Innolight

7 September 2026 | 7:30 AM China Standard Time

Jerry Shen
(GS) (GS) GOLDMAN SACHS (ASIA) L.L.C.
FICC & Equities

A single generative AI query requires routing data through thousands of servers in mere milliseconds. GIR Verena and the tech team just reinstated Innolight (300308.SZ) and initiated its H-shares (3308.HK) at **Buy**, projecting a massive ~225% upside.

Here is where it gets interesting: the street is vastly underestimating the pace of the AI infrastructure upgrade. GIR's 2026 and 2027 net income forecasts are a staggering **25% and 42% above consensus**, respectively.

Why the massive divergence? The market is missing the margin expansion story. Innolight holds a dominant 21.2% global market share and an early-mover advantage in Silicon Photonics (SiPh) technology. As data centers rapidly migrate to 1.6T and 3.2T speeds to support next-gen platforms like Nvidia's Rubin, Innolight is perfectly positioned to capture higher margins. Furthermore, GIR expects the company to successfully expand beyond traditional scale-out markets into highly lucrative scale-up and scale-across solutions.

What will drive the stock higher from here? Keep an eye on these three key catalysts:

1. **Accelerated Volume Ramp-Up:** A surge in 1.6T and 3.2T optical module shipments starting in late 2026.
2. **Next-Gen AI Migration:** The rollout of new AI GPU platforms (e.g., Rubin, Rubin Ultra) demanding massive specification upgrades.
3. **New Revenue Streams:** Incremental top-line growth from new NPO (Near Packaged Optics) solutions.

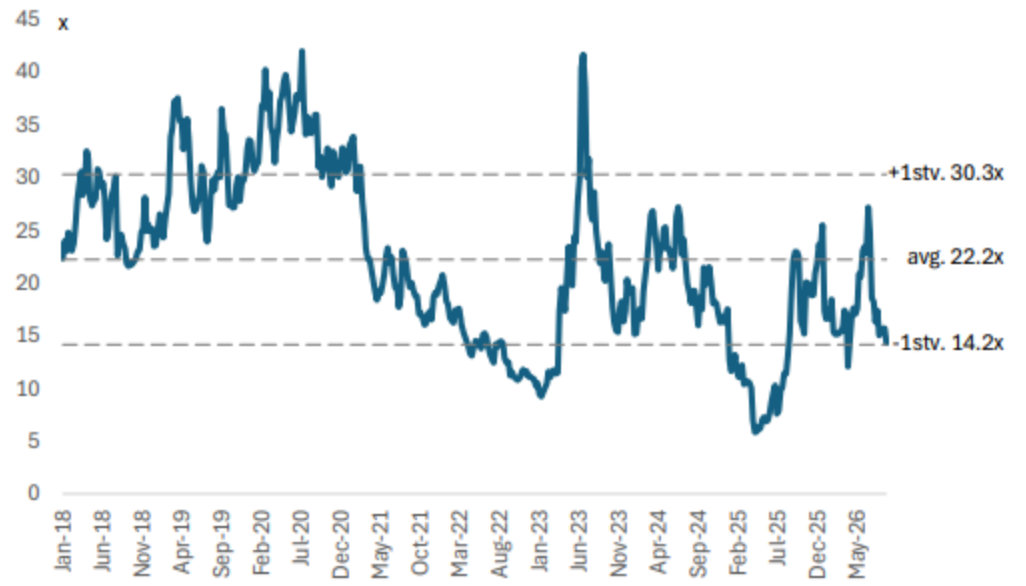
Despite recent media noise regarding potential US import restrictions, GIR notes that cloud service providers are prioritizing the delivery of cutting-edge AI racks over supply chain diversification. In a fast-evolving tech landscape with tight raw material supplies, customers are leaning heavier into existing, reliable leaders. For investors looking to play the AI infrastructure boom, Innolight offers a highly compelling, mispriced opportunity.

Exhibit 4: GS vs. Bloomberg consensus

	2026E			2027E		
Rmb mn	GS	BBG	Diff %	GS	BBG	Diff %
Revenue	131,870	103,328	28%	276,712	190,708	45%
GP	61,672	47,129	31%	133,138	88,611	50%
OP	52,591	41,054	28%	114,737	77,805	47%
Net income	40,432	32,432	25%	86,903	61,104	42%
Margins						
GM	46.8%	45.6%		48.1%	46.5%	
OPM	39.9%	39.7%		41.5%	40.8%	
NM	30.7%	31.4%		31.4%	32.0%	

Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 8: Innolight's A-share 12M forward PE ratio



Source: Goldman Sachs Global Investment Research, Bloomberg