

Initiated 2026-10-02 · Price \$356.42 (as of 2026-10-01 close, stockanalysis.com) · Mkt cap \$61.8bn basic / \$65.3bn on 183.3mm diluted · Information technology / semiconductors (AI connectivity) · Model: verified

Rating: Sell — Conviction: High

Astera Labs executes superbly: Q2 2026 revenue rose 104% to \$392.4mm, Q3 is guided to \$540–560mm, and it holds \$1.25bn of net cash. The problem is the price. At \$356 the stock trades at ~359x FY2025 GAAP EBITDA (after stock comp) and above even the bull case, which has revenue reaching ~\$7.5bn by 2030 at a 41% margin. One end customer was >70% of FY2025 revenue, compounding the duration risk.

Conviction tests (3a-v-c): T1 pass (Base –76.1% at +1pp, –73.6% at –1pp; Sell at both; Bull still –39.5% / –32.4%) · T2 pass (Gordon –88%, exit-multiple –62%; Sell on either) · T3 pass · T4 pass

The rule's High may overstate certainty: a five-year DCF can't fully credit the decade of AI growth the market is pricing.

MODEL VALUE RANGE VS PRICE



Business overview

Astera Labs is a fabless chip company whose connectivity silicon moves data between accelerators, CPUs and memory inside AI servers and racks. The products are Aries PCIe/CXL retimers, Scorpio smart fabric switches (P-Series PCIe 6 and the X-Series 320-lane scale-up switch), Taurus Ethernet smart cable modules and Leo CXL memory controllers. In FY2025 one end customer took more than 70% of revenue and the top three about 86% (10-K). Earnings rest on three variables. The first is AI server and accelerator build volumes at that end customer. The second is Scorpio's ramp: the company says fabric switches become its largest product family in Q3 2026, a quarter early. The third is operating leverage on a fast-growing R&D base, with GAAP opex guided at \$232–236mm for Q3 alone. SBC was \$160.0mm in FY2025.

Competition

Of the competitors the 10-K names, Broadcom and Marvell matter most for switches and custom-accelerator connectivity, Credo in cables and retimers. Pressure would show first in gross margin (Q3 guide ~72%, down from 73.3% in Q2 as switches gain mix), then in next-generation socket awards at the largest customer. Competitors are growing as fast as Astera: Credo's revenue for the quarter to 2026-08-01 was \$479.0mm, up 115% year on year (Credo Q1 FY2027 release), against Astera's 104% in Q2. The listed comparables are far cheaper: Credo trades at 71.4x trailing EV/EBITDA and 28.8x forward P/E, Marvell at 83.0x and 49.1x, and Broadcom at 32.1x and 19.8x.

Bull case

1. **Scorpio ramp** — the X-Series 320-lane switch takes Q3 revenue up ~40% quarter on quarter, and P-Series ramps broadly in 2027, with UALink and NVLink Fusion adding sockets. Plays out if a second hyperscaler adopts Scorpio X in volume and revenue compounds 75%/45%/30% after 2026. *Model: rev_growth*
2. **Operating leverage** — the GAAP operating margin rose from 21.6% in H1 2026 to ~29.5% implied by the Q3 guide. A larger revenue base on fixed R&D could carry the GAAP EBITDA margin past 40%. Plays out if gross margin holds near 72% as switches dominate the mix. *Model: ebitda_margin*
3. **Premium holds** — the Amazon warrant, which vests with up to \$6.5bn of purchases of switch, signal-conditioning and optical products, signals a multi-year commitment. That keeps a growth multiple well above Broadcom's at year five. Plays out if purchases track the warrant tranches and beta normalises toward 2.0. *Model: exit_ev_ebitda, wacc*

