

# CREDO

we connect.

NASDAQ: CRDO  
PRICE TARGET: \$200

# BUSINESS MODEL

CREDO Manufactures copper cables (**AECs**) with patented IP to reduce latency relative to regular copper - and makes interconnects for new data centers, one of the largest infrastructure buildouts in American history

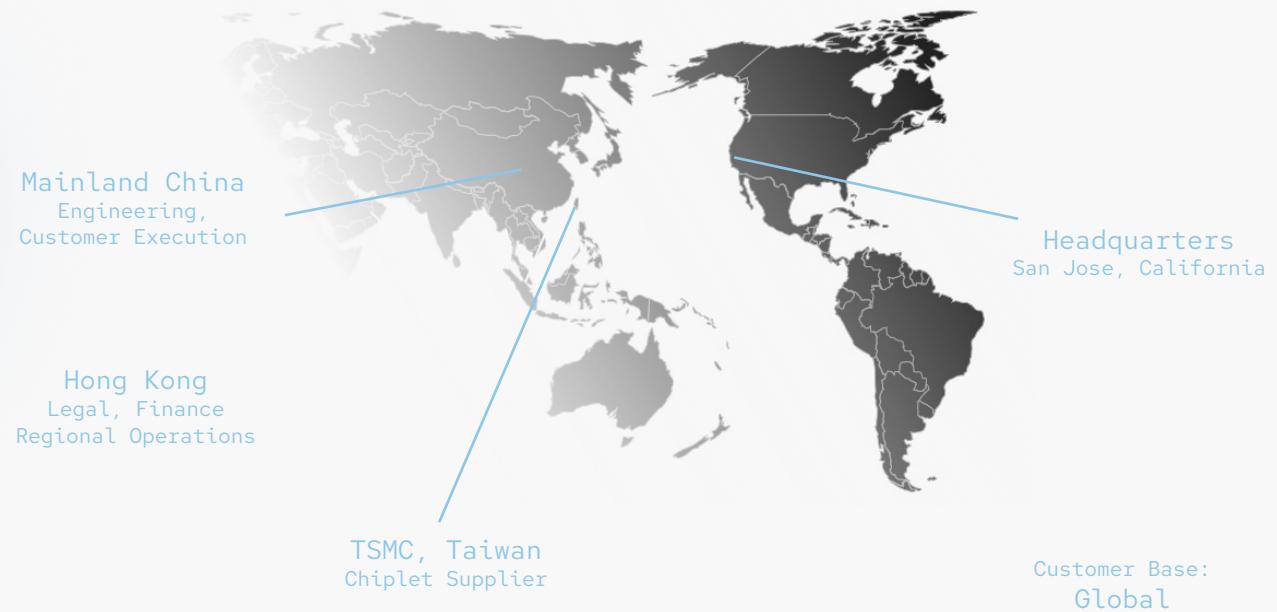
Highest customer concentration of 9 hyperscalers driving most of growth

