on 30-Sep-2026

BERNSTEIN
SOCIETE GENERALE GROUP

29 September 2026
Initiation

US Networking & Communications Equipment

US Networking: Scaling the bandwidth wall. Initiating with a positive view



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We continue to be positive on AI in both the short- and long-term. While an overbuild is still possible, demand continues to exceed supply and the assumptions needed to underwrite continued investments do not appear aggressive compared to the pace of adoption thus far. Both point to a higher-for-longer cycle. We also see model capability as a long-term leading indicator, and scaling remains positive. On net, we believe that there is more upside than downside to AI capex expectations, and see risk/reward on exposed stocks as positive.

Within AI infrastructure, we believe networking and optical companies to be structural winners, and initiate on the sector with a positive skew. Networking is the 3rd biggest area behind compute and memory/storage. As performance improvement in bandwidth has lagged compute, networking is increasingly the bottleneck in AI use cases, supporting higher specs and pricing. Adjusting for the shift from 2 chiplets to 4, we expect accelerator volumes to double through 2028, and for AI back-end switching to outpace that growth. We also expect Arista and Celestica to continue to gain share.

Outside of the data center, the environment also appears supportive, with a significant incremental opportunity in scale-across as well as healthy spend in traditional enterprises and services. Management teams expect scale-across to be an $8-10B opportunity, which could prove conservative as we size the new build opportunity at ~$9B. Traditional enterprise is also undergoing a cyclical recovery, and while service provider spend remains stagnant, it is at least not meaningfully declining and is a shrinking share of the customer base.

Laser capacity remains a critical bottleneck to AI performance, and demand far exceeds supply for the foreseeable future. Simple physics dictates that as data rates increase, it makes sense to switch from copper to optical. Accordingly, optical adoption has inflected, but remains bottlenecked by supply, creating a favorable industry backdrop.

Networking / Hardware stock dispersion is high and valuations justifiable, creating short and long-term opportunities.

We are most positive on Celestica (O), and rate it as our top pick. We believe Celestica's TPU business, as well as its new programs (AMD Helios & OpenAI Jalapeno) offer significant upside to consensus expectations. Celestica's upcoming analyst day offers a high-conviction near-term catalyst while longer-term, the valuation remains undemanding.

We are also positive on Lumentum, Coherent and Ciena (all O), given our positive view on the optical sub-sector. **Arista (O) is a structural share gainer, and we see upside to current numbers**, albeit on a somewhat full valuation.

We lack conviction in upside to numbers for Cisco and Corning (both M), and valuations appear full. We see risk-reward on all three stocks as more neutral, albeit with some material risks to upside.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	28 Sep 2026 Closing Price	Price Target	TTM Rel. Perf.	Reported EPS Cur	2025A	2026E	2027E	Reported P/E (x) 2025A	2026E	2027E
CLS (Celestica)	O	USD	356.53	520.00	32.4%	USD	6.06	11.35	23.79	58.9	31.4	15.0
LITE (Lumentum)	O	USD	921.32	1,220.00	479.7%	USD	2.05	8.37	22.40	450.4	110.0	41.1
COHR (Coherent)	O	USD	282.45	350.00	154.9%	USD	3.53	5.58	9.51	79.9	50.6	29.7
CIEN (Ciena)	O	USD	344.19	440.00	125.9%	USD	2.64	7.15	12.46	130.3	48.2	27.6
ANET (Arista)	O	USD	204.92	250.00	26.0%	USD	2.96	4.11	5.61	69.1	49.9	36.5
CSCO (Cisco)	M	USD	106.74	110.00	41.9%	USD	3.73	4.33	5.11	28.6	24.7	20.9
GLW (Corning)	M	USD	151.59	140.00	81.1%	USD	2.54	3.22	4.16	59.8	47.1	36.4
SPX			7,683.69									

COVERAGE INITIATION

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

LITE, COHR, and CSCO have reported their CY2026 results already, so 2026 is not an estimate.

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

We are initiating on US Networking & Communications Equipment. We view networking and optical stocks as structural AI beneficiaries , and see continued upside to numbers and to the stocks for Celestica, Lumentum, Coherent, Ciena, and Arista (all Outperform). We believe upside is more fully priced in for Cisco and Corning (both Market-Perform). Exhibit 1 provides a summary of our ratings, price targets, and estimates vs. consensus.

We continue to be positive on AI in both the short- and long-term, and believe in a higher-for-longer cycle. The visibility to near-term growth from AI infrastructure is clear: demand exceeds supply, data center capex expectations continue to increase, and the semiconductor supply chain points to accelerator chiplet volumes doubling 2025-2028E (Exhibit 2). Longer-term, we can't say with confidence how fast demand will grow and are skeptical of anyone who says that they can. However, adoption thus far has been healthy, and we believe that as long as model capability continues to scale, and more capable models can unlock new use cases and expand the TAM, incremental supply should add to adoption and there is potential to smooth over adoption air pockets by deploying capacity to train new models. Accordingly, we see model scaling laws as the key leading indicator, and since scaling appears intact (Exhibit 3), we view risk-reward as positive over the long term.

Within AI infrastructure, we believe networking and optical companies to be structural winners. Networking is the 3rd biggest area of spend behind compute and memory/storage (Exhibit 4). As performance improvement in bandwidth has lagged compute, networking is increasingly the bottleneck in AI use cases (Exhibit 5), supporting higher specs and pricing, and as a result we expect AI networking to outgrow accelerator chiplet shipments. We also expect ANET and CLS to continue to gain share in switching, and LITE and CIEN to see upside from transceiver pricing (Exhibit 6, Exhibit 7).

Outside of the AI data center, spend also appears healthy, with cyclical strength in enterprise, steady service provider spend, and an emerging scale-across opportunity. We see upside to industry-wide revenues and expect growth: see Exhibit 8- Exhibit 10

The launch of Meta Muse could provide a good entry point for AI longs. The AI trade has corrected after overheating in the first half of 2026, and many AI stocks are trading below May-June peaks. However, revisions to fundamentals have continued to be positive, leading to multiples that appear increasingly undemanding - and given our belief in upside to numbers, we believe the true multiples are even cheaper. We also see valuations in our space as reasonable in relative terms, given that multiples are largely consistent to companies with similar growth profiles elsewhere in the semis/hardware universe. With inflecting demand for consumer AI following Meta's launch of Muse, we believe that this could open the door for further guidance revisions, potentially driving a rally in AI stocks. Beyond potential guidance revisions in October earnings, we are less sure of the impact of the Anthropic IPO (link), but believe March could be a catalyst-rich period with Nvidia GTC and OFC.

Celestica (OP $520, 46% upside) is our top pick: we believe consensus is materially underappreciating upside from the TPU, OpenAI Jalapeno, AMD Helios, and 1.6T switching programs, and see the 10/27 analyst day as a high

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conviction catalyst. We size Google TPU as a $8B incremental revenue opportunity, OpenAI Jalapeno at $12B, and AMD Helios and the broader 1.6T switching could be $5-6B. This provides a path to ~$25B in incremental revenues; even haircutting for execution risk and some prudent conservativism, we believe Celestica could easily guide to ~$20B YoY growth in CCS, compared to consensus expectations of ~$15B growth for the whole company. We see Celestica's 10/27 analyst day as a high conviction catalyst, and longer-term the valuation remains undemanding. We apply a ~22x multiple to our estimate of $24 in FY 27 EPS, and set our price target at $520.

Lumentum (OP $1,220, 32% upside) and Coherent (OP $350, 24% upside) are also rated Outperform, given our positive view on the optical module industry. We see continued upside to transceiver pricing and revenues as data center switches move to higher speeds, and believe that despite the push for CW-laser based transceivers, Lumentum and Coherent can maintain their share of industry economics. We believe that both Coherent and especially Lumentum will also see significant operating leverage amid growth. We like both stocks, but prefer Lumentum over Coherent, given its purer exposure and higher incremental margins. For Lumentum, we apply a 35x multiple (in-line with its current multiple on consensus numbers) to our $35 in FY 28 EPS, and land at a $1,220 price target. For Coherent, we apply at 22x multiple to $16 in 2028 EPS to get to a price target of $350.

Ciena (OP $440, 28% upside) is likely capped by supply chain constraints in the near-term, but the valuation is undemanding and we believe the stock will start to work as supply chain availability improves. We believe that scale-across is a second derivative on land and power constraints and management's $8-10B sizing of the opportunity could prove conservative. While suppply constraints limit near term upside, we believe that supply availability for all three of the critical bottlenecks (ceramic packaging, pump lasers, and memory) should improve beyond 2027, unlocking stronger growth. Ciena's valuation is also undemanding, and we believe it could be attractive for longer duration investors. We value Ciena at 16x our $28 in 2028 EPS and arrive at a price target of $440.

Arista (OP $250, 22% upside) can continue to gain share in AI switching. While the valuation is somewhat full, it is generally consistent with Arista's trading history, and we believe the stock can compound higher. We believe Arista has a favorable mix, given its higher weighting to data center switching, and we expect Arista to continue to gain share as Nvidia's proprietary technology is supplanted by open ecosystems. While Arista's valuation is somewhat full, it is not out of line with the stock's trading history, and we see upside to numbers. On net, we believe Arista stock can compound higher. We value Arista at 35x our $7.14 in 2028 EPS and arrive at a price target of $250.

Cisco (MP $110, 3% upside) has been pivoting from networking hardware to cybersecurity and observability, but is ceding share to Arista and Celestica in hardware and lags software pure plays in cybersecurity. While there are some green shoots, especially in Cisco Acacia, and promising progress in Cisco Silicon One, this is a hard stock to get excited about, and the valuation appears fair. However, we note that there is potential for tactical upside to near-term numbers. We value Cisco at 20x our $5.6 in 2028 EPS and arrive at a price target of $110.

Corning (MP $140, -8% downside) has material content upside from AI accelerators, but its non-AI businesses are a drag on growth. We see greater optical adoption in AI as driving upside to Corning's optical fiber business. However, the optical fiber business continues to have high exposure to carriers, where growth remains anemic, and the smartphone and automotive businesses also face headwinds from weak end market demand. On net, we see Corning's long-term growth framework as aggressive and the valuation as full. We value Corning at 25x our $5.65 in 2028 EPS and arrive at a price target of $140.

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VALUATION COMPS TABLE

TABLE 1: **Networking and Communications Comps – Consensus Estimates**

						Price / Earnings		EV/ EBIT		EV/ Free Cash Flow		
	Name	Ticker	Price	Currency adj.	Market Cap ($B)	P/ 2026E EPS	P/ 2027E EPS	EV/ 2026E EBIT	EV/ 2027E EBIT	EV/ 2026E FCF	EV/ 2027E FCF	Revenue
Bernstein Networking and Optical Coverage	ARISTA NETWORKS INC	ANET US Equity	205.16	205.16	258.75	90.38	68.84	83.34	63.64	66.75	57.71	33
	CIENA CORP	CIEN US Equity	345.25	345.25	48.96	189.70	130.77	297.75	251.15	131.28	74.57	28
	CELESTICA INC	CLS CN Equity	521.99	368.48	46.47	94.97	60.91	78.00	44.92	154.28	102.00	54
	COHERENT CORP	COHR US Equity	286.10	285.98	56.00	171.25	81.01	602.26	199.71	291.03	300.32	31
	CISCO SYSTEMS INC	CSCO US Equity	107.01	107.01	421.90	28.69	28.09	35.89	37.17	42.82	32.90	11
	CORNING INC	GLW US Equity	152.81	152.93	131.73	78.03	60.69	122.62	61.07	142.89	98.50	16
	LUMENTUM HOLDINGS INC	LITE US Equity	905.68	905.62	81.23	896.65	439.62	(184.72)	(445.12)	(740.23)	(765.68)	66
	Median				**81.23**	**94.97**	**68.84**	**83.34**	**61.07**	**131.28**	**74.57**	**31**
Enterprise Networking	EXTREME NETWORKS INC	EXTR US Equity	20.94	20.94	2.77	65.42	24.92	(42.17)	162.24	73.59	21.60	8
	HEWLETT PACKARD ENTERPRISE	HPE US Equity	62.03	62.03	82.34	31.17	31.97	44.03	(220.67)	48.85	153.80	21
	UBIQUITI INC	UI US Equity	562.03	562.03	34.02	95.75	51.28	67.11	40.04	63.24	53.37	25
	Median				**64.41**	**77.90**	**41.63**	**55.57**	**42.48**	**65.00**	**55.54**	**23**
Optical Transport	NEC CORP	6701 JT EQUITY	4,778.00	30.40	41.47	39.10	35.21	32.99	25.51	31.64	30.02	0
	FUJITSU	6702 JP EQUITY	3,978.00	25.31	44.03	26.95	31.88	39.93	23.73	52.59	43.99	-5
	NOKIA	NOKIA FH EQUITY	8.97	10.19	58.53	24.16	31.09	26.49	62.30	25.90	34.19	7
	Median				**44.03**	**28.69**	**31.09**	**35.89**	**25.51**	**31.64**	**32.90**	**7**
Optical Components	APPLIED OPTOELECTRONICS INC	AAOI US Equity	97.23	97.20	8.22	(123.03)	(373.83)	(113.08)	(146.85)	(71.00)	(22.68)	126
	FABRINET	FN US Equity	409.34	409.34	14.67	46.10	40.25	49.39	42.26	37.50	66.14	28
	INNOLIGHT	300308 CH Equity	815.00	121.39	143.60	190.06	89.90	172.39	75.93	3,705.08	123.93	
	EOPTOLINK TECH-A	300502 CH EQUITY	399.70	59.53	83.04	210.03	62.31	194.29	56.12	(710.47)	92.68	126
	Median				**68.62**	**180.65**	**71.66**	**110.89**	**49.19**	**(16.75)**	**79.41**	**66**
AI Interconnect	ASTERA LABS INC	ALAB US Equity	360.58	360.58	62.56	429.26	195.97	(459.62)	307.61	520.81	189.33	99
	BROADCOM INC	AVGO US Equity	352.07	352.07	1,680.63	72.29	51.62	127.47	67.34	88.39	63.76	50
	CREDO TECHNOLOGY GROUP HOLDI	CRDO US Equity	198.63	198.75	37.35	2,208.28	283.92	(987.94)	986.18	2,142.87	1,261.49	135
	MARVELL TECHNOLOGY INC	MRVL US Equity	254.67	254.40	223.08	168.48	162.04	(395.34)	(311.59)	217.01	160.70	30
	Median				**223.08**	**94.97**	**68.84**	**35.89**	**63.64**	88.39	63.76	33

Source: Bloomberg (as of 09/24/26), Bernstein analysis

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DETAILS

We would like to thank Sierra Valdez for her contribution to this report.

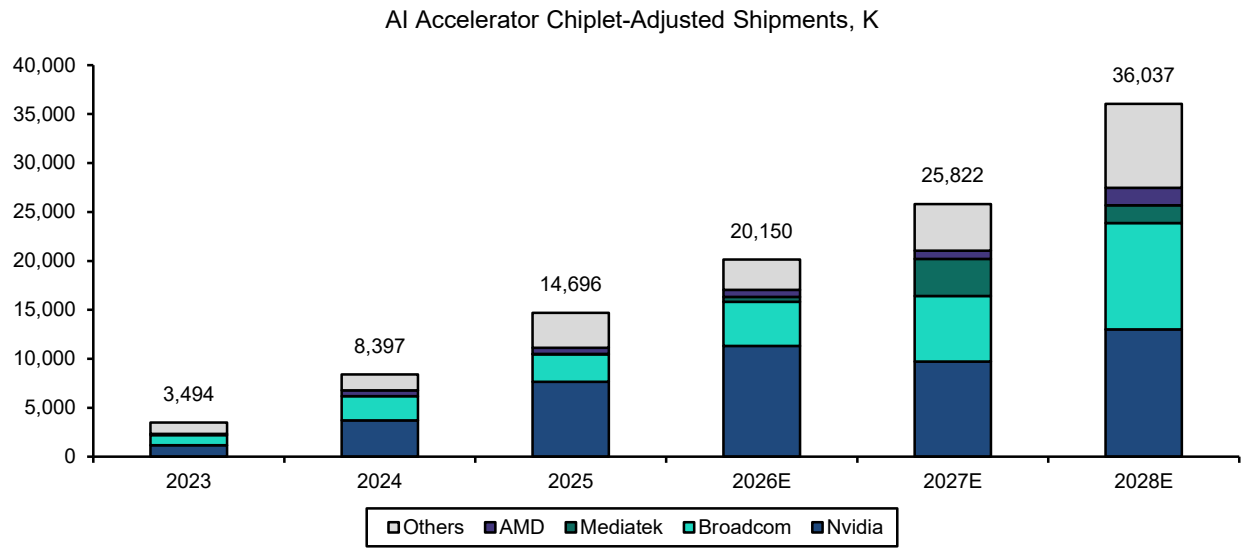
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EXHIBIT 1: **Financial Summary**

US $M, except per share	Celestica	Lumentum	Coherent	Ciena	Arista	Corning	Cisco
Rating	O	O	O	O	O	M	M
Current price	356.23	921.32	282.45	344.19	204.92	151.59	106.74
Price target	520	1220	350	440	250	140	110
Upside/downside	46%	32%	24%	28%	22%	-8%	3%
Consensus ratings	96% O	88% O	79% O	92% O	76% O	79% O	67% O
	4% M	12% M	21% M	6% M	19% M	21% M	33% M
				3% U	5% U		
Market cap	47,071	83,335	56,911	50,828	259,434	132,783	421,739
Enterprise value	47,345	82,268	58,797	51,479	246,091	140,225	437,006
Revenue							
2026E	20,482	19,525	7,118	6,440	12,676	19,525	63,325
2027E	40,026	22,870	10,847	8,494	18,095	22,870	73,371
2028E	58,190	28,097	15,728	11,166	23,316	28,097	78,907
2026-28E CAGR	*41.6%*	*12.9%*	*30.2%*	*20.1%*	*22.5%*	*12.9%*	*7.6%*
CY2026E vs. consensus	-0.4%	0%	0%	0.3%	0.3%	2.1%	0%
CY2027E vs. consensus	12.9%	3.7%	1.4%	0.4%	10.9%	0.2%	0.6%
CY2028E vs. consensus	22.0%	11.8%	7.3%	1.9%	16.7%	1.4%	0.9%

LITE, COHR, and CSCO have already reported their FY26.
Source: Bloomberg (as of 09/24/26), Bernstein estimates and analysis

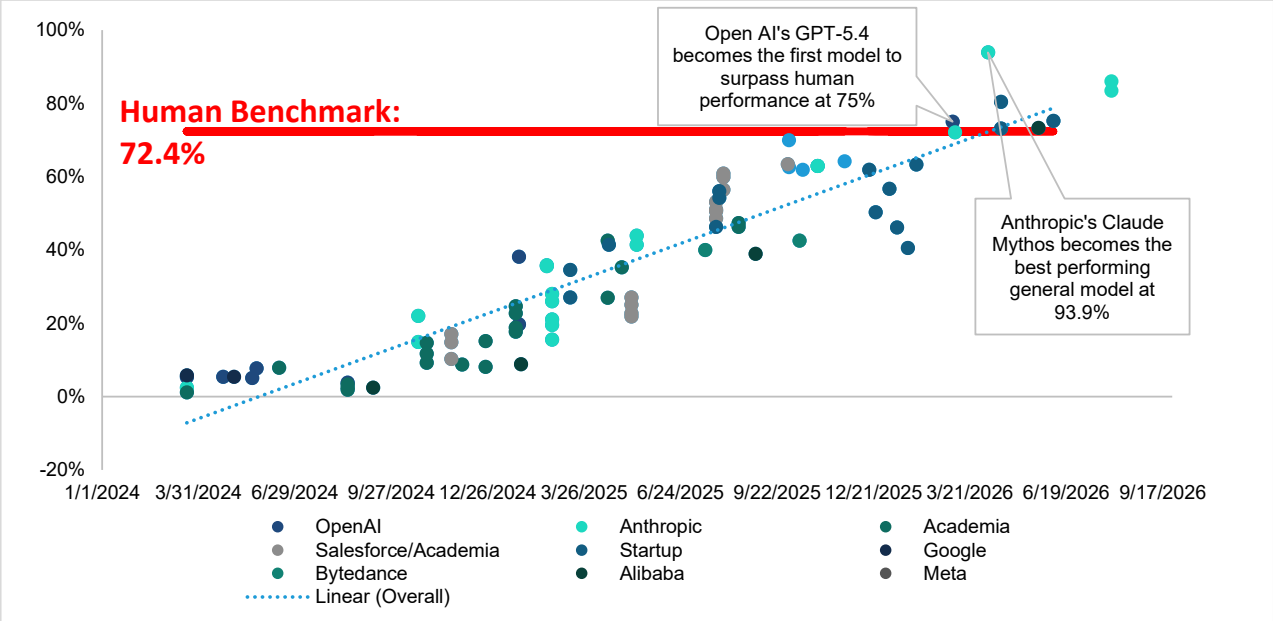
EXHIBIT 2: **We expect accelerator chiplet volumes to double 2025-28E and switch ports to grow proportionally**



Source: Bernstein Asia Semiconductors and Equipment & Global Memory team (Mark Li)

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EXHIBIT 3: **We see model capability as the key leading indicator, with data points looking increasingly positive**



Source: OSWorld benchmark as of 09/17/2026, Anthropic Reports as of 06/17/2026, Bernstein estimates and analysis

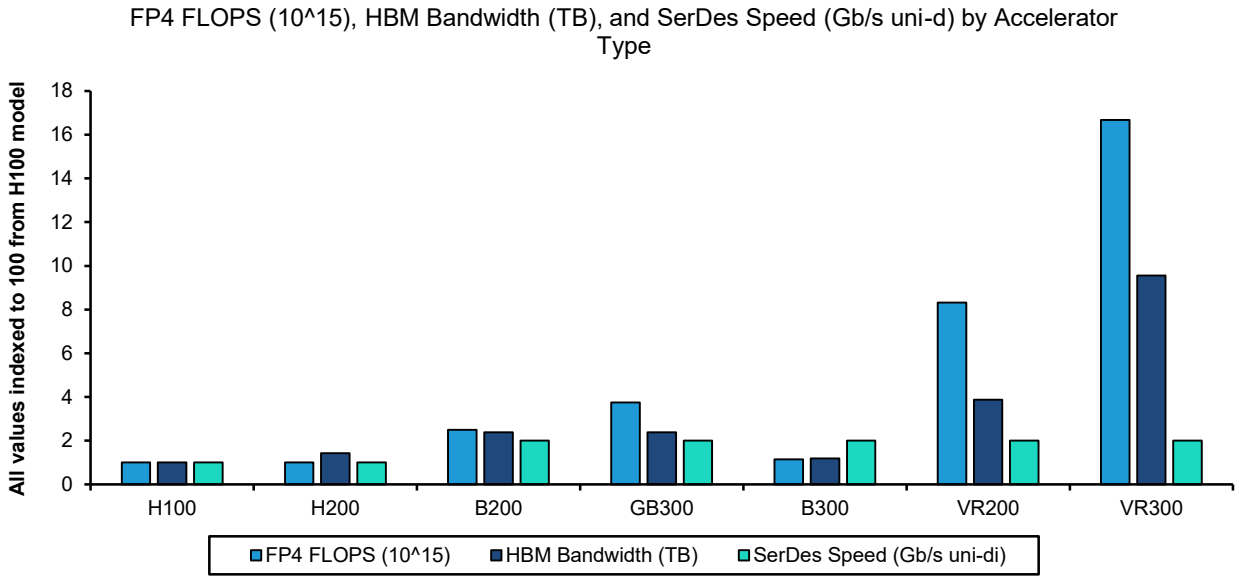
EXHIBIT 4: **Datacenter XPU Pod Capex Breakdown by Architecture**

	Nvidia			AMD	Google	OpenAI
	H100 DGX x8	GB200 NVL 72	VR NVL 72	MI455X Helios	TPU v7 Ironwood	Jalapeno
			225			
$K / Rack						
CPU ex. DRAM	34	92	180	268	32	320
DRAM	263	280	888	1,212	126	395
CPU	**297**	**372**	**1,068**	**1,481**	**158**	**715**
XPU ex. HBM	182	2,112	3,960	2,520	1,408	2,034
HBM	59	300	697	952	275	846
XPU	**240**	**2,412**	**4,657**	**3,472**	**1,683**	**2,880**
Computing sub-total	**537**	**2,784**	**5,725**	**4,952**	**1,841**	**3,595**
Front-end		144	80	70		32
Scale-up Switches		180	277	200		300
OCS					154	77
Cabling		123	158	140	43	194
Backplanes & Other		102	154	250	102	102
Scale-up		**405**	**589**	**590**	**299**	**673**
SuperNICS	**112**	144	198	324		0
Scale-out Switching		108	108	237	113	0
Transceivers		127	194	245	128	109
Scale-out	**22**	**380**	**500**	**806**	**241**	**0**
Networking sub-total	**134**	**929**	**1,170**	**1,466**	**539**	**705**
Direct-attached Storage	106	222	222	532	92	214
Cooling	16	51	102	102	40	70
Chassis	31	100	100	100	48	96
Power Delivery	14	44	102	80	30	144
Others			100	100	100	100
Pod Total	**838**	**4,130**	**7,520**	**7,333**	**2,691**	**4,924**

Source: Expert Conversations, Company Disclosures, LIterature Search, Channel Checks, Bernstein estimates and analysis

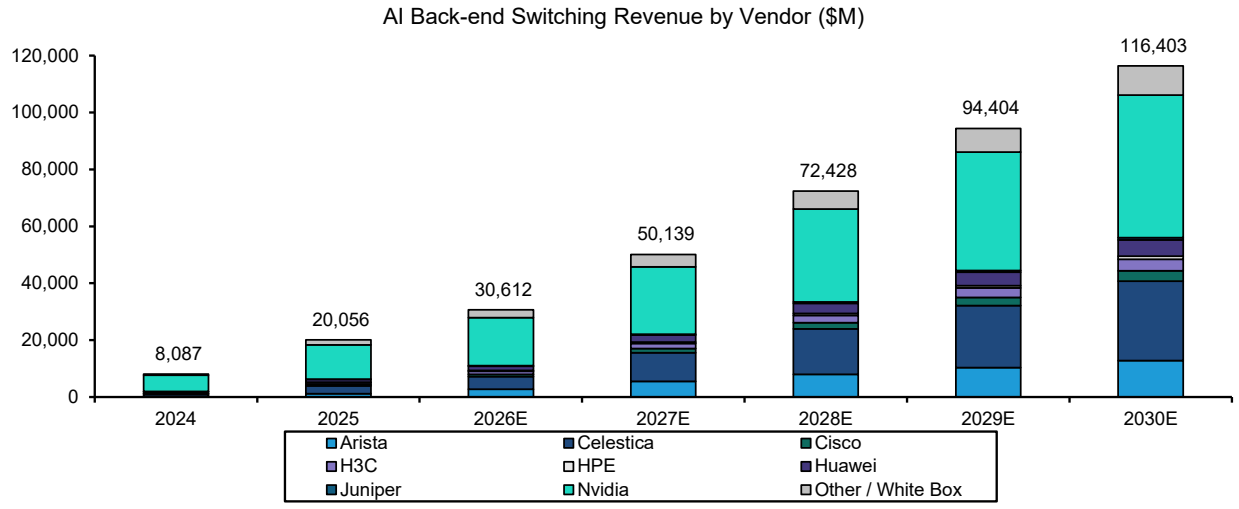
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EXHIBIT 5: **Accelerated compute has scaled better than networking, creating a "bandwidth wall" in which performance is bandwidth constrained**



HBM bandwidth estimates based on HBM 3 vs. HBM 4
Source: Harvard Business School, Silicon Matter Substack, Bernstein estimates and analysis, including from US Semiconductors. Originally published June 8th, 2026.

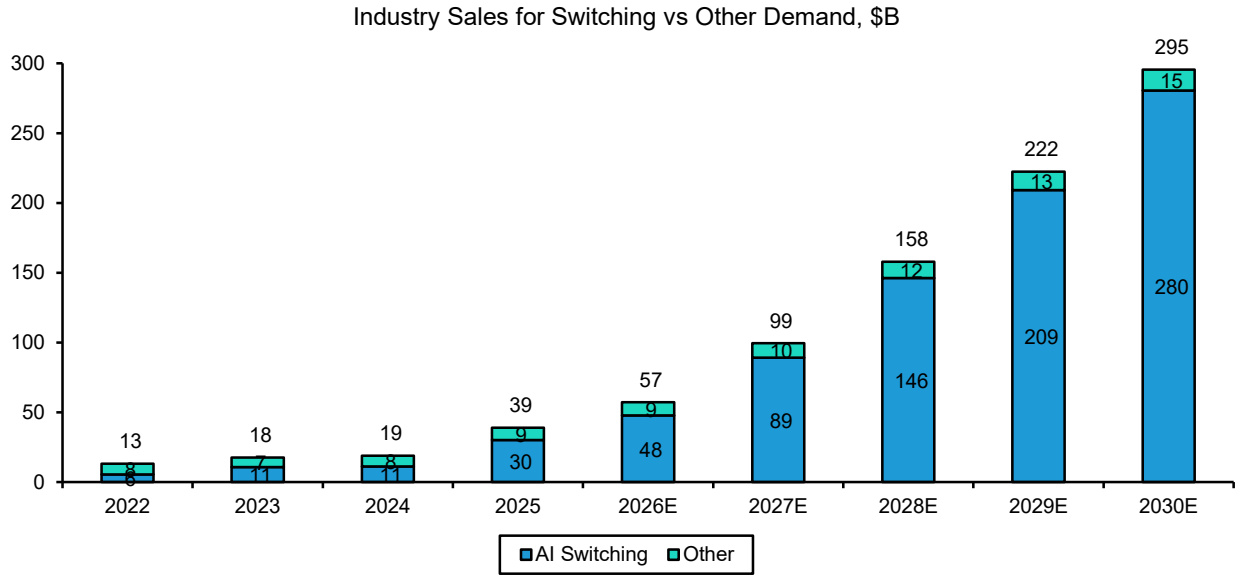
EXHIBIT 6: **We expect Arista and Celestica to continue to gain share as Infiniband is supplanted by ethernet in scale-out**



Source: Dell'Oro, Bernstein estimates and analysis

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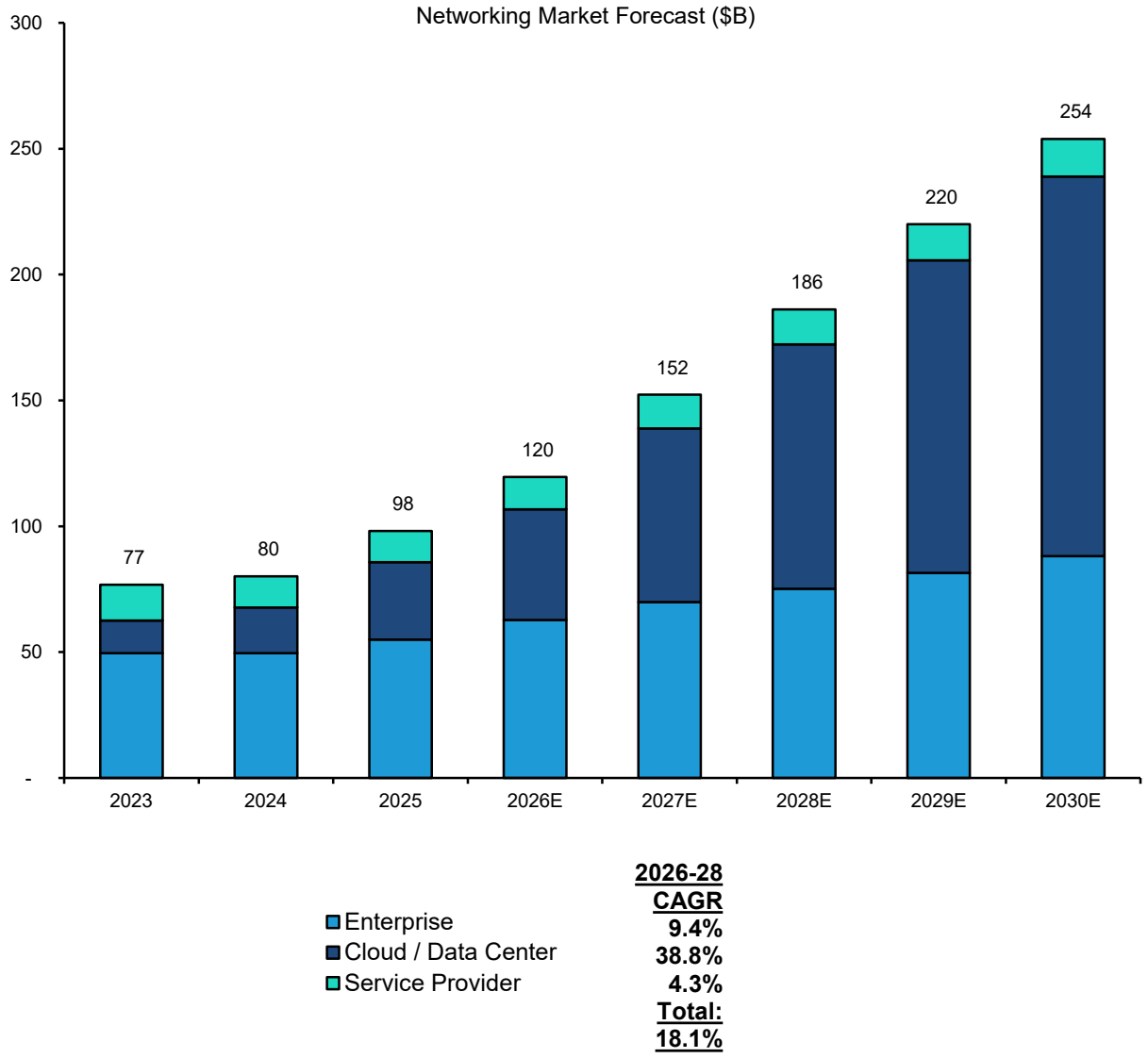
EXHIBIT 7: **...which in turn drives revenue growth for the transceiver industry**



Source: Dell'Oro, Lightcounting, Bernstein estimates and analysis

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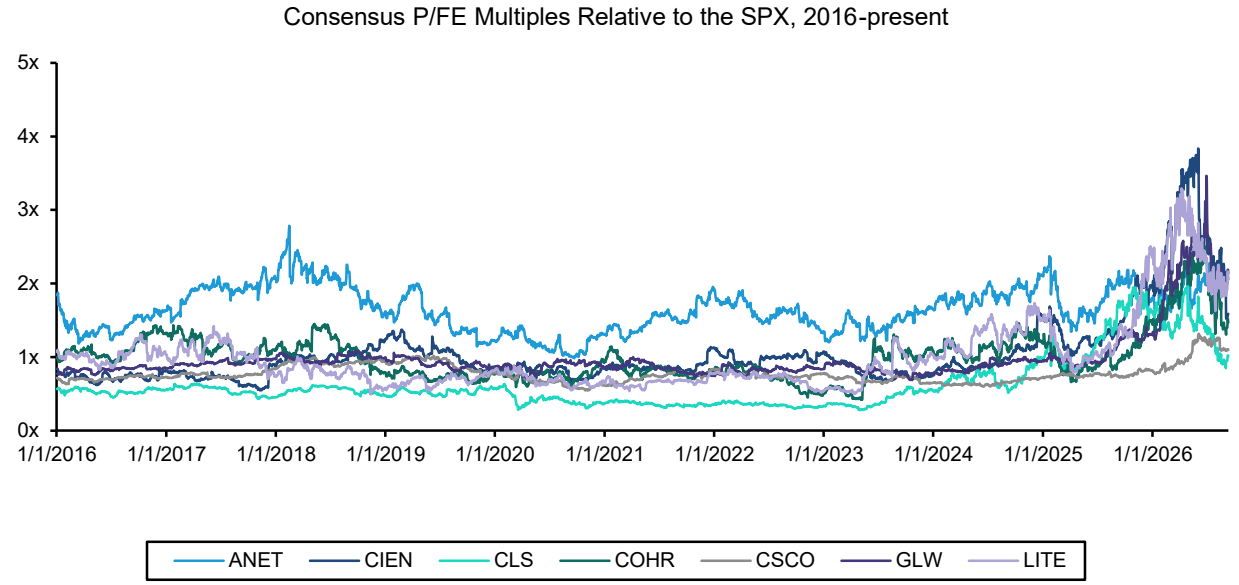
EXHIBIT 8: **We net out at 18% 2026-28 growth for the industry, including 33% from cloud & AI, 9% from enterprise and 4% from service providers**



Source: Dell'Oro, company filings, Bernstein estimates and analysis

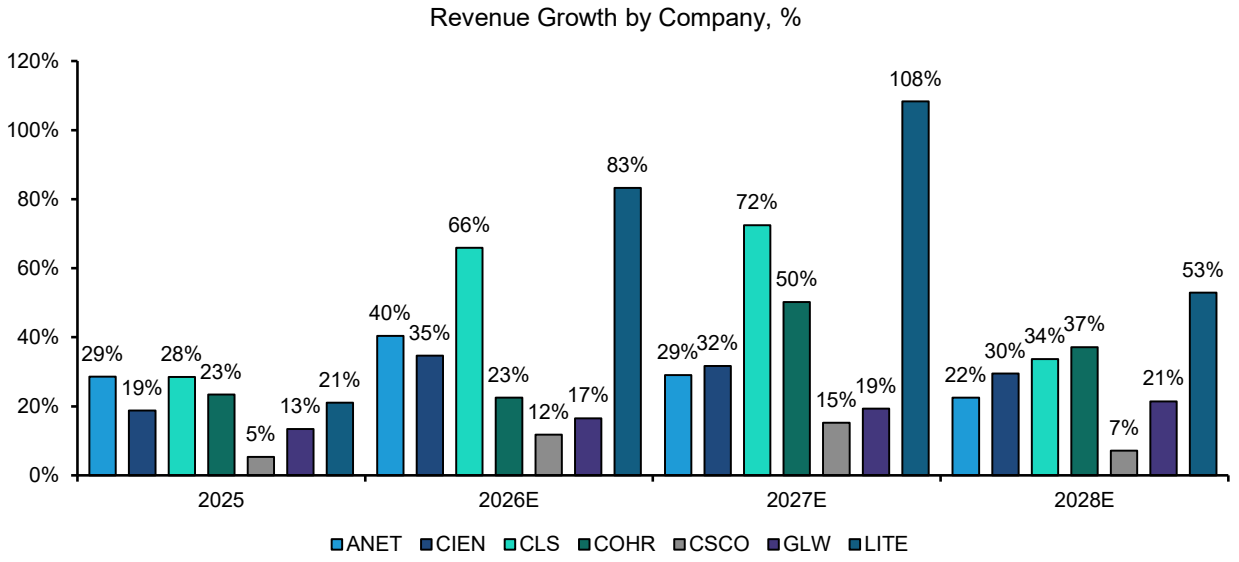
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EXHIBIT 9: **Valuations are expensive vs. history...**



Source: Bloomberg as of as of 6/24/2026, Bernstein analysis

EXHIBIT 10: **Consensus expects growth to sustain at least through 2028**



Source: Bloomberg (updated as of 09/22/26), Bernstein analysis

WHAT'S OLD IS NEW AGAIN: INITIATING WITH A POSITIVE VIEW ON THE NETWORKING INDUSTRY

THE AI BONANZA GOES ON

We continue to be positive on AI in both the short-, medium- and long-term, and see upside to AI infrastructure exposed names. While it is still possible we will have an overbuild at some point, demand continues to exceed supply and the assumptions needed to underwrite continued investments do not appear aggressive compared to the pace of adoption thus far. Both point to a higher-for-longer cycle. We also see model capability as a key leading indicator, and scaling remains positive. For more details on the AI build more broadly, see our Blackbook: Artificial Intelligence: The AI Infrastructure Value Chain.

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In the short-term, the AI infrastructure trade is about the willingness of AI data center operators to keep spending. We have clear visibility to continued near-term capex. The investment is underpinned by the continued conviction of technology leaders to invest in AI - and with demand signals as positive as they are, if anything that conviction is likely to strengthen rather than weaken.

- **The visibility to near-term growth for AI infrastructure is clear.** AI infrastructure names are largely selling to AI data center operators, and guided data center capex is growing a lot: Consensus is now expecting data center capex to reach $1.3T in 2027E, up from ~$259B in 2024 (Exhibit 11 and Exhibit 12).

- **This investment is underpinned by the continued conviction of technology leaders to invest in AI, and there are real data points supporting this conviction.** While it is not uncommon for Wall Street to scoff at Silicon Valley's positivity, there are real data points that support this conviction. Four years into the AI data center build, Exponential View's State of the AI Economy report (link) sized AI ARR at $229B as of August 2026, up 3x YTD. Anthropic has seen revenues grow 7x YTD and has seen user growth outpace that. AI adoption is outpacing every past technology adoption cycle we have data on (Exhibit 13). Similarly, concurrent indicators suggest that demand exceeds supply across the AI infrastructure stack, with Nebius[1] reportedly hiking GPU rental prices (link) and memory/storage prices continuing to run hot (Exhibit 14 - for more details see: MEMORY TRACKER (Aug): Conventional DRAM & NAND price to rise nearly 20% in 3Q26). Accordingly, it appears rational for data center investors to continue to building out capacity, at least in the near term.

In the medium-term, AI infrastructure on whether AI demand is sufficient to drive a healthy ROI for data center ROI. We believe that the assumptions needed to underwrite this are not aggressive. Looking past near-term capex plans and committed orders, believing in continued growth in AI infrastructure means believing that AI data center operators can underwrite a healthy ROI on continued infrastructure investments. We attempt to estimate "what you need to believe" in order to believe in a sustainable build-out - starting with hyperscaler capex assumptions, assuming an ROI hurdle of ~15%, and backing into the sizes of the IaaS market and end-user spend in order to achieve that hurdle. We find that end-user spend would need to be ~$730B in 2027E, about 3x current estimates for ARR (Exhibit 15). While this implies a pace of adoption which is faster than past technology cycles, we observe that the AI adoption cycle has already been extremely fast (Exhibit 16 and Exhibit 17), outpacing past technology cycles (Exhibit 13, again), and this adoption pace does not appear aggressive compared to the current pace; Exponential View estimates that AI ARR is up 3.5x YoY (link, again) depends on whether AI adoption (and thus demand) can continue to outpace infrastructure capacity, translating to a healthy ROI.

Longer-term, it's hard to have deep conviction, but we see model scaling as the key leading indicator, and the scaling laws look intact. Accordingly, we skew positive. It's easy to wave off long-term concerns with the observation that the TAM is clearly huge, but cost deflation has historically been one of the defining characteristics of the industry. As a result, it's not enough for demand to grow, but it must also outgrow the natural supply growth from decreasing costs. However, we see the scaling of model performance as a key long-term leading indicator, in part because as long as the scaling laws are intact, excess capacity will likely be reinvested into training new and more capable models that can unlock new use cases. We believe that this leading indicator looks intact, and are willing to extrapolate demand growing at least in line with supply as long as that remains the case.

- **Long-term, cost deflation has historically been one of the defining characteristics of the industry…** Historically, the technology infrastructure industry has been defined by massive cost deflation: Moore's Law implies that semis and hardware computing costs should decline by a staggering 30% CAGR over time. AI is clearly not an exception. The GPUs that underpin the AI computing build-out have actually seen NVIDIA deliver a 1,000x performance increase from the K20X in 2012 to the H100 in 2022 (roughly 100% CAGR over 10 years). Progress is also continuing, with Rubin boasting a 5x performance increase in inference and 3.5x in training over Blackwell. That it creates a strong incentive to match the pace of capacity build-outs to that of end-user adoption (why buy anything you don't need today if it will be 30% cheaper next year?). As a result, is not hard to imagine a scenario where the build-out outpaces end-user adoption, causing operators to pull back on investment until demand grows into their capacity Accordingly, bubble fears have been around since the beginning (for our July 2023 take, see: AI Infrastructure: The build-out is huge. Bonanza or bubble?).

- **… it's hard to have real conviction about the long term, but the demand outlook certainly looks good, and elasticity has been sufficient to translate cost deflation into greater usage…** It's easy to wave off questions about the long-term outlook by saying that the TAM is clearly huge. And to be clear, we think it IS huge (Exhibit 18 - for more details, see our note: The Intelligence Revolution: How big is it? And what signposts are we looking for along the way?). But the history of hardware

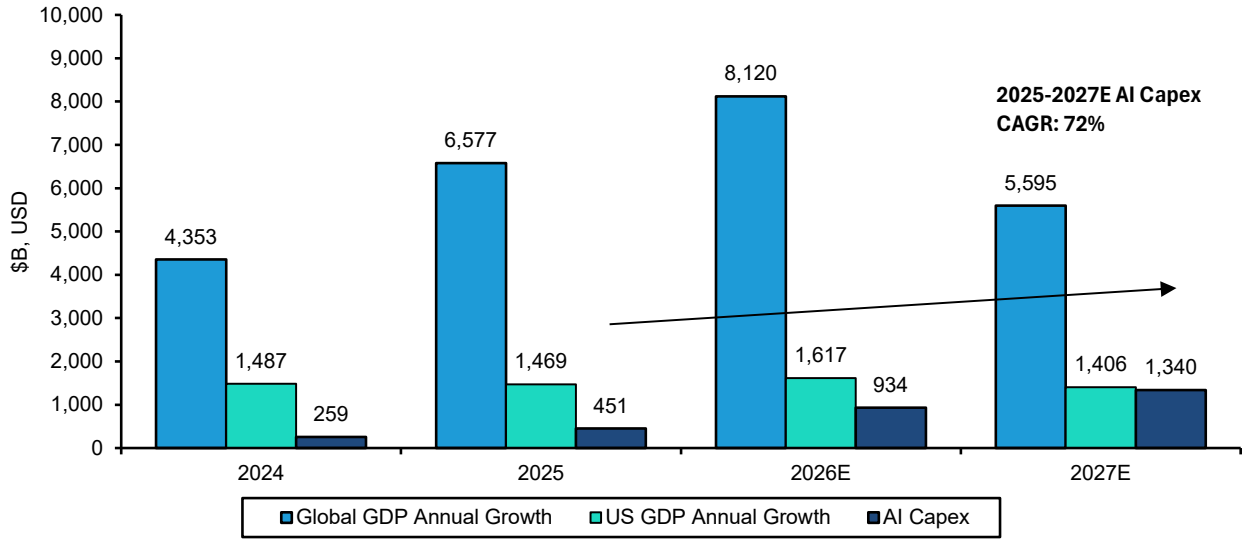
[1] Nebius is not covered by Bernstein

and networking shows that, in an industry dominated by cost deflation, it's not good enough for demand to grow - in order for the industry to grow, demand also needs to outgrow the natural supply growth that comes from decreasing costs. But we also observe that there are very few examples of investors successfully calling a cycle by building 10-year supply and demand forecasts and pointing to where the supply and demand curves cross. We don't claim that we can predict where AI adoption will be in 2030, and are skeptical of anyone who says they can. So far though, demand has clearly outgrown supply, in part because elasticity has been sufficient to translate cost declines into greater usage.

- **…We see model performance as a key long-term leading indicator, and so far it looks pretty good.** We also observe that as long as technology leaders believe that model capability continues to scale with greater compute, and that higher capability models will unlock new use cases and expand the TAM, there is potential to smooth over near-term air pockets by redeploying compute capacity to training. This has arguably already happened, when end user demand seemed to decelerate in the back half of 2024, before re-accelerating with greater adoption of chain-of-thought and the launch of Claude Code in early 2025 (for more details, see: AI Infrastructure: Revisiting the Gen AI scaling math - is inferencing really as big as we think?). We also observe that this belief in the scaling laws appears well supported by the historical track record: looking at the OSWorld agentic task benchmark, models show steady improvement, and the launch of models that surpass the human-level benchmark with GPT 5.4 in March 2026 lines up well with the inflection in agentic adoption (Exhibit 3, again). With that in mind, as long as model capability continues to improve and new use cases continue to open up, we are comfortable extrapolating demand as outgrowing supply.

On net, the range of outcomes is wide, but we see more upside than downside to AI capex expectations, and view risk/reward on AI infrastructure stocks as positive. The leading and concurrent indicators that we track appear healthy, the supply-demand balance looks favorable and key decision-makers appear to have conviction in continued spend. Moreover, we suspect that hyperscalers may still be sandbagging capex expectations, given the track record of repeated capex guidance increases and the fact that the semiconductor ecosystem seems to imply higher numbers than hyperscaler guidance. On net, we see more upside than downside to AI capex, and view risk/reward on AI infrastructure stocks as positive. While it's probably true that the foreseeable future in this space is not a very long time, and the degree of visibility in the space appears to drop off beyond 2028, we note that this does not necessarily imply that 2028 will mark the peak; after all, it was not such a long time ago that bears were arguing that the degree of visibility drops off beyond 2026. It is easy to envision a scenario where AI spend sees a sharp digestion and eventually settles into a steady state below current levels. But it is also hard to rule out the scenario where AI models simply keep getting bigger and better until they achieve artificial superintelligence and supplant humanity - in which case the AI industry will scale as fast as supply permits until reaching that point, and mere humans like ourselves could scarcely hope to predict what happens afterwards.