Bear case

1. **Duration at a 5.2% risk-free rate** — at ~359x FY2025 EBITDA, almost all value lies beyond year five. CAPM on a peer-average beta of 2.3 gives a 16.7% cost of equity, and a de-rating toward chip peers is the base path. Plays out if the 10Y stays above 5% or AI leadership unwinds. *Model: wacc, exit_ev_ebitda*
2. **Single-customer concentration** — more than 70% of FY2025 revenue came from one end customer. A platform transition, a second-source decision or a capex digestion there would stall growth outright, not trim it. Plays out if FY2027 growth slows to ~15% and revenue falls in 2028–29. *Model: rev_growth*
3. **Mix and pricing** — switches carry lower gross margin than retimers, and Broadcom and Marvell compete for the same sockets. Q3 opex annualises to ~\$0.9bn, which deleverages hard on flat revenue. Plays out if gross margin falls toward the mid-60s. *Model: ebitda_margin*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA (model basis: diluted mkt cap – cash & securities + warrant; GAAP EBITDA after SBC)	359x FY2025 · ~228x LTM (est.)	n/a (listed since March 2024)	CRDO 71.4x · MRVL 83.0x · AVGO 32.1x (trailing, aggregator)	Model; stockanalysis 2026-10-01
EV/Sales (aggregator, trailing)	50.4x	n/a (unverified)	CRDO 24.4x · MRVL 25.0x · AVGO 18.8x	stockanalysis 2026-10-01
Forward P/E (consensus)	63.5x	n/a (unverified)	CRDO 28.8x · MRVL 49.1x · AVGO 19.8x	stockanalysis 2026-10-01
FCF yield (TTM FCF / basic mkt cap)	0.4% (\$276.7mm)	FY2025: OCF \$319.3mm – capex \$37.5mm = \$281.8mm	n/a	stockanalysis; Q4 2025 release

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$16.46 · Base \$89.49 · Bull \$227.48 per share, i.e. implied returns of –95.4% / –74.9% / –36.2% vs \$356.42. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits ~57% above the bull midpoint: the market pays for more than five years of 30–75% growth and 40%+ margins. The base 28x exit multiple is a ~92% de-rating from today's same-basis 359x. The methods differ widely (Base Gordon \$41.96, exit \$137.02): the exit method embeds the higher terminal multiple, is the fairer read for a business still growing at year five, and is still 62% below the price. One end customer is more than 70% of revenue, so I ran a tail sensitivity on the bear: FY2026 +105%, then –20%, –15%, –5% and +2%; EBITDA margin falling from 25% to 10–12%; NWC 15% of revenue; a 12x exit; and an 18.7% WACC. The bear midpoint falls to \$7.15.

Balance sheet: not meaningful (net cash): \$1,253.0mm of cash and securities at 2026-06-30, no funded debt, net leverage –7.0x FY2025 EBITDA. The February 2026 Amazon warrant (up to 3.26mm shares at \$142.82) is carried as a \$696.8mm claim at today's price, ~\$3.80 a share. No ratings.

Model note: verified: LibreOffice recalculation matched all 3,206 formula cells. Unverified inputs: none. Assumptions without basis: none. No scenario CHECKS. WACC uses a peer-average beta of 2.3 (CRDO, MRVL, AVGO). That is a deliberate haircut from the own 3.78 aggregator beta, which covers only ~2.5 years and would give 24.1%. EBITDA is GAAP after SBC; NWC excludes prepaid items. The company guides one quarter ahead (Q3 GAAP EPS \$0.87–0.92), so there is no annual EPS guide to test Base FY2026 EPS of \$2.81 against; Q2 GAAP net income (\$153.1mm) exceeded operating income on tax items, so reported GAAP EPS isn't comparable. Whether warrant shares sit in the diluted count is n/a (unverified); carrying them as a claim may double-count up to ~\$3.80 a share.

