

InnoScience (2577 HK)

GaN-ning momentum one step at a time

InnoScience released its FY25 earnings. Revenue increased by 46.4% YoY to RMB1.2bn, 9% below our estimate and 11% below BBG consensus. GPM turned positive from -19.5% in FY24 to 7.3% in FY25, 3.3pcts/4.3pcts below our estimate and BBG consensus, while adj. EBITDA also turned positive, marking the Company's first meaningful operating inflection. The improvement was supported by continued capacity expansion, with wafer capacity reaching 20k wfpn by 2025, alongside higher utilization and better yield. Beyond earnings, FY25 was also a year of important commercial milestones, including 1) deeper engagement in 800VDC power architecture with leading AI customers such as Nvidia and Google, 2) early expansion into humanoid robotics through 100V integrated GaN drivers for joint modules, and 3) solid auto progress from OBC/DC-DC volume shipments to initial main drive inverter validation. **Maintain BUY with TP adjusted to HK\$75, based on 35x 2030E P/E (prev. 30x).**

■ **Steady capacity expansion, improving product mix and broader end-market diversification.** Consumer remained the largest end market in FY25, accounting for c.50% of total sales, down from c.60% in FY24, while industrial rose to 43%, up from c.30% in FY24. Data center revenue grew 50.2% YoY to RMB63mn (5.2% of total sales), while auto more than doubled to RMB58mn (4.8% of total sales). **Product mix also continued to improve:** Wafer sales declined 10% YoY and accounted for 21% of total sales, while chip + IC and module revenue grew 41%/143% YoY, contributing 42%/37% of total sales, respectively. In our view, this shift is strategically important as it suggests the Company is moving beyond a wafer- and consumer-led growth model toward higher-value integrated products and a more diversified end-market profile. Looking ahead, we expect data center and auto to remain key incremental growth drivers, supported by continued capacity ramp and deeper customer penetration.

■ **Capacity scale is the key bridge between the Company's technology leadership and LT earnings power.** Pure-play GaN peers remain limited globally, and scaled IDM players are rarer still, which leaves InnoScience well-placed as adoption broadens across higher-value applications, in our view. The Company is targeting full production of 80k wfpn by 2028E, during which we believe the Company will start to see profitability on better utilization, lower unit cost, and stronger margin progression.

■ **Maintain BUY, with TP raised to HK\$75, based on 35.0x 2030E P/E and discount back to 26E using COE of 12%.** We raise our target multiple from 30x to reflect growing investor attention on AI DC power opportunities, where the Company is gaining earlier and more credible exposure, reinforcing confidence that its manufacturing scale and execution can translate into stronger LT earnings potential. We benchmark the Company against a group of domestic third-gen power semi players trading at an average 2026E P/E of 50x. We forecast the Company to achieve stable operations and be fully ramped by 2030E, with NP inflection in FY28E, at which point a valuation multiple of 35.0x P/E (applying a 30% H/A discount) would be justifiable.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	828	1,213	2,081	3,051	4,455
YoY growth (%)	39.8	46.4	71.5	46.6	46.0
Gross margin (%)	(19.5)	7.3	22.5	33.4	40.5
Net profit (RMB mn)	(1,045.7)	(840.5)	(564.9)	(109.8)	589.7
EPS (Reported) (RMB cents)	na	na	na	(12.47)	66.93
P/E (x)	na	na	na	ns	68.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$75.00
(Previous TP)	HK\$49.00
Up/Downside	45.3%
Current Price	HK\$51.60

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Stock Data

Mkt Cap (HK\$ mn)	27,115.8
Avg 3 mths t/o (HK\$ mn)	479.4
52w High/Low (HK\$)	101.60/31.90
Total Issued Shares (mn)	525.5

Source: FactSet

Shareholding Structure

Weiwei Luo	22.3%
CMB Growth	9.3%

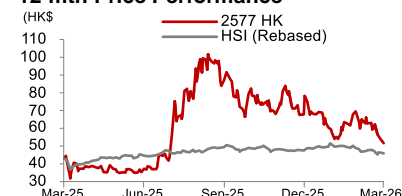
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-24.5%	-18.7%
3-mth	-34.0%	-31.0%
6-mth	-41.2%	-36.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMBmn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,081	3,051	4,455	2,055	3,098	N/A	1.3%	-1.5%	N/A
Gross profit	469	1,019	1,803	446	923	N/A	5.2%	10.3%	N/A
Net profit	(565)	(110)	590	(503)	28	N/A	N/A	N/A	N/A
EPS (RMB)	N/A	N/A	0.67	N/A	N/A	N/A	N/A	N/A	N/A
Gross margin	22.5%	33.4%	40.5%	21.7%	29.8%	N/A	0.8 ppt	3.6 ppt	N/A
Net margin	-27.1%	-3.6%	13.2%	-24.5%	0.9%	N/A	-2.6 ppt	-4.5 ppt	N/A

