UBS Global I/O Semiconductors

Auto semis Momentum Continues, but the Easy Upgrades Are Behind Us

Equities

Global

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Analog upcycle continues, but we remain selective

Following Q2, we reviewed leading indicators and refreshed our 2026E-27E automotive semiconductor outlook. Recent data suggest the cycle is progressing as expected, leaving our automotive forecasts broadly unchanged. We note modest upgrades to industrial forecasts from consensus and UBS. While pricing remains an upside risk in select AI-related markets, broader demand remains mixed and oversupply persists. We therefore see no conditions resembling a COVID-era shortage and maintain a selective stance. We also highlight slowing Chinese domestic auto demand, partly offset by exports, which could temper Europe's recovery.

1) Another positive set of expectations for 2026E Analog

Positive momentum continues into 2026E. Sector revenues grew 22% y-o-y in Q2'26 and consensus expects 24% growth in Q3'26, lifting FY26 growth to 23% (from 21%). Pricing remains supportive, with our distributor tracker showing +8% y-o-y in July and further announced increases in July/August. However, Q3 guidance implies a sixth consecutive quarter of above-seasonal growth, an unprecedented streak in over 20 years, including COVID. While this likely reflects a prolonged post-COVID recovery and emerging AI demand, it also suggests the industry may be entering its longest upcycle on record, raising the question of when growth normalises below seasonal trends.

2) Automotive recovery is here, but emerging headwinds persist

Auto semiconductor revenues rose 11% y-o-y in Q2'26 after +8% in Q1'26, marking the first sustained recovery in over two years; consensus expects +10% in Q3'26. We forecast +10% growth in 2026E and +12% in 2027E (vs. +10% and +14% previously) as destocking ends. We remain cautious on China, where Jan-Jul retail vehicle sales fell 23% y-o-y (EVs -15%), raising the risk of an H2'26 inventory correction, although exports helped limit total vehicle sales declines to 5% and lifted EV sales 8%. We now forecast global EV unit production growth of +13% in FY26, up from +9% in March.

3) Industrial expectations lifted once again

On the industrial side, revs grew 26% y-o-y in Q2'26, driven by solid performance across the main analog players, and we expect Industrial revs to grow by c27% y-o-y in 2026E vs 25% previously. For 2027E, we continue to forecast 16% y-o-y growth. AI continues to grow in importance with several companies lifting guidance, beating expectations, and gaining more visibility for the end-market during the quarter.

Latest datapoints from the quarter

1) The latest UBS distributor tracker data continued to read positively from a cycle standpoint, where pricing continued to tick up, increasing a further 2% m-o-m (+1% last month), now up 15% y-o-y on average, and inventory increased 4% m-o-m (vs. -6% last month); 2) July NEV wholesale volume accelerated to 1.4m units in July, down 2% MoM but up 22% YoY, driving wholesale EV penetration to a new high of 64%; 3) We continue to expect smartphone unit Sell-In to decline by ~14% YoY in 2H26 and by 10% YoY for the full year, with room for further downside.

Sector preferences - remaining positive but more selective

Analog semis are trading on c19.2x P/E 12m fwd, vs the 10Y avg of 19x. Most preferred names are Buy-rated TI, Renesas, and STM. Least preferred are ON (Neutral), IFX (Neutral), and Melexis (Neutral).

This report has been prepared by UBS AG London Branch. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 28.**

LEAD INDICATORS CONTINUE TO BE SUPPORTIVE

We believe lead indicators remain positive in FY26E.

Figure 1: UBS leading indicators for Autos/Industrial semis - Lead indicators globally positive but moderating

Indicator	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Q3'26E	Current Sentiment	Previous Sentiment	Commentary
1) Semis y-o-y revenue growth	21%	22%	23%	11%	5%	2%	-3%	-8%	-17%	-18%	-15%	-14%	-8%	1%	5%	11%	20%	22%	24%	+	+	Revenue continuing to accelerate in FY26E driven by cycle and AI
2) Semis vs OEM revenue gap	20%	23%	12%	1%	-4%	-12%	-13%	-15%	-15%	-16%	-12%	-12%	-6%	-2%	-3%	7%	15%	20%	23%	−	−	Strong outperformance driven by AI and/or overbuild
3) Inventory days - Semis	114	115	117	127	144	148	147	155	166	170	167	181	179	175	166	170	171	159	156	+	+	Inventory days declined in Q2 26 meaningfully
4) Inventory days - OEMs	75	80	75	75	79	84	77	77	80	84	79	74	75	73	72	73	77	75	71	+	+	Inventory days showing signs of decrease
5) Autos production y-o-y	-4%	1.3%	29.5%	3.4%	7.4%	17.1%	5.2%	10.5%	0.1%	-0.6%	-4.5%	1.0%	3.9%	3.7%	6.9%	1.6%	-1.9%	-2.2%	-1.5%	×	−	We estimate -1.8% y-o-y in 2026E (2025: +3.9%)with signs of decline in China

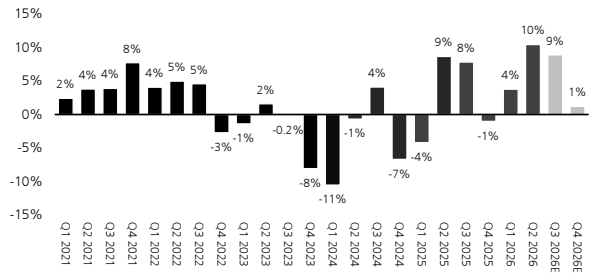
Source: UBS estimates

Figure 2: Analog semis end market and product exposures for 2025

	Infineon	Texas Instruments	ON Semi	STMicro	NXP	Microchip	Analog Devices	Renesas
End market exposure (%)	FY25	FY25	FY25	FY25	FY25	FY25	FY25	FY25
Automotive	58%	27%	56%	36%	59%	14%	27%	50%
Wired communication	1%	8%	3%	3%		4%	9%	3%
Wireless Communication	3%	7%	6%	30%	13%	4%	5%	5%
Consumer	7%	4%	4%	8%	2%	7%	7%	10%
Compute (Data centre + PC)	11%	13%	6%	6%	10%	15%	5%	18%
Storage Electronics		3%				7%		1%
Industrial and Military/Civil Aerospace Electronics	20%	37%	25%	17%	15%	48%	46%	12%
Product exposures (%)	FY25	FY25	FY25	FY25	FY25	FY25	FY25	FY25
Microcontroller (MCU)	32%	8%		26%	36%	51%		42%
Microprocessors		1%			2%			
Memory	4%		2%	2%		3%	1%	
General purpose logic		5%	2%			12%		2%
Analog	7%	57%	13%	7%	4%	11%	67%	9%
Power Discrete	30%	1%	50%	14%	2%	5%		5%
Optoelectronics			17%	10%				
Nonoptical Sensors	6%			6%	4%		3%	
Discrete Application/Multimedia processor		2%			11%			12%
Wireless connectivity	4%		2%	4%	11%	1%		2%
Wired connectivity	2%			3%	7%	8%	2%	6%
RF tranceivers	2%	1%		2%	8%		1%	
Power management	6%	14%	4%	9%	5%	3%	10%	11%
Other Application Specific	6%	5%	9%	17%	5%	4%	10%	11%
Market shares (%)	FY25	FY25	FY25	FY25	FY25	FY25	FY25	FY25
Microcontroller (MCU)	23%	6%		12%	18%	9%		15%
Microprocessors								
Memory								
General purpose logic		6%				3%		
Analog	3%	27%	2%	2%	1%	1%	22%	2%
Power Discrete	15%		9%	5%				1%
Optoelectronics			2%	3%				
Nonoptical Sensors	8%	1%		5%	3%		3%	
Discrete Application/Multimedia processor					3%			2%
Wireless connectivity	3%			2%	6%			
Wired connectivity					2%			
RF tranceivers	2%	1%		1%	5%			
Power management	6%	13%	1%	6%	4%		7%	5%
Other Application Specific	3%	3%	2%	7%	2%		4%	3%

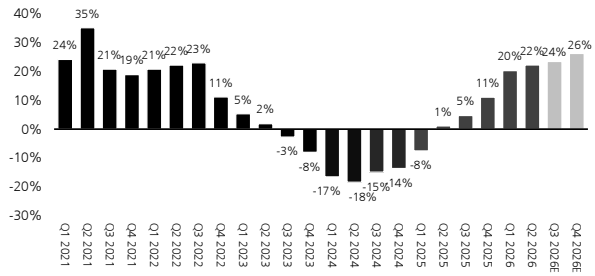
Source: Gartner, UBS

Figure 3: We expect next quarter to grow by 9% q-o-q after an increase of 10% in Q2'26...



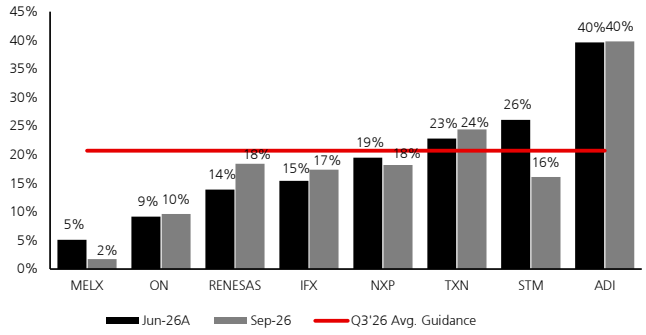
Source: UBS estimates, company data. Note: data includes TI, ON, ADI, IFX, STM, Microchip, Melexis, NXP, Renesas

Figure 4: ...Q3'26E likely to deliver 24% y-o-y growth after 22% in Q2'26



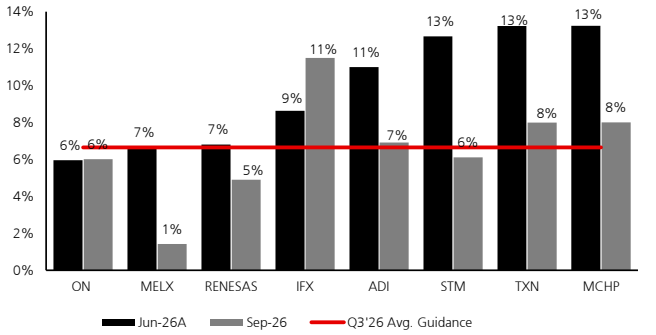
Source: UBS estimates, company data. Note: data includes TI, ON, ADI, IFX, STM, Microchip, Melexis, NXP, Renesas

Figure 5: CQ3 26E Guidance Comp. Y-o-Y % Analog Semis



Source: Company data. Note: *Renesas - growth adj. for acquisition of Dialog

Figure 6: CQ3 26E Guidance Comp. Q-o-Q % Analog Semis



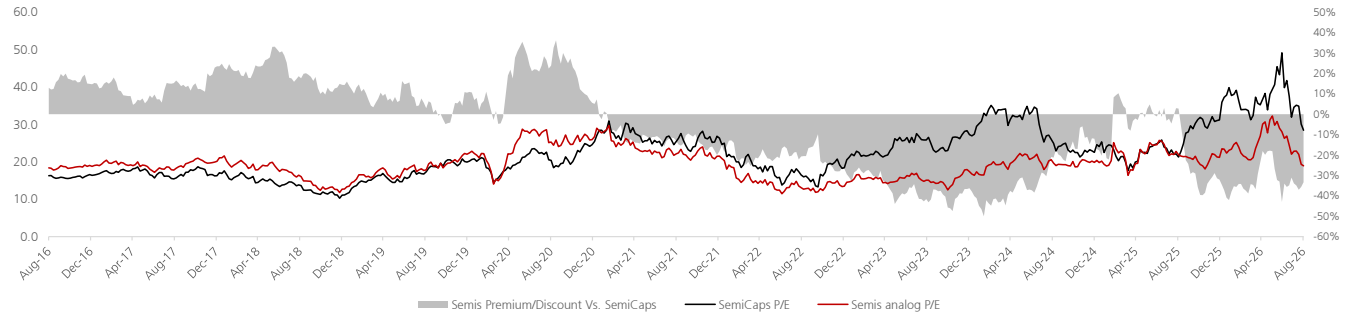
Source: Company data. Note: *Renesas - growth adj. for acquisition of Dialog

Figure 7: We estimate 10% y-o-y auto semis revenue growth in 2026E (unchanged) and +c12% in 2027E (14% previously) based on our bottom-up estimates.

	GARTNER HISTORICS					UBS ESTIMATES												
Semi sales (US$bn)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**% CAGR ('23-'27)**	**% CAGR ('25-'30)**
ADAS	1.7	3.0	4.1	5.1	5.9	5.4	10.4	13.9	16.1	16.7	15.4	20.8	26.5	32.8	35.5	37.6	13%	20%
Aftermarket	2.2	2.2	2.3	2.5	2.5	2.4	2.9	3.4	3.9	3.3	3.1	3.1	3.2	3.2	3.2	3.2	-5%	1%
Body	4.6	5.5	6.6	7.4	6.9	6.8	8.1	9.4	10.9	9.3	8.6	8.5	8.8	8.8	8.9	9.0	-5%	1%
Chassis	4.6	4.5	5.1	5.4	5.1	5.0	5.9	6.9	8.0	6.9	6.4	6.3	6.5	6.5	6.6	6.7	-5%	1%
Infotainment	7.2	7.7	8.4	9.0	8.4	8.3	9.8	12.0	14.0	12.6	12.1	12.7	13.5	14.6	14.9	15.0	-1%	4%
Powertrain	5.4	6.8	7.4	8.0	7.5	7.4	11.3	16.0	20.4	19.5	19.1	20.2	22.7	24.2	26.1	28.1	3%	8%
Safety	4.4	4.3	4.6	4.7	4.1	4.1	4.8	5.9	6.8	5.8	5.5	5.7	5.8	6.0	6.1	6.2	-4%	2%
Total	**30.1**	**34.1**	**38.5**	**42.2**	**40.5**	**39.4**	**53.3**	**67.5**	**80.0**	**74.1**	**70.2**	**77.3**	**86.9**	**96.1**	**101.4**	**105.9**	**2%**	**9%**
% y-o-y		**13.3%**	**13.1%**	**9.5%**	**-4.0%**	**-2.7%**	**35.3%**	**26.6%**	**18.5%**	**-7.3%**	**-5.2%**	**10.1%**	**12.4%**	**10.5%**	**5.5%**	**4.4%**		
Inventory adjustment (- restocking and + de-stocking)					-1	-5	-5	-5	-10	-1	7	3	1.5	0	0	0		
Autos production(m)	**88.8**	**93.1**	**95.3**	**94.2**	**88.7**	**74.6**	**77.2**	**82.3**	**90.5**	**89.6**	**93.1**	**91.4**	**92.5**	**93.9**	**95.4**	**96.3**		
% y-o-y		**4.9%**	**2.3%**	**-1.2%**	**-5.8%**	**-15.9%**	**3.5%**	**6.7%**	**9.9%**	**-1.0%**	**3.9%**	**-1.8%**	**1.2%**	**1.0%**	**1.0%**	**1.0%**		

Source: Gartner, UBS estimates

Figure 8: The analog semis within our coverage are trading on a -33% discount to semis cap, vs. a 3% premium a year ago

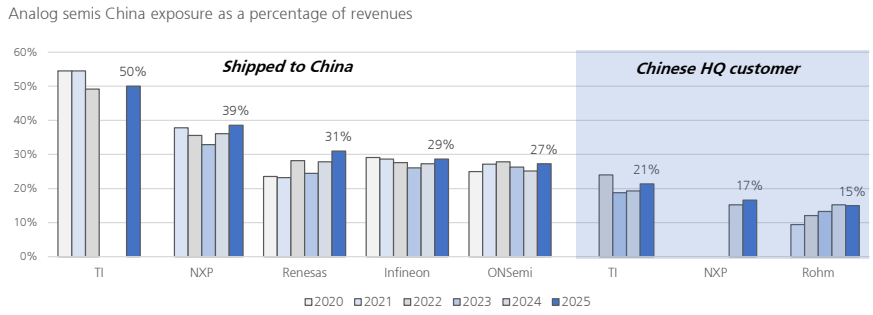


Source: UBS, Datastream. This chart includes global companies in analog and semis cap.

China growth has been supportive through 2025, but we see some risks in 2026

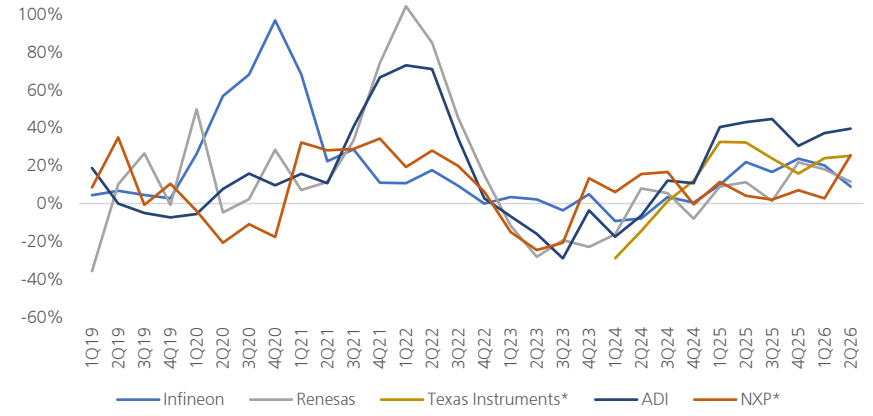
We have broken out our auto semis model by region, and estimate that China auto semis revenues grew 7% y-o-y in 2025, consistent with commentary of relative strength through the year from our coverage. Looking into 2026, we expect China to grow 6%, with outperformance from non-China up 9% y-o-y. Importantly this 6% does not take into account any potential inventory correction which could drive growth lower. When accounting for potential share loss to domestic semis players, we think global incumbents' auto semis revenues in China are set to be flat in 2026, while we estimate non-China revenues will be up 9% y-o-y, not taking into account any impact from inventory build/correction.

