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Akamai Technologies, Inc. | North America

Assessing the Unit Economics of Cloud Infrastructure Deals

As CIS has improved the growth profile of the business, the debate shifts towards margins/ROI of CIS deals. We assess the unit economics of various CIS deals and come away concluding that CIS should be at least LT-margin neutral while driving material top-line acceleration, keeping us OW.

Key Takeaways

- The Cloud Infrastructure Services business has seen $2.8 billion in bookings in less than a year, which will drive a material acceleration in growth in FY27
- As the growth profile improves, the debate on Akamai has shifted to the relative attractiveness of the unit economics of CIS deals
- In this report, we assess margins, ROIC and NTM EPS impact of varying multi-year CIS deal scenarios
- We come away concluding that deals < $1 billion are at least margin-neutral longer term
- We think management is making the right trade-off as CIS has potential to accelerate growth over multiple years w/little LT margin degradation, keeping us OW.

Please reach out to us if interested in our Akamai Inference Cloud Unit Economics Model.

With Nearly $3 Billion of CIS Deals Booked So Far, Debate on Akamai Shifts to ROI and Margins. Akamai has signed nearly $3 billion of multi-year Cloud Infrastructure Services (CIS) commitments in less than a year. As a result, the growth profile of the business has improved materially from a low-to-mid single digit grower over the last several years to an accelerating growth story with management now targeting "low-teens" growth in 2027 — a path we outlined in A First Pass at Sizing the Inference Opportunity. While the growth picture has improved, investors are increasingly focused on whether CIS is an attractive business when considering growth as well as the margin and ROIC implications given the significant capex/co-location investment required — Akamai expects to spend 40%+ of revenue on capex in FY26 alone.

In this report, we assess CIS deals across a range of structures and conclude that sub-$1 billion total contract value (TCV) deals can generate attractive ROIC and be at least operating-margin neutral once fully ramped. While billion-dollar-plus deals may be more margin dilutive at steady state, we expect the majority of CIS revenue to come from deals in that sub-$1 billion range (which have an operating margin profile between 25%-35% and an ROIC between 13%-23%). We therefore view

MORGAN STANLEY & CO. LLC

Sanjit K Singh
Equity Analyst
Sanjit.Singh@morganstanley.com

Adam Wood
Equity Analyst
Adam.Wood@morganstanley.com

Abhishek S Murli
Research Associate
Abhishek.S.Murli@morganstanley.com

Akamai Technologies, Inc. (AKAM.O, AKAM US)

Software | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$165.00**
Shr price, close (Aug 28, 2026)	$107.47
Mkt cap, curr (mm)	$15,941
52-Week Range	$165.45-70.82

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	7.12	6.72	6.89	7.53
Prior EPS ($)**	-	6.73	6.72	7.65
P/E	20.8	26.0	28.0	25.4
EPS ($)§	7.04	6.71	7.15	8.18
Div yld (%)	-	-	-	-

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	1.70	-	1.61a	1.68	1.56
Q2	1.73	-	1.59a	1.65	1.64
Q3	1.86	1.72	1.68	1.62	1.67
Q4	1.84	1.88	1.91	1.77	2.02

e - Morgan Stanley Research estimates, a - Actual Company reported data

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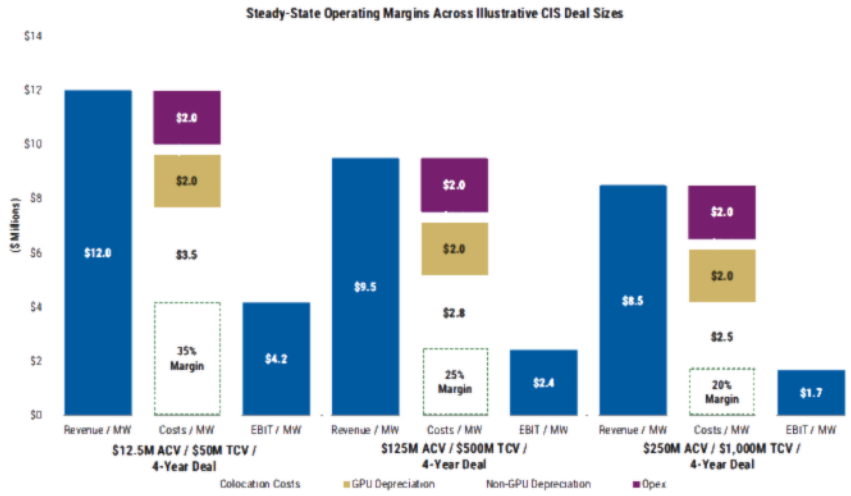
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

management's decision to invest aggressively in CIS as the right trade-off, supporting a **materially better growth profile while preserving a stable operating-margin profile over the longer term.**

Assessing the Margin Profile of Varying CIS Deal Structures

We first isolate the economics once capacity is fully deployed and customer revenue has reached a fully-ramped run rate. Across our illustrative cases, the key variable is revenue per MW - larger commitments benefit from better colocation economics but also assume lower realized pricing and revenue per MW. As a result, operating margins and ROIC decline as deal size increases. Our framework produces steady-state operating margins of approximately 35% / 25% / 20% and ROIC of approximately 23% / 13% / 9% across our illustrative $50M / $500M / $1B total contract value (TCV) cases, respectively.

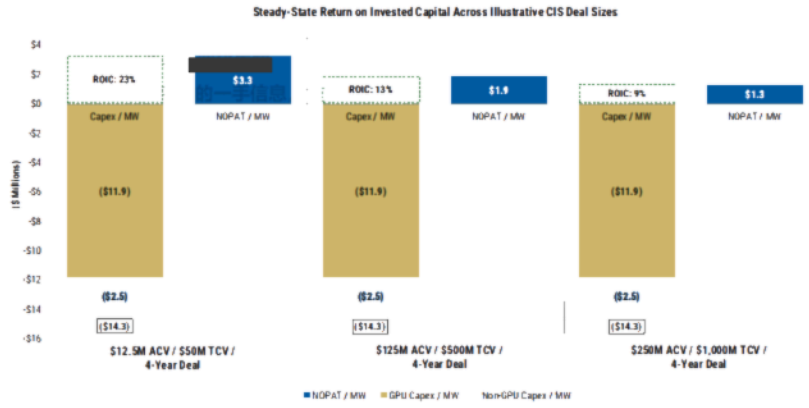
Exhibit 1: Steady State EBIT Margins



Source: Morgan Stanley Research, Company Filings, Industry Data

Note: We normalize steady-state unit economics calculations on 1MW of RTX Pro 6000 Blackwell

Exhibit 2: Steady State ROIC



Source: Morgan Stanley Research, Company Filings, Industry Data

Note: We normalize steady-state unit economics calculations on 1MW of RTX Pro 6000 Blackwell

Example 1: Hypothetical $12.5M ACV / $50M TCV / 4-year CIS Deal — Likely Margin Accretive. For our smallest illustrative case, we assume a four-year, $50M commitment, or $12.5M of annual steady-state revenue. Revenue per MW of roughly $12M per MW and 75% utilization imply realized pricing around $1.80 per GPU-hour. While colocation costs per MW are somewhat higher given less scale efficiency, stronger revenue per MW more than offsets that disadvantage. The result is approximately a **35% steady-state operating margin and 23% ROIC**, making this type of smaller CIS deployment meaningfully margin accretive relative to Akamai's broader business.

