# Global I/O Semiconductors

## Cycle Update: AI to turbo-charge the semis industry towards US$2.4tn by 2027

**Broad-based semis revenue growth acceleration, with Memory ahead**

We forecast semis industry Sell In to reach US$1.62tn in 2026 (+118% YoY), and US $2.38tn (+46% YoY) in 2027. This is in no small part driven by Memory semis revenues which we forecast at US$961bn in 2026 (+318% YoY), and US$1,638bn in 2027 (+70% YoY). A key contributor, we believe, is agentic AI, boosting not only HBM but also DDR5/LPDDR5 and NAND flash demand (see our recent APAC Focus: link). Underneath this is also a strong uptick in server CPU demand – both conventional as well as AI head nodes (see also our recent deep-dive: link), and we forecast overall CPU revenues to reach US$75bn in 2026 (+25% YoY) and US$96bn in 2027 (+28%), in spite of a sluggish PC market. Ex-CPU, we forecast CMOS Logic (excluding memory value) revs up 43% YoY in 2026 and 8% YoY, and also, double-digit growth in Analog/MCUs both years. In short, AI is driving an increasingly broad-based levelling-up in semis revenues, which could carry on for a while.

**YoY semis revenue growth bound to decline from very elevated levels**

On more traditional metrics, we could be nearing a cycle peak. 3MMA YoY semis industry revenue growth could reach +135% YoY by October '26. Whilst deceleration appears unavoidable from there, we still forecast 30% YoY growth by December '27. Excluding Memory, we estimate 3MMA YoY revenue growth peak out by September '26 at +35% YoY, down to +6% YoY by October '27. On the other hand, other cycle lead indicators remain "in the green," with foundry utilisation rates up until 3Q27E; YoY assembly equipment revenues until 4Q27E, and memory industry operating profits until 4Q27E. Upside risk from AI, not just AI accelerators/HBM, but with CPU/DRAM/NAND and also networking and power management related to this, could continue to push out the inflexion point in the cycle.

**Inventory up but broadly under control**

Non-memory semis average inventory days went up (by March/April quarter end) to 166 days, +9 days QoQ and -5 days YoY. OEM inventory days on average were up +12 days QoQ and +3 days YoY to 100 days. Overall, we see no evidence of broad inventory overbuild, as segments more sensitive to memory shortage (smartphones, PCs) adjusted build plans early in the year.

**Pullback likely short-lived – what we prefer here**

Our global semis stock universe trades at an average of 22x '28E PE. We believe WFE stocks are due for a catch up vs Memory, but we do like both. We like AI logic semis, and are less sanguine on Analog. See p. 2 for our Most/Least Preferred lists.

**Equities**

Global

Semiconductors

**Nicolas Gaudois**
Analyst
nicolas.gaudois@ubs.com
+65-6495 5148

**Timothy Arcuri**
Analyst
timothy.arcuri@ubs.com
+1-415-352 5676

**Sunny Lin**
Analyst
sunny.lin@ubs.com
+886-2-8722 7346

**Kenji Yasui**
Analyst
kenji.yasui@ubs.com
+81-3-5208 6211

**Francois-Xavier Bouvignies**
Analyst
francois.bouvignies@ubs.com
+44-20-7568 7105

**Jimmy Yu**
Analyst
S1460517080002
jimmy.yu@ubs.com
+86-21-3866 8880

**Randy Abrams**
Analyst
randy.abrams@ubs.com
+886-2-8722 7338

**Jimmy Yoon**
Analyst
jimmy.yoon@ubs.com
+65-6495 4617

**Luke Yoo**
Analyst
luke.yoo@ubs.com
+65-6495 6743

**Harry Blaiklock, CFA**
Analyst
harry.blaiklock@ubs.com
+44-20-7568 5385

**Joseph Koh**
Analyst
joseph.koh@ubs.com
+603-2781 1182

**Dino Weinstock**
Associate Analyst
dino.weinstock@ubs.com
+1-212-713 3172

## Figure 1: UBS Global Semis Most/Least Preferred List

| Company | Ticker | Rating | Price | PT | '27E PE | '28E PE | '27E PB | '28E PB |
|---|---|---|---|---|---|---|---|---|
| **Most preferred** | | | | | | | | |
| Applied Materials | AMAT.O | Buy | US$453.01 | US$545 | 24.3 | 17.3 | 10.43 | 8.38 |
| ASE | 3711.TW | Buy | NT$540 | NT$660 | 20.5 | 15.9 | 5.23 | 4.49 |
| ASMI | ASMI.AS | Buy | €867 | €1000 | 30.1 | 25.7 | 7.02 | 5.77 |
| ASML | ASML.AS | Buy | €1462.2 | €1900 | 30.2 | 24.5 | 16.17 | 11.74 |
| Eugene Technology | 084370.KQ | Buy | Won129500 | Won182000 | 19.9 | 15.1 | 4.37 | 3.43 |
| Global Unichip | 3443.TW | Buy | NT$4255 | NT$6260 | 41.1 | 29.0 | 20.59 | 13.16 |
| Hansol Chemical | 014680.KS | Buy | Won230000 | Won390000 | 13.4 | 12.2 | 2.23 | 1.99 |
| JCET Group | 600584.SS | Buy | Rmb70.3 | Rmb79.5 | 35.5 | 26.2 | 3.72 | 3.31 |
| Kelington Group | KELG.KL | Buy | RM7.42 | RM9 | 24.8 | 24.1 | 6.86 | 6.18 |
| MediaTek | 2454.TW | Buy | NT$4070 | NT$5500 | 24.9 | 15.7 | 12.69 | 9.77 |
| Micron Technology | MU.O | Buy | US$864.01 | US$1625 | 5.6 | 4.5 | 3.55 | 2.18 |
| NAURA Technology | 002371.SZ | Buy | Rmb585.74 | Rmb800 | 36.6 | 25.4 | 7.74 | 6.05 |
| Samsung Electronics | 005930.KS | Buy | Won295500 | Won550000 | 3.4 | 3.1 | 1.45 | 1.10 |
| SK Hynix | 000660.KS | Buy | Won1911000 | Won3000000 | 3.0 | 2.5 | 1.86 | 1.27 |
| Tokyo Electron | 8035.T | Buy | ¥55020 | ¥70000 | 24.4 | 23.2 | 9.59 | 8.41 |
| TSMC | 2330.TW | Buy | NT$2295 | NT$3000 | 17.6 | 13.5 | 5.92 | 4.33 |
| Texas Instruments | TXN.O | Buy | US$285.06 | US$295 | 25.8 | 22.1 | 13.76 | 15.26 |
| **Least preferred** | | | | | | | | |
| Hanmi Semiconductor | 042700.KS | Sell | Won253500 | Won170000 | 47.8 | 40.0 | 20.23 | 15.89 |
| Hua Hong Semicon | 1347.HK | Neutral | HK$137.1 | HK$104 | 107.9 | 77.3 | 4.26 | 4.04 |
| Infineon | IFXGn.DE | Neutral | €77.3 | €61 | 29.7 | 23.7 | 4.93 | 4.31 |
| Maxscend | 300782.SZ | Neutral | HK$93.87 | HK$86.5 | 107.2 | 69.7 | 4.78 | 4.50 |
| Nordic Semiconductor | NOD.OL | Sell | US$193.2 | US$134 | 56.2 | 45.2 | 5.05 | 4.49 |
| Onsemi | ON.O | Neutral (CBE) | US$117.26 | US$95 | 27.3 | 20.2 | 6.38 | 5.94 |
| Qualcomm Inc. | QCOM.O | Neutral | US$215.94 | US$170 | 19.8 | 18.1 | 8.46 | 8.03 |

Source: UBS estimates. Priced as of 8 June (APAC) and 5 June (Europe/US).

