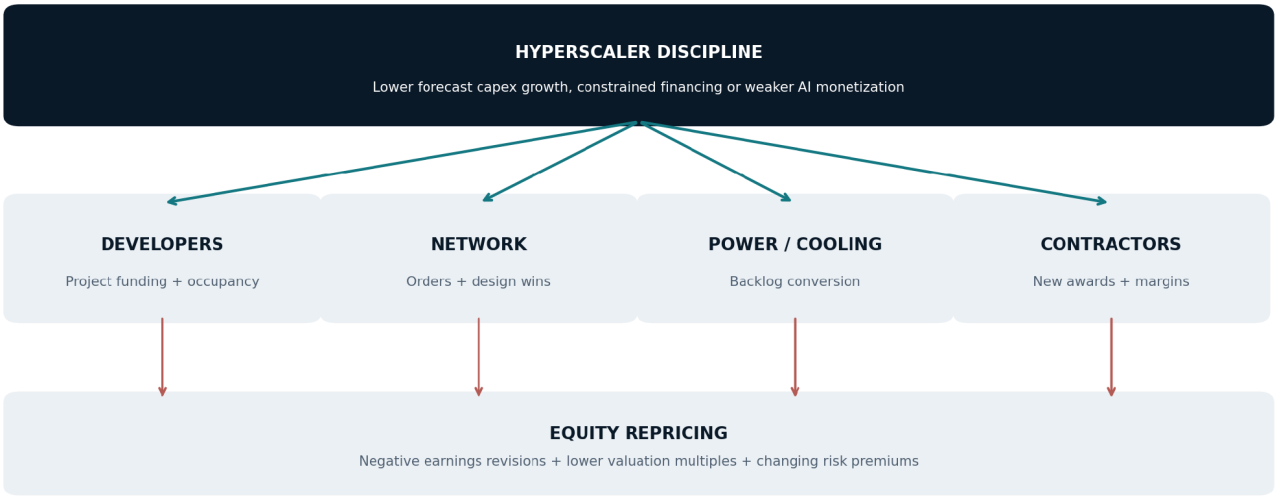
FRINK CAPITAL

MARKET FORESIGHT

WHEN THE AI BUILDOUT SLOWS

A 16-Company Downside Exposure & Stress-Test Study

DATA-CENTER DEVELOPERS / NETWORKING / POWER & COOLING / CONTRACTORS



Research date 17 November 2026 | Coverage 16 U.S.-listed equities | Horizon 6–24 months

Client research publication. Scenario losses are illustrative assumptions, not estimates of fair value, probabilities, or investment recommendations. Market capitalization categories and current options-chain liquidity were not independently verified for every security.

Prepared by the Market Foresight Department | Frink Capital

Executive summary

The central risk is not that artificial intelligence stops growing. It is that the expected trajectory of AI infrastructure spending, financing availability or returns on invested capital falls below the assumptions embedded in supplier valuations. This report maps that downside through four subsectors and evaluates 16 public equities.

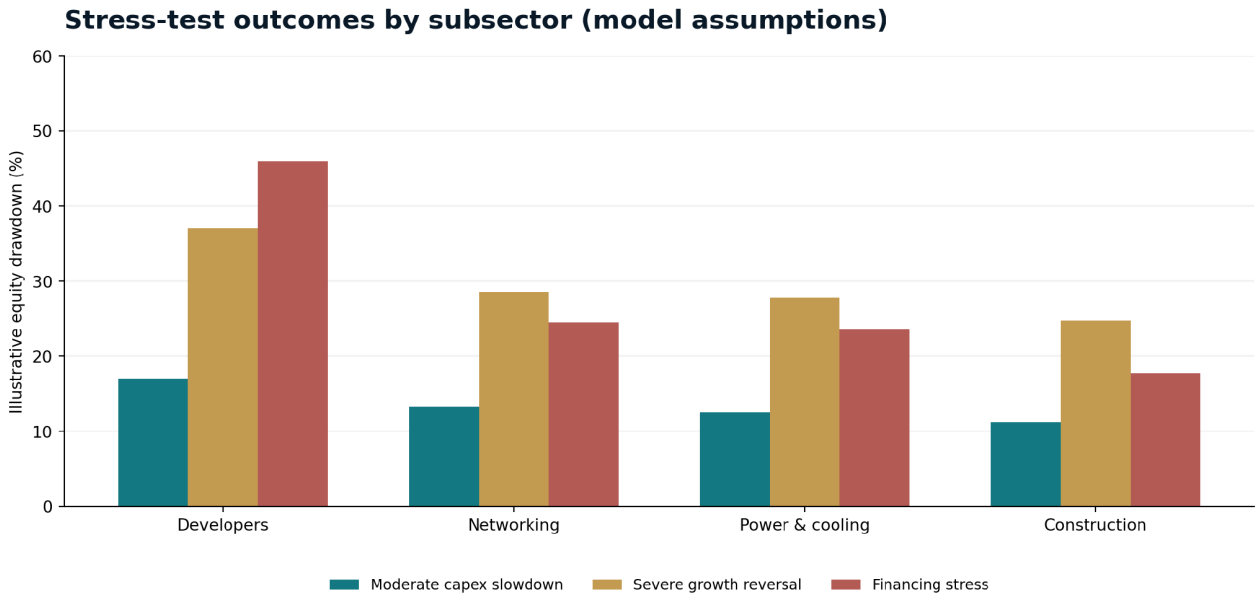
The distinction matters: hyperscalers may slow the growth rate of spending while maintaining absolute spend at elevated levels. Existing leases, construction backlog and non-AI end markets can cushion suppliers. Conversely, developers with large upfront financing needs may reprice before reported revenues decline.

