

SIKULI CAPITAL

Conviction through contrarian research

AXT Inc (AXTI)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | Indium phosphide + GaAs semiconductor substrates

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$108.99	~\$70	\$40 – \$130
May 2026	Bull 25% / Base 50% / Bear 25%	Highly speculative; 600%+ YTD

Verdict: AXTI surged 600%+ YTD on the AI data center optical interconnect narrative — InP substrates are key to high-speed optical transceivers. Q1 2026 revenue of \$26.9M (+39% YoY) slightly beat consensus, with non-GAAP GM expanding to 29.9% from 21.5%^[1]. InP contributed \$13.6M of revenue with an order backlog of \$100M+. The stock hit \$96 on May 1. At current ~\$80 levels^[2], valuation prices in significant InP scaling. Bull case requires sustained 800G/1.6T optical transceiver volumes; bear case is a multiple compression to historical norms.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price (recent)	~\$80-\$96	ATH \$96 on 5/1 ^[2]
YTD return	+600%+	AI substrate narrative ^[2]
Q1 2026 revenue	\$26.9M (+39%)	Slight beat ^[3]
Q1 2026 non-GAAP GM	29.9%	Up from 21.5% ^[3]
InP revenue	\$13.6M Q1	^[3]
InP backlog	\$100M+	12 months visibility ^[1]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	InP scaling to \$100M+ run-rate, GM expands to 40%+, multiple stays speculative	\$130
Base (50%)	Steady InP growth, GM stable, multiple compresses 50%	\$70
Bear (25%)	AI transceiver demand softens, multiple collapses to historical norms	\$40
Probability-	<i>Momentum-driven AI substrate play; high beta to optical</i>	~\$70

Scenario (weight)	Assumptions	Fair Value
weighted	transceiver demand.	

Key Risks

- **Multiple compression:** 600%+ YTD return leaves no margin of safety.
- **China exposure:** Manufacturing in China; export controls and trade actions impact ops.
- **GaAs substrate cycle:** Legacy GaAs business in cyclical recovery; can offset InP gains.
- **Customer concentration:** Optical transceiver customer concentration risk.

What Would Change Our View

- **Upside:** Q2 beat, InP guide raise, GM expansion to 35%+.
- **Downside:** Q2 miss, China export tightening, optical demand pause.

Sources

[1] <https://stocktwits.com/news-articles/markets/equity/axti-stock-rallies-even-higher-after-earnings-beat-will-the-momentum-sustain/cZQMfj8Re71>

[2] <https://www.harianbasis.co/en/axt-inc-stock-hits-record-high>

[3] https://www.sec.gov/Archives/edgar/data/0001051627/000143774926014204/ex_906119.htm

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