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Global Semiconductors

Auto Semis Cycle Tracker 2Q26: Auto Semis Recovery Gains Momentum with Pricing Improving


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*Our quarterly Auto Semis Cycle Tracker suggests the auto semis upcycle is gaining momentum, with growth accelerating to **+15% YoY in Q2**, marking a third consecutive quarter of growth. Guidance remains firmly positive, with **9/10 companies expecting auto growth in Q3 and virtually all constructive on CY26**. Despite weak vehicle production, auto semis continue to outperform on rising content/car and the early stages of inventory replenishment.*

Pricing remains an underappreciated earnings lever. What began as largely inflation-driven cost pass-through is gradually evolving into a broader pricing cycle. Most Analog IDMs have now announced additional rounds of price increases, reflecting a combination of higher input costs, mild foundry price hikes and increasingly tight capacity in AI-related power semis. While the near-term financial benefit remains modest, management teams consistently emphasize that the largest earnings impact is likely a **2027 story**, as annual contracts reset and recent pricing actions become fully embedded. With inventories improving and AI-power demand increasingly absorbing capacity, the analog sector appears to be entering its most constructive pricing environment in several years.

All companies posted positive YoY automotive growth, while onsemi was the only company to decline sequentially. **Management commentary has turned decisively more constructive.** The discussion is no longer about inventory normalization but increasingly about bookings, backlog and replenishment. Many players highlighted inventory rebuild activity and pointed to growth well above vehicle production driven by content gains fueled by SDV and xEV penetration. China continues to stand out as the strongest region.

The auto end market remains soft. While S&P still expects global vehicle sales to decline ~2% in 2026, **BEV penetration estimates have finally been revised upward** after several years of cuts but hybrid vehicle expectations have moved lower. Although overall xEV penetration changes only modestly, the mix shift is positive for semis given the substantially higher content in BEVs.

US$/car and units/car both increased in Q2 and remain above long-term trends, while inventory days have started to decline, reinforcing the view that the correction phase is largely behind the industry. **For foundries, TSMC auto revenue recovered sequentially in 2Q26, but remained the peak seen in 2H25**.

In EU/JP Analog, we continue to favor IFX and Renesas, given their ~50% exposure to auto, which offers strong leverage to the broadening auto semis upcycle, complemented by expanding AI power opportunities and attractive earnings upside. Renesas valuation remains particularly compelling. **For US Analog we favor ADI** as we grow more positive on the overall growth trajectory (with a more secularly-driven industrial segment and increasing datacenter tailwinds) and believe valuation has become more attractive. We remain on the sidelines for TXN and NXPI, though acknowledge the solid execution from both; valuation remains stretched for the former, and while the latter is inexpensive they lack much of a datacenter story with growth more concentrated in other end markets.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	4 Sep 2026 Closing Price	Price Target	TTM Rel. Perf.	Cur	Reported EPS 2025A	Reported EPS 2026E	Reported EPS 2027E	Adjusted P/E (x) 2025A	Adjusted P/E (x) 2026E	Adjusted P/E (x) 2027E
IFX.GR (Infineon)	O	EUR	56.73	102.00	73.8%	EUR	1.38	1.77	2.98	41.0	32.1	19.1
6723.JP (Renesas)	O	JPY	3,403.00	6,300.00	64.3%	JPY	181.61	261.36	302.64	18.7	13.0	11.2
TXN (Texas Instruments)	M	USD	258.44	290.00	17.4%	USD	5.45	8.33	9.16	47.4	31.0	28.2
ADI (Analog Devices)	O	USD	362.25	465.00	26.5%	USD	7.79	12.85	16.77	46.5	28.2	21.6
NXPI (NXP Semiconductors)	M	USD	227.84	290.00	(19.7)%	USD	11.81	15.02	16.85	19.3	15.2	13.5
QCOM (Qualcomm)	M	USD	168.74	165.00	(14.6)%	USD	12.03	10.51	9.57	14.0	16.1	17.6
NVDA (NVIDIA)	O	USD	230.36	400.00	17.8%	USD	4.77	9.20	15.80	48.3	25.0	14.6
2330.TT (TSMC)	O	TWD	2,460.00	3,300.00	77.9%	TWD	66.25	110.70	144.85	11.8	8.4	6.3
TSM (TSMC)	O	USD	428.91	554.00	56.1%	USD	10.28	17.18	22.48	13.2	9.5	7.1
2303.TT (UMC)	U	TWD	143.00	88.00	213.1%	TWD	3.34	4.58	5.56	4.7	4.3	4.0
UMC (UMC)	U	USD	20.77	13.60	185.3%	USD	0.54	0.74	0.89	4.5	3.9	3.6
5347.TT (Vanguard)	M	TWD	156.00	146.00	39.1%	TWD	4.30	5.70	6.59	4.6	4.3	4.0
6415.TT (Silergy)	O	TWD	418.00	650.00	9.7%	TWD	6.40	9.54	16.69	65.3	43.8	25.0
MELE.BB (Melexis)	O	EUR	67.85	97.00	(16.3)%	EUR	2.78	3.02	4.46	24.4	22.5	15.2
XFAB.FP (X-Fab)	O	EUR	6.35	12.80	(20.7)%	USD	0.23	0.07	0.51	19.4	50.7	15.4
SOI.FP (Soitec)	O	EUR	143.35	200.00	316.2%	EUR	(6.17)	(0.32)	3.59	(23.2)	(450.6)	39.9
EDME			1,610.03									
JPL			2,665.55									
SPX			7,747.71									
ASIAX			1,948.83									

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

IFX.GR, 6723.JP, ADI, NXPI, QCOM, NVDA, SOI.FP estimate is Adjusted EPS; TXN, 6415.TT, MELE.BB valuation is Reported P/E (x); 2330.TT, TSM, 2303.TT, UMC, 5347.TT valuation is P/B (x); XFAB.FP valuation is EV/EBIT (x); NVDA, SOI.FP base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

Infineon (Outperform, EUR 102.00): We rate Infineon Outperform with PT of EUR 102.00.

Renesas (Outperform, JPY 6,300.00): We rate Renesas Outperform with PT of JPY 6,300.00.

NXPI (Market-Perform, $290.00): The pace and makeup of recovery remains open for debate, though company execution is solid and valuation is increasingly inexpensive.

TXN (Market-Perform, $290.00): TXN shares feel fully valued in the current environment.

ADI (Outperform, $465.00): ADI is executing well with both cyclical and idiosyncratic drivers, and valuation now suggesting better risk-reward.

QCOM (Market-Perform, $165.00): The diversification story is real but a number of near-term headwinds (smartphone memory dynamics, margins, AAPL etc) need to be navigated first.

NVDA (Outperform, $400.00): The datacenter opportunity is enormous, and still early, with material upside still possible.

TSMC (Outperform, NT$3,300.00): We are constructive on the long-term prospects on AI and TSMC's ability to capture its benefit.

UMC (Underperform, NT$88.00): Competition from China remains a long-term risk.

Vanguard (Market-Perform, NT$146.00): Competition from China remains a long-term risk, but valuation is undemanding.

Silergy (Outperform, TWD 650.00): Silergy is China's leading power-analog player. We believe it is a high-quality name benefiting from analog localization and the demand growth from auto/AI.

Melexis (Outperform, €97.00) We rate Melexis Outperform, with a DCF-based PT set at €97.00

X-FAB (Outperform, €12.80) We rate X-FAB Outperform with a DCF-based PT set at €12.80.

Soitec (Outperform, €200.00) We rate Soitec Outperform with a DCF-based PT set at €200.00.

