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Longsys (301308.SZ / 9976.HK)

Structural Beneficiary of AI Memory Demand; Initiating At Buy/HR

Kevin Chen[AC]
Kyna Wong
Karen Huang
Yiming Li, CFA

CITI'S TAKE

We initiate coverage of Longsys with Buy/High Risk ratings on both the A-shares (TP: Rmb325, 9.5x 2027E P/E) and H-shares (TP: HK$195, 5x 2027E P/E at ~45% A-to-H discount). We view Longsys as a structural beneficiary of AI-driven memory demand growth, transitioning from a cyclical, consumer-oriented module vendor to an enterprise/AI-driven growth company. Longsys pre-announced on Oct 15th 3Q26 revenue/net profit of Rmb13.9bn/3.9bn, suggesting a GPM likely below 40%. While its GPM should normalize over time as memory wafer price uptrend moderates, we expect Longsys' growing tech differentiation and enterprise mix to sustain margins above its historical range. Longsys-A shares fell nearly 70% in 3 months and Longsys-H 30% since listing, currently trading at ~7x (A-share) and ~4x (H-share) 2027E P/E. We expect Longsys shares to stay volatile given recent memory debate, while risk/reward is turning more attractive. A memory sector stabilization could be a positive share catalyst for Longsys.

Longsys: A leading independent memory solution provider — Longsys is the world's 2nd largest independent memory product vendor with 1.2% global memory industry market share (following Kingston's 4.7% share) and the largest in China in 2025. Using wafers purchased externally, Longsys designs and assembles NAND flash/DRAM products for consumer, enterprise, and industrial applications under brands FORESEE (enterprise, industrial), Lexar (consumer), and Zilla (Latin America).

Robust growth likely to continue amid moderating GPM — We forecast a 12x profit growth for Longsys this year, followed by moderate declines in 2027E-28E as GPM normalizes. Rapid memory price hikes boosted Longsys revenue growth (2x in 2026E) and GPM expansion (61% in 2Q26, vs. 19% for FY25). While memory price uptrend looks likely to moderate in 2027, Longsys' growing product differentiation and enterprise exposure will likely support margin profile above its historical range, in our view.

Valuation & risks — We rate Longsys-A Buy at Rmb325 TP (~9.5x 2027E P/E) and Longsys-H Buy at HK$195 (~5x 2027E P/E). We believe Longsys should trade a premium to peers given its leading market position and in-house controller chip/firmware design capabilities. Key risks: Wafer price fluctuations, supply shortages, competition, technology migration, geopolitical tensions & trade barriers.

															Current Fiscal Year		Next Fiscal Year	
						Rating		Short-Term	Target Price						EPS		EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
Shenzhen Longsys	301308.SZ	Rmb	245.000	109,049	20 Oct 15:00		1H	-	-	325.000	32.7	2.9	35.6	Dec-25	-	42.080	-	34.061
Shenzhen Longsys	9976.HK	HK$	148.10	128,107	20 Oct 16:10		1H	-	-	195.00	31.7	5.6	37.2	Dec-25	-	42.080	-	34.061

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk
ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change
Source: Citi Research
^Catalyst Watch

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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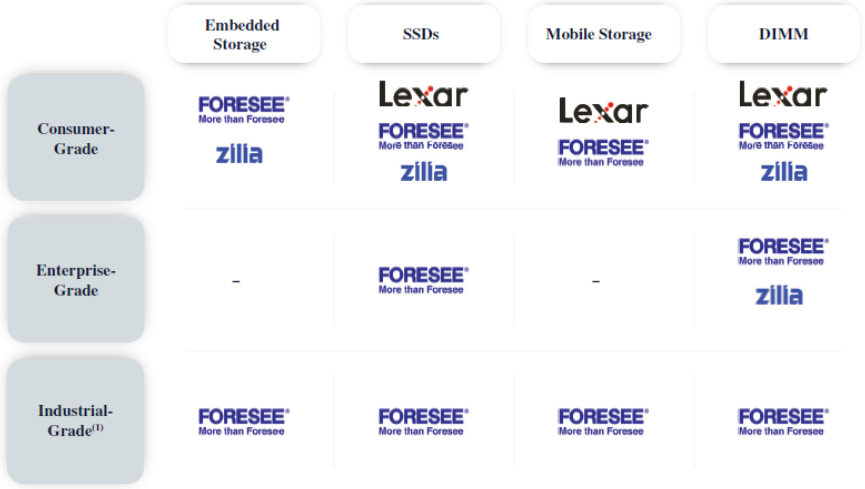
Company Overview

Company Snapshot

Shenzhen Longsys Electronics Company ("Longsys") is a leading branded memory solution provider in China. Founded in 1999 and headquartered in Shenzhen, the company has grown to become the second-largest independent memory product vendor globally (No.1 in China), according to CIC. The company designs and manufactures NAND flash and DRAM memory products for consumer, enterprise, and industrial applications, including embedded memory, SSD, mobile storage, DIMM, and more. Longsys mainly markets its memory products under three key brands: FORESEE, Lexar, and Zilla. Sales under these 3 brands contribute 73% of Longsys' total revenue in 2025.

- FORESEE – Enterprise, industrial, automotive applications
- Lexar – Consumer, digital photography
- Zilla – Enterprise for Latin America markets

Figure 1. Longsys – Product Matrix



Note: Industrial products include automotive-grade products

Source: Company Reports

Product Offerings

Longsys offers memory products for consumer, enterprise, and industrial solutions:

- **Consumer solutions:** Includes embedded storage products, such as embedded multi-media card (eMMC), universal flash storage (UFS), and multi-chip package (MCP), for smartphones, tablets, PC, and wearable devices. Longsys markets its embedded storage products under the FORESEE brand and mobile storage, SSDs DIMM under the Lexar brand.
- **Enterprise solutions:** Includes enterprise-grade SSD (eSSD), registered dual in-line memory module (RDIMM) for on-prem and data center servers. Longsys markets enterprise memory products under the FORESEE brand.
- **Industrial solutions:** These are ruggedized memory products, including SSDs, DIMM, and embedded memory, designed to meet specific temperature and humidity requirement for industrial automation equipment, industrial PCs, and automotive. Longsys markets industrial memory products under the FORESEE brand.

By product segment, Longsys' key products include:

- **Embedded storage (44% of 2025 revenue):** Longsys' main product line, embedded storage products are compact memory modules integrated within devices, typically made using NAND flash and LPDDR. Product offerings include:
  - Universal flash storage (UFS) and embedded multi-media card (eMMC)
  - MCP: includes embedded package-on-package (ePoP), embedded multi-chip package (eMCP), and UFS multi-chip package (uMCP)
  - LPDDR products
  - SLC NAND flash products
- **SSD (24% of 2025 revenue):** High-capacity NAND flash storage products for notebook PCs, desktop PCs and servers. SSDs are produced using NAND flash memory and are more advanced than traditional hard disk drives (HDDs) in both consumer and enterprise applications.
- **Mobile storage (21% of 2025 revenue):** Mobile storage encompasses portable memory devices including USB flash drives, memory cards, and portable SSDs used in digital photography and smart devices. Mobile storage products are made using NAND flash memory.
- **DIMM (10% of 2025 revenue):** DIMMs are volatile memory (double date rate DRAM) primarily used in servers and desktop PCs. Longsys offer DIMM products in consumer, enterprise and industrial applications with DDR4 and DDR5 specifications.

Embedded memory

Embedded memory products are the main product of Longsys. The product portfolio includes: 1) UFS and eMMC,2) LPDDR, 3) ePoP, eMCP, and uMCP; and 4) SLC NAND Flash products.

Longsys' UFS products are typically equipped with self-developed firmware for write amplification, power management, temperature control, and performance enhancement. Longsys has begun mass production of UFS 2.1 and 2.2 and completed R&D of UFS 3.1 and 4.1.

In addition to the more foundational consumer eMMC, Longsys has mass produced industrial and automotive eMMC products since 2019 with a leading market share of eMMC in China. Longsys also has developed in-house WM6000 controller chip supporting eMMC 5.1, thus enabling products with improved performance.

Figure 2. Longsys – Embedded Storage Products

Embedded Storage

Consumer-Grade

FORESEE zilia — UFS



- Technology: UFS 2.2
- Capacity: 64GB–512GB
- Temperature range: -25℃–85℃

FORESEE — eMMC



- Technology: eMMC 5.1
- Capacity: 4GB–512GB
- Temperature range: -25℃–85℃, -20℃–70℃ (QLC)
- Equipped with self-designed controller chip
- First QLC eMMC worldwide

FORESEE — LPDDR



- Technology: LPDDR5, LPDDR4x
- Capacity: 4GB–8GB
- Temperature range: -25℃–85℃
- 0.3/0.5V low power consumption
- JEDEC standards

FORESEE — ePOP4x



- Technology: eMMC5.1, LPDDR4x
- Capacity: 32GB+16Gb, 64GB+16Gb
- Temperature range: -25℃–85℃
- Ultra-thin with a maximum height of only 0.8mm

zilia — eMCP



- Technology: eMMC +PDDR4X SDRAM/ V5 TLC
- Capacity: 128GB (eMMC), 32Gb (SDRAM)
- Temperature range: -25℃–85℃

zilia — uMCP



- Technology: UFS, LPDDR4X SDRAM, V6 TLC
- Capacity: 128GB (UFS), 32Gb (SDRAM)
- Temperature range: -25℃–85℃

Industrial-Grade

FORESEE — Automotive UFS



- Technology: UFS2.1/UFS3.1
- Capacity: 64GB-256GB
- Temperature range: -40℃–105℃
- AEC-Q100 automotive-grade certification standards
- Equipped with self-designed controller chip

FORESEE — Industrial Wide-temperature eMMC



- Technology: eMMC5.1
- Capacity: 8GB-128GB
- Temperature range: -40℃–85℃
- Supporting pSLC/MLC
- Equipped with self-designed controller chip

FORESEE — Automotive eMMC



- Technology: eMMC5.1
- Capacity: 4GB-128GB
- Temperature range: -40℃–105℃
- Supporting pSLC/MLC
- AEC-Q100 automotive-grade certification standards
- Equipped with self-designed controller chip

FORESEE — SPI NAND Flash



- Technology: Standard-Dual-Quad
- Capacity: 512Mb–4Gb
- Temperature range: -40℃–85℃/-40℃–105℃ (Automotive-grade)
- Endurance: 100,000 program/erase cycles
- Data retention: 10 years

FORESEE — LPDDR4x



- Technology: LPDDR4x
- Capacity: 2GB-8GB
- Temperature range: -40℃–105℃
- Speed: 4266Mbps
- 0.6V low power consumption
- AEC-Q100 automotive-grade certification standards

Source: Company Reports

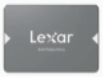
SSD

Longsys offers high-capacity NAND flash SSDs for laptop/ desktop/ all-in-one PCs, video cameras and networking terminals. Both SATA and PCIe SSDs have undergone compatibility testing with major CPU platform servers to ensure performance across platforms.

The company has launched several SSDs under its Lexar brand for high-end consumer applications such as digital photography, video recording and gaming. Longsys also has eSSD products available for enterprise applications.

