InnoScience (2577.HK): GaN mix upgrade towards AI data center, automotive, and robotics; 1H26 GM improved; Buy

Allen Chang
+852-2978-2930 | allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

Verena Jeng
+852-2978-1681 | verena.jeng@gs.com
Goldman Sachs (Asia) L.L.C.

Ting Song
+852-2978-6466 | ting.song@gs.com
Goldman Sachs (Asia) L.L.C.

InnoScience 1H26 revenues were up 51% YoY/ 26% HoH to Rmb834m, while 12%/ 19% below our estimates and Bloomberg consensus, driven by strong GaN wafers/ modules growth at 74%/ 74% YoY in 1H, while muted growth of GaN discrete devices and ICs at 11% YoY, and we attribute it to the near-term weakness of consumer electronics. 1H26 GM was improved to 11.6% (vs. 6.8%/ 7.7% in 1H25/ 2H25) on scale expansion, or below our estimates of 14.0%. With improving Opex ratio at 47.7%, 1H26 net loss was narrowed to Rmb309m loss, behind our estimates and Bloomberg consensus at Rmb232m loss / Rmb234m loss. The company's GaN devices for AI data center and automotive enjoys strong shipment of 183%/ 103% YoY in 1H26, reflecting the strong demand and we expect the company's capacity expansion to support it to better capture the demand with mix upgrade ahead. Maintain Buy.

Exhibit 1: InnoScience 1H26 result snapshot

Rmb m	1H25	2H25	1H26	HoH	YoY	GS	Act / GS	Cons.	Act / Cons.
Revenues	553	660	834	26%	51%	1,025	-19%	949	-12%
GP	38	51	97	91%	157%	144	-32%		
OP	(424)	(442)	(301)	na	na	(253)	na		
Pretax income	(428)	(412)	(309)	na	na	(232)	na		
Net income	(429)	(412)	(309)	na	na	(232)	na	(234)	na
Margins									
GM	6.8%	7.7%	11.6%			14.0%			
Opex ratio	83.4%	74.7%	47.7%			38.7%			
OPM	-76.6%	-67.0%	-36.1%			-24.7%			
NM	-77.5%	-62.4%	-37.1%			-22.7%		-24.7%	

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Mix upgrade towards automotive, AI data center and robotics: Management notes the company generates Rmb532m revenues (or 64% of total revenues) in 1H26 from AI data center, industrial, energy storage and NEV segments, and expects to see continuous product mix upgrade onwards. The company's GaN products shipment for AI data center solution was up 183% YoY in 1H, supported by its comprehensive GaN product coverage (5.5Kw AC-DC, 48V/ 12V, 6V/ 1V solution etc.). Management notes the company is able to provide customized solution for different clients' data center architectures, and has secured design-ins from over 20 CSP clients.

Earnings revision: We factor in InnoScience 1H26 result and revise down 2026 net loss to Rmb448m (vs. previously at Rmb355m) mainly on lower revenues of GaN discrete and ICs, while we expect the capacity expansion and product mix upgrade to drive growth ahead. We keep 2027-32E earnings largely unchanged.

Goldman Sachs does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html. Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

Exhibit 2: Earnings revision

	2026E			2027E			2028E			2029E			2030E			2031E			2032E		
Rmb m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	2,224	2,082	-6%	4,026	4,013	0%	6,233	6,217	0%	7,571	7,553	0%	8,962	8,941	0%	9,929	9,908	0%	10,674	10,652	0%
GP	443	409	-8%	1,251	1,248	0%	2,345	2,343	0%	3,010	3,002	0%	3,810	3,802	0%	4,270	4,260	0%	4,590	4,580	0%
OP	(396)	(431)	na	434	434	0%	1,587	1,589	0%	2,257	2,254	0%	3,056	3,054	0%	3,519	3,517	0%	3,834	3,832	0%
Net income	(355)	(448)	na	366	367	0%	1,350	1,350	0%	1,949	1,950	0%	2,670	2,680	0%	3,076	3,077	0%	3,398	3,395	0%
Margins																					
GM	19.9%	19.7%		31.1%	31.1%		37.6%	37.7%		39.8%	39.8%		42.5%	42.5%		43.0%	43.0%		43.0%	43.0%	
OPM	-17.8%	-20.7%		10.8%	10.8%		25.5%	25.6%		29.8%	29.8%		34.1%	34.2%		35.4%	35.5%		35.9%	36.0%	
NM	-16.0%	-21.5%		9.1%	9.1%		21.7%	21.7%		25.7%	25.8%		29.8%	30.0%		31.0%	31.1%		31.8%	31.9%	

