

IQE plc (IQE) — Company Analysis

Ticker IQE (LSE AIM) · ISIN GB0009619924 · Cardiff, Wales · report generated 2026-05-28 (post-FY2025 results day). End-to-end fundamentals, financials, sector & TAM, competitive position, the AI/data-center angle, valuation and risks. Analysis, not investment advice.

Snapshot

- Ticker: LON: IQE
- Price: ~50.7p (previous close 54.0p) [S27]
- Market cap: ~£492m (~US\$660m) post-fundraising (~979.9m shares in issue) [S27]
- Revenue: £97.3m FY2025 (-18% YoY); FY26 guide >£117m (>20% growth) [S1][S2][S5]
- Growth: FY2025 -18% (Wireless -40%, Photonics +15%); H1 weak, H2 recovery [S1]
- Profitability: FY25 adj. EBITDA £3.2m (down from £8.1m FY24); reported operating loss £33m; pretax loss £37m [S1][S5]
- FCF: FY25 reported operating cash flow £8.1m (NWC tailwind); negative all-in after capex (capital-intensive) [S1]
- Net cash / debt: adj. net debt £31.5m end-2025 (vs £18.8m end-2024); cash £15.7m; April 2026 £81m fundraising refinanced the balance sheet [S1][S4][S8]
- Valuation: ~4.5–4.8x EV/Sales (FY25); ~3.8x EV/Sales FY26e; n.m. on EBITDA [S27]
- Currency: GBP (calendar fiscal year)
- Geography: global; sites in UK (Cardiff HQ), US (Greensboro NC), Taiwan (Hsinchu), Singapore [S10]
- What: compound-semiconductor epitaxy (GaAs, GaN, InP) wafers
- Value chain: most upstream for III-V — epiwafer materials
- End markets: RF/handsets, photonics (AI datacom, 3D sensing), defense
- Founded / HQ: 1988 / Cardiff, Wales
- CEO: Jutta Meier (interim CEO since Oct 2024; formerly CFO)
- Top competitors: Sumitomo Chemical Adv. Tech, IntelliEPI, Win Semiconductors (partly captive); IDM in-house epi at Skyworks/Qorvo/Broadcom
- Key customers: MACOM (now ~11.5% shareholder + 2 board seats); Lumentum, Coherent, Broadcom (laser/photonics); US defence primes
- Key suppliers: III-V substrates (AXT, Sumitomo Electric, Mitsubishi), MOCVD/MBE tooling (Aixtron, Veeco)
- Catalyst: Strategic Review concluded April 2026 via MACOM-led £81m raise (no Group sale); FY26 guidance >20% revenue growth; Skyworks–Qorvo merger closing early 2027 reshapes customer base
- Verdict: Strategically important III-V epi supplier; sub-scale, loss-making; strategic-review optionality closed without a Group sale, replaced by MACOM strategic-investor structure
- Confidence: 0.45

Executive summary

IQE plc is the leading independent epitaxy supplier of compound-semiconductor wafers — GaAs (gallium arsenide), GaN (gallium nitride) and InP (indium phosphide) — the upstream materials for RF (radio frequency) front-ends in handsets, photonics (lasers and VCSELs for AI datacom (AI-driven data-center networking (optical interconnect, switches)) and 3D sensing) and defense. FY2025 was a weak year (revenue -18% to £97.3m, with Wireless collapsing 40% on handset destocking and tariff overhang), but H2 re-accelerated on (a) faster-than-expected US military and defense funding releases, (b) higher-than-forecast photonics demand from AI/data-center customers, and (c) new handset launches benefiting Taiwan operations [S1][S3][S6][S7]. Adjusted EBITDA (earnings before interest, taxes, depreciation & amortisation) finished at £3.2m (down from £8.1m FY24), while reported operating loss widened to £33m and the pretax loss to £37m on D&A and one-off restructuring/strategic-review costs [S1][S5].

