NAURA Technology Group (002371 CH)

Broadening Equipment Coverage Amid Memory-driven Growth

Highlights

- Strong memory demand and NAURA's established presence at CXMT and YMTC should support a stronger 2027 as robust 2026 orders convert into revenue.
- Localisation remains a multi-year structural growth driver, with advanced logic offering the longest runway given its relatively low 20-30% domestic-equipment penetration.
- Broader FEOL and advanced-packaging portfolios should expand NAURA's addressable market beyond its current coverage of about 65% of fab capex.
- Maintain BUY with a target price of Rmb930.00.

Analysis

- **2027 financial performance should be more fruitful than 2026's.** NAURA Technology Group's (NAURA) orders grew 40-50% yoy in 1H26, and management remains optimistic on full-year orders, with memory orders potentially more than doubling and advanced-logic orders growing approximately 30-40% in 2026. Given a one-year order-to-revenue conversion cycle, much of the orders should be recognised as revenue in 2027. Management expects memory order growth to continue outpacing advanced logic in 2027, positioning NAURA to benefit from its established presence at domestic memory manufacturers CXMT and YMTC, where it accounts for more than 50% and approximately one-third of domestically sourced equipment purchases, respectively.
- **Localisation provides a multi-year structural growth driver, with advanced logic offering the longest runway.** Management expects more than 50% of semiconductor equipment used in China to be domestically supplied by 2030, vs an estimated industry-wide localisation rate of about 30% currently. Localisation remains lowest in advanced logic at 20-30%, compared with 30-40% for mature nodes and about 50% for memory, partly because domestic advanced-logic processes and yields remain immature. Fabs therefore continue to prioritise imported equipment where available and generally adopt domestic alternatives only when imports are restricted. However, wider adoption could be supported by improvements in domestic equipment, with management claiming that NAURA's same-generation tools at DUV-accessible nodes offer comparable performance and uptime at a lower cost.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	30,075	39,353	52,430	67,945	86,669
EBITDA	6,866	6,607	9,887	14,206	17,525
Operating profit	5,770	5,040	8,068	11,740	16,375
Net profit	5,622	5,522	8,379	11,416	15,655
Net profit (adj.)	5,571	5,336	8,079	11,116	15,355
EPS (fen)	1,057	762	1,156	1,575	2,160
P/E (x)	63.2	87.7	57.8	42.4	30.9
P/BV (x)	11.4	12.8	10.6	8.6	6.9
EV/EBITDA (x)	70.8	73.6	49.2	34.2	27.7
Dividend yield (%)	0.2	0.1	0.2	0.2	0.3
Net margin (%)	18.7	14.0	16.0	16.8	18.1
Net debt to equity (%)	(19.8)	0.1	12.5	4.6	4.2
Interest cover (x)	(109.5)	(28.9)	(24.3)	(40.2)	(51.1)
ROE (%)	20.3	16.1	20.1	22.5	24.7
Consensus net profit	-	-	7,546	11,362	15,597
UOBKH/Consensus (x)	-	-	1.11	1.00	1.00

Source: NAURA, 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 (Maintained)

Share Price	Rmb668.15
Target Price	Rmb930.00
Upside	39.2%

Stock Data

Sector	Semiconductor Mfg Equipment
Bloomberg ticker	002371 CH Equity
Shares issued (m)	726
Market cap (Rmbm)	484,869
Market cap (US$m)	71,867
3-mth avg daily t'over (US$m)	1,175.7

Price Performance (%)

52-week high/low: Rmb968.00/Rmb386.62

1mth	3mth	6mth	1yr	YTD
(5.6)	(10.6)	50.4	59.5	40.8

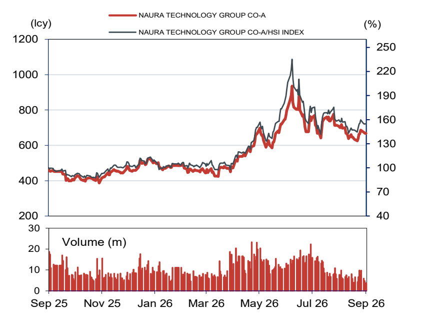
Major Shareholders (%)

Beijing Sevenstar Huachuang Electronic	33.2
Beijing Electronics Holding	7.3

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	42.03
FY26 Net Debt/Share (Rmb)	(7.84)

Price Chart



Source: Bloomberg

Company Description

NAURA Technology Group is an integrated micro-electronics company. The company designs, produces and sells integrated circuit equipment, solar battery system equipment, mass flow controllers, thin film transistors, lithium battery manufacturing system and other products.

