Montage (688008.SS): Memory interface IC mix upgrade with new products ramp up; 2Q26 in line with guidance; Buy

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Montage reported 2Q26 NI +81% YoY/ 36% QoQ to Rmb1.15bn, which is in line with our estimates and company's guidance (Report link). 2Q26 revenues were up 33% YoY to Rmb1.9bn, driven by DDR5 interface IC ramp up, and growth of innovative products (MRCD/ MDB, PCIe retimer, CKD, CXL MXC). 2Q26 GM was 61.8%, below our estimate/consensus of 67.1%/66.6%, which management attributed to the product mix changes. Management expects to see continuous migration to the new generation of DDR5/ DDR6 interface IC to drive growth, and MRCD/ MDB products to see gradual ramp up from 2027E. We remain positive on Montage's leading position in memory interconnect ICs and its expanding AI interconnect product portfolio. Maintain Buy.

Exhibit 1: Montage 2Q26 result snapshot

(Rmb mn)	2Q26	GSe	Diff	2Q26 Consensus	Diff	1Q26	QoQ	2Q25	YoY
Revenue	1,875	1,875	0%	1,819	3%	1,461	28%	1,411	33%
Gross profit	1,159	1,257	-8%	1,211	-4%	1,019	14%	853	36%
Opering income	702	860	-18%	808	-13%	673	4%	500	40%
Pre-tax profit	1,194	1,189	0%	890	34%	877	36%	655	82%
Net income	1,150	1,120	3%	903	27%	847	36%	634	81%
EPS	0.94	0.92	3%	0.78	20%	0.69	36%	0.55	70%
Margins									
Gross margin	61.8%	67.1%	-5.2%	66.6%		69.8%		60.4%	
Operating margin	37.4%	45.9%		44.4%		46.1%		35.4%	
Net margin	61.3%	59.7%		49.7%		58.0%		44.9%	

Source: Company data, Goldman Sachs Global Investment Research

DDR5 product migration continues: DDR5 Gen 3 and Gen 4 products accounted for over 50% of RCD shipments in 1H26, per management, and DDR5 Gen 5 interface IC has started volume shipment. Montage sampled its DDR5 Gen 6 products in June and the R&D of DDR6 Gen 1 products. Management expects the rising importance of CPUs in AI inference, together with increasing memory channels per CPU, to drive memory module demand and interconnect IC content.

Innovative products to gradual ramp up in 2027E: Revenues from MRCD/MDB, PCIe Retimer, CKD and CXL MXC reached Rmb538mn in 1H26, or up 81% YoY, with growth driven by PCIe retimer and CKD chips. Management expects the MRCD/ MDB products to start meaningful volume ramp-up from 2027E as supporting CPU platforms and related ecosystems mature. Montage is preparing PCIe 6.x Retimer for volume production in 2027 and works on the tape-out of PCIe 7.0 Retimer, PCIe Switch and high-speed Ethernet PHY Retimer engineering samples in 2H26E.

Earnings revision: We factor in Montage's 2Q26 result and lower our 2026E-2032E

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earnings estimates by 2%, mainly on lower revenue estimates of CKD revenues, due to longer than expected time to ramp up, while we remain positive on the incremental innovative products revenues contribution ahead, and lower GM assumptions to reflect cost pressure.