Figure 3. Longsys – SSD

SSDs

Consumer-Grade	Enterprise-Grade	Industrial-Grade
Lexar NS100 SATA SSD  • Technology: SATA interface • Capacity: 128GB–2TB • Temperature range: 0°C–70°C • Speed: Read and write up to 550MB/s	**FORESEE UNICA 3836 Series SATA SSD**  • Technology: SATA III interface • Capacity: 480GB–3.84TB • Temperature range: 0°C–70°C • Mean Time Between Failures: 2 million hours • Uncorrectable Bit Error Rate: 1 sector per 10^17 bits read • Enhanced power loss protection • End-to-end data protection	**FORESEE 66/88 Series SATA SSD**  • Technology: SATA III interface • Capacity: 8GB–1TB • Temperature range: -25°C/-40°C–85°C • Mean Time Between Failures: 3 million hours • Utilizes temperature control technology to prevent the SSD from overheating, ensuring safe and stable long-term operation • Supports pSLC technology
Lexar NM1090 PCIe SSD  • Technology: PCIe Gen5 interface • Capacity: 1000GB-4000GB • Temperature range: 0°C–70°C • Speed: Read speed up to 12000MB/s and write speed up to 11000MB/s		
zilia BM9C1 PCIe SSD  • Technology: V7 QLC Flash technology and PCIe and M.2 interfaces • Capacity: 1TB • Temperature range: 0°C–70°C	**FORESEE XP2300 PCIe SSD**  • Technology: PCIe Gen4 interface • Capacity: 256GB-4TB • Temperature range: 0°C–70°C • Speed: Sequential read/write speed up to 7400MB/s/6400MB/s Mean Time Between Failures: 1.5 million hours	**FORESEE ORCA 4836 PCIe SSD**  • Technology: PCIe Gen 4x4 interface • Capacity: 1.6TB–7.68TB • Temperature range: 0°C–70°C • Speed: Sequential read/write speed up to 6800MB/s/4600MB/s • Mean Time Between Failures: 2 million hours • Uncorrectable Bit Error Rate: 1 sector per 10^17 bits read • Enhanced power loss protection • End-to-end data protection
		FORESEE S435 SATA SSD  • Technology: SATA III interface • Capacity: 512GB–1TB • Temperature range: 0°C–70°C • Mean Time Between Failures: 1.5 million hours • Designed for automotive use • Supporting up to 24 channels of 1080P HD recording devices with performance exceeding 1MB/s read/write per channel • Excellent shock resistance

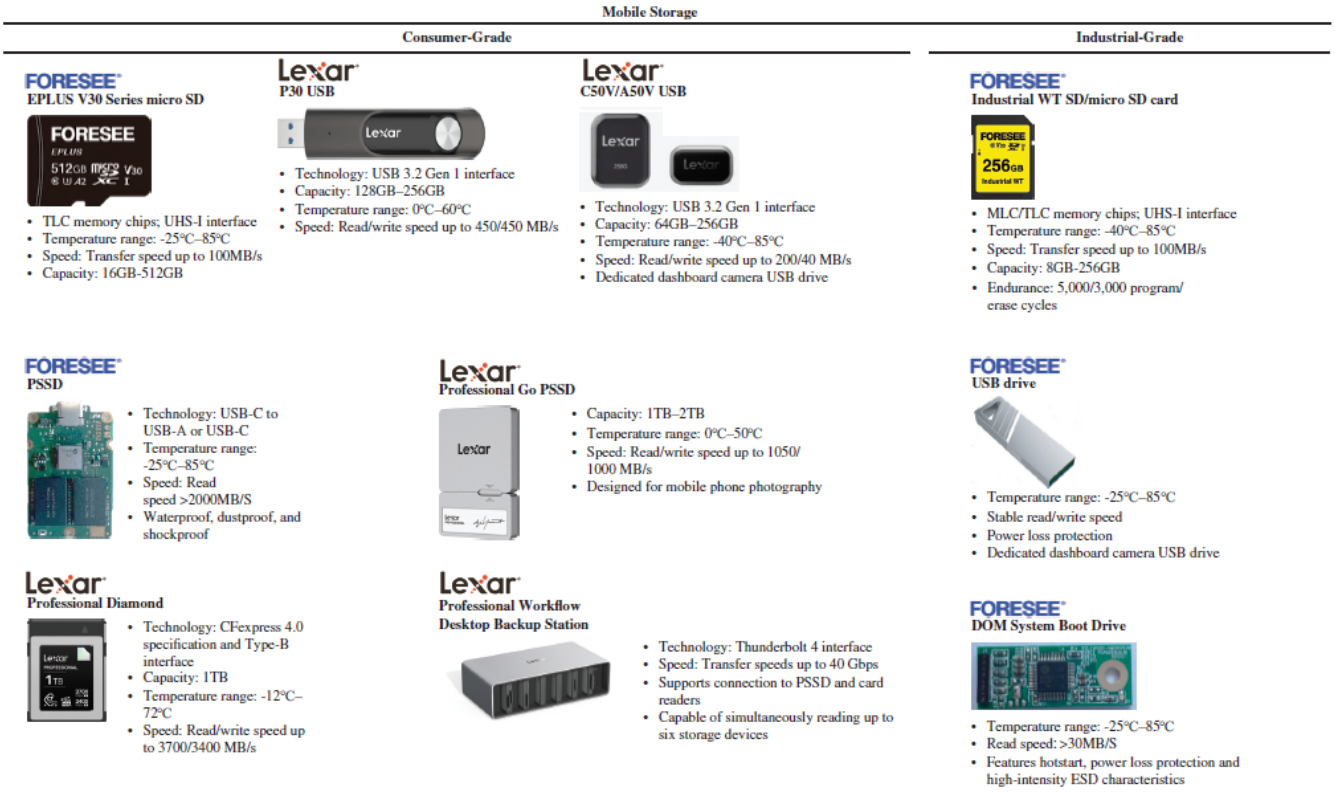
Source: Company Reports

Mobile storage

The mobile storage products include USB flash drives, memory cards and PSSDs, designed for portability and to meet the performance requirement of surveillance cameras, automotive onboard systems, high-definition photography, and more.

The product portfolio includes entry-level USB 2.0 for consumers, mainstream market USB 3.2 Gen 1 products (up to 200 MB/s) for everyday use, and high-performance USB 3.2 Gen 1 products (over 200 MB/s) for rapid data transfer.

Figure 4. Longsys – Mobile Storage



Source: Company Reports

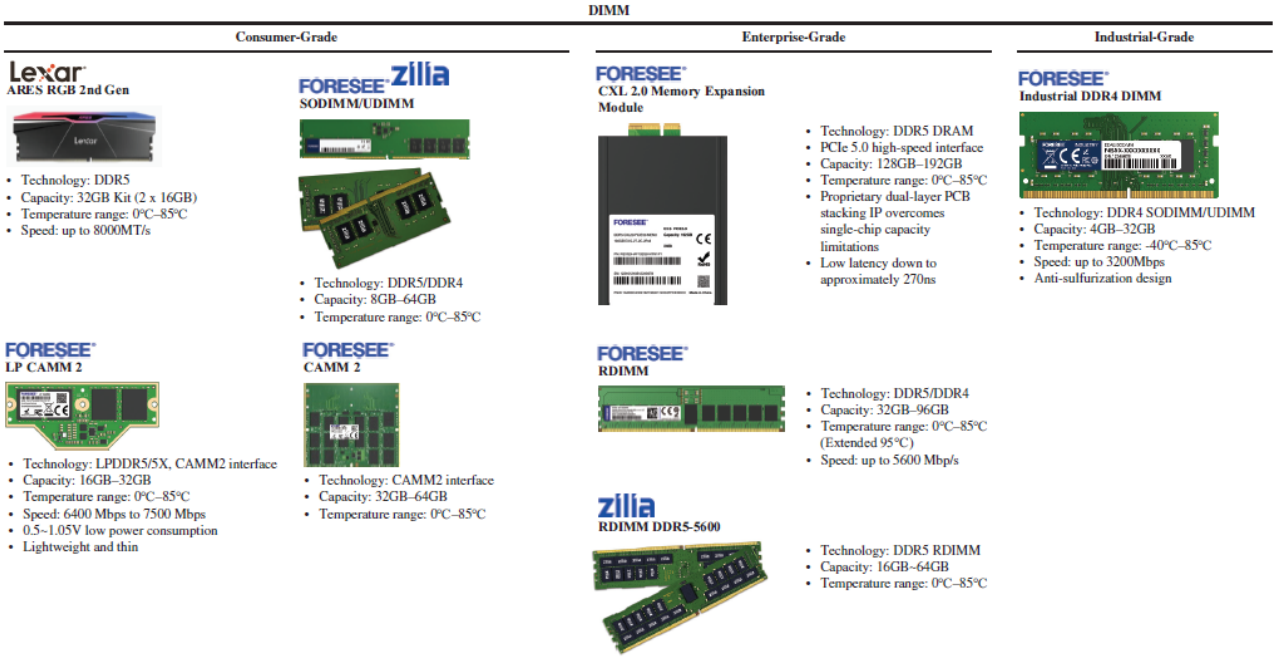
DIMM

Longsys' DIMM products include a range of solutions to meet specific customer requirement for consumer, enterprise and industrial applications. The products include DDR4 and DDR5 specifications, covering entry-level, mass market, and performance-driven market segments.

For consumer applications, Longsys provides high-performance DIMM products such as Lexar ARES RGB DDR5 desktop memory series, designed for gaming and high-performance computing and ranked among the fastest DDR5 products on the market. The industrial products are engineered to operate under extreme temperature and humidity while ensuring functionality and performance. For enterprise applications, Longsys offers DDR4 and DDR5 RDIMM to meet the reliability and scalability requirements of data center centers.

For AI and high-performance computing, Longsys has introduced LP CAMM 2, CAMM 2 and CXL 2.0 modules suitable for AI servers and other high-performance computing applications.

Figure 5. Longsys – DIMMs



Source: Company Reports

Business model

Longsys started out as a margin-based trading business, purchasing memory wafers from IDMs and then assembling into memory products, such as SD cards, MMC mobile flash memory cards. It then transformed over the years to developing and designing its own memory products, expanding its product portfolio from mostly traditional consumer-oriented products to enterprise/industrial-grade offerings. The company now offers full value-chain capabilities spanning chip design (memory and controller), firmware development, packaging, testing, SMT, and assembly.

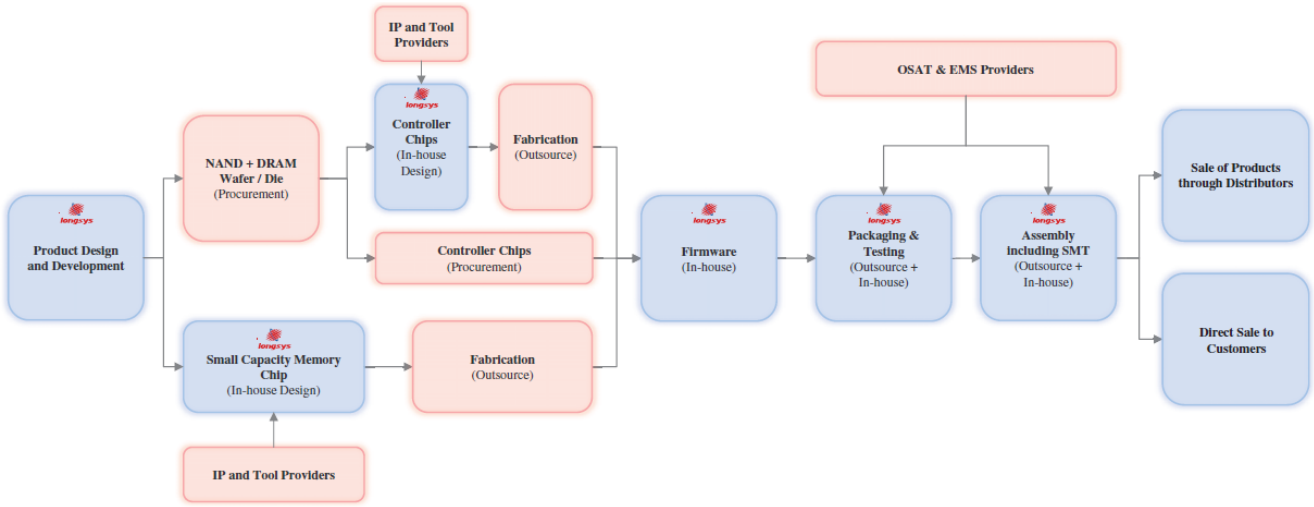
Longsys outsources wafer fabrication and procures NAND flash/DRAM wafers from IDMs and controller chips from third-party suppliers or in-house designs. Finished products are assembled at its facilities in China and Brazil, supplemented by third-party OSAT providers to enhance scalability and operational flexibility.

