

Credo Technology Group Holding Ltd (NASDAQ: CRDO)

Equity research report · 15 October 2026 · Price \$179.23, close of 14 October 2026

Verdict	Price	Fair value (base)	Watch price	Investment Score
Watchlist (unchanged)	\$179.23	\$208 (+16.1%)	\$160	73.4 / 100 (was 72.1)

Verdict: Watchlist, from fundamentals. Technical read (chart only): Neutral. The shares closed just under the 200-day average of \$179.89 after a 9.6% fall on 14 October; watch for a reclaim of that average followed by a higher low above \$163.52. The tag reflects the price chart only and does not change the verdict.

Summary

Credo has had a round trip. The shares closed at \$150.09 on 14 September, rallied to \$218.64 by 2 October as the market looked past the Federal Reserve's 16 September rate increase, then gave back most of the gain in eight sessions to close at \$179.23 on 14 October. The last three sessions alone took off 17%. The slide came alongside a report that OpenAI's revenue run rate was well below estimates, a sector-wide fall in AI infrastructure shares and a September inflation print that kept a second rate increase in play for 27 and 28 October. None of this came from the company. The September-quarter guide of \$525-535m and the full-year framing of more than 85% growth have not been revisited since 1 September.

Rebuilt from today's inputs, the base case is worth \$208, 16.1% above the price, and the probability-weighted value is \$201. That is a fair price for an exceptional business, not a cheap one. The year still depends on a second half of roughly \$1.46bn of revenue, or about \$730m a quarter against \$530m guided for the current one, and the stock has a bear case 46% below the price. The rating stays at Watchlist. The name becomes interesting near \$160, where the base case would pay about 30%, or on a December report whose January-quarter guide confirms the ramp.

The company kept launching. A 1.6T optical transceiver that pairs Credo's own DSP with its own silicon photonics chip (15 September) and a new 1.6T Active Light Cable due to ship in 2027 (12 October) both strengthen the optical story. Neither changes the numbers for this fiscal year, and neither moved the verdict.

1. What has changed since the last report

Item	15 September 2026	15 October 2026	Comment
Price	\$150.09	\$179.23	+19.4%; peaked at \$218.64 on 2 October
Base-case fair value	\$197	\$208	Built on fiscal 2028 earnings rather than fiscal 2027
Weighted fair value	\$195	\$201	Bear case cut to \$96 on a deeper slip
Upside to base case	31%	16.1%	Price rose far more than value
Watch price	\$176 (200-day average)	\$160	Now set on valuation, not on a chart level
Investment Score	72.1 (restated)	73.4	Valuation 7 to 6; default weights
Fed and 10-year	Hike expected; 10-year near 5.0%	Hiked 16 Sep; 10-year about 5.2%	Another increase in play for 27-28 October

Prior figures from the report of 15 September 2026 (data to 14 September). The prior score is restated on the current seven factors for comparability.

The previous report named a weekly close above \$176, then the 200-day average, as the signal to return to Buy. That happened: the shares closed the week of 25 September at \$210.97, after the Fed's decision. The signal was a chart level, and from this report the rating is set by fundamentals alone, with the chart used only for timing. On fundamentals the case for buying has weakened, not strengthened, since September, because the price rose 19% while nothing about the second half was settled. The 200-day average itself has since moved up to \$179.89, and the shares now sit just below it.

The score rose from 72.1 to 73.4 even though Valuation fell a point. The change comes from the weighting, which now gives Financial Strength more weight and Risk less. On the old weights the same scores would have produced a lower total.

2. How this business makes money and what drives the shares

Credo designs high-speed connectivity for AI data centres. Its largest line is the active electrical cable (AEC), a copper cable with Credo's own retimer chips at each end that links servers and switches within a rack and between neighbouring racks. Around it sit optical DSPs, line-card retimers and, since the DustPhotonics acquisition closed on 28 May 2026, silicon photonics chips. Credo is fabless and sells into a handful of hyperscalers; four customers took about 33%, 28%, 13% and 10% of revenue in the July quarter.

Four variables decide returns over the next two years: whether the second half of fiscal 2027 arrives at the size management has framed; whether optical revenue clears the \$600m-plus target and becomes a second engine; how long the largest customers keep buying from one supplier; and the multiple the market will pay while the 10-year Treasury yield sits above 5%. The fourth is the only macro variable that matters much here, and it has done most of the work in the share price.

