CXMT (688825.SS): DRAM demand rides on AI and customers' diversification trend; ongoing product mix upgrade; 2Q26 strong beat;

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CXMT's 2Q26 revenue was up 977% YoY / 96% QoQ to Rmb99.5bn, or 52% / 54% higher than our estimate, reflecting AI driving DRAM demand and customers' strategy on diversifying supply chain to better secure supply, along with DRAM price staying at high level. We see CXMT's ongoing capacity expansion and product mix upgrade support the company to capture the strong demand, driving its revenues growth and profitability. 2Q26 opex ratio improved to 5.4%, better than our estimate and Bloomberg consensus, leading 2Q26 net income 75% / 260% higher than our estimate / Bloomberg consensus. In our CHIPS 4 report, we expect China DRAM demand to grow at 50% CAGR in 2026-28E to US$257bn by 2028E, driven by strong AI server shipments, leading HBM to grow at +188% CAGR in 2026-28E to US$32bn by 2028E. We view CXMT as the key beneficiary of the rising DRAM demand in local market and expect strong earnings growth ahead, driven by (1) strong AI demand in China driving both servers DRAM and HBM demand, (2) customers' diversifying their supplier networks to better secure supply, (3) CXMT's capacity expansion. Maintain Buy.

LPDDR6 commercialization in progress: CXMT's self-developed LPDDR6 chip delivers a better performance over the previous-generation LPDDR5X. Through architectural innovation and data transmission optimization, it unlocks data transfer potential, achieving peak speeds of 12,800Mbps and a maximum capacity of 16GB. LPDDR6 sample products have been provided to key customers for validation, and mass production is being accelerated.

Exhibit 1: 2Q26 result snapshot

Rmb m	2Q25	1Q26	2Q26	QoQ	YoY	GS	Act/GS	Cons.	Act/Cons.
Revenue	9,236	50,800	99,510	96%	977%	65,500	52%	64,525	54%
GP	1,192	40,212	87,163	117%	7211%	53,127	64%	52,911	65%
OP	-1,362	37,175	81,789	120%	NA	45,136	81%	32,658	150%
Net income	-773	24,762	52,843	113%	NA	30,280	75%	14,680	260%
Margins									
GM	12.9%	79.2%	87.6%			81.1%		82.0%	
OPM	-14.7%	73.2%	82.2%			68.9%		50.6%	
NM	-8.4%	48.7%	53.1%			46.2%		22.8%	

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

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Exhibit 2: China DRAM value TAM

	2024	2025	2026E	2027E	2028E	2026-28E CAGR
China demand by type (US$m)	**19,297**	**26,822**	**113,919**	**171,918**	**257,315**	**50%**
Conventional DRAM	17,646	24,220	110,046	159,501	225,209	43%
HBM	1,651	2,601	3,873	12,417	32,105	188%
Shipment (mn GB)	**7,073**	**8,050**	**9,365**	**12,419**	**19,505**	**44%**
Conventional DRAM	6,837	7,703	8,818	11,201	16,419	36%
HBM	235	347	547	1,218	3,086	138%
ASP (US$/GB)	**2.7**	**3.3**	**12.2**	**13.8**	**13.2**	**4%**
Conventional DRAM	2.6	3.1	12.5	14.2	13.7	5%
HBM	7.0	7.5	7.1	10.2	10.4	21%

Earnings revision: We factor in CXMT's 2Q26 result, leading our 2026E net income up 14%, while keep our 2H26-2030E estimates largely unchanged.

