BERNSTEIN
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Global Semiconductors and Semiconductor Capital Equipment

Global Semiconductors and Semiconductor Capital Equipment - What to make of an earnings supercycle?


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What a year for semis so far... The SOX has risen an astonishing 66% just over the last 5 months, and is up 162% YoY, dwarfing returns in the S&P and the NASDAQ (**Exhibit 1**). And the vast majority of this return has been very recent with the sector up almost 50% since March (**Exhibit 2**), kicked off by an earnings season that has seen some massive moves.

An earnings supercycle? Typically rapid massive moves in stocks are due to valuation multiples ripping higher as earnings don't often move as quickly. Not this time though. The SOX index today sits at ~28x, not necessarily what we would call "cheap," but also not anywhere near peak levels (**Exhibit 3**). Rather, significant earnings increases have by far been the driver of the stock moves (**Exhibit 4**) with earnings growth driving essentially 100% of the SOX index move since the beginning of March (**Exhibit 5**).

In fact, semiconductor multiples are actually down... While SOX blended NTM earnings estimates are up ~69% since the start of the year, the SOX P/FE multiple is actually down slightly (~2%). Hence, earnings growth has accounted for more than 100% of the sector move YTD (**Exhibit 6, Exhibit 7**). The 69% earnings growth is in fact not out of line with what we have seen in prior cycles, though we have reached it much faster than normal; we suspect more is likely on the come as we go through the rest of the year. But the controversy should probably be on earnings sustainability rather than valuations.

Returns have been broadly positive regardless of where one has played in the space (you could have owned almost anything and been fine). And yet some sectors have been more rewarded than others. On the one hand GPU/ASIC and semicap names have seen multiple expansion more muted relative to their earnings growth (suggesting potentially more room for catch-up). On the other hand analog and CPU names have seen more aggressive multiple expansion YTD relative to their earnings expansion (suggesting more getting priced in). And memory stocks have been extreme (with avg share prices more than 3x YTD) and have dominated sector behavior with multiples declining as investors worry about peak but with a massive move in earnings outlook (almost 5x-ing!) (**Exhibit 8**).

The constraint trade continues? AI demand is now dragging everything along with it; memory started things off early in the year, followed by semicap, and then optical, and then analog, and (most recently) CPU (**Exhibit 9**). It is the GPU/ASIC names (NVDA, AVGO etc) that have remained (relative) laggards as investors have preferred sectors and names with more torque. That being said, the divergence between the returns is growing more and more interesting (the sub-component sectors cannot be successful long term if the accelerator providers aren't!), and we see opportunity for the gap to normalize.

In our US coverage we remain fans of NVDA, AVGO, and Semicap, and have recently warmed to AMD. On "real" numbers NVDA and AVGO both screen cheap (probably mid-teens P/FE on realistic CY27 EPS) and continue to underpin AI demand. Every driver in the industry right now translates to a need for higher WFE; we remain bullish semicap. And we have warmed to AMD on CPU demand as well as broader AI accelerator opportunity, and think a $20 EPS in 2028 is plausible. We rate NVDA, AVGO, AMAT, KLAC, LRCX, and AMD OP, with ADI, NXPI, TXN, QCOM, and INTC MP. *(continued on next page)*

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For Asian Semis & Global Memory coverage, we are constructive. MediaTek rallied, but we still find meaningful upside on just 22x P/FE (**report**). Investors need to be mindful of cyclicality but Memory's near-term momentum is stronger than expected, & we are also long-term positive on companies that have DRAM exposure. TSMC is a quality compounded & a core holding investors should hold too.