## Figure 2: UBS global semis valuation

| | Rating | Mtk Cap (US$m) | Price | Target | EV/Sales 27E | EV/Sales 28E | EV/EBITDA 27E | EV/EBITDA 28E | P/E 27E | P/E 28E | P/BV 27E | P/BV 28E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Analog/Diversified** | | | | | | | | | | | | |
| Analog Devices | Buy | 196,542 | US$ 401.39 | US$ 490 | 10.9 | 10.1 | 19.0 | 17.3 | 23.8 | 21.9 | 5.50 | 5.26 |
| CR Micro | Buy | 12,254 | Rmb 62.58 | Rmb 83.4 | 4.5 | 3.8 | 23.0 | 18.8 | 42.6 | 31.8 | 3.20 | 2.93 |
| Infineon | Neutral | 117,855 | € 77.3 | € 61 | 5.5 | 4.8 | 16.5 | 13.5 | 30.2 | 24.1 | 5.01 | 4.38 |
| Maxscend | Neutral | 7,403 | Rmb 93.87 | Rmb 86.5 | 10.2 | 8.7 | 21.8 | 16.9 | 107.2 | 69.7 | 4.78 | 4.50 |
| Melexis | Neutral | 3,762 | € 80.5 | € 72 | 3.4 | 3.1 | 12.4 | 10.3 | 17.5 | 14.1 | 5.87 | 5.35 |
| Microchip Technology | Buy | 47,743 | US$ 88.34 | US$ 130 | 8.1 | 6.4 | 17.6 | 12.8 | 23.2 | 15.6 | 6.95 | 6.03 |
| NCE Power | Buy | 3,450 | Rmb 56.35 | Rmb 81.3 | 7.2 | 5.5 | 24.0 | 18.7 | 31.5 | 24.8 | 4.40 | 3.85 |
| Nordic Semiconductor | Sell | 3,920 | NKr 193.2 | NKr 134 | 4.1 | 3.7 | 24.9 | 21.8 | 56.1 | 45.1 | 5.04 | 4.48 |
| NXP | Buy | 74,730 | US$ 295.96 | US$ 305 | 4.9 | 4.5 | 11.0 | 9.4 | 14.6 | 12.2 | 4.96 | 4.04 |
| Onsemi | Neutral (CBE) | 45,955 | US$ 117.26 | US$ 95 | 6.2 | 5.5 | 18.8 | 15.0 | 27.3 | 20.2 | 6.38 | 5.94 |
| Qorvo | Neutral | 9,098 | US$ 98.28 | US$ 100 | 2.7 | 2.6 | 13.0 | 12.3 | 12.6 | 11.4 | 2.56 | 2.33 |
| Realtek | Neutral | 9,701 | NT$ 596 | NT$ 525 | 1.5 | 1.3 | 11.1 | 10.0 | 17.4 | 15.5 | 5.03 | 4.63 |
| Renesas Electronics | Buy | 46,873 | ¥ 4139 | ¥ 3900 | 3.8 | 3.4 | 8.9 | 7.8 | 12.6 | 11.6 | 2.13 | 1.94 |
| Rohm | Neutral | 11,602 | ¥ 4815 | ¥ 2200 | 3.2 | 3.0 | 14.5 | 13.8 | 37.2 | 35.1 | 1.97 | 1.91 |
| Silan Micro | Buy | 7,882 | Rmb 32.13 | Rmb 46.2 | 3.0 | 2.5 | 17.6 | 15.0 | 39.3 | 30.4 | 3.84 | 3.47 |
| Silergy | Buy | 6,463 | NT$ 524 | NT$ 700 | 6.5 | 5.2 | 21.7 | 14.8 | 27.0 | 18.2 | 4.40 | 3.75 |
| Skyworks Solutions | Neutral | 10,940 | US$ 73.57 | US$ 75 | 2.4 | 2.2 | 7.6 | 6.8 | 13.0 | 10.7 | 1.88 | 1.89 |
| StarPower | Buy | 3,756 | Rmb 106.4 | Rmb 166.6 | 4.2 | 3.6 | 20.7 | 17.2 | 41.1 | 33.2 | 3.34 | 3.12 |
| STMicroelectronics | Buy | 64,512 | € 62.82 | € 80 | 3.6 | 3.2 | 10.7 | 8.8 | 22.1 | 15.9 | 3.06 | 2.59 |
| Texas Instruments | Buy | 258,706 | US$ 285.06 | US$ 295 | 10.3 | 9.4 | 18.0 | 16.0 | 25.8 | 22.1 | 13.76 | 15.26 |
| **Average** | | | | | **5.0** | **4.4** | **16.4** | **13.7** | **27.1** | **21.8** | **4.70** | **4.38** |
| **Logic** | | | | | | | | | | | | |
| Advanced Micro Dev | Buy (CBE) | 759,267 | US$ 466.38 | US$ 455 | 9.6 | 7.4 | 28.9 | 20.1 | 34.0 | 24.0 | 9.68 | 7.72 |
| ASMedia | Buy | 3,322 | NT$ 1400 | NT$ 1700 | 4.5 | 3.7 | 14.5 | 11.4 | 12.3 | 10.3 | 2.37 | 2.13 |
| Aspeed | Buy | 21,025 | NT$ 17525 | NT$ 22000 | 24.4 | 17.2 | 41.4 | 29.4 | 52.7 | 37.6 | 34.78 | 24.32 |
| Broadcom | Buy | 1,828,746 | US$ 385.73 | US$ 485 | 9.7 | 7.3 | 14.4 | 10.8 | 17.8 | 13.5 | 10.59 | 6.84 |
| Horizon Robotics | Buy | 9,442 | HK$ 5.05 | HK$ 10 | 4.3 | 3.0 | NM | 189.3 | NM | 102.5 | 8.60 | 7.53 |
| Intel | Neutral | 472,644 | US$ 99.17 | US$ 83 | 7.5 | 6.9 | 19.7 | 17.0 | 50.5 | 39.2 | 3.56 | 2.98 |
| Marvell Technology | Buy | 223,581 | US$ 263.47 | US$ 230 | 19.6 | 13.6 | 87.3 | 45.9 | 65.1 | 42.6 | 12.37 | 11.23 |
| MediaTek | Buy | 207,176 | NT$ 4070 | NT$ 5500 | 5.3 | 3.6 | 19.7 | 12.5 | 24.9 | 15.7 | 12.69 | 9.77 |
| Novatek | Neutral | 9,135 | NT$ 473 | NT$ 440 | 2.2 | 2.0 | 11.1 | 10.3 | 15.9 | 14.8 | 3.84 | 3.64 |
| NVIDIA | Buy | 4,984,956 | US$ 205.1 | US$ 280 | 11.8 | 7.6 | 17.4 | 10.9 | 21.0 | 13.0 | 16.29 | 9.88 |
| Parade Technologies | Neutral | 1,661 | NT$ 663 | NT$ 580 | 2.1 | 1.7 | 9.7 | 7.1 | 14.1 | 10.3 | 2.02 | 1.83 |
| Qualcomm Inc. | Neutral | 231,920 | US$ 215.94 | US$ 170 | 5.4 | 5.1 | 22.4 | 20.7 | 19.8 | 18.1 | 8.46 | 8.03 |
| **Average** | | | | | **8.9** | **6.6** | **22.0** | **32.1** | **29.8** | **28.5** | **10.44** | **7.99** |
| **IC Design House / IP** | | | | | | | | | | | | |
| Alchip | Buy | 10,764 | NT$ 4170 | NT$ 6000 | 2.6 | 2.0 | 14.0 | 11.0 | 19.6 | 15.4 | 5.49 | 4.52 |
| Faraday Technology | Neutral | 1,455 | NT$ 176 | NT$ 179 | 1.9 | 1.5 | 9.1 | 7.2 | 16.3 | 12.9 | 2.88 | 2.58 |
| Global Unichip | Buy | 18,089 | NT$ 4255 | NT$ 6260 | 4.8 | 3.5 | 33.4 | 23.6 | 41.1 | 29.0 | 20.59 | 13.16 |
| SemiFive | Buy | 594 | Won 26800 | Won 44000 | 2.0 | 1.2 | 20.5 | 8.7 | 29.3 | 13.0 | 3.43 | 2.79 |
| **Average** | | | | | **2.8** | **2.0** | **19.2** | **12.6** | **26.6** | **17.6** | **8.10** | **5.76** |

Source: UBS estimates. Priced as of 8 June (APAC) and 5 June (Europe/US).

