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UPDATE

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Telecom & Networking Equipment | North America

OCP Preview: A Look into Cloud DC Design Weather Patterns

OCP should provide greater clarity on directions of hyperscaler AI networking designs and the path toward NPO/CPO adoption. Given positive moves across the space in the past couple of weeks, more muted on stock moving impacts.

Key Takeaways

- Hyperscaler keynotes should provide greater clarity on how they are evolving architectures and what common ecosystem approaches they can foster.
- NPO/CPO remains a central debate following ECOC, with commercialization timelines / approaches being in focus.
- Expect continued networking innovation and product announcements, but limited near-term stock impact without more definitive customer commitments.
- Supply expansion, customer adoption and gross margin improvement remain key stock drivers. Continue to prefer KEYS, with LITE/COHR more sensitive to NPO/CPO.
- While event always presents some headline risk to stocks, particularly ANET, moves in stocks over past couple of weeks likely capture upside for now.

We will be attending the Open Compute Project (OCP) Conference in San Jose next week.

Hyperscaler discussions should provide greater clarity on next-generation AI networking architectures. The central theme of OCP is how hyperscalers can work to find some common solutions to challenges of moving to higher speed data center networks (power, cooling, cost, cabling, ecosystems, etc). While architectures are different across the hyperscalers, the event gives a sense of what architectural evolutions are taking place, from the mouth of the customers vs trade shows during the year from the perspective of the suppliers. We expect particular focus on architectures for scale-up networking, where there is the most evolutions taking place (see our Scale-Up Primer). We would expect active debates on interconnect fabrics, copper / optical tradeoffs, CPO / NPO timing / architectural approaches.

MORGAN STANLEY & CO. LLC

Meta A Marshall
Equity Analyst
Meta.Marshall@morganstanley.com +1 212 761-0430

Antonio Jaramillo
Research Associate
Antonio.Jaramillo@morganstanley.com +1 212 761-4438

TELECOM & NETWORKING EQUIPMENT
North America
Industry View **In-Line**

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Exhibit 1: Hyperscaler OCP Sessions

Ticker	Date	Time (PDT)	Session / Event Title (verbatim)	Speaker(s)	Room / Location
META	Mon, Oct 12	16:50-17:10	Concrete to Code: Engineering AI Infrastructure at Gigawatt Scale	Santosh Janardhan (Head of Infrastructure, Meta)	South Hall
MSFT	Tue, Oct 13	09:15-09:35	Intelligence Infrastructure: Scaling AI for the Frontier Era	Reynold D'Sa (CVP, Silicon, Cloud Hardware and Infrastructure Engineering, Microsoft)	South Hall
ORCL		09:35-09:55	Scaling AI Infrastructure Responsibly Through Open Standards	Pradeep Vincent (EVP, Compute and AI Infrastructure, Oracle Cloud Infrastructure)	South Hall
GOOGL		11:10-11:30	Intelligent Infrastructure Powering the Intelligence Revolution	Partha Ranganathan (VP and Engineering Fellow, Google)	South Hall
META	Wed, Oct 14	08:50-09:10	Validation Methodologies for ESUN Ecosystem	Manoj Wadekar (Meta); Venkat Pullela (Keysight)	Concourse / 220B
ORCL		08:55-09:10	Lessons learned from GW-scale AI deployments	Mark Filer (Architect, Physical Networking, Oracle); Vijay Vusirikala (Arista, moderator)	Concourse / 210AE
MSFT		10:05-10:20	System-Level Evaluation of XPO for High-Density Optical Interconnects in AI Infrastructure	Daniel Mohaghegh (Microsoft); Sunil Priyadarshi (Arista)	Concourse / 210AE
MSFT		10:50-11:10	Accelerating High-Power Server Design Through Board-Level Electro-Thermal Co-Simulation of VRMs and PCNs	Zi Ping Wu (Microsoft); Steven Chien (Wiwynn)	Lower Level / LL21BC
GOOGL		12:30-12:50	IO Prioritization for Optimized Command Handling	Yuliya Tarnikova (Google); Daniel Helmick (Samsung); Chaitanya Kulkarni (NVIDIA)	Concourse / 212
MSFT		13:20-13:40	6–12x Route Programming Acceleration in SONiC: A Collaborative Profiling and Optimization Journey	Deepak Singhal (Microsoft); Amol Rawal (Nokia)	Concourse / 230A
META / MSFT / GOOGL		16:30-17:00	Scale-Across Networking: Panel Discussion on Routing and Transport Equipment Implications	Jeff Rahn (Meta); Yawei Yin (Microsoft); Tad Hofmeister (Google); Henry Wu (Broadcom)	Concourse / 220B
ORCL	Thu, Oct 15	08:45-09:05	Zero-Touch OCS Fabrics for AI Scale-Out Infrastructure at Hyperscale	Kannan Raj (Oracle Cloud Infrastructure); Michael DeMerchant (Lumentum)	Concourse / 210AE
MSFT / META		09:10	ESUN: Open Ethernet for the AI Scale-Up Era	Pratik Marolia (Microsoft); Manoj Wadekar (Meta)	Concourse / 210AE
BABA		09:45-10:00	Standardizing Ethernet Scale-Up Validation: Test Strategy and Current Progress on LLR/CBFC	Haiyang Zheng (Alibaba Cloud); Yuanwen (Daisy) Sun (Keysight)	Concourse / 210AE
MSFT / META		09:45-10:20	Addressing Memory Wall challenge for AI and General Compute platforms (CMS Sub-Project Technical Update)	Anjaneya Chagam and Samir Rajadnya (Microsoft); Manoj Wadekar (Meta); Mohamad El-Batal (Seagate); Grant Mackey (XCENA)	Lower Level / LL21BC
META		12:55-13:15	Cluster-less Validation of AI Accelerator Silicon Under Real Workloads	Matt Bergeron (Meta); Ashutosh Kumar and Cosmin-Nicolae Prunaru (Keysight)	Concourse / 220B
META		13:05-13:40	Reducing Operational Complexity Through Standardized Two-Phase Liquid Cooling for AI Infrastructure	Jiu Xu (Meta); My Truong (ZutaCore); Jake Haleh (Wiwynn); other panelists	Concourse / 220C
MSFT / GOOGL / ORCL		14:45-15:15	Scaling Memory Safe Security Across Firmware Stack	Giri Muduvuru (Microsoft); Bertrand Achard (Google); Murugasamy Nachimuthu (Oracle); AMI and other panelists	Lower Level / LL20BCD