BERNSTEIN TICKER TABLE

			8 May 2026		TTM		Reported EPS			Reported P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
AMD (Advanced Micro)	O	USD	455.19	525.00	317.3%	USD	4.17	6.95	14.60	109.1	65.5	31.2
ADI (Analog Devices)	M	USD	416.52	375.00	75.1%	USD	7.79	11.62	13.38	53.5	35.8	31.1
AVGO (Broadcom)	O	USD	430.00	525.00	76.7%	USD	6.82	11.38	17.73	63.0	37.8	24.3
INTC (Intel)	M	USD	124.92	65.00	464.6%	USD	0.43	1.04	1.35	293.0	119.6	92.4
NVDA (NVIDIA)	O	USD	215.20	300.00	53.1%	USD	4.77	8.88	11.94	45.1	24.2	18.0
NXPI (NXPmiconductors)	M	USD	294.75	270.00	26.0%	USD	11.81	14.58	16.45	25.0	20.2	17.9
QCOM (Qualcomm)	M	USD	219.09	140.00	20.7%	USD	12.03	10.64	9.77	18.2	20.6	22.4
TXN (Texas Instruments)	M	USD	287.80	250.00	43.5%	USD	5.45	7.62	8.22	52.8	37.8	35.0
AMAT (Applied Materials)	O	USD	435.44	425.00	148.8%	USD	9.42	10.96	14.00	46.2	39.7	31.1
KLAC	O	USD	1,869.19	1,875.00	135.5%	USD	33.28	36.93	49.89	56.2	50.6	37.5
LRCX (Lam Research)	O	USD	294.05	325.00	262.3%	USD	4.14	5.68	7.49	71.1	51.8	39.3
002371.CH (NAURA)	O	CNY	540.79	680.00	17.3%	CNY	5.66	10.22	16.41	95.5	52.9	33.0
688012.CH (AMEC)	O	CNY	370.00	500.00	55.3%	CNY	3.40	4.95	7.18	108.8	74.8	51.5
688072.CH (Piotech)	O	CNY	463.05	580.00	148.5%	CNY	3.32	8.12	12.40	139.5	57.0	37.4
688256.CH (Cambricon)	O	CNY	1,182.53	2,000.00	103.4%	CNY	(1.09)	5.38	11.26	N/M	219.6	105.0
688041.CH (Hygon)	O	CNY	323.28	280.00	76.4%	CNY	0.83	1.35	2.42	389.5	239.6	133.6
6809.HK (Montage)	O	HKD	375.60	320.00	NA	CNY	1.97	3.00	4.77	165.6	108.8	68.4
688008.CH (Montage)	O	CNY	210.27	220.00	125.9%	CNY	1.97	3.00	4.77	106.7	70.1	44.1
981.HK (SMIC-H)	O	HKD	73.35	70.00	22.3%	USD	0.09	0.10	0.13	109.2	93.5	74.3
688981.CH (SMIC-A)	O	CNY	120.31	120.00	(8.1)%	USD	0.09	0.10	0.13	206.3	176.6	140.3
1347.HK (Hua Hong-H)	O	HKD	130.80	100.00	254.8%	USD	0.03	0.11	0.16	526.3	157.0	107.5
688347.CH (Hua Hong-A)	O	CNY	158.96	140.00	188.8%	USD	0.03	0.11	0.16	736.3	219.6	150.4
2330.TT (TSMC)	O	TWD	2,290.00	2,200.00	93.0%	TWD	66.25	92.78	110.40	11.0	8.3	6.6
TSM (TSMC)	O	USD	411.68	351.00	104.7%	USD	10.37	14.52	17.28	12.6	9.6	7.6
2454.TT (MediaTek)	O	TWD	3,630.00	4,380.00	125.7%	TWD	66.17	69.52	170.50	54.9	52.2	21.3
005930.KS (SEC- Samsung)	O	KRW	276,500	225,000	356.3%	KRW	6,611.53	35,740	49,548	41.8	7.7	5.6
005935.KS (SEC-Pref - Samsung)	O	KRW	182,700	191,250	250.6%	KRW	6,611.53	35,740	49,548	27.6	5.1	3.7
SMSN.LI (Samsung)	O	USD	4,886.00	3,888.00	355.5%	USD	116.15	617.62	856.24	42.1	7.9	5.7
000660.KS (SK hynix)	O	KRW	1,681,000	1,150,000	736.0%	KRW	60,341	286,732	385,594	27.9	5.9	4.4
MU (Micron)	O	USD	746.81	510.00	746.8%	USD	8.29	62.53	121.03	90.1	11.9	6.2
285A.JP (KIOXIA)	U	JPY	44,490	17,000	2026.2%	JPY	928.46	7,786.17	7,457.06	47.9	5.7	6.0
8035.JP (Tokyo Electron)	O	JPY	52,450	59,200	89.3%	JPY	1,250.88	1,504.14	1,848.77	41.9	34.9	28.4
6146.JP (DISCO)	O	JPY	75,000	85,000	98.5%	JPY	1,246.28	1,733.62	2,127.33	60.2	43.3	35.3
6920.JP (Lasertec)	O	JPY	43,770	50,000	167.6%	JPY	937.82	893.18	976.61	46.7	49.0	44.8
7735.JP (Screen)	M	JPY	11,380	21,600	82.8%	JPY	1,024.91	910.33	1,057.14	11.1	12.5	10.8
6525.JP (Kokusai)	O	JPY	7,358.00	8,620.00	113.0%	JPY	124.79	216.13	287.30	59.0	34.0	25.6
ASML (ASML)	O	USD	1,592.02	1,971.00	94.6%	USD	27.95	36.96	53.13	48.3	36.5	25.4
ASML.NA (ASML)	O	EUR	1,319.40	1,700.00	94.3%	EUR	24.72	32.69	46.98	53.4	40.4	28.1
BESI.NA (Besi)	O	EUR	260.80	280.00	130.8%	EUR	1.66	3.34	5.84	157.1	78.0	44.6
SPX			7,337.11									
ASIAX			1,975.48									
EM			1,843.36									
JPL			2,493.75									
EDME			1,526.13									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

