Innolight (300308.SZ)

Optical specification upgrade towards 1.6T and above, expansion to scale-up/ scale-across; initiate H-share and reinstate A-share at Buy

300308.SZ	12m Price Target: **Rmb2,645.00**	Price: **Rmb814.00**	Upside: **224.9%**
3308.HK	12m Price Target: **HK$3,267.00**	Price: **HK$1,006.00**	Upside: **224.8%**

We reinstate coverage of Innolight-A at Buy with a 12m TP of Rmb2,645/share, and initiate Innolight-H at Buy with a 12m TP of HK$3,267/share. Innolight is a leading global provider of optical interconnect solutions that enable high-speed, energy-efficient, and low-latency data transmission. We forecast revenue to grow at a 78% CAGR in 2026-28E, driven by (1) SiPh-based optical modules shipment growth, and (2) Innolight's market expansion into scale-up and scale-across, in addition to the scale-out solution market.

Key debates: Our 2026/27E NI forecasts are 25%/ 42% above consensus on higher revenue and GM assumptions, reflecting our positive view on (1) Innolight's leadership in SiPh-based modules, (2) the accelerating ramp-up of 1.6T and above solutions, (3) a stable supply chain and diversified production sites, and (4) manageable CPO competition. According to media reports (Link), the Federal Communications Commission (FCC) is considering restrictions on imports of China-made optical modules. While we take no view on the outcome or the likelihood of potential US import restrictions, we believe that Innolight's experience in handling the CSPs customers and the AI infrastructure supply chain positions it well to adapt to evolving demand and product requirements well ahead of peers.

Catalysts: (1) Accelerated 1.6T/ 3.2T optical modules ramp-up, (2) New generation of AI platform migration (e.g., Rubin, Rubin Ultra) to drive spec upgrade, (3) incremental revenue from NPO solution.

Valuation: We derive our A-share target P/E of 35.6x from the correlation between the sum of earnings growth and operating margin, and the average valuation multiple of Innolight's peers. Our H-share valuation is based on an H-A premium of 13%. **Key risks:** 1) slow 800G+ demand; 2) slow ramp-up pace of new optical devices; 3) faster-than-expected market share normalization; 4) geopolitical risks; and 5) a worsening component supply situation.

BUY

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Key Data

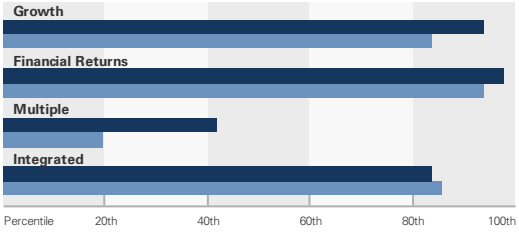
Market cap: Rmb936.2bn / $139.5bn
Enterprise value: Rmb874.4bn / $130.3bn
3m ADTV: Rmb36.1bn / $5.3bn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**38,239.9**	**131,869.5**	**276,712.1**	**417,779.1**
Revenue (Rmb mn) Old	38,239.9	–	–	–
EBITDA (Rmb mn)	14,220.7	53,633.7	116,406.1	183,630.9
EPS (Rmb) New	**9.72**	**35.15**	**74.29**	**117.21**
EPS (Rmb) Old	9.72	–	–	–
P/E (X)	25.9	23.2	11.0	6.9
P/B (X)	8.8	7.8	4.7	2.8
Dividend yield (%)	0.6	0.6	1.3	2.1
CROCI (%)	69.1	122.7	141.2	154.8

	6/26	9/26E	12/26E	3/27E
EPS (Rmb)	7.10	9.05	13.85	20.34

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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BUY

Innolight (300308.SZ)

Rating since Sep 7, 2026

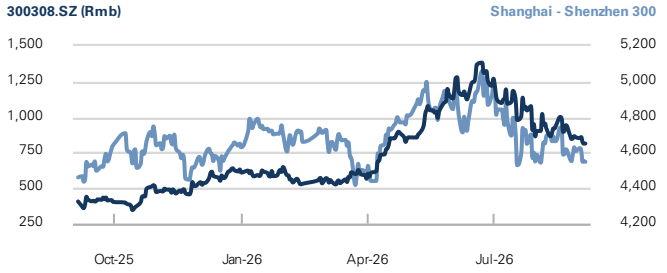
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	25.9	23.2	11.0	6.9
P/B (X)	8.8	7.8	4.7	2.8
FCF yield (%)	2.9	1.5	6.6	13.0
EV/EBITDAR (X)	19.1	16.3	7.3	4.1
EV/EBITDA (excl. leases) (X)	19.1	16.3	7.3	4.1
CROCI (%)	69.1	122.7	141.2	154.8
ROE (%)	44.2	56.2	57.5	55.5
Net debt/equity (%)	(29.7)	(56.5)	(58.6)	(67.6)
Net debt/equity (excl. leases) (%)	(29.7)	(56.5)	(58.6)	(67.6)
Interest cover (X)	214.0	757.1	1,516.9	2,383.5
Days inventory outst, sales	94.2	53.2	51.4	49.2
Receivable days	52.6	36.0	35.0	34.0
Days payable outstanding	93.1	54.0	53.0	52.0
DuPont ROE (%)	34.1	33.7	42.6	40.7
Turnover (X)	0.8	0.9	1.2	1.1
Leverage (X)	1.4	1.2	1.2	1.1
Gross cash invested (ex cash) (Rmb)	21,452.9	52,429.4	86,463.3	113,318.0
Average capital employed (Rmb)	20,072.7	37,196.8	68,346.1	96,713.8
BVPS (Rmb)	28.46	104.27	174.36	287.72

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	60.3	244.8	109.8	51.0
EBITDA growth	117.4	277.2	117.0	57.8
EPS growth	105.9	261.8	111.3	57.8
DPS growth	175.3	261.8	111.3	57.8
EBIT margin	35.0	39.9	41.5	43.4
EBITDA margin	37.2	40.7	42.1	44.0
Net income margin	28.2	30.7	31.4	32.8

Price Performance



	3m	6m	12m
Absolute	(36.4)%	51.0%	120.5%
Rel. to the Shanghai - Shenzhen 300	(31.4)%	52.8%	111.6%

Source: FactSet. Price as of 4 Sep 2026 close.