**Figure 3: UBS global semis valuation (continued)**

| | Rating | Mtk Cap (US$m) | Price | Target | EV/Sales 27E | EV/Sales 28E | EV/EBITDA 27E | EV/EBITDA 28E | P/E 27E | P/E 28E | P/BV 27E | P/BV 28E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Memory** | | | | | | | | | | | | |
| Micron Technology | Buy | 969,822 | US$ 864.01 | US$ 1625 | 4.0 | 3.2 | 4.4 | 3.5 | 5.6 | 4.5 | 3.55 | 2.18 |
| Nanya Tech | Buy | 33,387 | NT$ 339.5 | NT$ 495 | 1.9 | 1.6 | 2.6 | 2.4 | 3.8 | 3.6 | 2.03 | 1.50 |
| Samsung Electronics | Buy | 1,144,406 | Won 295500 | Won 550000 | 1.3 | 1.2 | 1.9 | 1.7 | 3.4 | 3.1 | 1.45 | 1.10 |
| SK Hynix | Buy | 910,167 | Won 1911000 | Won 3000000 | 2.0 | 1.8 | 2.3 | 2.1 | 3.0 | 2.5 | 1.86 | 1.27 |
| **Average** | | | | | **2.3** | **2.0** | **2.8** | **2.4** | **4.0** | **3.4** | **2.22** | **1.51** |
| **Foundries** | | | | | | | | | | | | |
| GlobalFoundries | Neutral | 41,971 | US$ 75.53 | US$ 77 | 4.7 | 4.3 | 13.0 | 11.5 | 28.9 | 23.9 | 3.18 | 2.97 |
| Hua Hong Semicon | Neutral | 30,038 | HK$ 137.1 | HK$ 104 | 9.6 | 8.5 | 29.9 | 24.2 | NM | NM | 4.26 | 4.04 |
| PSMC | Neutral | 8,868 | NT$ 67.5 | NT$ 60 | 3.4 | 3.1 | 7.7 | 6.6 | NM | 9.8 | 2.14 | 1.76 |
| SMIC | Neutral (CBE) | 74,189 | HK$ 72.55 | HK$ 76 | 6.2 | 5.5 | 10.7 | 9.6 | 32.6 | 24.5 | 2.94 | 2.62 |
| TSMC | Buy | 1,888,830 | NT$ 2295 | NT$ 3000 | 8.0 | 6.2 | 11.0 | 8.3 | 17.6 | 13.5 | 5.92 | 4.33 |
| UMC | Buy | 48,341 | NT$ 121 | NT$ 108 | 4.4 | 3.7 | 9.2 | 7.9 | 21.2 | 16.3 | 3.36 | 3.07 |
| Vanguard | Neutral | 9,273 | NT$ 156.5 | NT$ 155 | 4.4 | 3.7 | 10.8 | 9.1 | 23.2 | 17.3 | 3.18 | 2.92 |
| Win Semis | Neutral | 6,075 | NT$ 451.5 | NT$ 535 | 6.4 | 5.6 | 19.9 | 17.4 | 39.7 | 33.9 | 4.10 | 3.86 |
| **Average** | | | | | **5.9** | **5.1** | **14.0** | **11.8** | **27.2** | **19.9** | **3.64** | **3.20** |
| **OSAT / Testing** | | | | | | | | | | | | |
| Amkor | Neutral | 15,953 | US$ 25.71 | US$ 80 | 1.9 | 1.7 | 10.1 | 8.1 | 23.6 | 17.6 | 2.91 | 2.54 |
| ASE | Buy | 76,229 | NT$ 540 | NT$ 660 | 2.9 | 2.5 | 9.4 | 7.4 | 20.5 | 15.9 | 5.23 | 4.49 |
| Chipbond | Buy | 5,743 | NT$ 243 | NT$ 340 | 5.4 | 4.3 | 17.2 | 13.5 | 29.6 | 22.1 | 3.47 | 3.23 |
| ChipMOS | Buy | 1,950 | NT$ 87.2 | NT$ 105 | 2.0 | 1.8 | 6.4 | 5.8 | 16.1 | 14.1 | 2.17 | 2.00 |
| Huatian Technology | Neutral | 7,998 | Rmb 16.8 | Rmb 12.7 | 2.8 | 2.5 | 14.7 | 12.7 | 45.8 | 37.2 | 2.74 | 2.57 |
| Inari | Neutral | 2,077 | RM 2.23 | RM 1.4 | 5.0 | 4.7 | 20.1 | 18.5 | 38.8 | 36.0 | 3.88 | 3.71 |
| King Yuan | Buy | 11,196 | NT$ 288.5 | NT$ 380 | 5.7 | 4.9 | 9.5 | 8.1 | 16.6 | 13.8 | 5.12 | 4.37 |
| JCET Group | Buy | 18,545 | Rmb 70.3 | Rmb 79.5 | 2.4 | 2.2 | 15.5 | 13.4 | 35.5 | 26.2 | 3.72 | 3.31 |
| Powertech | Neutral | 7,445 | NT$ 309 | NT$ 240 | 2.9 | 2.6 | 8.6 | 7.4 | 20.6 | 17.3 | 3.32 | 2.99 |
| **Average** | | | | | **3.4** | **3.0** | **12.4** | **10.5** | **27.4** | **22.2** | **3.62** | **3.25** |
| **Silicon Wafers** | | | | | | | | | | | | |
| GWC | Buy | 11,654 | NT$ 768 | NT$ 800 | 4.5 | 3.3 | 10.4 | 6.8 | 30.6 | 18.1 | 3.49 | 3.07 |
| Shin-Etsu | Buy | 80,264 | ¥ 6863 | ¥ 8160 | 3.7 | 3.7 | 9.8 | 9.3 | 18.2 | 16.9 | 2.71 | 2.57 |
| Siltronic | Neutral | 3,238 | € 91.3 | € 82 | 2.7 | 2.4 | 9.3 | 7.2 | NA | NA | 1.65 | 1.63 |
| SUMCO | Neutral | 7,688 | ¥ 3522 | ¥ 3100 | 3.4 | 3.2 | 11.2 | 10.0 | 146.6 | 40.9 | 2.23 | 2.17 |
| Soitec | Neutral | 6,374 | € 146.65 | € 26 | 7.8 | 7.4 | 21.0 | 20.5 | 67.4 | 57.7 | 3.35 | 3.13 |
| **Average** | | | | | **3.6** | **3.1** | **9.8** | **7.8** | **24.4** | **17.5** | **2.62** | **2.42** |
| **Semiscap** | | | | | | | | | | | | |
| AccoTEST | Neutral | 8,734 | Rmb | Rmb 306 | 20.5 | 15.7 | 44.0 | 32.8 | 50.9 | 38.4 | 9.98 | 8.44 |
| Advantest | Neutral | 114,281 | ¥ 25235 | ¥ 34000 | 9.6 | 9.0 | 19.9 | 18.7 | 25.6 | 23.1 | 12.26 | 9.29 |
| ACM Research | Buy | 17,385 | Rmb 245.6 | Rmb 255 | 9.8 | 7.5 | 43.1 | 30.3 | 48.2 | 33.7 | 7.07 | 6.03 |
| AMEC | Buy | 36,512 | Rmb 265.47 | Rmb 403 | 9.1 | 6.4 | 37.2 | 24.6 | 39.6 | 27.2 | 7.71 | 6.15 |
| Applied Materials | Buy | 359,211 | US$ 453.01 | US$ 545 | 7.9 | 6.1 | 20.5 | 14.6 | 24.3 | 17.3 | 10.43 | 8.38 |
| ASMPT | Buy | 8,987 | HK$ 169.9 | HK$ 200 | 3.0 | 2.5 | 13.6 | 11.0 | 22.9 | 18.6 | 3.53 | 2.92 |
| ASMI | Buy | 49,187 | € 867 | € 1000 | 8.1 | 6.7 | 19.8 | 16.1 | 30.1 | 25.7 | 7.02 | 5.76 |
| ASML | Buy | 661,459 | € 1462.2 | € 1900 | 10.4 | 8.7 | 24.2 | 19.1 | 30.4 | 24.7 | 16.31 | 11.84 |
| BE Semiconductor | Buy | 24,615 | € 271.4 | € 280 | 16.0 | 11.2 | 34.6 | 22.6 | 45.6 | 29.1 | 31.48 | 23.04 |
| Changchuan Tech | Buy | 18,743 | Rmb 200.4 | Rmb 280 | 13.1 | 9.7 | 37.7 | 26.1 | 41.7 | 30.0 | 13.76 | 9.74 |
| Eugene Technology | Buy | 1,941 | Won 129500 | Won 182000 | 4.1 | 3.2 | 14.6 | 10.6 | 19.9 | 15.1 | 4.37 | 3.43 |
| Gudeng | Buy | 1,527 | NT$ 501 | NT$ 710 | 3.7 | 3.0 | 14.3 | 11.3 | 25.1 | 18.4 | 3.81 | 3.54 |
| Hanmi Semiconductor | Sell | 15,807 | Won 253500 | Won 170000 | 19.4 | 15.7 | 37.5 | 30.4 | 47.8 | 40.0 | 20.23 | 15.89 |
| KLA Corporation | Neutral | 253,721 | US$ 1929.2 | US$ 2050 | 14.4 | 11.2 | 29.0 | 20.9 | 36.3 | 25.9 | 32.73 | 24.30 |
| LAM Research | Buy | 381,883 | US$ 303.28 | US$ 360 | 11.3 | 8.2 | 27.7 | 18.2 | 32.8 | 21.1 | 25.94 | 20.96 |
| Lasertec | Neutral | 21,875 | ¥ 39100 | ¥ 43500 | 10.2 | 9.4 | 19.7 | 18.2 | 30.5 | 28.7 | 8.97 | 3.51 |
| NAURA Technology | Buy | 62,590 | Rmb 585.74 | Rmb 800 | 5.9 | 4.4 | 28.6 | 19.7 | 36.6 | 25.4 | 7.74 | 6.05 |
| SCREEN Holdings | Neutral | 13,880 | ¥ 11760 | ¥ 11500 | 2.3 | 2.2 | 8.3 | 8.0 | 14.2 | 13.9 | 3.79 | 3.51 |
| SUSS MicroTec | Buy | 2,007 | € 91.05 | € 105.5 | 2.1 | 1.8 | 12.8 | 9.9 | 21.0 | 15.9 | 3.55 | 3.51 |
| Teradyne | Buy | 56,283 | US$ 357.93 | US$ 440 | 7.4 | 9.4 | 18.7 | 27.2 | 24.4 | 38.8 | 10.34 | 3.51 |
| Tokyo Electron | Buy | 156,211 | ¥ 55020 | ¥ 28000 | 6.5 | 6.3 | 17.3 | 16.6 | 24.4 | 23.2 | 9.59 | 3.51 |
| Wonik IPS | Buy | 3,339 | Won 104900 | Won 145000 | 3.1 | 2.5 | 16.8 | 11.8 | 25.0 | 17.9 | 4.03 | 3.34 |
| **Average** | | | | | **8.5** | **6.9** | **23.9** | **18.5** | **30.9** | **24.4** | **11.16** | **8.13** |
| **Sector / Regional Avg** | | | | | | | | | | | | |
| **US Semis** | | | | | **8.6** | **6.9** | **22.3** | **16.1** | **27.2** | **20.3** | **10.22** | **8.36** |
| **Europe Semis** | | | | | **6.7** | **5.5** | **19.1** | **14.9** | **33.2** | **25.5** | **9.43** | **7.38** |
| **Asia ex-Japan Semis** | | | | | **6.7** | **5.2** | **20.2** | **15.1** | **30.3** | **22.3** | **6.29** | **5.03** |
| **Japan Semis** | | | | | **5.4** | **5.4** | **14.4** | **14.4** | **23.1** | **23.0** | **6.15** | **3.69** |
| **GLOBAL SEMIS** | | | | | **6.8** | **5.5** | **18.8** | **14.7** | **28.9** | **22.0** | **7.40** | **5.79** |

