

Credo Technology Group Holding Ltd

NASDAQ: CRDO | Semiconductors, AI data-centre interconnect | Post-results review of the first quarter of fiscal 2027 | 2 September 2026

Last close (1 Sep 2026)	\$206.63 (-8.65%)	Recommendation	BUY
Prior report (18 Aug)	\$249.64, Watchlist	Investment score	70 / 100 (prior 66)
Market capitalisation	\$38.6bn	Weighted fair value	\$225
Enterprise value	\$37.8bn	Ideal buy range	\$185 - \$200
Q1 FY27 revenue	\$479.0m, +115% y/y	Cut-loss	\$168
Q1 FY27 non-GAAP EPS	\$1.20 vs \$1.17 cons.	Targets	\$236 then \$290

A note on the price used in this report. Credo released these results after the close on 1 September and held its call at 5:00pm Eastern. At the time of writing, the US market has not yet opened, so no closing price exists that reflects the announcement. Every price and multiple below is struck against the 1 September close of \$206.63, which predates the news. Extended-hours indications after the release ranged from roughly 5% to 10% below that close. The trade levels in this report are therefore framed as a range to work into rather than a single figure, and the technical section describes a chart that has not yet absorbed the quarter.

What the Quarter Showed, and What It Changed

Credo's first quarter of fiscal 2027 cleared every bar it had been set. Revenue of \$479.0m beat the \$471.8m the street carried and beat the company's own \$465m to \$475m guidance range, the fifth consecutive quarter in which reported revenue has landed above the guided top end. Non-GAAP earnings of \$1.20 beat the \$1.17 consensus. Non-GAAP gross margin held at 68% and non-GAAP net income of \$236.3m was a record, a 49.3% net margin on a business that did \$193m of revenue in the whole of fiscal 2024.

The guidance was the more important half. Management guided the September quarter to \$525m-\$535m against an LSEG consensus of \$515.8m, and reframed the full-year outlook from the previous 'more than 80%' revenue growth to 'more than 85%', with the \$600m-plus optical target reaffirmed and now broken into three lines each guided above \$100m. A company raising the year while beating the quarter is not a company whose demand has cracked.

The previous report on this company, published on 18 August, rated it Watchlist and named two conditions, either of which would move it to Buy: a price below \$210, and a September quarter guided above \$520m. Both have now happened. The guide came in at \$530m at the midpoint, and the shares closed the day of the release at \$206.63. The rating moves to Buy. The rest of this report sets out why that is the right conclusion rather than a mechanical one, and where the case has genuinely got weaker since August.

The share price weakness that satisfied the first condition was not Credo's doing. The stock fell 8.65% on 1 September, before the release, on a session in which new US strikes on Iranian targets pushed crude up roughly 5%, the Nasdaq Composite fell 1.03% and the 10-year Treasury yield rose to 4.80%, its highest since January 2025. At a beta above three, the index move alone accounts for the bulk of it, and the remainder is the de-risking that precedes a print for which options were pricing a move of about 12% in either direction. Nothing about the company caused the level at which it now trades. That is the distinction between a price that has come to the buyer and a price that is falling for a reason.

The reported quarter against its comparisons

Metric	Q1 FY2027	Consensus	Company guide	Q1 FY2026	Change y/y
Revenue	\$479.0m	\$471.8m	\$465-475m	\$222.8m	+115%

Metric	Q1 FY2027	Consensus	Company guide	Q1 FY2026	Change y/y
Non-GAAP diluted EPS	\$1.20	\$1.17	n/g	\$0.52	+131%
Non-GAAP gross margin	68.0%	n/a	~68% mid	~64%	+~400bp
Non-GAAP operating expenses	\$95.2m	n/a	below high end	n/d	+16% q/q
Non-GAAP operating income	\$230.6m	n/a	n/g	n/d	+6.4% q/q
Non-GAAP net income	\$236.3m	n/a	n/g	~\$98m	+140%
Non-GAAP net margin	49.3%	n/a	~50% target	~44%	+~530bp
Cash flow from operations	\$90.2m	n/a	n/g	n/d	-\$92.0m q/q
Free cash flow	\$82.9m	n/a	n/g	n/d	-51% q/q

Reported figures from Credo's Q1 fiscal 2027 release and 8-K of 1 September 2026 and from management's commentary on the earnings call. Consensus figures are LSEG means as reported by TheStreet. The Q1 FY2026 revenue base is this report's calculation from the disclosed 115% year-on-year growth rate; the Q1 FY2026 non-GAAP net income and margin are derived the same way and are not company-reported. n/g = not guided, n/d = not disclosed in the sources used.

