

Innolight (300308 CH)

Stronger into 2026 on 1.6T ramp and SiPh mix

Innolight delivered strong FY25 earnings, with revenue up 60% YoY to RMB38.2bn, in line with our estimate and Bloomberg consensus, while net profit rose 109% YoY to RMB10.8bn, 1.4% below our forecast but broadly in line with consensus. GPM improved sharply to 42.6% from 34.7% in FY24, driven by continued strength in high-speed optical module shipments and higher SiPh mix. Momentum accelerated further in 4Q25, with revenue up 102% YoY and 30% QoQ, while GPM expanded to 44.5% from 42.8% in 3Q25. We continue to view Innolight as a key domestic AI beneficiary, supported by improving supply-chain readiness, clear leadership in pluggable modules, and further margin upside from deeper SiPh penetration. **Maintain BUY, with TP unchanged at RMB707, based on 28x 2026E P/E.**

- Capacity expanded by 34% YoY in FY25, while shipments grew 45%, highlighting robust demand and solid ramp execution.** Utilization improved from 74% in FY24 to 85% in FY25, while overseas sales accounted for 92% of revenue and 86% of total shipments. Looking ahead in FY26E, we expect 800G to remain the primary shipment driver, while 1.6T should increasingly emerge as the key revenue and GPM growth driver, supported by higher SiPh penetration and a more favorable mix. Mgmt. also indicated it has strengthened supply assurance for key materials through tighter agreements with core suppliers, higher strategic inventory, and broader vendor qualification, which we believe should improve delivery visibility and support growth into FY26–27.
- Looking beyond the current ramp, we believe the Company's product roadmap remains one of the strongest in the sector.** Mgmt. sees 800G and 1.6T as the core demand pillars in FY26, with 1.6T likely to scale much faster as adoption broadens across CSPs and AI infrastructure customers. At the same time, the Company is positioning for the next phase of optical interconnect demand across scale-up and scale-cross networks, while continuing to advance its 3.2T roadmap across multiple technology paths, including EML-based and SiPh-based solutions. **We expect 3.2T pluggable modules to begin to contribute revenue in FY28E.**
- Maintain BUY, with TP unchanged at RMB707, based on the same 28x 2026E P/E.** We remain positive on the Company's earnings outlook, driven by sustained 800G volume growth, rising 1.6T contribution, and further margin upside from deeper SiPh penetration. We lift our FY27E sales/net profit forecast by 8%/12% as the Company continues to scale capacity to meet robust demand on top of enhancing cost controls.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	23,862	38,240	84,065	121,495	175,287
YoY growth (%)	122.6	60.3	119.8	44.5	44.3
Gross margin (%)	33.8	42.0	45.6	46.6	48.5
Net profit (RMB mn)	5,171.5	10,797.3	28,040.8	42,888.3	66,064.9
YoY growth (%)	137.9	108.8	159.7	52.9	54.0
EPS (Reported) (RMB)	4.72	9.80	25.24	38.60	59.46
P/E (x)	120.6	58.1	22.6	14.8	9.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB707.00
Up/Downside 24.2%
Current Price RMB569.41

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Stock Data

Mkt Cap (RMB mn)	632,671.5
Avg 3 mths t/o (RMB mn)	18,840.1
52w High/Low (RMB)	649.00/71.99
Total Issued Shares (mn)	1111.1

