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AI Factory Partners

Plug and Wait: Initiating on NVIDIA's DSX POD Partners, Overweight Power and Cooling

NVIDIA's DSX POD, launched at GTC Berlin on 21 October, packs seven Vera Rubin racks, their cabling, piping and power into a factory-tested container that partners will ship from early 2027. NVIDIA says it cuts on-site deployment from six months to as little as 14 days. The engineering is real, but the box is not the bottleneck: the 14 days apply "at a prepared site", and in primary US markets the grid connection for that site takes over four years. On a greenfield site the pod removes about 10% of the time to first tokens. The trading lesson is older than the pod. Across 13 NVIDIA keynotes since May 2023, the 12 listed partners beat their home markets by an average of 2.9% in the five days before the keynote (11 of 13 positive), and by nothing after it. This time the run-up failed (-4.6%) amid an AI infrastructure sell-off. We initiate on all 12 listed partners: Overweight Vertiv, Delta, Schneider and Wistron, Underweight Pegatron and Dell.

- **Buy the run-up, sell the keynote.** The five-day pre-keynote drift is significant ($t = 2.66$; a random-date placebo beats it 0.25% of the time) and survives our 35bp average round-trip cost. Day 0 adds 0.3% ($t = 1.00$) and the next 20 days 0.2%. Being named in the release does not matter: unnamed partners ran up 2.6% before the same keynotes. **Chasing or fading the named partners after the release has no edge (Table 1).** The next tests are CES in January and GTC in March.
- **Power and cooling sits in every pod and on every site.** The pod moves rack integration into the factory; the site still needs utility power, switchgear, heat rejection and water. Vertiv (PT \$276) is our top pick: down 44% from its May high to 23.1x 2027E EPS, with EPS growth of 37%. Long factory, short site is not the DSX trade: the pair lost 64% since 2023, with 38% volatility and a 81% maximum drawdown, and the contractors' backlogs are at records.
- **The claims, corrected.** NVIDIA does not ship anything: it designs the pod and 17 partners build it. The 28.5 tons is not an NVIDIA figure (a briefing said about 28 metric tons). The 17km is the networking cable alone. NVIDIA's own FAQ says the design does not eliminate on-site work.
- **The trading map.** Use selectively: the keynote run-up (2.6% a trade net of costs) and a 200-day trend filter on power and cooling, which cut the basket's worst drawdown from (40%) to (26%). Avoid: chasing or fading named partners, and the factory/site pair.

Overweight

Top pick: Vertiv, VRT US

Price (21-Oct-26): \$212.15

Price Target (Dec-27): \$276.00

Initiation of coverage, 12 companies

AI Infrastructure Hardware

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Coverage Initiated (Dec-27 PT)

Company	Rating	Price	PT	Upside
Vertiv	OW	212.15	276	+30%
Delta	OW	1,560	1,910	+22%
Schneider	OW	249.10	290	+16%
Eaton	N	393.94	407	+3%
Wistron	OW	190.00	247	+30%
Quanta	N	322.00	354	+10%
Hon Hai	N	245.00	254	+4%
GIGABYTE	N	349.00	373	+7%
Pegatron	UW	103.50	81.8	-21%
HPE	N	58.17	56.5	-3%
Lenovo	N	23.16	26.1	+13%
Dell	UW	485.88	402	-17%

DSX POD Day Scorecard

Group	Day 0	5d before	>200d
Power and cooling	+1.3%	-9.3%	1 of 4
ODMs	-0.3%	+6.6%	5 of 5
OEMs	0.0%	-16.9%	3 of 3
On-site contractors	-0.7%	-13.2%	0 of 5

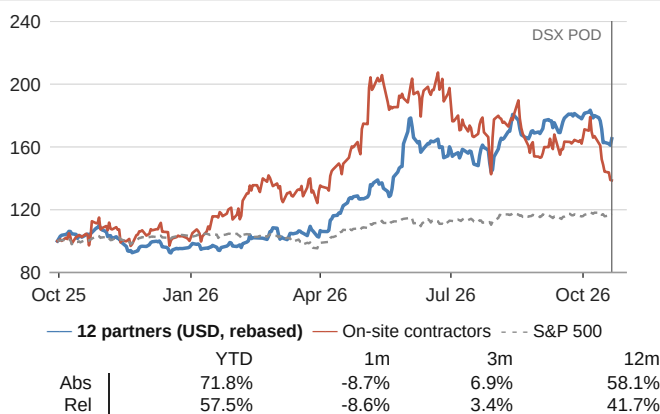
Equal-weight abnormal returns against each home market. Day 0: 21 Oct (US, Europe), 22 Oct (Taiwan, Hong Kong). 5d before: the five sessions before day 0. >200d: names above their 200-day average. Prices in local currency; US and Europe at 21-Oct-26 closes, Asia at 22-Oct-26.

Sources for: DSX POD Day Scorecard and Coverage: Yahoo Finance daily prices, consensus EPS (LSEG via Yahoo Finance), K2 Capital calculations. DSX POD facts: NVIDIA press release, technical blog and product page (21 Oct 2026); JLL Global Data Center Outlook (Jan 2026). All other data are company filings and K2 Capital estimates.

See page 11 for analyst certification and important disclosures.

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Price Performance



Sector and Strategy Data

Coverage (listed DSX POD partners)	12 of 17
Combined market cap (\$ bn)	1,127
Ratings (OW N UW)	4 6 2
Average upside to K2 PTs	+8%
Average upside to consensus PTs	+39%
NVIDIA keynotes tested	13 (May-23 to Jun-26)
Name-events (named not named)	156 (95 61)
Avg 5-day pre-keynote abnormal return	2.9% (t = 2.66)
Placebo: random dates beat it	0.25% of draws
Avg day-0 abnormal return	0.3% (t = 1.00)
DSX POD run-up (5 days before)	-4.6%
Pod deliveries begin	Early 2027 (partners)

Key Metrics by Group

By group	Power	ODMs	OEMs	Site
Performance (USD, equal weight)				
YTD	36%	33%	223%	39%
3 months	(13%)	13%	23%	(20%)
1 month	(14%)	0%	(16%)	(15%)
Avg drawdown from 52w high	(29%)	(11%)	(25%)	(36%)
Positioning				
Names above 200-day	1 of 4	5 of 5	3 of 3	0 of 5
Median 12-1m momentum	23%	26%	211%	43%
Valuation (consensus)				
Median P/E, FY+1	23.6x	10.0x	12.4x	20.8x
Median EPS growth, FY+1	28%	24%	23%	21%
DSX POD reaction (abnormal)				
Day 0	1.3%	(0.3%)	0.0%	(0.7%)
Five days before	(9.3%)	6.6%	(16.9%)	(13.2%)