One line in that table deserves separate treatment, because it is the only place the quarter got worse rather than better. Operating cash flow fell by \$92.0m sequentially to \$90.2m, and free cash flow of \$82.9m represents 35% conversion of non-GAAP net income against something close to full conversion in fiscal 2026. The cause is disclosed and is working capital: inventory rose \$62.2m sequentially to \$313.1m. Asked about it directly on the call, the chief executive tied it to the second-half ramp, saying the company is leaning in from a supply chain standpoint and pointing back to preparation begun eighteen to twenty-four months ago. That is a defensible use of cash and arguably the right one ahead of a step-change in volumes. It is nonetheless cash out of the door against revenue that has not yet been booked, and if the second half slips, the inventory is the first place it will show.

The balance sheet also looks materially different from the one described in August. Cash and equivalents ended the quarter at \$764.3m, down \$679m, almost entirely the cash cost of the DustPhotonics acquisition. Against \$25m of debt that is still roughly \$739m of net cash and there is no solvency question anywhere near this company, but the cushion is now about half what it was, and the balance sheet has moved from unimprovable to merely strong.

The Business and the Variables That Decide It

Credo sells the connections inside AI data centres. Its original and still largest product is the active electrical cable, a copper cable with the company's own SerDes silicon and firmware inside it, which replaced passive copper on the short link between accelerators and the first switch because passive copper stopped being reliable at higher data rates. Around that sit optical DSPs, retimers for scale-up fabrics, silicon photonics optical engines acquired with DustPhotonics, and ZeroFlap Optics, a complete optical transceiver built from the company's own DSP and PIC and wrapped in the PILOT telemetry software. It is a fabless business with almost no capital intensity, 68% gross margins and, being Cayman-domiciled, a very low effective tax charge.

Four variables decide the return on this stock over the next two years, and everything in this report is organised around them.

Variable	Why it decides the outcome	Where it stands after this quarter
Whether the second-half revenue step-up arrives	The guided year is back-half weighted to a degree that no trailing multiple captures. If H2 lands, the stock is cheap; if it does not, the multiple and the estimate break together	H1 has come in \$45m ahead of what the August report modelled, which lowers the required Q3 sequential step from about 34% to about 30%. Still the single largest open question

Variable	Why it decides the outcome	Where it stands after this quarter
The optical ramp specifically	Optical is the identified vehicle for the step-up. It is also the newest business, with the least delivery history behind it	Record optical DSP revenue, first silicon photonics revenue recognised, two major PIC design wins for fiscal 2028. Directionally on track; the dollar total is not yet visible
Customer concentration	A single order deferral at one account can move a quarter. Hyperscalers can also in-source, and Broadcom and Marvell sit inside the same buildings	Worse. The top four customers were 33%, 28%, 13% and 10% of the quarter. The top two alone are 61%
The multiple the market will pay for the growth	At 30x to 40x forward earnings, the discount rate does a great deal of the work in the share price regardless of what the company delivers	The forward multiple has compressed from 40.6x in August to 33.5x, into a 10-year yield at a 20-month high. Much of the de-rating has already happened

Industry position

The market Credo addresses is expanding faster than the company can currently serve it. Management cited third-party forecasts for the pluggable optical transceiver market growing from roughly 60 million units in 2026 to 175 million by 2030, and made the point that active electrical cables are not a separate market but the one-metre to seven-metre segment of that same pluggable market, which grows with it. Scale-up networks add a second axis: as accelerator clusters need roughly ten times the connection density of scale-out, form factors have to change, and near-package and co-packaged optics become the answer. Credo joined the Open CPX consortium during the quarter and expects near-package optics design wins to begin ramping in fiscal 2028.

The competitive position is genuine but not unassailable. Credo created the AEC category and owns the SerDes stack beneath every product it sells, which is a real cost and integration advantage as it moves from components into complete modules. Against that, Broadcom can bundle connectivity with switching, Marvell brings custom silicon into the same accounts, and Astera Labs competes directly on the retimer and connectivity line. The company's answer, articulated at some length on the call, is that reliability rather than bandwidth is now the binding constraint, and that its PILOT telemetry, which reads eye height, signal-to-noise histograms and even electrostatic damage on every link, is a capability the component vendors do not have. That is a credible moat argument and it strengthened this quarter, but it is an argument about the next two years rather than a settled fact.

Competitive comparison

Company	Overlap with Credo	Relative position
Astera Labs (ALAB)	Retimers, connectivity silicon, same hyperscale accounts	Closest comparable. Similar growth profile on a larger market capitalisation and a higher forward multiple. Does not own an optical module business
Broadcom (AVGO)	SerDes IP, optical DSPs, switching silicon	The incumbent, and the one that can bundle. Connectivity is a small share of a very large business, so it can price the segment strategically
Marvell (MRVL)	Optical DSPs, custom silicon inside the same customers	Scale competitor with a broader portfolio and a slower growth rate. Directly contests the optical DSP line where Credo posted record revenue
Optical module vendors	ZeroFlap Optics competes with them; its DSPs and PICs also sell to them	The awkward part of the strategy. Credo is now both supplier and competitor to the module makers, which management addressed on the call by arguing the two channels are complementary

Competitive framing from Credo's fiscal Q1 2027 earnings call and the August 2026 report on this company. Peer multiples are not restated here because they have moved materially in the sector de-rating since 18 August and no post-earnings peer snapshot is available at the time of writing.

