Hardware & Networking

Pre-Quiet Period Catch-up Takeaways (CSCO, CRDO, DELL, P, HPE, HPQ, NTAP, NTNX, SMCI)

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We recently hosted pre-quiet period catch-up calls with our coverage companies, including CSCO, CRDO, DELL, P, HPE, HPQ, NTAP, NTNX, and SMCI. *Please find the detailed takeaways for each company below.* Also repeated below are the pre-quiet period check in commentary from the rest of the coverage published on June 12th.

Cisco (CSCO)

- **Memory cost inflation is largely under control, but hyperscaler outperformance may pressure gross margins.** Cisco has taken a multi-faceted approach to mitigate memory cost inflation, including raising product prices, making a strategic investment in Nanya, shutting down certain server deals, reducing memory content in switches, and making advanced purchase commitments on memory. That said, Cisco reiterated that if the hyperscale business grows significantly in excess of the $4 bn+ FY26 and $6 bn+ in FY27 revenue targets, it could pose a product gross-margin headwind, though the company emphasized that operating margin outcomes would remain solid.
- **Highlights opportunity for further Silicon One penetration in enterprise.** Cisco disclosed that the large majority of enterprise switch shipments run on third-party silicon, with Silicon One present mainly at the high end of the enterprise portfolio, including Smart Switches and the Nexus 800G. That said, the Silicon One mix within enterprise solutions is expected to increase in the coming years, as enterprise customers increasingly adopt higher-end switches related to both capabilities and bandwidth.
- **Well positioned in scale-across given portfolio breadth and increasing architectural complexity.** While Cisco characterized scale-across as being in the early innings, it expects to benefit from the opportunity to bundle the breadth of its solutions (*e.g., router, multi-rail, coherent pluggables, etc.*) due to a higher degree of co-engineering required for complex scale-across connections relative to more traditional data center interconnect (DCI). Furthermore, there are fewer competitors involved given the degree of complexity, and as such Cisco feels good about the scale-across opportunity, which they estimate to have a ~14x step-up in bandwidth requirements relative to DCI.

Credo (CRDO)

- **Confident relative to supply security for optical ramp and then some.** Credo conveyed strong confidence in its ability to secure enough supply to achieve optical revenue above the guide for FY27 and FY28, highlighting sustained and intensive efforts as well as senior-level relationships with key partners, both of which are decisive factors in locking down capacity needed to meet its objectives.
- **Highlights robust opportunity for NIC-to-TOR optical TRx with broadening customer interest.** Credo highlighted industry estimates for an optical TRx TAM of 150 mn shipments in 2027 which, based on ASPs of $400-500, implies a very robust market opportunity for the company. Within that

See page 12 for analyst certification and important disclosures.

total, NIC-to-TOR is expected to represent 20%+ of the market, per management, and should be viewed as the primary opportunity. Management also noted broadening customer interest for ZR optics, even among highly technical customers, with the solution enabling enhanced reliability beyond what is achievable at the software or switch level at those specific customers.

- **Dust framed as a lever for both margin expansion and revenue synergy.** By integrating Dust's PIC with Credo's DSP, a transition expected to take 6 to 12 mos due to customer qualifications, it can eliminate the margin stacking as well as unlock enhanced capabilities. Management noted genuine synergy opportunity supported by meaningful customer overlap and hyperscalers' comfort with Dust under a larger, better-capitalized owner, though it stressed the magnitude remains to be determined. Encouragingly, Dust also brings strong hyperscaler relationships that management hopes will deepen customer dialogue and potentially translate into large wins.