Source: Company data, Morgan Stanley Research

NPO/CPO commercialization timelines / architectural approaches what is in greatest focus. Following ECOC, where we heard growing confidence in initial NPO adoption around 2028 from suppliers, we expect OCP to provide greater clarity on hyperscaler design preferences and the path toward commercial deployment. Progress around the Open CPX MSA has helped establish a broader ecosystem of interoperable solutions, addressing some of the concerns around proprietary architectures raised earlier this year. Discussions around OpenCPX, XPO and external laser architectures should provide further insight into how NPO can bridge the transition from pluggables to full CPO, particularly as power and signal integrity constraints become more challenging. While the expanding opportunity remains encouraging for LITE and COHR, customers are still evaluating the trade-offs between performance, cost and serviceability, suggesting that multiple architectures could coexist and evolve over several generations.

Expect continued networking innovation, but less immediate impact on shares. Beyond optical packaging, OCP will feature discussions around Ethernet-based scale-up networking, optical circuit switching (OCS), higher-density switching and the role of power and cooling in supporting larger AI clusters. We expect multiple product, partnership and standards announcements across the conference, although many will likely reinforce trends already well understood by investors following OFC and ECOC. As discussed in our recent ECOC follow-up note, strong optical demand and longer-term content growth remain supportive, but the next leg of stock performance will depend more on incremental supply, customer adoption and gross margin improvement than technical announcements alone. ***We continue to prefer KEYS given its ability to benefit across different architectural outcomes, while LITE and COHR should remain particularly sensitive to incremental NPO/CPO developments.***

Valuation Methodology and Risks

Arista Networks (ANET.N)

Our $220 PT is based on 47x 27e PE (or ~40x 28e P/E) is a premium to networking peers given growth / hyperscale cycle / AI opportunity, but more in-line with optical / AI peers.

Risks to Upside

- Incremental wins for AI supports expectation of continued higher growth for longer
- Cloud investments remain elevated
- Scale up incremental opportunity
- Enterprise/campus share gains accelerate

Risks to Downside

- Customer concentration, specifically Microsoft and META
- New campus products struggle to gain traction
- Macro conditions get materially worse, particularly given tariffs/component costs.
- Cloud capex weakens

Coherent Corp (COHR.N)

~28x Base FY28e EPS (~$13.3). Multiple trades at premium to historical trading range given AI exposure, trading more in-line with AI comps.

