Eoptolink (300502.SZ): 800G/ 1.6T optical modules shipment ramp-up ahead; TP raised to Rmb737; Buy

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We remain constructive on Eoptolink's growth trajectory and product mix upgrade following the 4Q25/ 1Q26 results, and raise our 12-month TP to Rmb737 to reflect higher AI server TAM (report link), an expanded optical module TAM (report link), and the company's upcoming optical modules shipment ramp-up. Looking ahead, we expect to see (1) improving chipset supply, (2) a gradual ramp-up of Silicon Photonics (SiPh) and 1.6T/ 3.2T products to support a product mix upgrade, riding on the upgraded configuration of AI data center networking, and (3) continuous capacity expansion at the company's Thailand production sites. Maintain Buy.

Positive on shipment outlook: Recently, we raised our shipment forecasts for 800G and above by 14% / 29% / 33% for 2026-28E, reflecting the AI server shipment ramp-up and a product mix upgrade toward high-end models (report link). We expect the company's optical module shipments to see sequential growth in 2Q26E on improving supply and capacity expansion in Thailand, and accelerated ramp-up of 1.6T optical modules in 2H26E. We are positive on the better product mix towards high-speed products, which will drive GM higher.

Earnings revisions: We factor in Eoptolink's 4Q25/ 1Q26 earnings and raise net income by 2% / 14% in 2026-27E, mainly on higher revenues and lower GM. Meanwhile, we introduce 2028E estimates. The higher revenues mainly reflect the company's higher 800G/ 1.6T optical module shipments, and mix upgrade towards SiPh solutions, supported by its capacity expansion. The lower GM reflects a lower-than-expected margin in 1Q26 and our review of the product mix of EML vs. SiPh; we expect GM to expand from 47.8% in 2025 to 48.5% in 2028E as the mix upgrade progresses.

Exhibit 1: Earnings revisions

	2025			2026E			2027E			2028E		
Rmb m	**Old**	**New**	**Diff %**	**Old**	**New**	**Diff %**	**Old**	**New**	**Diff %**	**Old**	**New**	**Diff %**
Revenues	24,385	24,842	2%	44,763	48,550	8%	57,428	69,704	21%		78,753	
GP	11,904	11,876	0%	23,087	23,371	1%	29,847	33,682	13%		38,179	
OP	10,674	10,708	0%	21,742	22,095	2%	28,231	32,151	14%		36,319	
Net income	9,632	9,532	-1%	19,052	19,429	2%	24,730	28,160	14%		31,807	
Margins												
GM	48.8%	47.8%		51.6%	48.1%		52.0%	48.3%			48.5%	
OPM	43.8%	43.1%		48.6%	45.5%		49.2%	46.1%			46.1%	
NM	39.5%	38.4%		42.6%	40.0%		43.1%	40.4%			40.4%	

Source: Company data, Goldman Sachs Global Investment Research

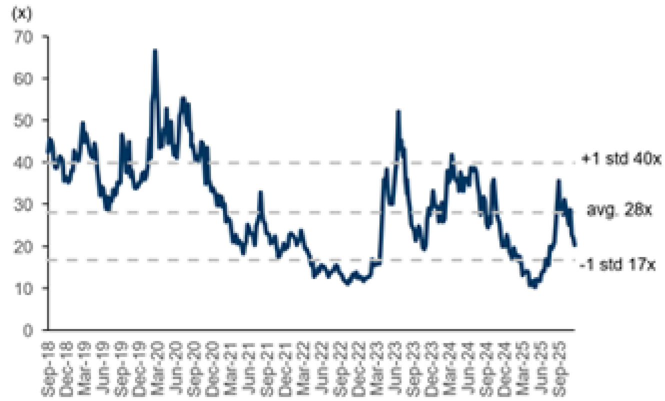
Valuation: We continue to derive our target price using a near-term P/E, rolling over from 2026E P/E to 2027E P/E. The target P/E multiple is derived from the peers' average ratio of trading P/E to forward-year fundamentals (NI YoY and OPM). We use a 26x target 2027E P/E (vs. the previously implied 2027E P/E multiple of 21x) based on the company's forward year average NI YoY at 29% and average OPM at 46% in 2027-28E. With higher earnings, our 12-month target price is higher at Rmb737 (from Rmb518). Our new target P/E multiple at 26x is in line with Eoptolink's historical average forward P/E of 29x since Sep 2018.

