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Credo Technology

SpaceX's Worst-Kept Secret Is Now 51% Off: Initiating at Overweight

A still from SpaceX's 20 October earnings call is being shared as proof that Elon Musk "leaked" a hidden AI supplier: the purple cables are Credo's active electrical cables (AECs). They are not hidden. Musk posted photos of purple cables at Colossus 2 in July 2025, and analysts have tied xAI to Credo since early 2025. What is new is the price: after MaxLinear said on 22 October it would target 20-30% of 1.6T AECs, Credo closed at \$147.29, 51% below its June high and ~20x our NTM non-GAAP EPS. The business is compounding: 1Q27 revenue rose 115% y/y to \$479M at a 68% non-GAAP gross margin, FY27 growth is guided above 85% with more than \$600M of optical revenue, and Credo holds \$764M of cash and no debt. The risks are real: two end customers were 61% of 1Q27 revenue, share-based pay will be ~20% of revenue this quarter, and a share estimated at 88-99% of AECs can only fall. We initiate at Overweight with a Dec-27 price target of \$187.

- **Initiating at Overweight, Dec-27 PT \$187.** Our PT blends three Dec-27 scenarios (Table 1). Base (50%): 19x NTM non-GAAP EPS of \$9.67, with FY29E revenue of \$4.55bn, 11% below consensus, or \$184. Bull (25%): Credo keeps ~85% of 1.6T AECs and optics scales; 24x on \$12.64, or \$303. Bear (25%): a top-two customer dual-sources and 1.6T pricing breaks; 14x on \$5.38, or \$75. **At equal weights, the bull case (+106%) outweighs the bear (-49%).** Consensus is \$263 (15 Buy, 3 Hold, 0 Sell); we sit below the Street low of \$200.
- **The price already assumes the share loss.** On our base margins and multiple, \$147 equates to FY29 revenue of ~\$3.6bn: **28% below the \$5.1bn consensus and flat on our own FY28E**, the equivalent of losing ~41% of the AEC revenue in consensus with no offset (Figure 3). MaxLinear does not expect revenue before 2027, and sells chips, not cables.
- **The SpaceX "leak", corrected.** The call named no networking supplier, and the photo is the oldest news in the stock. Two things hold: SpaceX does use Credo's cables, and its plans are vast (2.5-3 GW of compute by end-2026, ~10 GW more in 2027, \$35-40bn of capex in 4Q26 alone). Two do not: networking is ~20% of Nvidia's data-centre sales, but AECs are ~0.4% of cluster capex on our maths; and Credo is up 2% this year, not 200%. Still, 10 GW at one AEC per GPU is ~\$1.6bn of cables (Figure 5).

Overweight

CRDO, CRDO US
 Price (23 Oct 26): \$147.29
Price Target (Dec-27): \$187.00
 Initiation of coverage

Semiconductors: AI Connectivity

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Quarterly Forecasts (FYE Apr)

Non-GAAP EPS (\$)	FY26A	FY27E	FY28E
Q1	0.52	1.20A	2.06
Q2	0.67	1.30	2.13
Q3	1.07	1.63	2.19
Q4	1.16	2.23	2.26
FY	3.46	6.37	8.64

Expectations Dashboard

Metric	Latest
Drawdown from 22-Jun-26 close	-51%
Return since 21-Oct-26 (2 days)	-19%
NTM P/E, non-GAAP (K2)	20.1x
NTM P/E after SBC (K2)	28.5x
Price-implied FY29E revenue	\$3.6bn
FY29E consensus revenue	\$5.1bn
Top-two end customers, 1Q27	61%
MaxLinear 1.6T AEC share goal	20-30%

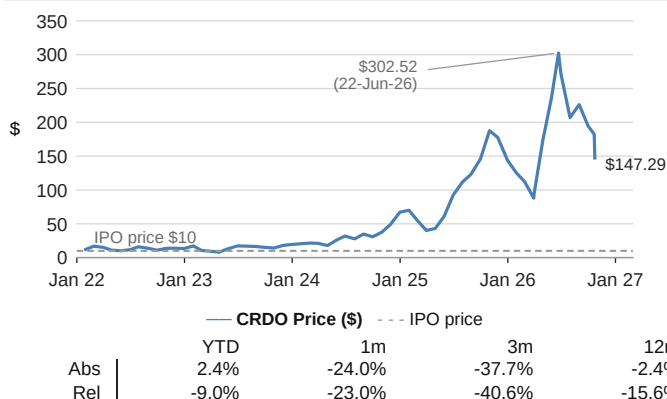
Consensus FY27/28/29 revenue **\$2.5/3.9/5.1bn** (TIKR). Insiders sold in October under 10b5-1 plans (CEO \$2.9M; CTO \$4.75M on 20 Oct).