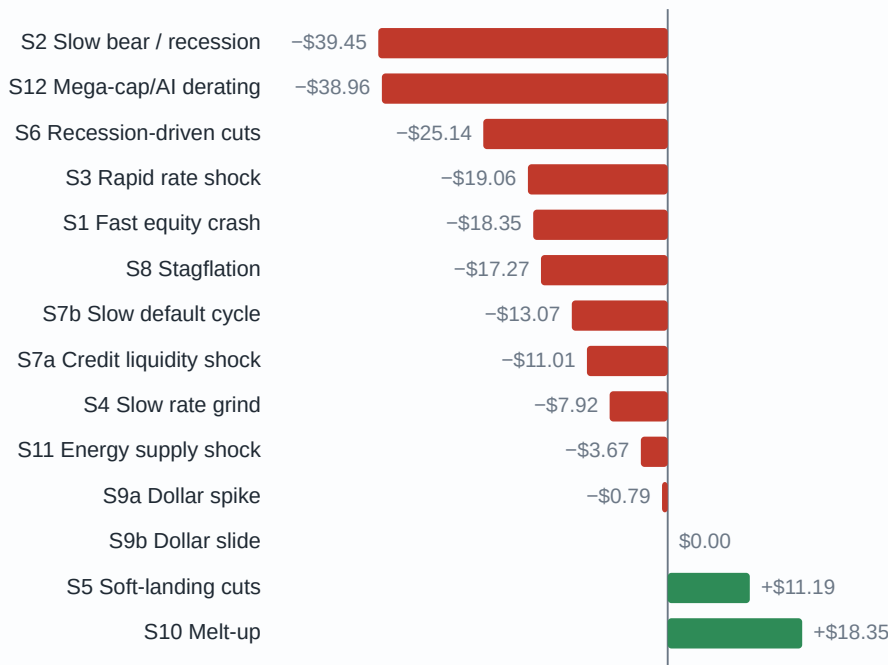
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Beta 3.78 on a ~359x multiple; de-risking hits the multiple, no operating channel	Med	–\$18.35
S2 Slow bear / recession	–	Hyperscaler capex cuts, supply-chain inventory digestion, a ~\$1bn opex base deleverages. Transitory, so about half the permanent Base – Bear gap (\$73.03)	High	–\$39.45
S3 Rapid rate shock	–	No debt; nearly all value beyond Y5 re-prices on discount rate and growth multiple	Med	–\$19.06
S4 Slow rate grind	–	Same channel, grinding	Low	–\$7.92
S5 Soft-landing cuts	+	Lower discount rate on a long-duration equity; capex intact	Med	+\$11.19
S6 Recession-driven cuts	–	Capex cuts and growth de-rating outweigh lower rates	Med	–\$25.14
S7a Credit liquidity shock	–	Net cash, no funding need; forced selling hits top-multiple equities	Med	–\$11.01
S7b Slow default cycle	–	Debt-funded neoclouds and data-centre developers lose financing, trimming second-tier AI demand	Med	–\$13.07
S8 Stagflation	–	Wafer, substrate and wage inflation plus higher real rates on a long-duration equity	Med	–\$17.27
S9a Dollar spike	–	USD pricing into Asian ODM supply chains; modest	Low	–\$0.79
S9b Dollar slide	0	No material effect, not modeled (USD pricing and costs)	Low	\$0.00
S10 Melt-up	+	AI-leadership, beta-3.8 name: momentum extends the multiple	Med	+\$18.35
S11 Energy supply shock	–	No direct cost channel; risk-off and rate pressure only	Low	–\$3.67
S12 Mega-cap/AI derating	–	The direct channel: AI-leadership unwind de-rates the multiple and trims connectivity orders	High	–\$38.96

Currently active/on watch per the playbook: S3 partially active (10Y ≥5% price-level leg met); S8, S10, S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the price falls toward the bull midpoint while Q3–Q4 deliver the Scorpio ramp with GAAP gross margin $\geq 72\%$, or a second hyperscaler is disclosed above 10% of revenue, cutting concentration below 50%. **Downgrades if:** n/a below Sell. The conviction weakens if Q4 guidance implies sequential deceleration below 10%, or if the 10-K shows the largest customer's share rising further.

Watch items

- **W1:** Q3 2026 revenue vs the \$540–\$560mm guide, and the Q4 guide — a miss or flat Q4 guide breaks Base's ~\$1.9bn FY2026 — Q3 earnings release — early November 2026 — *Model: rev_growth*
- **W2:** Largest end customer's share of FY2026 revenue vs >70% in FY2025 — FY2026 10-K — February 2027 — *Model: rev_growth*
- **W3:** GAAP gross margin as Scorpio becomes the largest family — below 70% for two quarters confirms bear #3 — Q3/Q4 releases — *Model: ebitda_margin*
- **W4:** Amazon warrant tranches vested (a proxy for purchases against the \$6.5bn ceiling) — 10-Q equity note — November 2026 — *Model: none*

Sources

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- Astera Labs FY2025 Form 10-K — <https://www.sec.gov/Archives/edgar/data/1736297/000173629726000010/alab-20251231.htm> — accessed 2026-10-02
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- logs/macro-2026-10.md, 2026-10-01 entry (10Y 5.24%) — accessed 2026-10-02

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.