Gigadevice (603986.SS): Specialty DRAM product mix upgrade; Accelerated SLC NAND ramp up with shipment growth; Buy

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We remain positive on the company's growing revenue contribution from Specialty DRAM and SLC NAND businesses with the accelerated ramp up and favorable pricing. Looking into 3Q, we expect to see continued QoQ growth of Specialty DRAM pricing, albeit with a gradual moderation in the growth rate, and continuous wafer shipment ramp up of SLC NAND. We expect GM to slightly improve in 3Q26E (vs. 1Q26/ 2Q26 GM at 57.1%/ 66.6%) on product mix upgrade and pricing increase. With rising AI demand with growing requirement on high-end products, we expect the company to benefit from the tight supply and diversification into new applications. Maintain Buy.

SLC NAND shipment growth: The company's NAND revenues were at ~Rmb1.5bn in 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.

Earnings revision: Based on the 2Q earnings and latest pricing data, we revise up 2026-28E earnings by 160%/ 61%/ 49% mainly on higher revenues of (1) specialty DRAM on pricing increase, and (2) SLC NAND on both shipment ramp up and higher ASP. We revise up GM in 2026-28E to reflect company's product mix upgrade and better pricing.

Exhibit 1: Earnings revision

	2026E			2027E			2028E		
Rmb m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	16,528	24,165	46%	19,903	25,352	27%	24,081	30,786	28%
GP	8,412	15,497	84%	9,393	13,562	44%	11,460	15,835	38%
OP	5,425	12,262	126%	6,296	10,144	61%	8,339	12,288	47%
Net income	5,299	13,803	160%	6,251	10,042	61%	8,198	12,238	49%
Margins									
GM	50.9%	64.1%		47.2%	53.5%		47.6%	51.4%	
OPM	32.8%	50.7%		31.6%	40.0%		34.6%	39.9%	
NM	32.1%	57.1%		31.4%	39.6%		34.0%	39.8%	

Source: Goldman Sachs Global Investment Research

Valuation: We use discounted P/E methodology to better capture the company's long-term growth, and break it into two stages: Specialty DRAM ramp-up and mix upgrade in 2025E-28E, and Customized DRAM expansion in 2029E-2031E. We use a 2030E discounted P/E valuation methodology, and discount it back to 2027E, based

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on COE at 12% (beta at 1.3, risk free rate at 3.5%, and market risk premium at 6.5%). Our target multiple of 27.4x (vs. previously at 35.1x) is derived from the correlation between peers' P/E to NI YoY, based on the company's 2031E NI growth at 20% YoY, and the lower multiple reflects recent re-rating of China Semis due to debates on local capacity and advanced nodes expansion. Our new 12M TP is Rmb413 (vs. previously at Rmb391). Maintain Buy. The implied 2027E P/E of 29x is generally in line with the company's historical P/E trading range.

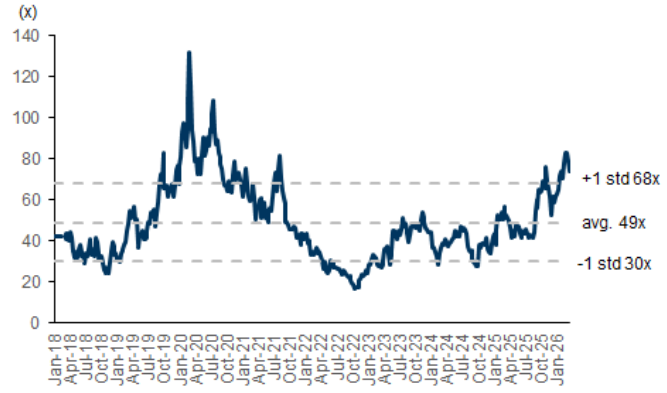
Exhibit 2: Gigadevice discounted P/E

Rmb mn	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**8,130**	**5,761**	**7,356**	**9,203**	**24,165**	**25,352**	**30,786**	**37,251**	**44,702**	**52,748**
Stage 1, 2, 3	**NOR Flash/ MCU growth**			**Specialty DRAM ramp up and mix upgrade**				**Customized DRAM expansion**		
NOR Flash	3,836	3,351	3,758	4,285	7,548	9,854	12,023	13,826	15,762	17,811
NAND Flash	108	250	423	456	836	1,262	1,719	2,046	2,557	3,120
MCU	2,829	1,317	1,706	1,839	2,305	2,709	3,190	3,509	3,930	4,244
Specialty DRAM	274	403	1,013	2,051	11,383	10,622	12,590	15,108	18,431	23,039
Customized DRAM						234	495	891	1,782	3,386
Others	1,083	441	457	573	2,093	671	770	1,872	2,240	1,148
Rev YoY %	*-4%*	*-29%*	*28%*	*25%*	*163%*	*5%*	*21%*	*21%*	*20%*	*18%*
Gross margin	47.7%	34.4%	38.0%	40.2%	64.1%	53.5%	51.4%	42.8%	42.9%	42.9%
Gross profit	3,875	1,983	2,795	3,701	15,497	13,562	15,835	15,944	19,177	22,629
Opex	**1,698**	**1,656**	**2,016**	**2,216**	**3,235**	**3,418**	**3,547**	**3,957**	**4,480**	**4,864**
Opex ratio	21%	29%	27%	24%	13%	13%	12%	11%	10%	9%
OP income	**2,176**	**327**	**780**	**1,486**	**12,262**	**10,144**	**12,288**	**11,987**	**14,697**	**17,764**
OPM	*27%*	*6%*	*11%*	*16%*	*51%*	*40%*	*40%*	*32%*	*33%*	*34%*
Non-op gains	86	(203)	344	221	2,873	653	872	972	1,022	1,072
Pre-tax profit	**2,262**	**125**	**1,124**	**1,706**	**15,135**	**10,797**	**13,159**	**12,958**	**15,719**	**18,836**
Net profit	**2,053**	**161**	**1,103**	**1,648**	**13,803**	**10,042**	**12,238**	**12,233**	**14,838**	**17,781**
YoY	-12%	-92%	584%	49%	738%	-27%	22%	0%	21%	20%
EPS	3.09	0.24	1.66	2.47	19.69	14.32	17.46	17.45	21.16	25.36
2030 Target P/E									27.4x	
12M target price (Rmb)						**413**				
TP implied P/E						**29**				