Sources for: Expectations Dashboard: Yahoo Finance, company filings and 1Q27 call, MaxLinear Q3 2026 call, TIKR, Form 4 filings as reported; K2 Capital calculations. All other tables are company data and K2 Capital estimates.

See page 9 for analyst certification and important disclosures.

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Price Performance



Company Data

Shares O/S, basic, 25-Aug-26 (mn)	188.0
Diluted shares, 2Q27 guide (mn)	~200
52-week range (\$)	308.67-86.49
Market cap (\$ mn)	27,683
Exchange rate	1.00
Cash and ST investments, 1-Aug-26 (\$ mn)	764
Debt (\$ mn)	-
Enterprise value (\$ mn)	26,919
Volume, 23-Oct-26 (mn)	12.6
Next results	2Q27 (Oct-26), early Dec-26
Consensus (Buy Hold Sell)	15 3 0
Consensus PT (\$); Street high-low	262.67; 310-200

Key Metrics (FYE Apr)

\$ in millions (FYE Apr)	FY26A	FY27E	FY28E
Financial Estimates			
Revenue	1,335	2,472	3,650
Non-GAAP operating income	639	1,262	1,807
Non-GAAP net income	662	1,275	1,770
Non-GAAP EPS	3.46	6.37	8.64
GAAP EPS	2.51	4.07	6.27
Cash flow from operations	464	933	1,797
FCF	407	883	1,727
Margins and Growth			
Revenue growth y/y	205.7%	85.2%	47.7%
Non-GAAP gross margin	68.1%	68.1%	67.5%
Non-GAAP operating margin	47.8%	51.1%	49.5%
Non-GAAP net margin	49.5%	51.6%	48.5%
Share-based comp. / revenue	13.7%	16.7%	12.5%
Ratios			
Net cash, year-end	1,443	1,565	3,292
FCF / non-GAAP net income	62%	69%	98%
Inventory / revenue	19%	16%	11%
Valuation			
P/E (non-GAAP)	42.6x	23.1x	17.1x
P/E (GAAP)	58.7x	36.2x	23.5x
EV/Revenue	20.2x	10.9x	7.4x
FCF yield	1.5%	3.2%	6.2%

Summary Investment Thesis and Valuation

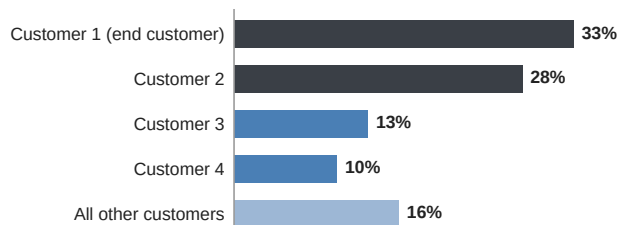
Investment Thesis

Credo designs the SerDes and DSP chips inside active electrical cables and sells the finished cable, built by contract manufacturers, to hyperscalers and neoclouds that use them to link GPUs to switches. Over a few metres, AECs cost less than optics and fail far less often, and Credo has been almost the only supplier. Revenue tripled to \$1.3bn in FY26 and is guided above \$2.4bn in FY27. The bear case is now well rehearsed and in the price: MaxLinear, Marvell and a Cisco in-house programme will compete at 1.6T, and the stock has fallen 51% since June. We expect competition to take share at the margin from 2027-28, while optics, scale-up retimers and active light cables widen what Credo sells. We rate shares Overweight.

Valuation

Our \$187 Dec-27 PT is a probability-weighted blend of three scenarios. Base (50%): 19x NTM non-GAAP EPS of \$9.67 at Dec-27 (FY28E/FY29E revenue \$3.65bn/\$4.55bn), for \$184; bull (25%): 24x on \$12.64, \$303; bear (25%): 14x on \$5.38, \$75. Our 19x is close to the ~20x the shares trade on today and below the 29x peer median (Figure 8); it is ~25x once share-based pay is charged. An owner-earnings DCF gives \$132-165 at an 11% discount rate (Figure 9). We rate shares Overweight.

Customers and Product Mix



End customers at or above 10% of 1Q27 revenue, per the CFO on the 1Q27 call. On a direct-customer basis the 10-Q shows 43% and 28%; FY26 top ten were ~90%.

