

Cerebras Systems Inc. (NASDAQ: CBRS)

Equity research report, 17 October 2026. Prices as of the 16 October 2026 close.

WATCHLIST	\$127.21	\$135.85 (+6.8%)	60.2 / 100
RATING	LAST CLOSE, 16 OCT	WEIGHTED FAIR VALUE	INVESTMENT SCORE

Verdict: Watchlist, from fundamentals. Technical read (chart only): not classified, because the shares have traded for only 108 sessions since the May listing, short of the history the chart test needs. Watch for the price to hold above the 16 October low of \$126.05 and then build a higher low before reading anything into the chart.

The shares reached the \$125 to \$135 range that the 1 October report named as the point where the risk/reward turns attractive. They closed at \$127.21 on 16 October, down 28.4% from \$177.65 on 30 September and 31% below the \$185 IPO price, after a 10.5% fall that day to a new closing low. The range was meant to buy a wide margin below fair value. At today's numbers it does not. The probability-weighted fair value is \$135.85, only 6.8% above the price, and the base case is worth \$144. So the published level no longer holds, the verdict stays at Watchlist, and the price at which the name becomes interesting moves down to **\$105**.

Fair value is lower for three reasons. The share count used in the valuation now includes the 26.1 million contingently issuable warrant shares disclosed in the June quarter filing, tied to customer agreements including OpenAI's, which would vest in the same base case that delivers the revenue. The base multiple is 11 times 2027 core revenue, a level that still pays for growth of more than 200% next year but no longer assumes that a 41% gross-margin hardware and cloud business deserves a software multiple. And the bear case carries more weight (30%, up from 25%), because the customer that anchors most of the \$25.4 billion backlog was reported on 9 October to be running at about \$50 billion of annualised revenue rather than the \$70 billion investors had been told, and Microsoft said on 12 October that its own Maia chips will become a primary inference system for its products.

Nothing in the window broke the thesis outright. OpenAI's chief executive called Cerebras "a close partner" on 2 October, the August guidance raise stands, and the late-September neocloud deals add 2027 demand. None of the company's developments over the period rates as High. The open question remains which hardware serves OpenAI's new Ultrafast tier, and neither company has answered it.

The investment case

Cerebras builds wafer-scale processors, an entire silicon wafer used as one chip, and sells them two ways: as CS-series systems and as consumption-based cloud inference. Keeping a model on one very large processor removes much of the interconnect overhead that slows GPU clusters, so the pitch is speed on inference, where tokens per second matter to the user. Cloud and other services supplied 70% of second-quarter GAAP revenue, up from 32% a year earlier. Customers increasingly buy compute rather than boxes, which makes revenue more recurring but puts data-centre leases and capital spending on Cerebras's own balance sheet.

The returns over two years turn on four variables: whether OpenAI's 750 MW commitment converts into recognised revenue on schedule, whether the customer list broadens beyond OpenAI, G42 and MBZUAI, whether core gross margin holds near 40% as capacity scales, and what multiple the market will pay for an AI compute supplier while hyperscalers build their own inference silicon.

Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
OpenAI Ultrafast tier hardware	Reported 30 Sep; response 2 Oct; unresolved	SemiAnalysis said GPT-6.1 Sol Ultrafast runs on Nvidia GPUs. Cerebras powered the GPT-5.6 Sol Ultrafast mode from 13 Aug. On 2 Oct Sam Altman called Cerebras "a close partner" with "a deep engagement pushing on the frontiers of speed", without naming the hardware. Neither company has confirmed the claim.	Citi said its 2026-2028 revenue outlook is unchanged and that it is too early to read much into the rollout (13 Oct).	Medium
Lock-up release and insider sales	Waves 30 Sep and 14 Oct; further release before 28 Oct; final by 9 Nov	About 19.4m shares became eligible on each of 30 Sep and 14 Oct. Officers sold about \$112m around the first wave; the CEO and two directors filed further Form 4s on 2, 6 and 7 Oct.	None. Supply is known; demand for it is not.	Medium
Gimlet Labs and General Compute deals	Announced 28-29 Sep; deployments 2027	Gimlet: CS-4 systems totalling about 100 MW over one to two years. General Compute: multi-year deployment from Q1 2027. No contract values disclosed.	None disclosed.	Medium
AMD and AWS disaggregated inference	AMD production Q4 2026; AWS Bedrock Q1 2027	Both announced earlier in 2026 and restated in the August results. No change in the period.	Company timetable only.	Low
Third-quarter results	Expected about 11 Nov; date not yet announced	Guidance: Q3 core revenue \$214m-\$216m, core gross margin 38%-40%.	Management guidance (12 Aug).	Low

Company releases, filings and established press, 23 September to 16 October 2026.