COE assumption	
Beta	1.30
Risk free	3.5%
Market risk premium	6.5%
COE	**12%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Gigadevice 12M forward P/E



Source: Eikon Datastream

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Exhibit 4: Gigadevice P&L Summary

Rmb mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2023	2024	2025	2026E	2027E	2028E
Income statement														
Revenue	1,909	2,241	2,681	2,372	4,188	7,378	7,078	5,521	5,761	7,356	9,203	24,165	25,352	30,786
Gross profit	715	830	1,092	1,065	2,390	4,911	4,723	3,472	1,983	2,795	3,701	15,497	13,562	15,835
Opex	(551)	(554)	(583)	(529)	(688)	(837)	(834)	(876)	(1,656)	(2,016)	(2,216)	(3,235)	(3,418)	(3,547)
OP income	164	276	509	536	1,703	4,074	3,889	2,596	327	780	1,486	12,262	10,144	12,288
Pretax income	236	360	528	583	1,621	6,045	4,759	2,710	125	1,124	1,706	15,135	10,797	13,159
Gross margin	37.4%	37.0%	40.7%	44.9%	57.1%	66.6%	66.7%	62.9%	34.4%	38.0%	40.2%	64.1%	53.5%	51.4%
Operating margin	8.6%	12.3%	19.0%	22.6%	40.7%	55.2%	54.9%	47.0%	5.7%	10.6%	16.1%	50.7%	40.0%	39.9%
Pretax margin	12.3%	16.1%	19.7%	24.6%	38.7%	81.9%	67.2%	49.1%	2.2%	15.3%	18.5%	62.6%	42.6%	42.7%
Net margin	12.3%	15.2%	18.9%	23.8%	34.9%	73.1%	62.5%	45.7%	2.8%	15.0%	17.9%	57.1%	39.6%	39.8%
YoY														
Revenue	17%	13%	31%	39%	119%	229%	164%	133%	-29%	28%	25%	163%	5%	21%
Gross profit	15%	10%	28%	88%	234%	492%	333%	226%	-49%	41%	32%	319%	-12%	17%
OP income	11%	19%	37%	1916%	938%	1376%	664%	384%	-85%	138%	91%	725%	-17%	21%
Pretax income	15%	11%	56%	127%	588%	1577%	802%	365%	-94%	801%	52%	787%	-29%	22%
Net income	15%	9%	61%	109%	523%	1483%	772%	346%	-92%	584%	49%	738%	-27%	22%
QoQ														
Revenue	17%	13%	31%	39%	119%	229%	164%	133%	-29%	28%	25%	163%	5%	21%
Gross profit	15%	10%	28%	88%	234%	492%	333%	226%	-49%	41%	32%	319%	-12%	17%
OP income	11%	19%	37%	1916%	938%	1376%	664%	384%	-85%	138%	91%	725%	-17%	21%
Pretax income	15%	11%	56%	127%	588%	1577%	802%	365%	-94%	801%	52%	787%	-29%	22%
Net income	15%	9%	61%	109%	523%	1483%	772%	346%	-92%	584%	49%	738%	-27%	22%

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Gigadevice

Valuation: We are Buy rated with a 12-month target price of Rmb413 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 27.4x 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: **Rmb413.00**	Price: **Rmb276.75**	Upside: **49.2%**

Buy

Market cap: Rmb184.6bn / $27.6bn
Enterprise value: Rmb166.9bn / $25.0bn
3m ADTV: Rmb15.7bn / $2.3bn
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) New	**9,203.5**	**24,165.0**	**25,352.1**	**30,786.3**
Revenue (Rmb mn) Old	9,203.5	16,528.5	19,903.3	24,081.2
EBITDA (Rmb mn)	1,735.6	12,614.5	10,593.1	12,829.5
EPS (Rmb) New	**2.47**	**19.69**	**14.32**	**17.46**
EPS (Rmb) Old	2.47	7.56	8.92	11.69
P/E (X)	61.0	14.1	19.3	15.9
P/B (X)	5.3	6.5	5.1	4.1
Dividend yield (%)	0.3	1.5	1.1	1.3
CROCI (%)	19.5	71.3	33.9	33.0

	3/26	6/26	9/26E	12/26E
EPS (Rmb)	2.08	7.70	6.31	3.59

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 22 Oct 2026 close.