Source: UBS estimates. Priced as of 8 June (APAC) and 5 June (Europe/US).

# Semis lead indicators

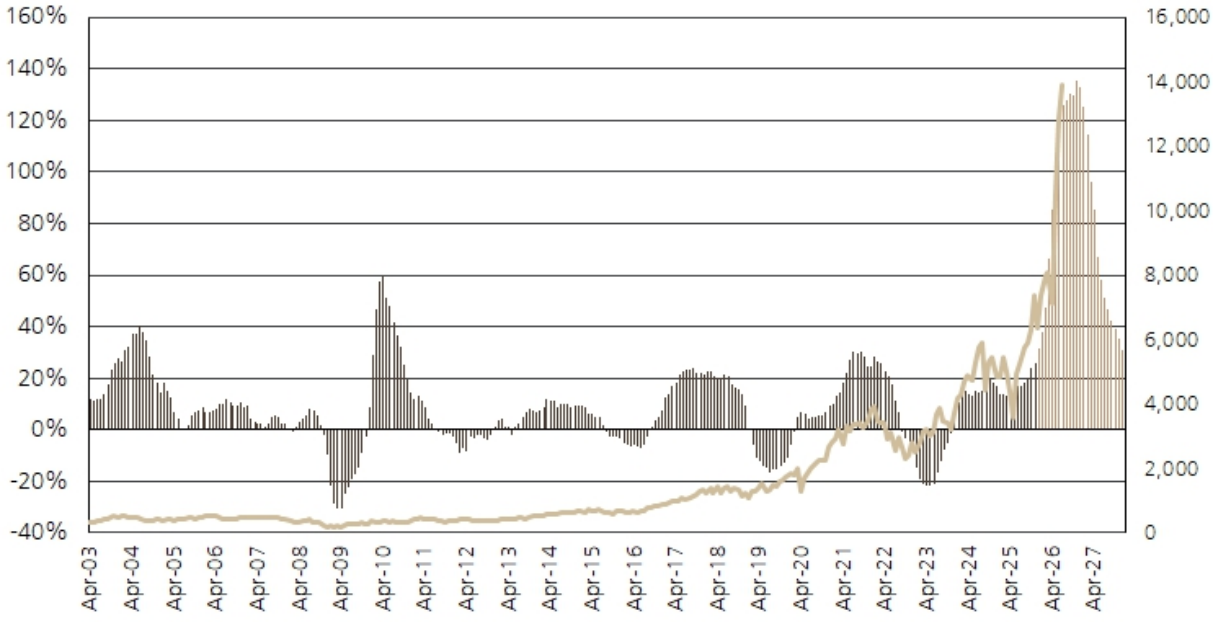
- **3MMA YoY semis revenue growth:** We forecast 3MMA global semis YoY revenue growth (sell-in) to accelerate throughout 1H26 and peak out at +135% YoY in October '26. Excluding Memory, we estimates 3MMA YoY revenue growth to peak out by September '26 at +35% YoY. Stocks typically peak out a few months ahead of this. **(Figures 9-11)**
- **Foundry capacity utilisation rates:** We forecast foundry utilisation rates to continue its upward trend through 2026 and most of 2027 and reach peak levels in 3Q27E. Stocks are typically 6 months ahead of this. **(Figure 13)**
- **YoY semis assembly equipment revenue growth:** We forecast YoY semis revenue growth to peak by 4Q27E. Stocks typically tend to move in the same time frame. **(Figure 14)**
- **Memory operating profits:** We forecast Memory operating profits to peak by 4Q27E. Stocks are typically 6 months ahead of this. **(Figure 15)**

**Figure 4: Summary of lead indicators and implications on stock troughs/peaks**

| | Lead Indication 'Color' | Recent Inflection (Peak/Trough) | Next Inflection (Peak / Trough) | | Suggested Stock Peak / Trough |
|---|---|---|---|---|---|
| **Lead indicator** | | | | | |
| 3MMA YoY semis revenue growth | Orange | Feb 25 (Trough) | October 26E (Peak) | | 1Q26E (Peak) |
| Foundry capacity utilisation rate | Green | 3Q23 (Trough) | 3Q27E (Peak) | | 1Q27E (Peak) |
| YoY assembly equipment revenue growth | Green | 3Q25 (Trough) | 4Q27E (Peak) | | 4Q27E (Peak) |
| Memory operating profits | Green | 1Q25 (Trough) | 4Q27E (Peak) | | 2Q27E (Peak) |