Per Bloomberg: AWS, MICROSOFT, ORACLE, NVIDIA

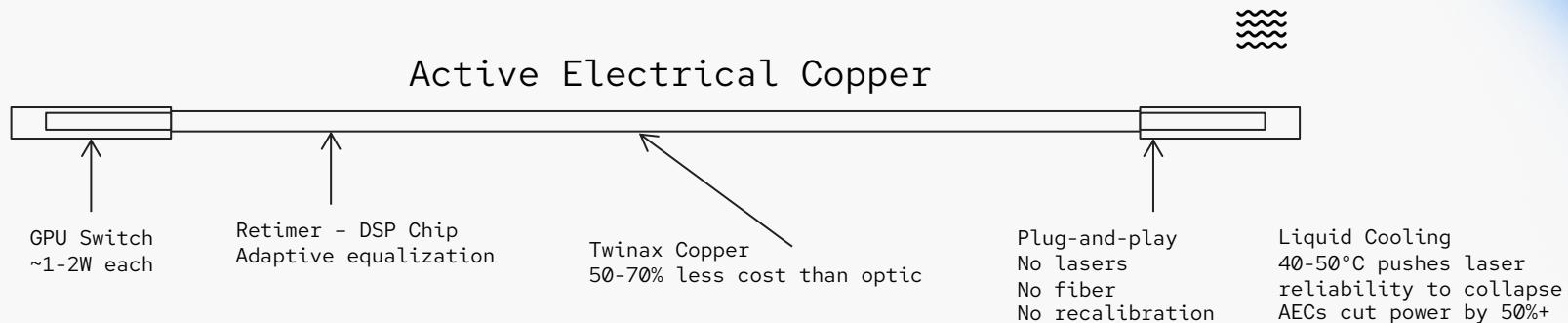
Competitors are AVGO, MRVLL, NVDA

45% of supplier facilities are in Taiwan with TSMC

# BUSINESS MODEL



# New Product Story



- 
- 1 Reduced Latency
  - 2 Liquid Cooling
  - 3 Power Efficiency
  - 4 Cost Advantage
  - 5 Intra & Adjacent Rack Length
  - 6 Signal Integrity
  - 7 Low Opex Deployment
  - 8 High Swiching Cost

DRIVERS OF GROWTH

# THESES

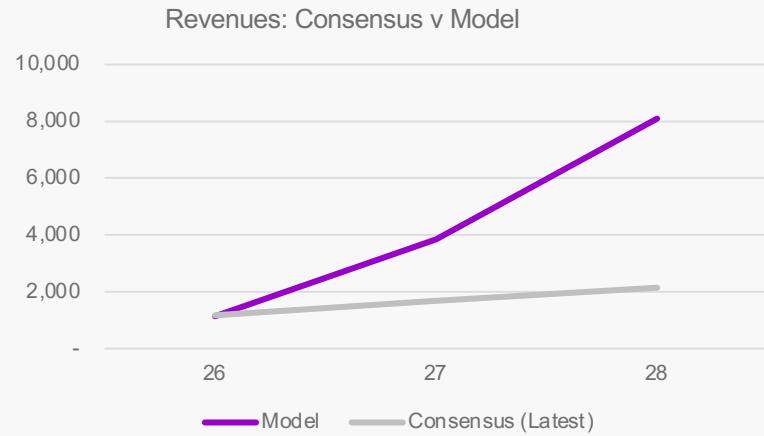
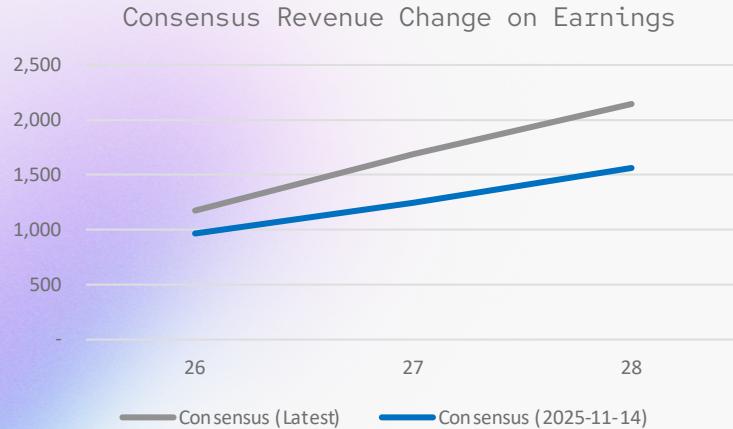
Credo has a significant new product story at unique time when Trillions of capex is being deployed to build out one of the most collosal infrastructure projects in recent memory.

Their AEC innovation and future Fiber Optic deployment is the single product that reduces the next AI bottleneck. The constraint for hyperscalers has shifted from the software layer to the physical infrastructure layer.

Credo owns the IP necessary to unlock the next step in Moore's law, and is poised to expand its solutions into transcievers, optic engines, AOCs. It is nowhere near full profit capture for its existing products, with natural geographic expansions into EU and APAC and exponential ramp timelines for existing contracts.

As long as computers need connection Credo grows with the uncapped upside of AI.