The company's key operational processes include:

- **Product design & development –** Fully in-house. Business and engineering teams translate market intelligence and customer requirements into product specifications, followed by hardware/software design, and rigorous verification, validation, and testing to meet performance, reliability, and quality standards.
- **Memory wafers –** NAND flash and DRAM are the core input materials which are mainly procured directly from IDMs. For a small subset of self-designed, small-capacity memory chips, the company provides IC layouts to third-party wafer foundries for fabrication.
- **Controller chips –** Manage data read/write operations and mediate interaction between memory cells and host devices. Mainstream controllers are sourced from third-party suppliers for most products, while high-end/customized applications use proprietary ICs fabricated by wafer foundries.
- **Firmware development –** Developed entirely in-house. Embedded software engineers handle coding, simulation, debugging, and validation, with iterative optimization driven by test results and customer feedback. Firmware and controller chips together govern product functionality.
- **Packaging –** Converts processed wafers into packaged chips or modules ready for end-product integration, encompassing die cutting, encapsulation, substrate bonding, and System-in-Package (SiP) integration. Complex and SiP packaging is performed predominantly in-house; standard product lines utilize third-party OSAT providers to augment capacity and flexibility.
- **Testing –** Multi-stage quality assurance conducted across the production cycle, including 1) wafer-level: early-stage electrical screening, 2) package-level: post-packaging integrity checks, and 3) final product: Performance, data retention, endurance, and reliability verification. Key testing steps are performed in-house; third-party OSAT providers supplement capacity for select product lines.

- **SMT & final assembly –** Surface-mount technology (SMT) and final assembly are carried out at company-owned facilities in China and Brazil. Qualified third-party manufacturing partners support select product lines for volume production and delivery timelines.
- **Sales & distribution** – Finished products are sold through a combination of direct sales and distributor channels. The customer base spans OEMs, industrial and enterprise accounts, and channel partners, providing broad coverage across application verticals and geographic markets.

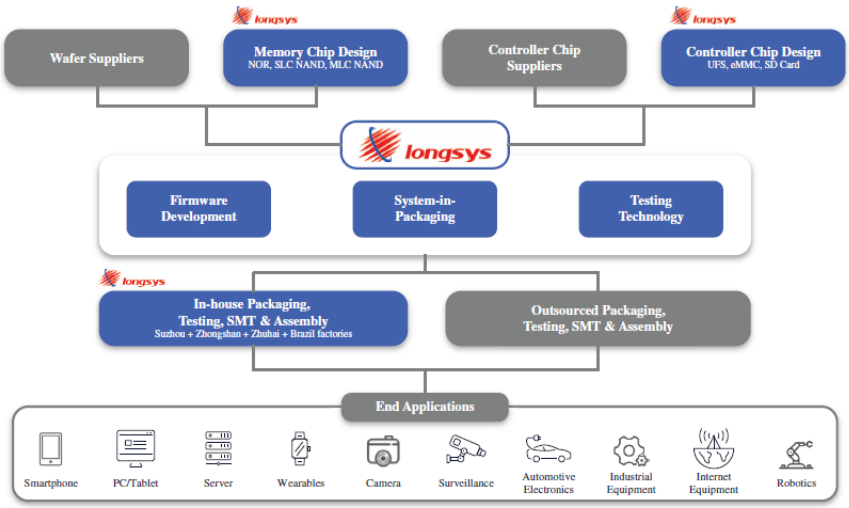
Figure 6. Longsys – Business Model



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Source: Company Reports, Citi Research

The company established its FORESEE brand in 2011 focusing on the enterprise market and later acquired Lexar (from Micron) in 2017 and Zilia (from SMART Brazil) in 2023 to enhance recognition globally. Longsys has developed innovative approaches to new TCM and PTM models, leveraging its scale, technology, and supply-chain relationships to deliver customized memory solutions and efficient communication between the upstream wafer suppliers and downstream customers.

Figure 7. Longsys – Technological Capabilities



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Business model offerings to customers

Product, technology, and manufacturing (PTM): This is Longsys' full customization service, delivering tailored memory solutions to address specific task requirement for clients, such as specially customized ultra-low power memory product with compact form factor. Longsys offers support at each stage of product design, development, and production without involvement of external parties. Through PTM, Longsys provides comprehensive memory product solution to its customers and offers differentiated service.

Longsys has established vertically integrated capabilities, encompassing product design, controller IC, firm ware development, packaging & testing, and final SMT and assembly. PTM is enabled by Longsys' design expertise and complete control over the memory product manufacturing process.

Longsys has designed and manufactured in volume memory products for customers including EZVIZ and imoo under its PTM model. The PTM model not only differentiates Longsys from its competitors and strengthens its customer relationships but also helps improve Longsys' pricing power and profitability.

Figure 8. Longsys – PTM Model

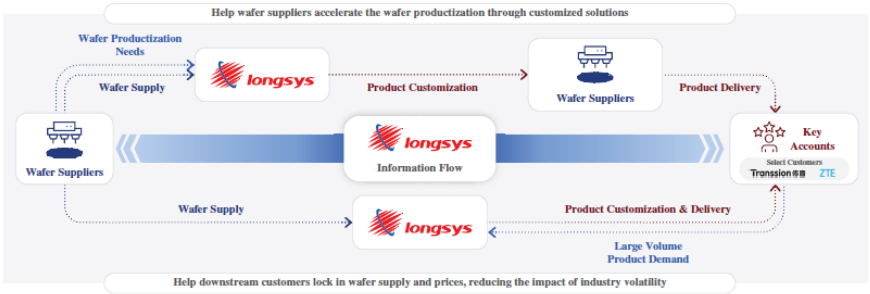


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Technology contract manufacturing (TCM): Longsys collaborates with upstream wafer suppliers and downstream customers to enhance communication between industry supply and demand, which leads to a collaborative relationship benefitting industry participants with a more stable and efficient value chain. Supply glut and shortage are often the result of information disconnect for end-demand and could result in changes in memory wafer prices with significant impact on profitability. With better transparency across the supply and demand sides of the industry value chain, such price fluctuation can be reduced in frequency and severity.

Under the TCM model, Longsys leverages its market position and customer relationships to streamline the communication across value chain. Longsys is able to secure stable wafer supply and reduce risks of inventory and price fluctuation, while wafer suppliers gain improved insights into downstream demand to make timely adjustment to production output with more predictable revenue. Longsys also shortens the product development cycle with its production capabilities, leading to a faster product delivery schedule and better cost control for its customers, particularly important for customers with large scales.

Figure 9. Longsys – TCM Model



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Source: Company Reports, Citi Research

Technology expertise

With over 20 years of industry experience, Longsys has accumulated significant design and manufacturing know-how for extensive memory products. The company has also developed capabilities in memory and controller chip design, firmware development, NAND die analysis, and packaging and testing. These capabilities help improve product customization and ensure performance reliability across consumer, enterprise and industrial products.

- **Chip design:** Longsys independently develops memory controller chips allowing 15-30% performance improvement for its embedded memory products. The company has produced an aggregate 250mn in-house controller chips through April 30, 2026. Longsys has also designed small-capacity SLC/MLC NAND flash and NOR flash chips to address markets no longer produced by leading memory wafer suppliers.

- **Firmware:** Most of Longsys' memory products utilize its own in-house developed firmware, enabling better customization for performance requirements and after-sales support. There is an established firmware platform across product lines, allowing rapid adaptation.

- **Packaging and testing:** The acquisition of the Suzhou facility enabled stacked-die packaging technology, which has completed factory audit processes by several key clients. Longsys' Zhongshan facility incorporates R&D and re-testing to achieve a DPPM of <50 across product lines. The Atibaia and Manaus plants are also capable of the packaging, testing, SMT and assembly.

Production facilities

Longsys has established in-house manufacturing capabilities to address market demand, while allowing flexibility to address specific customer needs. Its facilities include: 1) Zhongshan site for R&D and production, 2) Suzhou site for packaging and testing, 3) Brazil facilities for packaging and assembly, and 4) Zhuhai site for packaging and assembly.

Figure 10. Longsys – Facilities Overview

Facilities	Location	GFA (sqm)	Capability	Main Products	Year Founded
Zhongshan Storage Industrial Park	Zhongshan, China	174,800	▪ Testing ▪ SMT & assembly	▪ Embedded storage ▪ DIMM ▪ SSD	2019 (established)
Suzhou Packaging and Testing Production Base	Suzhou, China	42,600	▪ Packaging ▪ Testing	▪ Embedded storage ▪ DIMM ▪ SSD	2023 (acquired)
Atibaia Plant	Atibaia, Brazil	13,000	▪ Packaging ▪ Testing	▪ DIMM ▪ Embedded storage ▪ Mobile storage	2023 (acquired)
Manaus Plant	Manaus, Brazil	4,400	▪ SMT & assembly	▪ DIMM ▪ SSD ▪ Embedded storage	2023 (acquired)
Zhuhai Mestor Production Center	Zhuhai, China	10,300	▪ Packaging ▪ Testing ▪ SMT & assembly	▪ Mobile storage ▪ SSD	2024 (established)

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Source: Company Reports, Citi Research

Zhongshan Storage Industrial Park: Containing Phase 1 and 2, the Zhongshan Storage Industrial Park is a comprehensive memory facility encompassing R&D and testing centers, with a dedicated data center product line. Phase 1 of the facility spans 60,000 square meters of floor space to include an innovation lab and a testing center for embedded storage. Phase 2, which came online in end-2024, has expanded the Zhongshan facility floor space by 110,000 square meters with an R&D building, an embedded storage testing center, a data center product line, and an intelligent logistics warehouse. The innovation lab and testing centers aid in quality assurance, providing new product R&D, EVT, failure analysis and product testing (chip probe test, system level test, final product test).

Suzhou Packaging and Testing Production Base: Formerly a production base for Powertech Technology, Longsys acquired a 70% stake in Powertech Suzhou in 2023 (later renamed Longforce Suzhou) to reinforce its memory packaging and testing capability. The Suzhou facility, covering 42,600 square meters (including 20,000 square meters of clean room space), specializes in memory chip packaging design, signal simulation and process development. The Suzhou site is a forerunner and one of the earliest facilities located in the PRC capable of stacked-die packaging technology, according to CIC. The addition of the Suzhou plant enhanced Longsys' high-end SiP capabilities.

Latin America Production and Operations Center: In 2023, Longsys acquired an 81% stake in SMART Brazil, a leading memory product maker (later renamed Zilia) to enhance service in the overseas market and reduce tariff cost. Currently there are two production sites in Brazil:

- **Atibaia facility** – For Packaging and testing for DIMM, embedded storage, and mobile storage products.
- **Manaus facility** – For SMT and final/functional testing and assembly for DIMM and SSDs.

Longsys also has an R&D center in Campinas with a prototypes R&D laboratory containing clean room focusing on packaging engineering and new product designs.

Zhuhai Mestor Production Center: Longsys began trial production at its new Zhuhai Mestor Production Center in April 2024, marking its first expansion of production base in Zhuhai. The Zhuhai facility, covering 10,000 square meters, focuses on more mature products. It houses packaging, testing and SMT and assembly production lines for embedded storage, SSDs, and mobile storage products, as well as a product reliability testing center.

Figure 11. Longsys – Zhongshan Storage Industrial Park



Source: Company Reports

Figure 12. Longsys – Suzhou Packaging & Testing Base



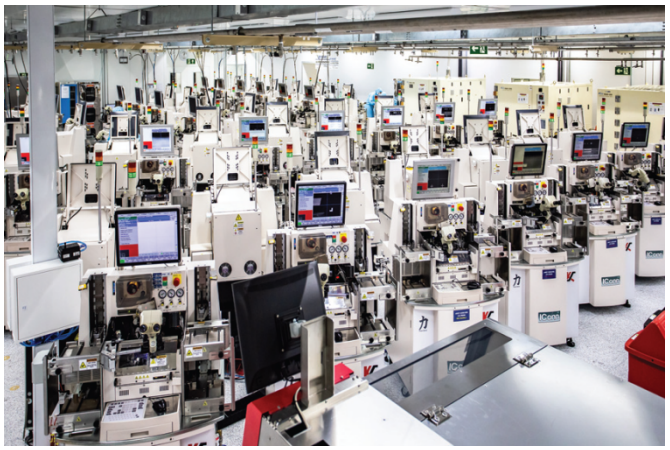
Source: Company Reports

Figure 13. Longsys – Latin America Production Center



Source: Company Reports

Figure 14. Longsys – Latin America Production Center



Source: Company Reports

In addition to its in-house production, Longsys also utilizes external foundries, such as Samsung Electronics, and OSAT service providers including Orient Semiconductor, Huatian Technology, and Tongfu Microelectronics to leverage on their capabilities on system-level packaging and testing. With the expansion of its Zhongshan and Zhuhai facilities, Longsys plans on increasing in-house capacity over time.

