

Credo Technology Group

NASDAQ: CRDO | High-Speed Connectivity Semiconductors | Equity Research Initiation | 18 August 2026

Price (18 Aug 2026, 11:48 ET)	\$249.64 (-11.7%)	Recommendation	WATCHLIST
Prior close (17 Aug)	\$282.82	Investment score	66 / 100
Market capitalisation	\$46.6bn	Weighted fair value	\$237
Enterprise value	\$45.1bn	Accumulation trigger	Below \$210
52-week range	\$86.48 - \$308.67	Consensus target	\$283.23
Fwd P/E (FY27E \$6.15)	40.6x	Next catalyst	Q1 FY27, 1 Sep

Valuation is struck on the live price of \$249.64 at 11:48 ET on 18 August 2026 (StockAnalysis.com), with the prior close of \$282.82 shown for reference. The US market was open at the time of writing, so the live price is provisional. Credo's fiscal year ends in early May; fiscal 2026 closed on 2 May 2026 and was reported on 1 June 2026.

Investment Summary

Credo Technology is one of the best businesses in the AI infrastructure supply chain, and that is not a controversial statement. Fiscal 2026 revenue more than tripled to \$1.335bn, gross margin reached 68.0%, non-GAAP net income rose more than fivefold to \$661.5m, and the company generated \$407m of free cash flow while carrying \$1.44bn of cash against \$25m of debt. Return on invested capital is 73%. Non-GAAP net margin is roughly 50%. A fabless semiconductor company converting half of every revenue dollar into profit, with no leverage and no capital intensity, is a rare object.

The June quarter that closed the year was equally strong. Revenue of \$437.0m rose 157% year on year and beat consensus by 1.2%; non-GAAP earnings of \$1.16 per share beat by 13.7%. That was the fourth consecutive quarter of double-digit earnings beats, following surprises of 62.5%, 59.5% and 27.4% in the three quarters before it. Management then guided fiscal 2027 to more than 80% revenue growth, with the optical portfolio alone contributing over \$600m and non-GAAP net margin held near 50%.

The difficulty is entirely in the price and the shape of that guidance. The shares have risen 179% since early April and 148% over twelve months, and closed on 17 August at \$282.82, essentially level with the \$283.23 average analyst target. More importantly, the guided year is severely back-half weighted. Management told investors to expect mid-single-digit sequential growth through the first half, and the September quarter is guided to \$470m at the midpoint, up 7.6% sequentially. Holding those two statements together, roughly 60% of guided fiscal 2027 revenue has to arrive in the second half, which requires the sequential growth rate to jump from about 7.6% to roughly 34% in the January quarter.

That is not impossible. Credo did exactly that in the January 2026 quarter, when revenue rose 52% sequentially. But it is an assertion about the future rather than a trend in the reported numbers, and the consensus estimate embeds it in full: the published forward multiple implies a street fiscal 2027 estimate of about \$6.13, which is the guided year almost exactly. There is no cushion. If the sequential pace simply continued at the recent 7.5%, fiscal 2027 revenue would land near \$2.10bn and growth near 57% rather than 80% — a gap of roughly \$300m of revenue and \$0.78 of earnings against an estimate nobody has discounted.

A probability-weighted fair value of \$237 sits 5% below the live price and 16% below yesterday's close. Four customers accounted for more than 10% of revenue each in the June quarter, the beta is 3.23, realised volatility runs above 100%, officers have been selling steadily through July and August, and the next earnings report lands on 1 September, fourteen days from now, with a bar set by four straight large beats. The rating is **Watchlist**. This is a business worth owning at a price that has not yet arrived.

Analytical Framework

Credo sells connectivity silicon and cables into AI clusters. It is not a general-purpose semiconductor company and the usual chip-cycle framing does not apply: there is no inventory cycle to call, no fab to fill, and no consumer end market. What matters is narrower and more specific. Five variables will determine the return over the next two years.

