

PRACTICAL **INCOME** INVESTING

APPLIED OPTOELECTRONICS

Ticker: AAOI | AI Optical Infrastructure Turnaround

AAOI is a high-volatility AI optical networking turnaround: revenue is accelerating on datacenter and 800G demand, but the company is still loss-making and execution risk is high.

CURRENT PRICE	MARKET CAP
\$148.16	\$11.26B
TICKER: AAOI	NASDAQ

REVENUE GROWTH	Q1 REVENUE	DATA CENTER	GAAP GM	Q2 GUIDE	CASH
+51.4% YoY	\$151.1M	\$81.4M	29.1%	\$180-\$198M	\$449.4M

BUSINESS MOMENTUM DASHBOARD

Revenue (\$M)Net Income (\$M)Net Margin

\$100M

\$-9.2%

\$-9.2M

\$103M

\$-8.8%

\$-9.1M

\$119M

\$-15.1%

\$-17.9M

\$134M

\$-1.5%

\$-2.0M

\$151M

\$-9.4%

\$-14.3M

Q1'25

Q2'25

Q3'25

Q4'25

Q1'26

Sources: AAOI official quarterly releases; net margin calculated from GAAP revenue and net loss.

RAMP SCORE

80/100

Revenue growth and Q2 guide are strong. The missing piece is sustained profitability from 800G/AI optical ramps.

BALANCE SHEET

72/100

Cash/restricted cash was \$449.4M, but current debt and convertibles remain meaningful. Improved, not fortress-like.

KEY FINANCIAL SNAPSHOT

Q1 Revenue	\$151.1M (+51.4% YoY)
Datacenter Rev.	\$81.4M (+154% YoY)
CATV Revenue	\$66.8M
GAAP Gross Margin	29.1%
Non-GAAP GM	29.2%
GAAP Net Loss	-\$14.3M
Non-GAAP Net Loss	-\$4.9M
Adjusted EBITDA	\$1.0M

7 FUNDAMENTAL PRINCIPLES

Growth	8/10	Q1 revenue +51%; datacenter +154%.
Moat	6/10	Vertical integration helps, but competition is real.
Management	7/10	Manufacturing ramp is ambitious and visible.
Margins	5/10	Gross margin ~29%; still GAAP loss-making.
Cash Flow	5/10	Adjusted EBITDA barely positive in Q1.
Risk	4/10	Customer, ramp, margin, and volatility risk.
Valuation	4/10	Negative EPS with large AI-premium market cap.
TOTAL		39/70

VALUATION

Current Price	\$148.16
Market Cap	\$11.26B
P/E	N/M
EPS	-\$0.65

Valuation is momentum-driven while earnings remain negative. Option premium may be rich for a reason.

CATALYSTS / RISKS

Catalysts

- 800G product volume ramp starting in Q2.
- Q2 revenue guide implies strong sequential growth.
- Capacity additions in U.S. and Taiwan.

Risks

- Company remains unprofitable on a GAAP basis.
- Ramp execution and manufacturing quality risk.
- Customer concentration with large hyperscalers.

THEESIS BREAKERS

- 800G ramp fails to convert into profitable revenue.
- Q2/Q3 guidance disappoints or capacity slips.
- Gross margin stays near 29% without leverage.

PRACTICAL INCOME INVESTING VERDICT

CATEGORY:Speculative AI Optical...

QUALITY:B-

VAL/RISK:High Risk / Momentum

ACTION:Trade-sized only; not core...

Practical Income Investing Snapshot v1.1

Data current as of: June 30, 2026

Created: June 30, 2026

Educational purposes only. Not financial advice.