Longsys' in-house technology development is conducted at its R&D facilities in Shanghai, Chengdu, Shenzhen and Zhongshan, China and Campinas, Brazil. As of December 31, 2025, the company had a total of 1,240 R&D personnel worldwide, accounting for 31% of total headcount. The core R&D team has an average of over 10 years of industry experience.

Suppliers & customers

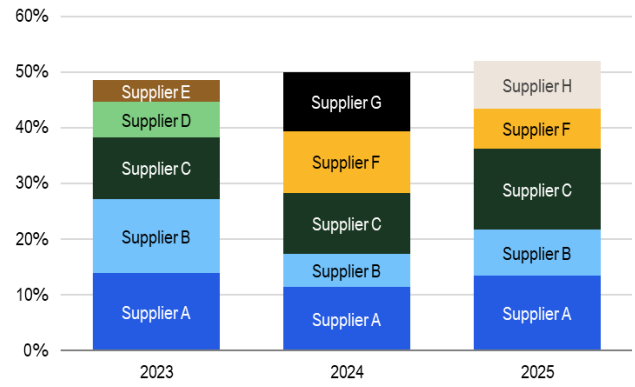
Suppliers

Longsys procures memory wafers and controller chips from leading global memory makers, including Samsung, SK Hynix, Micron, SanDisk, and more. The quality of these components ensures advanced technology and reliable production to meet customer needs, and Longsys' established scale helps maintain cost competitiveness. In 2023/24/25, Longsys' top-5 suppliers accounted for 49%/50%/52% of total procurement, with the largest supplier accounting for 14%/11%/15%.

Customers

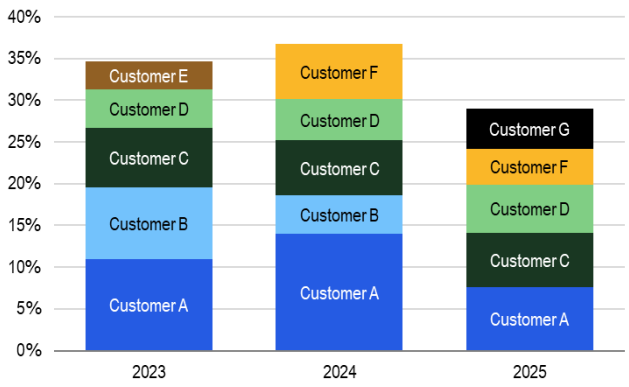
Longsys utilizes both direct sales and distributor channels to provide products to a broad range of customers. The company typically sells its products directly to large enterprises and strategic clients with more stringent quality and customization requirements. Longsys has gradually increased its direct sales to customers, accounting for 50%/55%/58% of total revenue in 2023/24/25. To reach global customers with diverse demand for memory products, Longsys also collaborates with distributors for sales channel and after-sales services. Counting each distributor as a single customer, the revenue contribution from the top-5 customers accounted for 35%/37%/29% in 2023/24/25, with the largest customer accounting for 11%/14%/8%.

Figure 15. Longsys – Supplier Mix



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Source: Company Reports, Citi Research

Figure 16. Longsys – Customer Mix



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Memory Chip Industry

Memory chip business overview

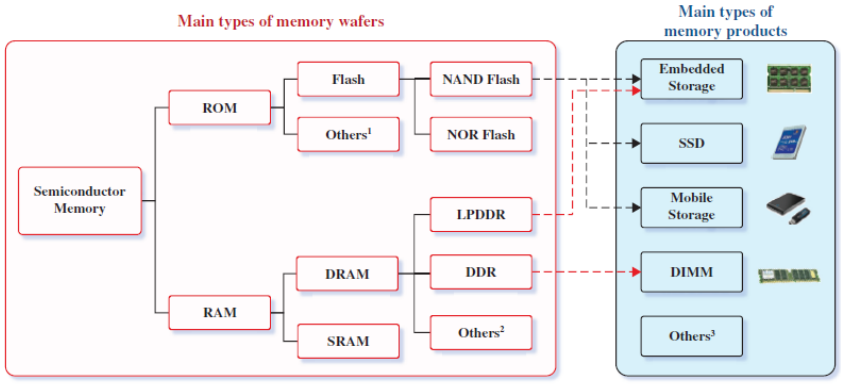
Memory chips are essential components of a computing system designed to store and retrieve data. The upstream of the industry value chain consists of integrated design manufacturers (IDM) who produce memory wafers, and the downstream back-end service providers (OSAT) who package and test the memory products. While IDMs are capable of transforming memory wafers into standardized products, other independent vendors, such as Longsys, would source wafers from IDMs and focus on the design and production of memory products to address a variety of applications and industry specifications.

Memory chip segments

Memory products can be categorized into the following segments:

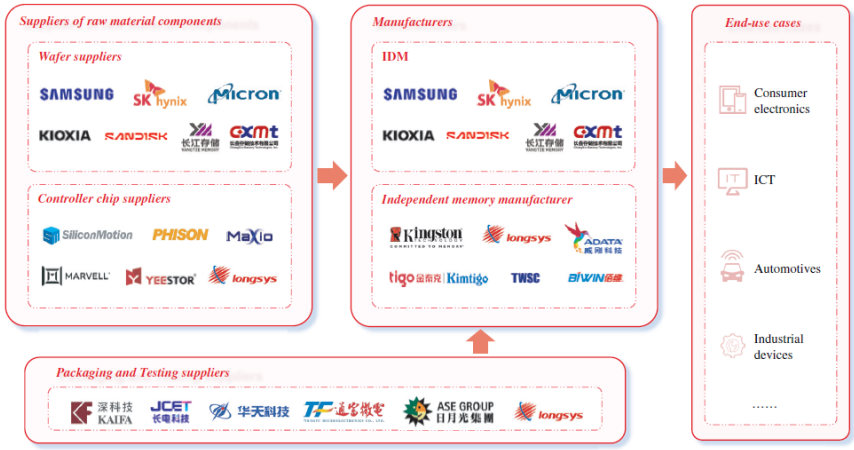
- **Embedded Storage** – Memory modules in compact form factor and integrated into low-power devices, typically made from NAND (for non-volatile memory) and LPDDR (for volatile memory). NAND and LPDDR can be further packaged into integrated embedded storage products.
- **SSD** – Non-volatile memory often used in servers and PC personal computers. Given the higher speed and falling price points, SSD has gradually replaced traditional mechanical hard disk drives (HDD).
- **Mobile Storage** – Consumer-driven portable memory solutions that include USB flash drives, memory cards, and portable SSDs.
- **DIMM** – Dual inline memory modules comprised of DDR, primarily used in servers and PCs.

Figure 17. Key Types of Memory Products



Source: Company Reports

Figure 18. Memory Industry Value Chain



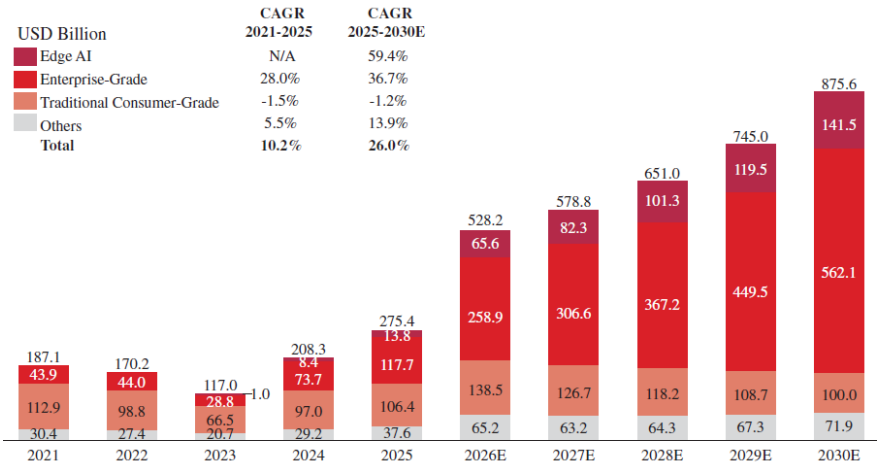
Source: Company Reports

Memory chip industry scope and growth trends

CIC estimates the global semiconductor memory product market at US$275bn in 2025, with independent memory product vendors accounting for approximately 20% of the market. Driven by AI infrastructure expansion, the memory product market growth accelerated and could reach US$528bn in 2026E, with demand shifting towards enterprise-grade memory products. As demand outgrows supply, the industry supply/demand balance rapidly shifted towards shortage and drove significant memory price increases. The global memory product market could reach US$876bn by 2030E, at a CAGR of 26% from 2025 to 2030E, according to combined forecast by Omdia, TrendForce, Yole, and CIC.

By application, market demand is increasingly driven by enterprise/edge-AI segments, while consumer applications decline over time. According to combined forecast by Omdia, TrendForce, Yole, and CIC, edge AI (AI-enabled smartphones, tablets, PCs, consumer devices) is rising in market penetration and becoming a key source of memory product demand, growing at nearly 60% CAGR 2025-30E. Enterprise demand is also benefiting from AI server deployments, growing at nearly 36.7% CAGR 2025-30E and drive robust demand for high-performance DDR5 DIMM, HBM, high-capacity SSDs and CXL expansion modules. Traditional consumer-grade provides a broad and stable demand base for other memory products, with growth increasingly coming from performance improvement.

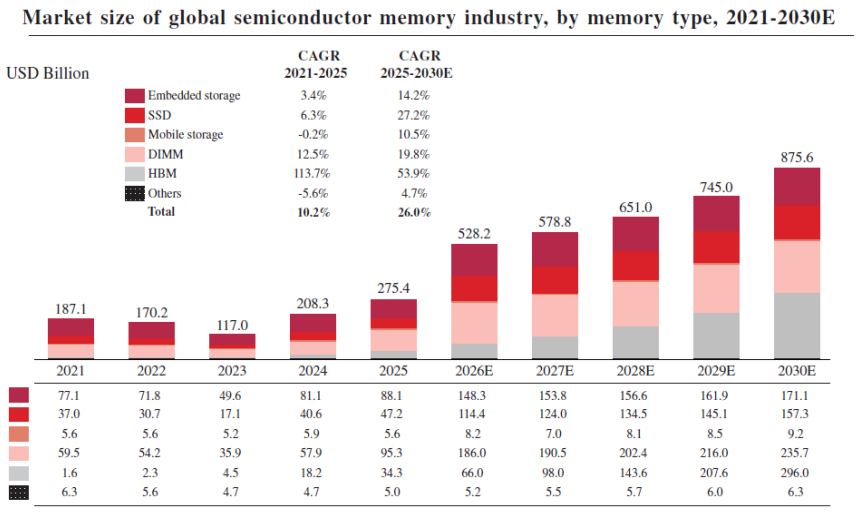
Figure 19. Global Memory Product Market Forecast – by Application



Source: Longsys Prospectus (Based on combined forecast by Omdia, TrendForce, Yole, and CIC)

By product type, embedded storage demand has primarily been driven by growth in consumer electronics, smart vehicles, industrial control and other edge devices, and now increasingly from AI-enabled edge devices; combined forecast by Omdia, TrendForce, Yole, and CIC forecasts a stable growth trend of 14% CAGR 2025-30E. Meanwhile, SSD, DIMM are seeing strong demand trends as AI infrastructure build-out increases demand for enterprise-grade memory products. The same combined forecast suggests HBM should experience the fastest growth driven by rapid deployment of AI servers and data centers.

Figure 20. Global Memory Product Market Forecast – by Type



Source: Longsys Prospectus (Based on combined forecast by Omdia, TrendForce, Yole, and CIC)

The global semiconductor memory product market size reached US$275.4bn in 2025, per combined forecast by Omdia, TrendForce, Yole, and CIC, with independent memory product enterprises accounting for around 20% of the market share. Globally, Longsys is ranked as the ninth-largest memory product enterprise and the second-largest independent memory product enterprise. In China, Longsys is the third-largest memory product enterprise and the largest independent memory product enterprise, according to CIC.

