Action | Citi Research

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North America Connectors & Other Components, Electronic Components & Equipment and Hardware & Storage

2Q26 Earnings Preview – Agentic AI Inflection Supports Storage & Optical Momentum; Remain Constructive on AI-Levered OEMs

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CITI'S TAKE

Our coverage is up +110% YTD on average versus S&P500 +10%, led by outperformance, in descending order, from storage, HW OEMs exposed to AI deployments/enterprise server refresh, and connectivity components. We hold the most conviction on storage names for very favorable S/D fundamentals underpinned by durable AI-led datacenter demand for both NAND and HDD storage, followed by HW OEMs where agentic-AI is driving incremental demand for dense systems, while demand outside of AI remains supported by ongoing refresh/modernization cycles and incremental AI-driven demand into traditional infrastructure. Lastly networking infrastructure is benefitting from AI-driven capex/content tailwinds including optical. We maintain upside Short-Term Views on SNDK, STX and WDC.

- We remain constructive on storage components where the evolution from traditional AI to agentic AI is driving a structural inflection in infrastructure demand, where exponentially more complex, autonomous 24/7 agent systems continuously perform multi-step inference, interact with external tools, and generate persistent data exhaust—fundamentally shifting the bottleneck from compute alone to a tightly coupled compute-storage ecosystem.

- We also remain constructive on multi-year networking infrastructure growth driven by AI, with the focus on timing and adoption of optical interconnects. Outside of datacenters, we remain constructive on improving industrial activity, energy infrastructure upgrades, and emerging technologies like advanced packing. Prefer GLW and APH.

- Meanwhile, we are selective on OEM names, preferring those names exposed to AI deployments/enterprise server refresh with networking/storage/services attach. Demand also appears increasingly supported by neocloud and enterprise AI deployments, while navigating backlog and sustaining pass-through component pricing remain key. We remain even more selective on PC names, where demand trends are likely to see tougher comps from pull-forward demand in late 2025 and 1H'26.

TEL will be the first in our coverage to report 2Q26, on July 22.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Data Summary

															Current Fiscal Year		Next Fiscal Year	
						Rating		Short-Term	Target Price						EPS		EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
Amphenol Corp	APH	US$	159.06	195,681	10 Jul 16:00	1	nc	-	180.00	195.00	22.6	0.6	23.2	Dec-25	4.70	4.80	5.44	5.79
CDW Corp	CDW	US$	144.39	18,446	10 Jul 16:00	2	nc	-	123.00	145.00	0.4	1.7	2.2	Dec-25	10.56	10.72	11.39	11.85
Corning Inc	GLW	US$	190.89	164,287	10 Jul 16:00	1	nc	-	225.00	240.00	25.7	0.6	26.3	Dec-25	3.11	3.20	4.09	4.30
Logitech Int'l	LOGI	US$	101.95	16,392	10 Jul 16:00	1	nc	-	124.00	nc	21.6	1.6	23.2	Mar-26	5.98	nc	6.13	nc
Sandisk Corp	SNDK	US$	1,915.92	283,728	10 Jul 16:00	1	nc	Upside	2,500.00	nc	30.5	0.0	30.5	Jun-25	68.47	nc	222.15	nc
Seagate Technology Holdings Plc	STX	US$	909.10	205,686	10 Jul 16:00	1	nc	Upside	1,150.00	1,240.00	36.4	0.3	36.7	Jun-25	14.96	15.02	30.61	31.55
Super Micro Computer, Inc.	SMCI	US$	28.31	18,312	10 Jul 16:00	2H	nc	-	31.00	33.00	16.6	0.0	16.6	Jun-25	2.61	nc	3.15	nc
TE Connectivity Ltd.	TEL	US$	200.36	58,484	10 Jul 16:00	1	nc	-	250.00	230.00	14.8	1.4	16.2	Sep-25	11.19	nc	12.51	12.53
Western Digital Corp	WDC	US$	582.34	200,722	10 Jul 16:00	1	nc	Upside	685.00	800.00	37.4	0.1	37.5	Jun-25	9.99	10.10	19.33	21.04

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk
ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change
Source: Citi Research
^Catalyst Watch

Earnings Estimates

				Last Reported Year					Current Fiscal Year					Next Fiscal Year				
Company Name	Ticker	Last Rpt Year	Currency	1Q	2Q	3Q	4Q	FY0	1Q	2Q	3Q	4Q	FY1	1Q	2Q	3Q	4Q	FY2
Amphenol Corp	APH	Dec-25	US$	0.63	0.81	0.93	0.97	3.35	1.06	1.16	1.26	1.31	4.80	1.27	1.40	1.56	1.55	5.79
Old		Dec-25	US$	0.63	0.81	0.93	0.97	3.35	1.06	1.16	1.25	1.23	4.70	1.19	1.31	1.47	1.48	5.44
CDW Corp	CDW	Dec-25	US$	2.15	2.60	2.71	2.57	10.02	2.28	2.79	2.89	2.77	10.72	2.32	3.01	3.27	3.26	11.85
Old		Dec-25	US$	2.15	2.60	2.71	2.57	10.02	2.28	2.79	2.79	2.71	10.56	2.32	2.97	3.05	3.05	11.39
Corning Inc	GLW	Dec-25	US$	0.54	0.60	0.67	0.72	2.54	0.70	0.77	0.85	0.88	3.20	0.85	1.04	1.17	1.23	4.30
Old		Dec-25	US$	0.54	0.60	0.67	0.72	2.54	0.70	0.75	0.84	0.81	3.11	0.83	1.01	1.14	1.11	4.09
Logitech Int'l	LOGI	Mar-26	US$	1.26	1.45	1.93	1.13	5.78	1.35	1.47	2.03	1.13	5.98	1.38	1.52	2.07	1.16	6.13
Sandisk Corp	SNDK	Jun-25	US$	1.81	0.99	-0.30	0.29	2.79	1.21	6.20	23.41	36.64	68.47	51.40	66.39	51.40	52.96	222.15
Seagate Technology Holdings Plc	STX	Jun-25	US$	1.58	2.03	1.90	2.59	8.11	2.61	3.11	4.10	5.15	15.02	6.13	7.17	8.29	10.02	31.55
Old		Jun-25	US$	1.58	2.03	1.90	2.59	8.11	2.61	3.11	4.10	5.10	14.96	6.00	6.95	8.03	9.70	30.61
Super Micro Computer, Inc.	SMCI	Jun-25	US$	0.73	0.59	0.31	0.41	2.03	0.37	0.69	0.83	0.72	2.61	0.57	0.79	0.80	1.00	3.15
Old		Jun-25	US$	0.73	0.59	0.31	0.41	2.03	0.37	0.69	0.83	0.72	2.61	0.66	0.88	0.72	0.88	3.15
TE Connectivity Ltd.	TEL	Sep-25	US$	2.05	2.21	2.41	2.59	9.26	2.72	2.73	2.83	2.91	11.19	2.99	3.13	3.14	3.26	12.53
Old		Sep-25	US$	2.05	2.21	2.41	2.59	9.26	2.72	2.73	2.83	2.91	11.19	2.98	3.13	3.14	3.26	12.51
Western Digital Corp	WDC	Jun-25	US$	0.77	1.20	1.36	1.66	4.99	1.78	2.13	2.72	3.43	10.10	4.04	4.75	5.64	6.64	21.04
Old		Jun-25	US$	0.77	1.20	1.36	1.66	4.99	1.78	2.13	2.72	3.32	9.99	3.85	4.42	5.14	5.95	19.33

Source: Citi Research

2Q26 Earnings Preview

1. Stock Rankings

Figure 1. Component Stock Rankings

Components

Rating	Ranking	Prior Ranking	Company Name	Current Price	Target Price	Div Yield (%)	Expected Total Return (%)
Buy	1	2	**Sandisk**	1,915.92	2,500.00	0%	30%
SSD demand led by Enterprise, Favorable NAND Trends and Product Mix							
Buy	2	4	**Seagate**	909.10	1,240.00	0%	37%
HDD demand led by hyperscalers, tight supply demand balance; Capital Allocation							
Buy	3	3	**Western Digital**	582.34	800.00	0.10%	37%
HDD demand led by hyperscalers, tight supply demand balance, Capital Allocation							
Buy	4	1	**Corning**	190.89	240.00	1%	26%
Optimistic demand outlook for Optical given AI DC; Solar Opportunity; Strong domestic footprint							
Buy	5	5	**Amphenol**	159.06	195.00	1%	23%
Diversifed End Markets; Lead Interconnect in AI/Data Center; recently completed CCS acquisition							
Buy	6	6	**TE Connectivity**	200.36	230.00	1%	16%
Stabilized auto segment representing a significant portion of sales; Improving Industrial and AI Demand							

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Source: Citi Research, FactSet, priced as of 7/10 close

Figure 2. OEM Stock Rankings

OEM Makers

Rating	Ranking	Prior Ranking	Company Name	Current Price	Target Price	Div Yield (%)	Expected Total Return (%)
Buy	1	1	**Dell Technologies**	434.97	475.00	0%	10%
Growing diversified customer base in AI, recovering enterprise demand offset by better PC datapoints							
Buy	2	2	**Hewlett Packard Enterprises**	48.54	70.00	1%	45%
Improving networking and core server margin recovery, attractive risk reward profile, opportunistic AI business							
Buy	3	4	**Logitech**	101.95	124.00	2%	23%
Quality company, no debt, resilient demand							
Neutral	4	3	**Everpure**	79.33	90.00	0%	13%
Hyperscaler EB ahead of expectations while additional wins further out and on variable rev models; Strong subscription to off							
Neutral	5	5	**NetApp**	168.81	150.00	1%	-10%
Executing and gaining share amidst more moderate growth expectation for external storage on choppy macro							
Neutral High Risk	6	8	**Super Micro**	28.31	33.00	0%	17%
Leading AI Player But Competitive Pressures Rising, facing legal Issues & reputational risk							
Neutral	7	6	**CDW**	144.39	145.00	2%	2%
Low direct tariff exposure as reseller; Shifting to more value added services but needs to invest in opex							
Neutral	8	7	**HP Inc**	24.22	25.00	5%	8%
Executing well as PC demand monetum sustains, print remains in secular decline							
Neutral High Risk	9	9	**Xerox**	2.82	2.50	4%	-8%
Print remains in secular decline							

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Source: Citi Research, FactSet, priced as of 7/10 close

2. End Market Fundamentals

Figure 3. End Market Demand

End Market	% of Semi TAM, 2026E	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25	1Q26	2Q26E	3Q26E
PC	19%	stable	stable	stable	stable	stable	stable	stable	mixed	stable	stable	falling	falling	falling
Wireless	16%	weak	stable	stable	stable	stable	stable	stable	stable	stable	stable	falling	falling	falling
Industrial	10%	mixed	falling	falling	falling	mixed	weak	mixed	stable	improving	improving	improving	improving	improving
Consumer	7%	weak	weak	weak	stable	stable	mixed	stable	stable	improving	improving	falling	falling	falling
Comm Infra	3%	weak	weak	weak	weak	improving	improving	mixed	mixed	improving	improving	improving	improving	improving
Automotive	11%	mixed	falling	falling	falling	mixed	mixed	weak	weak	weak	mixed	mixed	improving	improving
Data Center	34%	mixed	mixed	improving	improving	improving	good	good	good	strong	strong	strong	strong	strong

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Source: Citi Research, Company Reports

Data center demand robust

Citi models Big Five US hyperscale capex to grow +82% YoY in 2026 after a 70% YoY increase in 2025 and expect 2027 capex to be up 35% YoY. We believe recent concerns on excess compute supply with the potential launch of Meta Compute, per Bloomberg (Jul 1, 2026), are an overreaction. Fundamentally, we view that AI compute demand remains undersupplied, as reflected by recent capacity partnerships valued at ~$50B/GW and AWS EC2 GPU instances price hike of 20%.

Figure 4. Cloud Provider Data Center Capex +84% YoY in 2026

$ millions	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Amazon (AWS)	31,878	31,385	53,436	90,080	154,689	197,231	243,897	291,623	339,712
Meta	32,036	28,103	39,225	72,215	138,847	171,460	204,626	239,200	271,558
Google	31,485	32,251	52,535	91,447	188,080	254,532	319,668	385,794	455,992
Microsoft (Azure)	22,277	34,373	67,746	108,836	179,428	269,781	300,879	305,990	311,187
Big Four US	**117,676**	**126,112**	**212,942**	**362,579**	**661,044**	**893,004**	**1,069,070**	**1,222,606**	**1,378,449**
Total Y/Y%	**36%**	**6%**	**77%**	**89%**	**84%**	**56%**	**38%**	**32%**	**20%**

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Source: Citi Research, Company Reports

Infrastructure demand remains robust with server spending benefiting from AI (GPU) and agentic AI CPU-based server demand. Hon Hai reported a bigger-than-expected 40% jump in quarterly sales, with AI racks maintaining their momentum ahead of peak 3Q sales season, while enterprise momentum for infrastructure modernization and secular AI inferencing workloads moving from evaluation to deployment is driving robust demand and fueling strong backlog at OEMs. Supply constraints remain a gating factor.

Citi's latest CIO survey (Global Technology & Communications - Citi CIO Survey: IT Budgets Improve As AI Moves Higher In Priority) highlighted that IOs are expecting IT budgets to grow +3.3% over the next twelve months, seeing an acceleration of 0.7 pts from the March survey, which is above the historical average. EMEA saw another modest acceleration, moving up 0.8 pts to 3.9%, while the US accelerated by 0.6 pts to +3.0%. According to survey respondents, on an NTM vs LTM basis, spending on datacenter infrastructure and public cloud is higher, while PC spending intentions declined. To us, this suggests hardware spend remains resilient but more selective, with incremental budgets skewing toward core infrastructure and storage offsetting PC declines where win 10 refresh is likely winding down.

