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U.S. Semiconductors and Semiconductor Capital Equipment

U.S. Semiconductors and Semicap Equipment: Conversations with 5 CEOs at Bernstein's 2026 Strategic Decisions Conference

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Last week we hosted 5 senior semiconductor executives in and around our space (4 covered, 1 not-covered) for fireside chats at Bernstein's 2026 (42nd annual) Strategic Decisions Conference.

Specifically we held conversations with:

Tim Archer, President and CEO of Lam Research (LRCX, rated OP, $340 PT) (webcast)

Gary Dickerson, President and CEO of Applied Materials (AMAT, rated OP, $525 PT) (webcast)

Cristiano Amon, President and CEO of Qualcomm (QCOM, rated MP, $140 PT) (webcast)

Haviv Ilan, President and CEO of Texas Instruments (TXN, rated MP, $250 PT) (webcast)

David Reeder, CEO of Entegris (ENTG, not covered)

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BERNSTEIN TICKER TABLE

			1 Jun 2026		TTM		Adjusted EPS			Adjusted P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
LRCX (Lam Research)	O	USD	317.12	340.00	264.0%	USD	4.14	5.68	7.98	76.7	55.9	39.8
AMAT (Applied Materials)	O	USD	458.17	525.00	163.7%	USD	9.42	12.17	15.56	48.7	37.7	29.5
QCOM (Qualcomm)	M	USD	228.99	140.00	29.1%	USD	12.03	10.64	9.77	19.0	21.5	23.4
TXN (Texas Instruments)	M	USD	293.20	250.00	31.8%	USD	5.45	7.62	8.22	53.8	38.5	35.7
SPX			7,599.96									

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

TXN estimate is Reported EPS; TXN valuation is Reported P/E (x);

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

LRCX (OP, $340): The company is benefiting from key inflections (GAA, packaging, HBM, NAND upgrades) and CY26/27 commentary seems supportive.

AMAT (OP, $525): Exposure to key inflections is strong & valuation vs peers is attractive.

QCOM (MP, $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 (MP, $250.00): TXN shares feel fully valued in the current environment.

DETAILS

Lam Research (LRCX)

Timothy M. Archer, President and Chief Executive Officer

Overall, the discussion was focused on how the proliferation of AI has positively impacted the trajectory WFE spending going forward with Lam describing the underlying drivers of demand and outlining their exposure to these markets which should see strong growth. Lam continues to see strong WFE demand going forward and maintained their CY26 guide of $140B whilst acknowledging there is likely upward bias to the number. CY27 WFE is also seen growing next year with management noting that clean room space has been the largest constraint in the space, and will be the case next year, though they didn't provide an unconstrained WFE number. Over the past few years, Lam has intentionally invested into developing products that have allowed them to diversify their end-market exposure, allowing them to capitalize on the growth seen across Foundry/Logic and Advanced Packaging, though Lam remains proud of their memory leadership. Long-term visibility is quite strong, as customers develop their technology roadmaps, with Lam currently engaged and qualifying products that won't ramp until the early 2030s. Gross margins are now in the "50s neighborhood", with management proud of their progress and attributing the growth to strategic manufacturing footprint expansion and delivering more value with their tools, and while mix can be a driver of margins, they have seen expansion despite lower China exposure. China exposure is expected to be flattish to up slightly this year, as management can only compete on lagging edge nodes in the region.

