# Earnings Deliver, Recovery Takes Time

- **Macro:** Our timing was wrong; we still see the correction as an entry.
- **Tech:** Cloud demand accelerates, but capex keeps cash flow under pressure.
- **Pick:** BUY LITE80, TP THB 4.00 (LITE at $1200, USD/THB at 33.70).

## Our Timing Was Wrong

Last week, we expected strong hyperscaler earnings to support a market recovery following the recent sell-off. However, despite results confirming accelerating AI demand, the market continued to decline, proving our short-term timing too optimistic. Nevertheless, our fundamental view remains unchanged. We believe current valuations do not indicate a broad AI bubble, and the recent correction offers an attractive entry opportunity for long-term investors. **We continue to expect a recovery, although it may take longer than initially anticipated.**

## Investment Comes Before the Cash

The latest earnings reinforce our confidence in AI demand, with AWS revenue growing 39% y-y, Azure 48%, and Google Cloud 103%. Yet Alphabet, Microsoft and Amazon have faced selling pressure as investors focus on rising CapEx and deteriorating FCF rather than accelerating cloud revenue. Alphabet faces concerns over negative FCF, further CapEx increases in 2027E, and potential cannibalization of Search by AI Overviews, where monetization remains uncertain. Microsoft stands out with positive FCF, supported by strong operating cash generation and some data-center spending delays. Amazon faces the greatest cash-flow pressure, reporting negative USD33.5b. **In our view, negative FCF is not necessarily a warning sign when spending supports visible demand and future growth.** These companies possess profitable core businesses and considerable financing capacity, making their aggressive AI investments fundamentally different from those of debt-dependent operators.

## Intel's Server Boom Meets Constraints

Intel's nearly 30% post-result fall shows the limits of a strong AI demand story. Its 3Q results beat guidance, but the 4Q outlook disappointed. Data-center revenue grew 78% y-y, while PC revenue fell 5%. Management expects PC sales to drop more than 20% q-q in 4Q. Server demand exceeds supply, but manufacturing constraints restrict how much Intel can earn. Manufacturing capex is set to rise next year, and management does not expect positive FCF. Although near-term earnings visibility remains challenging, we still view Intel as strategically important to U.S. national security. This supports its long-term relevance, but does not eliminate financial or execution risks.

## Marvell Wants the Optical Link

Reuters reports Marvell is in advanced talks to buy Lumentum, with an announcement possible this week. Combining digital networking chips with optical components would give Marvell a broader AI connectivity portfolio. That could be valuable as data centers adopt faster optical networks. Financing is the challenge. Limited cash makes substantial equity issuance likely, in our view. For Lumentum, a premium offer would be a catalyst, but the payment terms matter. The underlying stock is ~26% below its early-Oct peak, offering a better entry into our standing optical-infrastructure thesis.

## DR Pick: LITE80, TP THB 4.00 (LITE at $1200, USD/THB at 33.70)

We re-iterate BUY LITE80 as a more aggressive way to play our expected market recovery. We would usually turn more defensive during a selloff. This time, strong AI demand and LITE's own catalysts support staying invested. Its optical components supply the connections behind the buildout. The 5-Nov results offer near-term catalysts.

**Analyst**

Suwat Sinsadok, CFA, FRM, ERP, IAA
suwat.s@globlex.co.th,
+662 687 7026

**Assistant Analyst**

Peerayu Sirivorawong

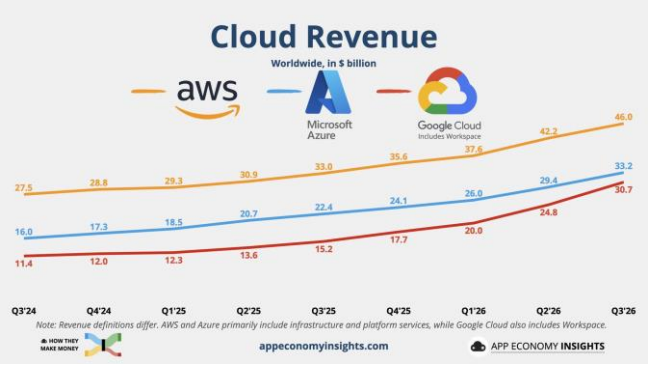
.

