1,704**	**2,191**	**3,400**	**7,136**	**15,832**
Non-operating activities	(2)	(0)	(4)	30	5	(1)	1,693	-	-
Profit before taxation	**513**	**1,133**	**1,259**	**2,010**	**1,709**	**2,190**	**5,093**	**7,136**	**15,832**
Income tax	(20)	(122)	(91)	(226)	(95)	(126)	(197)	(285)	(633)
Net Profit	**492**	**1,011**	**1,168**	**1,784**	**1,614**	**2,064**	**4,896**	**6,851**	**15,199**
Profit attributable to:									
Equity shareholders of the Company	**492**	**1,011**	**1,170**	**1,786**	**1,616**	**2,111**	**5,022**	**7,056**	**15,579**
Non-controlling interests	0	(0)	(2)	(2)	(1)	(47)	(126)	(206)	(380)
Basic EPS (RMB)	**0.62**	**1.18**	**1.28**	**1.94**	**1.75**	**2.28**	**5.44**	**7.65**	**16.89**
Diluted EPS (RMB)	**0.62**	**1.18**	**1.28**	**1.93**	**1.74**	**2.26**	**5.37**	**7.55**	**16.66**
W.A. shares outstanding (mn)	797	856	917	921	922	925	923	923	923

AMEC (688012.CH) - Balance Sheet (in RMB million, unless otherwise stated)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & equivalents	1,132	8,659	7,326	7,090	7,762	7,951	11,130	13,799	18,731
Financial assets held for trading	1,505	2,511	2,939	1,869	834	792	792	792	792
Accounts & other receivables, prepayments	426	643	774	1,336	1,511	2,197	2,912	5,516	11,130
Inventories	1,064	1,762	3,402	4,260	7,039	7,170	8,563	13,117	23,532
Other current assets	71	156	214	532	756	824	774	1,344	2,563
Total current assets	**4,198**	**13,731**	**14,655**	**15,088**	**17,901**	**18,934**	**24,171**	**34,568**	**56,747**
Total PP&E, intangible assets, ROU and investment property	765	1,473	2,275	4,061	5,331	6,528	7,594	9,900	14,957
Long-term equity investment	424	555	979	1,020	870	1,445	1,445	1,445	1,445
Other non-current assets	414	975	2,125	1,357	2,116	2,939	2,939	2,939	2,939
Total non-current assets	**1,603**	**3,002**	**5,380**	**6,438**	**8,317**	**10,912**	**11,978**	**14,283**	**19,341**
Total assets	**5,801**	**16,733**	**20,035**	**21,526**	**26,218**	**29,846**	**36,149**	**48,852**	**76,088**
Accounts payables and other payables	578	1,135	1,659	2,259	2,860	2,939	4,911	9,074	17,436
Short-term borrowings	--	--	--	--	--	--	--	--	--
Contract Liabilities	592	1,372	2,195	772	2,586	3,044	2,718	4,858	9,232
Other current liabilities	63	64	65	593	187	219	437	532	1,021
Total Current Liabilities	**1,233**	**2,571**	**3,919**	**3,624**	**5,634**	**6,202**	**8,067**	**14,464**	**27,688**
Long-term borrowings	--	--	500	--	722	730	730	730	730
Other non-current liabilities	199	222	133	79	126	185	185	185	185
Total Non Current Liabilities	**199**	**222**	**633**	**79**	**848**	**915**	**915**	**915**	**915**
Total liabilities	**1,432**	**2,793**	**4,552**	**3,702**	**6,482**	**7,117**	**8,982**	**15,379**	**28,603**
Capital Reserve & Additional Add-in Capital	4,354	12,904	13,263	13,937	14,725	15,669	15,669	15,669	15,669
Less: Treasury Stock	--	--	--	--	(301)	(216)	(216)	(216)	(216)
Retained earnings / (accumulated deficit)	37	1,048	2,218	3,880	5,311	7,235	11,799	18,310	32,702
Other comprehensive income / (loss) & Other equity tools	(22)	(12)	3	9	2	7	7	7	7
Total Shareholders Equity	**4,369**	**13,940**	**15,484**	**17,826**	**19,737**	**22,695**	**27,259**	**33,770**	**48,162**
Minority shareholders' interest	0	0	(1)	(3)	(1)	34	(92)	(297)	(677)
Total Equity	**4,369**	**13,940**	**15,483**	**17,823**	**19,736**	**22,729**	**27,167**	**33,473**	**47,485**
Total Liabilities & Equity	**5,801**	**16,733**	**20,035**	**21,526**	**26,218**	**29,846**	**36,149**	**48,852**	**76,088**

