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US Semiconductors

SWKS & QRVO – Maintain Neutral

CITI'S TAKE

We update SWKS and QRVO models post Jun-Q results. SWKS reported Jun-Q above Street consensus, and guided Sep-Q rev/EPS +1%/-2% compared to Street on slightly higher interest expense due to financing costs related to QRVO transaction. SWKS expects Sep-Q mobile rev to grow high-teens Q/Q driven by largest customer ramp, partially offset by Android. We adjust SWKS CY26/27 EPS estimates by -2%/-3% on lower GM and higher interest expense. QRVO Jun-Q results came above Street and expects FY27 GM to be above 50% and EPS above $7.00. We adjust QRVO CY26/27 EPS estimates by +10%/+2%. SWKS now expects the QRVO transaction to be closed within CY26 and could be as early as by Sep-Q end. We lower SWKS TP to $64, and QRVO TP to $95 on consistent 12x P/E applied to CY27 EPS, vs prior 14x/13x multiples respectively to reflect lower market multiples. Maintain Neutral on SWKS and QRVO.

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															Current Fiscal Year		Next Fiscal Year	
						Rating		Short-Term	Target Price						EPS		EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
Qorvo	QRVO	US$	87.67	7,734	28 Jul 22:00	2	nc	-	100.00	95.00	8.4	0.0	8.4	Mar-26	6.89	7.64	7.77	7.91
Skyworks Solutions	SWKS	US$	57.96	8,721	28 Jul 22:00	2	nc	-	77.00	64.00	10.4	0.0	10.4	Sep-25	5.02	5.04	5.24	4.99

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk
ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change
Source: Citi Research
^Catalyst Watch

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Earnings Estimates

				Last Reported Year					Current Fiscal Year					Next Fiscal Year				
Company Name	Ticker	Last Rpt Year	Currency	1Q	2Q	3Q	4Q	FY0	1Q	2Q	3Q	4Q	FY1	1Q	2Q	3Q	4Q	FY2
Qorvo	QRVO	Mar-26	US$	0.92	2.22	2.17	1.69	7.01	1.64	2.01	2.01	1.98	7.64	1.88	2.17	1.93	1.93	7.91
Old		Mar-26	US$	0.92	2.22	2.17	1.69	7.01	1.03	1.99	1.97	1.92	6.89	1.56	2.32	2.02	1.87	7.77
Skyworks Solutions	SWKS	Sep-25	US$	1.60	1.24	1.33	1.76	5.93	1.54	1.15	1.08	1.27	5.04	1.40	1.13	1.09	1.37	4.99
Old		Sep-25	US$	1.60	1.24	1.33	1.76	5.93	1.54	1.15	1.03	1.29	5.02	1.51	1.18	1.14	1.40	5.24