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	38,239.9	131,869.5	276,712.1	417,779.1
Cost of goods sold	(22,165.5)	(70,197.1)	(143,573.8)	(209,685.6)
SG&A	(1,064.7)	(3,493.7)	(7,056.2)	(10,235.6)
R&D	(1,615.3)	(5,587.8)	(11,345.2)	(16,711.2)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**14,220.7**	**53,633.7**	**116,406.1**	**183,630.9**
Depreciation & amortization	(826.2)	(1,042.7)	(1,669.1)	(2,484.0)
EBIT	**13,394.4**	**52,591.0**	**114,737.0**	**181,146.8**
Net interest inc./(exp.)	181.7	230.8	214.6	216.0
Income/(loss) from associates	324.1	34.2	–	–
Pre-tax profit	**13,599.6**	**52,655.1**	**114,951.6**	**181,362.8**
Provision for taxes	(2,019.9)	(8,165.1)	(18,392.3)	(29,018.1)
Minority interest	(782.5)	(4,057.9)	(9,655.9)	(15,234.5)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**10,797.3**	**40,432.1**	**86,903.4**	**137,110.3**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**10,797.3**	**40,432.1**	**86,903.4**	**137,110.3**
EPS (basic, pre-except) (Rmb)	**9.72**	**35.15**	**74.29**	**117.21**
EPS (diluted, pre-except) (Rmb)	**9.72**	**35.15**	**74.29**	**117.21**
EPS (basic, post-except) (Rmb)	**9.72**	**35.15**	**74.29**	**117.21**
EPS (diluted, post-except) (Rmb)	**9.72**	**35.15**	**74.29**	**117.21**
DPS (Rmb)	1.40	5.06	10.70	16.89
Div. payout ratio (%)	14.4	14.4	14.4	14.4

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	10,986.9	69,567.4	121,241.8	229,462.4
Accounts receivable	6,349.5	19,663.1	33,405.0	44,427.9
Inventory	12,680.7	25,783.4	52,100.4	60,497.9
Other current assets	1,066.9	1,066.9	1,066.9	1,066.9
Total current assets	**31,084.0**	**116,080.9**	**207,814.0**	**335,455.0**
Net PP&E	7,080.6	15,824.7	23,942.3	31,248.0
Net intangibles	377.6	320.7	264.1	204.3
Total investments	1,263.0	1,263.0	1,263.0	1,263.0
Other long-term assets	5,483.8	5,483.8	5,483.8	5,483.8
Total assets	**45,289.0**	**138,973.1**	**238,767.2**	**373,654.1**
Accounts payable	7,800.4	12,970.2	28,725.2	31,020.9
Short-term debt	1,085.6	1,300.0	1,300.0	1,300.0
Short-term lease liabilities	–	–	–	–
Other current liabilities	2,672.5	2,672.5	2,672.5	2,672.5
Total current liabilities	**11,558.5**	**16,942.7**	**32,697.6**	**34,993.3**
Long-term debt	510.0	510.0	510.0	510.0
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	1,599.3	1,599.3	1,599.3	1,599.3
Total long-term liabilities	**2,109.3**	**2,109.3**	**2,109.3**	**2,109.3**
Total liabilities	**13,667.8**	**19,052.0**	**34,806.9**	**37,102.6**
Preferred shares	–	–	–	–
Total common equity	29,765.2	114,007.2	188,390.4	305,747.1
Minority interest	**1,856.0**	**5,914.0**	**15,569.9**	**30,804.4**
Total liabilities & equity	**45,289.0**	**138,973.1**	**238,767.2**	**373,654.1**
Net debt, adjusted	(9,391.3)	(67,757.4)	(119,431.8)	(227,652.4)

Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	10,797.3	40,432.1	86,903.4	137,110.3
D&A add-back	826.2	1,042.7	1,669.1	2,484.0
Minority interest add-back	782.5	4,057.9	9,655.9	15,234.5
Net (inc)/dec working capital	(3,015.7)	(21,246.5)	(24,303.9)	(17,124.7)
Other operating cash flow	1,505.8	(1.4)	–	–
Cash flow from operations	**10,896.1**	**24,284.8**	**73,924.5**	**137,704.1**
Capital expenditures	(2,760.0)	(9,730.0)	(9,730.0)	(9,730.0)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	141.4	1.4	–	–
Cash flow from investing	**(2,618.6)**	**(9,728.6)**	**(9,730.0)**	**(9,730.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(1,082.7)	(5,825.1)	(12,520.2)	(19,753.5)
Inc/(dec) in debt	(1,080.8)	214.4	–	–
Other financing cash flows	(180.9)	49,635.0	0.0	0.0
Cash flow from financing	**(2,344.4)**	**44,024.3**	**(12,520.2)**	**(19,753.5)**
Total cash flow	**5,933.1**	**58,580.5**	**51,674.3**	**108,220.6**
Free cash flow	8,136.1	14,554.8	64,194.5	127,974.1

Source: Company data, Goldman Sachs Research estimates.