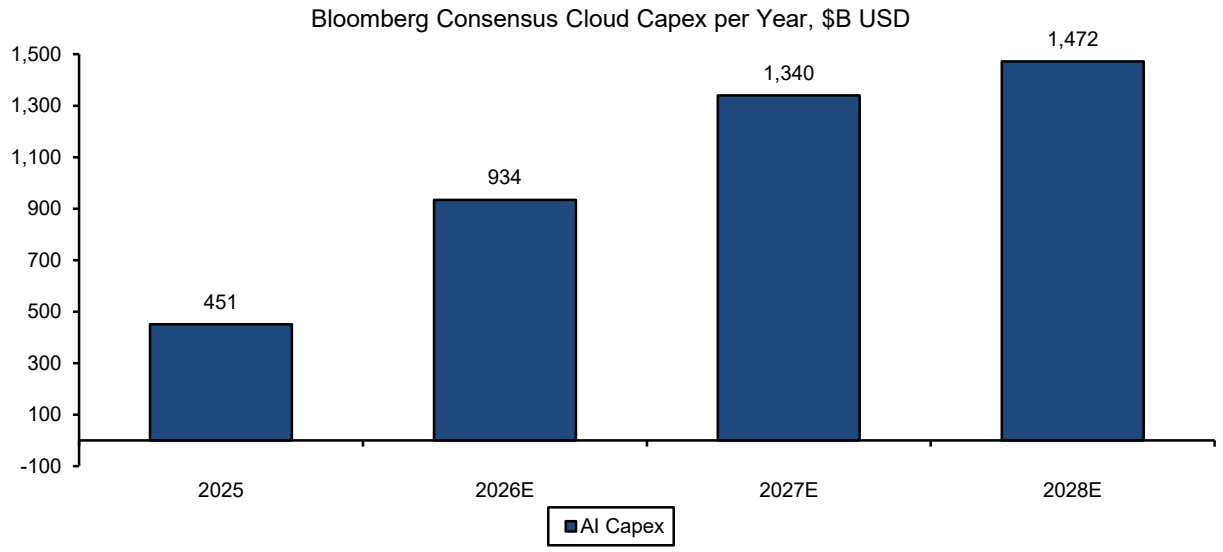
EXHIBIT 11: **AI total capex is predicted to equal nearly 20% of GDP growth by 2027**



Source: IMF 2026, Bloomberg, Bernstein Asia Tech Hardware Team (Wang)

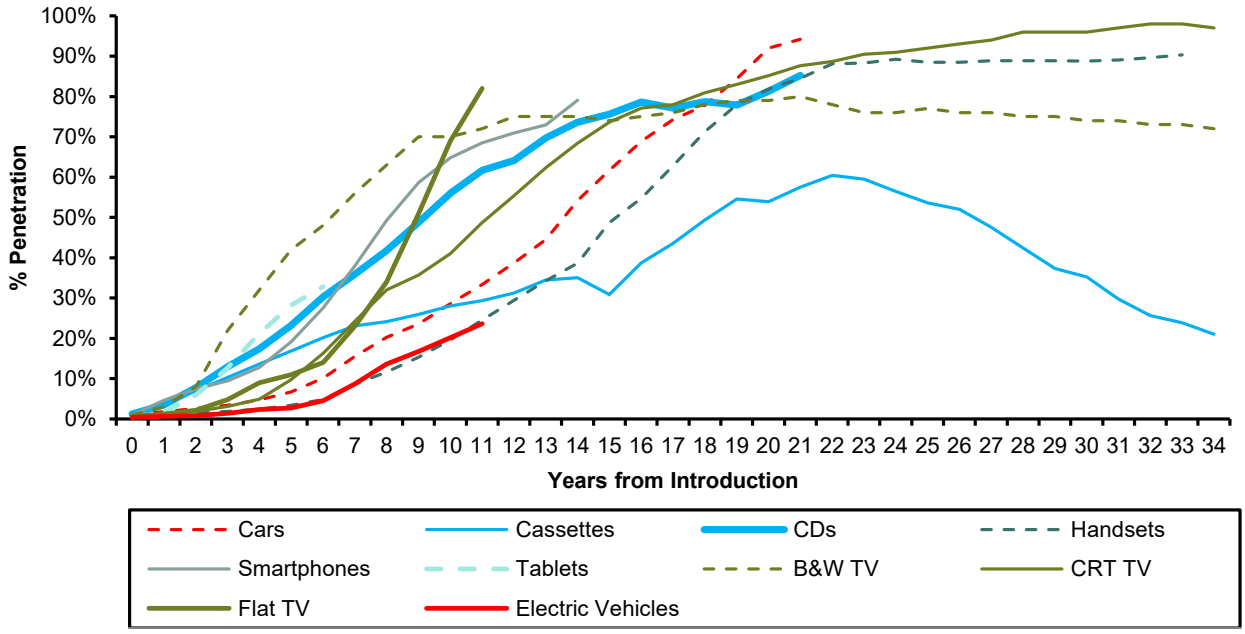
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EXHIBIT 12: **AI Capex, already at a multibillion dollar value, continues to grow**



Source: Bloomberg, Reuters, CNBC, Bernstein analysis

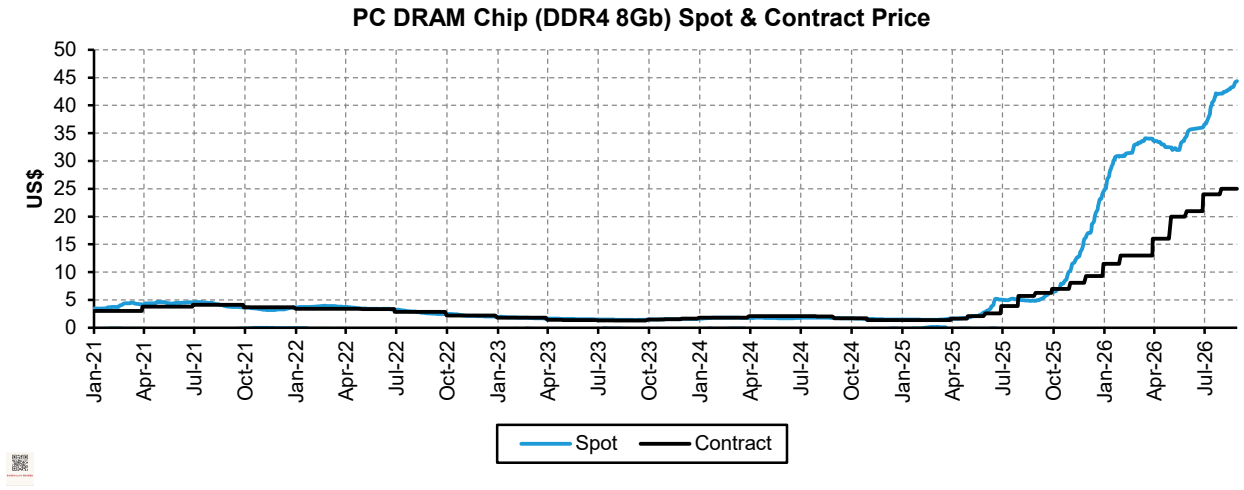
EXHIBIT 13: **Historical Adoption Curves for Disruptive Consumer Technologies**



Source: Bernstein estimates and analysis

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EXHIBIT 14: **PC DRAM Prices continue to rally in August**



Source: DRAMeXchange, Bernstein Global Memory Team (Mark Li)

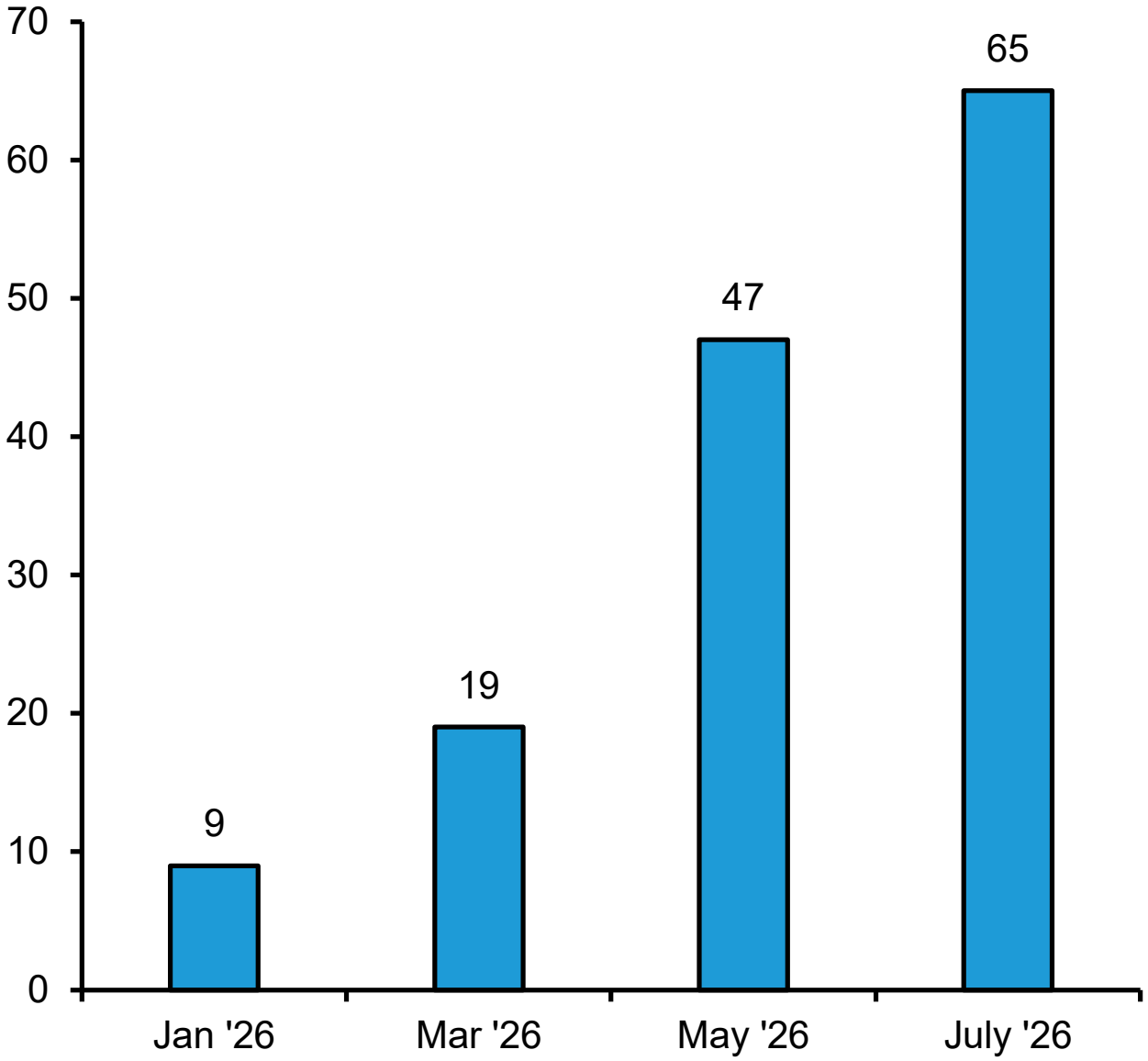
EXHIBIT 15: **Hyperscalars earn healthy ROI on existing AI capex; the assumptions needed to underwrite continued investments are plausible**

In US$ B	2024	2025	2026	2027	2028
Total capex	**259**	**451**	**933**	**1,341**	**1,477**
Incremental capex	99	292	774	1,181	1,318
1-year lagged cumulative capex	**2**	**101**	**393**	**1,167**	**2,349**
Assume ROI needed	15%	15%	15%	15%	15%
Incremental profit needed	**0.3**	**15.2**	**59.0**	**175.1**	**352.3**
IaaS Net Margin	24%	24%	24%	24%	24%
IaaS Revenue	**1**	**63**	**246**	**729**	**1,468**
IaaS Cost as % of End User Spend	100%	100%	100%	100%	100%
Labor Contribution to GDP	63,579	67,987	70,645	75,437	82,742
% White Color	67%	67%	67%	67%	67%
Productivity Increase	30%	30%	30%	30%	30%
Addressable opportunity	12,695	13,575	14,106	15,063	16,522
Spend as % of opportunity	**0.0%**	**0.5%**	**1.7%**	**4.8%**	**8.9%**

Source: IMF, Bloomberg, Bernstein estimates and analysis

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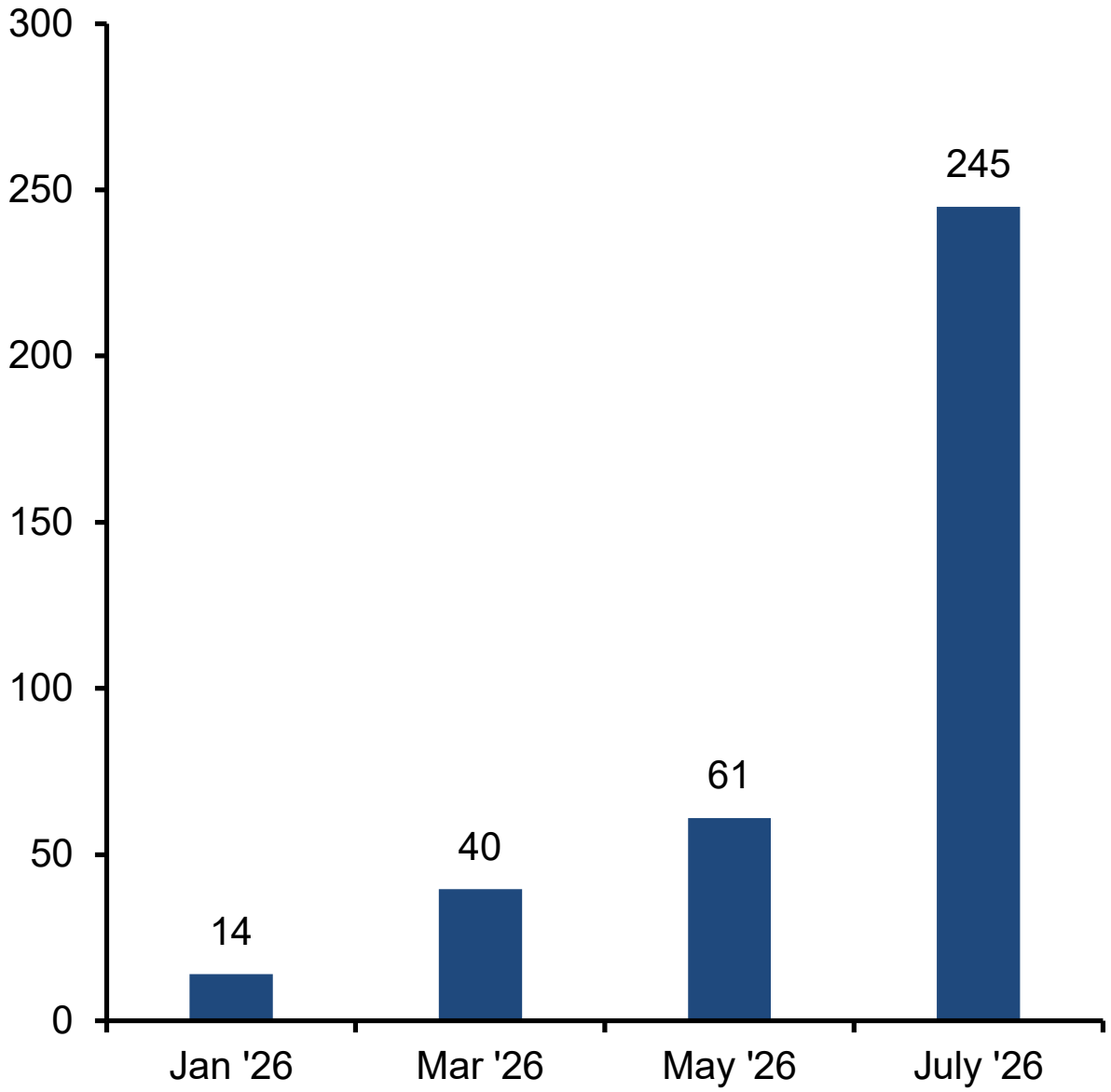
EXHIBIT 16: **Anthropic 2026 Revenue Run Rate, $B USD**



Source: Anthropic, Bloomberg, Sensor Tower, Yahoo Finance, VentureBeat, SaaStr, Bernstein analysis

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EXHIBIT 17: **Anthropic 2026 MAU, B**



Source: Anthropic, Bloomberg, Sensor Tower, Yahoo Finance, VentureBeat, SaaStr, Bernstein analysis

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EXHIBIT 18: **Bernstein AI infrastructure model – bull case**

AI TAM	2024	2030
IMF GDP Forecast	109,569	132,106
IMF GDP growth	3.2%	3.1%
Total GDP	**109,569**	**166,279**
Imputed GDP growth	3.2%	10.5%
Labor % of GDP	53.8%	53.8%
Labor contribution to GDP	58,948	89,458
Global Labor Force	3.651	3.651
Average productivity per worker	**16,146**	**24,503**
% of workers addressable	62.7%	62.7%
Addressable users	**2.29**	**2.29**
Daily average users (M)	60	2,289
User growth (%)	*361.5%*	*0.2%*
User penetration (%)	2.6%	100.0%
Average productivity increase per user (%)	15.0%	100.0%
Productivity increase per user	2,417	24,503
Aggregate productivity increase	145	56,088
Enterprise IT ROI requirement	5x	5x
Enterprise AI Willingness to Pay	**29**	**11,218**
Potential productivity increase	5,535	56,109
Enterprise AI TAM	**1,107**	**11,222**

Source: Anthropic Economic Index, IMF, Bernstein estimates and analysis

SWITCHING IT UP: WHY NETWORKING HAS GONE FROM TECH LAGGARD TO STRUCTURAL AI BENEFICIARY

Within AI infrastructure, we believe networking and optical companies to be structural winners. Networking is the 3rd biggest area behind compute and memory/storage. As performance improvement in bandwidth has lagged compute, networking is increasingly the bottleneck in AI use cases, supporting higher specs and pricing. We expect accelerator chiplet volumes to double through 2028, and for AI back-end switching to outpace that growth. We also expect ANET and CLS to continue to gain share.

- **Networking is the 3rd biggest area of spend behind compute and memory/storage.** Based on disclosures, a series of conversations with industry experts, supply chain checks, and third party data on out-of-rack costs of land and physical infrastructure (Exhibit 19), we have constructed an estimate of AI data center unit economics for the Nvidia GB200 NVL 72 and VR NVL 72, AMD MI455X Helios, TPU v7 Ironwood, and OpenAI Jalapeno architectures (Exhibit 4, again). At a high level, we observe that networking is the third biggest area of spend behind compute and memory/storage, with meaningful differences in network designs and thus networking spend distribution. For more details about our data center bill-of-materials, see: AI Value Chain: How much does a GW of Vera Rubin data center capacity actually cost?

- **Accelerated compute has outscaled networking, creating a "bandwidth wall".** We observe that processing power has scaled better than bandwidth, with GPU FLOPs increasing 17x from H100 to VR300, compared to SerDes speeds only doubling (Exhibit 20). Given that the number of calculations per bit byte of data is relatively fixed for a given workload, that means we increasingly see workloads that are bandwidth constrained, in which the GPU is able to compute its calculations

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faster than data can be loaded or offloaded, forcing it to sit idle waiting for bandwidth. Notably, most inference workloads appear to be bandwidth constrained.

- **AI data center operators are throwing money at this problem, driving upside to networking specs and pricing.** Data center operators have responded to bandwidth constraints by increasing memory/storage content and networking specs, as well as (in the case of Cerebras, Nvidia Groq, and OpenAI Jalapeno) using higher-bandwidth SRAM. Accordingly, as performance requirements for data center switches increase, this drives a transition to 1.6T and higher speed switches (Exhibit 21, which are higher ASP (Exhibit 22), in turn driving upside to networking content and pricing (Exhibit 23). We note that this is a big shift from history. Historically, prices of IT equipment have typically deflated over time, driven by Moore's Law. In fact, it is still true that costs for like-for-like equipment tend to decrease every year. For instance, looking at switches of a fixed speed, prices typically decrease every year. However, Moore's Law has weakened, while the pressure to increase performance is driving faster adoption of faster switch speeds, and as a result the mix shift towards higher performance / higher price switches now outweighs the cost deflation in like-for-like switches, driving an increase in overall ASPs.

- **We expect accelerator chiplet volumes to double through 2028, and for AI back-end switching to outpace that growth.** On net, based on the Bernstein Asia semiconductor team (Mark Li)'s expectations for XPU volumes (Exhibit 24), we expect chiplet-adjusted accelerator volumes to double from 2025-2028E, and for switch port volumes to grow proportionally. Given pricing upside, we believe switch revenue growth can outpace XPU volumes (Exhibit 25).

- **We believe Arista and Celestica will continue to gain share, as Nvidia's proprietary ecosystem is broken open.** We note that, as Nvidia's proprietary Infiniband ecosystem has been replaced by open Ethernet standards, Nvidia has lost share in AI scale-out switching to Ethernet players like Arista and Celestica. Not only do we expect Nvidia to continue to cede share in scale-out, but we also believe that Nvidia's proprietary scale-up solution, NVLink, will similarly be supplanted by the ethernet-based UALink open specification, allowing Arista and Celestica to similarly capture share in scale-up (Exhibit 25, again).

- **Meta Muse and broader agentic adoption could be a further share gain catalyst.** We note that latency for agentic / inference workloads tends to be dominated by the latency for communications between agents rather than the last-mile latency between agents and the user. For instance, the latency difference observed between rural and cloud users is estimated at ~42ms, or <3% of Claude Sonnet's average time to first token of 1.44s. By contrast, agentic use cases often involve dozens or even hundreds of agents that need to coordinate, and so latency between the orchestration layer and its agents can easily multiply. As a result, OpenAI's inference focused ASIC design, Jalapeno, focuses on reducing dependence on slower scale-out and NAND in favor of expanding the scale-up domain and keeping caches local on HBM and SRAM. Moreover, while scale-up is currently dominated by Nvidia, Celestica appears to be doing scale-up (in addition to full rack assembly) for Jalapeno. We believe that the adoption of inference-focused rack architecture could serve as a catalyst for external switching vendors to break the dominance of Nvidia NvLink on scale-up, in turn helping to drive upside to market share.

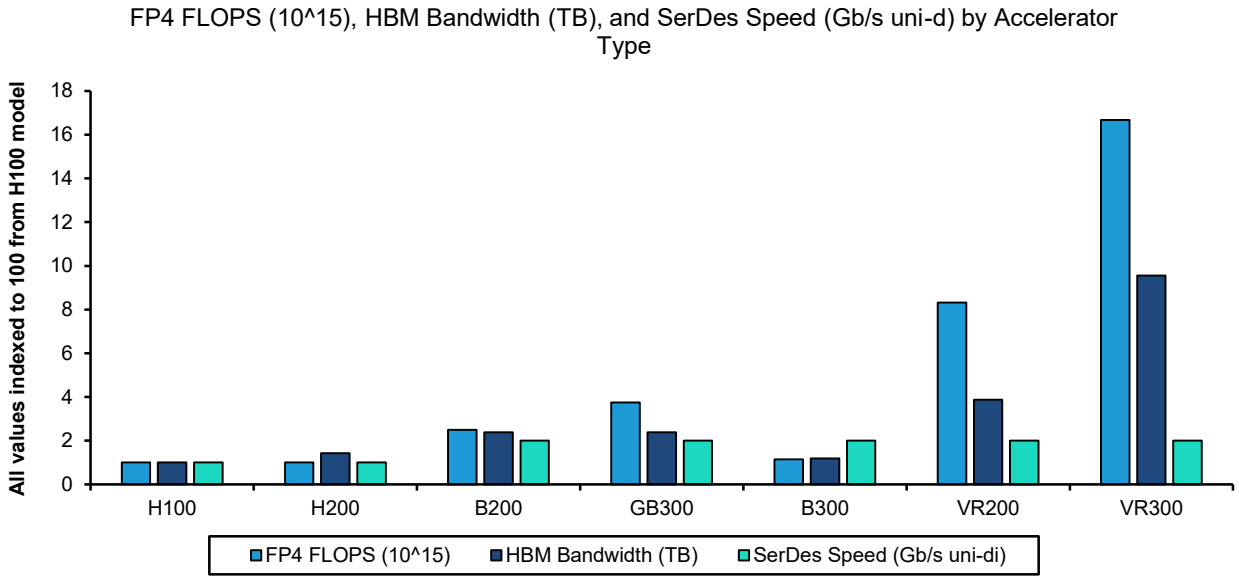
EXHIBIT 19: **Published and Estimated Specs by Architecture**

	Nvidia			AMD	Google	OpenAI
	H100 DGX x8	**GB200 NVL 72**	**VR NVL 72**	**MI455X Helios**	**TPU v7 Ironwood**	**Jalapeno**
Specs						
XPU Count	64	72	72	72	64	128
CPU Count	8	36	36	18	16	32
XPU HBM Memory (TB)	5.1	13.4	20.7	31.1	12.3	27.6
CPU DRAM Memory (TB)	16	17	54	74	7.68	24
E1.S NAND Storage (TB)	276	576	576	1,382	240	556
Scale-up Switch count		9	9	6		10
Scale-out Ports per GPU		3.4	3.4	8	4	1
NICS per GPU		1	1	3		
Copper DPs per rack		5,184	5,184	5,184	1,800	8,192
Excluded: ICMS NAND Storage (TB)			1,217			

Published figures in blue, Bernstein estimates in red
Source: Company websites, Bernstein estimates and analysis

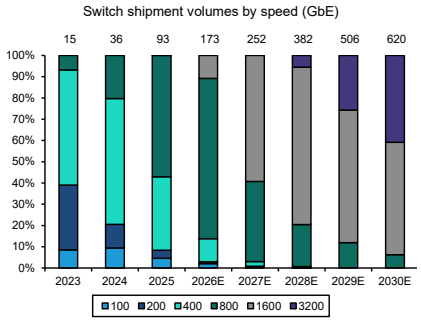
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EXHIBIT 20: **Accelerated compute has scaled better than networking, creating a "bandwidth wall" in which performance is bandwidth constrained**



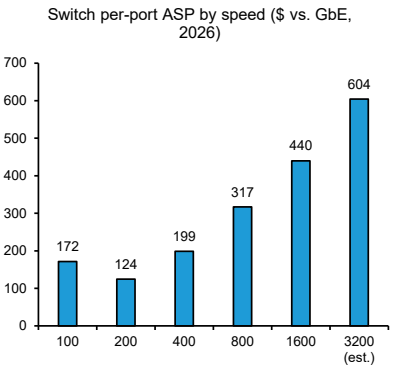
Harvard Business School, Silicon Matter Substack, Bernstein estimates and analysis, including from US Semiconductors. Originally published June 8th, 2026.

EXHIBIT 21: **Switch shipments continue to shift to a higher speed mix, driven by the 1.6T ramp...**



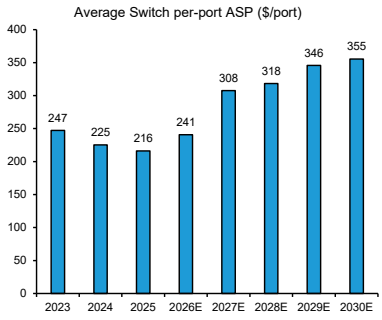
Source: Dell'Oro, Bernstein estimates and analysis

EXHIBIT 22: **For a given speed, port ASPs decline over time, but the mix shift to higher speeds dominates this effect, causing overall ASPs to increase over time**



Source: Dell'Oro, Bernstein estimates and analysis

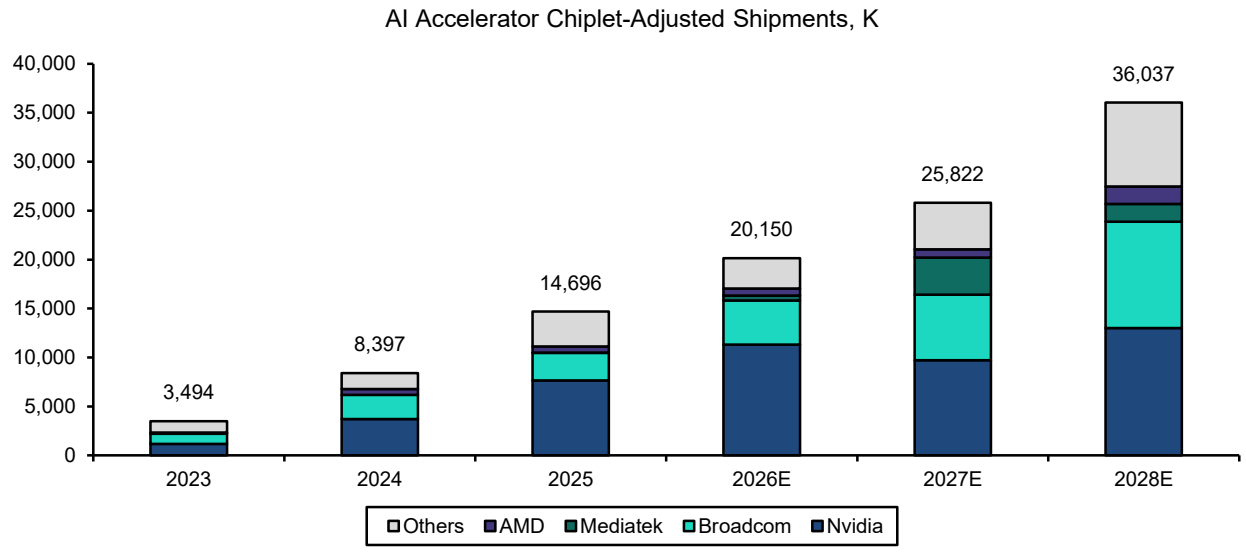
EXHIBIT 23: **...We net out at a 28% ASP jump in 2027 amid the 1.6T cycle, before ASP growth moderates**



Source: Dell'Oro, Bernstein estimates and analysis

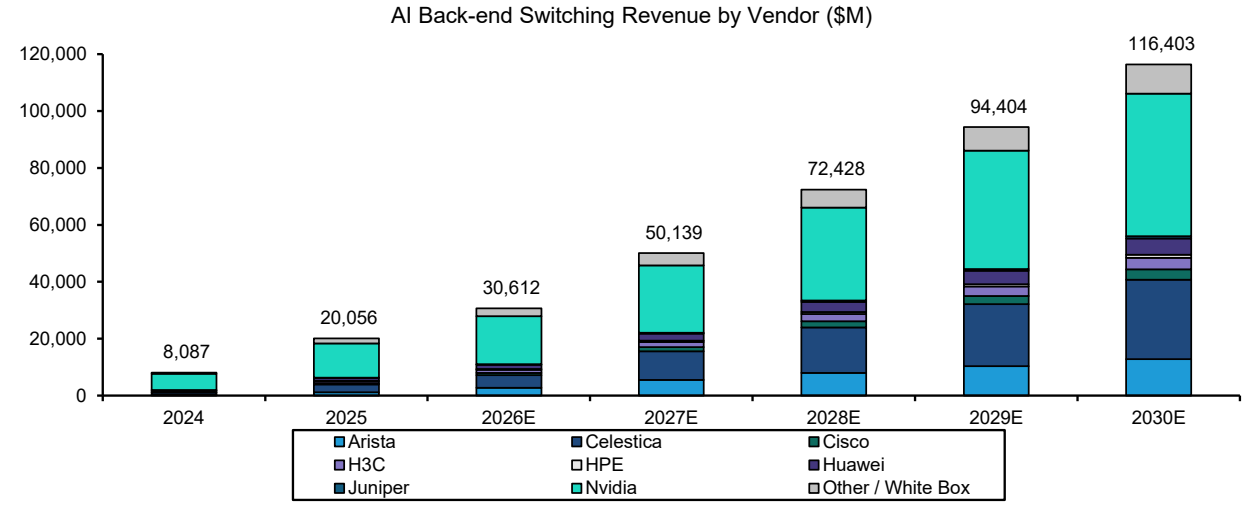
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EXHIBIT 24: **We expect accelerator chiplet volumes to double 2025-28E and switch ports to grow proportionally**



Source: Bernstein Asia Semiconductors and Equipment & Global Memory team (Mark Li)

EXHIBIT 25: **We expect Arista and Celestica to continue to gain share as Infiniband is supplanted by ethernet in scale-out, while Cisco lags**



Source: Dell'Oro, Bernstein estimates and analysis

LET THERE BE LIGHT: WHY WE ARE BULLISH ON OPTICAL MODULES

Laser capacity remains a critical bottleneck to AI performance, and demand exceeds supply for the foreseeable future. We model transceiver revenues growing 40% CAGR from $57B in 2026 to ~$300B in 2030. Simple physics dictates that optical is more effective for longer distances than copper, but as data rates increase, the switchover point decreases. Accordingly, optical adoption has inflected, but remains bottlenecked by supply, creating a favorable industry backdrop for Lumentum and Coherent.

- **Optical adoption is a matter of when, not if.** Simple physics dictates the usable reach of copper as signal integrity because harder to maintain over long distances; even technologies such as retimers that help extend the reach of copper have limits (Exhibit 26). Moreover, as data rates increase, the copper to optical switchover distance shortens. As a result, while optical technologies have historically been primarily used for long distance optical transport, data center scale-across

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has now largely switched to optical. While the timelines for scale-up adoption remain debated (and are linked to CPO/NPO timelines, given that CPO is positioned as a catalyst for scale-up adoption), it is a matter of when, not if, with optical module players largely confident that we remain on-track for optical scale-up at scale by 2028.

- **We see upside to transceiver ASPs.** Similar to switching, supporting higher switch speeds and greater networking bandwidth will require high speed transceivers (Exhibit 27), which are more expensive (Exhibit 28). This in turn will drive upside to transceiver revenues, which can then outpace switch port volume growth (Exhibit 29).

- **Optical supply remains constrained, creating a favorable industry backdrop for Lumentum and Coherent.** However, despite inflecting demand for optical modules, the industry remains supply constrained, with laser modules being one of the key bottlenecks. As a result, this creates a favorable industry backdrop for Lumentum and Coherent, which are able to capture incremental economics from the optical inflection. We believe that laser modules will be able to maintain its share of the transceiver bill-of-materials, despite adoption of silicon photonics that are in part designed to reduce the dependence on higher-power lasers, and that Lumentum and Coherent in turn will be able to maintain their share of laser revenues (Exhibit 30).

- **We model transceiver revenues growing 40% CAGR from $57B in 2026 to ~$300B in 2030.**

We see a ban on Chinese transceiver imports as unlikely, given the high risk of Chinese retaliatory bans. However *if * a ban happens, we agree with consensus' preference order of COHR over LITE, but believe that it may be more negative for both stocks than consensus believes.

- **Reuters reported in August that the Trump administration was drafting a ban on Chinese transceivers:** link. At the time, the stock reactions were negative for the Chinese transceiver OEMs (Innolight and Eoptolink), but positive for Lumentum and especially Coherent.

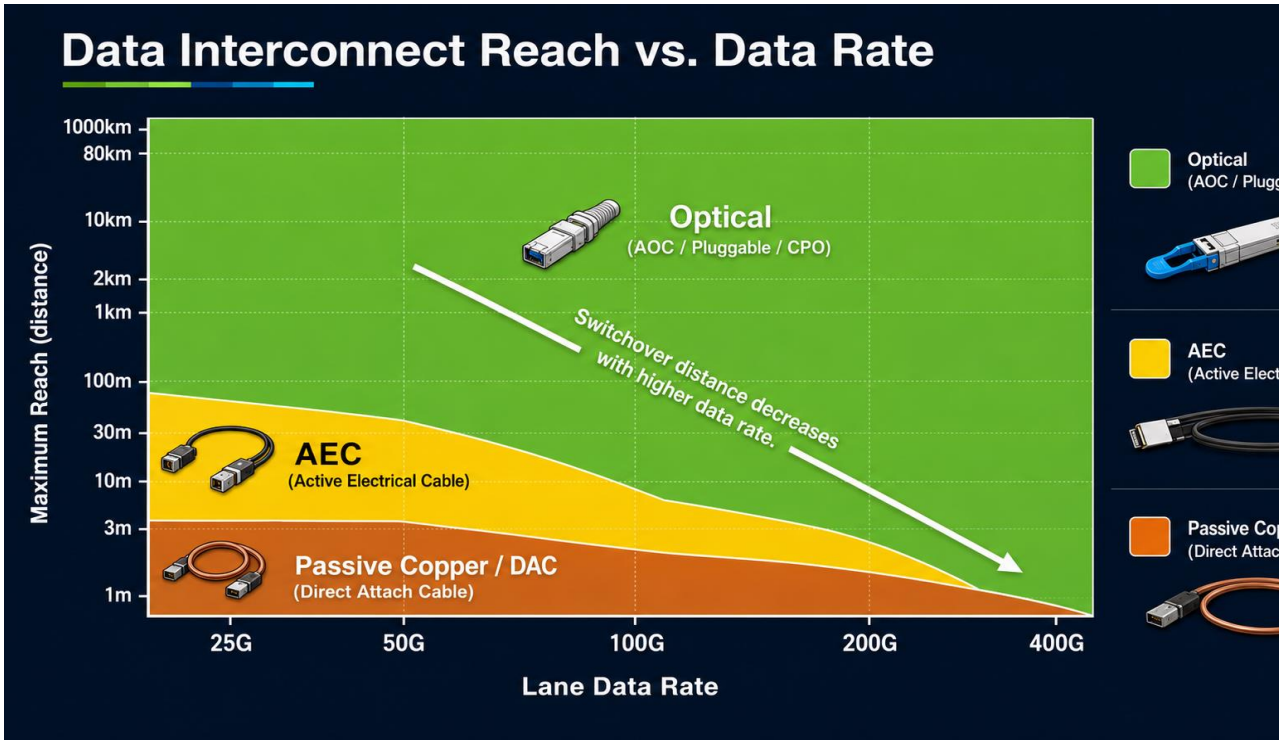
- **China dominates transceiver manufacturing, and a ban could allow US players to gain share...** Chinese players are estimated at 65-75% of global volumes; top 3 players (Innolight, Eoptolink, and HG Tech) have 55% and are all Chinese. Accordingly, consensus appears to expect that a ban would allow US players to gain share in transceivers, making this particularly beneficiary for Coherent, which is more vertically integrated and makes its own transceivers.

- **...but China has options to retaliate, especially since it also dominates indium production, which sits upstream of transceivers.** However, in contrast to the stock reaction, or China-based industry contacts flagged that they believe China would most likely retaliate with a ban on Indium exports. ~70% of Indium is made in China, and US laser manufacturers depend on, with the industry processing Indium into Indium Phosphide wafers, which are then used to make laser modules that are assembled into transceivers. We also note that it would be highly uneconomical to shift Indium production out of China, as Indium is a Zinc byproduct; Zinc refining is also dominated by China and is a much bigger industry than Indium. Accordingly, a scenario in which the US bans imports of Chinese transceivers and China retaliates with a ban on Indium exports could result in a scenario where no one is able to make anything, and the whole optical industry grinds to a halt.

- **We believe it is unlikely that the ban actually goes through.** We observe that the administration appears committed to maintaining US AI leadership over China. Accordingly, while it is most likely true that the administration seriously contemplated a ban, we believe that they likely received feedback from the industry that there is too much risk to the availability of transceivers, which are critical to AI data center performance and have relatively limited security implications. The possibility of Chinese retaliatory bans only heightens that risk. As a result, we see a ban as unlikely. *If* a ban goes through, we believe Lumentum and especially Coherent are likely up on the announcement, but longer term this could actually be negative for the industry as a whole.

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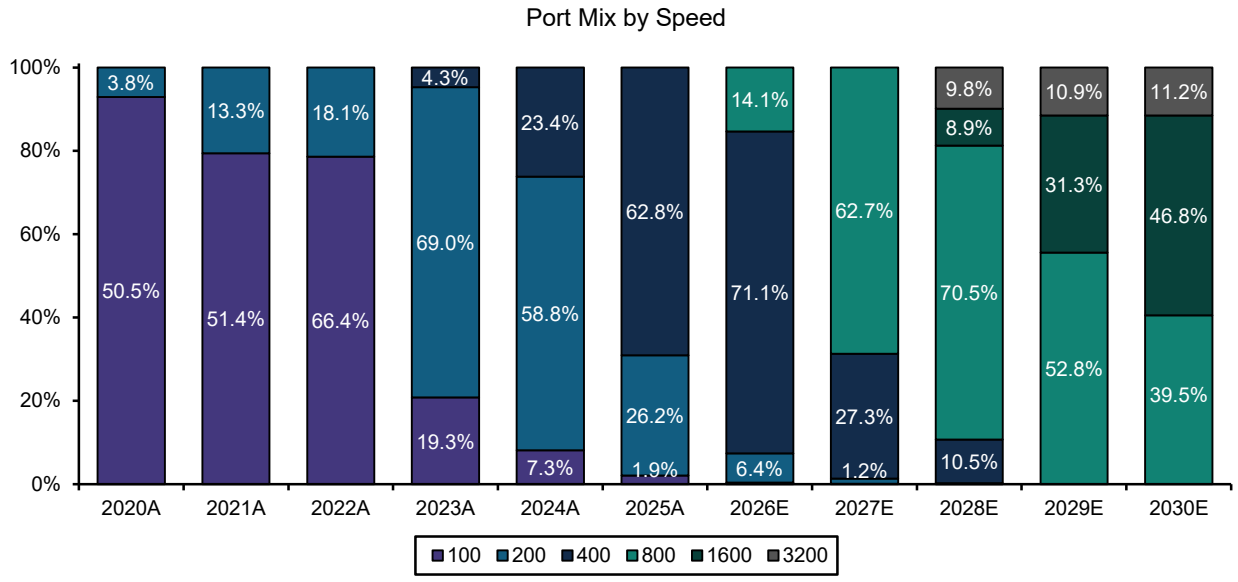
EXHIBIT 26: **As data rates increase, the maximum reach of copper decreases**



Source: Atlantec, T. Pasemiconductor, "OFC 2026 Outlook: AI Data Center Optical Interconnect Trends", Perplexity

Note: Prepared by Perplexity using Claude Sonnet 4.6

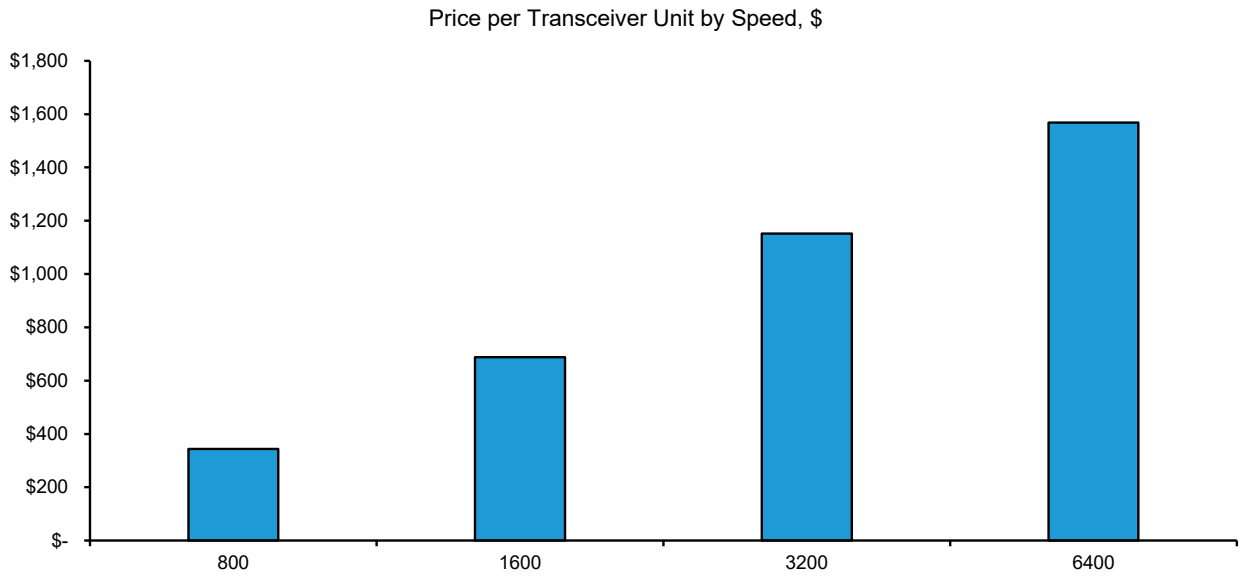
EXHIBIT 27: **Supporting the ramp in switch speeds and networking bandwidth will require increasing transceiver speeds**



Source: Dell'Oro, Lightcounting, Bernstein estimates and analysis

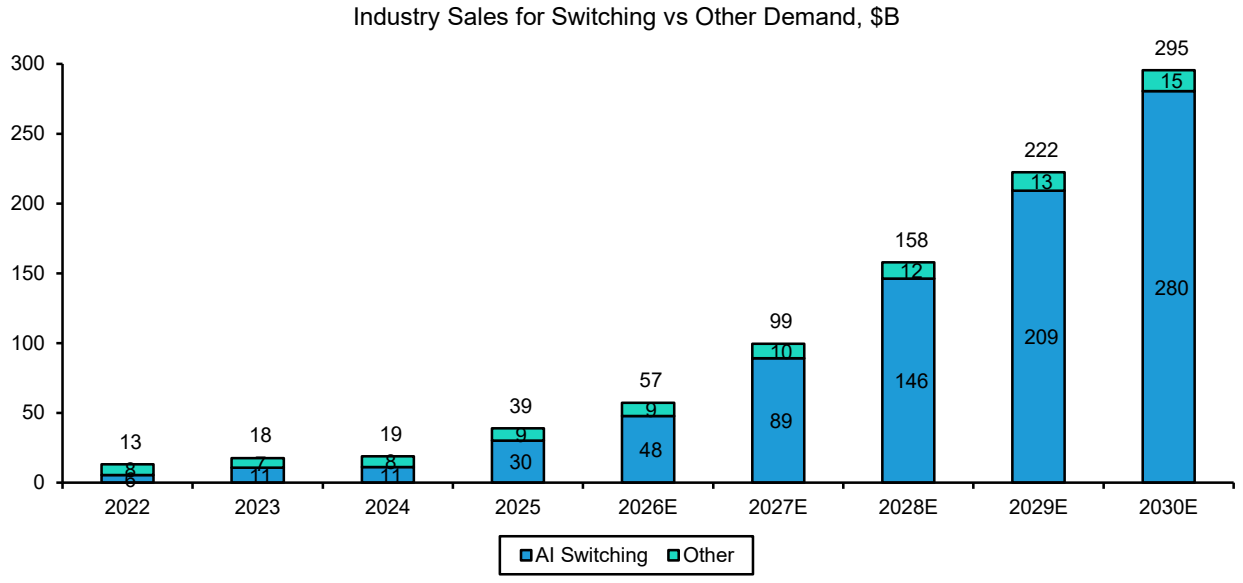
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EXHIBIT 28: **Mix has been driven towards higher speed and higher price transceivers**



Source: Dell'Oro, Lightcounting, Bernstein estimates and analysis

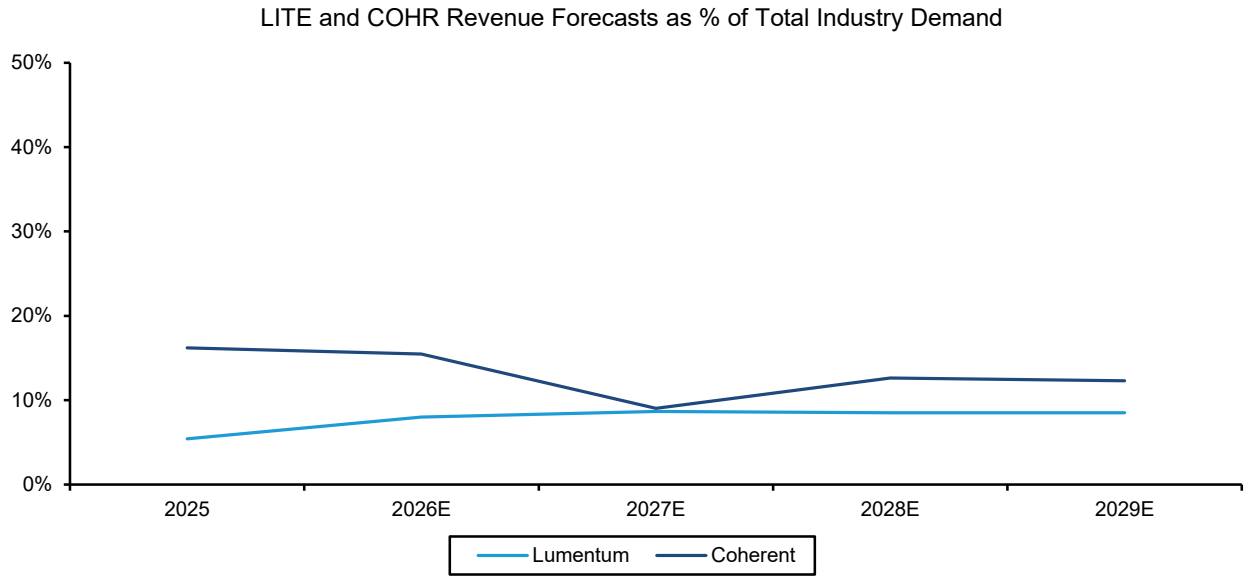
EXHIBIT 29: **...which in turn drives revenue growth for the transceiver industry**



Source: Dell'Oro, Lightcounting, Bernstein estimates and analysis

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EXHIBIT 30: **We expect optical demand to exceed supply through 2028 and see limited risk of a new entrant disrupting the LITE/COHR duopoly**



Source: Dell'Oro, Bernstein estimates and analysis

NON-AI END MARKETS APPEAR HEALTHY

Outside of the data center, the environment also appears supportive, with a significant incremental opportunity in scale-across as well as healthy spend in traditional enterprises and services.

- **Management teams expect scale-across to be an $8-10B opportunity, which could prove conservative as we size the retrofit opportunity alone at ~$9B.** Outside of the data center, we see an increasing opportunity from scale-across, referring to high performance data center interconnect that serves to enable separate physical data center locations to operate as a single cluster. We see scale-across as a second-order beneficiary of data center power and land constraints: as data center operators are unable to secure the power and land to build XPU clusters all in one place, they are instead building data center footprints across several locations and investing in scale-across links between them. While the size of the scale-across TAM remains somewhat uncertain, management teams have generally pointed to a ~$8-10B market (Exhibit 31). We believe this could ultimately prove conservative - using Stargate as an example, we believe scale-across could be ~2% of total training data center capex, which in turn would translate to ~$8B in investment for new builds alone (Exhibit 32), plus a potential $9B retrofit opportunity (Exhibit 33).

- **We do acknowledge that scale-across remains a training phenomenon, with inferencing and agentic workloads unlikely to require particularly fast latency or multiple data centers.** Despite frequent talk from operators that inferencing will be more latency sensitive, we suspect that this is wishful thinking for most use cases. GenAI users have been trained to tolerate latency - Claude Sonnet's time to first token (i.e. when the user receives the first message) averages 1.44s, and the first token is often something like "thinking about it". This is over 30x larger as the 42ms latency difference observed between rural and urban cloud users, making the difference immaterial to end users. Accordingly, while the last mile latency between the user and the data center operator matters little, latency between the orchestration layer and its agents can easily multiply, in turn meaning high performance scale-across links are primarily needed for training rather than inferencing last-mile connections.

- **Traditional enterprise is also undergoing a cyclical recovery.** We also highlight that even outside of AI data center networking, enterprise networking spend has been quite strong, with spending up 16% from 2024-25, well ahead of the 2020-25 CAGR of 7% (Exhibit 34). While we believe that this is more cyclical than structural, amid a campus data center switch refresh cycle, we still see it as supportive to near term numbers, and believe that enterprise networking can also sustain mid-single digit growth longer-term, in line with overall enterprise IT spend.

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- **While service provider spend remains stagnant, it is at least not meaningfully declining and is a shrinking share of the customer base.** Historically, service providers have been one of the most important customers segments for networking vendors. As a result, stagnant service provider capex has been one of the main drags on networking vendor growth. While service provider capex is still not growing, it is at least not materially declining and is now a shrinking share of the customer base (Exhibit 35). Accordingly, we believe that service provider spend will be less of a headwind going forward.

EXHIBIT 31: **One scale-across link to retrofit a datacenter is a ~240M dollar opportunity**

Datacenter Interconnect TAM, $B	
Assumptions	
Minimum distance	5
Maximum distance	150
Minimum Size (MW)	100
Depreciation (years)	4
Assumptions	
Link Speed (PB/s)	20
ZR+ GB/s	800
Plug Price	3500
Plugs as % of link cost	90%
Gross margin	20%
US + Canada as % of total TAM	80%
Analysis	
Plugs on each end	25,000
Total Plugs	50,000
Plug value	0.175
Link cost	0.194
Revenue per link	**0.243**
Number of links	117
Total Value	28.4
Annual US + Canada TAM	**7.1**
Global TAM	**8.9**
Sense check	
Data center Capex ($B / GW)	50
Total capex at minimum size	10
Link as % of capex	**2.4%**

Source: ATERIO, Bernstein estimates and analysis

EXHIBIT 32: **Scale-across could be ~$9B in new builds by 2029**

Scale across revenue per year	**2026**	**2027**	**2028**	**2029**
Projected hyperscaler capex ($B)	934	1,340	1,472	1,517
AI % spend from training	30%	30%	30%	30%
New revenue from scale across ($B)	4.90	7.03	7.73	7.97

Source: Aterio, Bernstein estimates and analysis

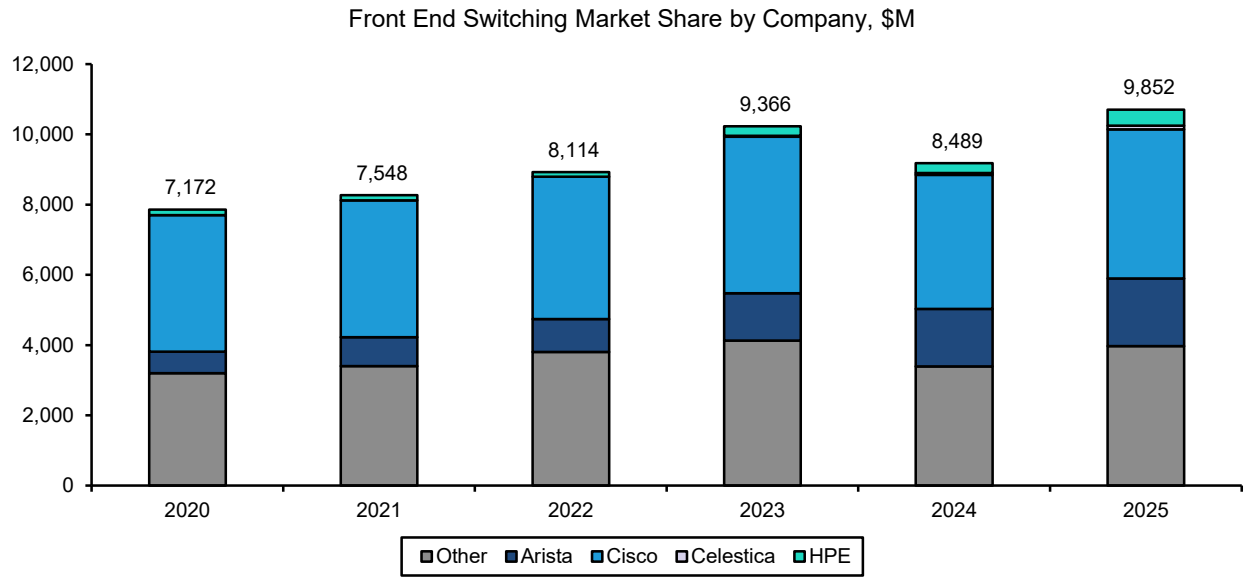
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EXHIBIT 33: **Stargate as a case study implies scale-across could be ~9B dollars**

Stargate	
Assumptions, based on announced targets	
Total spend by 2029 ($B)	500
Total GW	10
Confirmed new sites	6
GW created by new sites	7
Revenue per link ($B)	0.243
GW per site	1.17
Scale across revenue from total predicted sites	
Predicted final number of sites	9
Total possible connections	45
Scale-across revenue ($B)	**10.94**
Scale-across as % of total spend	2.20%

Source: ATERIO, Ookla Research, Financial TImes, Bernstein estimates and analysis

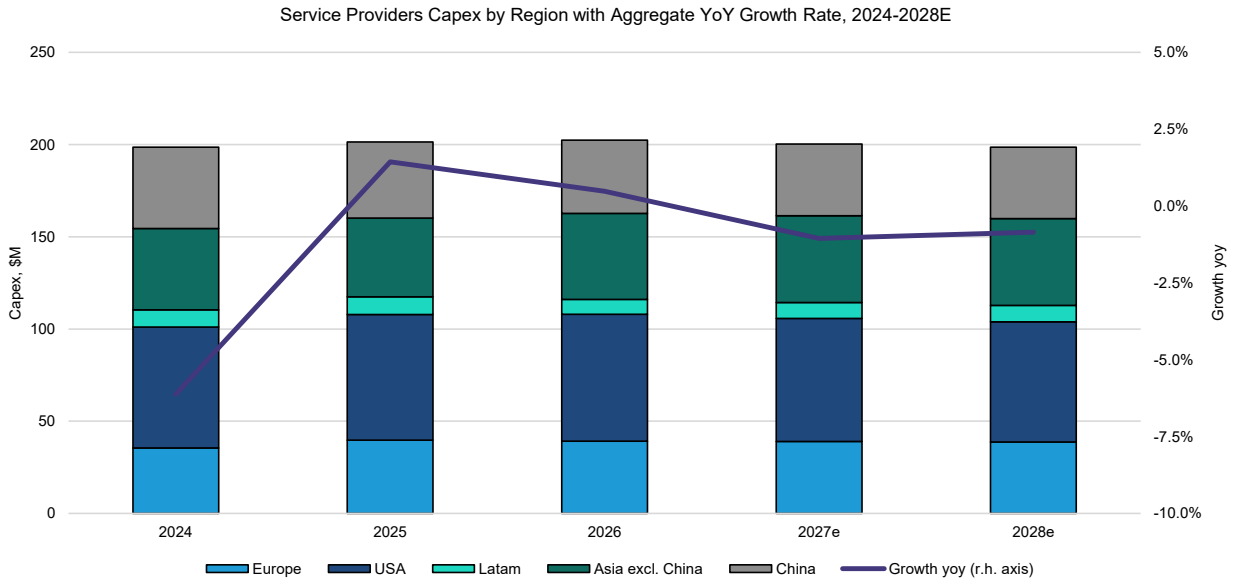
EXHIBIT 34: **Outside of AI, enterprise is seeing a cyclical recovery from the campus refresh cycle**



Source: Dell'Oro, company filings, Bernstein estimates and analysis

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EXHIBIT 35: **Though service provider growth expectations are muted, service provider is unlikely to shrink substantially**



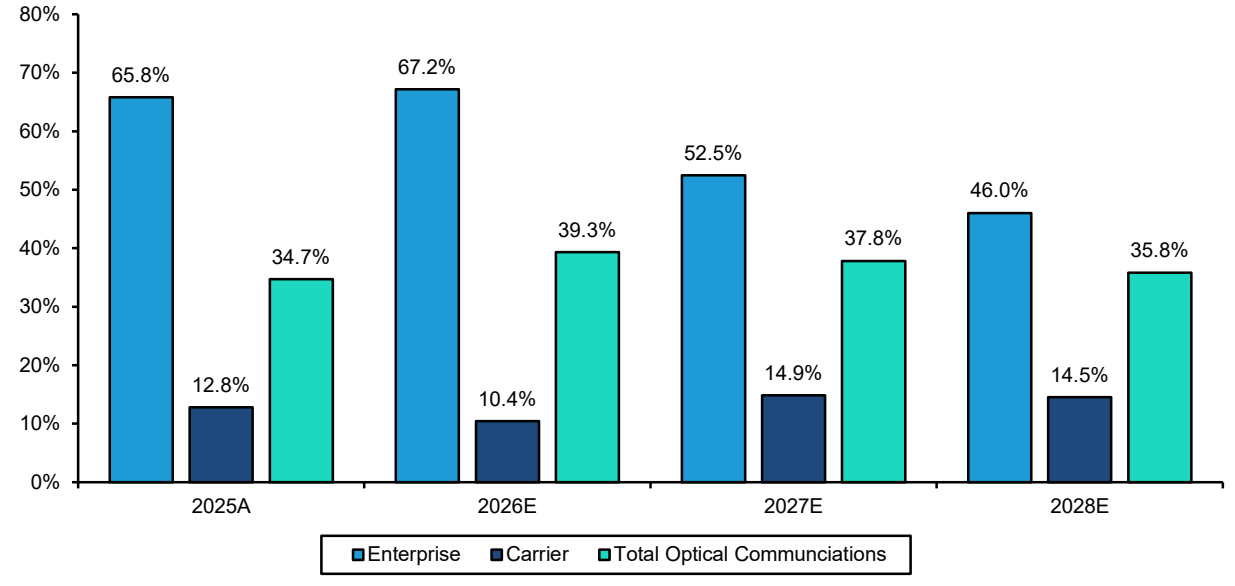
Source: Bernstein European Telecom Services Team (Ulrich Rathe)

WE NET OUT POSITIVE ON THE SECTOR

We net out positive on the sector, and see both short and long-term opportunities to invest in these stocks. We estimate 18% 2026-28 industry growth (Exhibit 8, again), including 33% from cloud and AI, 9% from enterprise, and 4% from service providers (Exhibit 36). Our forecasts land generally land above consensus across the coverage (Exhibit 37, Exhibit 38).

