

IT Hardware and Communications Equipment

# Implied AI Multiples – AI Treading Water

In our bi-weekly report, we update how AI-bucketed stocks have trended, given market volatility and earnings. There was less movement over the last two weeks than what we have seen since initiating this analysis in February. We also take a look at "non-AI" plays in our coverage.

Two weeks ago ([Implied AI Multiples – A Mixed Bag](#), 05.08.26) we updated our biweekly AI exposure math that we debuted three months ago ([AI Update](#), 02.11.26). Since the last report, on average, AI-bucketed stocks' share prices have trended up LSD, though if you back out the two big share price gainers in the past two weeks (i.e. HPE +14%, CSCO +24%), share prices, on average, have remained roughly flat (vs SPX +1% and NDX +3% from 5.07.26-5.20.26). AI multiples across the group have remained roughly flat since the last reading with only select movers (i.e. KEYS, CSCO, HPE) – KEYS and CSCO movement is largely due to recent earnings and HPE potentially around activist news. With these AI-bucketed stocks up an average of ~60% YTD, the lack of movement in AI multiples over the past two weeks is understandable.

As a reminder, the select companies under our coverage that are commonly bucketed as "AI plays" represent ~20% of total Cloud/AI capex, per our estimates, and these companies are experiencing meaningful revenue growth in their respective Cloud/AI businesses. In our original report, most of these stocks implied an AI multiple of 20-40x, with some much higher (GLW, KEYS, CIEN) and a few much lower (HPE, SMCI). In this latest update, most are now in the 30-50x range, with GLW, KEYS, CIEN still higher, and now also CSCO materially higher and SMCI much lower (due to company-specific issues).

Below is our latest breakdown of these AI-bucketed stocks' percent of revenue from Cloud/AI as well as as a percentage of total AI spend, and their estimated cloud AI revenue growth from CY25-27.

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FIGURE 1. Cloud AI revenue growth

<b>Delta Share Price</b>	<b>Share Price</b>	<b>Company</b>	<b>Rating</b>	<b>CY26E % from Cloud/AI</b>	<b>CY26E % of total AI spend</b>	<b>Cloud AI rev CY25 growth</b>	<b>CY26 growth (E)</b>	<b>CY27 growth (E)</b>
0%	\$33.46	SMCI	EW	86.9%	4.2%	57.7%	69.8%	20.8%
6%	\$662.21	FN	OW	82.5%	0.4%	23.0%	40.6%	18.6%
-10%	\$346.48	CLS	OW	82.3%	1.7%	63.7%	42.9%	29.5%
-1%	\$140.49	ANET	OW	72.0%	0.9%	34.5%	35.5%	25.9%
3%	\$554.76	CIEN	OW	52.6%	0.4%	71.6%	39.1%	39.4%
-1%	\$345.15	JBL	OW	39.7%	1.5%	63.7%	42.9%	29.5%
-1%	\$131.52	FLEX	OW	32.1%	1.1%	41.8%	63.8%	78.4%
5%	\$242.93	DELL	OW	35.5%	5.3%	164.3%	102.8%	30.0%
-4%	\$342.08	KEYS	OW	19.2%	0.1%	86.4%	43.9%	21.3%
14%	\$33.80	HPE	OW	19.0%	0.8%	-0.3%	38.1%	17.6%
-1%	\$180.69	GLW	EW	17.4%	0.3%	101.8%	54.6%	71.7%
24%	\$114.35	CSCO	EW	13.1%	0.9%	45.3%	127.2%	42.9%
		<b>Average</b>		<b>46.0%</b>		<b>62.8%</b>	<b>58.4%</b>	<b>35.5%</b>

Priced as of 5/20/26. Delta share price is vs our last report's pricing (5/07/26). Industry view: Neutral. OW = Overweight; EW = Equal Weight; UW = Underweight. For full disclosures on each covered company, including details of our company-specific valuation methodology and risks, please refer to <https://publicresearch.barcap.com>. Source: Barclays Research Estimates, Bloomberg, 650 Group

With Cloud AI growth moving higher across the industry, and the latest round of hyperscaler earnings highlighting increased capex expectations, our average cloud AI revenue growth CAGR for 2023-2027 is ~60% on average vs our initial estimate of ~53%.