# ACTUALS V CONSENSUS



# PROP RESEARCH

## Via Mkt Size

Global AI data center capex by 2028	\$3T
Interconnects as pct of global	8-10%
Short-reach links as pct of interconnect	60%
Annual short reach TAM	\$162B
AEC portion	55%
AEC TAM	\$89.1B

## Via Rack Spend

Short reach links per rack	110-130
AEC ASP	\$600-650
Implied AEC spend per rack	\$76K
Rack deployment per capex est. by 2028	1.2M
AEC TAM	\$91.2B

## Credo Share (Base)

	2024	2025	2026	2027	2028
AEC TAM	9.5B	10.7B	22.8B	55.1B	90.0B
% SHARE	2%	4%	5%	7%	9%
AEC REVENUE	190M	430M	1,140M	3,857M	8,100M

Morgan Stanley: \$3 trillion of capital expenditure by 2028  
["Who will fund AI's \\$3Trillion Ask?"](#)

Dell'Oro: Global data center capex to hit \$400B by 2027  
["Hybrid Cloud Will Generate Market Growth Opportunities"](#)

McKinsey: Projected \$6.7Trillion required spend through 2030  
["The Cost of Compute: A \\$7Trillion race to scale data centers"](#)

Credo has ~73% AEC market share today.

# PROP RESEARCH

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Revenues	194	427	1,140	3,855	8,094
<i>% Growth</i>	6.0%	119.7%	167.0%	238.0%	110.0%
SG&A	120	168	238	809	1781
<i>% Sales</i>	61.7%	39.4%	20.7%	21.0%	22.0%
EBITDA	15	123	570	1,927	4,047
EPS	-0.15	0.60	2.42	8.21	17.38

# SCENARIO ANALYSIS

RATING: BUY

## 12-Month Valuation

RPS

Value on	2027
My Estimate	\$21.34
Upside/Downside	9.7x
Probability[U]	70%
Probability[D]	30%
Weighted Price	\$349.96
Price@11pm 12/17	\$141.12

## Upside Valuation

Upside mult.	20x
Price	\$426.78
%Upside	202%

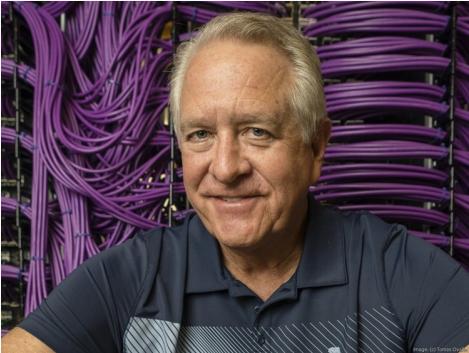
## Downside Valuation

Downside mult.	6x
Price	\$128.03
%Downside	-9%

## Longterm Valuation

LT Metric	\$31.40
Mult.	20x
Implied price	\$629.22

Years out	5
Discount rate	15%
Present value	\$312.83



Bill Brennan	Lawrence Cheng	Job Lam
CEO	CTO	COO
2014	2008	2008
Ex-MRVLL		



# MANAGEMENT

# 'MAYBE I'M WRONG'

AEC dominance is a short window

Each speed upgrade increases the pct of links that require signal conditioning  
At 112G and 224G p/lane DAC collapses to 1–2 m, AEC remains viable to 7–10 m at acceptable Bit Error Rate (BER) and power usage, covering majority of intra-, adjacent-racks

Fast follow-up erodes moat, hyperscalers hate dependency

Being one generation ahead locks in contract for majority of platform cycle  
Hyperscaler intercon qualification cycles 12–18 mo, platform cycles are 24–36 mo

Hyperscalers don't ramp

Even flatline data center buildout leads to rising interconnect revenue  
AI clusters require 2–3× more intercon spend p/\$ of compute v traditional CPU centers

Fiber optic advances faster than expected

Optics are the weakest at liquid cooling and only win at distance  
Optic consumes 3–5× more power per link than AECs at less than 10 m distances, costs more

We never make the move to liquid cooling

Liquid cooling is not optional for frontier systems, even in if centers go hybrid  
Next-gen AI racks exceed 100 kW, air cooling efficiency sharply degrades beyond ~40–50 kW

Centers never fully move from DAC to AEC

Even partial conversion to AEC more than meets the model  
By 2028 the industry is projected to ship 400–450M high-speed ports annually, assuming only 25% adopt AEC at \$120–135, that still yields \$13.5 billion AEC TAM, as per the model

Internal builds by NVIDIA or Alphabet

Internal design pressure commoditizes lagging not leading components  
Even hyperscalers that design silicon internally outsource >70% of physical layer, SerDes IP

Ramp isn't smooth

Historical data center transitions have had step-function ramps, but still had a 2–3× expansion over a full platform cycle

TAM is overcounted

See prop research slide, assumptions are conservative