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GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Overseas Technology

Memory: NAND Pricing Breakout Driven by eSSD

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What's New?

According to TrendForce, the leading third-party memory research firm, NAND demand is tracking materially stronger than expected, driven by eSSD as U.S. CSPs scale AI infrastructure. Following our recent bullish sector notes focused on DRAM (*Intact DRAM on Sept 6*; *HBM Unlikely to be 4-Hi on Sept 14*), we now see NAND fundamentals re-accelerating. We revise our NAND contract price outlook meaningfully higher, forecasting 3Q26/4Q26/1Q27 QoQ increases of 21%/17%/15%, vs. prior expectations of 18%/2%/0%.

Comments

Raise our NAND price estimates meaningfully: We lift our NAND contract price expectations for 3Q26/4Q26/1Q27 to 21%/17%/15% QoQ, up from 18%/2%/0%, driven by stronger-than-expected eSSD demand. Inventory at U.S. hyperscalers is expected to trend lower, with levels expected to decline by 4Q26 from ~14 weeks in July (vs. ~15-week normal). On supply, we continue to expect disciplined bit growth of 15%/21%/20% YoY in 2025/2026/2027. Meanwhile, eSSD demand from U.S. hyperscalers has nearly doubled vs. prior projections, implying demand growth will outpace supply at least over the near-term quarters.

eSSD/AI demand the key driver amid suppliers' increased confidence: According to TrendForce, a sharp structural split is emerging in NAND, with enterprise demand materially outpacing consumer segments. eSSD pull-ins remain strong, particularly from U.S. CSPs scaling AI infrastructure, with both TLC and increasingly QLC SSDs seeing accelerated uptake. Confidence in this demand is underpinned by AI workloads shifting from training toward agentic-AI, vector databases, and KV-cache offloading, where eSSD offers a superior cost-per-bit vs. DRAM and better power efficiency vs. HDD.

AI to reshape the storage hierarchy leading to content gains of NAND: AI workloads are breaking the traditional memory–storage hierarchy that relied on a clean separation between DRAM → NAND (SLC/MLC/TLC/QLC) → HDD. However, AI introduces continuous, high-throughput, low-latency access to massive datasets. This gap is being filled by Storage Class Memory (SCM), a new tier "near-memory storage," delivering better latency and DRAM-like read performance. Below SCM, QLC NAND becomes the bulk layer for AI data lakes, providing extreme density and cost efficiency for petabyte-scale training corpora. The result is a more granular, AI-specific hierarchy: DRAM → SCM → TLC/QLC NAND → HDD.

Recommendations

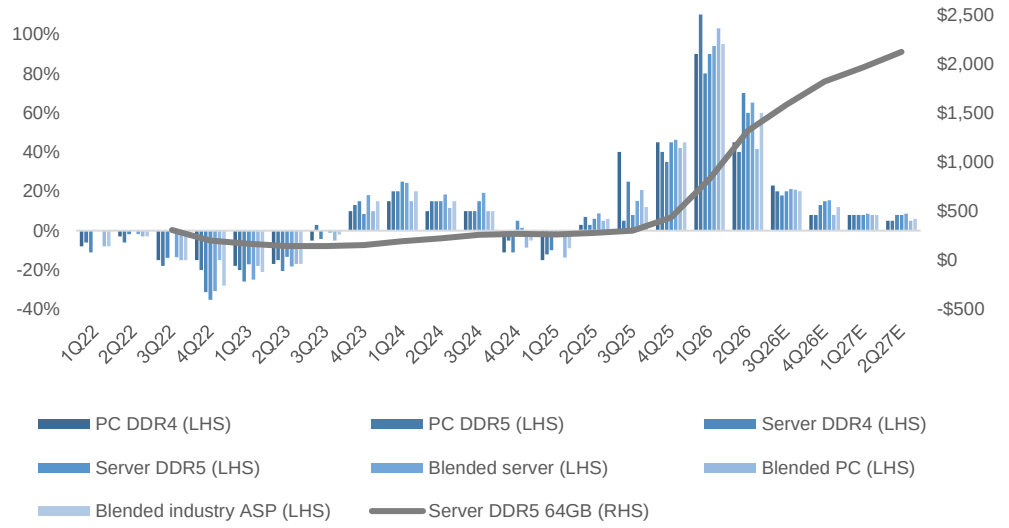
We remain bullish on DRAM/HBM names such as SK Hynix (000660 KS) and Micron (MU). We now also like NAND flash sector with names of three major memory makers (Samsung, SK Hynix and MU) who are the main suppliers of eSSD. We expect NAND flash supply chain such as SanDisk (SNDK), Phison (8299 TT), etc to outperform as well.

Risks: 1) AI demand slowdown, 2) infrastructure deployment, 3) supply constraints, 4) competition.