The defining 2025–26 event was the Strategic Review — launched September 2024 (initially scoped to Taiwan), widened September 2025 to a potential sale of the entire Group, and terminated in April 2026

without a buyer. In its place came a £81m fundraising led by MACOM Technology Solutions (£45m from MACOM: £30m equity + £15m secured zero-coupon convertibles; balance from subscriptions, placing and retail offer). MACOM took ~11.5% equity stake and two board seats (COO Robert Dennehy and VP David O'Carroll), and signed long-term supply agreements scoped to "high-volume manufacturing across key growth segments" — most plausibly InP for AI datacom [S4][S8][S9]. The strategic-investor structure replaced premium take-out optionality with customer-aligned capital and contracted demand.

FY2026 guidance: revenue growth >20% (implied >£117m), adjusted EBITDA high-single-digit to low-double-digit £m [S1][S8]. Mix is structurally flipping: Photonics is now 59% of revenue (£57.1m) vs Wireless 41% (£40.1m) — a first-time crossover that anchors the AI/InP growth thesis but leaves Wireless cyclical as the swing factor [S1][S2].

Verdict: strategically important III-V (compound semiconductors (GaAs, GaN, InP...) for RF and photonics) epi (epitaxy) supplier with genuine photonics/defense upside, but sub-scale, loss-making, and now anchored to MACOM rather than open to premium take-out. Confidence: 0.45

1. Company overview

Cardiff-based (founded 1988); the largest independent outsource epiwafer supplier, with sites in the UK (Cardiff HQ), US (Greensboro NC), Taiwan (Hsinchu) and Singapore [S10]. Reportable segments: Wireless (GaAs/GaN for RF) and Photonics (lasers/VCSELs/InP for datacom & 3D sensing). Note: CMOS++ segment folded into other segments from FY2025 ("strategic rebalancing"); Infrared sits under Photonics [S2].

2. Management & founders

Under a Board-led Strategic Review that concluded April 2026; Jutta Meier has served as interim CEO since 30-Oct-2024 (formerly CFO), after Americo Lemos's departure [S13]. April 2026: two MACOM executives — COO Robert Dennehy and VP David O'Carroll — joined the IQE board [S4][S8]. Permanent CEO appointment is pending. The leadership transition and the MACOM anchoring are the operational watch-items.

3. Business model & products

Supplies epitaxial wafers — III-V materials grown by MOCVD/MBE on substrates — to chipmakers:

- Wireless (£40.1m, 41% of FY2025): GaAs and GaN epi for handset RF front-ends (power amplifiers, filters) and defense GaN (RF). Cyclical, customer-concentrated, and now consolidating (Skyworks–Qorvo merger closing 2027).
- Photonics (£57.1m, 59%): InP and GaAs epi for lasers (VCSELs, DFB (distributed-feedback laser), EML (electro-absorption modulated laser)) feeding 3D sensing, AI datacom optical interconnect, automotive LiDAR (light detection and ranging (laser-based 3D sensing)) and emerging co-packaged optics. The strategic growth engine.

Upstream materials supplier — volume- and utilisation-sensitive with high fixed costs and 12–24-month qualification cycles. Capacity spread across Cardiff (UK HQ), Greensboro NC, Hsinchu (Taiwan) and Singapore [S10].

4. Financial analysis

£m	FY2023	FY2024	FY2025	YoY (year-on-year) 25
Revenue — Wireless	53.9	67.3	40.1	-40% [S1][S2]
Revenue — Photonics	59.1	49.9	57.1	+15% [S1][S2]
Revenue — CMOS++	2.3	0.8	n/a (folded)	— [S2]
Group revenue	115.3	118.0	97.3	-18% [S1][S2]
Adj. EBITDA	4.3	8.1	3.2	-60% [S1][S2]
Adj. EBITDA margin	~4%	~7%	~3%	— [S1]

Reported operating loss	n/a	(25.8)	(33.0)	wider [S5]
Reported loss before tax	n/a	n/a	(37.0)	wider [S5]

H1 vs H2 split (asymmetric recovery):

£m	H1 2024	H1 2025	H2 2025 (implied)
Revenue	66.0	45.3	~52.0
Wireless	38.8	18.6 (-52%)	~21.5
Adj. EBITDA	6.6	(0.4)	~3.6
Pretax loss	(13.9)	(26.5)	n/a

H1 2025 collapse: handset destocking, tariff overhang, mobile softness. H2 rebound: US military/defence funding releases, AI/data-center photonics demand, new handset launches benefiting Taiwan ops [S3][S6][S7].