Figure 9: China % of revenue for main analog players



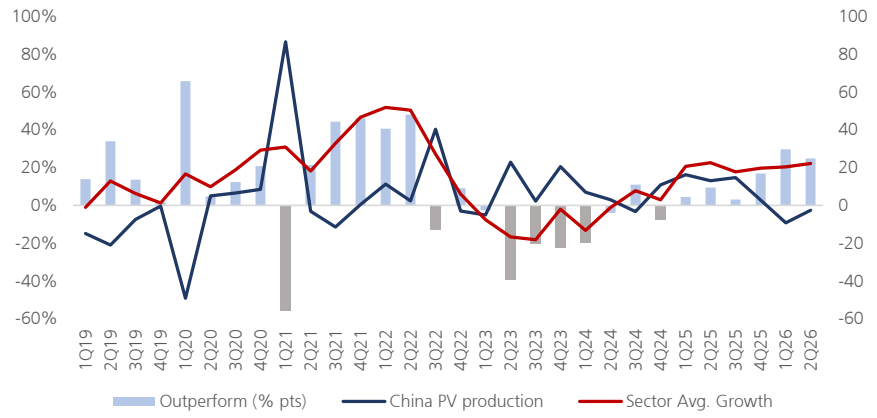
Source: Company data, UBS; TXN and NXP is revenue from China HQ companies

Figure 10: Quarterly China revenue growth by companies y-o-y



Source: Company data, VA, *revenue by HQ

Figure 11: Quarterly China revenue growth by companies y-o-y vs. China PV production growth including exports. Western analog china revenues are outperforming China car production by 25-30 percentage point in H1 vs a 10 years average of 13 which we believe is highly likely to be due to a restocking



Source: Company data, UBS

Figure 12: China growth y-o-y by companies and by quarter shows significant discrepancies between companies

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Infineon	-9%	-8%	3%	0%	10%	22%	17%	24%	20%	9%
Renesas	-16%	8%	6%	-8%	9%	11%	1%	22%	18%	12%
Texas Instruments*	-29%	-15%	1%	12%	33%	32%	24%	16%	24%	25%
ADI	-18%	-6%	12%	11%	40%	43%	45%	30%	37%	40%
NXP*	6%	16%	17%	0%	11%	4%	2%	7%	3%	25%

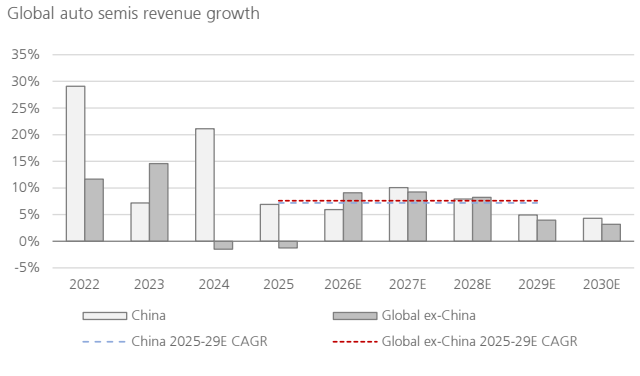
Source: Company data, VA, *revenue by HQ

Figure 13: China growth y-o-y by companies shows significant difference

YoY%	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
IFX		17%	55%	14%	1%	17%	37%	10%	4%	-4%	14%
RENE		1%	41%	3%	-1%	14%	33%	54%	-21%	-3%	10%
TXN		3%	10%	6%	3%	-38%	3%	5%	-31%	-9%	26%
ADI		13%	46%	44%	9%	2%	20%	59%	-13%	-5%	34%
NXP		24%	-6%	20%	-7%	27%	-18%	12%	-7%	4%	6%
Total		11%	15%	13%	0%	-5%	8%	19%	-13%	-3%	18%

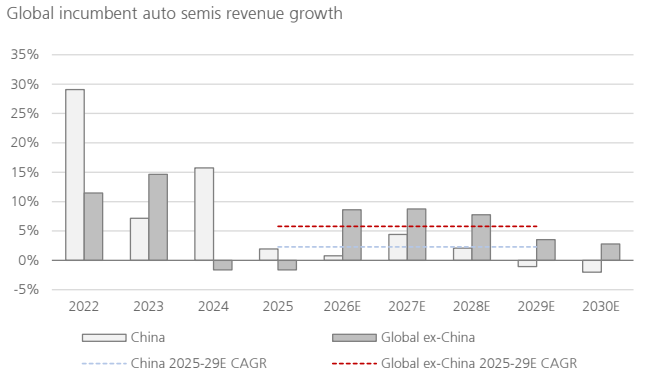
Source: Company data, UBS

Figure 14: China grew c7% y-o-y in 2025 but is set to grow more in line with the market going forward



Source: Gartner, UBS estimates

Figure 15: When accounting for share loss, we estimate incumbents' revenue growth should be stronger outside China 2025-29E



Source: Gartner, UBS estimates

Figure 16: We model auto semis revenues by region

Sales ($m) by region	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Europe	11,838	12,368	14,838	15,527	15,414	17,323	19,165	20,856	21,684	22,556
US	9,917	10,782	12,396	12,883	12,594	13,127	13,965	14,870	15,360	15,826
China	14,735	19,020	20,382	24,687	26,389	27,961	30,772	33,204	34,838	36,333
Japan	2,994	3,152	3,563	3,300	3,366	3,728	3,994	4,247	4,330	4,427
ROW	15,210	18,314	20,315	18,639	18,346	20,062	22,124	24,147	25,286	25,975
Total	**54,693**	**63,636**	**71,494**	**75,036**	**76,110**	**82,202**	**90,020**	**97,323**	**101,497**	**105,118**
yoy		16%	12%	5%	1%	8%	10%	8%	4%	4%
y-o-y										
China		*29%*	*7%*	*21%*	*7%*	*6%*	*10%*	*8%*	*5%*	*4%*
Global ex-China		*12%*	*15%*	*-1%*	*-1%*	*9%*	*9%*	*8%*	*4%*	*3%*
China 2025-29E CAGR					*7%*	*7%*	*7%*	*7%*	*7%*	
Global ex-China 2025-29E CAGR					*8%*	*8%*	*8%*	*8%*	*8%*	
Global incumbent market share	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Europe	95%	95%	95%	95%	94%	94%	93%	93%	92%	92%
US	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
China	90%	90%	90%	86%	82%	78%	74%	70%	66%	62%
Japan	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
ROW	90%	90%	90%	90%	89%	89%	88%	88%	87%	87%
Average	**93%**	**93%**	**93%**	**91%**	**89%**	**88%**	**86%**	**85%**	**83%**	**81%**
Global incumbent revenue ($m)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Europe	11,246	11,749	14,096	14,673	14,489	16,197	17,823	19,292	19,949	20,639
US	9,917	10,782	12,396	12,883	12,594	13,127	13,965	14,870	15,360	15,826
China	13,262	17,118	18,344	21,231	21,639	21,810	22,771	23,243	22,993	22,527
Japan	2,694	2,837	3,207	2,970	3,030	3,356	3,595	3,822	3,897	3,984
ROW	13,689	16,482	18,283	16,682	16,328	17,755	19,469	21,129	21,999	22,469
Total	**50,808**	**58,969**	**66,326**	**68,439**	**68,080**	**72,245**	**77,623**	**82,355**	**84,197**	**85,445**
yoy		16%	12%	3%	-1%	6%	7%	6%	2%	1%
y-o-y	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Europe		*4%*	*20%*	*4%*	*-1%*	*12%*	*10%*	*8%*	*3%*	*3%*
US		*9%*	*15%*	*4%*	*-2%*	*4%*	*6%*	*6%*	*3%*	*3%*
China		*29%*	*7%*	*16%*	*2%*	*1%*	*4%*	*2%*	*-1%*	*-2%*
Japan		*5%*	*13%*	*-7%*	*2%*	*11%*	*7%*	*6%*	*2%*	*2%*
ROW		*20%*	*11%*	*-9%*	*-2%*	*9%*	*10%*	*9%*	*4%*	*2%*
China		*29%*	*7%*	*16%*	*2%*	*1%*	*4%*	*2%*	*-1%*	*-2%*
Global ex-China		*11%*	*15%*	*-2%*	*-2%*	*9%*	*9%*	*8%*	*4%*	*3%*
China 2025-29E CAGR					*2%*	*2%*	*2%*	*2%*	*2%*	
Global ex-China 2025-29E CAGR					*6%*	*6%*	*6%*	*6%*	*6%*	
% of revenues	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Europe	*22%*	*20%*	*21%*	*21%*	*21%*	*22%*	*23%*	*23%*	*24%*	*24%*
US	*20%*	*18%*	*19%*	*19%*	*18%*	*18%*	*18%*	*18%*	*18%*	*19%*
China	*26%*	*29%*	*28%*	*31%*	*32%*	*30%*	*29%*	*28%*	*27%*	*26%*
Japan	*5%*	*5%*	*5%*	*4%*	*4%*	*5%*	*5%*	*5%*	*5%*	*5%*
ROW	*27%*	*28%*	*28%*	*24%*	*24%*	*25%*	*25%*	*26%*	*26%*	*26%*

Source: UBS estimates, Gartner

Figure 17: UBS China autos risk score using 2025 data

	Auto % of sales	Domestic China	Risk factor	2023 Risk factor	Comment
NXP	58%	17%	15%	15%	NXP exposure to high end MCU should continue to offer some protection
Rohm	52%	15%	14%	12%	Strong exposure to discrete power similar to Infineon and ON
Renesas	49%	14%	13%	12%	Similar to NXP, high end MCU exposure could offer some protection
Infineon	50%	13%	13%	13%	Power discrete exposure puts IFX at high risk but MCU could help to offset this
ONSemi	51%	12%	13%	13%	Leader in power discrete with strong epxosure to SiC
Texas Instruments	33%	21%	13%	12%	Broadly diversified portfolio and cost advantage from 300mm manufacturing
STMicro	40%	14%	11%	13%	General purpose MCU and power discrete exposure is higher risk
Analog Devices	30%	12%	9%	7%	Broad portfolio but some areas such as BMS at risk
Microchip	16%	17%	8%	8%	High general purpose MCU exposure but low auto

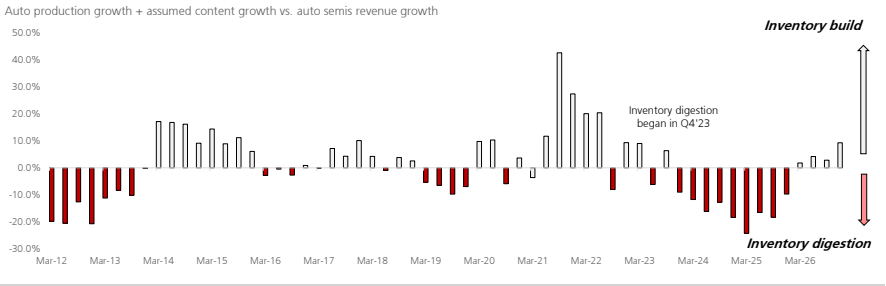
Source: Company data, UBS; Risk Factor = (⅓ auto exposure x ⅔ domestic China exposure)



Leading indicator analysis

We do a deep dive into different leading indicators.

Figure 18: When accounting for content growth, we estimate inventory digestion started in Q4'23 and we expect an improving trend through the year

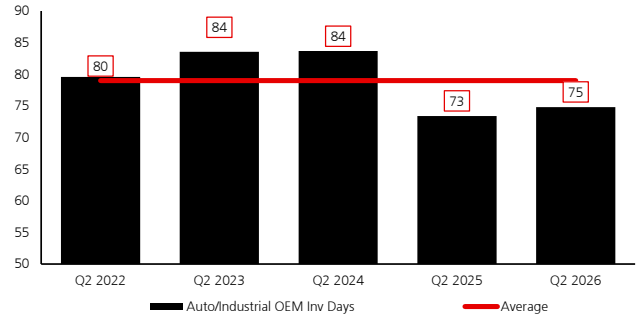


Source: UBS estimates, company data, VA consensus; assumed content growth of 8% y-o-y annually

Strong outlook into 2026

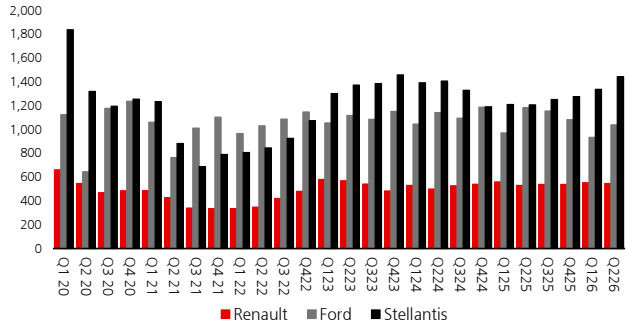
1) Inventories are now showing normalisation at distributors and at OEMs

Figure 19: Auto/industrial OEM inventory days stabilizing



Source: UBS, company data

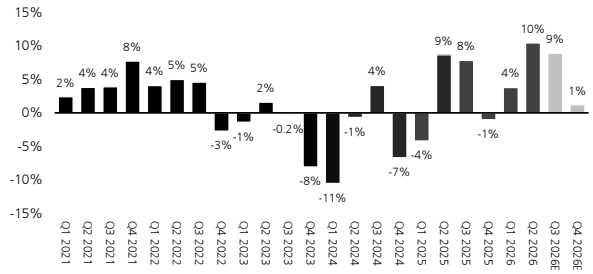
Figure 20: Total inventories '000 units: inventories were up c4% during 2Q26 vs 2Q25 levels. This is back to a relatively high level for Stellantis for example



Source: Company data, UBS estimates

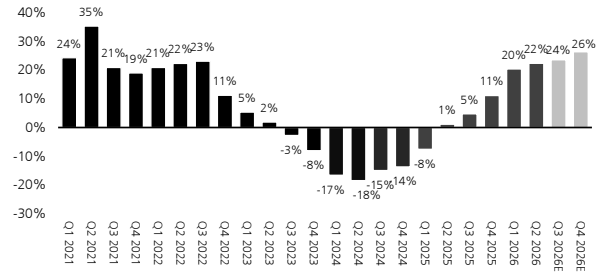
2) Semis outlook suggests positive momentum ahead

Figure 21: We expect next quarter to grow by 9% q-o-q after an increase of 10% in Q2'26...