FY27 outlook (company)	Guidance
Revenue growth	>85% (K2: +85.2%)
Optical revenue	>\$600M
o/w ZeroFlap, Si-photonics PICs, DSPs	each >\$100M
Non-GAAP gross margin	~FY26 level (68.1%)
Non-GAAP opex growth	~55%
Non-GAAP net margin	~50% (K2: 51.6%)
2Q27 revenue guide	\$525-535M
3Q27 / 4Q27 sequential growth	~20% / ~30%

- **Capacity, Capital and M&A Update. (1)** Credo closed the DustPhotonics acquisition on 28 May for \$1,251M (\$770M cash, \$169M of shares and \$310M of contingent consideration), adding silicon-photonics PICs; \$896M went to goodwill and cash fell from \$1.44bn to \$764M. **(2)** It is building for the second half: inventory rose \$62M q/q to \$313M, purchase commitments were \$222M, and it has \$88M of capacity deposits with \$102M more due this fiscal year. **(3)** It raised \$743M of equity in FY26, mostly in 2Q-3Q26. **(4)** Share-based pay rose to \$88M in 1Q27 from \$35M a year earlier and is guided to ~\$104M in 2Q27, ~20% of revenue. **(5)** Insiders, including the CEO and CTO, sold through October under 10b5-1 plans. **All told, cash of \$764M, no debt and FCF of ~\$0.9bn that we forecast for FY27 mean the balance sheet is not the issue; the durability of 1.6T share and pricing is.**
- **1Q27 (Aug-26) Summary.** Revenue rose 115% y/y and 10% q/q to \$479M, above the \$465-475M guide; the non-GAAP gross margin was 68.0% and non-GAAP EPS \$1.20 (\$1.17 consensus). GAAP EPS of \$0.67 trailed the ~\$0.89 expected as share-based pay and deal amortisation rose, and FCF was \$83M as inventory and receivables grew. The shares fell 20% on 2 September. Guidance is \$525-535M for 2Q27, with the CFO pointing to ~20% and ~30% sequential growth in 3Q27 and 4Q27. Results are due in early December. See Figure 1.

Table 1: Credo Technology Dec-27 PT Methodology

\$ in millions, except per share data and share counts

	Bull	Base	Bear
FY28E Revenue (Apr-28)	4,300	3,650	2,800
FY29E Revenue (Apr-29)	5,700	4,550	3,000
Non-GAAP net margin, FY28E FY29E	50.0% 49.0%	48.5% 46.0%	41.0% 37.0%
NTM Non-GAAP Net Income at Dec-27	2,632	2,012	1,120
Diluted shares, Dec-27 (M)	208.0	208.0	208.0
NTM Non-GAAP EPS at Dec-27	\$12.64	\$9.67	\$5.38
x NTM P/E	24.0x	19.0x	14.0x
Target Equity Value	63,122	38,214	15,676
Implied EV / NTM revenue (memo)	11.3x	8.2x	4.4x
Value per Share	\$303.47	\$183.72	\$75.37
Upside / (downside) to \$147.29	106%	25%	(49%)
Scenario Probability	25%	50%	25%
Dec-27 Price Target (probability-weighted)		\$187.00	
Return Potential		27%	

Source: Company reports, K2 Capital estimates. NTM at Dec-27 = one quarter of FY28E plus three quarters of FY29E. Non-GAAP excludes share-based compensation, acquired-intangible amortisation and deal costs. Implied EV deducts ~\$2.7bn of estimated Dec-27 cash.

