



Culper Research short report on Cerebras Systems (NASDAQ: CBRS)

Summary & independent analysis · source report dated October 28, 2026 · prepared October 28, 2026

A short-seller report titled "Cerebras Systems Inc. (CBRS): Hot Garbage." Culper discloses it is short the stock — so it profits if shares fall, and the report is an advocacy document, not a neutral assessment. The thesis in one line: Cerebras never actually solved the core engineering problem it claims to have solved, and a chain of workarounds, accounting choices, and a lopsided anchor deal mask a business that doesn't work — so the stock is headed lower.

The argument, summarized

1. The central engineering claim is false (per Culper). Cerebras says CEO Andrew Feldman's team solved the "75-year-old" problem of building a whole-wafer chip, chiefly by "inventing" a connector material that absorbs the mismatch in thermal expansion between wafer and board. Culper traces that material to **PariPoser**, an anisotropic conductive elastomer developed at Bell Labs in the 1980s and now sold by Paricon Technologies (Taunton, MA) — whose own marketing says it is "used by Cerebras... in their delivered product." The claim: the material is neither new nor Cerebras's invention, and Paricon itself warns it doesn't fully solve expansion mismatch.

2. The real "fix" is a workaround that trades one flaw for another. Rather than solving thermal expansion in hardware, Culper argues Cerebras runs "**dummy operations**" so the 84-die wafer never cools and never develops the temperature gradients that would crack it. Evidence assembled: a Cerebras solutions architect at a Berlin "café compute" meetup saying that without dummy ops the wafers "curve and break"; a decompiled *dummy_tokens* field in Cerebras's own InferenceUtilizationStats code (claimed distinct from normal padding tokens, and absent from Nvidia/Google/Intel code); a 2022 paper co-authored by a Cerebras engineer showing the CS-2 draws ~70% of peak power at idle; and an April 2026 Harvard/Meta FAIR benchmark showing the CS-3 at ~80% idle power and 100% of rated power in both inference phases, versus ~20% idle and 50–60% decode for Nvidia/AMD GPUs.

3. Consequence: the wafers wear out fast. Because they run near full power around the clock, Culper applies an Arrhenius (temperature-driven mean-time-to-failure) model and estimates Cerebras wafers age **3–3.5× faster** than GPUs, giving a field life of **~1.5–2.5 years** vs. 5–7 for GPUs. Multiple anonymous customers and former employees describe systems breaking down and requiring full replacements within a year or two.

4. The accounting "tell." The most concrete, document-based point. In draft registration statements filed through December 2025, Cerebras assigned its computer equipment a **1.5–3.0-year** useful life. In its **April 2026 S-1**, just before IPO, it raised that to **3–5 years** — with no explanation and no reconciliation — inflating reported margins. Culper estimates that at a 2.25-year life, 1H 2026 gross margin would be ~24% (vs. 29.9% reported) and operating margin ~-140%.

5. The cloud shift hides failures. Cerebras's August 2024 move from selling hardware to selling cloud compute means failed systems are swapped out of customers' sight, and replacements get booked as capex (depreciated over the inflated life) rather than hitting cost of revenue — concealing both reliability problems and margin impact.

6. Management's track record. Feldman's prior company SeaMicro was bought by AMD in 2012 and shut down by 2014 (\$76M in charges); before that, at Riverstone Networks, the SEC charged undisclosed side agreements and Feldman pleaded guilty to one felony count of violating internal accounting controls; Riverstone went bankrupt (\$1.06/share vs. a \$14 spin-off price).

7. The OpenAI deal is a liability, not a validation. Investors read the December 2025 OpenAI Master Relationship Agreement (750 MW, \$1B loan to Cerebras, 33.4M warrants $\approx$ 12%) as a credibility stamp. Culper argues the terms heavily favor OpenAI (whose Altman and Brockman invested personally pre-IPO), representing a 20–77% (up to 84%) effective discount once short wafer life is factored in, with an estimated NPV to Cerebras ranging from **–\$13.8B to +\$4.1B**. It frames the deal as what Cerebras had to give up to go public after its prior reliance on UAE-based G42 (China ties / CFIUS scrutiny) stalled its IPO.

