3 Nov 2025

CMB International Global Markets | Equity Research | Company Update

Innolight (300308 CH)

Record-high quarter driven by AI demand; Robust cloud capex underpins outlook

Innolight delivered yet another record-breaking quarter, with revenue rising +57%/+26% YoY/QoQ to RMB10.2bn. Gross margin expanded sharply by +9.2/+1.3ppt YoY/QoQ to 42.8%, driven by strong leverage from 800G transceiver shipments and broader uptake of SiPh-based solutions. Net profit surged +125% YoY/+30% QoQ to RMB3.1bn, also a record high, with net margin reaching 30.7% (vs. 29.7% in 2Q25 and 21.4% in 3Q24). **Reiterate BUY, with TP raised to RMB591.**

- **Strong 800G shipments and rising SiPh adoption underpin record-high GPM.** GPM expansion was mainly driven by a richer product mix, led by sustained 800G volume growth and the ramp of 1.6T transceivers. The broader adoption of SiPh across both 800G and 1.6T product lines further lifted margins, given its inherently more favorable cost structure. Continued yield improvement and higher production efficiency also contributed to margin gains. Mgmt. expects 800G momentum to remain solid, while 1.6T SiPh transceivers are set to enter mass production in early-2026.
- **Raw material tightness manageable given market leadership.** Mgmt. acknowledged ongoing tightness in key upstream optical components such as EML and CWL since 2024, but noted the company's leading position in the global optical transceiver market enables it to secure sufficient material supply for production needs. The company has proactively locked in long-term capacity with major suppliers to mitigate potential disruptions. Mgmt. expects the current supply constraints to gradually ease by 1H26 as upstream manufacturers expand production capacity.
- **Hyperscalers' expanding AI infrastructure capex reinforces near- to medium-term growth for the company.** Major overseas hyperscalers continue to scale investment in AI infrastructure, providing a strong demand tailwind for Innolight. Google recently guided CY25E capex of US$91–93bn (vs. US$85bn previously), while Meta raised its CY25E target to US$70-72bn. Microsoft also reiterated that capex will continue to grow despite earlier expectations of moderation. This sustained hyperscaler spending momentum will further support the company's sales in the coming quarters.
- **Reiterate BUY, with TP raised to RMB591,** based on 28x 2026E P/E, 1SD above 5-year historical avg. P/E, justified by Innolight's leadership in AI optical transceivers market during this strong investment cycle. Our NP forecast for 2026E is revised up by 52%, reflecting higher revenue expectations due to increasing capex. Key risks include lower-than-expected AI capex, geopolitical/tariff uncertainties, supply chain disruptions and intensified competition, etc.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	10,718	23,862	37,931	73,398	105,669
YoY growth (%)	11.2	122.6	59.0	93.5	44.0
Gross margin (%)	33.0	33.8	41.6	44.3	43.5
Net profit (RMB mn)	2,173.5	5,171.5	10,789.2	23,249.2	33,410.1
YoY growth (%)	77.6	137.9	108.6	115.5	43.7
EPS (Reported) (RMB)	2.00	4.72	9.80	21.12	30.36
P/E (x)	236.5	100.2	48.3	22.4	15.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB591.00**
(Previous TP	RMB415.00)
Up/Downside	**24.9%**
Current Price	**RMB473.01**

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Stock Data

Mkt Cap (RMB mn)	525,561.4
Avg 3 mths t/o (RMB mn)	16,921.2
52w High/Low (RMB)	520.72/71.99
Total Issued Shares (mn)	1111.1

Source: FactSet

Shareholding Structure

Shandong Zhongji Investment Holdings Co.	11.4%
E-Fund Management	6.4%

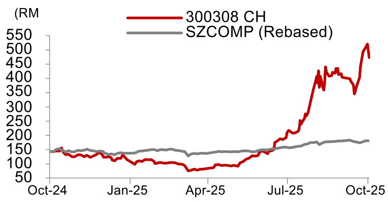
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	17.2%	17.6%
3-mth	117.4%	88.4%
6-mth	466.5%	332.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

	New			Old			Diff (%)		
RMBmn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	37,931	73,398	105,669	38,252	50,642	61,262	-0.8%	44.9%	72.5%
Gross profit	15,787	32,485	45,980	16,448	21,624	26,281	-4.0%	50.2%	75.0%
Net profit	10,789	23,249	33,410	11,691	15,285	18,198	-7.7%	52.1%	83.6%
EPS (RMB)	9.80	21.12	30.36	10.66	13.94	16.60	-8.0%	51.5%	82.9%
Gross margin	41.6%	44.3%	43.5%	43.0%	42.7%	42.9%	-1.4 ppt	1.6 ppt	0.6 ppt
Net margin	28.4%	31.7%	31.6%	30.6%	30.2%	29.7%	-2.1 ppt	1.5 ppt	1.9 ppt