While the memory market is highly concentrated with the top memory IDMs, independent memory product vendors make up a smaller but essential portion of the memory market. Within this segment, Longsys is the second-largest independent memory product vendors with 1.2% global market share (after No.1 with 4.7% market share globally) and ranks No.1 in China in 2025, according to CIC.

Looking into segmented memory markets, Longsys is also leading in market share among the independent memory product vendors, ranking No.1 globally for embedded storage, No.2 for mobile storage markets, and No.3 for SSD, according to CIC.

Figure 21. Memory Product Market Share (2025)

	Revenue (US$ bn)	Market Share (%)	Location
Company A	13.0	4.7%	U.S.
Longsys	**3.2**	**1.2%**	**PRC**
Company B	1.7	0.6%	Taiwan
Company C	1.6	0.6%	Taiwan
Company D	1.5	0.6%	PRC

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Source: CIC, Citi Research

Figure 22. Embedded Storage Market Share (2025)

	Revenue (US$ bn)	Market Share (%)	Location
Longsys	**1.4**	**1.6%**	**PRC**
Company A	1.2	1.4%	U.S.
Company E	0.6	0.7%	PRC

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Source: CIC, Citi Research

Figure 23. Mobile Storage Market Share (2025)

	Revenue (US$ bn)	Market Share (%)	Location
Company A	0.8	14.7%	U.S.
Longsys	**0.7**	**12.3%**	**PRC**
Company D	0.2	2.9%	Taiwan

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Source: CIC, Citi Research

Figure 24. SSD Market Share (2025)

	Revenue (US$ bn)	Market Share (%)	Location
Company A	3.8	7.9%	U.S.
Company B	1.0	2.1%	Taiwan
Longsys	**0.8**	**1.7%**	**PRC**

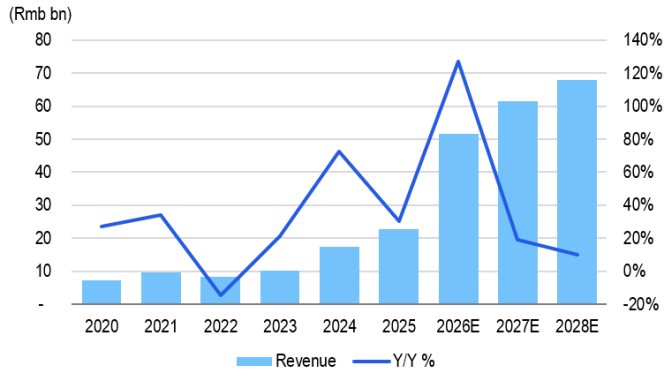
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Source: CIC, Citi Research

Financial Analysis

We expect **nearly 12x profit expansion for Longsys in 2026E, followed by moderate decline in 2027E** as we anticipate GPM normalization. Longsys' robust revenue growth outlook is being driven by significant memory price hikes as well as shipment growth. We forecast Longsys revenue to grow 127%/ 19%/ 10% to Rmb51.7bn/ 61.5bn/ 67.8bn in 2026E/ 27E /28E, at 44% CAGR 2025-28E. GPM, after reaching 61% in 2Q26 on rapid memory price increase, is likely to gradually normalize as cost of memory wafer eventually catches up with product selling prices. We expect revenue growth to outpace opex growth, leading to rapid profit expansion from Rmb1.4bn in 2025 to Rmb18bn/ 14bn/ 12bn in 2026E/ 27E/ 28E.

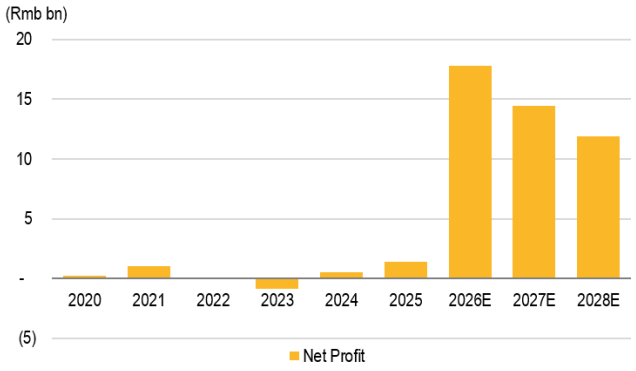
On Oct 15th, 2026, Longsys pre-announced 3Q26 results with: 1) revenue of Rmb13.9-15.9bn, 2) net profit of Rmb3.4-4.3bn. At guidance mid-point, revenue grew only 5% QoQ in 3Q26 (vs. +64%/+43% QoQ in 1Q/2Q26), a slowdown suggesting the revenue hike likely peaked in 1H26. Net profit also fell 42% QoQ, with NPM narrowing to 26% in 3Q26 (vs. 39%/47% in 1Q/2Q26). We believe this indicates a GPM contraction likely to below 40% (from 56%/61% in 1Q/2Q26) as a result of memory price increases moderating.

Figure 25. Longsys – Revenue



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Source: Company Reports, Citi Research Estimates

Figure 26. Longsys – Net Profit



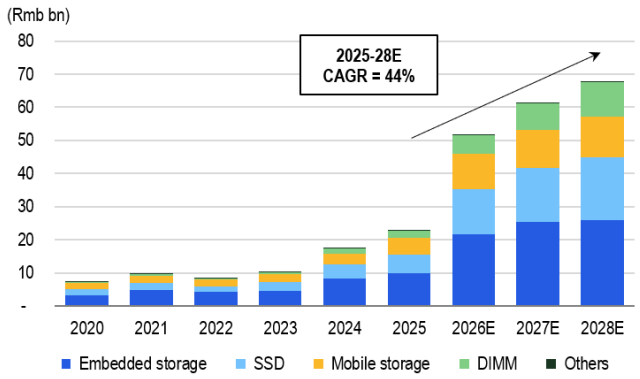
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Source: Company Reports, Citi Research Estimates

Revenue – more than 2x in 2026E on memory price hike

We expect Longsys' revenue to more than double in 2026E mainly driven by significant memory price hikes in both NAND flash and DRAM. While memory price increases could moderate starting 2027E, we expect strong revenue growth to continue on bit shipment (in GB) growth. We forecast 19% revenue growth in 2027E, with bit shipment growth of 32% more than offsetting average price decline of 1% baked into our forecasts.

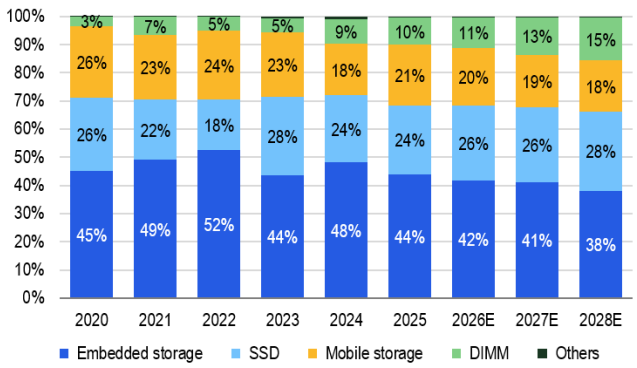
Our Longsys forecasts assess the company's product segments separately: 1) embedded storage, 2) SSD, 3) mobile storage, and 4) DIMM. We assume a more stable growth profile for memory products more exposed to consumer applications (embedded storage, mobile storage), while expecting solid growth to continue for **enterprise solutions** (more from eSSD, DIMM), pushing Longsys' SSD+DIMM revenue portion to rise from 34% in 2025 to 44% by 2028E.

Figure 27. Longsys – Revenue Trend



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Source: Company Reports, Citi Research Estimates

Figure 28. Longsys – Revenue Mix



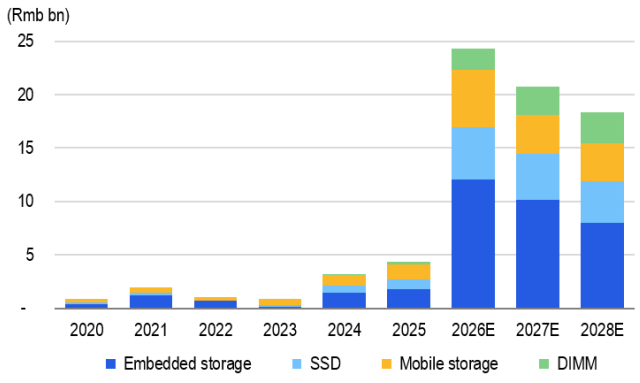
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GPM – GPM jumped in 1H26; expected to normalize over time

Longsys reported a record-high GPM of 61.3% in 2Q26 (vs. 14.8% in 2Q25) driven by memory price hikes. The company manufactures memory solutions using memory wafers, controller chips, and other packaging materials. As memory prices rose rapidly since 2H25, Longsys benefited from time lag between wafer procurement at lower cost and product sales at then higher prices, thus leading to strong margin expansion.

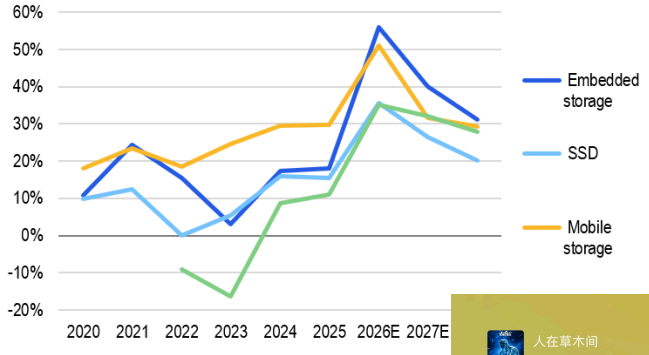
That said, we expect the company's margin to normalize over time as memory price increases enter a more moderate phase. The input cost is likely to eventually catch up with product selling prices as cheaper memory wafers are consumed. We therefore forecast a gradual GPM decline from 47% in 2026E to 34% in 2027E and 27% in 2028E. However, given Longsys' product mix shift towards non-consumer applications and rising proprietary controller penetration, we expect Longsys to maintain its normalized GPM above levels prior to the memory price hikes.

Figure 29. Longsys – Gross Profit Mix



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Source: Company Reports, Citi Research Estimates

Figure 30. Longsys – GPM Trend



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Source: Company Reports, Citi Research Estimates

Net profit – 12x profit expansion in 2026E, moderate decline expected thereafter

Given a doubling of revenue scale and expanded profit margins helped by memory price hikes, we expect a record profit for Longsys, growing by more than 12x YoY, to Rmb17.8bn in 2026E, exceeding its combined annual net profit since listing. As we also expect GPM to normalize over time, we forecast the company's net profit to decline 19% to Rmb14.4bn (NPM: 23%) in 2027E and Rmb11.9bn (NPM: 18%) in 2028E, still well above historical net profit levels that previously peaked at Rmb1.4bn in 2025 and at single-digit % NPM.