Exhibit 2: Earnings revision

	2026E			2027E			2028E			2029E			2030E			2031E			2032E		
(Rmb bn)	New	Old	Diff	New	Old	Diff	New	Old	Diff	New	Old	Diff	New	Old	Diff	New	Old	Diff	New	Old	Diff
Revenue	8,106	8,212	-1%	11,121	11,185	-1%	15,567	15,737	-1%	21,108	21,366	-1%	29,184	29,478	-1%	37,234	37,566	-1%	45,186	45,555	-1%
Gross profit	5,432	5,553	-2%	7,204	7,298	-1%	9,720	9,943	-2%	13,118	13,350	-2%	18,141	18,418	-2%	23,168	23,506	-1%	28,271	28,606	-1%
Operating income	3,622	3,805	-5%	5,176	5,336	-3%	7,202	7,465	-4%	9,968	10,246	-3%	14,130	14,484	-2%	18,295	18,721	-2%	22,659	23,090	-2%
Pre tax profit	4,523	4,445	2%	5,660	5,819	-3%	7,727	7,992	-3%	10,556	10,836	-3%	14,799	15,156	-2%	19,077	19,510	-2%	23,595	24,037	-2%
Net income	4,200	4,104	2%	5,209	5,338	-2%	7,059	7,281	-3%	9,589	9,823	-2%	13,374	13,675	-2%	17,189	17,555	-2%	21,210	21,582	-2%
EPS (Diluted)	3.44	3.36	2%	4.26	4.37	-2%	5.78	5.96	-3%	7.85	8.04	-2%	10.94	11.19	-2%	14.06	14.36	-2%	17.35	17.66	-2%
Margins																					
Gross margin	67.0%	67.6%		64.8%	65.2%		62.4%	63.2%		62.1%	62.5%		62.2%	62.5%		62.2%	62.6%		62.6%	62.8%	
Operating margin	44.7%	46.3%		46.5%	47.7%		46.3%	47.4%		47.2%	48.0%		48.4%	49.1%		49.1%	49.8%		50.1%	50.7%	
Net margin	51.8%	50.0%		46.8%	47.7%		45.3%	46.3%		45.4%	46.0%		45.8%	46.4%		46.2%	46.7%		46.9%	47.4%	

Source: Company data, Goldman Sachs Global Investment Research

Valuation: With changes to 2026-32E earnings estimates, we lower our TP for A-share/ H-share to Rmb380/ HK$572. For the A-share, our 12M target price of Rmb380 is based on a 48.1x (vs. 48.0x previously) 2030E discounted P/E. Our target P/E multiple of 48.1x is derived from peers' P/E and NI growth correlation. For the H-share, our 12M target price of HK$572 is based on a 66.4x 2030E P/E (vs. 66.2x previously). Maintain Buy.