Summary Investment Thesis and Ratings

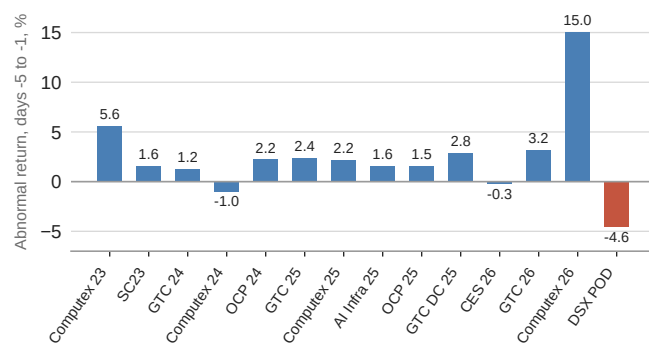
Investment Thesis

The DSX POD turns the last stage of an AI factory build, racking, cabling, piping and testing, into a factory product. That matters most where power already exists: on a powered shell, six months become two weeks. Everywhere else the grid connection sets the pace, and the pod saves about 5.5 months of a 54-month greenfield timeline. Value therefore accrues first to whoever supplies power and cooling, which is needed in the box and on the site, and only second to the nine pod builders, who will compete on a shared NVIDIA reference design. For traders, NVIDIA keynotes are scheduled, and the partners' outperformance has come before them: 11 of 13 run-ups were positive, with no drift afterwards.

Ratings and Valuation

Our Dec-27 PTs apply target multiples to FY+1 consensus EPS (Figure 14). Overweight: Vertiv (\$276, 30x), Delta (NT\$1,910, 30x), Schneider (€290, 23x) and Wistron (NT\$247, 10x). Underweight: Dell (\$402, 15x), where FY+1 EPS growth slows to 4% after a 290% YTD rise, and Pegatron (NT\$81.8, 11x), at 13.9x and a 52-week high. Neutral on the rest. Our PTs sit below consensus on all 12 names: most Street targets predate the October de-rating.

NVIDIA Keynotes: The Run-Up Pays, the News Does Not



Equal-weight abnormal return of the 12 partners against home markets, days -5 to -1. Red: DSX POD (21 Oct 2026).

AI Capex Backdrop (Latest Company Guidance)

Alphabet, 2026 capex (22 Jul; was \$180-190bn)	\$195-205bn
Amazon, 2026 capex (30 Jul; was about \$200bn)	about \$220bn
Meta, 2026 capex (21 Oct; was \$130-145bn)	\$135-145bn
Oracle, FY5/27 gross capex (10 Sep)	\$90-95bn
NVIDIA data centre revenue, 2Q FY27 (y/y)	\$89.0bn (+117%)
NVIDIA 3Q FY27 revenue guide	\$108.0bn ±2%

- **DSX POD in Numbers.** Each pod holds seven liquid-cooled Vera Rubin NVL72 racks (504 GPUs), 17km of Spectrum-X networking cable plus about 20km of copper, and 800 V DC power. An NVIDIA executive put it at about 28 metric tons and 10 million components; third parties estimate 1.3-1.6 MW per pod, or roughly 690 pods per GW. NVIDIA lists nine pod builders (Bull, Dell, GIGABYTE, HPE, Foxconn's Ingrasys, Lenovo, Pegatron, Quanta's QCT, Wistron) and eight container solution providers (Anduril, Armada, Crusoe, DayOne, Delta, Eaton, Schneider, Vertiv); 12 are listed. On launch day Schneider released a modular reference design (a study with Compass Datacenters cut on-site installation from 75.5 to 15 hours per pod), Vertiv modelled on-site deployment falling from 90 to 45 days, and Dell said its version ships in early 2027.
- **Market Backdrop.** The keynote landed in a sell-off. Barclays cut Dell and HPE to equal weight on 14 Oct (Dell fell 11%), and Delta fell 16% in four days after the US ITC opened a Section 337 case brought by Vicor. In the five sessions before the keynote, power and cooling names lagged their markets by 9.3%, OEMs by 16.9% and US contractors by 13.2%, while Taiwan's pod builders led by 6.6%. On 21 Oct, Vertiv rose 4.2%, Eaton 3.1% and Dell 5.3%, but SOXX rose 2.1% and Super Micro raised its outlook the same day. In Taiwan on 22 Oct the partners opened higher and closed 1.4-4.0% lower in a market down 1.8%. After the US close on 21 Oct, Meta narrowed 2026 capex to \$135-145bn (from \$130-145bn).
- **Catalysts.** Vertiv Q3 (28 Oct, before the open), Microsoft and Alphabet (28 Oct), Delta's Q3 conference and Amazon (29 Oct), Eaton (3 Nov), Hon Hai (12 Nov), Lenovo (19 Nov) and NVIDIA (late November). **All told, the pod changes who integrates an AI factory more than how fast the world can build one, and the stocks have historically traded on the keynote calendar rather than on the news.**

Table 1: Strategy Scorecard, NVIDIA Keynotes and the DSX POD Supply Chain

Abnormal returns against home markets; equal weight; in the last column, the figure after "vs" is buy-and-hold

	Keynote run-up	Chase the named	Fade the named	Factory/site pair	Power, 200d filter
Sample	13 keynotes	95 name-events	95 name-events	Jan-23 to Oct-26	Jan-21 to Oct-26
Holding period	5 days	20 days	20 days	Continuous	Continuous
Avg abnormal return per trade	2.9%	1.2%	(1.2%)	-	-
Median per trade	2.2%	-	-	-	-
Trades positive	11 of 13	7 of 13	6 of 13	-	-
t-statistic (event level)	2.66	0.58	-0.58	-	-
Raw return per trade	4.3%	-	-	-	-
Less: round-trip cost	35bp	35bp	35bp + borrow	Daily rebalancing	Low
Net abnormal per trade	2.6%	0.8%	(1.5%)	-	-
CAGR	-	-	-	(22.8%)	28.6% vs 36.2%
Volatility	-	-	-	37.9%	22.8% vs 28.2%
Maximum drawdown	-	-	-	(80.9%)	(26.0%) vs (40.0%)
Sharpe ratio (zero cash rate)	-	-	-	-0.49	1.22 vs 1.24
Latest	DSX POD -4.6%	DSX POD: open	DSX POD: open	+61% since May	1 of 4 names on
Strategy Verdict	Use selectively	Avoid	Avoid	Avoid	Use selectively

Source: Yahoo Finance daily prices, NVIDIA releases, K2 Capital calculations. Keynote run-up: buy all 12 partners at the close six sessions before day 0, sell at the close the session before. Chase/fade: buy (short) the partners named in the release at the day-0 close, close out 20 sessions later. Pair: long 12 partners, short EMCOR, Comfort Systems, Sterling, Quanta Services and IES, rebalanced daily, in USD. Power: Vertiv, Eaton, Schneider and Delta, each held only when above its 200-day average, otherwise in cash at zero. Costs: 10bp in the US, 30bp Hong Kong, 50bp Taiwan and France (transaction taxes).