Figure 31. Longsys – Forecast Comparison (Citi vs. Consensus)

	2026E			2027E			2028E		
(Rmb mn)	Street	Citi	Diff	Street	Citi	Diff	Street	Citi	Diff
Revenue	**43,797**	**51,671**	**18%**	**52,651**	**61,519**	**17%**	**58,481**	**67,842**	**16%**
YoY %	*92%*	*127%*		*20%*	*19%*		*11%*	*10%*	
Gross Profit	21,356	24,453	15%	19,751	20,874	6%	18,563	18,517	0%
GPM	**48.8%**	**47.3%**	**-1.4ppts**	**37.5%**	**33.9%**	**-3.6ppts**	**31.7%**	**27.3%**	**-4.4ppts**
Opex	(3,341)	(3,695)	11%	(4,225)	(4,081)	-3%	(4,020)	(4,618)	15%
Opex %	7.6%	7.2%	-0.5ppts	8.0%	6.6%	-1.4ppts	6.9%	6.8%	-0.1ppts
EBIT	18,014	20,758	15%	15,525	16,793	8%	14,543	13,898	-4%
EBIT margin	41.1%	40.2%	-1.0ppts	29.5%	27.3%	-2.2ppts	24.9%	20.5%	-4.4ppts
Pre-Tax Profit	18,017	20,931	16%	15,528	16,721	8%	14,546	13,834	-5%
Net Profit	**15,085**	**17,766**	**18%**	**13,064**	**14,410**	**10%**	**12,312**	**11,914**	**-3%**
YoY %	*960%*	*1148%*		*-13%*	*-19%*		*-6%*	*-17%*	
EPS (Rmb)	**35.32**	**42.08**	**19%**	**30.56**	**34.06**	**11%**	**28.80**	**28.16**	**-2%**

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Source: Bloomberg, Citi Research Estimates

Financial statements

Figure 32. Longsys – Income Statement

(Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Revenue	**4,256**	**5,939**	**6,539**	**6,032**	**9,909**	**14,180**	**14,771**	**12,812**	**17,464**	**22,766**	**51,671**	**61,519**	**67,842**
y/y %	*-4%*	*30%*	*55%*	*44%*	*133%*	*139%*	*126%*	*112%*	*72%*	*30%*	*127%*	*19%*	*10%*
Cost of Goods Sold	(3,816)	(5,059)	(5,302)	(4,173)	(4,407)	(5,493)	(9,137)	(8,181)	(14,137)	(18,350)	(27,218)	(40,645)	(49,326)
Gross Profit	441	880	1,237	1,858	5,502	8,687	5,634	4,631	3,327	4,416	24,453	20,874	18,517
GPM	**10.4%**	**14.8%**	**18.9%**	**30.8%**	**55.5%**	**61.3%**	**38.1%**	**36.1%**	**19.0%**	**19.4%**	**47.3%**	**33.9%**	**27.3%**
Total Opex	**(560)**	**(562)**	**(596)**	**(848)**	**(623)**	**(1,276)**	**(902)**	**(974)**	**(2,287)**	**(2,566)**	**(3,774)**	**(4,165)**	**(4,706)**
% of revenue	13.1%	9.5%	9.1%	14.1%	6.3%	9.0%	6.1%	7.6%	13.1%	11.3%	7.3%	6.8%	6.9%
Sales expenses	(199)	(216)	(178)	(292)	(190)	(421)	(249)	(307)	(772)	(886)	(1,167)	(1,267)	(1,393)
% of revenue	4.7%	3.6%	2.7%	4.8%	1.9%	3.0%	1.7%	2.4%	4.4%	3.9%	2.3%	2.1%	2.1%
Adm expenses	(132)	(128)	(163)	(209)	(161)	(274)	(244)	(251)	(605)	(632)	(931)	(992)	(1,121)
% of revenue	3.1%	2.2%	2.5%	3.5%	1.6%	1.9%	1.7%	2.0%	3.5%	2.8%	1.8%	1.6%	1.7%
R&D expenses	(229)	(217)	(255)	(347)	(271)	(581)	(408)	(416)	(910)	(1,048)	(1,676)	(1,906)	(2,192)
% of revenue	5.4%	3.7%	3.9%	5.8%	2.7%	4.1%	2.8%	3.2%	5.2%	4.6%	3.2%	3.1%	3.2%
Operating taxes & surcharge	8	9	7	15	15	41	7	15	26	38	80	84	88
EBIT	**(111)**	**327**	**648**	**1,025**	**4,895**	**7,452**	**4,739**	**3,673**	**1,066**	**1,889**	**20,758**	**16,793**	**13,898**
EBIT Margin	**-2.6%**	**5.5%**	**9.9%**	**17.0%**	**49.4%**	**52.6%**	**32.1%**	**28.7%**	**6.1%**	**8.3%**	**40.2%**	**27.3%**	**20.5%**
Non-Op Incomes (Expenses)	(37)	(125)	229	(215)	(132)	517	(185)	(26)	(480)	(149)	173	(72)	(64)
Other non-op income (expense)	4	(1)	1	1	(1)	(0)	-	-	4	5	(1)	-	-
Profit Before Taxes	**(145)**	**201**	**878**	**811**	**4,761**	**7,969**	**4,555**	**3,646**	**590**	**1,745**	**20,931**	**16,721**	**13,834**
Taxes	2	(17)	(158)	(73)	(782)	(1,230)	(683)	(328)	(84)	(247)	(3,024)	(2,311)	(1,920)
Tax rate	**1.1%**	**8.6%**	**18.1%**	**9.0%**	**16.4%**	**15.4%**	**15.0%**	**9.0%**	**14.3%**	**14.2%**	**14.4%**	**13.8%**	**13.9%**
Net Income	**(143)**	**184**	**719**	**737**	**3,979**	**6,738**	**3,871**	**3,318**	**505**	**1,498**	**17,907**	**14,410**	**11,914**
Minority Interest	(9)	(17)	(21)	(27)	(117)	(24)	-	-	(7)	(74)	(141)	-	-
Adjusted Net Income	**(152)**	**167**	**698**	**711**	**3,862**	**6,715**	**3,871**	**3,318**	**499**	**1,423**	**17,766**	**14,410**	**11,914**
y/y %	*n.a.*	*-21%*	*n.a.*	*n.a.*	*n.a.*	*3931%*	*455%*	*367%*	*n.a.*	*185%*	*1148%*	*-19%*	*-17%*
Adjusted EPS (Rmb)	**(0.36)**	**0.40**	**1.66**	**1.70**	**9.21**	**15.87**	**9.15**	**7.84**	**1.21**	**3.39**	**42.08**	**34.06**	**28.16**
y/y %	*n.a.*	*-21%*	*n.a.*	*n.a.*	*n.a.*	*3894%*	*450%*	*363%*	*n.a.*	*181%*	*1140%*	*-19%*	*-17%*

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Source: Company Reports, Citi Research Estimates

Figure 33. Longsys – Balance Sheet

(Rmb mn)	2024	2025	2026E	2027E	2028E
Cash and Cash Equivalents	1,025	1,478	5,147	15,354	25,864
ST Investments	162	36	147	147	147
Account Receivables	1,672	2,040	4,955	5,899	6,505
Inventory	7,833	11,678	29,828	30,623	29,730
Total Other Current Assets	991	1,376	2,745	2,807	2,790
Total Current Assets	**11,683**	**16,608**	**42,821**	**54,829**	**65,037**
Net Fixed Assets	2,080	2,536	2,740	2,974	3,183
Construction w ork in process	266	59	247	260	262
LT Investments and Associates	30	30	30	30	30
Intangibles	424	431	400	400	400
Goodw ill	794	820	830	830	830
Other LT Assets	1,619	2,267	2,465	2,520	2,530
Total Long Term Assets	**5,213**	**6,142**	**6,713**	**7,015**	**7,236**
Total Assets	**16,897**	**22,751**	**49,534**	**61,844**	**72,273**
ST Debt and Current Portion of LT De	3,696	5,245	4,920	4,920	4,920
Accounts Payable	1,141	2,017	3,728	4,454	5,406
Other Current Liabilities	2,386	2,462	4,027	4,221	4,234
Total Current Liabilities	**7,223**	**9,724**	**12,675**	**13,596**	**14,560**
LT Debt	2,517	4,377	10,493	10,493	10,493
Other LT Liabilities	257	288	365	365	365
Total LT Liabilities	**2,774**	**4,665**	**10,858**	**10,858**	**10,858**
Total Liabilities	**9,997**	**14,389**	**23,533**	**24,453**	**25,418**
Share Capital	416	419	423	423	423
Other Reserves	4,337	4,300	4,973	4,973	4,973
Retained Earnings & others	1,714	3,135	20,376	31,766	41,230
Total Equity for Shareholders	**6,467**	**7,854**	**25,772**	**37,162**	**46,626**
Minority Interest	432	507	229	229	229
Total Equity	**6,900**	**8,362**	**26,001**	**37,391**	**46,855**
BVPS	**15.64**	**18.72**	**61.04**	**87.84**	**110.21**
ROE	**7.5%**	**18.7%**	**103.4%**	**45.5%**	**28.3%**

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Source: Company Reports, Citi Research Estimates

Figure 34. Longsys – Cash Flow Statement

(Rmb mn)	2024	2025	2026E	2027E	2028E
Net Income	**505**	**1,498**	**17,907**	**14,410**	**11,914**
Depreciation	264	324	427	453	489
Amortization	-	-	-	-	-
Depreciation + Amortization	**264**	**324**	**427**	**453**	**489**
Changes in A/R	(326)	(369)	(2,914)	(944)	(606)
Changes in Inventories	(1,940)	(3,845)	(18,150)	(795)	892
Changes in A/P	(7)	876	1,712	726	951
Changes in Other W/C	971	(182)	85	133	30
Changes in W/C	**(1,302)**	**(3,520)**	**(19,268)**	**(881)**	**1,267**
Others	(656)	497	(156)	-	-
Operating Cash Flow	**(1,190)**	**(1,201)**	**(1,091)**	**13,982**	**13,670**
Purchase of PP&E	**(944)**	**(845)**	**(800)**	**(700)**	**(700)**
Investment Spendings	(8)	(265)	51	(55)	(10)
Investment Gains	40	15	41	-	-
Others	(191)	127	133	-	-
Investing Cash Flow	**(1,102)**	**(968)**	**(575)**	**(755)**	**(710)**
Dividend Paid	**(104)**	**-**	**(4,153)**	**(3,020)**	**(2,450)**
Shares Issued	3	3	4	-	-
Debt Issued	2,421	2,802	6,140	-	-
Others	(180)	(180)	3,359	-	-
Financing Cash Flow	**2,141**	**2,625**	**5,350**	**(3,020)**	**(2,450)**
Exchange Impact	(35)	(1)	(14)	-	-
Net Cash Flow	**(186)**	**454**	**3,671**	**10,207**	**10,511**
Free Cash Flow	**(2,133)**	**(2,046)**	**(1,891)**	**13,282**	**12,970**
Dividend Per Share (Cash)	0.25	-	9.91	7.15	5.79

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Source: Company Reports, Citi Research Estimates

Valuation Analysis

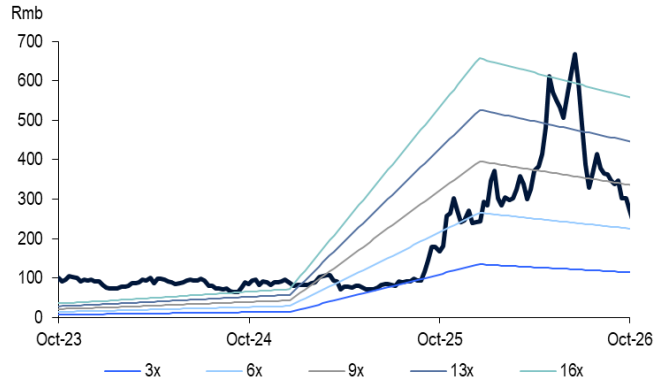
We initiate coverage of **Longsys-A** (301308.SZ) and **Longsys-H** (9976.HK) both at Buy / High Risk ratings:

- **Longsys-A** (301308.SZ) – Buy/High Risk, TP: Rmb325 (9.5x 2027E P/E)
- **Longsys-H** (9976.HK) – Buy/High Risk, TP: HK$195 (5x 2027E P/E, at ~45% A-to-H valuation discount)

Longsys is a company moving from a cyclical, consumer-driven memory module vendor model to a growth company driven by structural enterprise demand for memory solutions. We believe a forward P/E valuation best captures the company's earnings growth momentum.

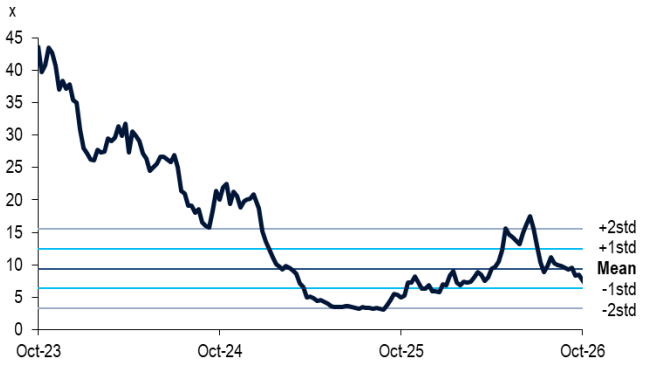
Longsys shares' valuation has trended lower towards high single digit multiples, which we believe to be the results of rapid memory price hikes driving earnings growth outpacing share price increases. We believe Longsys' valuation range over the past year should be more reflective during the ongoing memory cycle, thus arriving at our **9.5x 2027E P/E valuation** for Longsys-A, at its 1-year average.