Figure 5. Citi Server Forecast

	2023	2024	2025	2026F	2027F	2028F
Accelerated Capex (Citi model)	$131,000	$232,520	$439,009	$806,811	$1,260,532	$1,739,835
y/y		77.5%	88.8%	83.8%	56.2%	38.0%
% of Capex	43.4%	50.3%	57.0%	65.0%	70.0%	75.0%
IT Capex (Citi + DellOro)	$301,898	$462,262	$770,190	$1,241,247	$1,800,760	$2,319,780
y/y		53.1%	66.6%	61.2%	45.1%	28.8%
Total Server shipments	12,370,260	14,553,178	16,781,054	22,535,429	28,446,313	33,040,609
- y/y	(17.1%)	17.6%	15.3%	34.3%	26.2%	16.2%
Total Server Spend ($M)	147,309	254,440	453,531	859,915	1,200,518	1,608,693
- y/y	18.2%	72.7%	78.2%	89.6%	39.6%	34.0%
AI Server Shipment	1,636,154	2,400,016	3,103,116	5,474,334	8,117,378	11,319,556
- y/y	13.2%	46.7%	29.3%	76.4%	48.3%	39.4%
% of total shipments	13.2%	16.5%	18.5%	24.3%	28.5%	34.3%
AI Server spend ($M)	59,098	143,238	320,413	613,647	880,370	1,256,530
- y/y	124.9%	142.4%	123.7%	91.5%	43.5%	42.7%
% of total server spend	40.1%	56.3%	70.6%	71.4%	73.3%	78.1%
ASP of AI server shipment	**36.1**	**59.7**	**103.3**	**112.1**	**108.5**	**111.0**
- y/y	**98.7%**	**65.2%**	**73.0%**	**8.6%**	**(3.2%)**	**2.4%**
Non AI server shipments	10,734,106	12,153,162	13,677,938	17,061,095	20,328,935	21,721,053
- y/y	(20.4%)	13.2%	12.5%	24.7%	19.2%	6.8%
% of total shipments	86.8%	83.5%	81.5%	75.7%	71.5%	65.7%
Non AI Server Spend ($M)	88,211	111,202	133,118	246,268	320,148	352,163
- y/y	(10.3%)	26%	20%	85%	30%	10%
% of total server spend	59.9%	43.7%	29.4%	28.6%	26.7%	21.9%
ASP of non AI server shipment	**8.2**	**9.2**	**9.7**	**14.4**	**15.7**	**16.2**
- y/y	**12.6%**	**11.3%**	**6.4%**	**48.3%**	**9.1%**	**3.0%**

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Source: Citi Research, IDC

Figure 6. Networking Market Growth

Networking Industry ($B)	2025	2026	2027	2028
Campus Switch	21	22	24	26
DC Switch	41	60	84	111
Routing	14	15	16	16
Security	26	29	32	35
WLAN	10	11	12	13
Total	**112**	**137**	**167**	**201**
-yy		22%	22%	20%

Source: Dell O'ro

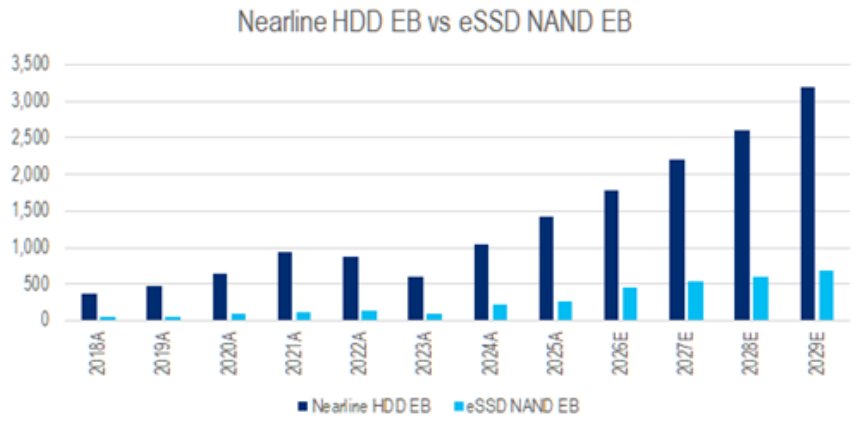
Figure 7. Citi Storage Model

(US$ Billion)	2023	2024	2025	2026E	2027E	2028E	2029E	CAGR CY25-29
Enterprise Storage Systems	**$169.5**	**$273.4**	**$464.3**	**$574.3**	**$714.7**	**$856.1**	**$1,026.9**	**21.9%**
Total Storage Revenue Y/Y	9.8%	61.3%	69.8%	23.7%	24.4%	19.8%	19.9%	
Worldwide Enterprise Storage Systems Vendor Revenue by Storage Location, ($B)								
External	**$32.7**	**$33.9**	**$35.3**	**$41.1**	**$43.3**	**$45.5**	**$47.8**	**7.9%**
Y/Y Change	-2.9%	3.7%	4.3%	16.3%	5.4%	5.0%	5.1%	
Internal	**86**	**138**	**187**	**302**	**400**	**467**	**542**	**30.4%**
Y/Y Change	-1.4%	60.3%	35.6%	61.2%	32.3%	16.8%	16.1%	
Other (ODM Direct)	**58**	**113**	**263**	**342**	**528**	**611**	**709**	**28.1%**
Y/Y Change	48.2%	94.8%	132.2%	30.0%	54.3%	15.8%	15.9%	
Worldwide External Enterprise Storage Systems Revenue by Storage Array Type, ($B)								
All-flash arrays (AFAs)	**$14.0**	**$14.9**	**$17.3**	**$21.1**	**$22.6**	**$24.7**	**$27.0**	11.8%
Y/Y Change	(4.4%)	6.6%	15.8%	22.3%	6.9%	9.1%	9.6%	
Hybrid flash arrays (HFAs)	**$14.0**	**$14.8**	**$14.1**	**$15.8**	**$16.6**	**$17.0**	**$17.2**	5.2%
Y/Y Change	4.0%	5.7%	(5.0%)	12.3%	5.0%	2.5%	1.1%	
HDD-only	$4.7	$4.1	$4.0	$4.1	$4.1	$3.8	$3.6	-2.7%
Y/Y Change	(15.1%)	(11.3%)	(4.0%)	4.2%	(0.9%)	(7.3%)	(6.4%)	
Total External	**$32.7**	**$33.9**	**$35.3**	**$41.1**	**$43.3**	**$45.5**	**$47.8**	**7.9%**

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Source: Citi Research, IDC

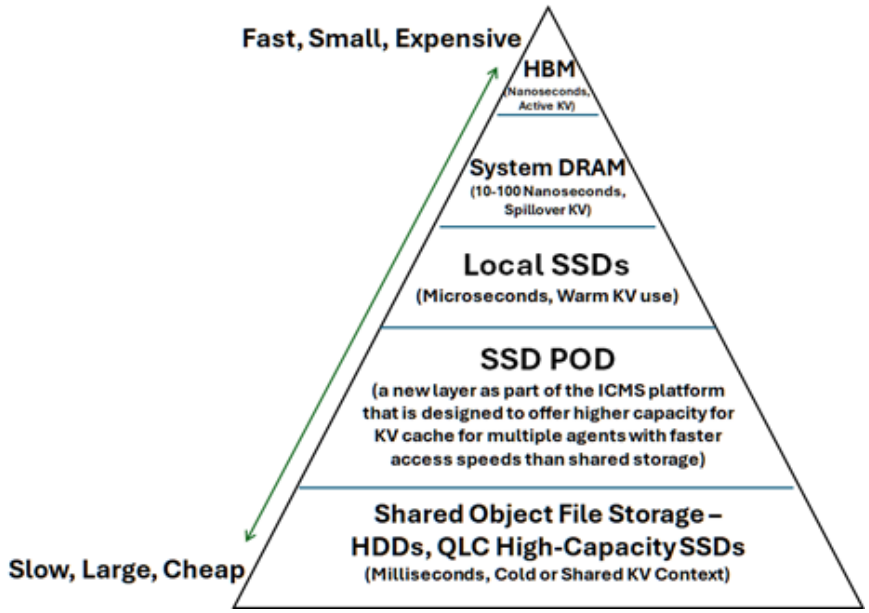
On HDD/SSD/NAND storage, our recent expert conversations painted a highly bullish picture for both the NAND/SSD and HDD industries, driven primarily by AI infrastructure spending. The key message was that storage demand is significantly exceeding supply, leading to unprecedented pricing power for NAND and sustained shortages in HDDs. Hyperscalers are receiving priority access to storage products, while consumer, PC, and channel markets are being squeezed out.

Figure 8. Nearline HDD & eSSD NAND EB Forecast



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Source: Citi Research, TrendFocus

Figure 9. Storage Tiers



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Source: Citi Research

Figure 10. NAND ASP Projection by Application

NAND ASP Projection by Application

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
SSD	-7%	2%	5%	31%	+21%	70%	65%	50%	20%	+330%
Mobile	-13%	3%	0%	11%	-16%	55%	45%	25%	12%	+165%
USB& Others	-14%	8%	2%	20%	-6%	63%	40%	12%	10%	+172%
NAND ASP QoQ	**-11%**	**3%**	**3%**	**21%**	**3%**	**63%**	**53%**	**34%**	**15%**	**+236%**

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Source: Citi Research: Peter Lee 7/2/26: https://www.citivelocity.com/t/eppublic/4Wi6a

Weakening PC and Smartphone Demand

Prelim 2Q data indicates unit growth has declined -5% yy, marking the end of nine quarters of growth. While IDC expects memory shortages to persist until early 2028, we note revenue continues to grow on vendor price increases offsetting unit declines. Lenovo/Apple gained share, Dell maintained and HPQ declined. We still believe that the remainder of year could see further decline in PC shipments as system prices continue rising, with access to memory/chipsets. We model a -15% unit growth decline in 2026.

Figure 11. Citi PC Model. Full details available upon request

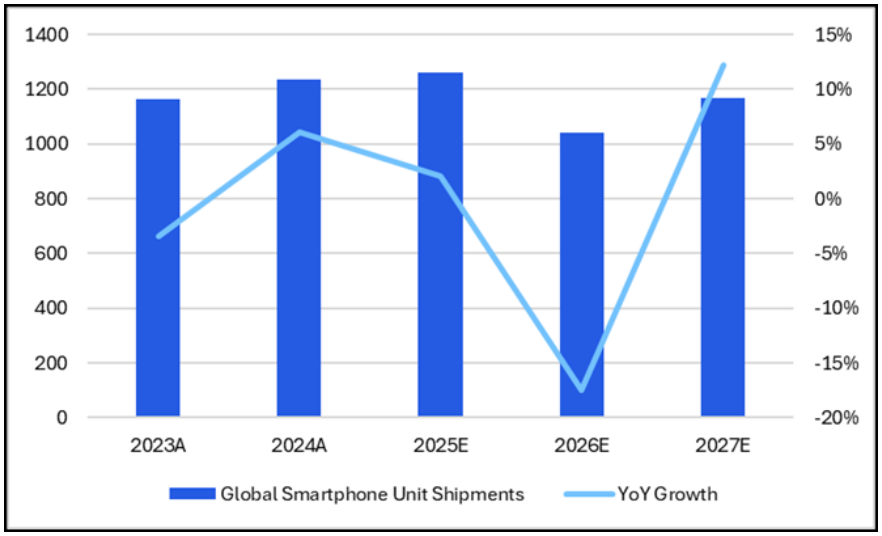
Year	Form Factor	Citi Research Units (M)	Y/Y	Citi Research Revenues ($ bln)	Y/Y
	Desktop	86	(11%)	60	(6%)
	Portable	208	(19%)	188	(15%)
2022	**Total Client PCs**	**294**	**(17%)**	**248**	**(13%)**
	Tablets (including 2 in 1)	162	(4%)	68	(1%)
	Total PCs + ALL Tablets	455	(13%)	316	(10%)
	Desktop	72	(16%)	49	(18%)
	Portable	181	(13%)	159	(15%)
2023	**Total Client PCs**	**253**	**(14%)**	**209**	**(16%)**
	Tablets (including 2 in 1)	129	(20%)	53	(22%)
	Total PCs + ALL Tablets	382	(16%)	**262**	**(17%)**
	Desktop	73	1%	51	2%
	Portable	189	4%	174	9%
2024	**Total Client PCs**	**262**	**3%**	**225**	**8%**
	Tablets (including 2 in 1)	145	12%	61	15%
	Total PCs + ALL Tablets	406	6%	**286**	9%
	Desktop	82	13%	60	18%
	Portable	203	8%	193	11%
2025	**Total Client PCs**	**286**	**9%**	**253**	**12%**
	Tablets (including 2 in 1)	152	5%	63	3%
	Total PCs + ALL Tablets	438	8%	315	10%
	Desktop	68	(17%)	59	(1%)
	Portable	175	(14%)	196	2%
2026E	**Total Client PCs**	**244**	**(15%)**	**255**	**1%**
	Tablets (including 2 in 1)	140	(8%)	59	(6%)
	Total PCs + ALL Tablets	384	(12%)	314	(0%)
	Desktop	67	(1%)	59	1%
	Portable	175	(0%)	200	2%
2027E	**Total Client PCs**	**242**	**(0%)**	**259**	**2%**
	Tablets (including 2 in 1)	140	(0%)	60	2%
	Total PCs + ALL Tablets	382	(0%)	320	2%

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Source: Citi Research, IDC

Citi expects smartphone units to decline 17% YoY in 2026 before increasing 12% YoY in 2027 (note) as memory cost increases should negatively impact end demand.

