Celestica Inc.

Revenues and margins set to grow; raising PO to $430

Reiterate Rating: BUY | PO: 430.00 USD | Price: 396.01 USD

20 April 2026

Equity

Key Changes

(US$)	Previous	Current
Price Obj.	400.00	430.00

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AMD represents a meaningful growth opportunity

Celestica is undertaking the R&D, design and manufacturing of the scale-up networking switches in the AMD "Helios" AI architecture which we view as a multi-billon dollar TAM which opens up the opportunity for Celestica to work with hyperscalers whom it does not work with today. This is another proof point of Celestica's ability to move into the scale-up networking market with Ethernet, beyond the opportunity with Broadcom and its announced digital native customer opportunity in 2027. We see upside potential to 2026 guidance. We raise our PO to $430 (from $400) on 34x (prior 32x) C27E EPS of $12.65. We use a higher multiple on large revenue opportunity in white-box switching and custom ASIC accelerated servers. Reiterate Buy.

Remains a leader in white-box switching

Celestica's revenue opportunity in white-box switching remains intact with the 1.6T ramp later this year. All three of Celestica's large hyperscale customers have committed to ramping 1.6T switching (two of them likely begin deployments this year, with the third ramping next year). Some clients have asked us if we see OCS (Optical Circuit Switching) as a meaningful competition for Ethernet switches. Based on industry stats, by the end of the decade, Ethernet switching is expected to be a much larger market vs OCS and we not see that technology as a threat to Ethernet switching. Clients have also asked about impact from CPO (co-packaged optics). While Nvidia is making an earlier push for CPO, we see CPO becoming meaningful in the Broadcom ecosystem somewhat later (likely 2028+ with Tomahawk 7 and later platforms).

Custom ASIC server demand remains strong

We see Celestica's share at Google remaining intact and demand for TPUs remaining strong which should continue to benefit revenues from custom ASIC accelerated servers. Last quarter, Celestica announced that it is adding manufacturing capacity in the U.S. and Thailand to support Google which indicates strong demand. In addition, 2027 should see the benefit from Celestica's "Digital Native" customer ramping, which can add billions of dollars of revenue. Some clients were concerned about Celestica adding capex, but we point out that management is conservative and the planned capex is to support projects that have been awarded.

Estimates (Dec) (US$)	2024A	2025A	2026E	2027E	2028E
EPS	3.88	6.05	8.83	12.65	16.35
GAAP EPS	3.61	7.18	8.32	12.14	15.84
EPS Change (YoY)	57.7%	55.9%	46.0%	43.3%	29.2%
Consensus EPS (Visible Alpha)			8.96	12.74	16.19
EPS (YCLS - US$)	3.88	6.05	8.83	12.65	16.35
Valuation (Dec)					
P/E	102.1x	65.5x	44.8x	31.3x	24.2x
GAAP P/E	109.7x	55.2x	47.6x	32.6x	25.0x
EV / EBITDA*	57.3x	41.1x	25.8x	17.8x	14.2x
Free Cash Flow Yield*	0.7%	1.0%	0.8%	0.7%	0.9%

* For full definitions of *iQmethod* SM measures, see page 5.

Stock Data

Price (NYS / TOR)	396.01 USD / 542.89 CAD
Price Objective	430.00 USD / 589.00 CAD
Date Established	20-Apr-2026 / 20-Apr-2026
Investment Opinion	C-1-9 / C-1-9
52-Week Range	78.84 USD - 399.36 USD
Market Value (mn)	45,529 USD
Free Float	98.1%
Average Daily Value	773.68 USD
Shares Outstanding (mn)	115.0 / 115.0
BofA Ticker / Exchange	CLS / NYS
BofA Ticker / Exchange	YCLS / TOR
Bloomberg / Reuters	CLS US / CLS.N
ROE (2026E)	38.5%
Net Dbt to Eqty (Dec-2025A)	8.2%

TAM: Total Available Market
ASIC: Application Specific Integrated Circuit
TPU: Tensor Processing Unit

Refer to important disclosures on page 6 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.
12960778

Timestamp: 20 April 2026 05:00AM EDT

iQprofile℠ Celestica Inc.