No development in the period is High for this thesis. The OpenAI hardware question goes to the centre of the concentration risk, but it rests on a third-party claim that neither company has confirmed, so it carries no weight in the scenarios. It remains a named trigger in both directions. The lock-up supply explains part of the fall but says nothing about the business. Without any of these items the verdict and the levels would be the same, because the change in fair value comes from the share count, the multiple and the customer's own funding picture, not from a company announcement.

Growth drivers

Driver	Status	Likelihood	Impact	Comment
OpenAI 750 MW ramp	Contracted; capacity through 2028	Medium	Very high	\$86.3m of billings credited against the OpenAI loan through June, against a commitment of up to \$20bn; conversion pace is the thesis
2027 revenue tripling	Management target (12 Aug)	Medium	High	Analyst average for 2027 is \$2.95bn; management plans more than three times 2026
Neocloud and enterprise customers	Gimlet, General Compute, Cognition, Lovable	Medium-high	Medium	Broadens the mix; values undisclosed and some buyers are debt-financed
AWS Bedrock and AMD pairing	Pending, Q4 2026 to Q1 2027	Medium	Medium	Distribution through a hyperscaler without Cerebras owning the data centre
Capacity build	More than 600 MW under contract by end-2027	High	High	Enables the revenue but adds lease and capital commitments

Company guidance and filings; analyst average as of 5 October 2026.

Financials

The second quarter showed the gap between the company's core measures and GAAP. Core revenue rose 103% to \$209.9 million and core gross margin reached 40.6%. GAAP revenue was \$180.1 million, up 74%, because \$44.3 million of customer-warrant amortisation reduces reported revenue, and GAAP gross margin was 14.2%. The GAAP net loss of \$450.5 million, or \$2.98 a share, was driven by \$377 million of stock-based compensation triggered by the listing. The core operating loss was \$33.6 million. Full-year guidance was raised to core revenue of \$880 million to \$890 million with a core operating margin of minus 17% to minus 19%.

Measure	Q2 2026	Q2 2025	Comment
Core revenue	\$209.9m	\$103.3m	+103%; company measure
GAAP revenue	\$180.1m	\$103.3m	+74%; after warrant amortisation
Cloud and other services (GAAP)	\$126.0m	\$33.0m	+281%
Hardware (GAAP)	\$54.1m	\$70.3m	-23%
Core / GAAP gross margin	40.6% / 14.2%	31.2% / 31.1%	Core excludes warrant and pass-through effects
Core operating loss	\$(33.6)m	\$(43.9)m	Margin -16% vs -42%
GAAP net income (loss)	\$(450.5)m	\$309.5m	SBC \$377m; prior year had \$368m other income
Cash and investments	\$7.92bn	n/a	Plus \$0.68bn restricted; \$0.92bn OpenAI loan
Capex, first half	\$548.9m	n/a	Operating cash flow -\$47.5m
Remaining performance obligations	\$25.4bn	n/a	Mostly OpenAI

Company Q2 2026 results release and Form 10-Q. Core measures are non-GAAP company measures.

Industry and competitors

Inference is becoming the larger share of AI compute spending, and speed is where Cerebras competes. The field is getting more crowded. Nvidia remains the default supplier and was named in the claim about OpenAI's new tier. Microsoft announced Maia 300 on 12 October, an inference-first accelerator it says delivers about 40% more tokens per megawatt than leading GPU systems, due in production in 2027, and said Maia will become a primary inference system for its own products. Microsoft is not a Cerebras customer, so there is no direct revenue at stake, but each hyperscaler that serves its own models on in-house silicon narrows the market a merchant supplier can win. Cerebras's answer is distribution through partners: AWS will offer its systems on Bedrock alongside Trainium, and AMD pairs its GPUs with Cerebras for disaggregated inference.

Management

Execution against guidance has been good in the two quarters since listing: the August outlook was raised on every metric, and the company has kept signing capacity and customers. Insider selling is the weak point. The CEO and CTO sold more than \$240 million of shares between 20 August and 25 September under trading plans, officers sold about \$112 million around the 30 September unlock, and further Form 4 filings followed in early October. Plan sales are normal diversification after a listing, but the size and timing do nothing to support the shares while lock-up supply is arriving.

Risks

Risk	Probability	Severity	Comment
Customer concentration	Present	Severe	OpenAI anchors the backlog; G42 and MBZUAI supplied most of 2025 revenue
OpenAI funding and pace	Moderate	Severe	Reported revenue run rate of about \$50bn, not \$70bn; commitment conversion depends on its capital
OpenAI workload migration	Low-moderate	Severe	Unconfirmed claim on the new Ultrafast tier; confirmation would hit the core thesis
Hyperscaler in-house silicon	High	Medium	Maia 300 and Trainium compete for the same inference workloads

Risk	Probability	Severity	Comment
Lease and capital commitments	Moderate	High	More than 600 MW under contract by end-2027; first-half capex \$549m
Lock-up and insider supply	High	Medium	Releases through 9 November
Valuation compression	Moderate	High	About 9 times 2027 analyst revenue still prices strong conversion

Probability and severity are this report's assessments.

