

# China Technology

## Read-across from US CSP Capex and Optics Peer Commentaries

### CITI'S TAKE

Key read-across: (1) Top-4 US CSPs' capex estimates revised up 10%/24% for 2026/27 vs. [last update](#), likely due to increased costs and demand upside, aligned with street's rising 2027E expectation recently. (2) Robust optics demand, with visibility into CY28 and securing LTAs till end of decade. (3) Supply tightness continues, but InP capacity expansion ahead of original plan. (4) OCS shipments likely ramping in coming quarters with TAM >US\$4bn by 2030E. (5) CPO initial ramp for scale-out to begin in 2H26 and scale-up in 2H27; we believe the market has priced in expectation of capex hike and robust demand post results. We don't think Corning expanding US capacity could benefit T&S. We believe AI optics remain a structural growth trend despite near-term risk of Rubin delay. Next catalysts include Computex (early June) and CPO ramp in 2H. Stock picks in AI optics: **TFC, DSBJ, Eoptolink, USI, Chroma, ASMPT.**

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**Top-4 US CSPs' 2026 capex guidance raised:** Meta raised 2026 capex guidance to \$125-\$145bn from \$115-\$135bn, implying 87% YoY growth at mid-point; Microsoft raised its 2026 capex to \$190bn, up 61% YoY. Amazon maintained its \$200bn capex guidance for 2026, up 55% YoY. Google raised 2026 capex guidance to \$180-\$190bn from ~\$175-\$185bn, over 100% YoY. Aggregating Citi forecasts, the top-4 US CSPs' capex could reach \$721bn/\$966bn in 2026/27E (+ 76%/34% YoY, 10%/24% increase vs. [our prior update](#)).

**Optics supply tightness, securing LTAs:** Both LITE and COHR (both covered by Papa Sylla) have mentioned secure long-term agreements with multiple customers. LITE cited components sold out for the foreseeable future and highlighted that the supply/demand imbalance is probably >30% (vs. prior c.30%). For CPO, it's a massive supply/demand imbalance. LITE is on track to achieve more than 50% growth in EML units by CY26 (vs. mentioned 50% at OFC). COHR expects to reach more than double their InP capacity by end-CY26 (vs. prior doubling by end-CY26) and more than double their InP capacity again by end-CY27. Corning (covered by Asiya Merchant) secured multi-year agreements with hyperscale customers, including Meta (\$6bn) to support their AI ambitions with optical fiber, cable, and connectivity solutions. The initial focus of these long-term agreements has been on "scale out," with future phases addressing "scale up" as more network links transition to fiber optics, and a new photonics MAP targets OEM customers in Gen AI. Corning also signed a long-term partnership with Nvidia, with fiber optic production in the U.S. set to increase by over 50%.

**Demand visibility:** COHR cited visibility continuing to extend, with orders now reaching into CY28 and customer LTAs extending to the end of the decade.

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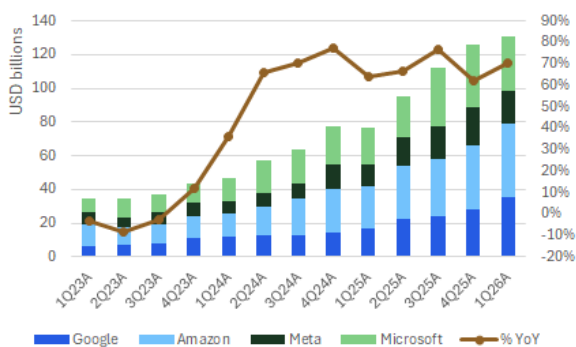
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**Pricing:** LITE mentioned increased pricing on selected products; having pricing flexibility. COHR indicated that their pricing is very healthy, with product mix driving ASP as well. Management does not see significant margin difference between EML or SiPh transceivers. Corning highlighted that international competitors have raised fiber prices.

**OCS:** COHR expects OCS revenue to grow in CY2Q26 and continue sequential growth, with OCS market opportunity seen over \$4bn by 2030E (from prior results pointing to \$2bn). LITE also highlighted multi-year multi-billion-dollar purchase agreements for OCS, with the ramp largely on track and experiencing considerable tightness.

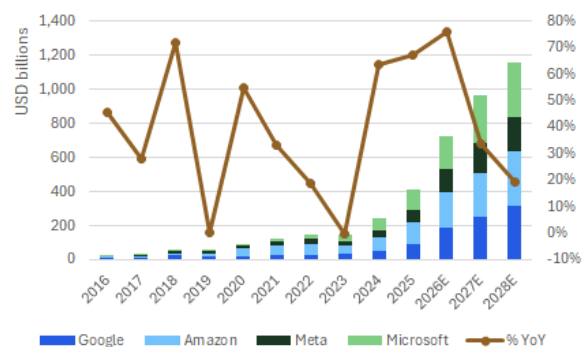
**CPO:** COHR forecasts a \$15bn incremental addressable market opportunity as conservative estimates over the coming years; expects initial scale-out CPO revenue to begin ramping in 2H26 and scale-up CPO revenue to begin ramping in 2H27. COHR is providing the external laser source module, while they can provide the fiber attach unit (including microlens arrays). LITE's ultra-high-power lasers ramp is on track, seeing initial contribution of scale-out and is going to see more contributions from the scale-out CPO in CY4Q26. Scale-up CPO is still very much in its infancy currently, but LITE is confident that they are on track to reach their \$2bn quarterly revenue goal. Corning anticipates Co-Packaged Optics will become the predominant solution for scale-up switches by 2030.

Figure 1. Top-4 US CSP capex (quarterly)



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Figure 2. Top-4 US CSP capex annual forecasts



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**Companies Mentioned:**

ASMT (0522.HK; HK\$168.9; 1; 08 May 26; 16:10) | Chroma ATE (2360.TW; NT\$2230.0; 1; 08 May 26; 13:30) | Dongshan Precision (002384.SZ; Rmb211.39; 1; 08 May 26; 15:00) | Eoptolink Technology (300502.SZ; Rmb551.67; 1; 08 May 26; 15:00) | Suzhou TFC Optical Communication (300394.SZ; Rmb326.3; 1; 08 May 26; 15:00) | T&S Communications (300570.SZ; Rmb162.1; 1; 08 May 26; 15:00) | Universal Scientific Industrial (601231.SS; Rmb41.49; 1; 08 May 26; 15:00)

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