Risks to Upside

- Pricing increases help gross margins
- 1.6T AI opportunity ramps faster than expected, benefitting margins
- Recovery in non-datacomm portions of business
- CPO / NPO ramps quicker than expected

Risks to Downside

- CPO / NPO delayed
- AI build out pause
- Competitive pressures in datacomm

Keysight Technologies Inc (KEYS.N)

Our base case valuation reflects ~32x on FY27 Base Case EPS of ~$13.30. Tariff impact removed, allowing stock to trade closer to 2x P/E/G.

Risks to Upside

- 6G spend begins sooner than expected
- AI demand broadens across portfolio
- A&D investment steps up materially globally
- Spirent accretive

Risks to Downside

- Elongated macro/demand headwinds, limits wireless/EISG recovery

- Acquisitions falter
- Limited opex leverage as supply chain expenses pickup

Lumentum Holdings Inc (LITE.O)

25x CY28 P/E of ~$40. ~25x is a premium to historical trading range given AI growth outlook

Risks to Upside

- Datacom ramps and revenue mix more attractive vs. expectations
- OCS ramps quickly, bringing additional revenue / profitability source
- AI demand remains strong, causing EML business to outperform and drive profitability
- CPO / NPO ramp faster than expected

Risks to Downside

- EML pricing falls given oversupply on reduced AI demand
- CW takes share from EML
- Cloud Light hurts ability to improve margins
- Pushout in CPO timing

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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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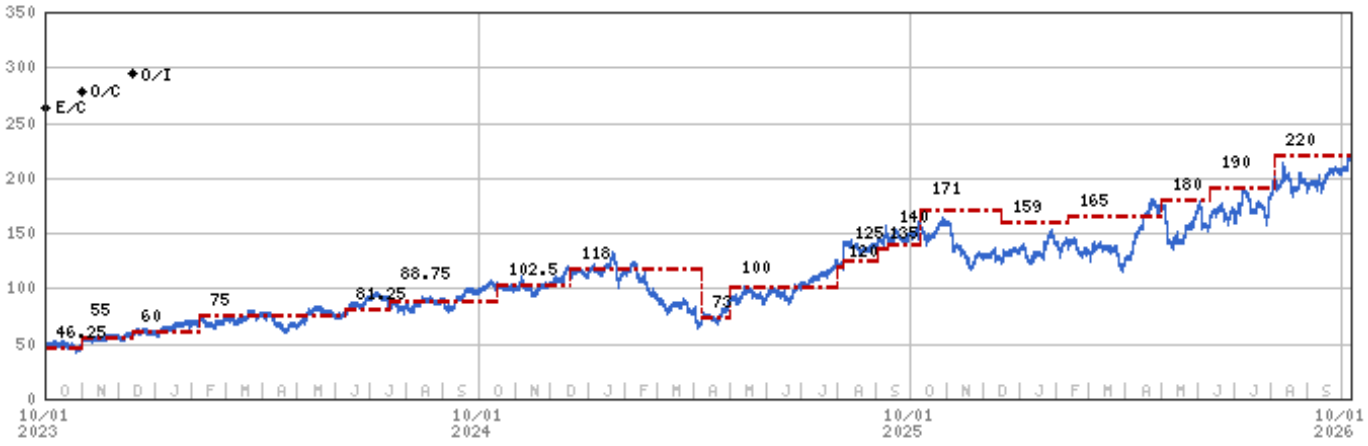
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)



Arista Networks (ANET.N) - As of 10/08/26 GMT in USD
Industry : Telecom & Networking Equipment



Stock Rating History: 10/1/21 : O/I; 11/19/21 : E/I; 4/12/22 : E/C; 10/31/23 : O/C; 12/13/23 : O/I

