

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 \$995K 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 \$20,518K, representing a -15.0% 3-year CAGR.

Table 1: Revenue Growth Metrics (Recent 8 Years)

Year	Revenue	Revenue Growth Yoy	Revenue Cagr 3Y
2,018.0	42,643.0	-19.1	-6.8
2,019.0	51,486.0	20.7	-0.796
2,020.0	43,343.0	-15.8	0.544
2,021.0	43,343.0	0.000	-5.6
2,022.0	27,729.0	-36.0	-13.8
2,023.0	33,384.0	20.4	-8.3
2,024.0	21,765.0	-34.8	-7.8
2,025.0	20,518.0	-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.

Table 2: Profitability Margins (Recent 8 Years)

Year	Revenue	Gross Margin	Operating Margin	Net Margin
2,018.0	42,643.0	61.9	-1.2	—
2,019.0	51,486.0	43.6	-8.7	0.317
2,020.0	43,343.0	73.0	-0.420	23.8
2,021.0	43,343.0	30.5	-49.1	23.8
2,022.0	27,729.0	66.9	-59.0	—
2,023.0	33,384.0	53.0	-47.3	—
2,024.0	21,765.0	81.2	-72.6	—
2,025.0	20,518.0	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 \$995K, providing approximately 12 months of runway at current burn rates.

Table 3: Balance Sheet Metrics (Recent 8 Years)

Year	Cash	Total Assets	Current Ratio
2,018.0	6,505.0	—	9.6
2,019.0	2,254.0	—	8.9
2,020.0	9,011.0	—	9.6
2,021.0	44,234.0	87,612.0	8.5
2,022.0	36,971.0	76,422.0	8.5
2,023.0	27,212.0	59,876.0	6.2
2,024.0	12,783.0	42,464.0	5.6
2,025.0	995.0	43,317.0	3.3

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: \$33,044K
- Revenue CAGR: 10.0%
- Implied Enterprise Value: \$99,133K

Base Case - Stabilization (50% probability)

- 5-Year Revenue: \$22,421K
- Revenue CAGR: 1.8%
- Implied Enterprise Value: \$33,631K

Bear Case - Continued Decline (25% probability)

- 5-Year Revenue: \$12,116K
- Revenue CAGR: -10.0%
- Implied Enterprise Value: \$6,058K

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 \$1M 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.