#	Driver	Why it decides the outcome	Current reading
1	The second-half fiscal 2027 re-acceleration	Management guided to more than 80% full-year growth while guiding the first half to mid-single-digit sequential growth. The arithmetic forces roughly 60% of the year into the second half. Nothing else in the model matters as much.	Unproven. The last two reported quarters and the current guide all sit near 7.5% sequential.
2	Optical portfolio ramp	Guided to over \$600m in fiscal 2027 from three lines each above \$100m: optical DSPs, ZeroFlap optics and silicon photonics PICs. This is the single largest piece of the incremental revenue and most of it is new.	Early. DustPhotonics acquisition supplies the silicon photonics capability; the 3.2T roadmap is a fiscal 2028 story.
3	Customer concentration	Four customers each exceeded 10% of revenue in the June quarter. A single programme deferral at one account is a guidance event, not a rounding error.	High and structural. Management points to neo-clouds reaching roughly 20% of revenue as the diversification path.
4	Defensibility against Broadcom, Marvell and Astera Labs	Credo's advantage is SerDes IP plus vertical integration into cables and modules. The customers are the largest chip buyers on earth and have the means to in-source or dual-source.	Real but contestable. Leadership in active electrical cables is genuine; the optical expansion moves it onto more crowded ground.
5	The multiple itself	At 40.6x forward and 33.8x trailing sales, the valuation is the dominant term in the return equation. A growth rate that merely disappoints, rather than collapses, is enough to compress it hard.	Cheapest of its close peers on forward earnings, but expensive against any absolute standard.

The Business

Credo designs the silicon and systems that move data at high speed over short distances inside AI data centres. The portfolio spans four areas. Active electrical cables, where Credo is the established leader, connect servers and switches over copper at distances where optics would be wasteful; the company's contribution is the DSP silicon embedded in the cable that makes long copper runs reliable at 400G and 800G. Optical digital signal processors perform the equivalent function inside optical transceivers. Line card and chiplet products address die-to-die and in-rack connectivity. Intelligent Ethernet retimers sit between switch ASICs and ports.

The strategic logic management articulates is reliability rather than raw speed. As clusters scale from tens of thousands of accelerators to hundreds of thousands, the probability that some link somewhere is degrading approaches certainty, and a degraded link stalls a training job. Credo sells the argument that its connectivity shortens cluster time-to-stability and raises effective GPU utilisation, which reframes a component purchase as an uptime purchase. That framing is why a company with \$1.3bn of revenue can charge 68% gross margins to customers who negotiate ferociously on everything else.

Three newer lines carry the fiscal 2027 story and are worth naming because they are not yet in the reported numbers. ZeroFlap optics targets the reliability problem in optical modules directly. Silicon photonics PICs arrived through the DustPhotonics acquisition and point at a 3.2 terabit-per-second roadmap. The Weaver gearbox addresses memory bandwidth rather than network bandwidth, which would open a genuinely new segment. Management also flagged AEC row-scale solutions launching in fiscal 2028 and scalar compute opportunities becoming substantial that same year. The pipeline is deep; almost all of the revenue attached to it is in front of the company rather than behind it.

Industry and Competitive Position

The addressable market is expanding faster than almost any comparable pool in semiconductors, because every generation of accelerator deployment raises the ratio of connectivity to compute. Scale-up fabrics, scale-out fabrics and

now scale-across architectures each demand different interconnect, and the industry has not settled on which of copper, pluggable optics or co-packaged optics wins at each tier. Credo's position is that it sells into all of them.

Competition is the reason the competitive advantage score in this report is the lowest of the quality factors. Broadcom is the incumbent in SerDes and can bundle. Marvell has scale and a custom silicon franchise inside the same customers. Astera Labs attacks the same connectivity problem from the PCIe and CXL side and is growing at 98% on a comparable revenue base. The customers themselves are the four or five organisations on earth most capable of designing their own silicon. Credo's defence is that it is faster, more focused and vertically integrated from DSP through finished cable, and the market share it has taken in AECs suggests the defence has worked so far. It is not the same as a structural moat.

