CXMT (688825.SS): Sequential QoQ growth ahead on AI driving DRAM demand; 3Q26 revenues +15%~20% QoQ; Buy

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CXMT reported 3Q26 revenues guidance at Rmb115bn~Rmb120bn, with continuous QoQ growth at 15%~20%. The midpoint of revenues is 30% higher than our previous estimates, and we attribute it to the strong DRAM demand riding on AI, clients' diversification, and DRAM price staying at high level. 3Q NI was guided at Rmb53bn~Rmb55bn, with slight QoQ growth, or midpoint NI 17% higher than our previous estimates. We expect company's revenues to see sequential QoQ growth in 4Q26E. 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. Read more: CXMT initiation.

Mass production of new platform: In Sep 2026, CXMT announced its Gen-5 DRAM technology platform (G5) has started the mass production (Link). The company highlights the new platform limits the Active-Area Half-Pitch to 11.95nm, also shortens the height of the core functional area to 6,762nm, supporting improving performance with higher efficiency, lower cost, and more outputs. We are positive on CXMT's continuous product development towards enhanced core technology and next generation of platform.

Earnings revision: We factor in company's 3Q26 guidance and revise up earnings by 4%/ 1%/ 1%/ 1%/ 0.2% in 2026-30E mainly on higher revenues driven by strong DRAM demand in China and clients' diversification.

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Exhibit 1: 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	354,859	387,474	9%	659,741	669,242	1%	882,821	898,716	2%	1,100,192	1,114,087	1%	1,371,380	1,385,886	1%
GP	298,632	315,396	6%	557,754	564,501	1%	735,571	746,148	1%	911,098	919,455	1%	1,124,167	1,132,645	1%
OP	270,499	282,839	5%	498,377	504,269	1%	656,117	665,263	1%	813,731	820,858	1%	1,015,828	1,023,160	1%
Net income	183,833	191,838	4%	362,325	366,575	1%	474,289	481,041	1%	593,685	598,901	1%	745,399	747,913	0.3%
Margins															
GM	84.2%	81.4%		84.5%	84.3%		83.3%	83.0%		82.8%	82.5%		82.0%	81.7%	
OPM	76.2%	73.0%		75.5%	75.3%		74.3%	74.0%		74.0%	73.7%		74.1%	73.8%	
NM	51.8%	49.5%		54.9%	54.8%		53.7%	53.5%		54.0%	53.8%		54.4%	54.0%	
opex	7.9%	8.4%		9.0%	9.0%		9.0%	9.0%		8.9%	8.9%		7.9%	7.9%	

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We derive our 12-month target price of Rmb130 (vs. previously at Rmb129) 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 2: CXMT discounted P/E