AMEC (688012.CH) - Cash Flow Statement (in RMB million, unless otherwise stated)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net income	492	1,011	1,168	1,784	1,614	2,064	4,896	6,851	15,199
Depreciation & Amortization	84	105	142	176	260	350	616	765	1,018
Change in working capital	382	361	(569)	(2,088)	(1,119)	(259)	(194)	(1,331)	(4,023)
Other operating cashflow	(112)	(461)	(123)	(848)	703	140	-	-	-
Net cash (used in) / generated from operating activities	846	1,016	618	(977)	1,458	2,295	5,319	6,285	12,194
Net capex	(252)	(496)	(1,504)	(867)	(892)	(847)	(1,682)	(3,071)	(6,075)
Other investing cashflow	(297)	(5,648)	(1,234)	3,066	2,385	(245)	-	-	-
Net cash used in investing activities	(549)	(6,144)	(2,738)	2,199	1,493	(1,091)	(1,682)	(3,071)	(6,075)
Change in debt	2	-	497	-	249	(9)	-	-	-
Change in equity	130	8,550	359	673	788	944	-	-	-
Cash Paid for Distribution of Dividends, Profit and Repaymen	(0)	-	-	(138)	(200)	(205)	(458)	(545)	(1,187)
Other Cash Paid Related to Financing Activities	(132)	(264)	(374)	(313)	(838)	(548)	-	-	-
Net cash used in financing activities	1	8,286	482	223	(2)	182	(458)	(545)	(1,187)
Net change in cash during period	**273**	**3,144**	**(1,569)**	**1,457**	**2,964**	**1,355**	**3,179**	**2,669**	**4,932**
Cash and cash equivalents at period end	**1,132**	**8,659**	**7,326**	**7,090**	**7,762**	**7,951**	**11,130**	**13,799**	**18,731**

Source: Company reports, Bernstein analysis and estimates



EXHIBIT 15: **NAURA Financials Summary**

NAURA (002371.CH) - Income Statement (in RMB million, unless otherwise stated)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Revenue	**6,056**	**9,683**	**14,688**	**22,079**	**29,838**	**39,353**	**51,159**	**81,213**	**153,717**
Cost of sales	(3,834)	(5,867)	(8,250)	(13,076)	(17,051)	(23,571)	(30,252)	(47,902)	(90,502)
Gross profit	**2,222**	**3,817**	**6,438**	**9,003**	**12,787**	**15,782**	**20,906**	**33,311**	**63,214**
Total SG&A	(1,205)	(1,705)	(2,224)	(2,765)	(3,196)	(5,069)	(6,283)	(9,392)	(15,510)
R&D expenses	(670)	(1,297)	(1,845)	(2,475)	(3,669)	(5,435)	(6,851)	(9,438)	(17,354)
Financial income / (expense)	43	46	83	18	(60)	(229)	(91)	(46)	102
Net income from investment	1	1	0	1	3	(6)	15	15	15
Other gain / (loss)	279	375	414	666	662	760	815	1,624	3,074
Operating Profit	**669**	**1,236**	**2,867**	**4,448**	**6,527**	**5,802**	**8,512**	**16,075**	**33,542**
Non-operating activities	15	16	(13)	18	(16)	43	-	-	-
Profit before taxation	**684**	**1,253**	**2,854**	**4,466**	**6,511**	**5,845**	**8,512**	**16,075**	**33,542**
Income tax	(53)	(59)	(313)	(433)	(817)	(436)	(681)	(1,286)	(1,677)
Net Profit	**631**	**1,193**	**2,541**	**4,033**	**5,694**	**5,409**	**7,831**	**14,789**	**31,865**
Profit attributable to:									
Equity shareholders of the Company	**537**	**1,077**	**2,353**	**3,899**	**5,621**	**5,522**	**7,792**	**14,641**	**31,547**
Non-controlling interests	94	116	188	134	72	(113)	39	148	319
Basic EPS (RMB)	**0.81**	**1.59**	**3.30**	**5.45**	**7.83**	**5.66**	**10.76**	**20.21**	**43.56**
Diluted EPS (RMB)	**0.81**	**1.59**	**3.30**	**5.43**	**7.83**	**5.66**	**10.75**	**20.20**	**43.52**
W.A. shares outstanding (mn)	663	677	712	715	718	975	724	724	724