DETAILS

RELATED RESEARCH

- 28 May 2026 - Auto Semis Cycle Tracker 1Q26: Price hikes underway as demand recovers
- 10 Mar 2026 - Auto Semis Cycle Tracker 4Q25: YoY Growth Returns, but Management Stays Cautious
- 16 Dec 2025 - Auto Semis Cycle Tracker 3Q25: Lack of Q4 rebound but 2026 recovery intact
- 4 Sep 2025 - Auto Semis Cycle Tracker 2Q25: How clear is the bottom?
- February 2025: Auto Semis Cycle Tracker 4Q24: Formulation lap vs. gravel trap
- November 2024: Auto Semis Cycle Tracker 3Q24: Pumping the brakes as end demand slows
- August 2024: Auto Semis Cycle Tracker 2Q24: More of a stall than a crash?
- June 2024: Auto Semis Cycle Tracker 1Q24: Let's get this show on the road
- March 2024: Auto Semis Cycle Tracker Q423: Are the guidance cuts deep enough?
- December 2023: Auto Semis Cycle Tracker 3Q23: The bump in the road we've long been expecting with pockets of inventory correction appearing
- September 2023: Auto Semis Cycle Tracker 2Q23: While guidance for 2023 remains intact, slowing growth and rising inventories are looming
- May 2023: Auto Semis Cycle Tracker 1Q23: Inventories now trending up across the board, but guidance remains reassuring for 2023
- February 2023: Automotive Semiconductors Cycle Tracker: Not driving off a cliff just yet…

PRICE HIKES IN ANALOG SEMI CONTINUE

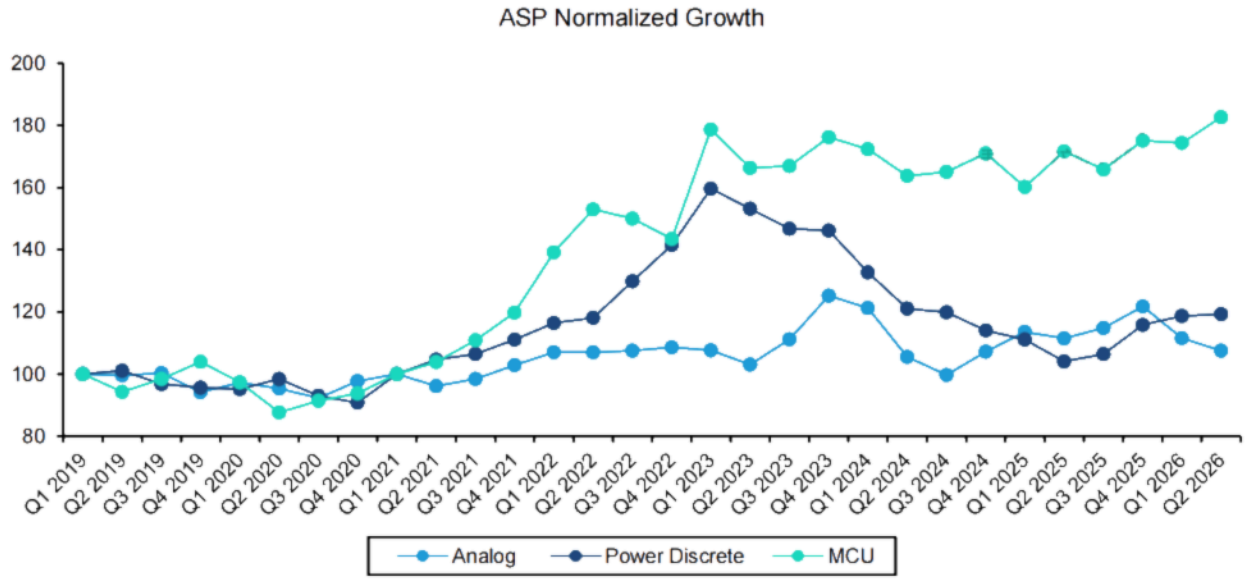
We've been calling analog pricing hikes for several quarters, supported by three structural drivers: (1) explosive AI power demand consuming analog/mixed-signal capacity, (2) mild foundry price increases at mature nodes, and (3) inflation in energy, raw materials, logistics and outsourced manufacturing costs. What was initially a handful of company-specific actions is now becoming a sector-wide trend. Since our last update, reports suggest **STM is implementing a third 2026 price increase** effective on Aug 23rd**, ADI a new round** from Sep 13th, and **TI potentially another increase** from Oct 1st, adding to earlier multiple price hikes from IFX, NXP, Renesas and others. The pricing cycle is clearly broadening across the analog ecosystem. What stands out from recent company commentary is that the narrative is becoming increasingly consistent across vendors:

1. **Pricing actions are no longer isolated.** Most analog companies now acknowledge either active price increases or selective pricing reviews.
2. **Most of the earnings benefit is still ahead.** Several companies noted that contractual negotiations, annual agreements and customer-specific reviews mean the largest margin impact should occur in late 2026 and especially 2027.
3. **Pricing is spreading beyond AI power.** While AI power remains the tightest segment, companies increasingly reference adjacent products, industrial, automotive and broader analog portfolios.
4. **Input-cost inflation remains the primary justification**, but management teams increasingly cite tight supply, AI-related demand and value capture as supporting factors.

Looking at the evolution of ASPs, there was a significant increase following COVID, driven by product mix and, more importantly, higher pricing amid supply shortages. While MCU ASPs remained resilient throughout the inventory correction, Power ASPs declined sharply, falling close to pre-COVID levels. More recently, however, Power ASPs have recovered for four consecutive

quarters, supporting our view that power pricing could rebound strongly as demand begins to outstrip supply. Similarly, after two years of relative stability, MCU ASPs have also entered a strong upward trend, increasing for four consecutive quarters and surpassing the previous peak reached during the COVID-19 supply bottleneck. In contrast, pure analog products do not yet show meaningful signs of recovery (Exhibit 1).

EXHIBIT 1: **Power and MCU ASPs have increased for four consecutive quarters, with MCU ASPs surpassing the COVID peak. In contrast, pure analog ASPs continue to show limited signs of recovery.**



Source: WSTS, Bernstein analysis

Company commentary on Pricing:

- **Infineon (IFX):** Implemented two pricing rounds, including a July increase. Management indicated customer acceptance has been good and expects the largest benefits starting in FQ1'27 as annual pricing agreements reset. AI power remains supply constrained, with pricing also extending into adjacent categories. AI capacity-reservation agreements contain volume commitments but pricing remains market-based.

- **Renesas:** Introduced selective price increases effective July 1st, with benefits beginning in Q3/H2'26. Management emphasized this is not a broad-based repricing exercise and remains consistent with Renesas's traditional cost-pass-through approach. The company explicitly stated it is not pursuing opportunistic hikes simply because supply is tight.

- **Texas Instruments:** TI confirmed it has started executing customer-by-customer price increases. Some benefits should appear in Q3, more in Q4, while annual negotiations mean a meaningful portion will flow into 2027. Pricing pressure is currently strongest in Analog, particularly automotive-related products, while Embedded pricing discussions are expected to become more relevant next year. Management stressed that Q3 growth remains overwhelmingly volume-driven rather than pricing-driven.

- **Analog Devices:** Management confirmed pricing is already contributing to margins and described the pricing environment as favorable. ADI indicated the full benefit is not yet reflected in FYQ4, with a larger impact expected in FYQ1'27 as customer contract reviews are completed. Pricing appears broad-based.

- **STMicro:** ST confirmed ongoing price increases on selected products to offset rising supplier, manufacturing and subcontracting costs. Management described the process as expanding, though still selective rather than portfolio-wide. Pricing is currently being largely offset by higher input costs, limiting near-term gross margin upside.

- **NXP:** NXP remains the most conservative. Management said Q2 pricing was essentially neutral and rejected the idea of a broad-based pricing program. Instead, it continues to implement targeted adjustments on selected products to recover

inflationary costs. Pricing remains product-specific and strategic, balancing value capture, market share and cost recovery.

- **onsemi:** Implemented a second round of price increases across automotive, industrial and AI datacenter markets. Current pricing actions are aimed primarily at offsetting higher raw materials, substrates, precious metals and external manufacturing costs. They expects benefits to build through H2 and into 2027, while noting suppliers continue to push through additional cost increases.