Figure 1: Credo Technology Earnings Trends

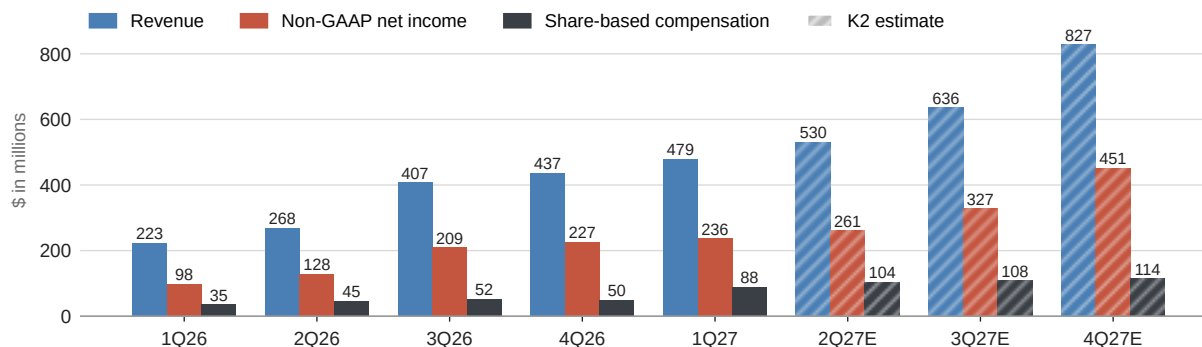
\$ in millions, except per share

Fiscal quarter (FYE Apr)	1Q26 Aug-25	2Q26 Nov-25	3Q26 Jan-26	4Q26 May-26	1Q27 Aug-26
Revenue	223.1	268.0	407.0	437.0	479.0
Growth q/q	31%	20%	52%	7%	10%
Growth y/y	274%	272%	201%	157%	115%
Non-GAAP gross margin	67.6%	67.7%	68.6%	68.3%	68.0%
Non-GAAP operating expenses	54.5	57.3	77.4	81.7	95.2
Non-GAAP operating income	96.2	124.1	201.8	216.7	230.6
Non-GAAP net income	98.3	127.8	208.8	226.7	236.3
Non-GAAP diluted EPS (\$)	0.52	0.67	1.07	1.16	1.20
Share-based compensation	35.5	45.3	52.2	49.7	88.0
SBC / revenue	15.9%	16.9%	12.8%	11.4%	18.4%
GAAP diluted EPS (\$)	0.34	0.44	0.82	0.88	0.67
Operating cash flow	54.2	61.7	166.2	182.2	90.2
Free cash flow	51.4	38.5	139.7	177.5	83.0

Source: Company reports, StockAnalysis (cash flow), K2 Capital calculations. 1Q27 includes DustPhotonics from 28-May-26; share-based pay in 1Q27 includes awards granted with the acquisition.

Figure 2: Growth Is Not the Question: Revenue, Non-GAAP Net Income and Share-Based Pay by Quarter

\$ in millions; 2Q27E-4Q27E are K2 estimates (2Q27 guide: revenue \$525-535M, non-GAAP gross margin 67-69%, non-GAAP opex \$100-105M)



Source: Company reports, K2 Capital estimates.

Figure 3: Dec-27 Value per Share: NTM P/E vs. FY29E Revenue

FY28E scales with FY29E; base-case margins and share count; red: below 75% of current price, amber: below current price

NTM P/E at Dec-27 \ FY29E revenue	\$3.00bn	\$3.75bn	\$4.55bn	\$5.10bn	\$5.70bn
12x	\$77	\$96	\$116	\$130	\$145
14x	\$89	\$112	\$135	\$152	\$170
16x	\$102	\$128	\$155	\$173	\$194
19x	\$121	\$151	\$184	\$206	\$230
22x	\$140	\$175	\$213	\$238	\$266
24x	\$153	\$191	\$232	\$260	\$291
26x	\$166	\$207	\$251	\$282	\$315

Source: K2 Capital estimates. At 19x, today's \$147 needs FY29E revenue of only ~\$3.6bn; consensus is \$5.1bn (TIKR). Each \$0.5bn of FY29E revenue moves value by ~\$20/share at 19x.

The Leak That Wasn't: A Public Secret Since 2025

The claim in circulation is that a still from SpaceX's 20 October earnings call shows purple cables in a SpaceX data centre, that the cables are Credo's, and that the market does not yet know. The first two parts are probably right; the third is not. Credo's AECs are purple by design and have been photographed in xAI's Colossus clusters for over a year: Musk himself posted pictures of Colossus 2's GB200 servers in July 2025, and analysts have attributed xAI to Credo since March 2025. SpaceX completed its acquisition of xAI in February 2026, so xAI's purchases are now SpaceX's. **What the still does show is scale: SpaceX plans to add ~10 GW of compute in 2027, and on our maths each gigawatt needs ~\$160M of AECs.** That is real upside, but it is already in the conversation, and Credo's customer list is not a secret the market is missing.

Figure 4: A Public Secret: The xAI-Credo Paper Trail

Date	Event
Mar-25	Needham expects xAI is the hyperscaler ramping Credo AECs with new GPU allocations
22-Jul-25	Musk posts "cable pr0n" of xAI GB200 servers at Colossus 2; the cables are purple
Sep-25	Chipstrat ties the purple cables in Musk's post to Credo AECs
17-Oct-25	CNBC: "\$500 purple cables"; JPMorgan lists xAI and Meta among adopters
1-Dec-25	Forbes: Craig-Hallum believes xAI, Microsoft and Amazon are customers
Feb-26	SpaceX completes its acquisition of xAI
2-Sep-26	Credo CEO: a customer brought a cluster up in 5-6 days, not 6-8 weeks
20-Oct-26	SpaceX Q3 call: AI revenue \$7.56bn; no networking vendor named
22-23 Oct-26	MaxLinear targets 20-30% of 1.6T AECs; CRDO falls 19% to \$147.29

Source: Needham via Tiger Brokers (Mar-25), Elon Musk on X (22-Jul-25), Chipstrat, CNBC, Forbes, SpaceX, Credo 1Q27 call, SpaceX Q3 2026 call, MaxLinear Q3 2026 call, Yahoo Finance.