NAURA (002371.CH) - Balance Sheet (in RMB million, unless otherwise stated)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & equivalents	2,642	9,068	10,435	12,451	12,347	17,337	15,441	6,561	(17,263)
Financial assets held for trading	--	--	--	--	--	42	42	42	42
Accounts & other receivables, prepayments	2,797	4,187	6,359	7,259	8,351	10,748	14,584	23,446	45,964
Inventories	4,933	8,035	13,041	16,992	23,479	28,627	37,908	63,302	123,342
Other current assets	642	1,034	1,283	1,523	2,034	2,567	2,267	3,420	6,124
Total current assets	**11,014**	**22,323**	**31,117**	**38,226**	**46,211**	**59,321**	**70,242**	**96,771**	**158,209**
Total PP&E, intangible assets, ROU and investment property	6,166	8,064	10,854	14,520	17,346	25,576	28,779	34,677	47,325
Long-term equity investment	34	33	25	34	95	470	470	470	470
Other non-current assets	304	635	555	845	2,057	4,434	4,434	4,434	4,434
Total non-current assets	**6,504**	**8,732**	**11,434**	**15,399**	**19,498**	**30,480**	**33,683**	**39,581**	**52,230**
Total assets	**17,518**	**31,054**	**42,551**	**53,625**	**65,709**	**89,801**	**103,925**	**136,352**	**210,439**
Accounts payables and other payables	3,371	4,945	7,271	9,486	14,200	19,086	22,144	38,017	74,357
Short-term borrowings	522	--	227	23	3	319	319	319	319
Contract Liabilities	3,048	5,046	7,198	8,317	6,214	4,291	8,678	10,781	17,630
Other current liabilities	959	1,277	1,074	1,257	3,065	2,484	2,112	3,239	5,430
Total Current Liabilities	**7,900**	**11,268**	**15,770**	**19,083**	**23,482**	**26,180**	**33,253**	**52,357**	**97,736**
Long-term borrowings	10	--	3,740	5,835	3,946	12,973	12,973	12,973	12,973
Other non-current liabilities	2,496	2,588	3,057	3,882	6,056	6,720	6,720	6,720	6,720
Total Non Current Liabilities	**2,506**	**2,588**	**6,797**	**9,717**	**10,002**	**19,693**	**19,693**	**19,693**	**19,693**
Total liabilities	**10,406**	**13,856**	**22,567**	**28,800**	**33,484**	**45,873**	**52,946**	**72,049**	**117,429**
Capital Reserve & Additional Add-in Capital	4,964	14,058	14,596	15,501	16,960	18,690	18,690	18,690	18,690
Less: Treasury Stock	(154)	(152)	(90)	(45)	--	--	--	--	--
Retained earnings / (accumulated deficit)	1,973	2,996	5,241	8,904	14,111	19,067	26,079	39,254	67,644
Other comprehensive income / (loss) & Other equity tools	(1)	(4)	(0)	7	11	(31)	(31)	(31)	(31)
Total Shareholders Equity	**6,781**	**16,898**	**19,746**	**24,367**	**31,082**	**37,726**	**44,738**	**57,913**	**86,303**
Minority shareholders' interest	331	301	238	458	1,144	6,202	6,241	6,389	6,707
Total Equity	**7,112**	**17,198**	**19,984**	**24,825**	**32,225**	**43,928**	**50,979**	**64,302**	**93,010**
Total Liabilities & Equity	**17,518**	**31,054**	**42,551**	**53,625**	**65,709**	**89,801**	**103,925**	**136,352**	**210,439**