Dell (DELL)

- **Structural demand, not just pull-forward, driving traditional server growth.** Traditional server growth reflects both a degree of pull-forward and, more importantly, genuinely structural demand. The existing customer base is undertaking a multi-year cycle of refreshing aging installed bases and modernizing data centers, with some sophisticated buyers moving ahead of cost increases, while a new structural TAM emerges around CPU demand for agentic workloads. Critically, Dell continues to see an expanded role as a strategic adviser, helping customers sequence purchases, work within budgets, and reallocate or secure funding, a role that delivers materially better visibility into demand, which is what gives management confidence that the strength is not simply pull-in. In addition, management was unequivocal that the more prudent back-half guide is purely a function of supply, not demand *(ranked as DRAM and NAND, followed by CPU, followed by HDDs; in AI constraints are E1 and E3 SSDs*).
- **Underlying storage demand running stronger than reported revenue suggests.** Underlying storage demand was described as materially stronger than reported growth, with unstructured storage posting very strong orders driven by PowerScale and ObjectScale rather than Project Lightning, pointing to genuine AI/CPU-related attach. The disconnect between demand and reported revenue reflects two factors: 1) ongoing decline in VxRail; and 2) storage's outsized deferred-revenue component.
- **Prioritizes profitable PCs as costs squeeze the low end.** PC strategy remains fundamentally intact despite timing being less than ideal given the current operating environment. With cost increases having effectively eliminated the low end of the price spectrum and supply constrained, management intends to prioritize available units toward the most profitable products and customer opportunities. While CSG demand is far more elastic than infrastructure, management expects ASP growth to more than offset that demand destruction, underpinning its revenue growth guidance.

Everpure (P)

- **Price increases are targeting profit-neutral outcomes; Highlights opportunity to leverage price to gain share.**The company indicated that price increases are designed to protect profits rather than margins, while also pointing to opportunities to leverage the current pricing environment to win share, expanding its data center footprint and displace rivals. Everpure further noted that supply has not overall been a constraint, though suggested pressures extend well beyond NAND and have yet to show any quarter-over-quarter stabilization.
- **Announcement of second hyperscaler customer is only a matter of time.** Everpure noted that the qualification process for second hyperscaler customer is taking longer than

initially expected, but not necessarily longer than qualification time taken for Meta. Additionally, management highlighted that two hyperscaler engagements in which the company is currently involved relate to the top four U.S. hyperscalers.

Hewlett Packard Enterprise (HPE)

- **Supply gating revenue growth expectations.** Management explained that the moderation in absolute-dollar revenue growth in the back half is a function of supply availability rather than demand. Sequentially, the overall revenue is stepping up meaningfully F2Q into the F3Q guide, with another significant sequential improvement expected in F4Q, including some large AI server opportunities. In other words, the guide is gated more by the supply on hand than by the demand trajectory, which management characterized as considerably stronger than the revenue cadence alone would imply.
- **Memory remains the most constrained.** DRAM was flagged as the most supply constrained, followed by NAND. Memory was called out as the number one constraint in both Servers and Networking, followed by silicon availability, although HPE emphasized the usage of its in-house silicon in Campus and Branch, while it heavily relies on Broadcom in Data Center Switch.
- **Server-storage revenue growth divergence to persist.** The divergence between robust server demand and more muted storage demand was characterized as an apparent architectural shift rather than a company-specific issue, as buyers concentrate on servers and even large AI training instances rely on a different storage architecture, one that leans more on memory, with the same data sets being processed in more varied ways. Based on its pipeline and customer conversations, management expects this pattern of more modest storage growth, relative to servers, to persist.

HP Inc (HPQ)

- **F4Q26 expected to mark the trough for margins, with recovery expected by F1Q27.** HPQ characterized F4Q as the margin trough, driven by continued memory cost increases, rising storage costs, and incremental CPU cost pressures. However, the company indicated that cost actions are gaining steam, including the onboarding of additional suppliers and accelerated qualification timelines, which support expectations of exiting the trough in FY27.
- **Price increases being implemented gradually, and expected to offer a partial offset to unit declines.** HPQ indicated it is raising prices gradually as component costs rise, while trying to not get ahead of the cost curve. Looking into 2H, the company expects unit shipments to decline mid-teens while still forecasting revenue growth, which implies material ASP expansion embedded in the outlook.
- **Peripheral refresh is expected to provide a tailwind; Poly margins now tracking closer to Logitech's profile.** The company acknowledged a natural lag from the portfolio realignment and refresh within the Poly business, but expects an industry-wide peripheral refresh cycle to benefit it. Importantly, HPQ noted that the margin profile of the Poly business now more comparable to Logitech's, an improvement relative to the margin structure at the time of the acquisition.