8. Competition and insider selling. Etched (transformer-only inference, not wafer-scale, so it dodges the thermal problem; ~\$40–50B raise) is poaching Cerebras talent and customers like Jane Street; OpenAI reportedly runs its newest "UltraFast" tier on Nvidia, not Cerebras. Meanwhile insiders have sold >\$400M since the IPO, with 19.4M shares unlocking Oct 14 and Oct 28, 50M+ in early November, and the full lock-up expiring Nov 9 — just before Q3 earnings on Nov 12.

Independent analysis

Where the report is strongest

The case is unusually well-corroborated for a short report: the physics claim isn't resting on Culper's say-so alone but on *Cerebras's own engineers' 2022 paper*, an *independent Harvard/Meta benchmark*, and the company's *own decompiled code*. That triangulation across hostile-to-neutral sources is harder to dismiss than the usual anonymous sourcing. The single most damaging point, though, is the **accounting change** — because it's verifiable from primary SEC documents and requires no modeling: a company roughly doubling the depreciable life of its core asset immediately before an IPO, with no disclosure or reconciliation, then stating "no significant changes" in later 10-Qs, is a legitimate red flag that inflates margins and, conveniently, aligns with exactly the reliability problem Culper alleges. Combined with a CEO who has a prior accounting-controls felony, the *governance* half of the thesis stands largely on hard facts rather than inference.

Where to be skeptical

Several load-bearing numbers are *modeled estimates dressed as findings*, and Culper consistently leads with the scariest end of each range. The Arrhenius lifespan claim depends on assumed inputs — activation energy (0.7 eV), a 50°C full-load temperature, power-scaled temperature — none measured in the field; small changes in those assumptions move the "3×" materially, and high idle power does not by itself prove 3× shorter *field* life (that's an inference, not an observation). The report even concedes that dummy operations are a *known, normal* technique for smoothing power draw, then asserts Cerebras does it "much further" — a difference of degree it

can't fully quantify. The OpenAI NPV range (−\$13.8B to +\$4.1B) is so wide it's really an admission of deep uncertainty, yet the headline uses the −\$13.8B figure. And the customer/employee quotes, while numerous, are anonymous, unverifiable, and selected by a short-seller.

Motive and timing matter

This dropped on **Oct 28** — a lock-up unlock date — roughly two weeks before the **Nov 9** full lock-up expiry and **Nov 12** Q3 earnings. That is textbook short-report timing: publish when new share supply is about to hit and a catalyst looms, maximizing the odds of a move. It doesn't make the analysis wrong, but it's the right lens for reading the framing: every ambiguous point is resolved toward the bearish interpretation.

New vs. recycled

The "PariPoser isn't invented" point is more a marketing-puffery gotcha than a business-killer — whether Cerebras *invented* the elastomer matters far less than whether its systems *work economically*. The economic question is the real one, and there the report is persuasive but not conclusive: it establishes that Cerebras wafers run hot and draw high idle power (well-supported), and *infers* from that a short field life and ruined unit economics (plausible, but modeled).

What would settle it (in order of weight)

(1) Actual field reliability data — RMA/replacement rates, warranty-reserve trends — which neither side fully shows; (2) Cerebras's explanation for the depreciation change and any restatement; (3) independent, measured wafer operating temperatures and idle power in production (not benchmarks); (4) whether OpenAI/Jane Street volumes on Cerebras grow or migrate to Nvidia/Etched; (5) the size and reasoning of insider sales after the lock-up.

Bottom line

The governance-and-accounting spine of this report (depreciation change, cloud-shift margin optics, management history, lopsided OpenAI terms) is the credible, hard-to-refute core. The "hot garbage" engineering narrative is plausible and better-sourced than most short reports, but its quantified conclusions rest on modeling and anonymous testimony, and the whole document is written to advocate a position its author is paid to hold. A fair reading: real, specific risks worth taking seriously — especially the accounting change and reliability questions — presented at their most alarming, by an interested party, at a deliberately opportune moment. Treat the verifiable claims (SEC filings, the published papers, the code) as the signal, and the modeled magnitudes and quotes as the author's advocacy.

Prepared by AkshayaAI. This is a summary and independent analysis of a published short-seller report — not investment advice. Allegations described are the report author's opinions, not verified facts.

Source document: Culper Research, "Cerebras Systems Inc. (CBRS): Hot Garbage," October 28, 2026. All characterizations of Cerebras, its management, and third parties above are Culper's claims as summarized, except where explicitly labeled independent analysis.