AMD, ADI, AVGO, INTC, QCOM, AMAT, KLAC, LRCX, MU estimate is Adjusted EPS; NVDA, NXPI estimate is Adjusted EPS EBITDA Margin (%); AMD, ADI, AVGO, INTC, NVDA, NXPI, QCOM, AMAT, KLAC, LRCX, MU valuation is Adjusted P/E (x); 2330.TT, TSM valuation is P/B (x); NVDA base year is 2026; 688256.CH, 688041.CH, 7735.JP base year is 2024;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

ADI (Market-Perform, $375): ADI is executing well with both cyclical and idiosyncratic drivers, though the shares remain expensive.

AMD (Outperform, $525): Expectations remain high, but exposure to AI demand driving both a CPU and GPU story can provide substantial growth

AVGO (Outperform, 525): A strong 2025 AI trajectory seems set to accelerate into 2026, bolstered by software, cash deployment, and superb margins & FCF.

INTC (Market-Perform, $65): Server strength is helping the company get back on their feet, and narrative/headlines may fuel the vibe for now.

NVDA (Outperform, $300): The datacenter opportunity is enormous, and still early, with material upside still possible.

NXPI (Market-Perform, $270): The pace of recovery remains open for debate.

QCOM (Market-Perform, $140): Memory headwinds appear likely to pressure smartphone builds and numbers appear high; we shall see if datacenter dream is enough to attract buyers.

TXN (Market-Perform, $250): TXN shares feel fully valued in the current environment.

AMAT (Outperform, $425): We maintain a positive view on secular WFE growth and see a number of drivers for AMAT including SAM growth, an increasing services narrative, and capital return.

KLAC (Outperform, $1,875): Amid positive WFE trends KLAC possesses structural growth drivers, a strong and durable competitive position, lower China replacement risk, and disciplined capital allocation, warranting premium valuation.

LRCX (Outperform, $325): The company is benefiting from key inflections (GAA, packaging, HBM, NAND upgrades) and CY26/27 commentary seems supportive.

Samsung Electronics: We rate Samsung Electronics Outperform with price target of KRW 225,000.

SK hynix : We rate SK hynix Outperform with price target of KRW 1,150,000.

Micron: We rate Micron Outperform with price target of US$510.00.

KIOXIA: We rate KIOXIA Underperform with price target of JPY 17,000.

TSMC: We rate TSMC Outperform with price target of NT$2,200.

MediaTek: We rate MediaTek Outperform with price target of NT$4,380.