Exhibit 3: Steady State Unit Economics of $12.5M ACV / $50M TCV / 4-year Deal – mid 30% OM; +21% ROIC

Steady State Unit Economics of Illustrative $50M TCV / 4-year CIS Deal on 1MW	
Revenue:	
Annual Hours	8,760
(X) RTX Pro 6000 Chips in 1MW	1,000
(=) GPU Hours (millions)	8.8
(X) Utilization (%)	*75%*
(X) Est. Price/Hour	**$1.83**
(=) Revenue ($M)/MW	**$12.0**
Cost of Goods Sold:	
(-)Colocation Costs ($M)	$3.5
(=) Cash Gross Profit	$8.5
Cash Gross Margin	**71%**
(-) GPU Depreciation Cost	$2.0
(-) Non-GPU Depreciation Cost	$0.4
(=) Non-GAAP Gross Profit	$6.2
Non-GAAP Gross Margin	**51%**
EBIT:	
(-) Energy + Other Opex	$2
(=) EBIT	$4.2
EBIT Margin	***35%***
NOPAT:	
(=) EBIT	$4.2
(X) Tax Rate	21%
(=) NOPAT	**$3.3**
% ROIC (NOPAT / Total Capex)	***23%***
Capex for 1MW, RTX Pro 6000 Blackwell Cluster	
GPU Capex	$12
Useful Life	*6*
Non-GPU Capex	$2
Useful Life	*7*
Total Capex (GPU + Non-GPU)	$14

Source: Morgan Stanley Research, Company Filings

Example 2: $125M ACV / Hypothetical $500M TCV / 4-year CIS Deal — Likely Margin Neutral. At $500M of TCV, annual steady-state revenue increases to $125M while assumed revenue per MW falls to approximately $9.5M per MW. The larger footprint brings better colocation economics, partially offsetting lower realized pricing. On balance, our framework produces approximately a **25% steady-state operating margin and 13% ROIC.** We therefore view a CIS deal of this size as likely margin neutral to Akamai's broader business once mature rather than structurally dilutive.

Exhibit 4: Steady State Unit Economics of $125M ACV / $500M TCV / 4-year Deal – mid 20% OM; +13% ROIC

Steady State Unit Economics of Illustrative $500M TCV / 4-year CIS Deal on 1MW	
Revenue:	
Annual Hours	8,760
(X) RTX Pro 6000 Chips in 1MW	1,000
(=) GPU Hours (millions)	8.8
(X) Utilization (%)	*75%*
(X) Est. Price/Hour	**$1.45**
(=) Revenue ($M)/MW	**$9.5**
Cost of Goods Sold:	
(-)Colocation Costs ($M)	$2.75
(=) Cash Gross Profit	$6.8
Cash Gross Margin	**71%**
(-) GPU Depreciation Cost	$2.0
(-) Non-GPU Depreciation Cost	$0.4
(=) Non-GAAP Gross Profit	$4.4
Non-GAAP Gross Margin	**47%**
EBIT:	
(-) Energy + Other Opex	$2
(=) EBIT	$2.4
EBIT Margin	***25%***
NOPAT:	
(=) EBIT	$2.4
(X) Tax Rate	21%
(=) NOPAT	**$1.9**
% ROIC (NOPAT / Total Capex)	***13%***
Capex for 1MW, RTX Pro 6000 Blackwell Cluster	
GPU Capex	$12
Useful Life	*6*
Non-GPU Capex	$2
Useful Life	*7*
Total Capex (GPU + Non-GPU)	$14

Source: Morgan Stanley Research, Company Filings

Example 3: $250M ACV / Hypothetical $1,000M TCV / 4-year CIS Deal —Likely Margin Dilutive. The economics change more meaningfully at $1B of TCV. We assume $250M of annual steady-state revenue but only approximately $8.5M of revenue per MW, requiring substantially more capacity for each dollar of revenue. Although larger scale improves colocation costs, the reduction in revenue per MW

outweighs that benefit, resulting in approximately a **20% steady-state operating margin and 9% ROIC**. We therefore view billion-dollar-scale commitments as more likely to be operating-margin dilutive at steady state.

We note our view that billion-dollar-plus transactions will not necessarily be representative of the broader CIS business. To the extent that a larger portion of future CIS revenue comes from smaller and mid-sized commitments, our $50M and $500M cases suggest sub-$1B CIS deals should generally carry an operating-margin profile in line with or better than the overall business. This makes deal mix and revenue/MW increasingly important variables for the longer-term margin debate.

Exhibit 5: Steady State Unit Economics of $250M ACV / $1,000M TCV / 4-year Deal – 20% OM; +9% ROIC

Steady State Unit Economics of Illustrative $1.000M TCV / 4-year CIS Deal on 1MW	
Revenue:	
Annual Hours	8,760
(X) RTX Pro 6000 Chips in 1MW	1,000
(=) GPU Hours (millions)	8.8
(X) Utilization (%)	*75%*
(X) Est. Price/Hour	**$1.29**
(=) Revenue ($M)/MW	**$8.5**
Cost of Goods Sold:	
(-)Colocation Costs ($M)	$2.5
(=) Cash Gross Profit	$6.0
Cash Gross Margin	**71%**
(-) GPU Depreciation Cost	$2.0
(-) Non-GPU Depreciation Cost	$0.4
(=) Non-GAAP Gross Profit	$3.7
Non-GAAP Gross Margin	**43%**
EBIT:	
(-) Energy + Other Opex	$2
(=) EBIT	$1.7
EBIT Margin	***20%***
NOPAT:	
(=) EBIT	$1.7
(X) Tax Rate	21%
(=) NOPAT	**$1.3**
% ROIC (NOPAT / Total Capex)	***9%***
Capex for 1MW, RTX Pro 6000 Blackwell Cluster	
GPU Capex	$12
Useful Life	*6*
Non-GPU Capex	$2
Useful Life	*7*
Total Capex (GPU + Non-GPU)	$14

Source: Morgan Stanley Research, Company Filings

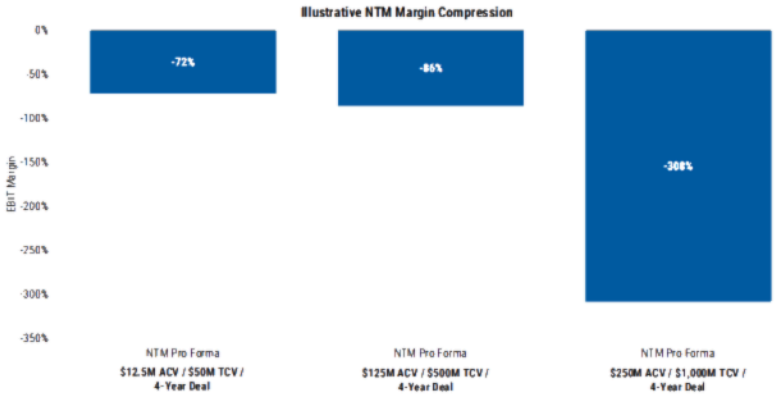
What Happens to Near-Term Margins & EPS as Deals of Different Sizes Get

Announced?