Figure 12. Citi Global Smartphone Unit Shipment Forecasts (M) and YoY

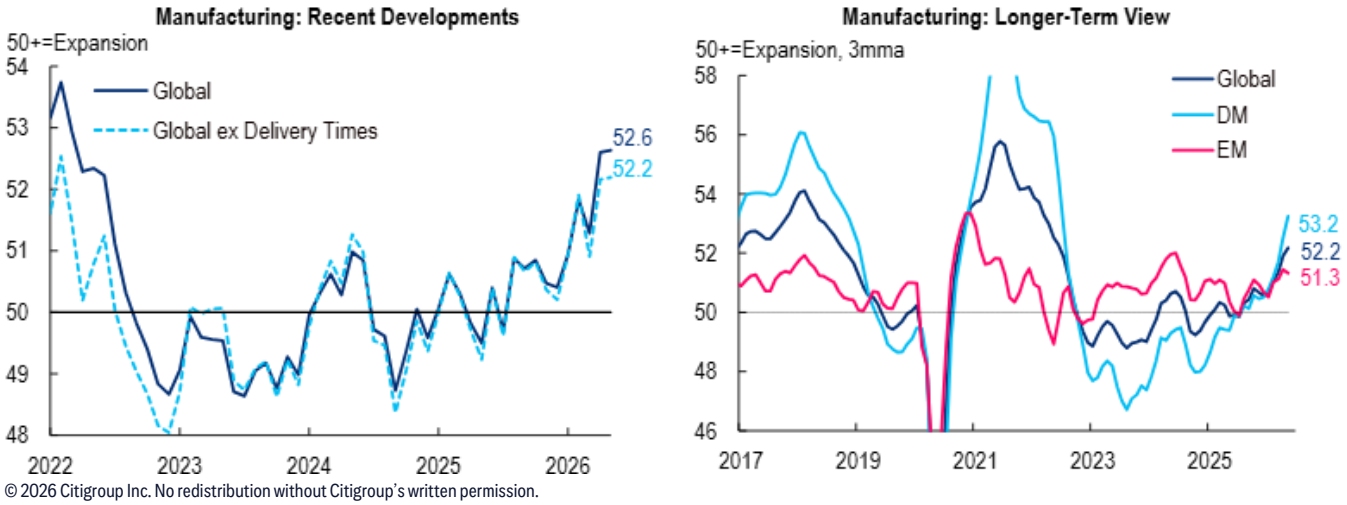


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Source: Citi Research, IDC

Industrial market is improving

The global manufacturing PMI stood at 52.6 in May, the strongest reading since 2023. The manufacturing PMI has been moving up sharply, and the temporary respite amid the Middle East conflict in May provided a boost. Largest improvements this year have been AI producing countries, such as Taiwan, Korea and the US.

Figure 13. Global Manufacturing PMIs



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Source: Citi Research, S&P Global, Haver Analytics

Auto demand remains mixed

Citi's auto team projects global auto production to decline from prior estimate of -1% in 2026 to -2.6%, driven by deterioration in demand from China, Japan/Korea and Europe. We highlight that Nio founder recently warned that China car sales could fall 15-20% (Caixing Global, Jun 16, 2026) in 2026.

Figure 14. Auto Production Units Could Decline ~3% YoY in 2026E, Led by China

YoY	% of 2026 Units	2022	2023	2024	2025	2026	2027E	2028E
Europe	18%	-0.4%	13.5%	-4.4%	-0.7%	-1.7%	0.1%	1.4%
Greater China	35%	6.3%	10.0%	3.6%	10.0%	-4.0%	1.2%	-0.3%
Japan/Korea	13%	2.4%	14.9%	-6.4%	1.0%	-2.6%	-3.7%	-0.9%
Middle East/Africa	2%	9.2%	2.2%	2.6%	3.4%	-23.9%	17.1%	11.8%
North America	17%	9.6%	9.7%	-1.5%	-1.2%	-1.8%	0.1%	1.8%
South America	3%	8.3%	3.1%	1.7%	3.2%	1.5%	7.6%	4.2%
South Asia	11%	21.9%	1.6%	-1.9%	5.3%	3.0%	3.9%	8.5%
Total Units (millions)		82.3	90.5	89.6	93.1	90.7	91.6	93.2
YoY		6.7%	9.9%	-1.0%	3.9%	-2.6%	1.0%	1.8%

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Source: Citi Research, IHS Global Insight

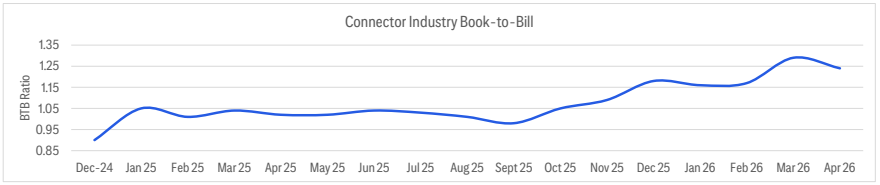
Connector market

Figure 15. Coverage End Market Exposure

End Market	Amphenol	TE Connectivity	Corning Inc.	Notes
Aerospace/Defense	14%	8%	ND/Marginal	
AI/Data Center & Cloud	36%	15%	20%	GLW Optical Enterprise & DCI
Comm Infrastructure	10%	NA	18%	GLW Carrier Broadband
Consumer Electronics	6%	NA	36%	GLW Includes Display & Specialty
Energy	ND	9%	9%	
Industrial (Energy, Automotaion, Medical etc.)	19%	15%	6%	GLW Life Sciences, APH Energy included
Transportation/Auto	15%	53%	11%	TEL 40% Auto, 8% commercial, 5% sensors

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Source: Citi Research, Company Reports

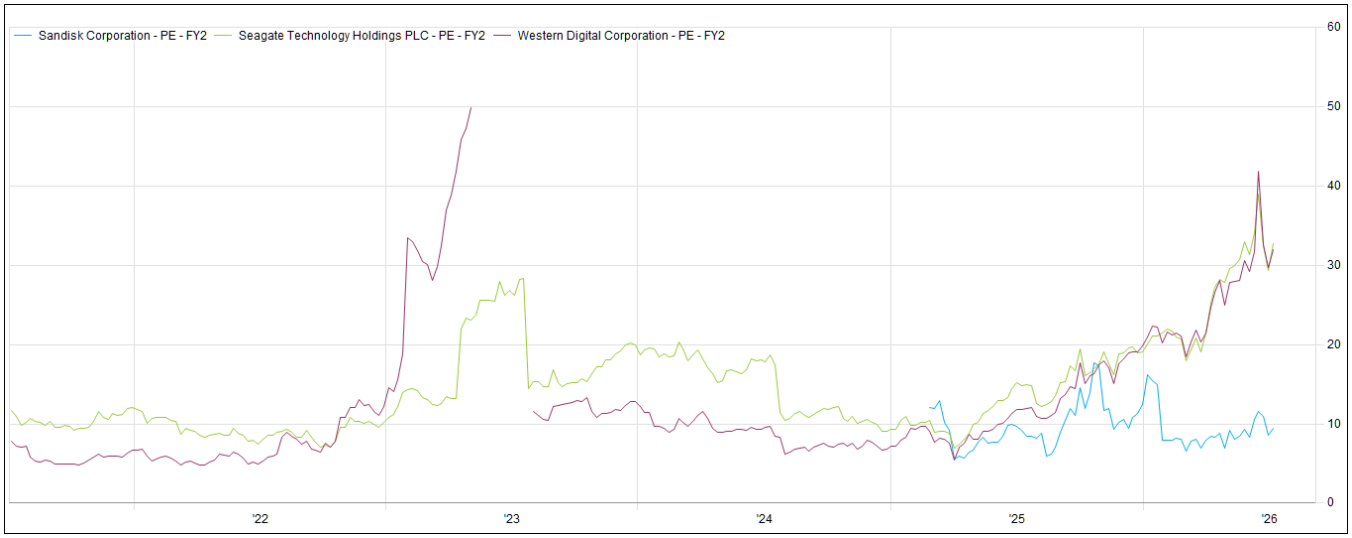
Figure 16. Connector Industry Book-to-Bill



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Source: Citi Research, Bishop Reports