Three findings

- Development-stage infrastructure is the most financing-sensitive segment. APLD, IREN, CIFR and WULF require close attention to project debt, tenant credit, power delivery and deployment milestones.
- Connectivity and cooling suppliers carry concentrated AI demand expectations, but their latest results remain strong. CRDO, ALAB and VRT cannot be treated as deteriorating operating businesses without subsequent evidence.
- Construction and grid contractors have meaningful backlog and non-AI demand. EME and PWR illustrate why AI-related multiples may fall even while core operations remain resilient.

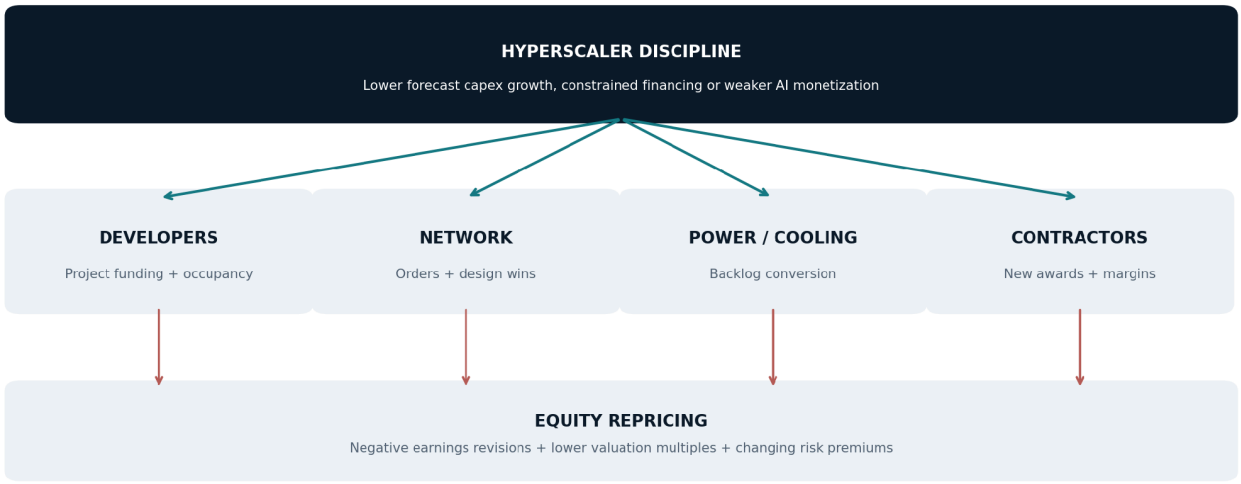
Macro context

S&P Global Ratings projected combined hyperscaler AI-infrastructure investment above $1.3 trillion by 2027 and negative free operating cash flow in 2026–27 for six hyperscalers, with recovery only in 2029. Reuters reported rising investor concern about overinvestment in November 2026. These are macro warning indicators, not direct proof that supplier contracts will be cancelled. [S1][S2]



All drawdowns shown are arithmetic outputs of a transparent, analyst-defined vulnerability model. They are not fitted to prices, options markets, or observed capex elasticities.