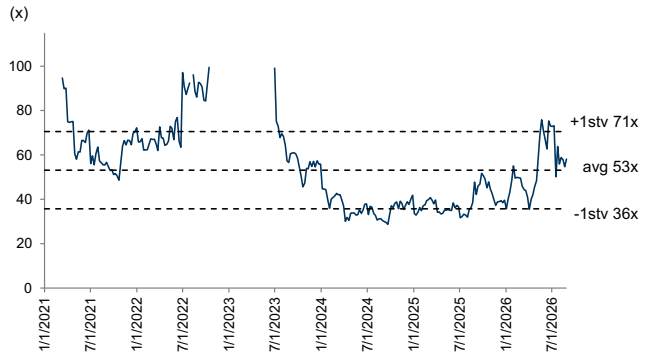
Exhibit 3: Montage discounted P/E

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Key assumptions	RCD DDR5 penetration				MRDIMM, CKD, PCIe Retimer/ Switch				PCIe Switch/ CXL		
Revenues %											
RDIMM interconnect	73%	93%	79%	77%	68%	48%	38%	31%	23%	18%	16%
MRDIMM interconnect	0%	0%	1%	2%	6%	10%	14%	15%	20%	26%	27%
CKD	0%	0%	2%	4%	10%	11%	11%	9%	7%	6%	5%
PCIe Retimer	2%	3%	9%	11%	9%	21%	23%	21%	20%	18%	17%
PCIe Switch	0%	0%	0%	0%	1%	2%	6%	14%	20%	22%	24%
CXL	0%	0%	0%	0%	0%	1%	2%	4%	4%	5%	5%
Revenues	**3,672**	**2,286**	**3,639**	**5,456**	**8,106**	**11,121**	**15,567**	**21,108**	**29,184**	**37,234**	**45,186**
Rev YoY growth		-38%	59%	50%	49%	37%	40%	36%	38%	28%	21%
Gross Profit	**1,706**	**1,347**	**2,115**	**3,395**	**5,432**	**7,204**	**9,720**	**13,118**	**18,141**	**23,168**	**28,271**
GM	46.4%	58.9%	58.1%	62.2%	67.0%	64.8%	62.4%	62.1%	62.2%	62.2%	62.6%
Opex	(858)	(950)	(1,062)	(1,568)	(1,810)	(2,029)	(2,519)	(3,150)	(4,011)	(4,873)	(5,613)
Opex ratio	-23.4%	-41.6%	-29.2%	-28.7%	-22.3%	-18.2%	-16.2%	-14.9%	-13.7%	-13.1%	-12.4%
EBIT	**848**	**396**	**1,053**	**1,827**	**3,622**	**5,176**	**7,202**	**9,968**	**14,130**	**18,295**	**22,659**
OP margin	23.1%	17.3%	28.9%	33.5%	44.7%	46.5%	46.3%	47.2%	48.4%	49.1%	50.1%
Non-OP	566	76	359	493	901	484	526	588	669	782	937
Pre tax income	1,414	472	1,413	2,321	4,523	5,660	7,727	10,556	14,799	19,077	23,595
Tax	114	21	72	191	399	581	811	1,125	1,598	2,079	2,595
Net income (Attributed to owners)	**1,299**	**451**	**1,412**	**2,236**	**4,200**	**5,209**	**7,059**	**9,589**	**13,374**	**17,189**	**21,210**
Net income YoY growth		-65%	213%	58%	88%	24%	36%	36%	39%	29%	23%
EPS (Rmb)	**1.15**	**0.40**	**1.24**	**1.95**	**3.44**	**4.26**	**5.78**	**7.85**	**10.94**	**14.06**	**17.35**
EPS YoY growth		-66%	212%	58%	76%	24%	36%	36%	39%	29%	23%
A shares											
2030E Target P/E									**48.1x**		
Target multiple x EPS									526		
TP (Rmb, 2027E)						**380.00**					
Implied P/E						89x	66x	48x	35x	27x	22x
Implied P/B						20x	17x	15x	12x	10x	8x
H shares											
H-A premium									38%		
2030E Target P/E									**66.4x**		
Target multiple x EPS									726		
CNYHKD						1.09					
TP (HK$, 2027E)						**572.00**					
Implied P/E						123x	91x	67x	48x	37x	30x
Implied P/B						27x	24x	20x	17x	14x	11x

Source: Company data, Goldman Sachs Global Investment Research

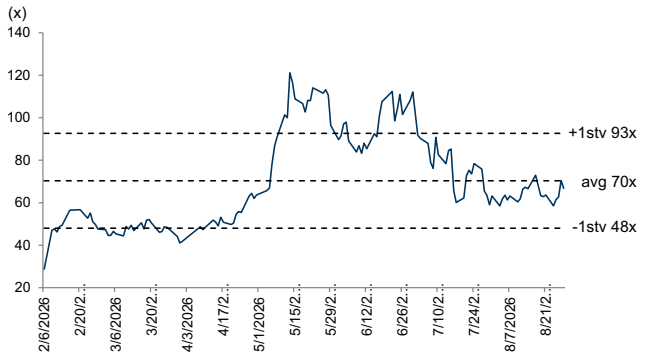


Exhibit 4: Montage (A): 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research, LSEG Data & Analytics

Exhibit 5: Montage(H): 12m forward P/E



Source: Company data, Goldman Sachs Global Investment Research, LSEG Data & Analytics