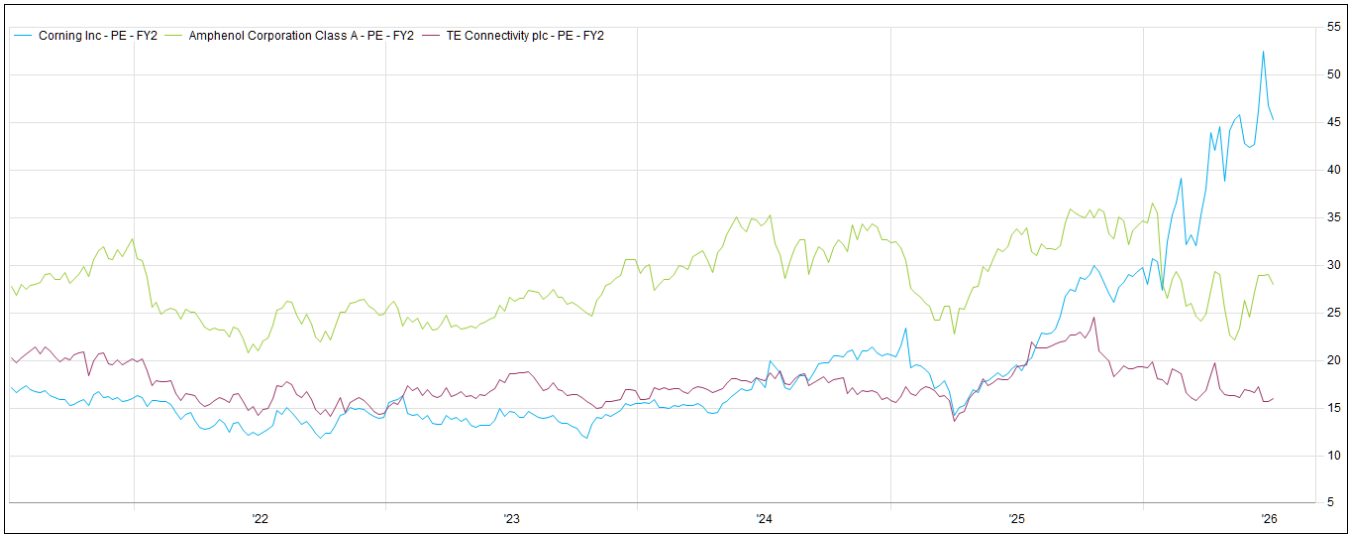
3. Valuation

Figure 17. PE Valuations - Storage



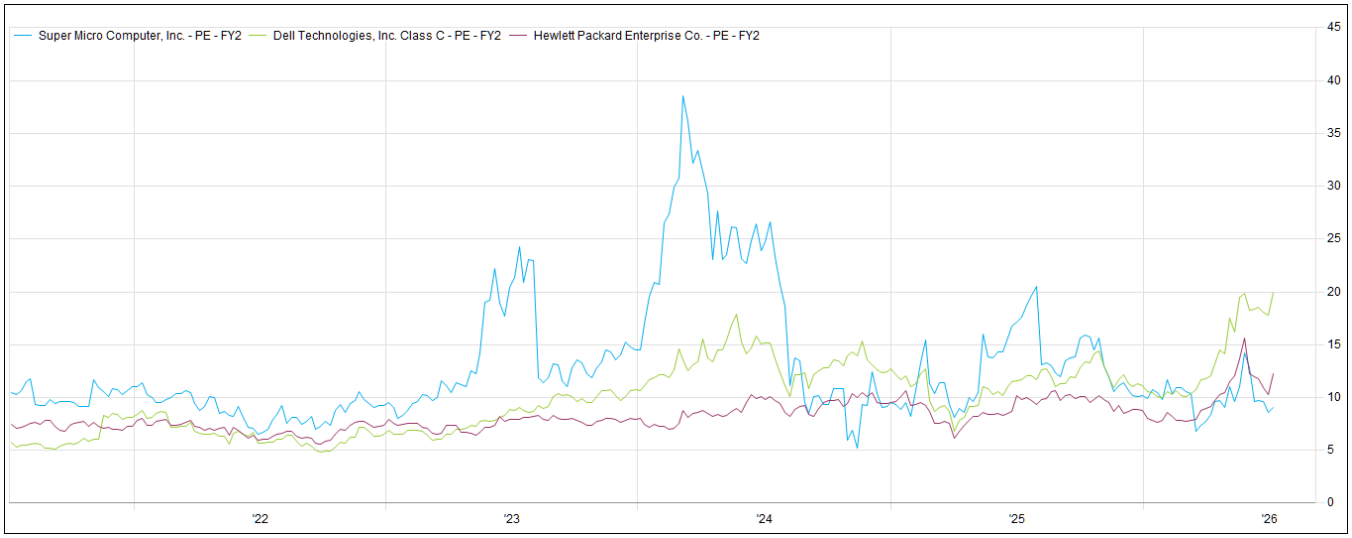
Source: FactSet

Figure 18. PE Valuations - Connectors



Source: FactSet

Figure 19. PE Valuations - AI OEMs



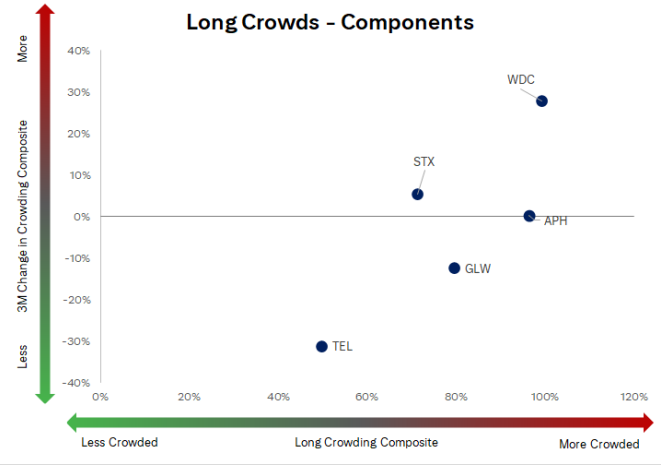
Source: FactSet

Figure 20. PE Valuations – PC-Exposed Names



Source: FactSet

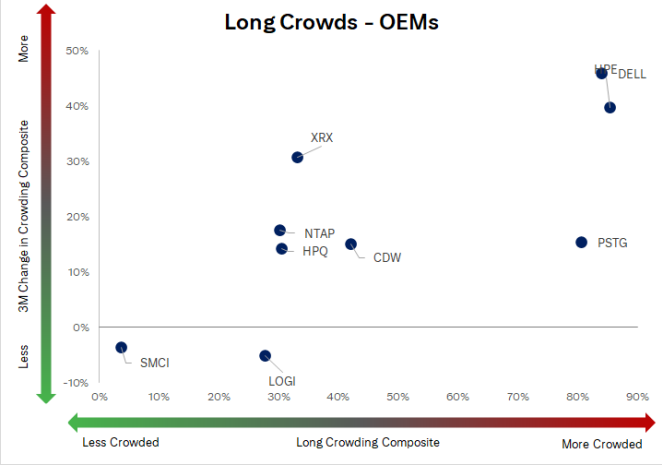
Figure 21. Crowded Long - Components



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Source: Citi Research

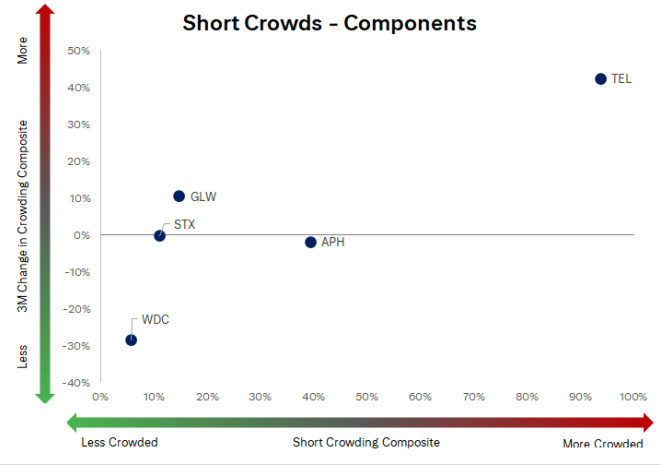
Figure 22. Crowded Long - OEMs



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Source: Citi Research

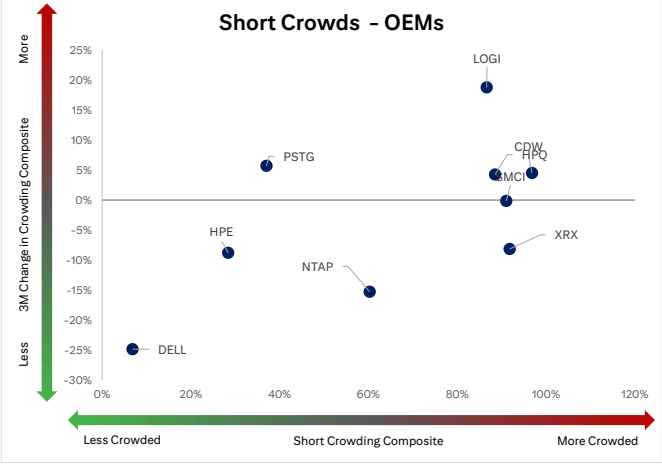
Figure 23. Crowded Shorts - Components



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Source: Citi Research

Figure 24. Crowded Shorts - OEMs



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Source: Citi Research

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4. Company Commentary

Amphenol Corp (APH)

We expect Amphenol to continue to benefit from ongoing momentum across its AI-related server and datacenter exposure, driven by increased investment in compute infrastructure. Importantly, we also see the optical connectivity trade and CommScope exposure as incremental tailwinds, as AI cluster scaling drives higher bandwidth, denser interconnect architectures, and greater demand for optical/cable connectivity solutions across datacenter infrastructure. Beyond datacenter, we continue to see positives from its other end markets such as improving industrial demand trends and a supportive Aerospace & Defense backdrop, both of which should contribute to broader-based growth across the portfolio. Exposure to Apple foldables should also present some potential upside in 2H. We believe Amphenol remains well positioned to outperform within its end markets, given its content expansion opportunities, diversified exposure, and consistent execution. We see upside risk to our prior expectations as datacenter infrastructure demand remains robust, industrial recovery gains traction, and Aerospace & Defense demand continues to rise amidst geopolitical tensions. As a result, we raise our TP to $195, from $180, based on the same 33x P/E applied to FY27E EPS. Reiterate Buy rating. The company expects to report results on 7/29.

Figure 25. Citi vs Street

	2QFY26E				3QFY26E			FY26E				FY27E		
	Citi	Prior Citi	Consensus (Factset)	Guide	Citi	Prior Citi	Consensus (Factset)	Citi	Prior Citi	Consensus	Consensus (Factset)	Citi	Prior Citi	Consensus (Factset)
Sales	**$8,198**	**$8,198**	**$8,183**	**$8.1-8.2 bln**	**$8,756**	**$8,650**	**$8,581**	**$33,673**	**$33,077**	**$33,359**	**$33,355**	**$39,645**	**$37,455**	**$38,100**
y/y	45.1%	45.1%			41.4%	39.6%		45.8%	43%	44%		17.7%	13.2%	
q/q	7.6%	7.6%			6.8%	5.5%								
Gross Profit	$3,143	$3,143			$3,361	$3,320		$12,792	$12,563	$12,782		$15,138	$14,302	
Gross Margin	**38.3%**	**38.3%**			**38.4%**	**38.4%**		**38.0%**	**38.0%**	**38.3%**		**38.2%**	**38.2%**	
Opex (ex stock comp)	$885	$885			$916	$904		$3,479	$3,416	$3,509		$3,991	$3,770	
EBIT	$2,258	$2,258			$2,446	$2,416		$9,313	$9,147	$9,273		$11,147	$10,532	
EBIT Margin	27.5%	27.5%			27.9%	27.9%		27.7%	27.7%	27.8%		28.1%	28.1%	
Tax Rate	27.0%	27.0%			27.0%	27.0%		26.9%	26.9%			27.0%	27.0%	
Net Income	$1,498	$1,498			$1,631	$1,609		$6,193	$6,072	$6,179		$7,526	$7,077	
Net Income Margin	18%	18%			19%	19%		18%	18%	19%		19%	19%	
EPS	**$1.16**	**$1.16**	**$1.16**	**$1.14-1.16**	**$1.26**	**$1.25**	**$1.25**	**$4.80**	**$4.70**	**$4.78**	**$4.78**	**$5.79**	**$5.44**	**$5.66**
y/y	44%	44%			36%	34%		43%	40%	43%		23%	18%	
q/q	16%	16%			10%	8%								

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Source: Citi Research, FactSet, Company Data

CDW Corp (CDW)

Following in-line 1Q results, CDW expects full-year GP growth to be low-to-mid single digit yy (implies 2H deceleration), which appears reasonably achievable when coupled with initiatives in opex efficiencies plus share buybacks, which should drive mid-single-digit growth for the year. Overall, we believe opex savings are positive for our estimates, which undergo positive revisions, and we revise our TP upward to $145 on an 11x PE ($123 on 10x prior), while valuation levels screen attractive amid a derisked outlook. We are constructive on positive hardware budget revisions, however end market exposure to muted verticals including federal, education, health, and SMBs (a more likely price-sensitive customer segment) keep us more cautious. Ultimately, we expect investors to remain on the sidelines until earnings growth accelerates from current MSD levels. Reiterate Neutral rating.

Figure 26. Citi vs Street

	2Q26E		3Q26E		FY26 E			FY27E	
	Citi	Street Est.	Citi	Street Est.	Citi	Street Est.	Guidance	Citi	Street Est.
Total Revenues ($ M)	**$6,120**	**$6,199**	**$5,839**	**$5,952**	**$23,211**	$23,552	**Reiterate: Customer spend growth premium of ~200-300bps**	**$23,889**	$24,366
Gross Margin	**21.1%**	**21.1%**	**22.1%**	**22.1%**	**21.7%**	**21.7%**		**21.9%**	**22.1%**
Opex	$748		$730		$2,952			$2,980	$3,088
Operating Income	$543		$560		$2,090			$2,256	$2,256
Operating Margin	8.9%		9.6%		9.0%			9.4%	9.4%
Tax Rate	26.0%		26.0%		25.9%			26.0%	22.0%
Net Income	$358		$370		$1,376			$1,493	$1,476
Net Income Margin	6%		6%		6%			6%	
EPS	**$2.79**	**$2.80**	**$2.89**	**$2.89**	**$10.72**	**$10.74**		**$11.85**	**$11.74**
-Y/Y	7%	5%	7%	4%	7%		**Reiterate: MSD growth**	11%	
- Q/Q	22%	20%	4%	3%					

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Source: Citi Research, FactSet, Company Data

Corning Inc (GLW)

We remain constructive on Corning as optical connectivity continues to be the primary driver, with robust datacenter infrastructure demand supporting sustained growth across its AI-related opportunity set. Beyond the core optical cycle, recent innovations including GlassWorks AI infrastructure solutions (Glass Bridge) and advanced glass packaging substrates for next-generation semiconductor applications provide additional avenues for durable growth that are not fully reflected in current long-term expectations, in our view. In addition, we expect the solar ramp to continue progressing and become more beneficial to earnings as prior facility-related disruptions fade, capacity comes back online, and utilization improves over time. Overall, we see upside risk to our prior expectations as optical connectivity demand remains strong and solar becomes less of an EPS drag. We raise our TP to $240 from $225, based on an unchanged 35x P/E discounted to FY28E earnings. Reiterate Buy rating. The company expects to report earnings on July 28.

Figure 27. Citi vs Street

(In $ millions, except for % and EPS)	2QFY26			3QFY26			FY26			FY27		
	Citi Estimates	Prior Citi Estimates	Street (Factset)	Citi Estimates	Prior Citi Estimates	Street (Factset)	Citi Estimates	Prior Citi	Street (Factset)	Citi Estimates	Prior Citi	Street (Factset)
Display Technologies	941			960	960		3,771	3,771		3,826	3,826	
Optical Communications	2,002	2,002	2,002	2,114	2,114	2,114	8,077	7,943	8,110	9,932	9,745	
Automotive & Other	484	484		477	477		1,832	1,832	1,785	1,910	1,910	
Specialty Materials	570	570		672	672		2,309	2,303		2,508	2,501	
Life Sciences & Emerging	251	251		240	240		1,007	1,005		1,001	998	
Solar	393	393		510	510		1,962	1,938	1,807	2,353	2,328	
Total Revenue - Core	**4,640**	**4,640**	**4,625**	**4,973**	**4,973**	**4,992**	**18,958**	**18,793**	**18,995**	**21,529**	**21,308**	**22,368**
y/y	15%	15%		16%	16%		16%	15%		14%	13%	
q/q	7%	7%		7%	7%							
Seasonal Trends (Median 3 years)	7%	7%		4%	4%							
Gross Margin	*38.5%*	*38.2%*		*40.2%*	*39.9%*		*39.4%*	*39.1%*	*38.8%*	*41.8%*	*41.0%*	*39.1%*
Opex	835	835		914	914		3,450	3,421		3,796	3,758	
Operating income	950	938		1,084	1,073		4,025	3,932		5,210	4,988	
Operating Margin	*20.5%*	*20.2%*		*21.8%*	*21.6%*		*21.2%*	*20.9%*	*21.2%*	*24.2%*	*23.4%*	*23.1%*
Adj. EBITDA	1,262	1,250		1,394	1,383		5,305	5,212		6,490	6,268	
Core Gross Equity Earnings												
Tax rate							*18.6%*	*18.6%*		*18.6%*	*18.6%*	
Net Income - Core	667	658		742	732		2,795	2,720	2,799	3,766	3,584	
Net Income Margin	*14.4%*	*14.2%*		*14.9%*	*14.7%*		*14.7%*	*14.5%*	*14.7%*	*17.5%*	*16.8%*	
EPS - PF Diluted	**$0.77**	**$0.75**	**$0.75**	**$0.85**	**$0.84**	**$0.85**	**$3.20**	**$3.11**	**3.19**	**$4.30**	**$4.09**	**4.21**
y/y	27%	25%		26%	24%		26%	23%		34%	31%	
q/q	9%	7%		11%	11%							

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Source: Citi Research, FactSet

Logitech Int'l (LOGI)

While bears may focus on PC pressure into 2H, we maintain Buy given LOGI's superior market positioning with competitive offerings, strong operational execution and ability to navigate demand volatility. Following better-than-expected reported results (no signs of pull-fwd demand on demand consistency through the qtr) mgmt presented constructive 1Q (JuneQ) guidance (we note mgmt typically guides conservatively), with mgmt confident in carrying forward 4Q (MarchQ) momentum (strong demand, albeit not out of the ordinary), while continuing to navigate geopolitical and macro challenges. Recent management commentary has focused on a constructive demand outlook, continued gross margin performance, with VC refresh and attach rate as opportunities looking forward, in addition to improving Gaming. The company continues to navigate memory impacts on the portion of the VC segment requiring memory, with supply covered through CY26, up from 1HFY27 (Sept) prior; and with global price increases effective in early May. GM outlook reflects structural 43%-44% framework, as well as continued progress in margin-accretive portfolios including VC (supported by burgeoning VC refresh) and Premium products, plus strategic promotions to offset competition. Transition to a higher B2B rev mix continues at approx. 40% currently, reaching 50% over time, though mgmt indicates early innings. Education currently the strongest segment, and Medical and Gov't remain opportunities ahead. The company expects to report results on 7/28.

