

# Semiconductors

## Semiconductor Equipment – Steady growth outlook amid China's dual forces

Global semiconductor equipment billings grew 10% in 2024 to US\$117bn (SEMI), closely tracking the global semi 20% sales expansion, according to WSTS. While SEMI's July 2025 forecast calls for a 7% increase in semiconductor equipment billings to US\$126bn this year, we view this projection as conservative. The forecast implies an atypically soft 4Q25, with a 20% YoY decline, which contrasts with strong YTD performance, including a robust September (up 35% YoY and 80% QoQ). Historically, Q4 has not been a seasonally weak period (e.g., +1%/+20% YoY in 4Q23/4Q24). Given the discrepancy between recent momentum and the implied Q4 weakness, we expect SEMI's December update to revise 2025 forecast upward, reflecting a more reasonable quarterly progression.

The competitive landscape remains concentrated, with the top five global players holding over 80% of the market, a dominance we expect to endure. However, amid ongoing geopolitical realignments and a sustained push for supply chain localization, Chinese domestic vendors are poised to gradually gain share. Within this shifting landscape, we are constructive on Naura (002371 CH, BUY), China's leading semiconductor equipment platform, which stands as a primary beneficiary of deepening in-country procurement and platform-based share gains.

- **China: The dominant and evolving market.** China solidified its position as the top regional market, with its share of global billings rebounding to 44% in 3Q25. Underlying this strength is a clear shift toward higher-value tools: while import volumes have remained range-bound (~3.7k-6.1k units monthly), the average import price shows a structural uptrend. This is underscored by a surge in September import value (+35% YoY, +80% MoM), confirming resilient regional demand.
- **Competitive landscape: global giants vs. rising local players.** The market remains highly concentrated, with the top five global suppliers holding >80% share, a structure we expect to persist. China is a critical revenue stream for these leaders; their China (ex-Taiwan) revenue surged over 200% YoY to US\$31bn in 2023 and grew another 27% to ~US\$39bn in 2024 (Bloomberg consensus). While a normalization is underway, with Bloomberg consensus expecting a 13% decline to ~US\$34bn in 2025, China's revenue contribution is stabilizing at a structurally higher level (~30% of global sales) than the pre-2023 period.
- **Concurrently, Chinese domestic vendors are gaining share, supported by a powerful localization push.** The self-sufficiency rate reached 13.6% in 2024 (TrendForce), with notable progress in etching and cleaning equipment. However, the long-term rerating potential lies in advanced-node segments, where self-sufficiency remains low; any credible breakthrough here would drive a fundamental earnings and valuation step-change for domestic players, in our view.
- **We remain constructive on Naura (002371 CH, BUY), China's leading semiconductor equipment platform.** Its portfolio spans critical processes including etching, PVD/CVD, ALD, and cleaning, enabling deeper wallet share and a scalable addressable market. We view Naura as the best-positioned beneficiary of China's supply-chain localization. Our target price of RMB460 is based on 35x 2026E P/E, in line with its historical average. Key risks include weaker-than-expected domestic capex, geopolitical friction, and supply-chain disruptions.

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(Maintain)

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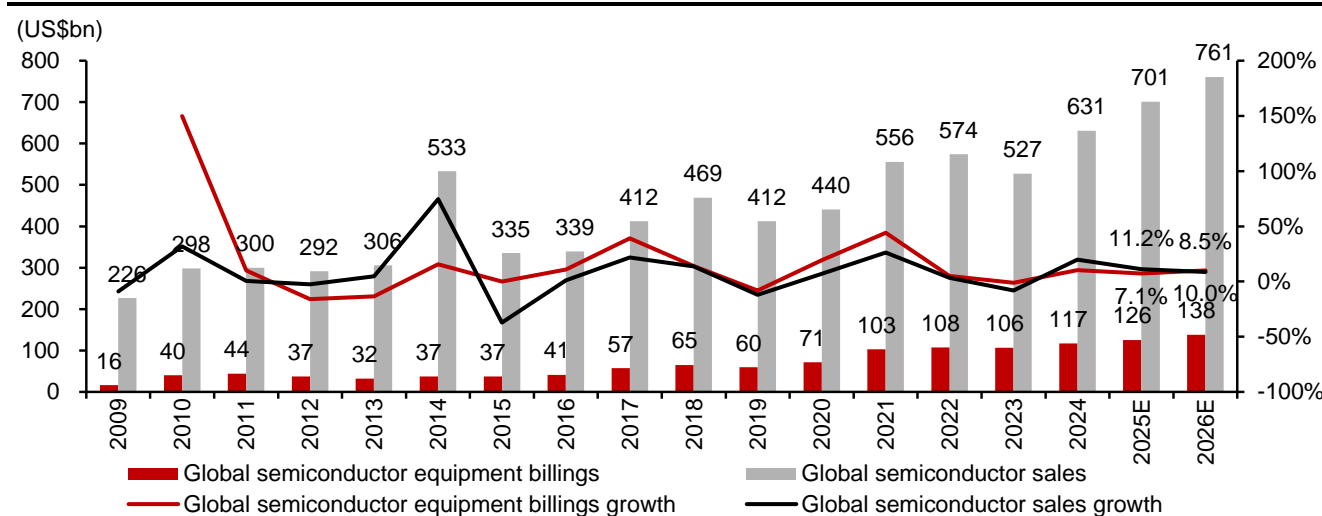
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## Global semiconductor equipment spending to sustain growth momentum