Source: FactSet

Shareholding Structure

Shandong Zhongji Investment Holdings Co.	10.9%
Wang Weixiu	6.3%

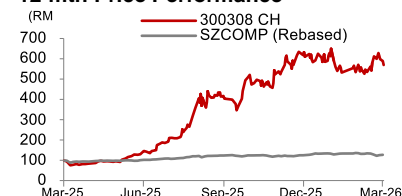
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	6.6%	16.2%
3-mth	-6.7%	-6.8%
6-mth	41.1%	40.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMBmnn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	84,065	121,495	175,287	83,794	112,154	NA	0.3%	8.3%	NA
Gross profit	38,301	56,591	85,071	38,713	51,927	NA	-1.1%	9.0%	NA
Net profit	28,041	42,888	66,065	27,774	38,357	NA	1.0%	11.8%	NA
EPS (RMB)	25.24	38.60	59.46	25.23	34.85	NA	0.0%	10.8%	NA
Gross margin	45.6%	46.6%	48.5%	46.2%	46.3%	NA	-0.6 ppt	0.3 ppt	NA
Net margin	33.4%	35.3%	37.7%	33.1%	34.2%	NA	0.2 ppt	1.1 ppt	NA

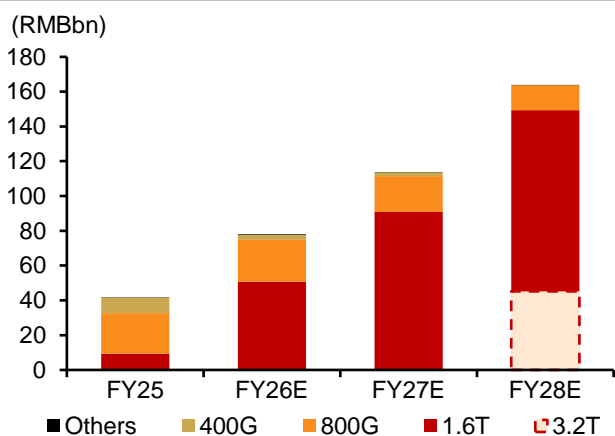
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs. BBG consensus

RMBmnn	CMBIGM			BBG Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	84,065	121,495	175,287	84,483	112,899	122,906	-0.5%	7.6%	42.6%
Gross profit	38,301	56,591	85,071	36,295	49,556	58,390	5.5%	14.2%	45.7%
Net profit	28,041	42,888	66,065	23,606	32,894	44,520	18.8%	30.4%	48.4%
EPS (RMB)	25.24	38.60	59.46	20.04	26.85	45.84	25.9%	43.8%	29.7%
Gross margin	45.6%	46.6%	48.5%	43.0%	43.9%	47.5%	2.6 ppt	2.7 ppt	1 ppt
Net margin	33.4%	35.3%	37.7%	27.9%	29.1%	36.2%	5.4 ppt	6.2 ppt	1.5 ppt

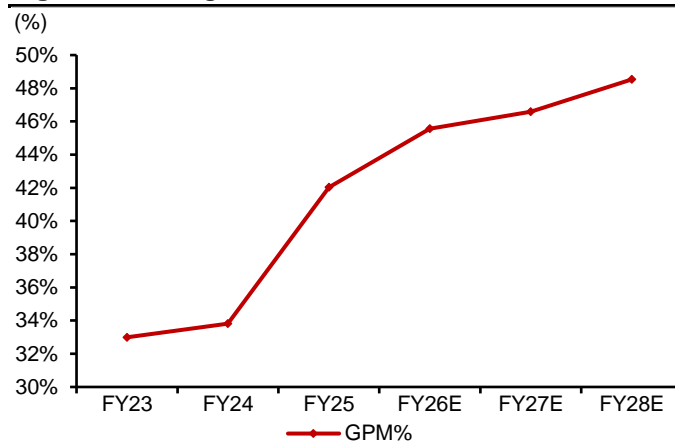
Source: Bloomberg consensus, CMBIGM estimates