The Shape of Fiscal 2027

This is the crux, and it is the same crux as in August, one quarter further along. Management guides to more than 85% revenue growth on a fiscal 2026 base of \$1,335m, which is roughly \$2,470m. The first half is now known to a good approximation: \$479m reported plus a \$530m guidance midpoint is \$1,009m. That leaves about \$1,461m for the second half, or 59% of the year, and it requires the sequential growth rate to step up sharply in the January quarter.

Step	Figure	Note
FY2026 actual revenue	\$1,335m	Reported
Q1 FY2027 actual	\$479m	+9.6% sequential; beat the guided top end
Q2 FY2027 guidance midpoint	\$530m	+10.6% sequential; above the \$515.8m consensus
Implied first half	\$1,009m	Derived. The August report modelled ~\$964m
FY2027 at guided 'more than 85%'	~\$2,470m	Company growth rate applied to the FY26 actual
Implied second half	~\$1,461m	59.1% of the year; +45% versus the first half
Implied Q3 FY2027	~\$687m	Requires roughly +30% sequential, against +34% modelled in August
Implied Q4 FY2027	~\$774m	A further +13% sequential
Same quarters at the current ~10% pace	~\$2,220m FY27	Would be +66% growth, not 85%+
Gap between the two paths	~\$250m revenue	About \$0.63 of non-GAAP EPS at the 50% net margin target

Every derived figure above is this report's calculation from company guidance and is not a company-reported number. The fiscal 2027 growth rate, the Q2 guidance range, the \$600m-plus optical target and the approximately 50% non-GAAP net margin target are management's.

Two things have changed in this table since August and both help. The first half came in \$45m ahead of the modelled path, which cuts the required Q3 step from about 34% sequential to about 30%. And the precedent for a step of that size is stronger than the August report allowed: the fiscal 2026 quarters ran \$222.8m, \$273.3m, \$406.9m and \$437.0m, which is a 48.9% sequential jump in the January 2026 quarter. This company has produced a second-half inflection of exactly this shape once already, in the same products, for the same customers.

What has not changed is that an investor buying today is paying for a year that is 41% delivered. The consensus estimate embeds the guided outcome in full with no allowance for slippage, and the second half depends on ramps, 1.6T transitions and ZeroFlap volumes that are visible as design wins and production shipments rather than as revenue. The difference between August and now is that one more quarter of evidence has arrived, it was good, and the price has fallen 17% while it did.

Three years of financial history

Metric	FY2026	FY2025	FY2024	FY26 change
Revenue	\$1,335m	\$436.8m	\$193.0m	+205.7%
Gross margin (GAAP)	68.03%	64.77%	61.89%	+326bp
Operating income (GAAP)	\$445.0m	\$37.1m	-\$37.1m	+1,099%
Net income (GAAP)	\$472.3m	\$52.2m	-\$28.4m	+805%
Diluted EPS (GAAP)	\$2.51	\$0.29	-\$0.18	+766%
Non-GAAP net income	\$661.5m	~\$125m	n/d	+5.3x

Metric	FY2026	FY2025	FY2024	FY26 change
Non-GAAP diluted EPS	\$3.46	n/d	n/d	n/a
Free cash flow	\$407.0m	\$29.0m	\$17.1m	+1,302%
Cash and equivalents (period end)	\$1.44bn	n/d	n/d	now \$764.3m
Total debt	\$25.5m	n/d	n/d	immaterial

Source: Credo fiscal 2026 results release, the fiscal Q1 2027 release of 1 September 2026 and StockAnalysis.com. The FY2025 non-GAAP net income figure is inferred from management's statement that non-GAAP net income increased more than fivefold and is an approximation rather than a company figure. n/d = not disclosed in the sources used.

One feature of the earnings quality is worth stating plainly rather than leaving in the numbers. Non-GAAP net income of \$236.3m exceeded non-GAAP operating income of \$230.6m. The gap is interest on the cash balance net of a very small tax charge, and the same pattern appeared last quarter, where net income of \$226.7m exceeded operating income of \$216.7m. This is structural rather than a one-off: Credo is domiciled in the Cayman Islands and carries an effective tax rate in the low single digits. It is not a quality-of-earnings problem, but it does mean the 49.3% net margin is not a purely operating result, and any future change to the group's tax position would flow through the earnings line without any change in the business.