3. Financial position

Metric	Q1 FY27 (to 1 Aug 2026)	FY26	Guide (management)
Revenue	\$479.0m (+115% y/y, +9.6% q/q)	\$1,335.1m	Q2 \$525-535m; FY27 growth above 85%
Gross margin (non-GAAP / GAAP)	68.0% / 64.5%	68.1% non-GAAP	Q2 67-69% non-GAAP
Operating income (non-GAAP / GAAP)	\$230.6m (48.2%) / \$120.7m (25.2%)	n/a	Q2 non-GAAP opex \$100-105m
Net income (non-GAAP / GAAP)	\$236.3m / \$129.4m	\$661.5m non-GAAP	FY27 non-GAAP net margin near 50%
Diluted EPS (non-GAAP / GAAP)	\$1.20 / \$0.67	\$3.46 / \$2.51	Not guided
Cash and short-term investments	\$764.3m		No bank borrowings on the balance sheet
Inventory	\$313.1m (up \$62.2m q/q)		Built ahead of the second-half ramp

Company Form 8-K, Exhibit 99.1, 1 September 2026; fourth-quarter fiscal 2026 release, 1 June 2026. Non-GAAP figures are company measures that exclude stock-based pay and acquisition amortisation.

These are unusual economics for a chip company: a 68% gross margin and almost half of revenue reaching non-GAAP operating profit, with no debt and a growing cash pile. The gap between GAAP and non-GAAP earnings has widened since the DustPhotonics deal, because amortisation and stock pay are large, and a buyer should know GAAP EPS was \$0.67 against \$1.20. The inventory build is deliberate and is where a delayed second half would show first.

The full-year framing sets the bar. Growth of more than 85% on \$1,335.1m means at least \$2,470m of revenue. After \$479.0m in the first quarter and \$530m at the midpoint of the second, the second half has to deliver about \$1,461m. At a 50% net margin on 197.5m diluted shares, the year would earn about \$6.25 a share (our calculation, not a company figure).

4. Competitors

Competitor	Overlap	Strength	Read for Credo
Broadcom	Retimers, optical DSPs, switch silicon	Scale and bundling across the switch	The largest strategic threat; can price to win a socket
Marvell	Optical DSPs, AEC DSPs	Deep optical DSP franchise	Contests the optical target directly
Astera Labs	Retimers, PCIe and scale-up cabling	PCIe leadership	Fell 5.3% on 12 October alongside Credo's 7.3%
Cable makers with in-house DSP partners	AEC assembly	Manufacturing scale	Could pressure AEC pricing as volumes grow

Price moves from market data for 12 October 2026. Descriptions are this report's summary.

Credo's edge is speed to market at each new lane rate and the PILOT telemetry layer, which lets operators see link faults before they cause training jobs to stall. That edge is real but short-dated. Each generation is a new contest, and Broadcom and Marvell both have the scale to undercut on price when they choose.

5. Management

The July quarter came in at \$479.0m against the company's own \$465-475m guide, the fifth quarter in a row above the top end, and the full-year framing rose from more than 80% to more than 85%. That is the best evidence available on guidance quality. Against it, officers have kept selling. Form 4 filings on 7, 9, 13 and 14 October report officer sales, and Rule 144 notices of proposed sales were filed on 8 and 13 October. Much of this is routine for a company that pays heavily in stock, but the pace has not slowed as the price has fallen. Management's credibility rests on the January-quarter guide, due with the second-quarter results in early December (the date is not yet announced).

6. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
1.6T ZeroFlap optical transceivers	Announced 15 Sep 2026; no availability date given	224G-per-lane family in 2xDR4, 2xFR4 and DR8 forms; first Credo products pairing its own DSP with its Kfir200 silicon photonics chip; PILOT telemetry and remote firmware update.	Management: optical revenue above \$600m in FY27. Signal AI (quoted by the company): over 11m 1.6T modules in 2026, more than double in 2027	Medium
1.6T ZeroFlap Active Light Cable	Announced 12 Oct 2026; shipping in 2027	Optical cable splitting 200G lanes into many low-rate channels without a DSP; 12W per end, about 30% below comparable AECs; reach up to 50m; target 100m hours between failures. No customer named.	No revenue figure; nothing in FY27	Medium
First-quarter FY27 results	Reported 1 Sep 2026	Revenue \$479.0m; Q2 guide \$525-535m; FY27 growth framing raised to above 85%.	Management framing; second half about \$1.46bn is our calculation	Medium
Short-Reach Micro-Emitter Optics workstream	Launched 12 Oct 2026; spec targeted for 2027	Open Compute Project workstream with an unnamed hyperscaler, AFL, ams OSRAM, BizLink, SENKO and others.	None	Low
OmniConnect Weaver demonstration	13 Oct 2026; no availability date	Memory fanout gearbox shown on an AMD Versal board, linking terabyte-class LPDDR memory to an accelerator.	None	Low

Company news releases of 15 September, 9, 12 and 13 October 2026; Form 8-K of 1 September 2026.