Source: Citi Research

SWKS/QRVO Jun-Q Review

Figure 1. SWKS CY P&L Changes

Key Financial Data -- Income Statement ($M), except per share	CY22 Dec-22	CY23 Dec-23	Act CY24 Dec-24	Act CY25 Dec-25	Old CY26E Dec-26	New CY26E Dec-26	Old CY27E Dec-27	New CY27E Dec-27
Revenue ($M)	5,305	4,645	4,045	4,054	3,985	3,996	4,264	4,281
YY	3.8%	-12.4%	-12.9%	0.2%	-1.7%	-1.4%	7.0%	7.1%
Gross Margin - GAAP	47.6%	42.6%	40.9%	41.1%	41.5%	40.4%	42.6%	41.2%
Gross Margin - Non-GAAP	51.3%	47.7%	46.0%	46.9%	45.4%	44.8%	46.3%	45.4%
RD Non-GAAP % sales	11.9%	12.8%	16.2%	20.0%	21.2%	21.3%	20.4%	20.5%
SG&A Non-GAAP % sales	6.3%	6.6%	7.5%	9.8%	11.8%	10.5%	11.1%	9.4%
OpExNon-GAAP % Sales	14.5%	15.9%	19.9%	22.5%	24.0%	23.9%	23.0%	22.8%
R&D inc-SBC	631	596	655	812	846	852	870	879
SG&A inc-SBC	332	308	305	397	472	418	475	403
OpEx (GAAP)	1,079	960	1,096	1,245	1,351	1,336	1,376	1,351
OpEx (non-GAAP)	769	741	804	913	957	955	979	976
Stock Compensation	194.2	188.9	178.0	209.2	215.0	184.8	223.1	181.5
Operating Margin Non-GAAP	36.8%	31.8%	26.1%	24.4%	21.4%	20.9%	23.3%	22.6%
Interest Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Expense	(53.9)	(57.5)	(27.4)	(26.5)	(30.0)	(35.2)	(30.0)	(43.6)
Other Income	(3.1)	21.0	42.3	49.9	27.8	30.2	32.0	33.9
Pretax Income Non-GAAP	1895.2	1441.0	1070.4	986.1	852.3	828.9	996.5	956.8
Tax Non-GAAP	168.6	171.8	116.4	93.0	91.0	82.2	117.0	108.1
Tax Rate Non-GAAP	8.9%	11.9%	10.9%	9.4%	10.7%	9.9%	11.7%	11.3%
Share Count	161.8	160.4	161.4	152.4	152.4	152.2	160.1	159.4
EPS (ex-1, ex-SBC, ex-amort)	**$10.67**	**$7.92**	**$5.91**	**$5.86**	**$4.99**	**$4.91**	**$5.50**	**$5.32**
Y/Y	4%	-26%	-25%	-1%	-15%	-16%	10%	7%
Consensus Sales						3,940		4,090
Consensus EPS (inc-SBC, ex-amort)						$4.85		$5.41

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Note: Figures on CY basis

Source: Citi Research, FactSet

Figure 2. QRVO CY P&L Changes

Key Financial Data -- Income Statement ($M), except per share	CY22 Dec-22	CY23 Dec-23	CY24 Dec-24	CY25 Dec-25	Old CY26E Dec-26	New CY26E Dec-26	Old CY27E Dec-27	New CY27E Dec-27
Revenue ($M)	4,103	3,461	3,790	3,740	3,371	3,474	3,702	3,738
YY	-9.9%	-15.6%	9.5%	-1.3%	-9.9%	-7.1%	9.8%	7.6%
Gross Margin - non-GAAP	48.7%	44.4%	44.4%	47.4%	50.7%	51.0%	50.2%	50.4%
RD % sales	15.7%	19.2%	19.7%	19.7%	20.6%	20.2%	19.2%	19.8%
SG&A % sales	8.8%	10.9%	10.7%	10.4%	10.1%	10.4%	9.3%	10.2%
OpEx % Sales	22.0%	27.2%	27.6%	27.1%	28.3%	27.6%	26.2%	27.0%
R&D	645	666	748	736	694	701	710	740
SG&A	360	379	406	387	340	360	345	383
OpEx (GAAP)	1,110	1,349	1,454	1,252	1,470	1,295	1,492	1,289
OpEx (non-GAAP)	901	940	1,046	1,012	954	958	972	1,008
Stock Compensation	97.2	117.9	130.2	137.4	94.5	134.9	99.9	153.7
Operating Income non-GAAP	1,097.8	596.5	635.5	760.2	754.0	811.6	885.3	876.9
Operating Margin (non-GAAP)	26.8%	17.2%	16.8%	20.3%	22.4%	23.4%	23.9%	23.5%
Interest Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Expense	(68.6)	(69.2)	(75.6)	(75.3)	(72.7)	(65.4)	(73.1)	(63.4)
Other Income	(3.0)	41.5	58.5	59.0	53.0	57.6	60.0	60.0
Pretax Income (non-GAAP)	1043.5	564.2	610.6	728.2	727.1	781.2	857.1	837.9
Tax (GAAP)	117.3	56.5	53.2	51.2	(32.6)	50.4	(5.8)	84.5
Tax Rate (non-GAAP)	111.9	63.5	58.9	96.9	110.0	119.5	136.9	129.1
Share Count	104.8	98.4	95.8	92.9	91.6	88.9	91.6	88.0
EPS (ex-1, ex-SBC, ex-amort)	**$8.87**	**$5.06**	**$5.74**	**$6.73**	**$6.67**	**$7.34**	**$7.82**	**$7.97**
Consensus Sales						3,388		3,586
Consensus EPS						$6.73		$7.72