Management and Guidance Accuracy

Guidance accuracy is one of the few testable measures of a management team, and Credo's record is the strongest single argument for taking the second-half guide seriously. The company guided the June quarter to \$465m-\$475m and delivered \$479m, above the top end. That is the fifth consecutive quarter in which reported revenue exceeded the guided range, across a period in which revenue tripled. Gross margin has been guided and delivered at 68% throughout. Management has now also guided the September quarter above the street rather than below it, which is not the behaviour of a team managing expectations downward.

Two qualifications. Operating expenses of \$95.2m came in above the high end of the guided range and rose 16% sequentially, which management attributed to research and development investment. The full-year opex guide of roughly 55% growth remains well below the revenue growth rate, so the operating leverage is intact, but a miss on the company's own cost guide in the same quarter it beat on revenue is worth noting. More significantly, insider selling has continued. Form 4 filings through late July and August record repeated officer disposals, and the August report put the aggregate at roughly \$34m across three executives. Further filings have landed since. This is the clearest negative in the sentiment picture and it has not improved.

The call itself was handled well. Management answered the hardest question of the day, from Bank of America, on the arithmetic of second-half AEC growth given that optics is guided to take the bulk of the increment, and did so directly rather than deflecting: AECs will grow but more slowly, because optics is growing from a smaller base into a larger market. That is a candid answer that implicitly concedes the AEC growth rate is decelerating. The one disclosure that cut against the bull case came in the final question, where the chief executive confirmed that the two major DustPhotonics silicon photonics design wins do not currently include the Credo DSP, describing the attach as upside potential rather than something already won. Anyone modelling full DSP-plus-PIC content on those wins should adjust.

Growth Drivers

Driver	Timing	Likelihood	Impact
Optical revenue above \$600m in FY2027, with DSPs, silicon photonics PICs and ZeroFlap Optics each contributing more than \$100m	FY2027, H2 weighted	High	Decisive. This is the vehicle for the guided second-half step-up
1.6T AEC and DSP ramp as clusters move to 200G per lane	Contribution in H2 FY2027, material in FY2028	High	Large. Extends the AEC franchise into the next speed transition rather than being displaced by it
Near-package optics for scale-up fabrics, via the Open CPX consortium	Design wins ramping FY2028	Medium-high	Large. Opens the scale-up network, roughly ten times the connection density of scale-out
Silicon photonics PIC attach from the DustPhotonics acquisition	First revenue recognised in Q1 FY2027	High for PIC, medium for DSP attach	Moderate. Two major design wins secured, but confirmed on the call as not currently including the Credo DSP
Active LED Cables using microLED emitters, reaching 30 metres	Demonstration at OFC in October; first revenue FY2028	Medium	Moderate near-term, potentially large later. Would be the third pluggable category Credo created
OmniConnect SerDes and Weaver gearboxes addressing memory fan-out for inference	First revenue FY2028	Medium	Potentially very large. Management describes thousands of dollars of content per accelerator, but the first named customer is a small one

Timing and product detail from management's commentary on the fiscal Q1 2027 earnings call of 1 September 2026. Likelihood and impact assessments are this report's judgements, not company statements.

Risks

Risk	Probability	Severity	Assessment
The second-half revenue step-up does not arrive in full	Medium	High	The dominant risk. About 59% of the guided year sits in the second half and requires roughly a 30% sequential step in Q3. Consensus embeds the guided outcome without a discount, so a shortfall breaks the estimate and the multiple together
Customer concentration	Certain, already present	High	Worse this quarter. The top four customers were 33%, 28%, 13% and 10% of revenue, so 84% of the quarter sat with four buyers and 61% with two. A single deferral moves a quarter
Hyperscaler in-sourcing or a share loss to Broadcom or Marvell	Low-medium	High	Both competitors are inside the same accounts and Broadcom can bundle. Credo's answer is system-level reliability and the PILOT telemetry stack, which is a real but not permanent defence
Inventory build ahead of a ramp that slips	Medium	Medium	Inventory rose \$62.2m to \$313.1m and free cash flow converted at 35% of non-GAAP net income. Deliberate and disclosed, but it is cash committed against revenue not yet booked
Tariffs	Medium	Medium	Management explicitly conditioned the Q2 guide on the current tariff regime, describing it as fluid. That is an unquantified adjustment sitting inside the guidance
Valuation and multiple compression	Medium-high	High	At 33.5x the base-case fiscal 2027 estimate the shares carry no valuation support if growth disappoints. The 10-year yield at 4.80% and a hawkish Federal Reserve work directly against a long-duration multiple