Company	Mkt cap	Rev TTM	Rev growth	Fwd P/E	Note
Credo (CRDO)	\$46.6bn	\$1.34bn	+205.7%	40.6x	Best margins and ROIC of the group; cheapest forward multiple; smallest revenue base
Astera Labs (ALAB)	\$51.2bn	\$1.20bn	+98.5%	52.7x	Closest comparable; larger market cap on less revenue; more expensive
Marvell (MRVL)	Not compared	n/a	n/a	~47x	Scale competitor with custom silicon inside the same accounts
Broadcom (AVGO)	Not compared	n/a	n/a	n/a	SerDes incumbent able to bundle connectivity with switching

Peer data from StockAnalysis.com as at 18 August 2026. Forward multiples are computed on different estimate bases and are indicative rather than strictly comparable. Marvell and Broadcom are named for competitive context; their revenue bases are dominated by businesses outside Credo's addressable market, so market-cap comparison would mislead.

Financial Analysis

Three years in one table

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%
Net income (non-GAAP)	\$661.5m	~\$125m	n/d	+5.3x
Diluted EPS (non-GAAP)	\$3.46	n/d	n/d	+59% (Q4 basis)
Free cash flow	\$407.0m	\$29.0m	\$17.1m	+1,302%
Cash and short-term investments	\$1.44bn	n/d	n/d	net cash \$1.41bn
Total debt	\$25.5m	n/d	n/d	immaterial

Source: Credo fiscal 2026 results release (1 June 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 this report's approximation rather than a company figure. n/d = not disclosed in the sources used.

The quality of these numbers deserves emphasis because it is the strongest part of the case. Gross margin of 68% is at the top of the fabless semiconductor range and expanded 326 basis points in a year when revenue tripled, which is the opposite of what mix usually does to a company scaling that fast. Free cash flow of \$407m against \$472m of GAAP net income is close to full conversion. Return on invested capital of 73% and return on equity of 34% describe a business that requires almost no capital to grow. There is no debt worth discussing, the current ratio is 10.15, and the cash balance

covers more than a year of total operating expenses. Nothing in the balance sheet or the cash flow statement is a concern.

The shape of fiscal 2027

The concern is in the revenue bridge, and it is worth setting out explicitly because the headline growth figure conceals it.

Step	Figure	Note
FY2026 actual revenue	\$1,335m	Reported
Q4 FY2026 revenue	\$437m	+7.4% sequential
Q1 FY2027 guidance midpoint	\$470m	+7.6% sequential
Q2 FY2027 at guided mid-single-digit sequential	~\$494m	This report's estimate from management's H1 commentary
Implied first half	~\$964m	Derived
FY2027 at guided '80%+' growth	>\$2,403m	Company guidance applied to FY26 actual
Implied second half	~\$1,440m	60% of the year; +49% versus the first half
Implied Q3 FY2027	~\$662m	Requires roughly +34% sequential
Same quarters at the recent 7.5% sequential pace	\$2,102m FY27	Would be +57% growth, not 80%+
Gap between the two paths	~\$301m revenue	About \$0.78 of non-GAAP EPS at the 50% net margin target

Every derived figure in this table is this report's calculation from company guidance, not a company-reported number. The FY2027 growth figure, the first-half sequential commentary, the Q1 guidance range and the approximately 50% non-GAAP net margin target are all management's.

Management has earned some benefit of the doubt here. The January 2026 quarter grew 52% sequentially, so a step-change of this kind is within the company's demonstrated range, and the optical portfolio guided to more than \$600m is the identified vehicle for it. Operating expenses are guided to grow about 50%, below revenue growth, which preserves the margin structure if the revenue arrives. But an investor buying today is not paying for the reported year. The published forward multiple implies a street estimate near \$6.13 of non-GAAP earnings, which is the guided outcome in full. The estimate contains no allowance for the re-acceleration arriving later or smaller than promised.

Management and Execution

Bill Brennan's team has one of the better recent execution records in the sector. Fiscal 2026 delivered revenue growth of 206% against a starting guide far below that, and the company beat consensus earnings by 62.5%, 59.5%, 27.4% and 18.4% across the four quarters of the year. Guidance accuracy is one of the few genuinely testable measures of a management team, and on that measure Credo has been conservative to the point of sandbagging. The gross margin trajectory through a tripling of revenue is a second, independent piece of evidence that the operating discipline is real.