- **Melexis:** Melexis remains among the most conservative on pricing. Management confirmed no price increases in 2026 and no plans to raise prices before year-end, citing customer commitments and long-term relationships. Price-and-volume negotiations are underway, but no decisions have been taken. While pricing pressure persists in lighting, newer products are supporting market-share gains.

- **X-FAB:** X-FAB has not announced any broad-based price increase. Management highlighted emerging tightness in SOI and 200mm wafer supply and indicated any higher wafer costs would be passed through to customers where appropriate. Pricing remains selective and case-by-case, although strengthening demand and supply constraints could improve X-FAB's pricing position going forward.

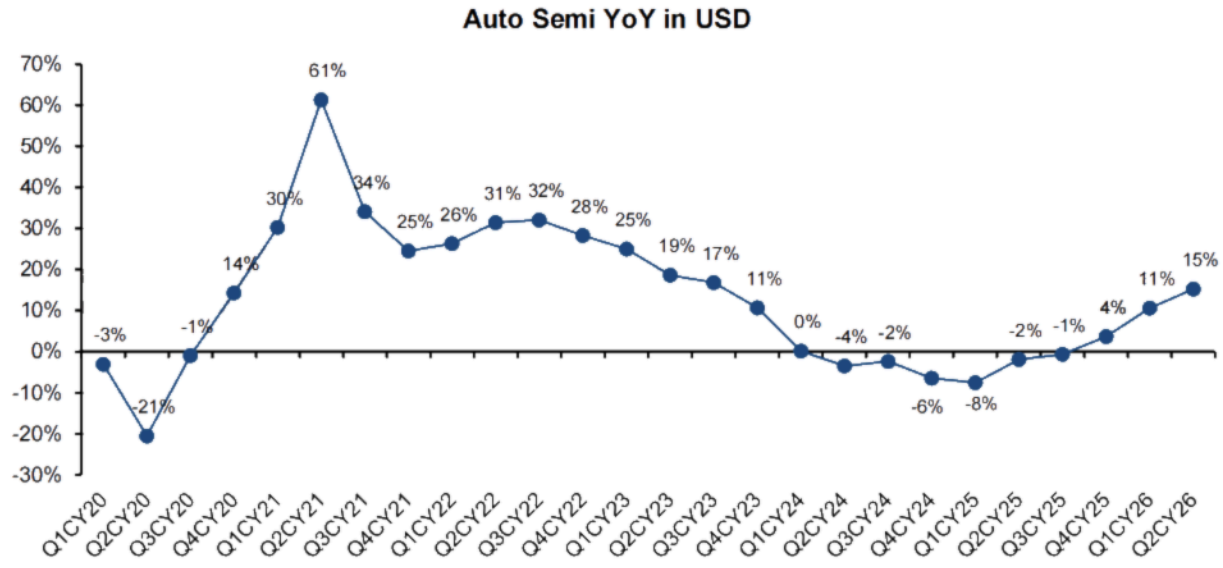
Overall, we believe analog pricing momentum is strengthening. What began as inflation pass-through is increasingly being supported by capacity constraints in AI power, improving industrial demand, lean downstream inventories and stronger supplier pricing. Importantly, the majority of management teams continue to signal that **the largest pricing-related earnings benefit remains a 2027 story rather than a 2026 one**, as customer contracts are renegotiated and recently announced price increases fully annualize. As inventory levels remain lean across industrial and automotive supply chains, pricing actions could act as an additional catalyst for replenishment demand, reinforcing the analog upcycle and potentially supporting further earnings revisions.

AUTO SEMIS UPCYCLE GAINING MOMENTUM

After nearly two years of decline, **auto semiconductor revenue returned to annual growth in CYQ4 2025, increasing 4% YoY, and continued to accelerate in the following quarters, rising 11% YoY in CYQ1 2026 and 15% YoY in CYQ2.** This marks the third consecutive quarter of annual growth and reinforces signs that the auto semiconductor upcycle is gaining momentum. Sequentially, industry revenue increased 9% QoQ in CYQ2 2026, significantly outperforming the typical seasonal pattern observed over the past six years (Exhibit 3, Exhibit 2).

From a regional perspective, **CYQ2 marks the third consecutive quarter in which all regions have recorded YoY growth**, a trend not seen in the past three years. The U.S. was the fastest-growing region, with growth accelerating to 25% YoY, followed by Europe at 10% and Japan at 6%. The strong U.S. performance was driven primarily by Qualcomm, whose automotive revenue grew approximately 60% YoY, supported by continued ADAS and digital cockpit adoption. More broadly, the U.S. region has consistently outperformed the market during this cycle due to its greater exposure to ADAS and HPC secular growth trends. In contrast, European and Japanese players experienced a more pronounced downturn during the correction phase, reflecting their higher exposure to xEV and more traditional automotive applications(Exhibit 4).

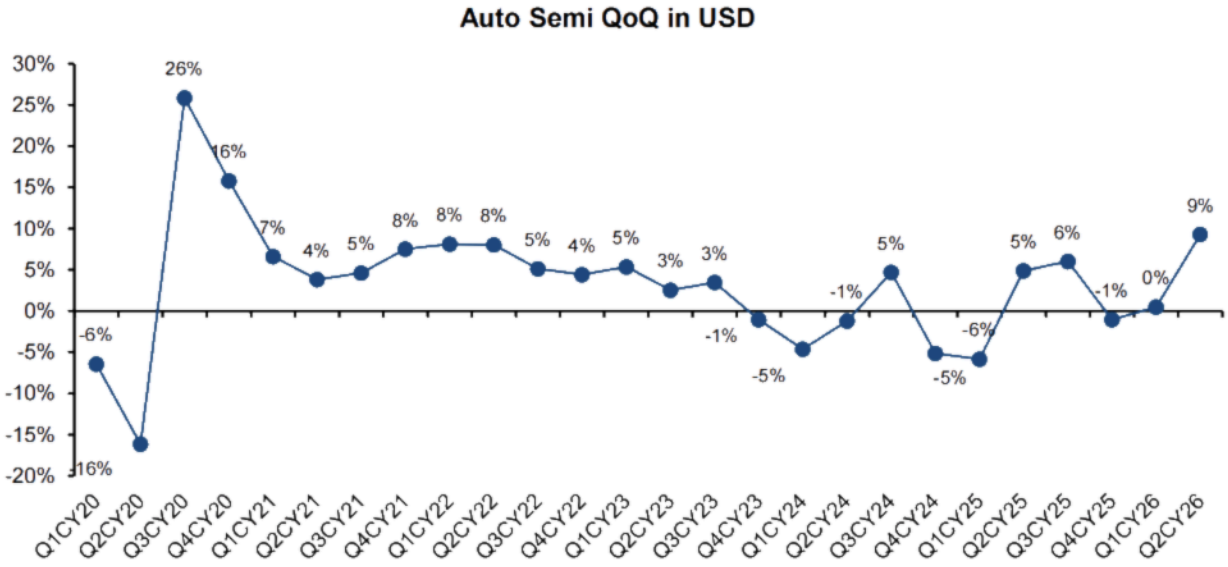
EXHIBIT 2: **Auto semiconductor revenues recorded their third consecutive quarter of annual growth, accelerating to 15% YoY in CYQ2 and reinforcing signs that the upcycle is finally gathering momentum.**



STMicroelectronics (2019-2022) and Texas Instruments are estimated.

Renesas, Analog Devices and Infineon restated historical auto revenue.
Source: Company reports, Bernstein analysis and estimates.