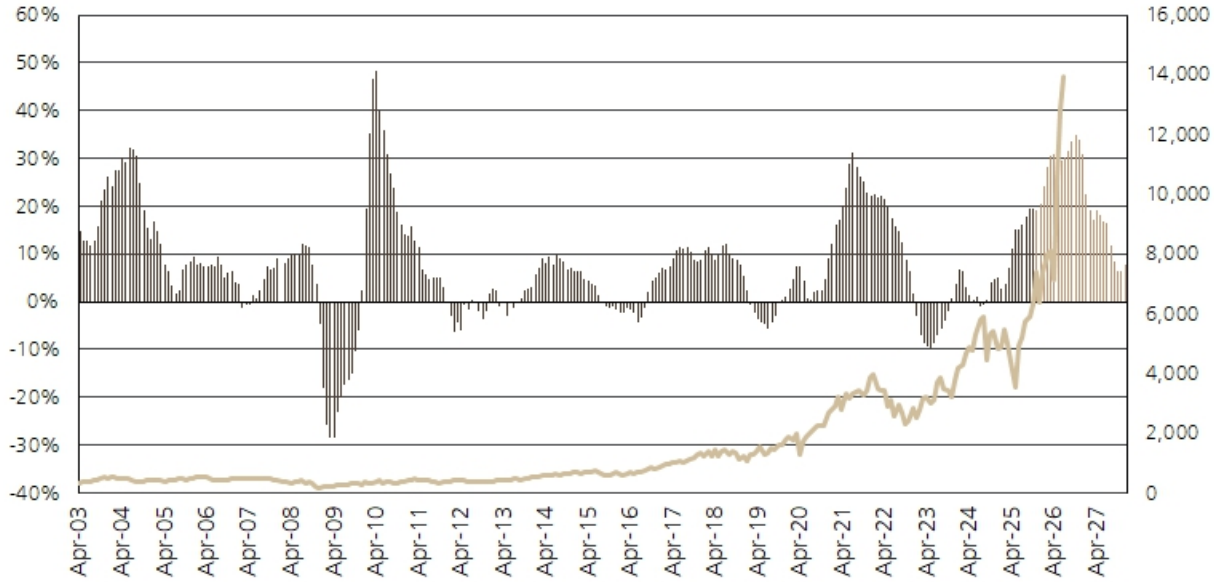
Source: Company data, UBS estimates

**Figure 5: Semis YoY 3MMA revenue growth (sell-in) vs. SOX**



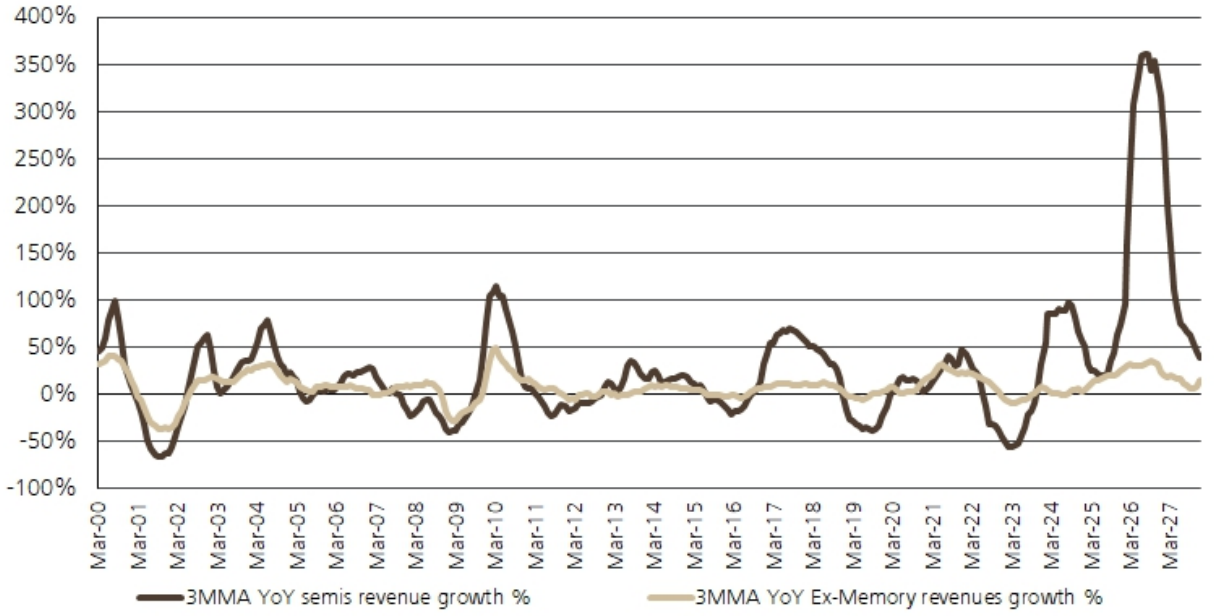

Source: SIA, Bloomberg, UBS estimates

**Figure 6: Semis ex-Memory YoY 3MMA revenue growth (sell-in) vs. SOX**



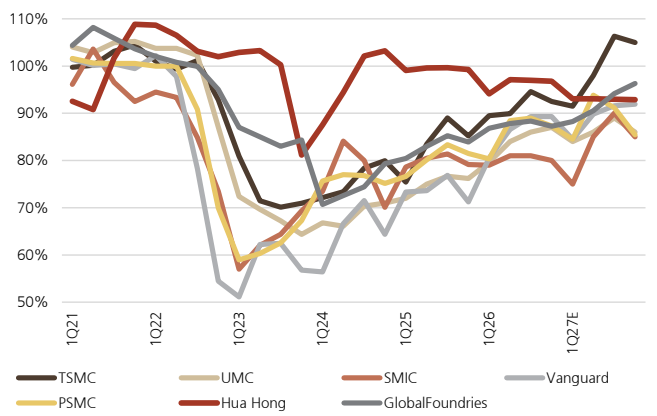

Source: SIA, Bloomberg, UBS estimates

**Figure 7: Memory YoY 3MMA revs growth vs. ex-memory semis YoY 3MMA revs growth**



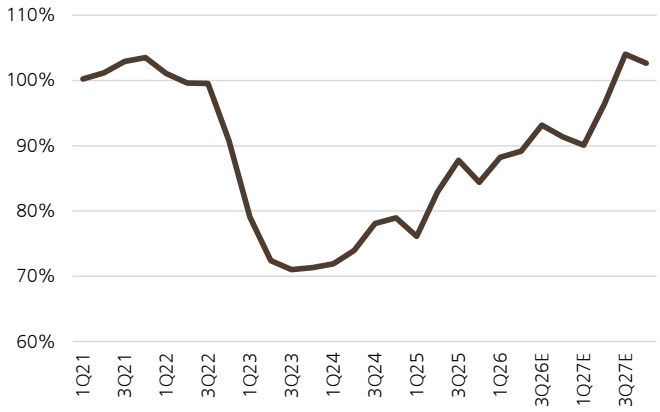

Source: SIA, UBS estimates

**Figure 8: Foundry capacity utilisation rates (1Q11-4Q27E)**



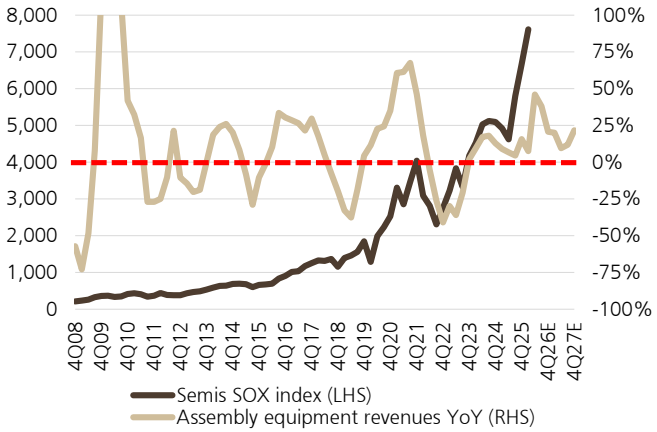

Source: Company data, UBS estimates

**Figure 9: Weighted average of foundry capacity utilisation rates (1Q11-4Q27E)**



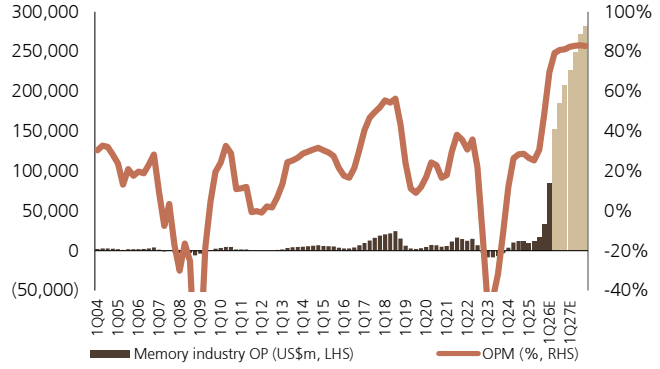

Source: Company data, UBS estimates. Note: Weighted average (by quarterly revenues) of TSMC, GlobalFoundries, UMC, SMIC, Vanguard, PSMC and Hua Hong