The pattern in the beats deserves a note, though. The magnitude has declined monotonically: 62.5%, then 59.5%, then 27.4%, then 18.4%. That is what happens as a company grows into fuller analyst coverage and the estimates catch up, and it means the September quarter is very unlikely to deliver the kind of surprise that drove the earlier re-ratings. The stock is priced as though the beats continue.

On the fourth-quarter call, management was clear where it was uncertain, which is a point in its favour. It said the 200G-per-lane transition timing remains customer-dependent and that fiscal 2027 would see relatively light 200G revenue. It acknowledged supply tightness at 3nm and 5nm. It conceded that optical could eventually reach 50% of revenue and potentially exceed copper, which is a candid admission that the company's current leadership position is in the smaller half of its own future. What it did not do was reconcile the mid-single-digit first-half commentary with the 80%-plus full-year figure in explicit quarterly terms, and no analyst on the call forced that reconciliation.

Insider behaviour is the discordant note. Officers and directors have sold substantial stock through late July and August, including disposals of roughly \$22.5m, \$5.8m and \$5.7m in separate transactions. Selling into a 179% four-month advance is defensible diversification and is not evidence of anything by itself. It is not a vote of confidence either, and it sits awkwardly beside a guidance framework that asks the market to underwrite a second half nobody can yet see.

Growth Drivers

Driver	Horizon	Likelihood	Impact	Assessment
Optical portfolio to \$600m+	FY27	Med-high	High	Three lines each guided above \$100m: optical DSPs, ZeroFlap optics and silicon photonics PICs. The largest single component of the guided step-up and the one most exposed to timing slippage.
AEC share gains at existing accounts	FY27	High	Med-high	The established franchise, growing with cluster deployment. Lower risk than the optical ramp because the products and customers already exist.
Neo-cloud customer diversification	FY27-28	Medium	Medium	Management sees neo-clouds reaching roughly 20% of revenue, which would materially reduce the concentration risk rather than merely growing the top line.
200G per lane and 1.6T transition	FY28	Medium	High	Explicitly guided to be light in FY27. A real driver, but for the year after the one being paid for today.
Weaver gearbox and memory bandwidth	FY28+	Low-med	Medium	Opens an adjacent problem set beyond networking. Optionality rather than a modelled contributor.
AEC row-scale and scalar compute	FY28+	Medium	Medium	Management named fiscal 2028 as the year these become substantial. Nothing in the current valuation depends on them arriving early.

Risk Assessment

Risk	Prob.	Severity	Detail
Second-half re-acceleration disappoints	Medium	Severe	The central risk. Roughly 60% of guided FY27 revenue sits in H2 and requires sequential growth to jump from about 7.6% to roughly 34%. Consensus embeds the guided outcome in full, so a shortfall hits the estimate and the multiple together.
Customer concentration	Medium	High	Four customers each above 10% of revenue in the June quarter. One programme deferral at one hyperscaler is a guidance event. Neo-cloud diversification is a plan, not yet a fact.
Valuation de-rating	High	High	40.6x forward, 72x trailing non-GAAP and 33.8x sales after a 179% four-month advance. The shares closed on 17 August essentially at the consensus target, leaving the sell-side no room to support the price without raising numbers first.
Earnings event risk, 1 September	High	Med-high	Fourteen days away, with four consecutive large beats setting the expectation. The magnitude of those beats has fallen each quarter as coverage has caught up.
Competitive encroachment	Medium	Med-high	Broadcom can bundle, Marvell has scale inside the same accounts, Astera Labs is growing 98%, and the customers can in-source. The optical expansion moves Credo onto more crowded ground than AECs.
Extreme price volatility	High	Medium	Beta 3.23 and realised volatility above 100% annualised. The shares fell 11.7% on the day this report was written on no company-specific news, and the average true range is 7.9% of the price.