**Global semiconductor equipment billings projected to rise 11% to US\$126bn, with potential upside to forecasts**

In 2024, global semiconductor equipment billings grew 10% YoY to US\$117bn (SEMI), while semiconductor sales rose 20% YoY to US\$627bn (WSTS). Historically, equipment billings track semiconductor sales closely but with lower volatility. The relatively moderate growth in equipment billings last year—compared to a sharper 2023 decline in overall sales (-1% for equipment billings vs. -8% for global semi sales)—was due primarily to order pull-forward into 2023, as geopolitical factors and planned capacity expansion supported earlier investment.

**Figure 1: Global semi equipment billings and semi sales trends**

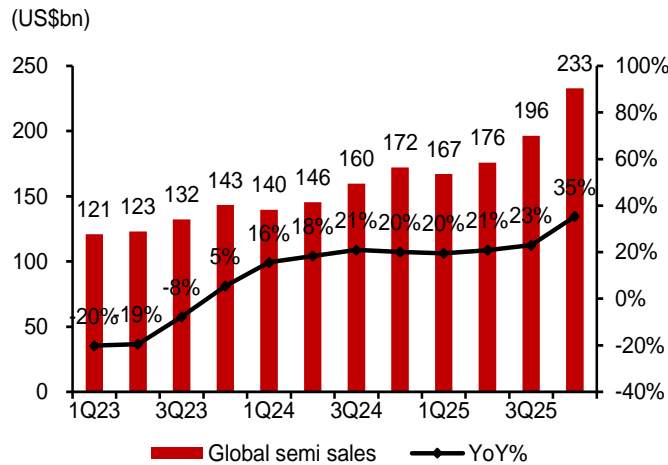


Source: WSTS, SEMI, CMBIGM

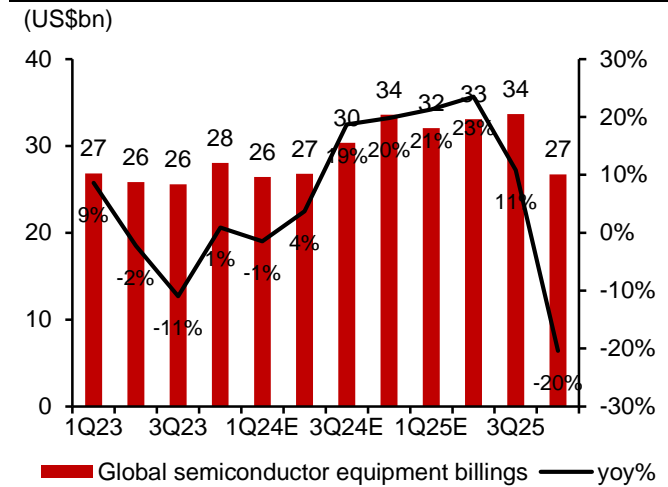
While SEMI's July 2025 forecast called for a 7% increase in semiconductor equipment billings to US\$126bn this year, we view this projection as conservative. The forecast implies an atypically soft 4Q25, with a 20% YoY decline, which contrasts with strong YTD performance, including a robust September (up 35% YoY and 80% QoQ).