Framework: How a capex reset reaches equities



Three separate downside pathways

Revenue-channel shock

Cloud providers stretch out deployment schedules; incremental optical, cooling and electrical equipment orders decelerate; vendors reduce guidance.

Balance-sheet / credit shock

Project financing becomes more expensive or unavailable. Construction costs and interest expense rise before lease cash inflows reach scale.

Valuation shock

Even when earnings remain positive, premium multiples fall as the market discounts slower growth and a higher cost of capital.

A critical distinction: depreciation vs. share-price drawdown

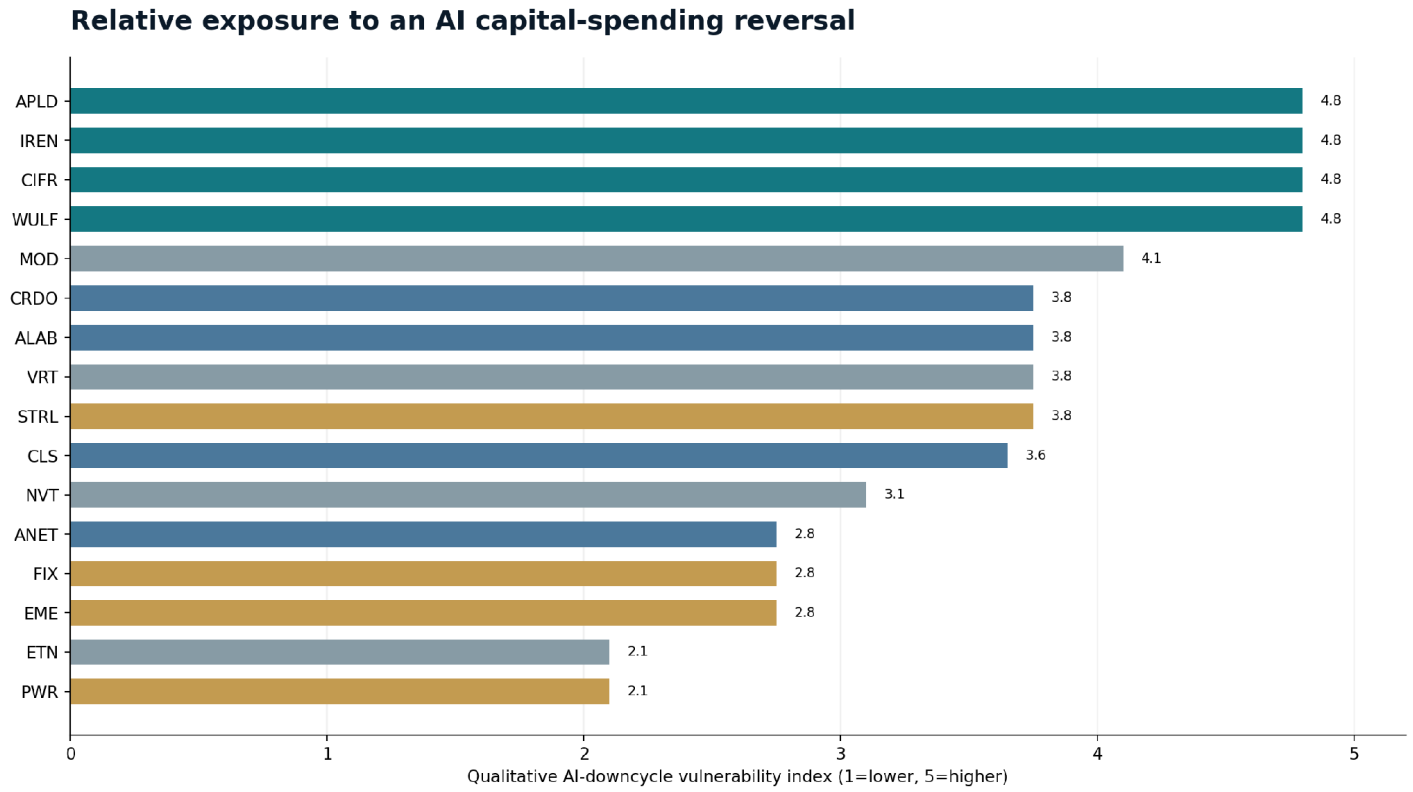
“Depreciation” is an accounting charge for physical or intangible asset use. This report instead models potential percentage declines in share price (equity drawdowns). Asset depreciation and impairment can still matter for developers through hardware refresh cycles, collateral values and cash-flow coverage.