For Japan Semis, We rate Tokyo Electron (TP=¥59,200), Disco (TP=¥85,000), Lasertec (TP=¥50,000) and Kokusai (TP=¥8,620.00) Outperform, we rate Screen (TP=¥21,600) Market-Perform within our Japan SPE coverage.

For Euro Semis, We rate ASML (TP=€1,700.00) and Besi (TP=€280.00) Outperform within our European SPE coverage.

For China Semis, we are also bullish on upside from AI, memory and localization, rate Outperform on NAURA, AMEC, Piotech, SMIC, Hua Hong, Montage, Cambricon, Hygon.

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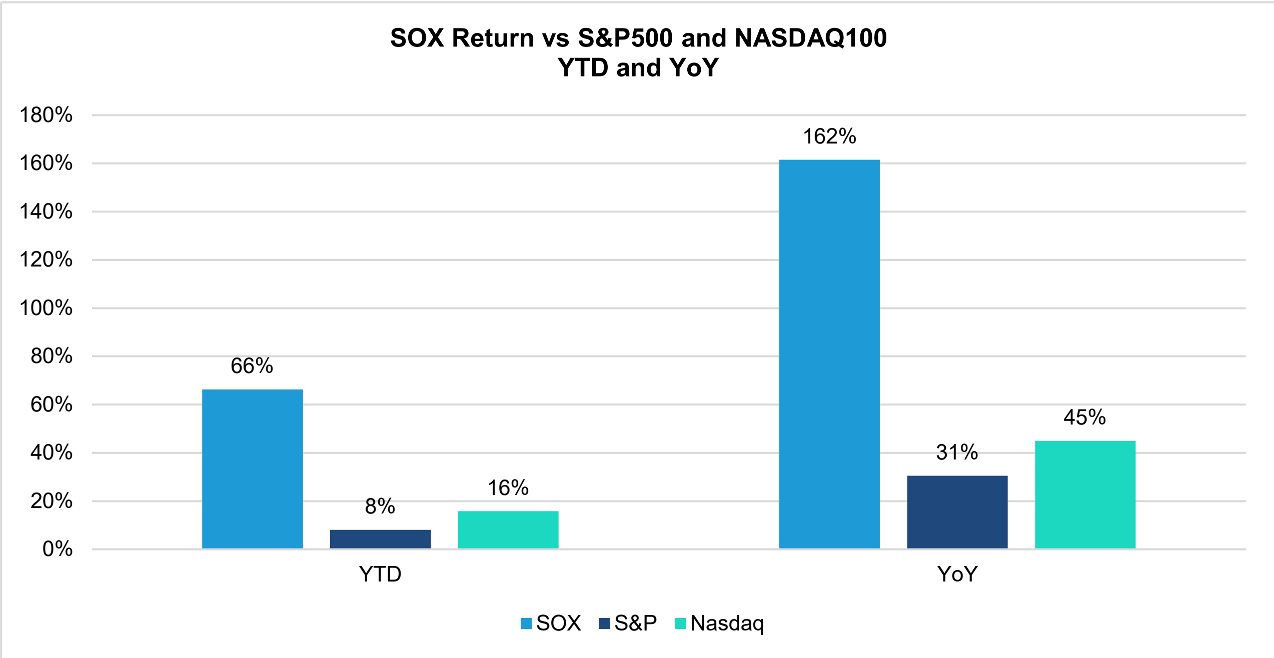
DETAILS

