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Zhongji Innolight (3308.HK / 300308.SZ)

Resuming Coverage on A-shr, Initiating Coverage on H-shr at Buy: A Leading Global AI Optics Interconnects Solution Provider

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CITI'S TAKE

We resume coverage of Innolight-A (300308.SZ) after a period of Rating Suspended with a Buy rating and Rmb1,325 target price, and we initiate coverage on Innolight-H (3308.HK) with a Buy rating and HK$1,524 target price. Our target prices are based on 16.2x P/E on 2027E EPS, set at 1SD below Innolight-A's three-year average. We forecast Innolight can deliver 129%/149% revenue/net profit CAGR over 2025-28E thanks to strong AI optics demand, bandwidth upgrade, rapid capacity ramp, improving product mix (high-speed products), rising adoption of SiPh technology, and operating leverage. We believe the company's leading position in the AI era is supported by its: (1) comprehensive product offerings, (2) scalable production capacity, (3) cutting-edge technology advancement (XPO, NPO, OCS) and R&D capability, (4) flexible and resilient supply chain, and (5) strong relationships with global leading CSP/AI customers.

Robust optical interconnects demand — Global cumulative AI capex is forecast to reach up to US$6.1trn over 2026E-30E, from US$0.9trn from 2021-25, per CIC. The global datacom market could reach c.US$98.6bn by 2030E, according to LightCounting projections (vs. Citi global optical interconnects market of US$92bn by 2028E). In 2025, C.77% of datacom optical interconnects were demanded from scale-out network and 22% from front-end network and others, and this is forecast by LightCounting to grow at 19.4% and 21.6% CAGR during 2026E-30E respectively.

High-speed migration in datacom optics — We estimate Innolight could ship 30.1mn / 60.2mn / 96.4mn optical transceivers in 2026E/27E/28E, up 43% / 100% / 60% YoY, among which high-speed optical transceivers (800G or above) should contribute 26.0mn / 57.0mn / 94.0mn or 86% / 95% / 98% of total shipments. 2.4T or 3.2T, XPO, NPO are emerging

Resuming and initiating coverage; refreshing target price and model — We resume coverage of Innolight-A (300308.SZ) after a period of Rating Suspended with a Buy rating and Rmb1,325 target price, and we initiate coverage on Innolight-H (3308.HK) with a Buy rating and HK$1,524 target price. Our target prices are based on 16.2x P/E on 2027E EPS, set at 1SD below Innolight-A's three-year average. We now forecast total revenue at Rmb104bn / Rmb277bn / Rmb456bn (up 173% / 166% / 65% YoY) and net profit at Rmb35bn / Rmb97bn / Rmb167bn (up 226% / 176% / 72% YoY) in 2026E/27E/28E.

Key risks — Customer concentration; intense competition; market demand cyclicality; technology risks; supply chain and manufacturing risks; geopolitical and trade risks.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Not for distribution in the People's Republic of China, excluding the Hong Kong Special Administrative Region and Qualified Foreign Institutional Investors.

Data Summary

															Current Fiscal Year		Next Fiscal Year	
						Rating		Short-Term	Target Price						EPS		EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
Innolight	300308.SZ	Rmb	814.000	961,835	04 Sep 15:00	--	1	-	-	1,325.000	62.8	1.0	63.8	Dec-25	31.294	30.464	86.918	81.839
Innolight	3308.HK	HK$	1,006.00	1,122,347	04 Sep 16:10		1	-	-	1,524.00	51.5	1.0	52.5	Dec-25	-	30.464	-	81.839

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk
ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change
Source: Citi Research
^Catalyst Watch