Valuation

At \$127.21, the 237.6 million Class A, B and N shares outstanding give an equity value of \$30.2 billion. Adding the 26.1 million contingently issuable warrant shares raises it to \$33.5 billion on 263.7 million shares. Net cash was about \$7.0 billion at 30 June after the \$918 million OpenAI working-capital loan; allowing for second-half capital spending, the valuation uses \$6.5 billion at year-end (our estimate). That puts enterprise value near \$27.0 billion, about 9.2 times the \$2.95 billion analyst average for 2027 revenue and about 30 times the \$885 million midpoint of 2026 core revenue guidance. A sales multiple on 2027 is used because earnings are not yet meaningful and a cash-flow model would be dominated by deployment timing and warrant economics.

The base case is worth \$144 a share: 2027 core revenue of \$2.85 billion, slightly under the analyst average and in line with management's plan to more than triple revenue, at 11 times, plus year-end net cash. The last report put the base case at \$185 and the weighted value at \$192.50. The difference comes from counting the warrant shares, a lower multiple and a heavier bear weight, not from lower revenue expectations, which have held.

Two macro variables matter here. The first is the funding climate for the AI labs that buy Cerebras capacity, since OpenAI's ability to pay for 750 MW depends on continued access to private capital; its reported revenue gap on 9 October hit AI stocks broadly. The second is the discount rate. The Federal Reserve raised its target range to 3.75%-4.00% on 16 September and meets again on 27-28 October, September CPI ran at 3.7% and producer prices rose 1.3% on the month, and the 10-year Treasury yield sits near 5.1%. A company valued on revenue years out is directly exposed to that yield.

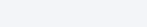
Measure	Value	Comment
Share price	\$127.21	Close, 16 Oct 2026
Shares outstanding	237.6m	Classes A, B and N, 5 Aug 2026
Valuation share count	263.7m	Adds 26.1m contingently issuable warrant shares
Equity value (valuation count)	\$33.5bn	Our calculation
Net cash, year-end 2026	~\$6.5bn	Our estimate from \$7.0bn at 30 June less second-half capex
Enterprise value	~\$27.0bn	Our calculation
EV / 2027 analyst revenue	~9.2x	On the \$2.95bn average
Analyst targets	\$209 to \$330	Median about \$295 across 14 analysts; none at Sell

Our calculations from the Q2 2026 Form 10-Q and results release; analyst figures as published in October 2026.

Sentiment

The sell side remains positive and well above the price. Freedom Capital Markets raised the stock to Buy with a \$209 target on 2 October, and Mizuho (\$300) and Barclays (\$280) reiterated Buy ratings on 5 October, with Barclays saying the OpenAI relationship remains strong. Targets of roughly \$280 to \$330 sit more than twice the price, which mainly shows how far the stock has moved away from where analysts set them in August. Trading tells a different story: the shares fell 10.7% on 12 October and 10.5% on 16 October on heavy volume. Insider supply and the lock-up schedule weigh on sentiment until early November.

Investment scorecard

Criterion	Score	Weight	Basis
Business Quality	 6/10	16%	Real differentiation; GAAP economics still distorted by warrants and SBC
Financial Strength	 7/10	16%	About \$7bn net cash against large lease and capex commitments
Competitive Advantage	 6/10	16%	Speed lead intact; hyperscaler in-house inference narrows the field
Management	 6/10	10%	Guidance raised; heavy insider selling through the lock-up
Growth Potential	 8/10	16%	\$25.4bn backlog and a plan to triple 2027 revenue
Valuation	 5/10	16%	About 9x 2027 analyst revenue; price near weighted fair value
Risk (10 = lowest risk)	 3/10	10%	Concentration, customer funding and commitments are correlated
Investment Score	60.2 / 100	100%	Computed weighted sum

Scored 1-10, where 10 is always best, including Risk. Risk 3/10 means high risk, consistent with the risks above. Weights 16/16/16/10/16/16/10.

The score is 60.2, against 56.8 for the last report. The prior score is restated without the Technical Setup factor for comparability; the last report's Risk score used the same direction, so no restatement of it was needed. Valuation moved from 2 to 5 because the shares now trade near the weighted fair value rather than about 38 times current-year core revenue. Competitive Advantage moved from 7 to 6 on Microsoft's in-house inference plans and the unanswered question on OpenAI's new tier. The other five scores are unchanged: cash, guidance, backlog, insider activity and the concentration profile are the same in kind as at the last report.

