Memory Market Update

Implications of the NVDA/CXMT results and Kioxia/SKH investment news

Technology - Semiconductors

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

Sangsik Lee
(82-2) 758 5146
sangsik.lee@jpmorgan.com
J.P. Morgan Securities (Far East) Limited, Seoul Branch

Over the last couple of days, investors have asked us about the implications of multiple industry events and headlines. In this report, we share our thoughts on key events (NVDA/CXMT results and Kioxia/SKH investment news). Key OW names in Asia are: **SKH**/**SEC** in Korea (SKH over SEC in Korea in the near-term), **Kioxia** in Japan, and **NYT** in Taiwan.

- **NVDA sets a higher bar for AI server spending and related memory value growth potential.** NVDA (covered by Harlan Sur) introduced its first-ever formal forward-year revenue framework for FY28 at +70% Y/Y (supply constrained) - link vs. street expectations of mid-40% Y/Y. This sets up a stronger datacenter order outlook for next year, and the growth range is well above the four major U.S. hyperscalers' 2027E gross capex spending forecast Y/Y growth range next year (43% increase, according to Bloomberg). In our Aug-26 GMM report, we forecasted that the Memory value share within CSP hardware capex (using OMDIA estimates) would grow from $669bn (31% of total) in 26E to $991bn (49% of total) in 27E. Upon the CSP hardware capex upward revision, high memory value share concern (i.e. memory concentration risk within hyperscale capex) would be alleviated amidst constructive downstream industry data points, per GW revenue opportunity rising over new AI GPU chips (over US$40bn for Vera Rubin vs. US$25bn for Grace Blackwell) and U.S. hyperscale (AWS/MSFT/GCP combined) cloud revenue momentum acceleration (from +23% y-y in 2Q25A to +43% y-y in 2Q26A).
- **NVHBM - likely the beginning of custom HBM.** As a complement to NVDA's NVLink Fusion, NVDA released details of NVHBM, which carries a customized base die that can help custom XPUs to support larger models, read KV cache data faster, and improve training and large-scale inference (link). Compared to HBM4E, NVDA claims NVHBM provides up to 30%+ more memory bandwidth, frees up 25%+ packaging area for additional XPU capabilities, and lowers up to 15% of power usage. We believe NVHBM is likely the first product that carries a customizable feature (JPME: late-27 onwards) vs. the current standardized versions. Contrary to the news speculations (link), we believe the NVHBM project is not exclusive to a single memory maker with the product spec not being finalized yet. It remains unclear which supply-chain vendor would take a higher value share in the customized logic die, but as we see more HBM customization projects emerging from GPU/ASIC vendors, we expect memory makers' HBM manufacturing capabilities to be further tested with the market starting to view HBM as a true customized product more so than a commodity (i.e. compatibility between the core die and the logic die, logic die performance/sourcing method, yield, etc.).
- **Kioxia and SanDisk announce ¥5 trillion of investments through FY31, favorable condition surrounding LTA discussion, in our view.** The total ¥5 trillion investment includes ¥1.8 trillion spent specifically for the third fab (K3) at the Kitakami plant and additional equipment at the seventh fab (Y7) at the Yakkaichi plant (link). While the specifics of the remaining ¥3.2 trillion were not disclosed, these remarks are the first official long-term investment plan beyond the previous ¥1.4 trillion investment plan in FY26-28 from its June Investor Day event (link). This is similar to the Korean memory suppliers' fab first strategy and we got a positive sense from the Kioxia team's potentially

See page 4 for analyst certification and important disclosures, including non-US analyst disclosures.

