Allegro MicroSystems, Inc. (NASDAQ: ALGM)

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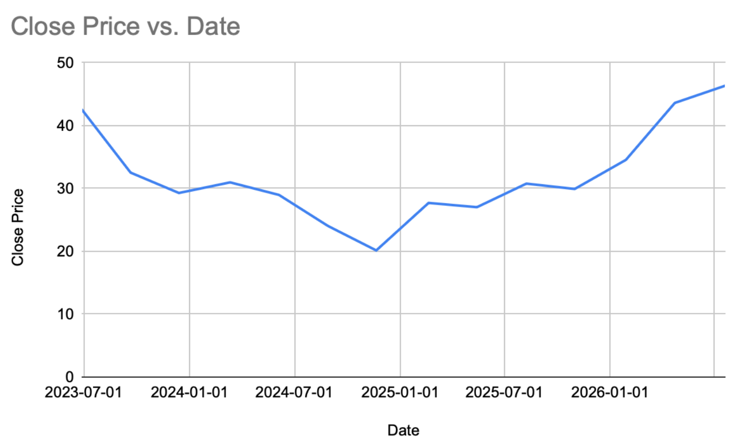
Recommendation: **Hold**

	Base	*Bull*	*Bear*
	FY2027	FY2027	FY2027
Revenue	$861	$904	$818
3yr Growth	*10.0%*	*12.0%*	*8.0%*
Adj. EBITDA	$339	$356	$322
Margin	*39.4%*	*39.4%*	*39.4%*
FCF			
Margin	*0.0%*	*0.0%*	*0.0%*
Conversion	*0.0%*	*0.0%*	*0.0%*
EBITDA Multiple	24.2x	26.0x	20.0x
EV	$8,206	$9,259	$6,442
Net Debt	$137	$137	$137
Equity Value	$8,069	$9,121	$6,305
Sh. Out.	186.3	186.3	186.3
Price Target	**$43.31**	**$48.96**	**$33.84**
Upside/Downside	-13%	-2%	-32%
IRR	**-5%**	**-1%**	**-12%**
Risk/Reward vs Bear Case	1.4%	3.10%	0



Executive Summary

I believe Allegro MicroSystems is a high-quality semiconductor company with strong long-term opportunities, especially in electric vehicles and industrial automation. These markets are expected to continue growing, and the company is well positioned to benefit from that demand.

Although the long-term outlook is positive, my valuation suggests that the current share price already reflects much of this future growth. Based on my DCF model, comparable company analysis, and scenario analysis, I do not see enough upside at today's price to recommend buying the stock. Because of that, I believe a **Hold** recommendation is the most appropriate. I would become more positive if the company delivers stronger earnings growth or if the share price becomes more attractive.

Business Overview

Allegro MicroSystems develops semiconductor solutions used in automotive and industrial applications. The company is well known for its magnetic sensing technology and power integrated circuits, which improve the efficiency and performance of electric vehicles, advanced driver assistance systems, robotics, and factory automation.

The automotive segment is the company's largest source of revenue, while industrial customers continue to become a more important part of the business. With global demand for electrification and automation continuing to grow, Allegro operates in markets that offer solid long-term growth opportunities.

Investment Thesis

Strong position in growing industries

Allegro operates in markets that are expected to expand over the coming years. The continued adoption of electric vehicles, renewable energy, and industrial automation should support demand for the company's products.

Long-term growth potential

While recent financial performance has been weaker than previous years, I believe the company has the opportunity to return to stronger growth as market conditions improve. My financial model assumes steady revenue growth over the forecast period.

Healthy profitability potential

As sales recover, I expect operating margins to improve. Allegro has historically generated solid profitability, and higher production volumes could support stronger earnings over time.

Valuation limits near-term upside

Although I like the company's long-term outlook, my valuation indicates that much of this optimism is already reflected in the current stock price. For that reason, I believe investors should remain patient rather than aggressively buying at current levels.

Management Team and Board of Directors

Allegro's management team has continued investing in product development while focusing on operational efficiency during a challenging market environment. Their strategy remains centered on expanding the company's position in automotive and industrial semiconductors while maintaining financial discipline.

I believe management has taken a balanced long-term approach by continuing to invest in future growth while managing through short-term industry cycles.

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As of: July 20, 2026

Comparable Analysis

Ticker	Name	Last Price	USD Market Cap	USD EV	% Chg 1Yr	% Chg YTD	USD Sales	1Yr Sales GR	EV / EBITDA Crnt Yr	P/E Crnt Yr	P/E NY	EBIT Margin T12M	Dvd Yield
ON	ON Semiconductor	$87.86	$34.00	34.61	44.29%		6.06	8.16%	22.8	28.16	20.24	18.23%	0
NXPI	NXP Semiconductors	$270.35	$67.3	$75.6	16.8%		12.62	15.1%	16.0x	17.9x	15.2x	27.7%	1.5%
TXN	Texas Instruments	$293.00	$258.5	$267.4	32.4%		$18.4	19.50%	30.3x	37.7x	32.5x	37.8%	2.0%
STM	STMicroelectronics	$64.38	$54.7	$52.9	89%		$12.4	22.2%	22.8x	50.3x		3.7%	0.6%
IFNNY	Infineon Technologies (U.S. ADR)	$72.15	$94.2	$101.2	64%		$15.1	10.5%	24.2x	37.0x	22.2x	46.67%	0.6%
ALGM	Allegro MicroSystems, Inc.	$50.03	$9.3	$9.4	47%		$0.9	23.0%	88.7x	48.8x	48.6x	11.9%	0.00%
	Comp Group Average	14998%	9679%	10131%	50%	#DIV/0!	$11.9	18.0%	36.4x	38.3x	29.6x	25.5%	0.9%
	Comp Group Median	$72.2	$67.3	$75.6	47%	#NUM!	$12.6	19.5%	24.2x	37.7x	27.4x	27.7%	0.6%
[Your Selected Company Ticker]	**[Your Selected Company Name]**												

Precedent Transaction Analysis

Date	Seller	Acquirer	Terms	Multiple
8/26/2021	Maxim Integrated	Analog Devices	$68B all-stock acquisition	20.0× EV/EBITDA
2/14/2022	Xilinx	AMD	$35B all-stock acquisition	16.0x

Valuation

I valued Allegro MicroSystems using both a Discounted Cash Flow (DCF) model and a Comparable Company Analysis.

For the comparable company analysis, I selected ON Semiconductor, NXP Semiconductors, Texas Instruments, STMicroelectronics, and Infineon Technologies because they operate in similar markets and provide a useful benchmark for valuation.

My Base, Bull, and Bear scenarios show that the company has attractive long-term potential. However, my Base Case price target remains slightly below the current market price, supporting my Hold recommendation.

Risks

The largest risk is that demand in the automotive or industrial markets remains weaker than expected. A slower recovery could reduce future revenue growth and delay improvements in profitability.

Competition is another important risk. Larger semiconductor companies continue investing heavily in similar technologies, which could create pricing pressure over time.

Finally, the semiconductor industry is cyclical. Changes in economic conditions or customer spending could affect demand and lead to greater earnings volatility.