ChangXin Memory Technologies (688825 CH)

China's Rising DRAM Champion Amid The Memory Supercycle

Highlights

- As China's largest DRAM maker, CXMT is well positioned to benefit from vast import substitution opportunities and a sustained peak DRAM cycle.
- We expect CXMT to achieve solid progress in HBM, with rapid capacity ramp-up and yield improvements boosting production in 2026-28. The extreme scarcity of HBM in China will help alleviate margin pressure from yield loss.
- Initiate coverage with BUY and a target price of Rmb59.40.

Analysis

- **Largest DRAM maker in China riding on DRAM supercycle.** CXMT is China's leading DRAM IDM and ranks fourth in the world by bit volume. We estimate CXMT's share of global DRAM bit shipments could grow from 8.5% in 2025 to 10.7% in 2028, driven by rapid capacity additions and improving yields. The strong underlying demand for DRAM is primarily underpinned by a broad surge in AI-related demand, as well as import substitution in the face of the US' tightening export restrictions on HBM. Apart from its strong position among domestic consumer electronics players, the company has secured orders from Chinese cloud service providers (CSP) for server-grade DDR5, and has broken into the supply chains of overseas brands including Apple, HP and Asus, thanks to their supply-source diversification incentives.
- **DRAM shortage likely to last through 2028…** Our global DRAM supply-demand forecast shows a sustained shortage in 2026-28, with the shortfall widening from a low single-digit percentage of supply in 2026 to a low-teens percentage in 2027-28. AI infrastructure is the primary driver, as demand from servers and GPUs lifts AI infrastructure's share of bit consumption to 60.0% in 2028, up 11.3ppt from that in 2025. On the other hand, while we expect AI adoption at the edge to lift DRAM consumption in PCs and smartphones, we remain cautious on their shipment numbers and are conservative on their content gains, as we expect most DRAM resources to go to higher-productivity products such as AI servers and GPUs. As a result, the share of DRAM bits consumed by PCs and smartphones could fall to 4.5%/30.3% in 2028 respectively, down 4.8ppt/5.7ppt from 2025.

*Click here for **Full Report** dated 13 Nov 26*

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	24,178	61,799	390,048	675,094	934,674
EBITDA	10,383	35,859	359,699	609,119	835,912
Operating profit	(5,841)	8,773	325,815	561,022	760,206
Net profit (rep./act.)	(7,145)	1,875	169,659	360,496	506,644
Net profit (adj.)	(7,145)	1,875	169,659	360,496	506,644
EPS (fen)	(12)	3	250	531	746
PE (x)	n.a.	1,283.6	16.0	7.5	5.4
P/B (x)	55.8	42.4	9.4	4.3	2.4
EV/EBITDA (x)	266.8	77.8	6.9	3.5	2.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(29.6)	3.0	43.5	53.4	54.2
Net debt/(cash) to equity (%)	54.3	50.3	(44.1)	(57.9)	(61.3)
Interest cover (x)	n.a.	2.9	71.8	126.9	181.5
ROE (%)	(8.4)	1.5	51.2	48.9	40.1
Consensus net profit	-	-	189,562	317,154	394,147
UOBKH/Consensus (x)	-	-	0.90	1.14	1.28

Source: CXMT, Bloomberg, UOB Kay Hian

Analyst(s)

Johnny Yum
johnny.yum@uobkh.com
+852 2235 6760

Murphy Li
murphy.li@uobkh.com
+852 2826 4867

BUY

Share Price	Rmb39.98
Target Price	Rmb59.40
Upside	48.5%
Previous TP	n.a.

Stock Data

Sector	Semiconductors
Bloomberg ticker	688825 CH
Shares issued (m)	67,884
Market cap ({{Curr}}m)	2,714,006
Market cap (US$m)	404,159
3-mth avg daily t'over (US$m)	2,130

Price Performance (%)

52-week high/low				Rmb61.80 / Rmb38.11
1mth	3mth	6mth	1yr	Since IPO
(14.9)	(24.4)	n.a.	n.a.	361.7

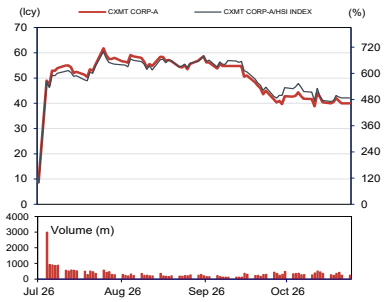
Major Shareholders (%)

Qinghui Jidian	19.21
Changxin Jicheng	10.38
National IC Fund II	7.74

Balance Sheet Metrics

2026 NAV/Share (Rmb)	7.43
2026 Net Debt/Share (Rmb)	(3.30)

Price Chart



Source: Bloomberg

Company Description

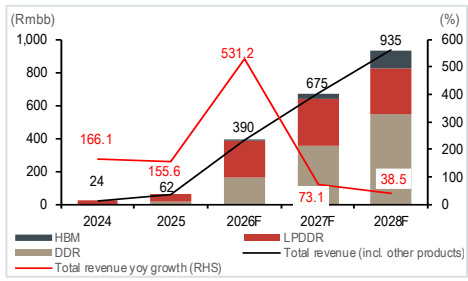
ChangXin Memory Technologies is China's largest DRAM manufacturer and the world's fourth largest by revenue. It designs and fabricates DDR4/DDR5, LPDDR4x/5/5x and LPDDR6 DRAM and memory modules at wafer fabs in Hefei and Beijing.