Historically, Q4 has not been a seasonally weak period (e.g., +1%/+20% YoY in 4Q23/4Q24). Given the discrepancy between recent momentum and the implied Q4 weakness, **we expect SEMI's December update to revise 2025 forecast upward, reflecting a more reasonable quarterly progression.**

We also observed similar trend in WSTS' 2025 global semi sales forecast in June and December, with the latest projection reflecting a 10.2% upward revision comparing to six months ago.

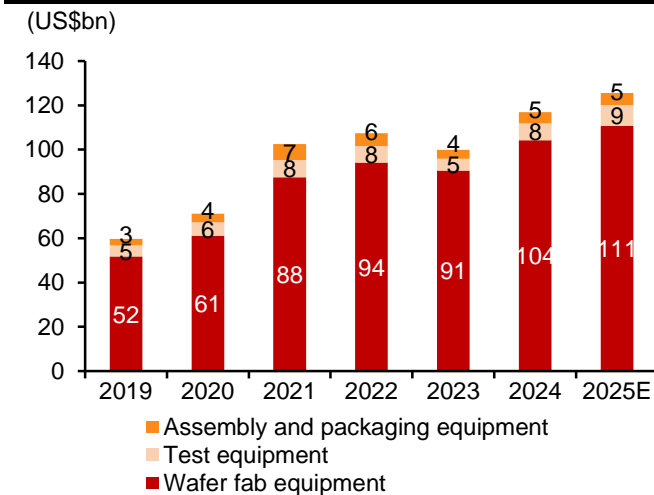
**Figure 2: Semiconductor sales forecast (full-year 2025: +22.5% YoY)**


Source: WSTS, CMBIGM

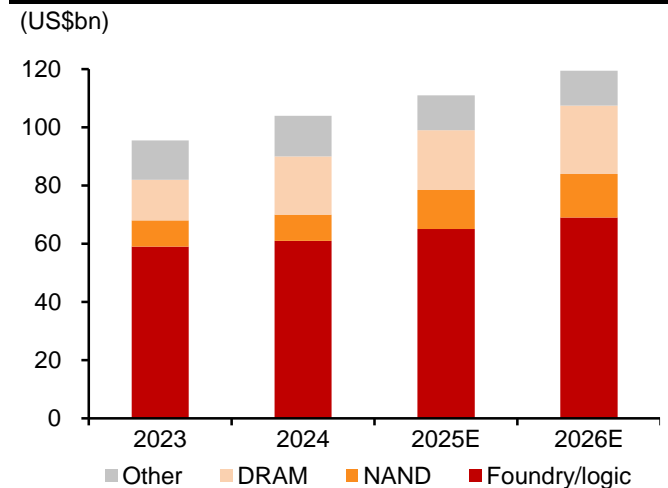
**Figure 3: Semi equipment billings forecast (full-year 2025: +7% YoY)**


Source: SEMI, CMBIGM

**SEMI expects total equipment spending to continue rising through 2025, still led by wafer-fab equipment (WFE).** While test and assembly & packaging equipment represent smaller segments, they are expanding at a faster pace, raising back-end intensity amid the AI cycle. Between 2023 and 2026E, **foundry/logic** remains the core driver and is set to grow steadily, while **DRAM** and **NAND** are both recovering and gaining share, reflecting a clear **memory up-cycle**.

**Figure 4: WFE/test equipment/assembly & packaging equipment to grow 6.2%/23.3%/7.7% in 2025E**


Source: SEMI, CMBIGM

**Figure 5: Global 2023-2026E WFE revenue breakdown by semiconductor category**


Source: SEMI, CMBIGM

## China expected to remain the largest regional spender on semiconductor equipment

**Geographically, the Chinese mainland remained the largest regional spender**, having reached a record 50% share of global equipment billings in 1Q24. Its share then moderated to the mid 30% range by 4Q24, affected by export controls. The share rebounded to 44% in 3Q25, reflecting the demand for semiconductor equipment continues to be strong.