Attractive Steady-State Economics Do Not Eliminate Near-Term Dilution — Initial Margin Compression Is Inevitable. The realities regarding the deployment dynamics of Akamai's CIS business imply that infrastructure costs necessarily arrive before the corresponding revenue. Colocation expense begins as capacity is secured, hardware is installed and depreciation starts before the customer contribution reaches its normalized run rate. As a result, **even CIS deals with healthy steady-state economics will create some degree of near-term operating-margin compression and EPS dilution**. We view that mismatch as inherent to investing ahead of contracted demand rather than something Akamai can fully avoid while continuing to grow the CIS business.

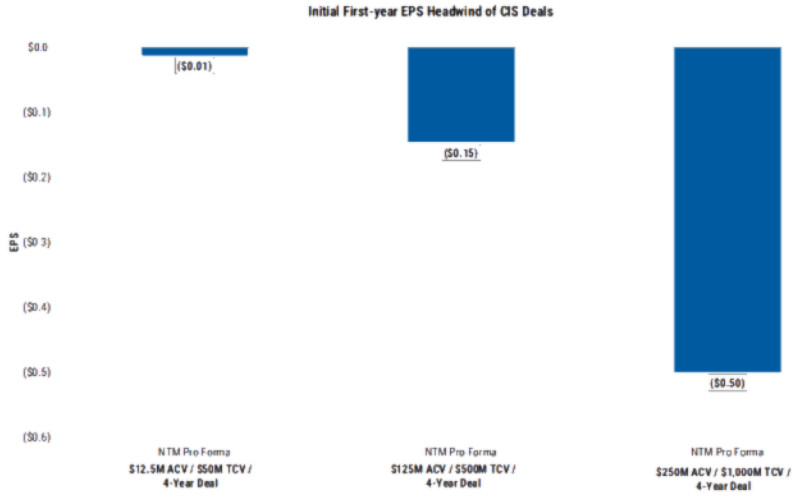
Starting from contract signing date, our illustrative $50M / $500M / $1B TCV scenarios generate **operating losses of approximately -72% / -86% / -308%** over the next twelve month, respectively. Similarly, from contract sign date, these deals correspond **to a next twelve month EPS contribution of approximately ($0.01) / ($0.15) / ($0.50), per share, respectively**. The progression is driven primarily by the amount of infrastructure that must be deployed before meaningful revenue is recognized. This becomes particularly pronounced in the $1B scenario, where we assume both a substantially larger upfront capacity build and a more conservative initial revenue ramp.

Exhibit 6: CIS Deals Generate Operating Margin Losses In the Initial 12 Months That Scale With The Size of the Opportunity Before Generating Significant Profitability



Source: Morgan Stanley Research

Exhibit 7: ...Which Generate Negative EPS Contribution Over the NTM Before Becoming EPS Accretive



Source: Morgan Stanley Research

Example 1: Hypothetical $12.5M ACV / $50M TCV / 4-Year CIS Deal — Limited Near-Term Losses. The smaller $50M commitment requires only approximately $16M of upfront capex, limiting the absolute cost base that is incurred ahead of revenue. We assume no revenue contribution during the first three quarters following contract signing, with approximately $3M of revenue recognized in Q+4, representing roughly one quarter of the deal's $12.5M annual steady-state run rate. With colocation and depreciation expenses beginning ahead of that revenue, the deal generates an approximately -72% NTM operating margin and ($0.01)/share in NTM EPS. While the margin is negative during the initial deployment period, the modest size of the required build keeps the absolute earnings loss relatively contained.

Example 2: Hypothetical $125M ACV / $500M TCV / 4-Year CIS Deal — More Meaningful Near-Term Losses. At $500M of TCV, the upfront infrastructure requirement increases substantially to approximately $189M of capex. Similar to the smaller case, we assume revenue begins in Q+4, with roughly $31M of revenue recognized during the NTM period, equivalent to approximately one quarter of the $125M annual steady-state run rate. The larger capacity build means substantially more colocation and depreciation expense is recognized before revenue begins, resulting in an approximately -86% NTM operating margin and ($0.15)/share in NTM EPS. The larger near-term loss therefore reflects primarily the greater amount of infrastructure being deployed ahead of the initial customer contribution.

Example 3: Hypothetical $250M ACV / $1B TCV / 4-Year CIS Deal — Most Pronounced Near-Term Losses Given Larger Build and Slower Ramp. The timing mismatch becomes substantially more pronounced in our $1B scenario. The deal requires approximately $420M of upfront capex, while we assume a more conservative initial revenue ramp than in the smaller cases. Using Akamai's existing $1.8B customer as a reference point, we estimate that customer generates approximately $175M of revenue in FY27, including roughly $30M in 1Q27,

equivalent to approximately 12% of annual steady-state revenue. We apply that same 12% share to the hypothetical $1B deal to estimate approximately $30M of Q +4 revenue contribution. With a much larger cost base deployed against only a limited amount of initial revenue, the deal generates an approximately -308% NTM operating margin and ($0.50)/share in NTM EPS. The unusually negative margin is therefore driven by both the scale of the upfront investment and the relatively small revenue contribution recognized during the first twelve months.

Quantifying The Impact of Incremental Capex on NTM EPS

Using Akamai's Pre-Large-Deal Earnings Profile as a Benchmark. While the prior section evaluates the first-year economics of individual CIS deals on a standalone basis, investors ultimately care about how additional infrastructure investment flows through to Akamai's consolidated margins and EPS. To isolate that impact, we benchmark incremental CIS capex against FY26 consensus estimates from before Akamai began announcing its recent large CIS commitments (pre-4Q25). We view that as the cleanest representation of Akamai's earnings profile before the associated capacity build, revenue contribution and near-term dilution from these larger deals were incorporated. In other words, the FY26 consensus numbers are not intended to represent our current forecast; rather, they provide a fixed pre-large-deal baseline against which we can measure the incremental effect of additional CIS investment.

Every Incremental $100M of AI Infrastructure Capex Creates ~40-50 bps of NTM Operating-Margin Dilution and ~$0.13-$0.15/Share of NTM EPS Dilution. Our framework then asks a simple question: holding that underlying business profile constant, what happens if Akamai deploys another $100M of AI infrastructure capex? We estimate roughly $83M goes toward GPU/server infrastructure and $17M toward non-IT infrastructure, supporting approximately 7MW of capacity. At roughly $10M of annual revenue per MW, that capacity can ultimately support approximately $70M of annual revenue. However, only a portion of that revenue is recognized during the first twelve months, while colocation expense and depreciation begin earlier. Applying those incremental costs and revenue to the pre-large-deal FY26 earnings base reduces NTM operating margin by approximately 46 bps and NTM EPS by approximately $0.14/share in our framework.