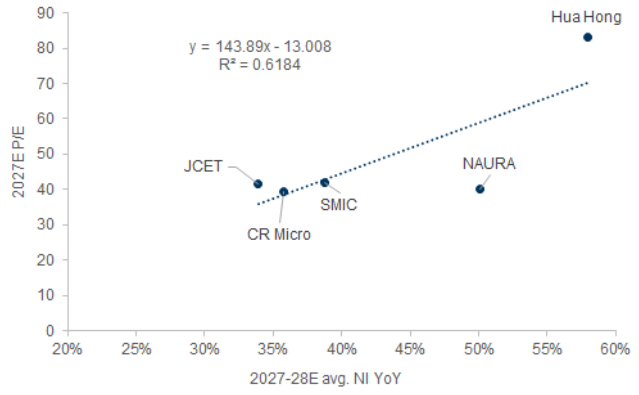
Exhibit 3: Earnings revision

	2026E			2027E			2028E			2029E			2030E		
Rmb mn	Old	New	Chg	Old	New	Chg	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	320,756	354,859	11%	661,563	659,741	0%	878,714	882,821	0%	1,103,832	1,100,192	0%	1,369,487	1,371,380	0%
GP	264,070	298,632	13%	556,549	557,754	0%	731,962	735,571	0%	913,178	911,098	0%	1,122,724	1,124,167	0%
OP	232,188	270,499	17%	497,008	498,377	0%	652,878	656,117	0%	815,489	813,731	0%	1,014,534	1,015,828	0%
Net income	161,373	183,833	14%	361,255	362,325	0%	472,573	474,289	0%	595,020	593,685	0%	744,511	745,399	0%
Margins															
GM	82.3%	84.2%		84.1%	84.5%		83.3%	83.3%		82.7%	82.8%		82.0%	82.0%	
OPM	72.4%	76.2%		75.1%	75.5%		74.3%	74.3%		73.9%	74.0%		74.1%	74.1%	
NM	50.3%	51.8%		54.6%	54.9%		53.8%	53.7%		53.9%	54.0%		54.4%	54.4%	

Source: Company data, Goldman Sachs Global Investment Research

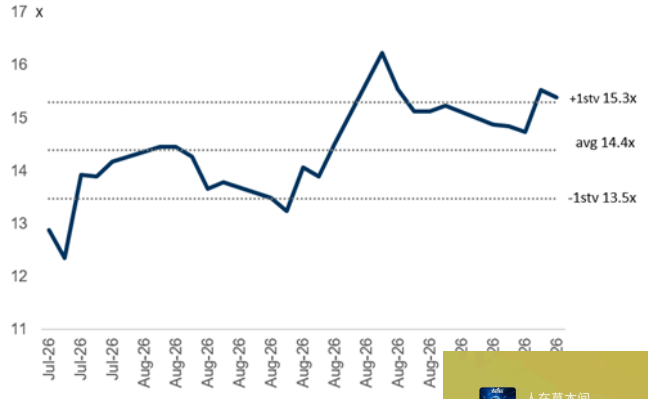
Valuation: We derive our 12-month target price of Rmb129 (unchanged) based on a discounted P/E methodology to capture the company's long-term growth, which is consistent with our Greater China Tech coverage. Our 2030E target P/E multiple of 16.6x (unchanged) is based on the peers' correlation between forward-year trading P/E and earnings growth, with CXMT's 2030-31E average net income YoY at 21%. We apply the 16.6x target P/E to 2030E EPS and discount it back to 2027E at a COE of 12.7%. **Maintain Buy.**

Exhibit 4: Our target P/E multiple is derived from peers' correlation between P/E and forward-year NI YoY growth