Risk	Prob.	Severity	Detail
Supply constraints at leading-edge nodes	Low-med	Medium	Management flagged tightness at 3nm and 5nm while expressing confidence in its capacity commitments. A capacity miss would cap the second half directly.
Sustained insider selling	Medium	Low-med	Officers sold roughly \$34m across several transactions in late July and August. Not evidence of a problem, but not a signal of conviction either.

The Risk score of 4 out of 10 in the scorecard below reflects this section: a high-risk holding, moderated but not neutralised by a balance sheet carrying \$1.41bn of net cash and a business already generating \$407m of free cash flow. The risk here is a violent de-rating, not insolvency, and that distinction is why the score is not lower.

Valuation

Credo should be valued on forward earnings, because trailing earnings understate a business that tripled revenue in the year just reported, and on the balance-sheet-adjusted enterprise value, because the \$1.41bn of net cash is roughly 3% of the market capitalisation. Sales multiples are shown for completeness but carry little information at a 68% gross margin and a 50% net margin, where the distance between revenue and earnings is unusually short.

Measure	At \$249.64 (live)	At \$282.82 (prior close)	Comment
P/E, trailing non-GAAP (\$3.46)	72.2x	81.7x	High, but the denominator is a year already superseded
P/E, trailing GAAP (\$2.51)	99.5x	112.7x	Least useful measure for a company at this growth rate
P/E, FY27E non-GAAP (\$6.15)	40.6x	46.0x	The number that matters; assumes guidance is met in full
EV / Sales, FY26 (\$1.335bn)	33.8x	38.4x	Extreme in absolute terms; less so at a 50% net margin
EV / EBITDA, trailing	~97x	~110x	Reflects the same trailing-base distortion
PEG (published)	1.02	1.16	Around fair on the guided growth rate
Free cash flow yield	0.87%	0.77%	Real cash, but a thin yield on this capitalisation
Price versus consensus target (\$283.23)	-11.9%	-0.1%	The shares had reached the average target before today

Enterprise value computed as 186.48m shares at the stated price less \$1.44bn cash plus \$25.5m debt, giving \$45.1bn at the live price. The FY2027 estimate of \$6.15 is this report's calculation from management's guidance of more than 80% revenue growth and an approximately 50% non-GAAP net margin, on roughly 196m diluted shares. It is not a company-reported figure, and it corresponds closely to the street estimate implied by the published forward multiple.

The comparison that flatters Credo most is against Astera Labs, its closest analogue, which trades at 52.7x forward on slower growth and lower margins. On that basis Credo is the cheaper and better business. The comparison that matters more is against its own history and its own guidance: an investor at \$249.64 is paying 40.6x for a year in which the majority of the revenue has not begun to arrive, using an estimate that assumes the guidance is met exactly. The shares are close to fairly valued on the base case and materially overvalued if the second half slips by even a quarter.

Sentiment and Positioning

Indicator	Reading	Interpretation
Analyst consensus	Strong Buy; 19 covering analysts	Uniformly positive, which is itself a crowded starting point

Indicator	Reading	Interpretation
Average price target	\$283.23	The 17 August close of \$282.82 sat 0.1% below it. Targets had stopped being a source of upside
Target changes on 18 Aug	TD Cowen raised to \$300 (Buy); Goldman Sachs raised to \$285 (Buy)	Raised into an 11.7% down day, which says the sell-side is following the fundamentals rather than the tape
Short interest	6.08m shares; 3.62% of float; 0.96 days to cover	Low. No squeeze dynamic and no meaningful bear positioning to fade
Insider activity	Officer disposals of roughly \$22.5m, \$5.8m and \$5.7m across late July and August	The clearest negative in the sentiment picture
Institutional ownership	Float 167.9m of 186.5m shares outstanding	Widely held; roughly 10% of shares are insider or restricted
News flow (moomoo digest)	Constructive on the company: two target raises today, renewed interest in the AI interconnect theme on 17 August, and interconnect standardisation momentum. Set against a broad AI-connectivity selloff on 18 August	Company news positive, tape negative. Neutral to mildly bullish overall

Analyst, ownership and short-interest data from StockAnalysis.com, Benzinga and moomoo, 18 August 2026.