Exhibit 8: Every Incremental $100M of AI Infrastructure Capex Drives ~40-50 bps of NTM Margin Dilution and ~$0.13-$0.15/Share of NTM EPS Dilution

Dilutive Impacts of Incremental $100M in Cloud Infrastructure Services Capex								
Revenue:	**Steady State (Annual)**	**Q+1**	**Q+2**	**Q+3**	**Q+4**	**Incremental NTM Impact**	**Pre-4Q25 FY26 Consensus**	**Deal-Adj. NTM Profile**
Capex ($M)	$100							
(X) Assumed $M Revenue / MW	$10							
(=) Steady State Annual Revenue ($M)	**$70**	**$0**	**$0**	**$0**	**$17**	**$17.4**	**$4,418**	**$4,436**
Cost of Goods Sold:								
Colocation Costs per MW ($M)	$3							
(-) Colocation Costs ($M)	$21	$5	$5	$5	$5	$20.9		
(=) Incremental Cash Gross Profit ($M)	**$48.8**	**($5.2)**	**($5.2)**	**($5.2)**	**$12.2**	**($3.5)**	**$3,185**	**$3,182**
(-) GPU Depreciation Cost	$13.8	$0	$0	$3.44	$3.44	$6.9		
(-) Non-GPU Depreciation Cost	$2.5	$0	$0	$0.62	$0.62	$1.2		
(=) Incremental Non-GAAP Gross Profit ($M)	**$32.5**	**($5.2)**	**($5.2)**	**($9.3)**	**$8.1**	**($11.6)**	**$2,614**	**$2,603**
EBIT:								
Energy + Other Opex per MW	$2							
(-) Energy + Other Opex ($M)	$14	$0	$0	$0	$3.5	$3.5		
(=) Incremental EBIT ($M)	**$18.6**	**($5.2)**	**($5.2)**	**($9.3)**	**$4.6**	**($15.1)**	**$1,298**	**$1,283**
Steady State EBIT Margin	*27%*						*29.4%*	*28.9%*
NTM EBIT Margin Dilution								**(46) bps**
EPS:								
Total Capex ($M)	$100							
(-) Net Interest Expense ($M)	$0.23	$0	$0	$0.06	$0.06	$0.1		
(=) EBT	**$18.4**	**($5.2)**	**($5.2)**	**($9.3)**	**$4.6**	**($15.2)**	**$1,266**	**$1,250**
(X) Tax Rate	21%							
(=) Incremental Net Income	**$14.5**	**($4.1)**	**($4.1)**	**($7.4)**	**$3.6**	**($12.0)**	**$1,077**	**$1,065**
Steady State Net Margin	*21%*						*24.4%*	*24.0%*
(/) Fully Diluted Shares Outstanding							146	147
EPS							**$7.39**	**$7.25**
NTM EPS Dilution								**($0.14)**

Source: Morgan Stanley Research, Visible Alpha, Company Filings

Model Changes and Price Target

Updating Our Model — FY26 Revenue/EPS Largely Unchanged, With More Meaningful Revisions in FY27/FY28. For FY26, we leave revenue and EPS essentially unchanged at $4.49B and $6.72, respectively, while lowering our operating-margin estimate by ~60 bps to 25.5%. We also reduce our FY26 capex estimate by ~3% to $1.79B, or ~40% of revenue, versus ~41% previously, driving a meaningful improvement in FCF to -$57M from -$227M. Looking to FY27, we raise revenue by ~2% to $5.05B, while lowering operating margin by ~110 bps to 24.0% as we incorporate a more conservative profitability profile through the CIS buildout. Capex increases ~2% to $1.77B, remaining at ~35% of revenue, while FCF moves to -$58M from -$22M. For FY28, revenue remains essentially unchanged at $5.55B, though we lower CIS revenue by ~3% and reduce operating margin by ~140 bps to 25.5%, resulting in a ~2% reduction to EPS to $7.53. At the same time, we lower FY28 capex by ~6% to $1.56B, or 28% of revenue versus 30% previously, which drives FCF ~26% higher to $392M and expands our FCF-margin estimate to 7.1% from 5.6%.

Exhibit 9: Model Changes

($ in millions, except EPS)	FY25	1Q26	2Q26	3Q26e	4Q26e	FY26e	FY27e	FY28e
New Revenue Est. ($M)	**4,208.2**	**1,073.6**	**1,099.7**	**1,117.6**	**1,197.1**	**4,488.0**	**5,048.6**	**5,553.6**
Growth YoY	5.4%	5.8%	5.4%	6.0%	9.3%	6.6%	12.5%	10.0%
Old Revenue Est. ($M)	4,208.2	1,073.6	1,088.1	1,122.5	1,199.3	4,483.4	4,931.8	5,537.4
Growth YoY	5.4%	5.8%	4.3%	6.4%	9.5%	6.5%	10.0%	12.3%
% Change	*0.0%*	*0.0%*	*1.1%*	*-0.4%*	*-0.2%*	*0.1%*	*2.4%*	*0.3%*
Security Revenue	**2,243.4**	**589.8**	**604.4**	**619.6**	**645.7**	**2,459.5**	**2,681.1**	**2,896.4**
Growth YoY	9.8%	11.1%	9.5%	9.0%	9.0%	9.6%	9.0%	8.0%
Old Security Revenue	2,243.4	589.8	596.1	616.8	648.6	2,451.2	2,669.1	2,886.9
Growth YoY	9.8%	11.1%	8.0%	8.5%	9.5%	9.3%	8.9%	8.2%
% Change	*0.0%*	*0.0%*	*1.4%*	*0.5%*	*-0.5%*	*0.3%*	*0.4%*	*0.3%*
Delivery Revenue	**1,256.7**	**294.2**	**300.6**	**291.2**	**296.5**	**1,182.4**	**1,132.2**	**1,085.0**
Growth YoY	-35.5%	-7.8%	-6.1%	-5.0%	-4.7%	-5.9%	-4.2%	-4.2%
Old Delivery Revenue	1,256.7	294.2	297.7	291.2	301.8	1,184.8	1,134.7	1,087.6
Growth YoY	-35.5%	-7.8%	-7.0%	-5.0%	-3.0%	-5.7%	-4.2%	-4.1%
% Change	*0.0%*	*0.0%*	*1.0%*	*0.0%*	*-1.8%*	*-0.2%*	*-0.2%*	*-0.2%*
CIS Revenue	**313.9**	**94.6**	**99.3**	**112.8**	**164.0**	**470.8**	**878.8**	**1,233.5**
Growth YoY	12.3%	40.0%	39.0%	39.0%	75.1%	50.0%	86.7%	40.4%
Old CIS Revenue	313.9	94.6	99.3	121.0	156.0	471.5	889.1	1,267.2
Growth YoY	12.3%	40.0%	39.0%	49.0%	66.5%	50.0%	63.6%	58.8%
% Change	*0.0%*	*0.0%*	*0.0%*	*-6.7%*	*5.2%*	*-0.2%*	*-1.2%*	*-2.7%*
New Op. Income Est.	**1,253.6**	**282.8**	**270.7**	**278.0**	**311.0**	**1,142.5**	**1,209.3**	**1,414.4**
New Op. Margin Est.	**29.8%**	**26.3%**	**24.6%**	**24.9%**	**26.0%**	**25.5%**	**24.0%**	**25.5%**
Old Op. Income Est.	1,253.6	282.8	276.3	298.7	312.7	1,170.5	1,236.7	1,489.5
Old Op. Margin Est.	29.8%	26.3%	25.4%	26.6%	26.1%	26.1%	25.1%	26.9%
% Change in OI Est.	*0.0%*	*0.0%*	*-2.0%*	*-6.9%*	*-0.5%*	*-2.4%*	*-2.2%*	*-5.0%*
% Change in OM Est.	*0.0%*	*0.0%*	*-3.1%*	*-6.5%*	*-0.4%*	*-2.5%*	*-4.5%*	*-5.3%*
New EPS Est. ($)	**7.12**	**1.61**	**1.59**	**1.68**	**1.91**	**6.72**	**6.89**	**7.53**
Growth YoY	10.9%	-5.1%	-8.1%	-9.5%	4.2%	-5.6%	2.5%	9.3%
Old EPS Est. ($)	7.12	1.61	1.53	1.72	1.88	6.73	6.72	7.65
Growth YoY	10.9%	-5.1%	-11.6%	-7.4%	2.3%	-5.4%	-0.2%	13.9%
% Change	*0.0%*	*0.0%*	*3.9%*	*-2.3%*	*1.8%*	*-0.1%*	*2.6%*	*-1.5%*
New Capex Est. ($)	**817.99**	**206.34**	**346.54**	**497.32**	**742.20**	**1,792.39**	**1,766.99**	**1,555.01**
New Capex % of Revenue	19.4%	19.2%	31.5%	44.5%	62.0%	39.9%	35.0%	28.0%
Old Capex Est ($)	817.99	206.34	440.68	561.24	647.60	1,855.85	1,726.12	1,661.23
Old Capex % of Revenue	19.4%	19.2%	40.5%	50.0%	54.0%	41.4%	35.0%	30.0%
% Change	*0.0%*	*0.0%*	*-21.4%*	*-11.4%*	*14.6%*	*-3.4%*	*2.4%*	*-6.4%*
New FCF Est.	**699.3**	**120.7**	**100.5**	**(17.1)**	**(310.0)**	**(56.5)**	**(57.9)**	**391.5**
New FCF Margin	***16.6%***	***11.2%***	***9.1%***	***-1.5%***	***-25.9%***	***-1.3%***	***-1.1%***	***7.1%***
Old FCF Est.	699.3	120.7	(9.8)	(76.8)	(211.6)	(226.7)	(21.5)	309.8
Old FCF Margin	*16.6%*	*11.2%*	*-0.9%*	*-6.8%*	*-17.6%*	*-5.1%*	*-0.4%*	*5.6%*
% Change	*0.0%*	*0.0%*	*-1130.9%*	*-77.7%*	*46.5%*	*-75.1%*	*170.1%*	*26.4%*