Source: UBS estimates, company data. Note: data includes TI, ON, ADI, IFX, STM, Microchip, Melexis, NXP, Renesas

Figure 22: ...Q3'26E likely to deliver 24% y-o-y growth after 22% in Q2'26



Source: UBS estimates, company data. Note: data includes TI, ON, ADI, IFX, STM, Microchip, Melexis, NXP, Renesas

Figure 23: Automotive revenue growth y-o-y by company

YoY Automotive Growth % *	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
Texas Instruments	18%	17%	-4%	-9%	40%	17%	21%	-7%	1%	15%	24%
Analog Devices	9%	3%	-10%	2%	35%	32%	14%	-6%	20%	16%	10%
ON	10%	11%	-2%	-7%	36%	46%	29%	-10%	-21%	3%	14%
Infineon	14%	15%	-2%	14%	35%	23%	22%	-7%	1%	7%	13%
Melexis	14%	19%	-18%	3%	32%	16%	19%	-4%	-7%	8%	13%
NXP	16%	6%	-7%	-9%	44%	25%	9%	-4%	0%	12%	11%
Renesas	28%	-2%	-6%	-6%	32%	17%	0%	-6%	-8%	10%	6%
STM	9%	16%	1%	-9%	32%	37%	32%	-14%	-24%	15%	9%
Total	**14.7%**	**10.6%**	**-5.8%**	**-2.7%**	**35.7%**	**26.7%**	**18.2%**	**-7.3%**	**-4.8%**	**10.9%**	**12.4%**

Source: UBSe, Company data, *historicals restated for TI segment reclassification

Figure 24: Automotive revenue growth y-o-y by company by quarter

YoY Automotive Growth % *	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026E	Q4 2026E
Texas Instruments	-3%	-10%	-7%	-8%	-5%	-2%	3%	9%	6%	15%	15%	25%
Analog Devices	-13%	-9%	-2%	-1%	29%	27%	19%	8%	3%	17%	22%	24%
ON	3%	-15%	-18%	-8%	-25%	-19%	-17%	-22%	5%	7%	2%	1%
Infineon	1%	-2%	0%	0%	-6%	2%	4%	4%	10%	6%	4%	11%
Melexis	6%	0%	2%	-23%	-22%	-10%	-10%	17%	15%	6%	5%	5%
NXP	-1%	-7%	-3%	-6%	-7%	0%	0%	5%	6%	12%	11%	18%
Renesas	-6%	-1%	2%	-20%	-15%	-8%	-13%	9%	7%	5%	13%	14%
STM	-2%	-10%	-24%	-19%	-38%	-25%	-17%	-16%	16%	16%	11%	18%
Total	**-3.6%**	**-8.8%**	**-9.2%**	**-9.4%**	**-12.3%**	**-4.8%**	**-3.4%**	**-0.1%**	**7.8%**	**10.6%**	**10.2%**	**15.7%**

Source: UBSe, Company data, *historicals restated for TI segment reclassification

Figure 25: Analog semis end market and product exposures for 2024 and 2025

	Infineon		Texas Instruments		ON Semi		STMicro		NXP		Microchip		Analog Devices		Renesas	
End market exposure (%)	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**
Automotive	60%	58%	29%	27%	57%	56%	43%	36%	57%	59%	16%	14%	28%	27%	53%	50%
Wired communication		1%	8%	8%	3%	3%	2%	3%			4%	4%	7%	9%	4%	3%
Wireless Communication	3%	3%	7%	7%	6%	6%	26%	30%	14%	13%	4%	4%	6%	5%	5%	5%
Consumer	7%	7%	5%	4%	6%	4%	6%	8%	2%	2%	9%	7%	7%	7%	11%	10%
Compute (Data centre + PC)	9%	11%	12%	13%	5%	6%	6%	6%	10%	10%	13%	15%	4%	5%	14%	18%
Storage Electronics			3%	3%							7%	7%			1%	1%
Industrial and Military/Civil Aerospace Electronics	20%	20%	37%	37%	24%	25%	16%	17%	15%	15%	48%	48%	47%	46%	12%	12%
Product exposures (%)	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**
Microcontroller (MCU)	31%	32%	8%	8%			24%	26%	36%	36%	53%	51%			41%	42%
Microprocessors			1%	1%					4%	2%					2%	
Memory	4%	4%			1%	2%	2%	2%			4%	3%	1%	1%	1%	
General purpose logic			6%	5%	4%	2%					11%	12%			1%	2%
Analog	6%	7%	54%	57%	12%	13%	6%	7%	3%	4%	9%	11%	67%	67%	6%	9%
Power Discrete	32%	30%	1%	1%	50%	50%	18%	14%	3%	2%	5%	5%			6%	5%
Optoelectronics					18%	17%	8%	10%								
Nonoptical Sensors	6%	6%					5%	6%	4%	4%			3%	3%		
Discrete Application/Multimedia processor			2%	2%					10%	11%					12%	12%
Wireless connectivity	4%	4%	1%		2%	2%	4%	4%	11%	11%	1%	1%			2%	2%
Wired connectivity	2%	2%					3%	3%	7%	7%	7%	8%	1%	2%	5%	6%
RF tranceivers	2%	2%	2%	1%			2%	2%	8%	8%			1%	1%		
Power management	6%	6%	14%	14%	3%	4%	9%	9%	6%	5%	3%	3%	10%	10%	11%	11%
Other Application Specific	6%	6%	6%	5%	9%	9%	18%	17%	5%	5%	6%	4%	10%	10%	12%	11%
Market shares (%)	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**
Microcontroller (MCU)	21%	23%	5%	6%			13%	12%	19%	18%	11%	9%			16%	15%
Microprocessors																
Memory																
General purpose logic			6%	6%	2%						3%	3%				
Analog	3%	3%	26%	27%	3%	2%	3%	2%	1%	1%	1%	1%	21%	22%	2%	2%
Power Discrete	16%	15%			10%	9%	7%	5%	1%						2%	1%
Optoelectronics					3%	2%	3%	3%								
Nonoptical Sensors	8%	8%	1%	1%			5%	5%	4%	3%			2%	3%		
Discrete Application/Multimedia processor									3%	3%					2%	2%
Wireless connectivity	3%	3%					3%	2%	7%	6%						
Wired connectivity									2%	2%					1%	
RF tranceivers	2%	2%	1%	1%			1%	1%	5%	5%						
Power management	6%	6%	13%	13%	1%	1%	7%	6%	4%	4%			6%	7%	6%	5%
Other Application Specific	4%	3%	3%	3%	2%	2%	9%	7%	2%	2%			4%	4%	4%	3%

Source: Gartner, UBS

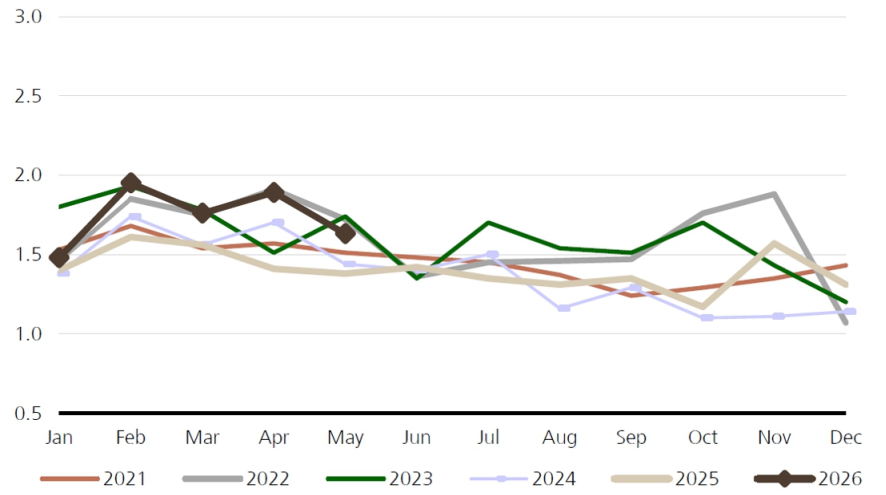
Figure 26: Analog semis end market and product exposures for 2025

	Infineon		Texas Instruments		ON Semi		STMicro		NXP		Microchip		Analog Devices		Renesas	
End market exposure (%)		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**
Automotive		58%		27%		56%		36%		59%		14%		27%		50%
Wired communication		1%		8%		3%		3%				4%		9%		3%
Wireless Communication		3%		7%		6%		30%		13%		4%		5%		5%
Consumer		7%		4%		4%		8%		2%		7%		7%		10%
Compute (Data centre + PC)		11%		13%		6%		6%		10%		15%		5%		18%
Storage Electronics				3%								7%				1%
Industrial and Military/Civil Aerospace Electronics		20%		37%		25%		17%		15%		48%		46%		12%
Product exposures (%)		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**
Microcontroller (MCU)		32%		8%				26%		36%		51%				42%
Microprocessors				1%						2%						
Memory		4%				2%		2%				3%		1%		
General purpose logic				5%		2%						12%				2%
Analog		7%		57%		13%		7%		4%		11%		67%		9%
Power Discrete		30%		1%		50%		14%		2%		5%				5%
Optoelectronics						17%		10%								
Nonoptical Sensors		6%						6%		4%				3%		
Discrete Application/Multimedia processor				2%						11%						12%
Wireless connectivity		4%				2%		4%		11%		1%				2%
Wired connectivity		2%						3%		7%		8%		2%		6%
RF tranceivers		2%		1%				2%		8%				1%		
Power management		6%		14%		4%		9%		5%		3%		10%		11%
Other Application Specific		6%		5%		9%		17%		5%		4%		10%		11%
Market shares (%)		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**		**FY25**
Microcontroller (MCU)		23%		6%				12%		18%		9%				15%
Microprocessors																
Memory																
General purpose logic				6%								3%				
Analog		3%		27%		2%		2%		1%		1%		22%		2%
Power Discrete		15%				9%		5%								1%
Optoelectronics						2%		3%								
Nonoptical Sensors		8%		1%				5%		3%				3%		
Discrete Application/Multimedia processor										3%						2%
Wireless connectivity		3%						2%		6%						
Wired connectivity										2%						
RF tranceivers		2%		1%				1%		5%						
Power management		6%		13%		1%		6%		4%				7%		5%
Other Application Specific		3%		3%		2%		7%		2%				4%		3%

Source: Gartner, UBS

3) Autos demand still uncertain

Figure 27: China's PV inventory changes (monthly)



Source: China Automobile Dealers Association (CADA)

Figure 28: UBS global auto sales estimates

Sales, m units	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q126	Q226	Q326	Q426	2026E	2027E	2028E	2029E
Western Europe	**16.1**	**17.2**	**17.8**	**17.9**	**18.1**	**13.8**	**13.9**	**13.0**	**14.8**	**15.1**	**15.2**	**4.0**	**4.0**	**3.7**	**4.0**	**15.7**	**16.0**	**16.2**	**16.4**
% growth	*17.8%*	*7.2%*	*3.2%*	*0.5%*	*1.3%*	*-23.6%*	*0.2%*	*-6.2%*	*14.0%*	*1.6%*	*1.0%*	*3.6%*	*3.0%*	*3.6%*	*3.7%*	*3.5%*	*1.6%*	*1.5%*	*1.0%*
of which: Germany	3.5	3.6	3.7	3.7	3.9	3.2	2.9	2.9	3.1	3.1	3.1	0.8	0.8	0.8	0.9	3.3	3.3	3.4	3.4
% growth	*5.5%*	*4.8%*	*2.5%*	*0.6%*	*5.1%*	*-18.6%*	*-9.3%*	*-0.3%*	*7.7%*	*-0.2%*	*0.9%*	*4.0%*	*4.2%*	*4.7%*	*5.1%*	*4.5%*	*2.0%*	*1.5%*	*1.0%*
of which: France	2.3	2.4	2.5	2.6	2.7	2.1	2.1	1.9	2.2	2.1	2.0	0.5	0.6	0.4	0.6	2.1	2.1	2.1	2.1
% growth	*5.9%*	*5.6%*	*4.3%*	*4.1%*	*2.3%*	*-23.9%*	*1.9%*	*-10.2%*	*14.7%*	*-2.5%*	*-5.0%*	*-0.9%*	*4.3%*	*4.7%*	*3.9%*	*3.0%*	*1.5%*	*1.5%*	*1.0%*
of which: Italy	1.7	2.0	2.2	2.1	2.1	1.5	1.6	1.5	1.8	1.8	1.7	0.5	0.5	0.4	0.4	1.8	1.8	1.9	1.9
% growth	*15.6%*	*19.8%*	*6.2%*	*-4.0%*	*0.8%*	*-26.6%*	*6.6%*	*-10.1%*	*19.3%*	*-0.3%*	*-2.4%*	*8.2%*	*4.1%*	*3.0%*	*3.9%*	*5.0%*	*1.5%*	*1.5%*	*1.0%*
of which: Spain	1.2	1.3	1.4	1.5	1.5	1.0	1.0	0.9	1.1	1.2	1.3	0.3	0.4	0.3	0.4	1.4	1.4	1.4	1.5
% growth	*22.7%*	*11.0%*	*8.5%*	*7.1%*	*-4.0%*	*-31.5%*	*0.1%*	*-7.7%*	*17.5%*	*7.9%*	*12.9%*	*8.3%*	*2.0%*	*4.5%*	*5.7%*	*5.0%*	*1.5%*	*1.5%*	*1.0%*
of which: UK	3.0	3.1	2.9	2.7	2.7	1.9	2.0	1.9	2.3	2.3	2.3	0.7	0.6	0.7	0.5	2.5	2.5	2.5	2.6
% growth	*7.4%*	*2.0%*	*-5.2%*	*-6.3%*	*-1.8%*	*-28.1%*	*4.1%*	*-5.3%*	*18.4%*	*2.8%*	*1.5%*	*4.3%*	*3.2%*	*5.3%*	*5.2%*	*4.5%*	*1.5%*	*1.5%*	*1.0%*
RoWE	4.4	4.7	5.0	5.1	5.2	4.1	4.2	3.9	4.4	4.6	4.7	1.2	1.2	1.1	1.2	4.7	4.8	4.9	4.9
% growth	*49.6%*	*7.6%*	*5.8%*	*2.6%*	*1.5%*	*-21.3%*	*2.4%*	*-6.9%*	*13.2%*	*3.6%*	*1.8%*	*1.6%*	*1.3%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.0%*
Eastern Europe	**2.8**	**2.6**	**2.8**	**2.7**	**2.5**	**2.9**	**2.9**	**2.0**	**3.1**	**3.6**	**3.6**	**0.7**	**0.9**	**0.9**	**1.1**	**3.6**	**3.6**	**3.7**	**3.8**
% growth	*-39.3%*	*-7.6%*	*6.9%*	*-3.7%*	*-5.6%*	*14.3%*	*-0.1%*	*-31.5%*	*55.7%*	*17.0%*	*-1.6%*	*2.9%*	*4.2%*	*-2.3%*	*0.2%*	*1.0%*	*1.0%*	*2.0%*	*2.0%*
of which: Russia	1.6	1.4	1.6	1.8	1.8	1.6	1.7	0.7	1.1	1.6	1.4	0.3	0.3	0.4	0.4	1.4	1.4	1.5	1.5
% growth	*-35.6%*	*-11.2%*	*11.6%*	*13.1%*	*-2.5%*	*-8.7%*	*4.5%*	*-57.9%*	*59.5%*	*46.0%*	*-15.8%*	*5.0%*	*17.4%*	*-2.4%*	*-3.2%*	*3.0%*	*0.0%*	*2.0%*	*2.0%*
Europe	**18.9**	**19.8**	**20.6**	**20.6**	**20.6**	**16.7**	**16.8**	**15.0**	**17.9**	**18.7**	**18.8**	**4.7**	**4.9**	**4.6**	**5.1**	**19.3**	**19.6**	**19.9**	**20.2**
% growth	*3.3%*	*5.0%*	*3.7%*	*-0.1%*	*0.4%*	*-18.9%*	*0.1%*	*-10.6%*	*19.5%*	*4.3%*	*0.5%*	*3.5%*	*3.2%*	*2.4%*	*2.9%*	*3.0%*	*1.5%*	*1.6%*	*1.2%*
North America	**20.7**	**21.1**	**20.8**	**20.7**	**20.3**	**17.1**	**17.7**	**16.5**	**18.7**	**19.5**	**19.9**	**4.5**	**5.1**	**4.9**	**5.0**	**19.4**	**19.2**	**19.2**	**19.3**
% growth	*6.4%*	*1.7%*	*-1.5%*	*-0.2%*	*-2.0%*	*-15.8%*	*3.8%*	*-7.0%*	*13.2%*	*4.2%*	*2.3%*	*-5.6%*	*-1.8%*	*-3.6%*	*1.3%*	*-2.4%*	*-1.2%*	*0.2%*	*0.1%*
of which: USA	17.5	17.6	17.2	17.3	17.1	14.6	15.1	13.9	15.6	16.0	16.4	3.7	4.2	3.8	4.3	**16.0**	**15.8**	**15.8**	**15.8**
% growth	*5.8%*	*0.4%*	*-2.1%*	*0.8%*	*-1.3%*	*-14.6%*	*3.3%*	*-7.9%*	*12.4%*	*2.8%*	*2.1%*	*-6.6%*	*-1.6%*	*-7.2%*	*6.3%*	*-2.3%*	*-1.3%*	*0.0%*	*0.0%*
South America	**4.4**	**3.9**	**4.4**	**4.7**	**4.5**	**3.2**	**3.8**	**3.9**	**4.0**	**4.2**	**4.6**	**1.1**	**1.2**	**1.3**	**1.1**	**4.8**	**4.9**	**5.1**	**5.2**
% growth	*-18.5%*	*-10.9%*	*12.7%*	*6.5%*	*-3.6%*	*-28.8%*	*16.9%*	*2.2%*	*3.1%*	*5.5%*	*10.6%*	*13.8%*	*9.0%*	*5.0%*	*-10.8%*	*3.5%*	*3.0%*	*3.0%*	*3.0%*
of which: Brazil	2.5	2.0	2.2	2.5	2.7	2.0	2.0	2.0	2.2	2.5	2.6	0.6	0.7	0.7	0.7	2.6	2.7	2.8	2.9
% growth	*-25.6%*	*-19.9%*	*9.7%*	*13.0%*	*8.2%*	*-26.6%*	*1.2%*	*-1.0%*	*11.4%*	*14.0%*	*2.4%*	*15.4%*	*16.6%*	*-1.4%*	*-11.2%*	*3.5%*	*3.0%*	*3.0%*	*3.0%*
Asia	**38.0**	**41.3**	**42.6**	**42.1**	**39.0**	**35.9**	**37.0**	**38.3**	**40.5**	**40.5**	**42.5**	**9.0**	**9.4**	**9.5**	**11.2**	**39.0**	**40.1**	**41.1**	**42.2**
% growth	*3.1%*	*8.7%*	*3.0%*	*-1.0%*	*-7.3%*	*-8.1%*	*3.0%*	*3.6%*	*5.7%*	*0.0%*	*5.0%*	*-10.2%*	*-7.2%*	*-9.9%*	*-5.7%*	*-8.1%*	*2.7%*	*2.6%*	*2.6%*
of which: Japan	4.9	4.8	5.1	5.2	5.1	4.5	4.4	4.2	4.7	4.3	4.5	1.2	1.1	1.1	1.0	4.4	4.4	4.3	4.3
% growth	*-9.6%*	*-2.0%*	*5.9%*	*0.5%*	*-1.3%*	*-11.5%*	*-3.3%*	*-3.7%*	*12.0%*	*-7.9%*	*3.4%*	*-2.9%*	*4.3%*	*4.1%*	*-6.0%*	*-2.0%*	*-1.0%*	*-1.0%*	*-1.0%*
of which: China	24.4	27.6	28.0	27.0	24.7	23.7	23.9	24.1	25.5	25.9	27.3	4.8	5.5	5.5	7.4	23.2	23.7	24.2	24.7
% growth	*5.8%*	*12.8%*	*1.6%*	*-3.5%*	*-8.6%*	*-4.2%*	*1.0%*	*0.9%*	*5.6%*	*1.8%*	*5.4%*	*-21.0%*	*-15.2%*	*-20.2%*	*-5.6%*	*-15.0%*	*2.2%*	*2.2%*	*2.2%*
of which: India	3.2	3.4	3.7	4.0	3.5	2.8	3.5	4.4	4.7	4.9	5.2	1.5	1.4	1.3	1.4	5.6	6.0	6.3	6.7
% growth	*7.0%*	*8.2%*	*9.1%*	*7.3%*	*-11.6%*	*-20.6%*	*26.5%*	*23.7%*	*7.4%*	*4.1%*	*5.4%*	*13.2%*	*14.6%*	*10.4%*	*-1.0%*	*9.0%*	*6.0%*	*6.0%*	*6.0%*
of which: South Korea	1.8	1.8	1.8	1.8	1.7	1.8	1.7	1.6	1.7	1.6	1.6	0.4	0.4	0.4	0.4	1.7	1.7	1.7	1.7
% growth	*11.4%*	*-1.0%*	*-1.6%*	*1.4%*	*-3.3%*	*6.9%*	*-8.7%*	*-2.4%*	*3.3%*	*-6.5%*	*3.3%*	*5.6%*	*0.4%*	*-10.4%*	*9.3%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
of which: ASEAN	3.0	3.0	3.2	3.4	3.3	2.5	2.8	3.3	3.3	3.1	3.3	0.8	0.8	0.8	0.9	3.3	3.5	3.7	3.8
% growth	*-4.9%*	*2.4%*	*5.8%*	*5.5%*	*-1.6%*	*-26.2%*	*12.0%*	*21.0%*	*-1.1%*	*-5.5%*	*4.3%*	*10.0%*	*5.0%*	*3.2%*	*-3.4%*	*0.3%*	*6.6%*	*4.7%*	*4.4%*
Other	0.7	0.7	0.7	0.8	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.2	0.2	0.3	0.2	0.9	0.9	0.9	0.9
% growth	*13.0%*	*-3.3%*	*7.4%*	*7.6%*	*-16.5%*	*-8.0%*	*19.0%*	*-12.8%*	*-4.2%*	*3.7%*	*2.3%*	*14.6%*	*9.4%*	*127.2%*	*4.2%*	*37.0%*	*3.0%*	*3.0%*	*3.0%*
ROW	**6.2**	**6.1**	**6.2**	**5.6**	**4.9**	**4.2**	**5.0**	**5.4**	**5.7**	**5.9**	**6.2**	**1.4**	**1.2**	**1.6**	**2.0**	**6.2**	**6.4**	**6.6**	**6.8**
% growth	*-3.2%*	*-2.3%*	*1.9%*	*-10.0%*	*-11.4%*	*-14.0%*	*18.6%*	*6.3%*	*6.0%*	*4.0%*	*5.1%*	*-15.7%*	*-16.7%*	*7.1%*	*24.0%*	*0.0%*	*3.0%*	*3.0%*	*3.0%*
Total	**88.2**	**92.2**	**94.5**	**93.7**	**89.5**	**77.2**	**80.3**	**79.0**	**86.7**	**88.7**	**92.0**	**20.7**	**21.7**	**21.9**	**24.5**	**88.8**	**90.2**	**91.9**	**93.6**
% growth	*2.0%*	*4.5%*	*2.5%*	*-0.9%*	*-4.5%*	*-13.7%*	*4.0%*	*-1.6%*	*9.8%*	*2.3%*	*3.7%*	*-5.7%*	*-3.6%*	*-4.2%*	*-0.9%*	*-3.5%*	*1.6%*	*1.9%*	*1.8%*