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Note: Figures on CY basis

Source: Citi Research, FactSet

Bull/Bear: Qorvo (QRVO.O)

US$130.00 ▲48% Upside | US$95.00 ▲8.4% Upside | US$70.00 ▼20% Downside



Spread 68pp
Current Price and expected returns (upside/downside) as of 28 Jul 2026

BULL Assumptions

- Stronger than expected 5G Units/$ Content + share gains
- Valuation = 17x

BASE Assumptions

- Moderate 5G $ content gains + stable share
- Valuation = 12x

BEAR Assumptions

- Weaker than expected 5G Units/$ Content
- Share loss and gross margin deterioration
- Valuation = 9x

Bull/Bear: Skyworks Solutions, Inc. (SWKS.O)

US$105.00 ▲81% Upside | US$64.00 ▲10% Upside | US$50.00 ▼14% Downside



Spread 95pp
Current Price and expected returns (upside/downside) as of 28 Jul 2026

BULL Assumptions

- 5G opportunity grows strongly in 2026 + share gains
- Low L/T Apple substitution risk
- Valuation 19x

BASE Assumptions

- 5G opportunity grows modestly in 2026
- Moderate L/T Apple substitution risk
- Valuation 12x

BEAR Assumptions

- 5G opportunity not material in 2026 + further Apple share loss
- High L/T Apple substitution risk
- Valuation 9x

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Qorvo

Company description

Qorvo, Inc. engages in the provision of core technologies and radio frequency solutions for mobile, infrastructure, and aerospace or defense applications. Its products include amplifiers, control products, discrete transistors and integrated circuits, filters and duplexers, frequency converters, integrated modules, optical components, oscillators, passives and switches. The company was founded on December 13, 2013 and is headquartered in Greensboro, NC.

Investment strategy

We rate QRVO Neutral as the announced SWKS/QRVO merger deal could help with competition and concentration risk, while RF semis not being a major beneficiary of AI demand.

Valuation

Our target price of $95 is based on 12x P/E or below the three-year average of 14x times 2027E EPS to reflect market multiples contraction on smartphone market softness.

Risks

Upside risks to our estimates and target price include: 1) better-than-expected global smartphone demand and 5G adoption particularly in China; 2) higher-than-expected share gains at major customers; and 3) higher gross margins on manufacturing synergies.

Downside risks to our estimates and target price include: 1) new product introduction delays or unexpected loss in $ content at major OEMs; 2) faster-than-expected deceleration in global smartphone demand and 5G adoption; 3) increasing competition among four major RF makers and domestic China competitors; 4) lower gross margins and ASPs on aggressive capacity ramps at peers; 5) the announced SWKS/QRVO deal could not get regulatory approval.

Skyworks Solutions, Inc.

Company description

Skyworks Solutions is an innovator of high-performance analog semiconductors connecting people, places, and things. Skyworks Solutions designs, develops, manufactures, and markets proprietary semiconductor products. It supports automotive, broadband, cellular infrastructure, energy management, GPS, industrial, medical, military, wireless networking, smartphone, and tablet applications.

Investment strategy

We rate SWKS Neutral as the announced SWKS/QRVO merger deal could help with competition and concentration risk, while RF semis not being a major beneficiary of AI demand.

Valuation

Our target price of $64 is based on ~12x P/E multiplied by CY27E EPS, which is lower than one-year average of 16x to reflect smartphone market multiple compression.

Risks

Upside risks to achieving our estimates and target price include: 1) new product introduction or unexpected gain in $ content at major OEMs; 2) faster-than-expected China recovery; and 3) faster ramp to target gross margins.

Downside risks to achieving our estimates and target price include: 1) deceleration in global smartphone demand and 5G adoption; 2) higher competition among four major RF makers and domestic China competitors; and 3) lower gross margins and ASPs; 4) the announced SWKS/QRVO deal could not get regulatory approval.