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Montage (688008.SS/6809.HK)

4Q26 Upside Surprise; Server Memory Building Momentum

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CITI'S TAKE

We reiterate Buy on Montage-A/H following the strong results and guidance beat. 3Q26 GPM bounced back on improved product mix (more Gen 3/4/5 RCD), and the surprising 4Q26 guide (Rmb2.5-2.79bn, actual orders higher) underscore the strength of server memory demand. We expect robust DIMM demand to outgrow server CPU units, driven by agentic AI, rising memory channel counts, and higher channel population rates. We raise our forecasts and TP for Montage-A (Rmb340) and Montage-H (HK$450). We view Montage among China's best-positioned AI infra plays. Recent market volatility offers enhanced buying opportunities, in our view.

3Q26 in line, GPM trend encouraging — 3Q26 revenue/net profit were in line with the Oct 20 pre-announce. Revenue grew 46% YoY (+11% QoQ) to record-high of Rmb2,079mn driven by memory interface/support chips shipment increase and mix improvement (more Gen 3/4/5 RCDs mix). After a dip in 2Q26 due to higher input costs, GPM bounced back 5.8ppt QoQ to 67.6% (interconnect GPM: 68.4%). Net profit came in at Rmb1,240mn (+162 YoY/+8% QoQ), also at a new record high.

4Q26 bookings well surpass expectations — Montage provided 4Q26 bookings guide for the first time, expecting Rmb2.5-2.79bn interconnect chips delivery, well above the BBG consensus of Rmb2.1bn revenue. Mgmt. noted the guide was toned down for delivery capacity constraints, and the actual orders received are higher.

DIMM demand to outgrow server CPU units — Mgmt. expects robust interface chip demand to continue, given: 1) CPU growth driven by agentic AI, 2) increasing memory channel counts, and 3) higher channel population rates. Typical GP servers only populate 50%-60% of memory channels, per mgmt. est. Agent workloads favor more lower-capacity DIMMs to fully utilize memory channels to improve bandwidth. Next gen CPUs could move from 8/12 channels to 16 channels in 2027.

Outlook brighter still; raise forecast & TP — We view 4Q26 guidance as a positive surprise underscoring sustained strength in server memory demand and raise our 2027E/28E profit forecast by 9%/8% given a stronger interface shipment and ASP outlook. We reiterate Buy on Montage as one of China's best positioned global AI infrastructure plays. Recent market volatility offers enhanced buying opportunities, in our view.

															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
Montage Tech	6809.HK	HK$	215.00	16,291	29 Oct 16:10	1	nc	-	425.00	450.00	109.3	0.6	109.9	Dec-25	3.180	3.695	4.278	4.666
Montage Technology	688008.SS	Rmb	166.790	190,935	29 Oct 15:00	1	nc	-	320.000	340.000	103.8	0.7	104.5	Dec-25	3.180	3.695	4.278	4.666

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.

Figure 1. Montage – 3Q26 Results & 4Q26 Guide Comparisons

	1Q26	2Q26	3Q26						4Q26				
(Rmb mn)			Actual	Prelim	BBG	Diff	Citi est	Diff	Guide	BBG	Diff	Citi est	Diff
Revenue	**1,461**	**1,875**	**2,079**	**2,079**	**2,015**	**3%**	**1,963**	**6%**	**2,645**	**2,131**	**24%**	**2,077**	**27%**
YoY %	*20%*	*33%*	*46%*	*46%*	*41%*		*38%*		*89%*	*52%*		*48%*	
Gross Profit	1,019	1,159	1,404		1,317	7%	1,293	9%					
GPM	**69.8%**	**61.8%**	**67.6%**		**65.3%**	**2.2ppts**	**65.9%**	**1.7ppts**					
Opex	(343)	(454)	(408)		(435)	-6%	(380)	7%					
Opex %	23.5%	24.2%	19.6%		21.6%	-2.0ppts	19.4%	0.2ppts					
EBIT	**677**	**705**	**997**		**882**	**13%**	**913**	**9%**					
EBIT margin	46.3%	37.6%	47.9%		43.8%	4.2ppts	46.5%	1.4ppts					
Pre-Tax Profit	877	1,194	1,303		988	32%	992	31%					
Net Profit	**847**	**1,150**	**1,240**	**1,250**	**932**	**33%**	**932**	**33%**					
YoY %	*61%*	*81%*	*162%*	*164%*	*97%*		*97%*						
EPS (Rmb)	**0.69**	**0.94**	**1.02**		**0.85**	**20%**	**0.76**	**33%**					