Source: UBS estimates

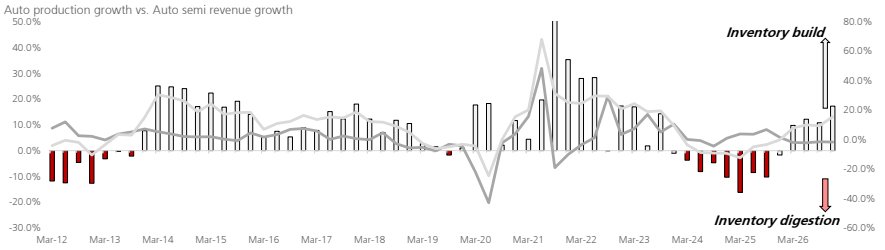
Figure 29: UBS global auto production estimates

(Production, m units)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q126	Q226	Q326	Q426	2026E	2027E	2028E	2029E
Western Europe	18.8	19.0	18.6	17.7	13.6	12.8	13.5	15.3	14.4	14.2	3.7	3.6	3.1	3.4	13.8	13.6	13.4	13.2
% growth	*11.2%*	*20.1%*	*15.8%*	*-4.7%*	*-23.1%*	*-5.7%*	*5.5%*	*13.1%*	*-6.1%*	*-1.2%*	*-0.2%*	*-5.0%*	*-2.2%*	*-2.6%*	*-2.5%*	*-1.5%*	*-1.5%*	*-1.5%*
Eastern Europe	2.8	3.3	3.4	3.4	3.0	3.1	2.3	2.7	2.8	2.9	0.7	0.7	0.7	0.8	2.9	2.9	2.9	2.9
% growth	*-15.8%*	*-4.7%*	*-1.7%*	*-0.7%*	*-12.0%*	*2.7%*	*-24.9%*	*16.0%*	*5.6%*	*1.6%*	*2.3%*	*2.6%*	*-1.4%*	*-3.0%*	*0.0%*	*1.0%*	*1.0%*	*1.0%*
Europe	**21.5**	**22.3**	**22.0**	**21.1**	**16.6**	**15.9**	**15.8**	**18.0**	**17.2**	**17.0**	**4.4**	**4.3**	**3.8**	**4.2**	**16.7**	**16.5**	**16.3**	**16.2**
% growth	*2.8%*	*3.7%*	*-1.6%*	*-4.1%*	*-21%*	*-4%*	*0%*	*14%*	*-4%*	*-1%*	*0%*	*-3.8%*	*-2.0%*	*-2.7%*	*-2.1%*	*-1.1%*	*-1.1%*	*-1.1%*
North America	**17.8**	**17.1**	**17.0**	**16.3**	**13.0**	**13.0**	**14.3**	**15.7**	**15.4**	**15.3**	**3.7**	**3.8**	**3.9**	**3.6**	**15.1**	**15.1**	**15.2**	**15.5**
% growth	*2.0%*	*-3.9%*	*-1.0%*	*-4.0%*	*-20.0%*	*0.2%*	*9.6%*	*9.7%*	*-1.5%*	*-1.2%*	*-2.0%*	*-2.7%*	*-1.0%*	*1.7%*	*-1.0%*	*-0.2%*	*1.0%*	*2.1%*
South America	**2.7**	**3.3**	**3.4**	**3.3**	**2.2**	**2.6**	**2.8**	**2.9**	**3.0**	**3.1**	**0.7**	**0.8**	**0.8**	**0.8**	**3.1**	**3.1**	**3.1**	**3.1**
% growth	*-11.5%*	*20.3%*	*4.1%*	*-4.4%*	*-31.5%*	*16.1%*	*8.3%*	*3.1%*	*1.7%*	*3.2%*	*4.0%*	*4.0%*	*-0.3%*	*2.7%*	*2.5%*	*0.0%*	*0.0%*	*0.0%*
of which: Brazil	2.1	2.6	2.8	2.8	1.9	2.1	2.2	2.2	2.4	2.5	0.6	0.7	0.7	0.6	2.6	2.6	2.6	2.6
% growth	*-11.1%*	*26.1%*	*5.2%*	*0.9%*	*-32.1%*	*8.8%*	*5.1%*	*1.2%*	*8.0%*	*4.7%*	*7.3%*	*8.0%*	*-1.1%*	*-1.4%*	*3.0%*	*0.0%*	*0.0%*	*0.0%*
Asia	**48.7**	**50.0**	**49.2**	**46.1**	**41.0**	**43.6**	**47.2**	**51.6**	**51.7**	**55.3**	**12.5**	**13.1**	**13.7**	**15.2**	**54.5**	**55.9**	**57.4**	**58.9**
% growth	*7.6%*	*2.6%*	*-1.4%*	*-6.4%*	*-11.1%*	*6.4%*	*8.1%*	*9.5%*	*0.1%*	*7.0%*	*-1.9%*	*-1.0%*	*-0.6%*	*-2.0%*	*-1.4%*	*2.6%*	*2.6%*	*2.5%*
of which: Japan	8.8	9.2	9.2	9.2	7.8	7.5	7.4	8.6	7.9	8.0	2.0	1.9	1.9	2.0	7.9	7.8	7.7	7.7
% growth	*-5.7%*	*5.2%*	*0.3%*	*-0.3%*	*-15.8%*	*-3.8%*	*-0.4%*	*16.1%*	*-8.4%*	*1.8%*	*-1.8%*	*-1.4%*	*-1.3%*	*-3.1%*	*-1.9%*	*-1.5%*	*-0.5%*	*-0.5%*
of which: China	27.1	27.6	26.6	24.3	23.3	24.6	26.2	28.8	29.8	32.9	6.6	7.5	8.3	9.5	31.9	32.8	33.8	34.8
% growth	*14.3%*	*2.1%*	*-3.7%*	*-8.5%*	*-4.1%*	*5.3%*	*6.4%*	*10.0%*	*3.7%*	*10.2%*	*-7.6%*	*-2.5%*	*-0.1%*	*-2.5%*	*-3.0%*	*3.0%*	*3.0%*	*3.0%*
of which: South Korea	4.2	4.2	4.0	3.9	3.5	3.4	3.7	4.2	4.1	4.1	1.0	1.0	0.9	1.0	3.9	3.9	4.0	4.0
% growth	*-7.2%*	*0.1%*	*-4.7%*	*-1.9%*	*-11.1%*	*-1.1%*	*8.5%*	*12.7%*	*-2.4%*	*-0.5%*	*0.7%*	*-9.4%*	*-5.5%*	*-1.4%*	*-4.0%*	*0.5%*	*1.0%*	*0.0%*
of which: India	4.2	4.4	4.7	4.2	3.3	4.2	5.1	5.4	5.7	6.1	1.8	1.6	1.6	1.7	6.7	6.9	7.2	7.5
% growth	*9.7%*	*6.0%*	*6.7%*	*-11.0%*	*-22.6%*	*27.7%*	*23.1%*	*6.5%*	*3.8%*	*8.3%*	*11.2%*	*9.8%*	*7.0%*	*7.9%*	*9.0%*	*4.0%*	*4.0%*	*4.0%*
of which: ASEAN	3.9	3.9	4.2	4.0	2.8	3.5	4.4	4.2	3.8	3.8	0.9	0.9	1.0	1.0	3.8	4.1	4.3	4.5
% growth	*3.0%*	*0.3%*	*7.7%*	*-3.9%*	*-30.5%*	*24.4%*	*25.4%*	*-3.1%*	*-10.3%*	*-0.3%*	*2.0%*	*-3.0%*	*0.0%*	*-0.9%*	*-0.5%*	*8.2%*	*5.0%*	*4.7%*
Other	0.7	0.6	0.5	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.2	0.2	0.0	0.0	0.4	0.4	0.4	0.4
% growth	*180.8%*	*-5.5%*	*-19.3%*	*-15.7%*	*-17.5%*	*39.5%*	*-24.7%*	*-1.6%*	*8.4%*	*3.7%*	*141.9%*	*75.4%*	*-97.8%*	*-104.6%*	*0.0%*	*-3.0%*	*-3.0%*	*-3.0%*
ROW	**2.3**	**2.6**	**2.6**	**2.0**	**1.8**	**2.1**	**2.2**	**2.3**	**2.3**	**2.4**	**0.5**	**0.4**	**0.5**	**0.6**	**1.9**	**1.8**	**1.8**	**1.7**
% growth	*15.7%*	*12.2%*	*0.3%*	*-22.3%*	*-12.0%*	*16.5%*	*9.1%*	*2.7%*	*2.0%*	*3.5%*	*-23.2%*	*-22.8%*	*-22.8%*	*-11.6%*	*-20.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Total	**93.1**	**95.3**	**94.2**	**88.7**	**74.6**	**77.2**	**82.3**	**90.5**	**89.6**	**93.1**	**21.8**	**22.4**	**22.8**	**24.4**	**91.4**	**92.5**	**93.9**	**95.4**
% growth	*4.9%*	*2.3%*	*-1.2%*	*-5.8%*	*-15.9%*	*3.5%*	*6.7%*	*9.9%*	*-1.0%*	*3.9%*	*-1.9%*	*-2.2%*	*-1.5%*	*-1.7%*	*-1.8%*	*1.2%*	*1.5%*	*1.6%*

Source: UBS estimates

To assess where we are in the inventory digestion cycle, we show below y-o-y auto production growth vs. y-o-y auto semi revenue growth. When production growth is outpacing auto semi growth, we can see this as an indicator that the sector is going through an inventory digestion. Based on this metric, we estimate the sector entered a period of inventory digestion in Q3'23, which likely troughed in Q1'25, and is easing through the year.

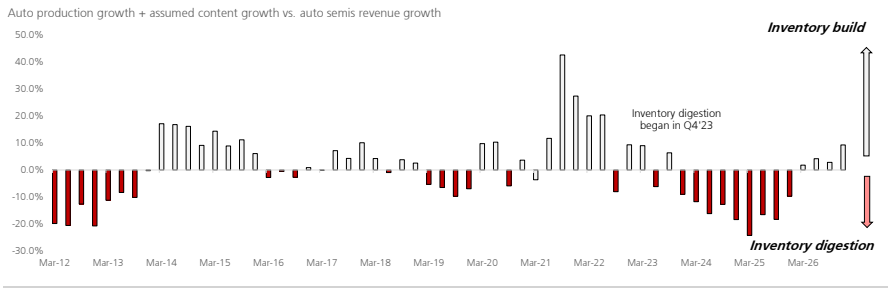
Figure 30: Auto production growth outpaced auto semis revenue growth in Q1'24, marking the start of an inventory digestion



Source: UBS estimates, company data, VA consensus

One limitation with the above is it does not account for semi content growth, which we estimate adds around 8% annually to auto semis revenue. When accounting for this, we can infer that the sector is going through an inventory digestion when auto semis revenue is growing over 8% less than auto production growth, which we show in the chart below. When making this adjustment, we estimate the sector has been in a period of inventory digestion from Q4'23 which will continue but improve through the year.

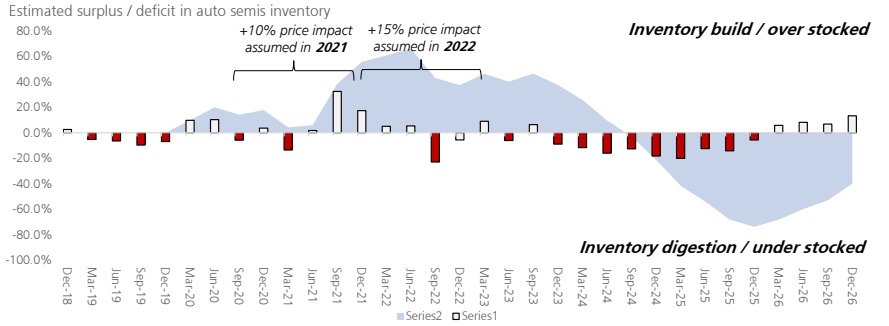
Figure 31: When accounting for content growth, we believe inventory digestion started in Q4'23, and eased into H2'25



Source: UBS estimates, company data, VA consensus; assumed content growth of 8% y-o-y annually

Below we attempt to contextualise what this means for inventory levels and how far along the inventory correction the industry is. We make a pricing adjustment of 10% in 2021 and 15% in 2022, as this, along with content growth, is outperformance that would not have contributed to any inventory build. We then create an inventory index, taking the end of 2019 to be a "normalised" inventory level, given the auto industry was towards the end of a downcycle. Each quarter we add the adjusted out/ underperformance of auto semis vs. production to the previous quarter's value, e.g. the index starts at 0 in Q4'19, rises to 0.1 in Q1'20 following c10% outperformance in the quarter and then to 0.21 in Q2'20, following another 10% outperformance. Based on this index, the industry is already at healthier inventory levels.

