BLUEGRASS
CAPITAL RESEARCH

Allbirds, Inc.

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04/20/26

Allbirds Fly? Newbirds Don't.

Allbirds has undergone a dramatic shift, exiting its sustainable footwear operations to pursue an AI infrastructure business centered on GPU-as-a-Service. While the AI infrastructure market is experiencing rapid growth, we believe the company's repositioning to "Newbird" is fundamentally flawed. The transition introduces structural challenges beyond typical execution risk, including constrained access to critical hardware due and a lack of an established customer base. As a result, we initiate **$BIRD** with a **SELL** rating and a one-year price target of **$0.41.**

Structural Supply Disadvantage Limits Scalability

A large barrier to entry in AI infrastructure in access to high-performance GPUs. The current market remains supply constrained and primarily produced by Nvidia. The majority of chips are purchased by hyperscale cloud providers such as Microsoft and Amazon, and well-established AI infrastructure firms such as CoreWeave and Lambda. Allbird lacks the purchasing scale, supplier relationships, and operational track record necessary to secure consistent GPU access. This structural supply creates a limitation on its ability to create compute capacity and generate revenue. We believe this supply imbalance represents a critical restraint that significantly reduces the company's ability to scale within the AI infrastructure market.

Lack of Established Customer Base Delays Revenue Realization

In addition to supply constraints, Allbirds faces significant demand challenges due to the absence of an established customer base. AI infrastructure is deeply integrated within existing cloud platforms and companies. These companies would face high switching cost from data migration. Small, specialized providers like Lambda have spent years building trust in this industry. There is the possibility new, small AI and companies requiring data storage will enter the market in the same time frame as Allbird. Under the unlikely circumstance that Allbird is able to attract this customer base, they will be dependent on companies that also are high risk to produce revenue. Allbirds will have to simultaneously build infrastructure, attract customers, and establish credibility. We believe this will significantly delay revenue realization.

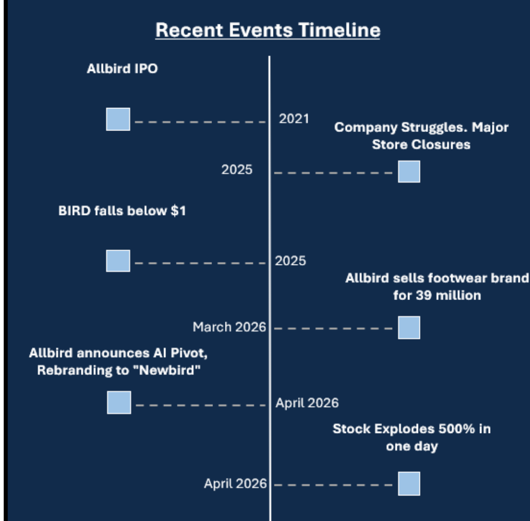
Company Overview

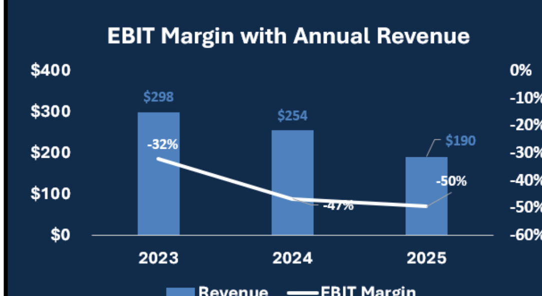
Allbirds was founded in 2015 as a direct-to-consumer footwear brand focused on sustainability, utilizing materials such as merino wool and plant-based fibers. The company gained early traction through its minimalist design and environmentally conscious branding, leading to rapid growth and a successful IPO in 2021. However, in the years following its public debut, Allbirds experienced declining revenues, margin compression, and ongoing operating losses as demand weakened and competition intensified.

In 2026, the company exited its core footwear operations and announced a strategic pivot toward AI infrastructure, with plans to develop a GPU-as-a-Service platform targeting enterprise and developer demand for compute resources. This transformation represents a complete departure from its original business model and places the company in direct competition with well-established technology firms. As Allbirds transitions into this new phase, its future performance will depend on its ability to secure infrastructure, build customer relationships, and execute within a highly competitive and capital-intensive industry.

allbirds

TICKER:	$BIRD
RATING:	SELL
PRICE:	$5.14
PRICE TARGET:	$0.41
MARKET CAP:	$49m
52-W RANGE:	$2.15 - $24.31
NTM P/E:	4.2x
IMPLIED DOWNSIDE:	-92%





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Risk 1: A key risk to our thesis is the continues growth in the demand for AI computer infrastructure. The adoption of artificial intelligence across industries has driven up the demand for GPU capacity. Leading providers such as Amazon and Microsoft have struggled to meet this demand, resulting in persistent supply shortages.

If Allbirds is able to secure access to GPUs and bring leasable capacity online, even at a small scale, it may benefit from favorable pricing and high utilization rates in near term. This could enable Allbirds to generate revenue earlier than expected and partially offset the structural disadvantages.