**Figure 10: Assembly equipment YoY revenue growth vs. SOX**



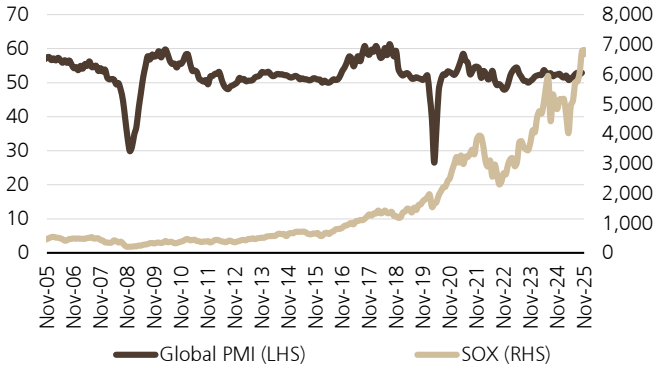

Source: Company data, Visible Alpha, UBS estimates

**Figure 11: Memory industry operating profit and OPM**



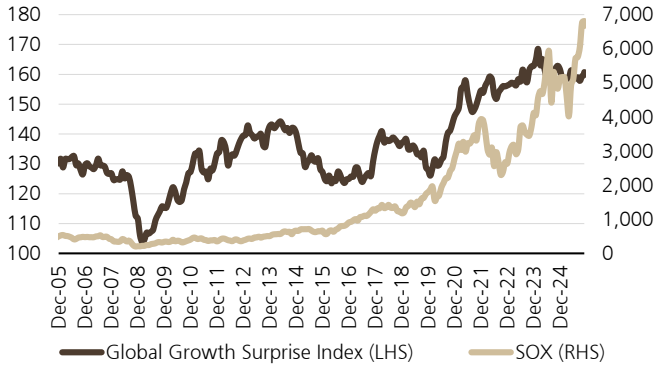

Source: Company data, UBS estimates

**Figure 12: Global PMI vs. SOX**




Source: Bloomberg

**Figure 13: Global Growth Surprise Index vs. SOX**




Source: Bloomberg

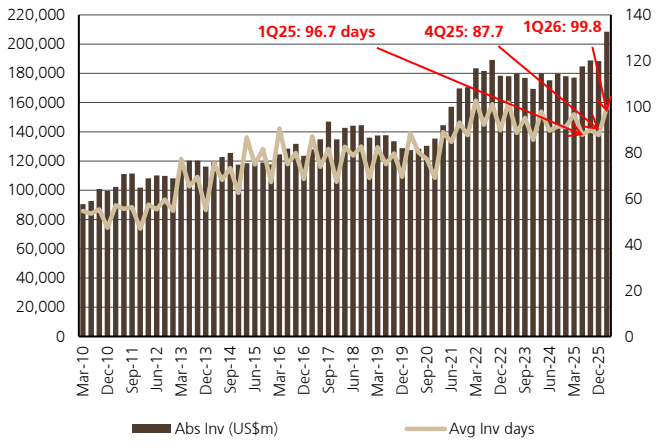
# Inventory Analysis

## Downstream Inventories

**OEM average for Mar/Apr'26-end inventory days trended up QoQ and up YoY at 99.8 days on average (up 12.1 days QoQ / up 3.1 days YoY) vs historical average of 84.7 days. OEM ex Autos and Industrials average inventory days were up 14.7 days QoQ and up 6.0 days YoY to 83.8 days vs historical average of 66.6 days.** For companies that have reported their March Q results, Autos saw inventory days trend up QoQ but down in YoY. PCs & IT Hardware, Communication Infra, Industrials along with Mobile Devices saw inventory days trend up for QoQ and YoY. Consumer Electronics saw inventory days trend up QoQ but down in YoY. Absolute inventory for OEMs on aggregate was 11% QoQ and up 18% YoY.

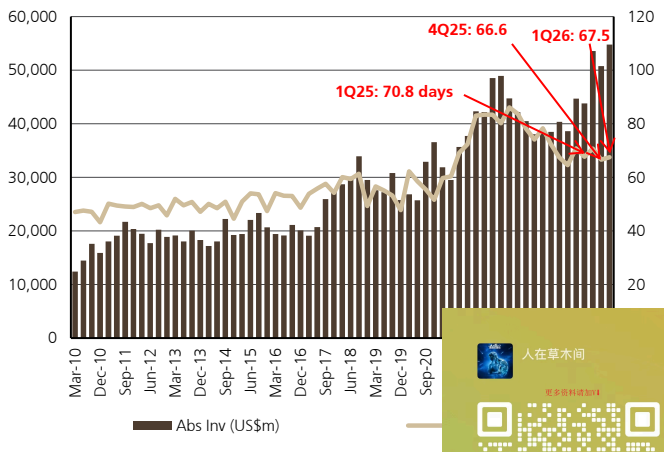
- **Mobile Devices:** Apple's inventory days was up 3.7 days QoQ and down 0.4 days YoY to 10.9 days, higher to historical average of 9.7 days. While Xiaomi saw inventory days trend up for both QoQ and YoY to 92.3 days, higher to historical average of 69.1 days.
- **Communication Infra:** Average inventory days for Communication Infra was up 12.2 days QoQ and up 0.1 days YoY to 105.4 days with absolute inventory up both 14% QoQ and 24% YoY. While Ericsson, Cisco and ZTE saw inventory days trend up for both QoQ and YoY. VIAVI Solutions and Nokia saw inventory days trend up QoQ but down YoY.
- **PCs/IT Hardware/HDD:** Average inventory days for PCs/IT Hardware was up 23.5 days QoQ and up 12.3 days YoY to 101.8 days, still trending above the historical average of 72.2 days. Absolute inventory was up both 26% QoQ and 43% YoY. Acer, Asustek, Dell, Gigabyte, HPQ, Inspur, Lenovo, MSI and Positivo saw inventory up for both QoQ and YoY. HPE, Elitegroup and Seagate saw inventory day go up QoQ but down YoY.
- **Consumer Electronics:** Inventory days for Consumer Elec OEMs on aggregate was up QoQ and down YoY to 48.6 days, trending above historical average of 48.0 days, with absolute inventory up flat QoQ and down 4% YoY. Electrolux saw both inventory days trend up QoQ and YoY while Whirlpool and LG Electronics saw inventory days trend down QoQ and YoY. Hisense saw inventory days come down QoQ but up on YoY. Sony saw inventory days come up QoQ but down on YoY.
- **Autos & Industrial:** Auto inventory days averaged 56.2 days, up 2.0 days QoQ and down 1.2 YoY days, trending above historical average of 48.9 days. Industrial inventory days averaged 144.5 days, up 12.3 days QoQ and up 1.5 days YoY, trending well above historical average of 129.6 days. AVIC Jonhon , Emerson, Honeywell, Siemens saw inventory up for QoQ and YoY while Estun Automation, Hyundai Mobis and Magna saw inventory down for QoQ and YoY. Hongfa Technology saw decrease inventory days for QoQ but increase in YoY while General Electric, Legrand, Cummins, Guangzhou and Shenzhen Yinghe saw inventory days come up QoQ but down on YoY.