Risk	Probability	Severity	Assessment
Volatility and drawdown	High	Medium	Beta above three and a 14-day average true range of 9.2% of the share price. A 20% drawdown requires no news at all
Continued insider selling	High	Low-medium	Repeated officer disposals through July and August. Poor signalling rather than a fundamental problem, but persistent
Balance sheet cushion halved	Already occurred	Low	Cash fell \$679m to \$764.3m on the DustPhotonics acquisition. Still roughly \$739m of net cash against \$25m of debt, so this constrains optionality rather than creating risk

Valuation

Credo cannot sensibly be valued on trailing earnings. Fiscal 2026 non-GAAP earnings of \$3.46 put the shares on roughly 60x trailing, which says nothing useful about a company guiding to 85% revenue growth. Nor is annualising the June quarter appropriate, because the year is explicitly back-half weighted and the quarter is the smallest of the four. The defensible approach is to build the fiscal 2027 estimate from management's own framework and value the shares against that, which is what the August report did and what makes the two comparable.

Applying more than 85% growth to the \$1,335m fiscal 2026 base gives about \$2,470m of revenue. Applying the roughly 50% non-GAAP net margin management guided to, on the approximately 200 million diluted shares they guided for the September quarter, gives about \$1,235m of non-GAAP net income and \$6.17 of non-GAAP earnings per share. That is 78% earnings growth on fiscal 2026 and it is the estimate every figure below is struck against. It is this report's calculation from company guidance, not a company figure.

Measure	At \$206.63 close	At \$192 mid-range	Comparison
Forward P/E on FY2027E EPS of \$6.17	33.5x	31.1x	40.6x in the 18 August report
PEG on 85% revenue growth	0.39	0.37	Below 1.0 on any reading of the growth rate
EV / FY2027E revenue	15.3x	14.2x	28.3x on trailing FY2026 revenue
Market capitalisation	\$38.6bn	\$35.8bn	\$46.6bn on 18 August
Net cash	~\$739m	~\$739m	~\$1.41bn on 18 August
Probability-weighted fair value	\$225	\$225	\$237 in the 18 August report
Implied upside to weighted fair value	+9.1%	+17.4%	-5.3% in the 18 August report

Share count of 186.7m for market capitalisation is carried from the August report; the guided diluted count of approximately 200m is used for earnings per share, which is the conservative treatment. The FY2027 revenue and earnings estimates are this report's calculations from company guidance.

The single most important line there is the last one. In August the probability-weighted fair value sat 5.3% below the market price, which is precisely why the rating was Watchlist rather than Buy. It now sits 9.1% above the last close and roughly 17% above the middle of the range the shares were indicated in after the release. The estimate has barely moved. The price has fallen 17%. That is the whole of the rating change, and it is worth being explicit that it is a change in what is being paid rather than a change of mind about the company.

The macro variables that actually matter here

Two, and only one of them is the obvious one. The first is hyperscaler and neo-cloud AI infrastructure spending, which is Credo's entire demand function and which is largely insensitive to the policy rate on the timescale that matters. Capital budgets at this handful of buyers are set against competitive position in AI rather than against the cost of money, and the four customers who make up 84% of Credo's revenue are among the most cash-generative companies in the world.

A slowdown in that spending would be the thing that breaks this thesis, and nothing in the current data points to one. The second is the discount rate applied to long-duration earnings, which is where the rate complex bites. The 10-year Treasury yield stands at 4.80%, its highest since January 2025, having risen as new US strikes on Iranian targets pushed crude up roughly 5% on 1 September. Core PCE ran at 3.3% year-on-year in July, and Federal Reserve chair Kevin Warsh used his Jackson Hole keynote on 28 August to say that the six-month change in the PCE price index stands at 4.1% and that summer's softer prints do not tell him underlying trends have improved. A hawkish Fed and a 4.80% risk-free rate compress a 33x multiple mechanically, independent of anything Credo does, and that mechanism explains a good deal of the de-rating from 40.6x since August. It cuts both ways: the same mechanism is the reason the entry now exists.

Labour and consumer conditions do not belong in this analysis and are not forced into it. Credo sells to four corporate buyers whose spending is set by an arms race, not by the household savings rate.