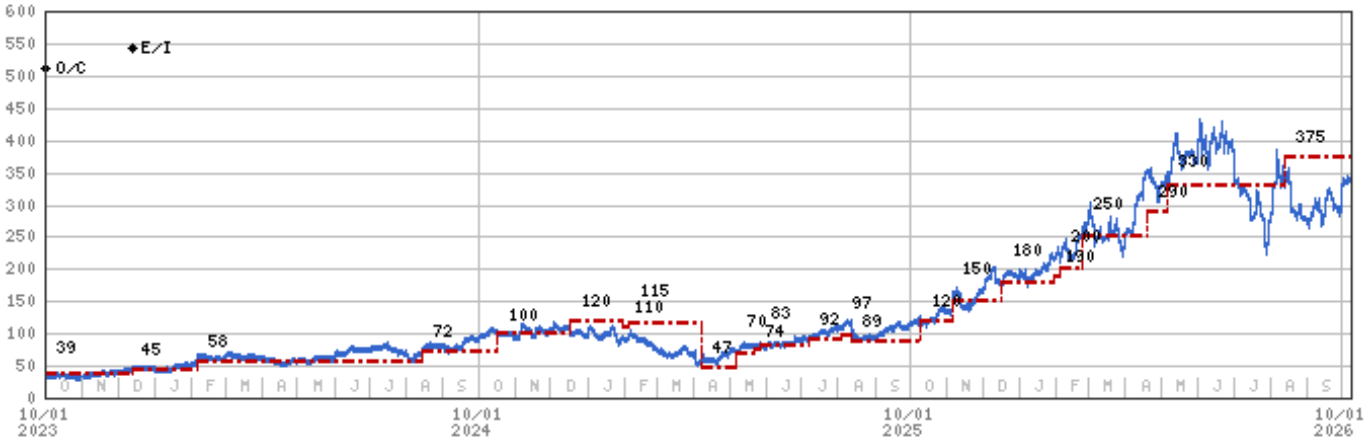
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Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Coherent Corp (COHR.N) - As of 10/08/26 GMT in USD
Industry : Telecom & Networking Equipment



Stock Rating History: 10/1/21 : E/I; 12/15/21 : O/I; 4/12/22 : O/C; 8/12/22 : E/C; 12/13/22 : O/C; 12/13/23 : E/I

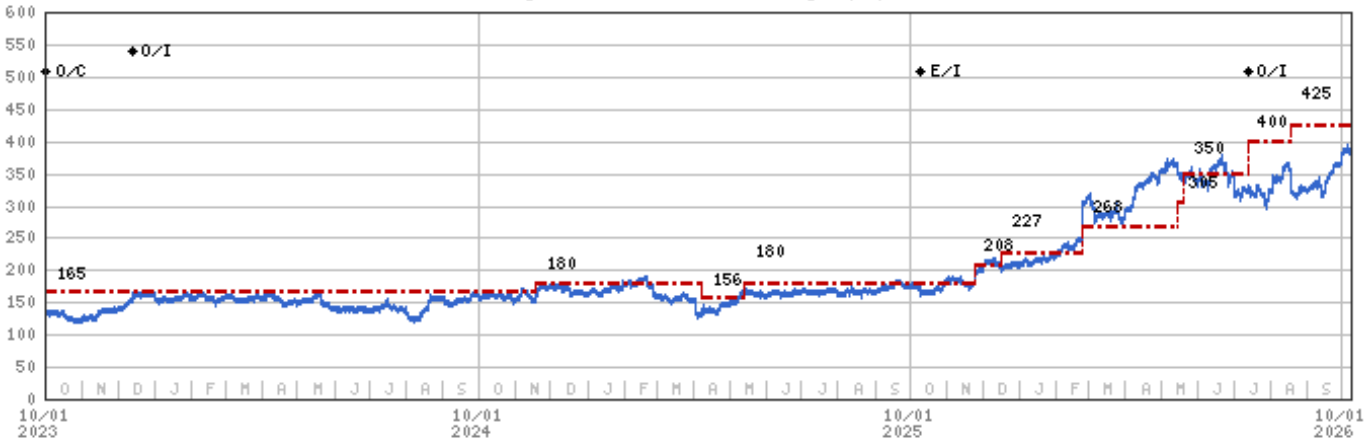
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Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Keysight Technologies Inc (KEYS.N) - As of 10/08/26 GMT in USD
Industry : Telecom & Networking Equipment



Stock Rating History: 12/8/21 : E/I; 4/12/22 : E/C; 9/15/23 : O/C; 12/13/23 : O/I; 10/10/25 : E/I; 7/13/26 : O/I

