26 Oct 2026 20:00:00 ET | 13 pages

Astera Labs, Inc (ALAB.O)

Preview: Investors Focus on UALink Competitiveness; Remain Buy

CITI'S TAKE

We remain constructive on ALAB heading into its Sep-Q results after market close on 11/3. We model Sep-Q revenue/EPS to be mostly in line with guidance but expect a 12%/21% revenue/EPS upside to Dec-Q vs Street. We view the increase in $content per accelerator amid the ramp on Scorpio X as the key driver of sales expansion as we continue to estimate ALAB will have reached its goal of $1,000+ by Dec-Q. We keep our FY2026/FY2027/FY2028 EPS estimates intact going into earnings based on our detailed product model (see details in body). We maintain our TP at $430 on ~$11 FY2028E EPS and consistent 40x forward PE. Key questions going into earnings are: 1) demand for Scorpio for scale-up; 2) UALink traction amid Ethernet competition; 3) update on ALAB optical and CXL traction; and 4) customer diversification beyond AMZN. Remain Buy.

Buy	
Price (26 Oct 26 16:00)	US$259.51
Target price	US$430.00
Expected share price return	65.7%
Expected dividend yield	0.0%
Expected total return	65.7%
Market Cap	US$45,021M

Price Performance
(RIC: ALAB.O, BB: ALAB US)



EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons
2025A	0.33A	0.44A	0.49A	0.58A	1.84A	1.84A
2026E	**0.61A**	**0.80A**	**1.19E**	**1.71E**	**4.33E**	**4.03E**
Previous	0.61A	0.80A	1.19E	1.71E	4.33E	na
2027E	**1.85E**	**1.96E**	**2.06E**	**2.16E**	**8.03E**	**6.39E**
Previous	1.85E	1.96E	2.06E	2.16E	8.03E	na
2028E	**2.37E**	**2.57E**	**2.78E**	**3.02E**	**10.74E**	**8.22E**
Previous	2.37E	2.57E	2.78E	3.02E	10.74E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Papa Sylla [AC]

Atif Malik

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

We maintain our forecast for ALAB AI retimer sales to grow 34% in CY2026E to $630M. Our C2026E estimates reflect Citi's AI Accelerator model, a higher retimer-to-accelerator attach rate, and stronger-than-expected adoption of and demand for PCIe 6.

We remain confident that Agentic AI can accelerate the transition from PCIe 5 to PCIe 6, which we see as the primary near-term retimer revenue driver. While early versions of Helios use UALink over ESUN for scale-up, relying on Ethernet switches with UALink used mostly as a protocol layer, we think this version of Helios may still need smart signal conditioners as the NIC remains PCIe.

Beyond potential Taurus usage, we expect every GPU-to-CPU PCIe link at Gen 6 speeds to require signal conditioning. In custom AI servers, we see Aries playing a critical role in ensuring signal integrity in both head-node connectivity and backend GPU-to-GPU applications.

On the Gen 6 transition specifically, Gen 6 represented a little more than one-third of total Aries revenue in Q1 2026. On a like-for-like basis, we continue to model roughly a 20% ASP increase generation over generation, along with higher attach rates (1.4x vs 1.3x).

Figure 1. Citi ALAB AI Retimer Model

Citi Retimer Model						
	C2025			C2026E		
	Quarterly (K)	Annual (K)	ASP ($)	Quarterly (K)	Annual (K)	ASP ($)
Aries 5	2,486	9,945	$35	2,399	9,596	$33
Aries 6	388	1,552	$42	1,678	6,710	$42
Aries 7						
Total Retimers Units	2,874	11,497	$36	4,076	16,306	$37
YoY					42%	
Aries 5		$348,073			$316,666	
Aries 6		$65,192			$281,823	
Aries 7		$0			$0	
Total AI Retimers Sales		$413,265			$598,488	
YoY					45%	
Aries Sales		$469,620			$629,988	
YoY					34%	

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Source: Citi Research

In addition to retimers, our Scorpio AI sales models are based on the following assumptions:

1.7M Scorpio P units, based on company color indicating a 1-to-1 GPU-to-Scorpio P ratio and our assumption that most CY2026E volumes will come from AMZN's custom GPU and Trainium platforms.