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: CXMT's 12M forward P/E



Source: Company data, Goldman Sachs Global Investm

Exhibit 6: CXMT's discounted P/E

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Milestones	DDR & LPDDR			Migration to HBM			Capacity expansion and rising DRAM end demand			
Revenue	**8,287**	**9,087**	**24,178**	**61,799**	**354,859**	**659,741**	**882,821**	**1,100,192**	**1,371,380**	**1,659,370**
YoY		*10%*	*166%*	*156%*	*474%*	*86%*	*34%*	*25%*	*25%*	*21%*
Gross profit	**-259**	**-175**	**1,349**	**25,334**	**298,632**	**557,754**	**735,571**	**911,098**	**1,124,167**	**1,344,090**
Gross margin	-3.1%	-1.9%	5.6%	41.0%	84.2%	84.5%	83.3%	82.8%	82.0%	81.0%
OPEX	3,561	7,073	7,372	16,912	28,133	59,377	79,454	97,367	108,339	129,431
YoY		99%	4%	129%	66%	111%	34%	23%	11%	19%
Opex ratio	43.0%	77.8%	30.5%	27.4%	7.9%	9.0%	9.0%	8.9%	7.9%	7.8%
Operating profit	**-3,820**	**-7,248**	**-6,024**	**8,422**	**270,499**	**498,377**	**656,117**	**813,731**	**1,015,828**	**1,214,659**
YoY		na	na	na	3112%	84%	32%	24%	25%	20%
Operating margin	*-46%*	*-80%*	*-25%*	*14%*	*76%*	*76%*	*74%*	*74%*	*74%*	*73%*
Non-op	-5,350	-11,975	-3,025	-721	-4,202	-2,042	-1,021	-464	-1,679	-1,679
Pre-tax profit	**-9,170**	**-19,223**	**-9,049**	**7,701**	**266,297**	**496,335**	**655,096**	**813,267**	**1,014,148**	**1,212,979**
Tax	1	2	2	557	22,689	44,670	62,889	81,327	106,486	157,687
Tax rate	0%	0%	0%	7%	9%	9%	10%	10%	11%	13%
Minority	(843)	(2,885)	(1,906)	5,269	59,775	89,340	117,917	138,255	162,264	194,077
Net profit	**(8,328)**	**(16,340)**	**(7,145)**	**1,875**	**183,833**	**362,325**	**474,289**	**593,685**	**745,399**	**861,215**
EPS (Rmb, diluted)	**(0.2)**	**(0.3)**	**(0.1)**	**0.0**	**2.9**	**5.4**	**7.1**	**8.9**	**11.1**	**12.88**
YoY		*na*	*na*	*na*	*9705%*	*97%*	*31%*	*25%*	*26%*	*16%*
TP implied P/E						24	18	15	12	10

2030E target P/E	16.6
Target multiple x EPS	185
Discounted back to 2027; TP (Rmb)	**129.0**
Implied 2027 P/E	24

COE assumption	
Beta	1.5
Risk free	3.0%
Market risk premium	6.5%
COE	**12.7%**

Source: Company data, Goldman Sachs Global Investment Research

Valuation: Our 12-month target price of Rmb129 is based on a 16.6x 2030E P/E, discounted back to 2027E at a COE of 12.7%. Our target multiple is derived from peers' correlation between forward-year trading P/E and earnings growth.

Key downside risks: Fiercer-than-expected market competition; Weaker-than-expected market demand; Unstable geopolitical situation.

688825.SS	12m Price Target: **Rmb129.00**	Price: **Rmb58.60**	Upside: **120.1%**

Buy

Market cap: Rmb3.9tr / $583.2bn
Enterprise value: Rmb3.8tr / $562.3bn
3m ADTV: NA
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**61,799.3**	**354,858.7**	**659,741.2**	**882,820.8**
Revenue (Rmb mn) Old	61,799.3	320,755.6	661,563.2	878,714.3
EBITDA (Rmb mn)	34,777.7	301,708.2	531,768.7	718,968.5
EPS (Rmb) New	**0.03**	**2.88**	**5.42**	**7.09**
EPS (Rmb) Old	0.03	2.50	5.40	7.07
P/E (X)	NM	20.4	10.8	8.3
P/B (X)	NM	13.7	6.2	3.5
Dividend yield (%)	NM	0.0	0.0	0.0
CROCI (%)	18.9	85.1	116.4	121.0

	6/26	9/26E	12/26E	3/27E
EPS (Rmb)	0.88	0.69	0.90	1.00

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