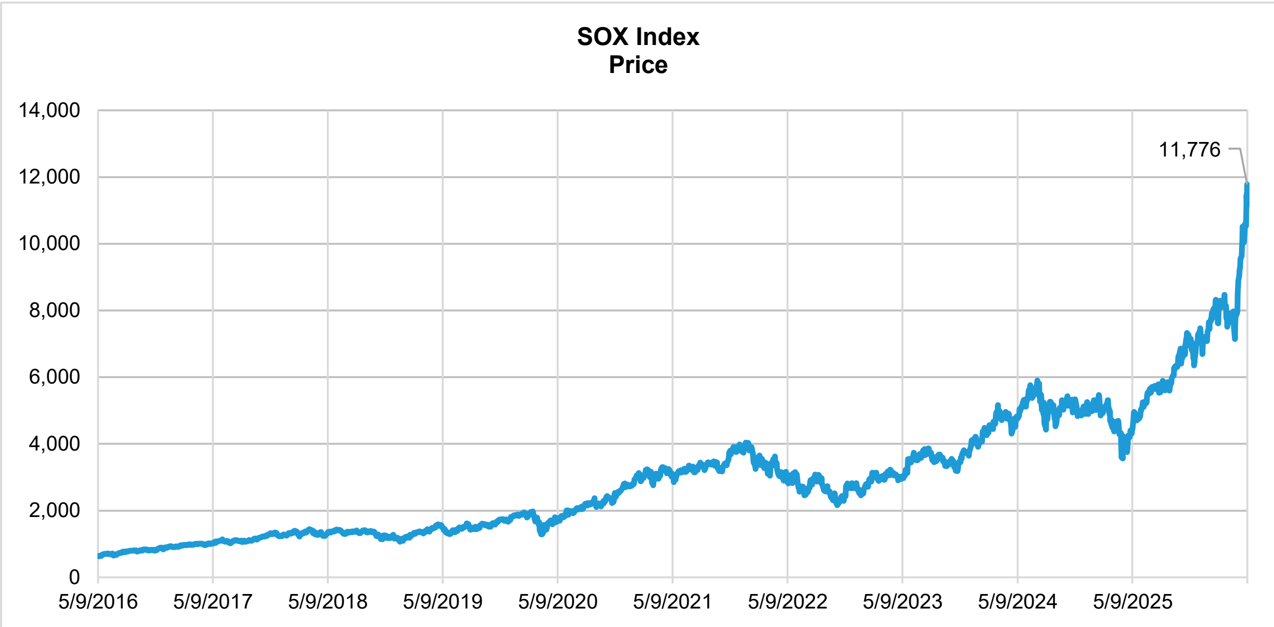
Add Details text here

EXHIBIT 1: **Semiconductor stock returns have dwarfed the market this year**



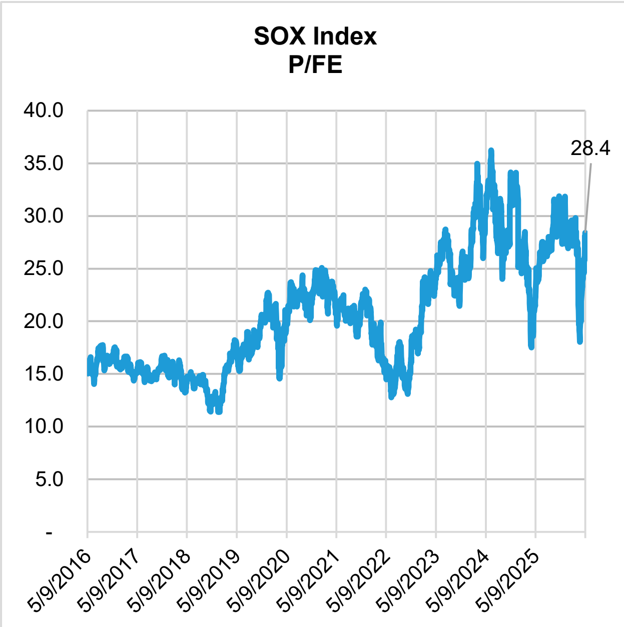
Source: Bloomberg, Bernstein analysis

EXHIBIT 2: **The SOX index has gone vertical over the last 5 weeks or so and has reached new highs**