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We derive our 12m TP of HK$114 (unchanged) based on the 2030E discounted EV/EBITDA methodology to capture the company's long-term growth, in line with our GC Tech coverage. We apply a target EV/EBITDA multiple of 30.1x on 2030E EBITDA, and discount it back to 2027E with a COE of 9.5% (beta at 1.0, risk-free rate at 3.0%, and market risk premium at 6.5%). Our target EV/EBITDA multiple is derived from: (1) peers' forward-year EV/EBITDA vs. the sum of EBITDA YoY and EBITDA margin; (2) InnoScience's forward-year avg. EBITDA YoY and avg. EBITDA margin in 2030E-31E.

Exhibit 3: InnoScience discounted EV/ EBITDA

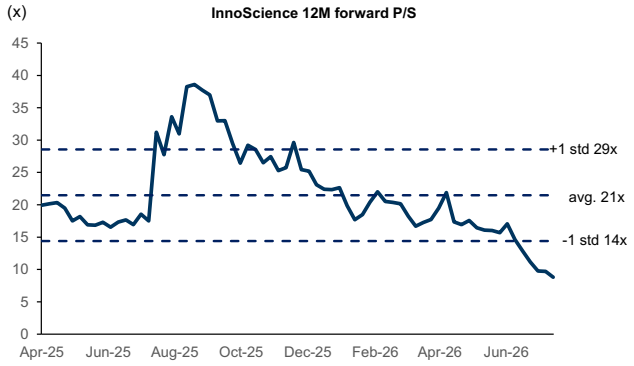
Rmb m	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	593	828	1,213	2,082	4,013	6,217	7,553	8,941	9,908	10,652
Revenue YoY		*40%*	*46%*	*72%*	*93%*	*55%*	*21%*	*18%*	*11%*	*8%*
GM	*-61.1%*	*-19.5%*	*7.3%*	*19.7%*	*31.1%*	*37.7%*	*39.8%*	*42.5%*	*43.0%*	*43.0%*
GP	(362)	(161)	89	409	1,248	2,343	3,002	3,802	4,260	4,580
Opex ratio	*115.7%*	*105.3%*	*78.7%*	*40.4%*	*20.3%*	*12.1%*	*9.9%*	*8.4%*	*7.5%*	*7.0%*
OP	(1,048)	(1,034)	(866)	(431)	434	1,589	2,254	3,054	3,517	3,832
OPM	*-176.8%*	*-124.7%*	*-71.4%*	*-20.7%*	*10.8%*	*25.6%*	*29.8%*	*34.2%*	*35.5%*	*36.0%*
Non-op	(54)	(12)	26	(17)	(2)	0	40	99	102	163
Pretax profit	(1,102)	(1,045)	(840)	(448)	432	1,589	2,294	3,153	3,620	3,995
Tax	0	0	1	0	65	238	344	473	543	599
EBITDA	(523)	(527)	(362)	26	911	2,143	2,981	3,978	4,690	5,297
EBITDA YoY		*na*	*na*	*na*	*3351%*	*135%*	*39%*	*33%*	*18%*	*13%*
Net profit	(1,102)	(1,046)	(841)	(448)	367	1,350	1,950	2,680	3,077	3,395
NP YoY		*na*	*na*	*na*	*na*	*268%*	*44%*	*37%*	*15%*	*10%*
EPS	(1.38)	(1.28)	(0.95)	(0.49)	0.40	1.48	2.14	2.94	3.38	3.73
EPS YoY				*na*	*na*	*268%*	*44%*	*37%*	*15%*	*10%*
Target EV/EBITDA (sector EV/EBITDA)								30.1		
Target EV/EBITDA x 2030 EBITDA								119,730		
Enterprise value (Rmb, 2027E)					91,193					
Debt					2,880					
Cash					947					
Equity value (Rmb, 2027E)					89,260					
Value per share (HKD, 2027E): Target Price					**114**					
Implied EV/Sales					**23**	**15**	**12**	**10**	**9**	**9**
Implied P/E					**243**	**66**	**46**	**33**	**29**	**26**