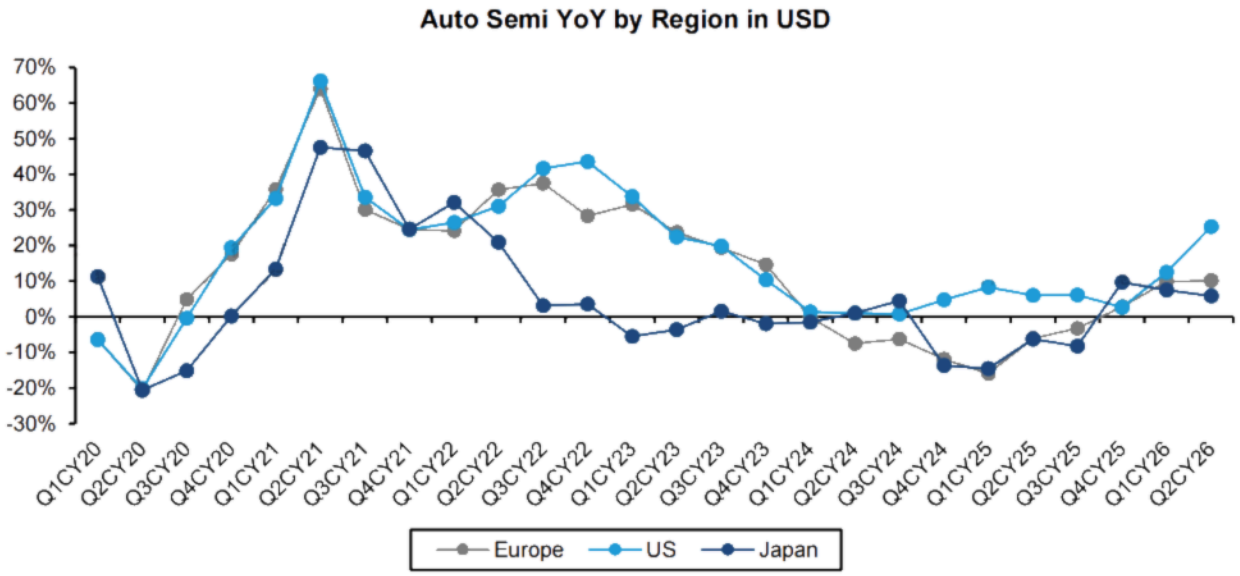
EXHIBIT 3: **In Q2CY25, auto semiconductor revenue was up +9% which is considerably higher than the usual seasonal pattern.**



STMicroelectronics (2019-2022) and Texas Instruments are estimated.

Renesas, Analog Devices and Infineon restated historical auto revenue.
Source: Company reports, Bernstein analysis and estimates

EXHIBIT 4: **This marks the third consecutive quarter in which all regions have recorded YoY growth, a trend not seen over the past three years. The US was the fastest-growing region, with growth accelerating to 25% YoY, followed by Europe at 10% and Japan at 6% YoY.**



STMicroelectronics (2019-2022) and Texas Instruments are estimated.

Renesas, Analog Devices and Infineon restated historical auto revenue.
Source: Company reports, Bernstein analysis and estimates

Looking at company-specific performance, **for the second consecutive quarter and for the first time in more than four years, all players reported positive YoY growth in USD terms**. Qualcomm remained the clear growth leader, with automotive revenue accelerating to 60% YoY, significantly outpacing the broader market. The second-fastest growing company was ADI (+17% YoY), followed by STMicro (not covered) (+16% YoY), and TI (+15% YoY).

On a sequential basis, Onsemi was the only company to post negative QoQ growth, declining 2%. T**otal auto revenue increased 9% QoQ, significantly above normal seasonal trends**, driven primarily by Qualcomm (+20% QoQ), followed by ADI and STMicro (both +14% QoQ), Rohm (+11% QoQ), NXP (+9% QoQ), Texas Instruments (+8% QoQ), Melexis (+7% QoQ), Renesas (+7% QoQ), and Infineon (+5% QoQ) (Exhibit 5).

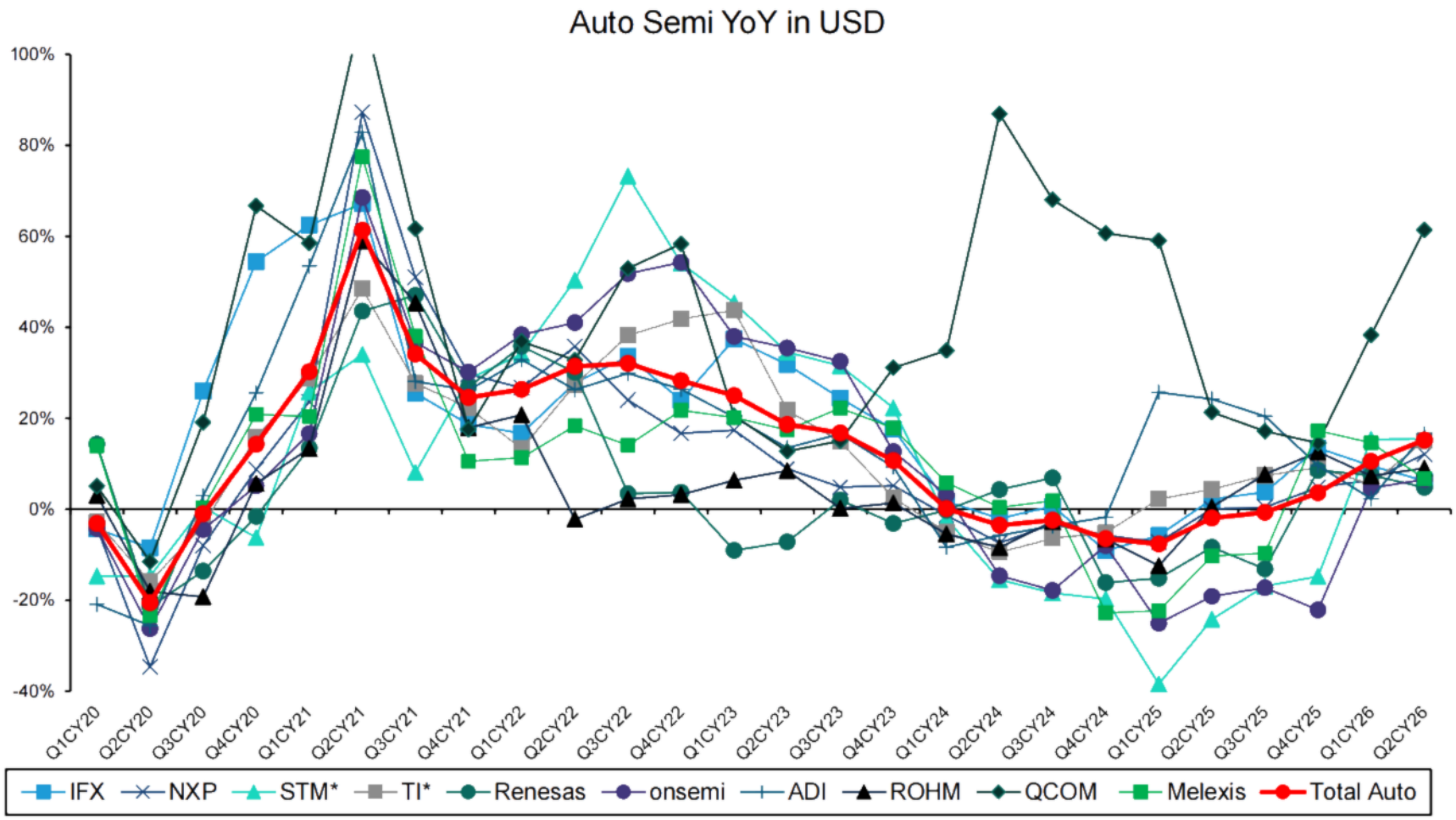
With the automotive semiconductor market now delivering three consecutive quarters of YoY growth, the **"soft landing" anticipated by management teams during the downturn has largely materialized**. The correction was limited to LSD/MSD revenue declines at the industry level, significantly milder than in previous automotive semiconductor downcycles, which typically saw sustained double-digit contractions. Inventory normalization was partially offset by continued semiconductor content growth per vehicle, supported by increasing adoption of software-defined vehicle (SDV) architectures and ADAS features. While xEV penetration growth has moderated relative to earlier expectations, it remains an important structural driver of semiconductor demand. **The impact of the inventory correction, however, varied significantly across suppliers.** Companies with greater exposure to power semiconductors, particularly SiC, experienced a much deeper downturn. STMicro and Onsemi (both not covered) recorded multiple quarters of double-digit declines during the correction as weakening EV demand, elevated inventory levels, increased pricing pressure, and intensified competition in the SiC market weighed on results. Both companies were also disproportionately affected by softness from key EV customers, particularly Tesla.