Figure 28. Citi vs Street

	FY27E (March)		FY28E (March)		1QFY27 (June)			2QFY27 (Sept)	
	Current Citi	Consensus	Current Citi	Consensus	Current Citi	Guide	Consensus	Current Citi	Consensus
	FY27E	FY27E	FY28E	FY28E	Jun-26 1Q27E			Sep-26 2Q27 E	
Revenues	**5,136,095**	**5,004,022**	**5,349,817**	**5,201,351**	**$1,202,678**	**$1,190 - $1,215M mp 1,203**	1,194,981	**$1,255,420**	1,231,149
-y/y	*6%*		*4%*		*5%*	***4% - 6% USD 2% - 4% cc***		*6%*	
-q/q					*11%*			*4%*	
Gross Margins	43.5%	43.7%	43.8%	44.2%	*43.6%*		43.7%	*43.6%*	43.4%
-y/y					*8.3%*			*5.1%*	
-q/q					*7.6%*			*4.4%*	
OpEx	1,309,833	1,302,772	1,392,330	1,381,633	$318,180		318,021	$320,379	317,102
-y/y					*13%*			*10%*	
-q/q					*-1%*			*1%*	
Opex % of revenues	*25.5%*	*26.0%*	*26.0%*	*26.6%*	*26.5%*		*26.6%*	*25.5%*	*25.8%*
Operating Income	**925,470**	**884,471**	**953,521**	**916,817**	***$205,653***	**$195 - $215M mp 205**	**203,679**	***$226,362***	**217,173**
Op Income Margin	**18%**	**18%**	**18%**	**18%**	17%		17%	18%	18%
Interest & Other Income	66,037		45,048						
Pre Tax Income	991,507		998,568		*$224,420*		209,580	*$244,342*	223,086
Net Income	**859,700**		**855,837**		*$194,587*		168,343	*$211,860*	170,437
Diluted Shares	143,784		139,640		144,340			143,969	
EPS	**5.98**	**5.65**	**6.13**	**6.07**	**1.35**		**1.26**	**1.47**	**1.30**

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Source: Citi Research, FactSet, Company Data

Sandisk Corp (SNDK)

We remain constructive on Sandisk given favorable NAND S/D fundamentals on durable AI-led datacenter demand (KV cache offloading to more cost-effective SSDs). Plus, following favorable demand commentary from Micron in late June, we continue to believe that the NAND S/D balance is likely to remain tight, inline with forecasts from Citi's Peter Lee highlighting continued tightness through CY28. We believe this is supportive of pricing, with eSSDs benefiting from very strong hyperscale demand on generative-AI training/inferencing services (discussed in the section below), and with vendors working to improve profitability through price increases while judiciously managing capex and supply to scrutinized demand. Note that we also opened an upside 90-day Short-Term View on SNDK shares on favorable industry results/commentary (earnings, FMS conference in Aug) plus forthcoming catalyst of SNDK's August investor day, where we expect to hear updated commentary on demand expectations, technology roadmap and constructive capital returns outlook. The company expects to report results on 8/5.

Figure 29. Citi vs Street

(in $ millions, except for %, ASP, and EPS)	Q4-26E Jun-26			Q1-27E Sep-26		2026E FY		2027E FY	
	Citi	Street	Guidance	Citi	Street	Citi	Street	Citi	Street
Bit growth q/q	10.7%			20.0%		16.1%		22.9%	
ASP/GB qq	35.0%			15.0%		136.3%		113.2%	
Total Revenue	**8,895**	**8,322**	**7750-8250**	**12,275**	**10,499**	**20,178**	**19,920**	**52,898**	**47,920**
Change Q/Q	*49.5%*			*38.0%*					
Change Y/Y	*367.9%*			*431.9%*		*174.3%*		*162.2%*	
GM w/charges	***81.0%***	***79.8%***	**79-81%**	***82.0%***	***81.1%***	***69.9%***	***69.7%***	***82.0%***	***84.9%***
Opex	489	397	**480-500**	528	313	1,796	1,831	2,147	2,378
Operating Income	6,716	6,247		9,538	8,201	12,312	12,050	*41,229*	38,312
Operating Margin	***75.5%***	***75.1%***		***77.7%***	***78.1%***	***61.0%***	***60.5%***	***77.9%***	***79.9%***
Pretax Income	6,732	6,179		9,554	8,098	12,249	11,922	41,293	39,131
Provision for Income Taxes	942	860	**775-875**	1,433	1,400	1,636	1,566	6,194	6,198
Tax rate	*14.0%*	*13.9%*		*15.0%*	*17.3%*	*13.4%*	*13.1%*	*15.0%*	*15.8%*
Net Income	5,789	5,369		8,121	6,852	10,612	10,413	35,099	32,421
EPS - PF Diluted	**$36.64**	**$ 34.10**	**30-33**	**$51.40**	**$ 42.92**	**$68.47**	**$ 66.54**	**$222.15**	**$ 203.33**

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Source: Citi Research, FactSet, Company Data

Seagate Technology Holdings Plc (STX)

We raise estimates and target on STX on continued AI-led demand strength paired with ongoing solid industry supply discipline supporting sustainable pricing power and underpinning profitability for meaningful FCF and shareholder returns. Industry EB demand expectations have risen to a ~25% CAGR. Recent checks point to heightened HDD demand to support agentic AI infrastructure expansion, with current EB demand exceeding supply by a couple-hundred EBs for CY26, with expectations to continue into CY28, while current elevated NAND pricing has made substitution prohibitive, exacerbating the HDD S/D disparity. Despite this, HDD makers reiterate no intention to invest in new unit capacity in favor of areal density gains, which should bode well for ongoing margin and profitability improvements.

We adjust near-term pricing to reflect solid demand commentary in the face of continued unit supply discipline, paired with a 24x PE NTM multiple (from 23x prior) applied to FY28 ests, reflecting increased LT fundamentals confidence, leading to a TP of $1,240, up from $1,150 prior.

In addition to supportive HDD commentary provided above from our conversations with storage experts, TrendFocus, earlier in this report, we note our recent HQ mgmt visits with HDD makers just a few weeks ago: North America Hardware & Storage - HDD Mgmt Visits: Stronger for Longer – AI-led Storage Demand Durability Drives Estimates and Price Targets Higher

Figure 30. Citi vs Street

(in $ millions, except for %, ASP, and EPS)	Q4-26E Citi	Q4-26E Citi Prior	Q4-26E Street	Guide	Q1-27E Citi	Q1-27E Citi Prior	Q1-27E Street	2026E Citi	2026E Citi Prior	2026E Street	2027E Citi	2027E Citi Prior	2027E Street
EB	218	218			234	234		789	789		990	990	
Eb qq	9%	9%			7%	7%		33%	33%		26%	26%	
$/GB	$0.015	$0.015			$0.016	$0.016		$0.014	$0.014		$0.017	$0.017	
$/GB qq	4%	3%			3%	2%		1%	1%		18%	16%	
Total Revenue	3,531	3,501	3,477	$3.45B ± $100M	3,900	3,833	3,709	12,097	12,067	12,046	17,712	17,288	16,581
Change Q/Q	*13%*	*13%*			*10%*	*9%*		-	-		-	-	
Change Y/Y	*44%*	*43%*			*48%*	*46%*		*33%*	*33%*	***33%***	*46%*	*43%*	***38%***
Gross Margin	***50.2%***	***50.1%***	***50.0%***		***52.7%***	***52.6%***	***50.3%***	***45.3%***	***45.3%***	***45.1%***	***56.7%***	***56.6%***	***51.7%***
Opex	294	294	**278**	flat for next 3-4qtrs	300	300	**261**	1,171	1,171	**1,144**	1,229	1,229	**870**
Operating Margin	***41.8%***	***41.7%***	***42.1%***	Lower 40s%	***45.0%***	***44.8%***	***43.3%***	***35.6%***	***35.6%***	***35.6%***	***49.8%***	***49.5%***	***46.5%***
Pre tax Income	1,416	1,401	**1,396**		1,694	1,657	**1,534**	4,041	4,025	**3,991**	8,576	8,323	**7,405**
Tax rate	*16%*	*16%*	***16%***	**16%**	*16%*	*16%*	***15%***	*16%*	*16%*	***16%***	*16%*	*16%*	***14%***
Net Income	1,189.7	1,176.6	**1,169.4**		1,423.0	1,392.2	**1,304.6**	3,408.4	3,395.3	**3,350.0**	7,203.6	6,991.6	**6,311.7**
Net Income Margin													
Diluted Shares	230.9	230.9	**230.3**		232.0	232.0	**231.9**	227.0	227.0	**224.8**	228.3	228.4	**230.1**
EPS - PF Diluted	**$5.15**	**$5.10**	5.08	$5.00 ± $0.20	**$6.13**	**$6.00**	5.63	**$15.02**	**$14.96**	14.90	**$31.55**	**$30.61**	27.43

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Source: Citi Research, FactSet, Company Data

Super Micro Computer, Inc. (SMCI)

Though F3Q revenues missed expectations, the company reported better-than-expected gross margins that flowed through to stronger EPS, and mgmt. guided to higher gross margins exiting the year, supported by better customer/product mixes. Our recent headquarters visit with mgmt highlighted that, while the margin profile is improving, we see impeding customer mix and order timing variability. Specifically, customer diversification should occur over time, though near-term can be impacted by large orders from larger customers that need to be fulfilled. Recent strong order momentum has resulted in a sizeable equity raise, which is likely to weigh on earnings momentum despite strong top line expectations. We maintain Neutral/High Risk given ongoing variability tied to customer concentration, revenue timing, margin ramp volatility, in addition to the earnings power that flows through to shareholders from the dilution. Our target price moves from $31 to $33, based on an unchanged 8x P/E multiple applied to our Super Micro FY28 estimates, which have also been revised up.

Figure 31. Citi vs Street

($ Million) SMCI Estimates	FY4Q26E Citi	Citi (Prior)	Consensus (Factset)	Guide	FY1Q27E Citi	Citi (Prior)	Consensus (Factset)	FY 2026E Citi	Citi (Prior)	Consensus (Factset)	FY 2027E Citi	Citi (Prior)	Consensus (Factset)
Revenue	**$11,750**	**$11,750**	**$11,732**	**$11.0–$12.5B, $11.75B MP**	**$12,900**	**$12,321**	**$11,442**	**$39,693**	**$39,693**	**$39,676**	**$63,613**	**$54,635**	**$51,374**
Gross Profit	$980	$980			$1,032	$949		$3,290	$3,290		$5,089	$4,207	
Gross Margin (Non-GAAP)	**8.3%**	**8.3%**		**8.2-8.4%**	**8.0%**	**7.7%**		**8.3%**	**8.3%**		**8.0%**	**7.7%**	
Opex	$319	$319		**~$319mln**	$361	$345		$1,041	$1,041		$1,555	$1,336	
Operating Profit	$661	$661			$671	$604		$2,249	$2,249		$3,534	$2,871	
Operating Margin	**5.6%**	**5.6%**			**5.2%**	**4.9%**		**5.7%**	**5.7%**		**5.6%**	**5.3%**	
Tax Rate	20.4%	20.4%			20.0%	20.0%		20.6%	20.6%		20.0%	20.0%	
Net Income	**510**	**510**			**433**	**467**		**1,798**	**1,798**		**2,414**	**2,234**	
Net Income margin	4.3%	4.3%			3.4%	3.8%		4.5%	4.5%		3.8%	4.1%	
EPS	**$0.72**	**$0.72**	**$0.71**	**$0.65– $0.79, $0.72 MP**	**$0.57**	**$0.66**	**$0.66**	**$2.61**	**$2.61**	**$2.60**	**$3.15**	**$3.15**	**$3.17**
Share count	712	712			758	706		690	690		765	710	

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Source: Citi Research, FactSet, Company Data

TE Connectivity Ltd. (TEL)

We take a more balanced view on TE Connectivity. Improving industrial demand trends, grid modernization and hardening investments, and broader electrification themes should provide support to growth across the portfolio. We also see continued opportunity in power and connectivity solutions as infrastructure investment remains resilient, particularly across utility and energy applications. However, these positives are increasingly offset by a more challenged automotive backdrop, where softer production expectations and demand uncertainty temper our growth outlook and warrant a more conservative valuation framework given their heavy concentration in auto. While we continue to view TE as a solid company with broad exposure to long-term electrification and industrial recovery themes, we lower our TP to $230 from $250, based on an 18x P/E applied to FY27E EPS versus 20x prior, reflecting lower auto demand assumptions. Reiterate Buy rating on attractive valuation levels. The company expects to report earnings on July 22.

Figure 32. Citi vs Street

	3QFY26E				4QFY26E			FY26E				FY27E		
	Citi	Citi Prior	Consensus (Factset)	Guide	Citi	Citi Prior	Consensus (Factset)	Citi	Citi Prior	Consensus (Factset)	Guide	Citi	Citi Prior	Consensus (Factset)
Sales	**$5,001**	**$5,001**	**$5,008**	**$5.0 billion**	**$5,152**	**$5,139**	**$5,161**	**$19,566**	**$19,553**	**$19,589**	ahead of through-cycle 6-8% avg growth	**$21,144**	**$21,113**	**21,210**
Sales y/y	10.3%	10.3%			8.5%	8.2%		13.3%	13.3%			8.1%	8.0%	
Sales Q/Q	5.4%	5.4%			3.0%	2.8%								
Gross Profit	$1,855	$1,855			$1,906	$1,901		$7,244	$7,239			$7,969	$7,957	
Gross Margin	**37.1%**	**37.1%**			**37.0%**	**37.0%**		**37.0%**	**37.0%**			**37.7%**	**37.7%**	
Opex (ex stock comp)	$762	$762			$785	$783		$2,967	$2,965			$3,163	$3,158	
Operating Income (ex Restructuring)	$1,092	$1,092			$1,120	$1,117		$4,277	$4,275			$4,806	$4,799	
Operating Income Margin (ex Restructuring)	21.8%	21.8%			21.7%	21.7%		21.9%	21.9%			22.7%	22.7%	
Tax Rate	23%	23%			23%	23%		22%	22%			23%	23%	
Net Income	$832	$832			$851	$848		$3,295	$3,293			$3,642	$3,637	
Net Income Margin	16.6%	16.6%			16.8%	16.8%		16.8%	16.8%			17.2%	17.2%	
EPS ex amortization	**$2.83**	**$2.83**	**$2.84**	**$2.83**	**$2.91**	**$2.91**	**$2.97**	**$11.19**	**$11.19**	**$11.23**		**$12.53**	**$12.51**	**$12.59**
y/y	17.8%	17.8%			12.3%	12.0%		20.8%	**20.8%**			11.9%	**11.8%**	
q/q	4.0%	4.0%			2.8%	2.5%								

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Source: Citi Research, FactSet, Company Data

Western Digital Corp (WDC)

We raise estimates and target on WDC on continued AI-led demand strength paired with ongoing solid industry supply discipline supporting sustainable pricing power and underpinning profitability for meaningful FCF and shareholder returns. Industry EB demand expectations have risen to a ~25% CAGR. Recent checks point to heightened HDD demand to support agentic AI infrastructure expansion, with current EB demand exceeding supply by a couple-hundred EBs for CY26, with expectations to continue into CY28, while current elevated NAND pricing has made substitution prohibitive, exacerbating the HDD S/D disparity. Despite this, HDD makers reiterate no intention to invest in new unit capacity in favor of areal density gains, which should bode well for ongoing margin and profitability improvements. We adjust near-term pricing to reflect solid demand commentary in the face of continued unit supply discipline, paired with a 24x PE NTM multiple (from 23x prior) applied to FY28 ests, reflecting increased LT fundamentals confidence, leading to a TP of $800, up from $685. We expect greater contribution from shareholder returns given monetization of its SNDK shares and debt reduction.

