Hardware & Networking

2026 Rising Tech Leaders Forum Takeaways

IT Hardware/ Telecom & Networking Equipment

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We hosted the J.P. Morgan 2026 Rising Tech Leaders Forum in New York, where we heard from executives and IR representatives from six companies, including Calix, Ciena, HP Inc., NetApp, Sanmina, and Semtech. *Company-specific takeaways are below in descending order by Market Cap; those for Sanmina, covered by Manmohanpreet Singh, can be found here; Semtech is not covered.*

Ciena (CIEN)

We hosted investor meetings with Scott McFeely, Executive Advisor. *Please see takeaways below:*

- **Demand strength continues to be durable with a potential return to providing medium-term guidance.** Management reiterated expectations to exit FY26 with a backlog of more than $10 bn, which in combination with a supply constrained guide of at least ~30% y/y revenue growth in FY27 (*baseline*) as well as long-term visibility with key customers, supports visibility into a healthy and durable demand outlook for the medium term. Separately, management noted the potential to provide a medium-term guidance, which it pulled back from nearly a year ago due to a highly dynamic demand environment.
- **Scale-across is in its early innings, with Ciena positioned to gain share from an already dominant 50–70% position.** Scale-across deployments have two parts including photonic line systems, as well as the coherent endpoints delivered either as coherent pluggables or as high-performance optics embedded in systems such as WaveServer. Deployment is still in the very early innings, with revenue expectations for multiple hundreds of millions of dollars in FY27 across both parts of the solution. Demand is expected to come from direct hyperscalers builds as well as service providers serving them through MOFNs. Market share is expected to increase from current estimated share of 50%–70%.
- **Supply ramp hinges on component supply, while the manufacturing capacity ramp is less of a concern.** Manufacturing capacity is not a constraint, as Ciena leverages several contract manufacturers to build products, but owns the IP and capacity relative to the testing assets (key determinant for throughput) - where the company has been actively investing capex ahead of requirements. However, the key bottleneck is relative to component supply (e.g., pump lasers and optical packaging), which is being addressed via: (1) qualifying additional suppliers, particularly relative to pump lasers; (2) driving deeper vertical integration (*high degree of vertical integration currently on coherent modems vs. low on switches*); and (3) long-term supplier commitments to secure allocation.
- **Inside data center opportunity to represent ~20% of TAM by the end of the decade.** Data Center Out-of-Band Management (DCOM) is the only inside data center opportunity currently generating revenue (from one customer), with each additional customer expected to add hundreds of millions of dollars. Nubis acquisition is expected to add two inside data center revenue streams: (1) active copper cables and retimers, with modest revenue expected in FY27, with further ramp over time; and (2) optical engines for XPO (*200G per lane, 3.2–*

See page 7 for analyst certification and important disclosures.

6.4T engines aligned with Tomahawk 7-class switches), with revenue expected to start in FY28. Coherent-lite, which is expected to drive penetration of coherent optics inside the data centers, is also expected to start generating revenues in FY28. Together, these inside data center opportunities are expected to represent a TAM of ~$10 bn vs. total company TAM of ~$50 bn by the end of the decade.

- **Highlighted 45% as a new baseline for gross margins, with multiple levers for upside,** including: (1) favorable mix shift towards higher-margin solutions, including silicon-like data center plays (Retimers, optical engines) as well as margin accretive multi-rail line systems due to shift in pricing philosophy to be now driven by value rather than razor-blade style typical line system margins; (2) Long-term agreements with signficant price certainty relative to historical contractual price erosion, providing opportunity to keeps design cost-reductions instead of passing them on to customers; and (3) passing through increased component costs to customers, given suppliers being very vocal about pricing decisions.
- **R&D spend is prioritized towards technology cycles, followed by TAM expansion and customer onboarding.** Technology transition across generations is the largest consumer of incremental R&D investments, e.g., the current transition from WaveLogic 6 on 3nm to WaveLogic 7 on 2nm. Expanding capabilities to address new TAMs, e.g., inside data center opportunities like co-packaged optics and retimers, is the second-largest contributor, while onboarding new customers onto existing solutions (e.g., DCOM) is the smallest of the three. Beyond R&D opex leverage, management highlighted a more efficient sales motion as the revenue mix shifts towards hyperscalers (*more centralized decision making vs. regional decision making in telcos requiring a broader sales force motion*).
- **Inference could eclipse Training as the larger opportunity overtime.** AI training is the larger opportunity today, with bespoke, high-bandwidth networks being built to support distributed training and broader AI backbones, while inference remains largely indistinguishable from general traffic on existing networks. That said, management expects that to change as inference becomes a much larger share of traffic over the next couple of years, potentially becoming the majority. Specifically, inferencing is expected to be more distributed, with traffic traveling over converged backbones to major metro points of presence and then into smaller, bespoke metro networks. As a result, while individual inference projects should be smaller than training projects, the aggregate opportunity could ultimately prove larger. Additionally, growing inference and agentic-AI traffic will further increase backbone bandwidth requirements and, over time, support broader adoption of the company's hyper-rail architecture; though, the timing remains uncertain.