Stress-test inputs and limits

Each company receives judgment-based scores from 1 (lower) to 5 (higher) for: direct AI-order exposure (45% weight), financing stress (35%), and valuation expectations (20%). Composite = 0.45 × order + 0.35 × finance + 0.20 × valuation. The weights are research assumptions, not statistically estimated coefficients.

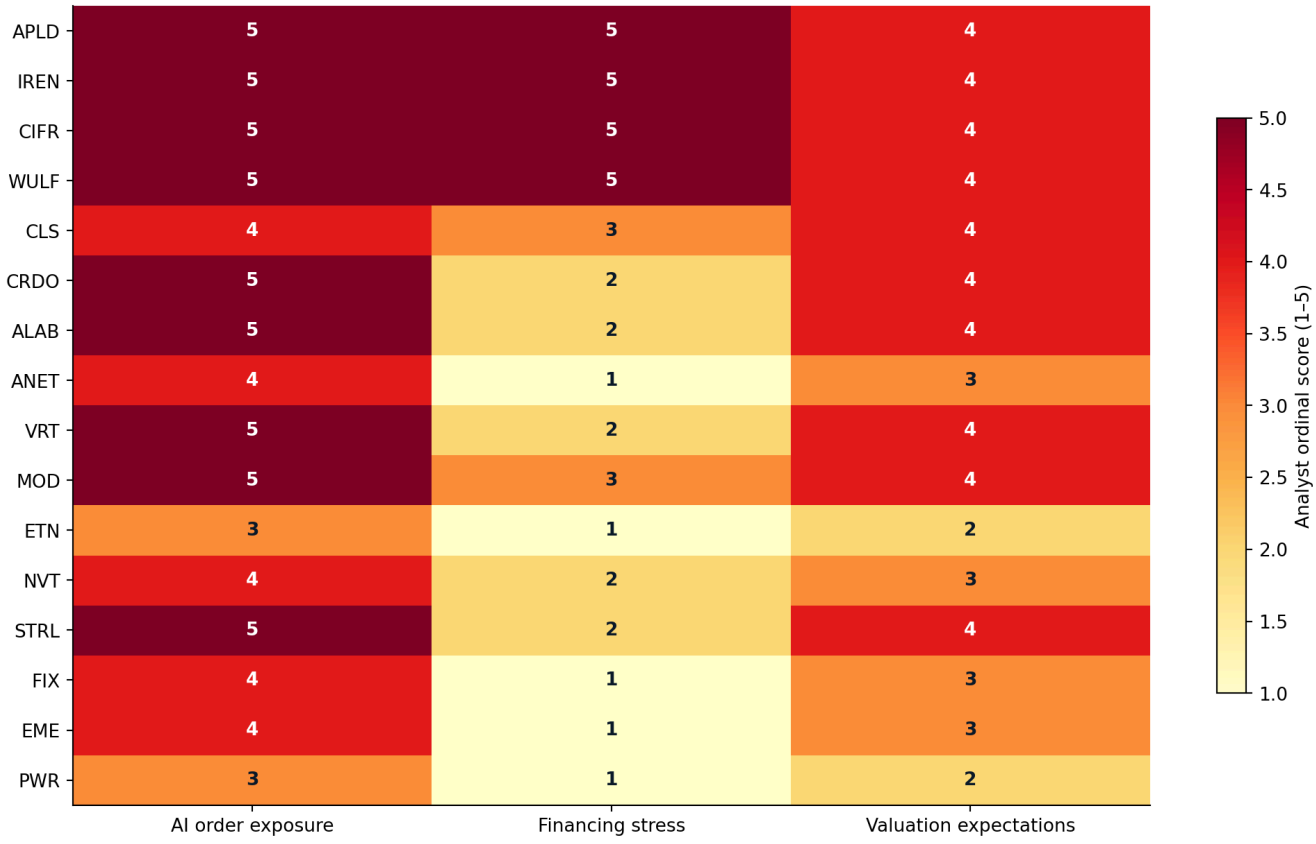
Illustrative drawdowns are modeled as: moderate = 3 + 3×composite; severe = 8 + 6×composite; financing = 4 + 7×finance + 1.7×valuation, rounded to the nearest whole percentage. They are independent scenario stress tests, not additive outcomes, statistically calibrated VaR, or market price targets.