In addition to supportive HDD commentary provided above from our conversations with storage experts, TrendFocus, earlier in this report, we note our recent HQ mgmt visits with HDD makers just a few weeks ago: North America Hardware & Storage - HDD Mgmt Visits: Stronger for Longer – AI-led Storage Demand Durability Drives Estimates and Price Targets Higher

Figure 33. Citi vs Street

(in $ millions, except for	Q4-26E Jun-26				Q1-27E Sep-26			FY 2026E			FY 2027E		
%, ASP, and EPS)	Citi	Prior	Street	Guidance	Citi	Prior	Street	Citi	Prior	Street	Citi	Prior	Street
EB	240	240			255	255		881	881		1,100	1,100	
Eb qq	*8.0%*	*8.0%*			*6.4%*	*6.4%*		*26.4%*	*26.4%*		*24.9%*	*24.9%*	
$/GB	$0.016	$0.015			$0.016	$0.016		$0.015	$0.015		$0.017	$0.016	
$/GB qq	*5.0%*	*2.3%*			*3.5%*	*2.0%*		*7.7%*	*6.8%*		*18.9%*	*11.6%*	
Total Revenue	**3,784**	**3,687**	**3,541**	**$3.65B +/- $100M**	**4,166**	**4,000**	**3,777**	**12,956**	**12,859**	**12,825**	**19,236**	**17,918**	**17,569**
Change Q/Q	*13.4%*	*10.5%*			*10.1%*	*8.5%*				-			-
Change Y/Y	*45.3%*	*41.5%*			*47.8%*	*41.9%*		*36.1%*	*35.1%*	38.2%	*48.5%*	*39.3%*	37.0%
Total Gross Margin	*52.0%*	*52.0%*	***51.4%***	**51% - 52%**	*54.0%*	*54.0%*	***52.0%***	*48.5%*	*48.4%*	***48.1%***	*57.8%*	*57.7%*	***54.4%***
Opex	387	387	298		391	391	271	1,537	1,537	1,529	1,561	1,561	1,239
% of revs	10.2%	10.5%	8.4%		9.4%	9.8%	7.2%	12%	12%	12%	8%	9%	7%
Operating Income	1,581	1,530	1,522		1,859	1,769	1,694	4,743	4,692	4,634	*9,550*	*8,780*	
Operating Margin	*41.8%*	*41.5%*	*43.0%*		*44.6%*	*44.2%*	*44.9%*	*36.6%*	*36.5%*	*36.1%*	*49.7%*	*49.0%*	*47.4%*
Pretax Income	1,571	1,520	1,511		1,848	1,758	1,716	4,620	4,569	4,563	9,506	8,735	8,315
Provision for Income Taxes	251	243	243		296	281	272	739	731	725	1,520	1,397	1,328
Tax rate	*16.0%*	*16.0%*	*16.1%*	**~ 16%**	*16.0%*	*16.0%*	*15.8%*	*16.0%*	*16.0%*	*15.9%*	*16.0%*	*16.0%*	*16.0%*
Net Income	1,320	1,277	1,262		1,552	1,477	1,410	3,830	3,787	3,760	7,985	7,338	6,939
EPS - PF Diluted	**$3.43**	**$3.32**	**$ 3.29**	**$3.25 +/- $0.15**	**$4.04**	**$3.85**	**$ 3.68**	**$10.10**	**$9.99**	**$ 9.99**	**$21.04**	**$19.33**	**$ 17.80**

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Source: Citi Research, FactSet, Company Data

5) Upside Short-Term Views

Adding Upside 90-Day Short-Term View on Seagate Technology Holdings PLC (STX.N)

Direction: **Upside**
Duration: Within 90 Days
Category: Earnings

We have an upside 90-day ST View on STX shares on the continuation of solid supply/demand dynamics and improving pricing dynamics. AI demand continues to drive higher content creation, and is accelerating the generation of unstructured data, then stored, duplicated and versioned across collaboration platforms. Any improvement in KV caching is expected to further improve memory bottlenecks and drive growth in inferencing/storage. Moreover, we expect progressively meaningful GM ramp given the company's ramp of Mozaic 4+ beginning in MarQ and building into FY27. This constructive outlook comes on the heels of strong MarQ execution as the company continues to benefit from strong demand for its high-capacity drives, in addition to robust margins and a continued healthy pricing environment well-supported by limited production, ongoing hyperscaler HAMR qualifications, and where the company continues to undersell industry demand.

Adding Upside 90-Day Short-Term View on Western Digital (WDC.N)

Direction: **Upside**
Duration: Within 90 Days
Category: Earnings

We have an upside 90-day ST View on WDC shares on the continuation of solid supply/demand dynamics and improving pricing dynamics. AI demand continues to drive higher content creation, accelerating generation of unstructured data, then stored, duplicated and versioned across collaboration platforms. Any improvement in KV caching is expected to further improve memory bottlenecks and drive growth in inferencing/storage. This constructive outlook comes on the heels of strong Mar Q execution as the company continues to benefit from strong demand for its high-capacity drives in addition to robust margins and a continued healthy pricing environment well-supported by limited production, demand visibility windows through CY26, CY27 and into CY28; and where the company continues to undersell industry demand.

Short-Term View on Sandisk Corp (SNDK.O)

Direction: **Upside**
Duration: Within 90 Days (expires 23 Sep 2026)
Date Added: 25 Jun 2026
Category: Earnings, Macro fundamentals, and Special situations

We open an Upside 90-Day ST View on SNDK shares on potentially favorable industry results/commentary and forthcoming August investor day where we expect to hear updated commentary re 2HCY26 as well as CY27 expectations, technology roadmap and constructive capital returns. We remain constructive on NAND fundamentals: industry remaining in tight production supply, with eSSDs benefiting from extremely strong hyperscale demand for generative-AI training/inferencing services, and with vendors working to improve profitability over coming quarters through price increases and LTAs, while judiciously managing supply to expected demand.

Bull/Bear: Amphenol Corp (APH.N)

US$ 215.00 ▲35% Upside

US$ 195.00 ▲23% Upside

US$ 130.00 ▼18% Downside



Spread 53pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Organic revenue growth across segments with margin expansion from M&A integration.

BASE Assumptions

- Sales and margins at current levels.

BEAR Assumptions

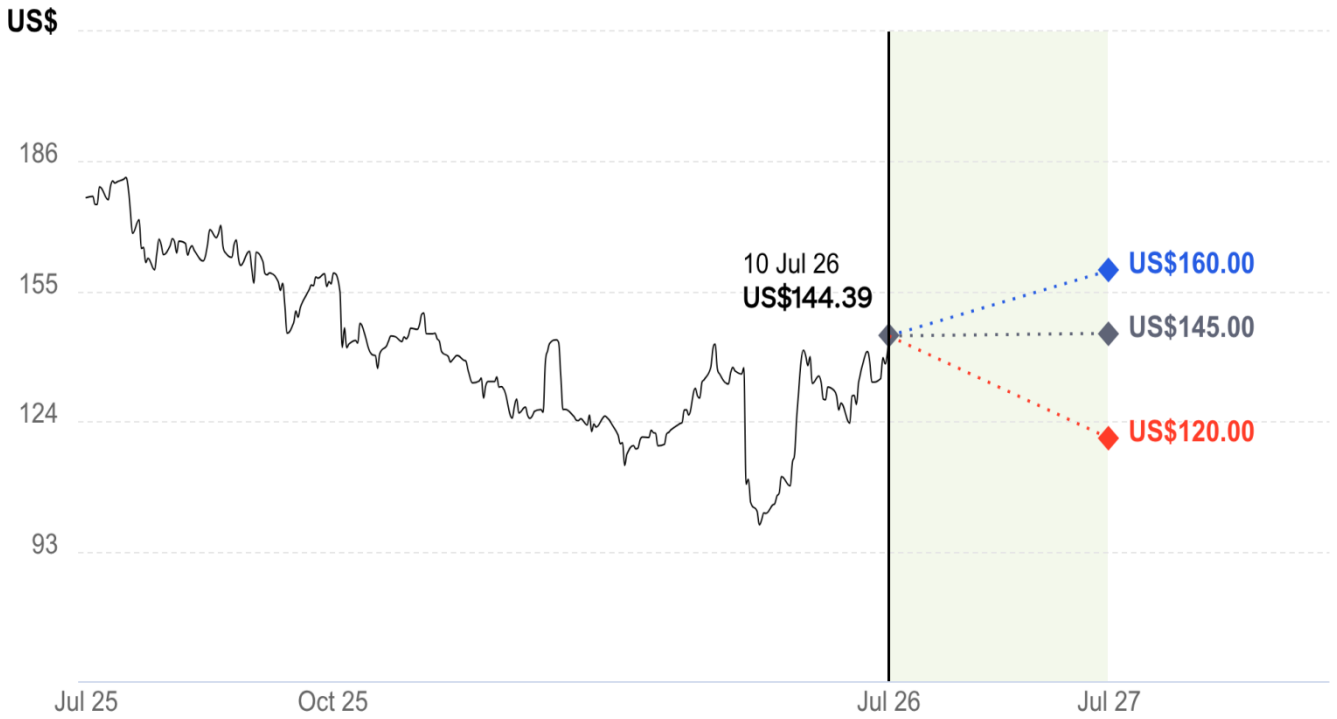
- Revenue declines and margins headwinds from slower-than-expected M&A integration.
- Valuation contraction.

Bull/Bear: CDW Corp (CDW.O)

US$160.00 ▲11% Upside

US$145.00 ▲0.4% Upside

US$120.00 ▼17% Downside



Spread 28pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Higher revenue growth while able to benefit from continued margins mix shift

BASE Assumptions

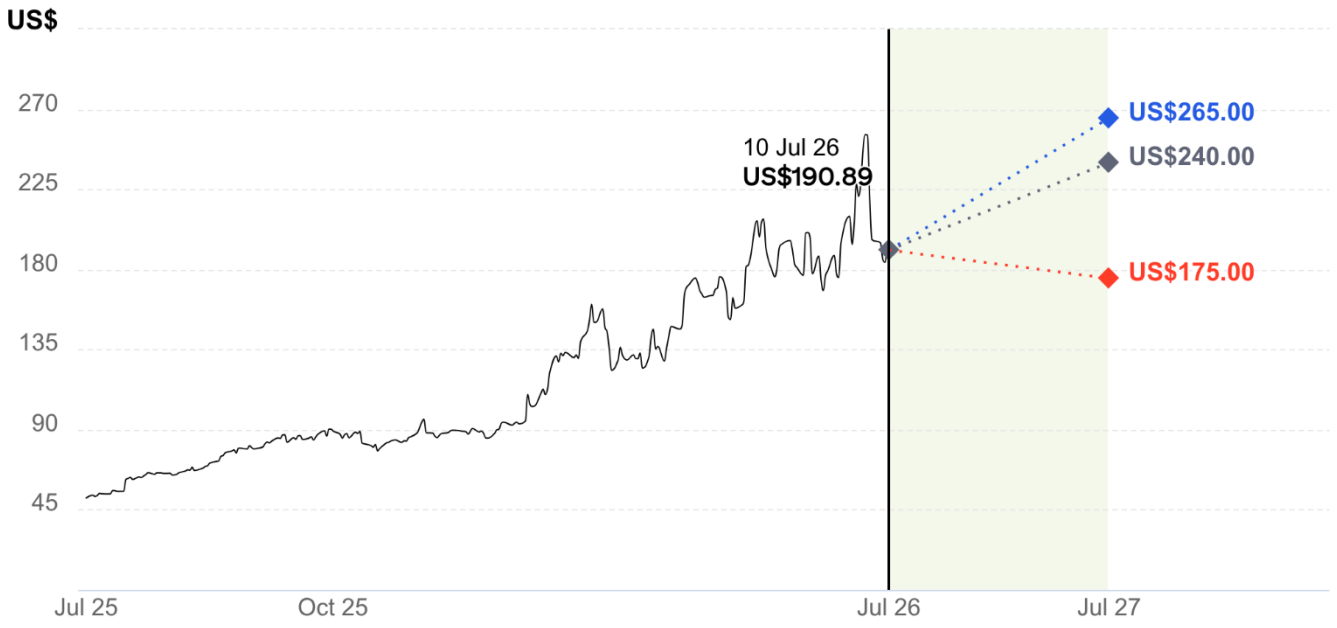
- Base case is reflected in the model.

BEAR Assumptions

- Lower revenue growth and lower margins.