Exhibit 6: Montage P&L Summary

(Rmb mn)	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Revenue	**3,672**	**2,286**	**3,639**	**5,456**	**8,106**	**11,121**	**15,567**	**21,108**	**29,184**	**37,234**	**45,186**	**1,222**	**1,411**	**1,424**	**1,399**	**1,461**	**1,875**	**2,266**	**2,504**
COGS	1,967	939	1,524	2,061	2,674	3,916	5,847	7,990	11,043	14,066	16,914	483	558	522	497	441	716	730	787
Gross profit	**1,706**	**1,347**	**2,115**	**3,395**	**5,432**	**7,204**	**9,720**	**13,118**	**18,141**	**23,168**	**28,271**	**739**	**853**	**902**	**902**	**1,019**	**1,159**	**1,536**	**1,717**
Selling expenses	86	90	96	120	133	151	169	186	213	245	270	24	27	31	38	29	30	33	42
G&A expenses	202	173	196	526	517	554	654	758	910	1,046	1,151	102	120	370	(65)	127	161	111	117
R&D expenses	563	682	763	915	1,152	1,313	1,681	2,185	2,858	3,544	4,147	153	204	176	382	188	265	317	382
Operating expense	858	950	1,062	1,568	1,810	2,029	2,519	3,150	4,011	4,873	5,613	280	353	578	357	346	457	463	543
Operating income	**848**	**396**	**1,053**	**1,827**	**3,622**	**5,176**	**7,202**	**9,968**	**14,130**	**18,295**	**22,659**	**458**	**500**	**324**	**545**	**673**	**702**	**1,073**	**1,174**
Non-op	566	76	359	493	901	484	526	588	669	782	937	72	155	183	83	204	492	146	59
Pre tax profit	**1,414**	**472**	**1,413**	**2,321**	**4,523**	**5,660**	**7,727**	**10,556**	**14,799**	**19,077**	**23,595**	**531**	**655**	**507**	**628**	**877**	**1,194**	**1,219**	**1,234**
Tax	114	21	72	191	399	581	811	1,125	1,598	2,079	2,595	27	47	43	74	47	82	134	136
Minority interest	(0)	0	(71)	(106)	(76)	(131)	(144)	(158)	(174)	(191)	(210)	(22)	(25)	(9)	(50)	(18)	(39)	(10)	(10)
Net income	**1,299**	**451**	**1,412**	**2,236**	**4,200**	**5,209**	**7,059**	**9,589**	**13,374**	**17,189**	**21,210**	**525**	**634**	**473**	**603**	**847**	**1,150**	**1,095**	**1,108**
Fully diluted shares outstanding (mn)	1,130	1,138	1,141	1,146	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,145	1,145	1,145	1,146	1,222	1,222	1,222	1,222
Margins																			
Gross margin	46.4%	58.9%	58.1%	62.2%	67.0%	64.8%	62.4%	62.1%	62.2%	62.2%	62.6%	60.4%	60.4%	63.3%	64.5%	69.8%	61.8%	67.8%	68.6%
Operating margin	23.1%	17.3%	28.9%	33.5%	44.7%	46.5%	46.3%	47.2%	48.4%	49.1%	50.1%	37.5%	35.4%	22.7%	39.0%	46.1%	37.4%	47.3%	46.9%
Net margin	35.4%	19.7%	38.8%	41.0%	51.8%	46.8%	45.3%	45.4%	45.8%	46.2%	46.9%	43.0%	44.9%	33.2%	43.1%	58.0%	61.3%	48.3%	44.2%
Ratios																			
Opex ratio	-23.4%	-41.6%	-29.2%	-28.7%	-22.3%	-18.2%	-16.2%	-14.9%	-13.7%	-13.1%	-12.4%	-22.9%	-25.0%	-40.6%	-25.5%	-23.7%	-24.4%	-20.4%	-21.7%
Selling expenses ratio	-2.3%	-3.9%	-2.6%	-2.2%	-1.6%	-1.4%	-1.1%	-0.9%	-0.7%	-0.7%	-0.6%	-2.0%	-1.9%	-2.1%	-2.7%	-2.0%	-1.6%	-1.5%	-1.7%
G&A expenses ratio	-5.5%	-7.6%	-5.4%	-9.6%	-6.4%	-5.0%	-4.2%	-3.6%	-3.1%	-2.8%	-2.5%	-8.3%	-8.5%	-26.0%	4.7%	-8.7%	-8.6%	-4.9%	-4.7%
R&D expenses ratio	-15.3%	-29.8%	-21.0%	-16.8%	-14.2%	-11.8%	-10.8%	-10.4%	-9.8%	-9.5%	-9.2%	-12.5%	-14.5%	-12.4%	-27.3%	-12.9%	-14.1%	-14.0%	-15.2%
Tax rate	-8.1%	-4.5%	-5.1%	-8.2%	-8.8%	-10.3%	-10.5%	-10.7%	-10.8%	-10.9%	-11.0%	-5.1%	-7.1%	-8.4%	-11.8%	-5.4%	-6.9%	-11.0%	-11.0%
QoQ																			
Revenue												14%	15%	1%	-2%	4%	28%	21%	10%
Gross profit												19%	15%	6%	0%	13%	14%	33%	12%
Operating income												49%	9%	-35%	68%	24%	4%	53%	9%
Pre tax profit												43%	23%	-23%	24%	40%	36%	2%	1%
Net income												21%	21%	-25%	27%	40%	36%	-5%	1%
YoY																			
Revenue	43%	-38%	59%	50%	49%	37%	40%	36%	38%	28%	21%	66%	52%	57%	31%	20%	33%	59%	79%
Gross profit	38%	-21%	57%	61%	60%	33%	35%	35%	38%	28%	22%	74%	59%	70%	45%	38%	36%	70%	90%
Operating income	47%	-53%	166%	73%	98%	43%	39%	38%	42%	29%	24%	146%	77%	17%	77%	47%	40%	231%	116%
Pre tax profit	55%	-67%	199%	64%	95%	25%	37%	37%	40%	29%	24%	121%	64%	26%	69%	65%	82%	141%	97%
Net income	57%	-65%	213%	58%	88%	24%	36%	36%	39%	29%	23%	135%	71%	23%	39%	61%	81%	131%	84%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: Montage Glossary table