Investment thesis

Innolight is the largest optical interconnect solution provider globally in terms of the relevant revenue in 2025, per LightCounting and CIC, with a market share of 21.2%. This is supported by its R&D capabilities, customer trust and collaboration, large scale with cost advantages, and production & supply chain capabilities. The company is the leading supplier across all high-speed optical transceiver segments, including 400G, 800G, and 1.6T products. We expect Innolight's revenue to grow at a 78% CAGR over 2026E-28E, supported by the ramp-up of optical transceivers driven by rising AI spending, and a mix upgrade towards 800G and 1.6T and above optical transceivers. Meanwhile, the company is also expanding into scale-up and scale-across (pluggable optical module) solutions.-

- **Early in next-generation optical interconnect integration R&D:** The company has secured an early-mover advantage in SiPh technology, which enhances product performance, reduces assembly complexity, and improves sourcing flexibility. The company was the first to introduce transformative SiPh optical transceivers, and is the first company to commercialize SiPh technology in high-speed optical transceivers at scale.
- **Integrated coordination and reproducible production processes:** With dedicated new product introduction (NPI) teams that integrate product R&D and early-stage production functions, the company is able to shorten the cycle from initial development to mass production and hence rapidly introduce next-generation products to market. Highly standardized and easily reproducible production processes accelerate time-to-market for customers in a rapidly evolving industry. The company's production equipment is compatible with a majority of processes and is capable of being used for the production of different types of optical transceivers to achieve mass delivery swiftly, leveraging the existing capacities.
- **AI data center to drive specification upgrade:** With the high-end market (1.6T and above) demand mainly driven by growing AI data center application, and migration to the new generation of GPU platform, we expect to see higher 1.6T/ 3.2T usage in 2027-28E.

1.6T and above optical transceivers as key growth drivers

In 2026/27/28E, we expect the global optical transceiver market to reach US$68bn/131bn/148bn, with 800G and above segment increasing at a +69% CAGR and reaching US$45bn/ 108bn/ 130bn. We expect 800G/1.6T shipment volume at 45m/33m units in 2026E, growing to 49m/71m in 2027E, with 3.2T shipment ramping up to 23m/ 68m in 2027/ 28E. Silicon photonics will account for 60%/ 80%/ 80% of 800G/1.6T/3.2T optical transceivers in 2026-28E, in our view.

800G has become the mainstream specification for large scale data centers, and we expect 1.6T will see strong volume ramp up from 2026, with the adoption of 3.2T starting from 2027E. **800G's demand volume** will increase from 45m in 2026E to 49m/ 49m in 2027-28E, and **1.6T's volume** will increase from 33m in 2026E to 71m/ 55m in 2027-28E, growing from 6% of total shipments in 2026E to 8% in 2028E. **3.2T** will start shipments from 2027E at 23m units, and then we expect the **volume** to reach 68m units

in 2028E.

US$ m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E	2028E
Global Optical module TAM												
Global TAM (US$m)	**7,260**	**7,988**	**10,261**	**12,068**	**13,135**	**14,304**	**17,730**	**22,533**	**37,577**	**67,702**	**131,414**	**148,495**
Below 400G	4,535	4,328	5,052	4,784	4,886	4,998	5,445	5,196	18,698	20,526	22,639	18,617
400G	2,119	1,127	1,195	422	493	451	596	467	4,863	2,007	1,243	376
800G	606	2,352	3,800	5,042	4,706	4,778	4,969	4,521	11,800	18,974	19,440	15,296
1.6T	-	181	214	1,820	3,050	4,077	6,719	12,349	2,216	26,195	53,526	32,914
3.2T	-	-	-	-	-	-	-	-	-	-	34,566	81,293
By Speed Mix	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Below 400G	62%	54%	49%	40%	37%	35%	31%	23%	50%	30%	17%	13%
400G	29%	14%	12%	3%	4%	3%	3%	2%	13%	3%	1%	0%
800G	8%	29%	37%	42%	36%	33%	28%	20%	31%	28%	15%	10%
1.6T	0%	2%	2%	15%	23%	29%	38%	55%	6%	39%	41%	22%
3.2T	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	26%	55%
By Material Mix	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SiPh	15%	23%	26%	35%	39%	41%	45%	53%	26%	46%	59%	64%
EML	85%	77%	74%	65%	61%	59%	55%	47%	74%	54%	41%	36%

	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2025	2026E	2027E	2028E
Global Optical module shipment TAM												
Global shipment (k units)	**107,332**	**102,788**	**121,854**	**117,518**	**127,068**	**130,841**	**145,316**	**145,108**	**449,492**	**548,332**	**690,763**	**729,400**
Below 400G	96,741	92,327	107,767	102,056	109,732	112,238	122,279	116,677	398,890	460,926	540,838	555,926
400G	9,212	4,900	5,196	1,836	2,256	2,063	2,729	2,140	21,145	9,187	6,052	2,232
800G	1,378	5,345	8,637	11,459	11,259	11,430	11,888	10,816	26,819	45,393	49,475	48,660
1.6T	-	216	255	2,167	3,822	5,109	8,420	15,475	2,638	32,826	71,357	54,848
3.2T	-	-	-	-	-	-	-	-	-	-	23,040	67,734
Mix	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Below 400G	90%	90%	88%	87%	86%	86%	84%	80%	89%	84%	78%	76%
400G	9%	5%	4%	2%	2%	2%	2%	1%	5%	2%	1%	0%
800G	1%	5%	7%	10%	9%	9%	8%	7%	6%	8%	7%	7%
1.6T	0%	0%	0%	2%	3%	4%	6%	11%	1%	6%	10%	8%
3.2T	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%	9%
SiPh penetration rate	**4%**	**5%**	**6%**	**8%**	**8%**	**9%**	**10%**	**14%**	**6%**	**10%**	**16%**	**18%**
Below 400G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
400G	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	29%
800G	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
1.6T	0%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
3.2T	0%	0%	0%	0%	0%	0%	0%	0%			80%	80%