Figure 5: What a Gigawatt Is Worth to Credo

Per gigawatt of AI compute	Value
GPUs per GW of capacity (K2)	400,000
Scale-out AECs per GPU (GB300 class)	1
AEC price, \$ (650 Group: \$300-500)	400
AEC spend per GW (\$M)	160
All-in AI capex per GW (\$M, K2)	40,000
AECs as share of capex	0.4%
SpaceX compute added in 2027 (GW)	~10
Implied AEC demand (\$M)	1,600
Credo FY27E revenue (\$M)	2,472

Source: 650 Group and channel checks as reported (pricing, one 800G AEC per GB300 GPU), SpaceX Q3 2026 call (10 GW), K2 Capital estimates. Excludes in-rack NVLink copper and optics.

Figure 6: Decomposing the Pitch

The social-media case for Credo now in circulation, checked against filings, calls and prices to 23-Oct-26

Claim in the post	What the filings, calls and prices show
"Did Elon just leak a SpaceX supplier the market doesn't know about yet?"	No. Purple Credo AECs at Colossus 2 have been public since Musk's July 2025 post and widely reported since; SpaceX has owned xAI since February. The 20-Oct-26 call named no networking vendor, and Credo names no customers.
"This is very likely cables made by Credo."	Probably right. Credo's AECs are purple, and its share of AECs is estimated at 88% (650 Group) to 93-99% (cited on MaxLinear's call). Neither company has confirmed it.
"Interconnect is one of the biggest cost centres of AI capex."	Partly. Networking was ~20% of Nvidia's 1Q FY27 data-centre revenue (\$14.8bn of \$75.2bn). AECs are a sliver of that: ~0.4% of cluster capex on our estimate (Figure 5).
"My favourite interconnect supplier... up over 200% this year."	Wrong. CRDO was +27% YTD at the 21-Oct-26 close and +2% by 23-Oct-26. Its best close of the year (22-Jun-26) was +110%. It is -2% over 12 months.
"SpaceX is going to spend hundreds of billions of dollars on AI capex next year."	Not guided. 4Q26 capex is guided at \$35-40bn (3Q26: \$19.6bn, ~\$16.4bn of it AI) and no 2027 figure was given. Musk targets ~10 GW of new compute in 2027; at ~\$40bn per GW that would be ~\$400bn, but that is our extrapolation, not guidance.
"You've got to listen to the company's earnings calls."	Agreed, and the calls say more than the photo: SpaceX's never mentioned cables; Credo's disclosed that two end customers were 61% of revenue and that share-based pay will be ~\$104M this quarter.

Source: SpaceX Q3 2026 results and call, Credo 1Q27 10-Q and call, Nvidia 1Q FY27 results, 650 Group, MaxLinear Q3 2026 call, Yahoo Finance, K2 Capital.

The 95% Problem Is Already in the Price

Credo's share of AECs is put at 88% (650 Group, October 2025) and at 93-99% on MaxLinear's 22 October call. At 1.6T the field fills up (Figure 7). Credo's defence is to own the whole cable, which its CEO calls "probably our biggest competitive moat", and to move into optics: more than \$600M of FY27 revenue will be optical, and its 1.6T active light cable ships in 2027. **Our base case assumes Credo's 1.6T share falls toward ~75% and AEC prices drop 10-15%; at \$147 the stock prices something worse.** It trades on 18.6x consensus NTM EPS, a third below the 28.8x peer median, while consensus has it growing as fast as the peers (Figure 8). The larger risk is concentration: two end customers were 61% of 1Q27 revenue.

Figure 7: The 1.6T Field: Who Is Coming for the Purple Cable

Vendor	Route to market	1.6T status	Revenue
MaxLinear	DSP chips sold to cable makers	Annapurna; targets 20-30% of 1.6T AECs	2027; ramp 2028
Marvell	DSPs plus 20+ Golden Cable partners	2nd-gen 3nm 1.6T AEC DSP sampling (Oct-26)	Not disclosed
Cisco (in-house)	Own cable; DSP from Broadcom or MaxLinear	Seeking quotes for ~100,000 cables a month	Not disclosed
Astera Labs	Taurus cable modules, 200G retimers	Cited as a possible Trainium3 entrant	Not disclosed
Point2	Active RF cable (Nvidia, Molex, Arm investors)	\$136M Series B (Aug-26)	Not disclosed
Credo	Whole cable: chip, firmware, qualification, supply chain	1.6T AEC revenue from late FY27	Shipping 800G

Source: MaxLinear Q3 2026 call, Marvell releases (Dec-25, Oct-26), Edgewater Research via Investing.com, Astera Labs, Datacenter Dynamics (Point2), Credo 1Q27 call and Goldman Sachs conference remarks (Sep-26).