Sentiment and Positioning

Indicator	Reading	Interpretation
Analyst price targets on file	Stifel \$350, J.P. Morgan \$335, TD Cowen \$300, Goldman Sachs \$285, Jefferies \$270, Rosenblatt \$215	A wide dispersion, which is itself informative. Every target above sits well above the last close; all predate this quarter and will be revised
Rating distribution	Buy at Stifel, J.P. Morgan, TD Cowen, Goldman Sachs, Jefferies and Mizuho; Neutral at Rosenblatt	Consensus remains firmly positive, which is a crowded starting point and limits the scope for upgrade-driven upside
Analyst engagement on the call	Twelve firms asked questions, including Stifel, Needham, Barclays, TD Cowen, Jefferies, J.P. Morgan, Bank of America, William Blair, BNP, Mizuho, Evercore ISI, Roth and Susquehanna	Deep sell-side coverage. The hardest questions were on second-half AEC arithmetic and on ZeroFlap supply scaling, both of which were answered directly
Insider activity	Continued Form 4 disposals by three officers through late July and August, on top of roughly \$34m recorded in the August report	The clearest negative in the sentiment picture, and unchanged in direction
Short interest	Roughly 3.6% of float and under one day to cover as at 18 August	Low. No squeeze dynamic and no meaningful bear positioning to fade
Options positioning into the print	A move of about 12% in either direction was priced	Expectations were extreme in both directions. The realised move so far is inside that band
News flow (moomoo digest and news search)	Record quarter and above-consensus guidance dominate the feed, set against an immediate negative share-price reaction and a risk-off session driven by Middle East escalation	Company news clearly positive, tape negative. The same divergence as 18 August, and the second time in three weeks the shares have fallen on someone else's news

Analyst targets, ratings and filings from the moomoo research and notice feeds as at 2 September 2026; short-interest and aggregate insider figures carried from the 18 August report on this company. All published targets predate the fiscal Q1 2027 results.

Technical Position

The chart below describes the market as it stood at the 1 September close, before the results were known. It has deteriorated meaningfully since the August report and should be read as a warning about entry timing rather than as a comment on the business.

Indicator	Value	Reading
Last close (1 Sep 2026)	\$206.63	Down 8.65% on the day, on a risk-off session, before the release

Indicator	Value	Reading
SMA 20	\$239.68	Price is 13.8% below. Broken decisively
SMA 50	\$236.40	Price is 12.6% below. Broken
SMA 100	\$218.81	Price is 5.6% below. This is the change that matters most
EMA 20 / EMA 50	\$232.36 / \$230.10	Both broken. Price sits below every computable moving average
EMA 100 / SMA 200	Not computed	The daily series is limited to 100 sessions, so a 100-period EMA degenerates to its own seed and a 200-day average cannot be formed
RSI (14)	41.0	Weak but not oversold. There is room to fall further without a technical bounce signal
MACD (12,26,9)	-2.81, signal 0.60, histogram -3.41	Bearish crossover, and the histogram is widening
ATR (14)	\$19.02, 9.2% of price	Extreme. A 9% daily range is normal for this stock and any stop must respect it
20-day range	\$286.24 high, \$206.12 low	The close is at the bottom of the month's range
Volume, 20-day vs 50-day average	4.35m vs 6.38m	Volume declined into the fall, which is a mild positive

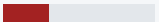
Computed in code from the Alpha Vantage daily series to 1 September 2026, 100 sessions.

The 100-day average deserves a paragraph of its own because it silently invalidates part of the August report. That report justified an entry of \$195-\$205 on two grounds: roughly 32x the base-case estimate, and coincidence with the 100-day averages, which then stood at \$205-\$207. Those averages have since risen to \$218.81 as the strong spring sessions rolled into the window. The price is now 5.6% below the 100-day rather than sitting on it, which means that level is no longer a support confluence but a breakdown. The valuation half of the August argument still holds; the technical half does not, and the levels in this report have been reset on the arithmetic rather than carried over.

Below the last close, the visible structure is the late-July shelf at \$177-\$186 and then the May consolidation around \$168-\$172. Above it, the first resistance is the broken 100-day at \$219, then the cluster of moving averages at \$230-\$240, and then the June all-time high of \$308.67. Technicals inform timing only and do not change the fundamental conclusion.

Scorecard

Factor	Score	Rationale and change since 18 August
Business Quality weight 12%	9/10	68% gross margin, 49.3% net margin, negligible capital intensity. Unchanged and still among the best models in the sector
Financial Strength weight 10%	8/10	Cut from 9. Cash fell \$679m to \$764.3m on the DustPhotonics purchase and free cash flow converted at 35% of non-GAAP net income on a \$62m inventory build
Competitive Advantage weight 14%	7/10	Raised from 6. First silicon photonics revenue, two major PIC design wins, Open CPX membership and the PILOT telemetry stack widen the moat

Factor	Score	Rationale and change since 18 August
Management weight 10%	 8/10	A fifth consecutive beat of its own guided range and a Q2 guide above consensus. Offset by opex above its own guide and continued insider selling
Growth Potential weight 18%	 9/10	Full-year framing improved from 80%+ to 85%+ with optical reaffirmed above \$600m, and a fiscal 2028 pipeline in ALC and OmniConnect behind it
Valuation weight 16%	 6/10	Raised from 3. Forward multiple compressed from 40.6x to 33.5x and the weighted fair value has moved from below the price to above it
Risk (10 = lowest risk) weight 15%	 4/10	Unchanged. Concentration worsened to 61% in the top two customers and the cash cushion halved, offsetting one quarter of de-risking
Technical Setup weight 5%	 3/10	Cut from 5. Price below every computable moving average, the 100-day broken and rising away, and a bearish MACD crossover
Investment Score	70 / 100	Weighted sum of the eight factors above, computed in code. Prior report 66/100 on the same weights and the same direction convention. An excellent business whose price has finally come down to meet it, held back by a broken chart and a concentrated customer base.

