CXMT (688825.SS): 3Q26 GM up to 90%; 4Q26 / 2027 revenues continue to grow on DDR5/ LPDDR6; 3Q26 beat; Buy

Allen Chang
+852-2978-2930
allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

Verena Jeng
+852-2978-1681 verena.jeng@gs.com
Goldman Sachs (Asia) L.L.C.

Ting Song
+852-2978-6466 ting.song@gs.com
Goldman Sachs (Asia) L.L.C.

CXMT reported 3Q26 results where revenues and net income were pre-announced earlier (report link); GM continued to increase, to 90% (vs. 88% in 2Q26) and opex ratio improved to 4.7% (vs. 5.4% in 2Q26), leading OP income to rise 23% QoQ, or 29% ahead of our estimates. The GM expansion reflects the company's product mix upgrade and higher ASP of DRAM products, and the further opex ratio enhancements reflecting the company's disciplined costs control and rising revenues scale bringing better operation efficiency. Looking ahead, we expect revenues to continue to sequentially increase (+4% QoQ), with GM staying at a high level (86%). Management is also confident on continuous revenues growth in 4Q26 and 2027, driven by (1) strong demand from end-markets across AI server, AI devices, automotive etc., (2) technology platform migration towards DDR6/ LPDDR6 to drive specification upgrade, and (3) capacity expansion with improving utilization rate and yield rate. As we highlighted in Aug (CHIPS IV: China Semis self-sufficiency builds), we estimate China DRAM TAM to grow at a +50% CAGR in 2026E-28E to US$257bn, while HBM grows at a +188% CAGR to US$32bn, supporting CXMT's growth ahead. Maintain Buy with our 12m TP up to Rmb131 (from Rmb130, implying a 24x 2027E P/E vs. +59% NI YoY on avg. in 2027E-28E).

Mix upgrade toward DDR5/ LPDDR6 platform: The company has started mass production of DDR5 products with continuous shipment ramp up in 3Q26, and its LPDDR6 has been adopted by the smartphone brand clients. Meanwhile, CXMT is also working on the next generation DDR6 platform on verification of the engineering samples. Mgmt also highlighted the company has developed 4F^2 architecture based on its in-house VSG (Vertical Surrounding Gate) technology, which could lower the memory cell area with higher density.

Exhibit 1: CXMT 3Q26 result snapshot

Rmb m	3Q25	2Q26	3Q26	QoQ	YoY	GS	Act/GS	Gui.	Act/Gui.
Revenue	16,646	99,510	118,714	19%	613%	114,002	4%	117,500	1%
GP	5,826	87,163	106,279	22%	1724%	90,218	18%		
OP	-2,032	81,789	100,749	23%	NA	78,020	29%		
Net income	-2,948	52,843	54,435	3%	NA	54,046	1%	54,000	1%
Margins									
GM	35.0%	87.6%	89.5%			79.1%			
OPM	-12.2%	82.2%	84.9%			68.4%			
NM	-17.7%	53.1%	45.9%			47.4%			

Source: Company data, Goldman Sachs Global Investment Research

Earnings revision: We factor in CXMT's 3Q26 result and revise up 2026E-2030E earnings by 3% / 1% / 1% / 1% / 1% mainly on higher GM, driven by better product mix with specification upgrade and favorable pricing. We keep our Opex ratio largely

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unchanged.

Exhibit 2: 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	387,474	392,428	1%	669,242	670,901	0%	898,716	901,382	0%	1,114,087	1,115,467	0%	1,385,886	1,387,920	0%
GP	315,396	339,386	8%	564,501	567,767	1%	746,148	750,835	1%	919,455	927,462	1%	1,132,645	1,142,040	1%
OP	282,839	313,475	11%	504,269	507,386	1%	665,263	669,711	1%	820,858	828,743	1%	1,023,160	1,032,394	1%
Net income	191,838	197,745	3%	366,575	369,184	1%	481,041	484,316	1%	598,901	604,812	1%	747,913	754,741	1%
Margins															
GM	81.4%	86.5%		84.3%	84.6%		83.0%	83.3%		82.5%	83.1%		81.7%	82.3%	
OPM	73.0%	79.9%		75.3%	75.6%		74.0%	74.3%		73.7%	74.3%		73.8%	74.4%	
NM	49.5%	50.4%		54.8%	55.0%		53.5%	53.7%		53.8%	54.2%		54.0%	54.4%	
opex	8.4%	6.6%		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 Rmb131 (vs. previously at Rmb130) 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 2030E-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 3: CXMT discounted P/E