Cross-sectional vulnerability comparison:



Scores express relative research vulnerability only; they are not default probabilities or measured sensitivity to hyperscaler capex.

16-company exposure matrix



Scenario results: 16-company dashboard

Downside percentages are hypothetical drawdowns from an unspecified starting share price if an adverse scenario unfolds. A future stock price would equal the then-prevailing reference price × (1 − scenario drawdown). Do not apply these percentages mechanically to today's price without an updated valuation and market context.

Ticker	Order 1–5	Finance 1–5	Moderate	Severe	Financing
APLD	5	5	−17%	−37%	−46%
IREN	5	5	−17%	−37%	−46%
CIFR	5	5	−17%	−37%	−46%
WULF	5	5	−17%	−37%	−46%
CLS	4	3	−14%	−30%	−32%
CRDO	5	2	−14%	−30%	−25%
ALAB	5	2	−14%	−30%	−25%
ANET	4	1	−11%	−24%	−16%
VRT	5	2	−14%	−30%	−25%
MOD	5	3	−15%	−33%	−32%
ETN	3	1	−9%	−21%	−14%
NVT	4	2	−12%	−27%	−23%
STRL	5	2	−14%	−30%	−25%
FIX	4	1	−11%	−24%	−16%
EME	4	1	−11%	−24%	−16%
PWR	3	1	−9%	−21%	−14%

Interpretation

The developer group shows the largest financing sensitivity in this constructed model; the most diversified power and grid operators show a smaller relative shock. Apparent precision is mathematical, not empirical: the figures are scenario inputs and should be used to compare pathways, not to forecast security returns.

Data-center developers

Transmission: credit availability, construction schedules, lease start dates and customer solvency. A slowdown can create negative carry as interest and capitalized development costs precede revenue.

APLD | Applied Digital

Business exposure: AI/HPC campuses; long-term hyperscaler leases.

Downside mechanism: Large buildout financing; tenant and commissioning concentration.

Verified operating context: FY27 Q1 reported a 210 MW, 15-year agreement worth ~$5.2B base-term revenue; issued $1.59B 7% secured notes. [S3]

Leading indicator: Track tenant-credit support, signed-to-energized MW, interest coverage and incremental funding.

Model | moderate −17% · severe −37% · financing stress −46% (illustrative, not a target)

IREN | IREN Limited

Business exposure: AI GPU cloud and power-campus development; bitcoin legacy.

Downside mechanism: GPU financing, deployment timing, customer credit and asset obsolescence.

Verified operating context: FY26 AI cloud revenue ~$128.8M vs total revenue $707.0M; FY26 net loss reflected large noncash impairments. [S4]

Leading indicator: Separate recurring AI cloud gross profit from bitcoin revenue and hardware financing.

Model | moderate −17% · severe −37% · financing stress −46% (illustrative, not a target)

CIFR | Cipher Digital

Business exposure: AI/HPC campuses transitioning from cryptocurrency infrastructure.

Downside mechanism: Project delivery, capital commitments and counterparty concentration.

Verified operating context: Q3 2026 filing notes Fluidstack capacity phase-in, Stingray 2027 startup and $656M cash as of Sept. 30. [S5]

Leading indicator: Watch lease commencement, contracted economics, dilution and debt maturities.

Model | moderate −17% · severe −37% · financing stress −46% (illustrative, not a target)

WULF | TeraWulf

Business exposure: Digital infrastructure developer with contracted HPC leasing.

Downside mechanism: Development leverage, tenant dependency and financing commitments.

Verified operating context: Q3 2026 HPC lease revenue $63.0M (~83% of revenue); investor materials report ~$3.4B net debt. [S6]

Leading indicator: Review project-level debt, customer credit enhancements and operational MW ramp.

Model | moderate −17% · severe −37% · financing stress −46% (illustrative, not a target)

Networking & servers

Transmission: customer design wins, shipment volumes, inventory and the gap between realized sales and increasingly demanding growth expectations.

CLS | Celestica

Business exposure: High-performance data-center hardware manufacturing.

Downside mechanism: Concentrated customer programs, mix and margin normalization.

