APAC Technology

Credo Asia NDR implications - AI infrastructure acceleration intact leveraging high reliability connectivity

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UBS hosted Credo management for an Asia NDR this week. Credo (Not Rated) is a key supplier of data center connectivity solutions with high share of active electrical cables (AECs), along with developing product lines including PCIe/CXL retimers and gearboxes, Optical DSPs/EICs/Zero Flap Optical Transceivers, SerDes IP, inference solutions and developing solutions for longer reach ALCs (active LED cables) and higher memory attach to accelerators. We highlight key takeaways from our visit with implications to the supply chain and its cable supplier Bizlink.

- **Strong demand outlook across customers.** Credo noted its business strength continuing, having grown over 200% YoY to US$1.3bn in its just completed FY26 (Apr) and guiding FY27 >80% YoY with mid-single digit QoQ growth through H127 before inflecting in H227 growing 2-3x to US$600mn+ optics revenue with optical CSPs, silicon photonics PICs and zero flap optical transceivers each over US $100mn. Credo believes demand remains strong with no customers stepping off the gas investing in the AI infrastructure build-out.
- **AECs with multi-year growth ahead.** The company expects AECs to outgrow pluggable transceiver growth as AI data center densification continues and from drivers including: 1) growing penetration into its 5 of 6 major customers at US $100mn+ annual revenue and only 1 now fully penetrated, 2) agentic AI boosting the front-end connections, 3) growing rack count increasing connectivity between the NIC and ToR switch, 4) growth in vertically stacked switch racks with AECs, 5) growing Neo Cloud penetration now at 20% of sales looking to offer higher reliability and 6) speed upgrades increasing AEC content upgrading the DSP. The in rack connectivity remains about 5 AECs per 4 GPUs with a connection to each GPU plus one connection to the front-end network.
- **Gradual connectivity speed upgrades prolong copper connectivity.** Management believes copper cables can support 100G up to 7 meters, 200G up to 6 meters and 400G up from 3-5 meters, supporting 90% of the connections in the data center, with 400G the point where the industry view is that optical is more required. The company sees a mix of 800G and 1.6T for Rubin, with some customers still on 8x100 or 2 ports with flexible mix of 4x200 or 8x100.
- **Own premium optical solutions promoting high cluster uptime reliability.** Credo's optical portfolio offers components (DSPs, EIC) and zero flap optical transceiver modules bundling its own components to address a premium transceiver segment requiring very high reliability and low power. It maintained its guidance for optical DSP/photonics to grow 2-3x to US$600mn in FY27 and grow and ramp faster than its initial AEC ramp, with production scaling to 100k/month by year-end and growing 2-3x in FY28. Its customers by its June results call had expanded beyond its initial 2 hyperscaler and neo cloud customers.
- **ALCs in development to further extend the reach of copper.** Credo's long-reach 30 meter ALC (active LED cable) is in development with target to demo at OCP in October, qualify around end FY27-28 and ship in FY28 with target to reach 1.6Tbps bandwidth through wide and slow 2Gb per lane LED powered signals. The company believes it has an advantage vs. recently announced solutions through its crossbar dynamic switching of fibers and strong telemetry to sustain uptime reliability and not relying on any one customer's IP.
- **Omni Connect inference solution to address more memory access to the**



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processor. The company is enabling inference compute that can connect up to 2TB of LPDDR memory to a GPU for inference by using small SerDes blocks to expand beachfront around the AI accelerator to connect far more memory for fast inference. The company gets US$2.5-3k content per GPU and sees potential for this business to scale over US$1bn working with accelerator vendors and GPU start-ups designing training solutions without access to high-end HBM memory.

Implications for the Asia tech supply chain:

1. **UBS view on hardware - a positive read-across for demand into upcoming results.** The market has been monitoring growing corporate AI budgets (link) and rising use of open source models (link) for signs of any hyperscaler capex/demand slowdown. We still see strength in supply chain builds evidenced by continued memory price upgrades (link), stronger CoWoS builds (link), and ODM hardware upsides, as noted in monthly sales of Hon Hai, Quanta, Wistron, Wiwynn, and Inventec, so Credo's affirmation of demand strong across customers is another reassurance. Based on inputs, hyperscaler results should sustain strong spending trends and while likely acknowledging corporate efforts to manage spending growth, should still position very strong growth from rising use case/agentic workloads, continued model improvements and even an option to host open source models which still requires compute capacity. We should still see upside to UBS estimates for capex up 81%/21% YoY in 2026-27 factoring the aggressive supply chain builds and component price inflation (Figure 1) (Randy Abrams).
2. **UBS view on semiconductors - Connectivity solutions based on copper complementary to optics enabling scale-up & scale-out compute.** Credo's innovations are creating good opportunities for lower-cost and lower-power connections relative to optical for scale-up rack to rack connections in the same pod (save on laser drivers and fiber connectors and at 2-4W vs. 8-12W per link) . The solutions fit a niche for connecting adjacent racks and switches and for ASIC GPU to GPU connections to extend the reach of copper between DAC (direct attach copper cables) used to connect CPU and GPU, ACC (active copper cables) used in NVIDIA's GB200/300 for NVLink GPU to GPU connections and AOC (active optical cables) aggregating clusters of racks in the data center. The company is working toward ALC cables which could extend copper's reach out to 30 meters which would be a risk to some CPO connections if it commercializes in 2-3 years. See our report on CPO (link) where we view more scale-out opportunity and in a few years scale-up connecting GPUs at higher optical speed connections as the technology matures though we will monitor how well rival cable based technologies like the ALC from Credo and Mediatek would develop (Sunny Lin).
3. **UBS view on Bizlink - positive read-through for its AEC cable opportunity.** We also publish a separate note on the implications for Bizlink (link). On the divergence between Credo and Bizlink's latest quarterly results, Credo reiterated that neither company should be viewed as a reliable proxy for the other as product mix and customer mix are different. Bizlink remains Credo's primary AEC supplier. Credo highlighted examples of Bizlink helping Credo to win orders through new specification development and competitive pricing. On AEC, Credo expects TAM to continue to expand, supported by growth in AI-related capex, increasing pluggables adoption, and copper replacing optical cables as network densities increase. For Bizlink, we maintain our Buy and PT at NT$3,430 based on 30x 2027E P/E with the company also showing near-term upside having June sales up 16% MoM and Q226 overall 3-4% ahead of UBS/consensus. (Ally Chen).