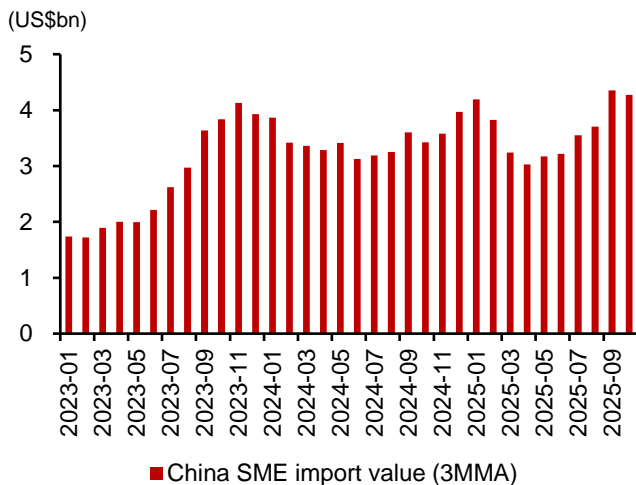
Figure 6: Quarterly global semiconductor equipment billings by region

(US\$bn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
<b>Mainland &amp; Taiwan of China</b>	<b>13</b>	<b>13</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>18</b>	<b>18</b>	<b>17</b>	<b>20</b>	<b>23</b>
YoY%	3%	0%	-2%	7%	16%	22%	19%	17%	16%	26%	27%
<b>China Mainland</b>	<b>6</b>	<b>8</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>10</b>	<b>11</b>	<b>15</b>
YoY%	-23%	15%	42%	91%	114%	62%	17%	-1%	-21%	-5%	12%
% of global	22%	31%	42%	43%	50%	44%	43%	35%	32%	34%	44%
<b>South Korea</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>5</b>
YoY%	9%	-2%	-19%	-17%	-7%	-20%	17%	24%	54%	18%	1%
<b>North America</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>2</b>
YoY%	50%	12%	-4%	3%	-52%	-19%	77%	66%	47%	38%	-47%
<b>Japan</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>
YoY%	0%	-7%	-29%	19%	-4%	5%	-4%	-11%	9%	34%	-9%
<b>Europe</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
YoY%	19%	-13%	2%	12%	24%	-42%	-38%	-52%	-57%	-13%	-48%
<b>Rest of the world</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
YoY%	-18%	-34%	-57%	-34%	-28%	45%	13%	22%	3%	-28%	-28%
<b>Total SME billings</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>28</b>	<b>26</b>	<b>27</b>	<b>30</b>	<b>34</b>	<b>32</b>	<b>33</b>	<b>33</b>
YoY%	9%	-2%	-11%	1%	-1%	4%	19%	20%	23%	22%	10%

Source: SEMI, CMBIGM

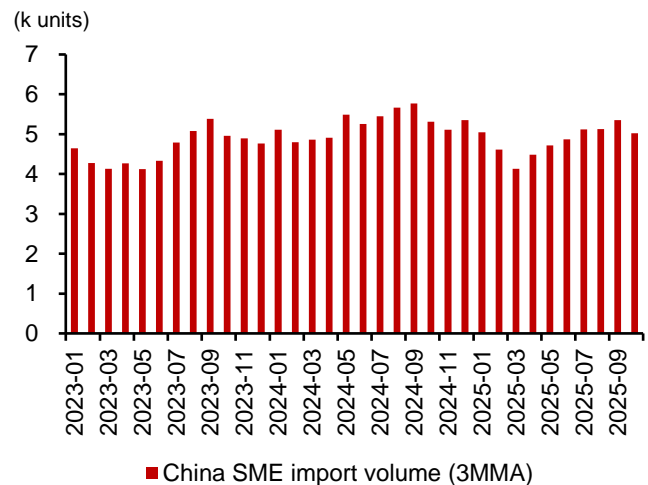
Per SEMI, the Chinese mainland is expected to continue leading equipment spending. China's semiconductor equipment import value surged in September, rising 35% YoY and 80% MoM. To smooth volatility, the three-month moving average (3MMA) continues to indicate resilient import demand from the region.

Figure 7: China semiconductor equipment imports demand remains strong



Source: Wind, CMBIGM

Figure 8: Monthly import volume of semiconductor manufacturing equipment remained range-bound



