

GSI Technology Inc.

Comprehensive Equity Research Report

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Independent Equity Analysis

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Abstract

This report presents a comprehensive equity analysis of GSI Technology Inc. (NASDAQ: GSIT), covering financial performance from 2011 to 2025. The analysis includes trend analysis, valuation assessment, scenario modeling, and strategic evaluation to provide an informed investment recommendation.

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1 Executive Summary

Company	GSI Technology Inc. (NASDAQ: GSIT)
Analyst	Franciszek Tokarek
Analysis Date	2025-10-07
Recommendation	SELL
Confidence	Medium
Score	-2/10

1.1 Key Findings

- Revenue declining at -15.0% 3-year CAGR
- Gross margins remain strong at 63.9%
- Operating margins negative at -73.2%
- Cash position critical at \$1.0M with 12-month runway
- Stock-based compensation high at 14.8% of revenue

1.2 Investment Suitability

High-risk/high-reward opportunity investors

1.3 Risk Tolerance Required

Risk Level: High

2 Financial Performance Analysis

2.1 Revenue Analysis

GSI Technology has experienced significant revenue decline over the analysis period. The most recent fiscal year (2025) reported revenue of \$20.5M, representing a -15.0% 3-year CAGR.

Note: Revenue figures in millions (\$M), growth rates and CAGR in percentages.

Table 1: Revenue Growth Metrics (Recent 8 Years)

Year	Revenue	Revenue Growth Yoy	Revenue Cagr 3Y
2018	\$42.6M	-19.1%	-6.8%
2019	\$51.5M	20.7%	-0.8%
2020	\$43.3M	-15.8%	0.5%
2021	\$43.3M	0.0%	-5.6%
2022	\$27.7M	-36.0%	-13.8%
2023	\$33.4M	20.4%	-8.3%
2024	\$21.8M	-34.8%	-7.8%
2025	\$20.5M	-5.7%	-15.0%

2.2 Profitability Analysis

Gross margins have remained relatively strong, averaging 57.8% over the past 5 years. However, operating margins are deeply negative at -73.2% due to high operating expenses relative to revenue.

Note: Revenue in millions (\$M), margins in percentages (%).

Table 2: Profitability Margins (Recent 8 Years)

Year	Revenue	Gross Margin	Operating Margin	Net Margin
2018	\$42.6M	61.9%	-1.2%	—
2019	\$51.5M	43.6%	-8.7%	0.3%
2020	\$43.3M	73.0%	-0.4%	23.8%
2021	\$43.3M	30.5%	-49.1%	23.8%
2022	\$27.7M	66.9%	-59.0%	—
2023	\$33.4M	53.0%	-47.3%	—
2024	\$21.8M	81.2%	-72.6%	—
2025	\$20.5M	57.6%	-99.6%	—

2.3 Balance Sheet Strength

The company maintains good liquidity with a current ratio of 3.32, though cash has declined significantly to \$1.0M, providing approximately 12 months of runway at current burn rates.

Note: Cash and assets in millions (\$M), ratios are unitless.

Table 3: Balance Sheet Metrics (Recent 8 Years)

Year	Cash	Total Assets	Current Ratio
2018	\$6.5M	—	9.63
2019	\$2.3M	—	8.86
2020	\$9.0M	—	9.58
2021	\$44.2M	\$87.6M	8.50
2022	\$37.0M	\$76.4M	8.50
2023	\$27.2M	\$59.9M	6.17
2024	\$12.8M	\$42.5M	5.61
2025	\$1.0M	\$43.3M	3.32

3 Scenario Analysis

Three scenarios have been modeled to assess potential five-year outcomes based on different assumptions about operational performance and market conditions.

Table 4: Investment Scenarios - Bull/Base/Bear Analysis

Name	Probability	Five Year Revenue	Five Year Cagr	Implied Enterprise Value
Bull Case - Successful Turnaround	25	33,044.4	10.0%	99,133.3
Base Case - Stabilization	50	22,420.6	1.8%	33,630.9
Bear Case - Continued Decline	25	12,115.7	-10.0%	6,057.8

3.1 Scenario Implications

Bull Case - Successful Turnaround (25% probability)

- 5-Year Revenue: \$33.0M
- Revenue CAGR: 10.0%
- Implied Enterprise Value: \$99.1M

Base Case - Stabilization (50% probability)

- 5-Year Revenue: \$22.4M
- Revenue CAGR: 1.8%
- Implied Enterprise Value: \$33.6M

Bear Case - Continued Decline (25% probability)

- 5-Year Revenue: \$12.1M
- Revenue CAGR: -10.0%
- Implied Enterprise Value: \$6.1M

4 Investment Recommendation

4.1 Primary Recommendation: **SELL**

Based on comprehensive analysis of financial performance, market position, and future scenarios, the recommendation is to **SELL** GSI Technology stock.

4.2 Recommendation by Investment Horizon

- **Short-term (1-2 years):** SPECULATIVE - Cash runway concerns require immediate attention
- **Medium-term (3-5 years):** HOLD - Wait for revenue stabilization signals
- **Long-term (5+ years):** SPECULATIVE BUY - Strategic value may attract acquirer

4.3 Key Risk Factors

1. **Revenue Decline:** 53% decline over 5 years with -15% 3-year CAGR
2. **Operating Losses:** Persistent negative operating margins averaging -73%
3. **Cash Position:** Critical cash level of \$1.0M providing only 12-month runway
4. **Market Share:** Declining competitive position in niche SRAM market (1% share)
5. **Dilution:** High stock-based compensation at 14.8% of revenue

4.4 Potential Opportunities

1. **Strong Gross Margins:** 64% average demonstrates product differentiation
2. **Acquisition Target:** Low valuation and IP portfolio may attract strategic buyers
3. **APU Technology:** Potential applications in AI/ML in-memory computing
4. **Operational Turnaround:** Cost cutting and revenue stabilization possible
5. **Valuation:** Trading below book value with 1,536% upside in bull scenario

4.5 Conclusion

High-risk/high-reward opportunity investors The current financial trajectory presents significant challenges, but the company's technology assets and potential for strategic acquisition provide speculative upside for investors with very high risk tolerance.