	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2025	2026E	2027E	2028E
ASP (US$)												
By speed (US$)	**79**	**74**	**100**	**99**	**112**	**113**	**136**	**155**	**84**	**123**	**190**	**204**
Below 400G	54	45	55	44	48	46	49	42	47	45	42	33
400G	314	122	244	81	268	200	289	171	230	219	205	168
800G	596	1,706	711	584	411	424	435	380	440	418	393	314
1.6T			991	7,143	1,407	1,067	1,315	1,467	840	798	750	600
3.2T												1,200
YoY					**41%**	**51%**	**36%**	**57%**		**48%**	**54%**	**7%**
Below 400G					-12%	2%	-11%	-4%		-5%	-6%	-20%
400G					-15%	63%	19%	111%		-5%	-6%	-18%
800G					-31%	-75%	-39%	-35%		-5%	-6%	-20%
1.6T							33%	-79%		-5%	-6%	-20%
3.2T												-20%

Source: Goldman Sachs Global Investment Research

Exhibit 1: Revenue forecast details

		2024	2025	2026E	2027E	2028E
	Total revenues (Rmb m)	**23,862**	**38,240**	**131,870**	**276,712**	**417,779**
	YoY %	*123%*	*60%*	*245%*	*110%*	*51%*
A	**Scale out & Front-end network, Rmb m**	**22,886**	**37,457**	**130,975**	**247,553**	**345,504**
	YoY %	*125%*	64%	250%	89%	40%
	as a % of total revenues	96%	98%	99%	89%	83%
i.	Siph pluggable optical module		23,607	112,145	224,194	328,726
	as a % of total revenues		62%	85%	81%	79%
	a. Shipment (k units)		10,539	27,179	49,344	66,761
	400G		3,274	367	242	65
	800G		7,244	11,976	12,765	12,262
	1.6T		21	14,835	34,251	26,327
	2.4T				2,000	9,400
	3.2T		-	-	86	18,706
	Siph shipment contribution		*50%*	*69%*	*80%*	*86%*
	b. ASP (US$)		314	590	635	689
	400G		202	190	180	145
	800G		363	380	357	276
	1.6T		787	769	716	569
	2.4T				1,060	842
	3.2T		-	-	1,414	1,052
	Per G ASP (US$)		*0.5*	*0.5*	*0.4*	*0.4*
	YoY			*-6%*	*-6%*	*-19%*
ii.	EML pluggable optical module		13,849	18,830	23,359	16,778
	as a % of total revenues		36%	14%	8%	4%
	a. Shipment (k units)		10,551	12,175	13,267	12,903
	Below 400G		6,478	7,881	8,113	8,339
	400G		2,115	551	363	158
	800G		1,904	3,087	3,364	3,309
	1.6T		53	657	1,427	1,097
	3.2T		-	-	-	-
	b. ASP (US$)		184	221	246	182
	Below 400G		73	70	64	57
	400G		242	228	215	164
	800G		477	456	429	332
	1.6T		944	921	859	683
	3.2T		-	-	-	-
	Per G ASP (US$)		*0.6*	*0.6*	*0.5*	*0.4*
	YoY			*-2%*	*-7%*	*-20%*
iii.	UT rate cross check					
	a. Production (k units)	15,360	23,760	44,336	74,718	100,581
	Shipment	14,590	21,090	39,354	66,322	89,279
	Inventory	770	2,670	4,982	8,396	11,303
	Inventory ratio	*5%*	*11%*	*11%*	*11%*	*11%*
	b. Capacity (k units)	20,880	28,060	60,000	90,000	120,000
	UT rate	*74%*	*85%*	*74%*	*83%*	*84%*

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Revenue forecast details (Continued)

	2024	2025	2026E	2027E	2028E
B Scale up, Rmb m	-	-	39	28,180	70,753
YoY %				NM	151%
as a % of total revenues			0.03%	10%	17%
i. Optical module / engine				27,214	66,249
as a % of total revenues				10%	16%
a. Shipment (k units)				3,710	9,615
12.8T XPO				1	14
3.2T CPO				100	600
6.4T CPO				-	220
3.2T NPO				3,600	7,185
6.4T NPO				10	1,600
12.8T NPO				-	10
as a % of total shipment				*6%*	*11%*
b. ASP (US$)					
12.8T XPO				5,654	4,358
3.2T CPO				1,414	1,109
6.4T CPO				-	2,043
3.2T NPO				1,011	786
6.4T NPO				2,022	1,510
12.8T NPO				-	2,830
Per G ASP - NPO (US$)				*0.3*	*0.2*
YoY					*-22%*
ii. Optical components			39	867	2,849
as a % of total revenues			0.03%	0.3%	1%
a. Shipment (k units)					
FAU for CPO switch			36	528	1,458
ELS module for CPO switch			9	207	712
b. ASP (US$)					
FAU for CPO switch			51	77	91
ELS module for CPO switch			409	391	373
iii. Optical switch (OCS)				139	2,091
as a % of total revenues				0.1%	0.5%
a. Shipment (k units)				0.2	2.4
ASP (US$)				130,000	124,468
C Scale across, Rmb m				66	215
YoY %					226%
as a % of total revenues				0.0%	0.1%
D Others, Rmb m	976	783	856	914	1,307

Source: Company data, Goldman Sachs Global Investment Research

Key debates

1) Innolight's leading market position amid local competition: Despite more new entrants entering the 800G/ 1.6T market, we expect that strong market demand, raw material shortages, and fast technology migration will ease competition. CSP customers' first priority is to deliver the latest AI server racks rather than to diversify their supply chains. Innolight has committed strongly to both R&D and capacity, doubling capacity this year, and we expect a similar level of capex through 2028.

