China AI Tour: Piotech (688072.SS, NC): Memory capacity in expansion drives growth ahead; Tools in expansion with specification upgrade

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We hosted Piotech's management on Sep 11 in Beijing during our China AI Tour. Management remains positive on their deposition tools, supported by China Semis Capex growing trend, the company's SPE expansion with specification upgrades towards advanced node tools. Looking forward, management expects advanced packaging tools to bring potential upside to the company. **Read across:** Management's positive tone on the SPE demand in China echoes our positive view (CHIPS 4 report), which we forecast China WFE (wafer fabrication equipment) spending to grow 13%/20%/15% YoY in 2026-28, mainly on higher investments in memory and advanced node technologies to support robust growth in generative AI. We expect this increased capital intensity in China to benefit both global and domestic SPE supply chains.

Company profile: Piotech (688072.SS, not covered) is a Chinese deposition equipment supplier and the local leader in PECVD (Plasma Enhanced Chemical Vapor Deposition). The company also offers high-end CVD (SACVD, HDPCVD, etc.) and ALD tools, which has been supported by capacity expansion of semiconductor clients and the localization trend.

Key takeaways: Management mentioned that Piotech's CVD and ALD tools are enjoying the localization trend in the China market and specification upgrades towards advanced node tools. Local major memory suppliers' capacity expansion, along with the rising SPE localization rate, should bring growth opportunities to local SPE players in coming years, such as Piotech. Management remains positive on Piotech to maintain its leading position in thin film deposition tools in local market, considering Piotech's diversified product portfolio, long product verification in the market, and foundries usually rely more on existing suppliers for stable yield rate. Looking forward, management expects advanced packaging tools to bring potential upside to Piotech.

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