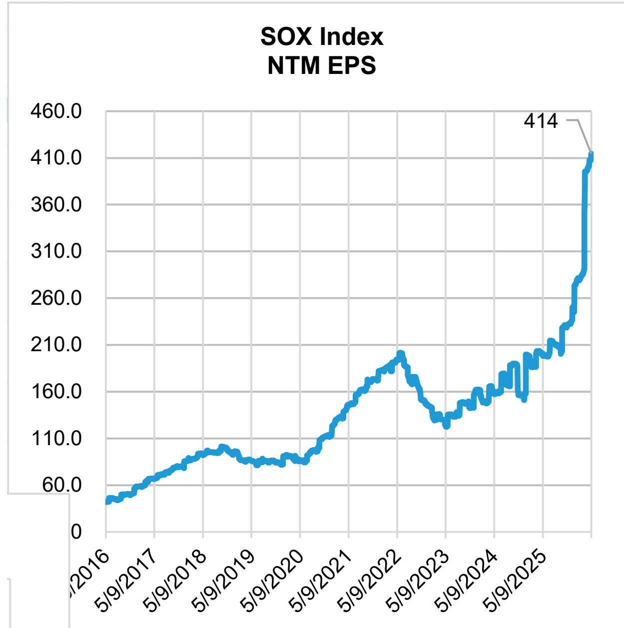
Source: Bloomberg, Bernstein analysis

EXHIBIT 3: **But multiples, while somewhat elevated, are well below peak levels and are not necessarily egregious**



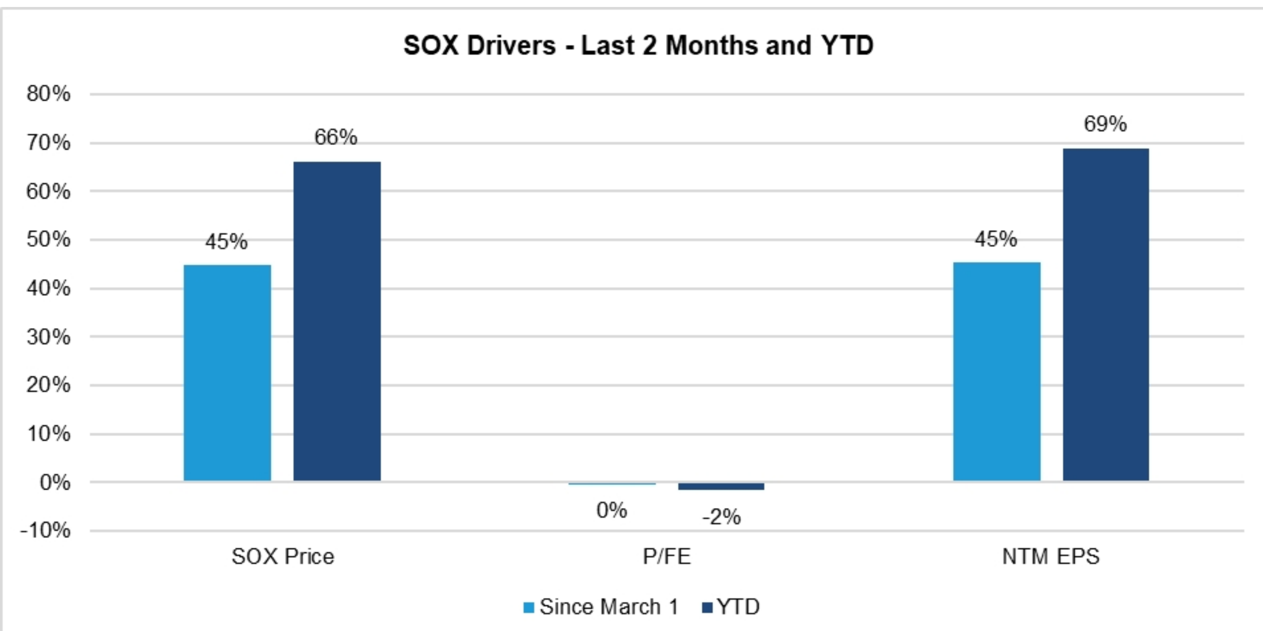
Source: Bloomberg, Bernstein analysis

EXHIBIT 4: **Rather, semiconductor returns have been dominated by earnings, which have also reached new highs**