Our detailed industry models on the overall Networking and Transceiver markets are available on request.

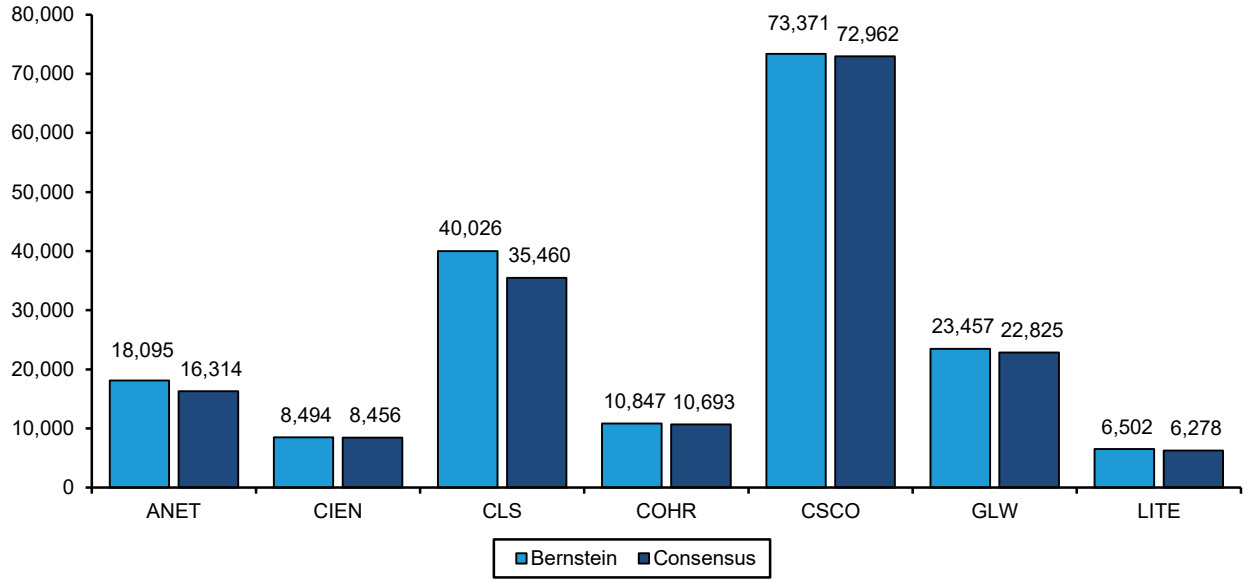
EXHIBIT 36: **Revenue Growth for Enterprise, Carrier, and Total Optical Communications**



Source: Company filings, Bernstein estimates and analysis

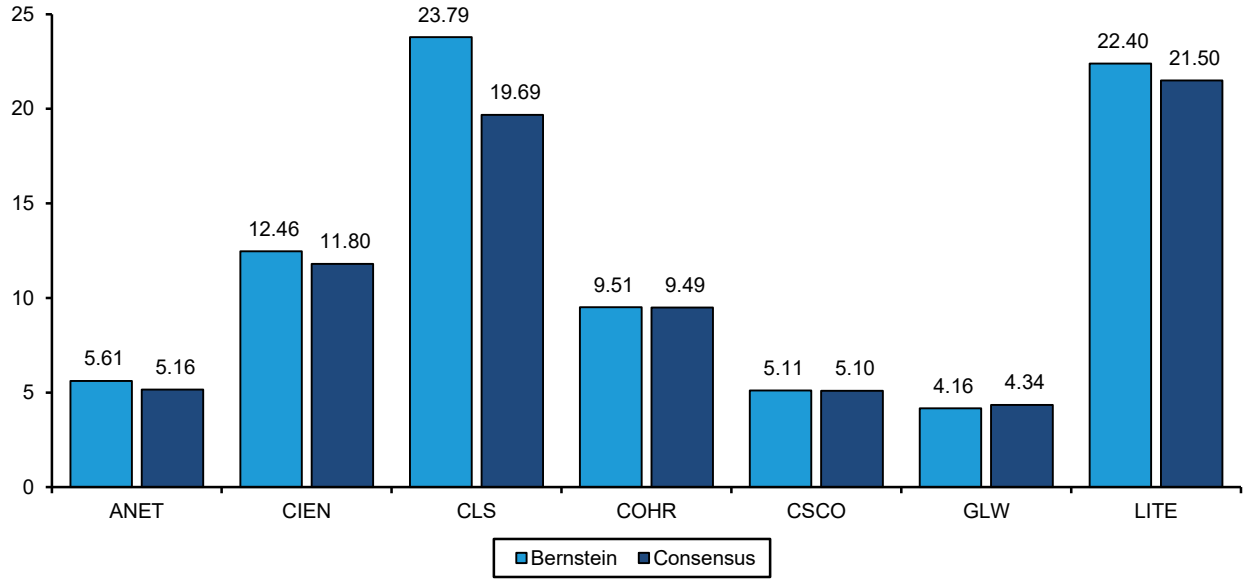
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EXHIBIT 37: **2027 Revenue, Bernstein vs Consensus ($M)**



Source: Bloomberg (as of 9/24/26), Bernstein estimates and analysis

EXHIBIT 38: **2027 EPS, Bernstein vs Consensus ($)**



Source: Bloomberg (as of 9/24/26), Bernstein estimates and analysis

VALUATION APPROACH AND INVESTMENT FRAMEWORK

So how do we value these names, and how should we think about investing in the space? At the risk of stating the obvious, large-cap tech multiples correlate significantly with growth, especially for P/E and EV/FCF. Networking/hardware stocks have historically lagged overall tech in large part because these companies have struggled to grow. However, now that the AI infrastructure build has driven a re-acceleration in growth (Exhibit 39), this has also driven a re-rating in stock multiples (Exhibit 40). We see further upside to consensus growth expectations, and as a result believe these stocks have further room to grow. Accordingly, we primarily base our stock calls on whether we can have conviction in differentiated numbers, and focus our valuation approach on whether multiples are justified in growth premium terms, as well as using multiples as a sense check for where buy-side expectations may differ from sell-side consensus. For more details on how we have thought about valuation,

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please see our 2025 IT Hardware initiation: IT Hardware: The Intelligence Revolution - Sector Initiation (Outperform - AAPL, DELL, STX, SNDK), as well as the *Blackbook*: Investing in Tech — Myths, Truths, and Where We Stand Now.

- **Large cap tech multiples correlate significantly with growth, especially for P/E and EV/FCF**. The orthodoxy in valuation theory is that companies *should* be valued on a DCF basis, and based on the DCF formula, growth rates should be the primary driver of EV/FCF multiples. Most practitioners and theoreticians would go on to observe that because cash flows can be inherently volatile, P/E multiples can often be helpful as a less-volatile proxy. Empirically, large cap tech multiples generally follow this orthodoxy fairly well, showing a significant correlation between trailing multiples and forward growth multiples (Exhibit 41-Exhibit 44), especially for EV/FCF.

- **Networking / hardware stocks have historically lagged in large part because hardware companies have struggled to grow.** Over the long term, hardware and networking have lagged overall tech, being the only tech sub-sectors to see worse performance than the S&P overall. However, we note that this underperformance appears justified by the fact that (for many of the reasons outlined above) networking companies have historically struggled to grow (Exhibit 45), in part because of their high exposure to service-provider, which is a generally mature end market (Exhibit 46).

- **Growth has reaccelerated, driving a re-rating in the stocks. We primarily base our stock calls on whether we can have conviction in further upside to consensus growth expectations.** Now that the AI infrastructure build has driven a re-acceleration in growth, this has also driven a re-rating in stock multiples. We see further upside to consensus growth expectations (Exhibit 38, again), and as a result believe these stocks have further room to run. Accordingly, we primarily base our stock calls on whether we can have conviction in differentiated numbers, and focus our valuation approach on whether multiples are justified in growth premium terms, as well as using multiples as a sense check for where buy-side expectations may differ from sell-side consensus.

- **These are AI stocks, and AI has been the dominant market theme, impacting beta, WACC, and DCF.** We also looked at valuing on a discounted cash flow basis. We found that, given the strong performance of our stocks and the dominance of the AI trade as a market-wide theme, historical beta for our stocks has been very high in recent history, inflating CAPM cost of equity and WACC, and in turn distorting DCF valuations. Rather than engage in debates about whether and how much to adjust beta vs. historical values, or else conclude that these stocks actually should be penalized with higher WACC because they correlate with other AI stocks that PMs are likely also holding, we felt it made more sense to simply value the stocks relative to other AI-exposed stocks, and focus on multiples vs. growth across the hardware/networking/semis universe.

- **However, this is not just an AI thematic call - dispersion is high, and stock picking matters.** We remind investors that even when the sector was out of favor, networking has been one of the highest-dispersion sectors on the market; in fact, measured by 21-day dispersion, it was the highest from 2002 to the 2025 (Exhibit 47). This in turn creates opportunities for investors to generate idiosyncratic alpha through stock picking. Accordingly, while we do see thematic upside from the exposure to the AI theme, we believe that these stocks also offer opportunities for short and long-term alpha generation from active stock picking.

The Muse moment: Time to size-up AI longs? The AI trade has corrected after overheating in the first half of 2026, and many AI stocks are trading below May-June peaks. However, revisions to fundamentals have continued to be positive, leading to multiples that appear increasingly undemanding - and given our belief in upside to numbers for outperforms, we believe the true multiples are even cheaper. We observe that the 1H rally was driven by upward revisions in hyperscale capex. With inflecting demand for consumer AI following Meta's launch of Muse, we believe that this could open the door for further guidance revisions, potentially driving a rally in AI stocks.

- **The AI trade has corrected after overheating in the first half, and many AI stocks are trading below May-June peaks.** While fundamental data points were clearly positive, the AI trade appeared to overheat, driving investors into crowded longs and exhausting incremental buyers. This created an environment where non-fundamental catalysts could spark a correction, as we saw with the de-leveraging of Korean retail traders and the blow-up of Situational Awareness' highly levered public book. As a result, many stocks are now trading below May-June peaks.

- **Valuations have now come in, and many multiples are starting to look inexpensive on our numbers.** However, while stock prices have come in, fundamental revisions continued to trend upwards. Given that we see upside to numbers for many of our stocks, we believe that these revisions are justified - or even understated. Accordingly, the valuation multiples on many AI stocks have begun to look more attractive, improving risk-reward.

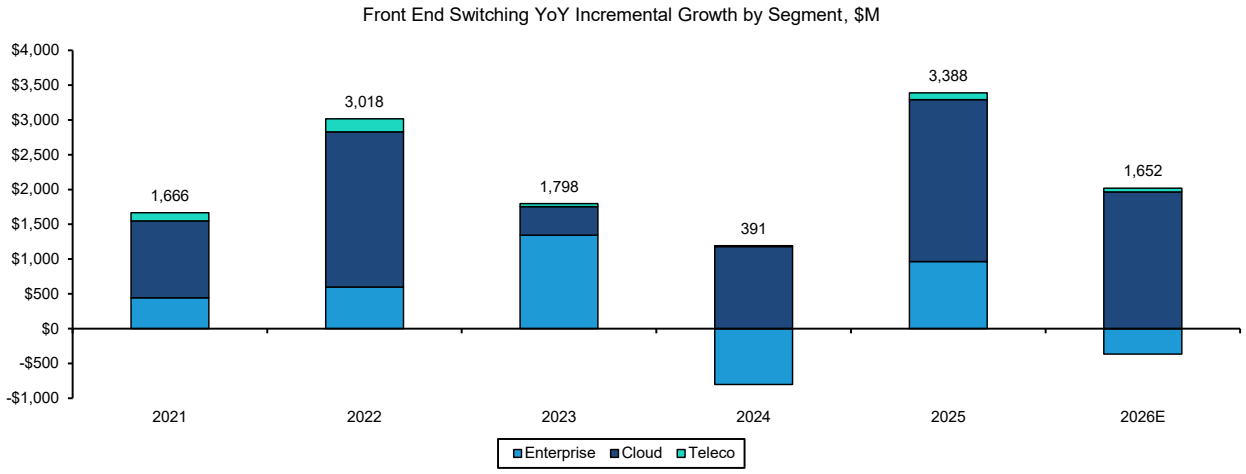
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- **Muse could open the door for further guidance revisions, potentially driving a further rally in AI stocks.** We note that the 1H rally was driven by upward revisions in hyperscale capex. With inflecting demand for consumer AI following Meta's launch of Muse (we also believe competitors are likely to launch copycats, especially given the widely anticipated Google Gemini 4 launch), we believe the door is open for Meta and other hyperscalars to take up capex expectations further. This could drive a rally in AI stocks, especially for Ciena and Arista, since Meta is a key customer for both.

- **We're a little more unsure on what to make of the Anthropic IPO.** While IPO prospectus numbers viewed by Reuters (link) are somewhat underwhelming, we also observe that they are largely for full year 2025. Anthropic has reportedly increased ARR over 7x YTD (Exhibit 16, again) and reached FCF breakeven. We suspect that the muted reaction to the Reuters report in Asia trading is because full year 2025 numbers are not necessarily reflective of Anthropic's business today, limiting the value of the incremental data point. Anthropic's IPO (currently expected for November or December) may be a meaningful catalyst. However we lack conviction in the direction: the IPO is likely negative for our stocks from a flows perspective, but anything Anthropic could disclose which would increase confidence in the sustainability of spend may outweigh the outflows into the IPO.

- **March will be another catalyst-rich period.** Beyond potential capex revisions in the October earnings cycle, we also expect March 2027 to be a catalyst rich period, between OFC from March 7-11 and Nvidia GTC on March 14-18 (in which Nvidia is expected to disclose further details about Feynman), with potential for companies to give positive upside ahead of April earnings.

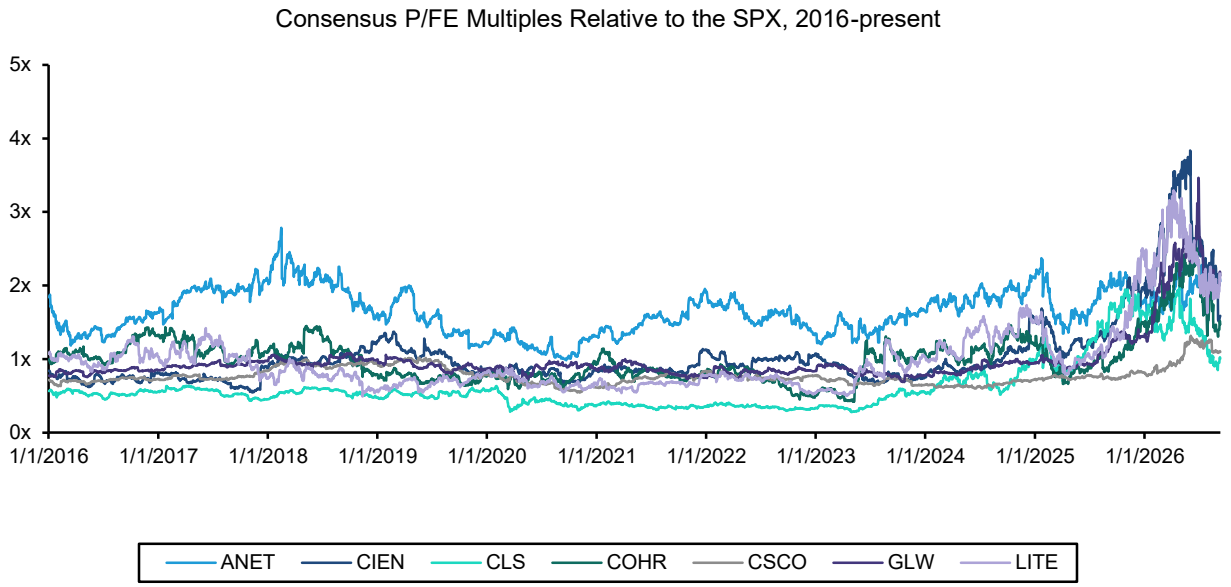
EXHIBIT 39: **The networking industry has seen a huge growth re-rating, driven by AI**



Source: Dell'Oro, Bernstein estimates and analysis from networking industry model

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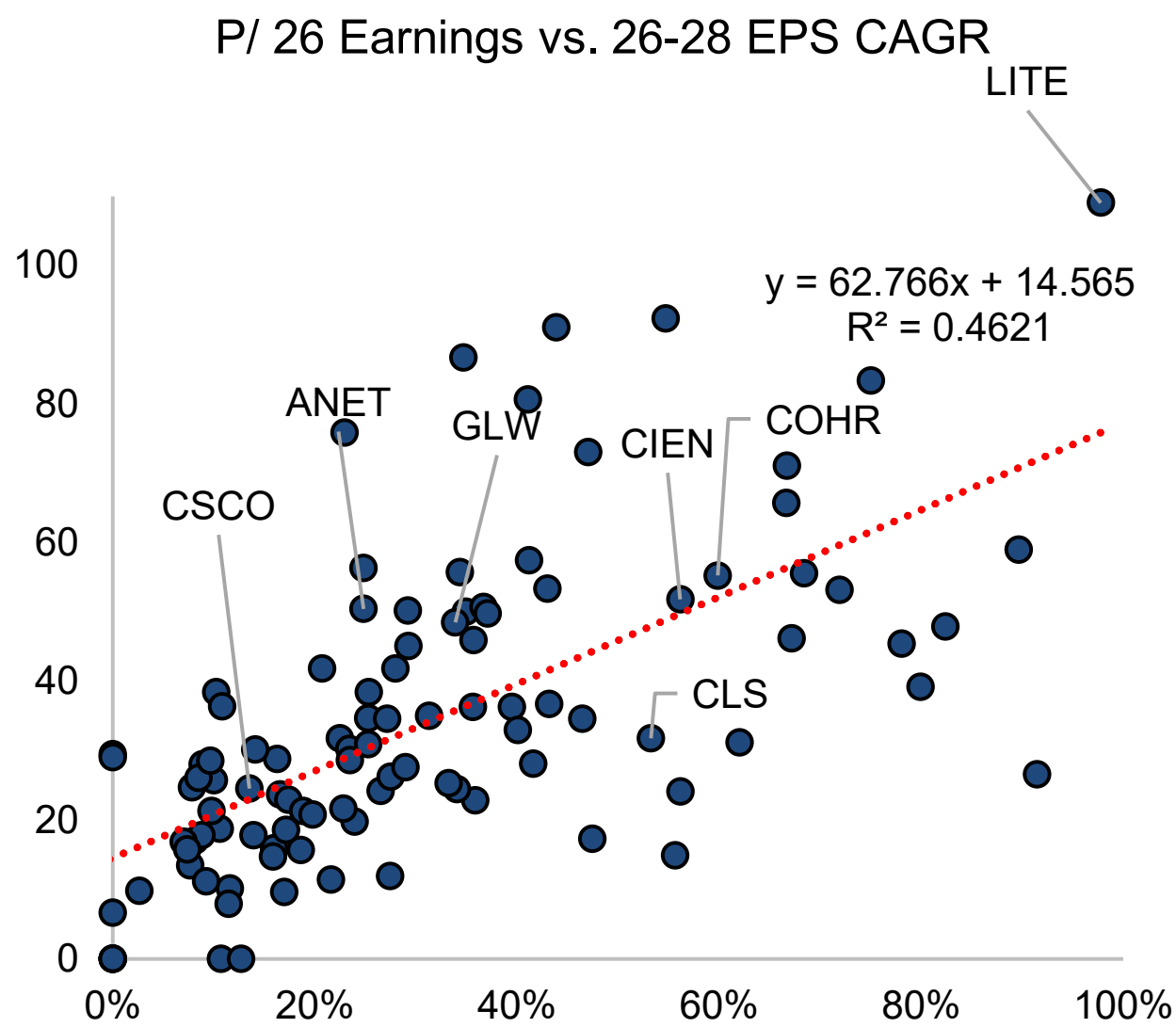
EXHIBIT 40: **Valuations are expensive vs. history...**



Source: Bloomberg as of as of 9/24/2026, Bernstein analysis

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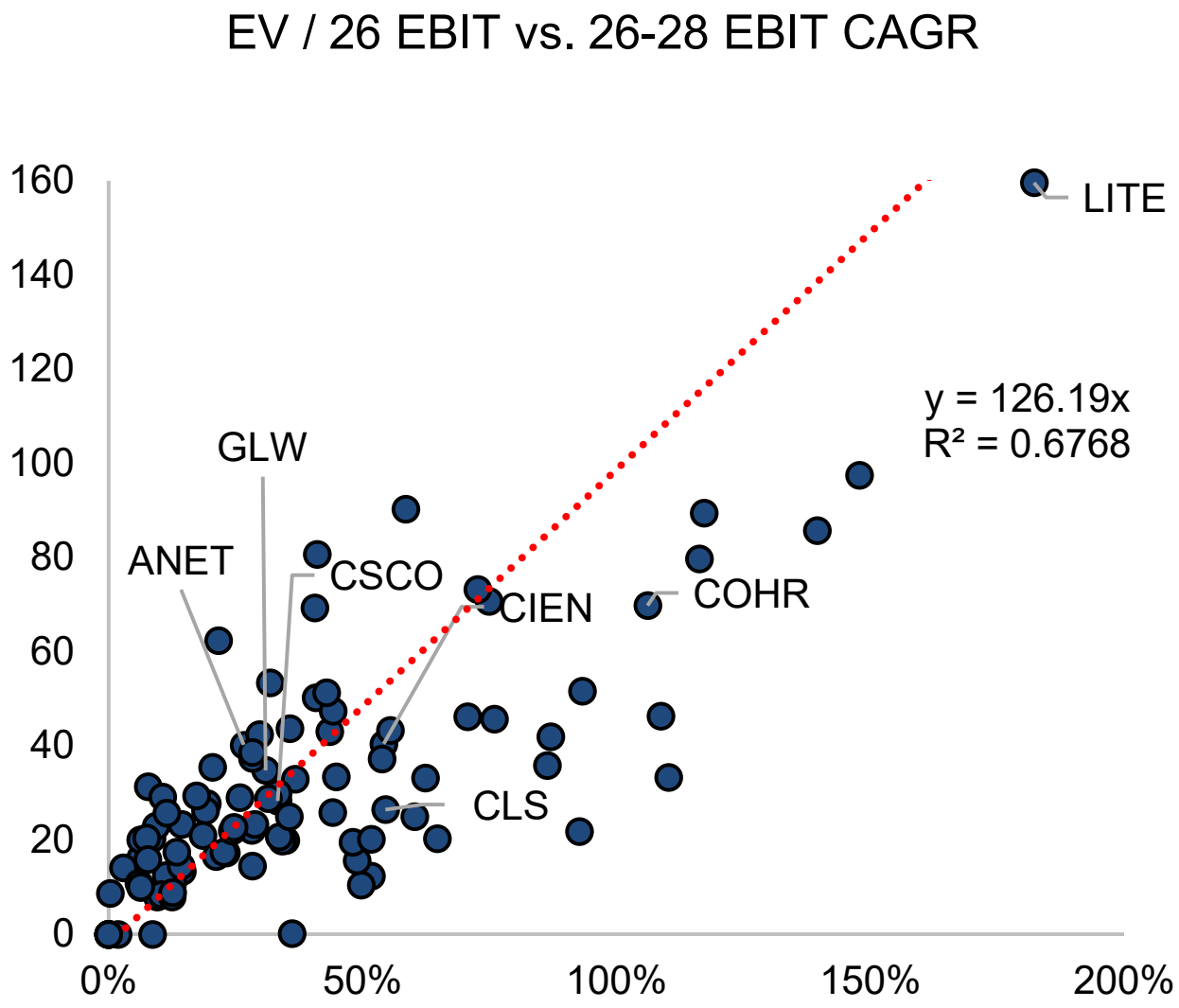
EXHIBIT 41: **Semis & Hardware P/E vs. EPS CAGR**



Scatter plots are built from a pool of companies in the North American listed Technology, Hardware & Semiconductor BICS sector with over $2B in market cap.
Companies above the 99th percentile in multiple are excluded as outliers
Source: Bloomberg (updated as of 9/24/26), Bernstein estimates and analysis

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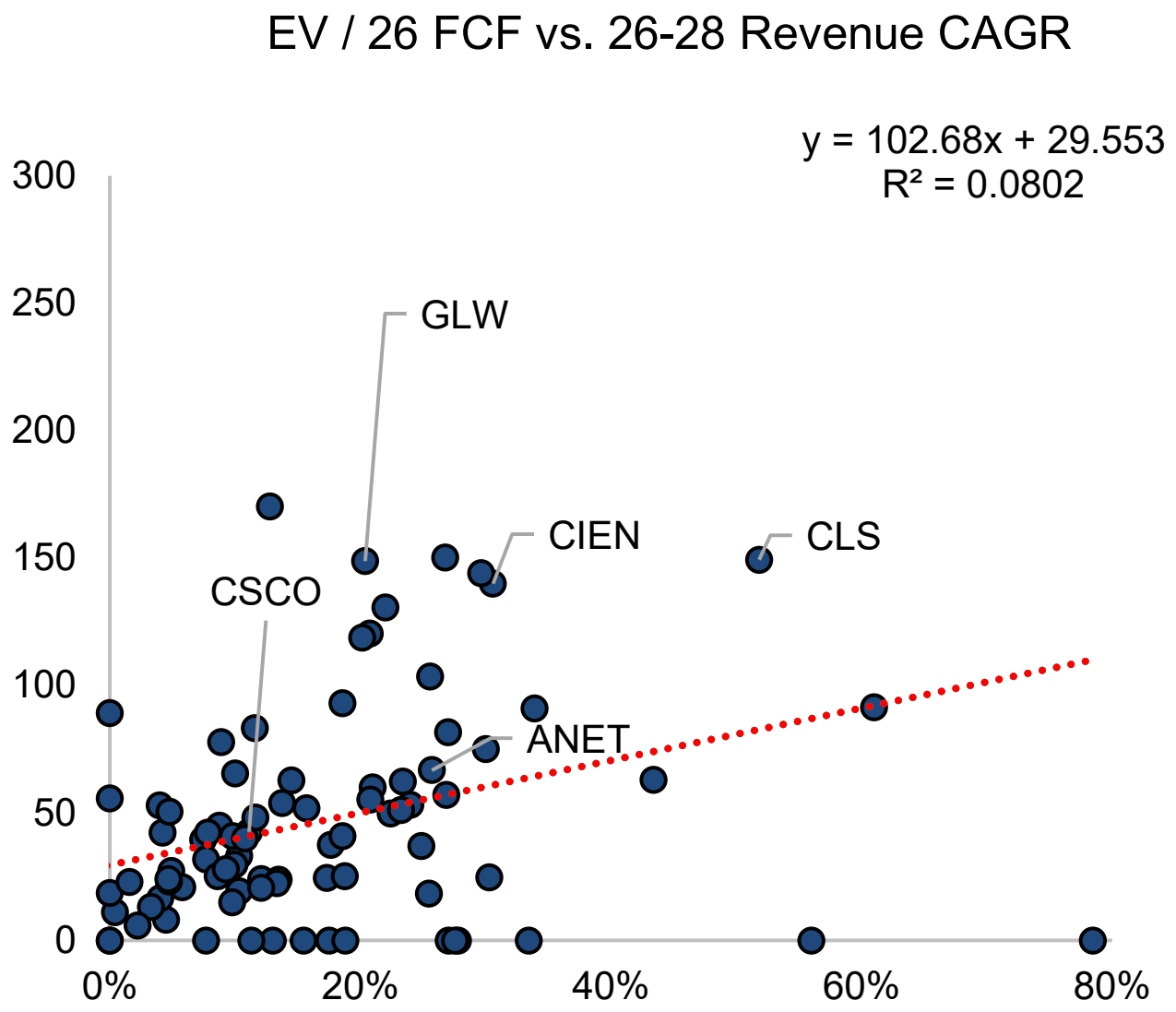
EXHIBIT 42: **Semis & Hardware: EV/EBIT vs. EBIT CAGR**



Scatter plots are built from a pool of companies in the North American listed Technology, Hardware & Semiconductor BICS sector with over $2B in market cap. Companies above the 99th o
Source: Bloomberg (updated as of 9/24/26), Bernstein estimates and analysis

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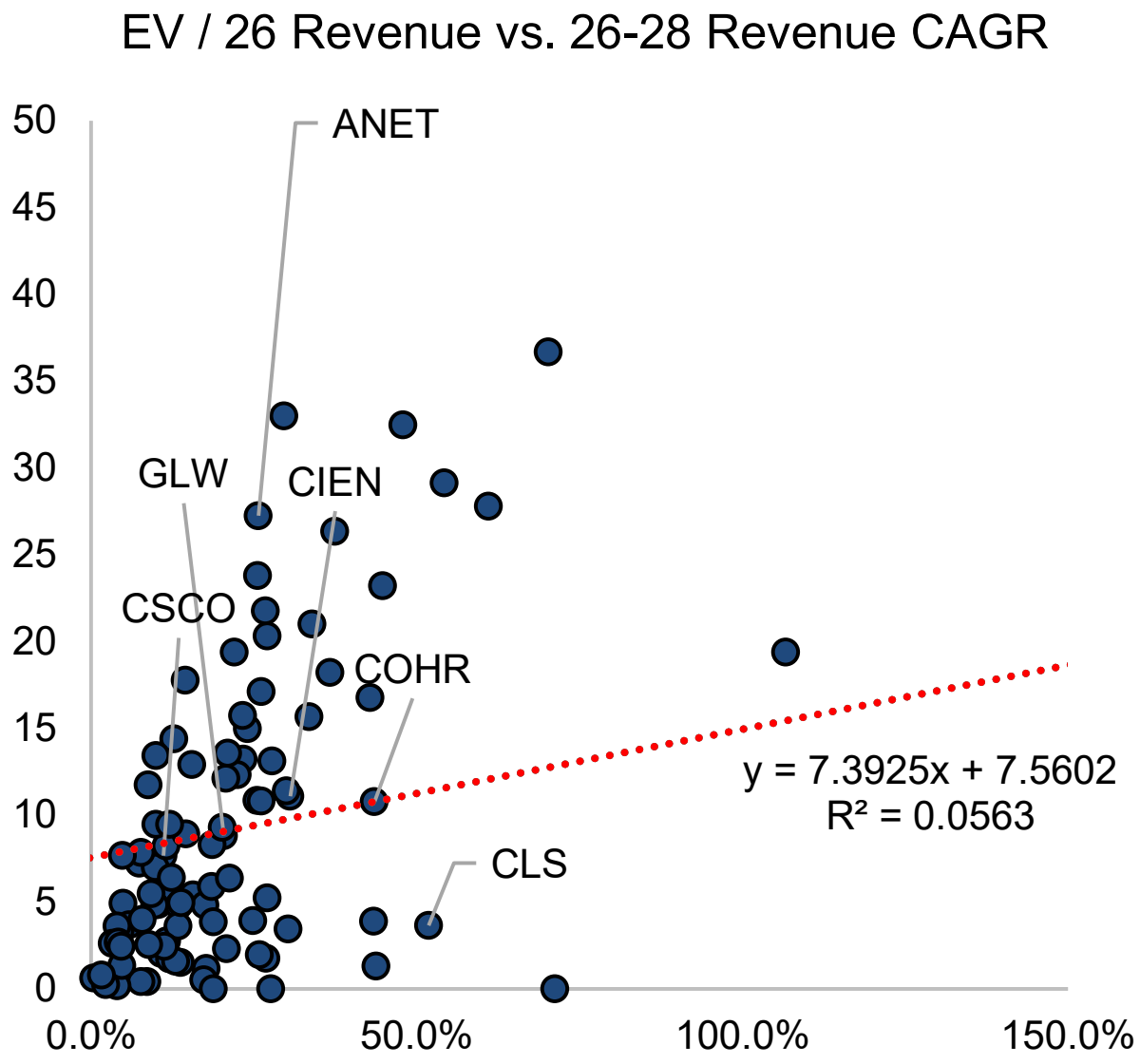
EXHIBIT 43: **Semis & Hardware: EV / FCF vs. Revenue CAGR**



Scatter plots are built from a pool of companies in the North American listed Technology, Hardware & Semiconductor BICS sector with over $2B in market cap. Companies above the 99th o
Source: Bloomberg (updated as of 9/24/26), Bernstein estimates and analysis

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EXHIBIT 44: **Semis & Hardware: EV / Revenue vs. Revenue CAGR**



Scatter plots are built from a pool of companies in the North American listed Technology, Hardware & Semiconductor BICS sector with over $2B in market cap. Companies above the 99th o
Source: Bloomberg (updated as of 9/24/26), Bernstein estimates and analysis.

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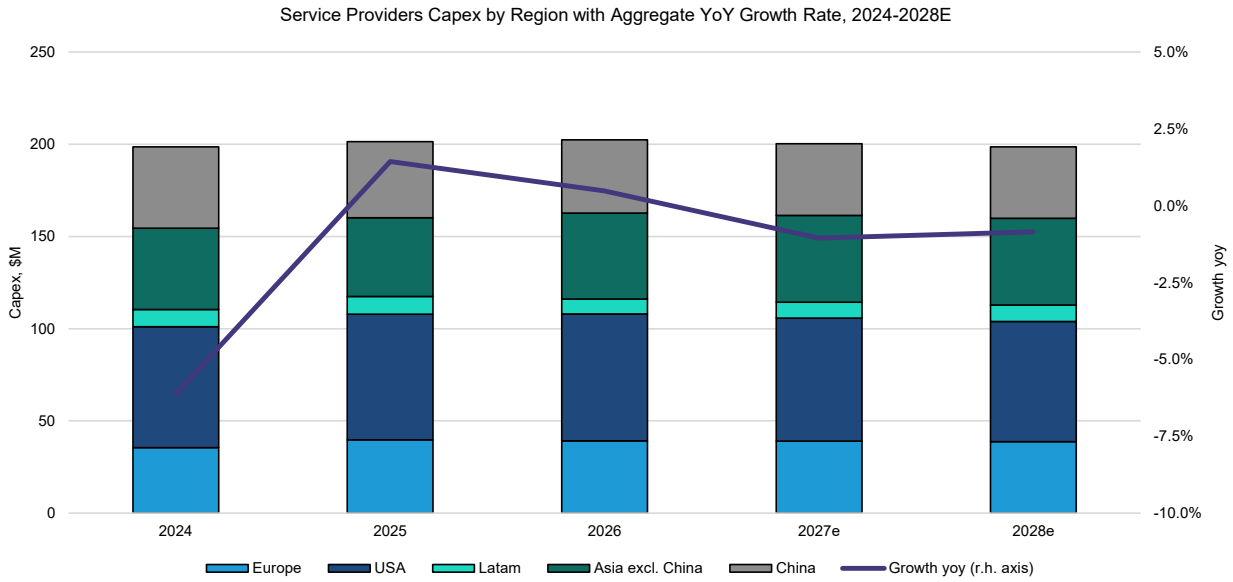
EXHIBIT 45: **U.S. Tech: 2000-2025 Revenue and Market Cap Growth**

	Hardware ex. Apple		Semis		Software		Tech Services	
	10 years	25 years	10 years	25 years	10 years	25 years	10 years	25 years
Revenue CAGR	1.27%	2%	12.99%	7%	15.26%	10%	5.16%	7.06%
Market Cap ($M)	894,330		7,646,373		7,788,251		875,319	
CAGR	12%	2%	32%	11%	25%	11%	5%	6%

	Networking		Internet			Total	
	10 years	25 years	10 years	25 years		10 years	25 years
Revenue CAGR	-3.75%	-2%	19.97%	16%		8.76%	7%
Market Cap ($M)	472,470		5,893,104			27,043,536	
CAGR	3%	-2%	20%	14%		21%	9%

Source: Bernstein Quantitative Team, Bloomberg (updated as of 09/24/26), Bernstein analysis, Data as of 12/31/22, cap-weighted

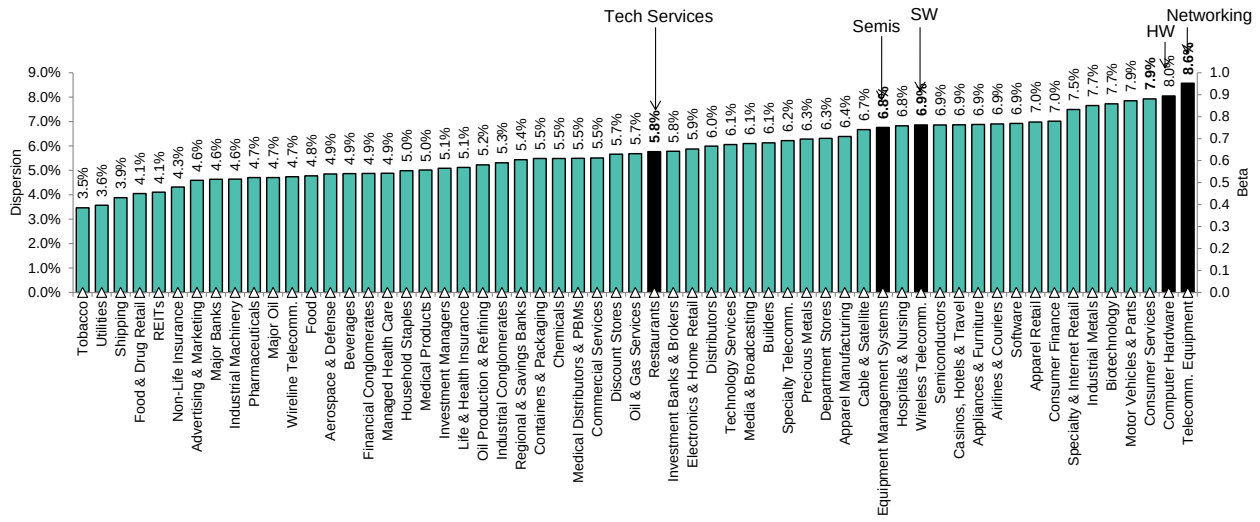
EXHIBIT 46: **Low growth in turn was in large part because of high exposure to the post-growth service provider vertical**



Source: Bernstein European Telecom Services Team (Ulrich Rathe)

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EXHIBIT 47: **U.S. Large Cap Stocks: Dispersion of Forward 21-Trading Day Returns, 2002-2025**



Stock universe defined as Top 500 + S&P500 + 10 largest companies per industry, equal-weighted. Data as of 9/12/25.
Source: Bernstein Quantitative Team (Larson), IBES database, Bernstein analysis

Our top pick is Celestica, and we also rate Lumentum, Coherent, Ciena and Arista Outperform. We rate Corning and Cisco Market-Perform. We primarily set our price targets on P/E multiples on 2028 EPS, based on P/E multiples vs. growth across the US large cap semis/hardware/networking universe. The main exception is Celestica, which we value on 2027 EPS, given our focus on 2027 numbers and the 10/27 analyst day as a near-term catalyst. We also sense check our estimates against historical absolute and relative multiples, as well as well EV/FCF, EV/EBIT, and EV/revenue multiples for the same set of comps. Exhibit 48 provides a summary of our ratings, price targets, theses, and valuation methodology

When the facts change, we'll change our minds. We believe it's too early to be worried, but if and when leading indicators start to look less positive, our rank order will look significantly different: CSCO, GLW, ANET, CLS, COHR, LITE, and CIEN.

- **Cisco likely has the lowest downside.** The flip side of having lagged in AI networking hardware is that Cisco's mix is much more weighted to enterprise networking. We believe a digestion cycle in the AI data center build could actually be supportive of enterprise adoption (given lower costs for renting cloud infrastructure), helping to cushion downside. LIkewise, while cybersecurity has an AI story, the genie is already out of the bottle, given that current models have already demonstrated a significant cybersecurity threat, and so even if the AI scaling laws break, continued cybersecurity investments could continue.

- **Corning is fairly well-diversified.** While optical fiber for AI use cases is the crux of Corning's growth story, it is ultimately ~20% of 2026E revenues; a digestion cycle will be painful for Corning but likely less so than for companies with higher AI exposure. An AI digestion could also be positive for the smartphone market, as DRAM/NAND availability improves, in turn allowing Corning's glass innovations market to capture pent-up smartphone demand that has been pushed out due to supply constraints.

- **We also believe Arista could also prove relatively resilient.** While Arista has seen more revenue from AI, it also has a significant enterprise business and has been capturing share in the enterprise. We also believe a number of Arista's cloud titans have come to rely on Arista's EOS software, and may continue to build out the networking footpring even as the wider data center build digests. A digestion cycle would clearly be negative for Arista but less so than some of the other names in our coverage.

- **Conversely, Celestica, Lumentum, and Coherent not only face downside to revenues, but a slower-paced build creates breathing room for lower-price competitors to close the capability gap.** Celestica, Lumentum, and Coherent are all stocks that have exhibited high torque to the upside as the AI buildout has gained traction, and could also move in the opposite direction if AI digests. Moreover, all three companies have maintained pricing and margins through differentiated capabilities from lower cost competitors (US EDM and Taiwanese ODM peers for Celestica; the Chinese transceiver OEMs for

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Lumentum and Coherent). A slower-paced build creates more opportunity for lower-price competitors to close that capability gap, meaning that not only could end market demand come under pressure, but market share and margins could as well.

- **Ciena is in an odd position, in which it has limited downside to near-term numbers but high downside to long-term numbers. In a digestion, we believe the latter issue will outweigh the former.** Ciena has a long backlog, with current orders covering nearly all of 2027 and parts of 2028. While this limits downside to near-term numbers, Ciena has re-rated on the scale-across opportunity, which is contingent on land and power constraints. A slower paced build could lead to better power availability, in turn allowing training clusters to all be built on a single campus, in turn reducing the need for scale-across. Accordingly, we believe that in a digestion, Ciena could have limited impact to near term numbers, but high downside to long term growth - and in terms of the stock call, we believe the latter outweighs the former.

- **We think it is too early to be worried, given that leading indicators still look healthy…** We remind investors that despite the hypothetical, we believe that the best AI leading indicators look positive. Accordingly, we believe risk-reward overall is positive, and while a more defensive positioning would clearly limit downside, it is also likely to lead to underperformance if the AI build out continues.

- **… and we think that even when leading indicators turn, there could still be time to get out.** We note that even in a scenario that where the scaling laws truly started to break down, in turn breaking the long-term thesis, it may not be immediately obvious. The early indicator would be that AI labs would start training new models which end up not being better than the smaller models trained in the previous generation. However, AI labs are unlikely to immediately publish those results - more likely, they would attempt to fix the issues by re-attempting a different run (which could take months). Even when it becomes clear that something is wrong, AI labs will be left guessing whether this is solely their own problem or an industry-wide breakdown in the scaling laws[2]. Word would likely get out gradually, through a trickle of researchers exiting or complaining to the press. It will likely take months before it becomes clear that it is an industry-wide problem. Even then, because VCs and hyperscalars appear unconcerned about this risk (in part because hyperscalars can redeploy excess GPUs to other workloads while VCs appear willing to accept these risks), they are likely to be slow to react, and so GPU-buying can continue for some time. On net, we believe it would likely be at least a year before it is clear that it is a problem, and hyperscalar capex would likely continue to be healthy for a few quarters after. We believe that this could provide a window where the stocks are down but not dramatically so, giving an opportunity to exit with more moderate losses.

[2] This has arguably already happened - OpenAI saw several failed training runs during Project Orion which led to it falling from the clear leader in the space to arguably second place behind Anthropic; and Google appears to have had a cold streak following the Gemini 3 training run that last for over a year until recently.

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EXHIBIT 48: **Summaries in ratings and theses**

Ticker	Rating	Price Target	Upside/ downside	Valuation	Thesis
CLS	O	520	46%	22x $24 in 2027 EPS	Sell-side consensus numbers are materially too low due to underappreciating the upside from CLS' TPU, OpenAI, and AMD Helios programs
LITE	O	1,220	32%	38x $32 in FY28 EPS	We see continued upside to transceiver pricing, and also believe Lumentum and Coherent will see operating leverages as revenue scales
COHR	O	350	24%	22x $16 in FY28 EPS	We see continued upside to transceiver pricing, and also believe Lumentum and Coherent will see operating leverages as revenue scales
CIEN	O	440	28%	16x $28 in 2028 EPS	Scale-across opportunity will continue to expand and while supply constraints cap near-term upside, consensus appears to underestiamte the longer-term ramp
ANET	O	250	22%	35x $7.14 in 2028 EPS	We believe Arista can continue to gain share in AI scale-out switches; coupled with rapid growth in the space, we see upside to numbers. While valuation is rich, Arista has always been expensive, and could compound higher
CSCO	M	110	3%	20x $5.6 in 2028 EPS	Cisco's pivot from hardware to software has and distracted from key AI hardware opportunity. Some upside from networking hardware, but it is a smaller share of mix and baked into consensus. Potential tactical upside given what appears to be a conservative guide for the back half of FY 27
GLW	M	140	-8%	25x $5.65 in 2028	Corning content from AI accelerators can increase materially, however, the smartphone and automotive businesses are dragging company growth, and even with AI upside, the long term framework appears aggressive unless you assume material upside from scale-up.

Prices as of 9/28/2026
Source: CapIQ, Bernstein estimates and analysis

DATA CENTER SWITCHING

CELESTICA: UNDERAPPRECIATED AI ASIC WINNER, OP ($520)

We believe consensus numbers for Celestica are materially too low. Between Google TPU, OpenAI Jalapeno, AMD Helios and the 1.6T switching business more broadly, we see ~$25B in YoY revenue growth opportunities. Even haircutting numbers for potential operational risks, we see meaningful upside to consensus expectations of ~$16B.

- **Revenue "to accelerate" in fiscal 2027 as a result of new programs: consensus is modeling CCS revenue up 12.8B and the whole company up ~$15B YoY.** On the 2Q26 earnings call on July 28, Celestica guided to 2026 revenues of $20.5B, implying YoY growth of 65%. They further stated that, while the detailed full year outlook for 2027 would come later in the year, "as a result of exceptionally strong customer demand and new program wins, we expect our revenue growth rate to accelerate as compared to 65% growth expected in our 2026 annual outlook." Consensus appears to be expecting modest acceleration: Bloomberg consensus is modeling the key Connectivity & Cloud Solutions (CCS) segment up $12.9B from $16.4B to $19.3B, and the total company up ~$15B from $20.5B to $35.5B, representing 72% YoY growth (Exhibit 49, Exhibit 50).

- **We work through the new programs, and think this could be a ~$25B revenue opportunity. Google TPU could be $8B in incremental revenue, OpenAI Jalapeno could be $11.5B, and 1.6T switching (including AMD Helios) could be $6B** (Exhibit 51).

  - **Google accounts for ~35% of Celestica's volumes, largely from TPUs. With TPU volumes set to double, Celestica's Google revenue could double as well.** Celestica disclosed in its 10-Q that it has 3 customers accounting for 34%, 16% and 15% of 1H2026 revenues. Google's TPU program is Celestica's highest profile customer engagement, and there seems to be little doubt that Google is Celestica's 34% customer, implying that Celestica expects to earn ~$7B in revenue from Google in 2026. While Google has never been sole sourced (Inventec is widely rumored to be the other TPU partner), we note that as rack densities increase, the complexity of the TPU program and thus the value add of Google's manufacturing partners increases as well, likely driving growth in revenue per TPU. We also see limited reason for major shifts in share of wallet at Google, especially given trade uncertainties and that Celestica is one of the

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only players with meaningful manufacturing capacity in North America, with Celestica highlighting increased capex to support this ramp. Accordingly, we expect that revenue per TPU can remain constant, and accordingly, with TPU volumes expected to grow ~110% YoY amid ramping external sales, we expect Celestica's revenue from Google can grow proportionately, implying ~$7.6B in incremental revenue (Exhibit 52). Celestica has been investing in capex to support this ramp, which signals confidence in steep growth (Exhibit 53).

- **We believe OpenAI Jalapeno is a ~$5M rack; a 1.3 GW deployment would imply $11.6B in revenues.** On 6/24, OpenAI, Broadcom and Celestica announced a partnership (link) to build OpenAI's Jalapeno custom AI ASIC, with Broadcom helping OpenAI co-develop the accelerator itself and Celestica manufacturing the rack. At Hot Chips on 8/25, OpenAI disclosed incremental details about the Jalapeno rack architecture. We believe that the revenue opportunity is not well-understood, in part because OpenAI's disclosures were somewhat limited and necessitate filling in gaps with estimates. But based on our conversations with industry participants, and comparing to our prior work on Nvidia rack economics, we estimate Jalapeno is a ~$5M rack (Exhibit 54). Our understanding is that the accelerator package (which we believe contains a ~$2M ASIC and ~$800k in HBM) is accounted for on a consignment model, but the rest of the rack content should flow through Celestica's inventory and income statement. Given Broadcom's disclosure that this would be a 1.3GW deployment in 2027, SemiAnalysis' estimate that Jalapeno requires 180 kW of privisoned power (link), and our own estimate that the Jalapeno pod will consume ~80% of total data center power, this implies that this could be ~5.6k racks in 2027, or a $11.6B revenue opportunity.

- **Between Helios Scale-up and the rest of the high-performance switching business, we see $6B in HPS revenue as feasible.** We note that Celestica has been one of the earliest switching vendors to ramp 1.6T switches across its customer base. In particular, Celestica is doing the scale-up switches for AMD Helios. We estimate scale-up content at ~$600k per rack, and given our expectation of 730k AMD GPUs in 2027, this could be ~10k racks, or ~$6B in high-performance switching (HPS) revenues (Exhibit 55). Viewed another way, stripping out a potential contribution from Google, Celestica likely has ~$5.5B in non-Google HPS revenue. Excluding TPU growth, we expect the switching market to grow ~30%, largely driven by ASP upside from the 1.6T transition; given Celestica's leadership in 1.6T and the Helios scale-up ramp, we believe that Celestica should gain share and materially outgrow the market, pointing to $3-6B in 1.6T switching.

- **Even haircutting for execution risk, we model CCS up ~$20B to $36B for 2027. We net out at $40.0B in revenues and $23.79 in EPS, vs. consensus at $35.5B and $19.69.** We acknowledge significant operational risks to these opportunities. We see the greatest risk to OpenAI Jalapeno - while Broadcom has talked about a 1.3 GW deployment in 2027 and OpenAI is reportedly trying to accelerate the ramp further, we note that this is brand new rack architecture that pretty meaningfully diverges from more well established designs: notably, Jalapeno seeks to maximize the scale-up domain and reduce dependency on scale-out, while also keeping caches local to SRAM/HBM/DRAM and reducing dependence on NAND. Accordingly, we see significant risk that Jalapeno proves hard to manufacture, delaying the timeline. Likewise, while the TPU program is well established, TPU v8 will be ramping, and risk on that front cannot be taken for granted either. Finally, the HPS ramp depends on the availability of Broadcom's Tomahawk 6 switch silicon. While Broadcom sounds confident in the Tomahawk 6 ramp, they have acknowledged that it will be back-end loaded, and as a result relatively minor delays could push the timeline to 2028. On net, we haircut the $25B potential opportunity, and model CCS up $20B to $36B. Overall, we model $40.0B in revenues and $23.79 in EPS, still meaningfully higher than consensus at $35.5B and $19.69 (Exhibit 56).

Buyside expectations are likely higher than sell-side consensus, but based on the price action and multiple, we believe it's unlikely to be lot higher. We have conviction sell-side numbers are materially too low. While we are less confident on where we are relative to buyside numbers, we observe that CLS stock was up 10% between market close on 7/27 (before releasing the press release after market and then during the earnings call the following market) and market close the next day; we believe that the positive reaction implies that buysides were also taking numbers up after Celestica gave its directional commentary. The stock is also only up 3% since then, despite a broader AI/semis rally, suggesting that numbers haven't materially increased since either. Celestica is also currently trading at 18.4x consensus 2027 EPS and 15.2x our number, which is not a multiple that suggests investors are modeling growth materially above 72%.

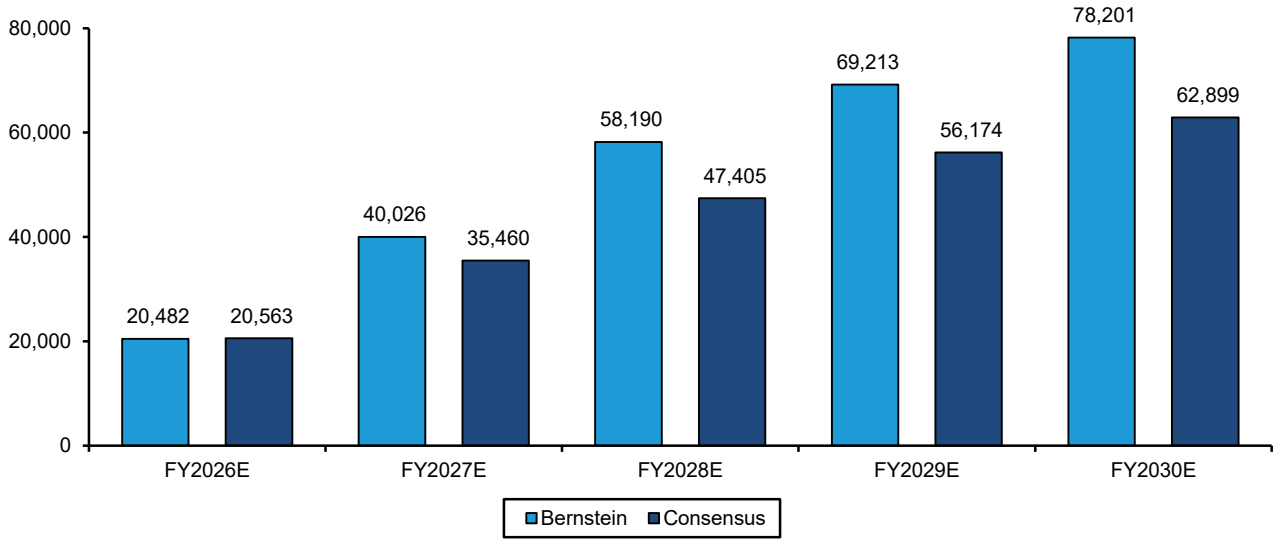
Beyond 2027 numbers, we believe Celestica can continue to perform strongly over the medium to long term. We acknowledge that visibility declines significantly beyond 2027 - while many of Celestica's existing programs are likely still growing, growth for many of those programs could be much more modest than the growth we have seen over the past few years. However, we see reasons to believe in continued strength - Google has reportedly had its first successful pre-training run in over a year, and rumoured Gemini 4 Pro benchmarks suggest Google is returning to the frontier after lagging OpenAI/Anthropic for months. This could potentially support not only higher internal TPU capacity, but also stronger external TPU sales

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revenues for customers. Moreover, while we acknowledge increasing competition from ODM/EMS peers, especially with Flex spinning off Axiom in part in order to better focus on the data center opportunity. However, we note that Celestica's experience in managing complex programs is hard to replicate, and that AMD Helios is the highest profile non-Nvidia scale-up program. We also observe that Celestica's profit dollars remain a relatively small part of total data center capex (although revenue may be higher if components flow through inventory). Data center operators appear relatively insensitive to price, but highly sensitive to yields and timelines; switching to a cheaper vendor is a relatively minor BOM saving but which potentially has major operational risks, especially for complex and high value builds. Accordingly, we believe Celestica remains well positioned to win in scale-up as UALink begins to supplant NVLink, and to win more broadly in rack programs as new GPU/ASIC programs ramp.