Verified operating context: Q3 2026 operating margin was 7.9% versus 10.2% a year earlier; continued strong data-center demand. [S7]

Leading indicator: Look for hyperscaler orders, customer mix, inventory and operating-margin trends.

Model | moderate −14% · severe −30% · financing stress −32% (illustrative, not a target)

CRDO | Credo Technology

Business exposure: High-speed connectivity products for AI interconnects.

Downside mechanism: Premium growth expectations, customer concentration and design-cycle risk.

Verified operating context: FY27 Q1 revenue $479M, +115% YoY; non-GAAP net income $236.3M. [S8]

Leading indicator: Assess revenue concentration and whether projected scale sustains gross margins.

Model | moderate −14% · severe −30% · financing stress −25% (illustrative, not a target)

ALAB | Astera Labs

Business exposure: Connectivity semiconductors for rack-scale AI.

Downside mechanism: Revenue concentration, high expectations and platform transitions.

Verified operating context: Q3 2026 revenue $584.9M, +154% YoY, including Scorpio ramp. [S9]

Leading indicator: Monitor product-cycle mix, customer program timing and guidance revisions.

Model | moderate −14% · severe −30% · financing stress −25% (illustrative, not a target)

ANET | Arista Networks

Business exposure: Ethernet networking for AI, cloud and enterprise.

Downside mechanism: AI network project timing and premium valuation.

Verified operating context: Q3 2026 release reports unusually strong revenue growth and record profitability. [S10]

Leading indicator: Separate AI-cluster revenue from enterprise/campus upgrades and software support.

Model | moderate −11% · severe −24% · financing stress −16% (illustrative, not a target)

Power & cooling

Transmission: equipment purchase orders, data-center electrical load plans, thermal technology transitions and backlog-to-revenue conversion.

VRT | Vertiv

Business exposure: Data-center power, thermal management and services.

Downside mechanism: Order conversion, margin normalization and backlog repricing.

Verified operating context: Q3 2026 sales grew 61%; organic orders grew >100%; guidance raised. [S11]

Leading indicator: Watch orders versus shipments, cancellations, customer lead times and service mix.

Model | moderate −14% · severe −30% · financing stress −25% (illustrative, not a target)

MOD | Modine

Business exposure: Cooling solutions with growing data-center concentration.

Downside mechanism: Cooling capacity buildout, customer launches and reorganization risk.

Verified operating context: FY27 Q2 release highlights data-center growth, customer launch risks and Oct. 2026 spin-off. [S12]

Leading indicator: Track organic data-center revenue, backlog conversion and capacity utilization.

Model | moderate −15% · severe −33% · financing stress −32% (illustrative, not a target)

ETN | Eaton

Business exposure: Electrical distribution and broader power management.

Downside mechanism: Project delays despite diversified utilities/industrial demand.

Verified operating context: Q3 2026 rolling organic orders grew 39% in Electrical Americas and 51% globally. [S13]

Leading indicator: Compare data-center orders to utility, aerospace and industrial order strength.

Model | moderate −9% · severe −21% · financing stress −14% (illustrative, not a target)

NVT | nVent Electric

Business exposure: Electrical connection, protection and infrastructure.

Downside mechanism: Large-project exposure and normalized growth expectations.

Verified operating context: Q3 2026 reported record sales and orders and increased full-year guidance. [S14]

Leading indicator: Watch datacenter-specific orders, acquisition integration and channel inventory.

Model | moderate −12% · severe −27% · financing stress −23% (illustrative, not a target)

Construction & electrical

Transmission: new project awards, contract completion, labor productivity and backlog visibility, partially offset by industrial, healthcare and utility programs.

STRL | Sterling Infrastructure

Business exposure: Site and electrical construction for mission-critical campuses.

Downside mechanism: Project award mix, site preparation deferrals and order timing.

Verified operating context: Q3 2026 E-Infrastructure revenue grew 212%, helped by acquired CEC electrical operations. [S15]

Leading indicator: Distinguish acquired from organic growth and watch combined-backlog book-to-burn.

Model | moderate −14% · severe −30% · financing stress −25% (illustrative, not a target)

FIX | Comfort Systems USA

Business exposure: Mechanical and electrical contracting.

Downside mechanism: Construction deferrals and elevated earnings expectations.

Verified operating context: Q3 2026 revenue grew 50%; management cited >$8B YoY backlog increase. [S16]

Leading indicator: Watch booking momentum, change orders, labor execution and backlog cancellations.