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Note: 3Q26 prelim and 4Q26 guide at mid-point of guidance range

Source: Company Reports, Bloomberg, Citi Research Estimates

Figure 2. Montage – Forecast Revisions

	2026E			2027E			2028E		
(Rmb mn)	Old	New	Diff	Old	New	Diff	Old	New	Diff
Revenue	**7,375**	**8,058**	**9%**	**10,337**	**11,205**	**8%**	**14,158**	**15,204**	**7%**
YoY %	*35%*	*48%*		*40%*	*39%*		*37%*	*36%*	
Gross Profit	4,800	5,326	11%	6,722	7,357	9%	9,270	10,035	8%
GPM	**65.1%**	**66.1%**	**1.0ppts**	**65.0%**	**65.7%**	**0.6ppts**	**65.5%**	**66.0%**	**0.5ppts**
Opex	(1,573)	(1,677)	7%	(1,756)	(1,909)	9%	(1,963)	(2,136)	9%
Opex %	21.3%	20.8%	-0.5ppts	17.0%	17.0%	0.0ppts	13.9%	14.0%	0.2ppts
EBIT	3,227	3,649	13%	4,966	5,448	10%	7,306	7,900	8%
EBIT margin	43.8%	45.3%	1.5ppts	48.0%	48.6%	0.6ppts	51.6%	52.0%	0.4ppts
Pre-Tax Profit	4,080	4,731	16%	5,563	6,058	9%	7,974	8,582	8%
Net Profit	**3,886**	**4,513**	**16%**	**5,229**	**5,695**	**9%**	**7,495**	**8,067**	**8%**
YoY %	*74%*	*102%*		*35%*	*26%*		*43%*	*42%*	
EPS (Rmb)	**3.18**	**3.70**	**16%**	**4.28**	**4.67**	**9%**	**6.13**	**6.61**	**8%**

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Source: Citi Research Estimates



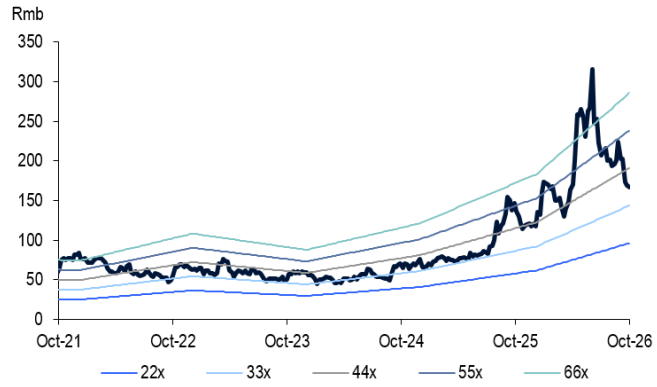
Figure 3. Montage-A – Forecast Comparison (Citi vs. Consensus)