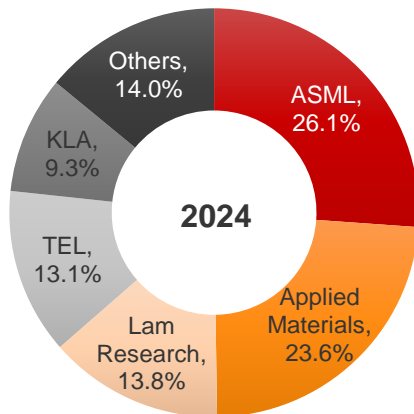
Source: SEMI, CMBIGM

Over the longer period from early 2023 through October 2025, the monthly import volume of semiconductor manufacturing equipment has remained range-bound, fluctuating between approximately 3.7k and 6.1k units. In contrast, the average import price has exhibited a structural uptrend. **This divergence suggests that China's import mix is increasingly skewed toward more advanced, higher-value tools in recent years, reflecting both evolving domestic fab needs and broader supply-chain sourcing patterns.**

## Competitive landscape

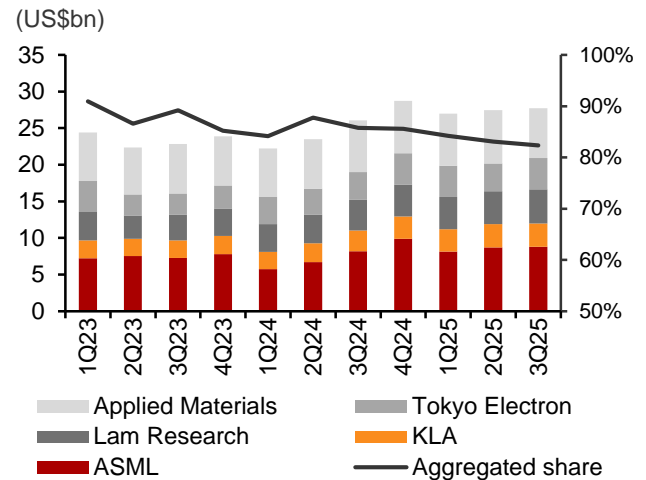
The competitive landscape remains highly concentrated, with the top five equipment suppliers holding over 80% of the market. In 2024, ASML led with a 26% share, followed by Applied Materials (24%) and Lam Research (14%). We expect market concentration to persist, with global leaders maintaining dominant positions. That said, Chinese domestic vendors are likely to gradually gain share, supported by the ongoing push for semiconductor supply-chain localization.

**Figure 9: The top five SME players accounted for 86% market share in 2024**



Source: Company data, Bloomberg, SEMI, CMBIGM

**Figure 10: The competitive landscape of SME was relatively stable with top 5's share above 80%**



Source: Company info, Bloomberg, SEMI, CMBIGM estimates

## Global equipment leaders in China: still a critical market

Overseas equipment suppliers experienced an exceptional surge in China demand during 2023, with the top five players' revenue from China (excluding Taiwan) jumping over 200% YoY to US\$31bn. This was followed by **another strong year in 2024**, with revenue rising 27% YoY to US\$39bn, albeit off a much higher base. **For 2025, Bloomberg consensus currently anticipates a 13% decline**, which would bring China (ex-Taiwan) revenue for these players down to roughly US\$34bn.