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs. BBG consensus

RMBmn	CMBIGM			BBG Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,081	3,051	4,455	2,541	4,743	7,223	-18.1%	-35.7%	-38.3%
Gross profit	469	1,019	1,803	726	1,856	N/A	-35.4%	-45.1%	N/A
Net profit	(565)	(110)	590	(399)	558	1,943	N/A	N/A	-69.6%
EPS (RMB)	N/A	N/A	0.67	N/A	N/A	2.21	N/A	N/A	-69.7%
Gross margin	22.5%	33.4%	40.5%	28.6%	39.1%	N/A	-6 ppt	-5.7 ppt	N/A
Net margin	-27.1%	-3.6%	13.2%	-15.7%	11.8%	26.9%	-11.4 ppt	-15.4 ppt	-13.7 ppt

Source: Bloomberg consensus, CMBIGM estimates

Figure 3: 2026-2030E forecast

RMBmn	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Revenue	593	828	1,213	2,081	3,051	4,455	6,173	7,899
YoY%	335.3%	39.8%	46.4%	71.5%	46.6%	46.0%	38.6%	28.0%
Gross Profit	-362	-161	89	469	1,019	1,803	2,788	3,822
YoY%	-8.1%	-55.4%	-155.0%	428.5%	117.1%	77.0%	54.6%	37.1%
GPM%	-61.1%	-19.5%	7.3%	22.5%	33.4%	40.5%	45.2%	48.4%
Net Profit	-1,102	-1,046	-841	-565	-110	590	1,568	2,606
YoY%	-50.0%	-5.1%	-19.6%	-32.8%	-80.6%	-636.9%	165.8%	66.2%
NPM%	-185.9%	-126.2%	-69.3%	-27.1%	-3.6%	13.2%	25.4%	33.0%
P/E (x)								35.0x
COE								12.0%
RMB/HKD								1.136
Equity Value (HK\$m)				65,859				103,631
Shares o/s (mn)				881				
TP (HK\$)				75				

Source: CMBIGM estimates

Note: O/s share number used here is weighted average number of ordinary shares by 2025 year-end according to the company's 2025 annual report.

Figure 4: Peers table

Company	Ticker	Mkt Cap US\$(mn)	P/E (x)		GPM%	
			FY26E	FY27E	FY26E	FY27E
Domestic						
San'an Opto.	600703 CH	8,786	61.5	64.1	15.4	14.0
Silan Micro	600460 CH	6,248	42.9	30.2	21.5	22.8
CR Micro	688396 CH	8,704	47.0	33.5	27.7	29.2
Average			50.4	42.6	21.5	22.0