2) Framing the debate on potential US import restrictions: According reports (Link), the US administration is reportedly drafting a ban on imp data center components, with the Federal Communications Commissio on measures to ban imports of Chinese-made optical modules. Against three key debates have emerged around the potential impact: why indu continue to gain client traction; capacity and cost efficiency implication



production base diversification. We take no view on the outcome or the likelihood of potential US import restrictions. On fundamentals, we remain positive on Innolight as the industry leader, given strong AI demand, tight raw material supply, and the rapid pace of technology migration. We believe it would be difficult for CSPs to diversify their AI server supply chains in an environment of rapid technology migration, strong AI demand, tight raw material supply, and high customization requirements across various SKUs. In our view, such a fast-evolving technology environment tends to increase customers' reliance on existing leaders rather than reduce it, which adds to the difficulties in switching suppliers.

3) Stable supply chain and diversified production sites: We see Innolight is committed to establishing strategic, long-term partnerships with suppliers and is focused on shared success. The company actively supports its suppliers' technological roadmap and international expansion, aligning their growth with Innolight's innovation and global strategy. These deepening partnerships enhance both the stability and cost-competitiveness of the company's supply chain, per company.

4) Accelerated 1.6T and above solution ramp up onwards: In terms of 1.6T/ 3.2T ramp up in 2026/ 27E, we see that AI servers networking continues to migrate. Take NVIDIA's rack-level AI servers for example: GB200 uses 400G (GPU layer) and 800G networking (leaf, spine, core layer), GB300 uses 800G (GPU layer) and 1.6T (leaf, spine layer), and we expect Rubin and Rubin Ultra to further migrate to 1.6T and 3.2T. Based on our updated server TAM estimates, we expect rack-level AI servers powered by NVIDIA to increase to 50k / 92k / 148k racks in 2026-28E, and those powered by AMD to increase to 5k/ 13k/ 15k units in 2026-28E, driving the adoption of high-speed optical transceivers.

5) Potential CPO competition: As we highlighted in our Optical networking report (Link), even if CPO penetration rate reaches 30% in scale out, the pluggable optical module value TAM is still 10x larger from GB300 to Rubin Ultra, given the strong ramp-up in AI server racks and continued spec upgrades. Second, scale-up is an entirely new market for all optical suppliers, given that it currently uses copper cable. Innolight, as the technology leader, offers multiple solutions to customers: 12.8T pluggable module, NPO optical engines and CPO optical engines. The company has a strong track record in high-speed connectivity, having delivered the first 400G, the first 800G, the first 1.6T, and the first SiPh optical module. We expect its strong R&D to continue to secure its leading market position.

Financial highlights

We forecast **revenue** to grow at 78% CAGR in 2026-28E, driven by (1) higher shipments of Silicon Photonics optical modules and ASP increase, and (2) market expansion to scale-up and scale-across in addition to scale-out:

- **SiPh-based modules shipment growth** (+71% CAGR), driven by AI server rack ramp-up, and the company's leading market share in high-speed optical modules, with SiPh-based module **ASP increases** (+8% CAGR), supported by product-mix upgrades of 1.6T / 3.2T optical modules.
- **Market expansion to scale-up and scale-across**, in addition to scale-out, by launching new products: optical engines, FAU (Fiber Array Unit), ELS (External Laser

Source) modules, and OCS (Optical Circuit Switch).

- Our shipment estimates imply that the UT rate will stay elevated at 74-84% in 2026-28E, despite strong capacity expansion.

Weorecast the **GM to improve from 42% in 2025 to 50% in 2028E**. The GM expansion is driven by a product-mix upgrade from EML (Electro-Absorption Modulated Laser)-based modules to SiPh-based modules. We estimate that SiPh-based module shipment contribution will increase from 50% in 2025 to 86% by 2028E, due to the higher penetration of Silicon Photonicsor 800G and above high-speed optical transceivers. Expanding to scale-up — in addition to scale-out — should support GM expansion, as scale-up demands higher bandwidth and lower latency, which in turn requires more advanced, high-end optical products that carry better margins, in our view.

Weorecast the **net income** to grow at an **84% CAGR over 2026E-28E**, with net margin improving from 31% in 2026E to 33% in 2028E, supported by GM improvement on a better product mix and improving operational efficiency amid the larger business scale.

Exhibit 3: Innolight P&L Summary

GS vs. consensus: Our net income is 25% / 42% higher vs. consensus in 2026/27E, mainly on higher revenue and GM, reflecting our positive view on Innolight's leading market position. BBG consensus revenue implies that 2H26 revenue would increase by 47% HoH (vs. +116% HoH on our estimates), which we believe is conservative considering Rubin is entering mass production in 2H26 with doubling 1.6T adoption, Google's ASIC new models are using more 1.6T, and Innolight's leading market position in 1.6T optical modules.

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

Balance sheet

We forecast **ROE** to grow from 44% in 2025 to 55% - 57% in 2026-28E, driven by net margin expansion due to the growing high-speed optical module business, supported by the AI infrastructure cycle.

We expect the **cash conversion cycle** to improve from 122 days in 2025 to 80 days in 2028E due to an improvement in inventory days given the strong demand driven by AI, and an improvement in AR days as a result of improved bargaining power given its leading market position (the largest scale and latest technology).

We forecast the **gearing ratio (Net Debt/Total Equity)** to be at -68% in 2028E (2025: -30%) as the company will remain in net cash position through 2028E, with rising net cash driven by growing operating cash flow due to the AI infrastructure cycle.