Plug and Wait: The Pod Saves the Last Six Months

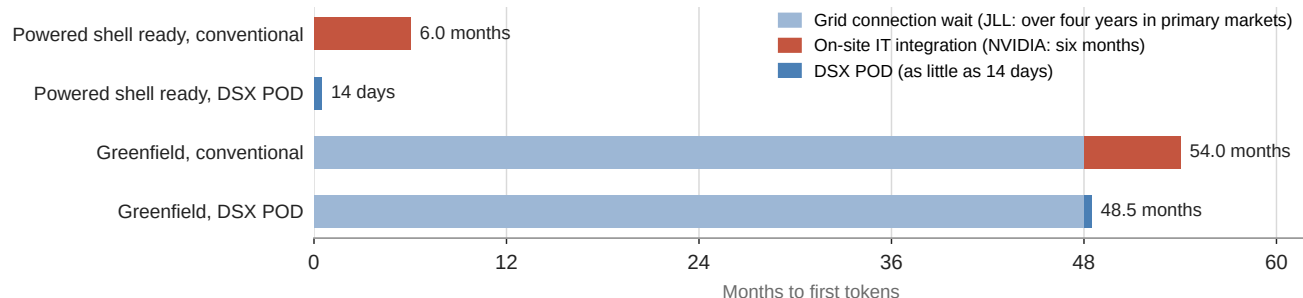
Figure 1: The Brief's Claims, Checked

The claim	What NVIDIA and its partners say	Verdict
NVIDIA will ship whole AI factories in boxes	A reference design: partners "engineer, manufacture, integrate... and deliver" (product page)	Wrong
Each box weighs 28.5 tons and holds 10 million parts	Not in NVIDIA's documents; an executive's briefing said about 28 metric tons and 10 million components	Roughly right
Racks, cooling pipes and 17km of cable	Seven racks; the 17km is Spectrum-X networking cable only, with about 20km of copper on top	Understated
On-site builds take about six months and earn nothing until running	"From six months to as little as 14 days"; no tokens until operational (keynote)	Holds
Every box is tested before it ships	Factory-tested and validated, then checked again after arrival	Holds
The site just preps power, cooling and networking; boxes plug straight in	FAQ: "Does the design eliminate onsite work? No"; foundations, placement, interconnection and commissioning remain	Overstated
NVIDIA says deployment falls to as little as 14 days	"At a prepared site"; "once site utilities are ready"	Holds, best case
17 partners plan to ship in early 2027	17 named, 12 listed; no customers or prices disclosed	Holds
Building an AI factory is turning into a delivery	Grid waits exceed four years in primary US markets (JLL); prefab power modules were already in DSX in Oct 2025	Overstated

Source: NVIDIA press release, technical blog, product page and keynote (21 Oct 2026); The New Stack (21 Oct 2026); JLL Global Data Center Outlook (Jan 2026); NVIDIA Omniverse DSX blueprint (28 Oct 2025).

Figure 2: Where the Time Goes

Months from start to first tokens; conventional on-site integration against DSX POD; grid wait from JLL, integration times from NVIDIA



Source: JLL (Jan 2026), NVIDIA (21 Oct 2026), K2 Capital. Shell construction (typically 18-24 months) is assumed to run in parallel with the grid wait.

Figure 3: What Five and a Half Months Are Worth

	NVIDIA math	K2 math
Capex per GW	\$50bn	\$50bn
Revenue per GW per year (NVIDIA)	\$40bn	-
Carrying cost per month*	-	\$1.06bn
Months saved (6 months to 14 days)	5.5	5.5
Value of time saved per GW	\$18.5bn	\$5.9bn
As % of capex	37%	12%
Value per pod (~690 pods per GW)	\$26.8M	\$8.5M
Capex per pod, all-in	\$72.5M	\$72.5M
If partners capture 10-20%	-	\$0.9-1.7M

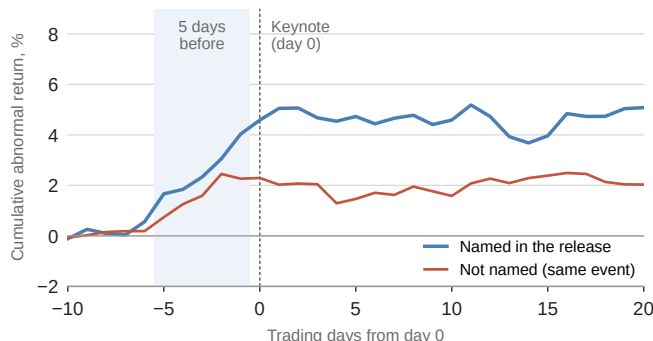
Source: NVIDIA keynote (21 Oct 2026), JLL, K2 Capital estimates. *K2: 10% cost of capital on the full \$50bn plus 5-year depreciation on the IT share (77%; shell and core \$11.3M per MW, JLL). 1.45 MW per pod, midpoint of third-party estimates.

The value is real; most of it is the owner's. NVIDIA's own math, \$10bn of revenue for every three months of delay on a 1 GW factory, values the saving at \$18bn per GW. On a cost-of-capital basis we get \$5.9bn, or 12% of capex, about \$8.5M a pod. That accrues to the operator. Nine builders working from one NVIDIA design will compete for the integration premium; if they keep 10-20% of the value, it is \$0.9-1.7M on a \$72M pod. The power and cooling content is needed whether the racks are integrated in a factory or on site, and the pod only works where that power already exists.

Buy the Run-Up, Sell the Keynote

Figure 4: Cumulative Abnormal Return Around NVIDIA Keynotes

12 partners, 13 events (May-23 to Jun-26), equal weight by event



Source: Yahoo Finance, NVIDIA releases, K2 Capital calculations. Abnormal = stock minus home index (S&P 500, TAIEX, Hang Seng, CAC 40).