Bull/Bear: Corning Incorporated (GLW.N)

US$ 265.00 ▲39% Upside | US$ 240.00 ▲26% Upside | US$ 175.00 ▼8.3% Downside



Spread 47pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Better-than-expected demand across the segments, with optical outperforming assumptions and solar trends improving
- Execution, mix, and cost discipline driving NI margin upside well above 20%
- 37x P/E

BASE Assumptions

- Our GLW company model reflects our base case assumptions

BEAR Assumptions

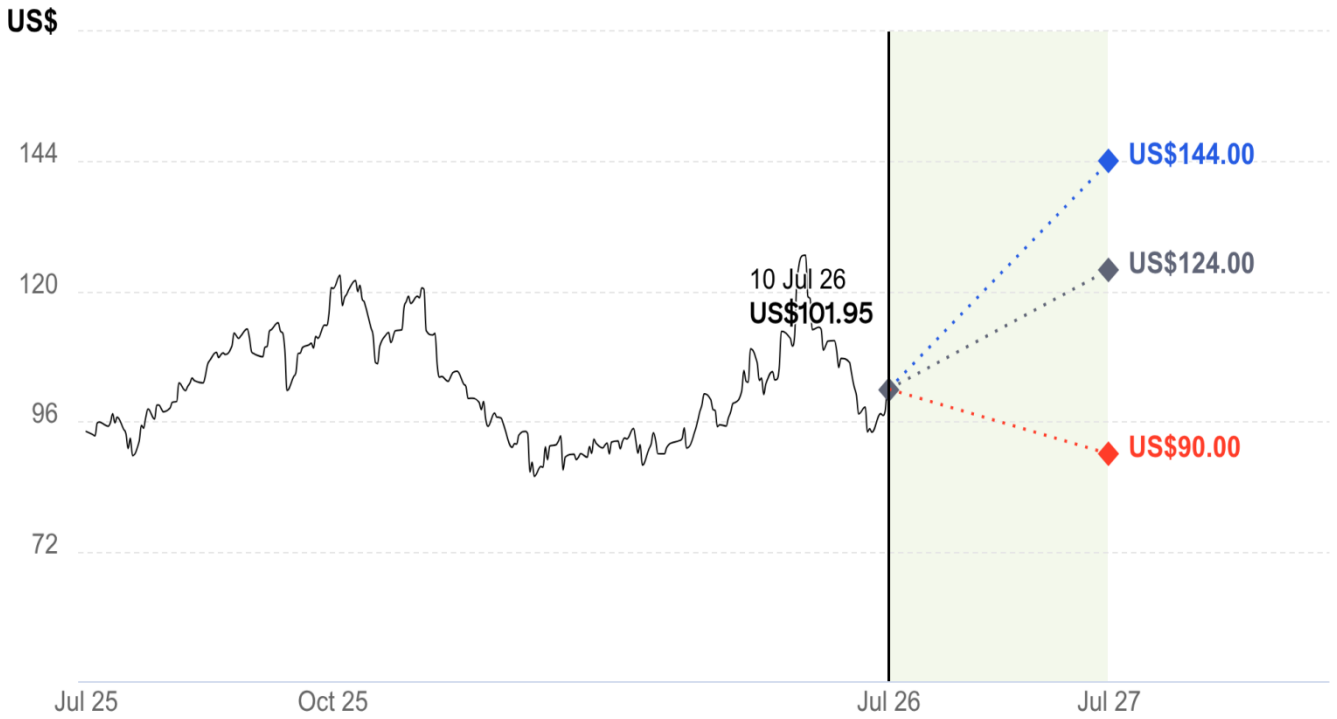
- Underwhelming end-market demand with weaker optical if AI ramps moderate or weaker solar trends, becoming more of a drag on the company
- Operational/timing-related pressures along with fewer customer deployments or less favorable mix
- 21x P/E

Bull/Bear: Logitech International (LOGI.O)

US$144.00 ▲41% Upside

US$124.00 ▲22% Upside

US$90.00 ▼12% Downside



Spread 53pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Revenue higher than the current model with higher margins.

BASE Assumptions

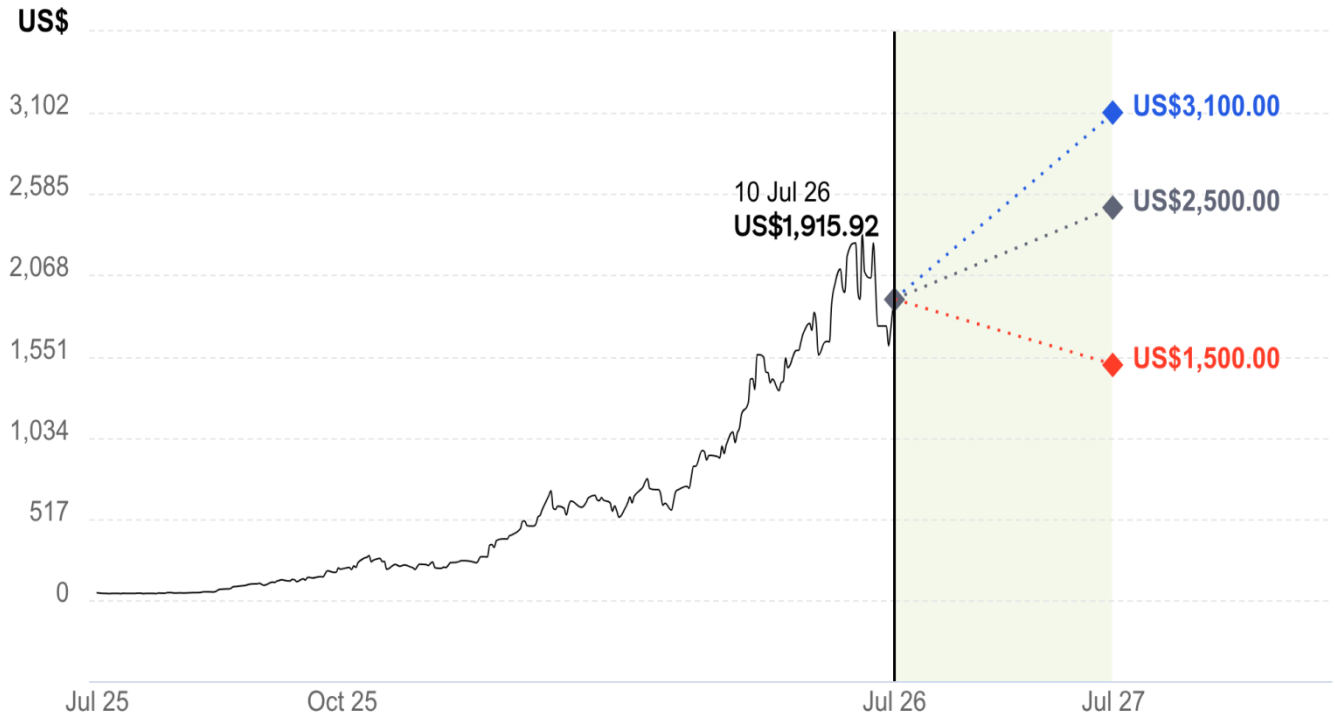
- Base Case assumptions are reflected in the current model.

BEAR Assumptions

- Revenue CAGR is lower than current model with lower margins, resulting in multiple compression.

Bull/Bear: Sandisk Corp (SNDK.O)

US$ 3,100.00 ▲62% Upside | US$ 2,500.00 ▲30% Upside | US$ 1,500.00 ▼22% Downside



Spread 84pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Bull case assumes higher EB growth and improved EB pricing environment.

BASE Assumptions

- Base case as presented in current financial model.

BEAR Assumptions

- Bear case assumes lower EB growth and degraded EB pricing environment.

Bull/Bear: Seagate Technology Holdings PLC (STX.N)

US$1,618.00 ▲78% Upside | US$1,240.00 ▲36% Upside | US$740.00 ▼19% Downside



Spread 97pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Higher revenues due to higher EB sold and more moderate pricing declines
- Higher margins as HAMR drives increased cost reductions

BASE Assumptions

- Base case is reflected in the model

BEAR Assumptions

- Lower revenues due to lower EB sales and more severe pricing declines
- Lower margins as HAMR faces delayed/lower ramps

Bull/Bear: Super Micro Computer, Inc. (SMCI.O)

US$ 40.00 ▲41% Upside | US$ 33.00 ▲17% Upside | US$ 25.00 ▼12% Downside



Spread 53pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Bull case incorporates higher revenues and margins.

BASE Assumptions

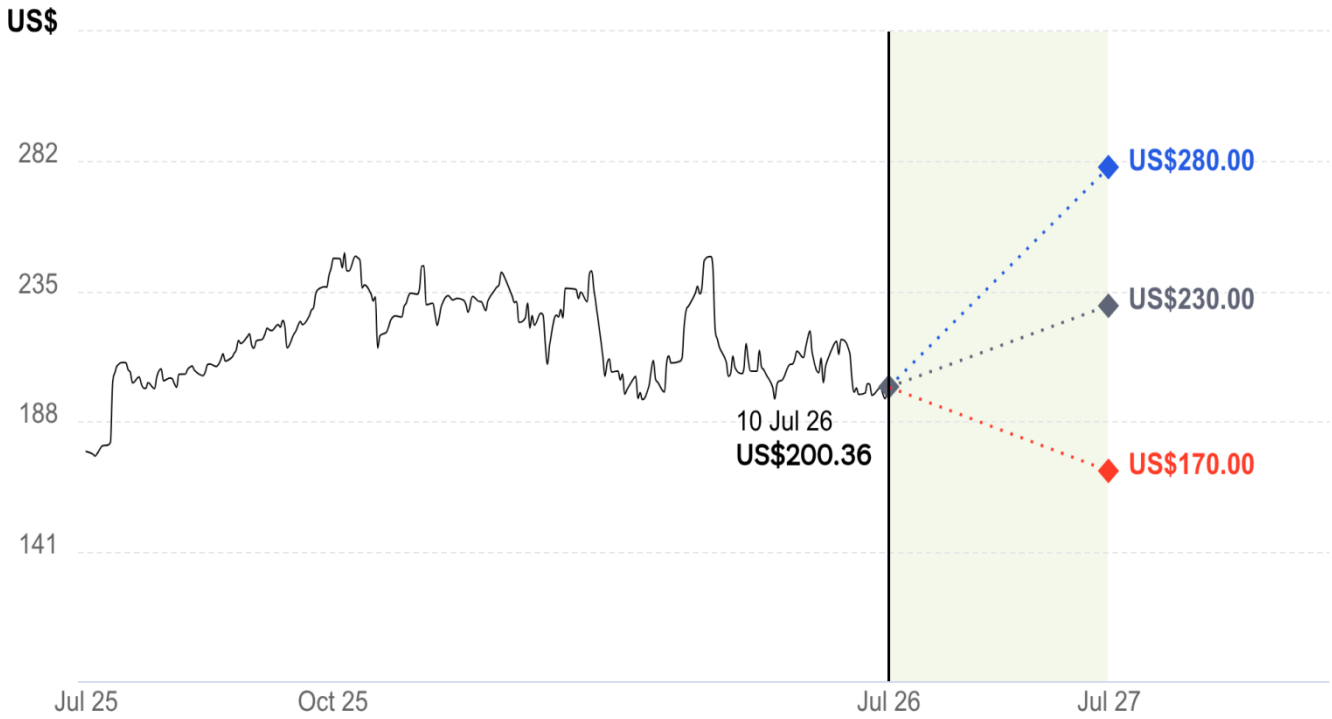
- Our Base case assumptions are as presented in the current financial model.

BEAR Assumptions

- Bear case incorporates lower revenues and margins.

Bull/Bear: TE Connectivity Ltd. (TEL.N)

US$ 280.00 ▲40% Upside | US$ 230.00 ▲15% Upside | US$ 170.00 ▼15% Downside



Spread 55pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Better-than-expected growth in transportation segment.

BASE Assumptions

- Sales and margins are at current estimated levels.

BEAR Assumptions

- Weaker transportation trends, including auto, and slower rebound in industrial.

Bull/Bear: Western Digital (WDC.N)

US$1,064.00 ▲83% Upside | US$800.00 ▲37% Upside | US$495.00 ▼15% Downside



Spread 98pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Higher-than-expected EB sold with more moderate price declines
- Higher margins

BASE Assumptions

- Base case is reflected in the model

BEAR Assumptions

- Lower-than-expected EB sold with more severe price declines
- Lower margins

Amphenol Corp

Company description

Amphenol is a leading manufacturer of electronic and electrical interconnect products and assemblies, as well as fiber optics. Amphenol is the second-largest global connector manufacturer company with ~13% of total worldwide connector revenue in 2025, and it operates globally. Sales by end market in FY2025 include IT Data Communications 36%, Industrial 19%, Automotive 14%, Commercial Aerospace/Military 14%, Mobile Devices 6%, Broadband Communications & Mobile Networks 11%. The company is based in Wallingford, Connecticut and has been listed on NYSE since 1991.

Investment strategy

We rate Amphenol shares Buy. Amphenol is a leading provider of interconnect, antenna and sensor components, and a beneficiary of the increased electrification trend across a diverse range of industrial, military, aerospace, automotive, and technology end markets. Amphenol's diversified end market exposure, global manufacturing footprint, strong execution, decentralized management structure, and expansion through acquisitions have enabled historical outperformance compared with its peers in the fragmented connector market. We believe Amphenol is poised to continue above market sales and earnings as spending on technology hardware (its largest end market) broadens, further enhanced by spending on AI infrastructure, which requires significantly more high-speed connector content. Amphenol also boasts a strong balance sheet and has consistently paid and grown its dividends.

Valuation

Our $195 target price is based on 33x PE applied to FY27E EPS. This represents a premium to its median 5-year PE multiple of 32x and higher than the peer group, which we believe reflects its growth characteristics, cyclical recovery in the broader tech supply chain, and the company's AI upside potential.

Our peer group comprises connectors and semis companies. The peer group trades at a median PE NTM multiple of ~30x, with a range varying from 44x to 9x. Amphenol shares have consistently traded higher than the peer group on higher margin structure, defensible business model able to withstand a tough macro, strong execution, as well as continued potential for acquisitions to impact growth. We also note that historically APH has traded at 1.21x PE relative to the SOX, although in upcycles this premium has expanded to 1.6x to 1.7x.

Risks

Risks to the stock achieving our target price include: 1) a general economic slowdown (globally or in key markets) more severe than current expectations; 2) a slowdown in tech spending beyond current expectations; 3) an increase in raw material prices that could pressure the company's ability to meet and exceed earnings estimates; 4) the company has actively made acquisitions - given the highly fragmented connector industry and synergies from larger-scale operations, we expect this trend will likely continue and believe our

estimates and positive outlook would be at risk if it does not; 5) an increase in raw material prices that could pressure the company's ability to meet and exceed earnings estimates; and 6) exchange rate fluctuations given the firm's global footprint, which could negatively impact sales, operating margins, and equity.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price.