For Scorpio X units, we model a 1-to-4 ratio (similar to NVSwitches).

On ASPs, we assume ~$300 for Scorpio P (the lower end of management's $300–400 comment to us) and ~$2k for Scorpio X.

Figure 2. ALAB Scorpio Estimates

	CY2025			
	Sales ($M)	Annual Units (K)	Total AI Accelerator In	Penetration Rate
Scorpio P Series	$123	410	11,265	4%
Scorpio X Series	$20	28	11,265	1%
Total Scorpio	$143	438		

	CY2026E			
	Sales ($M)	Annual Units (K)	Total AI Accelerator In	Penetration Rate
Scorpio P Series	$522	1,741	20,611	8%
Scorpio X Series	$515	258	20,611	5%
Total Scorpio	$1,037	1,998		

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Source: Citi Research

Putting the different businesses together, we expect Scorpio to be the largest contributor in C2026E at 52% of sales, followed by Aries, whose mix we see moving from ~55% to 32% on Scorpio's ~7x sales growth in C2026E.

Figure 3. ALAB Product Mix Estimates

	C2025	C2026E	C2026E YoY Growth
Scorpio ($M)	$ 143	$ 1,037	*627%*
Sales Mix	*17%*	*52%*	
Aries ($M)	$ 470	$ 630	*34%*
Sales Mix	*55%*	*32%*	
Taurus ($M)	$ 165	$ 231	*40%*
Sales Mix	*19%*	*12%*	
Leo & Other ($M)	$ 76	$ 91	*20%*
Sales Mix	*9%*	*5%*	
Total Sales ($M)	**$ 853**	**$ 1,989**	**133%**

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Source: Citi Research



Bull/Bear: Astera Labs, Inc (ALAB.O)

US$600.00	US$430.00	US$300.00
▲131% Upside	▲66% Upside	▲16% Upside



Spread 116pp
Current Price and expected returns (upside/downside) as of 26 Oct 2026

BULL Assumptions

- 50x P/E
- 80%+ sales CAGR on higher ASP growth

BASE Assumptions

- 40x P/E
- 60%+ sales CAGR on stable share

BEAR Assumptions

- 25x P/E
- Intense competition and share loss

Astera Labs, Inc

Company description

Astera Labs is a global leader in purpose-built connectivity solutions for AI and cloud infrastructure. Astera pioneered software-defined architecture that is scalable and customizable including PCIe, CXL, and Ethernet semiconductor-based solutions to solve data, memory, and networking bottlenecks.

Investment strategy

We rate the shares Buy and view ALAB as a key beneficiary of the AI deployments. We estimate ALAB AI retimers, AEC, and PCIe fabric switches and Optical products will drive sales/earnings to grow 35%+/50%+ through 2028.

Valuation

We value ALAB at $430 or 40x P/E our C28 earnings power of ~$11. While the stock looks expensive relative to peers on a P/E basis, we see strong earnings growth over the next three years and attach rates to some of the fastest-growing AI data center demand drivers. We model ALAB to grow EPS at 80%+ CAGR in the next three years which is ahead of the networking peer average. As such, on an earnings growth adjusted basis (PEG), we think a higher P/E multiple is justified.

Risks

This stock is High Risk based upon our quantitative model, but assigning a High Risk rating is not supported by other qualitative factors such as Astera's growth having entered a new diversified, more stable phase post the ramp of new products and new customers, and so a High Risk rating has not been applied.

We note the following upside risks to our target price being exceeded: 1) faster-than-expected adoption of AI products; 2) higher-than-expected ASPs on future PCIe retimer generations; and 3) lower customization at Nvidia customer.

Downside risks to our target price include: 1) share loss to bigger competitiors like Broadcom/Marvell; 2) moderate customer concentration risk at Nvidia/AWS; 3) new products rollout risk; and 4) lower-than-expected gross margin mix.