

Hardware & Networking

TMC Conference Review: Key Highlights from Plethora of Discussions

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We hosted more than 23 companies within our coverage universe for fireside chats and breakfast/dinner meetings over the 3 days last week at our TMC conference. Amidst the plethora of discussions, and particularly in deviation to some of the takeaways we saw investors walking away with from our conference, we wanted to highlight the key standouts from the discussions that should matter to investors.

Optical: Demand drivers remain robust with customers still mostly focused on locking in capacity with suppliers. Discussions with optical companies were mostly focused on their capacity ramps, which extend across multiple new technology products across their portfolio. Beyond their own capacity ramps, which will dictate translating robust order books into revenue, optical companies remain engaged with customers that are looking to lock in as much supply for the out-year as possible as they evaluate their demand for each product, particularly new ones including OCS and CPO.

Hard Disk Drives: LTA discussions extend further out and similar ramps focused on areal density increases; pricing to present upside to already high-bar investor expectations. Investors often compare the fundamental drivers for Optical Equipment companies to Hard Disk Drive companies, but we observed two salient differences, including 1) the long-term supply agreements appear to extend further out for HDDs relative to Optical, likely on account of limited new unit capacity being ramped by industry players; and 2) ramps in Storage capacity in relation to HDDs are focused on one to two products rather than multi-pronged and have limited component supply constraints.

Networking: Perceived as higher quality than optical, but growth and pricing expectations are more muted. While large scale Networking companies, including Arista and Cisco, are considered by investors to be higher quality relative to Optical peers, at the same time, investors are expecting lower growth and more muted margin trajectory relative to Optical peers in networking. The primary growth inflection is focused on Scale-across networking, while investors still await more clarity in relation to market share for key switching equipment companies in the Neo-Clouds, which could drive a material difference to current growth expectations.

Contract manufacturers: Favorable industry backdrop for longer-term, but supply and capacity constraints limit near-term drivers. While contract manufacturers in our coverage are positioned for the same secular growth drivers in relation to datacenter-related demand as other AI-levered suppliers in our coverage, the presentations from the company presented the least incremental takeaways in our view beyond already envisioned upsides from stronger demand and new wins from a move toward higher outsourcing. In particular, as the longer-term opportunities appear robust, the short-term drivers will remain dictated by

IT Hardware/ Telecom & Networking Equipment

Samik Chatterjee, CFA ^{AC}
(1-212) 622-0798
samik.x.chatterjee@jpmorgan.com

Joseph Cardoso
(1-212) 622-9036
joseph.cardoso@jpmchase.com

Manmohanpreet Singh
(1-212) 622-4527
manmohanpreet.singh@jpmchase.com

Marc Vitenzon
(1-212) 622-3342
marc.vitenzon@jpmchase.com

Akanksh Chauhan
(1-212) 622-0045
akanksh.chauhan@jpmorgan.com
J.P. Morgan Securities LLC

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supply constraints for some CMs (FN in particular) and for some by capacity constraints (JBL in particular), limiting confidence in material near-term upsides.

Compute continues to remain an opportunity for strong growth, and also differentiation as hyperscalers look for alternatives to GPUs. While most of the focus of investor conversations within our coverage universe have migrated to focus on Networking/Optical, the fundamental demand drivers for Compute remain robust and underappreciated, as highlighted in the demand backdrop highlighted by companies like Super Micro. Additionally, for semiconductor companies, the strong demand for compute side-by-side with demand for alternatives to GPUs to optimize spend per token is also leading to opportunities in relation to differentiation in Compute, as highlighted in the broad customer engagements discussed across custom ASICs, CPUs and accelerators.