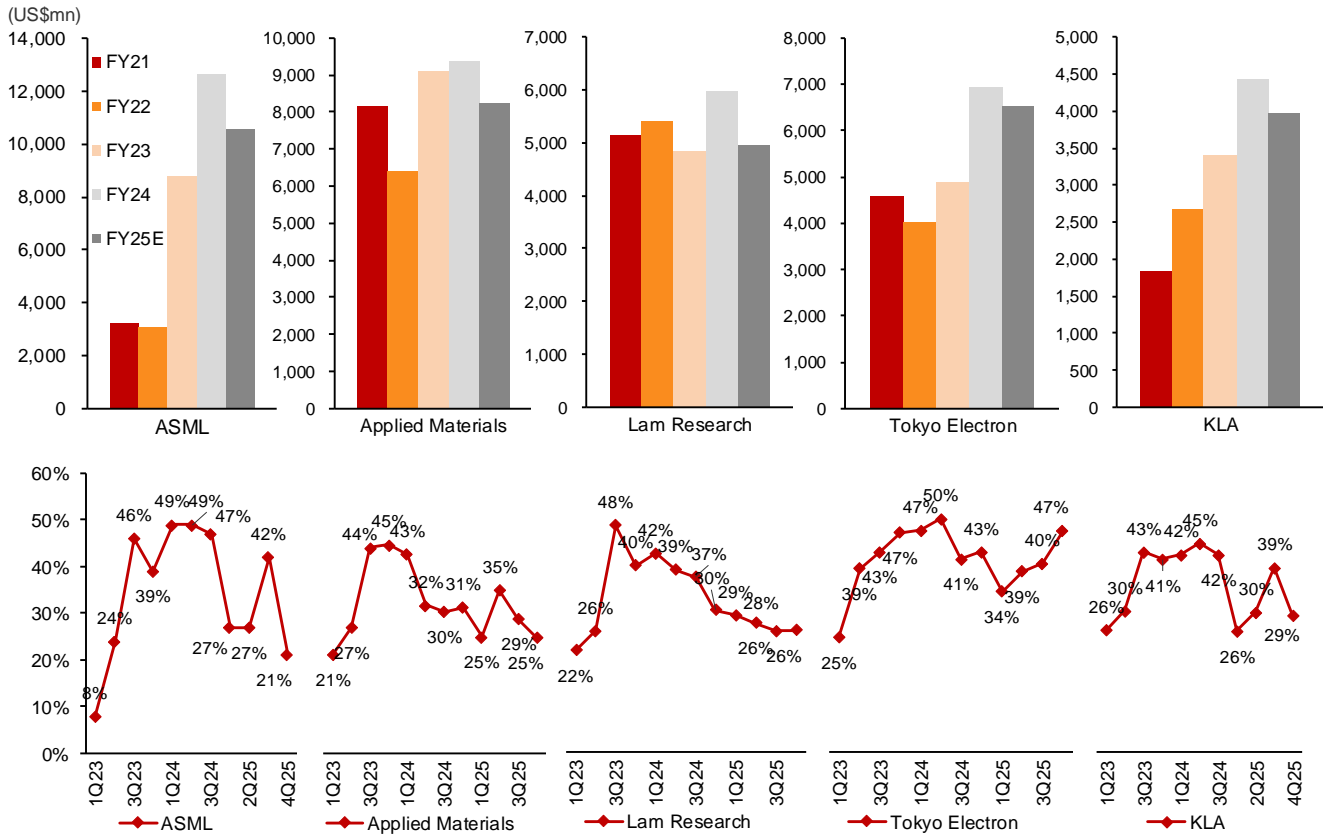
**Figure 11: Global SME leaders' Chinese Mainland revenue: Peaked in 2024 in value but share expected to fall in 2025E**

(US\$mn)	FY21	FY22	FY23	FY24	FY25E
ASML	3,242	3,071	8,761	12,629	10,564
...% total revenue	15%	14%	29%	41%	28.9%
KLA	1,831	2,660	3,400	4,434	3,960
...% total revenue	26%	29%	35%	41%	31%
Lam Research	5,138	5,412	4,849	5,974	4,949
...% total revenue	35%	31%	34%	37%	27%
Tokyo Electron	4,572	3,999	4,893	6,928	6,528
...% total revenue	27%	24%	37%	45%	40%
Applied Materials	8,139	6,412	9,099	9,363	8,231
...% total revenue	34%	24%	34%	34%	28%
<b>Top 5's revenue from China</b>	<b>22,922</b>	<b>21,554</b>	<b>31,002</b>	<b>39,328</b>	<b>34,232</b>
...YoY%		-6%	202%	27%	-13%
<b>...% total revenue of the top 5</b>	<b>22.3%</b>	<b>20.0%</b>	<b>29.2%</b>	<b>33.6%</b>	<b>27.3%</b>

Source: Company data, Bloomberg consensus, CMBIGM

As a percentage of their global sales, the Chinese mainland's contribution peaked at 33.6% in 2024 and is expected to normalize to 27.3% in 2025E (Bloomberg consensus), still above the 20%+ range seen in 2021-22. **Despite the decline, China remains a core market for global SME leaders.**

