

Innolight (300308 CH)

1Q26 earnings: Brighter than a shooting star

Innolight delivered a standout 1Q26, with revenue jumping 192% YoY / 47.3% QoQ to RMB19.5bn (vs. Bloomberg consensus of RMB15.4bn), and net profit surging 262% YoY / 56.5% QoQ to RMB5.7bn (vs. RMB4.4bn consensus), both marking new quarterly highs. During the period, GPM expanded further to 46.1% (vs. 44.5% in 4Q25), primarily due to improving mix and rising SiPho penetration. Mgmt. framed the strong quarter not as a one-off outperformance but as a reflection of sustained demand strength and improved execution, with robust capacity ramp-up, including Thailand, and resilient raw material procurement supporting shipment in a tight S/D backdrop. **Maintain BUY with TP adjusted to RMB1,080 on 28x rollover 2027E P/E (prev. 28x 2026E P/E).**

■ **800G and 1.6T ramped up in tandem, with rising SiPho mix further lifting margin.** Revenue strength was driven by concurrent ramp-up in both 800G and 1.6T products, indicating that growth is broadening across the company's high-end optical portfolio rather than being tied to a single product inflection. Mgmt. highlighted meaningful contribution from both 800G and 1.6T shipments in 1Q26, with the richer product mix continuing to drive margin higher. Within 1.6T, SiPho is expected to account for more than half of shipments this year, reinforcing our view that rising SiPho penetration should remain an important structural support to margin.

■ **NPO is the earlier catalyst, while XPO provides broader deployment flexibility.** Mgmt. indicated NPO has already received explicit customer demand indications and could enter volume production in 2027, with the use case tied primarily to scale-up architectures. XPO, by contrast, is still in active customer promotion, but was positioned across both scale-up and scale-out scenarios, with transmission reach of roughly 100m to 2km, implying broader deployment potential once commercialization visibility improves.

■ **Maintain BUY with TP revised to RMB1,080 on rollover 28x 2027E P/E, supported by an order backlog that now stretches through 2026 and into 2027 (and even beyond).** In our view, what stood out this quarter was not only the magnitude of the beat, but the quality of execution behind it: Capacity expansion landed on time, supply-chain preparation remained effective despite tight upstream conditions, while product mix was moving structurally upward. We believe this supports a more durable earnings profile and strengthens confidence that Innolight can capture incremental upside from future architectural shifts.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	23,862	38,240	84,065	121,495	175,287
YoY growth (%)	122.6	60.3	119.8	44.5	44.3
Gross margin (%)	33.8	42.0	45.6	46.6	48.5
Net profit (RMB mn)	5,171.5	10,797.3	28,040.8	42,888.3	66,064.9
YoY growth (%)	137.9	108.8	159.7	52.9	54.0
EPS (Reported) (RMB)	4.72	9.80	25.24	38.60	59.46
P/E (x)	171.5	82.6	32.1	21.0	13.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB1080.00
(Previous TP)	RMB707.00)
Up/Downside	33.4%
Current Price	RMB809.61

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Stock Data

Mkt Cap (RMB mn)	899,557.7
Avg 3 mths t/o (RMB mn)	18,372.9
52w High/Low (RMB)	809.61/77.61
Total Issued Shares (mn)	1111.1

Source: FactSet

Shareholding Structure

Shandong Zhongji Investment Holdings Co.	10.9%
Wang Weixiu	6.3%

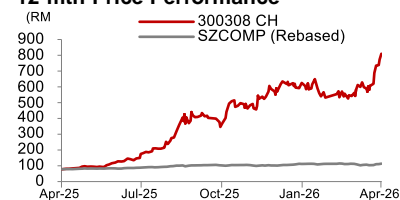
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	44.1%	42.7%
3-mth	31.2%	29.6%
6-mth	120.6%	98.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	10,718	23,862	38,240	84,065	121,495	175,287
Cost of goods sold	(7,182)	(15,796)	(22,166)	(45,764)	(64,904)	(90,216)
Gross profit	3,536	8,067	16,074	38,301	56,591	85,071
Operating expenses	(1,042)	(2,017)	(2,477)	(4,966)	(5,875)	(6,946)
Selling expense	(51)	(47)	(78)	(171)	(182)	(263)
SG&A expense	(558)	(879)	(987)	(2,088)	(3,025)	(4,364)
R&D expense	(739)	(1,244)	(1,615)	(3,425)	(4,707)	(6,440)
Others	306	153	202	717	2,039	4,121
Operating profit	2,494	6,050	13,597	33,334	50,717	78,125
Other income	2	5	10	22	31	45
Other expense	(4)	(2)	(7)	(16)	(23)	(33)
Pre-tax profit	2,492	6,052	13,600	33,340	50,725	78,137
Income tax	(285)	(681)	(2,020)	(3,667)	(5,580)	(8,595)
After tax profit	2,208	5,372	11,580	29,673	45,146	69,542
Minority interest	34	200	782	1,632	2,257	3,477
Net profit	2,174	5,171	10,797	28,041	42,888	66,065