The two 1.6T products matter for the optical target and for fiscal 2028, not for this year's numbers. The transceiver is the first product to put Credo's DSP and its own photonics chip in one module, which should lift the margin and content per link if customers adopt it, but no shipping date has been given. The Active Light Cable aims at the gap between copper, which runs out of reach at a few metres, and pluggable optics. It extends the AEC model further across the data centre rather than replacing it, and it ships in 2027. Neither is large enough to move a fiscal 2027 estimate, and none of the items moved a score. The verdict and the watch price would be the same without them.

7. Growth drivers

Driver	Status	Fact vs forecast	Likelihood	Impact
AEC volume with the 1.6T transition	Shipping; growth guided	Q1 revenue fact; FY27 above 85% is management's framing	High	High
Optical revenue above \$600m	Ramping; 1.6T transceiver announced, no date	Target is management's; first data in the December report	Medium	High
New hyperscaler customers	AEC with five hyperscalers per management	Fact as stated by management; share of each is not disclosed	Medium	Medium

Driver	Status	Fact vs forecast	Likelihood	Impact
Active Light Cable	Shipping in 2027	Company plan; no revenue figure	Medium	Medium
Memory and scale-up interconnect (OmniConnect, SRMO)	Standards work and demos	No revenue or dates	Low	Low

Company releases and first-quarter fiscal 2027 call commentary, 1 September to 13 October 2026.

8. Risks

Risk	Probability	Severity	Comment
The second half falls short	Medium	High	About \$1,461m is needed in two quarters against \$530m guided for Q2
Customer concentration	Medium	High	Top two about 61% and top four about 84% of revenue
Further multiple compression	High	High	Fed may raise again on 27-28 October; 30-year yield near its highest since 2002
AI spending sentiment	Medium	High	Shares fell with the sector on reports of weaker AI revenue at a major model developer
Competition at each lane rate	Medium	Medium	Broadcom and Marvell can bundle and price for share
Inventory and cash conversion	Medium	Medium	\$313.1m of inventory becomes a write-down risk if the ramp slips
Volatility and insider supply	High	Medium	Average daily range 8.5% of price; steady officer selling

Probability and severity are this report's judgements over the next 12 to 24 months.

9. Valuation

At \$179.23 the market value is about \$35.4bn (our calculation on 197.5m diluted shares). The shares trade at 28.7x the \$6.25 the fiscal 2027 framing implies and 23.3x this report's base-case fiscal 2028 figure of \$7.71. Trailing multiples overstate the price of a business growing this fast, so the scenarios use fiscal 2028, the year the 1-2 year horizon prices.

The base case applies 27x to fiscal 2028 EPS of \$7.71 (our calculation: fiscal 2027 revenue of \$2,470m from the framing, 30% growth in fiscal 2028, a 48% net margin as operating costs grow, 200m diluted shares). Twenty-seven times is below what the shares have paid for most of the past year, and it reflects a 10-year Treasury yield above 5.1% and a central bank still raising rates; on 30% growth it is roughly one times growth. The result is \$208, and the probability-weighted value is \$201. The shares are fairly valued on the base case, with about 16% to go if the second half arrives on time.

Macro drivers. Two variables matter. The first is the long-term discount rate, because almost all of Credo's value sits in earnings several years out. The Fed raised rates on 16 September, its September minutes showed most officials expect another increase by year end, and core inflation rose 0.3% in September against 0.2% expected. The 10-year yield sits near 5.2% and the 30-year reached its highest since 2002 on 7 October. Every move up in that yield has compressed the multiple on this stock more than on the market. The second is hyperscaler capital spending, which sets demand. It is not a macro series at all; it shows up in the capital spending plans of Credo's largest customers before it shows up in any economic release. Consumer spending and employment barely touch this business.

