

Cerebras Systems Inc. (CBRS)

Equity research note · Nasdaq · AI compute · Data as of the close on 21 August 2026

Rating	Share price	Weighted fair value	Investment score
WATCHLIST	\$196.13	\$191.50 (-2.4%)	55 / 100

Fair value is the probability-weighted output of the scenario table on the final page, not a price target. Cerebras listed on 14 May 2026, so this note covers a company with roughly three months of public trading history.

The case in one paragraph

Cerebras builds wafer-scale processors for AI training and, increasingly, inference. Growth is extraordinary: core revenue rose 103% year over year in the second quarter and the inference cloud business nearly quadrupled. The company holds \$8.6 billion of cash after the largest semiconductor IPO on record, so there is no financing risk for years. Two things hold the rating back. Almost all revenue has come from a small number of Abu Dhabi-linked entities, and the difference between the company's preferred 'core' figures and its statutory accounts is large enough that the two describe different businesses. At roughly 44 times forward core revenue, neither can be waved through.

Two sets of numbers, and the gap between them

Cerebras reports GAAP results alongside a 'core' presentation, and directs attention to the latter. The gap is not a rounding difference. Second-quarter core revenue was \$209.9 million against GAAP revenue of \$180.1 million, a \$29.8 million difference on the top line. Core gross margin was 41%; GAAP gross margin was 14%. Core operating margin was negative 16%; GAAP operating margin was negative 265%, a gap of 249 percentage points.

The same divergence runs through the bottom line. Adjusted loss per share was \$0.04, comfortably ahead of the \$0.17 consensus loss and reported as a beat. GAAP loss per share was \$2.98. On roughly 237.6 million shares that implies a quarterly GAAP net loss of about \$708 million, or close to four times the quarter's GAAP revenue.

Much of that gap is share-based compensation crystallising around the listing, which is genuinely elevated in a company's first public quarters and will fall. But share-based compensation is a real transfer of value from existing owners to employees, and the adjustments are large enough and recent enough that a reader anchoring on the core figures is not looking at the same company the accounts describe. This note uses GAAP where a choice exists, and flags where it does not.

Second quarter 2026 in numbers

Metric	Core	GAAP	Comment
Revenue	\$209.9m, +103%	\$180.1m, +74%	A \$29.8m gap on the top line itself
Gross margin	41%	14%	Core up ~940bp year on year
Operating margin	(16)%	(265)%	249 percentage points apart
Loss per share	\$(0.04)	\$(2.98)	Consensus was \$(0.17); the beat is on the core figure
Implied net loss	—	~\$(708)m	Calculated: \$2.98 x 237.6m shares
Cash & investments	\$8.6bn	\$8.6bn	Plus \$850m of debt capacity
FY26 revenue guide	\$855-865m core	—	Guidance is given on the core basis

First-quarter comparison: core revenue \$191.3m, up 92%, with hardware \$111.6m and cloud and services \$82.8m. The mix shift toward cloud is the most encouraging trend in the business.

The concentration problem

This is the single most important fact in the file. G42, the Abu Dhabi AI group, accounted for roughly 85% of 2024 revenue. In 2025 that fell to about 24%, which sounds like diversification until the replacement is named: Mohamed bin Zayed University of Artificial Intelligence, also Abu Dhabi-based, accounted for about 62%. Two entities within the same national ecosystem therefore represented something close to 86% of 2025 revenue.

A customer base that concentrated is fragile in the ordinary commercial sense, and it carries a second layer of risk that most concentration does not. Cerebras spent an extended period in regulatory review over foreign-investment concerns tied to that same relationship before it could list at all. A business whose revenue and whose regulatory exposure point at the same counterparty has correlated risks, and correlated risks are the ones that arrive together.

The announced multi-year OpenAI agreement, reported at 750MW and more than \$20 billion, is the credible answer, along with the AWS relationship. If those convert into recognised revenue at anything like the headline scale, the concentration problem resolves itself and the investment case changes materially. That conversion has not happened yet, and until it appears in reported revenue it is a contract, not a customer base.

Competitive position

The wafer-scale engine is genuine engineering differentiation rather than marketing. By keeping an entire model on one enormous piece of silicon, Cerebras avoids much of the interconnect overhead that constrains clustered GPUs, and the resulting inference speed is the company's clearest competitive claim. The near-quadrupling of the inference cloud business suggests customers value it.

The difficulty is the opponent. NVIDIA's advantage is not only silicon but CUDA, an ecosystem with a decade of accumulated tooling and developer familiarity that competitors have repeatedly failed to dislodge. Cerebras does not need to defeat that ecosystem to succeed, but it does need to hold a defensible niche in inference while hyperscalers build their own accelerators for the same workloads. Being technically better at one thing is a real advantage and a narrower one than the valuation implies.

Valuation

Measure	Value	Comment
Share price	\$196.13	Close, 21 Aug 2026
Shares outstanding	~237.6m	Used for the market cap below
Market capitalisation	~\$46.6bn	Calculated: price x shares
Less cash and investments	\$(8.6)bn	Post-IPO; no meaningful debt drawn
Enterprise value	~\$38.0bn	Calculated
EV / FY26 core revenue	44.2x	On the \$860m guidance midpoint
EV / annualised GAAP revenue	52.7x	Q2 GAAP revenue x 4
IPO price / first close	\$185 / \$311.07	Priced 14 May 2026; raised \$6.4bn
Analyst consensus	Median target \$300	11 analysts; Morgan Stanley \$279, Mizuho \$300, Wedbush \$290

No earnings-based method is meaningful while GAAP losses run at roughly four times revenue, and a discounted cash flow would be a exercise in assumption-setting given that the largest contract has not begun converting. Sales multiples are therefore the honest instrument, with the caveat that the denominator itself depends on which set of books is used, and the two differ by 17% on revenue alone.