General terms	Description
PCIe	Peripheral Component Interconnect Express, a high-speed serial computer expansion bus standard
Retimer	Mixed signal analog/ digital device to enable longer physical channels in servers and storage systems
CKD	Client Clock Driver, devices designed to buffer the clock between the host controller and DRAM
CXL	Compute Express Link, open standard for high-speed, high capacity central processing unit (CPU)-to-device and CPU-to-memory connections
DDR5	Double Data Rate 5, a type of synchronous dynamic random-access memory, reducing power consumption compared to DDR4
DDIM	Dual In-line Memory Module, containing an array of RAM chips mounted on the motherboards
MRCD/MDB	Multiplexed Registered Clock Driver (MRCD) and Multiplexed Data Buffer (MDB) on DIMMs to buffer the Command/Address bus, chip selects and clock between the host controller and the DRAMs
MXC	Memory Expander Controller, enabling high-speed and low-latency interconnect between CPU and GPU

Source: Company data

Price target methodology and risks - Montage

Valuation methodology: For the A-share, our 12M target price of **Rmb380.0 is based on a 48.1x 2030E discounted P/E.** Our target P/E multiple is derived from peers' P/E and NI growth correlation. For the H-share, our 12M target price of **HK$572.0 is based on a 66.4x 2030E P/E** (a 38% valuation premium over the A-share and using a 1.09 CNY/HKD).

Key downside risks are: 1) Weaker-than-expected memory interface IC market growth; 2) slower-than-expected new product introductions; and 3) Fiercer-than-expected market competition.

688008.SS	12m Price Target: **Rmb380.00**	Price: **Rmb213.00**	Upside: **78.4%**
6809.HK	12m Price Target: **HK$572.00**	Price: **HK$285.00**	Upside: **100.7%**

Buy

Market cap:
Rmb260.3bn / $38.7bn
Enterprise value:
Rmb244.6bn / $36.4bn
3m ADTV: Rmb14.9bn / $2.2bn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**5,456.3**	**8,106.2**	**11,120.8**	**15,567.1**
Revenue (Rmb mn) Old	5,456.3	8,212.3	11,184.9	15,737.5
EBITDA (Rmb mn)	1,943.3	3,738.2	5,326.5	7,376.9
EPS (Rmb) New	**1.95**	**3.44**	**4.26**	**5.78**
EPS (Rmb) Old	1.95	3.36	4.37	5.96
P/E (X)	48.7	62.0	50.0	36.9
P/B (X)	9.5	12.4	11.1	9.6
Dividend yield (%)	1.0	0.8	1.0	1.4
CROCI (%)	14.5	26.1	23.7	28.3

	6/26	9/26E	12/26E	3/27E
EPS (Rmb)	0.94	0.90	0.91	0.98

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 28 Aug 2026 close.