Figure 8: AI Connectivity Peers

Consensus; close 23-Oct-26

Ticker	NTM P/E	EV/NTM sales	FY2 growth
CRDO	18.6x	8.5x	55%
ALAB	43.2x	15.6x	56%
MRVL	35.2x	11.4x	63%
ANET	34.4x	13.0x	29%
LITE	28.8x	9.0x	57%
MXL	25.9x	6.4x	30%
COHR	19.2x	3.6x	39%
AVGO	16.7x	9.1x	64%
Peer median	28.8x	9.1x	56%

Source: Yahoo Finance, StockAnalysis, K2 Capital calculations. NTM blends the next two fiscal years. MXL estimates pre-date its 22-Oct-26 results.

Figure 9: Cross-Check: Owner-Earnings DCF

Free cash flow less share-based pay, from base-case FY28E-FY29E; columns are discount rates

Owner-earnings DCF (\$/share, Dec-27)	9%	10%	11%	12%
Fast fade: growth 18% fading to 5% by FY35	\$176	\$151	\$132	\$118
Long runway: growth 20% fading to 5% by FY37	\$229	\$192	\$165	\$145

Source: K2 Capital estimates. Owner FCF margin ~30% of revenue; terminal growth 3.5% (fast fade) and 4.0% (long runway); Dec-27 cash of ~\$2.7bn. Green: above the current price; amber: within 25% below it.

Figure 10: What \$147 Discounts: FY29E Revenue Cases

Base-case margins and share count; Dec-27 value at a 19x NTM P/E

FY29E revenue case	FY29E (\$M)	vs. consensus	Value at 19x
Consensus (TIKR)	5,100	-	\$206
K2 base case	4,550	(11%)	\$184
Consensus less 30% of AEC revenue	4,029	(21%)	\$163
Implied by today's \$147.29	3,648	(28%)	\$147

Source: TIKR (consensus), K2 Capital estimates. AECs assumed ~70% of FY29 consensus revenue; no optical offset assumed in the share-loss case.

What the price already discounts. On our base margins and a 19x multiple, \$147 needs FY29 revenue of only ~\$3.6bn, 28% below consensus and no growth on our FY28E (Figure 10). That is the equivalent of Credo losing ~41% of the AEC revenue in consensus with nothing in its place. Even if it lost 30% (the top of MaxLinear's 1.6T goal, taken entirely from Credo), FY29 revenue would be ~\$4.0bn and the shares worth ~\$163 at 19x.

Charging share-based pay as a cash cost, the DCF clears today's price at discount rates up to 11% on the long-runway path and up to 10% on a fast fade (Figure 9): fair rather than cheap on the strictest test, and why we keep a 25% bear weight.

Investment Thesis, Valuation and Risks

Credo Technology (*Overweight; Price Target: \$187.00*)

Investment Thesis

Credo sells the active electrical cables that link GPUs to switches in many of the largest AI clusters, at a 68% non-GAAP gross margin and ~50% net margin. The purple cable seen on SpaceX's call is not a hidden supplier; it is the most recognised product in AI networking, and xAI has been linked to it since early 2025. What has changed is the price: the stock has fallen 51% since June as MaxLinear, Marvell and a Cisco in-house programme line up for 1.6T. We expect them to take share at the margin from 2027-28, but at ~20x NTM EPS the market already discounts no growth in FY29, while Credo is guiding FY27 revenue up more than 85% and adding optics, retimers and active light cables. We rate shares Overweight.

Valuation

Our \$187 Dec-27 PT is a probability-weighted blend of a base case (50%) at 19x NTM non-GAAP EPS of \$9.67 (\$184/share), a bull case (25%) at 24x on \$12.64 (\$303) and a bear case (25%) at 14x on \$5.38 (\$75). We rate shares Overweight.

Risks to Rating and Price Target

Downside Risks: a pause, digestion or second-source decision at either of the two end customers that made up 61% of 1Q27 revenue; faster share loss at 1.6T to MaxLinear, Marvell, Cisco or Astera, or a price war on AECs; a faster shift from copper to co-packaged or near-packaged optics in scale-out; a slowdown in AI capex or GPU deliveries; share-based pay and dilution above our 13-17% of revenue; inventory and capacity commitments (\$313M and \$222M) that outrun demand; tariff changes, which management calls "fluid"; and continued insider selling.

What Would Make Us Wrong?