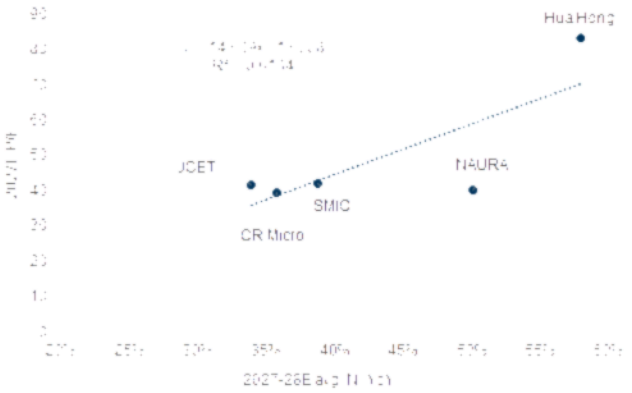
wwwwww	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Milestones	DDR & LPDDR				Migration to HBM		Capacity expansion and rising DRAM end demand			
Revenue	**8,287**	**9,087**	**24,178**	**61,799**	**392,428**	**670,901**	**901,382**	**1,115,467**	**1,387,920**	**1,679,383**
YoY		*10%*	*166%*	*156%*	*535%*	*71%*	*34%*	*24%*	*24%*	*21%*
Gross profit	**-259**	**-175**	**1,349**	**25,334**	**339,386**	**567,767**	**750,835**	**927,462**	**1,142,040**	**1,360,300**
Gross margin	-3.1%	-1.9%	5.6%	41.0%	86.5%	84.6%	83.3%	83.1%	82.3%	81.0%
OPEX	3,561	7,073	7,372	16,912	25,911	60,381	81,124	98,719	109,646	130,992
YoY		99%	4%	129%	53%	133%	34%	22%	11%	19%
Opex ratio	43.0%	77.8%	30.5%	27.4%	6.6%	9.0%	9.0%	8.9%	7.9%	7.8%
Operating profit	**-3,820**	**-7,248**	**-6,024**	**8,422**	**313,475**	**507,386**	**669,711**	**828,743**	**1,032,394**	**1,229,308**
YoY		na	na	na	3622%	62%	32%	24%	25%	19%
Operating margin	*-46%*	*-80%*	*-25%*	*14%*	*80%*	*76%*	*74%*	*74%*	*74%*	*73%*
Non-op	-5,350	-11,975	-3,025	-721	-5,034	-1,655	-766	-234	-5,535	-5,535
Pre-tax profit	**-9,170**	**-19,223**	**-9,049**	**7,701**	**308,441**	**505,731**	**668,944**	**828,509**	**1,026,859**	**1,223,773**
Tax	1	2	2	557	27,753	45,516	64,219	82,851	107,820	159,090
Tax rate	0%	0%	0%	7%	9%	9%	10%	10%	11%	13%
Minority	(843)	(2,885)	(1,906)	5,269	82,943	91,032	120,410	140,847	164,297	195,804
Net profit	**(8,328)**	**(16,340)**	**(7,145)**	**1,875**	**197,745**	**369,184**	**484,316**	**604,812**	**754,741**	**868,879**
EPS (Rmb, diluted)	**(0.2)**	**(0.3)**	**(0.1)**	**0.0**	**3.1**	**5.5**	**7.2**	**9.0**	**11.3**	**12.99**
YoY		*na*	*na*	*na*	*10447%*	*87%*	*31%*	*25%*	*25%*	*15%*
TP implied P/E						24	18	14	12	10

2030E target P/E	16.6
Target multiple x EPS	187
Discounted back to 2027; TP (Rmb)	**131.0**
Implied 2027 P/E	24