*iQ*method℠ – Bus Performance*

(US$ Millions)	2024A	2025A	2026E	2027E	2028E
Return on Capital Employed	17.7%	23.7%	28.5%	31.3%	30.6%
Return on Equity	25.1%	34.2%	38.5%	39.0%	35.8%
Operating Margin	6.5%	7.5%	7.9%	8.0%	8.1%
Free Cash Flow	303	458	349	312	390

*iQ*method℠ – Quality of Earnings*

(US$ Millions)	2024A	2025A	2026E	2027E	2028E
Cash Realization Ratio	1.0x	0.9x	1.3x	0.6x	0.4x
Asset Replacement Ratio	1.0x	1.1x	2.5x	0.8x	0.6x
Tax Rate	19.2%	19.6%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	19.7%	8.2%	-0.8%	-4.4%	-7.2%
Interest Cover	12.0x	17.6x	26.4x	39.7x	NM

Income Statement Data (Dec)

(US$ Millions)	2024A	2025A	2026E	2027E	2028E
Sales	9,646	12,391	17,038	23,933	30,039
% Change	21.2%	28.5%	37.5%	40.5%	25.5%
Gross Profit	1,019	1,415	1,986	2,839	3,625
% Change	30.6%	38.9%	40.4%	42.9%	27.7%
EBITDA	791	1,103	1,758	2,541	3,200
% Change	33.0%	39.4%	59.4%	44.5%	25.9%
Net Interest & Other Income	(52)	(53)	(51)	(48)	(47)
Net Income (Adjusted)	**461**	**703**	**1,024**	**1,466**	**1,895**
% Change	**55.8%**	**52.6%**	**45.6%**	**43.3%**	**29.2%**

Free Cash Flow Data (Dec)

(US$ Millions)	2024A	2025A	2026E	2027E	2028E
Net Income from Cont Operations (GAAP)	435	833	964	1,407	1,895
Depreciation & Amortization	169	176	411	636	754
Change in Working Capital	(91)	(112)	(67)	(1,285)	(1,825)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	(38)	(237)	60	59	0
Capital Expenditure	(171)	(201)	(1,020)	(506)	(434)
Free Cash Flow	**303**	**458**	**349**	**312**	**390**
% Change	**50.7%**	**51.3%**	**-23.9%**	**-10.5%**	**25.0%**
Share / Issue Repurchase	(148)	(153)	(143)	(143)	(143)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	132	(18)	(24)	(24)	(24)

Balance Sheet Data (Dec)

(US$ Millions)	2024A	2025A	2026E	2027E	2028E
Cash & Equivalents	423	596	778	923	1,147
Trade Receivables	2,069	2,638	3,548	5,115	6,502
Other Current Assets	2,020	2,440	4,086	5,626	7,488
Property, Plant & Equipment	537	586	1,194	1,064	743
Other Non-Current Assets	939	954	954	954	954
Total Assets	**5,988**	**7,213**	**10,560**	**13,681**	**16,834**
Short-Term Debt	27	26	26	26	26
Other Current Liabilities	2,995	3,914	6,404	8,225	9,650
Long-Term Debt	770	751	727	703	679
Other Non-Current Liabilities	301	307	307	307	307
Total Liabilities	**4,092**	**4,997**	**7,463**	**9,261**	**10,661**
Total Equity	**1,896**	**2,216**	**3,097**	**4,421**	**6,173**
Total Equity & Liabilities	**5,988**	**7,213**	**10,560**	**13,681**	**16,834**

* For full definitions of *iQmethod*℠ measures, see page 5.

Company Sector

Electronics Manufacturing Services

Company Description

Celestica is a leading EMS company, by revenue, based in North America. The company was incorporated in Ontario, Canada in 1996. Prior to that, the company was an IBM manufacturing unit that provided manufacturing services to IBM for more than 75 years. The company has two business units: CCS (Communications, Server, Storage) and ATS (Aerospace & Defense, Industrial, Capital Equipment, and HealthTech). The company has a sizeable ODM business called Hardware Platform Solutions (HPS).