The 18 August Decline

The shares fell 11.7% from the previous close on the day this report was written, and the cause was not company-specific. Fabrinet reported before the open, beat on both revenue and earnings, and was sold down anyway because gross margin slipped and free cash flow turned negative on a capital spending surge. The read-across hit the entire AI-connectivity complex: Astera Labs fell 7.8%, Marvell 7.9%, Coherent 10.3% and Lumentum 9.7%. Rising Treasury yields amplified it, with the 10-year at a 20-month high of 4.72% and the 30-year at a 19-year high of 5.31%, which compresses long-duration growth multiples.

Two observations follow. The first is that at a beta of 3.23, an index down roughly 1% explains about 3 points of an 11.7% fall, so most of the move is sector-specific rather than macro. The second is that Credo is the least exposed of that group to the specific complaint the market was pricing. Fabrinet was punished for negative free cash flow driven by capital intensity; Credo has \$407m of positive free cash flow, \$1.41bn of net cash and essentially no capital intensity. If the market is beginning to discriminate between AI suppliers on cash conversion, Credo screens well on precisely that test, and a decline driven by guilt by association is the kind that reverses.

That improves the entry without changing the thesis. The stock is 12% cheaper than it was yesterday and the second-half question is exactly as open as it was.

Technical Position

Indicator	Value	Reading
Live price (18 Aug, 11:48 ET)	\$249.64 (-11.7%)	Breaks below the 50-day and the 20-day EMA intraday
Prior close (17 Aug 2026)	\$282.82	Was above every moving average and near the 52-week high
SMA 20 / EMA 20	\$230.67 / \$241.92	The live price sits just above both. First support
SMA 50 / EMA 50	\$240.69 / \$230.39	\$230-241 is a dense support shelf where four averages converge
SMA 100 / EMA 100	\$204.59 / \$206.99	Second support, and close to the accumulation trigger in this report
SMA 200	Not computed	Daily series limited to 100 sessions; the 40-week proxy is shown below

Indicator	Value	Reading
40-week SMA (200-day proxy)	\$174.58	Price is 43% above it. The long-term trend is intact and stretched
RSI(14) daily / weekly	63.3 / 64.3	Elevated but not overbought at the 17 August close
MACD (12,26,9)	10.18 vs signal 3.12, histogram +7.06	Bullish, though computed on data that predates today's fall
ATR(14)	\$22.38 (7.9% of price)	A normal day moves 8%. Position sizing must respect this
Volume, 20d / 50d average	5.03m / 7.76m	Volume declining through the advance, a mild negative divergence
Beta (5Y)	3.23	Index moves are amplified roughly threefold
Realised volatility (100d, annualised)	102%	Among the highest in liquid US large caps
Range, 52 weeks	\$86.48 - \$308.67	+148% over twelve months, +95% year to date, +179% since early April

All indicators computed in code from Alpha Vantage daily and weekly OHLCV through the 17 August 2026 close. The 200-day simple moving average is not computed because the available daily series is exactly 100 sessions; the 40-week weekly average is presented as an explicit proxy rather than a substitute.

Support runs in three tiers. The first is \$230-\$241, where the 20-day and 50-day simple and exponential averages cluster, and the live price is sitting on the top of it. The second is \$205-\$207 at the 100-day averages, which coincides with the July consolidation and with the accumulation trigger set out below. The third is \$177, the late-July low. Resistance begins at \$265-\$285, the range of the past fortnight, and then the \$308.67 all-time high set in June. Technicals inform timing only and do not change the fundamental conclusion here.