Figure 5: Event-Study Statistics

Window (trading days)	Mean	Median	t-stat	Positive
-20 to -1	4.3%	5.8%	2.53	9 of 13
-5 to -1 (run-up)	2.9%	2.2%	2.66	11 of 13
Day 0	0.3%	0.0%	1.00	6 of 13
+1 to +5	(0.2%)	0.2%	(0.52)	7 of 13
+1 to +20	0.2%	0.1%	0.15	7 of 13
Run-up, named only	3.5%	-	2.21	10 of 13
Run-up, not named	2.6%	-	3.12	11 of 12
Run-up ex Computex 2026	1.9%	-	4.00	-

Source: K2 Capital calculations. t-statistics use event-level means (13 events). Placebo: 13 random dates, 20,000 draws, mean 0.4%; 0.25% of draws beat the observed run-up.

Figure 6: Event by Event

Equal-weight abnormal returns of the 12 partners; raw run-up is not market-adjusted

#	NVIDIA event	Day 0 (US)	Named	Run-up, all	Raw run-up	Day 0, named	Day 0, not	+1 to +20, named
1	Computex 2023 (MGX)	30-May-23	3 of 12	5.6%	6.1%	(1.0%)	1.1%	13.7%
2	SC23 (H200)	13-Nov-23	7 of 12	1.6%	2.3%	0.3%	0.4%	(1.8%)
3	GTC 2024 (Blackwell)	19-Mar-24	8 of 12	1.2%	2.0%	1.2%	1.1%	0.1%
4	Computex 2024	03-Jun-24	9 of 12	(1.0%)	(2.2%)	0.4%	(1.7%)	1.1%
5	OCP 2024 (Blackwell to OCP)	15-Oct-24	10 of 12	2.2%	3.4%	(0.1%)	(0.3%)	5.2%
6	GTC 2025 (Blackwell Ultra)	18-Mar-25	10 of 12	2.4%	3.8%	(0.3%)	(1.1%)	(2.8%)
7	Computex 2025 and 800 V HVDC list	19-May-25	12 of 12	2.2%	5.6%	(0.2%)	-	2.0%
8	AI Infra Summit reference design	09-Sep-25	3 of 12	1.6%	3.7%	2.3%	0.2%	14.4%
9	OCP 2025 (800 VDC, Vera Rubin)	13-Oct-25	6 of 12	1.5%	1.2%	(0.1%)	(2.2%)	(0.1%)
10	GTC DC (Omniverse DSX blueprint)	28-Oct-25	5 of 12	2.8%	4.1%	(0.1%)	0.0%	(12.5%)
11	CES 2026 (Rubin)	06-Jan-26	3 of 12	(0.3%)	2.6%	(1.8%)	(0.3%)	(1.0%)
12	GTC 2026 (Vera Rubin, DSX reference design)	16-Mar-26	11 of 12	3.2%	4.8%	0.0%	4.4%	3.0%
13	Computex 2026 (Vera Rubin in production)	01-Jun-26	8 of 12	15.0%	18.5%	5.7%	0.5%	(6.1%)
14	GTC Berlin (DSX POD)	21-Oct-26	12 of 12	(4.6%)	(7.0%)	0.3%	-	-

Source: NVIDIA releases, wire timestamps, Yahoo Finance, K2 Capital. Day 0: first session able to react in each market. Event 7 adds the 800 V HVDC list a day later. Event 14 is out of sample.

The calendar is the signal. NVIDIA's keynotes are scheduled months ahead, and its partners' shares have behaved as if investors buy the date, not the news. Across 13 keynotes and technical releases that named data centre partners from Computex 2023 to Computex 2026, the 12 listed DSX POD partners beat their home markets by an average of 2.9% in the five sessions before day 0 (median 2.2%), 11 of 13 times. The return in the full 20 sessions before was 4.3%. On day 0 itself the average was 0.3%, and over the following 20 sessions 0.2%: nothing distinguishable from zero.

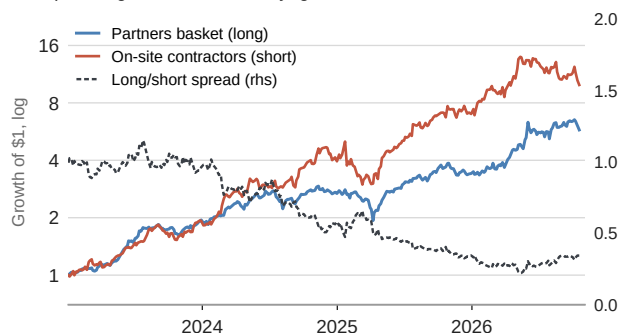
Being named does not matter; being there does. Partners named in the release ran up 3.5%; partners not named ran up 2.6% before the same events ($t = 3.12$). The market is pricing exposure to NVIDIA's roadmap, not the press release. On day 0, named partners beat unnamed ones by only 0.3pp, and by 0.8pp over the next 20 sessions; neither gap is statistically significant.

Robust, but not bulletproof. Computex 2026 is an outlier (a 15.0% run-up as Taiwan's pod builders rallied), but excluding it the average is 1.9% with a t-statistic of 4.00. The unconditional five-day abnormal return for these names was 0.6% over the period. Thirteen events is a small sample drawn from an AI bull market, and the DSX POD run-up was the worst in the sample at -4.6%. We would use the pattern as a tactical overlay, not a standalone strategy, and would drop it if the next two keynotes also fail.

Factory Against Site: Not the DSX Trade

Figure 7: Long the Partners, Short the Contractors

USD, equal weight, rebalanced daily; growth of \$1 since 3 Jan 2023



Source: Yahoo Finance, K2 Capital calculations. Contractors: EMCOR, Comfort Systems, Sterling, Quanta Services, IES Holdings.

Figure 8: Pair Statistics

Long leg	Corr.	Pair vol	Jan-23	YTD	14-May
12 partners	0.52	34%	(64%)	4%	61%
Power and cooling	0.68	29%	(59%)	(14%)	10%
ODMs	0.22	44%	(79%)	(24%)	49%
OEMs	0.39	45%	(48%)	101%	180%
Memo: contractors	-	-	867%	39%	-

Source: K2 Capital calculations. Short leg: the five contractors. Correlation and pair volatility on weekly returns since Jan-23 (Asian closes carried forward); returns since 3 Jan 2023, 31 Dec 2025 (YTD) and 14 May 2026 (Vertiv's 52-week high) are daily-rebalanced dollar-neutral spreads.

The obvious trade. If integration moves from the site to the factory, own the factory and short the site. On 21 Oct the market leaned that way: US contractors lagged by 0.7% while power and cooling names beat their markets by 1.3%. We would not put the trade on, for four reasons.

It has not been a factory-versus-site trade. Since January 2023 the spread lost 64%, because the contractors were the bigger AI winners. Since Vertiv's May high it gained 61%, but only because the contractors fell 33% while the OEMs, riding memory-led pricing, rose 100%. Power and cooling fell 21%, nearly as far as the contractors; against them it made 10% since May and (14%) this year. With pair volatility of 34% on weekly data and a correlation of only 0.52, any DSX signal is noise.