Exhibit 5: Innolight Balance sheet

	2023	2024	2025	2026E	2027E	2028E
Balance Sheet						
Cash and equivalents	3,317	5,054	10,987	69,567	121,242	229,462
Accounts receivable	2,905	4,671	6,350	19,663	33,405	44,428
Inventory	4,295	7,051	12,681	25,783	52,100	60,498
Other current assets	803	1,420	1,067	1,067	1,067	1,067
Current assets	**11,319**	**18,196**	**31,084**	**116,081**	**207,814**	**335,455**
Net PP&E/Fixed assets	3,948	5,820	7,081	15,825	23,942	31,248
Net intangibles	401	378	378	321	264	204
Other long-term assets	4,339	4,473	6,747	6,747	6,747	6,747
Non-current assets	**8,687**	**10,671**	**14,205**	**22,892**	**30,953**	**38,199**
Total assets	**20,007**	**28,866**	**45,289**	**138,973**	**238,767**	**373,654**
Accounts payable	2,163	3,508	7,800	12,970	28,725	31,021
Short-term debt	621	2,070	1,086	1,300	1,300	1,300
Other current liabilities	1,576	919	2,672	2,672	2,672	2,672
Current liabilities	**4,360**	**6,497**	**11,558**	**16,943**	**32,698**	**34,993**
Long-term debt	319	606	510	510	510	510
Other long-term liabilities	553	1,470	1,599	1,599	1,599	1,599
Non-current liabilities	**872**	**2,076**	**2,109**	**2,109**	**2,109**	**2,109**
Total liabilities	**5,232**	**8,573**	**13,668**	**19,052**	**34,807**	**37,103**
Common stock	803	1,121	1,111	49,635	49,635	49,635
Retained earnings	5,982	10,799	20,596	55,203	129,586	246,943
Other common equity	7,476	7,214	8,058	9,169	9,169	9,169
Total common equity	**14,261**	**19,134**	**29,765**	**114,007**	**188,390**	**305,747**
Minority interest	513	1,159	1,856	5,914	15,570	30,804
Total equity	**14,774**	**20,293**	**31,621**	**119,921**	**203,960**	**336,552**
Cash conversion cycle						
Account receivable days	76	58	53	36	35	34
Inventory days	208	131	162	100	99	98
Net payable days	90	66	93	54	53	52
Cash conversion cycle	194	124	122	82	81	80
Ratios						
ROE (common equity)	17%	31%	44%	56%	57%	55%
ROA	12%	21%	29%	44%	46%	45%
Net debt to total equity	-16%	-12%	-30%	-57%	-59%	-68%
Total liabilities to total assets	26%	30%	30%	14%	15%	10%
Dupont analysis						
Asset turnover	0.6	1.0	1.0	1.4	1.5	1.4
Leverage (assets to equity)	1.4	1.5	1.5	1.3	1.2	1.2
Net margin	20%	22%	28%	31%	31%	33%
ROE (total equity)	17%	31%	44%	56%	57%	55%
ROE (common equity)	17%	31%	44%	56%	57%	55%
ROA	12%	21%	29%	44%	46%	45%
CROCI (EDBITA/total equity)	18%	32%	45%	45%	57%	55%

Source: Company data, Goldman Sachs Global Investment Research

Cash Flow Statement

We expect the company's **capex** to increase by 253% YoY in 2026E to support capacity expansion and to capture the growing demand for high-speed optical modules. We expect capex to remain high through 2028E to support continuous capacity expansion.

Despite the high capex, we expect the **FCF** to remain positive and continue to grow through 2028E due to strong operating cash flow in the coming years, driven by strong earnings growth and margins expansion.

Exhibit 6: Innolight cash flow statement

	2023	2024	2025	2026E	2027E	2028E
Cash flow statement						
Net income	2,174	5,171	10,797	40,432	86,903	137,110
Minority interest add-back	34	200	782	4,058	9,656	15,234
Depreciation and amortization add-back	470	643	826	1,043	1,669	2,484
(Increase)/decrease in working capital	(961)	(3,178)	(3,016)	(21,247)	(24,304)	(17,125)
Other operating cash flow items	181	327	1,506	(1)	-	-
Cash flow from operating	**1,897**	**3,165**	**10,896**	**24,285**	**73,925**	**137,704**
Capital expenditure	(1,704)	(2,866)	(2,760)	(9,730)	(9,730)	(9,730)
Other investment cash flow items	528	(76)	141	1	-	-
Cash flow from investing	**(1,176)**	**(2,942)**	**(2,619)**	**(9,729)**	**(9,730)**	**(9,730)**
Dividends paid	(207)	(399)	(1,083)	(5,825)	(12,520)	(19,754)
Change in common stock	2	318	(10)	48,524	-	-
Increase/(decrease) in short-term debt	(652)	1,449	(985)	214	-	-
Increase/(decrease) in long-term debt	(377)	288	(96)	-	-	-
Other financing cash flow items	918	(164)	30	1,111	-	-
Cash flow from financing	**(316)**	**1,492**	**(2,144)**	**44,024**	**(12,520)**	**(19,754)**
Net change in cash	486	1,737	5,933	58,581	51,674	108,221
FCF	193	298	8,136	14,555	64,195	127,974
Ratio						
Capex to revenue	16%	12%	7%	7%	4%	2%

Source: Company data, Goldman Sachs Global Investment Research

Valuation and downside risks

We derive our 12m TPs for Innolight-A/H based on 2027E P/E, which we believe is appropriate given this captures the company's near-term earnings growth potential. This methodology is also consistent with companies under our GC Tech coverage. Our 2027E target P/E is derived from the correlation of the sum of earnings growth (2028E NI YoY) and operating margin (2028E average OPM), and the average valuation multiple (2027E P/E) of Innolight's peers.