On the other hand, **Qualcomm continues to be the most important growth driver in the auto semiconductor market,** substantially outperforming peers thanks to strong adoption of its Snapdragon Digital Chassis platforms across infotainment, connectivity, digital cockpit, and ADAS applications. The company continues to benefit from increasing design-win conversion and broad OEM adoption, positioning it as one of the primary beneficiaries of the transition toward SDVs. Following several years of rapid growth and another quarter of 60% YoY expansion in CYQ2, Qualcomm continues to gain share within the automotive semiconductor market. After ranking only 9th in automotive revenue five years ago, the company has climbed to 4th place based on LTM automotive revenue. Among the traditional auto semis vendors, Infineon remains one of the strongest long-

term share gainers, benefiting from its leading positions in automotive MCUs, power semiconductors, and electrification-related applications (Exhibit 6).

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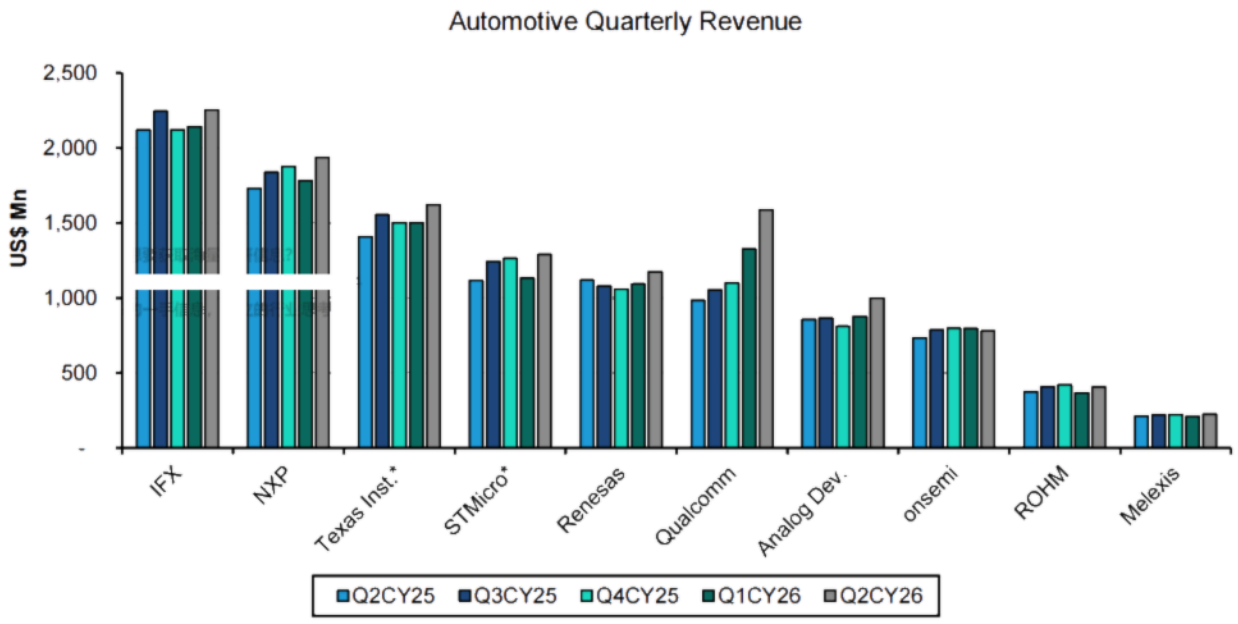
EXHIBIT 5: **For the second consecutive quarter in more than four years, all players reported positive YoY growth. The fastest growing companies are Qualcomm at 60%, ADI at 17% and STM 16% YoY. Renesas and Infineon showed the slowest growth, at 5% and 6%, respectively**



STMicroelectronics (2019-2022) and Texas Instruments are estimated.

Renesas, Analog Devices and Infineon restated historical auto revenue.
Source: Company reports, Bernstein analysis and estimates

EXHIBIT 6: **Only Onsemi posted negative QoQ growth, declining 2%. Total auto revenue increased 9% sequentially driven primarily by QCOM (+20% QoQ), followed by ADI and STMicro (both +14% QoQ), and Rohm (+11% QoQ)**



Source: Company reports, Bernstein analysis and estimates

GREEN LIGHTS ACROSS THE BOARD: AUTOMOTIVE UPCYCLE BROADENS INTO H2 AND CY26

The automotive semiconductor upcycle continues to strengthen, with automotive revenue growth accelerating across the group and **management commentary becoming increasingly constructive.** The broader takeaway is that the sector has moved beyond inventory normalization and is now entering a more tangible growth phase, supported by improving bookings, content gains and selective inventory replenishment.

Looking at Q3CY26 guidance, the picture remains highly supportive. **Nine out of ten companies are guiding for automotive growth or implied growth, while no company is guiding for a decline. Importantly, the CY26 outlook remains constructive across virtually all companies, with management teams broadly expecting automotive growth driven by content expansion per vehicle**. The common theme across the group is that inventories are now much healthier, with several companies noting that channel replenishment is becoming a meaningful contributor to demand. Infineon highlighted stronger order intake, rising backlog and ongoing inventory replenishment, while Renesas noted that channel inventories were rebuilt less than expected in Q2 and should support additional replenishment in Q3. ST pointed to strong bookings and backlog, with book-to-bill trends remaining favorable, while ADI highlighted continued growth well above vehicle production driven by content and share gains (Exhibit 7).

Infineon, NXP, ADI, Qualcomm and onsemi all highlighted growth significantly above underlying vehicle production, driven by SDV architectures and xEV penetration driving demand for higher-value MCUs, Ethernet, ADAS, digital cockpit, sensors and power management content. Qualcomm continues to benefit from rapid adoption of its Snapdragon Digital Chassis platform, while Infineon highlighted strong momentum in zonal architectures, cockpit, Ethernet and ADAS. Renesas pointed to strong demand for Gen 4 R-Car SoCs and 28nm MCUs, and NXP noted that its accelerated growth businesses now represent almost half of automotive revenues.

Pricing trends also appear somewhat more constructive than a year ago. Renesas implemented selected automotive price increases from July, while onsemi is executing a second round of pricing actions to offset higher costs. Although pricing pressure remains evident in certain EV-related power products, particularly high-voltage drivetrain applications, commentary across the sector suggests conditions are stabilizing. **Regionally, China remains the strongest automotive market, with Infineon, Renesas and onsemi all highlighting robust demand**, share gains and new program wins. Japan was also notably strong for Renesas and ROHM, while Europe remains mixed, with weakness persisting in some areas despite stronger SiC

demand and improving automotive activity.

With automotive growth expected across nearly all major suppliers in Q3 and CY26, the evidence points to an upcycle that is becoming more durable and better supported by bookings, backlog and replenishment activity than at any point over the past two years.