Source: Bloomberg consensus, CMBIGM

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	593	828	1,213	2,081	3,051	4,455
Cost of goods sold	(955)	(990)	(1,125)	(1,612)	(2,032)	(2,652)
Gross profit	(362)	(161)	89	469	1,019	1,803
Operating expenses	(621)	(800)	(842)	(951)	(1,016)	(1,144)
Selling expense	(90)	(98)	(110)	(135)	(168)	(223)
Admin expense	(247)	(451)	(470)	(479)	(488)	(535)
SG&A expense	0	0	0	0	0	0
R&D expense	(349)	(323)	(374)	(406)	(442)	(490)
Royalties and other related payments	0	0	0	0	0	0
Staff costs	0	0	0	0	0	0
Other rental related expenses	0	0	0	0	0	0
Others	65	72	113	69	83	103
Operating profit	(983)	(961)	(753)	(481)	3	659
Other expense	(119)	(84)	(87)	(84)	(113)	(146)
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Investment gain/loss	0	0	0	0	0	0
Other gains/(losses)	0	0	0	0	0	0
Pre-tax profit	(1,102)	(1,045)	(840)	(565)	(110)	513
Income tax	(0)	(0)	(1)	0	0	77
After tax profit	(1,102)	(1,046)	(841)	(565)	(110)	590
Minority interest	0	0	0	0	0	0
Net profit	(1,102)	(1,046)	(841)	(565)	(110)	590
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	1,112	2,460	4,333	4,574	6,484	7,905
Cash & equivalents	329	1,525	879	1,681	2,703	4,423
Cash held on behalf of clients	0	0	0	0	0	0
Restricted cash	0	0	0	0	0	0
Receivables	337	484	776	421	912	612
Account receivables	0	0	0	0	0	0
Loans and advances	0	0	0	0	0	0
Inventories	417	444	897	692	1,089	1,091
Prepayment	0	0	0	0	0	0
Prepaid assets	0	0	0	0	0	0
ST bank deposits	9	6	8	8	8	8
Financial assets at FVTPL	20	0	0	0	0	0
Other current assets	0	0	1,772	1,772	1,772	1,772
Non-current assets	3,480	3,087	2,738	2,298	1,901	1,568
PP&E	3,061	2,742	2,372	2,002	1,640	1,304
Right-of-use assets	85	117	116	116	114	111
Deferred income tax	0	0	0	0	0	0
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	273	198	118	49	15	22
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Long-term investments	0	0	0	0	0	0
Other non-current assets	61	31	131	131	131	131
Total assets	4,591	5,547	7,071	6,872	8,385	9,474
Current liabilities	926	996	820	760	2,341	2,675
Short-term borrowings	508	522	336	281	1,851	2,174
Payables	410	462	472	468	479	487
Account payables	0	0	0	0	0	0
Tax payable	0	0	0	0	0	0
Other current liabilities	0	0	0	0	0	0
Lease liabilities	8	11	11	11	11	14
Non-current liabilities	1,701	1,580	2,040	2,335	2,271	2,353
Long-term borrowings	1,546	1,401	1,894	2,121	2,062	2,096
Deferred income	126	119	85	152	148	181
Other non-current liabilities	29	59	61	61	62	76
Total liabilities	2,627	2,576	2,860	3,095	4,613	5,028
Share capital	801	879	915	915	915	915

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Capital surplus	0	0	0	0	0	0
Other reserves	1,163	2,092	3,295	2,862	2,857	3,531
Total shareholders equity	1,964	2,971	4,211	3,777	3,772	4,446
Minority interest	0	0	0	0	0	0
Total equity and liabilities	4,591	5,547	7,071	6,872	8,385	9,474

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(1,102)	(1,045)	(840)	(565)	(110)	513
Depreciation & amortization	534	516	517	528	489	447
Tax paid	(0)	(0)	(1)	0	0	77
Change in working capital	(216)	(159)	(771)	643	(867)	361
Others	190	356	190	195	203	208
Net cash from operations	(594)	(333)	(904)	801	(285)	1,606
Investing						
Capital expenditure	(331)	(172)	(211)	(105)	(107)	(131)
Acquisition of subsidiaries/ investments	(1,493)	(338)	(453)	0	0	0
Net proceeds from disposal of short-term investments	2,138	360	453	0	0	0
Others	25	(434)	206	45	44	43
Net cash from investing	338	(584)	(4)	(60)	(64)	(88)
Financing						
Net borrowings	(32)	(129)	299	173	1,511	357
Proceeds from share issues	20	641	(39)	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(115)	1,150	1,874	(84)	(113)	(129)
Net cash from financing	(127)	1,662	2,134	89	1,398	228
Net change in cash						
Cash at the beginning of the year	711	329	1,525	879	1,681	2,703
Exchange difference	0	(0)	(1)	0	0	0
Others	(382)	1,196	(645)	802	1,022	1,720
Cash at the end of the year	329	1,525	879	1,681	2,703	4,423
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	335.3%	39.8%	46.4%	71.5%	46.6%	46.0%
Gross profit	na	na	na	428.5%	117.1%	77.0%
Operating profit	na	na	na	na	na	20,866.4%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	(61.1%)	(19.5%)	7.3%	22.5%	33.4%	40.5%
Operating margin	(165.8%)	(116.0%)	(62.0%)	(23.1%)	0.1%	14.8%
Return on equity (ROE)	(44.8%)	(42.4%)	(23.4%)	(14.1%)	(2.9%)	14.4%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.2	2.5	5.3	6.0	2.8	3.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	na	na	na	na	ns	68.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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