	2026E			2027E			2028E		
(Rmb mn)	BBG	Citi	Diff	BBG	Citi	Diff	BBG	Citi	Diff
Revenue	**7,608**	**8,058**	**6%**	**11,610**	**11,205**	**-3%**	**16,483**	**15,204**	**-8%**
YoY %	*39%*	*48%*		*53%*	*39%*		*42%*	*36%*	
Gross Profit	4,968	5,326	7%	7,630	7,357	-4%	10,834	10,035	-7%
GPM	**65.3%**	**66.1%**	**0.8ppts**	**65.7%**	**65.7%**	**-0.1ppts**	**65.7%**	**66.0%**	**0.3ppts**
Opex	(1,507)	(1,677)	11%	(1,845)	(1,909)	3%	(2,215)	(2,136)	-4%
Opex %	19.8%	20.8%	1.0ppts	15.9%	17.0%	1.1ppts	13.4%	14.0%	0.6ppts
EBIT	3,461	3,649	5%	5,786	5,448	-6%	8,619	7,900	-8%
EBIT Margin	45.5%	45.3%	-0.2ppts	49.8%	48.6%	-1.2ppts	52.3%	52.0%	-0.3ppts
Pre-Tax Profit	4,146	4,731	14%	6,190	6,058	-2%	9,207	8,582	-7%
Net Profit	**3,988**	**4,513**	**13%**	**5,819**	**5,695**	**-2%**	**8,520**	**8,067**	**-5%**
YoY %	*78%*	*102%*		*46%*	*26%*		*46%*	*42%*	
EPS (Rmb)	**3.29**	**3.70**	**12%**	**4.83**	**4.67**	**-3%**	**7.07**	**6.61**	**-7%**

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Source: Bloomberg, Citi Research Estimates

Figure 4. Montage-A – 12M Fwd. P/E Band



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Source: dataCentral, Citi Research

Figure 5. Montage-A – 12M Fwd. P/E Chart



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Source: dataCentral, Citi Research

RELATED:

Montage Technology (688008.SS):3Q26 Prelim Solid Beat; GPM a Positive Surprise

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688008.SS: Fiscal year end 31-Dec — **Price: Rmb166.790; TP: Rmb340.000; Market Cap: Rmb190,935m; Recomm: Buy**

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	3,639	5,456	8,058	11,205	15,204
Cost of sales	-1,524	-2,061	-2,732	-3,848	-5,169
Gross profit	2,115	3,395	5,326	7,357	10,035
Gross Margin (%)	58.1	62.2	66.1	65.7	66.0
EBITDA (Adj)	**1,149**	**1,930**	**3,754**	**5,559**	**8,008**
EBITDA Margin (Adj) (%)	31.6	35.4	46.6	49.6	52.7
Depreciation	-84	-89	-105	-111	-108
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,066**	**1,840**	**3,649**	**5,448**	**7,900**
EBIT Margin (Adj) (%)	29.3	33.7	45.3	48.6	52.0
Net interest	241	228	170	330	402
Associates	72	123	904	200	200
Non-Op/Except/Other Adj	34	129	8	80	80
Pre-tax profit	**1,413**	**2,321**	**4,731**	**6,058**	**8,582**
Tax	-72	-191	-295	-364	-515
Extraord./Min.Int./Pref.div.	71	106	78	0	0
Reported net profit	**1,412**	**2,236**	**4,513**	**5,695**	**8,067**
Net Margin (%)	38.8	41.0	56.0	50.8	53.1
Core NPAT	1,412	2,236	4,513	5,695	8,067

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (Rmb)	1.235	1.952	3.695	4.666	6.609
Core EPS (Rmb)	1.235	1.952	3.695	4.666	6.609
DPS (Rmb)	0.300	0.590	0.590	1.109	1.400
CFPS (Rmb)	1.480	1.765	2.853	4.269	6.171
FCFPS (Rmb)	1.148	1.533	2.403	3.962	5.843
BVPS (Rmb)	9.979	11.284	19.182	22.750	27.959
Wtd avg ord shares (m)	1,143	1,145	1,221	1,221	1,221
Wtd avg diluted shares (m)	1,143	1,145	1,221	1,221	1,221

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	59.2	49.9	47.7	39.1	35.7
EBIT (Adj) (%)	161.8	72.7	98.2	49.3	45.0
Core NPAT (%)	213.1	58.4	101.9	26.2	41.7
Core EPS (%)	211.8	58.0	89.3	26.3	41.7

Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	6,843	8,479	16,580	20,015	25,431
Accounts receivables	388	568	883	1,228	1,666
Inventory	352	896	1,347	1,792	2,124
Net fixed & other tangibles	1,996	2,132	2,055	2,366	2,665
Goodwill & intangibles	134	113	101	101	101
Financial & other assets	2,506	1,560	4,058	4,065	4,067
Total assets	**12,219**	**13,748**	**25,025**	**29,567**	**36,054**
Accounts payable	211	208	412	527	637
Short-term debt	0	0	0	0	0
Long-term debt	0	0	107	107	107
Provisions & other liab	611	669	931	1,016	1,035
Total liabilities	**822**	**877**	**1,450**	**1,650**	**1,779**
Shareholders' equity	11,403	12,924	23,426	27,767	34,126
Minority interests	-7	-53	149	149	149
Total equity	**11,397**	**12,871**	**23,575**	**27,916**	**34,275**
Net debt (Adj)	**-6,843**	**-8,479**	**-16,473**	**-19,908**	**-25,323**
Net debt to equity (Adj) (%)	-60.0	-65.9	-69.9	-71.3	-73.9

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	85.4	45.1	35.7	25.2
PB (x)	16.7	14.8	8.7	7.3	6.0
EV/EBITDA (x)	na	94.7	47.4	31.0	20.9
FCF yield (%)	0.7	0.9	1.4	2.4	3.5
Dividend yield (%)	0.2	0.4	0.4	0.7	0.8
Payout ratio (%)	24	30	16	24	21
ROE (%)	13.1	18.4	24.8	22.2	26.1

Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBITDA	1,149	1,930	3,754	5,559	8,008
Working capital	223	153	-2,555	-595	-643
Other	319	-61	2,286	247	167
Operating cashflow	**1,691**	**2,022**	**3,484**	**5,210**	**7,532**
Capex	-379	-266	-550	-375	-400
Net acq/disposals	-5,115	-2,803	-6,891	-46	-8
Other	5,050	3,919	5,825	0	0
Investing cashflow	**-443**	**850**	**-1,616**	**-421**	**-408**
Dividends paid	-342	-675	-721	-1,354	-1,708
Financing cashflow	**-277**	**-1,029**	**6,595**	**-1,354**	**-1,708**
Net change in cash	**1,033**	**1,717**	**8,045**	**3,435**	**5,415**
Free cashflow to s/holders	**1,312**	**1,756**	**2,934**	**4,835**	**7,132**

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

Bull/Bear: Montage Technology (6809.HK)

HK$552.00	HK$450.00	HK$208.00
▲157% Upside	▲109% Upside	▼3.3% Downside



Spread 160pp
Current Price and expected returns (upside/downside) as of 29 Oct 2026

BULL Assumptions

- Revenue growth of 47%/40% in 2027E/28E
- Net profit growth of 35%/46% in 2027E/28E
- 75x 2H27E-1H28E P/E valuation (15% premium to Montage-A Bull Case)

BASE Assumptions

- Revenue growth of 39%/36% in 2027E/28E
- Net profit growth of 26%/42% in 2027E/28E
- 69x 2H27E-1H28 P/E valuation (15% premium to Montage-A Base Case)

BEAR Assumptions

- Revenue growth of 29%/28% in 2027E/28E
- Net profit growth of 12%/29% in 2027E/28E
- 40x 2H27E-1H28 P/E valuation (15% premium to Montage-A Bear Case)

Bull/Bear: Montage Technology (688008.SS)

Rmb 417.000	Rmb 340.000	Rmb 157.000
▲150% Upside	▲104% Upside	▼5.9% Downside



Spread 156pp
Current Price and expected returns (upside/downside) as of 29 Oct 2026

BULL Assumptions

- Revenue growth of 47%/40% in 2027E/28E
- Net profit growth of 35%/46% in 2027E/28E
- 65x 2H27E-1H28E P/E valuation (2 SD above 5-year average)

BASE Assumptions

- Revenue growth of 39%/36% in 2027E/28E
- Net profit growth of 26%/42% in 2027E/28E
- 60x 2H27E-1H28 P/E valuation (1.5 SD above 5-year average)

BEAR Assumptions

- Revenue growth of 29%/28% in 2027E/28E
- Net profit growth of 12%/29% in 2027E/28E
- 35x 2H27E-1H28 P/E valuation (1 SD below 5-year average)

Montage Technology

Company description

Founded in 2004, Montage Technology is an IC design company focusing on memory interface and connectivity solutions for computing and networking. Its key products include memory interface solutions (RCD/DB), interface support chipsets (SPD, TS, PMIC), PCIe retimers, server platform solutions, and more. Montage is leading in technology backed by its in-house SerDes IP. The company currently has around 40% global market share in the memory interface market.