NAURA (002371.CH) - Cash Flow Statement (in RMB million, unless otherwise stated)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Net income	631	1,193	2,541	4,033	5,694	5,409	7,831	14,789	31,865
Depreciation & Amortization	364	460	552	730	1,071	1,567	1,913	2,223	2,723
Change in working capital	690	(994)	(3,153)	(1,575)	(3,670)	(5,696)	(5,745)	(16,305)	(39,883)
Other operating cashflow	(299)	(1,437)	(668)	(822)	(1,521)	854	-	-	-
Net cash (used in) / generated from operating activities	1,385	(777)	(728)	2,365	1,573	2,133	3,999	707	(5,295)
Net capex	(659)	(447)	(1,408)	(1,980)	(2,039)	(1,420)	(5,116)	(8,121)	(15,372)
Other investing cashflow	(14)	-	(15)	(79)	(172)	(2,508)	-	-	-
Net cash used in investing activities	(673)	(447)	(1,423)	(2,058)	(2,212)	(3,929)	(5,116)	(8,121)	(15,372)
Change in debt	(1,059)	(602)	3,453	1,888	132	7,156	-	-	-
Change in equity	576	9,094	538	905	1,459	1,730	-	-	-
Cash Paid for Distribution of Dividends, Profit and Repayment o	(91)	(114)	(241)	(388)	(615)	(908)	(780)	(1,465)	(3,157)
Other Cash Paid Related to Financing Activities	(379)	(697)	(405)	(758)	(236)	(1,371)	-	-	-
Net cash used in financing activities	(953)	7,680	3,345	1,647	740	6,608	(780)	(1,465)	(3,157)
Net change in cash during period	**(244)**	**6,452**	**1,231**	**1,968**	**107**	**4,798**	**(1,896)**	**(8,880)**	**(23,823)**
Cash and cash equivalents at period end	**2,642**	**9,068**	**10,435**	**12,451**	**12,347**	**17,337**	**15,441**	**6,561**	**(17,263)**

Source: Company reports, Bernstein analysis and estimates

EXHIBIT 16: **Piotech Financial Summary**

Piotech (688072.CH) - Income Statement (in RMB million, unless otherwise stated)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**
Revenue	**436**	**758**	**1,706**	**2,705**	**4,103**	**6,519**	**8,933**	**15,708**	**31,491**
Cost of sales	(287)	(424)	(865)	(1,431)	(2,393)	(4,241)	(5,300)	(9,175)	(18,277)
Gross profit	**148**	**334**	**840**	**1,274**	**1,711**	**2,279**	**3,633**	**6,533**	**13,214**
Total SG&A	(94)	(142)	(273)	(365)	(500)	(721)	(1,042)	(1,763)	(3,456)
R&D expenses	(123)	(288)	(379)	(576)	(756)	(770)	(1,037)	(1,515)	(2,720)
Financial income / (expense)	10	19	18	12	(65)	(85)	187	44	100
Net income from investment	-	-	14	3	1	50	-	-	-
Other gain / (loss)	45	133	136	381	288	123	604	1,147	2,299
Operating Profit	**(14)**	**56**	**357**	**729**	**679**	**875**	**2,345**	**4,445**	**9,436**
Non-operating activities	2	11	8	(0)	(0)	0	-	-	-
Profit before taxation	**(12)**	**67**	**364**	**729**	**679**	**876**	**2,345**	**4,445**	**9,436**
Income tax	-	(0)	-	(65)	9	39	(82)	(156)	(330)
Net Profit	**(12)**	**67**	**364**	**664**	**687**	**915**	**2,263**	**4,290**	**9,106**
Profit attributable to:									
Equity shareholders of the Company	**(11)**	**68**	**368**	**663**	**688**	**927**	**2,342**	**4,440**	**9,425**
Non-controlling interests	(0)	(2)	(4)	1	(1)	(12)	(79)	(150)	(319)
Basic EPS (RMB)	**-**	**0.72**	**3.18**	**3.54**	**2.48**	**3.32**	**8.39**	**15.90**	**33.74**
Diluted EPS (RMB)	**-**	**0.72**	**3.17**	**3.52**	**2.46**	**3.29**	**8.33**	**15.79**	**33.51**
W.A. shares outstanding (mn)	-	95	116	187	277	279	279	279	279

