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US Semiconductor Equipment

Big Three Capex Preview

CITI'S TAKE

We preview the capex updates of the Big-Three (TSMC, Samsung, and Intel) ahead of 2Q earnings. The Big-Three were ~55% of 2025 WFE spend. We maintain our view that the equipment group is in Phase 2 upcycle and believe 2026/27/28 WFE is tracking towards our bull cases of $145Bn/$200Bn/$250Bn (see note). While we expect modest upward revisions to 2026 capex across the Big Three due to equipment lead times, we believe investor focus is increasingly centered on the potential for further spending upside in 2027/2028 plus modest gross margin lift from pricing/volume. We like Buy-rated AMAT, LRCX, TER, and AEIS into earnings.

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TSMC – TSMC (covered by Laura Chen) reports earnings on 7/16 before market open (see preview). On its April earnings call, TSMC raised 2026E capex to the high end of the $52-$56Bn range driven by robust demand from HPC and AI applications, and reiterated the expectation of significantly higher capex in the next three years. Citi models 2027E/28E capex of $75Bn/$80Bn, implying 36%/7% Y/Y growth and up from $68Bn/$75Bn prior, vs. Street consensus (FactSet) of 20%/19% growth (vs 16%/9% a quarter ago). Laura expects TSMC to keep 2026E capex guidance and remain constructive on demand over the next three years.

Intel – Intel reports earnings on 7/23 after market close (see preview). On its April earnings call, Intel revised 2026E gross capex up to be flat Y/Y (from flat-to-down) with a focus on equipment spending, which is expected to be up 25% Y/Y. We see upside potential from higher equipment spending in 2026, and further upsides into 2027E and beyond on the turnaround of foundry business, driven by Terafab collaboration, potential Apple and Google manufacturing partnerships which could be upside to the Ohio fab, and incremental traction of backend EMIB-T advanced packaging. We believe that 18A manufacturing remains on track, and the company expects customers to make decisions on 14A in 2H26/1H27. Citi models Intel capex growth of +5%/+41% in 2027E/28E, compared with Street estimates of +9%/+17%.

Samsung – Samsung (covered by Peter Lee) reports earnings on 7/29 (see preview and most recent note) and reported preliminary results on 7/6 (see note). On its April earnings call, management expected substantial capex increase Y/Y driven by AI demand. We see upside from Samsung capex spending in the next few years with the recent announcement of 2,100T KRW (~$1.36Tn) semis investment from 2026-2040, spanning from expanding current manufacturing clusters (~$1.1Tn) and building new fabs (~$260Bn). We note that on the recent earnings call, peer Micron increased FY2026E (ending August 2026) net capex to over $27Bn from $25Bn prior, and anticipates FY2027E capex to be up substantially, likely $45Bn+ with more than

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half of the increase from construction (Citi models $50Bn). Moreover, Micron is accelerating its planned US fab investments to >$250B vs prior $200B through 2035 to support its long-term goal of producing 40% of its DRAM domestically. Citi models Samsung semiconductor capex to grow 34%/25%/41% in 2026E/27E/28E.

Companies Mentioned:
Advanced Energy Industries, Inc (AEIS.O; US$293.64; 1; 08 Jul 26; 16:00) | Applied Materials Inc (AMAT.O; US$570.5; 1; 08 Jul 26; 16:00) | Intel Corp (INTC.O; US$110.24; 1; 08 Jul 26; 16:00) | Lam Research Corp (LRCX.O; US$333.15; 1; 08 Jul 26; 16:00) | Micron Technology Inc (MU.O; US$948.8; 1; 08 Jul 26; 16:00) | Samsung Electronics (005930.KS; W278000.0; 1; 09 Jul 26; 15:45) | Teradyne Inc (TER.O; US$351.57; 1; 08 Jul 26; 16:00) | TSMC (2330.TW; NT$2415.0; 1; 09 Jul 26; 13:30)