NetApp (NTAP)

We hosted investor meetings with Kris Newton, VP of Investor Relations. *Please see takeaways below:*

- **Demand durability remains robust; 2H deceleration linked mostly to conservatism.** Management framed demand as structural, driven by AI infrastructure build-out, and reiterated its recently raised expectations for both F2Q27 and FY27, which embedded an atypical 2H raise so early in the fiscal year, implying confidence in the demand environment. Despite the pricing-driven impact on storage capacity shipments (y/y decline in F1Q27), overall storage spending budgets continue to remain resilient, along with AI budgets across departments flowing into IT spending. The steady tech-refresh cadence (vs. slowing in prior inflationary regimes) points to a healthy underlying demand environment, implying 2H deceleration to be more conservatism than early signals of a tangible slowdown.
- **Product Gross margins upside in F1Q was driven by one-off factors; Already**

secured memory supply for FY27. Despite heading into the quarter with expectations of being near the lower-end of the guidance, NetApp outperformed on F1Q27 product gross margin of 54%, driven by favorable mix and higher use of lower-cost inventory than previously anticipated. However, neither of these are expected to reoccur, leading to a guidance of a sequential decline in F2Q27, followed by flat margins through 2H of FY27, while full-year total company gross margin guidance ticked down ~40 bps purely on mix. Management flagged slowing NAND price increases as supportive of future planning and highlighted that the company had secured enough supply under favorable terms for all of FY27.

- **Higher NAND price increases relative to HDDs driving shift towards Hybrid Flash, although with limited margin impact.** The management highlighted that NetApp's product portfolio is broad, spanning high-performance and mid-range flash offerings, as well as HDD-based hybrid flash offerings. However, given the recent divergence in QLC/HDD pricing, demand from cost-sensitive customers is shifting toward hybrid flash (up y/y for two quarters, though all-flash is still growing faster). Given the pricing actions across the entire portfolio, a shift towards hybrid should have little margin impact, while NetApp's breadth of offerings across All-Flash and HDD is the key differentiator relative to peers.
- **Both competitive positioning and value proposition are improving.** In relation to market share dynamics, management highlighted that NetApp gained share relative to competitors in the recently reported quarter, while, arguing that a rising tide (AI) will likely lift all players. NetApp's value proposition rests on proprietary software on commodity hardware, which is difficult to displace relative to commodity IT systems.Finally, management was candid that price-led competition is endemic to the category and that every vendor periodically sacrifices margin to capture a strategic account, and NetApp has found itself on both sides of the ledger, winning some and ceding others, with no discernible pattern to the outcomes.
- **Public Cloud: Elevated margins, transitory Azure investment, and hyperscaler-led neo-cloud wins.** Public Cloud gross margins target has improved to ~80–85% (from the older target of 70–75% target) and has tracked even higher than that for the last three years. Management suggested the target could likely step up at some point, positioning cloud economics as a major differentiator versus competitors. Additionally, NetApp highlighted eventual system deployments to Azure data centers, which will drive some investments, but management expects margins to stay above 80%, framing the impact as transitory rather than structural. Finally, the relationships NetApp has with the hyperscalers are helping it win deals with the neo-clouds, where it sells systems under a traditional cloud model.