Piotech (688072.CH) - Balance Sheet (in RMB million, unless otherwise stated)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**
Cash & equivalents	1,004	965	3,827	2,676	3,003	5,300	(1,975)	(3,814)	(8,147)
Financial assets held for trading	--	--	46	29	193	890	890	890	890
Accounts & other receivables, prepayments	79	158	385	730	1,605	1,436	2,155	4,022	7,534
Inventories	512	953	2,297	4,556	7,216	7,826	13,819	23,075	44,321
Other current assets	14	98	266	466	670	829	638	989	1,833
Total current assets	**1,609**	**2,175**	**6,820**	**8,457**	**12,687**	**16,279**	**15,526**	**25,161**	**46,431**
Total PP&E, intangible assets, ROU and investment prope	203	333	439	827	1,814	2,383	2,640	3,214	4,525
Long-term equity investment	--	--	--	228	249	300	300	300	300
Other non-current assets	2	10	54	457	564	747	747	747	747
Total non-current assets	**205**	**343**	**493**	**1,512**	**2,627**	**3,430**	**3,688**	**4,262**	**5,573**
Total assets	**1,814**	**2,518**	**7,313**	**9,969**	**15,314**	**19,710**	**19,214**	**29,423**	**52,003**
Accounts payables and other payables	242	464	967	1,284	2,477	3,393	4,533	7,905	15,475
Short-term borrowings	--	--	400	70	119	186	186	186	186
Contract Liabilities	134	488	1,397	1,382	2,983	4,852	2,594	4,307	8,407
Other current liabilities	17	64	183	247	1,253	2,935	899	1,733	3,537
Total Current Liabilities	**394**	**1,016**	**2,947**	**2,982**	**6,831**	**11,366**	**8,213**	**14,132**	**27,606**
Long-term borrowings	--	--	270	1,871	2,794	850	850	850	850
Other non-current liabilities	298	309	389	525	391	492	492	492	492
Total Non Current Liabilities	**298**	**309**	**659**	**2,396**	**3,185**	**1,342**	**1,342**	**1,342**	**1,342**
Total liabilities	**692**	**1,324**	**3,605**	**5,378**	**10,015**	**12,708**	**9,555**	**15,474**	**28,948**
Capital Reserve & Additional Add-in Capital	1,376	1,098	3,248	3,501	3,762	4,240	4,240	4,240	4,240
Less: Treasury Stock	--	--	--	--	(197)	(197)	197	197	197
Retained earnings / (accumulated deficit)	(253)	95	464	1,093	1,716	2,567	4,909	9,349	18,774
Other comprehensive income / (loss) & Other equity tools	--	--	--	(0)	(0)	(0)	(0)	(0)	(0)
Total Shareholders Equity	**1,122**	**1,193**	**3,712**	**4,594**	**5,280**	**6,610**	**9,347**	**13,787**	**23,211**
Minority shareholders' interest	0	1	(4)	(2)	19	506	426	276	(43)
Total Equity	**1,122**	**1,193**	**3,708**	**4,592**	**5,299**	**7,115**	**9,773**	**14,063**	**23,169**
Total Liabilities & Equity	**1,814**	**2,518**	**7,313**	**9,969**	**15,314**	**19,824**	**19,328**	**29,537**	**52,117**

Piotech (688072.CH) - Cash Flow Statement (in RMB million, unless otherwise stated)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**
Net income	(12)	67	364	664	687	915	2,263	4,290	9,106
Depreciation & Amortization	17	18	29	52	86	148	189	212	263
Change in working capital	321	28	(126)	(2,303)	(74)	3,971	(9,675)	(5,554)	(12,128)
Other operating cashflow	(18)	25	(19)	(70)	(982)	(1,401)	-	-	-
Net cash (used in) / generated from operating activities	309	137	248	(1,657)	(283)	3,633	(7,223)	(1,053)	(2,759)
Net capex	(6)	(150)	(111)	(481)	(686)	(575)	(447)	(785)	(1,575)
Other investing cashflow	-	-	(40)	(355)	(206)	(754)	-	-	-
Net cash used in investing activities	(6)	(150)	(151)	(836)	(892)	(1,329)	(447)	(785)	(1,575)
Change in debt	-	-	670	1,333	1,637	(608)	-	-	-
Change in equity	319	(278)	2,150	253	261	478	-	-	-
Cash Paid for Distribution of Dividends, Profit and Repaym	-	-	(1)	(63)	(138)	(158)	-	-	-
Other Cash Paid Related to Financing Activities	(17)	275	(29)	(184)	(399)	224	-	-	-
Net cash used in financing activities	302	(3)	2,790	1,339	1,361	(64)	-	-	-
Net change in cash during period	**604**	**(15)**	**2,890**	**(1,157)**	**184**	**2,239**	**(7,670)**	**(1,838)**	**(4,333)**
Cash and cash equivalents at period end	**1,004**	**965**	**3,827**	**2,676**	**3,003**	**5,300**	**(1,975)**	**(3,814)**	**(8,147)**

Source: Company reports, Bernstein analysis and estimates

DISCLOSURE APPENDIX

I. REQUIRED DISCLOSURES

References to "Bernstein" or the “Firm” in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK（サンフォード・C・バーンスタイン株式会社）and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

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