The pod does not take the site's work. NVIDIA's FAQ is explicit that customers still need site power, facility water, cooling and network connections. Armada puts a conventional 50 MW build at about 600,000 on-site labour hours, against an industry shortfall of 288,000 workers by 2027: pods relieve a constraint the contractors cannot staff.

The contractors prefabricate too. EMCOR says AI data centres let it prefabricate higher-value mechanical modules, and Quanta Services runs about 7M sq ft of fabrication space. Backlogs are at records (Figure 9), and pods do not ship until early 2027.

Figure 9: On-Site Contractors Carry Record Backlogs

Contractor	Backlog (30 Jun)	Data centre exposure	P/E FY+1	vs 52w high
EMCOR	\$17.1bn RPO, +44%	Electrical network and comms revenue +45%, mostly data centres	18.4x	(26%)
Comfort Systems	\$14.1bn, +72%	Technology 58% of 1H26 revenue; 3.5M sq ft of modular capacity	23.3x	(32%)
Sterling	\$4.3bn, +116%	E-Infrastructure 78% of revenue; mission-critical 92% of its backlog	16.0x	(58%)
Quanta Services	\$53.0bn	Technology and large-load work 15-20% of revenue	30.2x	(23%)
IES Holdings	\$4.5bn, +91% since Sep-25	Communications +51%, led by data centres	n.m.	(40%)

Source: Company Q2 2026 releases and calls (EMCOR, Comfort Systems, Sterling, Quanta Services: Jul-Aug 2026; IES: fiscal Q3, 31 Jul 2026), consensus (LSEG via Yahoo Finance), K2 Capital. Comfort Systems reported Q3 after the close on 22 Oct, after this note. IES: one estimate.

Figure 10: What the Pod Moves Into the Factory, and What Stays on Site

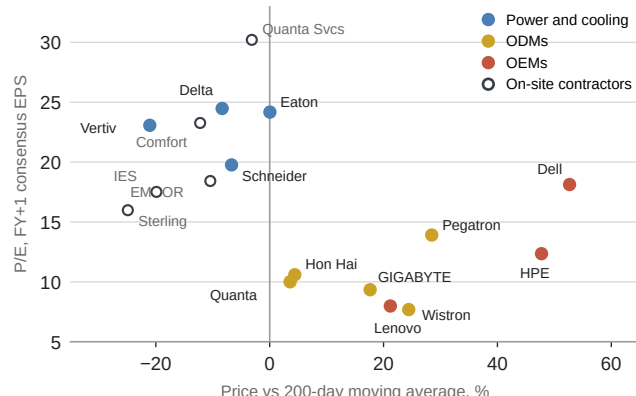
Scope	Conventional	DSX POD	Who supplies it
Racks, GPUs, rack-to-rack networking (17km) and copper	On site	Factory	Pod builders (ODMs, OEMs)
Rack power (800 V DC), liquid cooling, piping, testing	On site	Factory	Delta, Vertiv, Schneider, Eaton; pod builders
Foundations, placing and connecting containers, commissioning	On site	On site	Contractors
Utility connection, substation, switchgear, distribution	On site	On site	Utilities, contractors; Eaton, Schneider, Vertiv
Facility water and heat rejection (dry coolers)	On site	On site	Contractors; Vertiv, Schneider

Source: NVIDIA press release, technical blog and product page (21 Oct 2026), partner releases, K2 Capital.

Positioning: The Crowd Moved Into the Boxes

Figure 11: Valuation Against Trend

Price vs 200-day average (x) and P/E on FY+1 consensus EPS (y)



Source: Yahoo Finance, consensus (LSEG via Yahoo Finance), K2 Capital. Prices at 21-Oct-26 (US, Europe) and 22-Oct-26 (Asia). IES: one estimate.

The trend has split the supply chain in two. All five Taiwan pod builders and all three OEMs trade above their 200-day averages: Dell by 53% and HPE by 48%, after 12-1 month momentum of 235% and 166%. Only 1 of the four power and cooling names and none of the five contractors do. Vertiv sits 21% below its average, at 23.1x 2027E EPS, below Eaton's 24.2x with nearly twice the EPS growth. It also has the highest weekly beta to NVIDIA in the group (1.02).

Rules that would have helped. Since 2021, holding each power and cooling name only while it was above its 200-day average cut the basket's maximum drawdown from (40%) to (26%), for 7.6pp a year less return and an almost unchanged Sharpe ratio. Volatility targeting cut it to (34%). Buying the past year's winners (top-third momentum) added volatility, not return, everywhere except power and cooling.

Base rates favour buying the fall, but they are flattering. After a first 40% fall from a 52-week high, these names rose a median 32% over six months, 95% of the time (Figure 13). But 62% of those episodes came in the 2020 and 2025 V-shaped recoveries, and the universe is made of survivors. We scale into the Overweights rather than buy them all at once.

Figure 12: Simple Rules on the Supply Chain

USD, equal weight, daily; cash earns zero; momentum ranks monthly on 12-1 month returns; volatility target uses 63-day realised volatility, capped at 100% invested

	Buy and hold				200-day filter			Top-third momentum		Vol target 20%	
Jan-21 to Oct-26	CAGR	Vol	MDD	Sharpe	CAGR	MDD	Sharpe	CAGR	MDD	CAGR	MDD
12 partners	38.3%	22.3%	(34.1%)	1.57	26.2%	(19.5%)	1.43	34.3%	(47.9%)	31.1%	(28.9%)
Power and cooling	36.2%	28.2%	(40.0%)	1.24	28.6%	(26.0%)	1.22	52.3%	(63.2%)	28.4%	(34.3%)
ODMs	29.6%	28.1%	(42.8%)	1.06	19.5%	(26.4%)	0.94	23.4%	(62.3%)	20.8%	(32.9%)
OEMs	46.0%	33.8%	(40.1%)	1.29	27.9%	(30.3%)	1.01	22.9%	(69.3%)	25.8%	(29.8%)
On-site contractors	59.2%	38.3%	(42.4%)	1.41	51.4%	(34.3%)	1.39	54.8%	(51.4%)	34.8%	(20.3%)
S&P 500 (SPY)	14.4%	16.3%	(24.5%)	0.90	-	-	-	-	-	-	-
NVIDIA	60.7%	49.6%	(66.3%)	1.20	-	-	-	-	-	-	-

Source: Yahoo Finance, K2 Capital calculations. Asian closes are carried forward to the US calendar. Before costs.