Figure 35. Longsys – 12M Forward P/E Band



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Source: dataCentral, Citi Research

Figure 36. Longsys – 12M Forward P/E Chart



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Source: dataCentral, Citi Research

Longsys-A shares fell nearly 70% in the past 3 months and Longsys-H declined 30% since its Hong Kong listing, now trading at ~7x and ~4x 2027E P/E, respectively. We expect the Longsys-A and Longsys-H share price to stay volatile near term and assign a **High Risk** designation, given 1) the ongoing debate on memory upcycle sustainability – reflected in memory sector de-rating, 2) rising investor concerns over Longsys margin contraction as memory wafer costs catch up with prices, and 3) short listing history for Longsys-H. That said, risk/reward is becoming more attractive, in our view.

While memory price increases are moderating after the strong price hikes that started in 2H25, we believe a meaningful memory price downtrend is unlikely to start in 2027E, in light of continued support from solid enterprise/AI-driven demand. We expect Longsys' increasing technology differentiation to support a margin profile above its historical range prior to the 2026 memory price hike. Edge AI, which demands specialized on-device memory, offers additional growth opportunities for the company. A memory sector stabilization could be positive catalyst, in our view.

Peer Comparison

Our 9.5x P/E valuation for Longsys-A is at a small premium to its peer group. We believe Longsys would tend to be valued at a premium to its peers, given its leading market position (second-largest independent memory product vendor globally, no.1 in China) and in-house controller chip/firmware design capabilities. The peer group currently averages 9x 2027E P/E (as at closing of Oct 20, 2026). Hong Kong listed shares are likely to see an A-to-H valuation discount, in line with historical patterns. International investors are more likely to compare Longsys to memory product makers outside China that are typically at lower valuation to China-listed shares, hence we view a 45% valuation discount for Longsys-H as appropriate.

Figure 37. Longsys – Valuation Comparison

Company Name	Ticker	Rating	TP	Price 20-Oct	Mkt Cap (US$ bn)	EPS CAGR 2025-28	P/E (x) 2027E	P/E (x) 2028E	P/S (x) 2027E	P/S (x) 2028E	ROE 2027E	ROE 2028E	GPM 2027E	GPM 2028E
Longsys-A	**301308.SZ**	**BUY/High risk**	**325.00**	**245.00**	**16.3**	**103%**	**7.5**	**9.0**	**2.9**	**2.3**	**45%**	**28%**	**34%**	**27%**
Longsys-H	**9976.HK**	**BUY/High risk**	**195.00**	**148.10**	**16.3**	**103%**	**3.9**	**4.7**	**1.5**	**1.2**	**45%**	**28%**	**34%**	**27%**
Biwin	688525.SH	NR		159.13	11.3	126%	6.9	7.0	2.0	1.6	42%	31%	38%	32%
TWSC	001309.SZ	NR		219.55	10.4	n.a.	7.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GigaDevice-A	603986.SH	NR		282.43	29.8	115%	12.1	12.6	5.7	5.1	36%	28%	59%	55%
GigaDevice-H	3986.HK	NR		337.00	29.8	115%	12.3	12.8	5.8	5.2	36%	28%	59%	55%
Phison	8299.TW	NR		1,845.00	12.5	86%	5.3	8.1	1.1	1.2	42%	26%	58%	45%
Average							**8.8**	**10.1**	**3.6**	**3.3**	**39%**	**28%**	**53%**	**47%**

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All companies except for Longsys-A and Longsys-H are based on Bloomberg consensus estimates (as at market closing prices on Oct 20, 2026)

Source: Bloomberg, Citi Research Estimates

Investment Risks

Key downside risks to our target price include: 1) weaker memory price trend leading to accelerated margin contraction; 2) memory wafer supply shortages; 3) intensifying competition from global and Chinese peers; 4) geopolitical tensions and trade barriers; 5) technology upgrade failing to match industry migration.

- **Wafer price fluctuations** – Memory wafers make up 75% or more of memory product costs, which could fluctuate in accordance with market supply and demand. Due to the time lag between wafer procurement and product sales, an increase in wafer cost could negatively impact Longsys' profitability.
- **Wafer supply shortages** – Supply of memory wafers is concentrated at a limited number of IDMs. Any supply shortage could result in severe disruption of Longsys' production.
- **Market competition** – The memory product market is highly competitive with many international and domestic players. Longsys' sales and profitability could be negatively impacted if industry competition intensifies.
- **Geopolitical tensions and trade barriers** – Ongoing geopolitical tensions may worsen, along with erection of trade barriers, which could increase pressure on industry participants to seek localized supplies. While Longsys could benefit from China's semiconductor localization trend, it may also face risks of erosion in its international customer base.
- **Technology migration** – Technology for memory products is constantly evolving. Existing products could become outdated and unfavorable for sales, forcing the company to clear inventory at a discount or write-off as losses.

Management Profiles

CAI Huabo (蔡華波) – Founder, Chairman, and General Manager. Mr. Cai graduated from Jiujiang No. 3 Middle School in 1996 and founded the company in April 1999. He also served as the independent director of Ingenic Semiconductor in 2015-18. Prior to founding Longsys, Cai worked as a salesperson at Shenzhen Ocean King Investment Development.

LI Zhixiong (李志雄) – Executive Director. Mr. Li joined Longsys in 2004 and previously served as an engineer in the R&D department of Fujian Shida Network Technology. He obtained his bachelor of electronics engineering and master of electronics and communications engineering from Huazhong University of Science and Technology.

WANG Jingyang (王景陽) – Executive Director. Mr. Wang joined Longsys in 2009. His profession experience includes R&D/product management in Shanghai Cable Network, Huawei, Shanghai Yutai Electronics, STMicroelectronics China, and Amlogic. Wang obtained his bachelor of electronics and information systems and MBA from Fudan University.

CAI Jing (蔡靖) – Non-Executive Director. Mr. Cai joined the company in 2021 as a Director. Prior to joining, he worked in Flextronics (China), Ritt7layers, Nokia (China), Cinda Securities, and BOC Financial Asset Investment. Cai has also been serving as a senior secondary investment manager at SINO-IC Capital since 2020. Cai has bachelor's degree in communication engineering from Chongqing University, postgraduate degree in signal and information processing from Beijing University of Posts and Telecommunication, and MBA from Peking University.

HU Yingping (胡穎平) – Non-Executive Director. Mr. Hu joined Longsys in 2022. He previously held positions in Guangzhou Southern Hi-Tech, New Century Fengzhou Communications, Spreadtrum Communications, and Beijing Hua Tang Yi Chong Investment. Hu has also served as the partner of Yuanhe Puhua (Suzhou) Investment, a director of Suzhou Saixin Electronic Technology, and a supervisor of 3PEAK. He obtained his bachelor of computer science degree from Beijing Institute of Technology.

Companies Mentioned:

ASE Technology Holding (3711.TW; NT$660.0; 1; 20 Oct 26; 13:30) | JCET Group (600584.SS; Rmb57.25; 1; 20 Oct 26; 15:00) | Kioxia Holdings (285A.T; ¥13140.0; 1H; 20 Oct 26; 15:30) | Marvell Technology Inc (MRVL.O; US$237.09; 1; 19 Oct 26; 16:00) | Micron Technology Inc (MU.O; US$904.9; 1; 19 Oct 26; 16:00) | Nokia OYJ (NOKIA.HE; €8.33; 3; 19 Oct 26; 18:30) | Powertech Technology (6239.TW; NT$256.0; 1; 20 Oct 26; 13:30) | Samsung Electronics (005930.KS; W211500.0; 1; 20 Oct 26; 15:45) | Sandisk Corp (SNDK.O; US$1371.12; 1; 19 Oct 26; 16:00) | SK Hynix (000660.KS; W1223000.0; 1; 20 Oct 26; 15:45) | STMicroelectronics (STMPA.PA; €41.2; 1; 19 Oct 26; 17:30) | Tianshui Huatian (002185.SZ; Rmb14.35; 1; 20 Oct 26; 15:00) | TongFu Microelectronics (002156.SZ; Rmb48.11; 1; 20 Oct 26; 15:00) | ZTE (0763.HK; HK$19.63; 2; 20 Oct 26; 16:10)

301308.SZ: Fiscal year end 31-Dec — Price: Rmb245.000; TP: Rmb325.000; Market Cap: Rmb109,049m; Recomm: Buy/High Risk

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	17,464	22,766	51,671	61,519	67,842
Cost of sales	-14,137	-18,350	-27,218	-40,645	-49,326
Gross profit	3,327	4,416	24,453	20,874	18,517
Gross Margin (%)	19.0	19.4	47.3	33.9	27.3
EBITDA (Adj)	**1,329**	**2,213**	**21,185**	**17,246**	**14,387**
EBITDA Margin (Adj) (%)	7.6	9.7	41.0	28.0	21.2
Depreciation	-264	-324	-427	-453	-489
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,066**	**1,889**	**20,758**	**16,793**	**13,898**
EBIT Margin (Adj) (%)	6.1	8.3	40.2	27.3	20.5
Net interest	-320	-260	-841	-423	-225
Associates	47	-56	-80	0	0
Non-Op/Except/Other Adj	-202	172	1,093	352	161
Pre-tax profit	**590**	**1,745**	**20,931**	**16,721**	**13,834**
Tax	-84	-247	-3,024	-2,311	-1,920
Extraord./Min.Int./Pref.div.	-7	-74	-141	0	0
Reported net profit	**499**	**1,423**	**17,766**	**14,410**	**11,914**
Net Margin (%)	2.9	6.3	34.4	23.4	17.6
Core NPAT	499	1,423	17,766	14,410	11,914

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (Rmb)	1.206	3.393	42.080	34.061	28.161
Core EPS (Rmb)	1.206	3.393	42.080	34.061	28.161
DPS (Rmb)	0.250	0	9.907	7.154	5.790
CFPS (Rmb)	-2.877	-2.864	-2.584	33.049	32.312
FCFPS (Rmb)	-5.158	-4.877	-4.478	31.394	30.657
BVPS (Rmb)	15.638	18.724	61.042	87.840	110.211
Wtd avg ord shares (m)	414	419	422	423	423
Wtd avg diluted shares (m)	414	419	422	423	423

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	72.5	30.4	127.0	19.1	10.3
EBIT (Adj) (%)	257.7	77.3	999.0	-19.1	-17.2
Core NPAT (%)	160.2	185.4	na	-18.9	-17.3
Core EPS (%)	160.1	181.4	na	-19.1	-17.3

Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	1,187	1,514	5,294	15,501	26,011
Accounts receivables	1,672	2,040	4,955	5,899	6,505
Inventory	7,833	11,678	29,828	30,623	29,730
Net fixed & other tangibles	3,965	4,862	5,452	5,755	5,975
Goodwill & intangibles	1,218	1,251	1,230	1,230	1,230
Financial & other assets	1,021	1,406	2,775	2,837	2,820
Total assets	**16,897**	**22,751**	**49,534**	**61,844**	**72,273**
Accounts payable	1,141	2,017	3,728	4,454	5,406
Short-term debt	3,696	5,245	4,920	4,920	4,920
Long-term debt	2,517	4,377	10,493	10,493	10,493
Provisions & other liab	2,643	2,750	4,392	4,586	4,600
Total liabilities	**9,997**	**14,389**	**23,533**	**24,453**	**25,418**
Shareholders' equity	6,467	7,854	25,772	37,162	46,626
Minority interests	432	507	229	229	229
Total equity	**6,900**	**8,362**	**26,001**	**37,391**	**46,855**
Net debt (Adj)	**5,026**	**8,108**	**10,119**	**-88**	**-10,599**
Net debt to equity (Adj) (%)	72.8	97.0	38.9	-0.2	-22.6

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	72.2	5.8	7.2	8.7
PB (x)	15.7	13.1	4.0	2.8	2.2
EV/EBITDA (x)	85.7	52.5	5.6	6.6	7.2
FCF yield (%)	-2.1	-2.0	-1.8	12.8	12.5
Dividend yield (%)	0.1	na	4.0	2.9	2.4
Payout ratio (%)	21	0	24	21	21
ROE (%)	8.0	19.9	105.7	45.8	28.4

Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBITDA	1,329	2,213	21,185	17,246	14,387
Working capital	-1,302	-3,520	-19,268	-881	1,267
Other	-1,217	106	-3,008	-2,383	-1,985
Operating cashflow	**-1,190**	**-1,201**	**-1,091**	**13,982**	**13,670**
Capex	-944	-845	-800	-700	-700
Net acq/disposals	32	-250	93	-55	-10
Other	-191	127	133	0	0
Investing cashflow	**-1,102**	**-968**	**-575**	**-755**	**-710**
Dividends paid	-104	0	-4,153	-3,020	-2,450
Financing cashflow	**2,141**	**2,625**	**5,350**	**-3,020**	**-2,450**
Net change in cash	**-186**	**454**	**3,671**	**10,207**	**10,511**
Free cashflow to s/holders	**-2,133**	**-2,046**	**-1,891**	**13,282**	**12,970**

For definitions of the items in this table, please click here.