We rate Celestica Outperform, with a target price of $520, and see the analyst day on 10/27 as a high conviction catalyst. We also believe that the valuation is undemanding, and appears to discount limited growth beyond 2027 - suggesting that the stock may still be attractive for longer-duration and less catalyst-driven investors. Celestica has scheduled its investor and analyst forum for 10/27 in conjunction with the Q3 earnings call presentation. We believe the company plans to give detailed guidance for 2027. While the company has a history of conservatism, we believe there is room for Celestica to be prudent about numbers and still guide materially above sell-side consensus, and that this should be enough to get the stock to work. Accordingly, we see this as a high conviction catalyst. Longer-term, Celestica is trading at 15x our 2027 EPS, which we see as an undemanding multiple for a company that can likely sustain high-teens growth beyond 2027 (Exhibit 57, Exhibit 58). We see this stock as attractive in both the short and long term, and select it as our top pick. We apply a ~22x multiple to our estimate of $24 in FY 27 EPS, and set our price target at $520.

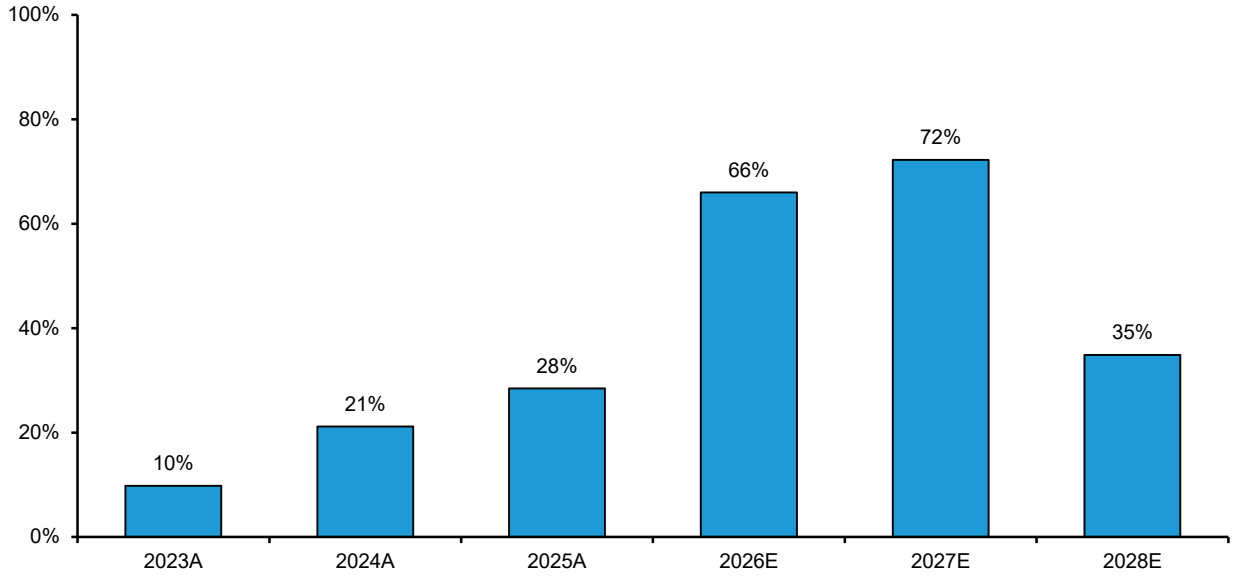
EXHIBIT 49: **Revenue, Bernstein vs. Consensus ($M)**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 16, 2026)

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EXHIBIT 50: **CLS Consensus YoY Revenue Growth**



Source: Company filings, Bloomberg, Bernstein estimates and analysis

EXHIBIT 51: **We see significant upside to revenue for CLS and we see the 10/27 analyst day as a key catalyst.**

Celestica 2026-27 Revenue Increase

GW of Jalapeno deployment	1.3	2026 Enterprise revenue	12,356
# of Jalapeno racks	5,652	2027 Enterprise Revenue	37,466
Revenue per rack ($K)	2,044		
Jalapeno Revenue ($M)	**11,551**	Q2 HPS Revenue	1,900
		% of revenue from HPS	72%
AMD GPUs (K)	726	2026 HPS revenue	8,303
AMD racks (K)	10		
Scale-up per rack ($K)	590	2026 non-Google HPS revenue	5,480
Helios Scale-up opportunity ($M)	**5,947**	2027 non-Google HPS Revenue	7,672
% of revenue from Google	34%	**2026-27 CCS Growth, Bernstein**	**27,302**
Google Revenue in 2026 ($M)	6,964	**2026 CCS Revenue, Bernstein**	**16,967**
TPU shipments in 2026 (K)	4,280	**2027 CCS Revenue, Bernstein**	**44,269**
Revenue per TPU ($K)	1.63	*Growth %*	*161%*
TPU shipments in 2027 (K units)	8,958	**2026-27 CCS Growth, Consensus**	**12,832**
		2026 CCS Revenue, Consensus	**16,424**
CLS Google Revenue in 2027	14,575	**2027 CCS Revenue, Consensus**	**29,256**
2026-27 Incremental Google Revenue	**7,611**	*Growth %*	*78%*

Source: Company filings, Bernstein estimates and analysis

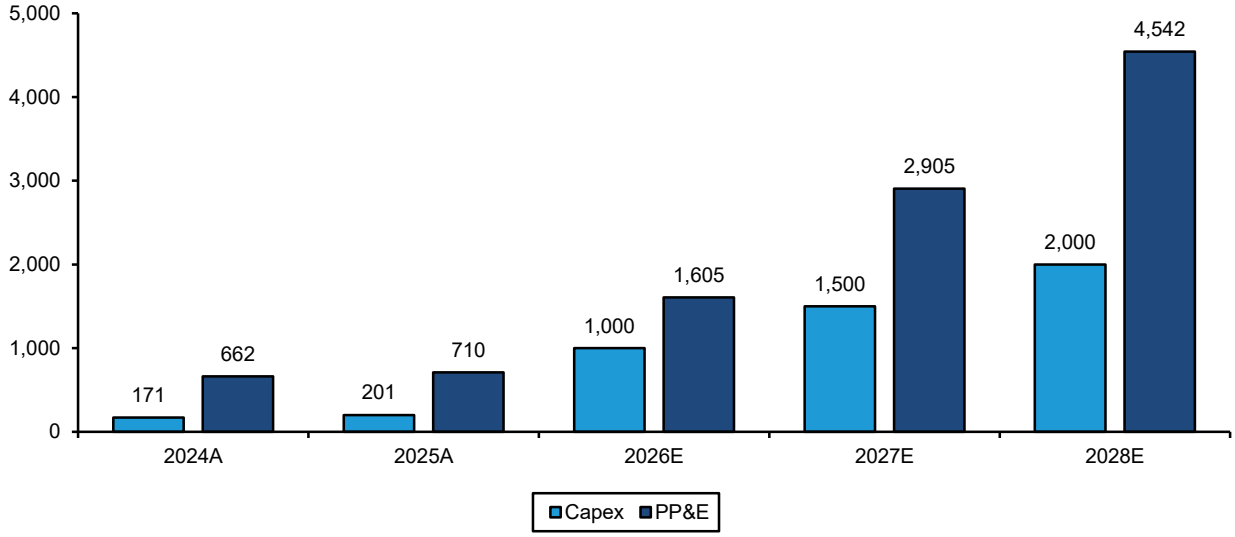
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EXHIBIT 52: **TPU Shipment Projections**

% of revenue from Google	34%
Google Revenue in 2026 ($M)	6,964
TPU shipments in 2026 (K)	4,280
Revenue per TPU ($K)	**1.63**
TPU shipments in 2027 (K units)	8,958
CLS Google Revenue in 2027	**14,575**
2026-27 Incremental Google Revenue	7,611
YoY % Growth in TPU shipments	48%

Source: Company filings, Bernstein estimates and analysis

EXHIBIT 53: **CLS Capex and PP&E, $M**



Source: Company filings, Bernstein estimates and analysis

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EXHIBIT 54: **OpenAI Jalapeno could be another ~11.5B, subject to a successful operational ramp**

$K / Rack	
CPU ex. DRAM	320
DRAM	395
CPU	**715**
XPU ex. HBM	2,034
HBM	846
XPU	**2,880**
Computing sub-total	**3,595**
Front-end	**32**
Scale-up Switches	300
OCS	77
Cabling	194
Backplanes & Other	102
Scale-up	**673**
Networking sub-total	**705**

Direct-attached Storage	214
Cooling	70
Chassis	96
Power Delivery	144
Others	100
Pod Total	**4,924**
GW of Jalapeno deployment	1.30
# of Jalapeno racks	5,652
Revenue per rack ($K)	2,044
Jalapeno Revenue ($M)	**11,551**

Source: Company filings, Bernstein estimates and analysis

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EXHIBIT 55: **AMD Helios Rack BOM**

$K / Rack	
CPU ex. DRAM	268
DRAM	1,095
CPU	**1,363**
GPU ex. HBM	1,958
HBM	1,642
GPU	**3,600**
Computing sub-total	**4,963**
Front-end	45
Scale-up Switches	180
Cabling	123
Backplanes & Other	102
Scale-up	**405**
SuperNICS	324
Scale-out Switching	155
Transceivers	288
Scale-out	**767**
Networking sub-total	**1,218**
Direct-attached Storage	532
Cooling	158
Chassis	100
Power Delivery	150
Others	100
Pod Total	**7,221**

Source: Company filings, Bernstein estimates and analysis

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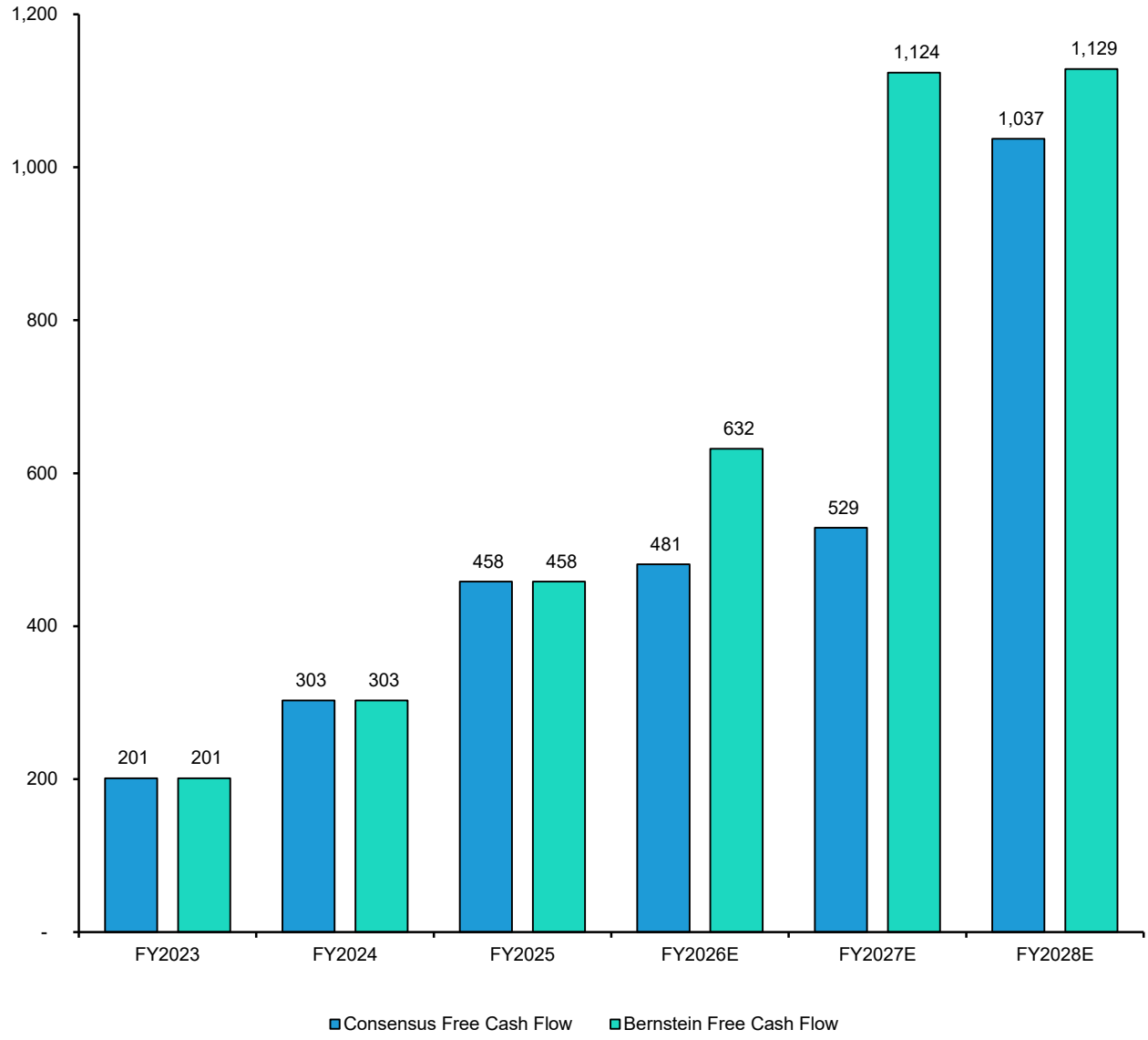
EXHIBIT 56: **CLS Bernstein vs. Consensus**

CLS	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Total Revenues ($M)						
Consensus	$12,391	$20,563	$35,460	$47,691	$56,174	$62,899
Actual / Bernstein Est.	**$12,391**	**$20,482**	**$40,026**	**$58,190**	**$69,213**	**$78,201**
Bernstein vs. Cons.		*-0.4%*	*12.9%*	*22.0%*	*23.2%*	*24.3%*
Operating Profit ($M)						
Consensus	$927	$1,711	$3,066	$4,120	$4,707	$5,562
Actual / Bernstein Est.	$927	$1,711	$3,502	$5,131	$6,118	$6,921
Bernstein vs. Cons.		*0.0%*	*14.2%*	*24.5%*	*30.0%*	*24.4%*
Opex ($M)						
Consensus	$378	$637	$1,010	$1,251		
Actual / Bernstein Est.	$488	$628	$1,068	$1,512		
Bernstein vs. Cons.		*-1.4%*	*5.8%*	*20.9%*		
EPS ($)						
Consensus	$6.05	$11.21	$19.69	$26.33	$31.06	$34.07
Actual / Bernstein Est.	**$6.06**	**$11.35**	**$23.79**	**$35.21**	**$42.25**	**$48.07**
Bernstein vs. Cons.	*0.1%*	*1.2%*	*20.8%*	*33.7%*	*36.0%*	*41.1%*

Source: Bloomberg (as of 09/24/26), Bernstein analysis

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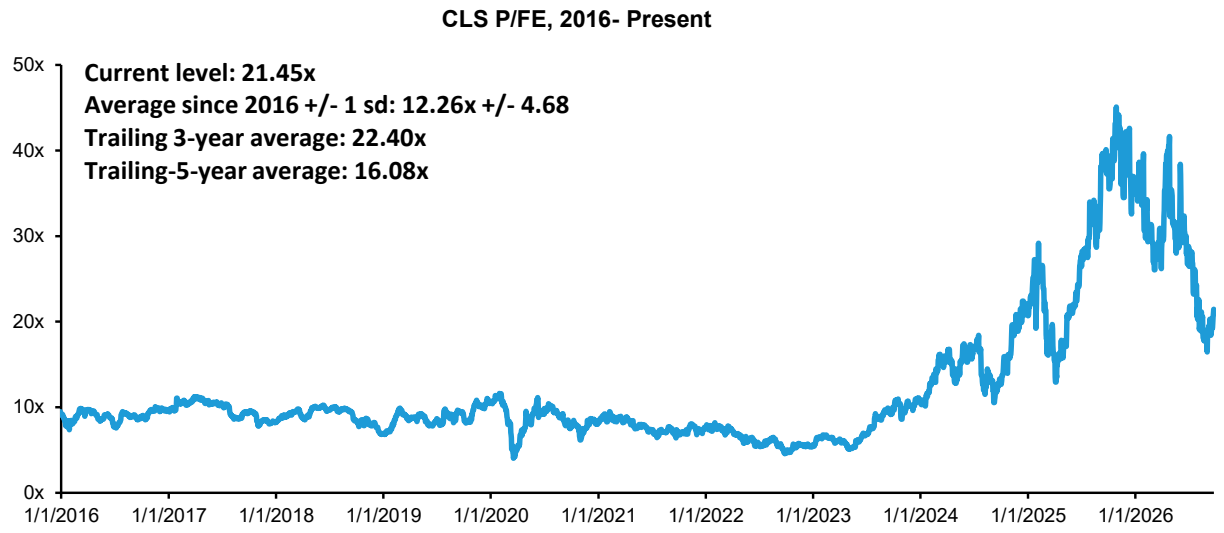
EXHIBIT 57: **CLS DCF**



Source: Bernstein estimates and analysis, Bloomberg (Updated as of 09/24/2026)

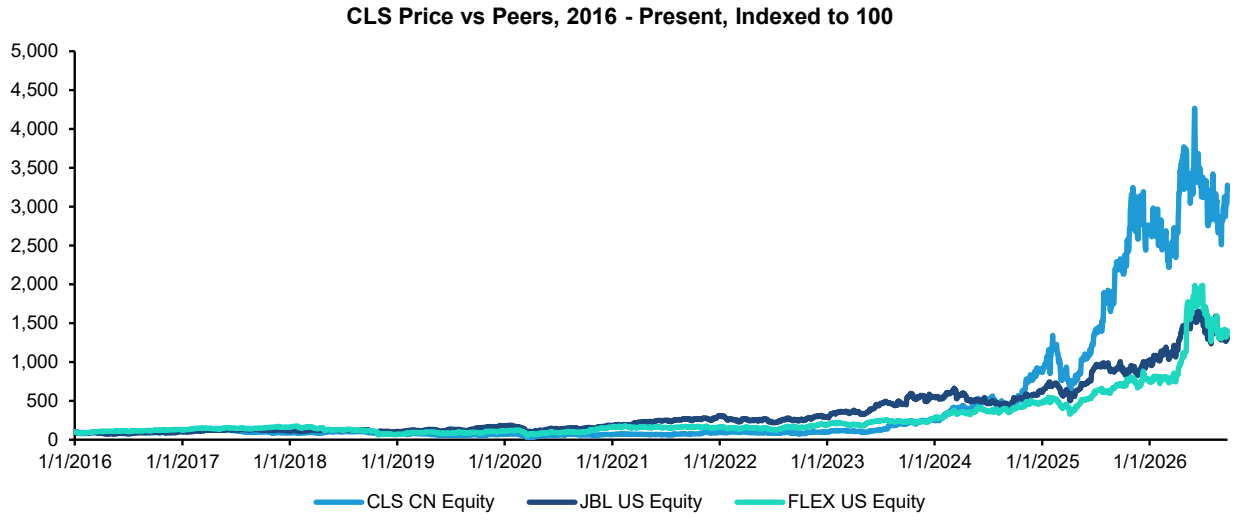
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EXHIBIT 58: **CLS Valuation**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

EXHIBIT 59: **Celestica has re-rated massively compared to its historical peer group in EMS, amid its transition to an ODM model**



Source: Bloomberg (Updated 09/16/26). Note: the price as of 1/1/16 is set to 100 for each stock.

ARISTA: STRUCTURAL SHARE GAINER IN AI SWITCHING, OP TP $250

At the industry level, we estimate 18% growth. We estimate 18% 2026-28 industry growth, including 33% from cloud and AI, driven by growth in XPU ports and ASP uplift from higher speed switches. We also forecast 9% from enterprise, and 4% from service providers (Exhibit 60).

We believe Arista can materially outgrow the industry overall. Arista's revenue mix is much more weighted to data center switching than peers, giving it higher exposure to higher growth markets. We also expect Arista to continue to gain share, amid a shift from Nvidia proprietary technology to an open ecosystem.

- **Arista's historical strength in data center switching has translated to a higher growth mix…** We observe that Arista is the only big company in the networking space to enter the industry after the dot com bubble had already burst, and

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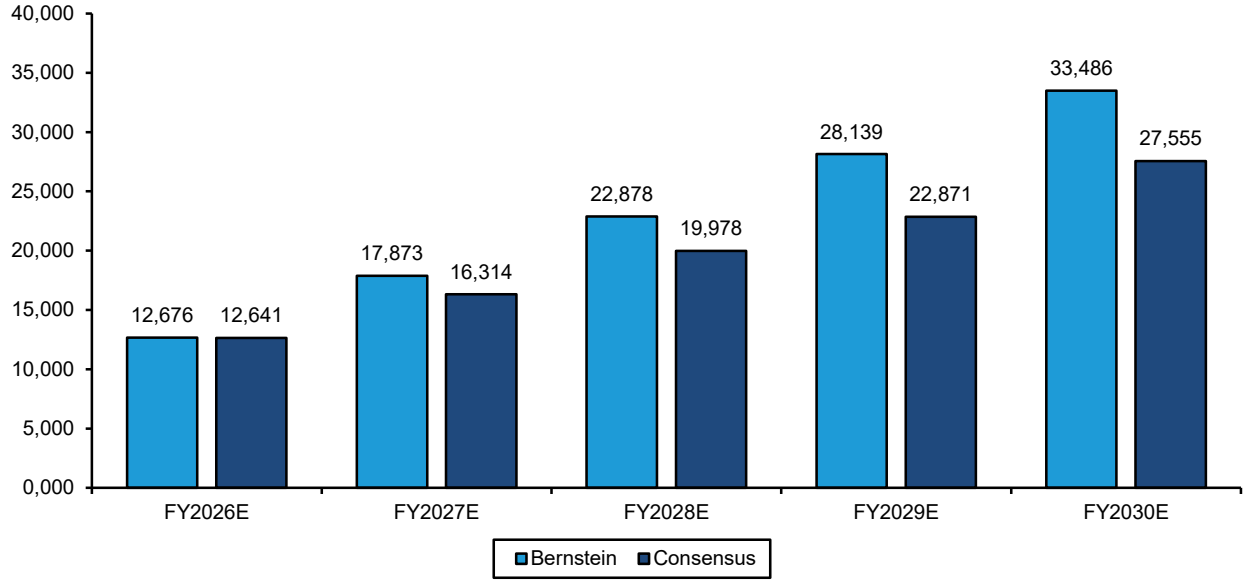
Arista's wedge to gain traction in the market was really on data center switching. Accordingly, Arista's mix has always been more weighted to AI: in 2021 (i.e. pre-AI), Arista reported $2.4B in product revenues, and Dell'Oro estimated that $2.2B of those revenues came from front-end switches (Exhibit 61). As a result, even ignoring Cisco's software business, Arista's business mix is much more weighted towards higher growth data center switches, compared to historical peers like Cisco and Juniper[3] which have more exposure to slower-growing service provider.

- **… and we also believe Arista can gain share.** We believe that Arista's market share in AI back-end switching has already grown from 3% in 2024 to 6% in 2025, and expect it to reach ~9% in 2026E (Exhibit 62). A key catalyst has been the transition from Infiniband to Ethernet: early in the AI data center build, data center operators were largely using Nvidia's proprietary Infiniband technology, in turn making them captive customers for Nvidia's Infiniband scale-out offering (for more details on Infiniband, see the Bernstein semiconductor team's note: U.S. Semiconductors - Infiniwho? Etherwhat? A short primer on AI networking). Infiniband is increasingly supplanted by ethernet-based scale-out, and while Nvidia does have its own SpectrumX ethernet offering, increasing customer choice has caused Nvidia to become a share donor, and many of those customers have chosen Arista. Not only do we expect this trend to continue in scale-out, but we also believe that scale-up may follow a similar trajectory, with Nvidia's proprietary NVLink giving way to the open ethernet-based UALink standard, in turn opening the door for Arista to capture share in UALink scale-up.

We net out at $18.6B in 2027 revenues, vs. consensus at $16.3B. We model Arista's revenues outside-in, based on our industry growth forecast and share assumptions, and land at $18.6B in 2027 revenues, materially above consensus at $16.3B (). This then flows through to upside to EPS (Exhibit 63).

While Arista's valuation is somewhat full, we believe that management can continue to execute well and the stock can compound higher. We rate the stock Outperform, with a $250 price target. Arista is trading at 36.5x our 2027 EPS of $5.61 (Exhibit 64). While the valuation is somewhat full, we observe that Arista has always traded at a higher multiple than peers, and believe that is likely to sustain. However, we see upside to near-to-medium term numbers, and also believe Arista can compound EPS at 28% CAGR from 2027-2030. Accordingly, even with limited upside to the multiple, we believe Arista can still compound higher. We value Arista at 35x our $7.14 in 2028 EPS and arrive at a price target of $250 and an Outpeform rating.

EXHIBIT 60: **ANET Revenue, Bernstein vs Consensus ($M)**

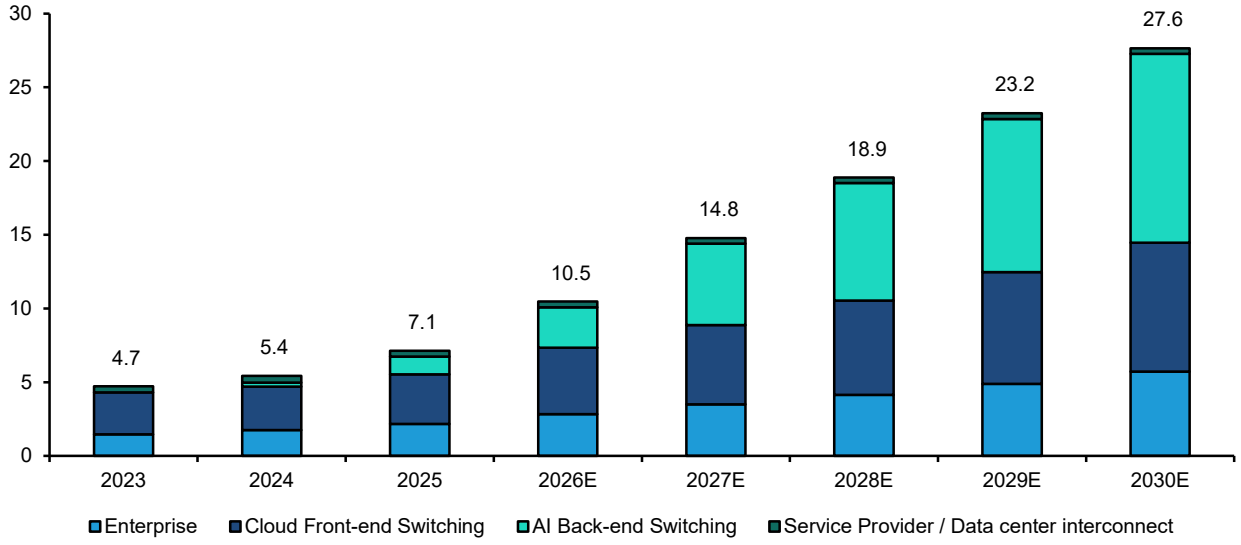


Source: Bloomberg, company filings, Bernstein estimates and analysis

[3] Juniper was acquired by HPE, which is covered by Mark Newman at Bernstein

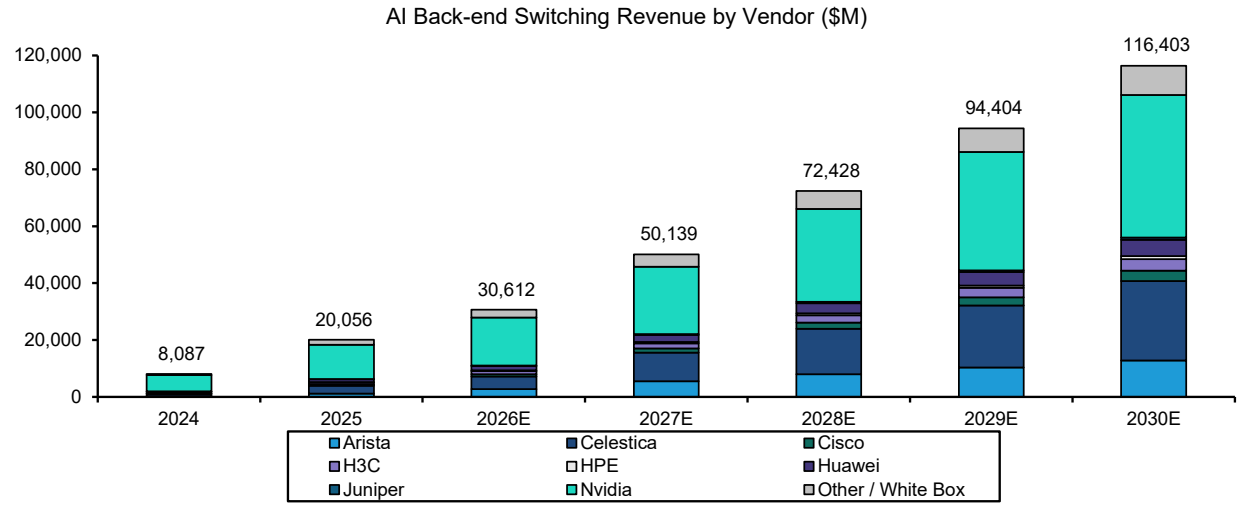
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EXHIBIT 61: **Arista Estimated Product Revenue Breakdown by End Market ($B)**



Source: Dell'Oro, company filings, Bernstein estimates and analysis

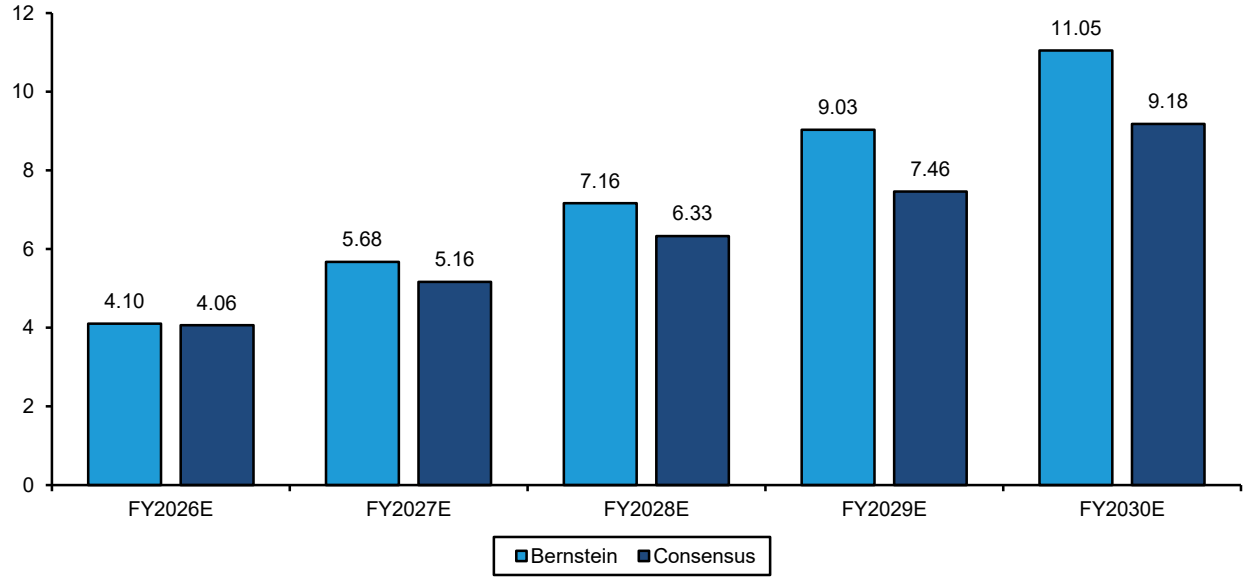
EXHIBIT 62: **We expect Arista and Celestica to continue to gain share as Infiniband is supplanted by ethernet in scale-out**



Source: Dell'Oro, Bernstein estimates and analysis

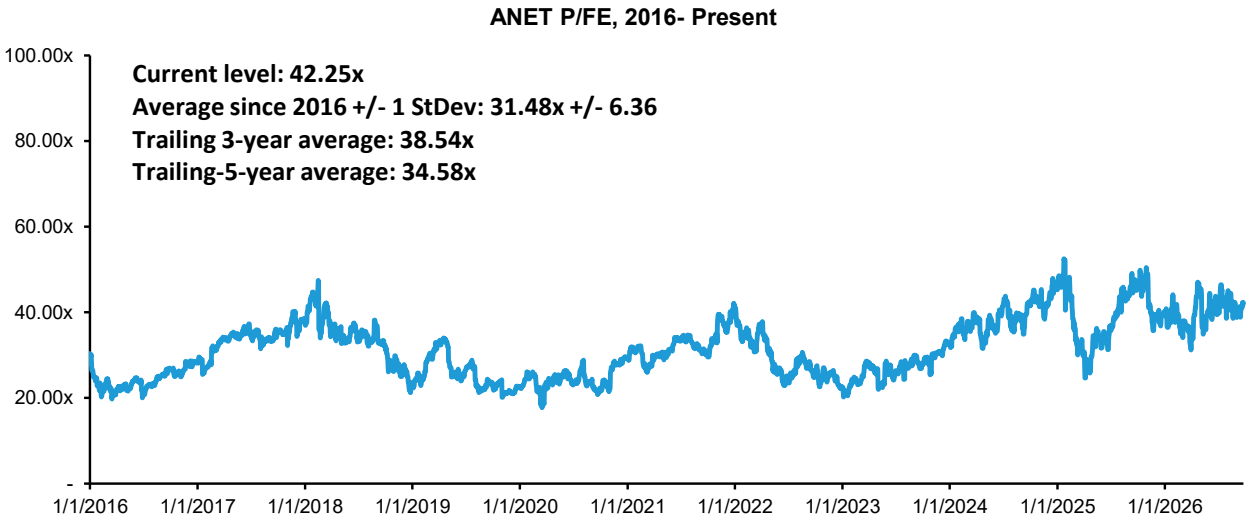
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EXHIBIT 63: **ANET EPS, Bernstein vs. Consensus**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

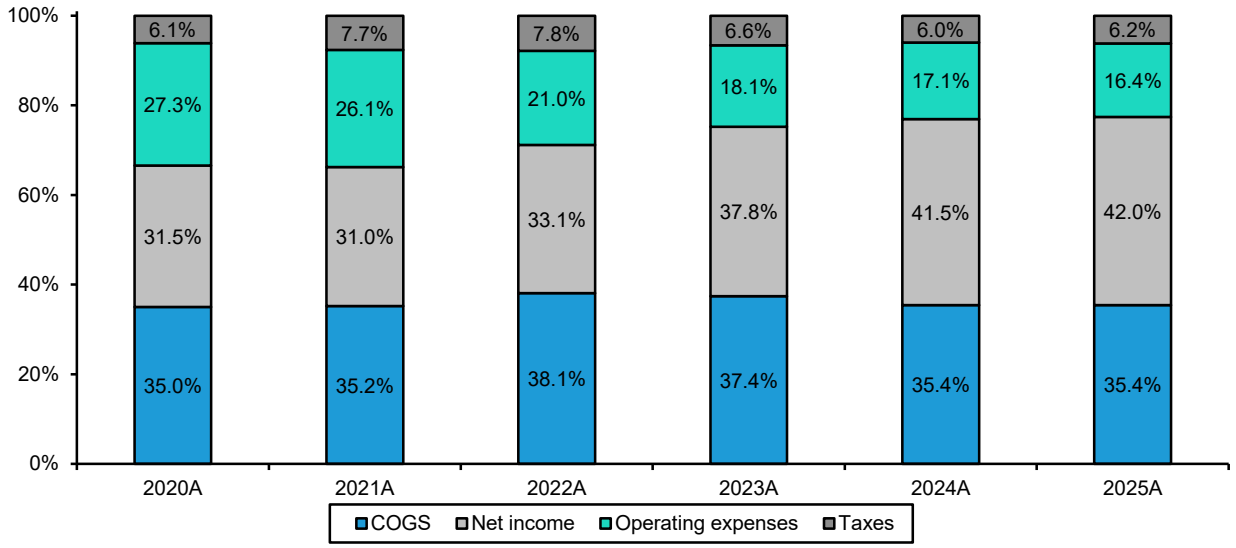
EXHIBIT 64: **ANET Valuation**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

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EXHIBIT 65: **ANET Company Margin Profile**



Source: Bernstein estimates and analysis, Bloomberg, Cap IQ, company filings

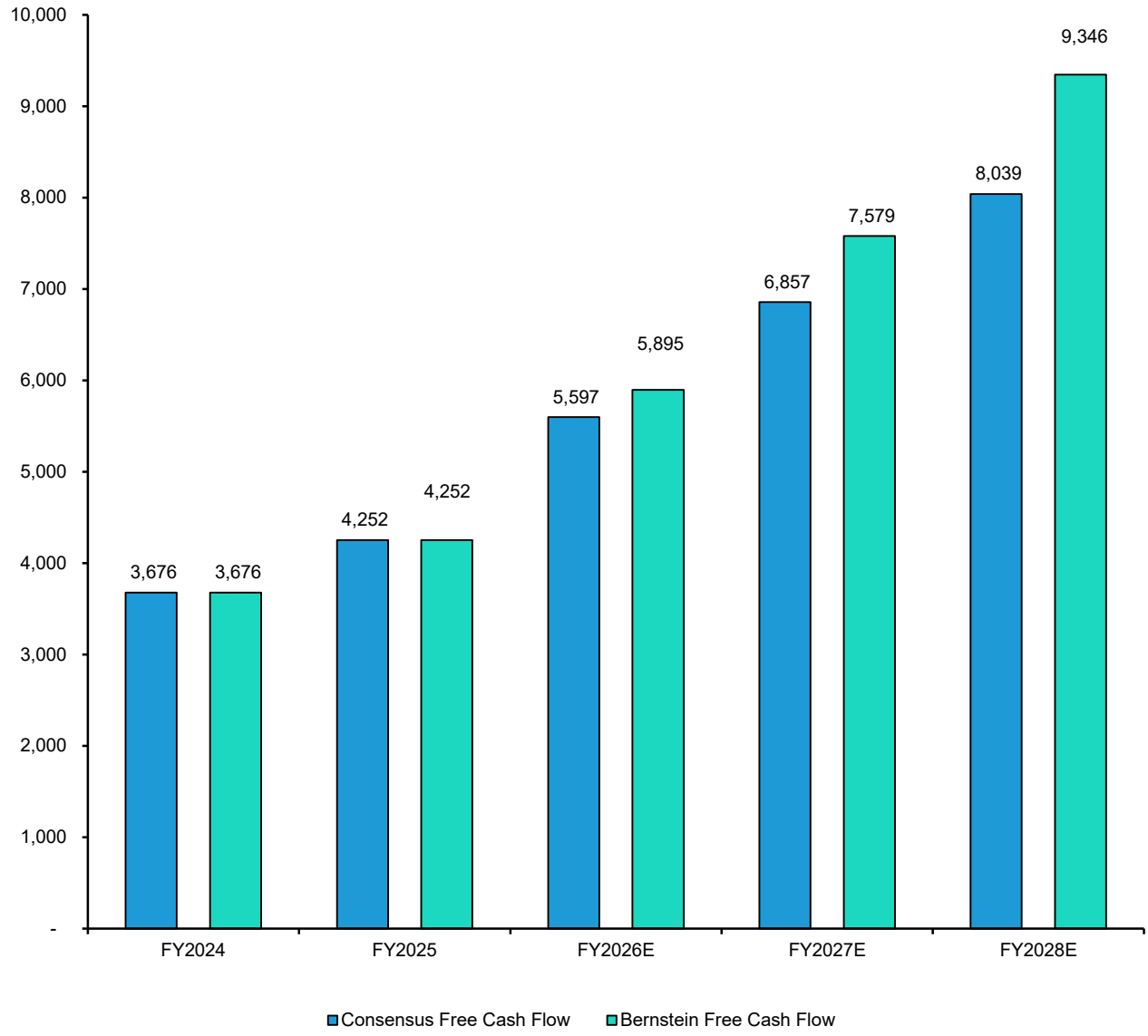
EXHIBIT 66: **ANET Bernstein vs. Consensus**

ANET	FY26E	FY27E	FY28E	FY29E	FY30E
Total Revenues ($M)					
Consensus	$12,641	$16,314	$19,978	$22,871	$27,555
Actual / Bernstein Est.	**$12,676**	**$18,095**	**$23,316**	**$29,645**	**$36,481**
Bernstein vs. Cons.	*0.3%*	*10.9%*	*16.7%*	*29.6%*	*32.4%*
Operating Profit ($M)					
Consensus	$6,103	$7,896	$9,782	$11,366	$13,797
Actual / Bernstein Est.	**$6,215**	**$8,776**	**$11,191**	**$14,230**	**$17,511**
Bernstein vs. Cons.	*1.8%*	*11.1%*	*14.4%*	*25.2%*	*26.9%*
Opex ($M)					
Consensus	$2,285	$2,920	$3,538	$4,427	$5,175
Actual / Bernstein Est.	**$1,740**	**$2,533**	**$3,264**	**$4,150**	**$5,107**
Bernstein vs. Cons.	*-23.8%*	*-13.2%*	*-7.7%*	*-6.2%*	*-1.3%*
EPS ($)					
Consensus	$4.06	$5.16	$6.33	$7.46	$9.18
Actual / Bernstein Est.	**$4.11**	**$5.61**	**$7.03**	**$8.56**	**$10.11**
Bernstein vs. Cons.	*1.1%*	*8.7%*	*10.9%*	*14.7%*	*10.1%*

Source: Bloomberg (as of 09/24/26), Bernstein analysis

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EXHIBIT 67: **ANET DCF 2023-2028**



Source: Bloomberg (updated as of 9/24/26), Bernstein estimates and analysis

CISCO: POORLY TIMED PIVOT CAPS GROWTH POTENTIAL, MP TP $110

Cisco has invested heavily in pivoting from networking hardware to cybersecurity and observability. However, its software businesses are decelerating, and it continues to lag software pureplays.

- **Cisco has invested heavily in building out its software businesses.** Headlined by ~$28B cash acquisition of Splunk in March 2024, Cisco has invested heavily in making acquisitions to pivot its business model towards more software heavy cybersecurity and observability, compared to its historical core business in networking hardware (Exhibit 68).
- **Cisco's software businesses are decelerating…** However, the acquisition appears poorly timed; following the inorganic growth in 2024 and 2025, Cisco's security business has decelerated to 2% YoY growth in FY 2026, and similarly observability has decelerated to 4% (Exhibit 69).
- **… and Cisco continues to lag software pure plays in terms of perceived capability.** We also note that, despite significant investments, Cisco's perceived capability continues to lag behind that of software pure plays Crowdstrike and Palo Alto Networks in our CISO survey (Exhibit 70 - for more details: Cybersecurity Mid-'26 CISO survey: AI-driven demand

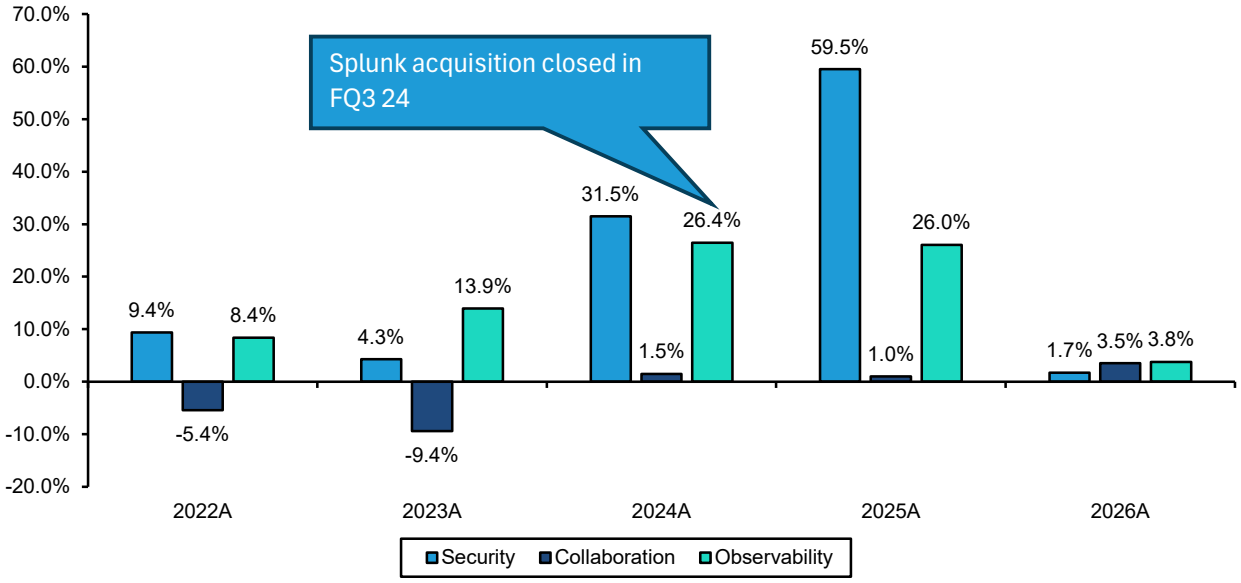
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continues!). Perhaps as a result, in our broader Bernstein CIO survey, spend intention for Cisco continues to be negative (Exhibit 71- for more details, see: IT Hardware: May 2026 CIO survey results — Perspectives on spending levels, AI, PCs, and vendors

We believe the pivot is especially poorly timed because it has served as a potential distraction from the critical networking hardware opportunity. While there is some growth potential from networking hardware, it is a smaller share of Cisco's mix and Cisco has lower share compared with peers. We worry that Cisco's move to software is especially poorly timed because it may have distracted from the emerging AI hardware opportunity. While Cisco has historically been the dominant player in the industry, it is now punching below its weight in data center switching, which is the fastest growing segment of the market by a significant margin (Exhibit 6, again). While there are green shoots at Cisco, including healthy growth from Cisco Acacia in scale-across, and promising progress in Cisco Silicon One, overall these remain a relatively small share of the mix.

We see some tactical upside to near-term numbers, but longer term the stock's valuation appears fair. We rate Cisco Market-Perform, with a $110 price target. We do believe that Cisco's guidance could prove conservative, given a guide which is more front-end loaded than historical seasonality. This may offer some tactical upside to near-term numbers (Exhibit 72 & Exhibit 73), limiting downside. But the story is hard to get excited about, and longer-term, a 20x multiple for an ~8% grower seems relatively fully valued (Exhibit 74 & Exhibit 75). We value Cisco at ~20x our estimate of $5.6 in 2028 EPS, or $110 per share, and rate the stock Market-Perform.

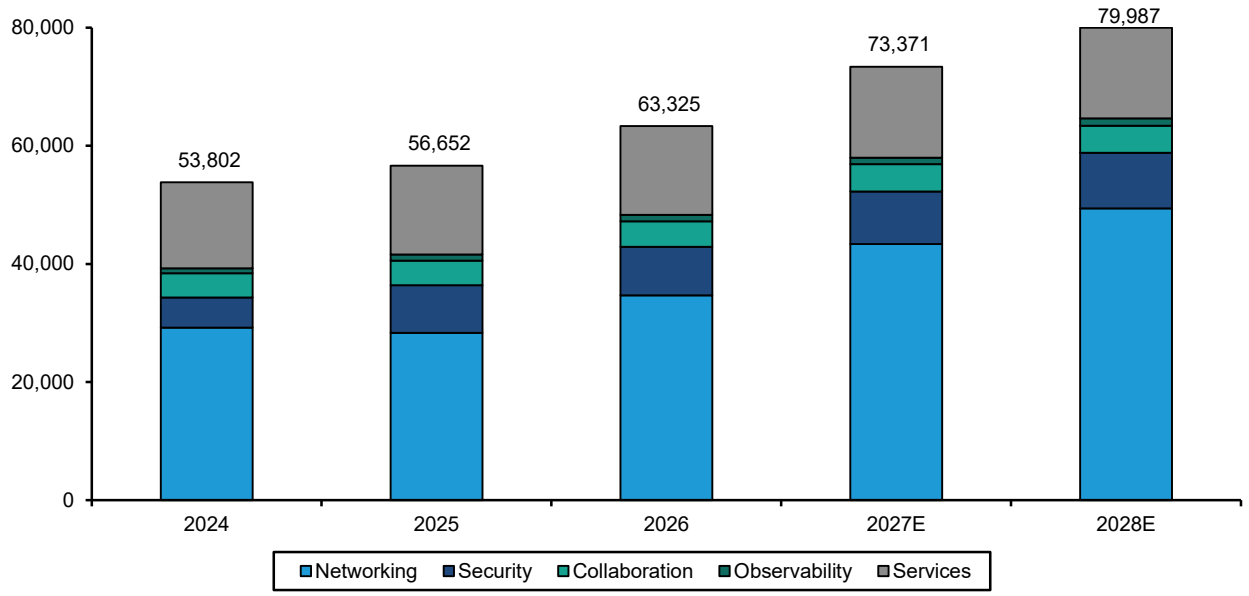
EXHIBIT 68: **Cisco Non-Networking Product YoY Revenue Growth**



Source: Company filings, Bernstein estimates and analysis

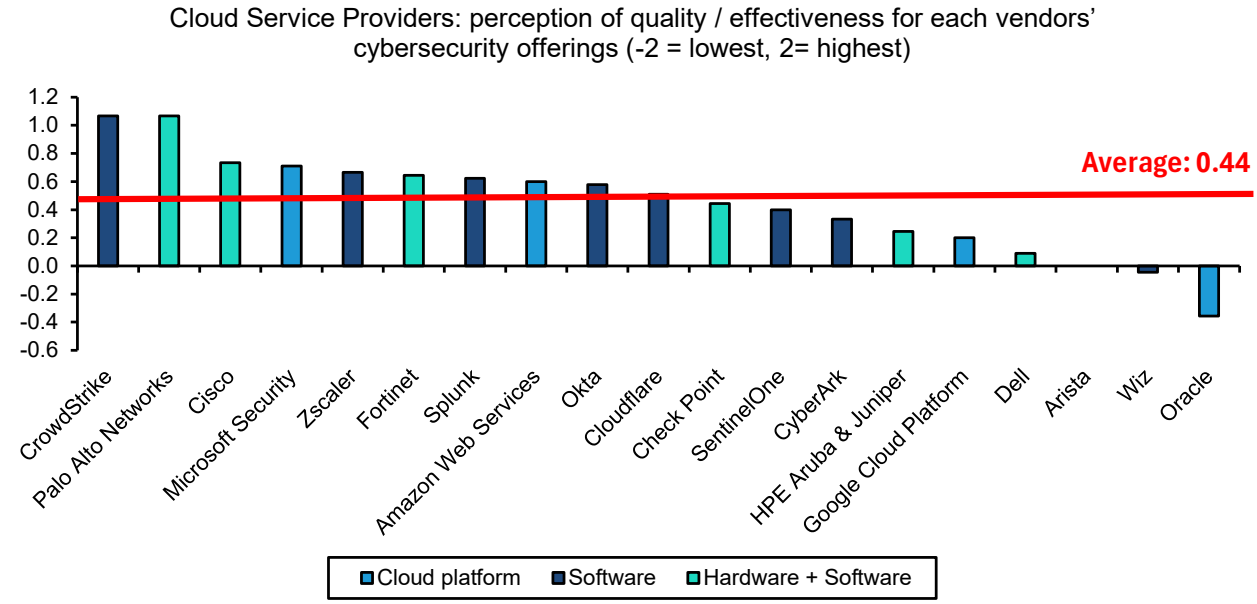
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EXHIBIT 69: **CSCO Revenue Split by Segment**



Source: Company filings, Bernstein estimates and analysis

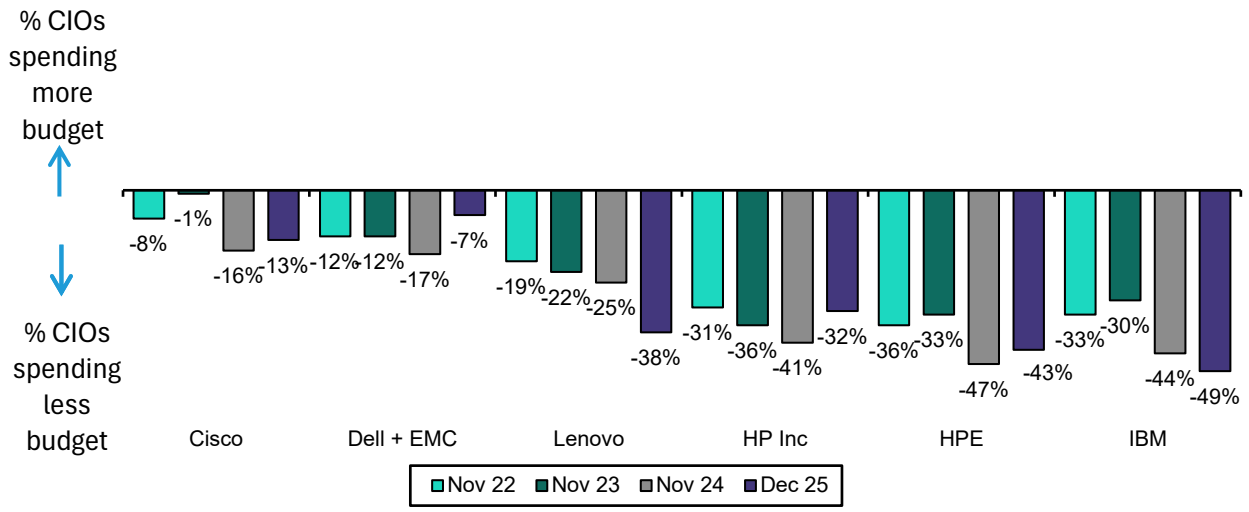
EXHIBIT 70: **...And Cisco's effectiveness is still perceived as lagging the cybersecurity pure play firms**



Source: Bernstein CISO Survey

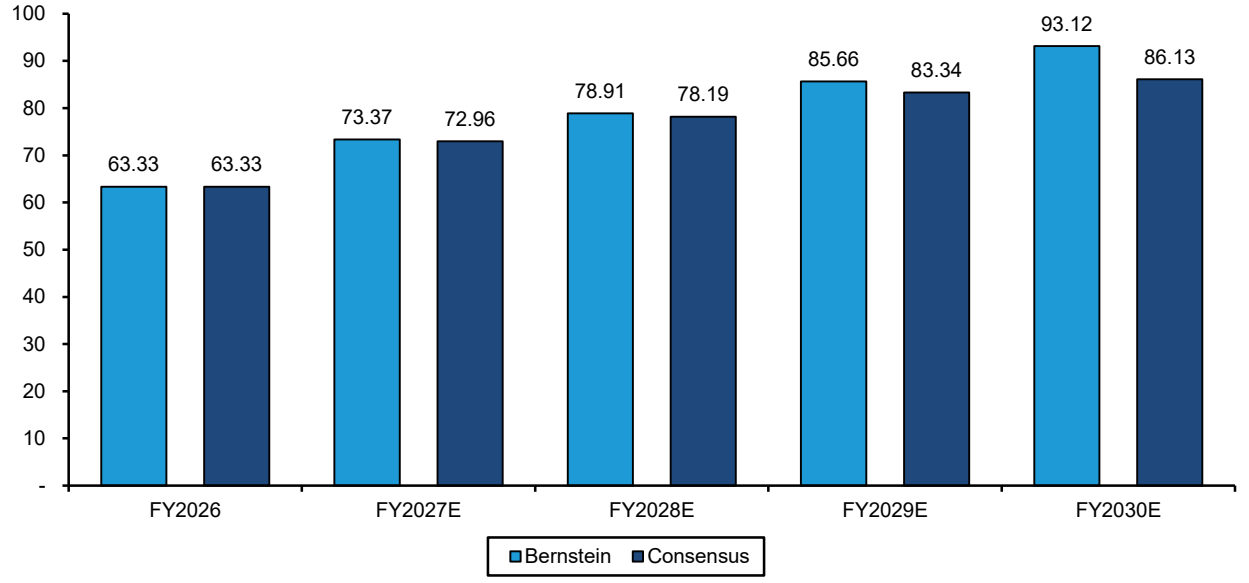
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EXHIBIT 71: **Spend intention for Cisco remains negative**