We apply a **35.6x target P/E multiple** on Innolight's 2027E net income, based on the company's 58% 2028E NI YoY and 43% 2028E OPM, and a peer average ratio of 0.35x. The peer group includes technology companies with similar business profiles (Exhibit 7). We use the low-end of the ratio (excluding companies such as VPEC, Fabrinet, Landmark, Accelink, Ruijie, and Hua Gong with PEG & M higher than 0.6) to reflect market concerns about competition from CPO and new entrants. Based on 2027E P/E, our 12m TP for Innolight-A is Rmb2,645.

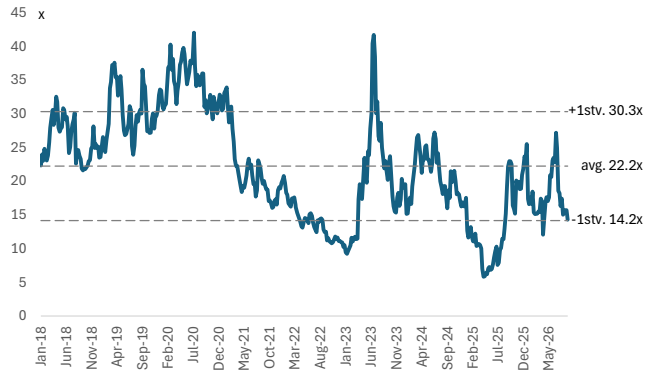
For Innolight-H, we apply a 13% H-A premium and derive a 12m TP of HK$3,267 (with FX rate at 1HKD:0.9CNY). The H-A premium references comparable tech peers' avg. H-A premium in the last 60 days; these peers include CATL, Montage, Apptec, Gigadevice, Weichai Power and Victory Giant. Our Innolight-H TP implies 40.3x 2027E P/E (vs. the currently trading multiple at 11.5x 2027E P/E), supported by the company's earnings growth of 58% YoY, or a 0.7x PEG. The implied 40.3x is at the high end of the historical trading range, reflecting our positive view that Innolight is shifting toward Datacom from Telecom, where it is enjoying strong end-market demand, fast product migration, and healthier competition, which support its re-rating. Our TP-implied PEG of 0.7x is also consistent with close global peers, including Coherent at 0.6x PEG, and Lumentum at 0.7x PEG.

Exhibit 7: Innolight's peer comparison

Company	FOCI	Celestica	Eoptolink	FII	Wistron	Lumentum	Coherent	Sumitomo
Ticker	3363.TWO	CLS	300502.SZ	601138.SS	3231.TW	LITE	COHR	5802.T
Rating	Buy	CL-Buy	Buy	Buy	Buy	NC	NC	Buy
2027E PE	40.1	13.3	17.4	13.3	7.6	34.3	24.3	15.8
2028E NI YoY	185%	46%	17%	40%	16%	50%	39%	25%
2028E OPM	27%	9%	47%	3%	3%	43%	26%	11%
Ratio	**0.2**	**0.2**	**0.3**	**0.3**	**0.4**	**0.4**	**0.4**	**0.4**
Company	**Cisco**	**Arista**	**VPEC**	**Fabrinet**	**Landmark**	**Accelink**	**Ruijie**	**Hua Gong**
Ticker	**CSCO**	**ANET**	**2455.TW**	**FN**	**3081.TWO**	**002281.SZ**	**301165.SZ**	**000988.SZ**
Rating	**Neutral**	**Buy**	**Buy**	**NC**	**Buy**	**NC**	**Neutral**	**NC**
2027E PE	21.0	34.1	45.0	21.3	93.4	42.6	59.7	35.7
2028E NI YoY	10%	21%	41%	22%	64%	27%	25%	18%
2028E OPM	35%	52%	36%	11%	49%	17%	9%	12%
Ratio	**0.5**	**0.5**	**0.6**	**0.6**	**0.8**	**1.0**	**1.7**	**1.2**
Avg.								**0.6**
Avg. (low-end, excl. names in grey)								**0.35**

Source: Bloomberg (2027E-2028E for Not Covered companies such as LITE, COHR, FN, Accelink, and Hua Gong), Goldman Sachs Global Investment Research (2027E-2028E for all others)

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



Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 9: H-A premium are based on the last 60-day average

H-A premium		
Company	**Ticker**	**Premium**
CATL	3750.HK	46%
Montage	6809.HK	22%
Apptec	2359.HK	9%
Gigadevice	3986.HK	13%
Weichai Power	2338.HK	5%
Victory Giant	2476.HK	-17%
Avg.		**13%**
Date: Sep 3, 2026		

Source: Bloomberg

M&A framework: We assign an M&A rank of 3 (indicating a low probability of the company being acquired) to Innolight, given the company has a long operational history and higher share holding of founding/management team. With this, we do not include an M&A component in our price target methodology.

Key risks:

1) Slower-/worse-than-expected 800G+ optical module demand: We expect to see strong growth of 800G/ 1.6T/ 3.2T optical modules in 2026-28E; however, if the ramp up is slower than expected, there is a downside risk to our earnings estimates.

2) Slower/worse-than-expected new optical devices ramp pace: We expect to see incremental growth opportunities from scale-out and scale-across; however, if the expansion is slower than expected, we see risks to our current estimates.

3) Faster-than-expected market share normalizing in 800G+ optical modules: Innolight is the industry leader of 800G/ 1.6T optical modules; however, if we see fiercer-than-expected competition, there are downside risks to our earnings estimates.