Scored 1-10, where 10 is always best, including Risk. A Risk score of 4 therefore denotes a high-risk business, consistent with the risk assessment above. The 18 August report used the same direction convention, so the comparisons here are like-for-like and no restatement was required. Weights: Growth Potential 18, Valuation 16, Risk 15, Competitive Advantage 14, Business Quality 12, Financial Strength 10, Management 10, Technical Setup 5.

Recommendation: BUY

The rating moves from Watchlist to Buy, and it moves because both of the conditions the August report set out have been met. That report named a price below \$210 and a September quarter guided above \$520m, and said either alone would be sufficient. The quarter guided to \$525m-\$535m, above both that threshold and the \$515.8m the street carried, and the shares closed the day of the release at \$206.63. Following a stated trigger when it fires is the whole point of publishing one.

It is worth testing that mechanically-satisfied trigger against its own reasoning, because a price level can be reached for the wrong reason. Here it was not. The 17% decline from the August report was delivered in two moves, neither of them about Credo: an 11.7% fall on 18 August driven by Fabrinet's cash flow statement and a sector-wide read-across, and an 8.65% fall on 1 September on a session where US strikes on Iran lifted crude 5%, the Nasdaq fell 1.03% and the 10-year yield reached a 20-month high. Meanwhile the company beat its own guidance for a fifth straight quarter and raised the full-year framing from 80%+ to 85%+. The fundamentals moved up while the price moved down. That is the configuration a Watchlist rating exists to wait for.

Two things argue for restraint even so, and they shape the trade rather than the rating. The first is that the chart is now broken: the shares sit below every computable moving average, the 100-day has risen through the price rather than supporting it, and the MACD has crossed down. The second is that no post-announcement close exists. The market's verdict on this quarter will be delivered at the next US open and the extended-hours indications were negative. Buying a stock with a 9.2% average true range into an unresolved reaction, at a level chosen before that reaction, is how a good thesis becomes a bad entry. The answer is a range rather than a price, a stop that respects the volatility, and half a position.

Trade plan

Parameter	Level	Reasoning
Ideal buy range	\$185 - \$200	29.8x to 32.4x the base-case fiscal 2027 estimate of \$6.17. The band brackets the extended-hours indication range rather than assuming a single opening price
Approach	Scale in, two or three tranches	The average true range is 9.2% of the share price and the post-earnings reaction is unresolved. A single fill on the open is an unnecessary bet on the first print
Cut-loss	\$168	12.5% below the middle of the buy range and 1.26 average true ranges, so it is not a noise stop. It sits below the late-July shelf at \$177-\$186 and below the May consolidation. A close through it means the market has stopped believing the second-half ramp
Take-profit 1	\$236	The base-case fair value, at 38x the fiscal 2027 estimate. Also the moving-average cluster the shares have just fallen through. +22.9% from the mid-range entry
Take-profit 2	\$290	Approaches the bull case and the June all-time high of \$308.67. Requires the second-half ramp to be visible in the January quarter. +51.0% from the mid-range entry
Risk / reward	1.8:1 to target 1, 4.1:1 to target 2	Computed from the \$192 mid-range entry against the \$168 stop
Holding horizon	12 to 18 months	Long enough to see the second-half ramp reported in the January and April quarters, which is the whole question
Position size	Half a normal position	Beta above three and 9.2% average true range make full sizing inappropriate regardless of conviction
Suggested allocation	1.5% - 2.5% of portfolio	Unchanged from the August report. The rating has improved; the volatility has not

What would change the view

Condition	Direction	Why it changes the view
Fiscal 2027 growth guidance cut below 70%, or the optical target cut below \$600m	Downgrade to Avoid	Either would break the estimate and the multiple at the same time. At 33x there is no valuation floor beneath a de-rating of that kind
Loss of a top-four customer, or the top two falling materially as a share of revenue for the wrong reason	Downgrade to Avoid	84% of revenue sits with four buyers. This is the single event that could remove a fifth of the business in one quarter
The January quarter arriving near \$687m	Confirms and extends the case	That is the sequential step the guided year requires. Delivering it converts the second half from an assertion into a reported fact and would justify a higher exit multiple
Optical revenue visibly tracking to \$600m-plus at the half-year	Confirms	The optical ramp is the identified vehicle. Visible progress at the halfway point materially de-risks the rest
A sustained deceleration in hyperscaler AI infrastructure spending, evidenced by capital expenditure guidance reductions across two or more of Credo's largest customers	Downgrade to Hold	This is the demand function. It is not a rate story and would not be visible in macro data before it appeared in customer guidance