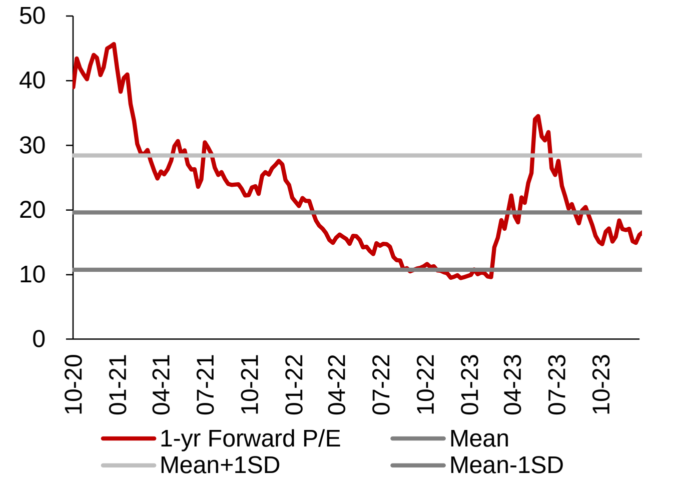
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs. Bloomberg consensus

	CMBIGM			BBG Consensus			Diff (%)		
RMBmn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	37,931	73,398	105,669	36,561	46,350	53,321	3.7%	58.4%	98.2%
Gross profit	15,787	32,485	45,980	12,987	16,508	18,901	21.6%	96.8%	143.3%
Net profit	10,789	23,249	33,410	8,434	10,858	12,583	27.9%	114.1%	165.5%
EPS (RMB)	9.80	21.12	30.36	7.60	9.78	11.57	28.9%	116.0%	162.4%
Gross margin	41.6%	44.3%	43.5%	35.5%	35.6%	35.4%	6.1 ppt	8.6 ppt	8.1 ppt
Net margin	28.4%	31.7%	31.6%	23.1%	23.4%	23.6%	5.4 ppt	8.2 ppt	8 ppt