**Figure 14: OEMs – absolute inventory & inventory days**



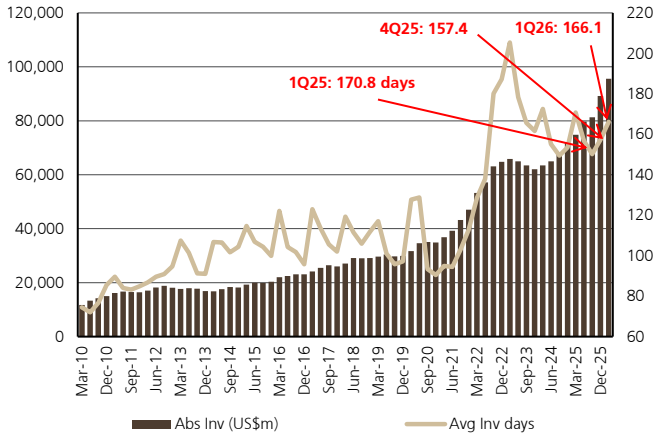

Source: Company data, UBS

**Figure 15: EMS– absolute inventory & inventory days**



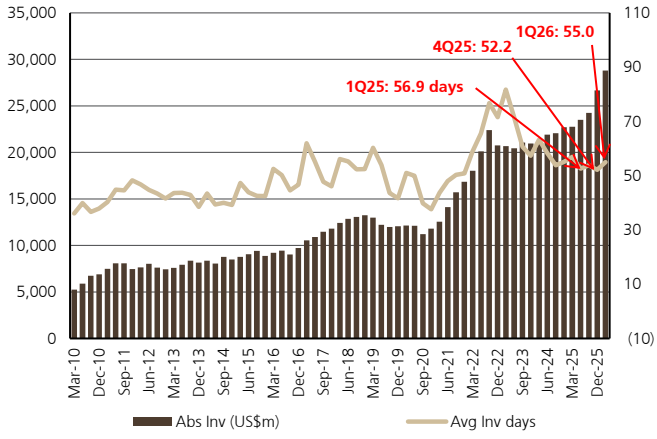

Source: Company data, UBS

**Figure 16: Non Memory Semis – absolute inventory & inventory days**




Source: Company data, UBS

**Figure 17: Distributors – absolute inventory & inventory days**



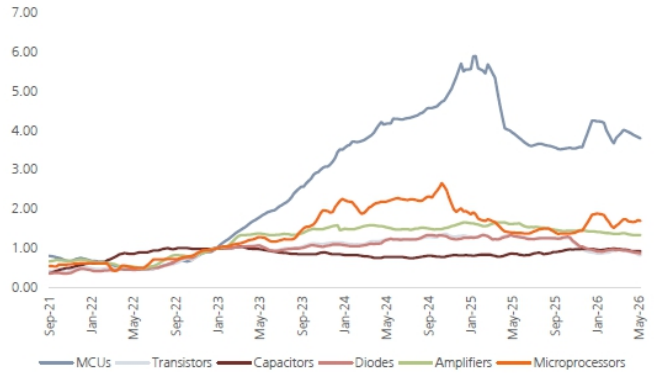

Source: Company data, UBS

## Upstream Inventories

**Average inventory days for non-memory semis companies were both up QoQ and down YoY to 166.1 days, still trending higher than historical average of 128.4 days.** Absolute inventory was up 7% QoQ and up 8% YoY.

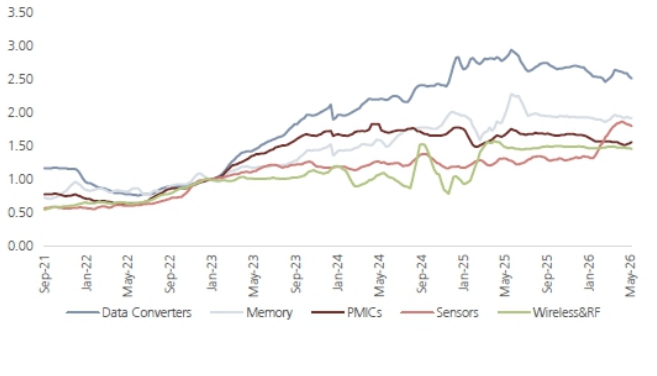
- AMD, Gigadevice, Ingenic, Infineon, Lattice, Magnachip Semi, Mircochip, Sunplus, Texas instrument saw inventory days trend down QoQ and YoY. While Global unichip, Goodix, Maxscend, Mediatek, Melexis, Montage tech, Novatek, ON semi, Qorvo, Qualcomm, Rockchip, Rohm, SGMicro, Will Semi, Broadcom saw inventory days go up QoQ and YoY.
- Analog devices, Marvell, Realtek, Nvidia, Novosense saw inventory days trend down QoQ and up YoY. NXP, Intel saw inventory days go up QoQ and down YoY.

**Figure 18: Normalised semis units inventory trends around 100+ global distributors (1)**




Source: UBS Evidence Lab (> Access Dataset)

**Figure 19: Normalised semis units inventory trends around 100+ global distributors (2)**



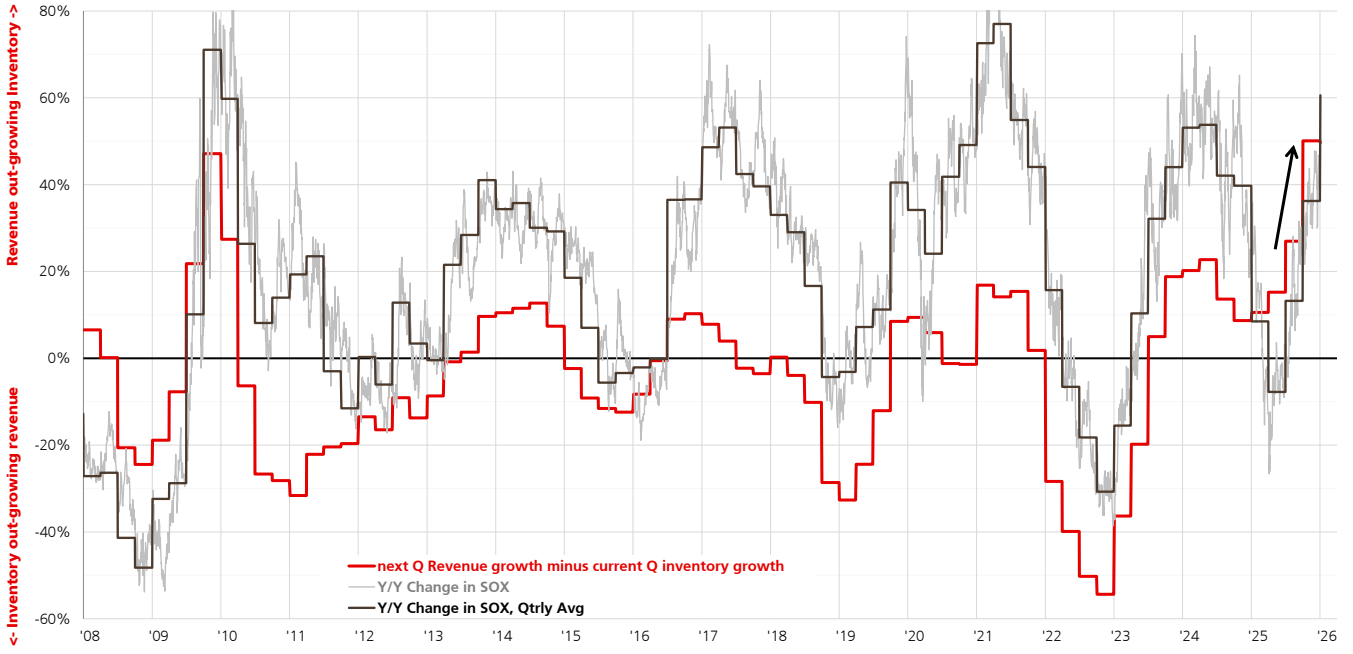

Source: UBS Evidence Lab (> Access Dataset)

# Inventory Analysis: Outlook Still Constructive

One of our most important pieces of cyclical analysis is the relationship between semiconductor inventory growth and the subsequent quarter's revenue growth. Semiconductor companies calibrate production in response to demand signals, creating a push-pull dynamic that drives an inventory cycle, which in turn drives the semis industry's cycles. In this context, increasing production yields favorable incremental margins and cash flow given the industry's natural operating leverage and wafer fab capacity utilization. For the same reason, trimming production comes at a strong marginal cost to profitability. As a result, semiconductor stocks typically perform best when inventory is chasing demand — in other words, when revenue outgrows the underlying inventory base.

The current cycle began in Q1:22, with inventory expanding well ahead of forward revenue. By Q4:22, this spread peaked above 50%, a historically strong buy signal. In Q3:23, revenue began to outpace inventory, though the rebound has been uneven across end markets, with some still digesting prior excess inventory. The spread between forward revenue growth and current quarter's inventory growth peaked above 20% in Q2:24—a period of very strong stock performance—and has narrowed since. As of Q1:26, aggregate inventory on chip company balance sheets rose 20% Y/Y, well above the 8-12% growth observed over the previous three quarters. This suggests revenue continues to outgrow inventory by a low-single-digit percentage, with the spread widening by ~400 bps Q/Q. Based on this metric, stocks should still be able to move higher over the next 12 months, supported by quarterly revenue growth sustaining above 60% Y/Y, driven largely by strength in the Memory segment. A key metric we are watching is how quickly the broad-based companies increase factory loadings because the demand recovery has been thus far quite uneven outside of anything AI-related. For the duration of what's left in the cycle, it would be better if production is turned on gradually. Once we see production and balance sheet inventory catching up to demand, a more cautious sector stance is appropriate.

**Figure 20: Inventory Momentum Analysis**




Source: Company data, UBS estimates

# Semiconductor revenues forecasts

**We meaningfully raise our 2026E/2027E semis industry Sell In revenue forecasts** primarily on the back of reflecting incremental upside to 1/ Memory and 2/ sever CPU demand driven by agentic AI (link).