Figure 13: Buying the Fall, Base Rates

After a first 40% fall from a 52-week high	
Episodes (19 names, 2019-26)	41
With six months of data	37
Median return, next 6 months	32%
Positive after 6 months	95%
Median return, next 12 months	64%
Median further fall within 6 months	(10%)
Share of episodes in 2020 or 2025	62%
Episodes still open	Vertiv, Delta, Sterling, IES Holdings

Source: K2 Capital calculations; 12 partners and 5 contractors, USD.

Where the crowding is. The October sell-off hit the names priced on the build-out story (power, cooling, contractors), while the OEMs held most of a year in which Dell rose 290%. Barclays' downgrade of Dell and HPE argued that memory-led price increases, not an AI inflection, drove revenue. If that is right, the OEMs are where positioning is most exposed, and the trend filter would be the last to know.

Coverage and Valuation

Figure 14: Coverage Summary and Valuation

Local currency; Dec-27 PTs; FY+1 is 2027E except Dell (FY1/28E), HPE (FY10/27E) and Lenovo (FY3/28E, EPS in US\$); market cap in US\$ bn

Company	Ticker	Rating	Price	PT	Upside	EPS FY0	EPS FY+1	Growth	P/E FY+1	Target	Cons. PT	Cons. up	B/H/S	Mkt cap
Power and cooling														
Vertiv	VRT	Overweight	212.15	276	+30%	6.73	9.19	37%	23.1x	30x	333	+57%	26/4/0	81
Delta Electronics	2308 TT	Overweight	1,560	1,910	+22%	40.26	63.73	58%	24.5x	30x	2,500	+60%	21/1/0	125
Schneider Electric	SU FP	Overweight	249.10	290	+16%	10.59	12.60	19%	19.8x	23x	327	+31%	18/4/0	161
Eaton	ETN	Neutral	393.94	407	+3%	13.60	16.30	20%	24.2x	25x	485	+23%	23/4/1	152
ODMs (pod builders)														
Wistron	3231 TT	Overweight	190.00	247	+30%	17.33	24.72	43%	7.7x	10x	276	+45%	16/0/0	20
Quanta Computer	2382 TT	Neutral	322.00	354	+10%	26.89	32.18	20%	10.0x	11x	430	+34%	17/1/1	41
Hon Hai (Foxconn)	2317 TT	Neutral	245.00	254	+4%	18.61	23.12	24%	10.6x	11x	347	+42%	19/1/1	107
GIGABYTE	2376 TT	Neutral	349.00	373	+7%	33.62	37.35	11%	9.3x	10x	475	+36%	9/3/0	7
Pegatron	4938 TT	Underweight	103.50	81.8	-21%	5.79	7.44	28%	13.9x	11x	93	-10%	3/4/2	9
OEMs (pod builders)														
Hewlett Packard Ent.	HPE	Neutral	58.17	56.5	-3%	3.83	4.71	23%	12.4x	12x	72	+23%	14/10/0	79
Lenovo	992 HK	Neutral	23.16	26.1	+13%	0.24	0.37	57%	8.0x	9x	46	+99%	20/1/0	34
Dell Technologies	DELL	Underweight	485.88	402	-17%	25.90	26.81	4%	18.1x	15x	593	+22%	19/10/0	311

Source: Yahoo Finance prices (21-Oct-26 US and Europe, 22-Oct-26 Asia), consensus EPS, price targets and ratings (LSEG via Yahoo Finance, late October 2026), K2 Capital. Our PT applies the target P/E to FY+1 consensus EPS; for Lenovo it is converted at HK\$7.85 per US\$. B/H/S: buy, hold, sell ratings.

Figure 15: Price Target Basis and Risks

Company	PT basis	Key risks to our rating
Vertiv (OW)	30x 2027E: PEG ~0.8 on 37% EPS growth, after the multiple halved from its May high	Down: Q3 (28 Oct) revenue timing after a 2Q miss; hyperscaler capex. Up: deferred revenue doubled to \$3.6bn in 1H26.
Delta Electronics (OW)	30x 2027E: PEG ~0.5 on 58% growth; named DSX POD power supplier; 800 V ramps in 2027	Down: US ITC Section 337 case (Vicor), 800 V volumes slipping out of 2027. Up: Q3 revenue a record, +31%.
Schneider Electric (OW)	23x 2027E: still the group's lowest multiple; prefab capacity up fourfold since 2025	Down: data centres are ~30% of sales, so AI is diluted; automation +8% organic. Up: guidance raised twice.
Eaton (N)	25x 2027E: roughly today's multiple; least de-rated of the group	Both ways: data centre sales +65% in 2Q; Boyd Thermal and Fibrebond integration; Q3 on 3 Nov.
Wistron (OW)	10x 2027E: 7.7x today on 43% EPS growth, the cheapest pod builder	Down: management sees servers peaking in Q4; customer concentration. Up: Vera Rubin in mass production.
Quanta Computer (N)	11x 2027E: in line with the Taiwan pod builders	Both ways: Vera Rubin ramps from 1Q27; servers over 80% of revenue at ODM margins.
Hon Hai (Foxconn) (N)	11x 2027E: in line with the Taiwan pod builders	Both ways: AI rack shipments to more than double in 2026; group margins thin; Q3 on 12 Nov.
GIGABYTE (N)	10x 2027E: 11% EPS growth and falling gross margin	Down: 2Q gross margin fell to 9.6%. Up: AI server revenue more than doubled in Q3.
Pegatron (UW)	11x 2027E vs 13.9x today: priced above peers after +58% YTD	Up: management guides server revenue up 10x in 2026; September revenue +87% y/y.
Hewlett Packard Ent. (N)	12x FY10/27E: in line with today	Both ways: FY27 outlook EPS \$4.40-4.60; AI orders \$2.4bn (+30% q/q); AI Mod POD experience.
Lenovo (N)	9x FY3/28E: cheap, but PC units fell 22% in 3Q26	Down: PC units -22% in 3Q26 (Gartner), warrant losses. Up: AI server pipeline \$54bn.
Dell Technologies (UW)	15x FY1/28E: EPS growth stalls at 4% as memory-led pricing fades	Up: AI backlog \$95bn and \$60.9bn of AI orders in 2Q; DSX POD version in early 2027.

Source: Company releases and calls (2Q-3Q 2026), Gartner (12 Oct 2026), K2 Capital. Ratings are relative to each stock's home market over the PT horizon.

Investment Thesis, Valuation and Risks

Vertiv (Overweight; Price Target: \$276.00)

Investment Thesis

Vertiv is the most direct way to own the part of the AI factory that the pod does not remove. Its prefabricated power and thermal systems go into the container and onto the site, and on launch day it modelled up to 30% more token output in the first year for a 41 MW site in Norway using NVIDIA's DSX approach. The shares are 44% below their 14 May high after a second-quarter revenue shortfall (sales \$3.27bn, 18% organic growth against a 20-24% guide) that management blamed on supply chain timing. In the same quarter adjusted EPS rose 60%, 2026 guidance went up to 30-32% organic growth and \$6.65-6.75 of adjusted EPS, and deferred revenue doubled in six months to \$3.63bn: orders are arriving faster than factories ship.

