

SIKULI CAPITAL

Conviction through contrarian research

Applied Optoelectronics (AAOI)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | AI optical transceivers + CATV

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$165.69	~\$160	\$85 – \$250
May 2026	Bull 25% / Base 50% / Bear 25%	Highly speculative; 441% YTD

Verdict: AAOI has gained 441% YTD on AI optical transceiver demand. Q1 2026 revenue of \$151M (+51% YoY) missed cons of \$155M, and Q2 guide of \$180-198M was below the \$193M cons midpoint. Backlog of \$324M+ in 800G/1.6T orders supports the FY26 \$1B+ revenue target and \$1.4B by Q3 2027^[1]. At 226x forward P/E^[2], valuation is extreme — pricing a perfect execution scenario. The bull case requires the 800G/1.6T ramp to deliver; bear case is a multiple collapse on any execution miss.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	\$178.50	ATH \$233.67 on 5/13 ^[3]
YTD return	+441%	^[1]
Q1 2026 revenue	\$151M (+51%)	Below cons \$155M ^[4]
Q1 2026 EPS	(\$0.07)	Miss ^[4]
Q2 2026 revenue guide	\$180M – \$198M	Below cons \$193M mid ^[4]
AI backlog	\$324M+	800G + 1.6T orders ^[1]
FY26 revenue target	\$1B+	Q3 2027: \$1.4B target ^[1]
Forward P/E	226x	8x industry median ^[2]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	800G/1.6T ramps deliver, FY26 beats \$1.1B, multiple stays speculative	\$250
Base (50%)	Hit FY26 \$1B target, multiple compresses from extreme to 100x	\$160

Scenario (weight)	Assumptions	Fair Value
Bear (25%)	Execution miss, multiple collapses to 40x	\$85
Probability-weighted	<i>Extreme momentum + execution; valuation does not provide margin of safety.</i>	~\$160

Key Risks

- **Multiple compression:** 226x forward P/E leaves no room for execution misses.
- **Competition:** Coherent, Lumentum, Eoptolink, Innolight all compete in optical transceivers.
- **Customer concentration:** Microsoft + Amazon are dominant customers; capex pause is acute risk.
- **Execution:** 800G/1.6T ramp requires manufacturing scaling; yield issues possible.

What Would Change Our View

- **Upside:** Q2 beat above \$198M, multi-quarter design win, gross margin recovery.
- **Downside:** Q2 miss, hyperscaler capex pause, gross margin compression.

Sources

- [1] <https://blog.mexc.com/finance/aaoi-stock-analysis-2026-applied-optoelectronics-buy-441-ytd-surge-324m-ai-backlog/>
- [2] <https://www.gurufocus.com/term/forward-pe-ratio/AAOI>
- [3] <https://finance.yahoo.com/quote/AAOI/>
- [4] <https://stockanalysis.com/stocks/aaoi/statistics/>

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