Source: Morgan Stanley Research

Reiterate OW, PT $165. We reiterate our OW rating and $165 PT. The more than $2.8B of CIS commitments signed this year and management's new expectation for low-teens

revenue growth in 2027 materially strengthen visibility into Akamai's growth acceleration. The trade-off is a period of elevated capital intensity and earnings dilution as the company builds capacity ahead of that revenue. Our work suggests those two points can coexist: near-term dilution is likely to remain a feature of the CIS ramp, while the underlying economics of smaller and mid-sized CIS deals can still support a durable overall margin profile as the business scales. The key variable for investors, in our view, is therefore increasingly the mix of future CIS wins by size and the associated revenue/MW, rather than whether Akamai can generate demand for the platform.

Bull and Bear Cases Unchanged. The bull case remains $205, based on 29x FY27e EPS of $6.97 (from 30x CY27e EPS of $6.88), premised on security stability continuing and CIS taking off with further deal expansion as more AIC-enabled locations come online, driving ~$6.0B in revenue by FY28 at a ~15% two-year CAGR. The base case stays at $165, based on 24x FY27e EPS of $6.89, with CIS driving acceleration as security moderates at high-single-digits and delivery stabilizes in CY26. Total revenue grows at a ~11% two-year CAGR to $5.6B in FY28 with non-GAAP operating margins stabilizing north of 25%. The bear case holds at $99, based on 18x CY27e EPS of $5.58 (from 17x Bear Case CY27e EPS of $5.82), where investment ahead of contracted CIS deals continues to weigh on FCF and revenue recognition mechanics pressure margins, media traffic decelerates, and AKAM achieves only ~$4.9B of revenue in CY27.

Risk Reward – Akamai Technologies, Inc. (AKAM.O)

Growth Prospects Brighten On Stable Security & an Accelerating Compute Business

PRICE TARGET $165.00

~24x Base Case CY27 EPS of $6.89. Given divergence between cloud infrastructure and security valuations and the lack of clean core comps, this is at a discount to company's closest valuation peer. EPS grows at a ~6% FY26-FY28 CAGR.

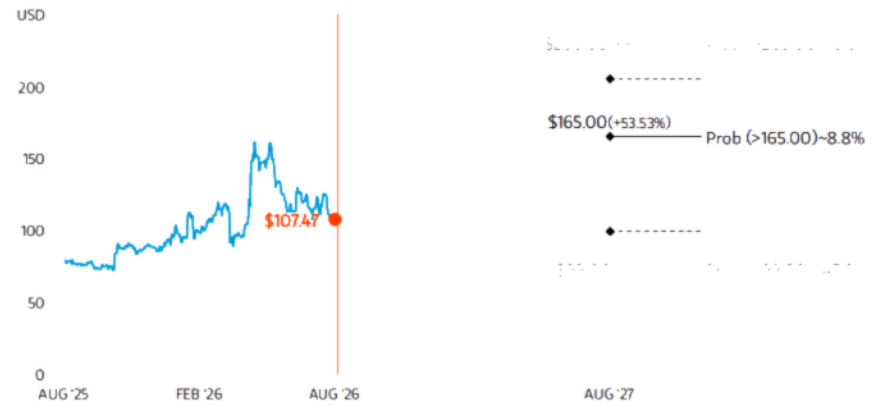
Consensus Price Target Distribution $91.00 $154.57 $195.00 MS PT

Mean Morgan Stanley Estimates

OVERWEIGHT THESIS

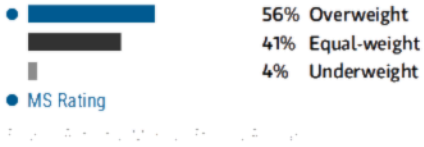
Stabilizing trends in Delivery, high-single-digit growth in Security and accelerating CIS revenue lead us to believe Akamai is entering a multi-year growth inflection with a credible path to low-teens growth. While elevated investment creates near-term margin and EPS pressure, improving growth visibility and attractive long-term CIS economics support a more constructive view.

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



here

Consensus Rating Distribution



Risk Reward Themes

Contrarian:	*Positive*
Disruption:	*Positive*
Secular Growth:	*Positive*

here

BULL CASE $205.00

29x Bull Case CY27e EPS of $6.97

Accelerating trends. Security momentum continues, CIS takes off with continued deal expansion as more AIC-enabled locations come online, driving ~$6.0B by FY28, a ~15% 2-year CAGR. Akamai continues to invest as leverage flows through the model and AKAM reaches $6.97 of EPS in CY27e, and the stock trades to 29x.

BASE CASE $165.00

24x Base Case CY27e EPS of $6.89

CIS Drives Growth. CIS drives Compute segment growth acceleration as security moderates at high-single-digits and delivery stabilizes in CY26. Total revenue grows at a ~11% two-year CAGR to $5.5B in FY28. Non-GAAP operating margins compress stabilize around 25%, resulting in $6.89 of CY27e EPS. Our $165 PT is based on ~24x CY27e EPS.

BEAR CASE $99.00

18x Bear Case CY27e EPS of $5.58

Revenue Lag Weighs on Margins and FCF. Investment ahead of contracted CIS deals pulls down FCF and revenue recognition mechanics weigh on margins. Media traffic decelerates while pricing remains a headwind and security continues to decelerate. AKAM achieves ~$4.9B of revenue and $5.58 of EPS in FY28e, while the stock trades to 18x EPS, in line with the low end of slow-growth software names.

