Investment Memo

NuScale Power (NYSE: SMR)

Research period: Aug 27 to Sept 5, 2025. Stock price during research window: ~$33-35. Position: pass, no trade taken.

Bottom line. Built a bullish lean on the macro thesis (AI compute demand creates a structural power bottleneck, nuclear is one of the few scalable baseload solutions, SMRs may be the deployable version of nuclear for hyperscalers). On NuScale specifically, the company-execution thesis did not clear the bar. Flagged execution risk, FID milestone uncertainty, "priced for perfection" valuation, and financing/dilution risk as the reasons to pass. Decided not to deploy capital. Between the research window and May 2026, the stock peaked at $57.42 (Oct 16, 2025), then collapsed 79% on a $495M ENTRA1 payment, securities fraud class actions, and a 96% Y/Y revenue decline in Q1 2026. The decision to pass was vindicated. What the analysis underweighted: counterparty-specific governance risk and the magnitude of the strategic-backer exit.

1. Original thesis (Aug-Sept 2025)

The thesis was built on a second-order observation about AI infrastructure. Most retail attention was on the obvious layer (models, GPUs, semis). The harder question was: what breaks if AI actually scales?

The answer that kept coming back was power infrastructure. Hyperscaler data center campuses were already pushing 100-500 MW each, with future AI campuses projected at 1 GW+. Existing grid expansion timelines are linear and slow. Renewables alone could not provide the continuous baseload that AI training and inference demand. Nuclear capacity factors run ~90%+, versus ~30-40% for wind and ~20-30% for solar. The math forced nuclear back into the conversation.

SMRs specifically became interesting because they offered modularity, smaller footprint, faster siting potential, and better compatibility with industrial and data center deployment than legacy giga-reactors. NuScale stood out among SMR names because they had real NRC engagement and reactor design progress, which differentiated them from purely conceptual peers (Oklo, TerraPower, BWX Technologies, Cameco, GE Vernova).

The thesis, distilled: *if AI infrastructure demand continues accelerating over the next 3-10 years, stable baseload power becomes one of the largest bottlenecks in the compute supply chain. NuScale could be a major beneficiary if SMRs gain real commercial adoption.*

2. How I validated the thesis at the time

The primary institutional source was the Deloitte report on nuclear powering data centers, which provided the framework for thinking about AI-driven power demand, baseload requirements, and SMR deployment potential. Supporting research included NuScale investor relations materials, SEC filings, NRC regulatory progress documentation, and hyperscaler capex commentary from Microsoft, Meta, OpenAI, and NVIDIA earnings calls.

The Q2 2025 earnings print (released August 7, 2025) was the most relevant data point during the research window. NuScale reported EPS of -$0.13 against a -$0.12 consensus and revenue of $8.05M against a $10.49M expectation. The call supported the long-term positioning narrative but did not fully validate commercial scalability or near-term execution certainty. The conclusion at the time was: *the call strengthened "the opportunity exists," but did not prove "NuScale will dominate it."*

3. Concerns I flagged at the time

Four structural concerns kept the position from clearing the bar:

Commercialization risk. Good technology does not guarantee commercial success. Reactors still needed customers, financing, permits, construction starts, timelines, and economics that actually worked. None of those had been definitively proven.

No near-term FID milestones. Without signed projects, approved sites, and committed financing, revenue realization could slip by years. The market may price patience as long as the narrative held, but valuation expansion becomes difficult without execution proof points.

Priced for perfection. The stock had already moved aggressively. The technical question became: how much future success was already baked in? This was less a chartist observation and more a sentiment-positioning awareness. Markets often front-run infrastructure adoption by years, and many "future infrastructure" names become overvalued before revenues arrive.

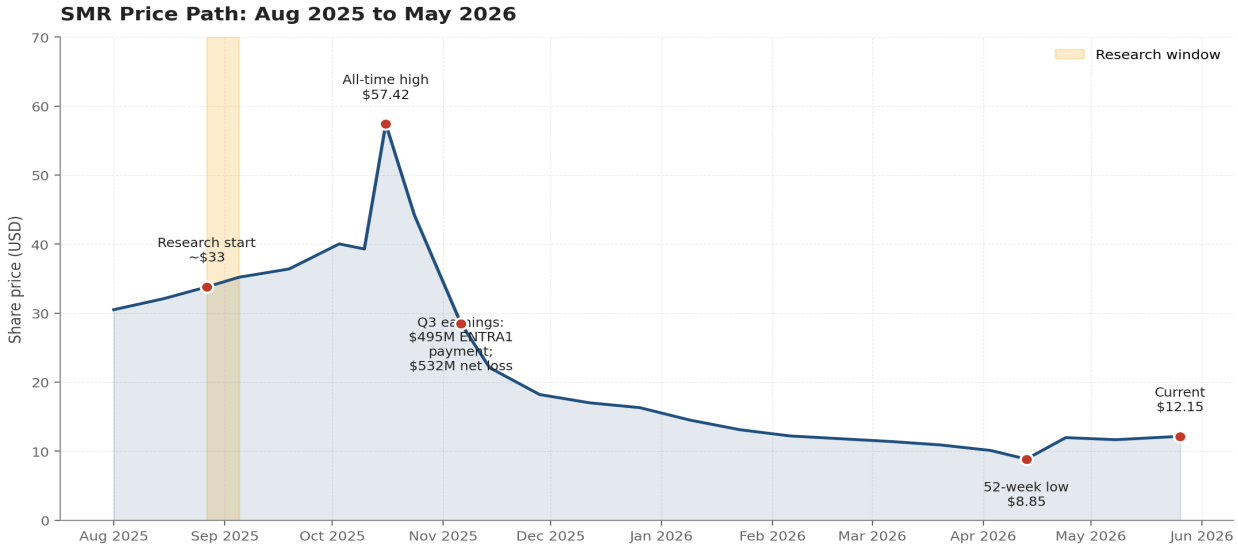
Financing and dilution risk. Nuclear buildouts are brutally capital intensive. Long development cycles. Sensitivity to interest rates. Higher rates would increase financing costs, lower project viability, and increase dilution risk. Even if the thesis was directionally right, shareholders could still get hurt.