Valuation

Our Dec-27 PT of \$276 is 30x 2027E consensus EPS of \$9.19, a PEG of about 0.8, against 23.1x today. The Street's mean target is \$333 (26 buy, 4 hold, 0 sell). We rate the shares Overweight.

Risks to Rating

Q3 results on 28 Oct (guide: sales \$3.65-3.85bn, adjusted EPS \$1.77-1.83) could repeat the timing miss; hyperscaler capex updates follow on 28-29 Oct; Vertiv has the highest beta to NVIDIA in the group (1.02); and Schneider and Eaton are adding prefab capacity fast. The stock is 21% below its 200-day average (about \$269), so we would build half a position now and the rest on a close above that level or after results.

Other Coverage

Delta Electronics (Overweight; PT NT\$1,910). NVIDIA's named DSX POD power supplier. Q2 revenue rose 47.7% with a 35.6% gross margin, Q3 revenue was a record NT\$197bn (+31%), and 800 V HVDC moves from small volumes in Q4 to a 2027 ramp. The shares are 38% off their May high after the US ITC opened a Section 337 case; consensus 2027E EPS growth is 58%. PT at 30x 2027E.

Schneider Electric (Overweight; PT €290). Q3 organic growth of 16.9%, data centre and network demand up triple digits, and a 2026 target raised twice to 12-14% organic. Prefab capacity is up fourfold since 2025 and it launched a DSX POD-ready reference design on the day. At 19.8x 2027E it is the cheapest of the four. PT at 23x.

Eaton (Neutral; PT \$407). Data centre sales rose about 65% in Q2 and Fibrebond's modular enclosure capacity is doubling. The least de-rated name, 14% below its high, at 24.2x 2027E. PT at 25x; Q3 on 3 Nov.

Wistron (Overweight; PT NT\$247). The cheapest pod builder at 7.7x 2027E for 43% EPS growth; September revenue rose 87% y/y with Vera Rubin in mass production. Management sees servers peaking in Q4, the main risk. PT at 10x.

Quanta Computer (Neutral; PT NT\$354). Q3 revenue of NT\$1.12tn, more than double a year earlier, with Vera Rubin ramping from 1Q27. Fair at 10.0x; PT at 11x.

Hon Hai (Foxconn) (Neutral; PT NT\$254). Q3 revenue NT\$3.03tn (+47%) and AI rack shipments set to more than double in 2026, but on group margins of a few percent. 10.6x; PT at 11x; Q3 on 12 Nov.

GIGABYTE (Neutral; PT NT\$373). AI server revenue more than doubled in Q3, but Q2 gross margin fell to 9.6%. 9.3x on 11% growth; PT at 10x.

Pegatron (Underweight; PT NT\$81.8). At 13.9x after a 58% YTD rise to a 52-week high, the most expensive pod builder, with a split Street (3 buy, 4 hold, 2 sell) and a consensus PT below the price. Upside risk: server revenue guided up 10x in 2026. PT at 11x.

Hewlett Packard Ent. (Neutral; PT \$56.5). FY27 outlook of \$4.40-4.60 EPS, AI orders up 30% q/q, and container experience from AI Mod POD. 12.4x FY10/27E; PT at 12x.

Lenovo (Neutral; PT HK\$26.1). 8.0x FY3/28E with an AI server pipeline of \$54bn, against PC shipments down 22% in 3Q26 (Gartner), warrant losses and a US\$2bn refinancing. Interim results 19 Nov; PT at 9x.

Dell Technologies (Underweight; PT \$402). Up 290% this year, but FY1/28E consensus EPS is only 4% above FY1/27E, and Barclays cut the stock on 14 Oct, arguing memory-led pricing rather than AI is lifting revenue. The \$95bn AI backlog is the upside risk. PT at 15x.

What Would Make Us Wrong?

We would revisit our ratings and strategy verdicts if any of the following occur:

- 1. The run-up fails again.** If the 12 partners' five-day pre-keynote abnormal return is negative at both CES (January) and GTC (March), after -4.6% at DSX POD, the pattern has broken and we drop the overlay.
- 2. Grid waits shorten.** If JLL or LBNL report median connection waits in primary US markets below two years, or a partner energises a greenfield DSX POD site within 12 months of order, the box becomes the bottleneck and the pod builders deserve higher multiples.
- 3. The site loses work.** If two of EMCOR, Comfort Systems, Sterling and IES report sequential falls in data centre backlog in two consecutive quarters and cite factory-built competition, long factory, short site becomes the trade.
- 4. Power disappoints.** If Vertiv cuts its 30-32% organic growth guide on 28 Oct, or Delta pushes 800 V HVDC volumes beyond 2027 at its 29 Oct conference, our Overweights are wrong.
- 5. OEM earnings prove durable.** If Dell's FY1/28E consensus EPS rises above \$30 (from \$26.81) on AI server margins rather than memory pricing, our Underweight is wrong.

Signposts

28 Oct: Vertiv Q3 (before the open); Microsoft and Alphabet results. 29 Oct: Delta Q3 conference; Amazon and Quanta Services results. 3 Nov: Eaton Q3. Around 10 Nov: Taiwan's October sales. 12 Nov: Hon Hai Q3. 19 Nov: Lenovo interim results. Late November: NVIDIA Q3 FY27. Early December: Dell and HPE (expected). January and March 2027: CES and GTC, the next run-up windows. Early 2027: first DSX POD deliveries.

Implementation

Run-up overlay: buy the 12 partners, equal weight in USD, at the close six sessions before each scheduled NVIDIA keynote and sell at the close the session before; hedge with SOXX if market neutrality is needed. **Overweights:** half now, the rest on a close above the 200-day average or after results, sized to about 20% volatility. **Underweights:** express Dell and Pegatron against the power basket rather than as outright shorts; both trade above their 200-day averages. **Avoid:** shorting the contractors against the partners, and chasing or fading named partners after a release.