Scorecard

Factor	Score	Rationale
Business Quality weight 12%		9/10 68% gross margin, ~50% net margin, 73% ROIC, fabless and net cash. Among the best financial models in the sector
Financial Strength weight 10%		9/10 \$1.44bn cash against \$25m debt, current ratio 10.15, \$407m free cash flow. Close to unimprovable
Competitive Advantage weight 14%		6/10 Genuine AEC leadership and SerDes IP, but Broadcom, Marvell and Astera Labs all compete inside the same accounts, and customers can in-source
Management weight 10%		8/10 Four straight large beats, 206% revenue growth delivered, margin expanded through the ramp. Offset by heavy insider selling
Growth Potential weight 18%		9/10 Guided to 80%+ FY27 growth with optical above \$600m, and a FY28 pipeline behind it. The TAM is not the constraint
Valuation weight 16%		3/10 40.6x forward and 33.8x sales after a 179% four-month run, with the shares having reached the consensus target
Risk (10 = lowest risk) weight 15%		4/10 Four customers above 10% each, beta 3.23, 102% realised volatility, a back-half-loaded guide and earnings in 14 days. Net cash prevents a lower score
Technical Setup weight 5%		5/10 Long-term uptrend intact but 43% above the 40-week average, with volume declining through the advance
Investment Score	66 / 100	Weighted sum of the eight factors above, computed in code. An excellent business held back by its price and the shape of its guidance.

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. Weights: Growth Potential 18, Valuation 16, Risk 15, Competitive Advantage 14, Business Quality 12, Financial Strength 10, Management 10, Technical Setup 5.

Recommendation: WATCHLIST

Watchlist is the rating, and it is a close call held back by arithmetic rather than by any doubt about the company. On business quality, financial strength and growth potential this report scores Credo 9 out of 10, which is as high as those factors go in this coverage. A company with 68% gross margins, 73% return on invested capital, \$1.41bn of net cash and an 80% guided growth rate is exactly what an investor should want to own in this cycle.

What prevents a Buy is that the probability-weighted fair value of \$237 sits below the live price, and the reason it sits below is specific rather than vague. The guided year requires roughly 60% of revenue in the second half and a sequential growth rate that has to roughly quadruple from the level the company is currently guiding. Consensus has taken that on trust in full. Buying at 40.6x an estimate that contains no allowance for slippage, fourteen days before a print that must clear four consecutive large beats, is paying full price for an outcome that has not begun to be evidenced.

There is no dishonour in waiting for a business this good. The conditions below are specific, and any one of the first two would move this to Buy.

Trigger	Level or event	Why it changes the view
Price-based entry	Below \$210, ideally \$195-\$205	Roughly 32x the base-case FY27 estimate of \$6.15 and coincident with the 100-day averages at \$205-207. At that level the second-half risk is paid for rather than assumed
Evidence-based entry	A September quarter that guides Q2 above \$520m	That would break the mid-single-digit sequential pattern and demonstrate the H2 re-acceleration is beginning, converting the guidance from an assertion into a trend
Secondary confirmation	Optical revenue tracking to the \$600m+ FY27 target at the half	The optical ramp is the identified vehicle for the step-up. Visible progress at the halfway point would materially de-risk the second half
Downgrade to Avoid	FY27 growth guidance cut below 70%, or a top-four customer loss	Either would break the estimate and the multiple at the same time, and at this valuation there is no floor beneath the de-rating
Position sizing if entered	Half a normal position; 1.5% - 2.5% allocation	Beta 3.23 and 102% realised volatility make full sizing inappropriate regardless of conviction

For an investor who already owns the shares, the case for continuing to hold is stronger than the case for buying more. The business is compounding, the balance sheet removes any question of survival, and selling a 68%-margin franchise into a sector-wide down day driven by another company's cash flow statement would be the wrong response. The distinction between holding and adding is the whole content of this rating.

Scenario Analysis

Scenario	Prob.	FY27E revenue	FY27E EPS	Exit multiple	Fair value	vs \$249.64
Bull	25%	\$2.60bn (+95%)	\$6.75	48x	\$324	+30%
Base	50%	\$2.40bn (+80%)	\$6.15	40x	\$246	-2%
Bear	25%	\$2.05bn (+54%)	\$5.20	25x	\$130	-48%
Weighted	100%				\$237	-5%

Probabilities sum to 100%. The weighted fair value of \$236.50 was computed in code from the inputs shown and represents -5.3% against the live price of \$249.64 and -16.4% against the 17 August close of \$282.82. FY2027 revenue and earnings estimates are this report's calculations from company guidance, not company-reported figures.

