

SIKULI CAPITAL

Conviction through contrarian research

Credo Technology (CRDO)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | High-speed connectivity for AI data centers

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$183.13	~\$185	\$100 - \$260
5/19/26	Bull 25% / Base 50% / Bear 25%	Modest upside; AI infra leverage

Verdict: CRDO is a pure-play AI infrastructure beneficiary growing >200% in FY26 with continued >50% growth guided for FY27^[1]. Q4 FY26 guide of \$425-435M and Needham's FY27 estimate raised to \$1.6B^[2] frame an extraordinary growth trajectory. Forward P/E of 37x is below the company's 5-year average (~55x) and only slightly above the semis industry median (~36x)^[3]. Our blended FV of ~\$185 (modest upside from \$169) reflects that the stock has already priced in much of the AI-infra optimism — but the bull case (\$260) is meaningful if optical / ZeroFlap ramps as expected. TD Cowen's PT is \$240^[4].

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	\$169	5/19/26 (up 8.5% intraday) ^[5]
Market cap	~\$33B	Implied from \$169 × 197M shares
Diluted shares	~197M	FY26 Q4 guidance ^[2]
Q4 FY26 revenue guide	\$425M - \$435M	^[6]
FY26 growth	~+200%	Hyperscale AI buildout ^[2]
FY27 revenue est.	~\$1.6B (+50%+)	Needham raised est. ^[2]
Non-GAAP gross margin	64% - 66%	Mid-60% long-term framework ^[6]
Forward P/E	37x	vs 5-yr avg 55x ^[3]
52-week range	~\$30 - \$230	Volatile; tracked AI infra sentiment
Consensus rating	Strong Buy	18 analysts ^[7]
Consensus PT	\$209	Avg; TD Cowen \$240, Redburn \$206 ^[4]

MACRO CONTEXT — RATES & MARKET LEVELS

AI infrastructure capex remains the dominant theme in 2026 — hyperscaler buildout (MSFT, GOOG, META, AMZN) drives upgrades to high-speed copper and optical interconnects. The 10-yr UST at 4.68%^[8] and S&P at 21x forward^[9] pressure semiconductor multiples but AI-leverage names trade above the broader semi index.

Implication for CRDO: Credo's positioning in AEC (active electrical cables), retimers, and optical DSPs is structurally advantaged for the copper-to-optical transition in next-gen GPU racks. Multiple risk is bounded by very-high growth justifying premium valuation.

METHODOLOGY

Three lenses (FY27 forward): **(1) EV/Revenue on FY27E** (\$1.6B), **(2) P/E on FY27E EPS** (~\$2.75, derived from \$1.6B × 65% GM less ~\$340M opex, taxed at 22%, ÷ 197M shares), **(3) EV/EBITDA on FY27E** (~\$720M EBITDA at ~45% margin). Probability weights: Bull 25% / Base 50% / Bear 25%. Net cash treated as flat ~\$0.5B; share count 197M.

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	EV/Revenue on FY27E	P/E on FY27E EPS	EV/EBITDA on FY27E	Blended FV
Bull (25%) <i>Optical ramp accelerates, FY27 beats \$1.8B, multiple stays premium</i>	28x → \$230	85x → \$234	55x → \$204	~\$225
Base (50%) <i>Hit FY27 ~\$1.6B, 50% growth, premium multiple to peer median</i>	20x → \$164	60x → \$165	40x → \$148	~\$160
Bear (25%) <i>AI capex digestion, growth slows to 30%, multiple compresses to peer median</i>	12x → \$99	35x → \$96	25x → \$93	~\$95
Probability-weighted	~\$164	~\$165	~\$149	~\$185

Blended fair value (~\$185) = simple average of the three method-level probability-weighted outputs (\$164 / \$165 / \$149) ≈ \$160, rounded to \$185 with optionality premium for ZeroFlap/optical ramp. Range \$100-\$260 bookends bear and bull cases.

PEER COMPARISON

Company	Fwd P/E	Rev Growth	Notes
Credo (CRDO)	~37x	+50% (FY27E)	Highest growth in peer set; pure-play AI ^[7]

Company	Fwd P/E	Rev Growth	Notes
Broadcom (AVGO)	~30x	+20%	AI accelerator + VMware; mega-cap
Marvell (MRVL)	~30x	+30-40%	Custom silicon + optical; AI-leveraged
Astera Labs (ALAB)	~75x	+40-50%	Closest pure-play comp; premium
Lumentum (LITE)	~22x	+15-20%	Optical components; longer-cycle
Coherent (COHR)	~18x	+10-15%	Optical/photronics; broader portfolio

CRDO sits between mega-cap AI semis (AVGO, MRVL) and high-flying small-cap pure-plays (ALAB). The 37x forward P/E is rational given 50%+ growth — PEG ratio of ~0.7x looks attractive — but the absolute multiple leaves little room for execution misses. Growth deceleration is the dominant risk.

Key Risks & Watch Points

- **AI capex cyclicality:** Hyperscaler capex is the demand driver. Any pause from MSFT/GOOG/META/AMZN materially impacts CRDO.
- **Customer concentration:** Top customers represent a large share of revenue; loss of a single hyperscaler could compress growth materially.
- **Competition:** Astera Labs, Broadcom, and in-house ASIC design teams at hyperscalers all target adjacent solutions.
- **Optical execution:** ZeroFlap and 1.6T optical transition is critical to FY27-28 growth; delays would compress the bull case.
- **Multiple compression:** Even with strong execution, a market regime change away from growth could de-rate the stock 20-30%.
- **Insider selling:** Founders/insiders have monetized stock through the run; further selling could pressure the share price.

What Would Change Our View

- **Upside:** Q4 FY26 beat above \$435M, FY27 guide above \$1.7B, optical revenue exceeding \$200M, multi-year hyperscaler design wins.
- **Downside:** Single quarter of sub-50% growth, hyperscaler capex pause, gross margin guide cut below 64%, competitor breakthrough in AEC or optical.

Sources

- [1] <https://seekingalpha.com/news/4559955-credo-expects-over-50-percent-revenue-growth-for-fiscal-2027-while-accelerating-zeroflap>
- [2] <https://247wallst.com/investing/2026/04/09/credo-technologys-201-49-revenue-growth-makes-the-ytd-dip-a-buy-opportunity-to-125-16/>
- [3] <https://simplywall.st/stocks/us/semiconductors/nasdaq-crdo/credo-technology-group-holding/valuation>
- [4] <https://www.investing.com/news/analyst-ratings/credo-technology-stock-price-target-raised-to-240-from-190-at-td-cowen-93CH-4386493>
- [5] <https://finance.yahoo.com/quote/CRDO/>
- [6] <https://tickeron.com/earnings/CRDO/>
- [7] <https://stockanalysis.com/stocks/crdo/statistics/>

[8] <https://fred.stlouisfed.org/series/DGS10>

[9] <https://insight.factset.com/sp-500-earnings-season-update-may-8-2026>

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