Specifically for companies where we believe the takeaways were the most incremental from the conference, include:

1. **Lumentum - contrary to investor bearishness, we found demand/pricing commentary robust.** While investors appeared to be concerned around pricing commentary from the management teams, our conversation with the company highlighted that Lumentum is seeing very strong demand across a breadth of customers including the company being offered the optionality to secure long-term customers beyond Nvidia, which will enable customer diversification.
2. **Fabrinet - Lumentum's capacity constraints continued to highlight the optionality for Fabrinet in relation to further customer outsourcing, including most likely the outsourcing of OCS, which Lumentum highlighted will ramp with CMs in early calendar 2027.**
3. **Cisco - Investors walked away quite positive around the breadth of opportunities the company can address and the multiple levers for growth acceleration.** In relation to levers available to Cisco, the company highlighted the breadth of opportunities it has in relation to AI through Optics and Systems led by both Scale-out and Scale-across demand, as well as in relation to Campus equipment demand. With potential tailwinds in relation to upgrade of old technology equipment led by concerns stemming from Mythos-like models, Cisco has levers for acceleration in Enterprise demand beyond the robust drivers it is seeing already.
4. **Qualcomm - High confidence from the management team in relation to pipeline of datacenter opportunities.** The company highlighted four key opportunities, including: 1) custom chips / ASICs; 2) CPUs; 3) Accelerators (AI200/AI250); and 4) Connectivity chips. They expect the first opportunity to ramp first and second and third to layer in over time, to support multi- billion revenue in 2027 and continued ramp post that. We expect the wins to include both U.S. and Chinese hyperscalers.
5. **Western Digital - Expect pricing to be the driver of upsides relative to the high bar of expectations from investors.** We don't believe the discipline in relation to limited investments in unit capacity increases implies any material limitations to upsides. Instead, we believe storage capacity growth led by areal density increases, as well as price increase opportunities, are together expected to drive upsides to the already high bar of investor expectations.

Please find below summarized takeaways for each company, and there are links to the detailed takeaways we published for each company following the conference.

- **Arista:** 1) Highlighted (post-earnings) raise to its three-year revenue CAGR target to 20%+ on stronger confidence and deferred revenue visibility; 2) Arista sees no supply-driven competitive displacement and remains committed to its 62–64% gross margin



range; 3) Arista's high-radix switching strength positions it well for cloud titan and frontier AI lab networking opportunities; 4) Scale-across at 800G is becoming a broader AI demand driver across inference, agentic, and multi-site architectures. See detailed takeaways [here](#).

- **Axon:** 1) Axon's AI tools can consolidate share by connecting police systems and expanding into peripheral software services; 2) Enterprise could become Axon's largest long-term market across Fusus, retail cameras, DEDrone, and healthcare body cameras; 3) International growth appears structural, supported by improved go-to-market investment, acquisitions, and land-and-expand opportunities; 4) Axon is positioned across counter-drone and DFR markets while buffering inventory to reduce supply-chain constraints. See detailed takeaways [here](#).
- **Calix:** 1) AI value is being proven with early adopters, with RPO expected to reaccelerate in 2H26 as Calix One proof points build; 2) MDU offers a ~\$10 bn Tier 1 entry opportunity that could double Calix's addressable market and speed adjacent deployments; 3) Monthly product releases and GCP optimization should restore software/services margins near term and set record margins by 3Q; 4) Rising memory costs pressure 2026 margins, but pricing actions and supply focus should help in future margin recovery. See detailed takeaways [here](#).
- **CDW:** 1) Management sees a path to double-digit EPS growth from GTM investments, operating leverage, SG&A normalization, and disciplined buybacks; 2) Geared for Growth is structural reengineering focused on workflow, supply chain, tech-spend optimization, centralization, and ROI-tested sales reinvestment; 3) Pricing and supply improved in 2Q26, while backlog growth exceeding 1Q26 pull-forward suggests durable demand strength; 4) CDW is expanding as-a-service offerings, using Boost Run for GPU access and broader device-as-a-service engagements. See detailed takeaways [here](#).
- **Cisco:** 1) AI and campus momentum support FY27 growth, with hyperscaler AI revenue targeted around \$6 bn and faster customer adoption; 2) Non-AI orders showed strong underlying growth, while large enterprise refresh activity from Mythos-led concerns have not yet materially accelerated; 3) Gross margins appear stabilized, with management focused on sustaining roughly 34% operating margins despite mix headwinds; 4) Sovereign AI demand is early but gaining traction in EMEA and should contribute more meaningfully in FY27. See detailed takeaways [here](#).
- **Coherent:** 1) Demand visibility is strong through CY27–CY28, with limited double-ordering risk given immediate deployments and minimal returns; 2) Capacity expansion, six-inch InP yields, and security across the breadth of components (including garnets) highlights supply planning amidst robust demand; 3) Full-stack CPO/NPO capabilities as well as scale across positions Coherent to monetize both system-level and component-level opportunities; 4) Management reiterated a path to 42%+ gross margin, driven by 1.6T mix, six-inch wafers, and internal sourcing. See detailed takeaways [here](#).
- **Corning:** 1) Optical content should outgrow GPU units through 2028, with scale-up optical penetration creating the biggest upside; 2) Optical pricing relies on innovation-led value sharing and vertical integration, not mature SKU price increases; 3) Corning's broad U.S. manufacturing footprint creates a competitive moat across optical, solar, semiconductor, and cover-glass products; 4) Management aims to protect returns despite higher capex through faster growth, stable margins, mix improvement, and customer commitments. See detailed takeaways [here](#).
- **Fabrinet:** 1) Planned footprint could expand revenue capacity to about \$12 bn before requiring additional sites; 2) Gross margins should improve gradually, but operating margins offer greater upside from fixed-cost leverage; 3) Raytech investment adds strategic packaging capabilities and Pinehurst co-location to support CPO and SiPh opportunities; 4) New transceiver wins could rival Fabrinet's Nvidia business as programs ramp over 12–18 months. See detailed takeaways [here](#).