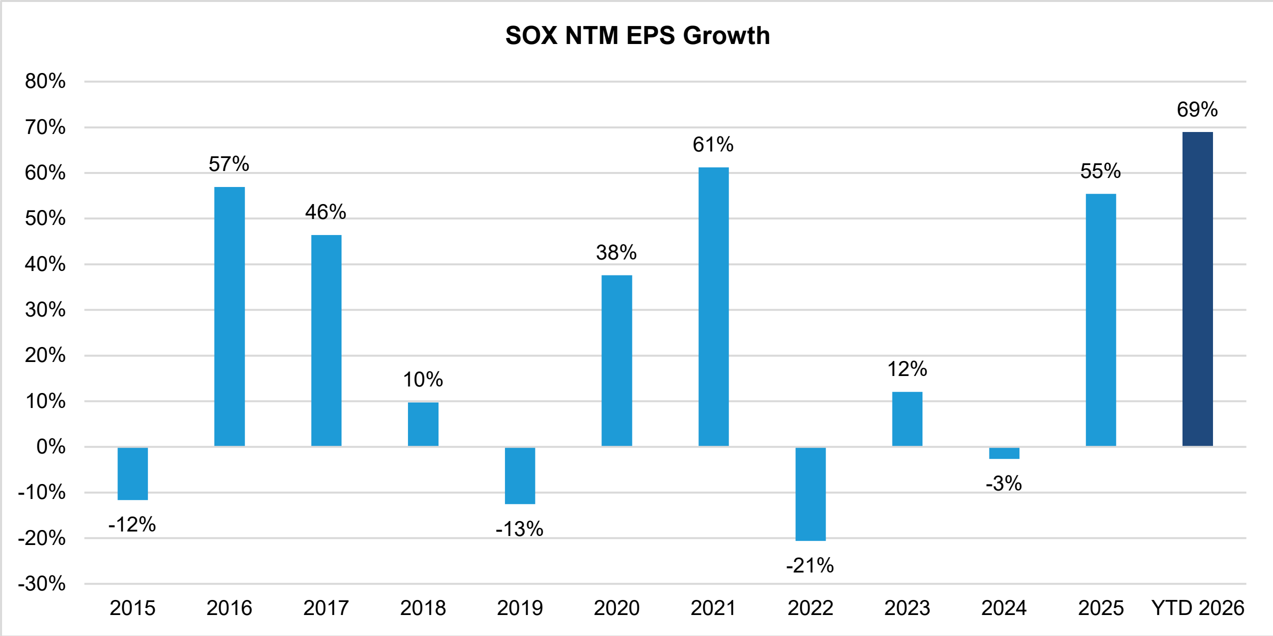
Source: Bloomberg, Bernstein analysis

EXHIBIT 5: **SOX EPS is up ~45% over the last couple of months, driving the index higher**