Exhibit 2: Eoptolink's P&L summary

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E
Income statement															
Revenue	3,311	3,098	8,647	24,842	48,550	69,704	78,753	4,052	6,385	6,068	8,337	8,338	8,988	14,859	16,366
Gross profit	1,214	960	3,867	11,876	23,371	33,682	38,179	1,972	2,978	2,848	4,078	4,099	4,216	7,165	7,891
Selling expense	53	38	98	151	177	205	232	38	47	38	28	36	42	45	55
G&A expense	85	76	169	239	289	318	349	60	65	63	52	62	67	73	87
R&D expense	187	134	403	702	730	950	984	118	216	168	201	120	160	168	282
OP income	882	696	3,125	10,708	22,095	32,151	36,319	1,753	2,641	2,575	3,740	3,835	3,939	6,867	7,454
Pretax income	1,028	789	3,234	10,866	22,281	32,183	36,351	1,773	2,675	2,602	3,815	3,247	4,147	7,125	7,762
Net income	904	688	2,838	9,532	19,429	28,160	31,807	1,573	2,370	2,385	3,205	2,774	3,629	6,234	6,792
EBITDA	979	822	3,336	11,096	22,708	32,999	37,352	1,850	2,738	2,672	3,837	3,989	4,093	7,020	7,607
EPS, diluted (Rmb)	1.27	0.74	2.86	9.59	19.55	28.33	32.00	1.58	2.39	2.40	3.22	2.79	3.65	6.27	6.83
DPS (Rmb)	0.35	0.16	0.32	0.96	1.95	2.83	3.20								
Dividend payout	27.5%	21.1%	11.2%	10.0%	10.0%	10.0%	10.0%								
Ratios															
R&D to rev	5.7%	4.3%	4.7%	2.8%	1.5%	1.4%	1.2%	2.9%	3.4%	2.8%	2.4%	1.4%	1.8%	1.1%	1.7%
Opex ratio	10.0%	8.5%	8.6%	4.7%	2.6%	2.2%	2.4%	5.4%	5.3%	4.5%	4.1%	3.2%	3.1%	2.0%	2.7%
Tax rate	12.1%	12.7%	12.3%	12.1%	12.5%	12.5%	12.5%	11.3%	11.4%	8.4%	11.0%	12.5%	12.5%	12.5%	12.5%
Margins															
Gross margin	36.7%	31.0%	44.7%	47.8%	48.1%	48.3%	48.5%	48.7%	46.6%	46.9%	48.9%	49.2%	46.9%	48.2%	48.2%
Operating margin	26.6%	22.5%	36.1%	43.1%	45.5%	46.1%	46.1%	43.3%	41.4%	42.4%	44.9%	46.0%	43.8%	46.2%	45.5%
Pretax margin	31.0%	25.5%	37.4%	43.7%	45.9%	46.2%	46.2%	43.8%	41.9%	42.9%	45.8%	38.9%	46.1%	47.9%	47.4%
Net margin	27.3%	22.2%	32.8%	38.4%	40.0%	40.4%	40.4%	38.8%	37.1%	39.3%	38.4%	33.3%	40.4%	42.0%	41.5%
EBITDA margin	29.6%	26.5%	38.6%	44.7%	46.8%	47.3%	47.4%	43.3%	41.4%	42.4%	44.9%	46.0%	43.8%	46.2%	45.5%
YoY															
Revenue	14%	-6%	179%	187%	95%	44%	13%	264%	295%	153%	137%	106%	41%	145%	96%
Gross profit	30%	-21%	303%	207%	97%	44%	13%	322%	321%	185%	141%	108%	42%	152%	94%
OP income	18%	-21%	349%	243%	106%	46%	13%	383%	365%	197%	181%	119%	49%	167%	99%
Pretax income	35%	-23%	310%	236%	105%	44%	13%	376%	339%	193%	180%	83%	55%	174%	103%
Net income	37%	-24%	312%	236%	104%	45%	13%	385%	338%	205%	169%	76%	53%	161%	112%
EBITDA	19%	-16%	306%	233%	105%	45%	13%	383%	365%	197%	181%	119%	49%	167%	99%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Eoptolink's 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research

Valuation: We derive our target price using a near-term P/E. We use a 26x target 2027E P/E. Our 12-month target price is Rmb737. Our target multiple is in line with the company's average forward P/E of 29x since 2018.

Key downside risks: 1) slower-than-expected 800G ramp pace; 2) geopolitical issues that may impact the optical transceiver supply chain; 3) fiercer competition than expected, which could lead to price erosion and a margin drop.

300502.SZ	12m Price Target: **Rmb737.00**	Price: **Rmb525.79**	Upside: **40.2%**

Buy

Market cap: Rmb522.6bn / $76.5bn
Enterprise value: Rmb508.3bn / $74.4bn
3m ADTV: Rmb19.2bn / $2.8bn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**24,841.9**	**48,550.3**	**69,704.1**	**78,753.4**
Revenue (Rmb mn) Old	24,384.9	44,762.9	57,427.8	–
EBITDA (Rmb mn)	11,096.2	22,707.9	32,998.8	37,352.4
EPS (Rmb) New	**9.59**	**19.55**	**28.33**	**32.00**
EPS (Rmb) Old	9.69	19.17	24.88	–
P/E (X)	20.6	26.9	18.6	16.4
P/B (X)	10.9	14.7	8.6	5.8
Dividend yield (%)	0.5	0.4	0.5	0.6
CROCI (%)	123.4	124.8	112.9	100.7

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	2.79	3.65	6.27	6.83

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 30 Apr 2026 close.