## Exhibit 1: Hyperscaler CapEx Comparison: AMZN vs. GOOGL vs. MSFT

| Metric | Amazon (AMZN) | Alphabet (GOOGL) | Microsoft (MSFT) |
|---|---|---|---|
| Operating cash flow | $42.4B | $42.3B | $58.0B |
| Cash CapEx | $75.9B* | $51.4B | $39.4B |
| Free cash flow | −$33.5B | −$9.1B | +$18.6B |
| CapEx / operating cash flow | 179% | 121% | 68% |
| Cloud revenue growth YoY | +39% | +103% | +48% |
| Cloud operating income | $17.8B | $11.1B | Not separately disclosed |
| 2026 CapEx outlook | ~$220B | Rising sharply | ~$170B |
| Expected 2027 CapEx | Higher | Higher | Elevated |
| Main concern | Negative FCF | CapEx + Search cannibalization | Depreciation + AI returns |

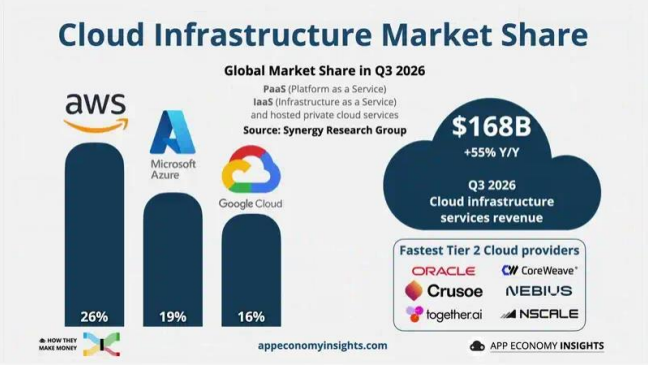
Sources: AMZN, GOOGL, MSFT; Globlex Research

## Exhibit 2: Hyperscalers Cloud Revenue




Sources: App Economics Inights

## Exhibit 3: Cloud Infrastructure Market Share 3Q26




Sources: App Economics Inights

## Exhibit 4: Intel Corp (INTC) Earnings Snapshot

| Metric | Q3 actual | Q4 guidance |
|---|---|---|
| Revenue | $16.5B (+21% y-y) | $15.0–16.0B |
| Non-GAAP EPS | $0.52 | $0.25 |
| Non-GAAP gross margin | 44.1% | 38.0% |
| Data Center & AI revenue | $7.3B (+78% y-y) | Mid-teens q-q growth |
| Client Computing revenue | $8.1B (-5% y-y) | Down more than 20% q-q |
| Foundry operating loss | -$1.9B | Still loss-making |

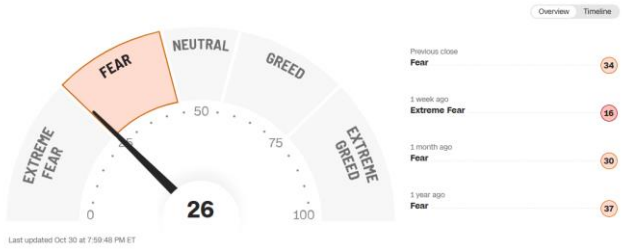
Sources: INTC; Globlex Research

## Exhibit 5: Illustrative Shareholder Dilution Under MRVL's Potential Acquisition of LITE

| Acquisition premium | Acquisition value (US$ b) | New shares issued (% of existing MRVL shares) | Existing MRVL shareholders' ownership | Ownership dilution |
|---|---|---|---|---|
| 0% | 83.0 | 37.7% | 72.6% | 27.4% |
| 10% | 91.3 | 41.5% | 70.7% | 29.3% |
| 20% | 99.6 | 45.3% | 68.8% | 31.2% |
| 30% | 107.9 | 49.0% | 67.1% | 32.9% |
| 40% | 116.2 | 52.8% | 65.4% | 34.6% |

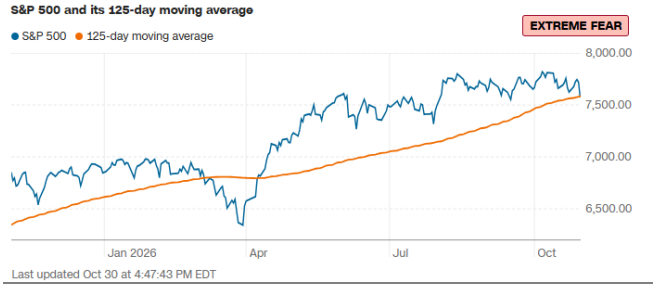
Sources: Globlex Research

## Exhibit 6: Fear & Greed Index (30 Oct 26)




Sources: CNN

## Exhibit 7: Market Momentum, S&P500 vs 125 days MA




Sources: CNN

## Exhibit 8: Most Anticipated Earnings Releases (2 Nov – 6 Nov)




Sources: Earnings Whispers

# GENERL DISCLAIMER

## Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

# RECOMMENDATION STRUCTURE

## Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

**BUY:** Expected return of 10% or more over the next 12 months.
**HOLD:** Expected return between -10% and 10% over the next 12 months.
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

## Sector Recommendations

**Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

## Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.