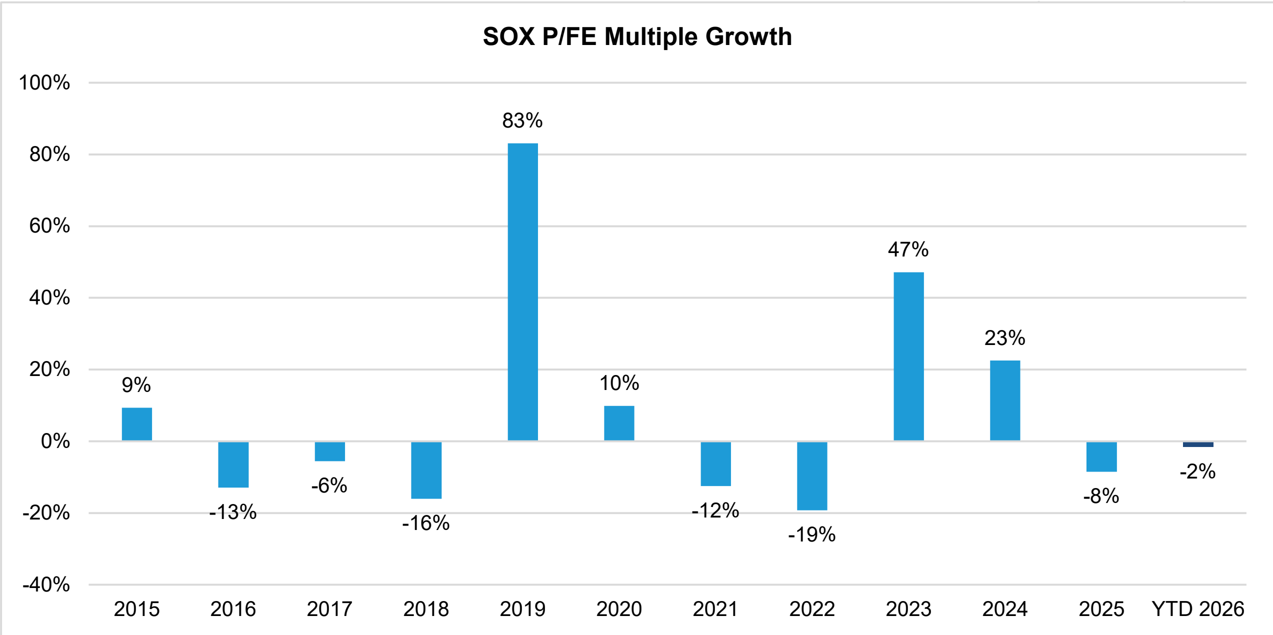
Source: Bloomberg, Bernstein analysis

EXHIBIT 6: **In fact, forward earnings have grown by 69% so far this year, not necessarily out of line with prior cycles (though much faster; we supsect they will continue to move up this cyce)**



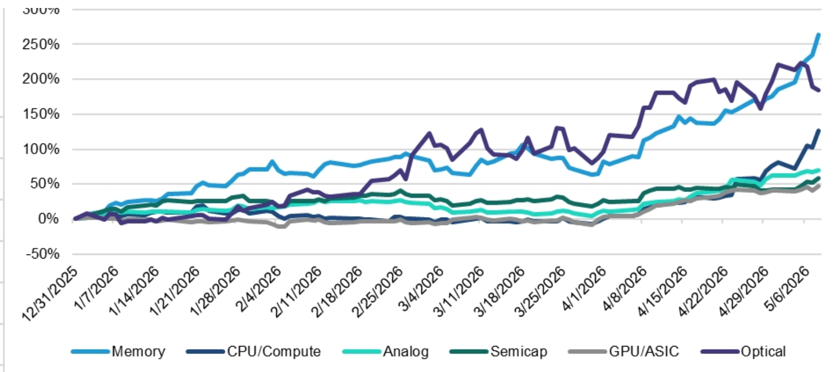
Source: Bloomberg, Bernstein analysis

EXHIBIT 7: **In fact, industry multiles are flattish vs the start of the year**



Source: Bloomberg, Bernstein analysis

EXHIBIT 8: **Among various sub-segments, memory earnings revisions have been the most positive while mulitples have declined; on the other side GPUs/ASIC and Semicap have seen strong earnings growth with more muted valuation expansion while CPUs and Analog have seen strong multiple expansion**



Memory = Micron, Sansung, Hynix, Sandisk, Kioxia; CPU/Compute - Intel, AMD, Qualcomm; Analog =Texas Instruments, NXP, Microchip, ON, Analog Devices, Monolithic Power, Infineon, STMicroelectronics, Renesas; Semicap = Applied Materials, Lam Research, KLA, ASML, Tokyo Electron; GPU/ASIC = NVIDIA, Broadcom, Marvell; Optical = Lumentum, Coherent, Applied Optoelectronics

Source: Bloomberg, Bernstein analysis

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Bernstein brand stock ratings are based on a 12-month time horizon.

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The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 500 Banks And Financial Services Index (BEBANKS) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 500 Insurance Index (BEINSUR) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, and the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments. Ratings are stated relative to the sector (not the market).

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- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
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Coverage Suspended: Coverage of a company under the Autonomous research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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The Autonomous brand has three categories of preferred stock ratings:

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- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous preferred stock ratings are based on a 6-month time horizon.

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Outperform	BUY	51.1%	16.5%
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Underperform	SELL	12.6%	14.9%

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As of March 31, 2026. All figures are updated quarterly.

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