Highlights

- **The proliferation of AI has positively impacted the trajectory WFE spending going forward, with AI demand driving strength across every device type.** With AI requiring more of everything, including leading edge compute, storage, memory, advanced packaging, and also requiring different materials in device architectures. There have been different waves of demand with AI training demand leading to more advanced foundry/logic demand, and now AI inference has led to increased NAND demand and CPU demand.
- **The company maintained their CY26 guide of $140B whilst acknowledging there is likely upward bias to the number. CY27 WFE is also seen growing next year with management noting that clean room space has been the largest constraint in the space**, and will be the case next year, though they didn't provide an unconstrained WFE number.
- **Over the past few years, Lam has intentionally invested into developing products that have allowed them to diversify their end-market exposure outside of Memory**, allowing them to capitalize on the growth seen across Foundry/Logic and Advanced Packaging, though Lam remains proud of their memory leadership.
- **Long-term visibility is quite strong, as customers develop their technology roadmaps**, with Lam currently engaged and qualifying products that won't ramp until the early 2030s.
- **Gross margins are now in the "50s neighborhood", with management proud of their progress** and attributing the growth to strategic manufacturing footprint expansion and delivering more value with their tools, and while mix can be a driver of margins, they have seen expansion despite lower China exposure.
- **China exposure is expected to be flattish to up slightly this year**, as management can only compete on lagging edge nodes in the region.

Applied Materials (AMAT)

Gary Dickerson, President, Chief Executive Officer & Executive Director

Overall, the industry backdrop remains exceptionally strong with unprecedented demand visibility and AMAT views AI as one of the biggest tech inflections in our lives that drives enormous demand. AMAT believes it is exceptionally well positioned to capture industry growth due to their competencies in key areas like material science and their exposure to key technology inflections in advanced logic, DRAM and advanced packaging which drive ~80% of incremental WFE spend in 2026. Management views industry profit pools as larger than ever and believes that it can capture their fair share of value they provide to customers.

Highlights:

- While not providing a WFE forecast for 2026, AMAT views an extremely attractive industry backdrop with unprecedented demand visibility into 2027 (with customers providing rolling 8 quarter forecasts) as AI drives enormous demand for leading edge logic/foundry, DRAM (HBM) and advanced packaging which are forecast to drive 80% of incremental WFE demand in 2026.

- In advanced logic, AMAT provides some of the key innovations underpinning new architectures and technologies like BSPDN and GAA transistors as a leader in wiring and material science and as these ramp AMAT believes it can capture 50% of the incremental spend. Similarly, in DRAM and advanced packaging (which is expected to grow 50%+ this year), AMAT is in a strong position as it is deeply embedded into customers' roadmaps and co-innovates on future architectures (e.g. 3DDRAM, Panel-level packaging etc.).

- AMAT sees the profit pool as larger than ever which presents an opportunity to capture the value the company delivers. Pricing has been growing both on existing and new tools as the innovations they deliver to customers are extremely valuable. As a result, management expects both gross and operating margins to move higher over time.

- On China, AMAT believes it competes well where it is allowed to do so after restrictions were tightened substantially in 2025. China is now ~mid-20s% of revenue and is primarily composed of AMAT's ICAPS business and management expects the China business to be flat to slightly up and ICAPS to grow MSD-HSD over time driven partially by new innovations coming to market.

Qualcomm (QCOM)

Cristiano Amon, President and Chief Executive Officer

The conversation was focused on QCOM's diversification story and performance within end markets as well as future opportunities and demand drivers. The core handset business, while currently artificially constrained by memory availability is fundamentally healthy and is seen as troughing in Q3 as QCOM has good visibility and has been undershipping demand. Longer-term, the company has strong confidence in AI phone upgrades cycles driven by agentic AI. Both the Auto and IoT segments are on track with respect to FY29 targets with the former underpinned by a growing $45B+ pipeline and share gains. While the latter sees outperformance in AI devices (AR/VR and wearables), PCs are also impacted by memory availability. The Datacenter opportunity is expected to contribute multiple-billions in FY27 and will be operating margin accretive.

Highlights:

- The handset business is artificially constrained by memory availability but is expected to trough in 3Q, with management having strong confidence of recovery due to undershipping end demand and strong visibility. Longer term, QCOM is very confident in AI phone upgrades cycles driven by agentic AI for which current handsets offer insufficient compute.

- The Auto business is healthy and is on or slightly ahead of its $8B trajectory for FY29, underpinned by a growing $45B+ pipeline. QCOM is gaining share in the market with market growth driven by increasing compute needs in the car (ADAS level 2++, digital cockpit and connectivity).