AI Factory Partners: Summary of Strategy Statistics

Company	YTD	vs high	vs 200d	12-1m	Vol 3m	Beta	Run-up	DSX d0
Power and cooling								
Vertiv	31%	(44%)	(21%)	25%	65%	1.02	5.2%	3.7%
Delta	63%	(38%)	(8%)	91%	60%	0.46	4.1%	(2.2%)
Schneider	8%	(20%)	(7%)	21%	43%	0.27	1.9%	0.9%
Eaton	25%	(14%)	0%	14%	44%	0.30	1.5%	2.6%
ODMs								
Wistron	31%	(4%)	24%	27%	47%	0.46	2.8%	(0.8%)
Quanta	23%	(19%)	4%	16%	36%	0.26	1.1%	(0.2%)
Hon Hai	9%	(18%)	4%	1%	34%	0.47	2.1%	(0.2%)
GIGABYTE	45%	(12%)	18%	33%	42%	0.61	0.9%	(0.8%)
Pegatron	58%	(1%)	28%	26%	38%	0.00	0.6%	0.4%
OEMs								
HPE	145%	(21%)	48%	166%	67%	0.55	2.5%	3.2%
Lenovo	154%	(38%)	21%	211%	85%	0.53	5.7%	(7.9%)
Dell	290%	(17%)	53%	235%	78%	0.62	6.7%	4.7%
On-site contractors								
EMCOR	15%	(26%)	(10%)	12%	53%	0.27	-	(1.0%)
Comfort Systems	50%	(32%)	(12%)	72%	55%	0.38	-	(0.2%)
Sterling	35%	(58%)	(25%)	30%	78%	0.63	-	(0.4%)
Quanta Services	43%	(23%)	(3%)	43%	53%	0.13	-	0.3%
IES Holdings	22%	(40%)	(20%)	64%	93%	-0.14	-	(2.5%)
Reference								
NVIDIA	19%	(7%)	9%	13%	37%	1.00	-	2.0%

Source: Yahoo Finance, NVIDIA releases, K2 Capital calculations. YTD and vs high in local currency. 12-1m: 12-month return excluding the latest month. Vol 3m: annualised 63-day volatility. Beta: weekly, 52 weeks, against NVIDIA. Run-up: average abnormal return over days -5 to -1 across the 13 historical keynotes. DSX d0: abnormal return on 21 Oct (US, Europe) or 22 Oct (Asia) against the home market; contractors and NVIDIA against the S&P 500.

Figure 16: Implementation Dashboard

Overweights and Underweights against their 200-day averages (local currency)

Company	Rating	Price	200d avg	Gap	Action
Vertiv	OW	212.15	268.76	(21%)	Half now; add above the 200-day or after 28 Oct results
Delta	OW	1,560	1,702	(8%)	Half now; add above the 200-day or after 29 Oct conference
Schneider	OW	249.10	266.99	(7%)	Half now; add above the 200-day
Wistron	OW	190.00	152.70	24%	Full position; trend supportive
Pegatron	UW	103.50	80.57	28%	Underweight vs power basket; no outright short
Dell	UW	485.88	318.25	53%	Underweight vs power basket; no outright short

Source: Yahoo Finance, K2 Capital. Gap: price vs 200-day average.

Analyst Certification: The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject company and its securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific rating or views expressed in this report.

Important Disclosures

Ratings: Overweight: over the duration of the price target, we expect the stock to outperform the total return of its home market index (S&P 500, TAIEX, Hang Seng Index or CAC 40). Neutral: we expect the stock to perform in line with it. Underweight: we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report. Strategy verdicts: Implement (we expect the strategy to beat buy-and-hold of the same securities after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs).

Date	Company	Ticker	Rating	Price	Price Target (Dec-27)
22-Oct-26	Vertiv	VRT	Overweight (initiation)	\$212.15	\$276
22-Oct-26	Delta Electronics	2308 TT	Overweight (initiation)	NT\$1,560	NT\$1,910
22-Oct-26	Schneider Electric	SU FP	Overweight (initiation)	€249.10	€290
22-Oct-26	Eaton	ETN	Neutral (initiation)	\$393.94	\$407
22-Oct-26	Wistron	3231 TT	Overweight (initiation)	NT\$190.00	NT\$247
22-Oct-26	Quanta Computer	2382 TT	Neutral (initiation)	NT\$322.00	NT\$354
22-Oct-26	Hon Hai (Foxconn)	2317 TT	Neutral (initiation)	NT\$245.00	NT\$254
22-Oct-26	GIGABYTE	2376 TT	Neutral (initiation)	NT\$349.00	NT\$373
22-Oct-26	Pegatron	4938 TT	Underweight (initiation)	NT\$103.50	NT\$81.8
22-Oct-26	Hewlett Packard Ent.	HPE	Neutral (initiation)	\$58.17	\$56.5
22-Oct-26	Lenovo	992 HK	Neutral (initiation)	HK\$23.16	HK\$26.1
22-Oct-26	Dell Technologies	DELL	Underweight (initiation)	\$485.88	\$402

Positions and conflicts: K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the company discussed in this report or related instruments, including positions inconsistent with its rating.

Sources and methodology: Prices are as of the close on 21 October 2026 for US and European securities and 22 October 2026 for Taiwan and Hong Kong securities unless stated. Daily prices, dividend-adjusted prices and exchange rates for the 12 companies covered, EMCOR, Comfort Systems, Sterling Infrastructure, Quanta Services, IES Holdings, NVIDIA, SPY, SOXX, the S&P 500, TAIEX, Hang Seng Index and CAC 40 are from Yahoo Finance, as are consensus EPS, price targets and ratings (LSEG). DSX POD details are from NVIDIA's press releases, technical blog, product page and keynote of 21 October 2026, and from partner releases by Schneider Electric, Vertiv, Dell, HPE, Armada, Crusoe and DayOne. NVIDIA event dates and partner lists are from NVIDIA press releases and blogs from May 2023 to October 2026, with release times from wire timestamps. Other sources include company results releases, filings and calls (Vertiv, Eaton, Schneider Electric, Delta Electronics, Dell, HPE, Lenovo, Hon Hai, Quanta Computer, Wistron, Pegatron, GIGABYTE, EMCOR, Comfort Systems, Sterling, Quanta Services, IES Holdings, Meta); Taiwan companies' monthly revenue releases as reported by Focus Taiwan, CNA, UDN and Cnyes; JLL's 2026 Global Data Center Outlook; Berkeley Lab's Queued Up (2026); ERCOT; McKinsey; Omdia; Gartner; The New Stack; and reporting by CNBC, Yahoo Finance, Investing.com, 24/7 Wall St, Focus Taiwan and The Standard. Event-study abnormal returns are stock returns less home-index returns; baskets are equal weight in US dollars; backtests are before costs unless stated and assume no return on cash. All event studies, backtests, valuations and pod economics are K2 calculations; past performance, especially of backtested strategies, is not indicative of future results. Estimates are K2 Capital's and are subject to change without notice.

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Completed 22 Oct 2026

Disseminated 22 Oct 2026