

Earnings opportunity has expanded faster than its demonstrated ability to self-fund

1 | KEY RESULTS VS. CONSENSUS

Metric	Reported	Consensus	vs. Cons.
Revenue	\$5.8297 billion	\$5.46 billion	+6.8%
Operating Income (adjusted)	\$496.1 million	\$458.7 million	+8.2%
Net Income (vs. Year Ago)	\$402.1 million	\$183.1 million	+119.6%
Diluted EPS (vs. Year Ago)	\$3.26	\$2.31	+41.1%
SEGMENT REVENUE			
Connectivity and Cloud Solutions	\$4.8723 billion	N/A	N/A
Networking	\$3.2632 billion	N/A	N/A
Compute and Storage	\$1.6091 billion	N/A	N/A
Advanced Technology Solutions	\$957.4 million	N/A	N/A

2 | GUIDANCE AND OUTLOOK

2026 revenue rises to \$21 billion from \$20.5 billion and adjusted EPS to \$11.55 from \$11.30; the 8.4% adjusted operating-margin outlook is reaffirmed. Free-cash-flow guidance falls to \$460 million from \$600 million. Q4 revenue guidance is \$6.275 billion to \$6.575 billion, with adjusted EPS of \$3.37 to \$3.57. Initial 2027 guidance: \$40 billion revenue, \$21.50 adjusted EPS, 9% adjusted operating margin and \$1.5 billion to \$2 billion capex. Management expects 2027 net cash use, targeting positive cash flow in 2028.

3 | EARNINGS ANALYSIS

BOTH CCS ENGINES DELIVERED. CCS generated \$4.8723 billion, approximately 84% of revenue and 93% of year-over-year revenue growth. Networking grew approximately 68% to \$3.2632 billion versus approximately 60% expected; Compute and Storage grew approximately 242% to \$1.6091 billion versus approximately 190% expected. ATS revenue rose approximately 23% to \$957.4 million, above mid-teens expectations. Adjusted EPS of \$3.30 beat consensus by 11.5%.

EARNINGS OUTRUN CASH CONVERSION. Adjusted net earnings rose approximately 120% to \$402.1 million from \$183.1 million, yet Q3 free cash flow of \$127.5 million was only approximately 32% of adjusted net earnings. Sold receivables outstanding reached \$700.8 million from none at June 30. After financing-classified employee-equity payments excluded from free cash flow, approximately \$42.6 million remained. Adjusted earnings excluded \$21.3 million of stock-based compensation, a real economic cost.

SCALE DRIVES MARGIN EXPANSION. Adjusted gross margin fell 50 basis points to 11.2%, while adjusted operating margin rose 90 basis points to 8.5%. Operating expenses rose approximately 18% against 83% revenue growth, absorbing overhead and offsetting adverse gross-margin mix. The evidence supports scale-driven leverage, not yet broad-based gross pricing power; rising compute mix dilutes gross margin.

LIQUIDITY SUPPORTS A DEMANDING RAMP. Cash of approximately \$3.96 billion and available revolver capacity of approximately \$1.74 billion provide protection, but the stronger balance sheet overwhelmingly reflects external equity financing, not retained quarterly cash. Net cash is not surplus distributable capital; the cash-use range remains unquantified. Outcomes depend on repeatable margins, recoverable working capital and cash available to shareholders.

CUSTOMER CONCENTRATION HAS DETERIORATED. The largest customers represented 35%, 17% and 14% of revenue, or 66% combined, versus 59% a year earlier. More products do not remove counterparty concentration. Management discussed contractual backstops without disclosing obligors, limits or termination terms.

AWARDS STILL REQUIRE EXECUTION. The OpenAI ramp is H2-weighted, increasing sensitivity to qualification, components and factory readiness. Awarded-program demand for 2028 is above the 2027 outlook, but customer forecasts are not guaranteed backlog. Its entry discipline is to pay around or below 20x guided 2027 EPS rather than a substantial premium for an execution path that still requires production scaling.

4 | KEY READ-THROUGHS

BROADCOM CAN MONETIZE BOTH CUSTOM ACCELERATORS AND THE NETWORKS CONNECTING COMPETING COMPUTE PLATFORMS
Broadcom (AVGO) | Strongly positive | Potentially large at the consolidated-company level

Broadcom participates in OpenAI’s custom accelerator and its Tomahawk 6 fabric; AMD’s Helios switch uses 2 Tomahawk 6 chips. Celestica’s 10 awarded 1.6T programs corroborate manufacturing progress, not new relationships. Accelerator and networking revenue can both be delayed by the same deployment constraints. AI semiconductors were already approximately 56% of Broadcom’s latest revenue.

NVIDIA FACES A MORE CREDIBLE CHALLENGE TO INCREMENTAL INFERENCE SPENDING AND FULL-SYSTEM ECONOMICS
NVIDIA (NVDA) | Negative for long-duration share and pricing assumptions | Strategically large

OpenAI’s approach combines accelerators, Ethernet scale-up, software, cooling and manufacturing, supporting up to 2,048 accelerators. Competing systems can reduce NVIDIA dependence for selected workloads, improving bargaining power over pricing and economics. The negative concerns long-term share, not immediate revenue; the test is 2027 and 2028 inference-capacity allocation. Benchmarks do not establish superiority across all workloads or generations.

THE 1.6T UPGRADE EXTENDS THE PLUGGABLE OPTICS OPPORTUNITY RATHER THAN IMMEDIATELY DISPLACING IT
Coherent (COHR) | Positive | Potentially large

Management expects pluggables to persist through 1.6T and 1.6T revenue to overtake 800G in 2027 while 800G keeps growing. Its named hyperscaler CPO ramp is late 2027, extending Coherent’s 1.6T window. Data-center and communications generated approximately \$1.615 billion of approximately \$2.05 billion total revenue. No specific Coherent award was identified; qualification and component constraints remain risks.

RISING RACK DENSITY CREATES ARCHITECTURE-AGNOSTIC DEMAND FOR ADVANCED POWER AND LIQUID COOLING
Vertiv (VRT), Eaton (ETN) | Positive | High fundamental relevance for Vertiv; material relevance for Eaton’s electrical businesses

Systems approaching 500 kW per rack and 800 VDC distribution increase requirements for power protection, conversion, cooling and service. Vertiv and Eaton have aligned capabilities, but neither was named for a program. Higher voltage can reduce selected components; value migrates toward qualified systems. Factory testing power and end-customer data-center power are separate, not interchangeable, requirements.