- **Memory localisation is approaching its current ceiling.** Lithography and metrology/inspection account for approximately 20% and 10% of memory WFE spending, respectively, and remain heavily reliant on overseas suppliers, while domestic adoption of track systems and ion-implantation tools remains limited. Meaningful progress beyond the current ~50% localisation rate will therefore depend on greater domestic adoption in these equipment categories and, over the longer term, technological breakthroughs in lithography and metrology/inspection.
- **Portfolio expansion should broaden NAURA's addressable market.** Its current product categories cover approximately 65% of fab capex, and management aims to expand its portfolio across front-end-of-line (FEOL) and advanced packaging, except lithography and chemical mechanical planarisation (CMP). Within FEOL, NAURA plans to add more chemical vapour deposition and ion-implantation tools, including high-energy implanters, while upgrading existing product lines for more advanced processes. In advanced packaging, the company aims to offer an integrated equipment line spanning through-silicon via (TSV) etch, atomic layer deposition (ALD) metal-barrier deposition, physical vapour deposition (PVD) copper seed deposition, electroplating, cleaning and hybrid bonding. Hybrid bonding remains at an early stage, with one die-to-wafer tool under customer validation and wafer-to-wafer validation expected to begin in 2027.
- **Component bottlenecks should ease by 2027.** Current constraints are concentrated in historically imported components such as valves, pumps, mass flow controllers and vacuum gauges. NAURA is qualifying domestic substitutes and expects the bottlenecks to be resolved during 2026, with component availability no longer constraining operations in 2027.
- **R&D expenses should accelerate in 2H26.** Personnel costs remain the core component of R&D spending. Note that 60-70% of new hires are campus recruits who are generally onboarded in 2H. As such, management's plans to add 4,000-5,000 employees in 2026 should drive R&D expenses higher in 2H26.

Valuation/Recommendation

- **Maintain BUY with a target price of Rmb930.00,** based on 59.0x 2027F PE, pegged to 1.5SD above the five-year historical forward mean.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	39,353	52,430	67,945	86,669
EBITDA	6,607	9,887	14,206	17,525
Depreciation & amortization	(1,567)	(1,819)	(2,466)	(1,151)
EBIT	5,040	8,068	11,740	16,375
Total other non-operating income	1,034	1,200	900	900
Associate contributions	-	-	-	-
Net interest income/(expense)	(229)	(408)	(354)	(343)
Pre-tax profit	5,845	8,860	12,286	16,931
Tax	(436)	(709)	(983)	(1,355)
Minorities	113	228	113	78
Net profit	5,522	8,379	11,416	15,655
Net profit (recurrent)	5,522	8,379	11,416	15,655

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	7,568	8,123	8,625	9,173
Other LT assets	22,911	26,456	30,341	31,649
Cash/ST investment	17,183	11,921	11,347	11,367
Other current assets	42,138	56,339	67,002	87,157
Total assets	89,801	102,839	117,315	139,346
ST debt	319	719	1,119	1,519
Other current liabilities	25,861	30,900	34,511	41,707
LT debt	12,973	12,973	12,973	12,973
Other LT liabilities	6,720	6,720	6,720	6,720
Shareholders' equity	37,726	45,553	56,131	70,644
Minority interest	6,202	5,973	5,860	5,783
Total liabilities & equity	89,801	102,839	117,315	139,346

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,133	(1,591)	3,082	4,112
Pre-tax profit	5,845	8,860	12,286	16,931
Tax	(1,299)	(709)	(983)	(1,355)
Depreciation/amortization	1,567	1,819	2,466	1,151
Associates	-	-	-	-
Working capital changes	(6,766)	(9,161)	(7,053)	(8,139)
Non-cash items	2,786	(2,400)	(3,635)	(4,477)
Other operating cashflows	-	-	-	-
Investing	(3,929)	(3,111)	(2,864)	(3,007)
Capex (growth)	(2,262)	(3,111)	(2,864)	(3,007)
Investments	(775)	-	-	-
Proceeds from sale of assets	841	-	-	-
Others	(1,733)	-	-	-
Financing	6,607	(560)	(792)	(1,085)
Dividend payments	(908)	(960)	(1,192)	(1,485)
Issue of shares	-	-	-	-
Proceeds from borrowings	9,503	1,000	1,000	1,000
Loan repayment	(2,347)	(600)	(600)	(600)
Others/interest paid	360	-	-	-
Net cash inflow (outflow)	4,812	(5,262)	(574)	20
Beginning cash & cash equivalent	12,385	17,183	11,921	11,347
Changes due to forex impact	(14)	-	-	-
Ending cash & cash equivalent	17,183	11,921	11,347	11,367

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	40.1	41.0	41.8	42.0
Pre-tax margin	14.9	16.9	18.1	19.5
Net margin	14.0	16.0	16.8	18.1
ROA	7.1	8.7	10.4	12.2
ROE	16.1	20.1	22.5	24.7
Growth				
Turnover	30.9	33.2	29.6	27.6
Gross profit	22.2	36.3	32.1	28.1
Pre-tax profit	(10.5)	51.6	38.7	37.8
Net profit	(1.8)	51.7	36.2	37.1
Net profit (adj.)	(4.2)	51.4	37.6	38.1
EPS	(27.9)	51.7	36.2	37.1
Leverage				
Debt to total capital	16.3	4.9	4.6	4.2
Debt to equity	38.9	11.0	9.6	8.2
Net debt/(cash) to equity	0.1	12.5	4.6	4.2
Interest cover (x)	(28.9)	(24.3)	(40.2)	(51.1)