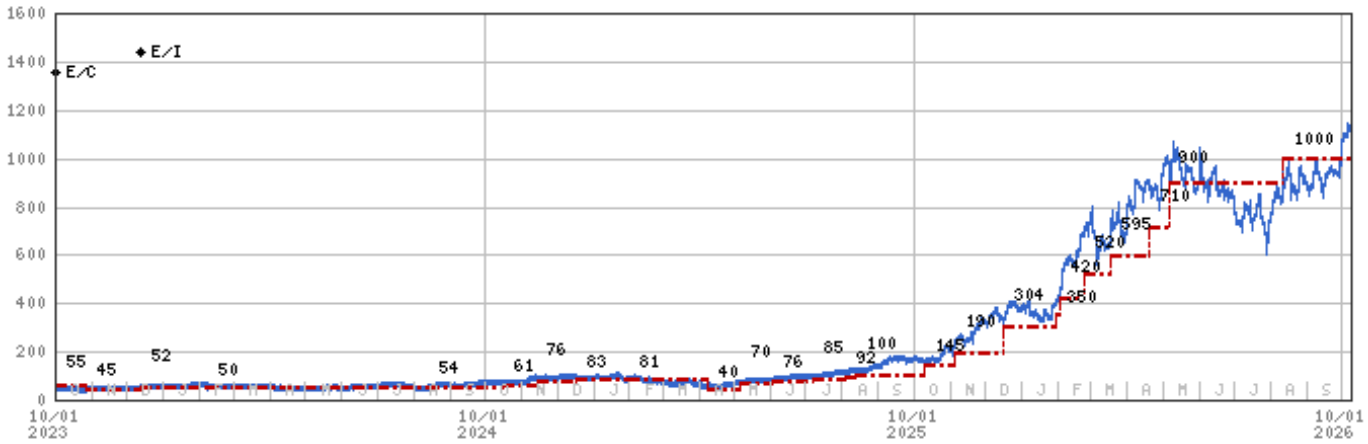
Price Target History: 12/8/21 : 200; 2/17/22 : 192; 4/12/22 : 180; 5/17/22 : 168; 8/17/22 : 170; 10/11/22 : 172; 11/14/22 : 170; 12/13/22 : 184; 4/24/23 : 180; 8/17/23 : 165; 11/19/24 : 180; 4/8/25 : 156; 5/13/25 : 180; 11/24/25 : 208; 12/17/25 : 227; 2/23/26 : 268; 5/15/26 : 305; 5/20/26 : 350; 7/13/26 : 400; 8/19/26 : 425

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Lumentum Holdings Inc (LITE.O) - As of 10/08/26 GMT in USD
Industry : Telecom & Networking Equipment



Stock Rating History: 10/1/21 : E/I; 4/12/22 : E/C; 12/13/23 : E/I

Price Target History: 5/12/21 : 81; 11/4/21 : 91; 2/3/22 : 97; 5/2/22 : 94; 8/16/22 : 98; 10/11/22 : 84; 11/8/22 : 75; 12/13/22 : 66; 4/5/23 : 60; 5/9/23 : 55; 10/27/23 : 45; 12/13/23 : 52; 2/8/24 : 50; 8/14/24 : 54; 10/17/24 : 61; 11/14/24 : 76; 12/17/24 : 83; 1/31/25 : 81; 4/8/25 : 40; 5/6/25 : 70; 6/3/25 : 76; 7/8/25 : 85; 8/4/25 : 92; 8/12/25 : 100; 10/10/25 : 145; 11/5/25 : 190; 12/17/25 : 304; 1/30/26 : 350; 2/3/26 : 420; 2/23/26 : 520; 3/18/26 : 595; 4/19/26 : 710; 5/6/26 : 900; 8/12/26 : 1000

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/08/2026)
Meta A Marshall		
Arista Networks (ANET.N)	O (10/31/2023)	$210.97
Axon Enterprise Inc (AXON.O)	O (12/03/2024)	$417.31
Ciena Corporation (CIEN.N)	E (10/10/2025)	$425.93
Cisco Systems Inc (CSCO.O)	O (04/08/2024)	$114.89
Coherent Corp (COHR.N)	E (12/13/2023)	$302.35
Corning Inc (GLW.N)	E (06/13/2024)	$152.83
F5 Inc (FFIV.O)	E (04/12/2022)	$461.66
Keysight Technologies Inc (KEYS.N)	O (07/13/2026)	$374.67
Lumentum Holdings Inc (LITE.O)	E (05/12/2021)	$1,048.60
Motorola Solutions Inc (MSI.N)	O (12/17/2025)	$447.12
Zebra Technologies Corporation (ZBRA.O)	E (12/02/2024)	$382.14

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