- **Flex:** 1) CPI spin-off reflects Flex's portfolio strategy to unlock value from high growth parts of portfolio - compute and power, as their scale increasingly absorbed investment from other segments; 2) CPI's FY27 and FY28 growth outlook is largely supported by booked orders and awarded program visibility; 3) Flex's Power differentiation comes from embedded power depth, integrated thermal architecture, and faster delivery; 4) Post-spin capital plans aim to leave both Flex and SpinCo with low debt and investment flexibility. See detailed takeaways [here](#).
- **Ingram Micro:** 1) Xvantage rollout related investments to remain material for 4–6 quarters as agentic features and country expansions continue; 2) AI exposure is growing through material GPU deals, hyperscaler IaaS offerings, and SMB-focused Enable AI initiatives; 3) Xvantage is driving opex savings, above-market growth, and higher-margin sales opportunities; 4) Supply-chain dynamics lifted 1Q revenue 2–3%, with similar 2Q tailwinds expected despite backlog and elasticity pressures. See detailed takeaways [here](#).
- **Insight Enterprises:** 1) Hardware backlog hit record levels on strong server demand, with 2Q bookings starting at a similarly strong pace; 2) Cloud growth re-accelerated as partner program headwinds fade, with remaining Google-related overhang expected to lapse by 2027; 3) Mid-market remains a durable growth opportunity as underserved clients need AI, security, and data engineering support; 4) Management sees operating leverage from Philippines utilization, internal AI efficiency, and scalable productized offerings. See detailed takeaways [here](#).
- **Jabil:** 1) Engineering-led model should keep expanding margins beyond the perceived 6–7% ceiling; 2) Positioned across Ethernet, InfiniBand, optics, and silicon photonics, as well as networking architectures shifts toward dedicated switching racks; 3) Hanley acquisition adds power-products, deployment, and servicing capabilities that support recurring revenue at attractive margins; 4) Healthcare offers long-cycle, growth led by under penetration of outsourced manufacturing, and robust margin and free cash flow; 5) Intelligent Infrastructure capacity expansion appears manageable and asset-light, supporting growth while capex remains 1.5–2% of revenue. See detailed takeaways [here](#).
- **Logitech:** 1) Logitech's strong balance sheet and record margins support AI-driven investments while keeping operating margins near the high end of targets; 2) MX Master 4's rapid \$100 mn-plus revenue ramp validates a repeatable targeted innovation and marketing playbook; 3) Faster-growing B2B demand is driving investment in sales capabilities and expansion beyond video into personal workspace products; 4) Rally AI can benefit from both COVID-era hardware refreshes and low global meeting-room video penetration. See detailed takeaways [here](#).
- **Lumentum:** 1) TRx opportunity is ahead of expectations, helped by first-source positioning and faster SiPh time-to-market; 2) Google TRx demand is robust as higher TPU attach rates and larger clusters compound unit growth; 3) Scale-across demand is beating expectations as modular, distributed data centers drive a rapidly expanding order book; 4) CPO demand is strengthening as Nvidia and hyperscalers adopt solutions offering power and rack-space savings; 5) OCS demand exceeds supply, with capacity expected to more than double by 2027-end as CMs come online; 6) Capital allocation priorities are debt paydown, convert-dilution offsets, and accretive M&A that expands Lumentum's component portfolio. See detailed takeaways [here](#).
- **Motorola Solutions:** 1) Motorola targets 2026 gross margin near 52.3%, with ~100 bps operating margin expansion, ~\$3 bn operating cash flow, and ~\$400 mn buybacks YTD; 2) Silvus is scaling sales, manufacturing, and R&D to capture rising defense-driven demand and a TAM expected to double in 4–5 years; 3) LMR organic growth should rebound in 2H as difficult supply-chain comps ease and device and infrastructure refresh demand accelerates; 4) Video growth is supported by broad deployment options and SVX's lower-TCO convergence proposition, already driving customer deployments and