**Figure 12: Global SME leaders' Chinese Mainland revenue and Chinese Mainland revenue contribution**



Source: Company data, Bloomberg consensus, CMBIGM estimates

**Figure 13: Major foundries' 3Q25 earnings summary**

Period	Revenue	GPM%	Comments and outlook
<b>ASML</b>			
3Q25	€7.5bn (-2% QoQ/flat YoY)	51.6% (-2.ppt QoQ/+1ppts YoY)	Mix shift to lower-margin tools; bookings remain solid into 2026 <b>Outlook: 2026 growth expected to be EUV-led from ex-China markets with net sales at least higher than 2025 level</b>
<b>KLA</b>			
3Q25	US\$3.21bn (+1% QoQ/+13% YoY)	62.5% (-1%ppts QoQ/+6% YoY)	Cycle-high margins; packaging and EUV inspection accelerating <b>Outlook: Expect China normalization with rising process-control intensity in AI, HBM, packaging demand</b>
<b>Lam Research</b>			
3Q25	US\$5.32bn (+3% QoQ/+28% YoY)	50.6% (+0.3ppt QoQ/+3ppt YoY)	Record margins; strong DRAM process-tool mix. <b>Outlook: AI/HBM-led demand is strong across etch/depo and memory; China normalization a headwind but partially offset by share gains</b>
<b>TEL</b>			
3Q25	JPY630bn (+15% QoQ/+12% YoY)	45.2% (-1ppt QoQ/-1ppt YoY)	Recovery in memory-side tools; strong orders into FY26. <b>Outlook: Expect 2026 revenue to reach record-high but timing to achieve medium-term targets may be delayed due to China headwinds</b>
<b>Applied Materials</b>			
3Q25	US\$7.3bn (+3% QoQ/+8% YoY)	48.8% (-0.4ppt QoQ/+2ppt YoY)	Memory turning; HBM/DRAM etch-dep demand improving. <b>Outlook: 2026 strength will be led by DRAM and leading-edge logic, plus adv. packaging; expect lower China spending due to export controls with an estimated US\$600mn hit in FY26</b>

Source: Company data, CMBIGM

Note: All periods are calendar-year-based.

## Domestic Chinese equipment leaders: benefiting from accelerating localization demand

Amid a global push for semiconductor supply chain onshoring, catalyzed by heightened geopolitical tensions, Chinese semiconductor suppliers stand to benefit from sustained, meaningful tailwinds. A positive reinforcement cycle is now taking hold, with domestic equipment leaders already demonstrating strong revenue and earnings momentum.

According to TrendForce, China's semiconductor equipment self-sufficiency rate reached 13.6% in 2024. A detailed breakdown of the Chinese equipment market by tool type and self-sufficiency rate is presented in the table below. China has made significant technological progress in recent years, particularly in etching, cleaning, and thermal-processing equipment, though it continues to lag in key areas such as lithography.

**Figure 14: SME market breakdown by type and China's self-sufficiency rate (TrendForce)**

Equipment category (Ranking by TAM)	China self-sufficiency rate	Key Chinese players	Key global players
Lithography	10–15% (mature); <b>0–1% (advanced)</b>	SMEE, CETC, NAURA	ASML, Canon, Nikon
CVD / ALD	<b>5–10%</b>	NAURA, JSG, AMEC, ACM, Piotech, Joysingtech	ASM International, Applied Materials, Lam Research, TEL
Etching	<b>50–60% (mature);</b> <15% (advanced)	AMEC, NAURA, Joysingtech, BEST, Piotech, ACM, Kingsemi	Applied Materials, Lam Research, TEL
PVD	15–20% (mature); <b>&lt;10% (advanced)</b>	NAURA, SC, Joysingtech, CETC, HF-Kejing	ASM International, Applied Materials, Lam Research, TEL
Cleaning	<b>50–60%</b>	ACM, NAURA, PNC, Kingsemi, BEST	SCREEN, TEL, Lam Research
Metrology	10–15% (mature); <5% (advanced)	SMEE, Skyverse, Jingce, Hwatsing, NAURA	KLA, Santec
CMP	15–25% (mature); <b>&lt;10% (advanced)</b>	ACM, Hwatsing, CETC, Hubei Dinglong	DuPont, Thomas West, JSR
Ion implantation	10–20% (mature); <b>&lt;5% (advanced)</b>	Kingstone, CETC, NAURA, AMEC	Applied Materials, Axcelis
Coating & developing	10–15% (mature); <b>&lt;10% (advanced)</b>	ACM, Kingsemi, NAURA, AMEC, Beijing Huafeng Test & Control	Dow Chemical, JSR, TOK America, TEL
Thermal processing	<b>30–40%</b>	NAURA, JSG, AMEC, Piotech, Joysingtech	ASM International, Applied Materials, Lam Research, TEL
Photoresist stripping	<b>75–90% (low-end);</b> <30% (high-end)	BEST, NAURA, ACM, Zhejiang YuQian, Jet Plasma	Hitachi High-Technologies, Lam Research

Source: TrendForce, CMBIGM

We believe the long-term value and rerating potential reside in advanced-node segments where self-sufficiency remains low. These segments are characterized by structurally higher total addressable market (TAM) per wafer and deeper technology moats. For Chinese equipment makers, any credible breakthrough in advanced tools would drive a far more substantial step-change in earnings and valuation, in our view.