Investment strategy

We have a Buy rating on Montage-H and expect its share price to re-rate through AI-driven CPU demand growth and connectivity upgrades. We expect Montage's memory interface unit growth to stay robust as agentic AI raises demand for CPU and memory content. ASP and margin could remain at high levels through DDR5 sub-gen migration and growing contribution from new connectivity solutions such as PCIe retimers, MRCD/MDB and CXL MXC. Montage should benefit from China's semiconductor supply localization trend as a leading connectivity solution provider with growing opportunities from domestic AI server build out.

Valuation

Our target price for Montage-H is set at HK$450 based on 70x 2H27E-1H28E P/E, at 15% premium to our Montage-A share target multiple. We view Montage-H a rare opportunity for international investors to invest in both China and global AI data center expansion. Such quality name with strong AI-thematic has gained strong traction from international investors and resulted in an unusual H-share premium over its A-share counterpart.

We believe the valuation is justified given Montage's improving product mix (DDR5 Gen 3+4+5 mix exceeding 50%) and growing contribution from new AI-driven connectivity solutions (PCIe retimer, MRDIMM, CXL), with demand upside coming from agentic AI and inferencing. The company should continue to benefit from China's increasing semiconductor localization in the coming few years.

Risks

Key downside risks to our target price include: 1) AI infrastructure capex slowdown, 2) market share loss if international customers shift away from Chinese suppliers; 3) rising SOCAMM / LPDDRX adoption in servers that reduces memory interface demand, 4) delayed product migration (DDR5 sub-gen) and development (PCIe switch, CXL switch).

Citi's quant system rates Montage-H high-risk given its short trading history. We view Montage's fundamentals remain strong and expect solid AI-driven revenue/earnings momentum in the coming years. As such, we do not assign a High-Risk rating to Montage-H.

Montage Technology

Company description

Founded in 2004, Montage Technology is an IC design company focusing on memory interface and connectivity solutions for computing and networking. Its key products include memory interface solutions (RCD/DB), interface support chipsets (SPD, TS, PMIC), PCIe retimers, server platform solutions, and more. Montage is leading in technology backed by its in-house SerDes IP. The company currently has around 40% global market share in the memory interface market.

Investment strategy

We have a Buy rating on Montage-A and expect its share price to re-rate through AI-driven CPU demand growth and connectivity upgrades. We expect Montage's memory interface unit growth to stay robust as agentic AI raises demand for CPU and memory content. ASP and margin could remain at high levels through DDR5 sub-gen migration and growing contribution from new connectivity solutions such as PCIe retimers, MRCD/MDB and CXL MXC. Montage should benefit from China's semiconductor supply localization trend as a leading connectivity solution provider with growing opportunities from domestic AI server build out.

Valuation

Our target price of Rmb340 is based on 60x 2H27E-1H28E P/E, at 1.5SD above its 5-year average. We believe the valuation is justified given Montage's improving product mix (DDR5 Gen 3+4+5 mix exceeding 50%) and growing contribution from new AI-driven connectivity solutions (PCIe retimer, MRDIMM, CXL), with demand upside coming from agentic AI and inferencing. The company should continue to benefit from China's increasing semiconductor localization in the coming few years.

Risks

Key downside risks to our target price include: 1) AI infrastructure capex slowdown, 2) market share loss if international customers shift away from Chinese suppliers; 3) rising SOCAMM / LPDDRX adoption in servers that reduces memory interface demand, 4) delayed product migration (DDR5 sub-gen) and development (PCIe switch, CXL switch).