Risk 2: A possible risk to our bearish rating of Allbird is the potential for continued sentiment-driven volatility. In a 24-hour time frame in April 2026, the stock rose 500%, followed by a sharp decline, but still significantly overvalued. The company's transition to AI has attracted significant retail investor attention, contributing to sharp price movements unrelated to the company's fundamentals. In current market conditions, companies associated with AI experience rapid multiple expansion driven by narrative rather than backed by financials. Therefore, this may result in short-term stock appreciation regardless of fundamental concerns about the business.

Catalysts: A key potential catalyst for Allbirds is the management's demonstration of credible execution. We are doubtful that a failed shoe company will create a successful AI strategy. Evidence of tangible progress such as securing GPU supply agreements, announcing partnerships, or onboarding initial customers, could improve investor confidence.

Additionally, the competitive landscape remains intense, with established players continuing to expand their AI infrastructure offerings. Allbirds must differentiate themselves or carve out a niche to be a serious competitor.

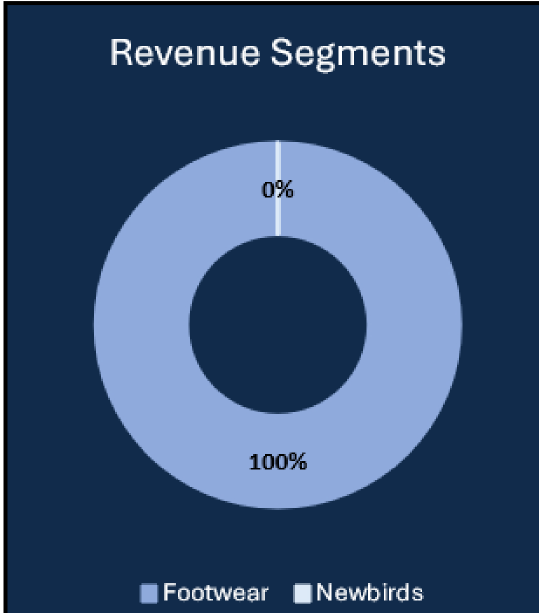
Valuation

DCF Analysis ($mm)	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Revenue	11,220	11,902	12,616	13,338	14,042	14,704
Revenue Growth	*6%*	*6%*	*6%*	*6%*	*5%*	*5%*
Americas	8,000	8,160	8,344	8,552	8,787	9,051
Rest of World	1,520	1,702	1,885	2,065	2,235	2,391
China Mainland	1,700	2,040	2,387	2,721	3,020	3,262
EBIT	2,300	2,500	2,649	2,801	2,949	3,088
EBIT Margin	*20%*	*21%*	*21%*	*21%*	*21%*	*21%*
Tax Expense	650	750	795	840	885	926
Effective Tax Rate	*28%*	*30%*	*30%*	*30%*	*30%*	*30%*
NOPAT	1,650.00	1,749.65	1,854.52	1,960.64	2,064.24	2,161.51
D&A	470	512	533	554	572	588
Capex	730	833	852	867	878	882
Changes in NWC	228	119	79	33	(18)	(74)
UFCF	1,162	1,309	1,457	1,614	1,776	1,941
PV of FCF	1,143	1,215	1,242	1,264	1,279	1,284

Discontinued their old and previously only segment, footware. The "Newbird" segment represents the future project cash flows from GPU-as-a-Service.

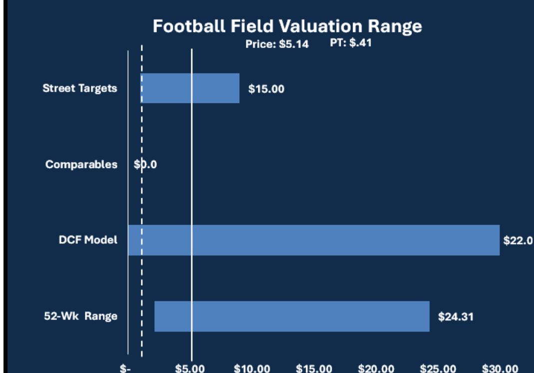
Conclusion

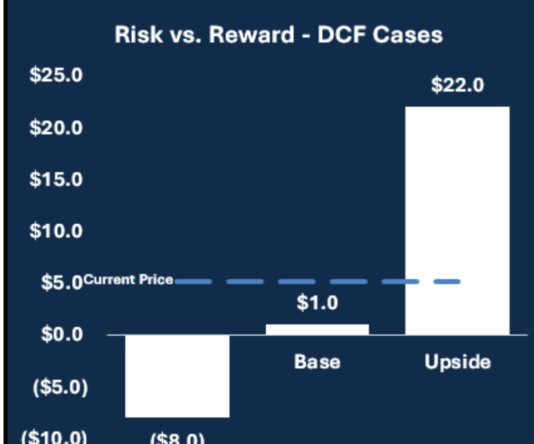
Allbirds' transformation into an AI infrastructure provider represents a drastic strategic pivot into a capital-intensive and competitive sector in technology. While the long-term growth of AI compute demand is undeniable, we believe "Newbird" lacks the foundational requirements to compete effectively. Structural disadvantages in GPU-as-a-Service, combined with the lack of an established customer base and proven operational capabilities, limit the company's ability to scale and generate sustainable cash flows. Allbirds enters the market without meaningful supplier leverage or technical track record, which we view as essential in a supply-constrained industry. As a result, we maintain our **$BIRD SELL** rating and our one-year price target of **$0.41**.