Figure 3: Innolight's product mix forecast



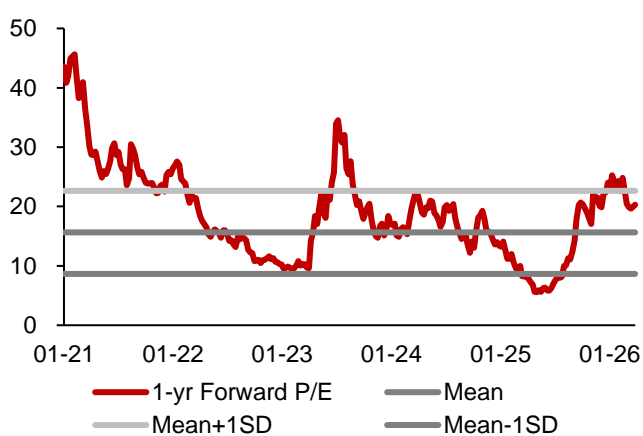
Source: Company data, CMBIGM estimates

Figure 4: Innolight's GPM forecast



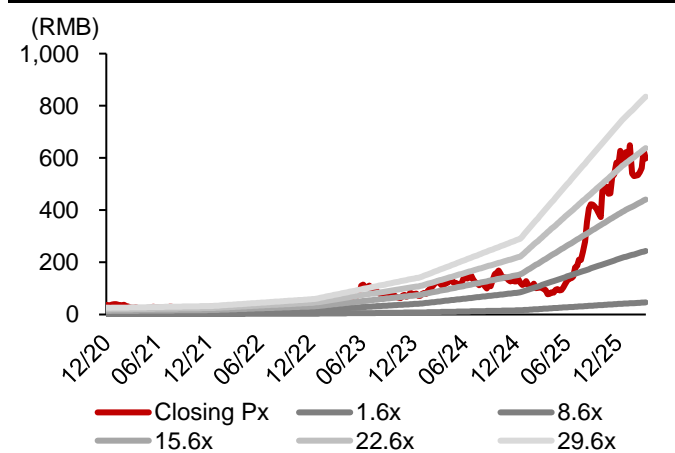
Source: Company data, CMBIGM estimates

Figure 5: Forward P/E chart



Source: Company data, CMBIGM estimates

Figure 6: P/E band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	10,718	23,862	38,240	84,065	121,495	175,287
Cost of goods sold	(7,182)	(15,796)	(22,166)	(45,764)	(64,904)	(90,216)
Gross profit	3,536	8,067	16,074	38,301	56,591	85,071
Operating expenses	(1,042)	(2,017)	(2,477)	(4,966)	(5,875)	(6,946)
Selling expense	(51)	(47)	(78)	(171)	(182)	(263)
SG&A expense	(558)	(879)	(987)	(2,088)	(3,025)	(4,364)
R&D expense	(739)	(1,244)	(1,615)	(3,425)	(4,707)	(6,440)
Others	306	153	202	717	2,039	4,121
Operating profit	2,494	6,050	13,597	33,334	50,717	78,125
Other income	2	5	10	22	31	45
Other expense	(4)	(2)	(7)	(16)	(23)	(33)
Pre-tax profit	2,492	6,052	13,600	33,340	50,725	78,137
Income tax	(285)	(681)	(2,020)	(3,667)	(5,580)	(8,595)
After tax profit	2,208	5,372	11,580	29,673	45,146	69,542
Minority interest	34	200	782	1,632	2,257	3,477
Net profit	2,174	5,171	10,797	28,041	42,888	66,065