EXHIBIT 7: **For CY Q3 guidance, 9 out of 10 companies expect a sequential increase in auto and all companies are anticipating revenue growth this year, despite the still relatively weak auto end-market.**

		Q2CY26 Results Guidance	
	Q2CY26 Auto Performance *(local currency)*	Q3CY26E Auto QoQ Guidance	CY26E Auto Guidance
Infineon	+6% QoQ +3% YoY	↗	↗
NXP	+9% QoQ +12% YoY	↗	↗
STMicroelectronics	+14% QoQ +15% YoY	↗ implied	↗
Texas Instruments	+HSD% QoQ +Mid-teens YoY	↗ implied	↗ implied
Renesas	+9% QoQ +16% YoY	↗	↗ implied
onsemi	-2% QoQ +7% YoY	↗	↗ implied
Analog Devices	+14% QoQ +17% YoY	↗	↗ implied
Qualcomm	+20% QoQ +61% YoY	↗	↗
ROHM	+12% QoQ +20% YoY		↗
Melexis	+7% QoQ +4% YoY	↗	↗

Source: Company reports, Bernstein analysis and estimates

All performance metrics are in local currencies, unless otherwise stated.

Infineon

- Performance**:** In FYQ3 (CYQ2), Infineon's auto segment revenue increased 6% QoQ to EUR1.93Bn, driven mainly by MCUs, smart power components and Ethernet products, all key enablers of SDVs. Management highlighted a clear pickup in customer order momentum and continued strong order intake despite a muted global car market, with inventory replenishment supporting demand. Mobility Global's latest forecast now calls for ~91Mn light vehicle units in 2026, slightly above prior estimates and broadly in line with Infineon's expectation for a ~2% decline in vehicle production. IFX reiterated that the main long-term drivers remain intact, including SDV adoption, xEV penetration and semiconductor content growth per vehicle. They also pointed to supply constraints among some Chinese automotive-grade semiconductor suppliers, particularly in MOSFETs and analog products, creating share gain opportunities. Order momentum was supported by SDV-related programs, including wins in zonal architectures, cockpit and ADAS platforms, while management noted continued

market share gains in automotive MCUs. Excluding the challenged high-voltage EV drivetrain business and the Ethernet acquisition, management stated that the core automotive business would be growing around 10% at constant FX. The HV drivetrain business remains under pressure from weak EV demand and pricing erosion, but management reiterated that this issue is confined to that portfolio and does not affect the broader automotive business.

- Guidance: For FYQ4 (CYQ3), Infineon guided ATV revenue to grow moderately QoQ. For FY26, management reiterated its expectation for slight ATV revenue growth, supported by its broad automotive portfolio, SDV adoption, inventory replenishment, share gains and structural content growth, despite continued headwinds from the high-voltage EV drivetrain business. Management emphasized that automotive is improving, with stronger bookings and rising backlog. The company continues to see particularly strong demand for SDV-related content, while replenishment activity and share gain opportunities in China provide additional support. Management also reiterated that the refocusing of the high-voltage drivetrain business will continue to weigh on ATV profitability in FY26, but believes the broader automotive business remains on a solid growth trajectory driven by structural semiconductor content expansion and ongoing market share gains.

NXP

- Performance: Automotive revenue was up ~9% sequentially and up ~12% YoY. Auto revenues were slightly above consensus (sales of $1,938M vs street expectations of $1,933M).

- Guidance: Q3 2026 automotive revenue is expected to be up MSD sequentially and up LDD YoY, above consensus expectations. Adjusting for the sale of the MEMS sensor business, Auto is guided up high-teens YoY. Management indicated that accelerated growth drivers within automotive grew 22% YoY in Q2, representing ~47% of the auto business, consistent with their prior comments on anticipating it reaching ~50% in 2026.

STMicroelectronics (not covered)

- Performance: In Q2, automotive revenues increased 14% QoQ and 16% YoY, with ST noting that results came in better than expected. Growth was driven by its strong position in application-specific ICs and sensors for conventional vehicle applications, electric powertrains and ADAS. Automotive design momentum continued across OEM and Tier 1 ecosystems, with design wins spanning hybrid, electric and conventional vehicles, including onboard chargers, powertrain and active suspension applications. ST also highlighted custom smart power IC wins for airbags, electronic stability control and suspension systems based on its proprietary BCD technology. In addition, the integration of NXP's MEMS sensor business is progressing as planned and is strengthening ST's automotive sensor portfolio, supporting new awards in active safety and tire pressure monitoring applications.

- Guidance: ST did not provide a specific Q3 automotive revenue forecast. However, the company said automotive is currently performing above its expectations and above market expectations. Looking into H2, ST expects its automotive business to grow roughly in line with the automotive semiconductor market, which it estimates at about 13%-14% YoY, implying continued low-double-digit YoY automotive growth through Q3 and Q4. For FY26, ST remains constructive on automotive, supported by strong bookings and a growing backlog in SiC. The company said SiC revenues returned to YoY growth in Q2, with bookings well above one, and expects FY26 SiC revenues to grow double-digit versus FY25 based on existing design wins and backlog. ST also highlighted favorable trends from EV adoption and increasing penetration of 800V vehicle architectures, while noting some temporary supply tightness related to the transition from 6-inch to 8-inch SiC manufacturing and customer qualification activities.

Texas Instruments

- Performance: Automotive sales were up HSD% QoQ and up mid-teens % YoY.

- Guidance: Management did not provide specific guidance for individual end markets for Q3, but they guided total revenues up ~8% QoQ. Management did however suggest that while Q3 is typically driven by personal electronics, strength will be more broad-based this time with continued upside in Industrial, Data Center and Automotive; it sounded like personal electronics will grow less than usual (unsurprising given the current memory dynamics)

Renesas

- Performance: In Q2, automotive demand remained stronger than expected, with Renesas citing particularly robust demand in Japan that drove results above guidance. The company said Gen 4 R-Car continued to perform very well and increased

versus Q1, while some customers reduced inventory levels and subsequently needed to replenish stock. Renesas also noted that both automotive end demand and auto semiconductor demand were strong during the quarter. They highlighted SoCs and 28nm MCUs as key automotive growth drivers and said demand trends remain strongest in Japan and China, while Europe remains more uncertain and the US is relatively stable. Looking at the broader auto market, Renesas described growth as moderate but steady rather than cyclical, with no expectation of a significant downturn.

- Guidance: For Q3, Renesas expects automotive revenue to increase QoQ, driven primarily by continued ramp of new 28nm MCU products in China, channel inventory build, particularly in Japan, and continue to benefit from content growth. The company said channel inventories were not rebuilt as much as planned in Q2 despite the strong demand environment and expects further inventory replenishment in Q3. While not providing specific FY26 automotive guidance, the company reiterated a relatively positive automotive outlook, stating that business conditions are doing well versus last year and that the positive trend should continue through at least the end of CY26. Renesas highlighted Gen 4 R-Car SoCs and 28nm MCUs as its main automotive growth drivers and expects auto demand to remain broadly stable, ranging from modest to somewhat stronger growth depending on region and product mix. Renesas also noted that selected automotive and other products received price increases effective July 1, with benefits expected to begin contributing from Q3.

onsemi (not covered)

- Performance: Q2 auto revenue was USD 781Mn, down 2% QoQ but up 7% YoY, with the sequential decline driven primarily by normal seasonality at certain European customers and offset by continued strength in China. onsemi said automotive demand remains stable and that it continues to ship to true end demand, with inventory normalization largely behind it. The company highlighted ongoing content and share gains, particularly in China EVs, where automotive revenue increased 13% in H1 2026 despite total vehicle sales declining 4%, supported by higher content per vehicle at customers such as Zeekr and Xiaomi. It also pointed to new wins on Rivian's R2 platform, where its MOSFETs support zonal power distribution and its SiC solutions are used in onboard charging. Automotive SiC momentum remained strong, with share gains and ramps across existing platforms and new vehicle launches.