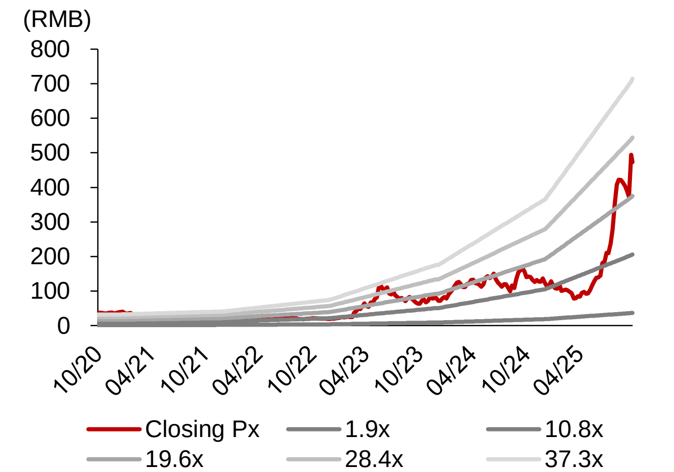
Source: Bloomberg, CMBIGM estimates

Figure 3: P/E chart



Source: Company data, CMBIGM estimates

Figure 4: P/E band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**9,642**	**10,718**	**23,862**	**37,931**	**73,398**	**105,669**
Cost of goods sold	(6,816)	(7,182)	(15,796)	(22,145)	(40,913)	(59,690)
Gross profit	**2,826**	**3,536**	**8,067**	**15,787**	**32,485**	**45,980**
Operating expenses	**(1,499)**	**(1,042)**	**(2,017)**	**(2,329)**	**(3,138)**	**(3,918)**
Selling expense	(63)	(51)	(47)	(84)	(123)	(159)
SG&A expense	(598)	(558)	(879)	(1,028)	(1,270)	(1,691)
R&D expense	(767)	(739)	(1,244)	(1,530)	(1,972)	(2,792)
Others	(71)	306	153	313	226	724
Operating profit	**1,327**	**2,494**	**6,050**	**13,458**	**29,347**	**42,062**
Other income	28	2	5	7	14	21
Other expense	(4)	(4)	(2)	(8)	(16)	(23)
Pre-tax profit	**1,352**	**2,492**	**6,052**	**13,457**	**29,346**	**42,059**
Income tax	(118)	(285)	(681)	(2,008)	(4,685)	(6,714)
After tax profit	**1,234**	**2,208**	**5,372**	**11,449**	**24,661**	**35,345**
Minority interest	10	34	200	660	1,412	1,935
Net profit	**1,224**	**2,174**	**5,171**	**10,789**	**23,249**	**33,410**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**9,587**	**11,319**	**18,196**	**30,025**	**55,857**	**93,419**
Cash & equivalents	2,831	3,317	5,054	10,451	23,149	37,543
Account receivables	1,509	2,581	4,604	7,867	14,253	23,382
Inventories	3,888	4,295	7,051	10,543	16,359	29,431
Prepayment	64	59	80	111	215	309
Other current assets	1,295	1,067	1,407	1,053	1,881	2,755
Non-current assets	**6,970**	**8,687**	**10,671**	**13,429**	**16,238**	**20,756**
PP&E	3,217	3,948	5,820	6,425	7,802	9,999
Right-of-use assets	11	27	34	127	295	515
Deferred income tax	48	82	222	626	1,039	1,645
Intangibles	322	401	378	351	364	424
Goodwill	1,949	1,939	1,939	1,939	1,939	1,939
Other non-current assets	1,422	2,291	2,279	3,961	4,799	6,234
Total assets	**16,557**	**20,007**	**28,866**	**43,454**	**72,095**	**114,176**
Current liabilities	**3,264**	**4,360**	**6,497**	**8,927**	**12,967**	**20,576**
Short-term borrowings	385	62	1,426	568	676	755
Account payables	1,136	1,857	2,991	5,503	7,948	13,311
Tax payable	93	213	244	1,134	1,881	2,979
Other current liabilities	1,349	2,039	1,545	1,554	2,180	3,087
Contract liabilities	22	3	10	10	19	28
Accrued expenses	279	187	282	158	262	416
Non-current liabilities	**1,224**	**872**	**2,076**	**2,651**	**3,752**	**5,371**
Long-term borrowings	696	319	606	979	979	979
Bond payables	0	0	0	0	0	0
Deferred income	264	216	270	287	476	754
Other non-current liabilities	264	337	1,200	1,385	2,298	3,639
Total liabilities	**4,488**	**5,232**	**8,573**	**11,578**	**16,719**	**25,948**
Share capital	801	803	1,121	1,111	1,111	1,111
Retained earnings	3,893	5,870	10,624	20,732	42,552	73,080
Other reserves	7,251	7,589	7,388	8,214	8,482	8,872
Total shareholders equity	**11,945**	**14,261**	**19,134**	**30,057**	**52,145**	**83,063**
Minority interest	124	513	1,159	1,819	3,230	5,165
Total equity and liabilities	**16,557**	**20,007**	**28,866**	**43,454**	**72,095**	**114,176**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,352**	**2,492**	**6,052**	**13,457**	**29,346**	**42,059**
Depreciation & amortization	493	525	713	735	669	769
Tax paid	(118)	(285)	(681)	(2,008)	(4,685)	(6,714)
Change in working capital	291	(830)	(3,210)	(4,517)	(9,627)	(16,336)
Others	432	(6)	290	445	860	1,339
Net cash from operations	**2,449**	**1,897**	**3,165**	**8,112**	**16,563**	**21,117**
Investing						
Capital expenditure	(792)	(1,704)	(2,866)	(2,698)	(3,128)	(4,292)
Acquisition of subsidiaries/ investments	(5,967)	(3,971)	(2,725)	0	0	0
Net proceeds from disposal of short-term investments	5,167	4,435	2,619	0	0	0
Others	40	65	37	441	114	140
Net cash from investing	**(1,553)**	**(1,176)**	**(2,935)**	**(2,257)**	**(3,014)**	**(4,152)**
Financing						
Dividend paid	(233)	(207)	(399)	(619)	(1,213)	(2,547)
Net borrowings	(699)	(884)	1,685	(536)	108	79
Proceeds from share issues	33	(109)	246	696	0	0
Others	(742)	884	(40)	(0)	1	1
Net cash from financing	**(1,641)**	**(316)**	**1,492**	**(459)**	**(1,105)**	**(2,467)**
Net change in cash						
Cash at the beginning of the year	3,489	2,809	3,234	4,988	10,401	23,100
Exchange difference	64	20	39	(10)	(10)	(10)
Others	(745)	405	1,715	5,423	12,709	14,403
Cash at the end of the year	**2,809**	**3,234**	**4,988**	**10,401**	**23,100**	**37,493**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	25.3%	11.2%	122.6%	59.0%	93.5%	44.0%
Gross profit	43.6%	25.1%	128.1%	95.7%	105.8%	41.5%
Operating profit	37.9%	87.9%	142.6%	122.4%	118.1%	43.3%
Net profit	39.6%	77.6%	137.9%	108.6%	115.5%	43.7%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	29.3%	33.0%	33.8%	41.6%	44.3%	43.5%
Operating margin	13.8%	23.3%	25.4%	35.5%	40.0%	39.8%
Return on equity (ROE)	10.4%	16.6%	31.0%	43.9%	56.6%	49.4%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.9	2.6	2.8	3.4	4.3	4.5

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	430.0	236.5	100.2	48.3	22.4	15.6
P/E (diluted)	430.0	239.9	102.2	48.3	22.4	15.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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