- **…and DRAM prices to remain elevated on product mix improvements.** The supply shortfall through 2028 leaves limited room for price moderation. While some commodity DRAM products may face a price ceiling, we anticipate ongoing opportunities for price hikes in AI-server DRAM products, which include HBM, DDR5 RDIMMs/MRDIMMs, and SOCAMM. Server-related products should also continue to take a larger share of bits, giving DRAM makers more room to optimise their product mix. As such, we foresee sustained growth, with CXMT's blended ASP per Gb rising 336.2%/52.8%/4.3% yoy in 2026-28.
- **HBM adds second leg of growth from 2027-28.** We understand that CXMT began HBM3E risk production in Sep 26, with mass production planned for late-27. We expect CXMT to ramp up wafer allocation to HBM to 3.5%/12.5%/19.3% of total wafer starts in 2026-28, and production yield is also expected to improve by 10-20ppt from the early ramp-up phase now to about 30-40% by 2028. On top of that, we estimate that China will face an 87.5%/46.2%/28.8% HBM supply shortfall in 2026-28 if we only account for domestic production, and the severe supply shortage is likely to support more aggressive price hikes heading into 2027. Capacity expansion and yield improvements could drive HBM revenue expansion of 49.1x/3.6x yoy in 2027-28 to Rmb30.7b/Rmb109.3b respectively, with its contribution to total revenue surging to 4.5%/11.7%.
- **Flexible capacity expansion a significant edge.** CXMT is known to build greenfield fabs in 1-2 years, much faster than overseas competitors who need 4-6 years, mainly thanks to favourable government policies that expedite construction and resource-allocation priority that supports a round-the-clock build schedule. This flexibility lets CXMT capitalise on the supply shortage faster than its peers. We expect group capacity to grow at a three-year CAGR of 26.7% in 2026-28, adding 290,000 wafer starts per month (wpm) of 12-inch wafer capacity to reach 570,000 wpm in 2028. This will allow CXMT to outpace its rival majors, namely Samsung Electronics, SK Hynix and Micron Technology, as it is backed by a healthy operating cash flow and government-associated funds.
- **We expect CXMT to register robust earnings growth.** We forecast revenue of Rmb390b/Rmb675b/Rmb935b in 2026-28 respectively, up 531.2%/73.1%/38.5% yoy. Gross margin is expected to stay above 80% during the period at 87.7%/87.2%/85.3% respectively, with the 2027 decline driven by lower-yield, lower-margin HBM (38-61% gross margin in 2027-28) taking a larger share of the total mix. Profit after tax is expected to grow at a robust three-year CAGR of 357.2% in 2026-28 to Rmb683b in 2028. However, profit attributable to shareholders will be impacted by sizeable minority interests – 41.0%/28.2%/25.9% of PAT in 2026. That said, we expect CXMT to buy back its stakes in its subsidiaries. Thus, net profit attributable to shareholders could rise 112.2%/40.6% yoy in 2027-28 to Rmb360b/Rmb506b respectively, against 74.5%/36.1% for profit after tax.

Valuation/Recommendation

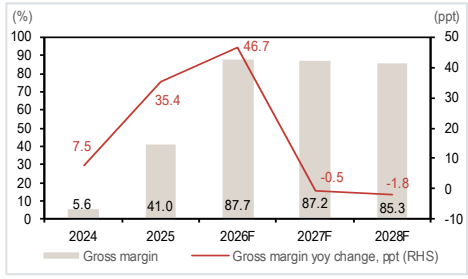
- **Initiate coverage with BUY; target price: Rmb59.40.** Our target price is based on 11.2x 2027 PE based on EPS of Rmb5.31. Our PE multiple is on a par with global DRAM IDMs' average upcycle valuations.
- **Risks.** A sharper mid-cycle drop-off in AI compute demand leading to sharp deterioration in DRAM prices, further tightening of export controls limiting CXMT's access to critical inspection and backend tools, and execution of HBM production ramp-up and yield improvements.
- **Introduced on 2 Apr 26**, the MATCH Act names CXMT as a covered facility and would block / license-restrict DUV immersion lithography sales and servicing from the US and allies. If it comes to law, it would severely limit CXMT's capacity expansion as no domestic substitute yet exists at the volume, yield, and throughput CXMT needs, even though low-volume domestic immersion DUV tools are now starting to ship.