- Guidance: For Q3, onsemi expects automotive revenue to increase low-single-digits QoQ and described the automotive demand environment as stable with a good outlook. The company said it continues to gain content and share through new products, Treo-based zonal architecture opportunities and SiC adoption. For the rest of 2026, onsemi reiterated that automotive should benefit from content growth and share gains rather than vehicle production growth, particularly in China. The company expects automotive SiC revenue in China to increase 60%-70% YoY in 2026 as market-share gains continue and programs ramp across both existing platforms and new vehicle launches. Regionally, onsemi continues to see the strongest automotive environment in China, followed by North America, with Europe remaining the weakest market. On pricing, the company is implementing a second round of price increases to offset higher raw-material and manufacturing costs, including in automotive, with benefits expected to materialize over the next several quarters.

Analog Devices

- Performance: Automotive revenues were up 14% sequentially and increased 16% YoY to $998M, and were well above consensus at

  $940M and our estimate of $946M as management called out higher continued content and share positions leading to growth well above SAAR.

- Guidance: Automotive is expected to be up ~LSD% QoQ, likely reaching ~$1,028M, above consensus at ~$985M. Management appears confident in their automotive business through the year, as they indicated that they're gaining share across the spectrum of car types.

Qualcomm

- Performance: Automotive revenues of $1,588M (up 61% YoY and up 20% QoQ), were above consensus expectations at $1,467M on continued adoption of the Snapdragon digital chassis platform, as management continues to see broad interest in their digital cockpit and ADAS solutions.

- Guidance: Auto is expected be up ~60% YoY, implied up ~6% QoQ to likely ~$1.685B, and above Street estimates

of $1,560M. We note QCOM expects to begin shipping their 5th generation snapdragon digital chassis platform in September, which is expected to deliver the largest gen-on-gen content increase in their history, with management expecting continued share gains and increased content in FY2027, particularly in ADAS. The company also now expects an annualized run-rate of ~$7B exiting FY2026.

ROHM (not covered)

- Performance: Rohm's auto revenues increased 12.3% QoQ and 20.2% YoY in FYQ1 (CYQ2), making automotive the largest contributor to company growth. ROHM highlighted a recovery in sales to Japanese automakers and growth in SiC devices for automotive inverters in Europe. Automotive demand was broad-based, with xEV representing the largest contributor to growth both QoQ and YoY, while infotainment, body, powertrain and ADAS also grew sequentially. By customer nationality, automotive sales increased QoQ in Japan, China, and the Americas, while Europe declined. ROHM also noted that the SiC automotive market remains strong, particularly in Europe, growing 53% YoY.

- Guidance:ROHM did not provide specific automotive guidance for FYQ2. However, the company said demand continues to strengthen and plans to increase utilization rates in line with growing demand. In automotive SiC, profitability is expected to improve from FYQ2 onward following resolution of the yield issues that impacted results at the end of FY25, while ROHM continues to see a strong automotive environment, particularly in Europe. The company maintained its FY2026 (FY27) guidance of JPY510.0Bn revenue (+6.0% YoY) and noted that orders for power devices are exceeding production capacity, prompting additional production-line optimization, resource concentration and capacity expansion to support future growth.

Silergy

- Performance: Silergy is a globally small but leading China analog fabless company primarily focusing on power Analog (PMIC etc.), and did not have exposure in auto semis until 2021. The auto story for Silergy is very different from global names, with its auto performance mainly affected by how fast it can gain share in China, rather than the global auto semis cycle. Management highlighted automotive semiconductors as one of the company's key growth engines over the next several years, supported by ongoing portfolio expansion and increasing wallet share among both domestic and overseas OEMs. Demand has been concentrated primarily in customized solutions for infotainment systems, body electronics, motor drivers, and battery management systems (BMS), particularly within the xEV segment.

- Guidance: Automotive revenue growth accelerated to over 50% YoY in 2Q26, and management expects the strong momentum to continue over the coming quarters. The growth outlook is supported by rising semiconductor content per vehicle driven by new product introductions, as well as customer expansion. In addition, our channel checks suggest that mature-node foundries are raising wafer prices for analog fabless companies, which could translate into higher automotive analog ASPs and provide an additional tailwind to revenue growth.

Melexis

- Performance: Melexis delivered a modest but credible 2Q26 beat, with revenue of €217.1m, 3.2% above company-compiled consensus, while gross profit and EBIT were respectively 4.3% and 4.2% ahead; margins were only modestly better than expected, however, at c.20–30bp above consensus. The result reflected a clear sequential improvement in demand, with sales up 7.4% QoQ, supported by stronger automotive revenue, very good China performance and improving order momentum. Management stressed that distributor and direct-customer inventories remain low and flat, suggesting the improvement reflects underlying consumption rather than channel restocking; it also highlighted more pull-ins than push-outs. Profitability continued to recover, with gross margin reaching 40.5% and EBIT margin 17.8%, although wage inflation constrained operating leverage.

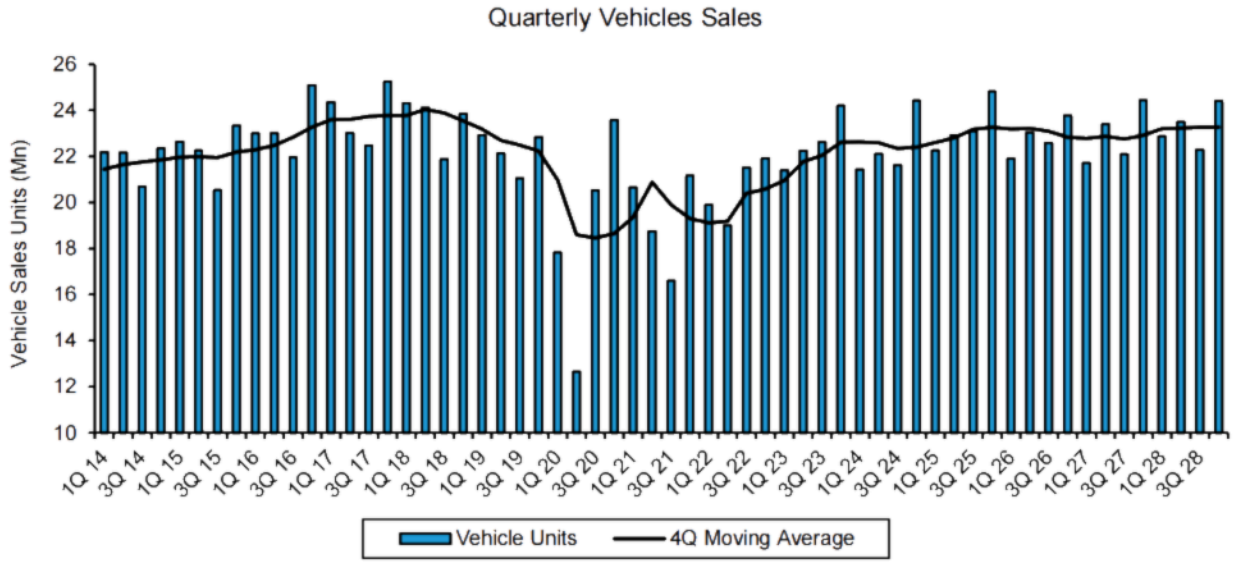
- Guidance: For 3Q26, management guided for revenue of €220–225m, implying a midpoint modestly ahead of consensus and continued sequential growth; the implied 2H26 outlook is also ahead across sales, gross profit and EBIT, albeit with the revenue and gross-profit upside stronger than the EBIT upside due to somewhat higher opex. The guidance implies FY26 revenue of approximately €869m, around 1.5% above consensus, a 40.6% gross margin, around 20bp ahead, and a 17.6% EBIT margin, around 10bp below consensus. Management's tone on demand was notably more constructive, citing a strengthening order book, fading inventory headwinds and resilient China momentum, while expecting further gross-margin progress from yield improvement, localisation and product mix; inventory is expected to rebuild from current levels to support strategic supply resilience amid tighter assembly-and-test capacity.