NetApp (NTAP)

- **Demand environment improving; albeit, not to the same magnitude as server.** NTAP is seeing improvement in the demand environment, largely driven by enterprise AI workloads, although it noted that storage is not seeing the same magnitude of refresh activity as in traditional servers. Certain workloads are being purchased within existing budgets, while others may see delays.

- **Google deal from Apr-Q is an expansion of an existing engagement with software recognized upfront.** NetApp recognized enterprise software license revenues from this deal upfront, which impacted F4Q (Apr-end) numbers. Going forward, NetApp will ship hardware based on demand from Google/Google's customers. Additionally, they will have support revenues recognized ratably over the period of this deal (4.5 year). Over the entire period, this deal is expected to track to overall Hybrid Cloud margins, but there may be ebbs and flows based on recognition of quarterly mix.

Nutanix (NTNX)

- **VMware migration remains the dominant growth driver.** Nutanix reiterated that the majority of new customer wins continue to come from Broadcom/VMware customers, with customer discontent around pricing driving the migration. Importantly, external storage support (Dell PowerStore, Pure, Netapp) is the most significant near-term product neeedle-mover.
- **F3Q contract duration spike is not expected to sustain, while the NRR decline to 106% is not fundamental.** During F3Q26, average contract duration spiked because of a handful of larger deals that naturally carry longer terms, and Nutanix does not expect this to sustain and indicated that normalization may create a headwind for F3Q27 bookings and revenue comps. On NRR, the company stated the decline to 106% is due to increased focus on new logo addition and can be reverted by steering focus of sales reps from logo addition towards land and expand.

Super Micro (SMCI)

- **Recent order activity is modestly concentrated in terms of customers.** Management highlighted that the company witnessed a robust step up in orders post F3Q26 (Mar-end) earnings print, which drove $39 bn orders in a few weeks, where the significant majority was associated with two key customers, with one much larger than the other. Additionally, some of the orders relate to the most advanced compute, including Vera Rubin.

Additionally, please see below the key takeaways from pre-quiet period catch-up calls with our coverage companies, which we had already published on 12 June.

Axon (AXON)

- **Bookings could see lumpy quarters, but still expect steady annual build.** While bookings seasonality in 2Q and 3Q can be variable, due to factors such as fiscal year-end timing for certain agencies or one-off events like last year's U.S. government shutdown, bookings should generally follow prior-year seasonal patterns, continuing to build through the year and growing in 2026 at a rate similar to the prior years.
- **Software strength expected to offset drags and drive relatively stable gross margins.** Gross margins are expected to remain stable through 2026, as headwinds from areas like higher growth in lower-margin drone solutions are offset by continued growth in the high-margin software business. Importantly, as drone solutions mature from its current infancy, the gross margin profile of the solution is also expected to improve.
- **T10 and AI ramps continue to have headroom.** With T10 only entering year four of product availability, there continues to be meaningful headroom for growth through adoption by both existing and new taser customers. In fact, T10 is expected to expand every year through to the introduction of the next-generation taser solution, similar to the trajectory seen with T7. Similarly, while nearly all large U.S. law enforcement agencies are now including AI in their purchases, the most prominent solutions remain Draft One

and Live Translation, leaving headroom for adoption of additional AI features, both existing and new innovations.

Calix (CALX)

- **Management feels good about the sales set up into the end of the year.** With Calix moving past the Google Cloud transition and the launch of Calix One, including Agentic AI features, there are multiple drivers for a reacceleration of revenue over the remainder of the year with RPO poised to accelerate, an expected sales uplift from the October ConneXions conference which typically bolsters 4Q contract signings, and a seasonally favorable 4Q which aligns with customer calendar-year planning.
- **Software & Services has a line of sight to 70%+ gross margins following the completion of the Google Cloud transition.** The path back past the recent high of ~65% software & services gross margins is largely derisked given that it only depends on eliminating dual cloud cost and optimizing the new infrastructure, and from there, the remainder of the improvement will come from improving subscriber economics under Calix One.
- **Memory headwinds persist, although appear to be slowing.** Regarding memory cost headwinds, management observed that the rate of price increase has decelerated, although prices are still rising and visibility is only a month long. Furthermore, customer sentiment in relation to memory surcharges appears to be normalizing, although the dollar impact of memory surcharges is still supposed to build over the remainder of the year..