Terminal Value	
Exit Multiple Method	
2034 EBIT	$22
EV/EBIT Exit Multiple	10.0x
Terminal Value	$221
PV of Terminal Value	$104
PV of Projection Period	-$110
PV of Terminal Value	$104
Implied TEV	-$6
(-) Debt	$17
(+) Cash	$27
Implied Equity Value	$4
Diluted Shares Outstanding	9
Implied Share Price	$0.41
Upside/Downside	-92.0%

Implied PGR	18.3%





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Income Statement ($mm)	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**CAGR%**
Revenue	152	50	65	80	95	-11.3%
EBITDA	(67)	(55)	39	41	40	#NUM!
EBIT	(75)	(70)	33	34	33	#NUM!
NOPAT	(76)	(72)	26	27	26	#NUM!

Margin & Growth Data	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**AVG%**
EBITDA Margin	-44.1%	-110.0%	60.0%	51.3%	42.5%	-0.1%
EBIT Margin	-49.3%	-140.0%	50.0%	42.5%	35.0%	-12.4%
Revenue Growth	-19.7%	-67.2%	30.0%	23.8%	17.5%	-3.1%
EBIT Growth	-20.0%	-6.9%	-146.4%	5.2%	-3.2%	-34.3%

Valuation Metrics	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**AVG%**
P/FCF	-0.4x	-0.2x	3.3x	3.9x	5.7x	2.5x
EV/Sales	0.1x	0.2x	0.2x	0.2x	0.1x	0.2x
EV/EBITDA	-0.2x	-0.2x	0.3x	0.3x	0.3x	0.1x
FCF Yield	-285.4%	-585.7%	30.0%	26.0%	17.4%	-159.5%

Comparable Companies

$mm

Ticker	**Mkt Cap**	**EV**	**P/E LTM**	**Revenue LTM**	**EBITDA LTM**
PUMA SE (XTRA:PUM)	$4,485	$7,191	-1.4x	$8,613	$2
Birkenstock Holding plc (NYSE:BIRK)	$7,272	$8,585	16.5x	$2,523	$736
DigitalOcean Holdings, Inc. (NYSE:DOCN)	$8,901	$10,348	37.9x	$901	$284
CoreWeave, Inc. (NasdaqGS:CRWV)	$62,499	$89,161	0.0x	$5,131	$2,437
Allbirds	$94	$107	-8.6x	$153	-$67

Ticker	**LTM EV/EBITDA**	**Gross Margin**	**EBITDA Margin**	**EBIT Margin**	**1 Yr Rev Growth Rate LF**
PUMA SE (XTRA:PUM)	2996.4x	45.0%	0.0%	(2.3%)	(13.1%)
Birkenstock Holding plc (NYSE:BIRK)	11.7x	58.7%	29.2%	25.9%	14.7%
DigitalOcean Holdings, Inc. (NYSE:DOCN)	36.4x	59.9%	31.5%	17.4%	15.5%
CoreWeave, Inc. (NasdaqGS:CRWV)	36.6x	71.7%	47.5%	(0.3%)	167.9%
Allbirds	-1.6x	41.0%	(44.0%)	(49.3%)	(19.7%)

High	2996.38x	71.7%	47.5%	25.9%	167.9%
75th Percentile	36.59x	59.9%	31.5%	17.4%	15.5%
Average	615.89x	55.3%	12.8%	-1.7%	33.1%
Median	36.40x	58.7%	0.0%	-0.3%	14.7%
25th Percentile	11.66x	45.0%	0.0%	-2.3%	-13.1%
Low	-1.59x	41.0%	-44.0%	-49.3%	-19.7%

Allbirds		
Implied Enterprise Value (25th Percentile)	$	(784)
Implied Enterprise Value (Median)	**$**	**(2,446)**
Implied Enterprise Value (75th Percentile)	$	(2,459)
Implied Share Price (25th Percentile)	$	(88.40)
Implied Share Price (Median)	**$**	**(278.10)**
Implied Share Price (75th Percentile)	$	(279.56)

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	2.70
Risk Free Rate	4.41%
Cost of Equity	15.65%
Weighted Average Cost of Debt	4.50%
Tax Rate	20.00%
Cost of Debt	0.14%
Total Equity	$22
Total Debt	($9)
Equity/Total Capitalization	93.15%
Debt/Total Capitalization	6.85%
WACC	15.80%

Downside Case: Because this is an AI stock, there is an extreme downside case to my SELL rating. If BIRD were to find some success breaking into GPU-as-a-service, their exit multiples expand very quickly, but this scenario is incredibly unlikely.

Upside Case: Allbird takes on too many fixed cost and does not produce enough revenue to cover their expenses. Upside case predicts Allbird will be pushed to the verge of bankruptcy.