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

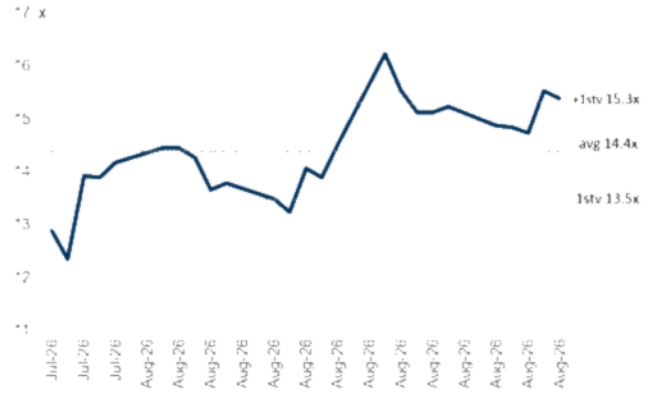
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: 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 5: CXMT's 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: CXMT P&L Summary

Rmb m	1Q26	2Q26	3Q26	4Q26E	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Income statement													
Revenues	50,800	99,510	118,714	123,404	8,287	9,087	24,178	61,799	392,428	670,901	901,382	1,115,467	1,387,920
GP	40,212	87,163	106,279	105,732	(259)	(175)	1,349	25,334	339,386	567,767	750,835	927,462	1,142,040
OP	37,175	81,789	100,749	93,762	(3,820)	(7,248)	(6,024)	8,422	313,475	507,386	669,711	828,743	1,032,394
Net income	24,762	52,843	54,435	65,705	(8,328)	(16,340)	(7,145)	1,875	197,745	369,184	484,316	604,812	754,741
EPS (Rmb)	0.41	0.88	0.81	0.98	(0.16)	(0.30)	(0.13)	0.03	3.09	5.52	7.24	9.04	11.28
Margins													
GM	79.2%	87.6%	89.5%	85.7%	-3.1%	-1.9%	5.6%	41.0%	86.5%	84.6%	83.3%	83.1%	82.3%
OPM	73.2%	82.2%	84.9%	76.0%	-46.1%	-79.8%	-24.9%	13.6%	79.9%	75.6%	74.3%	74.3%	74.4%
NM	48.7%	53.1%	45.9%	53.2%	-100.5%	-179.8%	-29.6%	3.0%	50.4%	55.0%	53.7%	54.2%	54.4%
Ratios													
Opex ratio	6.0%	5.4%	4.7%	9.7%	43.0%	77.8%	30.5%	27.4%	6.6%	9.0%	9.0%	8.9%	7.9%
Tax rate	6.8%	8.8%	8.8%	8.8%	0.0%	0.0%	0.0%	7.2%	9.0%	9.0%	9.6%	10.0%	10.5%
YoY													
Revenues	719%	977%	613%	315%	na	10%	166%	156%	535%	71%	34%	24%	24%
GP	4835%	7211%	1724%	504%	na	na	na	1778%	1240%	67%	32%	24%	23%
OP	na	na	na	602%	na	na	na	na	3622%	62%	32%	24%	25%
Net income	na	na	na	818%	na	na	na	na	10447%	87%	31%	25%	25%
QoQ													
Revenues		96%	19%	4%									
GP		117%	22%	-1%									
OP		120%	23%	-7%									
Net income		113%	3%	21%									

Source: Company data, Goldman Sachs Global Investment Research

Valuation: Our 12-month target price of Rmb131 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: **Rmb131.00** Price: **Rmb41.80** Upside: **213.4%**

Buy

Market cap: Rmb2.8tr / $420.0bn
Enterprise value: Rmb2.6tr / $393.1bn
3m ADTV: Rmb16.7bn / $2.5bn
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**	**392,428.3**	**670,900.6**	**901,381.9**
Revenue (Rmb mn) Old	61,799.3	387,474.3	669,242.1	898,715.9
EBITDA (Rmb mn)	34,777.7	344,684.3	540,778.2	732,561.9
EPS (Rmb) New	**0.03**	**3.09**	**5.52**	**7.24**
EPS (Rmb) Old	0.03	3.00	5.48	7.19
P/E (X)	NM	13.5	7.6	5.8
P/B (X)	NM	9.3	4.3	2.4
Dividend yield (%)	NM	0.0	0.0	0.0
CROCI (%)	18.9	96.6	118.2	122.8

	9/26	12/26E	3/27E	6/27E
EPS (Rmb)	0.81	0.98	1.08	1.27

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 30 Oct 2026 close.