Investment Rationale

Our Buy rating is based on revenues benefiting from a data center switching upgrade cycle as well as growth in custom ASIC compute, leadership position in white-box switching, first mover advantage in leading switch technologies, upcoming large program in 2027 with a Digital Native customer, and margins continuing to benefit from further mix shift to ODM (HPS) revenues which should allow Celestica to showcase its engineering design capabilities.

Stock Data

Average Daily Volume	1,953,690
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2025	2026
Q1	1.20A	2.04E
Q2	1.39A	1.95E
Q3	1.58A	2.22E
Q4	1.89A	2.62E

Key Changes

(US$)	Previous	Current
Price Obj.	C$543.00	C$589.00

Price objective basis & risk

Celestica Inc. (CLS / YCLS)

Our PO of $430 US for CLS is based on 34x our C27E EPS of $12.65. This multiple is higher than the median 9x of the long-term historical range of 5-45x. In our opinion, a multiple higher than the median and near the high end of the historical range is justified as revenue and EPS growth and margins for the company are now much higher than in the past. The corresponding PO for CLS CN is CAD589, applying USDCAD exchange rate of 1.37.

Upside risks are 1) unexpected new program wins, 2) faster than expected recovery in the macro economy, 3) a faster than expected adoption of white-box Ethernet switches in the data center and 4) share gains from competitors.

Downside risks are 1) program delays or mis-execution on program ramps, 2) component shortages which can lead to delayed revenue or revenue loss, 3) slower than expected recovery in the macro economy which can impact demand in various end markets, 4) an unexpected slowdown in hyperscale customer capex and AI related spending, 5) share loss to other white box or OEM switch vendors, and 6) competition from Asian ODMs which can lead to pricing pressure.

Analyst Certification

I, Ruplu Bhattacharya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Amphenol	APH	APH US	Wamsi Mohan
	Apple Inc.	AAPL	AAPL US	Wamsi Mohan
	Celestica Inc.	CLS	CLS US	Ruplu Bhattacharya
	Celestica Inc.	YCLS	CLS CN	Ruplu Bhattacharya
	Corning Inc.	GLW	GLW US	Wamsi Mohan
	Dell Technologies Inc.	DELL	DELL US	Wamsi Mohan
	DigitalOcean	DOCN	DOCN US	Wamsi Mohan
	Flex Ltd.	FLEX	FLEX US	Ruplu Bhattacharya
	Hewlett-Packard Enterprise	HPE	HPE US	Wamsi Mohan
	Ingram Micro Holding Corporation	INGM	INGM US	Ruplu Bhattacharya
	International Business Machines Corp.	IBM	IBM US	Wamsi Mohan
	Jabil Inc.	JBL	JBL US	Ruplu Bhattacharya
	Nutanix Inc	NTNX	NTNX US	Wamsi Mohan
	Sandisk Corporation	SNDK	SNDK US	Wamsi Mohan
	Seagate Technology	STX	STX US	Wamsi Mohan
	TD Synnex Corp	SNX	SNX US	Ruplu Bhattacharya
	TE Connectivity Plc.	TEL	TEL US	Wamsi Mohan
	Western Digital Corporation	WDC	WDC US	Wamsi Mohan
NEUTRAL				
	CDW Corp	CDW	CDW US	Ruplu Bhattacharya
	Concentrix Corporation	CNXC	CNXC US	Ruplu Bhattacharya
	Enovix Corporation	ENVX	ENVX US	Ruplu Bhattacharya
	NetApp Inc.	NTAP	NTAP US	Wamsi Mohan
	Pure Storage	PSTG	PSTG US	Wamsi Mohan
	Sanmina Corporation	SANM	SANM US	Ruplu Bhattacharya
	Sensata Technologies Holdings Plc	ST	ST US	Wamsi Mohan
UNDERPERFORM				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya
	Avnet Inc.	AVT	AVT US	Ruplu Bhattacharya

US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	HP Inc.	HPQ	HPQ US	Wamsi Mohan
	Super Micro Computer Inc.	SMCI	SMCI US	Ruplu Bhattacharya
	Teradata Corporation	TDC	TDC US	Wamsi Mohan
	Vishay Intertechnology, Inc.	VSH	VSH US	Ruplu Bhattacharya