Source: Bernstein CIO survey

EXHIBIT 72: **Revenue, Bernstein vs. Consensus ($B)**



Source: Souce: Bernstein estimates and analysis, Bloomberg (Updated 09/16/26)

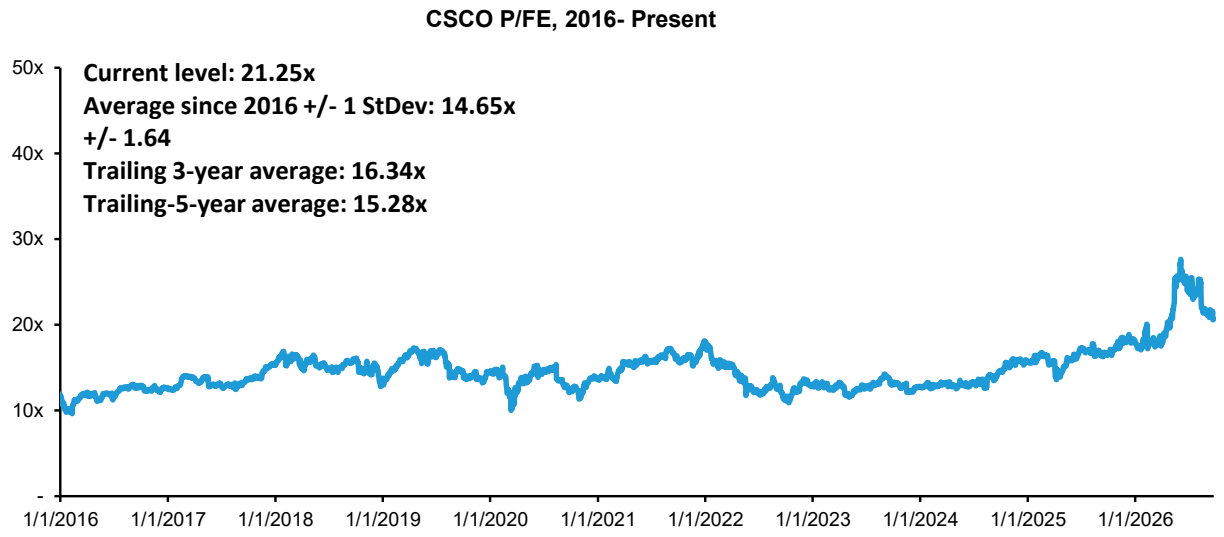
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EXHIBIT 73: **CSCO Bernstein vs. Consensus**

CSCO	FY26E	FY27E	FY28E	FY29E	FY30E
Total Revenues ($M)					
Consensus	$63,325	$72,962	$78,188	$83,338	$86,132
Actual / Bernstein Est.	**$63,325**	**$73,371**	**$78,907**	**$85,661**	**$93,122**
Bernstein vs. Cons.	*0.0%*	*0.6%*	*0.9%*	*2.8%*	*8.1%*
Operating Profit ($M)					
Consensus	$22,040	$25,477	$27,308	$29,515	$30,926
Actual / Bernstein Est.	**22,040**	**25,649**	**27,354**	**29,380**	**31,581**
Bernstein vs. Cons.	*0.0%*	*0.7%*	*0.2%*	*-0.5%*	*2.1%*
EPS ($)					
Consensus	4.33	5.10	5.58	6.09	6.76
Actual / Bernstein Est.	**$4.33**	**$5.11**	**$5.52**	**$5.95**	**$6.42**
Bernstein vs. Cons.	*-0.1%*	*0.2%*	*-1.1%*	*-2.3%*	*-5.1%*
FCF ($M)					
Consensus	$12,767	$18,749	$19,867	$23,452	$26,535
Actual / Bernstein Est.	**$12,767**	**$12,176**	**$17,509**	**$21,184**	**$25,331**
Bernstein vs. Cons.	*0.0%*	*-35.1%*	*-11.9%*	*-9.7%*	*-4.5%*

Source: Bloomberg (as of 09/24/26), Bernstein analysis

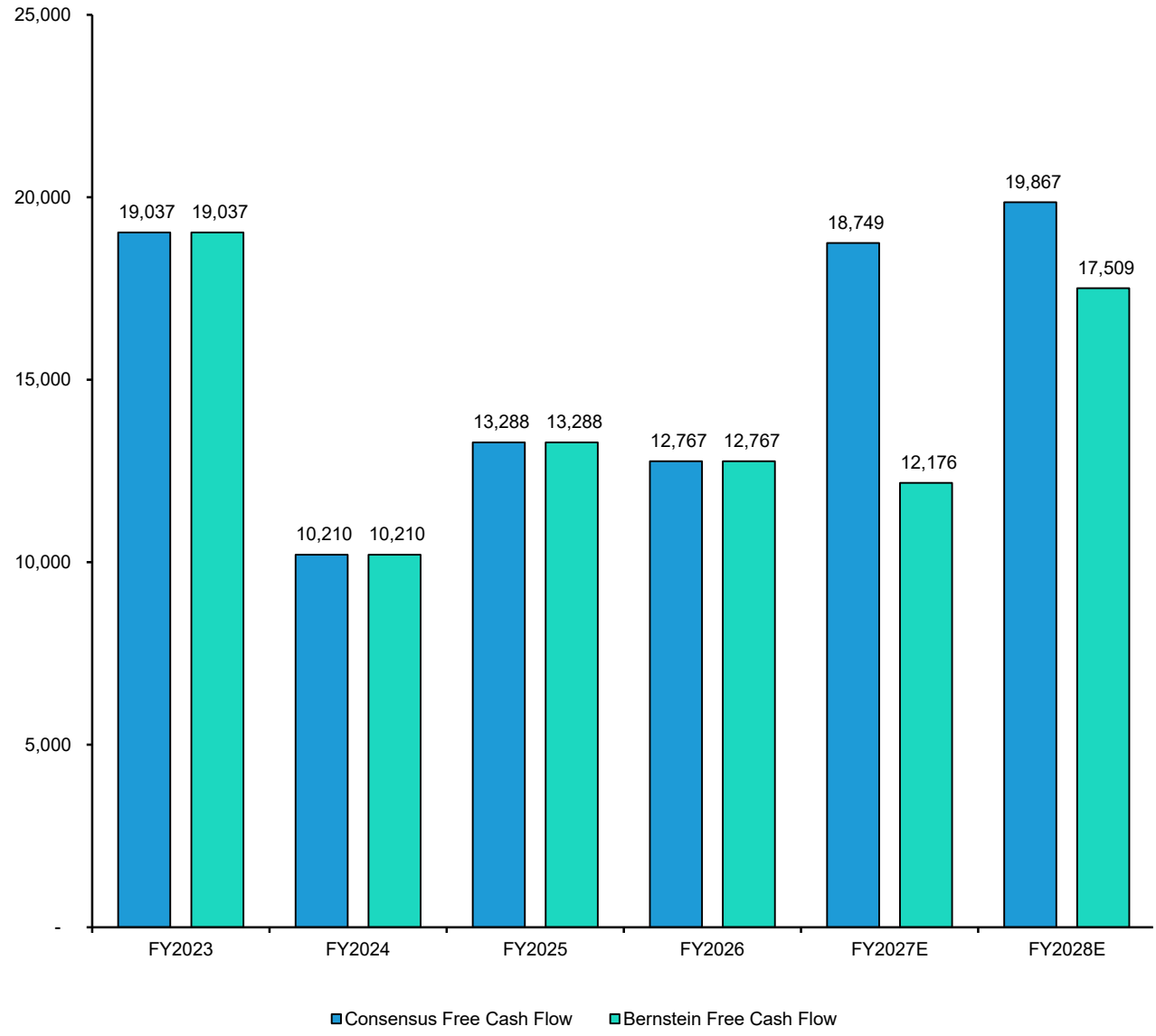
EXHIBIT 74: **CSCO Valuation**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

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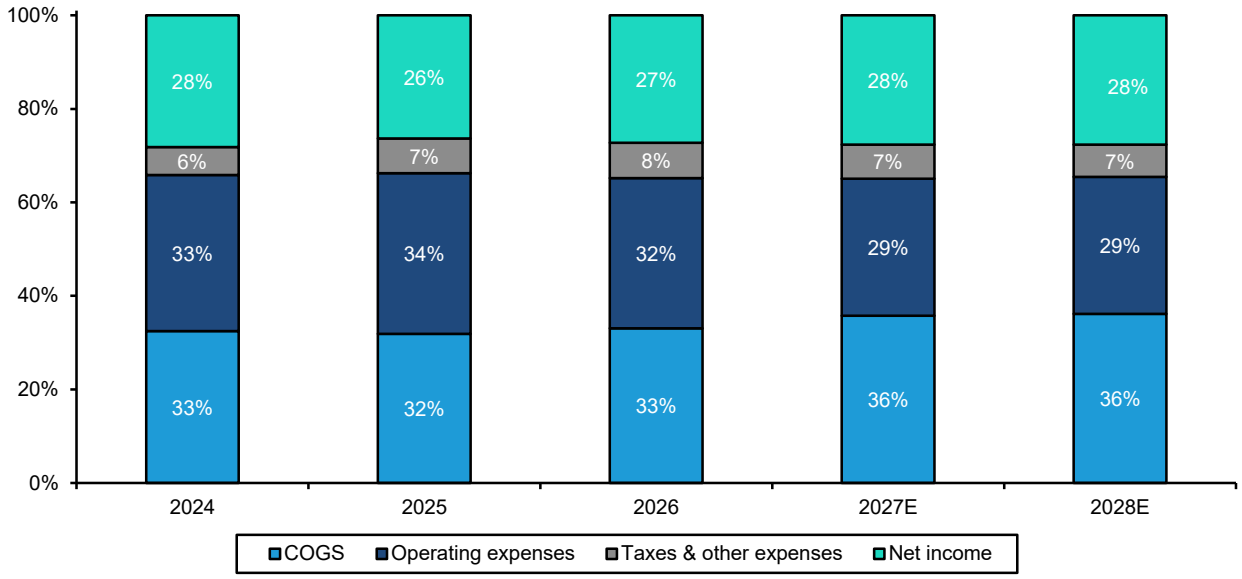
EXHIBIT 75: **CSCO DCF 2023-2028, $M**



Source: Bernstein estimates and analysis, Bloomberg (Updated as of 09/17/2026)

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EXHIBIT 76: **CSCO Margin Mix**



Source: Company filings, Bernstein estimates and analysis

LASERS & OPTICAL MODULES

WE ARE POSITIVE ON THE SUB-SECTOR

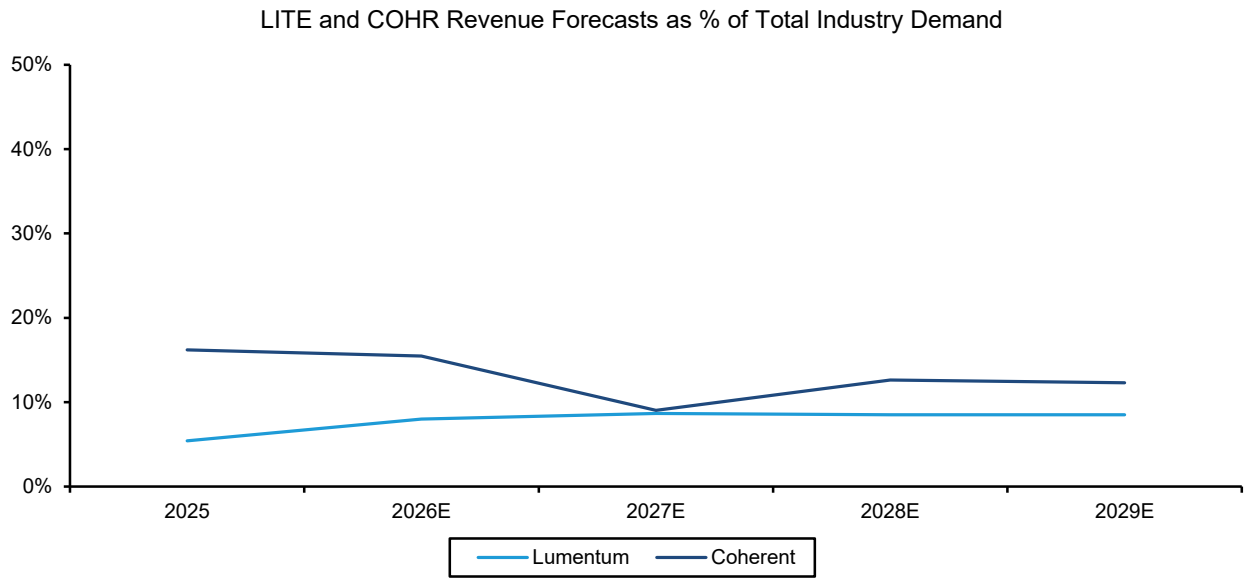
To quickly recap our views on the industry: Laser capacity remains a critical bottleneck to AI performance, and demand exceeds supply for the foreseeable future. We model transceiver revenues growing 40% CAGR from $57B in 2026 to ~$300B in 2030. We also believe that Lumentum and Coherent will be able to sustain their share of industry economics, and see upside to consensus revenues (Exhibit 77).

We see concerns around CPO timelines as overblown, and offering potential entry points for the stock. We note that, because CPO (Exhibit 78) is seen as a key catalyst for optical adoption in scale-up, the CPO timeline is seen as a gating factor for Lumentum's ability to unlock the next leg of growth from optical adoption in scale-up. To be clear, while management teams have expressed confidence, we believe issues with CPO yields are real. CPO requires optical engines to be soldered onto the substrate. However, optical fibers cannot withstand the heat of soldering, and so need to be attached later. As a result, a single fiber misalignment can ruin the optical engine, and because soldered optical engines are difficult to replace, one ruined optical engine can ruin the whole switch. As a result, TSMC faces a difficult challenge in getting fiber alignment issues down to near zero in order to reach acceptable yields - as of Computex in early summer, yields were rumored to be 95% per optical engine, which sounds high but translates to 20% for a switch with 32 optical engines. However, we believe that even if yield issues persist, customers would likely shift to near-packaged optics, which offers better replaceability for optical engines and thus better manufacturability for the switch as a whole. Because Lumentum and Coherent should see similar economics for CPO and NPO, we see this shift as relatively neutral for both stocks, and see a sell-off around CPO yield issues as unwarranted. For our Asia Hardware team's views on NPO and CPO, see: China Next Winners - Asia Tech: The push toward NPO and AI SuperPod and Co-Packaged Optics (CPO) Primer: Inside the War for Datacenter Connectivity.

We see Lumentum and Coherent as primarily a sub-sector call. In contrast to networking generally being a high dispersion sector, we observe that Lumentum and Coherent generally trade together, and believe that getting the stock calls right is more about getting the right call on the sub-sector as a whole, with the rank order between Lumentum and Coherent as a secondary concern.

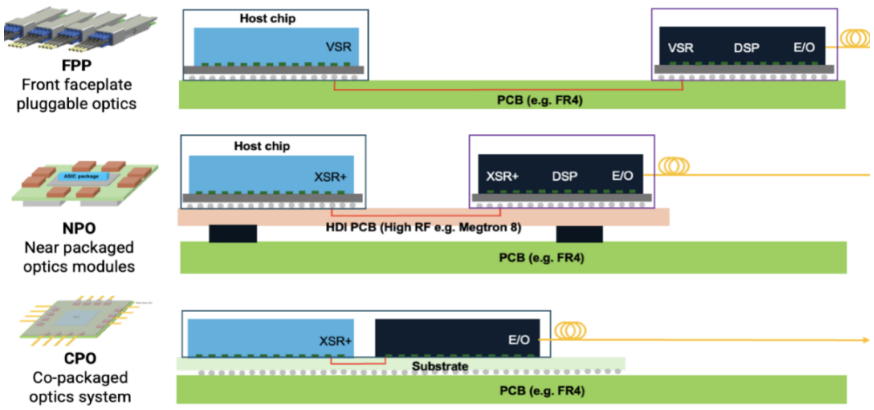
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EXHIBIT 77: **We expect optical demand to exceed supply through 2028 and see limited risk of a new entrant disrupting the LITE/COHR duopoly**



Source: Dell'Oro, Bernstein estimates and analysis

EXHIBIT 78: **Optical stocks sold off on negative CPO headlines, which we see as unwarranted as CPO yield issues would likely spur a shift to NPO**



Source: Senko, Resolute Photonics

LUMENTUM: LEVERAGED PLAY ON OPTICS DEMAND, OP $1,220

We see continued upside to transceiver pricing as data center switches move to higher speeds. We model industry revenues growing ~40% CAGR, and Lumentum growing in line with the industry (Exhibit 79).

Lumentum will also see significant operating leverage amid growth. While Lumentum has increased its capacity of in-house transceivers with the Clout Light acquisition, Lumentum is ultimately selling the majority of its lasers to external transceiver OEMs. Because the company is more focused on laser modules, which is the highest value and highest margin part of the transceiver supply chain, Lumentum should be able to earn very high incremental margins as revenue grows (Exhibit 80, Exhibit 81). Accordingly, in addition to being positive on revenues, we believe that Lumentum can continue to see significant operating leverage as the business scales.

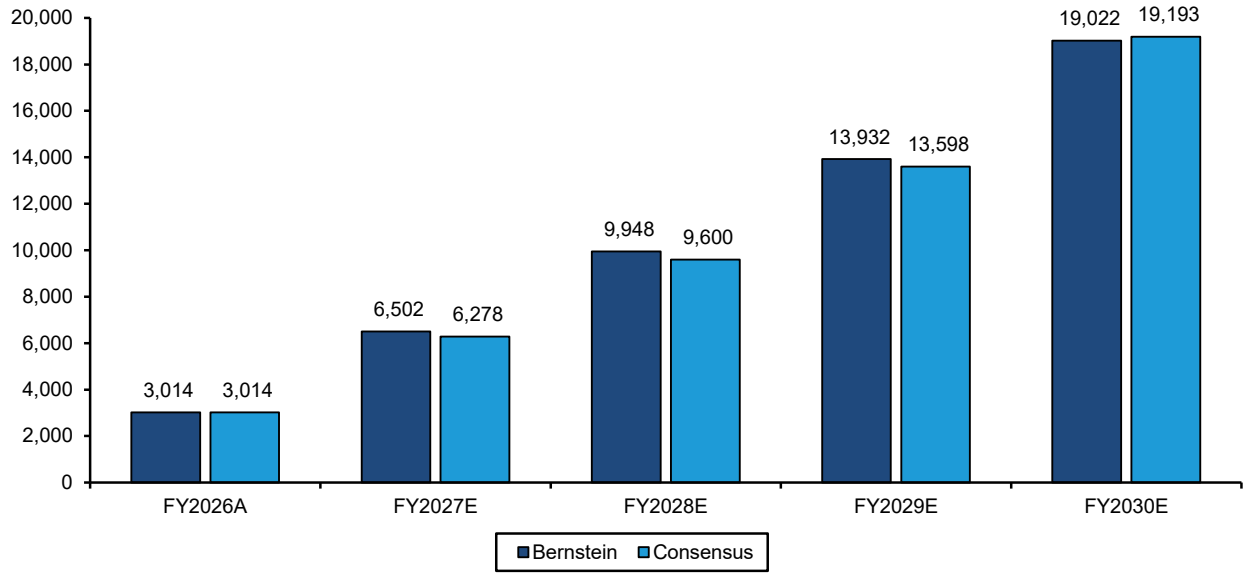
We prefer Lumentum over Coherent, given purer exposure and stronger operating leverage. While we like both stocks, we observe that Lumentum is close to being an optical communications pure play, while Coherent is generating 26% of revenue

on 30-Sep-2026

from its industrial segment (Exhibit 82). We believe that this gives Lumentum higher torque to the AI data center theme; given our positive stance on the industry, this leads us to be more positive on Lumentum than Coherent. We also note that Coherent is more vertically integrated than Lumentum, which increases total revenue but lowers incremental margins, indicating that Lumentum will likely see sharper operating leverage as both businesses ramp. While Coherent's vertical integration does help to mitigate geopolitical risk, we believe that the main concern (a ban on Chinese transceiver imports) is unlikely to materialize, and as a result don't see this as particularly material to risk-reward on the stock. We also observe that, while both companies are early leaders in optical circuit switching, which we see as a promising emerging technology, Lumentum's MEMS approach appears to have gained more traction than Coherent's liquid crystal solution.

We rate Lumentum Outperform. We see continued upside to transceiver pricing and to consensus numbers. We value the stock at 35x our estimate of $35 in FY 2028, and rate Lumentum Outperform, with a $1,220 price target (Exhibit 83).

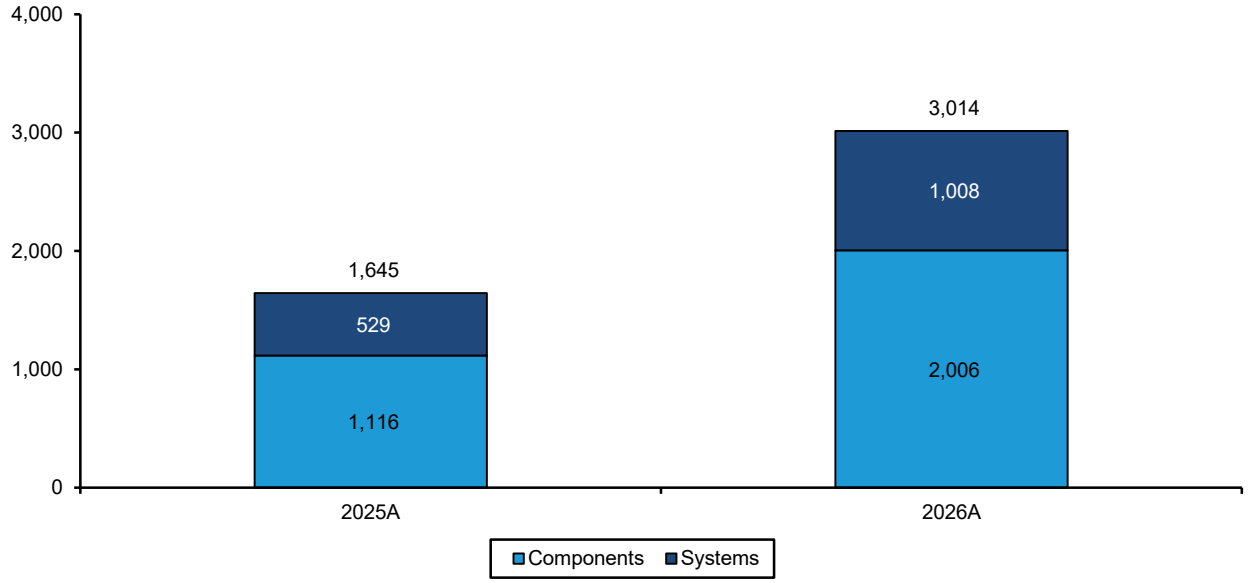
EXHIBIT 79: **LITE Revenue, Consensus vs Bernstein**



Source: Bernstein estimates and analysis, Bloomberg (Updated as of 09/24/2026)

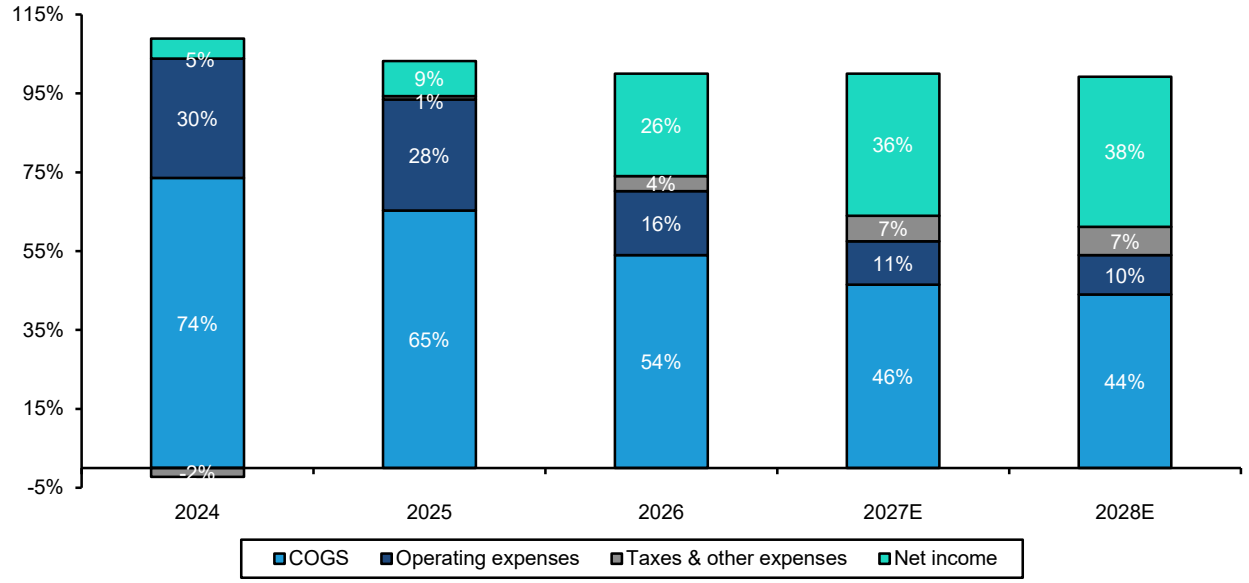
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EXHIBIT 80: **LITE Revenue Split by Segment, $M**



Source: Company filings, Bernstein estimates and analysis

EXHIBIT 81: **LITE Margin Mix**



Source: Company filings, Bernstein estimates and analysis

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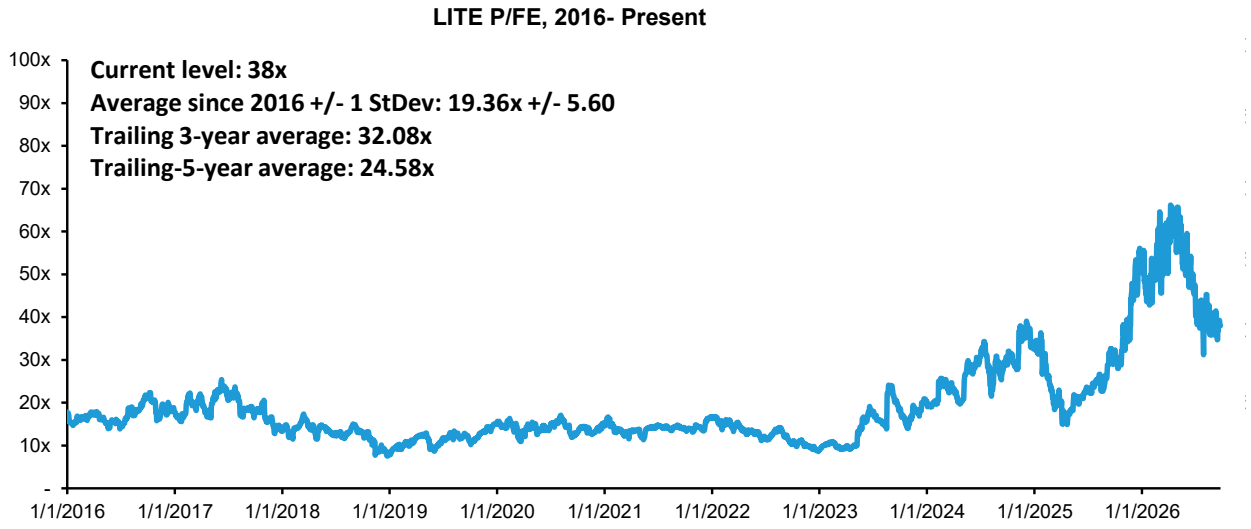
EXHIBIT 82: **We like both, but prefer Lumentum over Coherent**

Topic	LITE	COHR	Conclusion
Mix	Close to optical communications pure play; no other material end markets	Industrials ~26% of revenue in 2026	LITE offers higher torque to AI data center build
Business Model	Higher exposure to laser modules, with sales to external transceiver OEMs	Vertically integrated; largely makes own transceivers; moving into line systems and launching Photolink CPO platform	LITE has more margin upside but COHR has less geopolitical risk
Optical circuit switching	MEMS-based OCS using microscopic mirrors to route light beams	Liquid-crystal based OCS uses liquid crystal cells with no moving parts to route light beams	LITE's MEMS has proved more effective in practice (despite theoretical disadvantages) and is the dominant solution in scale deployments
Overall	We are positive on both but prefer LITE due to cleaner exposure and higher margin upside		

Source: Bernstein estimates and analysis

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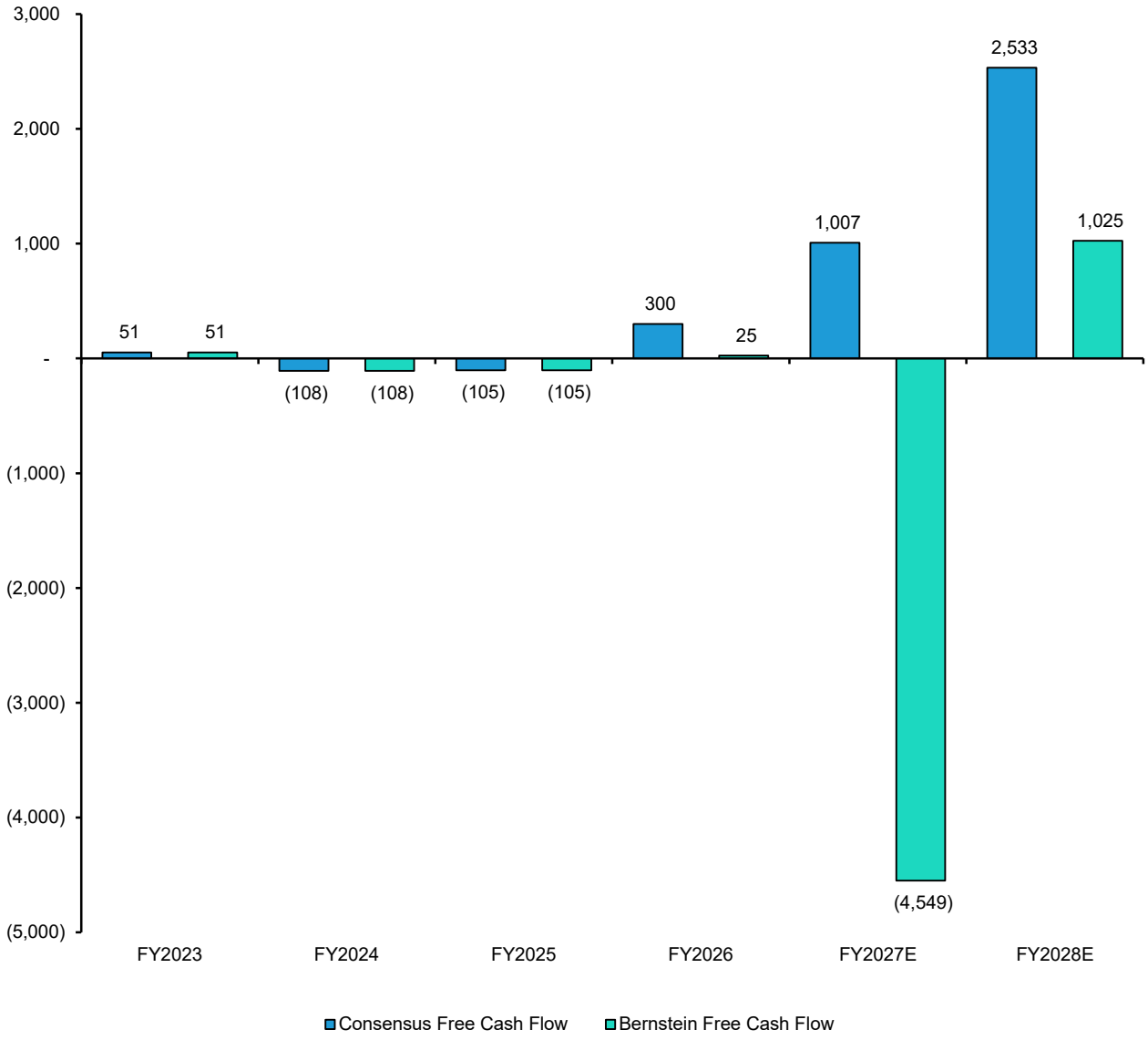
EXHIBIT 83: **LITE Valuation**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

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EXHIBIT 84: **LITE DCF 2023-2028, $M**



Source: Bernstein estimates and analysis, Bloomberg (Updated as of 09/17/2026)

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EXHIBIT 85: **LITE Bernstein vs. Consensus**

LITE	FY27E	FY28E	FY29E	FY30E
Total Revenues ($M)				
Consensus	$6,273	$9,598	$13,385	$19,193
Actual / Bernstein Est.	**$6,502**	**$10,729**	**$16,094**	**$21,726**
Bernstein vs. Cons.	*3.7%*	*11.8%*	*20.2%*	*13.2%*
Operating Profit ($M)				
Consensus	$2,578	$4,181	$5,802	$8,315
Actual / Bernstein Est.	$2,764	$4,935	$7,805	$11,080
Bernstein vs. Cons.	*7.2%*	*18.0%*	*34.5%*	*33.3%*
Opex ($M)				
Consensus	$655	$890	$1,391	$1,475
Actual / Bernstein Est.	$718	$1,073	$1,529	$1,955
Bernstein vs. Cons.	*9.6%*	*20.6%*	*9.9%*	*32.5%*
EPS ($)				
Consensus	$21.50	$33.91	$47.49	$63.78
Actual / Bernstein Est.	**$22.40**	**$34.96**	**$49.11**	**$63.62**
Bernstein vs. Cons.	*4.1%*	*3.1%*	*3.4%*	*-0.2%*

Bloomberg (as of 09/24/26), Bernstein analysis

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EXHIBIT 86: **LITE ROIC Breakdown**

ROIC Breakdown	2024A	2025A	2026A
Net Working Capital	300	347	464
PP&E	573	726	1,159
Total invested capital	**872**	**1,074**	**1,623**
Revenue	1,359	1,645	3,014
Invested Capital Turnover	1.56	1.53	1.86
Operating income	-8	160	897
Operating Margin %	-0.56%	9.73%	29.76%
EBIT	-8	160	897
Tax rate	15%	16%	17%
NOPAT	-6	134	749
ROIC	-0.74%	12.45%	46.15%
Enterprise Value			
EV / EBIT			
Shareholder's Equity	957	1,135	4,644
Equity multiplier	4.11	3.72	1.57
ROIC to equity multiplier	0%	3%	29%
ROE	-0.57	0.02	-1.49
Market Cap			
P/E			

Source: Company filings, Bernstein estimates and analysis

COHERENT: VERTICALLY INTEGRATED OPTICAL PLAY, OP TP $350

We see continued upside to transceiver pricing as data center switches move to higher speeds. We model industry revenues growing ~40% CAGR, and Coherent growing in line with the industry.

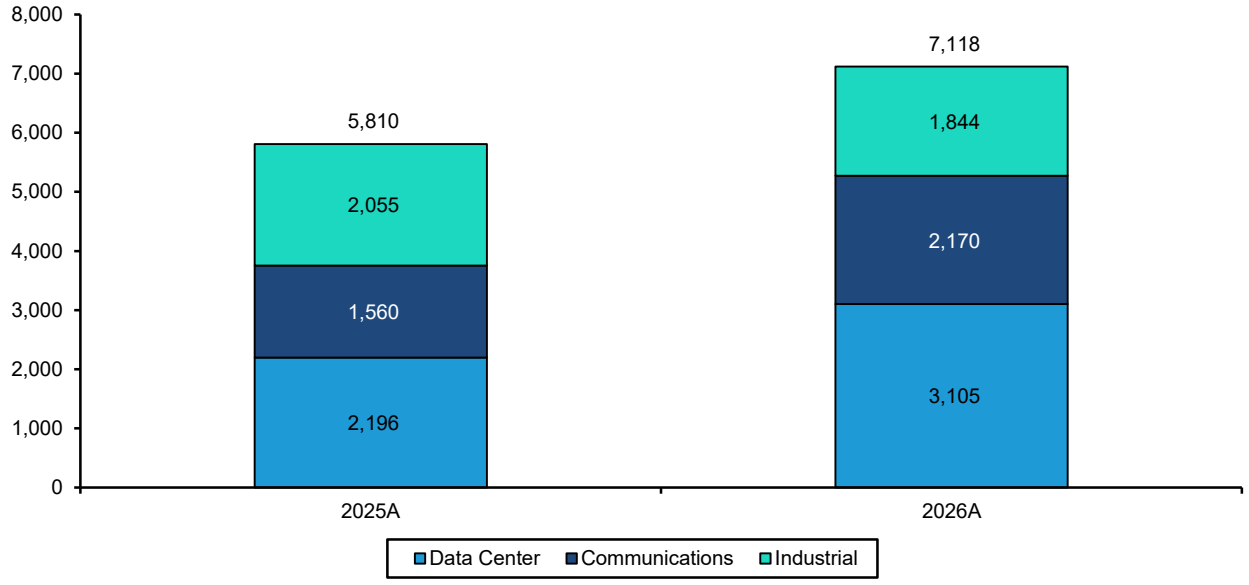
Coherent will also see significant operating leverage amid growth. While Coherent's margin upside may be lower than Lumentum, given its greater vertical integration and thus higher exposure to lower margin segments, we still find the stock attractive, and see its exposure to AI as growth-motivating (Exhibit 87).

Recap: we like both stocks, but prefer Lumentum over Coherent, given purer exposure and stronger operating leverage. While we like both stocks, we observe that Lumentum is close to being an optical communications pure play, while Coherent is generating 26% of revenue from its industrial segment. We believe that this gives Lumentum higher torque to the AI data center theme; given our positive stance on the industry, this leads us to be more positive on Lumentum than Coherent. We also note that Coherent is more vertically integrated than Lumentum, which increases total revenue but lowers incremental margins, indicating that Lumentum will likely see sharper operating leverage as both businesses ramp. While Coherent's vertical integration does help to mitigate geopolitical risk, we believe that the main concern (a ban on Chinese transceiver imports) is unlikely to materialize, and as a result don't see this as particularly material to risk-reward on the stock. We also observe that, while both companies are early leaders in optical circuit switching, which we see as a promising emerging technology, Lumentum's MEMS approach appears to have gained more traction than Coherent's liquid crystal solution.

We rate Coherent Outperform. We see continued upside to transceiver pricing and to consensus numbers. We value the stock at ~22x our estimate of $16 in FY 2028, and rate Coherent Outperform, with a $350 price target (Exhibit 88, Exhibit 89).

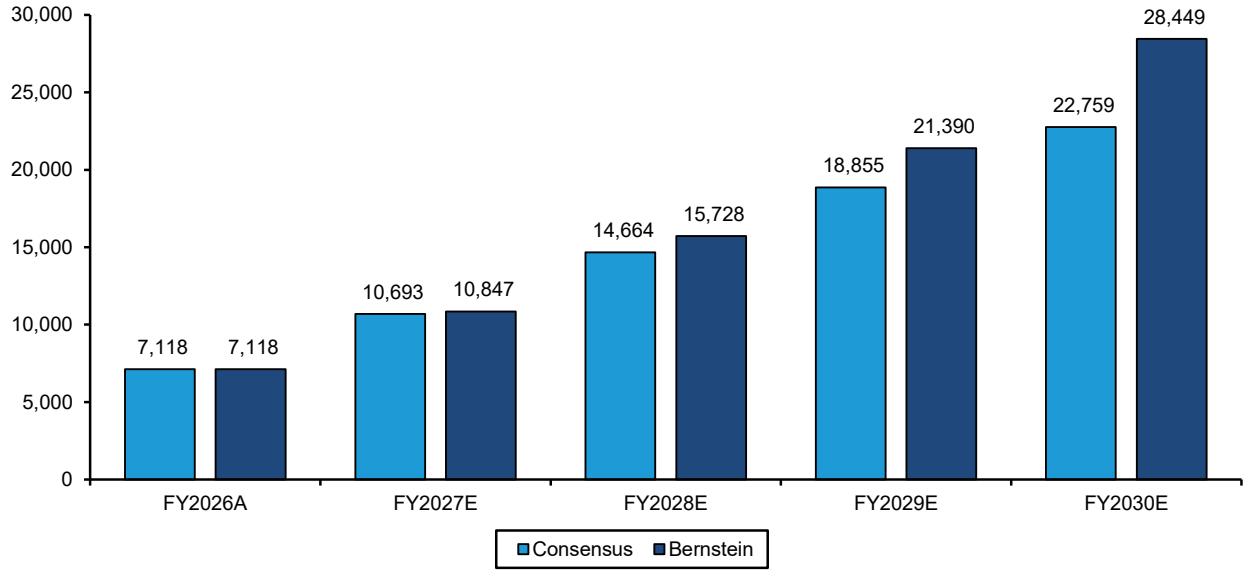
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EXHIBIT 87: **COHR Revenue Split by Segment, $M**



Source: Company filings, Bernstein estimates and analysis

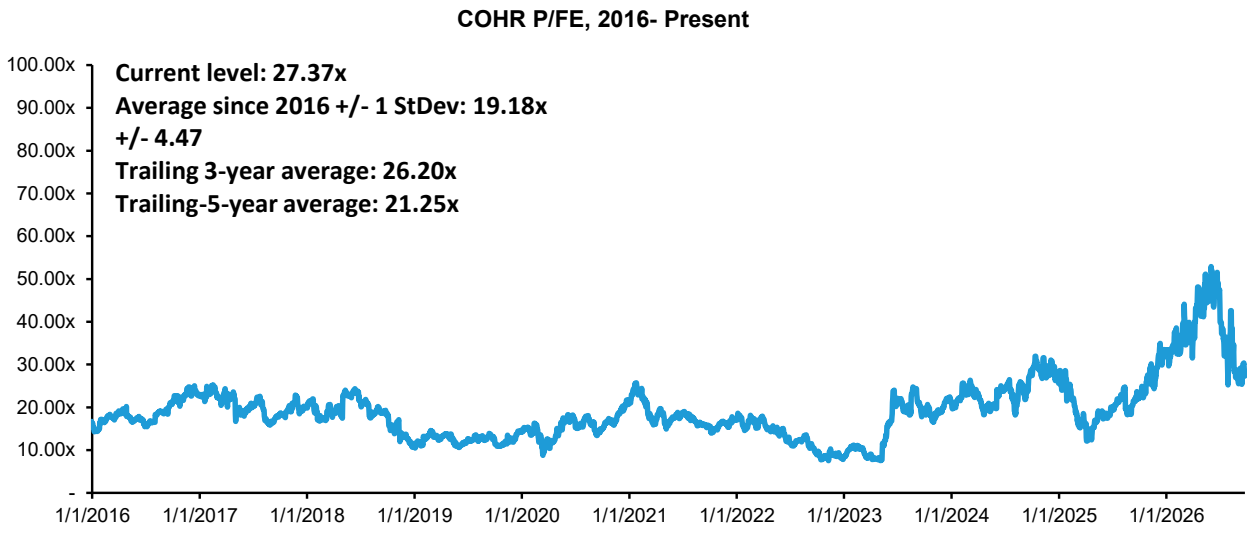
EXHIBIT 88: **COHR Revenue, Consensus vs Bernstein ($M)**



Source: Bernstein estimates and analysis, Bloomberg (updated as of 09/16/26)

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EXHIBIT 89: **COHR Valuation**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

on 30-Sep-2026

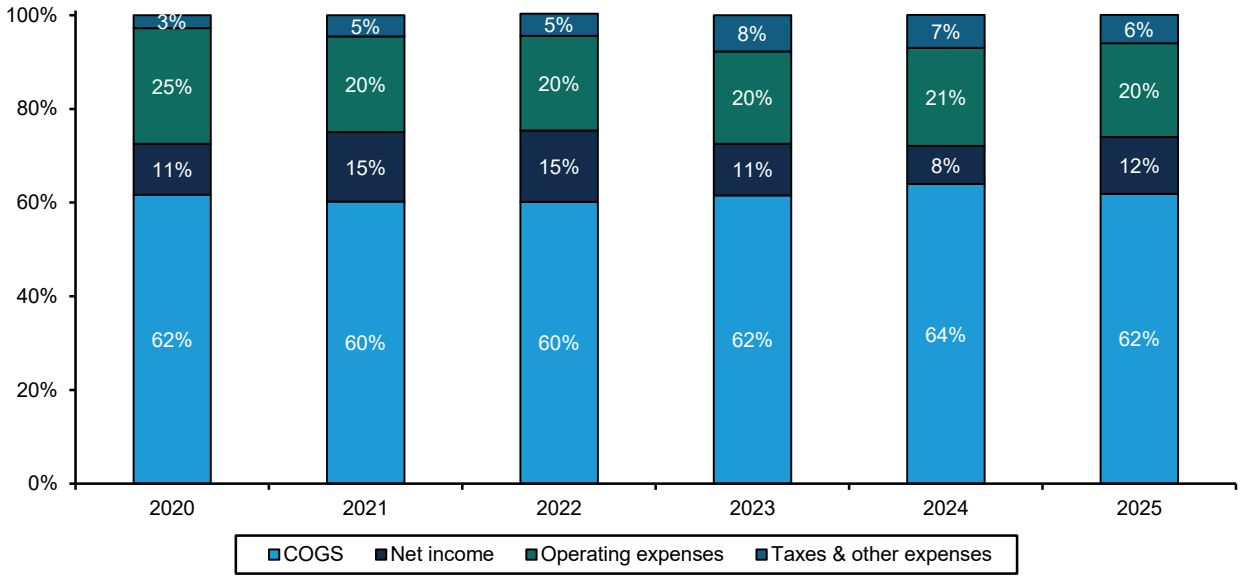
EXHIBIT 90: **We like both, but prefer Lumentum over Coherent**

Topic	LITE	COHR	Conclusion
Mix	Close to optical communications pure play; no other material end markets	Industrials ~26% of revenue in 2026	LITE offers higher torque to AI data center build
Business Model	Higher exposure to laser modules, with sales to external transceiver OEMs	Vertically integrated; largely makes own transceivers; moving into line systems and launching Photolink CPO platform	LITE has more margin upside but COHR has less geopolitical risk
Optical circuit switching	MEMS-based OCS using microscopic mirrors to route light beams	Liquid-crystal based OCS uses liquid crystal cells with no moving parts to route light beams	LITE's MEMS has proved more effective in practice (despite theoretical disadvantages) and is the dominant solution in scale deployments
Overall	We are positive on both but prefer LITE due to cleaner exposure and higher margin upside		

Source: Bernstein estimates and analysis

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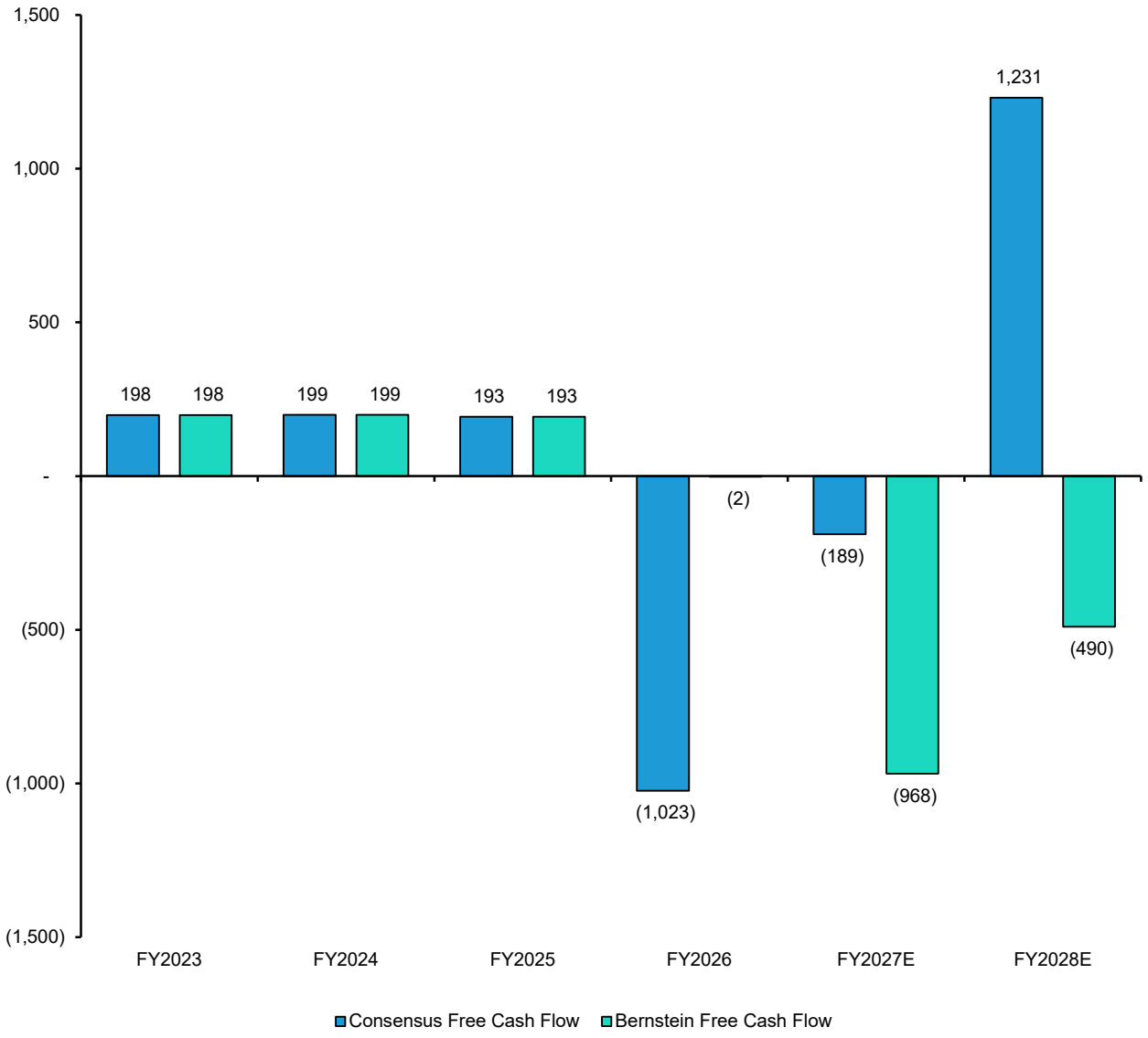
EXHIBIT 91: **COHR Company Margin Profile**



Source: Company filings, Bernstein estimates and analysis

on 30-Sep-2026

EXHIBIT 92: **COHR DCF 2023-2028, $M**



Source: Bernstein estimates and analysis, Bloomberg (Updated as of 09/17/2026)

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EXHIBIT 93: **COHR Bernstein vs. Consensus**

COHR	FY27E	FY28E	FY29E	FY30E
Total Revenues ($M)				
Consensus	$10,693	$14,664	$18,855	$22,759
Actual / Bernstein Est.	**$10,847**	**$15,728**	**$21,390**	**$28,449**
Bernstein vs. Cons.	*1.4%*	*7.3%*	*13.4%*	*25.0%*
Operating Profit ($M)				
Consensus	$2,538	$3,815	$4,814	$5,968
Actual / Bernstein Est.	**$2,549**	**$4,011**	**$5,668**	**$7,823**
Bernstein vs. Cons.	*0.4%*	*5.1%*	*17.7%*	*31.1%*
Opex ($M)				
Consensus	$1,827	$2,234	$2,806	$3,569
Actual / Bernstein Est.	**$1,898**	**$2,752**	**$3,743**	**$4,979**
Bernstein vs. Cons.	*3.9%*	*23.2%*	*33.4%*	*39.5%*
EPS ($)				
Consensus	$9.49	$14.34	$18.69	$23.28
Actual / Bernstein Est.	**$8.64**	**$13.32**	**$18.90**	**$25.21**
Bernstein vs. Cons.	*-9.0%*	*-7.1%*	*1.2%*	*8.3%*

Source: Bloomberg (as of 09/24/26), Bernstein analysis

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EXHIBIT 94: **ROIC Breakdown**

ROIC Breakdown	2024A	2025A	2026A
Net Working Capital	2,258	2,230	2,298
PP&E	1,817	1,878	2,999
Total invested capital	**11,223**	**11,486**	**13,090**
Revenue	4,708	5,810	7,118
Invested Capital Turnover	0.42	0.51	0.54
Operating income	709	1,052	1,457
Operating Margin %	15.07%	18.11%	20.47%
EBIT	477	885	1,339
Tax rate	-21%	-21%	-19%
NOPAT	576	1,069	1,593
ROIC	5.13%	9.30%	12.17%
Enterprise Value			
EV / EBIT			
Shareholder's Equity	7,946	8,481	11,238
Equity multiplier	1.82	1.76	1.63
ROIC to equity multiplier	3%	5%	7%
ROE	5%	8%	10%
Market Cap			
P/E			

Source: Company filings, Bernstein estimates and analysis

OPTICAL TRANSPORT

CIENA: SCALE-ACROSS UPSIDE FROM LAND AND POWER CONSTRAINTS, OP TP $440

We see continued upside to demand from scale-across, which we see as a second derivative on land and power constraints. Management has sized this as an $8-10B opportunity, which we see as conservative: we see a path to $10B in new builds alone, plus additional upside from the retrofit opportunity.

- **Scale-across is ultimately a second derivative on land and power constraints.** As data center operators are unable to secure the power and land to build XPU clusters all in one place, they are instead building data center footprints across several locations and investing in scale-across links between them. Accordingly, we believe that as land and power constraints persist, the scale-across opportunity continues to grow.

- **Management has sized the opportunity at $8-10B, which could prove conservative.** While the size of the scale-across TAM remains somewhat uncertain, management teams have generally pointed to a ~$8-10B market. We believe this

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could ultimately prove conservative - using Stargate as an example, we believe scale-across could be ~2% of total training data center capex, which in turn would translate to ~$10B in investment for new builds alone, plus a potential $9B retrofit opportunity (Exhibit 31 and Exhibit 33, again).

- **Ciena is the leader in scale-across and we believe it can sustain high share.** Dell'Oro estimates Ciena's share at 70%. We note that the customer traction seen by Nokia and Cisco Acacia seems to stem in part from availability issues, with customers buying from whichever vendor has availability. Ciena is still seen as the technology leader in the space, and we believe the company can sustain high share of orders, supply, and revenue, especially as supply availability improves. We also see their mix as increasingly shifting towards higher-growth, AI-based segments (Exhibit 95).