We would revisit the rating if two or more of the following occur:

1. 2Q27 revenue (early December) comes in below the \$525M guide, or the 3Q27 guide implies less than 10% sequential growth (our estimate is ~20%).
2. The non-GAAP gross margin falls below 65% for two consecutive quarters, signalling 1.6T price pressure.
3. A top-four end customer qualifies a second AEC supplier in volume before end-2027, or MaxLinear reports 1.6T AEC revenue above \$50M in a quarter during 2027.
4. Optical revenue misses the >\$600M FY27 goal, removing the offset to AEC share loss.
5. FY28 consensus revenue falls below \$3.3bn (now \$3.87bn) without a matching fall in the share price.
6. Share-based pay exceeds 25% of revenue for two quarters (~20% guided for 2Q27).

Signposts

Late Nov: Nvidia 3Q FY27 results (networking revenue, GB300 ramps). Early Dec: Credo 2Q27 results and 3Q27 guide. 1Q27 (calendar): SpaceX 4Q26 results and 2027 capex. Mar-27: OFC (1.6T AEC and active light cable demonstrations). 2H FY27: first 1.6T AEC revenue at Credo; MaxLinear first Annapurna revenue.

Credo Technology: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY25A	FY26A	FY27E	FY28E	FY29E		1Q27	2Q27E	3Q27E	4Q27E	
Revenue	436.8	1,335.1	2,472.0	3,650.0	4,550.0	Revenue	479.0	530.0	636.0	827.0	
Cost of revenue	(153.9)	(426.8)	(876.3)	(1,292.9)	(1,642.6)	Cost of revenue	(169.9)	(191.3)	(226.6)	(288.5)	
Gross profit (GAAP)	282.9	908.3	1,595.7	2,357.1	2,907.4	Gross profit (GAAP)	309.1	338.7	409.4	538.5	
Operating expenses (GAAP)	(245.8)	(463.3)	(817.7)	(1,067.0)	(1,307.8)	Operating expenses (GAAP)	(188.4)	(202.1)	(208.6)	(218.6)	
Operating income (GAAP)	37.1	445.0	778.0	1,290.2	1,599.7	Operating income (GAAP)	120.7	136.6	200.8	319.9	
Other income, net	17.7	30.4	31.1	40.0	60.0	Other income, net	8.1	7.0	7.5	8.5	
Income tax	(2.7)	(3.2)	(6.2)	(64.5)	(116.2)	Income tax	0.6	(1.0)	(2.0)	(3.9)	
Net income (GAAP)	52.2	472.3	802.9	1,265.7	1,543.4	Net income (GAAP)	129.4	142.6	206.3	324.5	
Add: SBC	77.4	182.6	413.9	455.0	500.0	Add: SBC	88.0	103.9	108.3	113.8	
Add: amortisation and deal costs	-	11.2	70.2	61.6	61.6	Add: amortisation and deal costs	22.0	17.4	15.4	15.4	
Less: tax effects	0.4	(4.6)	(12.1)	(12.0)	(12.0)	Less: tax effects	(3.1)	(3.0)	(3.0)	(3.0)	
Non-GAAP net income	129.9	661.5	1,274.8	1,770.2	2,093.0	Non-GAAP net income	236.3	260.9	327.0	450.7	
GAAP diluted EPS	0.29	2.51	4.07	6.27	7.49	GAAP diluted EPS	0.67	0.72	1.04	1.63	
Non-GAAP diluted EPS	0.70	3.46	6.37	8.64	10.01	Non-GAAP diluted EPS	1.20	1.30	1.63	2.23	
DPS	-	-	-	-	-	DPS	-	-	-	-	
Non-GAAP diluted shares	184.6	191.3	200.1	205.0	209.0	Non-GAAP diluted shares	197.5	200.0	201.0	202.0	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY25A	FY26A	FY27E	FY28E	FY29E		FY25A	FY26A	FY27E	FY28E	FY29E
Cash and short-term investments	431.3	1,443.3	1,564.7	3,291.5	5,171.0	Non-GAAP gross margin	65.0%	68.1%	68.1%	67.5%	66.5%
Accounts receivable	162.1	233.4	499.8	551.5	687.5	Non-GAAP operating margin	26.4%	47.8%	51.1%	49.5%	47.5%
Inventories	90.0	250.8	405.0	401.5	500.5	Non-GAAP net margin	29.7%	49.5%	51.6%	48.5%	46.0%
Other current assets	30.0	73.6	100.2	100.2	100.2	GAAP net margin	11.9%	35.4%	32.5%	34.7%	33.9%
PP&E and right-of-use assets	78.9	126.2	153.0	181.0	224.0	SBC / revenue	17.7%	13.7%	16.7%	12.5%	11.0%
Goodwill and intangibles	-	122.1	1,319.1	1,257.5	1,195.9	ROE (GAAP)	-	34.4%	27.7%	27.6%	23.9%
Other non-current assets	16.9	46.2	41.6	41.6	41.6	Receivable days	135	64	74	55	55
Total assets	809.3	2,295.6	4,083.4	5,824.9	7,920.7	Inventory days (on COGS)	213	214	168	113	111
Payables and accruals	72.3	129.0	193.9	214.7	267.1	FCF / non-GAAP net income	22.3%	61.5%	69.3%	97.6%	89.8%
Other liabilities (incl. leases, DTL)	55.4	103.0	161.7	161.7	161.7	P/E, non-GAAP (x)	209.3x	42.6x	23.1x	17.1x	14.7x
Total liabilities (no debt)	127.7	232.0	355.5	376.3	428.8	P/E, GAAP (x)	511.3x	58.7x	36.2x	23.5x	19.7x
Shareholders' equity	681.6	2,063.6	3,727.9	5,448.5	7,491.9	EV/Revenue (x)	61.6x	20.2x	10.9x	7.4x	5.9x
Total liabilities & equity	809.3	2,295.6	4,083.4	5,824.9	7,920.7	FCF yield	0.1%	1.5%	3.2%	6.2%	6.8%
Cash flow from operating activities	65.1	464.3	932.6	1,796.9	1,964.5	Revenue y/y growth	126.3%	205.7%	85.2%	47.7%	24.7%
o/w Share-based compensation	77.4	182.6	413.9	455.0	500.0	Non-GAAP EPS y/y growth	-	391.6%	84.2%	35.6%	16.0%
o/w D&A (incl. acquired intangibles)	21.9	34.6	95.4	103.6	103.6						
Capital expenditure	(36.1)	(57.3)	(49.3)	(70.0)	(85.0)						
Acquisitions, net of cash	-	(112.9)	(735.6)	-	-						
Other investing and financing	(7.7)	717.9	(26.4)	-	-						
Change in cash and ST investments	21.3	1,011.9	121.4	1,726.9	1,879.5						
Free cash flow	29.0	407.0	883.3	1,726.9	1,879.5						
FCF less SBC	(48.3)	224.4	469.5	1,271.9	1,379.5						