Below is a side-by-side comparison of current implied AI multiples vs May 7th.

FIGURE 2. Summary of Implied Current AI P/E

Share Price	Company	Rating	p/e on CY27	core p/E	implied AI p/e
\$33.46	SMCI	EW	8x	11x	5x
\$662.21	FN	OW	37x	14x	40x
\$346.48	CLS	OW	24x	12x	28x
\$140.49	ANET	OW	33x	32x	34x
\$554.76	CIEN	OW	61x	18x	110x
\$345.15	JBL	OW	22x	12x	34x
\$131.52	FLEX	OW	23x	12x	34x
\$242.93	DELL	OW	16x	9x	35x
\$342.08	KEYS	OW	28x	22x	65x
\$33.80	HPE	OW	12x	10x	36x
\$180.69	GLW	EW	47x	19x	141x
\$114.35	CSCO	EW	24x	17x	70x
	<b>Average</b>		<b>28x</b>	<b>16x</b>	<b>53x</b>

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 Source: Company Documents, Bloomberg, Barclays Research estimates.

FIGURE 3. Summary of Implied AI P/E as of 5/07/26

Share Price	Company	Rating	p/e on CY27	core p/E	implied AI p/e
\$33.62	SMCI	EW	8x	11x	5x
\$626.12	FN	OW	35x	14x	38x
\$385.21	CLS	OW	26x	12x	31x
\$141.75	ANET	OW	33x	32x	34x
\$538.76	CIEN	OW	59x	18x	106x
\$349.60	JBL	OW	22x	12x	34x
\$133.01	FLEX	OW	23x	12x	35x
\$230.27	DELL	OW	15x	9x	32x
\$355.06	KEYS	OW	35x	22x	89x
\$29.70	HPE	OW	11x	10x	27x
\$182.40	GLW	EW	47x	19x	142x
\$92.16	CSCO	EW	20x	17x	48x
	<b>Average</b>		<b>28x</b>	<b>16x</b>	<b>52x</b>

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 Source: Company Documents, Bloomberg, Barclays Research estimates.

- **CSCO** saw the largest share price movement in the bucket of stocks (+24% since 5.07.26) due to earnings that came in significantly better than our estimates (fully driven by AI outperformance). We believe there is so much industry growth, and tight supply, that CSCO joins the other leading networking providers for AI with accelerating growth. While we acknowledge the strong quarter, we are unsure how long the Networking success will last.

AI momentum was strong again in Q3, with \$1.9B of AI orders in the quarter and FY guidance raised to \$9B (vs prior \$5B). The FY guide implies AI orders of ~\$3.7B in FQ4. The AI order strength in the Q was driven by growth in Silicon One systems and Acacia Optics. We are modeling low 40% of the \$9B in AI orders as optics/Acacia, with Networking products the balance. AI revenues for FY26 outlook was also raised, to \$4B from the prior \$3B.

- **HPE** saw material implied AI multiple expansion since the last reading (up ~9 turns) largely on share price movement from [news](#) circulating around another activist fund taking a stake in the company. On our recent trip to Asia ([Highlights from Meetings in Asia](#), 05.18.26) JNPR/HPE was highlighted as doing well in campus switching. Recall, on last Q earnings despite strong

order growth, campus & branch revenues decelerated vs prior Qs – our data points from Asia back up our assumption that this was largely due to tough comps, not revenue segments and margin. We continue to like the stock, given the company's higher margin networking business and conservative guide for the year. However, we do acknowledge last Q management did see some pull-in in the Q, and 2H demand dynamics remain unknown.