While supply constraints limit upside in the near-term, we believe that supply availability should improve beyond 2027, and consensus numbers are overly discounting Ciena's growth framework. Ciena has acknowledged that its business is supply constrained, guiding to 30% growth for 2027 unless supply conditions improve. The company has also highlighted three critical bottlenecks constraining revenue: ceramic packaging, pump lasers, and memory. We believe availability on all three is improving:

- **Kyocera is the key supplier of ceramic packaging, and Kyocera appears to be ramping capacity.** Kyocera is the key supplier of ceramic packaging. As a result, even though Kyocera reports other significant businesses in its Semiconductor Components segment (notably its MLCC business - for more on MLCCs, see the Japan Hardware team's note: Murata: MLCC Deep Dive - From ceramic to gold and the AI Data Center catalyst (Part 1)), Kyocera semiconductor components revenue appears to have significant predictive power as a leading indicator predicting Ciena's quarterly revenue (Exhibit 96). Kyocera's management team appears confident in its supply ramp with CEO Sakushima Shiro stating on June quarter earnings that, "regarding ceramic packages, we are now in a position to meet rising demand from existing customers". Accordingly, we believe that supply availability on ceramic packaging should improve.

- **Pump lasers are sourced from Lumentum, Coherent and O-net; Lumentum and Coherent also appear to be ramping capacity sharply.** Ciena has also cited pump lasers as a key bottleneck. We believe Ciena is sourcing pump lasers from Lumentum, Coherent and O-net. While O-net has been taken private, both Lumentum and Coherent have been vocal about a steep ramp in laser capacity, and accordingly we also believe availability of pump lasers should improve as well.

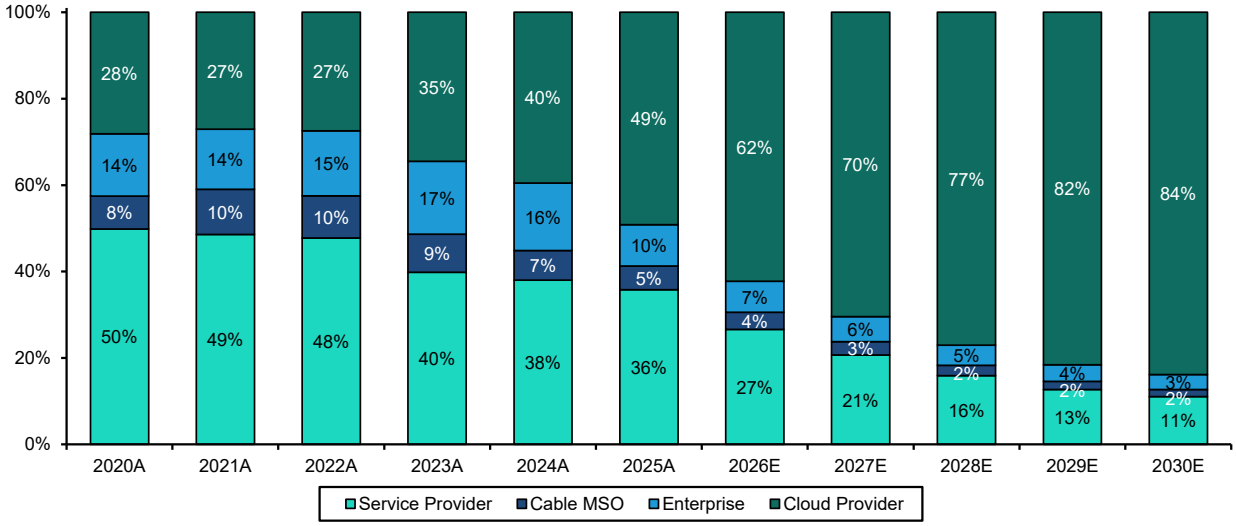
- **While memory supply is likely to remain tight, Ciena appears to have secured supply via LTA.** We expect memory supply to continue to remain tight in the near future, as part of our general higher-for-longer view on the AI infrastructure cycle. However, memory is a much smaller part of the bill of materials for networking in general and optical transport in particular compared to servers, PCs or smartphones. Accordingly, Ciena is well positioned to trade off cost for availability, and appears to have done so by signing LTAs. While Ciena has disclosed little about the precise terms of its memory LTAs, we believe that this should improve availability of memory for Ciena, and are constructive on supply availability improving as well. For more details on our views on memory in general and LTAs in particular, see: MEMORY TRACKER (Aug): Conventional DRAM & NAND price to rise nearly 20% in 3Q26 and Memory: What do New Memory LTAs mean for sustainability of earnings and multiples? Raising SNDK TP to $3000

- **On net, while we see limited upside to numbers for the next year, we believe consensus is overly discounting Ciena's 30% long term growth framework, and model $14B vs. consensus at $13.6B for 2029.**

In addition to upside to numbers, we believe Ciena's valuation is undemanding. We rate the stock Outperform, with a price target of $440. In addition to seeing upside to numbers, we see Ciena's valuation as undemanding. The stock is trading at our 2029 EPS of $27.70 (Exhibit 97). Even at a ~20% discount rate, reflecting elevated beta, this is equivalent to a ~17x multiple on 2027 numbers, which we see as conservative for a company that can credibly sustain 30%+ growth through 2029 (Exhibit 98). Accordingly, while we see near-term numbers as capped, we think believe risk-reward on the stock is positive, especially for longer duration investors, and rate the stock Outperform valuing at 16x our $28 in 2028 EPS, or a price target of $440.

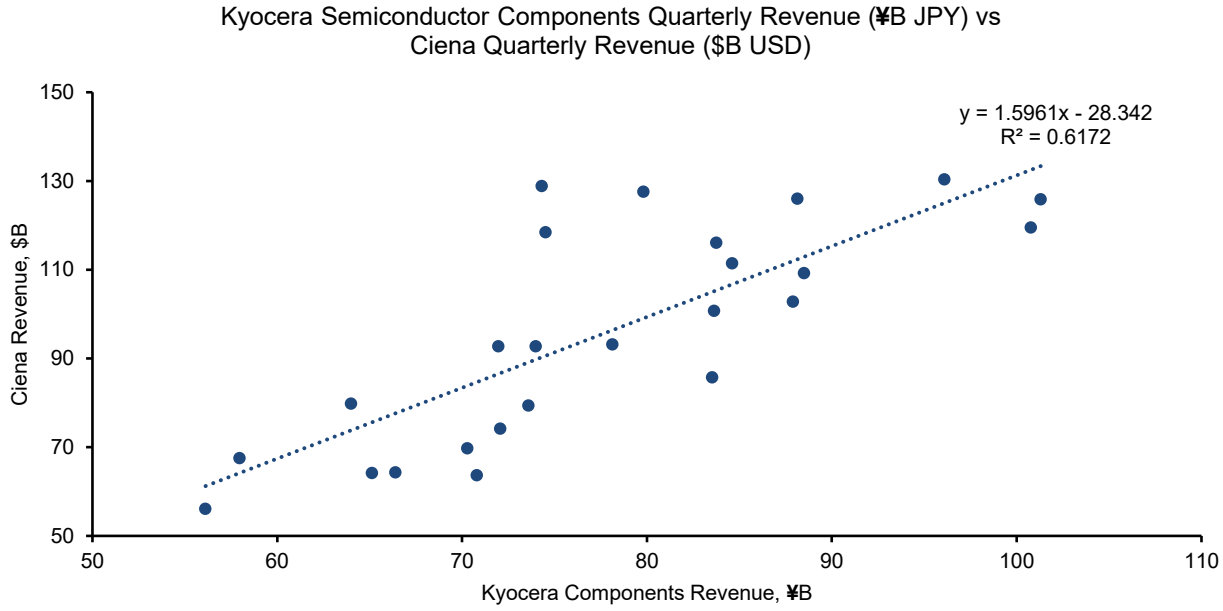
on 30-Sep-2026

EXHIBIT 95: **Revenue Mix by Customer Segment**



Source: Dell'Oro, Bernstein estimates and analysis

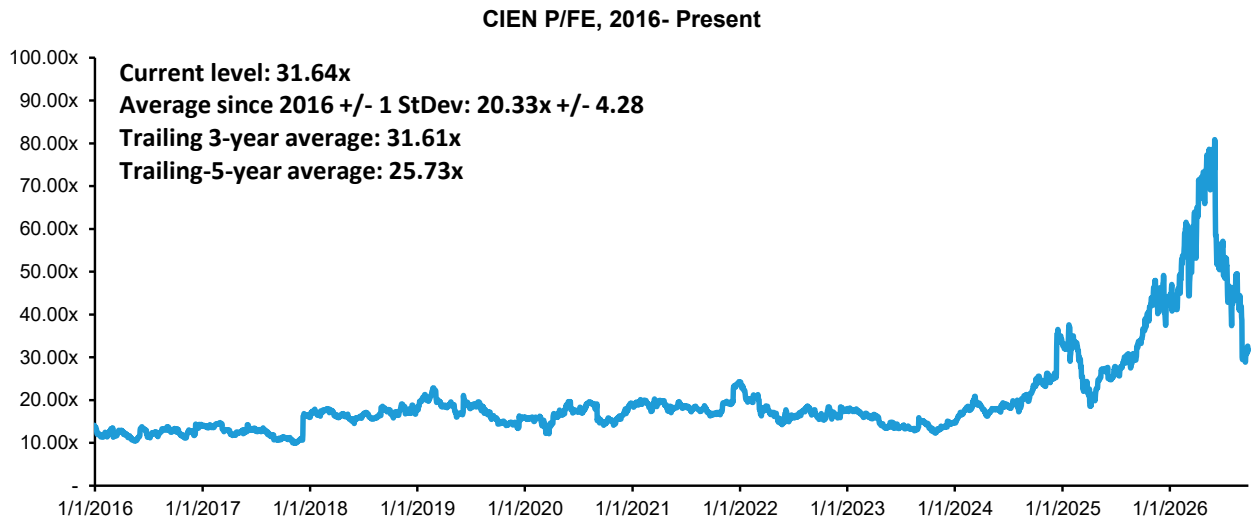
EXHIBIT 96: **Kyocera ceramic packaging has been a key bottleneck for Ciena, and so expanding capacity could be a revenue unlock**



Source: Bloomberg (updated 09/22/26), Bernstein estimates and analysis

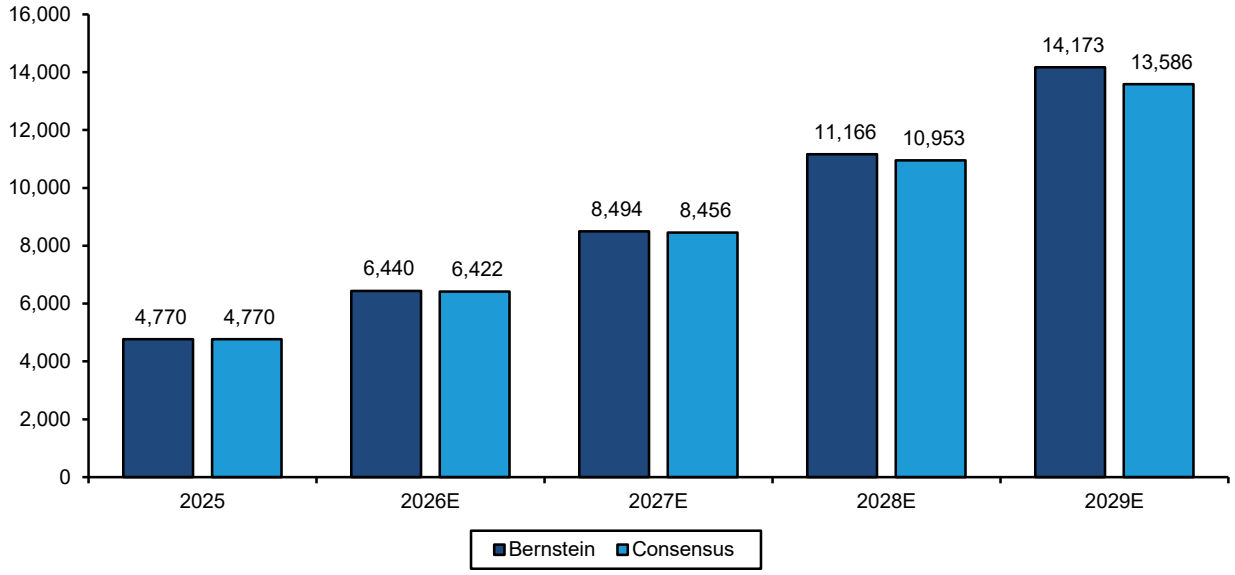
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EXHIBIT 97: **CIEN Valuation**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

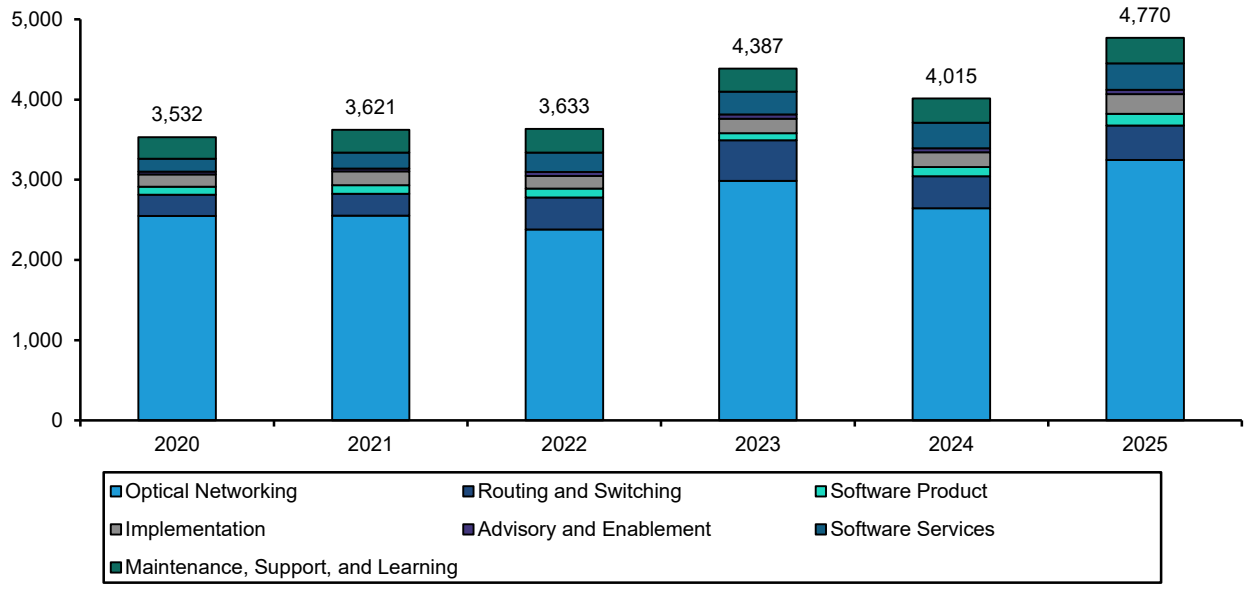
EXHIBIT 98: **Ciena Revenue, Bernstein vs. Consensus ($M)**



Source: Bernstein estimates and analysis, Bloomberg (Updated 09/16/26)

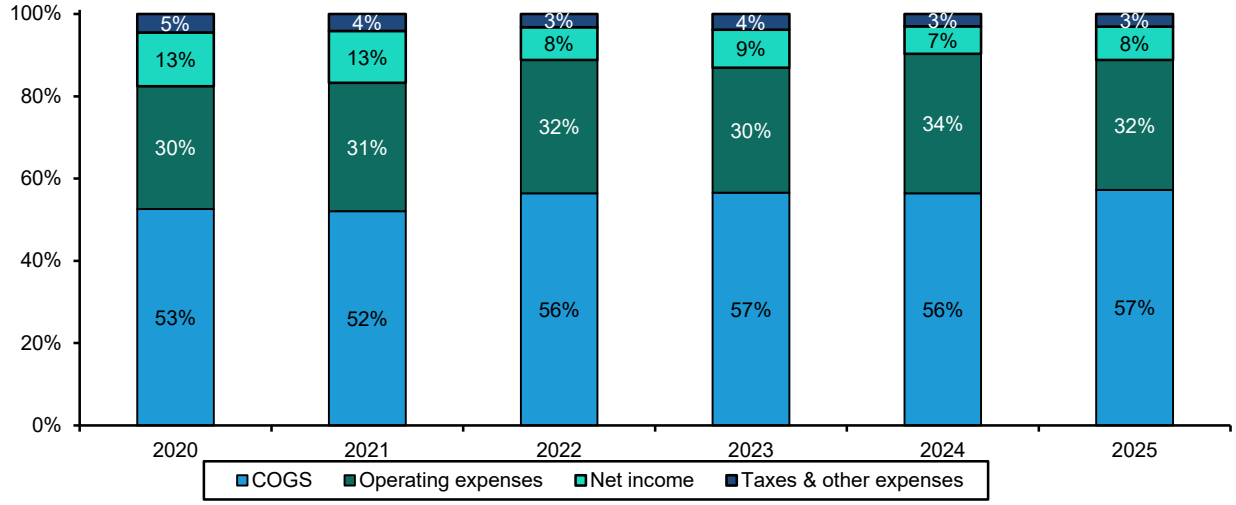
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EXHIBIT 99: **CIEN Revenue Split by Segment, $M**



Source: Company filings, Bernstein estimates and analysis

EXHIBIT 100: **CIEN Margin Profile**



Source: Company filings, Bernstein estimates and analysis

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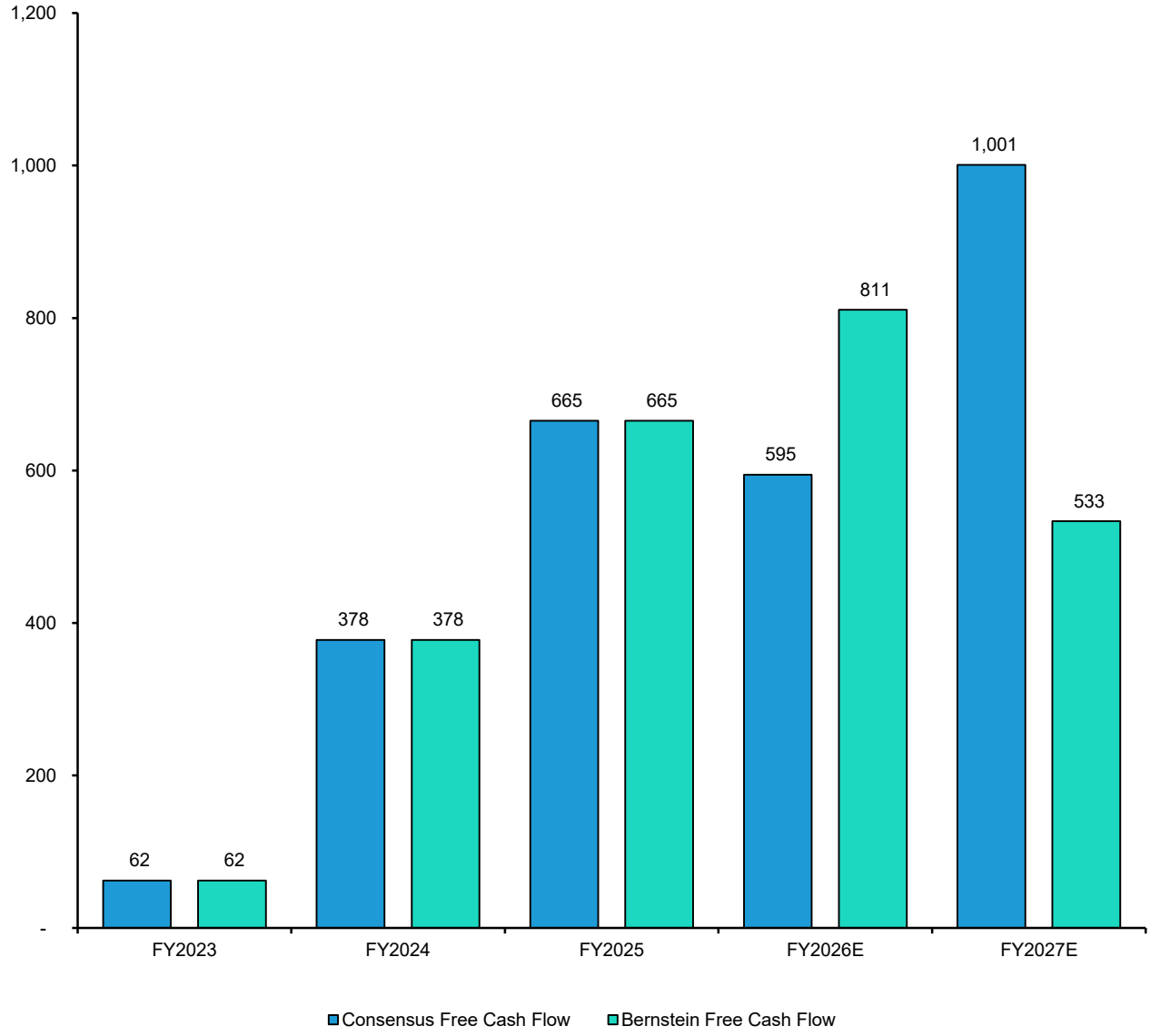
EXHIBIT 101: **CIEN Bernstein vs. Consensus**

CIEN	FY26E	FY27E	FY28E	FY29E	FY30E
Total Revenues ($M)					
Consensus	$6,422	$8,456	$10,953	$13,586	$14,541
Actual / Bernstein Est.	**$6,440**	**$8,494**	**$11,166**	**$14,173**	**$17,007**
Bernstein vs. Cons.	*0.3%*	*0.4%*	*1.9%*	*4.3%*	*17.0%*
Operating Income ($M)					
Consensus	$1,308	$2,161	$3,110	$4,480	$4,216
Actual / Bernstein Est.	**$1,301**	**$2,214**	**$3,350**	**$4,819**	**$5,782**
Bernstein vs. Cons.	*-0.6%*	*2.4%*	*7.7%*	*7.6%*	*37.2%*
Opex ($M)					
Consensus	$1,600	$1,679	$1,939	$2,174	$2,574
Actual / Bernstein Est.	**$1,606**	**$1,739**	**$2,010**	**$2,268**	**$2,721**
Bernstein vs. Cons.	*0.4%*	*3.6%*	*3.7%*	*4.3%*	*5.7%*
EPS ($)					
Consensus	$7.11	$11.80	$17.32	$24.09	$26.42
Actual / Bernstein Est.	**$7.15**	**$12.46**	**$18.61**	**$27.70**	**$34.97**
Bernstein vs. Cons.	*0.6%*	*5.7%*	*7.4%*	*15.0%*	*32.4%*

Source: Bloomberg (as of 09/24/26), Bernstein analysis

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EXHIBIT 102: **CIEN DCF, 2023-2027**



Source: Bloomberg (updated as of 9/12/2025), Bernstein estimates and analysis

OPTICAL FIBER

CORNING: SCALE OUT IS ALREADY PRICED IN, MP TP $140

We agree that Corning has material content upside from AI accelerators, and model Enterprise Optical Communications revenue up 65% CAGR from 2026-28E. As AI needs grow, hardware has scaled in favor of more memory and larger cluster sizes. This means the amount of content on an accelerator has needed to increase to match new demands. As tech continues to scale and compound, accelerators must keep up. This means the optical fiber provided by Corning is in even higher demand, driving AI revenues up. Corning has guided to optical content in AI accelerators increasing 1.3-1.5x. We model 1.5x, at the high end of that range, and net out at 65% CAGR from 2026-2028E (Exhibit 103). Coupled with teens growth in the Carrier sub-segment, we believe that optical communications can grow 48% 2026-28 CAGR (Exhibit 104 & Exhibit 105).

However, the Automotive and Glass Innovations segments are a drag on growth. Corning has acknowledged that both segments are likely to grow in the mid-single digits; given pressure on end customers for both segments, even with content increases, mid-single digit growth is not a slam dunk. We believe solar can grow at a healthy clip, but it remains small (Exhibit

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106).

- **We model Glass Innovations growing ~3.5%.** We note that the outlook for the smartphone market looks somewhat bleak, amid production cuts due to memory/storage availability constraints (and pricing pressure) and a soft consumer. IDC forecasts the smartphone market to decline a record 17% in 2026 (link). Moreover, other than easier comps, the outlook for 2027 does not really look all that much better. While Corning is somewhat insulated from market trends, given that its customer base is largely premium smartphones which have been hit less hard. Corning has also seen continued content upside, which has enabled it to outgrow the end market. Still, management has suggested that Glass Innovations could grow mid-single digits; we think that this is not a slame dunk, and model 3.5% CAGR.

- **We model automotive growing 4%.** While the near-term outlook for the automotive industry is less bad than the smartphone industry, a soft consumer, rising rates, expiring EV tax credits in the US, and rising energy/logistics costs do not exactly paint a rosy picture for auto volumes. Moreover, over the long term, the autos industry has seen volumes in structural decline, with global volumes peaking in 2017. While Corning similar has a content upside opportunity in autos, we also believe mid-single digits is not a slam dunk, and model 4% CAGR.

- **Solar and Life Sciences have more upside potential, but both are small.** Corning's Life Sciences and especially the Solar business have more room for growth. However, both are a small share of Corning's mix (<10% each), and given the pace of company growth driven by Optical Communications, we expect the share of overall revenues to remain relatively consistent through 2028.

On net, we see Corning's long-term growth framework as aggresive, although we still land fractionally above consnesus at $28.2B vs. consensus at $27.7B. Aggregating our views on the sector, we model Corning reaching $28.2B in 2028, which is somewhat below what Corning's growth framework would imply (assuming linear growth, shown in Exhibit 107). Accordingly, we see the growth framework as aggressive, and content upside in optical communications as largely priced in, unless Corning can achieve a further step up in content from scale-up before 2028.

We also observe that Corning is a relatively capital intensive business, limiting the upside from high growth. We price the stock at $140 (25x $5.72 in 2028 EPS), and rate Corning Market-Perform. We note that despite improvement in Corning's capital structure, at low-teens ROIC the business remains relatively capital intensive compared to many tech comps, limiting the upside from high growth (Exhibit 108). We view the stock as relatively fairly valued (Exhibit 109) and set our price target at $140 (25x $5.65 in 2028 EPS). We rate Corning Market-Perform.

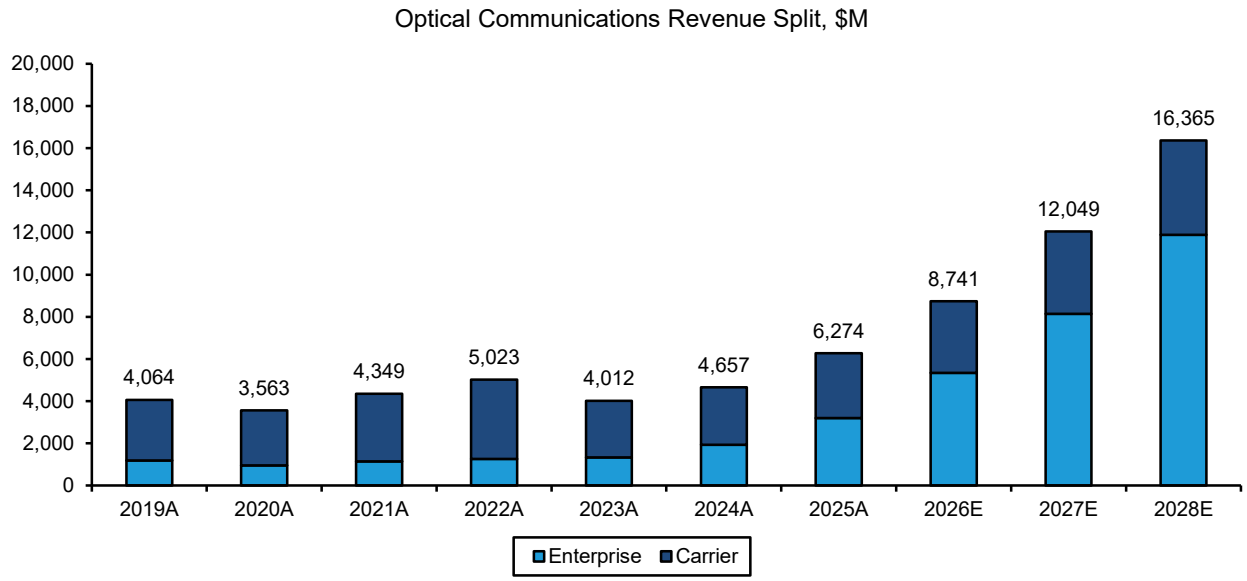
EXHIBIT 103: **Content per GPU forecasts imply over $9B in AI revenue by 2028**

GLW Optical Communications Revenue	2023A	2024A	2025A	2026E	2027E	2028E
Corning Enterprise Revenue	1,326	1,927	3,195	5,341	8,143	11,892
Corning non-AI revenue	(1,601)	(1,749)	(1,639)	(1,972)	(2,265)	(2,594)
Corning AI revenue	5,613	6,406	7,913	10,713	16,335	23,855
AI revenue growth		14%	24%	35%	52%	46%
GPU Volume (K Units)	3,623	8,717	14,119	18,997	23,173	28,201
GLW Revenue per Accelerator ($K)	1.55	0.73	0.56	0.56	0.70	0.85

Source: Bernstein estimates and analysis

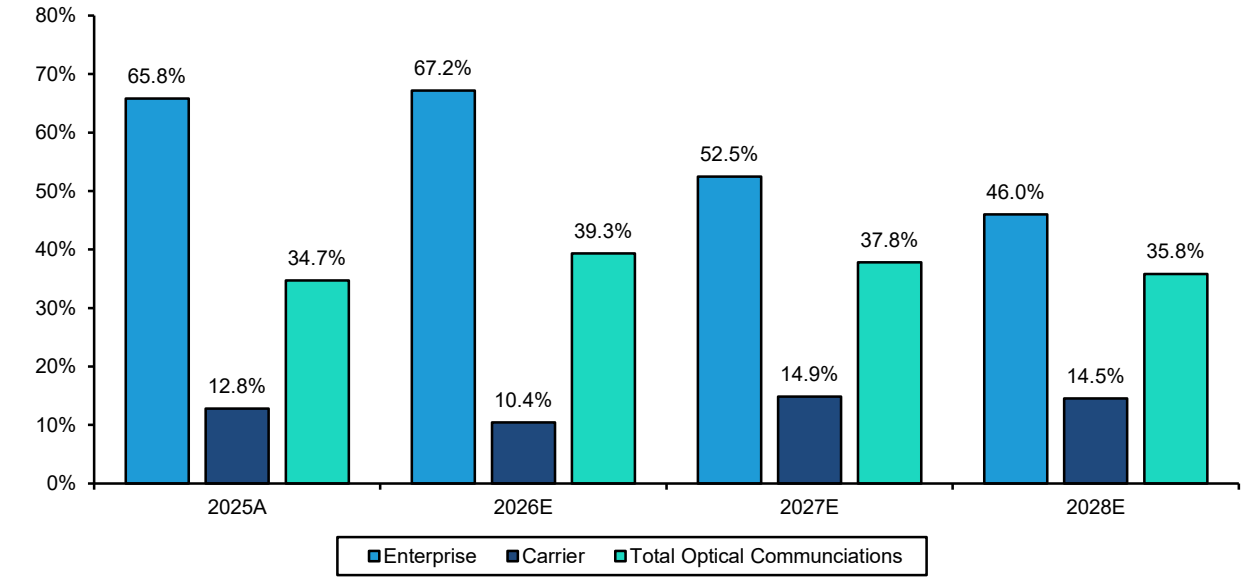
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EXHIBIT 104: **75% of enterprise revenue is AI, implying AI revenue will more than double by 2028**



Source: Company filings, Bernstein estimates and analysis

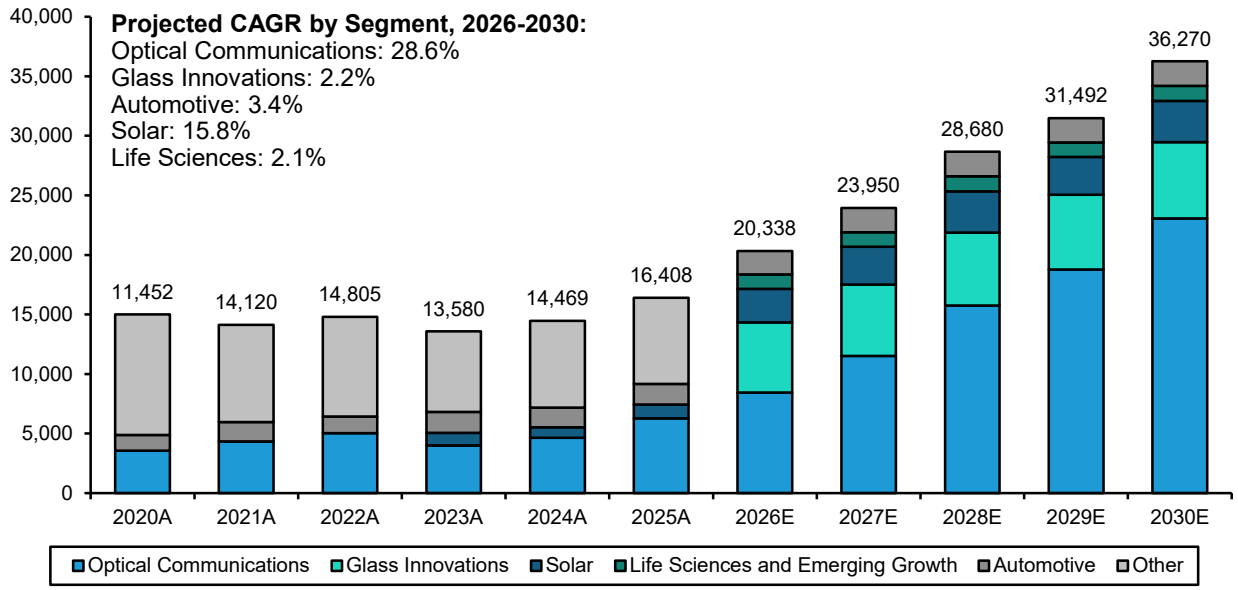
EXHIBIT 105: **GLW Revenue Growth for Enterprise, Carrier, and Total Optical Communications**



Source: Company filings, Bernstein estimates and analysis

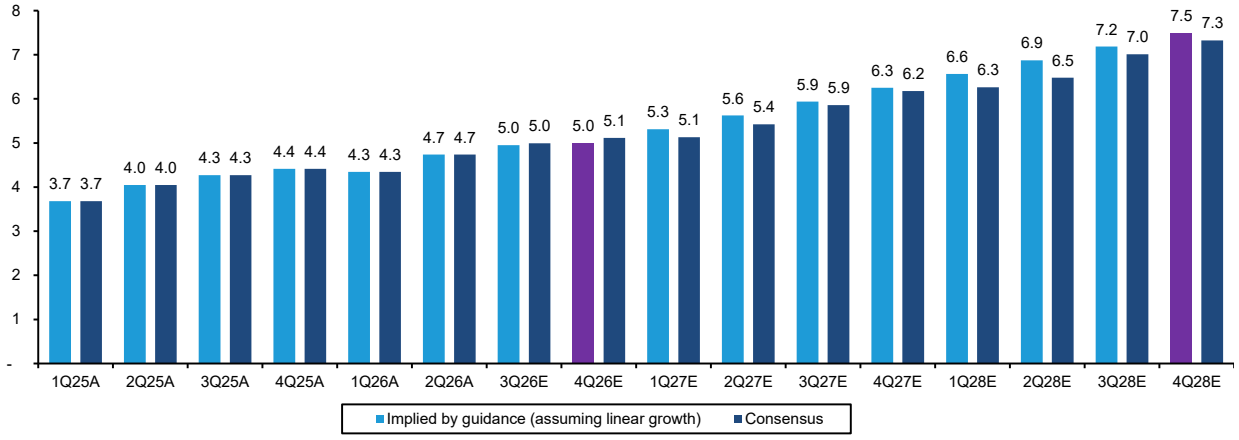
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EXHIBIT 106: **GLW Consensus Revenue by Segment, $M**



Source: Company filings, Bernstein estimates and analysis

EXHIBIT 107: **Implied Revenue by Guidance vs Consensus, $B**



Source: Company filings, Cap IQ, Bernstein estimates and analysis

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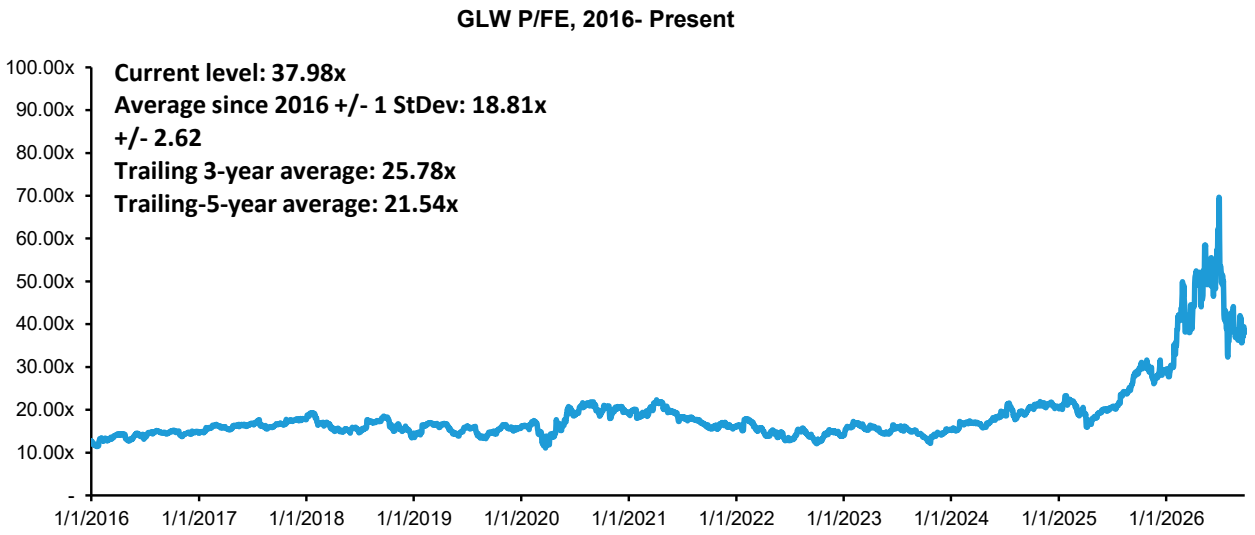
EXHIBIT 108: **GLW ROIC Breakdown**

ROIC Breakdown	2024A	2025A	2026E
Net Working Capital	1,295	2,272	3,059
PP&E	13,359	14,825	15,576
Other operating assets	3,627	3,644	3,057
Total invested capital	**18,281**	**20,741**	**21,691**
Revenues	14,469	16,408	19,525
Invested Capital Turnover	0.79	0.79	0.90
Operating income	2,530	3,160	4,083
Operating Margin %	19.29%	20.22%	22.11%
EBIT	2,541	3,168	4,084
Tax rate	20.53%	19.22%	18.56%
NOPAT	2,019	2,560	3,329
ROIC	12.72%	14.20%	15.35%
Enterprise Value			
EV / EBIT			
Shareholder's Equity	10,686	11,807	12,700
ROIC to equity multiplier	1.71	1.76	1.71
ROE	18.60%	21.14%	22.17%
Market Cap			
P/E			

Source: Company filings, Bernstein estimates and analysis

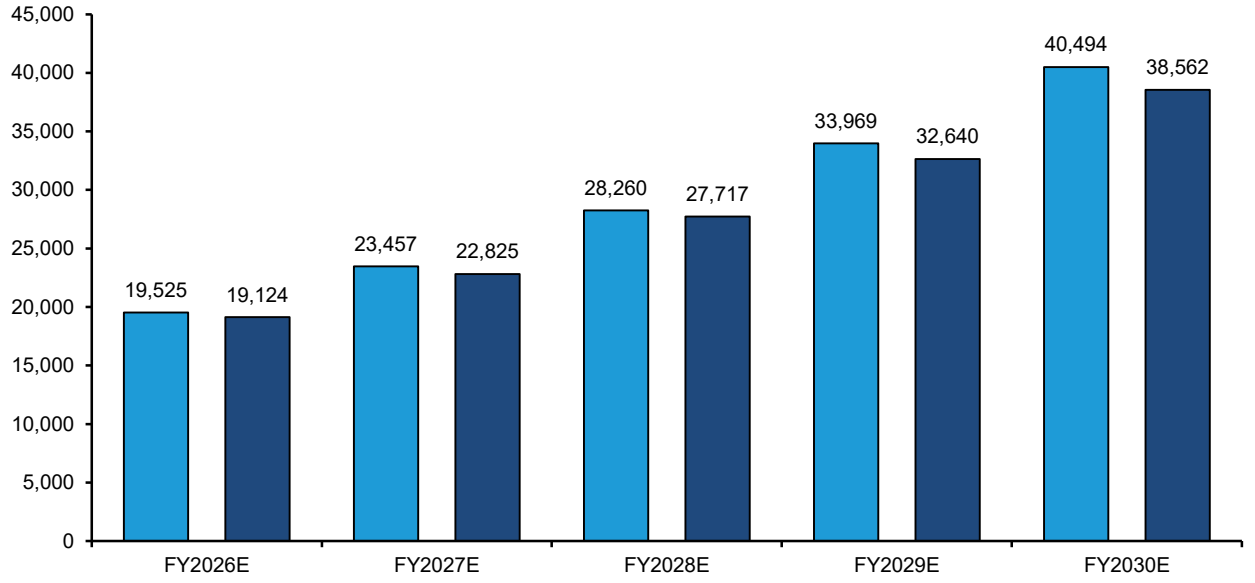
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EXHIBIT 109: **GLW Valuation**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (updated as of September 24, 2026)

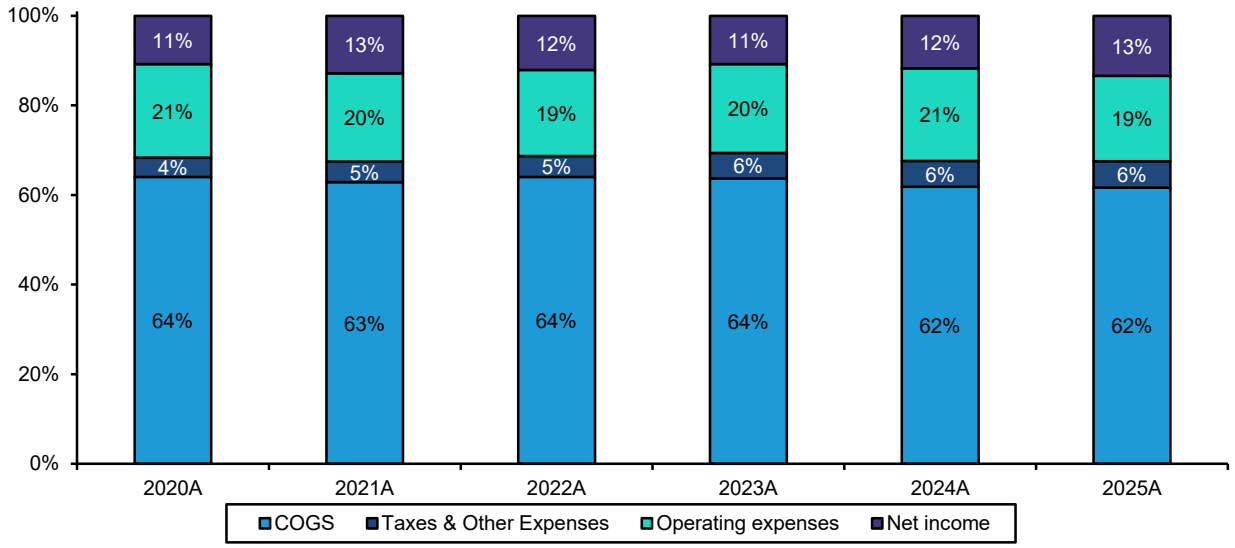
EXHIBIT 110: **GLW Revenue, Bernstein vs Consensus ($M)**



Source: Bernstein estimates and analysis, CapIQ, Bloomberg (Updated 09/16/26)

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EXHIBIT 111: **GLW Margin Profile**



Source: Company filings, Bernstein estimates and analysis

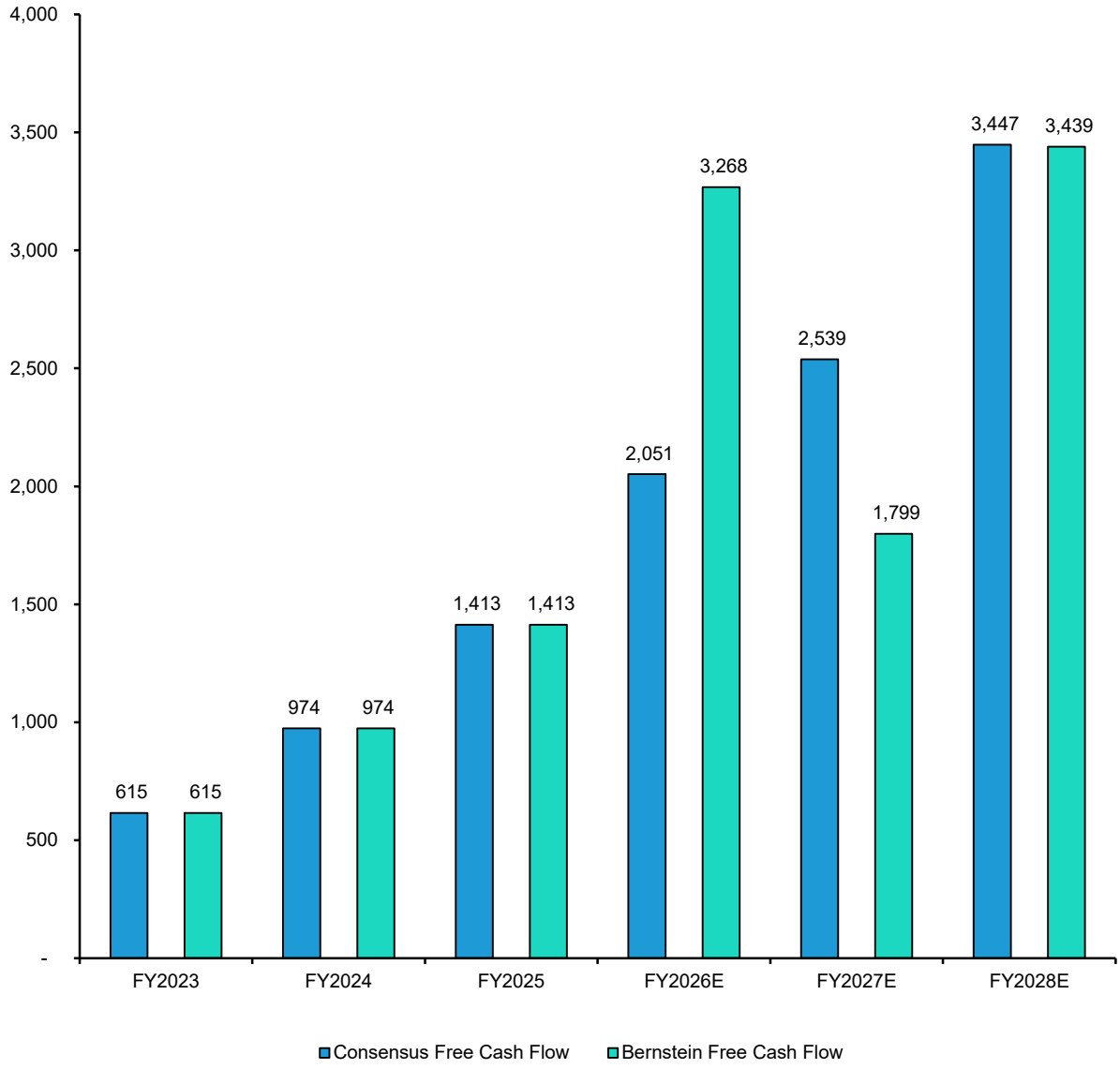
EXHIBIT 112: **GLW Bernstein vs. Consensus**

GLW	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Total Revenues ($M)						
Consensus	$16,408	$19,124	$22,825	$27,717	$32,640	$38,562
Actual / Bernstein Est.	**$16,408**	**$19,525**	**$22,870**	**$28,097**	**$33,754**	**$39,472**
Bernstein vs. Cons.		*2.1%*	*0.2%*	*1.4%*	*3.4%*	*2.4%*
Operating Profit ($M)						
Consensus	$3,160	$4,165	$5,362	$7,139	$8,052	$9,941
Actual / Bernstein Est.	**$3,160**	**$4,083**	**$5,144**	**$6,822**	**$8,722**	**$10,770**
Bernstein vs. Cons.		*-2.0%*	*-4.1%*	*-4.4%*	*8.3%*	*8.3%*
Opex ($M)						
Consensus	$3,133	$3,477	$3,922	$4,501	$5,404	$6,140
Actual / Bernstein Est.	**$3,133**	**$3,400**	**$3,983**	**$4,893**	**$5,878**	**$6,874**
Bernstein vs. Cons.		*-2.2%*	*1.6%*	*8.7%*	*8.8%*	*11.9%*
EPS ($)						
Consensus	$2.52	$3.29	$4.34	$5.9	$7.04	$8.89
Actual / Bernstein Est.	**$2.54**	**$3.22**	**$4.16**	**$5.65**	**$7.31**	**$9.10**
Bernstein vs. Cons.		*-2.1%*	*-4.2%*	*-4.3%*	*4.0%*	*2.3%*

Source: Bloomberg (as of 09/24/26), Bernstein analysis

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EXHIBIT 113: **GLW DCF 2023-2028, $M**



Source: Bernstein estimates and analysis, Bloomberg (Updated as of 09/17/2026)

APPENDIX

WHAT IS NETWORKING, AGAIN? A SHORT PRIMER FOR GENERALISTS

Networking products exist to connect devices to other devices. Most hardware devices exist to perform a function on their own, like running a workload or storing data. Networking allows all of these other devices to connect to each other and build larger device ecosystems.

- **Networking devices solve 4 main issues: forwarding, performance, reliability, and security.** Forwarding deals with getting messages where they need to go. Networking devices package data and find the right location for it so that data is transmitted efficiently. Performance means this data needs to be handled quickly and reliably. Networking devices handle huge quantities of data, so this data needs to be transmitted at low latency and high scale.
- **The core networking industry can be broadly split into optical transport, data center switching, and enterprise. We also cover optical modules and optical fiber.** Exhibit 114 explores each area in detail.

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- **Switching** refers to products that solve the forwarding problem in a straightforward way. A networking switch consists of a number of ports connected to a switch ASIC, and works by maintaining a "switching table" which is essentially a simple lookup table consistent of the address of each device connected to one of its ports. When it receives a data packet, it first checks the sender address, and if it is not a match for the switching table, it updates the entry for that port to match the address of the sender. It then checks the recipient address. If there is a match on the switching table, the switch sends the packet to the corresponding port. If there is no match, it sends the packet to all ports except the sender (in hopes that the recipient is connected somehow). This sounds unsophisticated (and in many ways, it is), and a router performs largely the same function but is able to handle more complex algorithms. However, switches can handle higher volumes at faster speeds and lower prices compared to routers, and accordingly form the backbone for much of networking architecture. This is especially true for AI back-end switching - the high volume of data sent between AI accelerators puts enormous performance requirements on the network, and have been a key growth area in the industry as a result.

- **Optical transport** refers to systems that are meant to send data over long distances, typically for service provider (think telco) networks, although many data center operators have their own data center interconnect as well. Over long distances, this often because a performance and reliability issue, and so in addition to typical optical fiber systems and switching and routing, optical transport often involves both hardware and software designed for error checking and signal amplification.

- **Enterprise networking** is a bit of a miscellaneous category. It can broadly be defined into enterprise local-area networks (LAN), referring to networking equipment used within a single campus (think the office WiFi router in your office building), and enterprise wide-area networks (WAN), which refers to systems designed to connect different campuses. Because enterprises networks need to manage a variety of different users who may have different levels of trust, enterprise networking often involves sophisticated cybersecurity hardware and software.

- **Optical fiber** is one of the two physical media that is used in most networking technologies (three, if you count wireless signals). As discussed in the main body of the note: because optical fiber can transport more data over higher speeds compared to copper, it is typically used for longer distance communications, although it is increasingly used within the data center as well. For more details on copper connectivity, see the Bernstein multi-industrials team's initiation on Amphenol and TE Connectivity: US Multi Industrials: Can we (inter)connect? Initiating coverage with Outperform on Amphenol and TE Connectivity

- **Transceivers and optical modules** are one of the critical components in the optical ecosystem. A transceiver is a device which sends and receives optical signals, or equivalently, converts an electrical signal on copper to a light signal on optical fiber. The optical modules industry refers to companies that produce components for transceivers or other optical systems. In both cases, the highest value component is the laser module, which uses a laser diode that emits a light when powered to covert from eletrical to optical signals.

- **Networking and optical companies are primarily products companies.** Most customers of these companies have developed or are beginning to develop the in-house capacity to install products on their own, or they want networking devices to help them run their own software. This means physical products are the main items being sold. Our companies mostly produce and sell tangible products, but some companies also maintain software and services lines. The diversity of products and focuses means each company in our coverage is unique, as highlighted by Exhibit 116.

- **Since these companies are product-based, supply availability is a key driver.** Networking products, especially switches and transceivers, rely heavily on merchant silicon, which is both expensive and scarce. A supply-demand gap exists in the industry, with bottlenecks being a key area of analysis.