Balance sheet: cash £15.7m at 31-Dec-2025; adjusted net debt £31.5m (FY24: £18.8m); reported operating cash flow £8.1m (FY24: £1.3m) — working-capital tailwind [S1]. March 2025 convertible loan notes issued; H1 2025 also drew on HSBC RCF [S3][S6]. April 2026: £81m gross fundraising (£45m MACOM = £30m equity + £15m secured zero-coupon convertibles; balance via subscriptions/placing/retail) refinanced the balance sheet and removed the funding overhang [S4][S8][S9].

FY2026 guidance: revenue growth >20% YoY (implied >£117m); adjusted EBITDA high-single-digit to low-double-digit £m [S1][S8].

5. Sector & market context

Pool	2025/26 base	Outlook	CAGR (compound annual growth rate)	Source
Compound-semi substrates + open epiwafer (combined)	—	~US\$5.2bn by 2031	~14%	[S15]
Open (outsourced) epiwafer market	growing from 2023	US\$2.5bn by 2029	~19%	[S16]
InP substrates (AI/datacom-driven)	—	—	>18% through 2031	[S15]
InP wafer (thin polished disc of semiconductor (silicon, glass, III-V) on which chips are built) market	US\$198m (2025) -> US\$221m (2026)	US\$386m (2031)	11.7%	[S17]
Co-packaged optics (CPO (co-packaged optics)) market	US\$121m (2025) -> US\$165m (2026)	US\$764m (2031)	36%	[S18]
AI-compute InP application	US\$512m (2025)	US\$1.02bn (2032)	12.9%	[S19]
US defence semiconductor TAM (total addressable market)	US\$5.04bn (2025)	US\$11.9bn (2035)	~9%	[S20]

RF GaAs share of 5G (5th-generation mobile standard) RF-MW	34.8% of segment (2024)	—	—	[S21]
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Key question — photonics/AI tailwind vs handset cycle: IQE's Photonics segment (£57.1m, 59% of FY2025 revenue) is now larger than Wireless (£40.1m, 41%) for the first time, a structural mix flip [S1][S2]. The InP-for-AI angle is real: AI/datacom is the explicit FY26+ growth driver, and InP wafers are growing ~12–18% CAGR with CPO compounding mid-30s [S17][S18]. But absolute TAM is small (US\$200–500m near-term InP wafers globally), so IQE's incremental share gain matters more than market growth. Handset RF (Wireless) remains the swing factor for cyclicalities — FY25 Wireless -40% drove the whole-group decline despite Photonics +15%.

6. Competitive landscape

Player	Geo	Profile	Role vs IQE
IQE	UK / US / TW / SG	Leading independent multi-material III-V epi (GaAs, GaN, InP)	Largest pure-play outsourcer; scale leader in open epi
Sumitomo Chemical Adv. Tech.	Japan / Phoenix AZ	MOCVD (metal-organic CVD) epi (custom GaAs, InP); Sumitomo Electric on bulk GaN	Direct rival; bigger parent balance sheet [S22][S23]
IntelliEPI	Taiwan / Richardson TX	MBE (molecular-beam epitaxy)-grown GaAs/InP/GaSb/InSb wafers; US\$41m DARPA-linked grant 2025	Direct rival, especially photonics/InSb [S24]
Win Semiconductors	Taiwan	Pure-play 6" GaAs foundry (contract chip-manufacturer (e.g. TSMC); fabs what others design) — does its own epi captively, also outsources	Adjacent/customer-competitor; partly captive epi [S25]
Captive IDM (integrated device manufacturer) epi	Global	Skyworks, Qorvo (merging), Broadcom run in-house epi for >=half their PA (power amplifier) needs	Substitution risk on outsource share

Outsource-share dynamic: Outsourced epi is ~US\$2.5bn by 2029, growing 19% — faster than overall compound semi (~14%), implying captive IDMs are gradually outsourcing [S16]. Qualification cycles for new epi recipes are 12–24 months and customer-specific — a structural moat for incumbents (IQE, Sumitomo, IntelliEPI) but slow to monetise new design wins.