Figure 32: When accounting for content growth and exceptional pricing through 2021-22, inventories appear to be reaching healthier levels



Source: UBS estimates, company data, VA consensus

Figure 33: Industrial revenue growth now expected to be c27% in 2026E vs c25% previously

YoY industrial Growth %*	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
TXN	0%	15%	9%	-8%	4%	39%	8%	-13%	-22%	14%	38%	18%
ADI	5%	22%	10%	-6%	10%	29%	31%	-8%	-30%	27%	51%	18%
ON	-2%	3%	11%	-10%	-5%	33%	27%	-1%	-21%	-7%	0%	5%
IFX	2%	12%	15%	-4%	14%	21%	8%	0%	-7%	15%	36%	27%
STM	-2%	16%	11%	-10%	15%	24%	35%	11%	-49%	-6%	32%	21%
MELE	11%	17%	-7%	-26%	50%	22%	7%	13%	4%	8%	3%	13%
NXP	-35%	17%	6%	-12%	15%	31%	13%	-13%	-3%	0%	29%	10%
RENE	-5%	-4%	-3%	-9%	22%	37%	38%	-15%	-23%	8%	25%	17%
Average	**-3.3%**	**12.3%**	**6.2%**	**-10.6%**	**15.6%**	**29.6%**	**20.8%**	**-3.2%**	**-18.9%**	**7.4%**	**26.9%**	**16.1%**

Source: UBSe, Company data, *historicals restated for TI segment reclassification

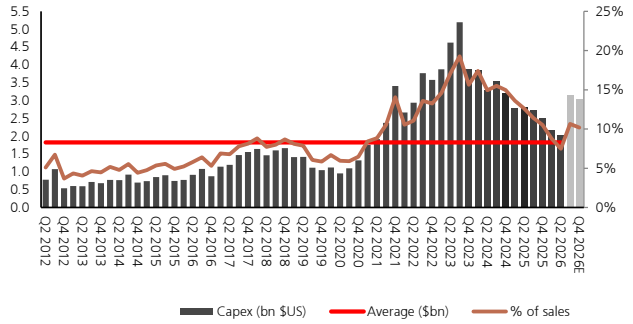
Figure 34: Industrial revenue growth y-o-y by companies by quarters

YoY industrial Growth %*	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026E	Q4 2026E
TXN	-25%	-25%	-23%	-12%	-1%	15%	22%	20%	35%	30%	39%	48%
ADI	-44%	-37%	-21%	-10%	14%	21%	33%	38%	55%	53%	51%	45%
ON	-14%	-23%	-29%	-16%	-16%	-13%	-3%	6%	4%	4%	-1%	-5%
IFX	-19%	-18%	-8%	-19%	-1%	11%	14%	43%	34%	30%	35%	46%
STM	-43%	-54%	-56%	-43%	-34%	-7%	18%	7%	28%	35%	42%	23%
MELE	19%	25%	-8%	-13%	-5%	-1%	11%	30%	4%	-4%	-13%	28%
NXP	14%	7%	-7%	-22%	-11%	-11%	3%	24%	24%	38%	38%	17%
RENE	-19%	-25%	-23%	-25%	-13%	6%	12%	32%	26%	22%	28%	26%
Average	**-16.4%**	**-18.8%**	**-21.9%**	**-20.1%**	**-8.3%**	**2.7%**	**13.7%**	**25.2%**	**26.3%**	**26.2%**	**27.3%**	**28.3%**

Source: UBSe, Company data, *historicals restated for TI segment reclassification

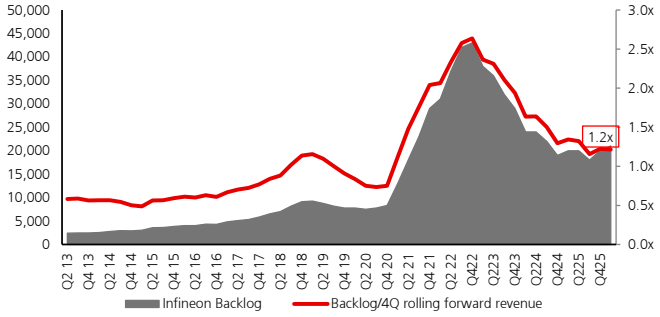
Capacity expansion slowed down in 2025 and expected to be down slightly in 2026E

Figure 35: Capex ($bn) from analog semis is decelerating. Consensus expects -4% y-o-y in 2026E (-22% y-o-y 2025)



Source: UBS, company data; Note: data includes TI, ADI, ON, IFX, STM, Microchip, Melexis, NXP, Renesas

Figure 36: Infineon backlog/4Q rolling forward revenues - we see a normalisation in terms of backlog close to pre-Covid level



Source: UBS estimates, company data

Fundamental (i.e. content) remains supportive, mainly driven by EV transition

Figure 37: We expect EV units to grow c13% y-o-y in 2026E, after c17% growth in 2025

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Europe	**1,393,744**	**2,331,037**	**2,690,005**	**3,153,215**	**3,074,476**	**4,075,583**	**5,502,037**	**6,492,404**	**7,466,264**	**8,212,891**	**9,855,469**
growth y/y	*136%*	*67%*	*15%*	*17%*	*-2%*	*33%*	*35%*	*18%*	*15%*	*10%*	*20%*
% of LV sales	*8.4%*	*13.9%*	*18.0%*	*17.6%*	*16.5%*	*21.7%*	*28.5%*	*33.1%*	*37.5%*	*40.7%*	*48.9%*
% share of BEV from EV	*55.9%*	*55.3%*	*62.2%*	*68.6%*	*69.1%*	*68.8%*	*65.0%*	*67.0%*	*68.0%*	*69.0%*	*70.0%*
BEV sales	779,299	1,288,565	1,672,935	2,163,278	2,123,355	2,804,648	3,576,324	4,349,910	5,077,060	5,666,895	6,898,828
PHEV sales	614,445	1,042,472	1,017,070	989,937	951,121	1,270,935	1,925,713	2,142,493	2,389,205	2,545,996	2,956,641
US	**320,971**	**616,152**	**983,376**	**1,465,968**	**1,632,548**	**1,564,823**	**1,200,000**	**1,311,400**	**1,422,000**	**1,896,000**	**2,528,000**
growth y/y	*-3%*	*92%*	*60%*	*49%*	*11%*	*-4%*	*-23%*	*9%*	*8%*	*33%*	*33%*
% of LV sales	*2.2%*	*4.1%*	*7.1%*	*9.4%*	*10.2%*	*9.6%*	*7.5%*	*8.3%*	*9.0%*	*12.0%*	*16.0%*
% share of BEV from EV	*81.1%*	*79.6%*	*82.4%*	*81.3%*	*80.5%*	*81.4%*	*80.0%*	*78.3%*	*77.8%*	*75.0%*	*75.0%*
BEV sales	260,193	490,456	810,466	1,191,414	1,313,806	1,273,747	960,000	1,027,000	1,106,000	1,422,000	1,896,000
PHEV sales	60,778	125,696	172,910	274,554	318,742	291,076	240,000	284,400	316,000	474,000	632,000
China	**1,213,823**	**3,170,344**	**6,072,308**	**8,059,213**	**11,341,035**	**13,398,261**	**14,738,087**	**16,211,896**	**17,539,159**	**19,315,106**	**21,275,403**
growth y/y	*14%*	*161%*	*92%*	*33%*	*41%*	*18%*	*10%*	*10%*	*8%*	*10%*	*10%*
% of LV sales	*5.1%*	*13.3%*	*25.2%*	*31.7%*	*43.8%*	*49.1%*	*63.5%*	*68.4%*	*72.4%*	*78.1%*	*85.1%*
% share of BEV from EV	*83.9%*	*83.2%*	*76.7%*	*67.2%*	*57.5%*	*63.1%*	*63.1%*	*65.1%*	*66.1%*	*67.1%*	*68.1%*
BEV sales	1,017,968	2,638,241	4,655,935	5,412,710	6,519,158	8,447,911	9,299,733	10,546,210	11,585,017	12,951,222	14,478,400
PHEV sales	195,855	532,103	1,416,373	2,646,503	4,821,877	4,950,350	5,438,354	5,665,686	5,954,142	6,363,884	6,797,003
Japan	**26,894**	**47,935**	**98,632**	**120,711**	**80,655**	**104,213**	**140,000**	**190,000**	**290,000**	**390,000**	**490,000**
growth y/y	*-28%*	*78%*	*106%*	*22%*	*-33%*	*29%*	*34%*	*36%*	*53%*	*34%*	*26%*
% of LV sales	*0.6%*	*1.0%*	*2.3%*	*2.6%*	*1.9%*	*2.3%*	*3.2%*	*4.4%*	*6.7%*	*9.1%*	*11.7%*
% share of BEV from EV	*57.9%*	*52.2%*	*61.9%*	*61.4%*	*57.7%*	*60.6%*	*64.3%*	*73.7%*	*65.5%*	*61.5%*	*59.2%*
BEV sales	15,578	25,035	61,096	74,085	46,569	63,101	90,000	140,000	190,000	240,000	290,000
PHEV sales	11,316	22,900	37,536	46,626	34,086	41,112	50,000	50,000	100,000	150,000	200,000
ROW	**289,568**	**608,532**	**679,679**	**1,382,893**	**1,571,286**	**1,557,120**	**1,868,544**	**2,242,253**	**2,690,703**	**3,094,309**	**3,558,455**
growth y/y	*13%*	*110%*	*12%*	*103%*	*14%*	*-1%*	*20%*	*20%*	*20%*	*15%*	*15%*
% of LV sales	*1.6%*	*3.0%*	*3.1%*	*6.0%*	*6.6%*	*6.2%*	*7.2%*	*8.4%*	*9.7%*	*10.8%*	*12.3%*
% share of BEV from EV	*70.0%*	*75.0%*	*80.0%*	*75.0%*	*75.0%*	*75.0%*	*70.0%*	*70.0%*	*70.0%*	*70.0%*	*70.0%*
BEV sales	202,698	456,399	543,743	1,037,170	1,178,465	1,167,840	1,307,981	1,569,577	1,883,492	2,166,016	2,490,919
PHEV sales	86,870	152,133	135,936	345,723	392,822	389,280	560,563	672,676	807,211	928,293	1,067,537
Total	**3,245,000**	**6,774,000**	**10,524,000**	**14,182,000**	**17,700,000**	**20,700,000**	**23,448,668**	**26,447,952**	**29,408,127**	**32,908,306**	**37,707,327**
% growth y/y	***42.6%***	***108.8%***	***55.4%***	***34.8%***	***24.8%***	***16.9%***	***13.3%***	***12.8%***	***11.2%***	***11.9%***	***14.6%***
% of global LV sales	***4.2%***	***8.4%***	***13.3%***	***16.4%***	***20.0%***	***22.5%***	***26.4%***	***29.3%***	***32.0%***	***35.2%***	***40.1%***
BEV	2,275,736	4,898,696	7,744,175	9,878,657	11,181,353	13,757,247	15,234,038	17,632,698	19,841,569	22,446,133	26,054,147
BEV % of total LV sales	*2.9%*	*6.1%*	*9.8%*	*11.4%*	*12.6%*	*15.0%*	*17.2%*	*19.5%*	*21.6%*	*24.0%*	*27.7%*
PHEV	969,264	1,875,304	2,779,825	4,303,343	6,518,648	6,942,753	8,214,630	8,815,255	9,566,558	10,462,173	11,653,180
PHEV % of total LV sales	*1.3%*	*2.3%*	*3.5%*	*5.0%*	*7.4%*	*7.5%*	*9.3%*	*9.8%*	*10.4%*	*11.2%*	*12.4%*

Source: UBS estimates

Figure 38: We estimate 10% y-o-y auto semis revenue growth in 2026E (unchanged) and +c12% in 2027E (14% previously) based on our bottom-up estimates

	GARTNER HISTORICS					UBS ESTIMATES												
Semi sales (US$bn)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**% CAGR ('23-'27)**	**% CAGR ('25-'30)**
ADAS	1.7	3.0	4.1	5.1	5.9	5.4	10.4	13.9	16.1	16.7	15.4	20.8	26.5	32.8	35.5	37.6	13%	20%
Aftermarket	2.2	2.2	2.3	2.5	2.5	2.4	2.9	3.4	3.9	3.3	3.1	3.1	3.2	3.2	3.2	3.2	-5%	1%
Body	4.6	5.5	6.6	7.4	6.9	6.8	8.1	9.4	10.9	9.3	8.6	8.5	8.8	8.8	8.9	9.0	-5%	1%
Chassis	4.6	4.5	5.1	5.4	5.1	5.0	5.9	6.9	8.0	6.9	6.4	6.3	6.5	6.5	6.6	6.7	-5%	1%
Infotainment	7.2	7.7	8.4	9.0	8.4	8.3	9.8	12.0	14.0	12.6	12.1	12.7	13.5	14.6	14.9	15.0	-1%	4%
Powertrain	5.4	6.8	7.4	8.0	7.5	7.4	11.3	16.0	20.4	19.5	19.1	20.2	22.7	24.2	26.1	28.1	3%	8%
Safety	4.4	4.3	4.6	4.7	4.1	4.1	4.8	5.9	6.8	5.8	5.5	5.7	5.8	6.0	6.1	6.2	-4%	2%
Total	**30.1**	**34.1**	**38.5**	**42.2**	**40.5**	**39.4**	**53.3**	**67.5**	**80.0**	**74.1**	**70.2**	**77.3**	**86.9**	**96.1**	**101.4**	**105.9**	**2%**	**9%**
% y-o-y		**13.3%**	**13.1%**	**9.5%**	**-4.0%**	**-2.7%**	**35.3%**	**26.6%**	**18.5%**	**-7.3%**	**-5.2%**	**10.1%**	**12.4%**	**10.5%**	**5.5%**	**4.4%**		
Inventory adjustment (- restocking and + de-stocking)					-1	-5	-5	-5	-10	-1	7	3	1.5	0	0	0		
Autos production(m)	**88.8**	**93.1**	**95.3**	**94.2**	**88.7**	**74.6**	**77.2**	**82.3**	**90.5**	**89.6**	**93.1**	**91.4**	**92.5**	**93.9**	**95.4**	**96.3**		
% y-o-y		**4.9%**	**2.3%**	**-1.2%**	**-5.8%**	**-15.9%**	**3.5%**	**6.7%**	**9.9%**	**-1.0%**	**3.9%**	**-1.8%**	**1.2%**	**1.0%**	**1.0%**	**1.0%**		

$ content / car	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**% CAGR ('23-'27)**	**% CAGR ('25-'30)**
ADAS	19	32	44	54	66	68	127	159	160	184	178	235	291	349	373	390	16%	17%
Aftermarket	24	24	24	27	28	31	35	39	39	37	36	35	35	34	34	34	-3%	-1%
Body	52	59	69	78	78	85	98	108	108	103	100	97	97	94	94	94	-3%	-1%
Chassis	51	48	53	58	57	63	72	79	80	76	74	72	72	69	69	69	-3%	-1%
Infotainment	81	83	88	96	95	104	120	138	139	139	140	144	149	156	156	156	2%	2%
Powertrain	61	74	78	85	85	93	138	183	203	216	220	228	249	258	274	292	5%	6%
Safety	50	46	48	50	46	51	59	67	67	64	64	64	64	64	64	64	-1%	0%
$ Content per car	**339**	**366**	**404**	**448**	**454**	**495**	**648**	**773**	**796**	**818**	**811**	**875**	**955**	**1,024**	**1,063**	**1,099**	**5%**	**6%**
% y-o-y		**8.0%**	**10.5%**	**10.8%**	**1.3%**	**9.1%**	**31.0%**	**19.2%**	**3.0%**	**2.8%**	**-0.9%**	**7.8%**	**9.2%**	**7.2%**	**3.9%**	**3.4%**		

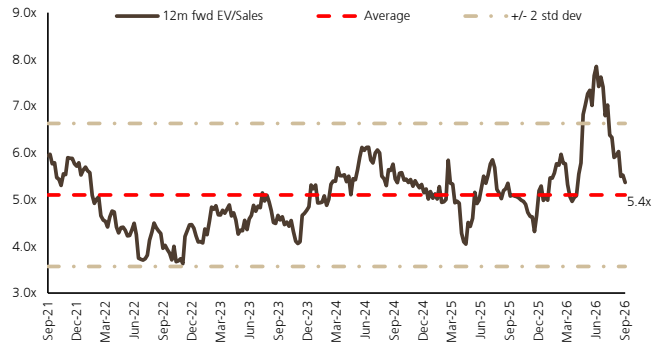
Source: Gartner, UBS estimates

Figure 39: Powertrain auto semis bottom-up model - we forecast 6% in 2026E (unchanged), with +12% (11% previously) estimated in 2027E