- For more details, can see the Asia Hardware team's *Blackbook*: Artificial Intelligence: Inside the War for AI Data Center Connectivity

This space can seem technical. However, not all tech matters. AI can seem difficult to get into with all the jargon and seemingly complicated products thrown around. While some tech is stock-moving, most of it does not matter. One example is WiFi cyles. While people have suggested that WiFi cycles have a huge impact on related stocks, actually looking at the charts in Exhibit 117 shows that the officially stated release days of cycles have very little connection with stock moves. Understanding this space does not require understanding every new gadget that hits the market - we are here to tell you that investing in tech means understanding the key fundamentals.

on 30-Sep-2026

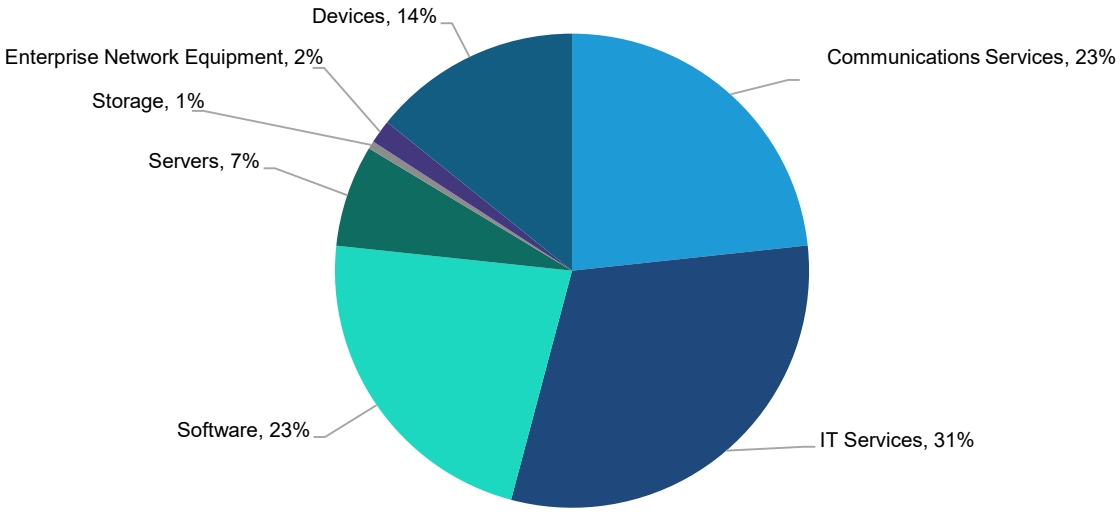
EXHIBIT 114: **Networking and Optical Product Cheat Sheet**

Market	2025 Market Size	What is this product again?
Front End Switching	$18.5B	•Connects external users and systems to internal AI infrastructure •Receives high volumes of data from sender and determines where it is meant to go •Forwards data to the intended recipient to reduce north-south (external-internal) traffic
Back End Switching	$20.1B	•Controls data flow between AI accelerators to manage east-west (internal) data requests •Requires high bandwidth and low latency to quickly connect internal communications •In focus for scale up and scale out
Enterprise LAN	$16.6B	•Local area network that supports an area's IT infrastructure, including access to services like WiFi •Connects many users and devices within a "campus," or a local building •High capacity and low latency is important
Enterprise WAN	$28.5B	•Wide area network that connects an organization's multiple local area networks •Increasingly uses the cloud to connect distant users
Optical Transport	$14.4B	•Allows large volumes of data to be transported in a standardized format •Acts like a digital wrapper by putting everything in uniform "packaging" •Includes built-in error checking and mapping
Optical Fiber	$41.9B	•Replaces copper to support long distance and high bandwidth connections •Acts as the physical medium that carries light signals between AI clusters
Transceiver	$38.9B	•Active device combining a transmitter and a receiver •Interfaces with optical fiber to enable two-way communication •Converts electric data signals into light to be transmitted at extremely high bandwidth

Source: Ciena, Cisco, FS, Dell'Oro, Naddod, Juniper, Gartner, Bernstein analysis

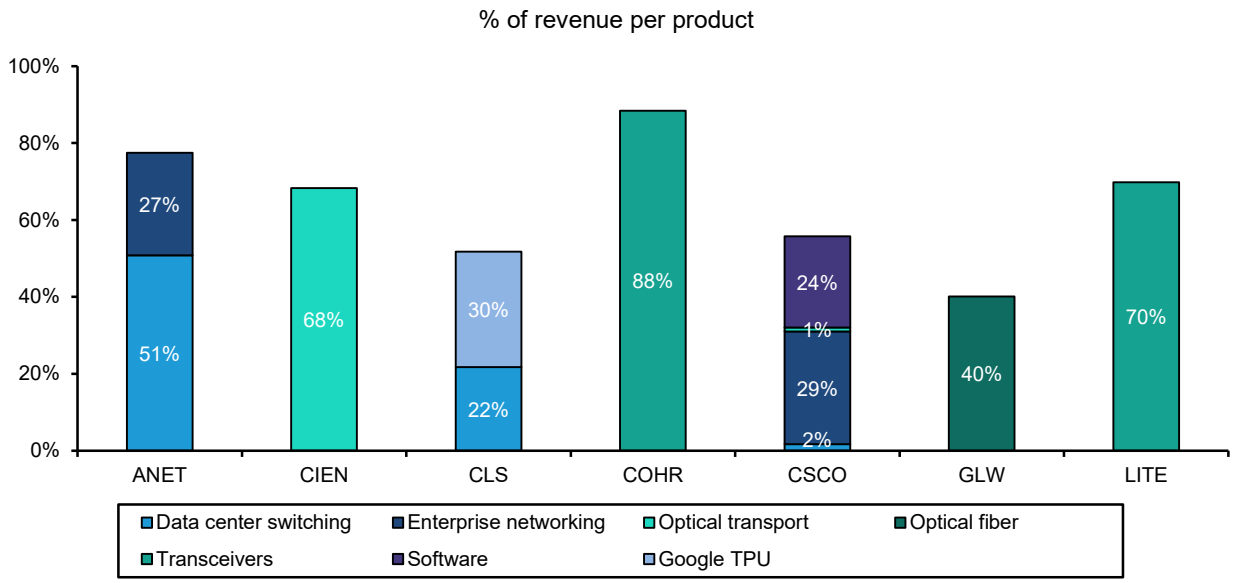
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EXHIBIT 115: **IT Spend is a $5.6T dollar industry annually. Networking is $89B of that spend.**



Source: Gartner, Bernstein analysis

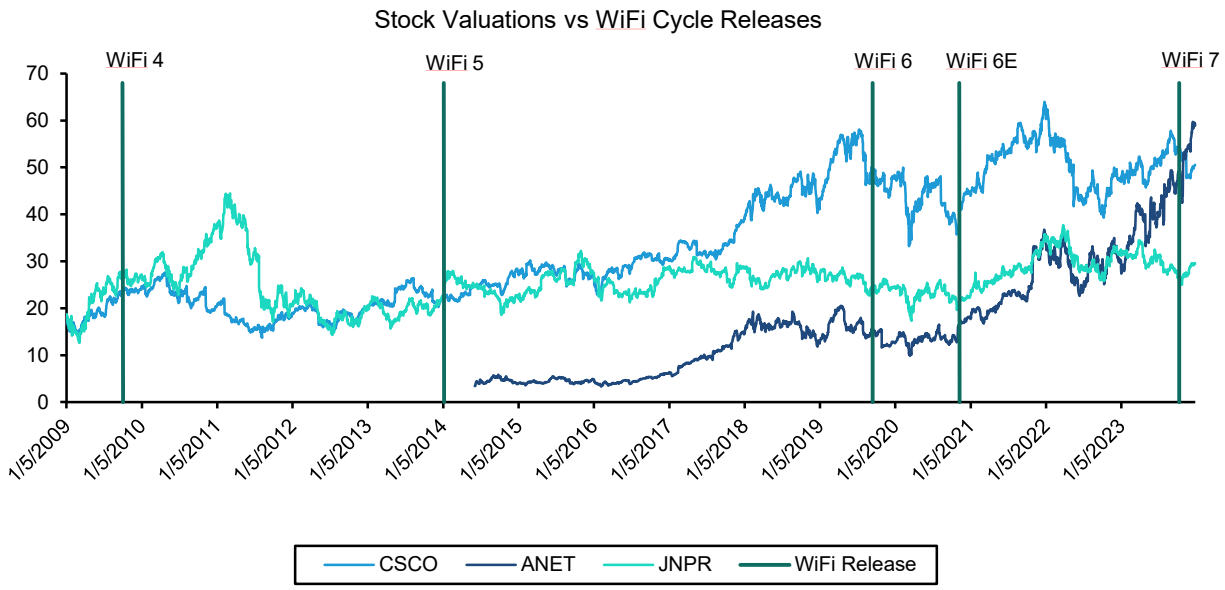
EXHIBIT 116: **Who sells what? Or, companies by market and 2025 revenue mix:**



Source: Company filings, Dell'Oro, Bernstein analysis

on 30-Sep-2026

EXHIBIT 117: **The industry can seem technical, but not all technologies matter**



Source: Bloomberg, WCA, NYT, IEEE, Bernstein analysis

VALUATION METHODOLOGY

Celestica Inc

We apply a ~22x multiple to our estimate of $24 in FY 27 EPS, and set our price target at $520.

Lumentum Holdings Inc

We apply a ~35x multiple to our estimate of $35 in FY 28 EPS, and set our price target at $1,220.

Coherent Corp

We apply a ~22x multiple to our estimate of $16 in FY 28 EPS, and set our price target at $350.

Ciena Corp

We apply a ~16x multiple to our estimate of $28 in FY 28 EPS, and set our price target at $440.

Arista Networks Inc

We apply a ~35x multiple to our estimate of $7.14 in FY 28 EPS, and set our price target at $250.

Cisco Systems Inc

We apply a ~20x multiple to our estimate of $5.6 in FY 28 EPS, and set our price target at $110.

Corning Inc

We apply a ~25x multiple to our estimate of $5.7 in FY 28 EPS, and set our price target at $140.

RISKS

Celestica Inc

on 30-Sep-2026

Competition with ODM and EMS peers intensifies, leading to a lower win rate for new programs, reduced share of wallet for existing programs, and narrower margins

Nvidia gains share, reducing Celestica's opportunity to capture share with competing ecosystems such as Google TPU

AI adoption decelerates, in turn leading to reduced investment in AI infrastructure

Lumentum Holdings Inc

Greater adoption of CW+SiPh lasers eases the InP bottleneck, reducing Lumentum and Coherent's pricing power

China retaliates against US sanctions/tariffs on transceivers with export restrictions on InP, choking off supply

Optical adoption lags amid continued CPO yield issues

AI adoption decelerates, in turn leading to reduced investment in AI infrastructure

Coherent Corp

Greater adoption of CW+SiPh lasers eases the InP bottleneck, reducing Lumentum and Coherent's pricing power

China retaliates against US sanctions/tariffs on transceivers with export restrictions on InP, choking off supply

Optical adoption lags amid continued CPO yield issues

AI adoption decelerates, in turn leading to reduced investment in AI infrastructure

Ciena Corp

Power and land availability constraints ease, reducing the need for scale-across as clusters can be built on a single site

Ciena or its partners struggle to execute on supply chain, limiting upside to numbers

AI adoption decelerates, in turn leading to reduced investment in AI infrastructure

Arista Networks Inc

Broadcom Tomahawk supply availability sees issues, limiting Arista's ability to capture demand upside

Competition in switching against ODM white boxes intensifies, damaging pricing power

AI adoption decelerates, in turn leading to reduced investment in AI infrastructure

Cisco Systems Inc

Our price target for Cisco could see upside if Acacia gains further traction, improving the outlook for networking equipment

Our price target for Cisco could see upside if it gains share in AI back end switching and is viewed as less of an AI laggard

Our price target for Cisco could see downside if its software businesses continue to decelerate amid share losses to pure plays.

Corning Inc

Our price target for Corning could see upside if Optical adoption accelerates as CPO yield improves, driving upside to 2027-2028 numbers

Our price target for Corning could see upside if Reacceleration in the smartphone or autos markets supports a stronger growth outlook for Corning

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Our price target for Corning could see downside if AI adoption decelerates, in turn leading to reduced investment in AI infrastructure

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APPENDIX - FINANCIAL FORECASTS

EXHIBIT 118: **Celestica: Operating Model**

Celestica Inc - Operating Profit Model *In US$ M unless otherwise specified*	12/31/2025 2025A	12/31/2026 2026E	12/31/2027 2027E	12/31/2028 2028E	3/31/2025 1Q25A	6/30/2025 2Q25A	9/30/2025 3Q25A	12/31/2025 4Q25A	3/31/2026 1Q26A	6/30/2026 2Q26A	9/30/2026 3Q26E	12/31/2026 4Q26E
Revenue Drivers												
Non-GAAP Revenue												
Advanced Technology Solutions (ATS)	**3,202.4**	**3,514.6**	**3,901.2**	**4,096.3**	**807.2**	**819.1**	**781.0**	**795.1**	**806.0**	**888.3**	**906.0**	**914.4**
Communications	7,126.4	11,594.7	23,769.0	38,030.5	1,427.7	1,641.2	1,942.9	2,114.6	2,410.6	2,653.2	3,147.5	3,383.4
Enterprise	2,062.1	5,372.2	12,356.1	16,063.0	413.7	433.1	470.1	745.2	830.4	1,157.1	1,372.7	2,012.0
Connectivity & Cloud Solutions (CCS)	**9,188.5**	**16,966.9**	**36,125.2**	**54,093.5**	**1,841.4**	**2,074.3**	**2,413.0**	**2,859.8**	**3,241.0**	**3,810.3**	**4,520.2**	**5,395.4**
Total Revenue	**12,390.9**	**20,481.5**	**40,026.4**	**58,189.7**	**2,648.6**	**2,893.4**	**3,194.0**	**3,654.9**	**4,047.0**	**4,698.6**	**5,426.2**	**6,309.8**
Non-GAAP Revenue Growth												
Revenue growth % (YoY)												
Advanced Technology Solutions (ATS)	**1.5%**	**9.7%**	**11.0%**	**5.0%**	5.1%	6.7%	-4.1%	-1.3%	-0.1%	8.4%	16.0%	15.0%
Communications	82.5%	62.7%	105.0%	60.0%	90.1%	75.9%	85.1%	80.6%	68.8%	61.7%	62.0%	60.0%
Enterprise	-20.3%	160.5%	130.0%	30.0%	-40.0%	-37.4%	-26.0%	31.0%	100.7%	167.2%	192.0%	170.0%
Connectivity & Cloud Solutions (CCS)	**41.6%**	**84.7%**	**112.9%**	**49.7%**	**27.8%**	**27.7%**	**43.2%**	**64.4%**	**76.0%**	**83.7%**	**87.3%**	**88.7%**
Intersegment / Other												
Total Revenue Growth (YoY)	**28.5%**	**65.3%**	**95.4%**	**45.4%**	**19.9%**	**21.0%**	**27.8%**	**43.6%**	**52.8%**	**62.4%**	**69.9%**	**72.6%**
Reference: Industry model estimate for communications			127.0%	58.9%								

Source: Company reports, Bernstein estimates and analysis

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EXHIBIT 119: **Celestica: Financial Model**

Celestica Inc - Financial Model *In US$ M unless otherwise specified*	12/31/2025 2025A	12/31/2026 2026E	12/31/2027 2027E	12/31/2028 2028E	3/31/2025 1Q25A	6/30/2025 2Q25A	9/30/2025 3Q25A	12/31/2025 4Q25A	3/31/2026 1Q26A	6/30/2026 2Q26A	9/30/2026 3Q26E	12/31/2026 4Q26E
Income Statement												
Non-GAAP Income Statement												
Revenue	**12,390.9**	**20,481.5**	**40,026.4**	**58,189.7**	**2,648.6**	**2,893.4**	**3,194.0**	**3,654.9**	**4,047.0**	**4,698.6**	**5,426.2**	**6,309.8**
COGS	10,975.9	18,143.1	35,456.5	51,546.1	2,357.1	2,555.7	2,819.6	3,243.5	3,588.7	4,159.9	4,804.0	5,590.5
Gross Profit	**1,415.0**	**2,338.4**	**4,569.9**	**6,643.7**	**291.5**	**337.7**	**374.4**	**411.4**	**458.3**	**538.7**	**622.1**	**719.3**
SG&A	364.0	416.9	732.8	791.8	85.0	87.8	94.4	96.8	91.0	104.1	108.8	113.0
R&D	118.2	203.1	320.2	698.3	17.6	34.0	36.4	30.2	41.2	46.3	53.5	62.2
Other	5.8	7.9	15.4	22.4	1.1	1.2	1.4	2.1	0.9	2.0	2.3	2.7
Opex	**488.0**	**627.9**	**1,068.4**	**1,512.5**	**103.7**	**123.0**	**132.2**	**129.1**	**133.1**	**152.4**	**164.5**	**177.9**
Operating Income	**927.0**	**1,710.5**	**3,501.5**	**5,131.2**	**187.8**	**214.7**	**242.2**	**282.3**	**325.2**	**386.3**	**457.6**	**541.5**
Other income (expense), net:	52.6	62.9	62.9	62.9	13.7	13.5	12.8	12.6	16.0	17.4	14.9	14.6
Pre-tax Income	**874.4**	**1,647.6**	**3,438.6**	**5,068.3**	**174.1**	**201.2**	**229.4**	**269.7**	**309.2**	**368.9**	**442.7**	**526.9**
Income Tax	**171.2**	**331.1**	**691.0**	**1,018.5**	**34.0**	**40.0**	**46.3**	**50.9**	**59.7**	**73.5**	**90.8**	**107.1**
Effective Tax Rate %	*19.6%*	*20.1%*	*20.1%*	*20.1%*	*19.5%*	*19.9%*	*20.2%*	*18.9%*	*19.3%*	*19.9%*	*20.5%*	*20.3%*
Net Income	**703.2**	**1,316.5**	**2,747.6**	**4,049.8**	140.1	161.2	183.1	218.8	249.5	295.4	351.8	419.8
Diluted Share Count	116.1	116.0	115.5	115.0	116.9	115.9	115.9	115.9	115.7	116.2	116.1	116.0
Earnings per Share	**6.06**	**11.35**	**23.79**	**35.21**	**1.20**	**1.39**	**1.58**	**1.89**	**2.16**	**2.54**	**3.03**	**3.62**
Growth												
Drivers												
GAAP Net Income Reconciliation												
Adjusted Non-GAAP PF Net Income (Loss)	**703**	**1,317**	**2,748**	**4,050**	**140.1**	**161.2**	**183.1**	**218.8**	**249.5**	**295.4**	**351.8**	**419.8**
Share-based compensation	70	108	191	277	26	15.2	15.6	13	30.5	19.3	28.4	30.1
Amortization of intangible assets	40	67	-	72	10	9.9	10	9.9	10	19.3	19.1	18.5
Non-GAAP adjustments to tax	(21)	(16)	-	-	(6.5)	6.3	(3.2)	(17.1)	(15.7)	(0.7)	-	-
Others	(89)	(143)	-	-	(29.5)	(31.4)	(22.4)	(5.8)	(24.8)	(37.9)	(41.2)	(39.5)
GAAP PF Net Income (Loss)	**833**	**1,337**	**2,557**	**3,701**	**86.2**	**211**	**267.8**	**267.5**	**212.3**	**368.8**	**345.5**	**410.8**
	(129)	**(21)**	**191**	**349**								
Non-GAAP as % of GAAP	84%	98%	107%	109%	163%	76%	68%	82%	118%	80%	102%	102%
Drivers:												
SBC as % of revenue			0.5%	0.5%	1.0%	0.5%	0.5%	0.4%	0.8%	0.4%	0.5%	0.5%
Balance Sheet												
Assets												
Cash and Cash Equivalents	596	870	1,353	2,878	303.0	313.8	305.9	595.6	378.0	535.7	386.4	869.9
Accounts Receivable, Net	2,638	4,483	8,761	12,736	2,135.9	2,287.8	2,439.3	2,638.1	3,167.4	3,338.2	3,855.1	4,482.9
Inventories	2,188	4,572	8,934	12,988	1,788.3	1,918.1	2,046.7	2,188.0	2,672.9	3,401.7	3,928.4	4,571.5
Other current assets	252	479	936	1,361	149.3	251.3	350.9	251.5	178.6	298.7	424.9	478.9
Total Current Assets	**5,673**	**10,403**	**19,983**	**29,963**	**4,376.5**	**4,771.0**	**5,142.8**	**5,673.2**	**6,396.9**	**7,574.3**	**8,594.9**	**10,403.1**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment, net	586	1,453	2,349	3,601	536.5	549.4	551.9	586.0	711.3	1,026.3	1,242.8	1,452.5
Operating lease right-of-use assets	124	153	153	153	124.6	123.5	124.5	124.1	149.8	152.7	152.7	152.7
Goodwill	333	333	333	333	340.5	340.8	340.7	333.1	333.0	332.9	332.9	332.9
Other intangible assets, net	266	207	207	136	297.5	286.8	275.4	266.2	255.6	244.9	225.8	207.3
Deferred income taxes	156	277	541	787	86.9	95.2	99.5	156.4	182.3	206.2	238.1	276.9
Other Non-Current Assets	74	336	657	955	72.4	74.4	71.9	74.1	231.1	250.3	289.1	336.1
Total Non-Current Assets	**1,540**	**2,758**	**4,240**	**5,965**	**1,458.4**	**1,470.1**	**1,463.9**	**1,539.9**	**1,863.1**	**2,213.3**	**2,481.4**	**2,758.5**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**7,213**	**13,162**	**24,223**	**35,928**	**5,834.9**	**6,241.1**	**6,606.7**	**7,213.1**	**8,260.0**	**9,787.6**	**11,076.2**	**13,161.6**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities												
Accounts payable	1,866	5,575	10,895	15,839	1,377.8	1,595.2	1,679.8	1,866.1	3,087.9	3,819.7	4,632.9	5,575.1
Accruals and other current liabilities and provisions	1,897	3,137	6,131	8,913	1,649.7	1,699.0	1,795.1	2,047.5	1,966.8	2,333.5	2,435.0	3,137.3
Operating Liabilities	**3,914**	**8,712**	**17,026**	**24,753**	**3,027.5**	**3,294.2**	**3,474.9**	**3,913.6**	**5,054.7**	**6,153.2**	**7,067.9**	**8,712.4**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt	777	810	810	810	941.7	875.2	784.1	776.5	772.4	810.4	810.4	810.4
Other non-operating liabilities	131	344	344	344	308.9	313.8	319.1	306.7	334.7	344.4	344.4	344.4
Total Non-Operating Liabilities	**1,083**	**1,155**	**1,155**	**1,155**	**1,250.6**	**1,189.0**	**1,103.2**	**1,083.2**	**1,107.1**	**1,154.8**	**1,154.8**	**1,154.8**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	**4,997**	**9,867**	**18,181**	**25,908**	**4,278.1**	**4,483.2**	**4,578.1**	**4,996.8**	**6,161.8**	**7,308.0**	**8,222.7**	**9,867.2**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Equity												
Total Equity	**2,216**	**3,294**	**6,042**	**10,020**	**1,556.8**	**1,757.9**	**2,028.6**	**2,216.3**	**2,098.2**	**2,479.6**	**2,853.5**	**3,294.4**
Assets - Liabilities & Equity	-	-	-	-	-	-	-	-	-	-	-	-
Book value per share	**$19.09**	**28.40**	**52.30**	**87.12**	*$13.32*	*$15.17*	*$17.50*	*$19.12*	*$18.13*	*$21.34*	*24.578146*	*28.399624*
Working Capital												
Revenue	12,391	20,482	40,026	58,190	2,648.6	2,893.4	3,194.0	3,654.9	4,047.0	4,698.6	5,426.2	6,309.8
COGS	10,976	18,143	35,456	51,546	2,357.1	2,555.7	2,819.6	3,243.5	3,588.7	4,159.9	4,804.0	5,590.5
Opex	488	628	1,068	1,512	103.7	123.0	132.2	129.1	133.1	152.4	164.5	177.9
Working Capital												
Accounts Receivable Days	77.7	79.9	79.9	79.9	73.6	72.2	69.7	65.9	71.4	64.8	64.8	64.8
Inventory Days	72.8	92.0	92.0	92.0	69.2	68.5	66.2	61.6	68.0	74.6	74.6	74.6
Accounts Payable Days	62.1	112.2	112.2	112.2	53.3	57.0	54.4	52.5				
Cash Conversion Cycle	88.4	59.7	59.7	**59.7**	89.5	83.7	81.6	74.9				
As % of revenue												
Other current assets	2.0%	2.3%	2.3%	2.3%	5.6%	8.7%	11.0%	6.9%	4.4%	6.4%	7.8%	7.6%
Other non-current assets	0.6%	1.6%	1.6%	1.6%	2.7%	2.6%	2.3%	2.0%	5.7%	5.3%	5.3%	5.3%

on 30-Sep-2026

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EXHIBIT 120: **Arista: Financial Model**

Arista Networks - Financial Model *In US$ M unless otherwise specified*	**Source**	12/31/2025 **2025A**	12/31/2026 **2026E**	12/31/2027 **2027E**	12/31/2028 **2028E**	3/31/2025 1Q25A	6/30/2025 2Q25A	9/30/2025 3Q25A	12/31/2025 4Q25A	3/31/2026 1Q26A	6/30/2026 2Q26A	9/30/2026 3Q26E	12/31/2026 4Q26E
Income Statement													
Non-GAAP Income Statement													
Revenue		**9,006**	**12,676**	**17,873**	**22,878**	**2,004.8**	**2,204.8**	**2,308.3**	**2,487.8**	**2,709.0**	**3,035.7**	**3,324.0**	**3,607.3**
COGS		3,190	4,721	6,702	8,693	720.0	757.8	803.1	909.4	1,018.2	1,111.0	1,246.5	1,345.5
Gross Profit		**5,815**	**7,955**	**11,171**	**14,184**	**1,284.8**	**1,447.0**	**1,505.2**	**1,578.4**	**1,690.8**	**1,924.7**	**2,077.5**	**2,261.8**
Research and development		977	1,187	1,674	2,143	209.4	243.3	251.4	272.5	271.5	278.1	305.8	331.9
Sales and marketing		429	500	705	903	96.7	107.7	118.3	106.6	111.8	118.1	129.6	140.7
General and administrative		94	93	132	169	23.7	22.0	22.4	26.3	21.8	23.1	23.3	25.3
Others		(22)	(41)	(9)	(11)	(2.4)	(2.4)	(8.8)	(8.3)	(8.3)	(8.3)	(10.0)	(14.4)
Opex		**1,478**	**1,740**	**2,502**	**3,203**	**327.4**	**370.6**	**383.3**	**397.1**	**396.8**	**411.0**	**448.7**	**483.4**
Operating Income		**4,337**	**6,215**	**8,668**	**10,981**	**957.4**	**1,076.4**	**1,121.9**	**1,181.3**	**1,294.0**	**1,513.7**	**1,628.7**	**1,778.4**
Other income (expense), net:		403	455	455	455	90.7	88.6	133.5	90.0	110.8	120.3	133.5	90.0
Pre-tax Income		**4,740**	**6,669**	**9,123**	**11,436**	**1,048.1**	**1,165.0**	**1,255.4**	**1,271.3**	**1,404.8**	**1,634.0**	**1,762.2**	**1,868.4**
Income Tax		959	1,428	1,953	2,448	221.9	241.5	258.5	236.7	296.6	332.3	387.7	411.0
Effective Tax Rate %		*20.2%*	*21.4%*	*21.4%*	*21.4%*	*21.2%*	*20.7%*	*20.6%*	*18.6%*	*21.1%*	*20.3%*	*22.0%*	*22.0%*
Net Income		**3,781**	**5,242**	**7,170**	**8,988**	**826.2**	**923.5**	**996.9**	**1,034.6**	**1,108.2**	**1,301.7**	**1,374.5**	**1,457.4**
Diluted Share Count		1,276	1,276	1,277	1,279	1,279.2	1,271.2	1,276.6	1,275.8	1,273.8	1,276.0	1,276.0	1,276.0
Earnings per Share		**2.96**	**4.11**	**5.61**	**7.03**	**0.65**	**0.73**	**0.78**	**0.81**	**0.87**	**1.02**	**1.08**	**1.14**
Balance Sheet													
Assets													
Cash and Cash Equivalents		1,964	5,177.2	12,935.4	22,662.3	1,845	2,226	2,327	1,964	2,790	2,290	3,411.4	5,177.2
Accounts Receivable, Net		1,887	2,796.0	3,942.4	5,046.3	1,436	1,624	1,489	1,887	1,924	2,266	2,733.1	2,796.0
Marketable securities		8,779	12,689.2	17,891.7	22,901.4	6,305	6,619	7,780	8,779	9,564	11,053	11,692.4	12,689.2
Inventories		2,247	2,796.0	3,969.3	5,148.5	1,957	2,059	2,156	2,247	2,380	2,535	2,733.1	2,796.0
Other current assets		1,510	2,339.5	3,298.7	4,222.4	734	976	1,434	1,510	1,900	2,019	2,155.7	2,339.5
Total Current Assets		**16,387**	**25,797.9**	**42,037.6**	**59,980.8**	**12,276**	**13,504**	**15,185**	**16,387**	**18,557**	**20,163**	**22,725.7**	**25,797.9**
Property, plant and equipment, net		203	365.9	219.0	383.0	124	152	173	203	250	313	337.1	365.9
Operating lease right-of-use		416	416.1	416.1	416.1	-	417	416	416	416	416	416.1	416.1
Deferred tax assets		1,774	2,516.5	3,548.2	4,541.7	1,544	1,803	1,665	1,774	1,887	2,002	2,318.8	2,516.5
Other Non-Current Assets		669	908.0	1,280.3	1,638.8	570	659	610	669	546	826	836.7	908.0
Total Non-Current Assets		**3,062**	**4,206.5**	**5,463.7**	**6,979.7**	**2,238**	**3,031**	**2,864**	**3,062**	**3,100**	**3,557**	**3,908.7**	**4,206.5**
Total Assets		**19,449**	**30,004.4**	**47,501.2**	**66,960.5**	**14,515**	**16,534**	**18,049**	**19,449**	**21,657**	**23,720**	**26,634.5**	**30,004.4**
Liabilities													
Short-term debt		-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable		651.7	830.0	1,178.3	1,528.3	389	544	481	652	608	693	900.7	830.0
Short-Term Deferred Revenue		4,002.6	5,976.1	8,426.3	10,785.7	2,073	2,788	3,521	4,003	4,910	5,101	5,506.7	5,976.1
Accrued & Other		722.2	1,173.0	1,654.0	2,117.1	660	720	665	722	1,042	1,025	1,080.9	1,173.0
Total Current Liabilities		**5,376.5**	**7,979.1**	**11,258.5**	**14,431.1**	**3,122**	**4,051**	**4,667**	**5,377**	**6,560**	**6,818**	**7,488.2**	**7,979.1**
Operating lease liabilities		-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt		-	-	-	-								
Long-Term Deferred Revenue		1,369.8	1,905.5	2,686.7	3,439.0	1,016	1,274	1,166	1,370	1,289	1,765	1,755.8	1,905.5
Other Non-Current Liabilities		331.8	448.4	632.3	809.4	258	307	310	332	320	339	413	448
Total Non-Current Liabilities		**1,701.6**	**2,353.9**	**3,319.0**	**4,248.3**	**1,273.9**	**1,581.2**	**1,475.1**	**1,701.6**	**1,609.3**	**2,104.0**	**2,169.0**	**2,353.9**
Total Liabilities		**7,078.1**	**10,333.0**	**14,577.6**	**18,679.4**	**4,396**	**5,633**	**6,142**	**7,078**	**8,169**	**8,922**	**9,657.2**	**10,333.0**
Equity													
Total stockholders equity		**12,371**	**19,671.3**	**32,923.7**	**48,281.1**	**10,119**	**10,902**	**11,907**	**12,371**	**13,487**	**14,798**	**16,977.2**	**19,671.3**
Book value per share		9.7	15.4	25.8	37.7	7.9	8.6	9.3	9.7	10.6	11.6	13.3	15.4
Cash Flow													
Cash flows from operating activities													
Net income		**3,511.4**	**5,067.7**	**7,170.2**	**8,987.9**	**813.8**	**888.8**	**853.0**	**955.8**	**1,022.9**	**1,212.9**	**1,374.5**	**1,457.4**
Depreciation and Amortization		72.6	93.5	131.8	168.7	13.8	12.8	23.2	22.8	23.3	23.4	23.4	23.4
Stock-based compensation		439.2	576.1	812.3	1,039.7	93.0	85.2	127.9	133.1	120.9	120.4	160.5	174.2
Deferred income tax		(312.0)	(728.0)	(1,031.7)	(993.5)	(107.1)	(230.8)	135.4	(109.5)	(104.9)	(108.2)	(317.2)	(197.7)
Other, Net		(27.1)	(21.3)	(30.0)	(38.4)	(12.1)	1,132.5	(1,143.9)	(3.6)	(3.4)	(7.2)	(5.1)	(5.6)
Change in Working Capital		687.8	775.6	965.7	895.2	(159.7)	(688.4)	1,272.6	263.3	634.7	(158.3)	(66.9)	366.1
Net cash provided by operating activities		**4,371.9**	**5,763.6**	**8,018.2**	**10,059.7**	**641.7**	**1,200.1**	**1,268.2**	**1,261.9**	**1,693.5**	**1,083.0**	1,169.3	1,817.9
Sum - Total			-	-	-	-	-	-	-	-	-	-	-
Cash flows from investing activities													
Capex		(120)	(184)	(260.0)	(332.8)	(28)	(24)	(30)	(37)	(55)	(30)	(48.0)	(52.1)
Investments		(4,210)	(2,326)	-	-	(738)	(301)	(1,884)	(1,288)	(816)	(1,510)	-	-
Acquistions & Other		753	(35)	-	-	-	(300)	728	326	5	(40)	-	-
Net cash provided by/(used in) investing activities		**(3,576)**	**(2,545)**	**(260.0)**	**(332.8)**	**(766)**	**(625)**	**(1,186)**	**(999)**	**(865)**	**(1,580)**	(48.0)	(52.1)
Sum - Total		-	-	-	-					-	-	-	-
Cash flows from financing activities													
Debt-related													
Buybacks		(1,603)	-	-	-	(787)	(196)	-	(620)	-	-	-	-
Dividends		-	-	-	-								
Financing - other		7	(2)	-	-	(7)	(1)	21	(5)	-	(2)	-	-
Net cash provided by/(used in) financing activities		**(1,596)**	**(2)**	-	-	**(794)**	**(197)**	**21**	**(626)**	-	**(2)**	-	-
Sum - Total			-	-	-	-	-	-	-	-	-	-	-
Cash reconciliation													
Effect of exchange rate changes on cash, cash equivalents and restricted cash		(3.6)	-	-						-2.6	-1	-	-
Net change in cash, cash equivalents and restricted cash			**3,213.3**	**7,758.3**	**9,726.9**					825.6	-499.3	1,121.2	1,765.7

Source: Company Filings, Bernstein estimates and analysis

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EXHIBIT 121: **Cisco: Operating Model**

Cisco Systems - Operating Model *In US$ M unless otherwise specified*	12/31/2025 2025A	12/31/2026 2026A	12/31/2027 2027E	10/31/2025 1Q26A	1/31/2026 2Q26A	4/30/2026 3Q26A
Revenue Drivers						
Non-GAAP Revenue						
Networking	28,304	34,668	43,340	7,768	8,294	8,815
Security	8,093	8,232	8,943	1,980	2,018	2,008
Collaboration	4,154	4,300	4,592	1,055	1,054	1,024
Observability	1,055	1,095	1,130	274	277	269
Product	**41,608**	**48,295**	**58,005**	**11,077**	**11,642**	**12,117**
Services	**15,046**	**15,030**	**15,366**	**3,806**	**3,707**	**3,724**
Total Revenue	**56,654**	**63,325**	**73,371**	**14,883**	**15,349**	**15,841**
Inventory Days						
Non-GAAP Revenue Growth						
Revenue growth % (YoY)						
Networking	-3.2%	22.5%	25.0%	15.0%	21.1%	24.7%
Security	59.5%	1.7%	8.6%	-1.8%	-4.4%	-0.2%
Collaboration	1.0%	3.5%	6.8%	-2.8%	5.8%	-0.7%
Observability	26.0%	3.8%	3.2%	6.2%	0.0%	3.1%
Product	**6.0%**	**16.1%**	**20.1%**	**9.5%**	**13.8%**	**16.8%**
Services	**3.4%**	**-0.1%**	**2.2%**	**2.1%**	**-1.3%**	**-1.4%**
Total Revenue Growth (YoY)	**5.3%**	**11.8%**	**15.9%**	**7.5%**	**9.7%**	**12.0%**

Source: Company reports, Bernstein estimates and analysis



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EXHIBIT 122: **Cisco: Financial Model**

Cisco Systems - Financial Model *In US$ M unless otherwise specified*	12/31/2024 2024A	12/31/2025 2025A	12/31/2026 2026A	12/31/2027 2027E	12/31/2028 2028E	10/31/2025 1Q26A	1/31/2026 2Q26A	4/30/2026 3Q26A	7/31/2026 4Q26A	10/31/2026 1Q27E	1/31/2027 2Q27E	4/30/2027 3Q27E	7/31/2027 4Q27E
Income Statement													
Non-GAAP Income Statement													
Revenue	**53,803**	**56,654**	**63,325**	**73,371**	**79,987**	**14,883**	**15,349**	**15,841**	**17,252**	**18,141**	**17,714**	**18,375**	**19,140**
COGS	17,491	18,071	20,933	26,260	28,932	4,747	4,992	5,383	5,811	6,209	6,336	6,646	7,067
Gross Profit	**36,312**	**38,583**	**42,392**	**47,111**	**51,055**	**10,136**	**10,357**	**10,458**	**11,441**	**11,931**	**11,378**	**11,729**	**12,073**
Research and development	6,667	7,675	7,826	8,438	9,199	1,916	1,935	1,957	2,018	2,086	2,037	2,113	2,201
Sales and marketing	9,518	10,048	10,572	11,095	12,096	2,602	2,637	2,616	2,717	2,776	2,693	2,756	2,871
General and administrative	2,438	2,516	2,304	2,218	2,418	602	570	556	576	561	531	551	574
Others	(688)	(792)	(350)	(289)	(315)	(103)	(96)	(83)	(68)	(72)	(70)	(72)	(75)
Opex	**17,935**	**19,447**	**20,352**	**21,462**	**23,397**	**5,017**	**5,046**	**5,046**	**5,243**	**5,352**	**5,191**	**5,348**	**5,571**
Operating Income	**18,377**	**19,136**	**22,040**	**25,649**	**27,657**	**5,119**	**5,311**	**5,412**	**6,198**	**6,580**	**6,186**	**6,381**	**6,502**
Other income (expense), net:	202	(847)	(757)	(750)	(500)	(167)	(196)	(194)	(200)	(150)	(200)	(200)	(200)
Pre-tax Income	**18,579**	**18,289**	**21,283**	**24,899**	**27,157**	**4,952**	**5,115**	**5,218**	**5,998**	**6,430**	**5,986**	**6,181**	**6,302**
Income Tax	**3,429**	**3,349**	**4,034**	**4,606**	**5,024**	**941**	**972**	**991**	**1,130**	**1,190**	**1,107**	**1,143**	**1,166**
Net Income	**15,150**	**14,940**	**17,249**	**20,293**	**22,133**	**4,011**	**4,143**	**4,227**	**4,868**	**5,240**	**4,879**	**5,037**	**5,136**
Diluted Share Count	4,065	4,003	3,986	3,973	3,964	3,993	3,984	3,982	3,984	3,979	3,975	3,971	3,966
Earnings per Share	**3.73**	**3.73**	**4.33**	**5.11**	**5.58**	**1.00**	**1.04**	**1.06**	**1.22**	**1.32**	**1.23**	**1.27**	**1.30**
Balance Sheet													
Assets													
Cash and Cash Equivalents	7,508	8,346	7,218	6,878	14,868	8,400	7,458	7,083	7,218	7,826	7,425	7,329	6,878
Investments	10,346	7,764	8,700	8,700	8,700	7,336	8,319	9,557	8,700	8,700	8,700	8,700	8,700
ST & LT Financing Receivables	6,714	6,527	8,332	8,332	8,332	6,804	6,642	6,578	8,332	8,332	8,332	8,332	8,332
Non-Operating Assets	**24,568**	**22,637**	**24,250**	**23,910**	31,900	**22,540**	**22,419**	**23,218**	**24,250**	**24,858**	**24,457**	**24,361**	**23,910**
Accounts Receivable, Net	6,685	6,701	7,470	9,439	10,290	4,827	6,606	6,480	7,470	8,151	8,347	8,860	9,439
Inventories	3,373	3,164	5,694	7,745	8,533	3,395	3,920	4,708	5,694	6,261	6,597	7,138	7,745
Other current assets	5,612	5,950	6,191	8,613	9,390	5,833	5,884	5,795	6,191	6,894	7,086	7,718	8,613
Current Operating Assets	**15,670**	**15,815**	**19,355**	**25,797**	**28,214**	**14,055**	**16,410**	**16,983**	**19,355**	**21,305**	**22,030**	**23,716**	**25,797**
Property, plant and equipment, net	2,090	2,113	2,760	3,523	4,329	2,248	2,351	2,577	2,760	2,972	3,169	3,352	3,523
Acquired intangibles	11,219	9,175	7,557	5,929	4,497	8,713	8,307	7,850	7,557	7,112	6,694	6,300	5,929
Goodwill	58,660	59,136	59,477	59,477	59,477	59,119	59,234	59,292	59,477	59,477	59,477	59,477	59,477
Deferred taxes	6,262	7,356	7,109	8,613	9,390	7,314	7,399	7,558	7,109	7,619	7,617	8,085	8,613
Other Non-Current Assets	5,944	6,059	9,129	10,128	11,042	7,113	7,251	8,068	9,129	9,599	9,373	9,723	10,128
Non-Current Operating Assets	**84,175**	**83,839**	**86,032**	**87,671**	**88,735**	**84,507**	**84,542**	**85,345**	**86,032**	**86,779**	**86,330**	**86,938**	**87,671**
Total Assets	**124,413**	**122,291**	**129,637**	**137,378**	**148,849**	**121,102**	**123,371**	**125,546**	**129,637**	**132,942**	**132,817**	**135,015**	**137,378**
Check				-	-	-	-	-	-	-	-	-	-
Liabilities													
Accounts Payable	2,304	2,528	3,366	3,098	3,413	2,418	2,762	2,970	3,366	3,402	3,264	3,205	3,098
Accrued compensation	3,608	3,611	4,057	4,311	4,700	3,064	3,494	3,290	4,057	4,141	4,017	4,138	4,311
Deferred revenue	28,475	28,779	29,781	33,041	36,020	27,969	28,403	28,599	29,781	31,315	30,579	31,720	33,041
Current operating lease liabilities	364	375	-	-	-	403	405	-	-	-	-	-	-
Other current liabilities	5,279	5,045	6,763	6,361	7,008	4,569	5,012	4,730	6,763	6,830	6,653	6,646	6,361
Current Operating Liabilities	**40,030**	**40,338**	**43,967**	46,810	51,141	**38,423**	**40,076**	**39,589**	**43,967**	**45,689**	**44,512**	**45,710**	**46,810**
Total Debt	30,962	28,093	29,533	29,533	29,533	28,089	30,086	31,303	29,533	29,533	29,533	29,533	29,533
Income taxes payable	5,424	4,022	2,529	2,529	2,529	4,643	2,319	2,477	2,529	2,529	2,529	2,529	2,529
Other long-term liabilities	2,540	2,995	3,323	2,785	3,037	3,074	3,167	3,316	3,323	3,211	2,959	2,888	2,785
Non-Operating Liabilities	**38,926**	**35,110**	**35,385**	34,847	35,099	**35,806**	**35,572**	**37,096**	**35,385**	**35,273**	**35,021**	**34,950**	**34,847**
Total Liabilities	**78,956**	**75,448**	**79,352**	81,658	86,240	**74,229**	**75,648**	**76,685**	**79,352**	**80,962**	**79,533**	**80,660**	**81,658**
Check				-	-	-	-	-	-	-	-	-	-
Equity													
Total Equity	**45,457**	**46,843**	**50,285**	55,720	62,609	**46,873**	**47,723**	**48,861**	**50,285**	**51,980**	**53,283**	**54,355**	**55,720**
Assets - Liabilities & Equity				-	-	-	-	-	-	-	-	-	-
Book value per share				14.03	15.80	**11.74**	**11.98**	**12.27**	**12.62**	**13.06**	**13.41**	**13.69**	**14.05**
Cash Flow													
Cash flows from operating activities													
Net income	**2,162**	**2,550**	**3,859**	**14,202**	**15,490**	**2,860**	**3,175**	**3,373**	**3,859**	**3,929**	**3,488**	**3,232**	**3,553**
Adjustments to reconcile net income to cash provided by operating activities													
Depreciation and Amortization	823	635	638	2,465	2,370	606	659	637	638	633	622	610	600
Stock-based compensation	800	948	927	3,869	4,218	1,055	934	914	927	925	975	998	972
Deferred income tax	(727)	(341)	443	(1,504)	(777)	25	(89)	(153)	443	(510)	2	(468)	(528)
Other, Net	6	(83)	(846)	(538)	251	(181)	(47)	(261)	(846)	(112)	(252)	(71)	(103)
Change in operating assets	(2,135)	(2,034)	(4,242)	(7,442)	(3,330)	719	(2,188)	(529)	(4,242)	(2,420)	(499)	(2,036)	(2,486)
Change in operating liabilities	2,801	2,559	4,607	2,843	4,331	(1,872)	(622)	(224)	4,607	1,722	(1,177)	1,197	1,100
Net cash provided by operating activities	**3,730**	**4,234**	**5,386**	**13,896**	**22,554**	**3,212**	**1,822**	**3,757**	**5,386**	**4,167**	**3,158**	**3,463**	**3,108**
Sum - Total				-	-	-	-	-	-	-	-	-	-
Cash flows from investing activities													
Capital Expenditure and Capitalized Software Development	(198)	(217)	(390)	(1,600)	(1,744)	(323)	(283)	(414)	(390)	(400)	(400)	(400)	(400)
Other	(3)	14	(20)	-	-	(22)	14	2	(20)	-	-	-	-
Acquisitions of Businesses and Assets, Net of divestitures and returns	(266)	80	(670)	-	-	(6)	(50)	(466)	(670)	-	-	-	-
Purchases (net of maturities and sales) of investments	(361)	(150)	816	-	-	507	(987)	(1,192)	816	-	-	-	-
Net cash provided by/(used in) investing activities	**(828)**	**(273)**	**(264)**	**(1,600)**	**(1,744)**	**156**	**(1,306)**	**(2,070)**	**(264)**	**(400)**	**(400)**	**(400)**	**(400)**
Sum - Total				-	-	-	-	-	-	-	-	-	-
Cash flows from financing activities													
Equity issuances and repurchases	(1,875)	(1,148)	(1,561)	(6,000)	(6,000)	(2,276)	(1,793)	(1,544)	(1,561)	(1,500)	(1,500)	(1,500)	(1,500)
Debt issuances and repayments	(1,041)	(1,176)	(1,785)	-	-	31	1,968	1,199	(1,785)	-	-	-	-
Dividends	(1,606)	(1,625)	(1,659)	(6,636)	(6,820)	(1,617)	(1,617)	(1,660)	(1,659)	(1,659)	(1,659)	(1,659)	(1,659)
Other	15	-	(1)	-	-	(1)	3	(34)	(1)	-	-	-	-
Net cash provided by/(used in) financing activities	**(4,507)**	**(3,949)**	**(5,006)**	**(12,636)**	**(12,820)**	**(3,863)**	**(1,439)**	**(2,039)**	**(5,006)**	**(3,159)**	**(3,159)**	**(3,159)**	**(3,159)**
Sum - Total				-	-	-	-	-	-	-	-	-	-
Cash reconciliation													
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(31)	(43)	(29)	-	-	(14)	(19)	(24)	28	-	-	-	-
Net change in cash, cash equivalents and restricted cash	**(2,785)**	**68**	**(1,683)**	**(340)**	**7,990**	**(509)**	**(942)**	**(376)**	**144**	**608**	**(401)**	**(96)**	**(451)**

Source: Company reports, Bernstein estimates and analysis

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EXHIBIT 123: **Lumentum Operating Model**

Lumentum Holdings Inc - Operating Model *In US$ M unless otherwise specified*	6/30/2025 2025A	6/30/2026 2026A	6/30/2027 2027E	6/30/2028 2028E	9/30/2024 1Q25A	12/31/2024 2Q25A	3/31/2025 3Q25A	6/30/2025 4Q25A	9/30/2025 1Q26A	12/31/2025 2Q26A	3/31/2026 3Q26A	6/30/2026 4Q26A	9/30/2026 1Q27E	12/31/2026 2Q27E	3/31/2027 3Q27E	6/30/2027 4Q27E
Revenue Drivers																
Revenue																
Components	1,116.3	2,005.6	3,928.3	5,892.4	231.4	263.7	300.8	320.4	379.2	443.7	533.3	649.4	777.4	909.6	1,039.9	1,201.4
Systems	528.7	1,008.4	2,574.2	4,836.7	105.5	138.5	124.4	160.3	154.6	221.8	275.1	356.9	477.1	587.8	698.1	811.2
Total Revenue	**1,645.0**	**3,014.0**	**6,502.5**	**10,729.1**	**336.9**	**402.2**	**425.2**	**480.7**	**533.8**	**665.5**	**808.4**	**1,006.3**	**1,254.4**	**1,497.4**	**1,738.1**	**2,012.6**
Revenue Growth																
Revenue growth % (YoY)																
Components		79.7%	95.9%	50.0%					63.9%	68.3%	77.3%	102.7%	105.0%	105.0%	95.0%	85.0%
Systems		90.7%	155.3%	87.9%					46.5%	60.1%	121.1%	122.6%	208.6%	165.0%	153.8%	127.3%
Total Revenue Growth (YoY)	**21.0%**	**83.2%**	**115.7%**	**65.0%**	**6.1%**	**9.7%**	**16.0%**	**55.9%**	**58.4%**	**65.5%**	**90.1%**	**109.3%**	**135.0%**	**125.0%**	**115.0%**	**100.0%**
Industry Model growth				66.3%												
Revenue growth % (QoQ)																
Components						14.0%	14.1%	6.5%	18.4%	17.0%	20.2%	21.8%	19.7%	17.0%	14.3%	15.5%
Systems						31.3%	-10.2%	28.9%	-3.6%	43.5%	24.0%	29.7%	33.7%	23.2%	18.8%	16.2%
Total Revenue Growth (QoQ)					**9.3%**	**19.4%**	**5.7%**	**13.1%**	**11.0%**	**24.7%**	**21.5%**	**24.5%**	**24.7%**	**19.4%**	**16.1%**	**15.8%**
Revenue Mix																
Revenue mix % (YoY)																
Components	67.9%	66.5%	60.4%	54.9%	68.7%	65.6%	70.7%	66.7%	71.0%	66.7%	66.0%	64.5%	62.0%	60.7%	59.8%	59.7%
Systems	32.1%	33.5%	39.6%	45.1%	31.3%	34.4%	29.3%	33.3%	29.0%	33.3%	34.0%	35.5%	38.0%	39.3%	40.2%	40.3%

Source: Company filings, Bernstein estimates and analysis

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EXHIBIT 124: **Lumentum Financial Model**

Lumentum Holdings Inc - Financial Model *In US$ M unless otherwise specified*	6/30/2025 2025A	6/30/2026 2026A	6/30/2027 2027E	6/30/2028 2028E	9/30/2025 1Q26A	12/31/2025 2Q26A	3/31/2026 3Q26A	6/30/2026 4Q26A	9/30/2026 1Q27E	12/31/2026 2Q27E	3/31/2027 3Q27E	6/30/2027 4Q27E
Income Statement												
Non-GAAP Income Statement												
Revenue	**1,645.0**	**3,014.0**	**6,502.5**	**10,729.1**	**533.8**	**665.5**	**808.4**	**1,006.3**	**1,254.4**	**1,497.4**	**1,738.1**	**2,012.6**
COGS	1,073.5	1,627.3	3,021.1	4,720.8	323.5	382.9	421.5	499.4	602.1	703.8	799.5	915.7
Gross Profit	**571.5**	**1,386.7**	**3,481.3**	**6,008.3**	**210.3**	**282.6**	**386.9**	**506.9**	**652.3**	**793.6**	**938.6**	**1,096.9**
Research and development	256.0	304.8	488.9	772.5	69.0	69.9	78.4	87.5	100.4	112.3	130.4	145.9
Sales and marketing	155.4	184.9	228.8	300.4	41.5	45.0	47.8	50.6	50.2	52.4	60.8	65.4
Others	52.9	(0.0)	-	-	(0.0)	-	-	-	-	-	-	-
Opex	**464.3**	**489.7**	**717.8**	**1,072.9**	**110.5**	**114.9**	**126.2**	**138.1**	**150.5**	**164.7**	**191.2**	**211.3**
Operating Income	**160.1**	**897.0**	**2,763.6**	**4,935.4**	**99.8**	**167.7**	**260.7**	**368.8**	**501.8**	**628.9**	**747.4**	**885.5**
Other income (expense), net:	15.2	39.9	40.0	40.0	3.7	4.6	9.6	22.0	10.0	10.0	10.0	10.0
Pre-tax Income	**175.3**	**936.9**	**2,803.6**	**4,895.4**	**103.5**	**172.3**	**270.3**	**390.8**	**511.8**	**638.9**	**757.4**	**895.5**
Income Tax	**28.9**	**154.6**	**462.7**	**808.0**	17.1	28.4	44.6	64.5	84.5	105.4	125.0	147.8
Effective Tax Rate %	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*
Net Income	**146.4**	**782.3**	**2,340.9**	**4,087.5**	**86.4**	**143.9**	**225.7**	**326.3**	**427.3**	**533.4**	**632.4**	**747.7**
Diluted Share Count	71.6	93.4	104.5	116.9	78.3	86.1	95.2	101.1	102.3	103.5	104.9	106.3
Earnings per Share	**2.05**	**8.37**	**22.40**	**34.96**	**1.10**	**1.67**	**2.37**	**3.23**	**$4.18**	**$5.15**	**$6.03**	**$7.04**
Growth												
Balance Sheet												
Assets												
Accounts Receivable, Net	250	520	1,040.6	1,386.8	307	377	442	520	648.6	774.2	898.7	1,040.6
Inventories	470	692	1,003.5	1,293.4	532	570	633	692	791.8	886.9	963.8	1,003.5
Prepayments and Other Current Assets	120	212	423.2	564.0	125	181	149	212	263.8	314.9	365.5	423.2
Total Current Operating Assets	**840**	**1,424**	**2,467.3**	**3,244.2**	**964**	**1,128**	**1,223**	**1,424**	**1,704.2**	**1,976.0**	**2,227.9**	**2,467.3**
PP&E, Net			*1,886.3*	3,132.2	795	814	964	1,159	*1,297.1*	*1,464.2*	*1,659.3*	*1,886.3*
Goodwill			1,069.3	1,069.3	31	30	27	1,069	1,069.3	1,069.3	1,069.3	1,069.3
Other Intangible Assets, Net			209.1	120.7	1,061	1,061	1,066	327	292.4	261.5	233.8	209.1
Operating Lease Right-of-Use Assets			58.4	77.8	-	-	-	29	36.4	43.4	50.4	58.4
Deferred Tax Assets			1,061.8	1,415.1	431	397	363	531	661.8	790.0	917.0	1,061.8
Other Non-Current Operating Assets			60.4	80.5	6	15	14	30	37.6	44.9	52.2	60.4
Total Non-Current Operating Assets			**4,345.3**	**5,895.7**	**2,323**	**2,316**	**2,434**	**3,146**	**3,394.6**	**3,673.3**	**3,982.0**	**4,345.3**
Cash and Cash Equivalents			2,201.1	4,493.3	772.9	657.7	2617.8	2043.5	2,041.1	2,043.0	2,090.2	2,201.1
Short-Term Investments			694.9	694.9	349	498	555	695	694.9	694.9	694.9	694.9
Restricted cash			-	-	205	206	198	-	-	-	-	-
Total Non-Operating Assets			**2,896.0**	**5,188.2**	**1,326**	**1,361**	**3,370**	**2,738**	**2,736.0**	**2,737.9**	**2,785.1**	**2,896.0**
Total Assets			**9,708.6**	**14,328.1**	**4613.1**	**4805.3**	**7027.9**	**7307.5**	**7,834.8**	**8,387.2**	**8,995.0**	**9,708.6**
Check			-	-	-	-	-	-	-	-	-	-
Liabilities												
Accounts Payable			1,103.9	1,422.7	279	347	393	567	725.9	848.4	963.8	1,103.9
Accrued Payroll and Related Expenses			292.6	390.0	69	85	110	146	182.4	217.7	252.7	292.6
Accrued Expenses			*129.8*	173.0	46	39	49	65	80.9	96.6	112.1	129.8
Operating Lease Liabilities			*67.6*	90.1	37	35	32	34	42.1	50.3	58.4	67.6
Other Current Liabilities			183.0	243.9	42	43	63	92	114.1	136.2	158.0	183.0
Total Operating Liabilities			**1,776.9**	**2,319.6**	**472**	**550**	**646**	**904**	**1,145.3**	**1,349.1**	**1,545.0**	**1,776.9**
Other Non-Current Liabilities			**115.2**	115.2	111	116	121	115	115.2	115.2	115.2	115.2
Debt			*1,637.4*	1,637.4	3,244	3,287	3,282	1,637	**1,637.4**	**1,637.4**	**1,637.4**	**1,637.4**
Deferred Tax Liabilities			7.0	7.0	6	6	5	7	7.0	7.0	7.0	7.0
Total Non-Operating Liabilities			**1,759.6**	1,759.6	**3361**	**3409**	**3408**	**1760**	1,759.6	1,759.6	1,759.6	1,759.6
Total Liabilities			*3,536.5*	4,079.2	**3,832**	**3,959**	**4,055**	**2,664**	*2,904.9*	*3,108.7*	*3,304.6*	*3,536.5*
Check			-	-	-	-	-	-	-	-	-	-
Stockholders' Equity												
Common Stock			0.1	0.1	0	0	0	0	0.1	0.1	0.1	0.1
Additional Paid-In Capital			12,686.1	13,068.8	1,629	1,616	3,601	12,430	12,483.8	12,542.5	12,610.7	12,686.1
Retained Earnings			(6,524.2)	(2,830.1)	(857)	(779)	(635)	(7,796)	(7,564.1)	(7,274.2)	(6,930.5)	(6,524.2)
Accumulated Other Comprehensive Income			10.1	10.1	9	9	7	10	10.1	10.1	10.1	10.1
Total Stockholders' Equity			6,172.1	10,248.9	**781**	**847**	**2,973**	**4,644**	4,929.9	5,278.5	5,690.4	6,172.1
Check			-	-	-	-	-	-	-	-	-	-
Total Liabilities and Stockholders' Equity			*9,708.6*	14,328.1	4613.1	4805.3	7027.9	7307.4	**7,834.8**	**8,387.2**	**8,995.0**	**9,708.6**
Cash Flow												
Cash flows from operating activities												
Net income	**26**	**(6,935)**	**1,272.1**	**3,694.1**	**4**	**78**	**144**	**(7,162)**	232.2	289.9	343.6	406.3
Depreciation	**104**	**129**	**155.0**	**209.6**	28	31	33	38	**32.2**	**36.0**	**40.7**	**46.1**
Amortization	152	138	117.8	88.4	34	34	34	36	34.6	30.9	27.6	24.7
Stock-based compensation	177	170	256.0	382.7	42	45	42	41	53.7	58.7	68.2	75.4
Other	(19)	7,541	-	-	4	11	(2)	7,528	-	-	-	-
Change in Working Capital	(315)	(292)	(761)	(627)	(55)	(73)	(47)	(118)	(185)	(211)	(197)	(169)
Net cash provided by operating activities	126	751	1,039.8	**3,747.8**	**58**	**127**	**204**	**363**	**167.8**	**205.0**	**283.0**	**384.0**
Sum - Total	-	-	-	-	-	-	-	0	-	-	-	-
Cash flows from investing activities												
Capex, net	(231)	(409)	(882)	(1,456)	(76)	(84)	(85)	(164)	(170.2)	(203.1)	(235.8)	(273.0)
Acquisitions	-	(38)	-	-	-	-	(38)	-	-	-	-	-
Investing	99	(339)	-	-	8	(148)	(59)	(140)	-	-	-	-
Other	48	0	-	-	-	-	-	0	-	-	-	-
Net cash provided by/(used in) investing activitie	**(84)**	**(786)**	**(882)**	**(1,456)**	**(68)**	**(231)**	**(182)**	**(304)**	(170.2)	(203.1)	(235.8)	(273.0)
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Cash flows from financing activities												
Debt and preferreds	83.5	1556.9	-	-	1,153	50	988	(633)	-	-	-	-
Common Dividends	-41.7	0	-	-	(47)	(60)	107	-	-	-	-	-
Equity Issuances and buybacks	0	0	-	-	(843)	-	843	-	-	-	-	-
Net cash provided by/(used in) financing activitie	**42**	**1,557**	**-**	**-**	**262**	**(11)**	**1,938**	**(633)**	-	-	-	-
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-
Cash reconciliation												
Effect of exchange rate changes on cash, cash equiv	0	-	-	-	-	-	-	-	-	-	-	-
Net change in cash, cash equivalents and restric	**84**	**1,523**	**158**	**2,292.2**	**252**	**(115)**	**1,960**	**(574)**	(2.4)	1.9	47.2	110.9