Risk Reward – Akamai Technologies, Inc. (AKAM.O)

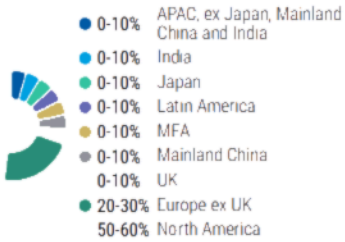
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Web Division Revenue Growth - YoY (%)	7.4	8.6	14.6	12.0
Media and Carrier Division Revenue Growth - YoY (%)	3.2	4.3	10.0	7.5
Cloud Security Revenue Growth - YoY (%)	9.8	9.6	9.0	8.0
Total Revenue Growth - YoY (%)	5.4	6.6	12.5	10.0
Operating Margin (%)	29.8	25.5	24.0	25.5

INVESTMENT DRIVERS

Compute and Security businesses

GLOBAL REVENUE EXPOSURE



here

MS ALPHA MODELS

2/5	24 Month	3/5	3 Month
BEST	Horizon	**MOST**	Horizon

RISKS TO PT/RATING

RISKS TO UPSIDE

- Security growth improves to the double digits
- Compute business accelerates to 20%+
- Traction with Akamai Inference Cloud improves growth and expands the multiple

RISKS TO DOWNSIDE

- Delivery business sees steeper declines
- Security slows further
- Capex spending accelerates while compute growth doesn't improve
- Edge computing opportunity fails to materialize

OWNERSHIP POSITIONING

Inst. Owners, % Active	53.3%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	33.6%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)	4,474	4,488	4,510
EBITDA ($, mm)	1,731	1,743	1,785
EBIT ($, mm)	1,129	1,143	1,164
EPS ($)	6.63	6.72	6.84

◆ Mean ◆ Morgan Stanley Estimates

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Appendix

$12.5M ACV / $50M TCV / 4-year CIS Deal

Exhibit 10: Capacity and Pricing Assumptions

Illustrative $50M TCV / 4-year CIS Deal Inputs		Notes
Revenue / MW ($M)	**$12**	IR: Estimated $10M - $20M revenue per MW
Customer Total Commitment ($M)	$50	
Years	4	
(/) Revenue per Year ($M)	$13	
Implied Capacity (MW)	**1**	
(X) Bottoms-up GPUs per MW	1000	CFO Rule of Thumb: 1,000 GPUs per MW
RTX Pro 6000 # of chips	**1,042**	
(/) NVIDIA RTX PRO 6000 Blackwell Price	$11,859	LSM Average Sale Price
GPU CapEx ($M)	**$12**	
% to GPUs	83%	Estimated % of server costs towards GPUs
CapEx ($M)	**$15**	
x hours per year	[illegible]	
x Steady State Utilization	[illegible]	MS est. of utilization
Total annual GPU hours in steady state (M)	**7**	
Revenue/GPU Hour Price	**$1.83**	
Revenue to $1 Capex Ratio	*$0.84*	Should be ~$0.5-$0.6 per IR commentary

Source: Morgan Stanley Research, Company Filings, Industry Data

Exhibit 11: Steady State Unit Economics

Steady State Unit Economics of Illustrative $50M TCV / 4-year CIS Deal on 1MW	
Revenue:	
(X) Est. Price/Hour	**$1.83**
(=) Revenue ($M)/MW	**$12.0**
Cost of Goods Sold:	
(-)Colocation Costs ($M)	$3.5
(=) Cash Gross Profit	$8.5
Cash Gross Margin	**71%**
(-) GPU Depreciation Cost	$2.0
(-) Non-GPU Depreciation Cost	$0.4
(=) Non-GAAP Gross Profit	$6.2
Non-GAAP Gross Margin	**51%**
EBIT:	
(-) Energy + Other Opex	$2
(=) EBIT	$4.2
EBIT Margin	***35%***
NOPAT:	
(=) EBIT	$4.2
(X) Tax Rate	21%
(=) NOPAT	**$3.3**
% ROIC (NOPAT / Total Capex)	***23%***
Capex for 1MW, RTX Pro 6000 Blackwell Cluster	
GPU Capex	$12
Useful Life	*6*
Non-GPU Capex	$2
Useful Life	*7*
Total Capex (GPU + Non-GPU)	$14

Source: Morgan Stanley Research, Company Urls, Industry Data

Exhibit 12: NTM Impacts

NTM Impacts of Illustrative $50M / 4-year CIS Deal								
Revenue:	**Steady State (Annual)**	**Q+1**	**Q+2**	**Q+3**	**Q+4**	**Incremental NTM Impact**	**Pre-4Q25 FY26 Consensus**	**Deal-Adj. NTM Profile**
Capex ($M)	$15							
(X) Assumed $M Revenue / MW	$12.0							
(=) Steady State Annual Revenue ($M)	**$13**	**$0**	**$0**	**$0**	**$3**	**$3.1**	**$4,418**	**$4,421**
Cost of Goods Sold:								
Colocation Costs per MW ($M)	$4.50							
(-) Colocation Costs ($M)	$4	$0.9	$0.9	$0.9	$0.9	$3.6		
(=) Incremental Cash Gross Profit ($M)	**$8.9**	**($0.9)**	**($0.9)**	**($0.9)**	**$2.2**	**($0.5)**	**$3,185**	**$3,185**
Steady State Cash Gross Margin	*71%*						*72.1%*	*72.0%*
(-) GPU Depreciation Cost	$2.1	$0	$0	$0.51	$0.51	$1.0		
(-) Non-GPU Depreciation Cost	$0.4	$0	$0	$0.09	$0.09	$0.2		
(=) Incremental Non-GAAP Gross Profit ($M)	**$6.4**	**($0.9)**	**($0.9)**	**($1.5)**	**$1.6**	**($1.7)**	**$2,614**	**$2,613**
Steady State Non-GAAP Gross Margin	*51%*						*59.2%*	*59.1%*
EBIT:								
Energy + Other Opex per MW	$2							
(-) Energy + Other Opex ($M)	$2	$0	$0	$0	$0.5	$0.5		
(=) Incremental EBIT ($M)	**$4.3**	**($0.9)**	**($0.9)**	**($1.5)**	**$1.1**	**($2.3)**	**$1,298**	**$1,296.0**
Steady State EBIT Margin	*35%*					-72%	*29.4%*	*29.3%*
NTM EBIT Margin Dilution								**(7) bps**
EPS:								
Total Capex ($M)	$15							
(-) Net Interest Expense ($M)	$0.03	$0	$0	$0.01	$0.01	$0.0		
(=) EBT	**$4.3**	**($0.9)**	**($0.9)**	**($1.5)**	**$1.1**	**($2.3)**	**$1,266**	**$1,263**
(X) Tax Rate	21%							
(=) Incremental Net Income	**$3.4**	**($0.7)**	**($0.7)**	**($1.2)**	**$0.9**	**($1.8)**	**$1,077**	**$1,075**
Steady State Net Margin	*27%*						*24.4%*	*24.3%*
(/) Fully Diluted Shares Outstanding						147	146	147
EPS						**($0.01)**	**$7.39**	**$7.32**
NTM EPS Dilution								**($0.07)**