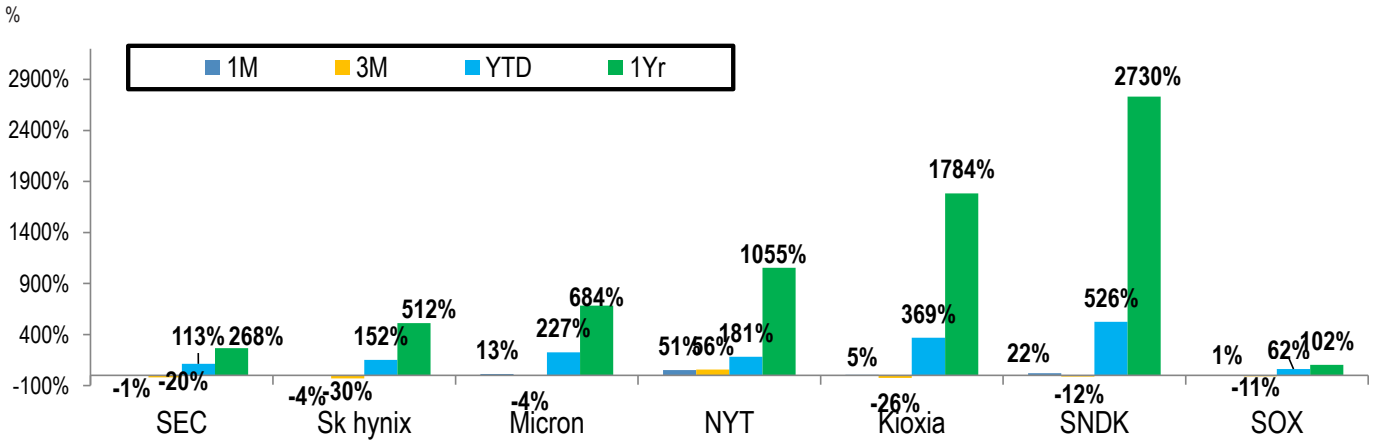
additional long-term strategic supply agreement beyond the original plan of FY27E-28E (around half or more of total supply is currently under more than a year LTA contract with key AI, server, and consumer electronics customers). Alongside YMTC's aggressive plan to increase capacity by 25% y-y next year (equivalent to running ~2.5mn WSPM capacity - link), many investors share a cautious impression on the NAND industry's S&D into next year. We continue to believe enterprise SSD demand upside is being overlooked and its strength will be sufficient to more than offset the consumer NAND weakness.

- **SKH mulling to diversify supply base; but we expect the majority to stay in Korea.** Following SKH's groundbreaking at the Indiana HBM backend fab set to ramp in 2029E, SK Group's chairman Mr. Chey mentioned evaluation of a JV in Japan for a new greenfield fab where power and water supply are sufficient (link). The incentives to diversify the supply base can vary from strategic (closer proximity to customers, geopolitical, SCM) to economic reasons (labor/utility/capex cost, land availability, government subsidy etc.), and while we see SKH broadening out the supply base, we expect the majority of the production to remain in Korea, prioritizing expansion of its Yongin cluster 1 (total of 390-420K wfpm coming online by 2030) and the next decade of capacities being funneled from the remaining three Yongin clusters. In the event of expanding the capacity offshore, we expect ex-Korea capacities to adopt non-leading edge technologies with key operations ranging from packaging/and potentially NAND (similar to Solidigm located in Dalian, China).
- **Implications from CXMT sales +874% y-y in 1H26 and LPDDR6 qualification.** According to CXMT (not covered, 688825 CH)'s 1H26 bi-annual report (link), CXMT reported sales of Rmb150.3bn (+874% y-y) and profit of Rmb117.1bn (OPM: 78% vs. -27% in 1H25), surpassing NYT's 643% y-y sales growth in 1H26. Translated into US$ terms, CXMT's 1H26 sales of US$22bn accounted for 9% of the GMM DRAM TAM of US$245.5bn in 1H26, broadly in-line with its HSD% bit share, in our view. In the financial statement, CXMT management guided 16GB LPDDR6 is in qualification with several news media highlighting Xiaomi as their customer (link). From the Asian memory makers' perspective, LPDDR6 has not yet entered mass production, but we highlight a 2-3 year technology gap since the Asian memory makers mass produced 16GB LPDDR5 in 2023/2024 (link, link). CXMT has become a substantial part of the memory supply equation, but we see limited evidence of denting the current shortage market situation (through 2028E), given limited AI-grade product offerings (e.g. HBM) and limited presence in the server computing market.
- **Stock implications.** Memory stocks are down 6% in the past 3M (vs. SOX: -11%) on brewing concerns of memory content cuts, leveraged ETF unwinds (especially for Korean memory makers), and lack of catalysts after shareholder return policies were released from the Korean memory makers (SEC/SKH). Based on our conversations with investors, we sense investors are particularly concerned about the easing S-D imbalance in the 2028 and the subsequent decelerating growth (after high base in 2026) as an unattractive factor to accumulate memory. That said, we believe investors are discounting CY27E memory earnings strength with Asian memory makers (SEC, SKH, Kioxia) trading at <4x P/E with demand profiles pointing to an upside risk, reinforced by NVDA's FY28 (Jan-28 ending) guidance upward revision (report). We expect to hear more on a transparent shareholder return policy update from both US/Asian memory makers within the next 3-4M and believe the risk/reward is attractive. We advise investors to accumulate memory shares as the market begins to price-in 27E earnings. The next key catalysts are: a) shareholder return policy update at the 3Q26 earnings conference (Oct-end), b) CSP capex update, c) LTA pricing disclosures, and d) China competition update.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

Figure 1: Global memory makers' share price performance including SOX (Philadelphia Semiconductor index)



Source: Bloomberg Finance L.P. Note: Past performance is not an indicator of future results.