*iQ*method℠ Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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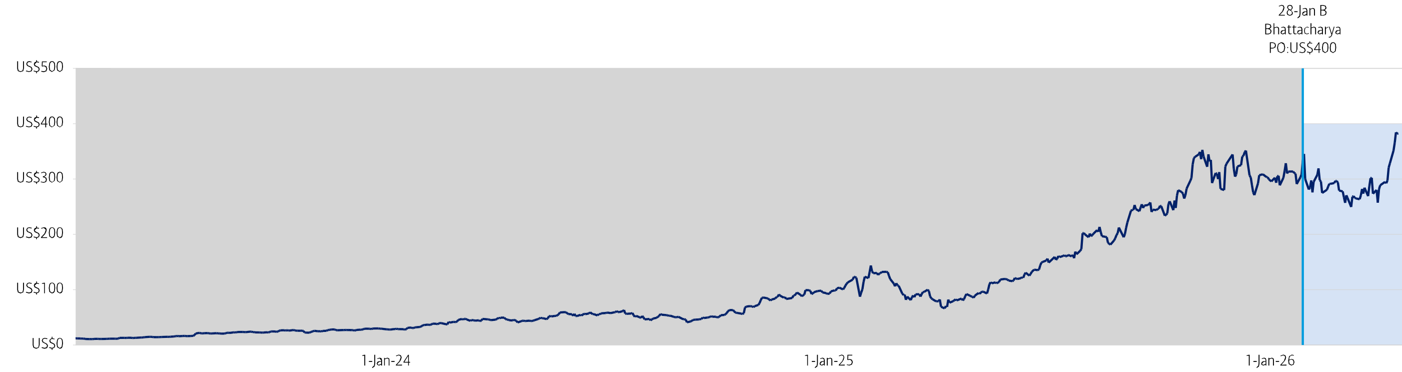
Important Disclosures

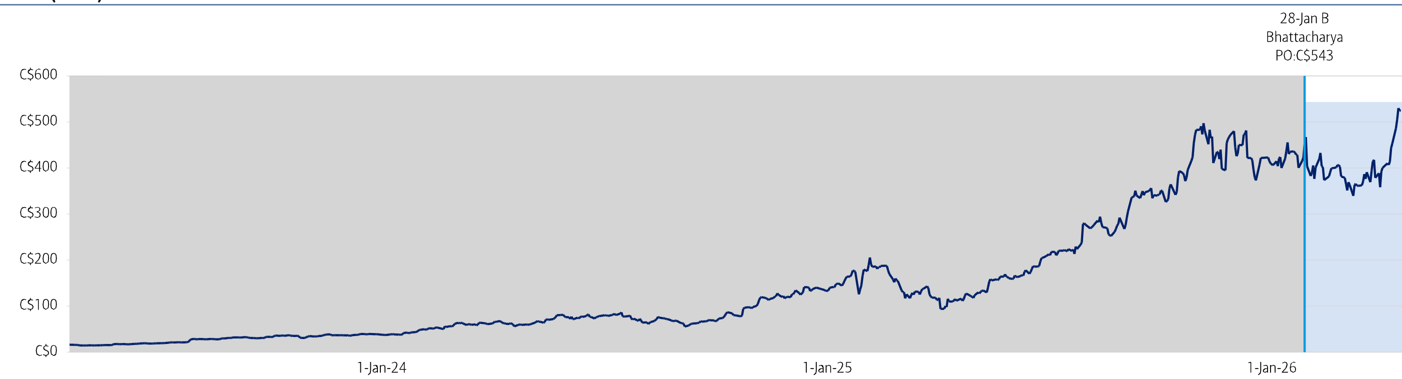
Celestica (CLS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Celestica (YCLS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Electronics Group (as of 31 Mar 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	34	56.67%	Buy	17	50.00%
Hold	10	16.67%	Hold	3	30.00%
Sell	16	26.67%	Sell	6	37.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1993	55.76%	Buy	1186	59.51%
Hold	821	22.97%	Hold	509	62.00%
Sell	760	21.26%	Sell	400	52.63%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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