Figure 15: Peers table

			Mkt Cap	P/E (x)		EPS (US\$)		Revenue (US\$mn)	Revenue growth	
Company	Ticker	Rating	US\$mn	FY25E	FY26E	FY25E	FY26E	FY24	FY25E	FY26E
Overseas peers										
ASML	ASML NA	NR	406,652	36.5	34.4	28.7	30.4	30,574	23%	6%
Applied Materials	AMAT US	NR	200,953	27.0	26.1	9.3	9.7	28,368	0%	2%
Lam Research	LRCX US	NR	195,941	38.9	32.3	4.0	4.8	18,436	-1%	16%
KLA	KLAC US	NR	154,448	36.2	32.7	32.5	35.9	12,156	-1%	8%
TEL	8035 JT	NR	96,026	27.3	29.5	8.1	6.8	15,963	6%	-9%
Advantest	6857 JT	NR	96,772	83.7	51.1	1.6	2.5	5,119	3%	15%
			Avg.	41.6	34.4	14.0	15.0	18,436	7%	5%
Domestic peers										
Naura	002371 CH	BUY	44,207	44.5	34.5	1.42	1.84	4,144	32%	26%
Zhejiang Jingsheng	300316 CH	NR	6,687	28	29	0.18	0.18	2,441	-33%	-5%
AMEC	688012 CH	NR	23,132	76	51	0.48	0.72	1,259	37%	32%
ACMR	688082 CH	NR	10,846	45	37	0.50	0.61	780	27%	23%
PNC	603690 CH	NR	1,580	-	-	N/A	N/A	501		
Hwatsing	688120 CH	NR	6,805	36	28	0.53	0.68	473	36%	27%
Piotech	688072 CH	NR	11,660	80	52	0.52	0.80	570	57%	33%
Changchuan	300604 CH	NR	7,092	50	39	0.22	0.29	506	43%	33%
Kingsemi	688037 CH	NR	3,584	105	71	0.17	0.25	244	16%	29%
Xinyichang	688383 CH	NR	934	162	46	0.06	0.20	130	9%	23%
Skyverse	688361 CH	NR	6,016	322	108	0.05	0.16	192	53%	49%
Beijing Huafeng	688200 CH	NR	3,335	45	36	0.54	0.68	126	44%	27%
Crystal Growth & Energy	688478 CH	NR	686	-	-	N/A	N/A	59		
Shanghai Vital	600641 CH	NR	2,197	101	65	0.02	0.04	81	138%	47%
E-Town	688729 CH	NR	10,303	107	64	0.03	0.05	644	15%	33%
Wuhan Jingce	300567 CH	NR	2,692	100	57	0.10	0.17	356	27%	25%
			Avg.	93.0	51.3	0.34	0.48	782	35.8%	28.7%

Source: Bloomberg consensus as of 1 Dec, 2025; forecasts for Naura are CMBIGM estimates

**We maintain a constructive view on Naura (002371 CH, BUY), the leading domestic semiconductor-equipment platform company.** The company delivered solid 3Q25 results, with 9M25 revenue up 33% YoY to RMB27bn, driven by broader process coverage and continued market-share gains. Net profit grew 15% YoY to RMB5.1bn. Naura is steadily building a multi-product platform through in-house R&D and targeted M&A. Its portfolio currently spans etching, PVD/CVD, ALD, oxidation/anneal, cleaning, and other critical processes, enabling deeper wallet share at existing customers and a more scalable addressable market.

The recent acquisition of a 17.9% stake in Kingsemi (688037 CH, NR), making Naura the largest shareholder, further reinforces this strategy. Kingsemi adds leading capabilities in coating/developing, wet-cleaning, and other lithography-adjacent tools—a move we see as a key accelerator of Naura's platform build-out, filling critical portfolio gaps and enhancing cross-selling opportunities at top domestic fabs. **We maintain our BUY rating with a target price of RMB460. Potential risks include:** weaker-than-expected domestic capex, geopolitical headwinds and supply chain disruptions, and intensified competitions.

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