CDW Corp

Company description

Headquartered in Lincolnshire, Illinois, CDW is the largest value-added reseller in North America with ~5% market share. The company provides value-added IT solutions to 250,000 customers in corporate (>250 employees), small businesses (<250 employees) and public sectors (incl. healthcare, education, state and federal government). Originally incorporated in 1984, the company started with selling computers and printers (CDW stands for “Computer Discount Warehouse”) and continues to evolve its product offerings which now include hardware, software (including cloud applications) and services. The company derives 90% of revenue in the U.S. and 10% of revenue in Canada and UK. CDW purchases products both directly from vendor partners and from wholesale distributors.

CDW had its first IPO in 1993 and was acquired by Madison Dearborn Partners in 2007. The company went public again in 2013.

Investment strategy

We have a Neutral rating on CDW to align more muted revenue expectations and limited upside on earnings in the near-term, given weaker macro and tariff related uncertainty. We believe CDW’s leading market share in the fragmented value-added reseller (VAR) space, strong sales culture, and expansion in solutions and services could continue to drive the company’s outperformance vs. IT spending growth. However, continued focus on opex investments towards solutions/services is likely to temper operating leverage, thereby limiting EPS upside potential in the near- to mid-term range.

Valuation

Our target price is based on a peer comp analysis, adjusted for individual company premiums or discounts. CDW trades at a discount to peer group, given its lower margins and growth characteristics. Our peer group is comprised of distributors and VARS companies, and trades at a median PE NTM multiple of ~12x, with a range varying from 8x to 16x. We note the higher multiples across the peer group are generally associated with higher sales growth and sustainable higher margins. Applying a target PE of 11x to our F24M EPS estimates, we get to a $145 target price (rounded). We note the 11x target multiple is lower than CDW's 18x median trading multiple, which we believe reflects a lower growth estimate CAGR vs prior years.

Risks

1. Management changes that derail sales culture - CDW's sales team is a key competitive advantage, in our view, which often acts as an extension of its customers' IT staff and an extension of its partners' sales/marketing teams. Any reduction in the sales force could negatively impact vendor and customer relations.

2. Unfavorable IT spending environment - Macro-economic conditions could negatively affect IT spend, which could result in postponed or decreased spending on IT hardware. Softness was seen in hardware and devices and could continue, which could negatively impact CDW's corporate and SMB growth, as the macro-induced sales downturn may persist in the quarters ahead.

3. SMB demand recovery slower than expected - The biggest growth opportunity is in the SMB market, which is currently seeing suppressed growth related to macro-economic challenges, such as high inflation and increases in interest rates, tighter credit lending, and other macro conditions that may be impacting SMB capital outlay to a greater extent and could influence key categories in the VARS space. If demand remains stunted, this could have a significant impact on CDW's long-term organic growth.

4. Hardware price erosion - CDW's current product mix is heavily reliant on hardware sales; any reductions in price power could result in pressured margins and negatively impact the business and margin compression.

If the impact on the company from any of these factors proves to be greater or less than we anticipate, the stock could either outperform or underperform our target price.

Corning Incorporated

Company description

Corning, Inc. develops and manufactures specialty glass and ceramics. The company provides glass for notebook computers, flat panel desktop monitors, LCD televisions, and other information display applications; optical fiber and cable and hardware and equipment products for the telecommunications industry; ceramic substrates for gasoline and diesel engines in automotive and heavy duty vehicle markets; laboratory products for the scientific community and specialized polymer products for biotechnology applications; advanced optical materials for the semiconductor industry and the scientific community; and other technologies. Corning operates in six reportable segments: Optical Communications (32%), Display (27%), Specialty Materials (14%), Automotive (12%), Life Sciences (7%), and Hemlock and Emerging Growth Businesses (8%). The company manufactures products at 124 plants in 15 countries. The company was incorporated in 1936 and is headquartered in Corning, New York.

Investment strategy

We rate Corning a Buy. We believe the company remains well positioned for secular growth and cyclical demand recovery across its various segments. We have greater conviction in margin expansion targets following recent Display price increases, amidst a more balanced to tight supply-demand

environment, as well as improved optical segment results driven by AI as enterprises continue to scale out while carriers continue to scale up their networks. We also believe that the momentum in AI benefits Corning's business as higher margins should drive improved FCF generation and working capital improvements with continued shareholder purchases. Additionally, with 34 domestic manufacturing facilities, we note Corning's domestic manufacturing footprint as a strategic advantage, enabling them to serve the increased domestic demand from major partners such as Apple. As markets recover, we expect these initiatives will drive operating income expansion ahead.

Valuation

We derive our $240 target price based on applying a ~35x P/E multiple to our CY28 EPS discounted by a year. Given multiyear AI infrastructure build cycles and improving optical capacity and higher visibility, we now anchor valuation to 2028E earnings which better reflects structural demand. Our target multiples are higher than the stock's median multiples over the past five years (but in line with peers), reflective of the current secular dynamics in Corning's end markets. On EV/EBITDA, our target price is equivalent to applying a ~30x EV/EBITDA multiple to our NTM EBITDA 1 year from today.

Risks

Risks that could impact our target price include: 1) LCD glass market fundamentals, potentially resulting from global TV demand or average TV screen size varying negatively from expectations; 2) Corning's Optical Communications business growth differs from what we expect; 3) Recession risk continues to temper demand; 4) Yen and other foreign currency volatility; and 5) Varying capital expenditures to support the company's numerous growth initiatives and business partners.

The impact from the above could be worse than expected, resulting in the share price failing to achieve our target price.

Seagate Technology Holdings PLC

Company description

Seagate Technology is a global data storage supplier that generates >92% of revenue from the sale of hard disk drives (HDDs), with the remainder from non-HDD based storage (Enterprise Systems, Flash, and Other). The company's products include HDDs, solid state drives (SSDs), solid state hybrid drives, peripheral component interconnect express cards, serial advanced technology attachment controllers, storage subsystems, and computing solutions. As of the latest reported FY, Seagate's OEM customers accounted for 80% of its revenue, with Distributors and Retail customers accounting for 12% and 8% of revenue, respectively. Geographically, 49% of sales were generated in the Americas, 10% in EMEA, and 41% in Asia Pacific. Seagate was founded in 1978 and is headquartered in Dublin, Ireland, with executive offices in Fremont, CA, and had 30,000 employees as of June 2025.

Investment strategy

We rate Seagate shares a Buy. Our Buy rating is underpinned by our view of a cyclical recovery in the HDD market from enterprise/hyperscalers which, coupled with our view of AI-driven storage demand growth, rational capacity additions, and HAMR-led cost improvements, should enable Seagate to sustain higher revenue and earnings growth ahead and resume a higher pace of shareholder returns.

Valuation

Our target price for STX is $1,240. We value STX at 24x FY28 EPS estimates, on more durable pricing and demand datapoints, and reflective of improving margins, continued execution, and both strong and improving HDD fundamentals.

Risks

Downside risks that could impede the stock price from reaching our target price include:
1) returning weakness in cloud/enterprise demand from macro-induced factors could curtail storage spending, and upset the current balance in supply-demand dynamics and causing significant underutilization charges;
2) a decrease in SSD prices due to faster-than-expected HDD cannibalization by SSDs;
3) continued challenges in improving cost structure vs. the 10-15% historically; and
4) HAMR industry adoption stalls and competitive threats to Seagate's enterprise business from Western Digital's ePMR high-capacity drives.

Super Micro Computer, Inc.

Company description

Super Micro Computer, Inc. designs, develops, and manufactures high-performance and high-efficiency server and storage systems and solutions, globally. The company offers server and storage systems, sub-systems, and accessories that are designed to be flexible, customizable, and scalable. As of FY25 (ending June), it operates through the following segments: Server & Storage systems (97% of total net sales); and Subsystems & accessories (3% of total net sales). The company is one of the largest producers of servers with a broad range of product offerings, including complete servers, modular blade servers, blades, workstations, full racks, server sub-systems, storage systems, networking devices, server management software, and security software. Furthermore, the company offers global support and services and has in-house design capabilities that provide design control over components used in the server and storage systems. Super Micro services several end markets, including enterprise data centers, cloud computing, artificial intelligence, 5G and edge computing. Super Micro was incorporated in 1993 and is headquartered in San Jose, California.

Super Micro’s extensive product portfolio includes comprehensive product offerings in servers/storage systems and subsystems/accessories consisting of components marketed under the “Building Blocks” product line brand, as well as networking products. In addition, Super Micro offers global and

support services, including server and storage system integration, configuration, and software management/security solutions.

Investment strategy

We rate SMCI Neutral/High Risk (2H). The company is pivoting towards high-growth, HPC/AI computing, and we remain positive on the company's ability to be a meaningful player in the server market. With 6% of AI server revenue share (2025), Super Micro remains one of the leading players to GPU-as-a-Service cloud providers and enterprises, and we expect Super Micro to continue to benefit from broader secular trends in AI-driven infrastructure. However, our positive view is counterbalanced by an increasingly competitive AI Server landscape pressuring margins, coupled with regulatory challenges that the company is facing.

Valuation

Our $33 target price is based on applying an 8x P/E multiple to our Super Micro FY28 estimates, below its median 3-year P/E multiple of 12x. Our peer group comprises Enterprise hardware companies, including ODMs. We note the lower multiple applied to SMCI being mainly attributed to higher earnings volatility, lower margins and elevated customer concentration risk compared to peers. This is in addition to expected elevated customer diligence and tighter supplier guardrails, which may lead to some suppliers restricting components and competitive losses tied to recent indictments. When we apply an 8x PE multiple to our Super Micro FY28 EPS estimate, we get to a target price of $33.

Risks

This stock is High Risk based upon our quantitative model owing to its volatility. Key risks to our target price include: 1) High customer concentration intra-quarter; 2) Margin deterioration as mix shifts to AI-servers; 3) High volatility in AI revenues given GPU allocation; 4) Increase in competitive landscape in AI servers from traditional server vendors (Dell and Lenovo) and low-cost Taiwanese ODM vendors; 5) FCF NI conversion concerns; and 6) DOJ investigation for questionable financial reporting and accounting practices along with reputational damage from recent export-control violations committed by certain individuals.

If the impact on the company from any of these factors differs from our base case expectations, the stock could have difficulty achieving our target price or could increase more than we expect.

TE Connectivity Ltd.

Company description

TE Connectivity (TEL) is the world's largest electronics connector company and is a spin-out company (effective 2007) of parent company Tyco International (TYC). TE Connectivity designs, manufactures, and markets about 500,000 different products for consumers within automotive, appliance, and aerospace and defense telecommunications, as well as computer and consumer electronic industries. It stands as a leading global provider of engineered electronic components, network solutions, and

wireless systems. As of FY25, sales are segmented by Transportation 53%, Digital Data Networks 14%, Automation & Connected Living 12%, Energy 9%, Aerospace/Military/Marine 8%, and Medical 4%. The company was added to the S&P 500 in 2011.

Investment strategy

We rate TE Connectivity shares a Buy. TEL is a leading global provider of engineered electronic components, network solutions, and wireless systems across a diverse range of automotive, appliance, and aerospace and defense telecommunications, as well as computer and consumer electronic industries with approx. 15% market share of the worldwide connector market. The Transportation Solutions segment represents ~53% of total sales (CY25) with automotive representing ~40% of total sales.

We remain broadly positive on the connector market which is expected to show continued momentum in 2026 following double-digit growth in 2025 (positive book-to-bill ratio), underpinned by strength in IT Datacom (improving broader infrastructure demand, growing AI demand amid rising cloud capex expectations), improved industrial end-market demand outlook (present inclination toward factory automation spending, positive ramp in energy and defense spending), and signs of a stabilized automotive market. We remain constructive on datacenter connector demand (content in AI servers is significantly greater than mainstream). We rate TEL a Buy given recent stabilization of the automobile market demand, an improved industrial end-demand market, and the continued growth in DDN as enterprises continue to ramp spending in AI infrastructure. We note that TEL also boasts a strong balance sheet (FY25 total debt-to-EBITDA of 1.29x) and has both consistently paid and grown its dividends.

Valuation

Our $230 target price is based on 18x PE applied to our FY27E EPS. Our peer group comprises connectors and semis companies. The peer group trades at a median NTM PE of ~33x, with a range from 110x to 9x. TE Connectivity has historically traded at a discount to peers, and we believe its customer segment and end-market concentration in trasnportation warrants a discount. We also note historically TEL has traded at a 0.8x PE relative to the SOX, though in upcycles this premium has expanded to 1.05x.

Risks

Risks to the stock deviating from our target price include the following: 1) a further economic improvement/slowdown that impacts auto production; 2) better/worse restructuring implementation; 3) better/worse acquisition integration; 4) currency fluctuations; and 5) raw material price increases.

Western Digital

Company description

Western Digital Corporation is a global data storage supplier of hard disk drives (HDDs). The company offers mobile drives for the notebook, PC, and gaming markets; serial attached small computer system interface drives; home video recorders; home network storage devices; and portable, desktop,

and personal cloud storage. Western Digital was founded in 1970 and is headquartered in San Jose, CA.

Investment strategy

We have a Buy rating on Western Digital given our view of a cyclical recovery in the storage market, which, coupled with our view of AI-driven storage demand growth and rational capacity additions, should enable the company to sustain higher revenue and earnings growth ahead.

Valuation

Our target price for WDC is $800 valued at 24x FY28 EPS estimates, in line with its market peer multiple given strong recent execution, demand visibility confidence, and continued outlook of solid and durable HDD supply/demand dynamics supportive of pricing and margins.

Risks

Downside risks that could impede the stock price from reaching our target price include:
1) returning weakness in cloud/enterprise demand from macro-induced factors could curtail storage spending, and upset the current balance in supply-demand dynamics and causing significant underutilization charges;
2) a decrease in SSD prices due to faster-than-expected HDD cannibalization by SSDs;
3) continued challenges in improving cost structure vs. the 10-15% historically; and
4) HAMR development roadmap stalls, allowing competitive threats to WDCs enterprise business from Seagate's earlier established HAMR high-capacity drives.