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	11,319	18,196	31,084	57,579	104,507	165,819
Cash & equivalents	3,317	5,054	10,987	23,545	65,480	112,701
Account receivables	2,581	4,604	6,277	14,912	15,046	21,452
Inventories	4,295	7,051	12,681	17,411	21,710	27,724
Prepayment	59	80	134	236	341	491
Other current assets	1,067	1,407	1,005	1,475	1,931	3,451
Non-current assets	8,687	10,671	14,205	18,574	25,778	35,557
PP&E	3,948	5,820	7,081	11,257	14,553	19,829
Right-of-use assets	27	34	105	853	1,773	2,975
Deferred income tax	82	222	541	541	909	1,555
Intangibles	401	378	378	254	250	352
Goodwill	1,939	1,939	1,939	1,939	1,939	1,939
Other non-current assets	2,291	2,279	4,163	3,731	6,354	8,908
Total assets	20,007	28,866	45,289	76,153	130,285	201,377
Current liabilities	4,360	6,497	11,558	14,435	25,812	31,538
Short-term borrowings	62	1,426	301	913	1,491	1,807
Account payables	1,857	2,991	7,330	7,716	15,401	16,731
Tax payable	213	244	1,250	2,102	3,596	5,558
Other current liabilities	2,039	1,545	2,287	3,052	4,220	5,741
Contract liabilities	3	10	26	40	58	83
Accrued expenses	187	282	364	612	1,047	1,618
Non-current liabilities	872	2,076	2,109	3,199	5,111	7,621
Long-term borrowings	319	606	510	510	510	510
Bond payables	0	0	0	0	0	0
Deferred income	216	270	291	490	838	1,295
Other non-current liabilities	337	1,200	1,308	2,200	3,763	5,816
Total liabilities	5,232	8,573	13,668	17,634	30,922	39,160
Share capital	803	1,121	1,111	1,111	1,111	1,111
Retained earnings	5,870	10,624	20,248	45,065	82,962	141,280
Other reserves	7,589	7,388	8,406	8,856	9,544	10,604
Total shareholders equity	14,261	19,134	29,765	55,032	93,617	152,995
Minority interest	513	1,159	1,856	3,488	5,745	9,222
Total equity and liabilities	20,007	28,866	45,289	76,153	130,285	201,377

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,492	6,052	13,600	33,340	50,725	78,137
Depreciation & amortization	525	713	934	1,152	1,468	1,936
Tax paid	(285)	(681)	(2,020)	(3,667)	(5,580)	(8,595)
Change in working capital	(830)	(3,210)	(1,958)	(12,341)	4,520	(10,261)
Others	(6)	290	340	1,137	1,822	1,981
Net cash from operations	1,897	3,165	10,896	19,621	52,955	63,198
Investing						
Capital expenditure	(1,704)	(2,866)	(2,760)	(4,899)	(7,079)	(10,213)
Acquisition of subsidiaries/ investments	(3,971)	(2,725)	0	0	0	0
Net proceeds from disposal of short-term investments	4,435	2,619	0	0	0	0
Others	65	37	121	1,201	1,596	2,221
Net cash from investing	(1,176)	(2,935)	(2,639)	(3,698)	(5,484)	(7,992)
Financing						
Dividend paid	(207)	(399)	(1,083)	(2,918)	(4,456)	(6,849)
Net borrowings	(884)	1,685	(1,114)	612	578	316
Proceeds from share issues	(109)	246	205	0	0	0
Others	884	(40)	(152)	(1,317)	(1,317)	(1,317)
Net cash from financing	(316)	1,492	(2,144)	(3,623)	(5,196)	(7,850)
Net change in cash						
Cash at the beginning of the year	2,809	3,234	4,988	10,944	23,502	65,437
Exchange difference	20	39	(178)	0	0	0
Others	405	1,715	6,134	12,559	41,935	47,221
Cash at the end of the year	3,234	4,988	10,944	23,502	65,437	112,658
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	11.2%	122.6%	60.3%	119.8%	44.5%	44.3%
Gross profit	25.1%	128.1%	99.3%	138.3%	47.8%	50.3%
Operating profit	87.9%	142.6%	124.7%	145.2%	52.1%	54.0%
Net profit	77.6%	137.9%	108.8%	159.7%	52.9%	54.0%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	33.0%	33.8%	42.0%	45.6%	46.6%	48.5%
Operating margin	23.3%	25.4%	35.6%	39.7%	41.7%	44.6%
Return on equity (ROE)	16.6%	31.0%	44.2%	66.1%	57.7%	53.6%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.6	2.8	2.7	4.0	4.0	5.3
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	404.8	171.5	82.6	32.1	21.0	13.6
P/E (diluted)	410.7	174.9	83.4	32.1	21.0	13.6

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

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