CDW (CDW)

- **Backlog remains hardware-led, with PCs the tightest and servers next.** Management framed the backlog as hardware-only, with PCs & servers carrying the highest backlog, while also noting that backlog exists across other hardware categories (including networking. That said, backlog is still modest and does not yet provide visibility into all of 3Q and 4Q 2026.
- **Storage demand cycle could follow the server pull-forward**. In the reported Server and Storage segment, CDW has a fair balance between servers and storage, and had robust demand in both in the last quarter, albeit stronger in Server than Storage. That said, CDW expects that with the demand cycle in Servers tracking strong, the demand cycle in Storage might be imminent and more a matter of timing.
- **Gross margin trajectory could be influenced by netted revenue mix, but will be associated with higher gross profit dollars.** Management's guidance for the year incorporates higher gross profit margin in 2H helped by a higher mix of netted revenues, based on expectations for lower mix of hardware revenues. However, 2H gross profit margin could be potentially influenced by hardware mix, although that would be accompanied by higher hardware demand also helping in higher gross profit dollars - although as highlighted above, the visibility into 2H through the backlog is still limited.

Celestica (CLS)

- **Path to keep gross margins stable for HPS as well as the aggregate company.** Management highlighted the ability to take higher pricing for some of the next generation switching programs to offset silicon cost inflation and help support gross margins, with the eventual direction of margins driven by the actual mix of better priced programs. Additional driver of gross margin tailwinds is the layering in of the L11 networking rack programs in the future. In relation to these opportunities, the company does believe there is reasonable path to maintaining gross margins both for HPS and total company.
- **Confident about switching silicon supply given allocation to hyperscalers are**

assured. Lead times for switching silicon continues to be quite long, however, Celestica's end-customers are in a favorable position relative to silicon allocation from Broadcom, and management is confident about supply availability to cater to robust hyperscaler demand. Potential supply challenges could only arise with customers increasing their demand higher than previously committed, given lead times continue to be very long.

- **Management highlighted that engagement relative to Google's TPU racks is not limited to a specific chip vendor**, and spans across other chip vendors as Google continues to diversify.

Corning (GLW)

- **Advanced optics in Specialty Materials has been a growth driver within Glass Innovations, and Corning would like to grow its presence in semiconductor packaging.** Management called out the semiconductor equipment end market as a growth area, including photomasks and lenses that go into lithography equipment. Corning also supplies a variety of precision optics into the aerospace and defense end market, which is seen as an opportunity area for growth as well.
- **2026 CapEx possibly tracking beyond the guided ~$1.7 bn+ is seen as a reflection of success with large customers and should be a good sign for growth opportunities.** The ramping of hyperscaler deals will not be purely linear as investments will precede capacity coming online. That said, Corning still expects to see free cash flow growth through this ramp period amid strong sales growth, lower capital intensity opportunities, and some upfront funding from customers.
- **Expectations for normalization in Carrier growth in 2Q were reiterated.** 36% y/y growth in 1Q26 was driven by strength in DCI as well as fiber-to-the-home, that said, the 1Q strength could affect 2Q seasonality which typically sees a sequential step up.

Fabrinet (FN)