**We now forecast semis industry Sell In revenues to grow +118% YoY in 2026E to US$1.62tn (was +98% YoY or US$1.47tn prior)**, with grow accelerating further after a strong growth year in 2025 (US$746bn, +24% YoY). Within this, we expect semis ex-memory revenues to grow 29% YoY to US$663bn. **We also raise our semis industry Sell In revenue forecasts for 2027E to US$2.38tn or +46% YoY (was US$1.99tn or +35% YoY)**, with ex-memory revenues at US$740bn (+12% YoY)

**We now forecast cloud AI compute semis revenues (including GPUs/ AI accelerators, CPUs, HBM and DRAM for AI servers) to account for 34% of semis revs in 2026E and continue to grow to account for 48% in 2027E.** We forecast semis revenues ex-AI cloud computing to grow +112% YoY to US$1.06tn in 2026E – supported primarily by conventional memory – before stabilizing at +17% (US $1.24tn) in 2027E.

**Figure 21: Changes to forecasts**

| | New | | Old | | % Change | |
|---|---|---|---|---|---|---|
| **(Unit: US$bn)** | **2026E** | **2027** | **2026E** | **2027E** | **2026E** | **2027E** |
| **Semis revenues** | **1,624.1** | **2,378.1** | **1,471.5** | **1,990.0** | ***10.4%*** | ***19.5%*** |
| *YoY growth %* | *117.8%* | *46.4%* | *98.3%* | *35.2%* | | |
| **Semis (ex-memory) revenues** | **663.0** | **740.4** | **657.9** | **768.8** | ***0.8%*** | ***-3.7%*** |
| *YoY growth %* | *28.5%* | *11.7%* | *26.8%* | *16.9%* | | |

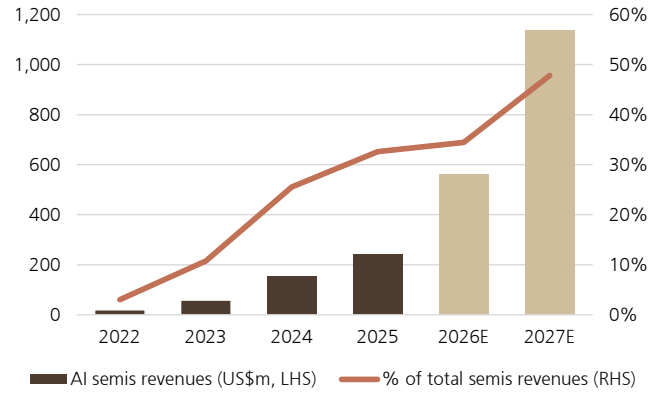
Source: SIA, Company data, UBS estimates

**Figure 22: Global semis revenues forecasts by product segment (Sell-In basis)**

| **Revenues (US$bn)** | | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026E** | **2027E** |
|---|---|---|---|---|---|---|---|---|---|---|
| **MPU** | | **48.0** | **51.8** | **57.8** | **50.8** | **45.5** | **54.2** | **60.2** | **75.3** | **96.4** |
| | *% YoY* | *2.3%* | *8.0%* | *11.5%* | *-12.0%* | *-10.5%* | *19.1%* | *11.2%* | *25.0%* | *28.0%* |
| **MCU** | | **15.8** | **15.5** | **19.6** | **25.0** | **27.9** | **22.5** | **21.6** | **25.5** | **29.3** |
| | *% YoY* | *-7.4%* | *-2.0%* | *26.7%* | *27.5%* | *11.4%* | *-19.4%* | *-4.0%* | *18.0%* | *15.0%* |
| **Analog** | | **53.9** | **55.7** | **74.1** | **89.0** | **81.1** | **79.5** | **86.5** | **100.4** | **115.4** |
| | *% YoY* | *-8.3%* | *3.3%* | *33.1%* | *20.1%* | *-8.8%* | *-2.0%* | *8.8%* | *16.0%* | *15.0%* |
| **CMOS Logic** | | **109.0** | **120.8** | **157.7** | **178.1** | **176.3** | **189.9** | **252.8** | **362.5** | **392.9** |
| | *% YoY* | *-3.1%* | *10.8%* | *30.5%* | *12.9%* | *-1.0%* | *7.7%* | *33.1%* | *43.4%* | *8.4%* |
| **Memory** | | **106.4** | **117.5** | **153.8** | **129.8** | **92.3** | **165.1** | **230.0** | **961.1** | **1,637.7** |
| | *% YoY* | *-32.6%* | *10.4%* | *30.9%* | *-15.6%* | *-28.9%* | *78.8%* | *39.3%* | *317.8%* | *70.4%* |
| **Total IC** | | **333.2** | **361.2** | **463.0** | **472.7** | **423.1** | **511.1** | **651.1** | **1,524.7** | **2,271.7** |
| | *% YoY* | *-15.3%* | *8.4%* | *28.2%* | *2.1%* | *-10.5%* | *20.8%* | *27.4%* | *134.2%* | *49.0%* |
| **Discrete, Opto & Passives** | | **78.9** | **79.2** | **92.9** | **99.7** | **98.4** | **91.0** | **94.7** | **99.4** | **106.4** |
| | *% YoY* | *4.6%* | *0.3%* | *17.3%* | *7.3%* | *-1.3%* | *-7.5%* | *4.0%* | *5.0%* | *7.0%* |
| **Total Semiconductors** | | **412.1** | **440.4** | **555.9** | **572.4** | **521.5** | **602.2** | **745.8** | **1,624.1** | **2,378.1** |
| | *% YoY* | *-12.1%* | *6.9%* | *26.2%* | *3.0%* | *-8.9%* | *15.5%* | *23.9%* | *117.8%* | *46.4%* |
| **Semis ex memory** | | **305.7** | **322.9** | **402.1** | **442.6** | **429.2** | **437.1** | **515.8** | **663.0** | **740.4** |
| | *% YoY* | *-1.7%* | *5.6%* | *24.5%* | *10.1%* | *-3.0%* | *1.8%* | *18.0%* | *28.5%* | *11.7%* |
| **Semis ex memory ex CPU** | | **257.7** | **271.1** | **344.3** | **391.8** | **383.7** | **382.9** | **455.5** | **587.7** | **644.0** |
| | *% YoY* | *-2.4%* | *5.2%* | *27.0%* | *13.8%* | *-2.1%* | *-0.2%* | *19.0%* | *29.0%* | *9.6%* |

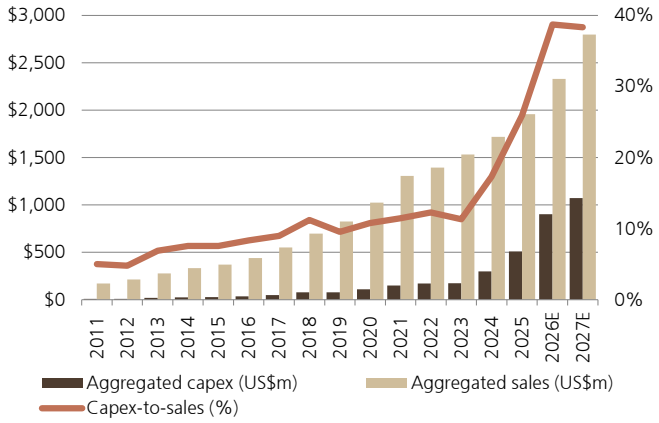
Source: SIA, Company data, UBS estimates

**Figure 23: AI cloud computing semis revs - absolute / % of total 2022-2027E**




Source: SIA, UBS estimates

**Figure 24: Top 4 hyperscalers' capex forecasts aggregate (US$bn) and as % of sales**




Source: SIA, UBS estimates

**Figure 25: Semis industry revenues breakdown between Cloud AI vs. non-Cloud AI (2022-2027E)**

| | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Total semis industry revenues (US$ bn)** | **572,384** | **521,473** | **602,173** | **745,814** | **1,624,128** | **2,378,051** |
| *YoY growth (%)* | | *-9%* | *15%* | *24%* | *118%* | *46%* |
| **AI cloud computing semis revenues (US$ bn)** | **17,255** | **55,995** | **153,704** | **243,117** | **559,659** | **1,137,182** |
| *YoY growth (%)* | | *225%* | *174%* | *58%* | *130%* | *103%* |
| ***As % of total semis revenues*** | ***3%*** | ***11%*** | ***26%*** | ***33%*** | ***34%*** | ***48%*** |
| **Semis industry revenues ex-AI cloud computing (US$ bn)** | **555,129** | **465,478** | **448,469** | **502,696** | **1,064,469** | **1,240,869** |
| *YoY growth (%)* | | *-16%* | *-4%* | *12%* | *112%* | *17%* |
| ***As % of total semis revenues*** | ***97%*** | ***89%*** | ***74%*** | ***67%*** | ***66%*** | ***52%*** |

Source: Company data, UBS estimates