7. AI / data-center angle

IQE's AI vector is InP epi for data-center photonics. InP is the substrate for high-speed lasers (EML, DFB) feeding both pluggable optical transceivers (800G, 1.6T LRO) and emerging co-packaged optics. The MACOM long-term supply agreement (April 2026) is most plausibly scoped to InP for AI datacom; MACOM is itself a top-3 customer for IQE's 6" InP DFB laser platform [S26]. The Photonics +15% revenue growth in FY2025 (against handset cyclicalities drag elsewhere) is the leading indicator. The qualifier: absolute TAM is small — InP wafer market US\$200–500m, AI-compute InP application US\$512m -> US\$1.02bn by 2032

[S17][S19] — so the AI/InP thesis is about share gain in a niche market more than riding a mega-wave.

8. Growth drivers & catalysts

- FY26 revenue growth >20% (implied >£117m), adj. EBITDA high-single-digit £m [S1][S8].
- MACOM strategic supply agreement (April 2026) anchors InP/AI datacom volumes [S4][S8][S9].
- Photonics > Wireless mix flip — structural growth lever [S1][S2].
- US defense funding — Microelectronics Commons RF-GaN/NextG funding cycle (specific awards not named) [S7][S20].
- 6" InP DFB laser platform ramping for AI datacom [S26].

9. Recent news

- 28-May-2026 — FY2025 results published: revenue £97.3m, adj. EBITDA £3.2m, reported pretax loss £37m; FY26 guidance reiterated [S1][S5].
- Apr-2026 — Strategic Review formally concluded; IQE remains independent, refocused on InP for AI/datacom; MACOM-led £81m fundraising announced; MACOM takes ~11.5% stake + long-term supply agreements; two MACOM execs joining Board [S4][S8][S9].
- 12-Jan-2026 — Trading update: H2 2025 stronger than expected: US defence funding releases, AI/data-center photonics, new-handset wireless restocking [S7].
- 23-Sep-2025 — H1 2025 results: revenue £45.3m (-31%), Wireless -52%, adj. EBITDA -£0.4m, pretax loss £26.5m [S3][S6].
- 8-Sep-2025 — Strategic Review widened to potential sale of entire Group; enters offer period under Takeover Code [S11][S14].
- Mar-2025 — Convertible loan notes issued; RCF drawn for working capital [S3].
- 12-May-2025 — FY2024 results: revenue £118m, adj. EBITDA £8.1m [S2].
- 30-Oct-2024 — CEO Americo Lemos departs; CFO Jutta Meier takes over as interim CEO [S13].
- Sep-2024 — Strategic Review launched (initially scoped to Taiwan: IPO on TWSE or sale) [S11][S12].

10. Headwinds & key risks

- Customer in-housing of epi at IDMs. Skyworks, Qorvo and Broadcom collectively run >50% of their PA epi captively; the pending Skyworks–Qorvo merger (Oct 2025, US\$22bn, closing early 2027) will rationalise the combined PA epi footprint and likely consolidate/outsourcise share onto fewer suppliers — risk IQE is squeezed or pressured on price [S21]. MACOM's strategic stake partially counter-balances this for InP, but doesn't help GaAs/RF.
- Sub-scale, capital-intensive with recurring funding need. FY2025 reported operating loss £33m, pretax loss £37m, adj. net debt grew £18.8m -> £31.5m within twelve months [S1][S5]; the £81m raise in April 2026 was the second capital event in ~13 months (after the March 2025 convert) — standalone economics still don't fund the capex/working-capital cycle. Skyworks-Qorvo combination raises probability of further capacity write-downs.
- Strategic Review ended without a deal. Eight months of an open offer period produced no Group bidder, no Taiwan buyer, and no premium — the strategic-optionality thesis is now closed. MACOM's 11.5% stake (with two Board seats and a long-term supply agreement) acts as a strategic anchor that practically forecloses a competing bid for years. Investors who owned for the take-out have lost that lever.