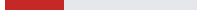
10. Sentiment

Firm	Date	Action	Target
Stifel	5 Oct 2026	Buy maintained, target cut from \$350	\$310
TD Cowen	2 Oct 2026	Buy maintained	\$300
Jefferies	1 Oct 2026	Buy maintained	\$270
Mizuho	21 Sep 2026	Outperform maintained, target cut from \$290	\$245
Evercore ISI	2 Sep 2026	Buy maintained, target cut	\$292

Broker actions as reported, 2 September to 5 October 2026. Consensus target about \$279, with 19 of 20 analysts at Buy or Strong Buy (as of 13 October 2026).

Analysts remain almost uniformly positive, and every published target sits well above the price. The direction of targets is down, though, with Stifel and Mizuho cutting by \$40 and \$45 without changing ratings. That reads as lower multiples on unchanged estimates, which is the same thing this report sees. Officer selling is persistent. Volume has risen on the way down, with 12.4 million shares on 14 October against a 20-day average of 9.0 million. The overall read is neutral: supportive ratings against falling targets and steady insider supply.

11. Investment Score

Criterion	Score	Weight	Basis
Business Quality	 9/10	16%	68% gross margin, near-50% net margin, fabless and capital-light. (unchanged)
Financial Strength	 8/10	16%	\$764.3m of cash and investments, no borrowings; inventory build is the soft spot. (unchanged)
Competitive Advantage	 7/10	16%	First to market at each lane rate and PILOT telemetry, against Broadcom's scale. (unchanged)
Management	 8/10	10%	Fifth straight quarter above the guided top end; steady officer selling. (unchanged)
Growth Potential	 9/10	16%	FY27 framing above 85% and optical above \$600m, unrevised since 1 September. (unchanged)
Valuation	 6/10	16%	Price up 19% since September; 16.1% to the base case. (-1 vs last report)
Risk (10 = lowest risk)	 3/10	10%	Concentrated customers, an unproven second half and a Fed still tightening. (unchanged)
Investment Score	73.4 / 100	100%	Previous report 72.1, restated

Scored 1-10, where 10 is always best, including Risk. Composite is the weighted sum of the seven factors, computed in code, on default weights. The prior score is restated on the current seven factors for comparability.

Risk at 3 means a high-risk business, and the risks section describes one: two customers provide most of the revenue, almost 60% of the year's sales are still to come, and the share price has swung by more than 40% within a month. The two agree. Valuation is the only score that moved, because the price has risen while the value has moved only a little.

12. Recommendation

Watchlist, unchanged. The rating is the same as in September, but the reasoning has changed. Then the shares had been marked down by rates while the business improved, and the report waited for the chart to stop falling. Now the rating rests on value alone: at \$179.23 the base case pays 16.1%, which is not enough for a stock whose bear case sits 46% lower and whose fiscal year still depends on two quarters nobody has seen. The verdict does not depend on any company development.

Price at which the name becomes interesting: about \$160. At that level the base case of \$208 pays about 30%, and the shares would trade near 25.6x the fiscal 2027 framing and 20.8x base-case fiscal 2028 EPS. The level sits between the \$163.52 low of the past 20 sessions and the \$150.09 September closing low. The other route back to Buy is the second-quarter report in early December: revenue inside or above \$525-535m and a January-quarter guide of about \$650m or more. A guide at that level would still leave about \$811m for the April quarter; a guide well below it would make the full-year framing hard to reach.

What would change the view	Direction
Shares fall to about \$160 with the fiscal 2027 framing intact	Up
Second-quarter results in early December within or above \$525-535m, with a January-quarter guide of about \$650m or more	Up
The Fed holds on 27-28 October and long-dated yields ease	Up

What would change the view	Direction
A January-quarter guide well below \$650m, or the fiscal 2027 growth or optical target cut	Down
Loss of, or a sharp cut from, one of the four largest customers	Down
Capital spending cuts announced by two or more of the largest customers	Down
The Fed raises again and long-dated yields make new highs	Down

13. Technical read

Chart as of 14 October 2026 close

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Neutral.** Watch for a reclaim of the 200-day average at \$179.89 followed by a higher low above \$163.52; a close below \$163.52 would point back toward the \$150.09 September low and the watch price.