- **Second EML supplier qualified and ramping through 2026.** 200G EML supply has tracked largely stable over the past couple of quarters from the first supplier, with additional supply expected to come from a second supplier that qualified its solution with the end customer in 1Q26 and is expected to ramp capacity through the remainder of the year. That said, it was suggested that it would take time from the 1Q26 qualification to go through the process of integrating the second-sourced laser.
- **Three TRx wins to stack up with hyperscaler now and merchants to follow.** The hyperscaler TRx win is expected to start in the Jun-Q and ramp more materially over the next 12 months to a size similar to the current Nvidia business. Importantly, the win includes two SKUs of 800G, including a 100G EML and a CWL/SiPh. Meanwhile, one of the additional merchant TRx wins is expected to start in December and ramp thereafter, while the other is expected to start in 1H CY27, with both tracking in aggregate to a size similar to the Nvidia business.
- **HPC revenue to track to $150 mn in Sep-Q and expand thereafter.** HPC revenue delay was reiterated and is expected to track to $150 mn in the Sep-Q, led by a transitory headwind associated with a faster-than-expected transition to the next-generation product combined with ASIC constraints. Importantly, revenue is expected to ramp beyond that period given incremental business secured, as well as further headroom from the underlying growth of the program and the opportunity to take additional share.
- **Ciena's modem tracking in line while pluggable tracking ahead of plan**. Relative to Ciena, while management sidestepped commenting on whether the customer could track to 10%+ of revenue in FY26, it did suggest that WaveLogic 6E is tracking to expectations and pluggables are tracking ahead of expectations. Additionally, while the company did

not rule out constraints for Telecom solutions, it also played down anything noteworthy.

Flex (FLEX)

- **Guidance carries a typical conservatism, but execution is critical with such a high magnitude of ramp.** Growth relative to FY27, including a robust 65%-75% guidance for the CPI segment, is expected to be back half weighted with programs ramping through the year. The robust guidance (CPI guidance for FY27 and FY28) still embeds the typical conservatism that investors expect from Flex, but execution will be critical given the magnitude of the ramp is unprecedented.
- **Current CPI guide only embeds modest opportunities in relation to 800V architecture shift.** Opportunity relative to the 800V architecture is expected to materialize only beyond FY28 and current FY27 and FY28 guidance for the CPI segment does not embed material contribution on that front.

F5 (FFIV)

- **Gross margin is expected to begin recovering towards the end of FY27 and in FY28, alongside operating expense efficiencies driving operating margin improvement.** As previously disclosed, in an effort to mitigate component cost inflation, F5 has modified contract terms to allow re-quoting tied to product cost movements and intends to leverage pricing to stabilize gross profit dollars. Per the company's guidance, gross margins are expected to settle at ~81% exiting F4Q, with a possible recovery towards ~83% beginning in the end-of-FY27 as supplier capacity comes online.
- **F5's AI opportunity is primarily via new use cases for existing products, rather than new AI products.** New AI products that support runtime security and factory load balancing were not embedded in the outlooks provided at Investor Day (see recap note here), while AI data delivery is currently the main revenue driver and is supported by the traditional BIG-IP product with a new insertion point (tied to storage). As such, there is not a dedicated sales effort or incentive to sell AI offerings, with the difference today being a more mature go-to-market motion for selling into AI use cases relative to 18 months ago.

Garmin (GRMN)

- **New form factors to expand the wearable TAM.** New form factors coming to market are an overall positive, as the company views them as TAM-expanding, either by driving new users to wearables or by encouraging existing users to adopt multiple devices, creating an opportunity to expand share of wallet. Importantly, management underscored that it continues to see wearable growth driven by both replacement and new-user demand.
- **Premium market position to enable ASPs as a margin lever.** The recent introduction of new wearable products at a higher ASP relative to the prior generation is driven by a host of factors, including BOM and freight costs, market considerations, and margin targets. Importantly, given Garmin's premium status across the markets it serves, it views this as a strong lever, particularly heading into 2027 as it digests buffer inventory.
- **Bigger hangar to support larger business jets for aftermarket business.** The new large-aircraft hangar is not designed to accommodate aircraft on the scale of a Boeing 747, but rather to service larger platforms, including large business jets and regional aircraft. The expansion is particularly strategic for the aftermarket and retrofit business, where avionics installations must be FAA-certified and undergo required test hours to achieve certification.
- **K-shaped seas as premium-end for Marine business expected to hold up as low-end**

looks poised to soften. Boat builders are expressing growing caution on the macro, with recent industry conversations pointing to softness and a potentially K-shaped dynamic in which larger, premium demand continues while lower-end demand weakens. Importantly, Garmin is well-positioned across this spectrum, with a product portfolio spanning all customer tiers, though its mix skews toward the more resilient premium segment.