- **KEYS** earnings this week came in stronger than expected with the company's AI portfolio continuing to drive momentum. KEYS' wireline- AI related business in 1H surpassed the \$500-600M of AI-related revenue generated all of last FY. Despite strong order growth (orders up 48% y/y on a core basis) management pointed to a strong funnel, with AI-related customer conversations now providing early visibility into 1H27. The majority of the order book remains recognizable within a six-month period of delivery as well. The stock traded down the following day, though we believe this was largely due to the run-up in the stock heading into the print (KEYS up ~69% YTD into the print).
- Some other interesting ones to look at:
  - **FLEX**. The recent earnings announcement and news of spinning out the AI-related businesses led to meaningful stock upside (up ~40% on the day the news hit). We note that in our model, all of the stock move was justified by the much higher growth rate for the AI business (38% in FY26 going to 70-80% the next two years). FLEX now grows at or above the other EMS players in AI, and trades in the middle of the pack on an implied AI multiple.
  - **GLW**. We continue to see GLW as the most stretched on multiple given the smaller overall exposure and passive nature of the products. Capacity is constrained and demand is strong, but we are concerned there will be an inventory digestion at some point, and non-DC businesses will face pressures.
  - **CLS**. CLS has gone from one of the highfliers in EMS to the cheapest in the group (when looking at implied AI multiples). We see growth as the most durable, with meaningful programs starting in 2027 (Open AI racks, AMD scale up Ethernet, and a 1.6T CPO switch – we think at META). We expect a strong 2H and 2027 for CLS.

We also take a look at companies under our coverage that have been excluded from the AI wave (i.e., AAPL, GRMN, AXON, MSI, etc.) and look at how their multiples compare since our last report and also vs their respective "core" P/E multiples. These stocks, on average, are flat since our last reading on May 7th (vs SPX up 1%).

FIGURE 4. Summary of non-AI plays multiples as of current pricing

Share Price	Delta Share Price	Company	p/e on CY27	core p/e
\$302.25	5%	AAPL	30x	17x
\$237.47	-2%	GRMN	24x	22x
\$103.78	1%	LOGI	17x	22x
\$77.93	2%	P	32x	70x
\$118.97	5%	NTAP	13x	15x
\$21.07	0%	HPQ	6x	10x
\$106.21	-4%	CDW	10x	18x
\$230.68	-1%	SNX	12x	12x
\$45.03	-2%	NTNX	21x	50x
\$382.42	11%	FFIV	21x	17x
\$398.44	-7%	AXON	39x	68x
\$395.92	-9%	MSI	21x	19x
		<b>Average</b>	<b>20x</b>	<b>28x</b>

Source: Company Documents, Bloomberg, Barclays Research Estimates

FIGURE 5. Summary of non-AI plays multiples as of 5/07/26

Share Price	Delta Share Price	Company	p/e on CY27	core p/e
\$287.44	5%	AAPL	28x	17x
\$241.90	-9%	GRMN	24x	22x
\$103.21	5%	LOGI	17x	22x
\$76.05	10%	P	31x	70x
\$113.00	2%	NTAP	12x	15x
\$20.99	3%	HPQ	6x	10x
\$110.20	-23%	CDW	10x	18x
\$232.45	4%	SNX	12x	12x
\$45.93	11%	NTNX	21x	50x
\$345.02	11%	FFIV	19x	17x
\$426.89	6%	AXON	42x	68x
\$433.20	-2%	MSI	23x	19x
		<b>Average</b>	<b>21x</b>	<b>28x</b>

Source: Company Documents, Bloomberg, Barclays Research Estimates

- Multiple movement across all has seem limited movement vs the prior reading. We believe this is largely due to the fact that AI-related stocks seem to be moving the most in the market, while most other stocks are not seeing the same kind of momentum. We believe the majority of the names are grouped in more "defensive" buckets that have seen more limited share price movement.

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**Celestica Inc.** (CLS, 20-May-2026, USD 346.48), Overweight/Neutral, J

**Cisco Systems, Inc.** (CSCO, 20-May-2026, USD 114.35), Equal Weight/Neutral, CD/CE/D/J/K/L/M

**Corning Incorporated** (GLW, 20-May-2026, USD 180.69), Equal Weight/Neutral, CD/CE/J

**Flex Ltd** (FLEX, 20-May-2026, USD 131.52), Overweight/Neutral, A/CD/CE/D/FA/J/K/L/M/N

**Hewlett Packard Enterprise Company** (HPE, 20-May-2026, USD 33.80), Overweight/Neutral, A/CD/CE/D/FA/J/K/L/M

**Keysight Technologies, Inc.** (KEYS, 20-May-2026, USD 342.08), Overweight/Neutral, CD/CE/D/FA/J/K/L/M

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