- IoT which consists of core industrial IoT, PCs, Personal AI devices (AR/VR, smart glasses, wearables) is also on track to hit FY29 targets, with a smart glasses being a bright spot (currently 10s of million of units which could move to 100s of billions). PCs while impacted by the same memory dynamics as handsets in the short-term are also tracking in terms of market share.

- The Datacenter opportunity is viewed as material (multiple billions of revenue $ in FY27) and is expected to be operating margin accretive. QCOM views itself as strongly positioned in the market with valuable IP, execution capabilities and scale and is targeting the inference market where it sees its CPU offering and different memory architecture (no HBM required) as differentiators.

Texas Instruments (TXN)

Haviv Ilan, President and Chief Executive Officer

TI sees a favorable industry backdrop with a positive pricing environment revenue growth through a combination of a recovery in the Industrial segment which is still 15% below the prior peak and growing >30% Y/Y, Auto hovering close to peak levels growing MSD Y/Y and a burgeoning Datacenter segment which has grown 90%+ Y/Y in Q1 making up 12%+ of total revenue. While the company has low visibility, management does not view customer demand as restock-driven and believes customers need parts to support their ramps. Following the heavy, multi-year capex cycle which is coming to an end, TXN forecasts continued gross margin expansion over time and more importantly FCF/share growth, as depreciation gets absorbed by continued growth.

Highlights

- TI is approaching the end of its 5yr investment cycle which according to management should prepare the company to participate in secular semiconductor market growth and potentially grow faster due to share gains. TI has the capacity, inventory as well as the cleanroom footprint to serve customers in all market environments and through different geopolitical backdrops. Investments made include its 300mm fabs at its Sherman mega site of four potential fabs (two of the 4 are built) supporting ~$10B of revenue each. The fabs in Lehigh are focused on the embedded business and also support internalization efforts, with >90% of internal supply targeted by end of the facade (from ~50% currently). TI has shut down its remaining 6-inch fabs with Q2 the last quarter of related expenses.

- Management sees a favorable industry backdrop with the Industrial business growing >30% Y/Y (and still 15% below peak, with Industrial Automation coming back and strength in A&D), Auto growing MSD% Y/Y and the Datacenter business growing 90% Y/Y in Q1 (~12% of revenue in Q1). Combined with the end of the capex cycle, and a potentially positive pricing environment in 2026 which is more supportive than last year, TI anticipates continued gross margin recovery over time and more importantly returning to their FCF/share growth trajectory.

- The Datacenter market, albeit still a relatively small share of the business at 12% of revenue in Q1, has been a strong growth driver (up 90% Y/Y) and is now a $2B runrate business. TI thinks it has been gaining share in their addressable market, which they estimate at ~$12.5B in 2026, up from ~7.5B last year and sees itself well positioned for continued growth and share gains due to its very broad portfolio in power, sensing, cooling and protection, especially as architectures change to 800V. 50% of the TAM is in compute, 35% in networking and 15% in other areas.

- China, which currently makes up about 20% of the business remains a very important market, with Chinese customers having leadership positions, particularly in auto and robotics. TI takes competition very seriously, reviewing their key competitor set quarterly but also believes it has a strong competitive position based on the breadth of its product portfolio, its distribution capabilities and due to its cost competitiveness and believes it has maintained market share.

Entegris (ENTG, not covered)

David Reeder, Chief Executive Officer

Entegris benefits from a very favorable industry backdrop driven by node migrations and NAND layer increases which in turn drive materials content increases. ENTG expects to translate MSD-HSD revenue growth into higher profit growth as the company is driving gross margin expansion into the 50% range from mid-46% currently as management optimizes its footprint, yield as well as procurement with the goal of driving leverage down to ~1.5-2x over time and returning cash to shareholders. Once leverage and shareholder return goals are met, ENTG is expected to selectively embark on acquisitions which it views as inorganic R&D to fill technology and capability gaps.