11. Valuation

- Share price (27-May-2026): ~50.7p [S27].
- Shares in issue: ~979.9m post-fundraising [S27].
- Market cap: ~£492m (~US\$660m at 1.34 USD/GBP) [S27].
- Enterprise value (rough): market cap £492m + adj. net debt £31.5m - £81m gross fundraising cash inflow (less ~£23m note redemption) ~ EV (electric vehicle) in the £440–470m range pre-FY26 operating cash burn.
- EV/Sales (enterprise value ÷ sales): ~4.5–4.8x FY2025; ~3.8x FY2026e (>£117m).
- EV/EBITDA (enterprise value ÷ EBITDA): not meaningful on FY25 £3.2m; ~50x on midpoint FY26e

guidance (£9–10m).

M&A (mergers & acquisitions) optionality vs standalone: the Strategic Review explicitly failed to produce a Group buyer in 8 months (Sep 2025 -> Apr 2026), and the Taiwan-only deal also did not close (reported indicative valuation for the Taiwan unit ~US\$120m) [S12]. The MACOM deal replaced M&A optionality with a strategic-investor structure: customer-aligned capital + supply contract, but no premium take-out. The current ~5x EV/Sales multiple therefore prices in AI/InP optionality and operating-leverage recovery, not residual sale optionality.

12. Verdict & what to watch

IQE remains the scale leader in independent compound-semi epi with a credible AI/InP growth lever and now a strategically-anchored balance sheet via MACOM — but it is sub-scale, loss-making, and the take-out optionality is gone. The FY2026 guide implies a real recovery (revenue >20%, adj. EBITDA back to single-digit £m), and the Photonics > Wireless mix flip is the structural reason to believe. The risks are concentrated in customer cyclicity (Skyworks–Qorvo consolidation, RF cycle) and the operational stretch of running four geographically-dispersed fabs at sub-scale.

Verdict: strategically important III-V epi supplier, now MACOM-anchored; speculative on AI/InP execution; M&A premium optionality closed. Confidence 0.45.

Decision boundaries:

- MACOM-related InP volumes materialising visibly in H1 2026 revenue -> more positive (+).
- Photonics segment exceeding 65% of group revenue -> more positive (+).
- Sustainable adj. EBITDA above £10m for two consecutive halves -> more positive (+).
- Skyworks-Qorvo merger leading to material PA epi insourcing -> negative (-).
- Need for another capital raise within 18 months -> negative (-).
- AI/datacom photonics deceleration -> negative (-).

Open questions:

- Named hyperscaler InP volumes (MACOM as conduit).
- Permanent CEO appointment.
- Skyworks-Qorvo combined customer behaviour post-2027 close.
- Free cash flow at scale once Photonics revenue ramps.

Customers & suppliers

Customers (named or strongly implied):

- MACOM Technology Solutions — now both top-3 customer AND 11.5% shareholder (Apr 2026), with long-term supply agreement [S4][S8][S9].
- Lumentum, Coherent, Broadcom, Intel, MACOM, Applied Optoelectronics — disclosed/inferred laser/photonics customer set for IQE's 6" InP DFB laser platform [S26].
- Handset PA RF ecosystem: Skyworks, Qorvo, Broadcom (>80% of smartphone RFFE share collectively) [S21]; Skyworks–Qorvo merger (Oct 2025, US\$22bn) concentrates IQE's RF customer base and creates re-negotiation risk [S21].
- US defence primes: not named, but H2 2025 acceleration came from "US military & defence funding releases" — Microelectronics Commons GaN programs (Raytheon, NXP-led RF GaN initiative) plausibly relevant [S7][S20].

Suppliers: III-V substrate suppliers (AXT for InP/GaAs, Sumitomo Electric for bulk GaN, Mitsubishi); MOCVD/MBE tooling (Aixtron, Veeco); specialty gases (Air Liquide, Linde) — typical for the industry.

Sources

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Appendix — methodology & sources

Generated by AutoLab (thesis mode) on 2026-05-30. The loop iteratively scouts the weakest point, researches it, red-teams it, and integrates the findings; . Headline confidence 0.45.