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	11,319	18,196	31,084	57,579	104,507	165,819
Cash & equivalents	3,317	5,054	10,987	23,545	65,480	112,701
Account receivables	2,581	4,604	6,277	14,912	15,046	21,452
Inventories	4,295	7,051	12,681	17,411	21,710	27,724
Prepayment	59	80	134	236	341	491
Other current assets	1,067	1,407	1,005	1,475	1,931	3,451
Non-current assets	8,687	10,671	14,205	18,574	25,778	35,557
PP&E	3,948	5,820	7,081	11,257	14,553	19,829
Right-of-use assets	27	34	105	853	1,773	2,975
Deferred income tax	82	222	541	541	909	1,555
Intangibles	401	378	378	254	250	352
Goodwill	1,939	1,939	1,939	1,939	1,939	1,939
Other non-current assets	2,291	2,279	4,163	3,731	6,354	8,908
Total assets	20,007	28,866	45,289	76,153	130,285	201,377
Current liabilities	4,360	6,497	11,558	14,435	25,812	31,538
Short-term borrowings	62	1,426	301	913	1,491	1,807
Account payables	1,857	2,991	7,330	7,716	15,401	16,731
Tax payable	213	244	1,250	2,102	3,596	5,558
Other current liabilities	2,039	1,545	2,287	3,052	4,220	5,741
Contract liabilities	3	10	26	40	58	83
Accrued expenses	187	282	364	612	1,047	1,618
Non-current liabilities	872	2,076	2,109	3,199	5,111	7,621
Long-term borrowings	319	606	510	510	510	510
Bond payables	0	0	0	0	0	0
Deferred income	216	270	291	490	838	1,295
Other non-current liabilities	337	1,200	1,308	2,200	3,763	5,816
Total liabilities	5,232	8,573	13,668	17,634	30,922	39,160
Share capital	803	1,121	1,111	1,111	1,111	1,111
Retained earnings	5,870	10,624	20,248	45,065	82,962	141,280
Other reserves	7,589	7,388	8,406	8,856	9,544	10,604
Total shareholders equity	14,261	19,134	29,765	55,032	93,617	152,995
Minority interest	513	1,159	1,856	3,488	5,745	9,222
Total equity and liabilities	20,007	28,866	45,289	76,153	130,285	201,377

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,492	6,052	13,600	33,340	50,725	78,137
Depreciation & amortization	525	713	934	1,152	1,468	1,936
Tax paid	(285)	(681)	(2,020)	(3,667)	(5,580)	(8,595)
Change in working capital	(830)	(3,210)	(1,958)	(12,341)	4,520	(10,261)
Others	(6)	290	340	1,137	1,822	1,981
Net cash from operations	1,897	3,165	10,896	19,621	52,955	63,198
Investing						
Capital expenditure	(1,704)	(2,866)	(2,760)	(4,899)	(7,079)	(10,213)
Acquisition of subsidiaries/ investments	(3,971)	(2,725)	0	0	0	0
Net proceeds from disposal of short-term investments	4,435	2,619	0	0	0	0
Others	65	37	121	1,201	1,596	2,221
Net cash from investing	(1,176)	(2,935)	(2,639)	(3,698)	(5,484)	(7,992)
Financing						
Dividend paid	(207)	(399)	(1,083)	(2,918)	(4,456)	(6,849)
Net borrowings	(884)	1,685	(1,114)	612	578	316
Proceeds from share issues	(109)	246	205	0	0	0
Others	884	(40)	(152)	(1,317)	(1,317)	(1,317)
Net cash from financing	(316)	1,492	(2,144)	(3,623)	(5,196)	(7,850)
Net change in cash						
Cash at the beginning of the year	2,809	3,234	4,988	10,944	23,502	65,437
Exchange difference	20	39	(178)	0	0	0
Others	405	1,715	6,134	12,559	41,935	47,221
Cash at the end of the year	3,234	4,988	10,944	23,502	65,437	112,658
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	11.2%	122.6%	60.3%	119.8%	44.5%	44.3%
Gross profit	25.1%	128.1%	99.3%	138.3%	47.8%	50.3%
Operating profit	87.9%	142.6%	124.7%	145.2%	52.1%	54.0%
Net profit	77.6%	137.9%	108.8%	159.7%	52.9%	54.0%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	33.0%	33.8%	42.0%	45.6%	46.6%	48.5%
Operating margin	23.3%	25.4%	35.6%	39.7%	41.7%	44.6%
Return on equity (ROE)	16.6%	31.0%	44.2%	66.1%	57.7%	53.6%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.6	2.8	2.7	4.0	4.0	5.3
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	284.7	120.6	58.1	22.6	14.8	9.6
P/E (diluted)	288.8	123.0	58.6	22.6	14.8	9.6

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

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