Model | moderate −11% · severe −24% · financing stress −16% (illustrative, not a target)

EME | EMCOR Group

Business exposure: Electrical/mechanical contracting and industrial services.

Downside mechanism: Data-center contract repricing despite diversified end markets.

Verified operating context: Q3 2026 remaining performance obligations reached $18.57B, +47.2% YoY. [S17]

Leading indicator: Monitor new orders/RPO conversion and diversification into healthcare and water.

Model | moderate −11% · severe −24% · financing stress −16% (illustrative, not a target)

PWR | Quanta Services

Business exposure: Power-grid, transmission and infrastructure construction.

Downside mechanism: Multiple compression, offset by utility/grid programs.

Verified operating context: Q3 2026 total backlog $63.7B; utility-driven demand also reflects electrification. [S18]

Leading indicator: Monitor grid backlog, utility capex and data-center-related interconnection awards.

Model | moderate −9% · severe −21% · financing stress −14% (illustrative, not a target)

Short-candidate screening: liquidity and mechanics

The requested 16-stock universe is not necessarily a list of executable short positions. Share volume, options volume, short interest, securities borrow availability and bid/ask execution quality are separate dimensions. This publication does not assert current-day liquidity rankings for all names because comparable November 17 full-session data and strike-level options chains were not established.

Check	Accept / reject screen	Why it matters
Underlying equity	Dollar volume, borrow availability, borrow rate	Heavy share trading alone does not imply low squeeze risk
Listed puts	Expiration, open interest, daily strike volume	High aggregate option volume can conceal thin put strikes
Spread cost	Quoted spread as % of mid-price	Wide spreads can consume expected return
Volatility	IV percentile, event premium, skew	Correct bearish direction can still lose in expensive puts
Catalyst	Specific reporting/financing milestone	Avoid indefinite carry and negative theta
Position risk	Predefined premium loss or hard risk limit	Direct short losses are theoretically unlimited

Trade-expression alternatives

Long puts provide defined maximum loss equal to premium, but option time decay and volatility compression can still cause a full premium loss. Put debit spreads reduce premium outlay while limiting maximum payoff. Direct short sales add borrow costs, recalls and unlimited theoretical loss. Leveraged inverse ETFs reset daily and can diverge sharply from a multi-month thesis.

What would disprove the bear case?

Sustained growth in independent AI customer cash collections; lower incremental compute cost; profitable capacity utilization; non-dilutive refinancing; high-quality contracted backlog converting to cash; and diversified organic order growth despite hyperscaler moderation.

Monitoring dashboard: early warnings before consensus revisions

Indicator	Warning configuration	Most relevant companies
Hyperscaler capex	Sequential cuts in committed spending or deployment pacing	All groups
Signed vs energized MW	Growing gap between contract and delivered capacity	APLD, IREN, CIFR, WULF
Project-level finance	Debt spreads up; stricter collateral terms	APLD, IREN, CIFR, WULF
Optical / switch orders	Bookings decline vs shipments, elevated customer inventory	CLS, CRDO, ALAB, ANET
Thermal / electrical orders	New orders weaken; book-to-bill < 1 for multiple quarters	VRT, MOD, ETN, NVT
Construction backlog	Gross margin slippage, cancellations or award deferrals	STRL, FIX, EME, PWR
Estimate revisions	Forward EPS cuts while valuation multiples remain premium	All groups

Catalyst-to-position research sequence

1. Confirm specific spending or credit catalyst in primary filings and earnings calls.
2. Assess causality: does the company revenue or cash flow truly depend on the affected program?
3. Rebuild valuation under revised growth, margin, working-capital and discount-rate assumptions.
4. Check real-time options chains / borrow; account for earnings dates and volatility.
5. Set invalidation thresholds; track thesis separately from a security's price action.

Base-case counterargument

A slower rate of AI capex growth is not the same as a fall in total spending. Existing power constraints, signed long-term leases, installed-base maintenance, utility grid needs and non-AI customers may support revenues. Strong recent results at VRT, ALAB, CRDO, FIX and PWR demonstrate why a negative thesis needs company-specific catalysts. [S8][S9][S11][S16][S18]

Source register & methodology notes

Primary filings and issuer releases have priority. Macro commentary is used only for sector context. All retrieved documents are public, dated on or before November 17, 2026. Referenced metrics may have differing reporting periods, GAAP definitions and non-GAAP adjustments; do not compare them without normalization.