Powertrain / EV estimates															
Powertrain mix	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	
Gasoline	83%	81%	78%	70%	64%	57%	56%	52%	50%	48%	44%	41%	37%	32%	
Diesel	12%	12%	11%	16%	14%	13%	11%	9%	8%	7%	5%	4%	3%	2%	
48V/mild hybrid (gas)	1%	3%	6%	4%	6%	9%	9%	10%	11%	11%	11%	11%	11%	11%	
HEV	2%	3%	3%	6%	7%	8%	8%	8%	9%	10%	12%	13%	14%	15%	
PHEV	1%	1%	1%	1%	2%	4%	5%	7%	8%	9%	9%	10%	11%	12%	
BEV	1%	1%	2%	3%	6%	10%	12%	13%	15%	16%	19%	21%	24%	28%	
FCV	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Content mix ($/car)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	
Gasoline	65	65	67	68	78	86	88	85	81	78	78	76	74	72	
Diesel	75	79	75	80	92	101	103	100	95	92	92	89	87	84	
48V/mild hybrid (gas)	100	100	100	100	115	127	129	125	119	115	115	112	109	105	
HEV	225	225	225	225	259	285	290	290	276	268	268	260	252	244	
PHEV	400	400	400	400	460	506	516	501	476	461	461	447	434	421	
BEV	550	550	550	550	633	696	710	688	654	654	654	634	615	597	
FCV	550	550	550	550	633	696	710	688	654	654	654	634	615	597	
Semis market ($m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**% CAGR ('23-'27)**
Gasoline	5,166	4,934	4,600	3,526	4,140	4,260	4,911	4,012	3,490	3,291	3,130	2,924	2,565	2,173	-11%
Diesel	879	855	712	967	1,051	1,131	1,091	832	639	542	459	363	266	176	-19%
Old powertrain	**6,044**	**5,788**	**5,312**	**4,492**	**5,191**	**5,392**	**6,002**	**4,844**	**4,129**	**3,833**	**3,589**	**3,286**	**2,831**	**2,349**	-12%
% y-o-y		**-4%**	**-8%**	**-15%**	**16%**	**4%**	**11%**	**-19%**	**-15%**	**-7%**	**-6%**	**-8%**	**-14%**	**-17%**	
48V/mild hybrid (gas)	91	300	513	298	596	983	1,197	1,153	1,122	1,111	1,144	1,145	1,128	1,105	-1%
HEV	448	539	617	1,007	1,468	2,039	2,356	2,229	2,083	2,439	2,861	3,193	3,461	3,615	5%
PHEV	195	314	288	388	908	1,547	2,460	3,318	3,117	3,509	3,911	4,096	4,414	4,714	12%
BEV	402	680	810	1,231	3,172	5,955	8,288	7,910	8,492	9,169	11,021	12,366	14,174	16,221	7%
FCV	2	3	5	0	0	61	74	95	121	123	125	123	119	116	14%
EV / HEV	**1,138**	**1,837**	**2,233**	**2,924**	**6,142**	**10,585**	**14,375**	**14,705**	**14,935**	**16,352**	**19,061**	**20,921**	**23,296**	**25,770**	7%
% y-o-y		**61%**	**22%**	**31%**	**110%**	**72%**	**36%**	**2%**	**2%**	**9%**	**17%**	**10%**	**11%**	**11%**	
Total powertrain	**7,183**	**7,625**	**7,544**	**7,417**	**11,333**	**15,977**	**20,377**	**19,549**	**19,064**	**20,185**	**22,650**	**24,208**	**26,126**	**28,119**	**3%**
y-o-y		6%	-1%	-2%	53%	41%	28%	-4%	-2%	6%	12%	7%	8%	8%	

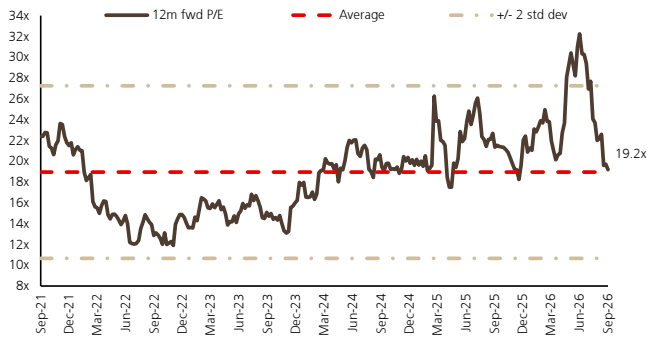
Source: UBS estimates, Company data

Figure 40: Autos/Industrial semis Forward EV/Sales



Source: UBS, Datastream

Figure 41: Autos/Industrial semis Forward P/E

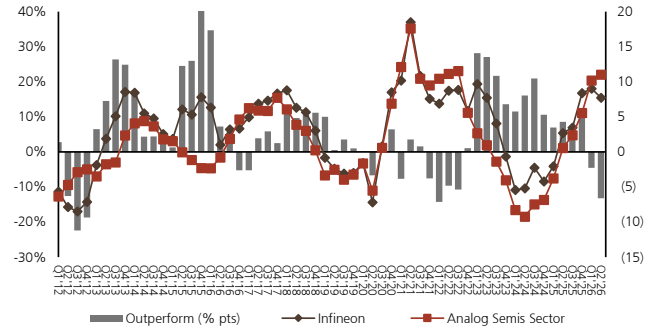


Source: UBS, Datastream

Which companies are outperforming?

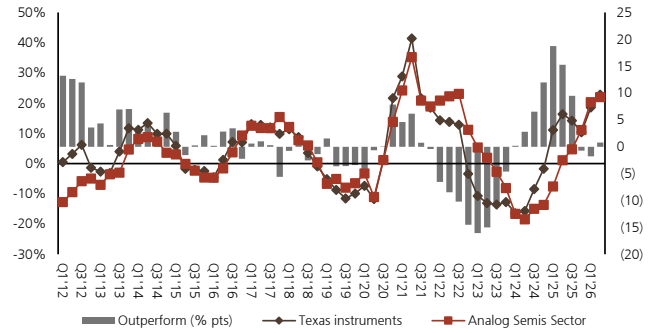
We list below the revenue growth y-o-y performance vs average for the main analog players.

Figure 42: Infineon outperformed the sector 78% of the time, on average, since 2012, driven mainly by power, in our view. 2021 underperformance was mainly driven by conservative behaviour on pricing, being reversed in 2023



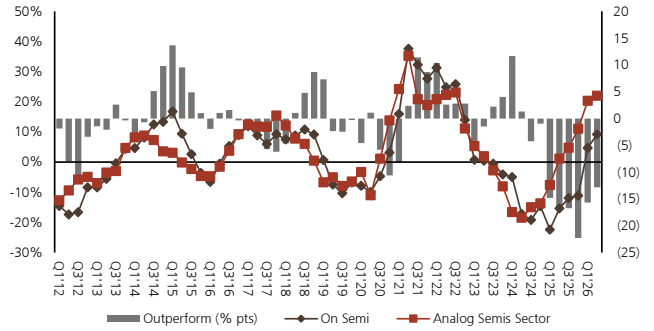
Source: UBS, Company data

Figure 43: Texas Instruments outperformed the sector 62% of the time since 2012, and we believe underperformance in 2023 was mainly due to consignment strategy and less discrete power exposure



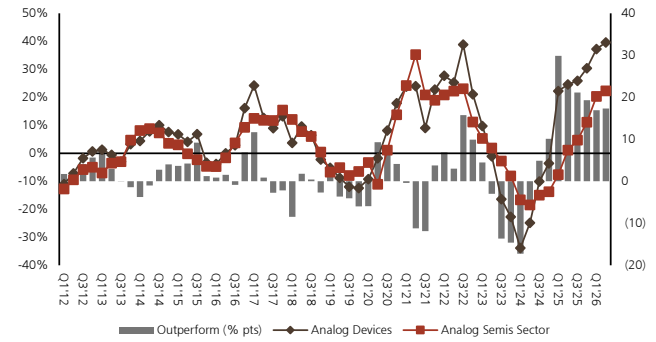
Source: UBS, Company data

Figure 44: ON Semi outperformed the sector 43% of the time since 2012 and performed better recently, driven by power content growth, in our view



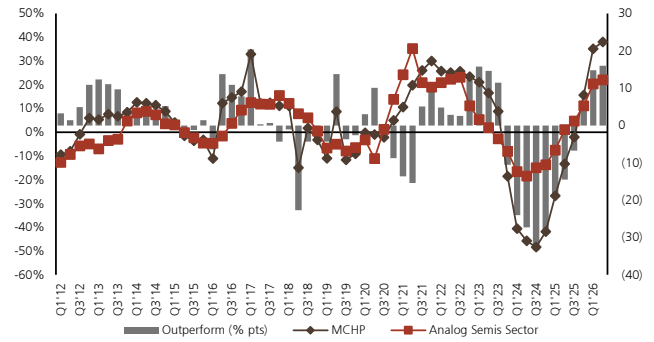
Source: UBS, Company data

Figure 45: ADI outperformed the sector 64% of the time since 2012, driven by solid content growth



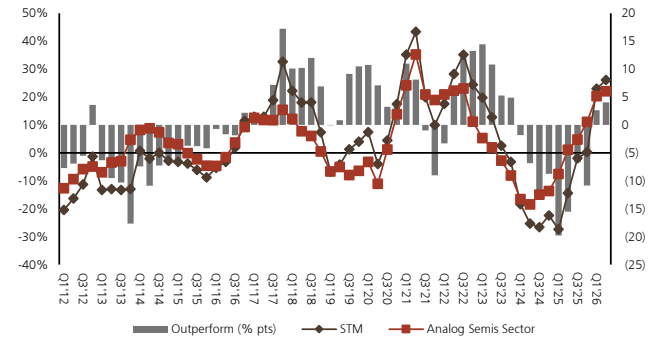
Source: UBS, Company data

Figure 46: MCHP outperformed the sector 60% of the time since 2012, and 2022 was mainly driven by MCU pricing, in our view



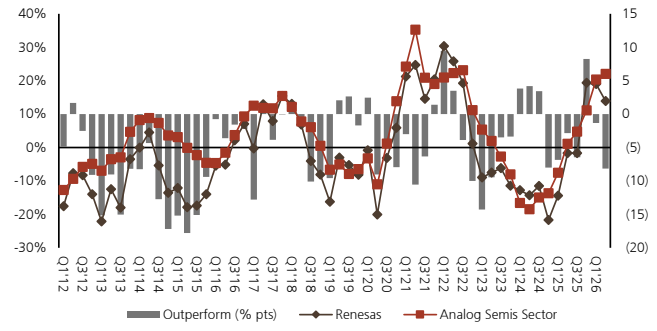
Source: UBS, Company data

Figure 47: STM outperformed the sector 48% of the time since 2012, driven by silicon carbide and stockpiling, in our view



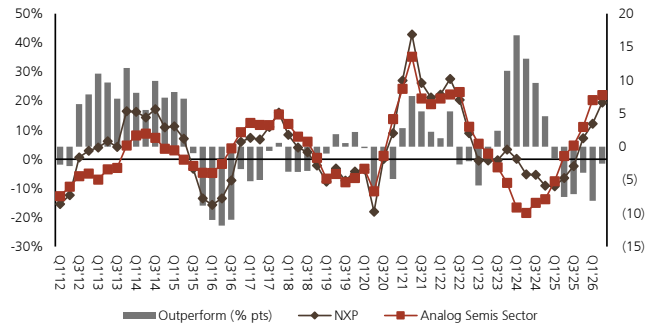
Source: UBS, Company data

Figure 48: Renesas outperformed the sector 22% of the time since 2012



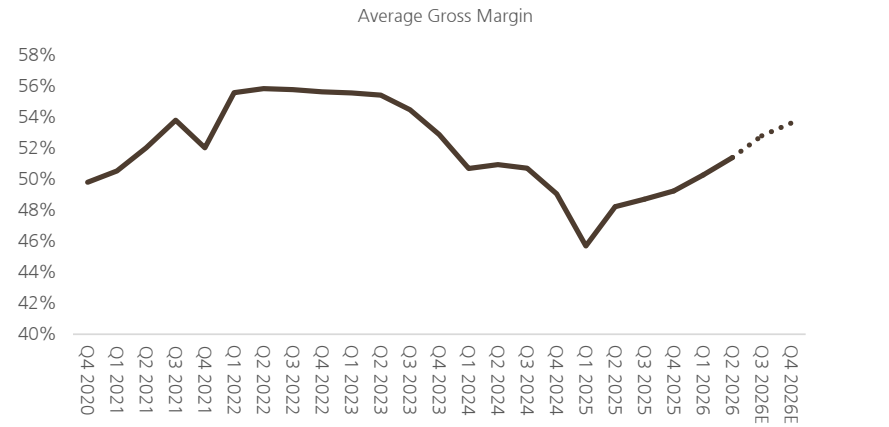
Source: UBS, Company data

Figure 49: NXP outperformed the sector 48% of the time since 2012, and we believe it underperformed before 2020 due to less discrete power exposure and outperformed in 2021, driven by MCU pricing



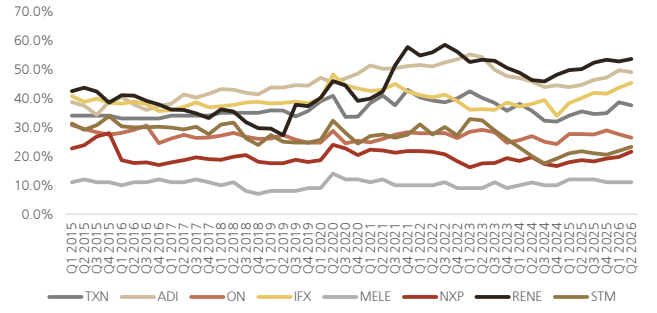
Source: UBS, Company data

Figure 50: Gross margin average across analog players rebounded in H2'25, and is expected to increase further until the end of FY26E



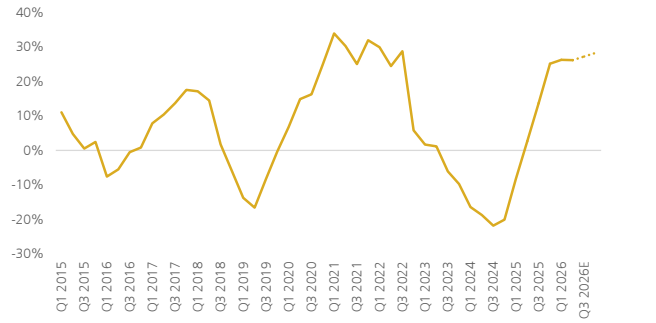
Source: UBS, Company data. Note: data includes NXP, TI, ON, ADI, IFX, STM, Renesas, Microchip, Melexis

Figure 51: Industrial as % of sales by company



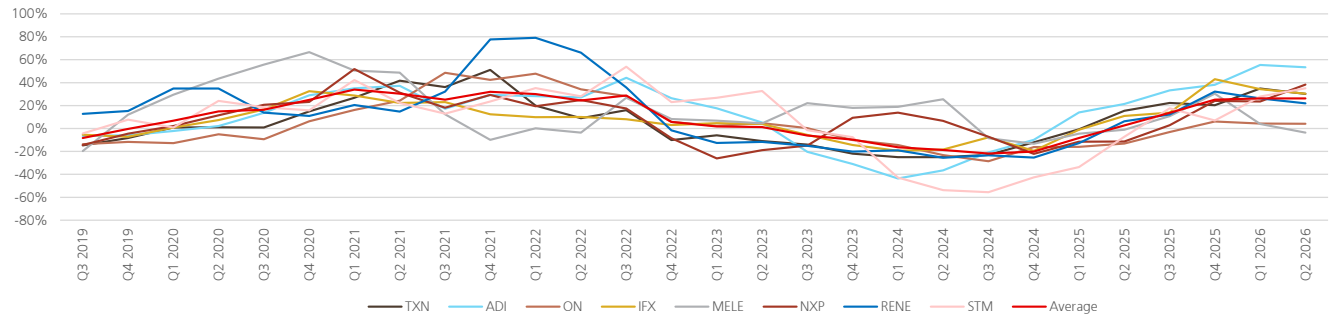
Source: UBS, company data

Figure 52: Industrial recovery took off in Q2'25 and is expected to accelerate further



Source: UBS, company data

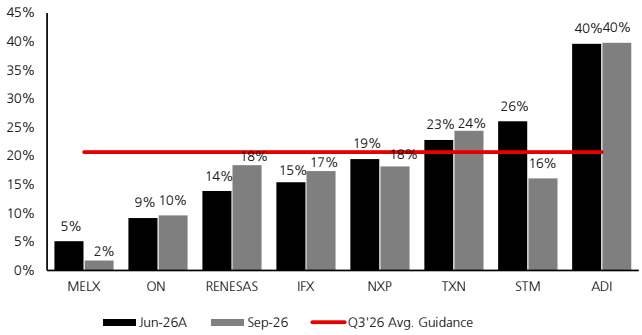
Figure 53: Industrial revenue growth y-o-y by company



Source: UBS, company data

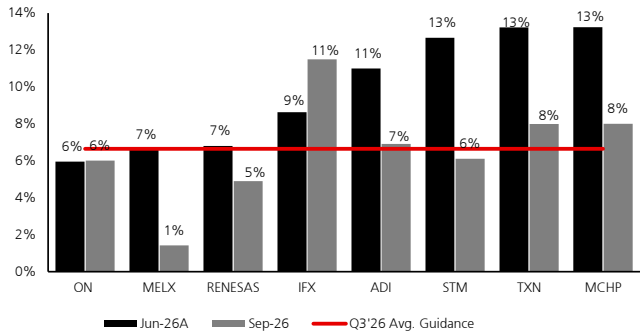
We also note that Q3'26 guidance for the main analog semis players implies +21% growth y-o-y on average. Semis delivered +10% q-o-q revenue growth in Q2'26, and Q3'26 guidance suggests growth of +7% q-o-q on average, versus a five-year q-o-q historical average of +4% for Q3s.