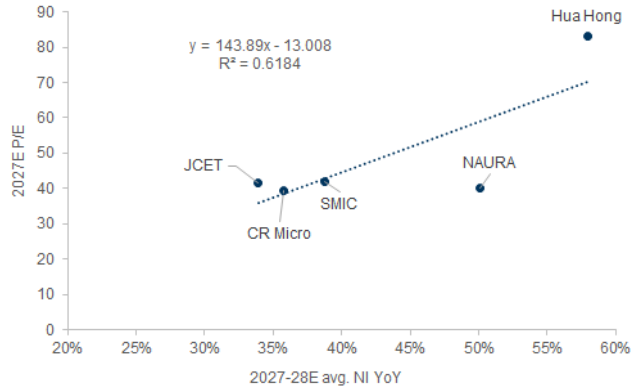
Rmb m	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Milestones	DDR & LPDDR			Migration to HBM			Capacity expansion and rising DRAM end demand			
Revenue	**8,287**	**9,087**	**24,178**	**61,799**	**387,474**	**669,242**	**898,716**	**1,114,087**	**1,385,886**	**1,676,922**
YoY		*10%*	*166%*	*156%*	*527%*	*73%*	*34%*	*24%*	*24%*	*21%*
Gross profit	**-259**	**-175**	**1,349**	**25,334**	**315,396**	**564,501**	**746,148**	**919,455**	**1,132,645**	**1,358,307**
Gross margin	-3.1%	-1.9%	5.6%	41.0%	81.4%	84.3%	83.0%	82.5%	81.7%	81.0%
OPEX	3,561	7,073	7,372	16,912	32,556	60,232	80,884	98,597	109,485	130,800
YoY		99%	4%	129%	93%	85%	34%	22%	11%	19%
Opex ratio	43.0%	77.8%	30.5%	27.4%	8.4%	9.0%	9.0%	8.9%	7.9%	7.8%
Operating profit	**-3,820**	**-7,248**	**-6,024**	**8,422**	**282,839**	**504,269**	**665,263**	**820,858**	**1,023,160**	**1,227,507**
YoY		na	na	na	3258%	78%	32%	23%	25%	20%
Operating margin	*-46%*	*-80%*	*-25%*	*14%*	*73%*	*75%*	*74%*	*74%*	*74%*	*73%*
Non-op	-5,350	-11,975	-3,025	-721	-5,302	-2,111	-842	-446	-5,591	-5,591
Pre-tax profit	**-9,170**	**-19,223**	**-9,049**	**7,701**	**277,537**	**502,157**	**664,421**	**820,412**	**1,017,569**	**1,221,916**
Tax	1	2	2	557	23,676	45,194	63,784	82,041	106,845	158,849
Tax rate	0%	0%	0%	7%	9%	9%	10%	10%	11%	13%
Minority	(843)	(2,885)	(1,906)	5,269	62,023	90,388	119,596	139,470	162,811	195,507
Net profit	**(8,328)**	**(16,340)**	**(7,145)**	**1,875**	**191,838**	**366,575**	**481,041**	**598,901**	**747,913**	**867,561**
EPS (Rmb, diluted)	**(0.2)**	**(0.3)**	**(0.1)**	**0.0**	**3.0**	**5.5**	**7.2**	**9.0**	**11.2**	**12.97**
YoY		*na*	*na*	*na*	*10132%*	*91%*	*31%*	*25%*	*25%*	*16%*
TP implied P/E						24	18	15	12	10

2030E target P/E	16.6
Target multiple x EPS	186
Discounted back to 2027; TP (Rmb)	**130.0**
Implied 2027 P/E	24

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

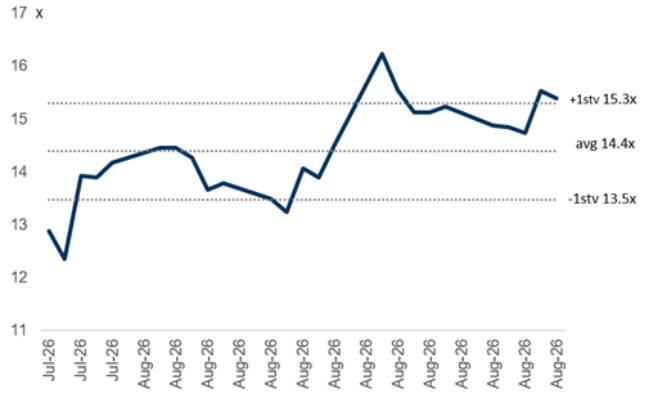
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: 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 4: CXMT's 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research

Valuation: Our 12-month target price of Rmb130 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: **Rmb130.00**	Price: **Rmb41.52**	Upside: **213.1%**

Buy

Market cap: Rmb2.8tr / $415.3bn
Enterprise value: Rmb2.6tr / $395.3bn
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**	**387,474.3**	**669,242.1**	**898,715.9**
Revenue (Rmb mn) Old	61,799.3	354,858.7	659,741.2	882,820.8
EBITDA (Rmb mn)	34,777.7	314,048.3	537,660.6	728,114.5
EPS (Rmb) New	**0.03**	**3.00**	**5.48**	**7.19**
EPS (Rmb) Old	0.03	2.88	5.42	7.09
P/E (X)	NM	13.9	7.6	5.8
P/B (X)	NM	9.4	4.3	2.5
Dividend yield (%)	NM	0.0	0.0	0.0
CROCI (%)	18.9	86.0	117.3	121.9

	6/26	9/26E	12/26E	3/27E
EPS (Rmb)	0.88	0.81	0.90	1.07

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 19 Oct 2026 close.