Source: Company reports (FY25-FY26 and 1Q27 releases, FY26 Form 10-K, 1Q27 Form 10-Q), StockAnalysis (cash flow detail), K2 Capital estimates.

Note: \$ in millions (except per-share data). Fiscal year ends on the Saturday nearest 30 April. o/w - out of which. FY25A-FY26A and 1Q27 are actuals; 2Q27E-FY29E are K2 base-case estimates.

Non-GAAP excludes share-based compensation, amortisation of acquired intangibles and acquisition costs, as defined by the company. 1Q27 includes the DustPhotonics acquisition (closed 28-May-26; \$1,251M consideration, \$735.6M net cash outflow). Cash includes short-term investments; Credo has no debt. Change in cash for FY25A uses cash and investments of \$410.0M at 27-Apr-24.

Analyst Certification: The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject company and its securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific rating or views expressed in this report.

Important Disclosures

Ratings: Overweight: over the duration of the price target, we expect the stock to outperform the total return of the S&P 500. Neutral: we expect the stock to perform in line with it. Underweight: we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report.

Date	Rating	Price (\$)	Price Target (\$)
27-Oct-26	OW (initiation)	147.29	187.00

Positions and conflicts: K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the company discussed in this report or related instruments, including positions inconsistent with its rating.

Sources and methodology: Prices are as of the close on 23 October 2026 unless stated. Company data are from Credo's Form 8-K earnings releases for 1Q26 to 1Q27 and FY26, its Form 10-K for the year ended 2 May 2026, its Form 10-Q for the quarter ended 1 August 2026, the 1Q27 earnings call (2 September 2026), company press releases (including the 1.6T ZeroFlap active light cable, October 2026) and, for cash flow detail, StockAnalysis. SpaceX data are from its Q3 2026 results and earnings call (20 October 2026) as reported by TechCrunch and The Motley Fool, and its acquisition of xAI (February 2026). Other sources include Yahoo Finance (prices, S&P 500); MarketBeat and TradingKey (consensus ratings and targets); TIKR (consensus estimates and forward multiples); the MaxLinear Q3 2026 earnings call (22 October 2026); Edgewater Research and Investing.com (Cisco 1.6T AEC programme); Marvell, Astera Labs and Point2 releases; 650 Group, LightCounting, Dell'Oro and JPMorgan as reported; Nvidia's Q1 FY27 results; CNBC, Forbes, Chipstrat and Needham as reported (customer attributions); and Form 4 filings for insider sales. AEC content per gigawatt, price-implied revenue, the owner-earnings DCF and comparable multiples are K2 calculations. Estimates are K2 Capital's and are subject to change without notice.

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Completed 27 Oct 2026

Disseminated 27 Oct 2026