Figure 54: CQ3 26E Guidance Comp. YoY % Analog Semis



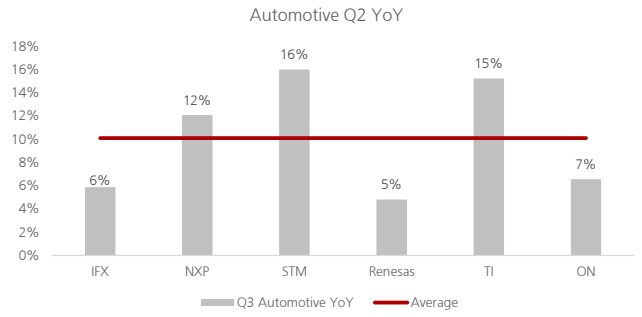
Source: Company data. Note: *Renesas - growth adj. for acquisition of Dialog

Figure 55: CQ3 26E Guidance Comp. QoQ % Analog Semis



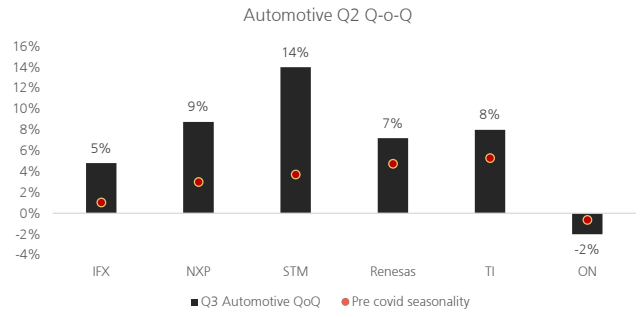
Source: Company data. Note: *Renesas - growth adj. for acquisition of Dialog

Figure 56: Q2 Automotive revenues YoY



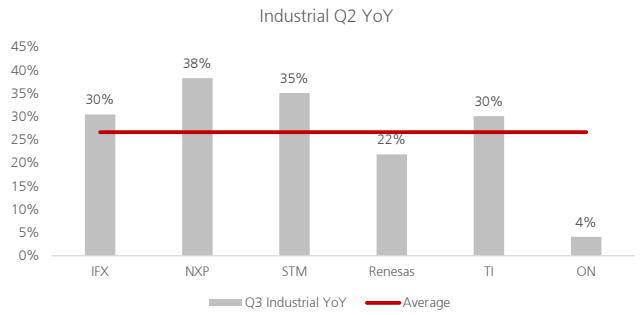
Source: Company data, UBS

Figure 57: Q2 Automotive revenues QoQ



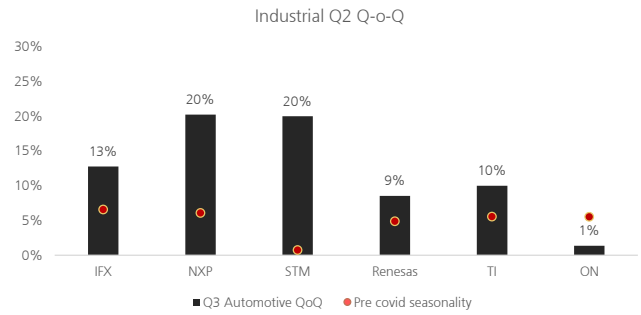
Source: Company data, UBS

Figure 58: Q2 Industrial revenues YoY



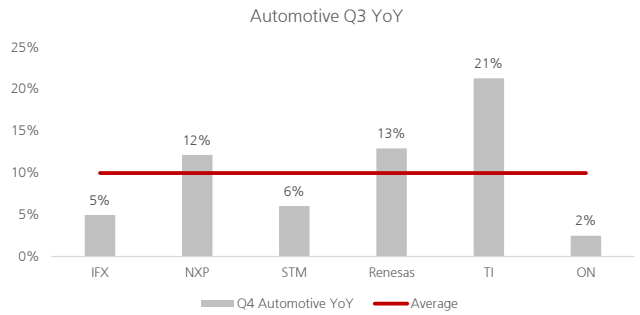
Source: Company data, UBS

Figure 59: Q2 Industrial revenues QoQ



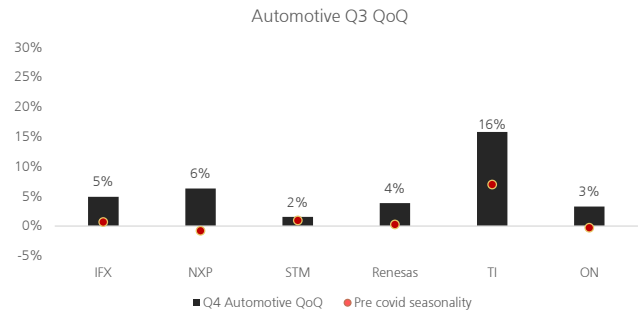
Source: Company data, UBS

Figure 60: Q3 Automotive revenues YoY



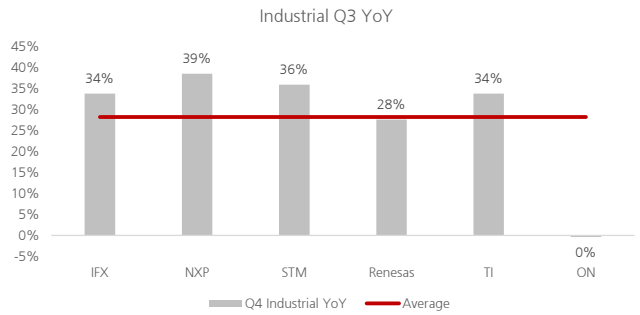
Source: VA consensus, UBS

Figure 61: Q3 Automotive revenues QoQ



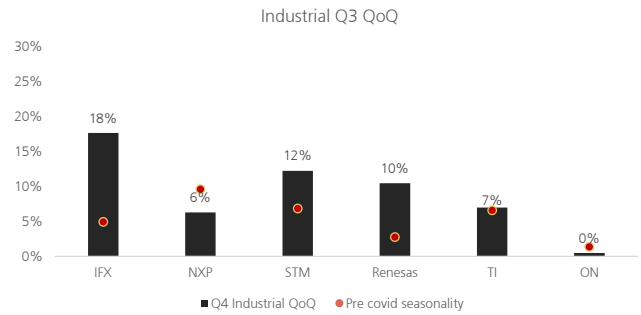
Source: VA consensus, UBS

Figure 62: Q3 Industrial revenues YoY



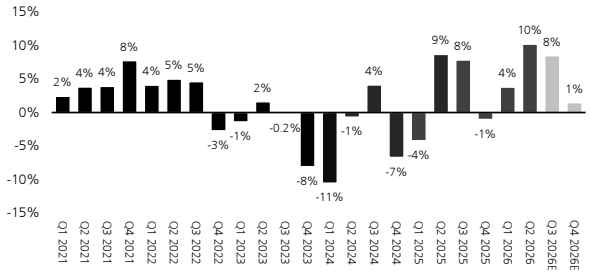
Source: VA consensus, UBS

Figure 63: Q3 Industrial revenues QoQ



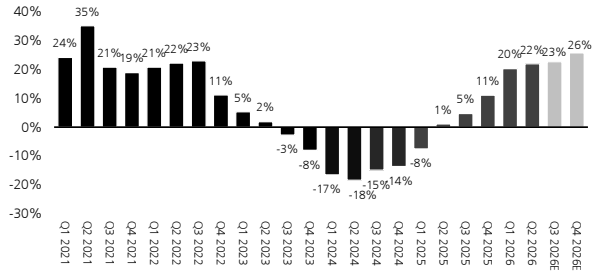
Source: VA consensus, UBS

Figure 64: We expect next quarter to grow by 8% q-o-q after an increase of 10% in Q2'26...



Source: UBS estimates, company data. Note: data includes TI, ON, ADI, IFX, STM, Microchip, Melexis, NXP, Renesas

Figure 65: ...Q3'26E likely to deliver 23% y-o-y growth after 22% in Q2'26



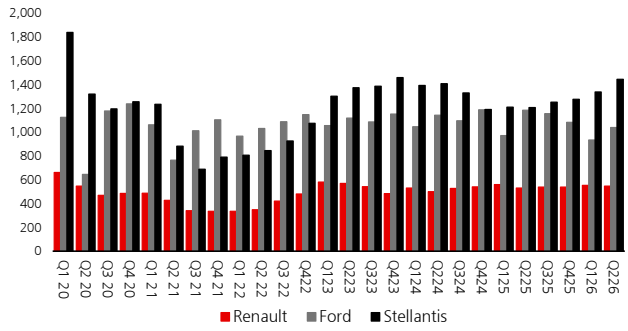
Source: UBS estimates, company data. Note: data includes TI, ON, ADI, IFX, STM, Microchip, Melexis, NXP, Renesas

Leading indicator analysis

Inventories stabilising at high levels

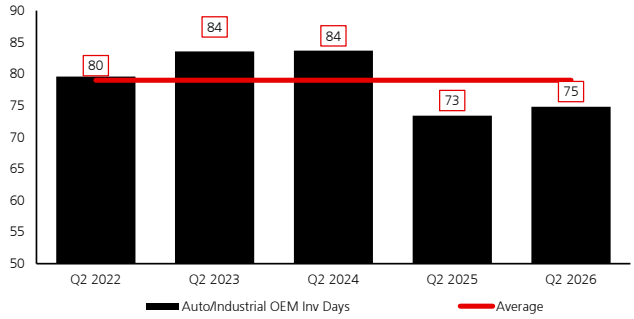
Overall autos/industrial inventory days: On a combined basis, the inventory level continued to be stable in Q2'26 and below the seasonal normal for Q2s. Hence, inventory days (DOI) were at c75, up 2 days vs Q2'25 and below the normal DOI of 79 (five-year average for Q2s).

Figure 66: Total inventories '000 units: inventories were up c4% during 2Q26 vs 2Q25 levels



Source: Company data, UBS estimates

Figure 67: Q2s Autos/Industrial OEMs inventory days



Source: Company data, UBS estimates

LEAD INDICATORS CONTINUE TO BE SUPPORTIVE

We believe lead indicators continue to be positive in FY26E.

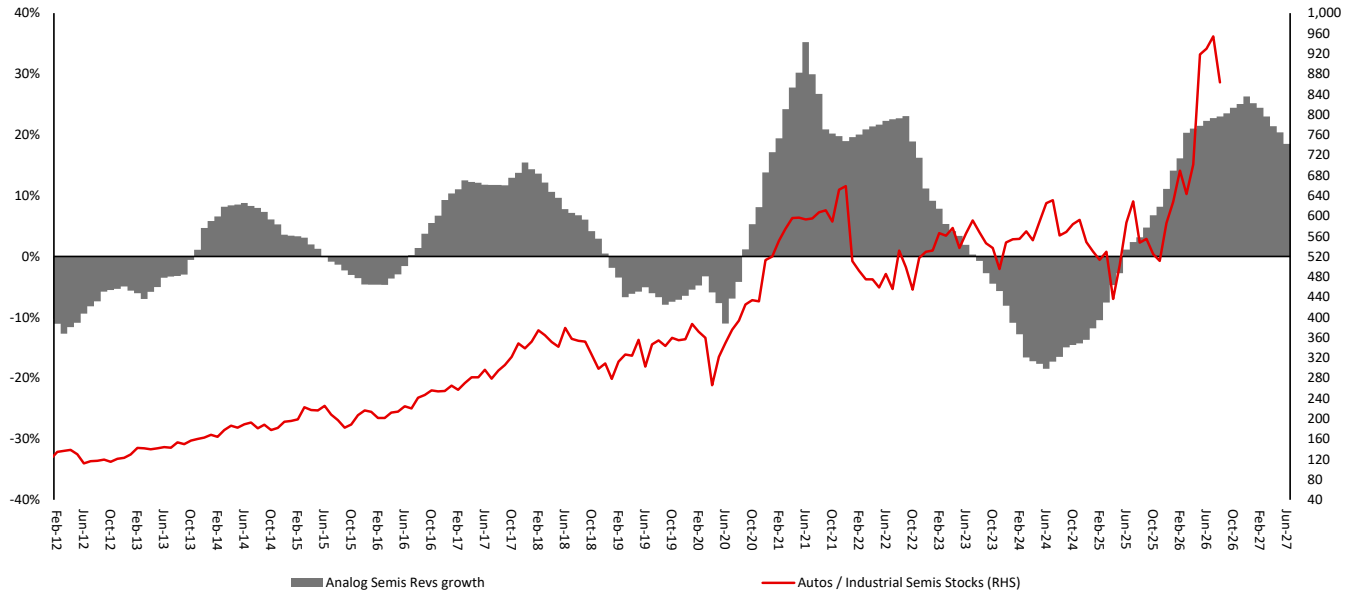
Figure 68: UBS leading indicators for Autos/Industrial semis

Indicator	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Q3'26E	Current Sentiment	Previous Sentiment	Commentary
1) Semis y-o-y revenue growth	21%	22%	23%	11%	5%	2%	-3%	-8%	-17%	-18%	-15%	-14%	-8%	1%	5%	11%	20%	22%	24%	+	+	Revenue continuing to accelerate in FY26E driven by cycle and AI
2) Semis vs OEM revenue gap	20%	23%	12%	1%	-4%	-12%	-13%	-15%	-15%	-16%	-12%	-12%	-6%	-2%	-3%	7%	15%	20%	23%	−	−	Strong outperformance driven by AI and/or overbuild
3) Inventory days - Semis	114	115	117	127	144	148	147	155	166	170	167	181	179	175	166	170	171	159	156	+	+	Inventory days declined in Q2 26 meaningfully
4) Inventory days - OEMs	75	80	75	75	79	84	77	77	80	84	79	74	75	73	72	73	77	75	71	+	+	Inventory days showing signs of decrease
5) Autos production y-o-y	-4%	1.3%	29.5%	3.4%	7.4%	17.1%	5.2%	10.5%	0.1%	-0.6%	-4.5%	1.0%	3.9%	3.7%	6.9%	1.6%	-1.9%	-2.2%	-1.5%	×	−	We estimate -1.8% y-o-y in 2026E (2025: +3.9%)with signs of decline in China

Source: UBS estimates

1) Y-o-Y growth rebounded in H2'25: Share price strength has been driven by macro and also investor hopes for a soft landing, in our view.

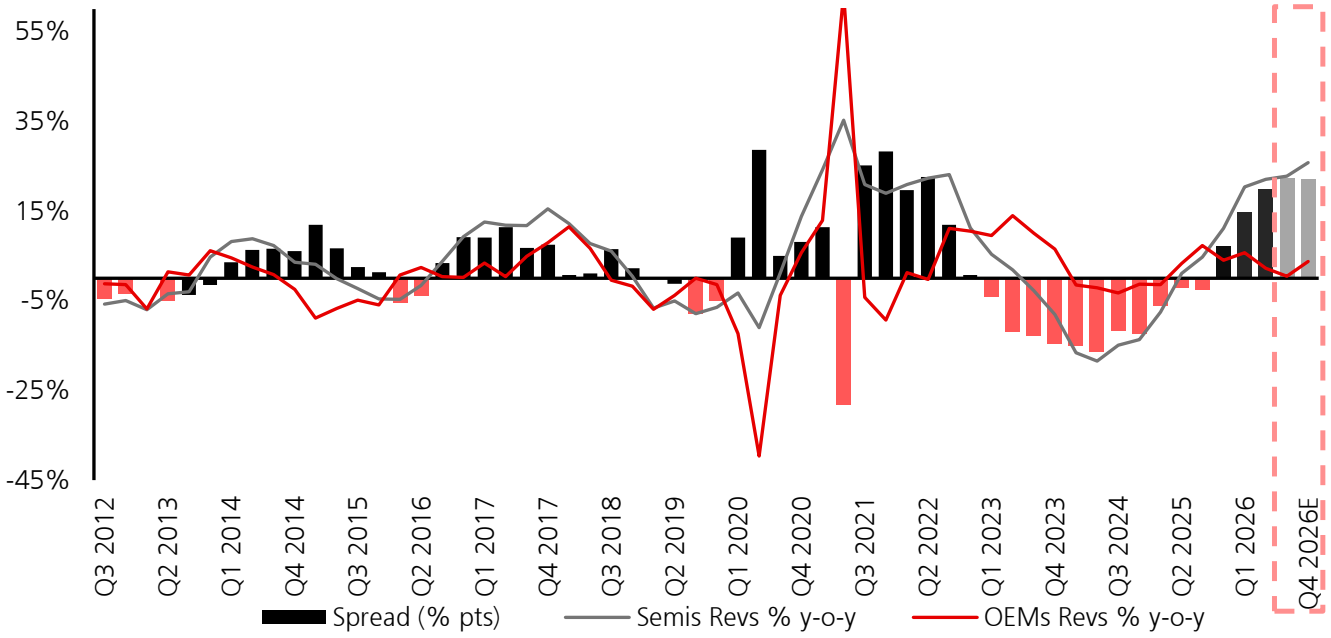
Figure 69: Analog semis revenue growth (3-mth rolling) vs. stock performance



Source: UBS estimates, Company data, Datastream. Note: Analog Semis group consists of ADI, RENESAS, ON Semi, STM, TXN, IFX, MCHP, MELEXIS, NXP

2) Semis vs OEM gap analysis – OEMs' lead comes to an end: The gap shifted back in favour of semis in Q4'25, and is expected to remain in their favour in FY26E.