4. The decision: pass on the trade

Final stance was that the macro thesis was probably right, but the company-execution timeline was much less certain. The structural separation between industry outlook and investable timing became the deciding framework. Nuclear probably matters. AI power demand is real. SMRs may eventually become important. But NuScale still had major execution hurdles, timelines were uncertain, commercialization was not validated, and valuation may have already reflected too much optimism.

There was also a duration mismatch. The original trade idea was a 1-2 quarter debit call spread structure. Nuclear infrastructure cycles are multi-year. The catalysts that could meaningfully re-rate the stock (signed FIDs, utility partnerships, financing closes) were unlikely to land inside the option duration. That tension between thesis timeline and trade duration was the practical reason the trade never got placed.

5. What happened next (Oct 2025 to May 2026)



Sources: Google Finance, MarketBeat historical data, Macrotrends, SimplyWall.St. Annotations mark the research window, the Oct 16 2025 all-time high, the Q3 2025 earnings catalyst, the 52-week low, and current price.

SMR ran from the research-window range of $33-35 to an all-time high of $57.42 on October 16, 2025. That rally was almost entirely narrative-driven: AI power demand, nuclear sentiment rotation, and infrastructure thematic flows. Fundamentals did not improve materially during the move.

The collapse started with the Q3 2025 earnings release on November 6, 2025. Per StocksToTrade reporting:

> *"Q3 2025 general and administrative expenses at NuScale Power exploded over 3,000% to $519M, driven by a $495M ENTRA1 payment tied to a TVA nuclear agreement, causing a $532M quarterly net loss."*

Multiple securities-fraud class actions followed, alleging NuScale misrepresented ENTRA1's experience and capabilities, even as ENTRA1 was positioned as a key or exclusive commercialization partner for the NuScale Power Module. The TimothySykes coverage summarized the shift directly:

> *"NuScale Power's SMR story has shifted from pure growth hype to a high-risk clean-energy litigation play."*

Former strategic backer Fluor exited its roughly 40-million-share stake via approximately $2.43B of open-market sales since 2025. Q1 2026 earnings (reported May 2026) made the commercialization gap explicit: revenue collapsed to $565K versus $13.38M in Q1 2025, a 96% year-over-year decline. Net loss widened to $44M.

Analyst price targets were cut across multiple firms, with the consensus reset from $33.96 to a $16.50 range and BofA reinstating coverage at a $12 target.

From the October 16 peak to May 2026, the stock declined 79%. Year over year, down 65%.

6. What the analysis got right

Concern flagged at the time	How it played out
Commercialization risk	Q1 2026 revenue collapsed 96% Y/Y to $565K. Commercialization still has not materialized.
No near-term FID milestones	No firm orders converted. TVA-ENTRA1 framework remains the key unresolved catalyst.
"Priced for perfection"	Stock peaked at $57.42 in Oct 2025, down 79% from peak to current. Sentiment unwound on first negative catalyst.
Financing/dilution risk	Ongoing equity issuance overhang. Analyst notes specifically cite "ongoing overhang from equity issuance and project execution risk."

Every structural concern flagged in the original analysis played out. The decision to pass on the trade was the right call given the analytical framework that was built.

7. What I underweighted in the analysis

Being right not to deploy is not the same as having a complete analysis. Three things the framework did not fully capture:

Counterparty-specific governance risk. The framework flagged commercialization risk generally. It did not zoom in on the specific risk that the named exclusive commercialization partner (ENTRA1) might itself become the source of governance failures and litigation. The $495M payment and subsequent fraud allegations were a counterparty-disclosure problem, not just a commercialization-timing problem.

Strategic-backer exit signal. Fluor's ~40M share sale for $2.43B was one of the strongest possible negative signals from an informed insider. The analytical framework did not have a slot for tracking strategic-backer exits as a forward-looking indicator. That would have added conviction to the pass decision and could have been positioned as a put structure rather than just a no-trade.

Magnitude of the revenue collapse. The framework anticipated commercialization lag. It did not anticipate that Y/Y revenue would fall 96% in a single quarter. That degree of revenue erosion suggests the underlying business was even further from commercial maturity than the bull case allowed.

8. What I'd take forward

Three frameworks from the SMR research process that compound:

Industry thesis vs. company thesis. The macro can be right and the specific company can still fail. "AI power demand is real" does not equal "NuScale wins." That separation later improved the CRWV analysis and any infrastructure thematic work going forward.

Trade structure must match thesis duration. A 1-2 quarter option structure cannot express a multi-year infrastructure thesis. The mismatch killed the trade idea before any single concern did. Going forward, the question is always: does my expression match my conviction's time horizon?

Not taking the trade is the trade. The strongest output of the SMR research process was the decision not to deploy capital into a thesis that did not clear the bar. Retail investors usually only count wins. Avoided losses count too. The framework that produced the pass decision is the same framework that produced the CRWV entry.

Personal investment research. Not investment advice. Not affiliated with any registered investment firm. Sources: Deloitte (Nuclear Energy Powering Data Centers), NuScale Power investor materials and SEC filings, Google Finance, MarketBeat, Macrotrends, SimplyWall.St, ChartMill, Yahoo Finance, TimothySykes, StocksToTrade.