Condition	Direction	Why it changes the view
A sustained further rise in long-dated Treasury yields alongside a Federal Reserve that stays hawkish on the six-month inflation trend	Argues for patience on entry, not a downgrade	It compresses the multiple mechanically without touching the business. It is a reason to scale in slowly rather than a reason to change the rating
A close below \$168	Exit the position	The stated stop. Below it the technical structure that supports the entry has failed

Scenario Analysis

Scenario	Prob.	FY2027E revenue	FY2027E EPS	Exit multiple	Fair value	vs \$206.63
Bull	25%	\$2.60bn (+95%)	\$6.76	46x	\$311	+50.5%
Base	50%	\$2.47bn (+85%)	\$6.17	38x	\$236	+14.0%
Bear	25%	\$2.15bn (+61%)	\$5.05	24x	\$121	-41.3%
Weighted	100%				\$225	+9.1%

Probabilities sum to 100%. The weighted fair value of \$225.37 was computed in code from the inputs shown and represents +9.1% against the 1 September close of \$206.63 and +17.4% against the \$192 midpoint of the recommended buy range. Fiscal 2027 revenue and earnings estimates are this report's calculations from company guidance, not company-reported figures.

The bull case assumes the second half lands above the guided path, with optical exceeding \$600m and the 1.6T transition pulling AEC volumes forward, and the market paying a 46x multiple for a company still compounding at that rate into fiscal 2028. The base case is management's guidance delivered as stated, valued at 38x rather than the 40x the August report used, which reflects the sector-wide multiple compression that has actually occurred rather than any change in the company. The bear case is the one that matters: the second half arrives but at roughly 60% growth rather than 85%, the January step-up proves to be a slip in timing rather than a step, and the multiple resets to 24x on a disappointed estimate. That combination produces a \$121 fair value, and it is why this is a half-position with a stop rather than a conviction holding.

Final Verdict

Yes, at these levels, in half size, scaled in. The August report on this company said there was no dishonour in waiting for a business this good, and named the conditions on which the wait would end. Both have now been met, and they were met from opposite directions: the company got better and the price got cheaper. Reported revenue beat the guided top end for a fifth consecutive quarter, the September guide came in above consensus, the full-year growth framing moved up rather than down, and the optical business that has to carry the second half recognised its first silicon photonics revenue and secured two major design wins in the same quarter. Against that, the shares have fallen 17% on Fabrinet's cash flow statement and a Middle East escalation, neither of which has anything to do with Credo.

What is being bought at \$185-\$200 is roughly 30x an estimate built from management's own guidance, for a company growing revenue 85%, holding 68% gross margins and converting half of revenue to net income. That is a price at which the second-half risk is being paid for rather than assumed, which is the precise test the August report set and could not pass at \$249.64. The probability-weighted fair value of \$225 sits above the market for the first time in this coverage.

The concern that would invalidate this is unchanged and should not be softened by the upgrade. Fifty-nine per cent of the guided year sits in the second half and requires the sequential growth rate to roughly triple in the January quarter. The company has done something of that shape once before, in January 2026, and it has \$313m of inventory positioned for it. But it has not done it yet, four customers account for 84% of revenue, and the guidance is explicitly conditioned on a tariff regime management themselves called fluid. If the January quarter comes in near \$600m rather than near \$687m, the estimate and the multiple break together and the \$121 bear case is the relevant number, not the \$236 base.

Two practical points on execution. The chart is broken and the 100-day average that anchored the August entry level has risen through the price, so this is a purchase made against the technical trend rather than with it, which is exactly why the position is half-size and the stop is a full 12.5% away. And because the market has not yet traded on this quarter, the honest instruction is a range and a scale-in rather than a number. The thesis is about the January quarter. The opening print on the reaction day is not worth chasing in either direction.

Sources. Credo Technology Group fiscal Q1 2027 results release and Form 8-K, 1 September 2026. Fiscal Q1 2027 earnings call transcript, obtained in full from MarketBeat (transcript provided by Quartr), covering management's prepared remarks and all thirteen analyst questions. TheStreet live coverage of the release for LSEG consensus and guidance comparisons. moomoo news search and stock digest for news flow, analyst actions and regulatory filings. Alpha Vantage daily price series to 1 September 2026 for all technical calculations. Beating The Bull economic coverage of 25-28 August and 1 September 2026 for macro conditions. The 18 August 2026 Beating The Bull report on Credo Technology for prior scores, levels and comparisons.

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