4) Potential US restrictions and geopolitical tensions: US administration is reportedly

(Link) drafting a ban on US imports of Chinese data center components, with the Federal Communications Commission (FCC) working on measures to ban the imports of Chinese-made optical modules. We note seven out of the global top 10 optical module suppliers in terms of revenues are based in China and expanded market share in 2025, supported by strong R&D capability, capacity commitments, automated production, and manufacturing efficiency. We take no view on the outcome or the likelihood of potential US import restrictions. However, if there is an increase in the geopolitical tensions and US restrictions to ban all the imports of optical modules from Chinese suppliers, we see downside risks to our estimates, given it takes time for Chinese suppliers to shift all capacity to overseas or being included in the white list for exemption. Innolight traded at an avg 12-month forward P/E of 21x during June-July 2026. Following the media report on the potential US restriction on Aug 4, 2026 (Link), its valuation contracted to 15x on avg in August 2026. Since 2018, the stock's valuation trough was 5x P/E in April 2025, driven by U.S. tariff concerns.

5) Worsening component supply situation to constrain shipment growth: With strong AI spending, we see rising demand for optical modules and upstream raw materials including EML, CW lasers, DSPs, etc. If the upstream supply faces shortage, we see downside risks to our current estimates.

Investment Thesis - Zhongji Innolight Co.

Innolight is a leading global provider of optical interconnect solutions designed to enable high-speed, energy-efficient, and low-latency data transmission across increasingly complex and data-intensive cloud and AI infrastructure. It is the leading supplier across all high-speed optical transceiver segments, including 400G, 800G, and 1.6T products. We forecast revenue growth to be driven by (1) SiPh-based optical modules shipment growth, supported by AI server ramp-up and the company's leading position in high-speed products, and (2) Innolight's market expansion into scale-up and scale-across, in addition to the scale-out solution market, through its new product offerings. We are Buy-rated on the stock and see the current valuation as attractive.

Price Target Risks and Methodology - Zhongji Innolight Co.

Valuation: Our 12-m TP for Innolight A-share of Rmb2,645 is based on 35.6x 2027E P/E, and our 12-m TP for Innolight H-share of HK$3,267 is based on the H-A premium of 13%. We derive our target P/E multiple from the networking peers' trading P/E vs. forward-year fundamentals (NI YoY and OPM). Compared to Innolight's historical trading range, the target multiple reflects our view of its leading market position in high-speed connections and product-mix upgrade toward SiPh optical modules, driving GM expansion. We are Buy rated.

Key downside risks: 1) slower-/worse-than-expected 800G+ optical modules demand; 2) slower/worse-than-expected new optical devices ramp pace; 3) faster-than-expected market share normalizing in 800G+ optical modules; 4) geopolitical risks; and 5) worsening component supply situation to constrain shipment growth.

Disclosure Appendix

Reg AC

We, Verena Jeng, Allen Chang and Ting Song, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

Rating and pricing information

Arista Networks Inc. (Buy, $191.44), Celestica Inc. (Buy, $309.84), Cisco Systems Inc. (Neutral, $108.61), Eoptolink (Buy, Rmb384.76), FOCI (Buy, NT$774.00), Foxconn Industrial Internet (Buy, Rmb63.20), LandMark (Buy, NT$3,120.00), Ruijie Networks (Neutral, Rmb117.11), Sumitomo Electric Industries (Buy, ¥2,137), VPEC (Buy, NT$525.00) and Wistron (Buy, NT$188.50)

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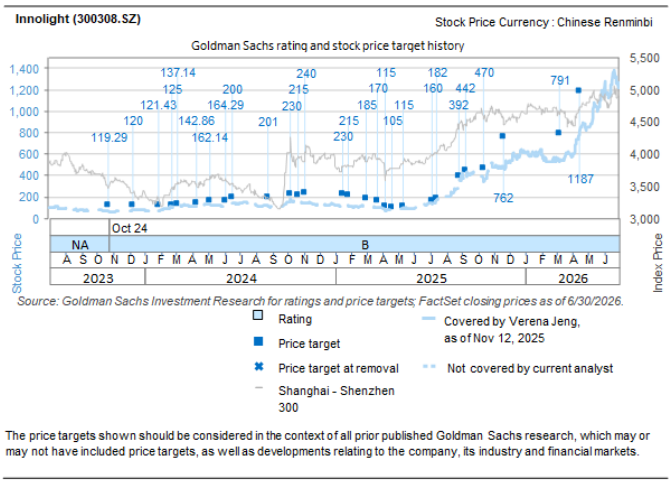
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Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
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Price target and rating history chart(s)



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Target price history table(s)

Innolight (300308.SZ)

Date of report	Target price (Rmb)	Closing price (Rmb)
17-Jul-26	2,581.00	979.46
16-Apr-26	1,187.00	809.61
09-Mar-26	791.00	525.99
20-Nov-25	762.00	492.00
14-Oct-25	470.00	346.10
08-Sep-25	442.00	369.99
26-Aug-25	392.00	314.00
16-Jul-25	182.00	170.76
07-Jul-25	160.00	135.15
13-May-25	115.00	96.43
22-Apr-25	105.00	80.07
07-Apr-25	115.00	75.10
25-Mar-25	170.00	102.00
03-Mar-25	185.00	102.77
27-Jan-25	215.00	114.82
16-Jan-25	230.00	119.49
05-Nov-24	240.00	148.29
22-Oct-24	215.00	170.00
09-Oct-24	230.00	166.40
26-Aug-24	201.00	114.34
17-Jun-24	200.00	142.51
05-Jun-24	230.00	119.26
06-May-24	227.00	130.87
10-Apr-24	200.00	113.93
05-Mar-24	192.00	120.83
23-Feb-24	175.00	105.52
28-Jan-24	170.00	82.83

Date of report	Target price (Rmb)	Closing price (Rmb)
10-Dec-23	168.00	83.93
24-Oct-23	167.00	68.43

Price targets shown in table(s) are unadjusted for corporate actions.

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