HP Inc (HPQ)

We hosted investor meetings with Ketan Patel, President, Personal Systems, as well as Alok Juyal, Global Treasurer and Head of Investor Relations. *Please see takeaways below:*

- **Execution held through the CEO transition, with FY27 shape improving.** Management stressed operations were preserved through the leadership change (CEO search has been ongoing for 7 months relative to 6–9 months typically), pointing to a deep bench and Bruce's seamless move in enabling them to not miss a beat on new alliances and deals. Additionally, management emphasized its confidence in F4Q26 representing the margin trough and expects sequential improvement each quarter of FY27 (ex-seasonality), as the cost-increase rate decelerates versus FY26.
- **Navigates rising costs with a multi-pronged playbook.** Memory BOM tracked to ~35% in 1H26 and is expected to move toward ~40% by year-end, persisting within that range into FY27 as memory-price growth decelerates, providing the company with better visibility. To manage the cost pressures, HP Inc. is securing timely supply, shifting mix

toward higher-margin AI PCs and workstations, taking supportive pricing actions, and shaping demand and supply, further reinforced by memory optimization and WXP intelligent configuration. While other commodities such as resins and plastics are also rising, they represent a much smaller BOM component than memory and are rising more slowly. Additionally, a weaker yen was noted to complicate repricing; however, the launch of new printers is expected to help offset the rising cost pressures.

- **Mix to become the primary margin driver.** When asked about the drivers of ASPs in F3Q26, specifically the split between pricing and mix, management noted that the two are difficult to separate cleanly, as both played a key role in driving growth. However, going forward, management expects mix to be the number-one driver of margins, driven by structural tailwinds, followed by cost optimization, with pricing deliberately last given elasticity. Contract repricing has gone reasonably well, though multi-year enterprise/public-sector contracts (~3/4 of revenue is commercial) are harder to reprice than transactional Managed Device Services (MDS) deals. Given the low-end PC refreshes remain delayed and unlikely to return at $200-$300 price points, management prioritizes operating profit dollars through protecting premium share (where it is gaining market share) while defending the ~$600–$1,000 mainstream band (~40% of the market) where it has lost entry-level share.
- **Edge/hybrid AI is emerging as a core strategic driver.** Management framed AI as a distributed/hybrid model with an intelligent orchestrator routing workloads across on-device, on-prem, and cloud based on token cost, latency, connectivity, and security. When questioned on why on-device is likely to persist, management highlighted specific use cases for mobile/offline workers, computer-vision latency, and security-conscious developers, with a new "PC for agents" category potentially accelerating demand further. Adoption is further aided by open-source models (GPT-OSS, Gemma, etc) and NPU-only agents, with HP Inc now having flexibility when it comes to silicon options with Intel, AMD, Qualcomm, and NVIDIA (via RTX) with Qualcomm best on performance/watt and gaining market share in the consumer/SMB category.
- **WXP building a meaningful base for recurring software revenue.** WXP, HP's subscription-based fleet "control tower," lets IT teams segment personas and right-size configurations, while it also serves as a de-provisioning tool for price-sensitive customers, and is being positioned as a high-margin, attach-accretive recurring-revenue lever. Interestingly, despite being only a couple of years old, WXP already has more than 5 mn devices enrolled, establishing a meaningful installed base for recurring software revenue. Looking further ahead, WXP could evolve into the control layer for both enterprise devices and AI agents, making it a potentially much larger strategic software platform as AI moves toward the edge.
- **Trading near-term Print margin for share gains.**In the Print segment (*which contributes two-thirds of total operating profit*), management is executing on its strategy relative to hardware in F4Q26, pointing to meaningful share gains in tank printers, where HP has moved into the low-to-mid-20% range, versus a low-30% position in the overall printer market, signaling continued runway to expand. Leveraging the strength of the HP brand, management expects to keep gaining share into F4Q26. However, hardware sit below HP's target margin range, weighing on near-term profitability. While this strategy could keep F1H27 margins toward the lower end, management expects that to be offset over time by subscription growth and rigorous cost management.
- **Pending tariff refunds could present upside to F4Q26 margins.** Management cited an operating margin of 18.1% in F3Q26 or towards the lower-end of the target range of 16%-19% when excluding $120-$125 mn in tariffs (pre-tax). Importantly, while the F4Q26 guidance currently embeds ~$90 mn in tariff refunds, management noted an additional $80-90 mn in tariffs not included as they are still being processed, which could drive operating profits higher in F4Q26 if realized in the quarter.