Source: Morgan Stanley Research, Visible Alpha, Company Filings, Industry Data

$125M ACV / $500M TCV / 4-year CIS Deal

Exhibit 13: Capacity and Pricing Assumptions

Illustrative $500M TCV / 4-year CIS Deal Inputs		Notes
Revenue / MW ($M)	**$9.5**	IR: Estimated $10M - $20M revenue per MW
Customer Total Commitment ($M)	$500	
Years	4	
(/) Revenue per Year ($M)	$125	
Implied Capacity (MW)	**13**	
(X) Bottoms-up GPUs per MW	1000	CFO Rule of Thumb: 1,000 GPUs per MW
RTX Pro 6000 # of chips	**13,158**	
(/) NVIDIA RTx PRO 6000 Blackwell Price	$11,859	LSM Average Sale Price
GPU CapEx ($M)	**$156**	
% to GPUs	83%	Estimated % of server costs towards GPUs
CapEx ($M)	**$189**	
x hours per year	8,760	
x Steady State Utilization	75	MS est. of utilization
Total annual GPU hours in steady state (M)	**86**	
Revenue/GPU Hour Price	**$1.45**	
Revenue to $1 Capex Ratio	*$0.66*	Should be ~$0.5-$0.6 per IR commentary

Source: Morgan Stanley Research, Company Filings, Industry Data

Exhibit 14: Steady State Unit Economics

Steady State Unit Economics of Illustrative $500M TCV / 4-year CIS Deal on 1MW	
Revenue:	
(X) Est. Price/Hour	**$1.45**
(=) Revenue ($M)/MW	**$9.5**
Cost of Goods Sold:	
(-)Colocation Costs ($M)	$2.75
(=) Cash Gross Profit	$6.8
Cash Gross Margin	**71%**
(-) GPU Depreciation Cost	$2.0
(-) Non-GPU Depreciation Cost	$0.4
(=) Non-GAAP Gross Profit	$4.4
Non-GAAP Gross Margin	**47%**
EBIT:	
(-) Energy + Other Opex	$2
(=) EBIT	$2.4
EBIT Margin	***25%***
NOPAT:	
(=) EBIT	$2.4
(X) Tax Rate	21%
(=) NOPAT	**$1.9**
% ROIC (NOPAT / Total Capex)	***13%***
Capex for 1MW, RTX Pro 6000 Blackwell Cluster	
GPU Capex	$12
Useful Life	*6*
Non-GPU Capex	$2
Useful Life	*7*
Total Capex (GPU + Non-GPU)	$14

Source: Morgan Stanley Research, Company Filings, Industry Data

Exhibit 15: NTM Impacts

NTM Impacts of $500M TCV / 4-year CIS Deal								
Revenue:	**Steady State (Annual)**	**Q+1**	**Q+2**	**Q+3**	**Q+4**	**Incremental NTM Impact**	**Pre-4Q25 FY26 Consensus**	**Deal-Adj. NTM Profile**
Capex ($M)	$189							
(X) Assumed $M Revenue / MW	$10							
(=) Steady State Annual Revenue ($M)	$125	$0	$0	$0	$31	$31.3	$4,418	$4,449.34
Cost of Goods Sold:								
Colocation Costs per MW ($M)	$2.75							
(-) Colocation Costs ($M)	$36	$9	$9	$9	$9	$36.2		
(=) Incremental Cash Gross Profit ($M)	**$88.8**	**($9.0)**	**($9.0)**	**($9.0)**	**$22.2**	**($4.9)**	**$3,185**	**$3,180**
Steady State Cash Gross Margin	*71%*						*72.1%*	*71.5%*
(-) GPU Depreciation Cost	$26.0	$0	$0	$6.50	$6.50	$13.0		
(-) Non-GPU Depreciation Cost	$4.7	$0	$0	$1.17	$1.17	$2.3		
(=) Incremental Non-GAAP Gross Profit ($M)	**$58.1**	**($9.0)**	**($9.0)**	**($16.7)**	**$14.5**	**($20.3)**	**$2,614**	**$2,594**
Steady State Non-GAAP Gross Margin	*47%*						*59.2%*	*58.3%*
EBIT:								
Energy + Other Opex per MW	$2							
(-) Energy + Other Opex ($M)	$26	$0	$0	$0	$6.6	$6.6		
(=) Incremental EBIT ($M)	**$31.8**	**($9.0)**	**($9.0)**	**($16.7)**	**$8.0**	**($26.9)**	**$1,298**	**$1,271**
Steady State EBIT Margin	*25%*					**-86%**	*29.4%*	*28.6%*
NTM EBIT Margin Dilution								**(81) bps**
EPS:								
(-) Net Interest Expense ($M)	$0.44	$0	$0	$0.11	$0.11	$0.2		
(=) EBT	**$31.4**	**($9.0)**	**($9.0)**	**($16.8)**	**$7.8**	**($27.1)**	**$1,266**	**$1,239**
(X) Tax Rate	21%							
(=) Incremental Net Income	**$24.8**	**($7.1)**	**($7.1)**	**($13.3)**	**$6.2**	**($21.4)**	**$1,077**	**$1,056**
Steady State Net Margin	*20%*						*24.4%*	*23.7%*
(/) Fully Diluted Shares Outstanding						147	146	147
EPS						**($0.15)**	**$7.39**	**$7.18**
NTM EPS Dilution								**($0.21)**

Source: Morgan Stanley Research, Visible Alpha, Company Filings, Industry Data

$250M ACV / $1,000M TCV / 4-year CIS Deal

Exhibit 16: Capacity and Pricing Assumptions

Illustrative $1,000M TCV / 4-year CIS Deal Inputs		Notes
Revenue / MW ($M)	**$8.5**	IR: Estimated $10M - $20M revenue per MW
Customer Total Commitment ($M)	$1,000	
Years	4	
(/) Revenue per Year ($M)	$250	
Implied Capacity (MW)	**29**	
(X) Bottoms-up GPUs per MW	1000	CFO Rule of Thumb: 1,000 GPUs per MW
RTX Pro 6000 # of chips	**29,412**	
(/) NVIDIA RTX PRO 6000 Blackwell Price	$11,859	L5M Average Sale Price
GPU CapEx ($M)	**$349**	
% to GPUs	83%	Estimated % of server costs towards GPUs
CapEx ($M)	**$422**	
x hours per year	8,760	
x Steady State Utilization	75%	MS est. of utilization
Total annual GPU hours in steady state (M)	**193**	
Revenue/GPU Hour Price	**$1.29**	
Revenue to $1 Capex Ratio	*$0.59*	Should be ~$0.5-$0.6 per IR commentary

Source: Morgan Stanley Research, Company Filings, Industry Data

Exhibit 17: Steady State Unit Economics

Steady State Unit Economics of Illustrative $1.000M TCV / 4-year CIS Deal on 1MW	
Revenue:	
(X) Est. Price/Hour	**$1.29**
(=) Revenue ($M)/MW	**$8.5**
Cost of Goods Sold:	
(-)Colocation Costs ($M)	$2.5
(=) Cash Gross Profit	$6.0
Cash Gross Margin	**71%**
(-) GPU Depreciation Cost	$2.0
(-) Non-GPU Depreciation Cost	$0.4
(=) Non-GAAP Gross Profit	$3.7
Non-GAAP Gross Margin	**43%**
EBIT:	
(-) Energy + Other Opex	$2
(=) EBIT	$1.7
EBIT Margin	***20%***
NOPAT:	
(=) EBIT	$1.7
(X) Tax Rate	21%
(=) NOPAT	**$1.3**
% ROIC (NOPAT / Total Capex)	***9%***
Capex for 1MW, RTX Pro 6000 Blackwell Cluster	
GPU Capex	$12
Useful Life	*6*
Non-GPU Capex	$2
Useful Life	*7*
Total Capex (GPU + Non-GPU)	$14