Figure 1: UBS projects hyperscaler capex +81%/+21% YoY in 2026-27E

	QoQ, YoY Trends					Annual Trends				YoY Growth			% change in UBSe	
Internet Co Capex (US$mn)	**2Q26E**	**1Q26**	**QoQ**	**2Q25**	**YoY**	**2024**	**2025**	**2026E**	**2027E**	**25 YoY**	**26 YoY**	**27 YoY**	**2026E**	**2027E**
Meta	$39,345	$18,997	**107.1%**	$16,538	**137.9%**	$37,256	$69,691	$145,179	$150,052	**87.1%**	**108.3%**	**3.4%**	**0.0%**	**0.0%**
Google	$46,368	$35,674	**30.0%**	$22,446	**106.6%**	$52,535	$91,447	$189,975	$241,557	**74.1%**	**107.7%**	**27.2%**	**0.0%**	**0.0%**
Amazon	$46,098	$44,203	**4.3%**	$32,183	**43.2%**	$82,999	$131,819	$202,033	$225,174	**58.8%**	**53.3%**	**11.5%**	**0.0%**	**0.0%**
Microsoft	$40,959	$31,900	**28.4%**	$24,200	**69.3%**	$75,600	$118,000	$190,023	$254,004	**56.1%**	**61.0%**	**33.7%**	**0.0%**	**0.0%**
Oracle	$16,493	$18,635	**-11.5%**	$9,080	**81.6%**	$10,745	$35,477	$78,608	$101,692	**230.2%**	**121.6%**	**29.4%**	**27.1%**	**33.4%**
Top 5 Capex	**$189,263**	**$149,409**	**26.7%**	**$104,447**	**81.2%**	**$259,135**	**$446,434**	**$805,817**	**$972,479**	**72.3%**	**80.5%**	**20.7%**	**2.1%**	**2.7%**
Internet Co Capex/Sales (%)	**2Q26E**	**1Q26**	**QoQ chg**	**2Q25**	**YoY chg**	**2024**	**2025**	**2026E**	**2027E**	**25 chg**	**26 chg**	**27 chg**	**2026E**	**2027E**
Meta	66.0%	33.7%	**32.3%**	34.8%	**31.2%**	22.6%	34.7%	57.5%	48.5%	**12.0%**	**22.9%**	**-9.0%**	**0.0%**	**0.0%**
Google	38.0%	32.5%	**5.5%**	23.3%	**14.7%**	15.0%	22.7%	38.4%	39.5%	**7.7%**	**15.7%**	**1.2%**	**0.0%**	**0.0%**
Amazon	23.6%	24.4%	**-0.7%**	19.2%	**4.4%**	13.0%	18.4%	24.3%	23.0%	**5.4%**	**5.9%**	**-1.3%**	**0.0%**	**0.0%**
Microsoft	46.1%	38.5%	**7.6%**	31.7%	**14.4%**	28.9%	38.6%	53.2%	60.3%	**9.8%**	**14.6%**	**7.1%**	**0.0%**	**0.0%**
Oracle	86.0%	108.4%	**-22.4%**	57.1%	**28.9%**	19.6%	58.1%	102.3%	95.4%	**38.6%**	**44.2%**	**-6.9%**	**20.4%**	**21.0%**
Top 5 Capex/Sales	**39.0%**	**33.4%**	**5.7%**	**25.9%**	**13.2%**	**17.6%**	**26.5%**	**40.1%**	**40.1%**	**8.8%**	**13.6%**	**0.0%**	**0.8%**	**1.0%**
Internet Co Sales (US$mn)	**2Q26E**	**1Q26**	**QoQ**	**2Q25**	**YoY chg**	**2024**	**2025**	**2026E**	**2027E**	**25 YoY**	**26 YoY**	**27 YoY**	**2026E**	**2027E**
Meta	$59,614	$56,311	**5.9%**	$47,516	**25.5%**	$164,500	$200,965	$252,270	$309,386	**22.2%**	**25.5%**	**22.6%**	**0.0%**	**0.0%**
Google	$122,022	$109,896	**11.0%**	$96,428	**26.5%**	$350,018	$402,836	$494,924	$610,814	**15.1%**	**22.9%**	**23.4%**	**0.0%**	**0.0%**
Amazon	$195,030	$181,519	**7.4%**	$167,702	**16.3%**	$637,959	$716,924	$830,474	$977,378	**12.4%**	**15.8%**	**17.7%**	**0.0%**	**0.0%**
Microsoft	$88,937	$82,886	**7.3%**	$76,440	**16.3%**	$261,803	$305,451	$357,189	$421,387	**16.7%**	**16.9%**	**18.0%**	**0.0%**	**0.0%**
Oracle	$19,184	$17,190	**11.6%**	$15,903	**20.6%**	$54,933	$61,017	$76,821	$106,549	**11.1%**	**25.9%**	**38.7%**	**1.7%**	**4.0%**
Top 5 Sales	**$484,787**	**$447,802**	**8.3%**	**$403,989**	**20.0%**	**1,469,213**	**1,687,193**	**2,011,677**	**2,425,515**	**14.8%**	**19.2%**	**20.6%**	**0.1%**	**0.2%**
Cloud Sales (US$mn)	**2Q26E**	**1Q26**	**QoQ**	**2Q25**	**YoY chg**	**2024**	**2025**	**2026E**	**2027E**	**25 YoY**	**26 YoY**	**27 YoY**	**2026E**	**2027E**
Amazon Web Services	$41,184	$37,587	**9.6%**	$30,873	**33.4%**	$107,556	$128,725	$174,796	$255,570	**19.7%**	**35.8%**	**46.2%**	**0.0%**	**0.0%**
Google Cloud	$26,697	$20,028	**33.3%**	$13,624	**96.0%**	$43,229	$58,705	$102,084	$173,649	**35.8%**	**73.9%**	**70.1%**	**0.0%**	**0.0%**
Microsoft Azure	$30,557	$27,189	**12.4%**	$21,661	**41.1%**	$64,870	$89,596	$126,638	$175,796	**38.1%**	**41.3%**	**38.8%**	**0.0%**	**0.0%**
Oracle Cloud (OCI)	$5,655	$4,744	**19.2%**	$2,868	**97.2%**	$7,917	$12,606	$26,616	$55,401	**59.2%**	**111.1%**	**108.1%**	**5.3%**	**8.2%**
US Hyperscale Cloud Sales	**$104,094**	**$89,548**	**16.2%**	**$69,026**	**50.8%**	**$223,572**	**$289,632**	**$430,134**	**$660,416**	**29.5%**	**48.5%**	**53.5%**	**0.3%**	**0.6%**

Valuation Method and Risk Statement

Investing in the technology sector involves a high degree of risk. Rapid technological changes, increasing competition and exposure to macroeconomic cycles are among the many risks faced by investors in technology stocks. Moreover, it is extremely difficult to project the financial results of tech companies since their operating models are highly volatile and unpredictable. Finally, valuing technology stocks can prove challenging, as neither traditional nor non-traditional valuation measures have provided much insight into how these stocks trade. Valuation methodologies in the sector include target price-book-multiples based on the long term average ROE and the cost of equity.

BizLink Holding:
Our price target is based on a PE multiple.

The key company-specific risks are: 1) a global economic slowdown impacting end-demand; 2) a slower-than-expected change in the product mix leading to slower-than-expected gross-margin expansion; and 3) a rise in raw material prices.

The key industry-specific risks are: unexpected changes in the underlying global macro environment, currency and interest rate movement and commodity price inflation.