Highlights:

- The company's two main segments are Materials Solutions (~44% of FY25 revenue of $3.2B) and Advanced Purity Solutions (~56% of FY25 revenue) which are critical to semiconductor manufacturing as they drive yield. ENTG's main customers are foundries, IDMs and WFE tool manufacturers with ~25% of revenue driven by capex spend and the remainder by wafer volume growth. Since the CEO took over about 8 months ago, the industry backdrop improved significantly, with units (on a million square inch - MSI - basis) growing in the 7% range over the last rolling 12 months providing good visibility into MSD-HSD revenue growth.

- The industry is mostly volume driven with ASP currently not contributing to material revenue growth as the materials and purity markets are broader and the company has sufficient capacity ($1B+ revenue) to meet demand. However, management believes that pricing should reflect the value the portfolio provides.

- Management expects gross margin improvement from currently ~mid 46% to 50%+ over time driven by operational improvements and footprint optimization as the company made 13 acquisitions over the last 15 years which have further integration potential. Management expects a large part of the gross profit improvements to fall through to operating profit and EPS as SG&A can be kept flat to slightly growing while reinvesting ~10% of revenue into R&D. Once leverage targets of 1.5x-2x (from ~3.6x currently) have been achieved, capital will be directed towards shareholders with management anticipating some selective M&A once both leverage targets are met and shareholder returns are underway.

- Compared to other companies in the semis space, China restrictions are not an issue for ENTG as the company delivers 1000+ SKUs and regulators' focus has been on larger ticket items like WFE tools. The key for the Chinese market is to be able to guarantee supply which the company has been able to do via dedicated China capacity, with the company serving ~90% of the Chinese market directly either via Asia or local Chinese supply by end of the year (from ~85% currently).

DISCLOSURE APPENDIX

I. REQUIRED DISCLOSURES

References to "Bernstein" or the "Firm" in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK (サンフォード・C・バーンスタイン株式会社) and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

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VALUATION METHODOLOGY

Lam Research Corp

For LRCX, we apply a ~40x multiple to the average our FY2027/FY2028 non-GAAP EPS estimate at $8.49 equating to a $340 price target.

Applied Materials Inc

For AMAT, we apply ~30x multiple to our avg. FY2027/28 non-GAAP EPS estimate of $17.12 equating to a ~$525 price target.

Qualcomm Inc

We value QCOM by setting a target multiple of ~14x applied to our FY2027 diluted EPS estimate (~$9.77) and set our price target at $140.

Texas Instruments Inc

For TXN, we assign a ~30x multiple to our FY27 GAAP dil. EPS estimate ($8.22) to arrive at a price target of $250.

RISKS

Lam Research Corp

Downside risks to our price target include the potential for a longer or deeper industry downturn, detrimental end market mix, further NAND spending weakness, share losses, and geopolitical risks.

Applied Materials Inc

Downside risks to our price target on AMAT include the potential for an industry downturn, detrimental end market mix, share losses, and geopolitical risks.

Qualcomm Inc

Downside risks to our price target on QCOM include further customer lawsuits, disputes, or revolts over licensing practices, further issues monetizing China, "leakage" of IP issues, 5G penetration and ramp slower than we model resulting in lower device or chipset unit growth, or device and/or chipset ASPs declining faster than we model. Upside risks include better-than-expected smartphone shipments, memory constraints easing, share gains, or material datacenter wins.

Texas Instruments Inc

Upside risks include better than expected recovery, higher gross margins, or better cash generation and return. Downside risks include worse than expected recoveries, share losses (in China and/or elsewhere), or further gross margin degradation.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

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- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
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Coverage Suspended: Coverage of a company under the Bernstein research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

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Not Covered (NC) denotes companies that are not under coverage.

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

Autonomous brand – common stocks

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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- 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.

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Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	51.1%	16.5%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	36.3%	17.8%
Underperform	SELL	12.6%	14.9%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.