Principal risks

Risk	Probability	Severity	Why it matters here
Customer concentration	Present now	Severe	~86% of 2025 revenue from two Abu Dhabi-linked entities
Geopolitical and review risk	Moderate	Severe	Same counterparty that delayed the listing; revenue and regulatory exposure are correlated
OpenAI contract does not convert	Moderate	High	It is the entire diversification thesis
GAAP losses persist	High	Medium	~\$708m quarterly loss; cash covers it, dilution does not reverse
Valuation compression	High	High	44x forward sales needs no bad news to de-rate
Lock-up expiry	Scheduled	Medium	A May listing implies insider supply arriving around late 2026
NVIDIA and in-house silicon	Ongoing	Medium	CUDA lock-in plus hyperscaler accelerators target the same workloads

Sentiment and technicals

Indicator	Reading	Interpretation
Price vs 20-day average	\$196.13 vs \$216.12, -9.3%	Below the short-term trend
Price vs 50-day average	\$196.13 vs \$208.25, -5.8%	Below the medium-term trend
100 / 200-day averages	Not computed	Only 69 sessions exist since listing; not estimated
RSI (14)	44.2	Neutral
MACD (12,26,9)	2.33, signal 4.96	Histogram negative: momentum rolling over
ATR (14)	\$24.07, 12.3% of price	Exceptional volatility even for a recent listing
From first-day high	-49.2% from \$386.34	Roughly half the day-one peak has gone
From first close	-36.9% from \$311.07	Still 6% above the \$185 IPO price
Analyst consensus	Median target \$300	Street is far more bullish than this note

Technicals inform timing only and do not override the fundamental view. All indicator values were computed from the daily price series rather than read from a third-party summary. With fewer than 70 sessions of history, longer-window indicators are genuinely unavailable rather than omitted.

Scorecard

Scored 1-10, where 10 is always best, including Risk. Weights sum to 100 and the composite is a plain weighted sum.

Factor	Score	Wt	Rationale
Business Quality		12	Real technical differentiation; GAAP economics still poor
Financial Strength		12	\$8.6bn cash and \$850m facility; no financing risk for years
Competitive Advantage		13	Fastest inference is a narrow moat against CUDA
Management		10	Executed a record IPO and landed OpenAI; core-metric framing is aggressive
Growth Potential		18	Core revenue +103%, inference cloud nearly quadrupled
Valuation		18	~44x forward core sales, ~53x GAAP
Risk (10 = lowest risk)		12	~86% two-entity concentration, correlated regulatory exposure, lock-up ahead

Factor	Score	Wt	Rationale
Technical Setup		5	Below both averages, MACD rolling over, 12.3% ATR
Investment Score	55 / 100	100	Weighted sum of the rows above

Scenarios

Case	Prob.	What happens	Fair value
Bull	25%	The OpenAI and AWS relationships convert into recognised revenue at scale, Abu Dhabi concentration falls below 40%, GAAP losses narrow sharply as listing-related compensation rolls off, and FY27 revenue approaches \$2bn	\$310
Base	45%	Core revenue growth stays strong but concentration persists into 2027, the lock-up adds supply, and the multiple compresses toward 30x as GAAP losses remain heavy	\$190
Bear	30%	The Abu Dhabi relationship is disrupted or the OpenAI contract slips, growth decelerates against a very high bar, and the multiple resets toward 20x core sales	\$95
Weighted	100%	Probability-weighted fair value, computed	\$191.50

Verdict

Watchlist. The technology is real, the growth is exceptional and the balance sheet removes the failure mode that usually kills companies at this stage. None of that makes the shares attractive at 44 times forward revenue on the company's own preferred measure.

The decisive issue is that the two loudest facts point in opposite directions and neither can be resolved by waiting a quarter. Revenue growth of 103% is the kind of number that justifies a high multiple. Revenue concentration of roughly 86% in two entities from a single state ecosystem is the kind of fact that argues for a low one. The OpenAI agreement is the bridge between them, and it is at present a signed contract rather than a revenue stream.

A reader who buys here is underwriting three things at once: that a large contract converts on schedule, that the GAAP and core presentations converge as listing compensation rolls off, and that a 44x multiple survives a lock-up expiry in a volatile name with a 12% average daily range. Any one of those is reasonable. Requiring all three, at this price, is not a risk-adjusted proposition. The stock is already 49% below its first-day high, which reflects some of this rather than creating a margin of safety.

What would change the view

Toward Buy	Toward Avoid
OpenAI or AWS revenue appearing in reported results at meaningful scale	Any disruption to the Abu Dhabi relationships before diversification lands
Concentration from the two Abu Dhabi entities falling below roughly 40%	The OpenAI agreement slipping, being resized, or failing to convert
GAAP and core operating margins converging as listing compensation rolls off	Growth decelerating below roughly 50% while the multiple stays elevated
Shares nearer \$120-130, where the bear case stops being punitive	A disorderly lock-up expiry or large secondary issuance

Sources. Cerebras Systems investor relations first- and second-quarter 2026 releases; SEC Form 10-Q for the quarter ended 30 June 2026, Form 8-K and Form 424B4 prospectus; StockAnalysis.com for share count and market capitalisation; Benzinga for post-results analyst revisions; Alpha Vantage daily price series for all technical indicators, computed independently.

This note is informational only and is not financial advice, an offer, or a recommendation to transact. It reflects publicly available information as of 21 August 2026 and may become inaccurate without notice.