



ATLANTIC WALK RESEARCH

5/26/2026

Ouster, Inc. (NASDAQ: OUST)

**Position Close — Thesis Intact, Valuation
Extended**





Summary

We are closing our long position in Ouster, Inc. at approximately \$42 per share, representing a return of roughly +95% since our February 23, 2026 initiation at \$21.06. The thesis has played out well ahead of our original timeline: Q1 FY26 results were record-breaking, the NVIDIA DRIVE Hyperion qualification validated the platform narrative, and the ARGUS counter-drone partnership confirmed

meaningful defense channel traction. Our \$35.07 price target has been exceeded. At current levels the stock is priced for execution we remain confident in, but the margin of safety has compressed to a point where we prefer to step aside and seek a more favorable re-entry rather than hold through what we view as a valuation-extended range.

Position Update			
Action	CLOSE - Seek Re-Entry on Pullback	Initiation Date	2/23/2026
Initiation Price	\$21.06	Close Price (approx.)	~\$42.00
Original Price Target	\$35.07	Return Since Initiation	~+95%
52-Week High	\$45.42	Thesis Status	Intact — Valuation Extended

Q1 FY26 Results: Record Quarter, Ahead of Model

Ouster reported Q1 FY26 revenue of \$49 million, a 49% year-over-year increase that beat the \$45–48M guidance issued in April and came in above our model's implied Q1 estimate of approximately \$46 million. Product revenue was \$48 million, up 55% year-over-year. Over 12,600 lidar and camera sensors shipped, the most in company history. Gross margin of 43% exceeded the 40% assumption embedded in our model, providing early evidence that the margin framework may prove conservative as the product mix matures. Cash stood at \$175 million with zero debt, ahead of our modeled balance. Management noted thirteen consecutive quarters of product revenue growth and flagged 2027 as the expected window for reaching a profitability stride, a pull-forward relative to the FY28 EBIT breakeven in our base case. Q2 FY26 guidance of \$49.5–52.5 million reflects continued growth with a full-quarter contribution from StereoLabs beginning to layer in. These results confirm the operating trajectory and provide grounds for optimism on the out-year margin and profitability profile, but they are now well-reflected in the share price.

NVIDIA DRIVE Hyperion: Platform Credentialing, Longer-Dated Optionality

Rev8's qualification for NVIDIA DRIVE Hyperion is a strategically important development that places Ouster's native color LiDAR inside the reference architecture that BYD, Geely, Hyundai, Nissan, Mercedes-Benz, Aurora, Waabi, Wayve, and dozens of other OEMs and AV developers are building on. The DriveWorks SDK integration means Rev8 can be dropped into any Hyperion-based program without custom engineering, lowering the friction to design wins meaningfully. The native color capability provides a specific workflow advantage within NVIDIA's data annotation and AI training pipeline, where color-fused point clouds reduce labeling cost and improve model quality. Alongside Aeva, Ouster now represents the



Western LiDAR option within the Hyperion ecosystem, a positioning that matters in programs with supply-chain or procurement sensitivity. The important caveat is that this remains a longer-dated revenue event; AV design cycles typically run three to five years from design win to production volumes, so Hyperion-driven revenue is a 2028 and beyond story. The qualification is reflected in the current valuation.

ARGUS Counter-Drone Agreement: Defense Thesis Confirmed

Ouster and ARGUS Interception GmbH announced a strategic agreement under which ARGUS will equip its A1-Falke net-based drone interceptors with Ouster digital LiDAR, with plans to explore Rev8 integration for next-generation capabilities including native color sensing and longer-range detection for high-speed applications. The A1-Falke is a non-kinetic counter-UAS system that uses a multi-sensor suite of radar, LiDAR, and depth cameras to detect, track, and intercept hostile drones via a patented net launcher, capturing them intact. The system is designed for complex environments where kinetic countermeasures are not viable: urban areas, critical infrastructure, and crowded airspace. This agreement directly validates the defense channel thesis we outlined at initiation, and that Ouster's OS1 approval under the DoD Blue UAS Framework would generate incremental program wins and credibility in high-sensitivity Western procurement channels. Counter-UAS is one of the fastest-growing segments in defense spending globally, with NATO budgets expanding and the threat profile from commercial drone proliferation accelerating. For Ouster, this is a near-term monetizable channel that doesn't carry the long design cycle risk of automotive, and the non-kinetic, precision-sensing nature of the application plays directly to LiDAR's strengths.

Closing Rationale: Thesis Intact, Price Has Run Through Target

Our original price target of \$35.07 was derived from a base case DCF implying 62–70% upside from the \$21.06 initiation price. The stock has now traded through that target and hit a 52-week high of \$41.81, approximately 99% above our initiation price and roughly 19% above our stated target. At current levels, Ouster is being priced toward the upper end of our scenario range, which was built around faster commercialization, stronger platform pull-through, and earlier margin expansion than the base case assumed. That upside scenario is increasingly credible, but credibility at this stage is already in the price. The stock has priced in a large portion of the outcome we expected to play out over a year-long horizon in a matter of months. The ATM program (up to \$100M in potential share issuance) introduces dilution risk at elevated prices. Near-term revenue growth, while strong, implies H2 FY26 needs to accelerate substantially to reach our original full-year base case. Bundled LiDAR-plus-camera attach rate disclosure, pilot-to-rollout conversion data, and further defense program wins are not yet in the numbers and carry execution risk.

We view the risk/reward as unfavorable at ~\$41 relative to a thesis that was calibrated for \$35. We are not bearish on Ouster. The platform transition is real, the execution has been strong, and the structural positioning in Western Physical AI perception remains differentiated. But we are disciplined about entry and exit, and this is an exit. We will look for a pullback, ideally into the \$28–32 range to re-establish a position with a return profile more consistent with how we sized the original trade.

Atlantic Walk Research Disclosure: We and / or related accounts are closing our long position in Ouster, Inc. (OUST) as described in this note and may re-establish a position at any time without further notice. This research reflects our independent analysis and judgment. We are not compensated by Ouster or any other company mentioned in this report, and we maintain no financial or business relationships with them. This report is provided solely for informational and research purposes and should not be interpreted as investment advice or a recommendation to buy or sell any security. Investors should conduct their own due diligence and consider their individual financial circumstances before making investment decisions. All opinions and estimates expressed herein reflect our views as of the date of publication and are subject to change without notice.