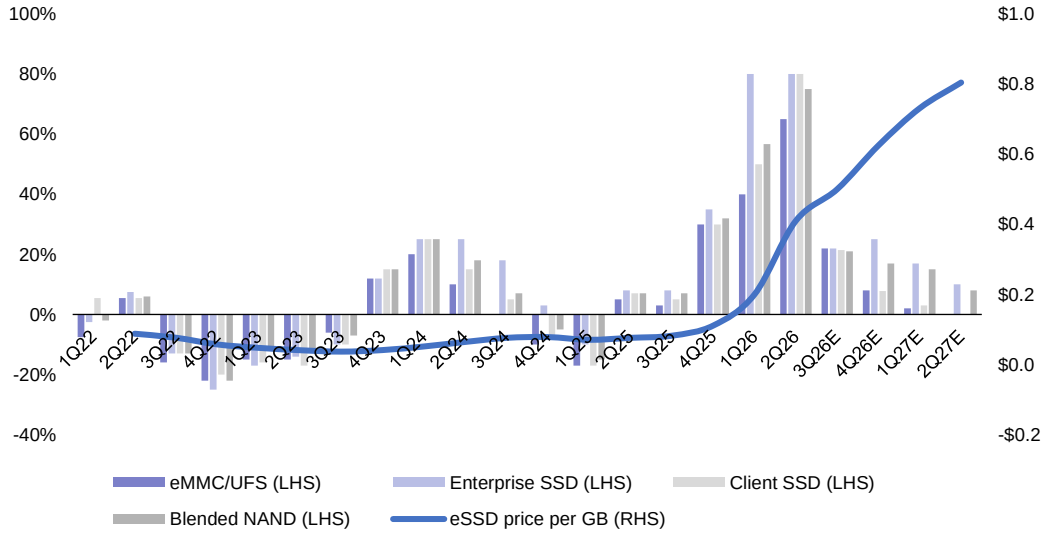
Focus Charts

Figure 1: DRAM Contract Price QoQ Estimates



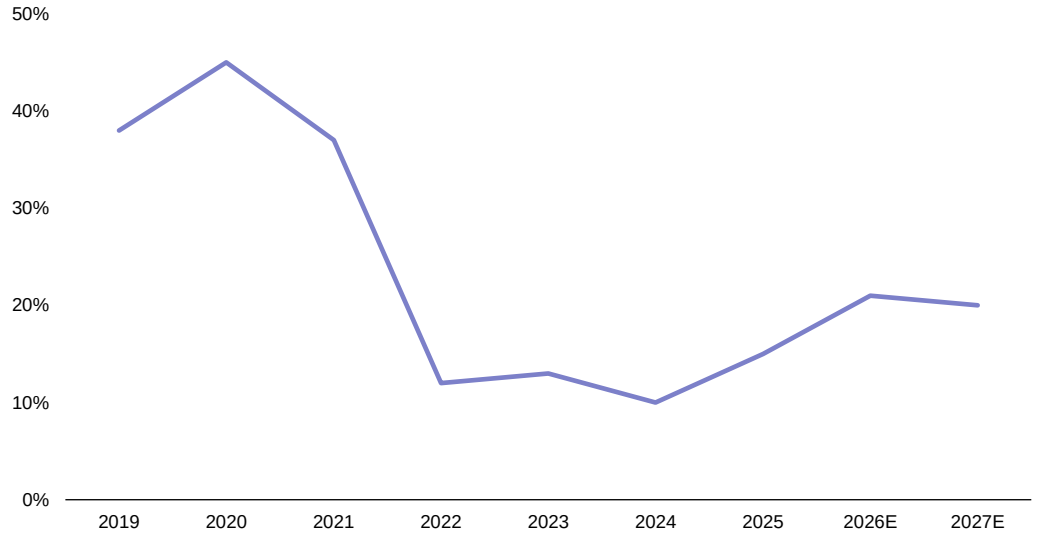
Sources: TrendForce, GF Securities (Hong Kong) Brokerage

Figure 2: NAND Contract Price QoQ Estimates



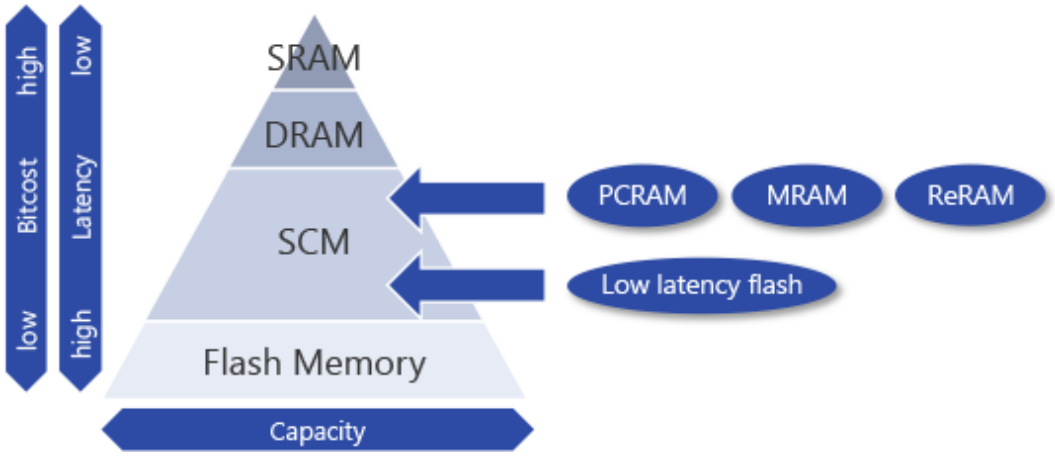
Sources: TrendForce, GF Securities (Hong Kong) Brokerage

Figure 3: NAND Flash industry supply bit growth



Sources: TrendForce, GF Securities (Hong Kong) Brokerage

Figure 4: Memory hierarchy including SCM layer



Sources: Kioxia, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowdown, 2) infrastructure deployment, 3) supply constraints, 4) competition.

Rating definitions Benchmark: Hang Seng Index (Hong Kong)

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	Hold	Expected stock relative performance ranges between -10% and 10%
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