Source: Morgan Stanley Research, Company Filings, Industry Data

Exhibit 18: NTM Impacts

NTM Impacts of $1,000M TCV / 4-year CIS Deal								
Revenue:	**Steady State (Annual)**	**Q+1**	**Q+2**	**Q+3**	**Q+4**	**Incremental NTM Impact**	**Pre-4Q25 FY26 Consensus**	**Deal-Adj. NTM Profile**
Capex ($M)	$422							
(X) Assumed $M Revenue / MW	$8.5							
(=) Steady State Annual Revenue ($M)	**$250**	**$0**	**$0**	**$0**	**$30.0**	**$30.0**	**$4,418**	**$4,448.09**
Cost of Goods Sold:								
Colocation Costs per MW ($M)	$2.50							
(-) Colocation Costs ($M)	$74	$18	$18	$18	$18	$73.5		
(=) Incremental Cash Gross Profit ($M)	**$176.5**	**($18.4)**	**($18.4)**	**($18.4)**	**$11.6**	**($43.5)**	**$3,185**	**$3,142**
Steady State Cash Gross Margin	*71%*						*72.1%*	*70.6%*
(-) GPU Depreciation Cost	$58.1	$0	$0	$14.53	$14.53	$29.1		
(-) Non-GPU Depreciation Cost	$10.5	$0	$0	$2.62	$2.62	$5.2		
(=) Incremental Non-GAAP Gross Profit ($M)	**$107.9**	**($18.4)**	**($18.4)**	**($35.5)**	**($5.5)**	**($77.8)**	**$2,614**	**$2,537**
Steady State Non-GAAP Gross Margin	*43%*						*59.2%*	*57.0%*
EBIT:								
Energy + Other Opex per MW	$2							
(-) Energy + Other Opex ($M)	$59	$0	$0	$0	$14.7	$14.7		
(=) Incremental EBIT ($M)	**$49.1**	**($18.4)**	**($18.4)**	**($35.5)**	**($20.2)**	**($92.5)**	**$1,298**	**$1,206**
Steady State EBIT Margin	*20%*					-308%	*29.4%*	*27.1%*
NTM EBIT Margin Dilution								**(228) bps**
EPS:								
(=) EBT	**$48.1**	**($18.4)**	**($18.4)**	**($35.8)**	**($20.5)**	**($93.0)**	**$1,266**	**$1,173**
(X) Tax Rate	21%							
(=) Incremental Net Income	**$38.0**	**($14.5)**	**($14.5)**	**($28.3)**	**($16.2)**	**($73.5)**	**$1,077**	**$1,004**
Steady State Net Margin	*15%*						*24.4%*	*22.6%*
(/) Fully Diluted Shares Outstanding						147	146	147
EPS						($0.50)	**$7.39**	**$6.83**
NTM EPS Dilution								**($0.56)**

Source: Morgan Stanley Research, Visible Alpha, Company Filings, Industry Data

2Q26 Deal Unit Economics

Exhibit 19: Steady State Unit Economics

Steady State Unit Economics of 2Q26 $600M TCV / 4-yr CIS Deal on 1MW		Notes:
Revenue:		
(X) Est. Price/Hour	**$1.52**	
(=) Revenue ($M)/MW	**$10**	
Cost of Goods Sold:		
(-)Colocation Costs ($M)	$3	MS TMT: 1 MW of colo power costs ~$2M-$4M / year
(=) Cash Gross Profit	$7.3	
Cash Gross Margin	**73%**	2Q26 Call: Non GAAP Gross Margins of mid 60s to mid 70s
(-) GPU Depreciation Cost	$2.3	
(-) Non-GPU Depreciation Cost	$0.4	
(=) Non-GAAP Gross Profit	$4.5	
Non-GAAP Gross Margin	**45%**	
EBIT:		
(-) Energy + Other Opex	$2	Epoch @ ~$1M/MW, conservatism baked in
(=) EBIT	$2.5	
EBIT Margin	***25%***	2Q26 Call: Non-GAAP OMs from low to mid 20s up to the low 30s
NOPAT:		
(=) EBIT	$2.5	
(X) Tax Rate	21%	
(=) NOPAT	**$2.0**	
% ROIC (NOPAT / Total Capex)	***12%***	
Capex for 1MW, RTX Pro 6000 Blackwell Cluster		
GPU Capex	$14	
Useful Life	*6*	Management
Non-GPU Capex	$3	
Useful Life	*7*	
Total Capex (GPU + Non-GPU)	$17	

Source: Morgan Stanley Research, Company Filings, Industry Data

Exhibit 20: NTM Impacts

NTM Dilutive Impacts of $600M TCV / 4-year AIC Deal						
Revenue:	**Steady State (Annual)**	**Q+1**	**Q+2**	**Q+3**	**Q+4**	**Incremental NTM Impact**
Capex ($M)	$250					
(X) Assumed $M Revenue / MW	$10					
(=) Steady State Annual Revenue ($M)	**$174**	**$0**	**$0**	**$0**	**$43.6**	**$43.6**
Cost of Goods Sold:						
Colocation Costs per MW ($M)	$1					
(-) Colocation Costs ($M)	$48	$12	$12	$12	$12	$47.9
(=) Incremental Cash Gross Profit ($M)	**$126.3**	**($12.0)**	**($12.0)**	**($12.0)**	**$31.6**	**($4.4)**
Steady State Cash Gross Margin	*73%*					
(-) GPU Depreciation Cost	$34.4	$0	$0	$8.61	$8.61	$17.2
(-) Non-GPU Depreciation Cost	$6.2	$0	$0	$1.55	$1.55	$3.1
(=) Incremental Non-GAAP Gross Profit ($M)	**$85.7**	**($12.0)**	**($12.0)**	**($22.1)**	**$21.4**	**($24.7)**
Steady State Non-GAAP Gross Margin	*49%*					
EBIT:						
Energy + Other Opex per MW	$2					
(-) Energy + Other Opex ($M)	$35	$0	$0	$0	$8.7	$8.7
(=) Incremental EBIT ($M)	**$50.8**	**($12.0)**	**($12.0)**	**($22.1)**	**$12.7**	**($33.4)**
Steady State EBIT Margin	*29%*					
EPS:						
(-) Net Interest Expense ($M)	$1.16	$0	$0	$0.29	$0.29	$0.6
(=) EBT	**$49.7**	**($12.0)**	**($12.0)**	**($22.4)**	**$12.4**	**($34.0)**
(X) Tax Rate	21%					
(=) Incremental Net Income	**$39.2**	**($9.5)**	**($9.5)**	**($17.7)**	**$9.8**	**($26.8)**
Steady State Net Margin	*23%*					

Source: Morgan Stanley Research, Visible Alpha, Company Filings, Industry Data

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf
2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf
3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf
4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf
5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf