Gigadevice (603986.SS): China AI Tour: Specialty DRAM QoQ growth with mix upgrade; SLC NAND accelerating shipment growth ahead; Buy

Ting Song
+852-2978-6466 | ting.song@gs.com
Goldman Sachs (Asia) L.L.C.

Allen Chang
+852-2978-2930 |
allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

Verena Jeng
+852-2978-1681 | verena.jeng@gs.com
Goldman Sachs (Asia) L.L.C.

We hosted Gigadevice management during our China AI Tour on Sep 10th in Beijing. Key discussions focused on (1) Specialty DRAM, (2) SLC NAND, and (3) NOR Flash growth outlook and pricing trend. Overall, management is positive on continued QoQ growth of Specialty DRAM and NAND ASP, while growth becomes slower due to a high base. Mgmt. also expects to see strong wafer shipment growth of SLC NAND in 2027E with foundry partner's capacity expansion, while specialty DRAM wafer shipment growth takes time. On NOR Flash, management expects to see mild growth of ASP, mainly driven by high-density NOR Flash products. Meanwhile, the company continues its partnership with brand clients on 3D DRAM projects, with more meaningful revenues from 2027/ 28E. Maintain Buy.

Key takeaways

1. Specialty DRAM mix upgrade: Management expects DDR4 pricing to see continued QoQ growth in 3Q/ 4Q26, with the growth rate gradually narrowing ahead. On Specialty DRAM products, ~30%-35% of company's revenues are from consumer electronics products, ~40% from networking and industrial products. Mgmt notes that the company also focuses on end demand given its high exposure to consumer electronics products. Due to the migration to DDR4, there's fluctuation of its monthly production in the near-term, while management remains positive on product mix upgrade driving blended Specialty DRAM ASP and margin. Mgmt. expects mild growth in wafer shipment in 2027E, then gradually expand with growing capacity.

2. SLC NAND shipment growth: The company's NAND revenues were at ~Rmb1.5bnin 1H26 (vs. ~Rmb500m in 2025), supported by both shipment growth and ASP increase. Management expects the company's SLC NAND wafer shipment to maintain strong growth in 2027E, supported by capacity expansion of local foundry partners. Due to the global-tier peers' transition from 2D NAND to 3D NAND on AI demand, management is positive on pricing to maintain at high levels in 2027E, with the company's product coverage from 1G to 8G SLC NAND.

3. GM outlook: The company's 2Q26 GM was up to 66.6% (vs. 1Q26 GM at 57.1%), and management still sees GM upside in 3Q/ 4Q26E with price increase. With slower growth in ASP and growing cost of wafer fabrication, management expects GM to gradually stabilize. For specialty DRAM, management notes the wafer cost is set when the production is completed, which is closer to the market trend.



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Price Target Risks and Methodology - Gigadevice

Valuation: We are Buy rated with a 12-month target price of Rmb391 based on a 2030E P/E, discounted back to 2027E at a COE of 12% (beta at 1.3, risk free rate at 3.5%, and market risk premium at 6.5%). The target multiple of 35.1x is derived from the correlation between peers' P/E to NI YoY, based on the company's 2031E NI growth.

Key downside risks include: 1) MCU demand and pricing becoming weaker than we expect, leading to much slower sales and steeper margin decline; 2) NOR flash industry capacity expands at a faster pace than we expect; this could lead to faster pricing declines and structural pricing weakness for NOR flash in the longer-term; and 3) Competition is fiercer than we expect, leading to market share loss and margin pressure.

603986.SS	12m Price Target: **Rmb391.00**	Price: **Rmb371.32**	Upside: **5.3%**

Buy

Market cap:
Rmb247.7bn / $36.9bn
Enterprise value:
Rmb235.8bn / $35.2bn
3m ADTV: Rmb26.3bn / $3.9bn
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)	9,203.5	16,528.5	19,903.3	24,081.2
EBITDA (Rmb mn)	1,735.6	5,777.0	6,745.1	8,881.2
EPS (Rmb)	2.47	7.56	8.92	11.69
P/E (X)	61.0	49.1	41.6	31.8
P/B (X)	5.3	11.2	9.2	7.5
Dividend yield (%)	0.3	0.4	0.5	0.6
N debt/EBITDA (ex lease,X)	(5.1)	(2.1)	(2.3)	(2.4)
CROCI (%)	19.5	33.5	30.0	31.9
FCF yield (%)	1.3	1.8	1.7	3.0

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	2.08	2.15	2.00	1.32

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11 Sep 2026 close.