Source: Company filings, Bernstein estimates and analysis

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EXHIBIT 125: **Coherent Operating Model**

Coherent Corp - Balance Sheet *In US$ M unless otherwise specified*	12/31/2025 2025A	12/31/2026 2026A	12/31/2027 2027E	9/30/2024 1Q25A	12/31/2024 2Q25A	3/31/2025 3Q25A	6/30/2025 4Q25A	9/30/2025 1Q26A	12/31/2025 2Q26A	3/31/2026 3Q26A	6/30/2026 4Q26A	9/30/2026 1Q27E	12/31/2026 2Q27E	3/31/2027 3Q27E	6/30/2027 4Q27E
Revenue Drivers															
Revenue															
Datacenter & Communications	**3,755.2**	**5,274.6**	**8,955.5**	**863.6**	**904.5**	**969.0**	**1,018.0**	**1,090.0**	**1,208.0**	**1,361.6**	**1,615.0**	**1,874.8**	**2,113.9**	**2,382.8**	**2,584.0**
Industrial	2,054.6	1,843.6	1,891.4	484.5	530.1	529.0	511.0	491.4	477.7	444.0	430.5	497.3	498.8	452.0	443.3
Total Revenue	**5,810**	**7,118.1**	**10,846.9**	**1,348.1**	**1,434.7**	**1,498.0**	**1,529.5**	**1,581.4**	**1,685.6**	**1,805.6**	**2,045.5**	**2,372.1**	**2,612.7**	**2,834.8**	**3,027.3**
Revenue Growth															
Revenue growth % (YoY)															
Datacenter		41.4%						23.0%	36.0%	37.0%	66.0%				
Communications		39.1%						30.7%	30.2%	45.8%	48.3%				
Datacenter & Communications		40.5%	69.8%					26.2%	33.5%	40.5%	58.6%	72.0%	75.0%	75.0%	60.0%
Industrial		-10.3%	2.6%					1.4%	-9.9%	-16.1%	-15.8%	1.2%	4.4%	1.8%	3.0%
Total Revenue Growth (YoY)	**23.4%**	**22.5%**	**52.4%**	**28.0%**	**26.8%**	**23.9%**	**16.4%**	**17.3%**	**17.5%**	**20.5%**	**33.7%**	**50.0%**	**55.0%**	**57.0%**	**48.0%**
Industry Model Growth															
Revenue growth % (QoQ)															
Datacenter					3.1%	12.2%	2.3%	4.0%	14.0%	13.0%	23.9%				
Communications					7.0%	0.4%	9.2%	11.4%	6.7%	12.3%	11.2%				
Datacenter & Communications					4.7%	7.1%	5.1%	7.1%	10.8%	12.7%	18.6%	16.1%	12.8%	12.7%	8.4%
Industrial					9.4%	-0.2%	-3.4%	-3.8%	-2.8%	-7.1%	-3.0%	15.5%	0.3%	-9.4%	-1.9%
Total Revenue Growth (QoQ)				**2.6%**	**6.4%**	**4.4%**	**2.1%**	**3.4%**	**6.6%**	**7.1%**	**13.3%**	**16.0%**	**10.1%**	**8.5%**	**6.8%**
Operating Profit Decomposition															
Statement of Operations															
Total revenue	**5,810.3**	**7,118.1**	**10,846.9**	**1,348.1**	**1,434.7**	**1,498.0**	**1,529.5**	**1,581.4**	**1,685.6**	**1,805.6**	**2,045.5**	**2,372.1**	**2,612.7**	**2,834.8**	**3,027.3**
Cost of revenue	3,595	4,311.6	6,399.7	839.5	886.7	921.2	947.4	968.8	1,028.5	1,091.4	1,222.9	1,399.5	1,541.5	1,672.5	1,786.1
Gross profit	**2,215**	**2,806.5**	**4,447.2**	**508.6**	**548.0**	**576.8**	**582.1**	**612.6**	**657.1**	**714.2**	**822.6**	**972.6**	**1,071.2**	**1,162.3**	**1,241.2**
Operating expenses:															
Research and development	553	693.4	1,084.7	124.3	137.4	141.2	149.7	147.9	158.8	178.4	208.3	237.2	261.3	283.5	302.7
Sales and marketing	611	656.3	813.5	151.8	145.7	156.3	157.3	155.8	162.3	169.7	168.5	177.9	196.0	212.6	227.1
Others	0	(0.1)	-	0.1	0.0	0.2	(0.0)	0.1	(0.1)	-	-	-	-	-	-
Total operating expenses	**1,163**	**1,349.7**	**1,898.2**	**276.0**	**283.1**	**297.4**	**307.0**	**303.6**	**321.2**	**348.1**	**376.8**	**415.1**	**457.2**	**496.1**	**529.8**
Income from operations	**1,052**	**1,456.8**	**2,549.0**	**232.6**	**264.9**	**279.4**	**275.1**	**309.0**	**335.9**	**366.1**	**445.8**	**557.4**	**614.0**	**666.2**	**711.4**

Source: Company filings, Bernstein estimates and analysis

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EXHIBIT 126: **Coherent Financial Model**

Coherent Corp - Financial Model *In US$ M unless otherwise specified*	12/31/2024 2024A	12/31/2025 2025A	12/31/2026 2026A	12/31/2027 2027E	12/31/2028 2028E	9/30/2025 1Q26A	12/31/2025 2Q26A	3/31/2026 3Q26A	6/30/2026 4Q26A	9/30/2026 1Q27E	12/31/2026 2Q27E	3/31/2027 3Q27E	6/30/2027 4Q27E
Income Statement													
Non-GAAP Income Statement													
Revenue	**4,707.7**	**5,810.3**	**7,118.1**	**10,846.9**	**16,270.4**	**1,581.4**	**1,685.6**	**1,805.6**	**2,045.5**	**2,372.1**	**2,612.7**	**2,834.8**	**3,027.3**
COGS	3,011.6	3,594.8	4,311.6	6,399.7	9,274.1	968.8	1,028.5	1,091.4	1,222.9	1,399.5	1,541.5	1,672.5	1,786.1
Gross Profit	**1,696.1**	**2,215.5**	**2,806.5**	**4,447.2**	**6,996.3**	**612.6**	**657.1**	**714.2**	**822.6**	**972.6**	**1,071.2**	**1,162.3**	**1,241.2**
Research and development	441.2	552.6	693.4	1,084.7	1,627.0	147.9	158.8	178.4	208.3	237.2	261.3	283.5	302.7
Sales and marketing	545.4	611.2	656.3	813.5	1,220.3	155.8	162.3	169.7	168.5	177.9	196.0	212.6	227.1
Others	(0.1)	0.3	(0.1)	-	-	0.1	(0.1)	-	-	-	-	-	-
Opex	**986.7**	**1,163.5**	**1,349.7**	**1,898.2**	**2,847.3**	**303.6**	**321.2**	**348.1**	**376.8**	**415.1**	**457.2**	**496.1**	**529.8**
Operating Income	**709.4**	**1,052.0**	**1,456.8**	**2,549.0**	**4,148.9**	**309.0**	**335.9**	**366.1**	**445.8**	**557.4**	**614.0**	**666.2**	**711.4**
Other income (expense), net:	(232.3)	(167.4)	(118.1)	(167.1)	(167.1)	(37.6)	(33.2)	(29.7)	(17.6)	(44.5)	(45.2)	(41.3)	(36.1)
Pre-tax Income	**477.1**	**884.6**	**1,338.7**	**2,381.9**	**3,981.9**	**271.4**	**302.7**	**336.4**	**428.2**	**512.9**	**568.8**	**624.9**	**675.4**
Income Tax	(98.5)	(184.0)	(254.7)	(452.6)	(756.6)	(51.6)	(57.6)	(64.1)	(81.4)	(97.5)	(108.1)	(118.7)	(128.3)
Effective Tax Rate %	*-20.6%*	*-20.8%*	*-19.0%*	*-19.0%*	*-19.0%*	*-19.0%*	*-19.0%*	*-19.1%*	*-19.0%*	*-19.0%*	*-19.0%*	*-19.0%*	*-19.0%*
Non-controlling interest	2.8	3.5	12.3	5.7	5.7	1.1	2.9	3.9	4.4	(0.2)	3.2	1.6	1.2
Net Income	**381.3**	**704.1**	**1,096.4**	**1,935.1**	**3,231.0**	**220.9**	**248.0**	**276.2**	**351.2**	**415.2**	**463.9**	**507.8**	**548.2**
Diluted Share Count	226.25	195.29	196.47	203.52	204.97	190.7	192.8	196.4	202.2	202.7	203.2	203.8	204.4
Earnings per Share	**1.69**	**3.61**	**5.58**	**9.51**	**15.76**	**1.16**	**1.28**	**1.41**	**1.74**	**2.05**	**2.28**	**2.49**	**2.68**
Balance Sheet													
Assets													
Accounts receivable	848.5	964.1	1,343.3	1,988.1	2,982.1	1,027	1,055	1,188	1,343.3	1,557.8	1,715.8	1,861.6	1,988.1
Inventories	1,286.4	1,437.6	2,581.0	3,769.7	5,462.9	1,633	1,848	2,127	2,581.0	2,953.8	3,253.4	3,530.0	3,769.7
Prepaid and other current assets	425.1	607.4	979.0	1,448.9	2,173.4	507	592	671	979.0	1,135.3	1,250.5	1,356.8	1,448.9
Current Operating Assets	2,560.1	3,009.1	4,903.3	7,206.7	10,618.4	**3,167**	**3,494**	**3,986**	**4,903.3**	**5,646.9**	**6,219.6**	**6,748.4**	**7,206.7**
Property, plant and equipment, net	1,817.3	1,877.5	2,999.3	3,689.4	5,423.5	1,944	2,117	2,420	2,999.3	3,199.9	3,380.5	3,543.1	3,689.4
Goodwill	4,464.3	4,471.1	4,375.6	4,495.7	4,331.5	4,475	4,463	4,402	4,375.6	4,619.5	4,577.8	4,536.6	4,495.7
Intangible Assets, Net	3,503.2	3,204.7	2,884.5	2,963.7	2,855.4	3,133	3,064	2,958	2,884.5	3,045.3	3,017.8	2,990.6	2,963.7
Other Non-Current Assets	313.1	662.2	474.3	702.0	1,052.9	373	352	398	474.3	550.0	605.8	657.3	702.0
Non-Current Operating Assets	10,097.9	10,215.6	10,733.7	11,850.8	13,663.3	**9,925**	**9,996**	**10,178**	**10,733.7**	**11,414.7**	**11,582.0**	**11,727.6**	**11,850.8**
Cash and cash equivalents	926.0	909.2	1,162.0	725.2	135.3	852.8	863.7	1,592.7	1,162.0	544.9	534.7	592.6	725.2
Restricted cash, total current and non-current	863.7	723.7	606.4	606.4	606.4	700.1	665.1	633.0	606.4	606.4	606.4	606.4	606.4
Investments, short and long-term	-	-	825.0	825.0	825.0	-	-	825.0	825.0	825.0	825.0	825.0	825.0
Deferred Tax	41.0	53.4	69.4	69.4	69.4	53.9	69.1	72.1	69.4	69.4	69.4	69.4	69.4
Non-Operating Assets	**1,830.7**	**1,686.3**	**2,662.8**	**2,226.0**	**1,636.1**	**1,607**	**1,598**	**3,123**	**2,662.8**	**2,045.7**	2,035.5	2,093.4	2,226.0
Total Assets	14,488.6	14,910.9	**18,299.9**	**21,283.5**	**25,917.8**	**14,699**	**15,088**	**17,287**	**18,299.9**	19,107.3	19,837.1	20,569.4	21,283.5
Liabilities													
Accounts payable	631.5	847.0	1,905.4	2,783.0	4,032.9	953.9	1,118.5	1,343.4	1,905.4	2,180.6	2,401.8	2,606.0	2,783.0
Accruals and other current liabilities	597.9	718.0	879.3	1,301.4	1,952.0	692.3	683.1	708.6	879.3	1,019.7	1,123.1	1,218.6	1,301.4
Operating lease liabilities, current and non-curre	202.9	206.7	316.2	468.0	702.0	198.1	194.7	231.3	316.2	366.7	403.9	438.2	468.0
Other liabilities	225.4	259.3	198.2	293.3	440.0	229.9	208.1	188.2	198.2	229.8	253.2	274.7	293.3
Operating Liabilities	1,657.8	2,031.0	3,299.1	4,845.6	7,127.0	**2,074.1**	**2,204.3**	**2,471.5**	**3,299.1**	**3,796.8**	**4,181.9**	**4,537.4**	**4,845.6**
Debt, short and long term	4,100.2	3,686.9	3,222.2	3,222.2	3,222.2	3,307.8	3,351.9	3,193.8	3,222.2	3,222.2	3,222.2	3,222.2	3,222.2
Deferred Income Taxes	784.4	711.7	540.6	540.6	540.6	629.5	643.3	605.8	540.6	540.6	540.6	540.6	540.6
Capital Lease Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Operating Liabilities	**4,884.6**	**4,398.6**	**3,762.8**	**3,762.8**	**3,762.8**	**3,937.3**	**3,995.1**	**3,799.6**	**3,762.8**	3,762.8	3,762.8	3,762.8	3,762.8
Total Liabilities	**6,542.4**	**6,429.7**	**7,061.7**	**8,608.4**	**10,889.8**	6,011.4	6,199.4	6,271.0	7,061.7	7,559.6	7,944.7	8,300.2	8,608.4
Equity													
Total Mezzanine Equity	2,364.8	2,483.3	-	-	-	2,505	-	-	-	-	-	-	-
Total Coherent Corp. Shareholders' Equity	**5,210.1**	**5,644.5**	**10,903.5**	**12,340.3**	**14,693.3**	5,830	8,539	10,677	10,904	**11,212.9**	**11,557.7**	**11,934.4**	**12,340.3**
Noncontrolling interests	**371.4**	**353.5**	**334.7**	**334.7**	**334.7**	352	349	339	335	**334.7**	**334.7**	**334.7**	**334.7**
Total Equity	**7,946.3**	**8,481.3**	**11,238.2**	**12,675.0**	**15,028.0**	**8,687**	**8,888**	**11,016**	**11,238**	**11,547.6**	**11,892.4**	**12,269.1**	**12,675.0**
Book value per share	52.07	54.54	55.58	62.02	73.32	**45.56**	**46.11**	**56.09**	**55.58**	*56.97*	*58.52*	*60.20*	*62.02*
Cash Flow													
Cash flows from operating activities													
Net income	**(158.8)**	**30.1**	**786.9**	**1,165.3**	**1,945.7**	**225.2**	**143.8**	**181.7**	**236.2**	**250.0**	**279.4**	**305.8**	**330.1**
Depreciation	271.6	250.8	241.6	1,309.9	1,517.9	53.0	55.5	62.4	70.7	299.4	319.4	337.4	353.7
Amortization	288.2	302.8	280.3	275.0	268.7	69.4	70.5	70.5	69.9	69.7	69.1	68.4	67.8
Stock-based compensation	126.0	160.2	186.5	271.5	407.3	44.1	42.8	49.1	50.4	59.4	65.4	71.0	75.8
Other, Net	(85.7)	97.8	(313.6)	(701.7)	(459.6)	(187.2)	4.7	(65.2)	(65.8)	(549.7)	(55.8)	(51.5)	(44.6)
Change in Operating Assets and Liabilities	104.3	(208.1)	(1,102.2)	(756.9)	(1,130.4)	(158.6)	(259.4)	(392.3)	(291.9)	(245.9)	(187.6)	(173.2)	(150.2)
Net cash provided by operating activities	**545.7**	**633.6**	**79.5**	**1,563.2**	**2,549.7**	**46.0**	**57.9**	**(93.8)**	**69.4**	**(117.1)**	**489.8**	**557.9**	**632.6**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-	-
Check													
Cash flows from investing activities													
Capital Expenditure and Capitalized Software Develc	(346.8)	(440.8)	(1,102.9)	(2,000.0)	(3,139.6)	(103.9)	(153.6)	(289.7)	(555.7)	(500.0)	(500.0)	(500.0)	(500.0)
Acquisitions, net of divestitures	-	27.0	429.8	-	-	391.1	(5.3)	51.5	(7.5)	-	-	-	-
Purchases of investments, net of sales	-	-	(735.6)	-	-	9.6	21.9	(807.7)	40.6	-	-	-	-
Other	(0.0)	(0.0)	(5.0)	-	-	(0.0)	(0.0)	(5.0)	0.0	-	-	-	-
Net cash provided by/(used in) investing activi	**(350.7)**	**(414.2)**	**(1,413.7)**	**(2,000.0)**	**(3,139.6)**	**296.8**	**(138.5)**	**(1,049.4)**	**(522.6)**	**(500.0)**	**(500.0)**	**(500.0)**	**(500.0)**
Sum - Total	4.0	-	(1.0)	-	-	-	1.0	(2.0)	-	-	-	-	-
Cash flows from financing activities													
Debt proceeds net of payments	(209.8)	(383.3)	(487.3)	-	-	(317.2)	215.5	(411.9)	26.3	-	-	-	-
Equity issuance net of buybacks	42.3	49.6	2,052.4	-	-	21.3	8.8	2,021.7	0.6	-	-	-	-
Dividends	-	(11.4)	(11.4)	-	-	(11.4)	-	-	0.0	-	-	-	-
Other	925.8	(106.6)	(76.4)	-	-	(114.2)	(181.2)	244.6	(25.6)	-	-	-	-
Net cash provided by/(used in) financing activi	**758.3**	**(451.7)**	**1,477.1**	**-**	**-**	**(421.5)**	**43.1**	**1,854.3**	**1.2**	**-**	**-**	**-**	**-**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-	-	-
Check													
Cash reconciliation													
Effect of exchange rate changes on cash, cash equiv	(1.2)	75.6	(7.4)	-	-	(1.3)	13.5	(14.2)	(5.4)	-	-	-	-
Net change in cash, cash equivalents and rest	**952.1**	**(156.8)**	**135.5**	**(436.8)**	**(589.9)**	**(80.0)**	**(24.1)**	**697.0**	**(457.4)**	**(617.1)**	**(10.2)**	**57.9**	**132.6**

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EXHIBIT 127: **Ciena: Operating Model**

Ciena Corporation - Operating Model *In US$ M unless otherwise specified*	12/31/2013 **2013A**	12/31/2014 **2014A**	12/31/2015 **2015A**	12/31/2016 **2016A**	12/31/2017 **2017A**	12/31/2018 **2018A**	12/31/2019 **2019A**	12/31/2020 **2020A**	12/31/2021 2021A	12/31/2025 2025A	12/31/2026 2026E	12/31/2027 2027E	12/31/2028 2028E	1/31/2026 1Q26A	4/30/2026 2Q26A	7/31/2026 3Q26A	10/31/2026 4Q26E	1/31/2027 1Q27E	4/30/2027 2Q27E	7/31/2027 3Q27E	10/31/2027 4Q27E
Revenue Drivers																					
Segment Revenue																					
Optical Networking			1,734.7	1,815.9	1,939.6	2,194.5	2,562.8	2,547.6	2,553.5	3,246.2	4,568.7	6,170.0	8,297.3	1,023.2	1,099.8	1,191.3	1,254.4	1,340.4	1,440.7	1,620.2	1,768.7
Routing and Switching			229.2	252.9	313.1	283.5	348.5	267.5	271.8	430.1	636.3	890.7	1,202.5	126.0	174.2	164.4	171.7	171.4	236.9	231.8	250.6
Networking Platforms			**1,963.9**	**2,068.8**	**2,252.7**	**2,478.0**	**2,911.3**	**2,815.1**	**2,825.3**	**3,676.4**	**5,205.0**	**7,060.7**	**9,499.7**	**1,149.2**	**1,274.0**	**1,355.7**	**1,426.1**	**1,511.8**	**1,677.7**	**1,852.0**	**2,019.3**
Software Product			38.5	48.7	65.9	87.4	72.5	99.7	107.3	146.2	142.4	160.1	176.1	30.7	37.5	34.6	39.7	37.5	38.7	40.2	43.6
Total Product Revenue	**1,680.1**	**1,865.8**	**2,002.4**	**2,117.5**	**2,318.6**	**2,565.5**	**2,983.8**	**2,914.8**	**2,932.6**	**3,822.6**	**5,347.3**	**7,220.7**	**9,675.8**	**1,179.9**	**1,311.5**	**1,390.3**	**1,465.7**	**1,549.3**	**1,716.4**	**1,892.2**	**2,062.9**
Maintenance, Support, and Learning			224.1	229.0	227.4	245.2	261.3	269.4	283.4	317.2	365.7	438.8	526.6	87.6	89.3	89.8	99.0	105.1	107.2	107.8	118.8
Implementation			115.5	130.9	117.5	128.8	148.2	152.0	171.5	246.0	324.7	389.6	467.5	67.9	79.7	87.9	89.2	81.5	95.6	105.5	107.0
Advisory and Enablement			41.8	46.8	42.9	41.6	41.3	35.3	33.7	50.5	59.5	71.4	85.7	8.6	10.4	15.9	24.6	10.3	12.5	19.1	29.5
Global Services			**381.5**	**406.7**	**387.9**	**415.6**	**450.9**	**456.7**	**488.5**	**613.8**	**749.9**	**899.8**	**1,124.8**	**164.1**	**179.4**	**193.6**	**212.8**	**196.9**	**215.3**	**232.3**	**255.3**
Software Services			61.8	76.4	95.2	113.3	137.4	160.7	199.5	333.1	342.7	373.5	407.3	83.1	79.9	87.3	92.5	87.5	90.3	93.8	101.8
Total Services	**402.4**	**422.5**	**443.3**	**483.1**	**483.1**	**528.8**	**588.3**	**617.4**	**688.1**	**946.9**	**1,092.6**	**1,273.3**	**1,489.7**	**247.2**	**259.3**	**280.9**	**305.3**	**284.5**	**305.6**	**326.1**	**357.1**
Total Revenue	**2,082.5**	**2,288.3**	**2,445.7**	**2,600.6**	**2,801.7**	**3,094.3**	**3,572.1**	**3,532.2**	**3,620.7**	**4,769.5**	**6,439.9**	**8,494.0**	**11,165.5**	**1,427.0**	**1,570.7**	**1,671.1**	**1,771.0**	**1,833.7**	**2,022.0**	**2,218.3**	**2,420.1**
Platform Software and Services						173.9	155.4	197.8	229.6	363.8	391.6	426.8	469.5	93.3	93.9	98.6	105.8	100.1	103.2	107.2	116.3
Blue Planet Automation Software and Services						26.8	54.6	62.6	77.2	115.5	93.4	106.7	117.4	20.4	23.4	23.2	26.4	25.0	25.8	26.8	29.1
Total Software						**200.7**	**209.9**	**260.4**	**306.8**	**479.4**	**485.0**	**533.5**	**586.9**	**113.7**	**117.3**	**121.8**	**132.2**	**125.1**	**129.0**	**134.0**	**145.4**
														17%	17%	17%	17%	16%	15%	15%	15%
Revenue Growth																					
Revenue growth % (YoY)																					
Optical Networking				4.7%	6.8%	13.1%	16.8%	-0.6%	0.2%	22.8%	40.7%	35.0%	34.5%	40.6%	42.2%	46.1%	35.0%	31.0%	31.0%	36.0%	41.0%
Routing and Switching				10.3%	23.8%	-9.5%	22.9%	-23.2%	1.6%	7.7%	47.9%	40.0%	35.0%	35.2%	87.9%	30.6%	45.0%	36.0%	36.0%	41.0%	46.0%
Networking Platforms				**5.3%**	**8.9%**	**10.0%**	**17.5%**	**-3.3%**	**0.4%**	**20.9%**	**41.6%**	**35.7%**	**34.5%**	**40.0%**	**47.1%**	**44.0%**	**36.1%**	**31.5%**	**31.7%**	**36.6%**	**41.6%**
Software Product				26.6%	35.3%	32.7%	-17.1%	37.5%	7.6%	25.0%	-2.6%	12.4%	10.0%	-8.8%	16.2%	-2.5%	-11.6%	22.3%	3.3%	16.3%	10.0%
Total Product Revenue		**11.1%**	**7.3%**	**5.7%**	**9.5%**	**10.6%**	**16.3%**	**-2.3%**	**0.6%**	**21.0%**	**39.9%**	**35.0%**	**34.0%**	**38.0%**	**46.0%**	**42.3%**	**34.2%**	**31.3%**	**30.9%**	**36.1%**	**40.7%**
Maintenance, Support, and Learning				2.2%	-0.7%	7.8%	6.6%	3.1%	5.2%	4.7%	15.3%	20.0%	20.0%	17.5%	12.4%	11.2%	20.0%	20.0%	20.0%	20.0%	20.0%
Implementation				13.3%	-10.2%	9.6%	15.1%	2.5%	12.8%	33.5%	32.0%	20.0%	20.0%	42.4%	37.0%	33.4%	20.0%	20.0%	20.0%	20.0%	20.0%
Advisory and Enablement				11.9%	-8.3%	-3.2%	-0.6%	-14.6%	-4.5%	1.4%	17.9%	20.0%	20.0%	10.8%	21.6%	16.5%	20.0%	20.0%	20.0%	20.0%	20.0%
Global Services				**6.6%**	**-4.6%**	**7.1%**	**8.5%**	**1.3%**	**7.0%**	**14.2%**	**22.2%**	**20.0%**	**25.0%**	**26.2%**	**22.7%**	**20.8%**	**20.0%**	**20.0%**	**20.0%**	**20.0%**	**20.0%**
Software Services				23.6%	24.7%	18.9%	21.3%	16.9%	24.2%	4.5%	2.9%	9.0%	9.1%	-5.0%	-1.6%	6.0%	12.5%	5.4%	13.1%	7.5%	10.0%
Total Services		**5.0%**	**4.9%**	**9.0%**	**0.0%**	**9.5%**	**11.2%**	**4.9%**	**11.5%**	**10.6%**	**15.4%**	**16.5%**	**17.0%**	**13.7%**	**14.1%**	**15.8%**	**17.6%**	**15.1%**	**17.9%**	**16.1%**	**17.0%**
Total YoY Revenue		**9.9%**	**6.9%**	**6.3%**	**7.7%**	**10.4%**	**15.4%**	**-1.1%**	**2.5%**	**18.8%**	**35.0%**	**31.9%**	**31.5%**	**33.1%**	**39.5%**	**37.0%**	**31.0%**	**28.5%**	**28.7%**	**32.7%**	**36.6%**
Platform Software and Services							-10.7%	27.3%	16.1%	1.6%	7.6%	9.0%		-1.9%	9.9%	9.6%	13.3%	7.2%	9.9%	8.7%	10.0%
Blue Planet Automation Software and Services							103.8%	14.7%	23.4%	48.9%	-19.1%	14.2%		-21.6%	-16.3%	-16.6%	-21.7%	22.6%	10.3%	15.5%	10.0%
Total Software							**4.6%**	**24.0%**	**17.8%**	**10.0%**	**1.2%**	**10.0%**	**10%**	**-6.1%**	**3.4%**	**3.4%**	**4.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**

Source: Company filings, Bernstein estimates and analysis

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EXHIBIT 128: **Ciena: Financial Model**

Ciena Corporation - Financial Statement *In US$ M unless otherwise specified*	######## 2025A	######## 2026E	######## 2027E	######## 2028E	1/31/2025 1Q25A	4/30/2025 2Q25A	7/31/2025 3Q25A	10/31/2025 4Q25A	1/31/2026 1Q26A	4/30/2026 2Q26A	7/31/2026 3Q26A	10/31/2026 4Q26E	1/31/2027 1Q27E	4/30/2027 2Q27E	7/31/2027 3Q27E	10/31/2027 4Q27E
Income Statement																
Non-GAAP Income Statement																
Revenue	**4,769.5**	**6,439.9**	**8,494.0**	**11,165.5**	**1,072.3**	**1,125.9**	**1,219.4**	**1,352.0**	**1,427.0**	**1,570.7**	**1,671.1**	**1,771.0**	**1,833.7**	**2,022.0**	**2,218.3**	**2,420.1**
COGS	2,731.2	3,533.1	4,541.5	5,806.1	593.1	664.8	708.1	765.2	788.9	865.9	895.4	983.0	1,006.1	1,092.6	1,185.1	1,257.7
Gross Profit	**2,038.3**	**2,906.8**	**3,952.5**	**5,359.5**	**479.2**	**461.1**	**511.3**	**586.8**	**638.2**	**704.9**	**775.8**	**788.1**	**827.6**	**929.3**	**1,033.1**	**1,162.4**
R&D	784.0	870.1	947.8	1,016.1	178.4	197.8	195.1	212.6	204.9	219.3	216.5	229.4	229.2	232.5	244.0	242.0
S&M	529.3	546.7	579.1	669.9	124.9	126.0	135.4	142.9	134.1	133.6	137.3	141.7	142.1	147.6	144.2	145.2
G&A	193.3	196.4	212.0	323.8	44.1	45.6	49.6	54.0	46.6	47.3	48.6	53.9	52.9	63.9	46.0	49.2
Other	(0.8)	(7.2)	-	-	-	-	-	(0.8)	(2.4)	(2.4)	(2.4)	-	-	-	-	-
Opex	**1,505.8**	**1,606.0**	**1,738.9**	**2,009.8**	**347.4**	**369.5**	**380.2**	**408.7**	**383.2**	**397.8**	**400.0**	**425.0**	**424.2**	**444.1**	**434.2**	**436.4**
Operating Income	**532.5**	**1,300.8**	**2,213.6**	**3349.66**	**131.8**	**91.6**	**131.1**	**178.0**	**255.0**	**307.1**	**375.7**	**363.1**	**403.4**	**485.3**	**598.9**	**726.0**
OI&E	(40.5)	2.6	35.5	35.46	(11.3)	(13.8)	(7.7)	(7.6)	(8.3)	(6.8)	8.9	8.9	8.9	8.9	8.9	8.9
Pre-tax Income	**492.0**	**1,303.4**	**2,249.1**	**3,314.20**	**120.5**	**77.8**	**123.4**	**170.4**	**246.7**	**300.2**	**384.6**	**371.9**	**412.3**	**494.1**	**607.8**	**734.9**
Income Tax	108.2	260.7	449.8	662.84	26.5	17.1	27.1	37.5	49.3	60.1	76.9	74.4	82.5	98.8	121.6	147.0
Effective Tax Rate	22.0%	20.0%	20.0%	20.0%	22.0%	22.0%	22.0%	22.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Net Income	**383.8**	**1,042.7**	**1,799.3**	**2,651.36**	**94.0**	**60.7**	**96.2**	**132.9**	**197.3**	**240.2**	**307.7**	**297.5**	**329.8**	**395.3**	**486.2**	**587.9**
Diluted Share Count	145.3	145.9	144.4	142.5	145.9	145.0	144.5	145.5	145.8	146.3	146.0	145.4	145.1	144.5	144.3	143.9
Earnings per Share	**2.64**	**7.15**	**12.46**	**18.61**	**0.64**	**0.42**	**0.67**	**0.91**	**1.35**	**1.64**	**2.11**	**2.05**	**2.27**	**2.73**	**3.37**	**4.09**
Balance Sheet																
Assets																
Accounts Receivable, Net	976	1,307	1,786	2,348	939	930	1,026	976	967	1,053	1,234	1,307	1,354	1,493	1,638	1,786
Inventories	826	957	1,225	1,566	845	874	860	826	846	808	872	957	980	1,064	1,154	1,225
Prepaid Expenses and other	455	559	763	1003	496	506	474	455	428	504	527	559	578	638	700	763
Current Operating Assets	**2,257**	**2,823**	**3,774**	**4,917**	**2,280**	**2,310**	**2,360**	**2,257**	**2,241**	**2,365**	**2,633**	**2,823**	**2,912**	**3,194**	**3,491**	**3,774**
Property, plant and equipment, net	387	521	712	936	320	349	368	387	438	445	492	521	539	595	653	712
Operating right-of-use assets	39	46	46	46	25	39	40	39	40	38	46	46	46	46	46	46
Goodwill and Intangibles	745	689	640	577	601	592	584	745	734	723	702	689	676	664	652	640
Other Non-Current Assets	186	200	274	360	162	159	154	186	191	191	189	200	207	229	251	274
Non-Current Operating Assets	**1,357**	**1,456**	**1,671**	**1,918**	**1,108**	**1,139**	**1,146**	**1,357**	**1,404**	**1,397**	**1,428**	**1,456**	**1,469**	**1,533**	**1,601**	**1,671**
Cash and cash equivalents	1,092	2,387	2,218	2,092	875	950	1,056	1,092	1,123	1,045	2,446	2,387	2,373	2,299	2,244	2,218
Deferred taxes	885	1,140	1,461	1,921	868	864	852	885	878	874	1,093	1,140	1,162	1,261	1,362	1,461
Short and long-term investments	273	438	596	755	442	396	335	273	246	358	398	438	477	517	557	596
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Operating Assets	**2,250**	**3,965**	**4,275**	**4,768**	**2,186**	**2,210**	**2,243**	**2,250**	**2,248**	**2,277**	**3,936**	**3,965**	**4,012**	**4,078**	**4,162**	**4,275**
Total Assets	**5,865**	**8,244**	**9,721**	**11,603**	**5,573**	**5,659**	**5,749**	**5,865**	**5,892**	**6,039**	**7,997**	**8,244**	**8,393**	**8,805**	**9,254**	**9,721**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-					
Liabilities & Equity																
Accounts payable	543	693	947	1,245.10	396	419	465	543	547	607	654	693	718	791	868	947
Accrued liabilities	531	539	736	967	362	381	436	531	396	440	508	539	558	615	675	736
ST & LT deferred revenues	304	330	451	593	257	305	277	304	391	340	311	330	342	377	413	451
ST & LT Operating lease liabilities	46	54	74	97	36	48	49	46	47	44	51	54	56	62	68	74
Operating liabilities	**1,424**	**1,616**	**2,208**	**2,902**	**1,051**	**1,154**	**1,227**	**1,424**	**1,381**	**1,431**	**1,524**	**1,616**	**1,673**	**1,844**	**2,023**	**2,208**
Total debt	1,536	3,230	3,230	3,000	1,543	1,540	1,538	1,536	1,536	1,531	3,230	3,230	3,230	3,230	3,230	3,230
Other LT obligations	175	186	186	186	186	189	196	175	182	185	186	186	186	186	186	186
Other	-	(15)	(138)	(138)	-	-	-	-	-	-	-	(15)	(19)	(58)	(98)	(138)
Non-Operating Liabilities	**1,711**	**3,401**	**3,278**	**3,048**	**1,729**	**1,729**	**1,734**	**1,711**	**1,719**	**1,716**	**3,416**	**3,401**	**3,397**	**3,358**	**3,318**	**3,278**
Total Liabilities	**3,135**	**5,017**	**5,486**	**5,950**	**2,780**	**2,883**	**2,961**	**3,135**	**3,100**	**3,147**	**4,941**	**5,017**	**5,070**	**5,203**	**5,342**	**5,486**
Sum - Total	-	-	-	-	-	-	-	-	-	-	-					
Total Equity	**2,729**	**3,228**	**4,235**	**5,653**	**2,793**	**2,776**	**2,787**	**2,729**	**2,792**	**2,892**	**3,057**	**3,228**	**3,323**	**3,602**	**3,912**	**4,235**
Assets - Liabilities & Equity	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Book value per share	**18.79**	**22.12**	**29.33**	**39.67**	**19.14**	**19.15**	**19.29**	**18.76**	**19.15**	**19.77**	**20.94**	**22.20**	**22.90**	**24.92**	**27.11**	**29.43**
Cash Flow																
Cash flows from operating activities																
Net income	**123**	**905**	**1,668**	**2,157**	**45**	**9**	**50**	**19**	**150**	**218**	**266**	**270**	**301**	**364**	**452**	**551**
Adjustments to reconcile net income to cash provided by operating activities																
Depreciation	104	141	183	250	25	25	27	27	32	35	35	39	41	43	47	52
Amortization	36	50	68	63	9	9	9	10	12	10	13	14	15	16	18	19
Stock-based compensation	185	225	294	387	41	48	47	49	50	55	58	61	64	70	77	84
Deferred income tax	(23)	2	(321)	(460)	(17)	7	(11)	(1)	(7)	(4)	60	(48)	(22)	(99)	(100)	(100)
Provisions	73	102	-	-	17	18	16	22	30	29	43	-	-	-	-	-
Other, Net	88	(1)	-	-	(7)	0	5	90	(2)	2	(1)	-	-	-	-	-
Change in operating assets and liabilities	**220**	**(537)**	**(574)**	**240**	(8)	42	32	154	(38)	(87)	(286)	(127)	(44)	(175)	(186)	(169)
Net cash provided by operating activities	**806**	**894**	**1,318**	**2,638**	**104**	**157**	**174**	**371**	**228**	**260**	**196**	**210**	**355**	**219**	**308**	**437**
Cash flows from investing activities																
Capex	(141)	(263)	(374)	(474)	(27)	(29)	(40)	(45)	(74)	(41)	(80)	(68)	(60)	(98)	(105)	(111)
Acquisition and divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net purchases of investments	134	(162)	(159)	(159)	(42)	48	65	64	29	(112)	(40)	(40)	(40)	(40)	(40)	(40)
Other	(235)	2	-	-	2	1	(5)	(232)	1	(1)	2	-	-	-	-	-
Net cash provided by/(used in) investing activit	**(241)**	**(423)**	**(533)**	**(633)**	**(67)**	**20**	**20**	**(214)**	**(44)**	**(154)**	**(117)**	**(108)**	**(99)**	**(138)**	**(145)**	**(151)**
Cash flows from financing activities																
Debt transactions	(12)	1,570	-	(230)	(3)	(3)	(3)	(3)	-	(6)	1,575	-	-	-	-	-
Repurchase (net of issuance) of stock	(390)	(739)	(955)	(1,901)	(90)	(104)	(81)	(116)	(153)	(174)	(251)	(160)	(270)	(155)	(219)	(312)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing - other	(4)	(4)	-	-	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-	-	-	-	-
Net cash provided by/(used in) financing activit	**(406)**	**827**	**(955)**	**(2,131)**	**(93)**	**(108)**	**(85)**	**(120)**	**(155)**	**(181)**	**1,323**	**(160)**	**(270)**	**(155)**	**(219)**	**(312)**
Cash reconciliation																
Effect of exchange rate changes on cash, cash equ	(2)	(3)	-	-	(3)	6	(3)	(2)	2	(3)	(1)	0	0	0	0	0
Net change in cash, cash equivalents and restri	**157**	**1,295**	**(170)**	**(126)**	**(60)**	**75**	**106**	**36**	**31**	**(78)**	**1,401**	**(59)**	**(15)**	**(73)**	**(56)**	**(26)**
Net change in cash minus sum of cash flows					-	-	-	-	0	-	-					
Cash, cash equivalents and restricted cash at start	935	1,092	2,387	2,218	935	875	950	1,056	1,092	1,124	1,045	2,446	2,387	2,373	2,299	2,244
Cash, cash equivalents and restricted cash at e	**1,092**	**2,387**	**2,218**	**2,092**	**875**	**950**	**1,056**	**1,092**	**1,124**	**1,045**	**2,446**	**2,387**	**2,373**	**2,299**	**2,244**	**2,218**

Source: Company reports, Bernstein estimates and analysis

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EXHIBIT 129: **Corning Financial Model**

Corning Incorporated - Financial Model *In US$ M unless otherwise specified*	12/31/2025 2025A	12/31/2026 2026E	12/31/2027 2027E	12/31/2028 2028E	3/31/2026 1Q26A	6/30/2026 2Q26A	9/30/2026 3Q26E	12/31/2026 4Q26E
Income Statement								
Non-GAAP Income Statement								
Revenue	**16,408**	**19,525**	**22,870**	**28,097**	**4,345**	**4,738**	**4,985**	**5,456**
COGS	10,115	12,041	13,744	16,383	2,645	2,864	3,050	3,482
Gross Profit	**6,293**	**7,483**	**9,127**	**11,715**	**1,700**	**1,874**	**1,935**	**1,975**
SG&A	2,028	2,255	2,641	3,245	546	590	586	533
R&D	1,105	1,145	1,341	1,648	278	295	299	273
Amortization of purchased intangibles	-	-						
Other	-	-			-	-	-	-
Opex	**3,133**	**3,400**	**3,983**	**4,893**	**824**	**885**	**885**	**806**
Operating Income	3,160	4,083	5,144	6,822	876	989	**1,050**	**1,169**
Other income (expense), net:	(257)	(350)	(350)	(350)	-79	-91	(90)	-90
Pre-tax Income	**2,903**	**3,733**	**4,794**	**6,472**	**797**	**898**	**960**	**1,079**
Income Tax	(704)	(918)	(1,135)	(1,475)	-185	-218	(243)	-273
Net Income	**2,199**	**2,815**	**3,659**	**4,997**	**612**	**680**	**717**	**806**
Net loss attributable to NCI	(146)	(225)	(225)	(225)	-37	-50	**(65)**	**-73**
Net income excluding NCI	**2,345**	**3,040**	**3,884**	**5,222**	**649**	**730**	**782**	**879**
Effective Tax Rate % (adjusted for NCI)	19.2%	18.6%	19.0%	19.3%	18.5%	18.5%	19%	18.5%
Diluted Share Count	867	875	879	885	871	875	876	877
Earnings per Share	**2.54**	**3.22**	**4.16**	**5.65**	**0.70**	**0.78**	**0.82**	**0.92**
Balance Sheet								
Assets								
Trade Accounts Receivable, Net	2,779	3,584	6,266	6,928	2,676	2,932	3,237	3,584
Inventories	3,077	4,031	4,142	4,937	3,279	3,426	3,609	4,031
Prepaid Expenses and Other	1,554	2,186	2,287	2,529	1,816	2,055	2,103	2,186
Total Current Operating Assets	**7,410**	**9,801**	**12,695**	**14,394**	**7,771**	**8,413**	**8,950**	**9,801**
Property, Plant and Equipment, Net	14,825	15,576	16,336	18,732	14,785	14,927	15,255	15,576
Goodwill and Other Intangibles	3,146	3,041	2,952	2,866	3,111	3,086	3,063	3,041
Deferred Taxes	1,515	1,183	833	993	1,569	1,610	1,037	1,183
Other Non-Current Assets and Prior Disclo	2,554	2,782	3,259	4,004	2,262	2,416	2,542	2,782
Total Non-Current Operating Assets	**22,040**	**22,582**	**23,380**	**26,595**	**21,727**	**22,039**	**21,897**	**22,582**
Cash and Cash Equivalents	1,526	2,470	3,172	5,706	**1,755**	**2,504**	**3,130**	**2,470**
Total Assets	**30,976**	**34,853**	**39,247**	**46,695**	**31,253**	**32,956**	**33,976**	**34,853**
Liabilities								
Accounts Payable	1,934	2,780	2,824	3,142	2,251	2,361	2,538	2,780
Post-Retiremnent Benefits Other Than Pe	314	374	438	539	311	325	342	374
Accurals and Other Current Liabilities	2,890	3,587	4,202	5,162	2,410	2,992	3,053	3,587
Other Non-Current Liabilities	5,097	6,419	7,519	9,238	4,959	5,727	6,003	6,419
Total Operating Liabilities	**10,235**	**13,161**	**14,984**	**18,081**	**9,931**	**11,405**	**11,935**	**13,161**
Current Portion of Long-Term Debt	804				1,255	668		
Long-Term Debt	7,630				7,718	7,756		
Total Debt	**8,434**	**8,424**	**8,424**	**8,424**	**8,973**	**8,424**	**8,424**	**8,424**
Total Liabilities	**18,669**	**21,585**	**23,408**	**26,505**	**18,904**	**19,829**	**20,359**	**21,585**
Equity								
Total Corning Shareholders Equity	**11,807**	**12,700**	**15,272**	**19,623**	**11,812**	**12,560**	**13,050**	**12,700**
Non-controlling interest	500	567	567	567	537	567	567	567
Total Equity	**12,307**	**13,267**	**15,839**	**20,190**	**12,349**	**13,127**	**13,617**	**13,267**
Total Liabilities and Shareholders' Equity	**30,976**	**34,853**	**39,247**	**46,695**	**31,253**	**32,956**	**33,976**	**34,853**
Cash Flow								
Cash flows from operating activities								
Net income	1,742	1,399	2,927	4,497	408	609	611	-229
Adjustments to reconcile net income to cash provided by operating activities:								
Depreciation	1,742	1,399	1,527	1,601	334	368	372	380
Amortization	110	91	88	86	23	23	23	23
Stock-based compensation	286	508	639	848	115	135	122	136
Deferred income tax	(355)	326	350	(160)	-62	-39	573	(147)
Translated Earnings Contract Gain + Translat	(150)	(74)	-	-	16	-90	-	-
Translated (Gain) Loss on Foreign Debt	52	(5)	-	-	-6	1	-	-
Changes in Operating Assets and Liabilities:								
Changes in Trade Accounts Receivable	(749)	(907)	(2,682)	(662)	12	-267	(305)	(346)
Changes in Inventories	(243)	(982)	(111)	(795)	-232	-145	(183)	(422)
Change in Prepaid & other			(101)	(242)	-56	-88	(48)	(83)
Change in other non-current	-	(366)	(477)	(745)			(126)	(240)
Changes in AP and Other Current Liab.	571	1,210	658	1,278	-80	275	237	777
Customer Deposits and Govt Incentives	268	709	-	-	-171	880	-	-
Deferred Income	(58)	(102)	-	-	-38	-64	-	-
Post Retirement Benefits Other Than Pens	-	49	64	100			17	32.319
Other + Prior Disclosures	232	910	1,100	1,719	99	119	276	417
Net cash provided by operating activities	**2,695**	**3,945**	**3,983**	**7,525**	**362**	**1,717**	**1,568**	**298**
Sum - Total	*3,448*	*4,166*	*3,983*	*7,525*	*362*	*1,717*	*1,568*	
Check					*0*	*0*		
As % of operating income								
SBC	*9%*	*12%*	*12%*	*12%*	*13%*	*14%*	*12%*	*12%*
Cash flows from investing activities								
Capital Expenditures	(1,282)	(2,154)	(2,287)	(3,997)	-332	-422	(700)	(700)
Proceeds from CHIPS Act Incentives	-	8	-	-	8	0	-	-
Other + Prior Disclosures	39	184	-	-	121	63	-	-
Net cash provided by/(used in) investing	**(1,243)**	**(1,962)**	**(2,287)**	**(3,997)**	**-203**	**-359**	**(700)**	**-700**
Sum - Total	*(1,243)*	*(1,962)*	*(2,287)*	*(3,997)*	*-203*	*-359*	*(700)*	*-700*
Check	-	-	-	-	*0*	*0*	-	*0*
Cash flows from financing activities								
Repayments of Debt, net of issuances	(4)	(242)	-	-	414	-656	-	-
Dividends Paid	(999)	(994)	(994)	(994)	-244	-251	(243)	(257)
Purchases of stock, net of issuances	(122)	23	-	-	14	9	-	-
Others	(547)	142	-	-	-125	267	-	-
Net cash provided by/(used in) financing	**(1,672)**	**(1,071)**	**(994)**	**(994)**	**59**	**-631**	**(243)**	**(257)**
Sum - Total	*(1,672)*	*(1,071)*	*(994)*	*(994)*	-	-		
Cash reconciliation								
Effect of exchange rate changes on cash, cas	18	-	-	-	-5	5	-	0
Net change in cash, cash equivalents and	(202)	911	**702**	**2,534**	**213**	**732**	**626**	**-659**

Source: Company filings, Bernstein updates and analysis

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EXHIBIT 130: **Corning Segment Model**

Corning Incorporated - Operating Model *In US$ M unless otherwise specified*	12/31/2025 2025A	12/31/2026 2026E	12/31/2027 2027E	12/31/2028 2028E	3/31/2026 1Q26A	6/30/2026 2Q26A	9/30/2026 3Q26E	12/31/2026 4Q26E
Revenue Drivers								
Revenue								
Enterprise	3,195.0	5,340.6	7,826.9	12,230.8	962.0	1,269.0	1,329.6	1,780.0
Carrier	3,079.0	3,400.5	3,536.5	3,678.0	884.0	803.0	853.8	859.7
Optical Communications	6,274.0	8,741.1	11,363.4	15,908.8	1,846.0	2,072.0	2,183.4	2,639.7
Glass Innovations	5,908.0	5,987.0	6,166.6	6,413.2	1,420.0	1,463.0	1,560.0	1,544.0
Automative	1,794.0	1,828.8	1,920.3	2,016.3	437.0	471.0	467.6	453.2
Solar	1,231.0	1,809.0	2,261.3	2,600.4	370.0	438.0	478.5	522.5
Life Sciences & Emerging Growth Businesses	1,201.0	1,158.6	1,158.6	1,158.6	272.0	294.0	295.6	297.0
Prior Segments	-							
Total Revenue	**16,408.0**	**19,524.5**	**22,870.1**	**28,097.4**	**4,345.0**	**4,738.0**	**4,985.2**	**5,456.3**
Revenue Growth								
				1.0712				
Revenue growth % (YoY)								
Enterprise	65.8%	67.2%	46.6%	56.3%	36.5%	65.0%	60.0%	100.0%
Carrier	12.8%	10.4%	4.0%	4.0%	36.0%	0.8%	4.0%	6.0%
Optical Communications	34.7%	39.3%	30.0%	40.0%	36.2%	32.3%	32.2%	55.2%
Glass Innovations	0.3%	1.3%	3.0%	4.0%	1.0%	1.4%	0.0%	3.0%
Automative	-2.8%	1.9%	5.0%	5.0%	-0.7%	2.4%	3.0%	3.0%
Solar		47.0%	25.0%	15.0%	79.6%	89.6%	50.0%	10.0%
Life Sciences & Emerging Growth Businesses		-3.5%	0.0%	0.0%	0.0%	-14.8%	3.0%	0.0%
Total Revenue Growth (YoY)	**13.4%**	**19.0%**	**17.1%**	**22.9%**	**18.1%**	**17.1%**	**16.7%**	**23.7%**
Reference:								
Industry model estimate: Optical Communications			29.7%	39.9%				
Revenue growth % (QoQ)								
Enterprise								
Carrier								
Optical Communications					8.5%	12.2%	5.4%	20.9%
Glass Innovations					-5.3%	3.0%	6.6%	-1.0%
Automative					-0.7%	7.8%	-0.7%	-3.1%
Solar					-22.1%	18.4%	9.2%	9.2%
Life Sciences & Emerging Growth Businesses					-8.4%	8.1%	0.5%	0.5%
Total Revenue Growth (QoQ)					**-1.5%**	**9.0%**	**5.2%**	**9.5%**

Source: Company filings, Bernstein estimates and analysis

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