The chart state is base-building. The shares closed 0.4% under the 200-day average after trading above it for most of the past three weeks, the 50-day average is falling, and there has been no new 60-session closing low; the September low is 22 sessions old. The price is below the 20, 50 and 100-day averages, the MACD line has crossed under its signal, and heavy volume came with the fall. The Technical read looks only at the price chart. It does not change the verdict or the Investment Score and only guides timing.

Measure	Value	Reading
Trend	Base-building	Below short and medium averages, at the 200-day
20-day SMA / EMA	\$199.68 / \$200.38	Price -10.2% / -10.6%
50-day SMA / EMA	\$208.16 / \$204.00	Price -13.9%; 50-day falling
100-day SMA / EMA	\$221.80 / \$203.25	Price -19.2%
200-day SMA / EMA	\$179.89 / \$189.44	Price -0.4% / -5.4%
RSI (14)	40.5	Neutral, falling
MACD (12,26,9)	0.94 vs signal 1.80	Below signal; momentum turning down
ATR (14)	\$15.29	8.5% of price
Volume	14 Oct 12.4m; 20-day 9.0m; 50-day 7.5m	Participation rising into the fall
Support / resistance	\$163.52, \$150.09 / \$179.89, \$208.16, \$231.59	20-session and September lows below; 200-day, 50-day and 20-session high above

Computed in code from a 300-session daily series, 6 August 2025 to 14 October 2026, all averages from one series, not dividend-adjusted; distances against the price of record. Chart state classified by fixed rules.

14. Scenario analysis

Case	Prob.	Outlook	FY28 EPS	Multiple	Fair value	vs \$179.23
Bull	25%	FY27 revenue about \$2.6bn as optical beats; FY28 up 40% on 1.6T volumes; net margin 50%	\$9.10	32x	\$291	+62.4%
Base	50%	FY27 revenue about \$2.47bn as framed; FY28 up 30%; net margin 48% as costs grow	\$7.71	27x	\$208	+16.1%
Bear	25%	Second half slips a quarter: FY27 about \$2.25bn; FY28 up 8% as a customer pauses; net margin 44%	\$5.35	18x	\$96	-46.4%
Weighted	100%	Probability-weighted			\$201	+12.1%

Our calculations: FY28 revenue = FY27 revenue x (1 + growth); EPS = FY28 revenue x net margin / 200m diluted shares; fair value = EPS x multiple. Weighted value computed in code. Not company measures.

The probabilities are even on either side of the base because nothing reported since 1 September has tested the second half in either direction. The bull case needs the 1.6T transition and optical to land together. The bear case needs only a

quarter's slip at one large customer, which is the normal way a concentrated supplier misses.

15. Final verdict

Would an investor put money into Credo at \$179.23? Not yet. The business is among the best in semiconductors, with growth above 85%, near-50% net margins and no debt, and nothing the company has done since September has weakened it. But the shares have risen 19% since then without any new evidence on the second half, and the market's appetite for AI infrastructure is being tested by rates and by doubts about AI revenue. The single biggest concern is that roughly \$1,461m of revenue must arrive in two quarters from a handful of customers. A price near \$160, or a December guide that confirms the ramp, would change the answer.

Sources

- Company: Form 8-K, Exhibit 99.1, first quarter fiscal 2027 results (sec.gov, 1 September 2026); fourth quarter and fiscal 2026 results (investors.credosemi.com, 1 June 2026); DustPhotonics completion (28 May 2026); news releases of 15 September, 9, 12 and 13 October 2026 (investors.credosemi.com and Business Wire)
- First-quarter fiscal 2027 call summary (TradingKey via Mitrade, 2 September 2026); fiscal 2027 outlook (Zacks via Nasdaq.com, 17 August 2026)
- SEC Forms 4 and 144, 7 to 14 October 2026; broker actions from moomoo news and research channels and TipRanks, September to October 2026; consensus target: 24/7 Wall St., 13 October 2026
- Market reaction: Trefis, 13 October 2026
- Price of record: Alpha Vantage global quote, 14 October 2026 close. Technicals: Twelve Data daily series of 300 completed sessions to 14 October 2026, computed in code
- Macro: Beating The Bull economic data posts of 30 September and 7, 8, 9, 13 and 14 October 2026

This report is informational only and is not financial advice, nor a recommendation to buy or sell any security. It reflects the author's assessment as at 15 October 2026 and may change without notice. Scenario values and fair values are this report's calculations and are not company measures. The first-quarter fiscal 2027 call was reviewed in summary only.