China semis self-sufficiency

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Did you know that a single Huawei AI SuperPod will soon connect over 15,000 AI chips to function as a single, massive brain? While the broader market fixates on the impact of US export controls, a quiet but aggressive revolution is happening in the East. I was just reading the latest deep-dive from GIR Allen and the Global Semis team, and the sheer scale of China's push for semiconductor self-sufficiency is staggering. Forget the mainstream narrative of a permanently crippled supply chain; the dragon is rapidly building its own moat.

Where GIR is Different: While the street remains highly skeptical, assuming a near-term slowdown in China's capacity additions after the 2023-2024 ramp-up, GIR takes a starkly different view. We are massively raising our **2030E China Semi capex target by 79% to a whopping $82 billion**. Driven by the generative AI boom and a strategic "local for local" pivot by global design houses, China is aggressively filling its supply chain gaps—from premium etchers to advanced packaging. We project **the domestic supply/demand gap for 7nm and below logic chips will narrow from 92% today to just 34% by 2035E**.

Actionable Idea: To play this theme, GIR Allen and team are initiating coverage on China's DRAM champion, **CXMT (688825.SS), with a BUY rating and a Rmb129 Target Price**.
Why CXMT?

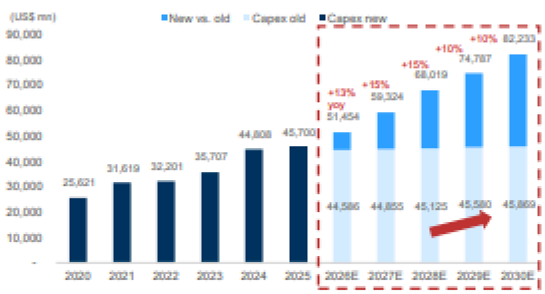
- **Massive Scale-Up:** We expect their capacity to more than double to 665k wpm by 2030E, allowing them to capture 50% of China's total DRAM demand by 2028E.
- **Compelling Valuation:** CXMT is trading at a massive discount to global peers—just 10x 2027E P/E against a +77% 2027-28E average EPS growth (a 0.13x PEG ratio).
- **The Catalysts:** Watch for rapid yield rate ramp-ups, aggressive domestic AI server deployments, and crucial product mix upgrades toward HBM (High Bandwidth Memory) starting in late 2026. As global memory giants pivot entirely to AI, CXMT is perfectly positioned to sweep up conventional DRAM market share while simultaneously climbing the AI value chain.

This is a structural upcycle you don't want to miss. Let me know if you want to dig specific equipment players (like NAURA or AMEC) riding this capex wave!

Allen's pop up call slots:

- **Aug 26 (Wed):** 7am, 8am, 8.30am, 9am, 9.30am, 10am, 10.30am, 11am, 11.30am, 12pm, 12.30pm, 1pm, 1.30pm, 2pm, 2.30pm
- **Aug 27 (Thu):** 10am, 10.30am, 11am, 11.30am, 2pm, 2.30pm, 3pm, 3.30pm, 4pm
- **Aug 28 (Fri):** 7am, 8am, 8.30am, 9am, 9.30am, 10am, 10.30am

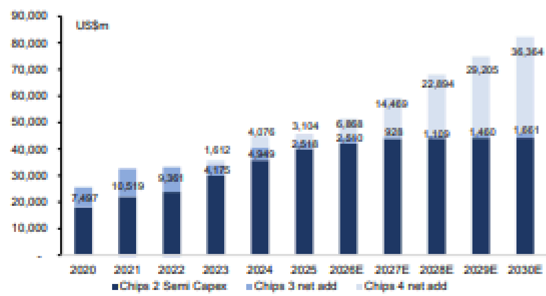
Exhibit 1: Semis capital expenditures in China: we expect it to deliver strong growth and reach US$82bn in 2030E



Compared to our last estimate in Aug-25, we raised our 2026-30E capex by 15%/ 32%/ 51%/ 64%/ 79%

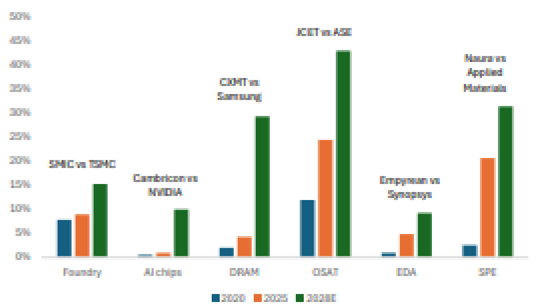
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: China Semi capex changes in Chips 2-4



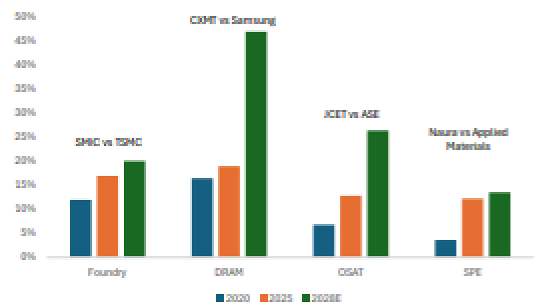
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: R&D: required more capital to catch up global leader / go global
R&D: local leader R&D in 2020/25/28E as a % of global leader R&D in LTM (3Q25-2Q26A)



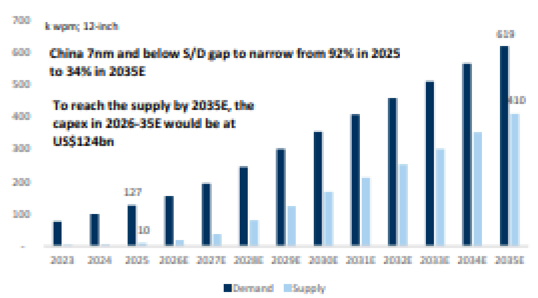
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Capex: required more capital to catch up global leader / go global
Capex: local leader Capex in 2020/25/28E as a % of global leader R&D in LTM (3Q25-2Q26A)



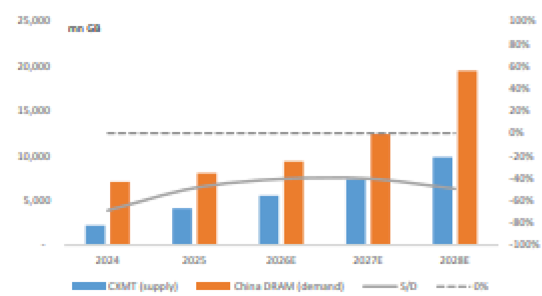
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: China 7nm and below supply vs demand



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: CXMT supply to cover 50% of China DRAM demand by 2028E



Source: Company data, Goldman Sachs Global Investment Research