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

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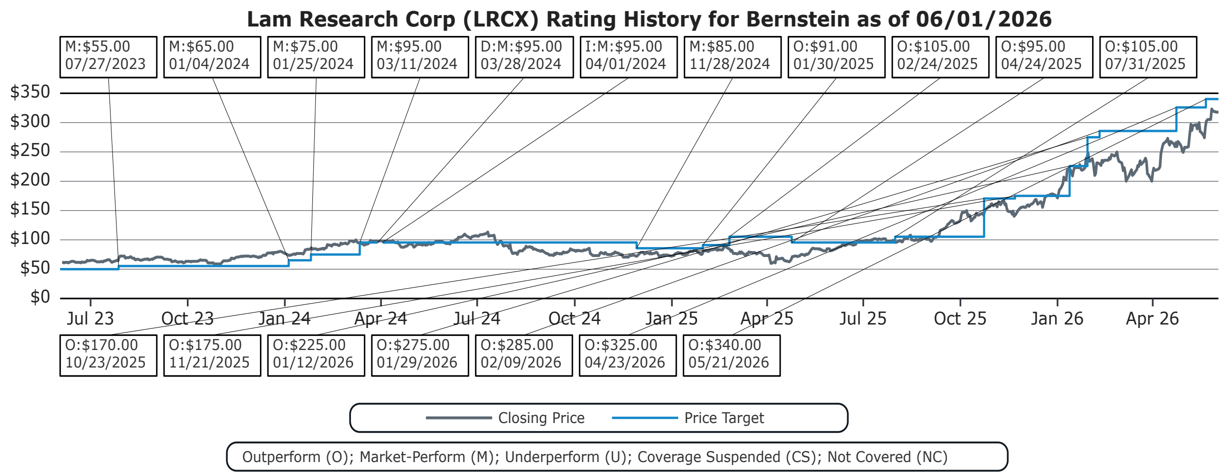
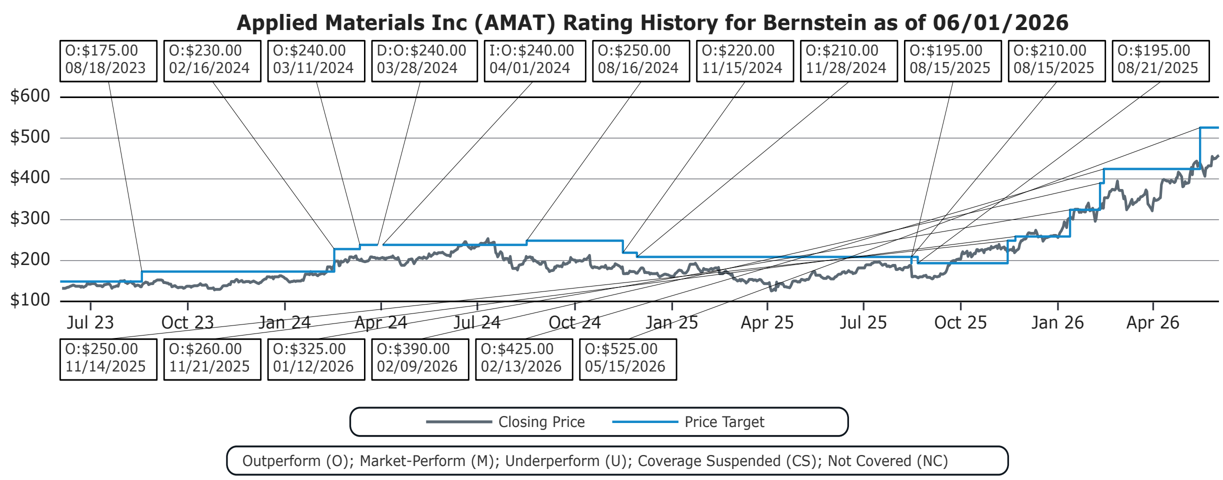
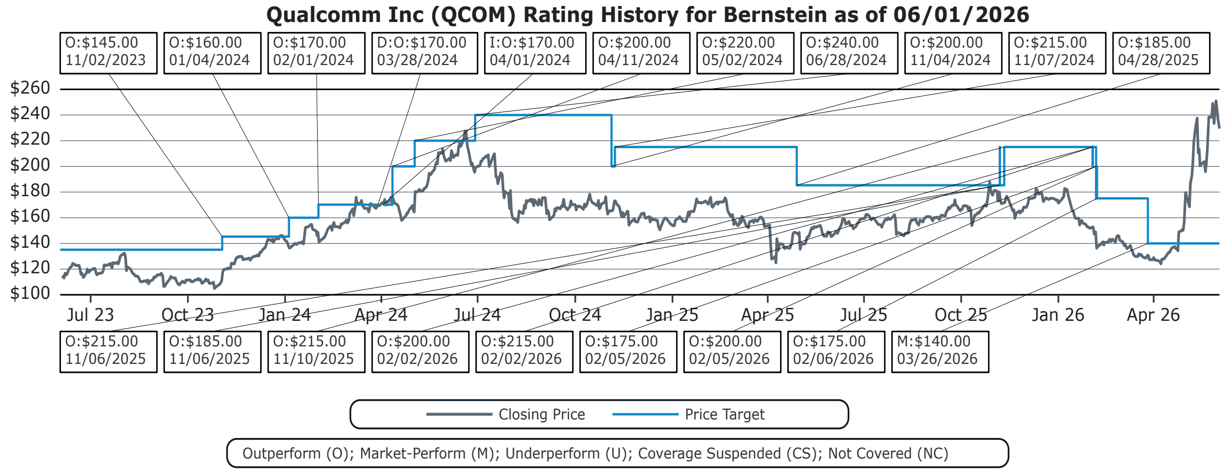
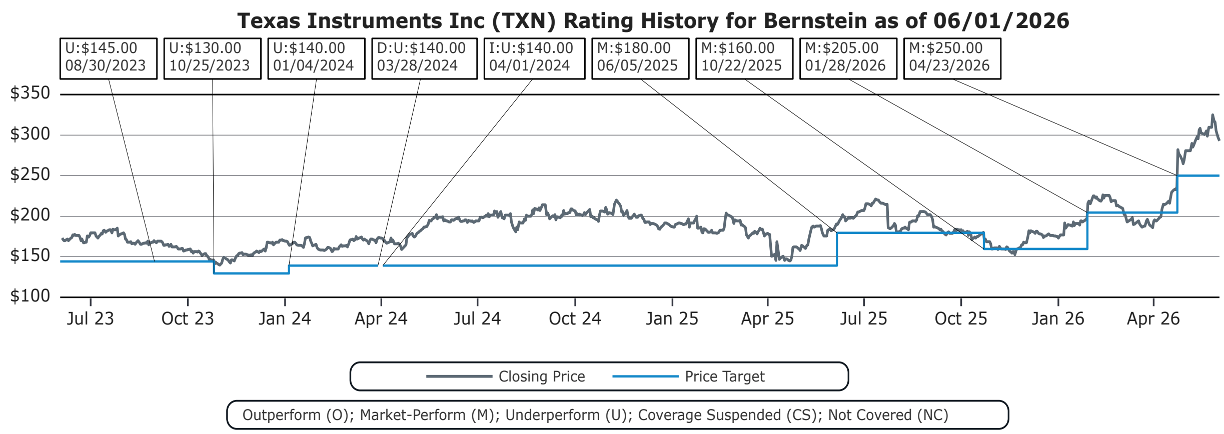
Prior to April 1, 2024, Sanford C. Bernstein & Co., LLC. issued the ratings and price target information in the graph(s) below for the following companies: Lam Research Corp, Applied Materials Inc, Qualcomm Inc and Texas Instruments Inc.









All price target and closing price data in the chart(s) above are denominated in the currency noted in the Ticker Table of this report.

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