competitive wins. See detailed takeaways [here](#).

- **Qualcomm:** 1) Targets datacenter growth across custom silicon, CPUs, AI accelerators, and connectivity, with FY27 upside from hyperscaler custom silicon ramps; 2) Datacenter differentiation rests on broad IP, advanced-node execution, TSMC relationship, and TCO advantages in performance per watt/dollar; 3) Accelerator software remains the key gap, while custom silicon and ARM CPU software paths are largely customer-handled or already ported; 4) Competitors include ARM in CPUs and Broadcom/Marvel in custom silicon and accelerators; 5) Automotive growth is driven by connectivity, digital cockpit, and ADAS, with rising silicon content in each new generation with future potential from Agentic AI; 6) Robotics is a natural adjacency, with auto-like silicon content potential supported by low-power compute, wireless, camera, and sensor-fusion strengths; 7) Agentic AI could benefit across new personal AI devices, smartphone co-processors, and broader smartphone refresh cycles. See detailed takeaways [here](#).
- **Seagate:** 1) Hyperscaler demand remains robust, with build-to-order visibility of 4–5 quarters and longer-term storage signals beyond that window; 2) HAMR adoption is accelerating as Mozaic 3 is broadly qualified and future Mozaic cycles should follow traditional qualification timelines; 3) Seagate has multiple innovation levers, including photonics, SMR, etc. to keep expanding areal density; 4) SSDs are unlikely to displace data-center HDDs broadly because storage demand and HDD economics remain favorable. See detailed takeaways [here](#).
- **Super Micro:** 1) Data center building block strategy targets a large AI infrastructure TAM, with ~\$200bn implied revenue opportunity over time; 2) Rising DCBBS mix should support gross margin expansion toward double digits through higher-margin full-scale solutions; 3) Management views neo-cloud demand as structurally supported by hyperscaler contracts and lower tokenomics needs; 4) Supply constraints remain manageable as Super Micro passes higher costs to customers in real time. See detailed takeaways [here](#).
- **Western Digital:** 1) Expects 25%+ exabyte demand CAGR, driven by cloud content, enterprise AI data retention, inferencing outputs, and synthetic video data physical AI; 2) Hyperscaler relationships have shifted to strategic partnerships, supported by 52-week lead times and LTAs extending into 2027–2029; 3) Technologies including ePMR, HAMR, UltraSMR, high-bandwidth drives, and dual-pivot technology expand WDC's capacity roadmap; 4) High capacity (40 TB) ePMR volume ramp is expected in 2H26, while HAMR ramps in 2027 and UltraSMR qualification broadens (to all large customers) by end-2027; 5) WDC aims to launch HAMR without gross margin dilution, balancing higher exabyte capacity against lower yields and higher costs. See detailed takeaways [here](#).