Bull case. The optical portfolio ramps on schedule and exceeds the \$600m target, the second-half re-acceleration lands as guided or better, and neo-cloud customers begin to dilute the concentration risk. Revenue reaches \$2.6bn and the market pays a premium multiple for a business that has now delivered a back-half step-up twice. This case implies a new all-time high above the \$308.67 set in June.

Base case. Management hits its 80% guidance, roughly on the schedule described. Revenue reaches \$2.4bn with non-GAAP earnings near \$6.15 and the 50% net margin holds. The multiple compresses modestly toward 40x as growth normalises from triple digits. The shares end the period close to where they trade today, which is the honest conclusion when a good company is priced correctly.

Bear case. The second-half step-up slips by a quarter or arrives smaller than promised, whether through optical timing, the 200G transition, leading-edge supply or a single customer deferral. Revenue lands near \$2.05bn, growth prints 54% instead of 80%, and a stock trading at 40x on an estimate nobody discounted de-rates to 25x. A 48% drawdown reads as severe until one notes the shares traded at \$101 in early April of this year.

Final Verdict

Would this be worth an allocation of one's own money today? Not yet, and the reason is the price rather than the company.

Credo is a better business than almost anything else in the AI connectivity chain. It earns 68% gross margins and roughly 50% net margins, converts nearly all of its accounting profit into cash, requires almost no capital to grow, holds \$1.41bn of net cash against \$25m of debt, and generates a 73% return on invested capital. Management has beaten its own guidance four quarters running while tripling revenue and expanding margin through the ramp. On the quality of the enterprise there is very little to argue with, and an investor who already owns it should keep owning it.

The problem is what the current price asks a new buyer to assume. Fiscal 2027 is guided to more than 80% growth, but management has also said the first half grows at mid-single-digit sequential rates, and the September quarter is guided at 7.6% sequential. Those statements together put roughly 60% of the year in the second half and require the sequential rate to jump to around 34% in the January quarter. Consensus has adopted the guided number without discount. So the buyer at 40.6x forward earnings is not paying for what Credo has done; they are paying for a re-acceleration that has been described but not yet started, in a business where four customers supply more than a tenth of revenue each and any one of them can move the year with a scheduling decision.

Today's 11.7% fall improves that entry and does not resolve it. Nothing about Credo caused the decline, and on the specific test the market appeared to be applying — cash conversion against capital intensity — Credo screens better than every peer that fell alongside it. But \$249.64 still sits above a probability-weighted fair value of \$237, and the next earnings report is fourteen days away with an expectation bar built from beats of 62%, 60%, 27% and 18%.

The discipline that follows is simple. Watch, do not buy, above \$210. Buy in the \$195-\$205 region if the market offers it, which is roughly 32x the base-case estimate and the level at which the second-half risk is compensated rather than assumed. Buy earlier and at a higher price if the 1 September report guides the December quarter above \$520m, because that single figure would convert the entire second-half argument from a promise into a trend. Reverse the view entirely if full-year guidance is cut below 70% growth or a top-four customer steps away. Watch the sequential guidance line more closely than the headline beat. That is where this thesis will be settled.

Scope and sources. This report was prepared on 18 August 2026. Credo's most recent reported period is fiscal Q4 2026, the quarter ended 2 May 2026, released on 1 June 2026; the next report is scheduled for 1 September 2026. Reported figures are taken from the company's results release and investor materials. The fourth-quarter earnings call was reviewed via published transcripts and structured transcript summaries (Investing.com and The Motley Fool); management quotations and call detail are reproduced from those sources. Prices are from StockAnalysis.com (18 August live, 11:48 ET) and Alpha Vantage (17 August close and the OHLCV history used for technicals). Because the US market was open at the time of writing, the live price is provisional and the day's close is unknown. All figures labelled as this report's calculation are derived from company guidance and are not company-reported. Nothing here is a recommendation to any particular person; it is informational only and not financial advice.