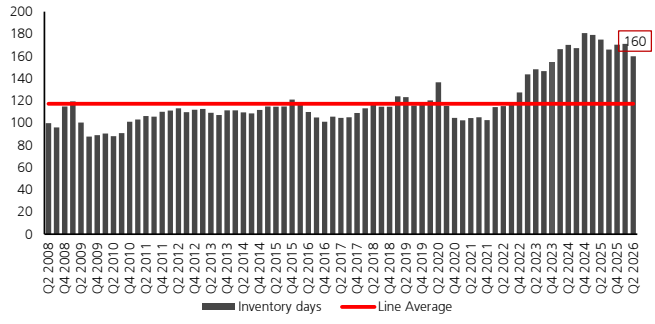
Figure 70: Semis revenue growth vs OEM growth



Source: UBS estimates, Visible Alpha, company data

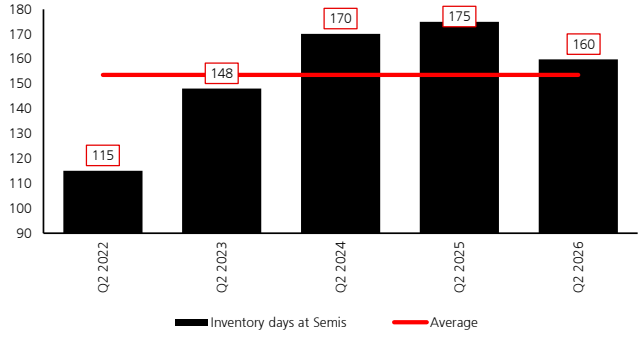
3) Semis inventory – Days of Inventory on hand (DOI) stood at 160 days in Q2'26. As a result, on a seasonal basis, we see semis sitting at a higher level than the five-year average for Q2s of 154 days, and c15 days below Q2'25. Looking into Q3'26E, supply expectations point to lower inventory levels in comparison to Q2, with c157 days expected.

Figure 71: Autos/industrial semis inventory days



Source: Company data, UBS estimates

Figure 72: Q2 autos/industrial semis inventory days

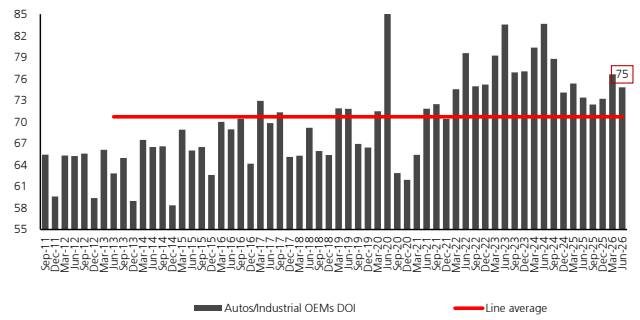


Source: Company data, UBS estimates

4) OEM Inventory – below medium term averages:

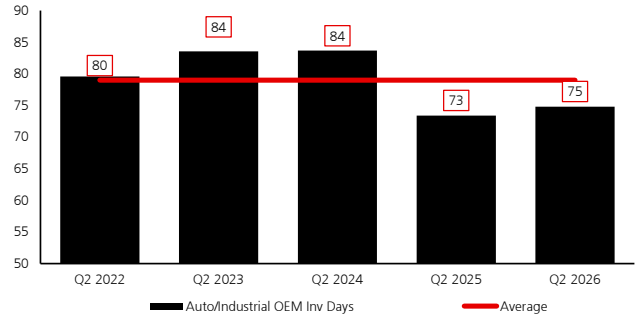
- **Overall autos/industrial inventory days:** On a combined basis, the inventory level appears to be stable in Q2'26 and below the seasonal normal for Q2s. Hence, inventory days (DOI) were at c75, 2 days above Q2'25 and below 5 year average for Q2s of 79.

Figure 73: Autos/Industrial OEMs inventory days



Source: Company data, UBS estimates

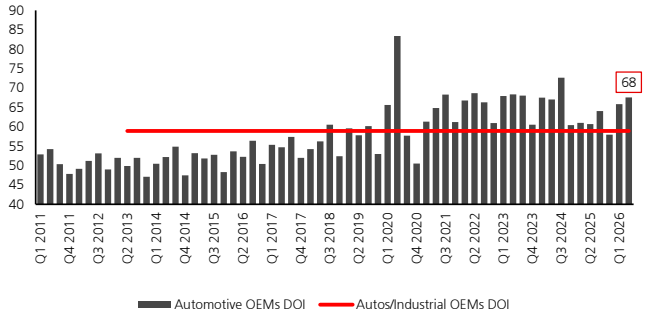
Figure 74: Five-year Q2s Autos/Industrial OEMs inventory days



Source: Company data, UBS estimates

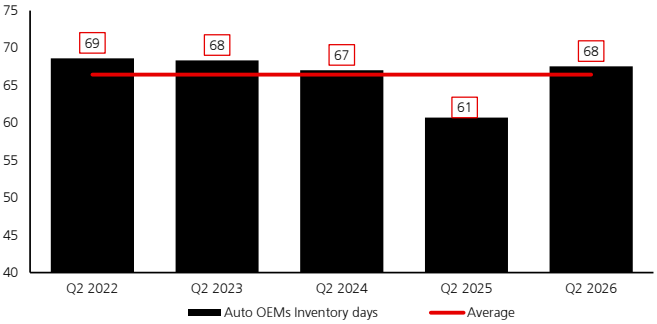
- **Automotive inventory days in line with five-year Q2 average**

Figure 75: Auto Tier 1/OEM inventory days



Source: UBS, Company data

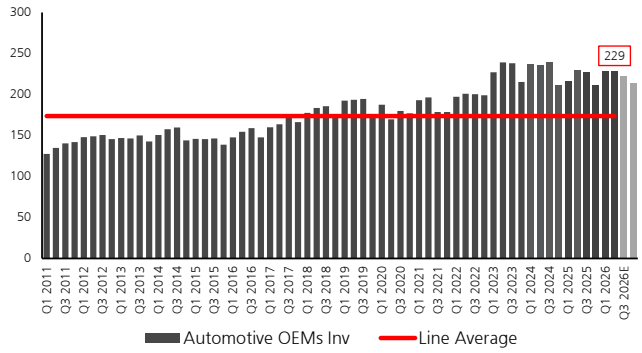
Figure 76: Five-year Q2s Auto Tier 1/OEM inventory days



Source: UBS, Company data

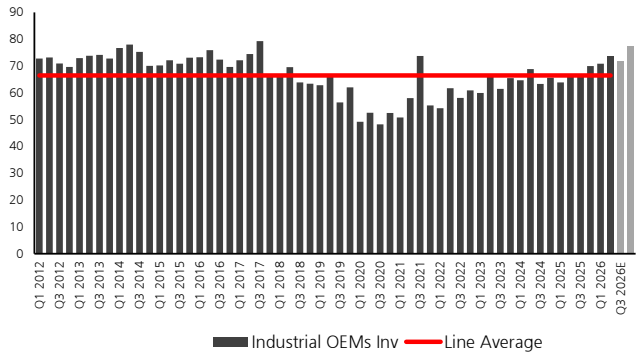
- **Absolute inventories higher than history at Auto OEMs:** Within automotive, we currently see the inventories stand at levels well above the historical average, with similar levels through 2025. At Industrial OEMs, the inventory level is declining in $-denominated terms and is expected to be slightly above historical average in Q3'26E.

Figure 77: Absolute automotive inventory level (US$bn)



Source: UBSe, Company data

Figure 78: Absolute industrial inventory level (US$bn)



Source: UBSe, Company data

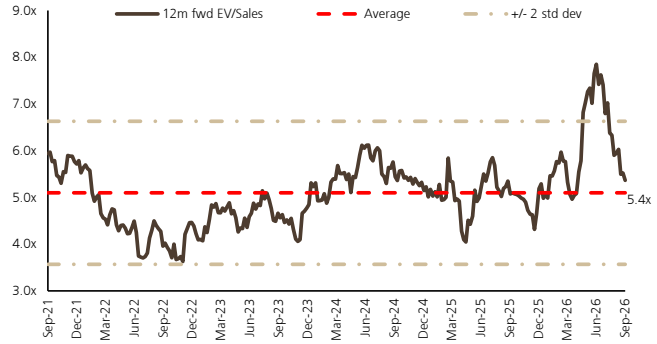
Figure 79: Comments on inventory from Automotive OEMs/suppliers

Companies	Comments
Arrow electronics	Inventory grew sequentially by $217 million, ending the second quarter at $5.9 billion. Customers are now adding buffer inventory back into their supply chains, as well as giving us more visibility and extended visibility to what their MRPs are showing from a longer period of time. Pre-positioning of inventory or buffers or bonds established by customers are relatively normal from what we would see in a normal
Avnet	We also improved inventory days to 71, the lowest level in nearly four years and believe we have the capacity to continue improving in Inventory dollars grew 11% or $600 million, similar to the impact pricing had on sales, more than 50% of the inventory increase was driven by pricing and substantially all of that was memory-related." From an inventory standpoint, the inventory is healthy, but we're constantly though meeting with our suppliers to be sure we got the right positioning of their inventory
Renault	In terms of outlook, we expect the total inventories at the end of the year will remain in the bracket of 525,000 to 550,000 corridor which is a healthy level of inventories to operate As of June 30, total inventories of new vehicles stood at 546,000 vehicles
Toyota	Low inventory situation continues, our customers continue to wait, and therefore, we do have room even if the situation rapidly changes in the market
BMW	The net change in working capital reduced free cash flow by around EUR 1.3 billion. This was due to an inventory buildup during the quarter as production exceeded sales volumes. We have already made the necessary adjustments to our production planning with the objective of bringing inventories back towards the prior year level by year-end
Stellantis	Total inventory increased 20% year-over-year to 1.4 million units. Based on preliminary sales rates in July, we expect that in July you will see inventory already reduced from June levels As we saw, we build up inventory in the first half and we expect to reduce inventory in the second half.
Nissan	We are taking actions to manage our inventory and leverage our NEV lineup to combat the industry declines in China In China, together with our JV partner, we will manage inventories in line with the market and rebalance our sales mix to grow our
GM	Total US dealer inventory ended the quarter at 511,000 units or approximately 55 days of supply. This is right in the middle of our targeted range of 50 to 60 days.
Daimler	Net working capital was a headwind that was a result of heavier inventory

Source: Company conference call transcripts and Q2 26 press releases, UBS

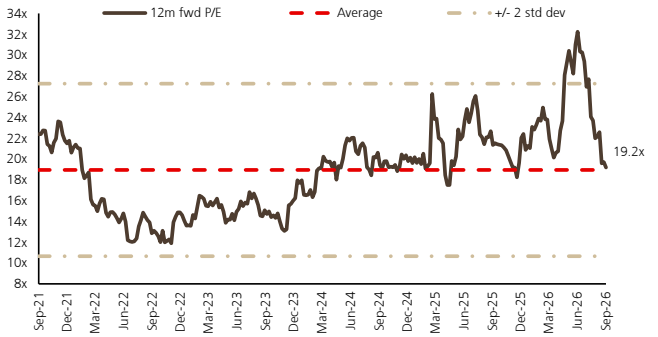
VALUATION

Figure 80: Autos/Industrial semis Forward EV/Sales



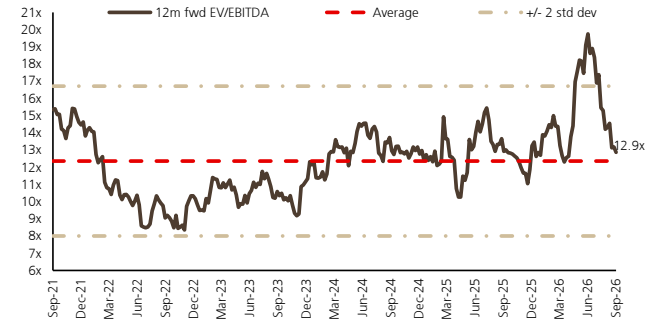
Source: UBS, Datastream

Figure 81: Autos/Industrial semis Forward P/E



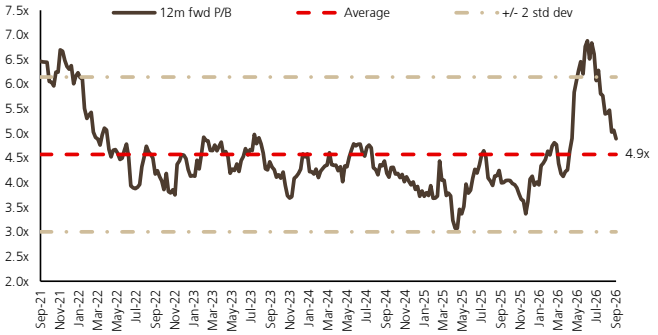
Source: UBS, Datastream

Figure 82: Autos/Industrial semis Forward EV/EBITDA



Source: UBS, Datastream

Figure 83: Autos/Industrial semis Forward P/BV



Source: UBS, Datastream

Figure 84: Recent commentary from major Analog Semis

Company	Date	Last Qtr	Next qtr guide (mid-point guidance)	Comments			
				Inventories	End market trends	Orders book-to-bill	General comments
Texas Instruments	22-Jul	13% q-o-q 23% y-o-y	8% q-o-q 24% y-o-y	Inventory at the end of the quarter was $4.6 billion, down $90 million from the prior quarter and days were 196, down 13 days sequentially	We saw continued growth in industrial and data center, in addition to accelerated growth in automotive."Data center doubled year-on-year and grew around 20% sequentially.	NA	Revenue was $5.5 billion, an increase of 13% sequentially and an increase of 23% year-over-year.
STMicro	23-Jul	13% q-o-q 26% y-o-y	6% q-o-q 16% y-o-y	In distribution, inventory further decreased and is now below our standard target	Automotive revenues came in better than expected, increasing 14% sequentially and 16% year-over-year. In Q4, we anticipate revenue growth acceleration, mainly driven by our engaged customer programs in AI data centers and Low Earth Orbit satellite communication.	During the quarter, demand increased further, with strong bookings and book-to-bill close to 2 overall.	We are raising our revenue new ambition for data centers. We now expect revenue above $1 billion in 2026, and assuming the current dynamics continues and with the current engagements we have, well above $2 billion in 2027.
NXP	28-Jul	10% q-o-q 19% y-o-y	7% q-o-q 18% y-o-y	Days of inventory improved to 156 from 165 days, inclusive of approximately 9 days of prebuilds for our planned front-end factory consolidations	Growth was driven primarily by software-defined vehicle, electrification, and connectivity. We estimate AI-enabled processors will represent approximately 15% of Industrial & IoT processor revenue in 2026, more than doubling from last year.	Our book-to-bill ratio is above 1 and it's above last quarter again	Our second quarter performance exceeded expectations once again as the strong momentum we saw in the first quarter continue into Q2, setting the stage for a strong second half
Microchip	06-Aug	13% q-o-q 38% y-o-y	8% q-o-q 41% y-o-y	We believe that we have completed the distribution inventory correction	From June quarter 2025 to June quarter 2026 our industrial net sales grew 24.3%, data-center sales grew 97.8%, aerospace and defense grew 45.6%, automotive grew 29.3%, communication grew 53.3%, consumer appliances grew 19.1% and compute grew 9.6%.	The book to bill ratio for the June quarter was well above 1, resulting in a higher backlog entering the September quarter compared to when we entered the June quarter	The total net sales expected in calendar year 2026 from all of Microchip products, Data Center Solutions business unit as well as all the other catalog products going into data Centers is about $1 billion, up approximately 69% from $591 million net sales from data centers in calendar year 2025,
Infineon	05-Aug	9% q-o-q 15% y-o-y	11% q-o-q 17% y-o-y	On the working capital side, inventory reach went down by 10 days from 175 to 165 days quarter-over-quarter, bringing us closer to our target for the end of the fiscal year of around 150 days. As stated before, slightly elevated inventory levels are helping us capture growth in the current upcycle and being prepared in case of geopolitically-induced turmoil.	At this point, AI power and industrial infrastructure are appearing the strongest, followed by automotive, whereas consumer is lagging.	Our order backlog witnessed another material increase and stood close to €30 billion at the end of June, a clear indication of recovery momentum getting even stronger.	We continue to see strong order intake in Automotive against the backdrop of a muted car market.
ON Semi	03-Aug	6% q-o-q 9% y-o-y	6% q-o-q 10% y-o-y	Base inventory declined one day to 125 days, reflecting a healthy level that supports expected revenue growth	AI data center remains our fastest-growing market... we now expect AI data center revenue to more than double in 2026	Across the business, our overall book-to-bill ratio has been significantly above 1x for several quarters and continued to strengthen	In 2026, we expect our silicon carbide revenue in AI data center applications to grow nearly 60% year-over-year.

Source: Company results post Q2 2026, call transcripts; Note: Implied from the midpoint guidance in USD terms.

Valuation Method and Risk Statement

The upside risks to the semiconductor sector include stronger end demand from OEMs and tightness of supply due to the financial distress of competitors. Downside risks include macro-economic factors, over-capacity in times of peaking demand and poor yields. The semiconductor sector is highly cyclical and vulnerable to sudden shifts in customer sentiment while many companies also have high cost bases meaning they can go loss-making in the downturn. Valuation methodologies in the sector include DCF analysis.