Insight Enterprises (NSIT)

- **Backlog build being led by servers with demand unlikely to fade in the near- to medium-term.** Servers remain the largest backlog contributor, followed by networking and storage. For servers, the forward cost curve is viewed as the main demand driver, and management does not expect demand pull-ahead to be a one-quarter phenomenon given that prices are likely to remain elevated in the near- to medium-term. Separately, management highlighted that although overall delivery times remain elongated, OEM execution against those has been solid. On PCs, unit growth is expected to normalize in 2H26.
- **Targeting operating leverage across each quarter in 2026.** Management reiterated its expectation to manage opex growth below gross profit growth in 2026, indicating that it expects opex growth below gross profit expansion each quarter in 2026.
- **Gross margin guide not expected to be at risk despite strong hardware demand.** Management clarified that the server impact to overall company margins, while important, is secondary to cloud as a driver, even in a year where hardware is outperforming expectations. As such, management remains comfortable with its target for the year.

Logitech (LOGI)

- **NA strength cushioning EMEA weakness; Middle East headwinds could linger.** EMEA market appears to be tracking softer, even after excluding the previously disclosed Middle East impact; however, North America appears to be trending better, such that it could offset weakness in the other region. Meanwhile, the Middle East headwind could persist longer given continued disruption in the region, with limited visibility to predict the trajectory against a volatile backdrop.
- **GTA VI loads up Gaming, while pandemic refresh to reignite Video Collab.** Across product markets, sentiment remains most bullish on multi-year tailwinds in two areas: 1) Gaming, supported by a multi-quarter tailwind tied to the upcoming GTA VI release (*pegged for 2H26*), as well as expectations for subsequent AAA game releases that have been delayed as a result; and 2) Video Collaboration, with 2026 marking the fifth year since pandemic-era procurement and the start of an expected refresh cycle, where Logitech is now better-positioned to drive PWS-attach given a shift in GTM approach.

Motorola (MSI)

- **LMR to turn tough corner in 2Q26 and see reacceleration in 2H26.** LMR is expected to lap a final tough comparison in 2Q26 and then return to solid growth in 2H26, led by the refresh of public safety devices such as APX NEXT, as well as D-Series infrastructure.
- **Margins steady with greater visibility into supply and lifts in price.** The recent disclosure that gross margins are tracking comparable in 2026 relative to 2025 is driven by increasing visibility and conviction on supply following Motorola's recent supplier summit, as well as surgical price increases on specific impacted product categories such as fixed video and related servers, among others.

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Sanmina (SANM)

- **Successive generations of AMD business to potentially unlock greater opportunity.** In relation to MI300, ZT did not have early engagement and could not capture a fair share of that opportunity. ZT was involved in MI400 based Helios rack architecture from a relatively early stage and is expected to capture a fair share of that opportunity relative to rack integration. In relation to future generations, Sanmina will strive to get in-house components, like PCBs etc, designed into the architecture to drive synergies and vertical integration from ZT acquisition.
- **Preparation for the ramp relative to AMD business is tracking in-line with expectations.** Management is working on finalizing production schedules for AMD MI400 business with customers, but does not expect it to be finalized by F3Q earnings call. However, there is likelihood for the decisions relative to consignment vs. turnkey to be achieved by that time.
- **Customer mix and growth relative to legacy Communications Networks and Cloud Infrastructure business is largely balanced.** Revenues mix in the segment is largely split evenly between Telco vs. Cloud linked customers; and both buckets tracked to ~20% growth witnessed in 1H of FY26

Seagate (STX)

- **Pricing upside is being driven across several levers.** Prior to the latest AI data center led demand cycle, the company provided discounts to customers whenever it offered next generation products, in order to incentivize customers for investments relative to qualifying new generation products. However, the practice was stopped a few quarters ago to drive higher pricing in this supply constricted environment. Separately, higher NAND prices are also helping the company to be slightly more aggressive in price action relative to the short cycle edge business.
- **Sequential incremental gross margins should continue to track in the 70% range.** Management highlighted that sequential incremental margins are a better way to track progression relative to gross margins, and they do not expect the recent trend of posting q/q incremental gross margins in the 70% range to revert in the near term.
- **Expect Opex to stay close to the $300 mn / quarter for next year,** with variable compensation expected to be the key factor driving fluctuations, while headcount is not expected to move materially, given confidence relative to the current levels.

