

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
Report Date	2025-10-07
Recommendation	SELL
Confidence Level	Medium
Investment Score	-2/10

1.1 Key Findings

- **Revenue Trend:** Declining at -15.0% 3-year CAGR (from \$33.4M in 2023 to \$20.5M in 2025)
- **Gross Margins:** Strong at 63.9% average, demonstrating pricing power
- **Operating Margins:** Deeply negative at -73.2%, indicating operational challenges
- **Cash Position:** Critical level of \$1.0M providing approximately 12-month runway
- **Liquidity:** Current ratio of 3.32 indicates adequate short-term liquidity

1.2 Investment Suitability

High-risk/high-reward opportunity investors This investment requires **High** risk tolerance and is not suitable for conservative or income-focused investors.

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

SELL

Confidence: Medium — Score: -2/10

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

4.1 Recommendation by Investment Horizon

Horizon	Recommendation
Short-term (1-2 years)	SPECULATIVE – Cash runway concerns require immediate monitoring. Liquidity position remains adequate but declining.
Medium-term (3-5 years)	HOLD – Revenue stabilization signals needed before considering entry. Operational turnaround remains uncertain.
Long-term (5+ years)	SPECULATIVE BUY – Strategic value and IP portfolio may attract acquisition interest from larger players.

4.2 Risk Assessment

4.2.1 Primary Risk Factors

1. **Revenue Decline:** 53% decline over 5 years with -15% 3-year CAGR, indicating persistent market share losses
2. **Operating Losses:** Negative operating margins averaging -73%, with no clear path to profitability
3. **Cash Burn:** Critical cash level of \$1.0M provides only 12-month runway at current burn rate
4. **Market Position:** Less than 1% market share in niche SRAM market, vulnerable to larger competitors
5. **Dilution Risk:** Stock-based compensation at 14.8% of revenue creates shareholder dilution concerns

4.2.2 Potential Upside Opportunities

1. **Product Differentiation:** 63.9% average gross margin demonstrates strong pricing power
2. **Acquisition Value:** Low enterprise valuation combined with valuable IP portfolio makes company attractive acquisition target

3. **Technology Platform:** APU (Associative Processing Unit) technology has potential applications in AI/ML space
4. **Turnaround Potential:** Operational improvements could restore profitability if revenue stabilizes
5. **Valuation Upside:** Currently trading significantly below historical valuations with 1,536% upside in bull scenario

4.3 Final Conclusion

This investment is suitable only for high-risk/high-reward opportunity investors. The persistent revenue decline, negative operating margins, and critical cash position present substantial downside risks. However, the company's IP portfolio, potential for acquisition, and strong gross margins provide speculative upside for investors willing to accept high risk. Given the current trajectory, a **SELL** recommendation is warranted.