Scenario analysis

Case	Probability	Outlook	Fair value
Bull	25%	OpenAI and AWS ramp on time, neocloud deals scale; 2027 core revenue \$3.4bn at 14x EV/sales	\$205
Base	45%	Revenue roughly triples with some friction; 2027 core revenue \$2.85bn at 11x	\$144
Bear	30%	OpenAI pace slips or workloads shift; 2027 core revenue \$1.8bn at 6x	\$66
Weighted	100%	Probability-weighted fair value, computed	\$135.85

Each case adds \$6.5bn of estimated year-end net cash and divides by 263.7m shares. Our calculations.

The bull case needs OpenAI's billings, \$86.3 million through June, to accelerate sharply and AWS to launch on time; the August guidance raise and the new customers support it, so it keeps a quarter of the weight. The base case assumes the plan is delivered late and unevenly, the usual pattern for capacity-led ramps. The bear case rises to 30% because the main customer's own revenue is smaller than investors were told and hyperscalers are moving inference onto their own chips; it does not assume the unconfirmed hardware claim is true.

Recommendation

Watchlist, unchanged, on partly new grounds. In September and on 1 October the case for waiting was valuation. The price has since fallen to the level that was supposed to fix that, but fair value has fallen with it, and the margin of safety the range was meant to provide is not there: \$127.21 against a weighted value of \$135.85 and a bear case of \$66. The shares become interesting at **\$105**, about 27% below the \$144 base case and roughly 7.4 times base-case 2027 revenue in enterprise value. That price compensates for a concentration and customer-funding risk that has become more visible, not less. A clear answer from OpenAI on its Ultrafast hardware, in either direction, would matter more than any move in the price. No cut-loss or take-profit levels apply to a Watchlist rating.

Toward Buy	Toward Avoid
Shares reach about \$105 without a thesis break	OpenAI confirms its Ultrafast tier has moved to GPUs
OpenAI confirms Cerebras capacity for the new Ultrafast tier	OpenAI cuts or defers capacity purchases
Third-quarter results show OpenAI billings rising and core and GAAP margins converging	AWS Bedrock launch slips past early 2027
Neocloud deals disclose material revenue	Lease commitments rise faster than visible demand
	A further sustained rise in long-term yields while estimates stand still

Conditions are directional unless a price is stated.

Technical read

Chart as of 16 October 2026 close. Verdict: Watchlist, from fundamentals. Technical read (chart only): not classified, because the shares have 108 completed sessions and the chart test needs 220. The shares are in a steep decline: below the 20, 50 and 100-day averages by 24% to 37%, at a new low, with RSI at 26.7 in oversold territory and MACD below its signal line. Watch for the price to hold above \$126.05 and set a higher low, then for a reclaim of the 20-day average, before treating the slide as over.

Indicator	Value	Reading
Price of record	\$127.21	Close, 16 Oct 2026
SMA 20 / EMA 20	\$175.85 / \$166.84	Price 27.7% / 23.8% below
SMA 50 / EMA 50	\$192.01 / \$185.37	Price 33.7% / 31.4% below
SMA 100 / EMA 100	\$200.46 / \$202.09	Price 36.5% / 37.1% below
SMA 200 / EMA 200	Not computed	Fewer than 200 sessions since listing
RSI (14)	26.7	Oversold
MACD (12,26,9)	-15.32 vs signal -10.54	Histogram -4.78, below signal
ATR (14)	\$12.65	9.9% of price
Volume, 20-day vs 50-day	9.3m vs 8.2m	Participation rising (+13%)
Support	\$126.05	16 Oct intraday low; no earlier trading below it
Resistance	\$142-\$150	13-15 Oct closes and the 13 Oct high
Range since listing	\$126.05 - \$386.34	First-day high to current low

Computed from 108 completed daily sessions, 14 May to 16 October 2026, unadjusted closes.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score and only guides the timing of any entry.

Final verdict

Would the shares be worth buying with personal money today? Not yet. Cerebras has a real engineering edge, a large contracted backlog and \$7 billion of net cash, and the price has fallen by more than half from the first-day high. But the single biggest concern has grown rather than shrunk: one customer, whose own revenue is now reported to be smaller than its backers were told, anchors most of the demand, and the open question about its newest serving tier is still unanswered. At \$127 the price sits close to fair value with a bear case near \$66. What must change is either the price, to about \$105, or the evidence: OpenAI billings visibly accelerating in the third-quarter results, or a direct confirmation that Cerebras serves its newest fast tier.

Sources

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