TE Connectivity (TEL)

- **Expect to ship only the connector piece for optical vs. complete connector and cable interconnect system in copper.** Management highlighted that they sell finished products or connector systems, including connectors and cable for copper interconnects to their hyperscaler customers, however, for passive optical interconnect solutions, customers would only expect shipments for connectors, while full interconnect system assembly (with fiber cable) is expected to be handled by customers.
- **Robust tailwinds across Energy business are secular in nature.** About 60% of the energy business is linked to grid hardening and utility monitoring, which is witnessing a capex cycle that is expected to last ~5 years. In relation to the remainder of the business, the data center linked energy business is seeing robust tailwinds as well, while the clean energy part of the business is expected to start recovering in 2H of FY26.

Teradyne (TER)

- **2H outlook has strengthened over the course of the year, but 4Q visibility is limited.**



The dynamic of VIP compute revenue predominantly landing in 1H and creating a more challenging 2H was reiterated, led by about 85%/15% 1H/2H distirbution of the primary VIP compute revenue. That said, the 2H outlook has gotten stronger relative to last year, although 4Q visibility remains limited. Teradyne also expects to finish qualification with a second hyperscaler at the end of 3Q, and while meaningful revenue is not expected in 4Q, it could provide some support towards the end of the year.

- **Merchant GPU share ramp should steepen over time.** Teradyne expects to reach ~30% Merchant GPU share in 3-4 years. following qualification and initial orders in 1Q, and shipping into production in 2Q. The ramp should accelerate over time as it takes less time to qualify each successive device as Merchant GPU engineers become more familiar with Teradyne's platform and build up a test library, collectively enabling Teradyne to be in a position to intercept silicon earlier in its life cycle.
- **Intel could be an opportunity, but likely further out.** Teradyne believes that with Intel taking a fresh approach under new leadership, there could be an opportunity in the future if the company were to move away from in-house test to the merchant market. However, the company expects this opportunity to be longer-dated rather than imminent.
- **Memory test demand continues to remain robust, including strong 2H demand expectations.** Teradyne outlined that memory related test demand continues to be robust, including strong 2H demand visibility. Most of the demand is driven by HBM and DRAM, but there are signs of flash demand showing a recovery. With memory companies starting to make capacity investments, Teradyne expects to benefit in the medium-term.

Western Digital (WDC)

- **Predictability for customers is key guiding principle for pricing.** Western Digital is continuing to innovate and drive tremendous TCO advantage for customers, and will leverage pricing to share benefits generated for customers. However, pricing is targeted to remain predictable for customers, with minimal disruption to their overall plans, which is different relative to NAND prices, given higher capital intensity and wider historical pricing swings in that industry.
- **Management highlighted that robust y/y exabyte growth in Mar-26 quarter had slightly easier comps**, as deployment timing related to customer plans resulted in softer exabyte shipments in Mar-2025; guidance for 25%+ exabyte growth is intended to be a multi-year CAGR.

Xerox (XRX)

- **The macro environment has remained stable since 1Q earnings, although memory headwinds persist.** Management has not seen any changes in the demand environment, with headwinds not getting better or worse. Xerox is working with customers to address memory cost inflation, with customer responses ranging between the acceptance of price increases, the reworking of what is being bought, and deferring purchases.
- **Equity investor engagement has picked up over the quarter, while warrant conversion remains low due to positive bond performance.** Management attributed the growing investor interest to the new CEO, along with improved bondholder confidence given the execution shown in the 1Q print. Roughly 80% of debt exchange warrants have traded (up from 70–75% from 1Q earnings), with bondholders continuing to accumulate, but conversion activity has been muted as bond and warrant prices have been coupled.
- **Management feels good about delivering a material operating profit improvement in 2H.** Xerox remains on track to hit synergy targets and expects to see the benefits of cost actions taken late last year alongside the in-housing of some manufacturing. Lastly,

management expects to provide more details on IEEPA tariff refunds on the 2Q earnings print.