9976.HK: Fiscal year end 31-Dec — **Price: HK$148.10; TP: HK$195.00; Market Cap: HK$128,107m; Recomm: Buy/High Risk**

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	17,464	22,766	51,671	61,519	67,842
Cost of sales	-14,137	-18,350	-27,218	-40,645	-49,326
Gross profit	3,327	4,416	24,453	20,874	18,517
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Net interest	-320	-260	-841	-423	-225
Associates	47	-56	-80	0	0
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Pre-tax profit	**590**	**1,745**	**20,931**	**16,721**	**13,834**
Tax	-84	-247	-3,024	-2,311	-1,920
Extraord./Min.Int./Pref.div.	-7	-74	-141	0	0
Reported net profit	**499**	**1,423**	**17,766**	**14,410**	**11,914**
Net Margin (%)	2.9	6.3	34.4	23.4	17.6
Core NPAT	499	1,423	17,766	14,410	11,914

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EBIT (Adj) (%)	257.7	77.3	999.0	-19.1	-17.2
Core NPAT (%)	160.2	185.4	na	-18.9	-17.3
Core EPS (%)	160.1	181.4	na	-19.1	-17.3

Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	1,187	1,514	5,294	15,501	26,011
Accounts receivables	1,672	2,040	4,955	5,899	6,505
Inventory	7,833	11,678	29,828	30,623	29,730
Net fixed & other tangibles	3,965	4,862	5,452	5,755	5,975
Goodwill & intangibles	1,218	1,251	1,230	1,230	1,230
Financial & other assets	1,021	1,406	2,775	2,837	2,820
Total assets	**16,897**	**22,751**	**49,534**	**61,844**	**72,273**
Accounts payable	1,141	2,017	3,728	4,454	5,406
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Net debt (Adj)	**5,026**	**8,108**	**10,119**	**-88**	**-10,599**
Net debt to equity (Adj) (%)	72.8	97.0	38.9	-0.2	-22.6

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	37.2	3.0	3.7	4.5
PB (x)	8.1	6.7	2.1	1.4	1.1
EV/EBITDA (x)	85.7	52.5	5.6	6.6	7.2
FCF yield (%)	-4.1	-3.9	-3.6	24.9	24.3
Dividend yield (%)	0.2	na	7.9	5.7	4.6
Payout ratio (%)	21	0	24	21	21
ROE (%)	8.0	19.9	105.7	45.8	28.4

Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBITDA	1,329	2,213	21,185	17,246	14,387
Working capital	-1,302	-3,520	-19,268	-881	1,267
Other	-1,217	106	-3,008	-2,383	-1,985
Operating cashflow	**-1,190**	**-1,201**	**-1,091**	**13,982**	**13,670**
Capex	-944	-845	-800	-700	-700
Net acq/disposals	32	-250	93	-55	-10
Other	-191	127	133	0	0
Investing cashflow	**-1,102**	**-968**	**-575**	**-755**	**-710**
Dividends paid	-104	0	-4,153	-3,020	-2,450
Financing cashflow	**2,141**	**2,625**	**5,350**	**-3,020**	**-2,450**
Net change in cash	**-186**	**454**	**3,671**	**10,207**	**10,511**
Free cashflow to s/holders	**-2,133**	**-2,046**	**-1,891**	**13,282**	**12,970**

For definitions of the items in this table, please click here.

Bull/Bear: Longsys (301308.SZ)

Rmb 377.000	Rmb 325.000	Rmb 198.000
▲54% Upside	▲33% Upside	▼19% Downside



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Current Price and expected returns (upside/downside) as of 20 Oct 2026

BULL Assumptions

- Revenue growth of 133%/23% in 2026E/27E
- GPM at 48%/35% in 2026E/27E
- Valuation re-rating to 10x 2027E P/E (slightly above 1-year average)

BASE Assumptions

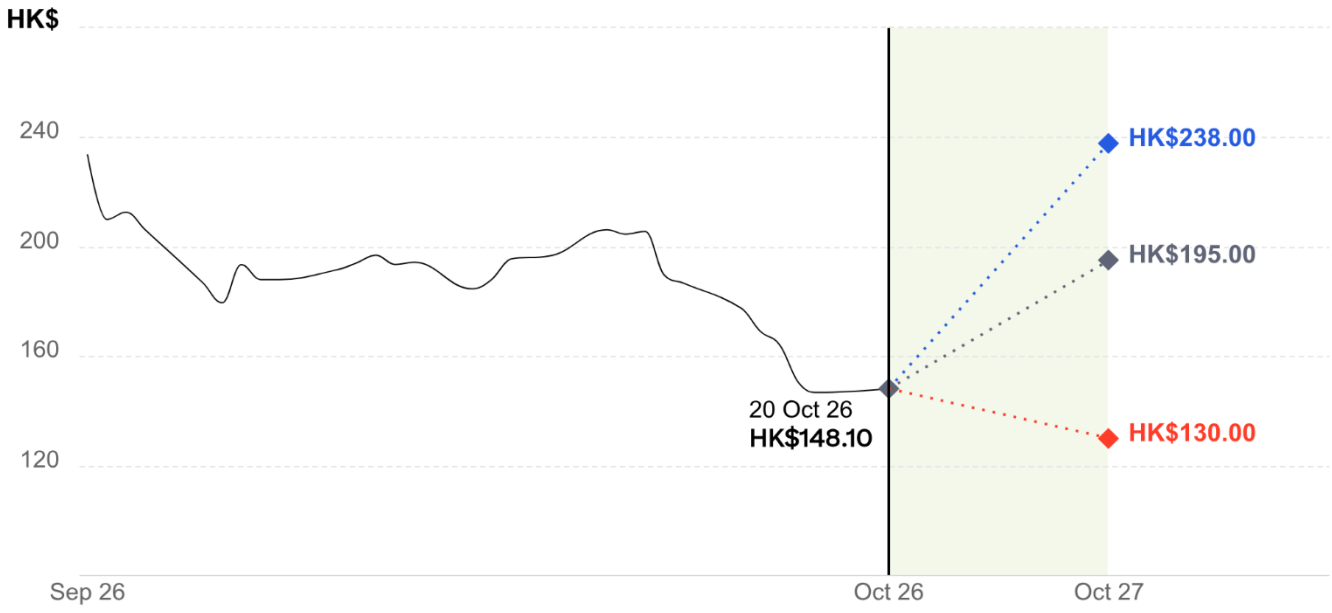
- Revenue growth of 127%/19% in 2026E/27E
- GPM at 47%/34% in 2026E/27E
- Valuation re-rating to 9.5x 2027E P/E (at 1-year average)

BEAR Assumptions

- Revenue growth of 120%/19% in 2026E/27E
- GPM at 45%/30% in 2026E/27E
- Valuation de-rating to 7x 2027E P/E (1 SD below 1-year average)

Bull/Bear: Longsys (9976.HK)

HK$238.00	HK$195.00	HK$130.00
▲61% Upside	▲32% Upside	▼12% Downside



Spread 73pp
Current Price and expected returns (upside/downside) as of 20 Oct 2026

BULL Assumptions

- Revenue growth of 133%/23% in 2026E/27E
- GPM at 48%/35% in 2026E/27E
- Valuation re-rating to 5.5x 2027E P/E (45% discount to Longsys-A Bull Case)

BASE Assumptions

- Revenue growth of 127%/19% in 2026E/27E
- GPM at 47%/34% in 2026E/27E
- Valuation re-rating to 5x 2027E P/E (45% discount to Longsys-A Base Case)

BEAR Assumptions

- Revenue growth of 120%/19% in 2026E/27E
- GPM at 45%/30% in 2026E/27E
- Valuation de-rating to 4x 2027E P/E (45% discount to Longsys-A Bear Case)

Longsys

Company description

Longsys is a leading provider of memory solutions specializing in design and assembly of NAND flash and DRAM storage products. The company sources memory wafers from external suppliers and produces specialized memory solutions encompassing its proprietary controller IC, firmware, and packaging/testing. Longsys has leading market share in embedded storage (No.1 globally) and mobile storage (No.2 globally) as an independent memory vendor, with established brands FORESEE (enterprise, industrial), Lexar (consumer), and Zilla (Latin America).

Investment strategy

We rate Longsys-A as Buy/High Risk given structural growth in AI-driven memory storage demand, accelerating enterprise penetration, and increasing technology differentiation. We expect persisting memory demand to support solid revenue growth for Longsys. While memory price uptrend may moderate in 2027, the increasing technology differentiation will likely support a margin profile higher than Longsys' historical range prior to the 2026 memory price hike. Edge AI, which demands specialized on-device memory, offers additional growth opportunities for the company.

Valuation

Our target price for Longsys-A is set at Rmb325 based on 9.5x 2027E P/E, at the average valuation over the past year, more reflective of the stock valuation during current memory super cycle in our view. Longsys is a company moving from a cyclical, consumer-driven memory module vendor model to a growth company driven by structural enterprise demand for memory solutions. Despite concerns of margin contraction on a moderating memory price uptrend, we expect the resilient memory price trend and improving product mix to support Longsys valuation.

Risks

We assign High Risk rating to Longsys-A given ongoing investor debate on memory upcycle sustainability and growing GPM uncertainties as memory price increase moderates.

Key downside risks to our target price include: 1) weaker memory price trend leading to accelerated margin contraction; 2) memory wafer supply shortages; 3) intensifying competition from global and Chinese peers; 4) geopolitical tensions and trade barriers; 5) technology upgrade failing to match industry migration.

Longsys

Company description

Longsys is a leading provider of memory solutions specializing in design and assembly of NAND flash and DRAM storage products. The company sources memory wafers from external suppliers and produces specialized memory

solutions encompassing its proprietary controller IC, firmware, and packaging/testing. Longsys has leading market share in embedded storage (No.1 globally) and mobile storage (No.2 globally) as an independent memory vendor, with established brands FORESEE (enterprise, industrial), Lexar (consumer), and Zilla (Latin America).

Investment strategy

We rate Longsys-H as Buy/High Risk given structural growth in AI-driven memory storage demand, accelerating enterprise penetration, and increasing technology differentiation. We expect persisting memory demand to support solid revenue growth for Longsys. While memory price uptrend may moderate in 2027, the increasing technology differentiation will likely support a margin profile higher than Longsys' historical range prior to the 2026 memory price hike. Edge AI, which demands specialized on-device memory, offers additional growth opportunities for the company.

Valuation

Our target price for Longsys-H is set at HK$195 based on 5x 2027E P/E, at ~45% discount to our Longsys-A share target multiple, in line with historical patterns. In addition to the typical A-to-H valuation discount, international investors are more likely to compare Longsys to its global competitors outside of China that tend to trade at lower valuation than Chinese semiconductor companies, hence we view a 45% valuation discount for Longsys-H as appropriate.

Risks

We assign High Risk rating to Longsys-H given the short trading history (Hong Kong listing on September 8, 2026), ongoing investor debate on memory upcycle sustainability and growing GPM uncertainties as memory price increase moderates.

Key downside risks to our target price include: 1) weaker memory price trend leading to accelerated margin contraction; 2) memory wafer supply shortages; 3) intensifying competition from global and Chinese peers; 4) geopolitical tensions and trade barriers; 5) technology upgrade failing to match industry migration.