[S1] S&P Global Ratings, Aug. 27 2026, AI infrastructure outlook. https://press.spglobal.com/2026-08-27-AI-Infrastructure-Investment-To-Exceed-1-3-Trillion-By-2027%2C-S-P-Global-Ratings-Says

[S2] Reuters, Nov. 17 2026, BofA fund manager survey. https://www.reuters.com/business/global-markets-bofa-survey-2026-11-17/

[S3] Applied Digital, Oct. 7 2026, FY27 Q1 earnings. https://ir.applieddigital.com/news-events/press-releases/detail/163/applied-digital-reports-fiscal-first-quarter-2027-results

[S4] IREN, FY26 year-end SEC results. https://www.sec.gov/Archives/edgar/data/1878848/000187884826000051/irenreportsfy26results.htm

[S5] Cipher Digital, Q3 2026 10-Q. https://www.sec.gov/Archives/edgar/data/1819989/000181998926000050/cifr-20260930.htm

[S6] TeraWulf, Q3 2026 earnings / investor materials. https://www.sec.gov/Archives/edgar/data/1083301/000162828026071306/a_wulfearningsreleaseq32026.htm

[S7] Celestica, Q3 2026 results. https://www.sec.gov/Archives/edgar/data/1030894/000103089426000049/cls-20260930prcondensedfs.htm

[S8] Credo Technology, FY27 Q1 earnings. https://investors.credosemi.com/news-events/news/news-details/2026/Credo-Technology-Group-Holding-Ltd-Reports-First-Quarter-of-Fiscal-Year-2027-Financial-Results/default.aspx

[S9] Astera Labs, Q3 2026 results. https://ir.asteralabs.com/news-releases/news-release-details/astera-labs-reports-third-quarter-2026-financial-results

[S10] Arista Networks, Q3 2026 results. https://www.arista.com/company/news/press-release/25025-pr-20261103

[S11] Vertiv, Q3 2026 earnings. https://investors.vertiv.com/news/news-details/2026/Vertiv-Reports-Strong-Third-Quarter-2026-with-Net-Sales-Growth-of-61-Organic-Orders-Growth-over-100-and-Diluted-EPS-Growth-of-91-Adjusted-Diluted-EPS-Growth-of-78-Raises-Full-Year-2026-Guidance-Across-All-Key-Metrics/

[S12] Modine, fiscal Q2 2027 earnings. https://investors.modine.com/news/news-details/2026/Modine-Reports-Second-Quarter-Fiscal-2027-Results/default.aspx

[S13] Eaton, Q3 2026 earnings. https://www.eaton.com/us/en-us/company/news-insights/news-releases/2026/eaton-reports-record-third-quarter-2026-results.html

[S14] nVent, Q3 2026 SEC earnings release. https://www.sec.gov/Archives/edgar/data/1720635/000162828026068391/q32026nvtpressrelease.htm

[S15] Sterling Infrastructure, Q3 2026 SEC earnings release. https://www.sec.gov/Archives/edgar/data/874238/000087423826000122/a20261028ex991earningsrele.htm

[S16] Comfort Systems USA, Q3 2026 SEC earnings. https://www.sec.gov/Archives/edgar/data/1035983/000110465926118156/fix-ex99d1.htm

[S17] EMCOR, Q3 2026 SEC earnings release. https://www.sec.gov/Archives/edgar/data/105634/000010563426000132/eme-ex991_2026930xq3.htm

[S18] Quanta Services, Q3 2026 earnings. https://investors.quantaservices.com/news-events/press-releases/detail/407/quanta-services-reports-third-quarter-2026-results

[S19] Frink Capital, Jan. 3 2026, The Great AI Money Laundry. https://www.frinkcapital.com/post/the-great-ai-money-laundry-how-big-tech-is-washing-capital

Research integrity and limitations

Author-source thesis [S19] is treated as a hypothesis. Assertions about circular financing, concealment or accounting impropriety require independent substantiation and are not adopted as established facts. This report is a stress scenario rather than an accusation of wrongdoing by any covered company.

No live price targets, current market capitalizations, forward P/E multiples, verified short-borrow availability or strike-level options statistics are presented. Scores are ordinal judgments and scenario percentages are mechanically derived assumptions. Revalidate filings, valuations, borrow costs and liquidity before dissemination or trading.

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