COE	9.5%
Beta	1.0
Risk-free rate	3.0%
Market risk premium	6.5%

Source: Company data, Goldman Sachs Global Investment Research



Exhibit 4: InnoScience 12M forward P/S



Source: Eikon Datastream

Exhibit 5: InnoScience P&L Summary

Rmb m	1H25	2H25	1H26	2H26E	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Income statement												
Revenues	553	660	834	1,248	593	828	1,213	2,082	4,013	6,217	7,553	8,941
GP	38	51	97	312	(362)	(161)	89	409	1,248	2,343	3,002	3,802
OP	(424)	(442)	(301)	(131)	(1,048)	(1,034)	(866)	(431)	434	1,589	2,254	3,054
EBITDA	(157)	(204)	(72)	98	(523)	(527)	(362)	26	911	2,143	2,981	3,978
Non OP	(5)	30	(8)	(8)	(54)	(12)	26	(17)	(2)	0	40	109
Pretax income	(428)	(412)	(309)	(139)	(1,102)	(1,045)	(840)	(448)	432	1,589	2,294	3,163
Net income	(429)	(412)	(309)	(139)	(1,102)	(1,046)	(841)	(448)	367	1,350	1,950	2,688
EPS (Rmb)	(0.49)	(0.46)	(0.34)	(0.15)	(1.38)	(1.28)	(0.95)	(0.49)	0.40	1.48	2.14	2.95
Margins												
GM	6.8%	7.7%	11.6%	25.0%	-61.1%	-19.5%	7.3%	19.7%	31.1%	37.7%	39.8%	42.5%
OPM	-76.6%	-67.0%	-36.1%	-10.5%	-176.8%	-124.7%	-71.4%	-20.7%	10.8%	25.6%	29.8%	34.2%
Pretax margin	-77.4%	-62.4%	-37.1%	-11.1%	-185.9%	-126.2%	-69.2%	-21.5%	10.8%	25.6%	30.4%	35.4%
EBITDA margin	-28.3%	-30.9%	-8.6%	7.9%	-88.3%	-63.7%	-29.8%	1.3%	22.7%	34.5%	39.5%	44.5%
NM	-77.5%	-62.4%	-37.1%	-11.1%	-185.9%	-126.2%	-69.3%	-21.5%	9.1%	21.7%	25.8%	30.1%
YoY												
Revenues	43%	49%	51%	89%	335%	40%	46%	72%	93%	55%	21%	18%
GP	-145%	-165%	157%	513%	na	na	na	361%	205%	88%	28%	27%
OP	na	na	na	na	na	na	na	na	na	266%	42%	36%
Pretax income	na	na	na	na	na	na	na	na	na	268%	44%	38%
Net income	na	na	na	na	na	na	na	na	na	268%	44%	38%
EBITDA	na	na	na	na	na	na	na	na	3351%	135%	39%	33%
HoH												
Revenues	25%	19%	26%	50%								
GP	na	35%	91%	221%								
OP	na	na	na	na								
Net income	na	na	na	na								

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks & Methodology - InnoScience

Valuation: Our 12m TP of HK$114 is based on 2030E discounted EV/EBITDA. Our target multiple of 30.1x for InnoScience is derived from peers' trading EV/EBITDA relative to its forward-year EBITDA YoY and EBITDA margin.

Key risks: (1) Slower-than-expected GaN adoption; (2) fiercer-than-expected pricing competition of GaN products; and (3) longer-than-expected time to ramp up new GaN capacity.

2577.HK	12m Price Target: **HK$114.00**	Price: **HK$46.28**	Upside: **146.3%**

Buy

Market cap: HK$42.1bn / $5.4bn
Enterprise value: HK$44.1bn / $5.6bn
3m ADTV: HK$554.3mn / $70.7mn
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	**1,213.3**	**2,081.9**	**4,012.8**	**6,217.0**
Revenue (Rmb mn) Old	1,213.3	2,223.7	4,026.1	6,233.0
EBITDA (Rmb mn)	(361.8)	26.4	911.2	2,143.0
EPS (Rmb) New	**(0.95)**	**(0.49)**	**0.40**	**1.48**
EPS (Rmb) Old	(0.95)	(0.40)	0.41	1.51
P/E (X)	NM	NM	98.4	26.8
P/B (X)	11.2	9.7	8.8	6.6
Dividend yield (%)	0.0	0.0	0.0	0.0
CROCI (%)	(0.3)	0.1	9.5	18.5

	6/26	12/26E	6/27E	12/27E
EPS (Rmb)	(0.34)	(0.15)	0.15	0.25

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 28 Aug 2026 close.