Revenue Growth Breakdown



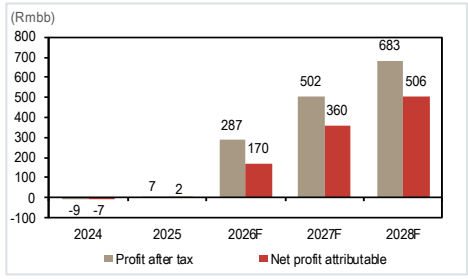
Source: CXMT, UOB Kay Hian

Gross Margin



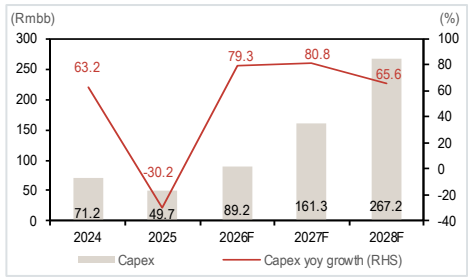
Source: CXMT, UOB Kay Hian

Profit After Tax And Net Profit Attributable



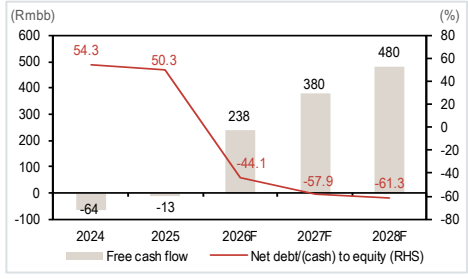
Source: CXMT, UOB Kay Hian

Capex



Source: CXMT, UOB Kay Hian

Free Cash Flow And Net Gearing



Source: CXMT, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Revenue, net	61,799	390,048	675,094	934,674
Operating expenses	(53,027)	(64,233)	(114,072)	(174,469)
EBIT	8,773	325,815	561,022	760,206
Net interest income/(expense)	(2,954)	(3,913)	(171)	3,987
Other income/(expense)	1,882	(2,498)	(3,375)	(5,608)
Pre-tax profit	7,701	319,404	557,475	758,584
Tax	(557)	(31,940)	(55,748)	(75,858)
Minorities	(5,269)	(117,804)	(141,232)	(176,082)
Net profit (rep./act.)	1,875	169,659	360,496	506,644
Net profit (adj.)	1,875	169,659	360,496	506,644

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	214,814	269,906	383,279	575,305
Other LT assets	10,985	11,209	11,031	10,451
Cash/ST investment	72,629	374,766	701,915	1,095,097
Other current assets	38,357	50,763	84,252	124,519
Total assets	336,785	706,645	1,180,476	1,805,371
ST debt	27,644	34,948	34,250	33,622
Other current liabilities	25,199	39,945	64,462	97,478
LT debt	119,801	112,821	106,538	100,885
Other LT liabilities	10,042	10,042	10,042	10,042
Shareholders' equity	56,754	289,557	634,882	1,113,288
Minority interest	97,346	219,332	330,302	450,057
Total liabilities & equity	336,785	706,645	1,180,476	1,805,371

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	36,520	327,602	541,023	747,194
Pre-tax profit	7,701	319,404	557,475	758,584
Tax	3,957	(31,940)	(55,748)	(75,858)
Deprec. & amort.	27,086	33,884	48,096	75,706
Working capital changes	(7,579)	2,341	(8,972)	(7,251)
Non-cash items/others	5,354	3,913	171	(3,987)
Investing	(86,823)	(88,577)	(157,041)	(258,976)
Capex (growth)	(49,739)	(89,201)	(161,291)	(267,152)
Others	(37,084)	624	4,250	8,175
Financing	46,121	63,113	(56,834)	(95,036)
Dividend payments	-	-	-	-
Issue of shares	31,795	66,317	-	-
Proceeds from borrowings	75,507	10,000	10,000	10,000
Loan repayment	(60,230)	(9,676)	(16,980)	(16,282)
Others/interest paid	(951)	(3,528)	(49,854)	(88,754)
Net cash inflow (outflow)	(4,182)	302,138	327,149	393,182
Beginning cash & equivalent	42,508	37,798	339,935	667,084
Changes due to forex impact	(528)	-	-	-
Ending cash & equivalent	37,798	339,935	667,084	1,060,266

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	41.0	87.7	87.2	85.3
EBITDA margin	58.0	92.2	90.2	89.4
Pre-tax margin	12.5	81.9	82.6	81.2
Net margin	3.0	43.5	53.4	54.2
ROA	0.6	32.5	38.2	33.9
ROE	1.5	51.2	48.9	40.1
Growth				
Turnover	155.6	531.2	73.1	38.5
EBITDA	245.4	903.1	69.3	37.2
Pre-tax profit	178.9	3,923.7	74.5	36.1
Net profit	n.m.	8,949.2	112.5	40.5
EPS	n.m.	7,923.9	112.5	40.5
Leverage				
Debt to total capital	45.7	20.3	11.3	6.9
Debt to equity	84.0	25.5	12.7	7.5
Net debt/(cash) to equity	50.3	(44.1)	(57.9)	(61.3)
Interest cover (x)	2.9	71.8	126.9	181.5

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