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Calix (CALX)

We hosted investor meetings with Michael Weening, Chief Executive Officer. *Please see takeaways below:*

- **Platform-based bundling improves customer wallet share.** Calix has shifted away from modular products and is moving customers to Enterprise Subscription Agreements (ESA), which provide customers with access to the entire portfolio. This encourages customer adoption of the platform end-to-end, rather than purchasing a point solution from other vendors given that the functionality is already included in the ESA bundle. Over time, additional features accumulate to the platform without incremental pricing and this paves the way for a step-function change in platform pricing for the next generation of the ESA. As such, the cross-sell motion is less intensive and instead more focused on adoption and customer success, and sales reps can focus on pursuing new logos rather than existing accounts (*i.e., the one-to-many model*).
- **Calix's Managed MDU is the next growth opportunity.** Managed MDU is focused on adjacent Enterprise and property-oriented markets, has its own leadership, and is building a separate go-to-market organization. Management sees this as a fragmented and disaggregated multi-billion dollar TAM and has a line of sight to capturing $1-2 bn of the opportunity. One subset of the opportunity is multi-dwelling units (MDUs), for which the in-property network has historically been assembled by a systems integrator stitching together multiple vendors; Calix's approach is to collapse that into a single managed solution built from its existing SmartLife portfolio (SmartHome, SmartBiz, SmartMDU, SmartTown for roaming Wi-Fi). A similar platform can extend into hospitality, campus, and electric-utility grid networks. Now that a significant portion of engineering labor is no longer tied up with the Calix One platform transition, the plan is to rapidly build vertical-specific use cases for adjacent markets.
- **Self-hosted, open-source models are at the center of the AI strategy.** Calix is deploying standardized, enterprise-wide agentic AI implementations internally, driving operating efficiencies and accelerating product velocity, with expectations of achieving a material step-up in annual product feature velocity in 2027. At the same time, Calix has insulated its cost structure from usage-based AI token spend by investing in private data centers leveraging Nvidia blades, with additional compute capacity available from Google, and by relying on open-source models both internally and for products. The end-to-end nature of the Calix One platform enables the automation of customer workflows, improving customer ROI and enhancing the value-add of having the full platform. Calix has an 18+ month roadmap of workflows to automate and incremental automations are fairly frictionless for the customer to deploy via the platform.
- **Sees continued sequential revenue growth combined with OpEx optimization driving higher cash-flow yields.** Given an expanding TAM, accelerating product velocity, and improving wallet and market share via the Calix One platform, management expects to continue delivering consistent quarter-to-quarter top-line growth. In conjunction with higher OpEx efficiencies via internal AI implementations and a more scalable sales motion, this is expected to drive higher cash-flow yields with excess cash to be returned via additional share repurchases. Calix aims to grow OpEx at approximately half of the historical rate in the medium term, with the ultimate goal of maintaining roughly flat headcount while revenue continues to grow significantly. Management also discussed accumulated cash as the rationale for accelerating buybacks earlier in the year, with the dollar amount of repurchases set as the goal rather than stock price, and continues to prefer buybacks for capital return.
- **Memory headwinds remain an uncertainty.** Memory supply is secure, but the cost inflation outlook remains uncertain and gross profit headwinds may persist given product lead times and customer purchase price protection. That said, customers largely did not pre-buy ahead of the memory surcharge, curbing the amount of backlog that had to be



repriced, and Calix has implemented order volume caps to prevent excessive orders taking advantage of price protection. Also, for new orders, surcharges are being adjusted monthly (*versus quarterly prior*) and customers must now place non-cancellable purchase orders with price protection for six months. As such, Calix expects to absorb near-term component cost inflation, but if prices subsequently decline, the economics turn favorable. Calix chooses to not be aggressive on pricing and instead uses its commercial leverage to help customers win subscribers and in turn capture the value of additional subscribers at very high incremental margins.