AUTOMOTIVE END MARKET SET TO DECLINE THIS YEAR AMID CONTINUED WEAKNESS IN CHINA

Turning to the automotive end market, data from S&P Global (August 2026) indicate that vehicle unit sales are now expected to decline 1.9% in 2026, broadly unchanged from the prior estimate of -2.0%. The recovery profile has shifted, however, with the 2027 growth forecast reduced significantly to 0.4% YoY from 1.5% previously, while the 2028 outlook was raised modestly to 1.5% from 1.2%. This suggests a more delayed recovery in global vehicle production, with volumes remaining below prior-cycle peaks. Semiconductor companies broadly share this view and continue to expect vehicle production to be weak to flat this year, with growth driven primarily by increasing semiconductor content per vehicle, supported by ADAS, electrification and higher compute requirements (Exhibit 8).
Focusing on China, the largest BEV market, the Bernstein Asian Autos team estimates that **Chinese retail auto sales, based on first-time insurance registrations, totaled 1.48mn units in July 2026, down 20.6% YoY**. Retail SAAR was 20.8mn units, slightly above 20.7mn in June but well below 24.4mn in July 2025 and below Bernstein's estimate of normalized demand of c.22mn units. July demand remained weak, largely reflecting the pull-forward effect from last year's subsidy programs, while consumers continue to display high price sensitivity and remain cautious as they wait for additional discounts or policy support (Exhibit 9).

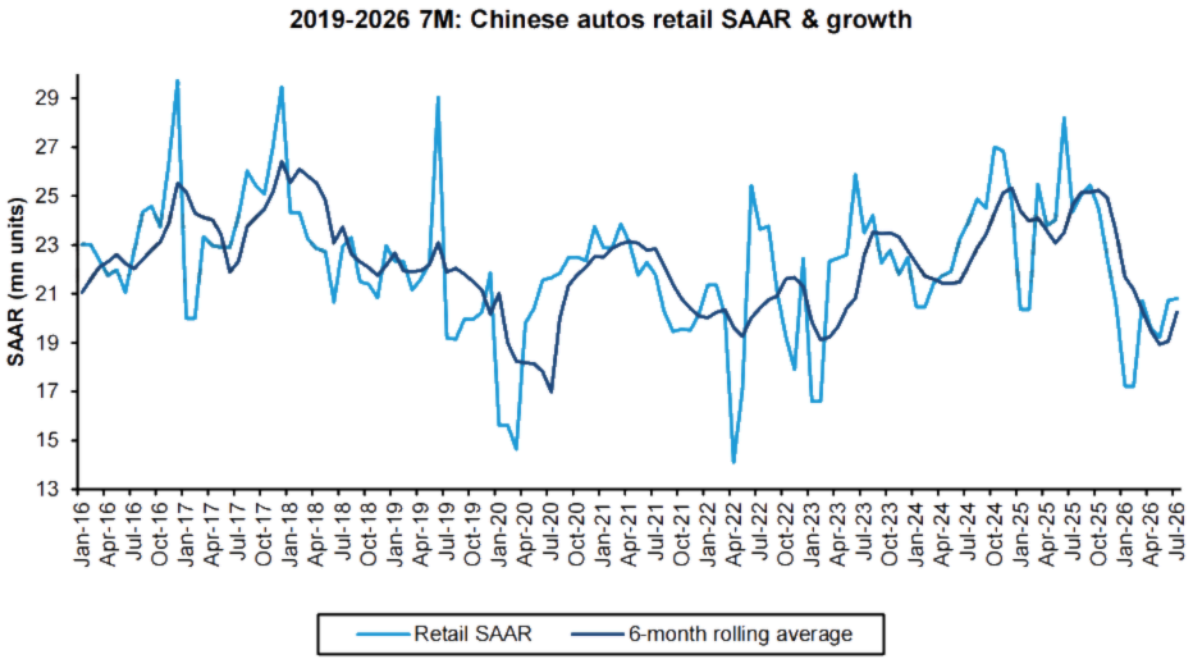
Overall China EV sales (BEV & PHEV) declined 6.1% YoY to 0.9mn units in July, although the pace of decline continued to improve versus earlier months of the year. BEV sales increased 2.1% YoY while PHEV sales declined 19.9% YoY. Importantly, EV penetration continued to rise, reaching 62.3% in July 2026, with BEV penetration at 42.5% and PHEV penetration at 19.8%. Within OEMs, performance diverged considerably: NIO (+74% YoY) and Xiaomi (+3%) outperformed, while Tesla (-33%), AITO (-43%), BYD (-19%) and Geely (-25%) declined. Despite weaker industry volumes, BYD remained the largest EV manufacturer with 221k units sold and a 23.9% market share, followed by Geely Group at 106k units and 11.4% share (Exhibit 10).

EXHIBIT 8: **S&P Global now anticipates that vehicle units sold will decline 1.9% this year (vs old -2%) and will increase only slightly in 2027 and 2028, by 0.39% and 1.53% YoY, respectively (vs old 1.54% and 1.23%)**



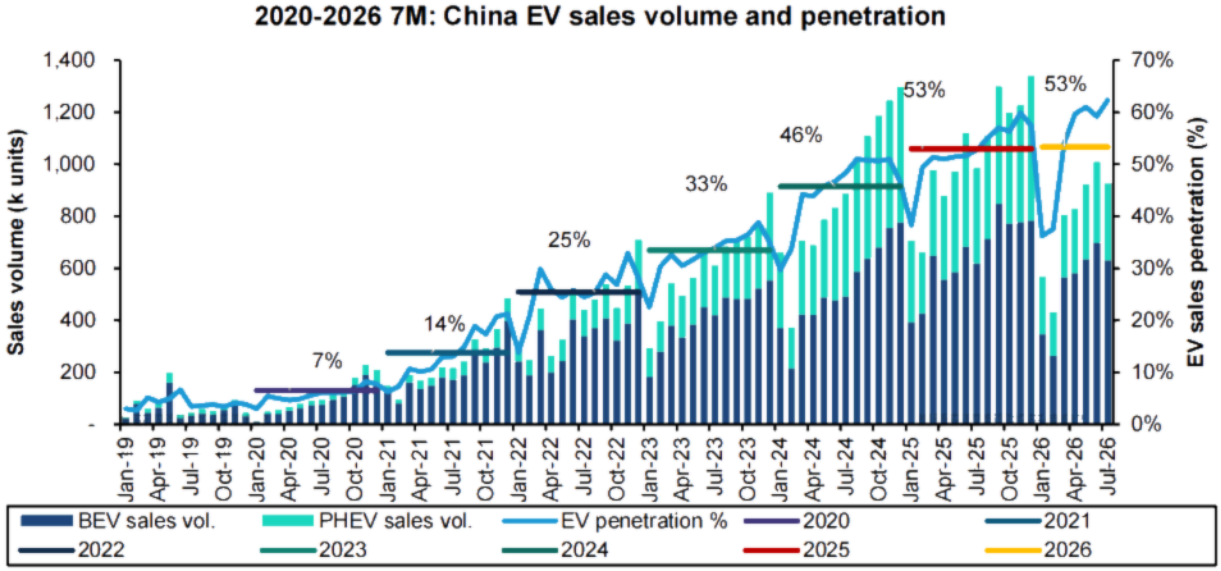
Old data was from April 2026
Source: S&P Global (August 2026), Bernstein analysis

EXHIBIT 9: **Chinese autos retail sales came in at1.48mn units in July 2026, -20.6% yoy. Retail SAAR for July 2026 registered at 20.8mn units, higher than 20.7 mn in June 2026 while lower than 24.4mn units in July 2025. July volumes weak, pressured by the pull-forward effects of last year's subsidy program.**



Source: C.A.D., Bernstein estimates and analysis

EXHIBIT 10: **July EV penetration reached 62.3%; overall EV sales (BEV & PHEV) growth fell -6.1% YoY to 0.9mn units in July, dragged by PHEV which fell -19.9%; meanwhile, BEV grew +2.1%**



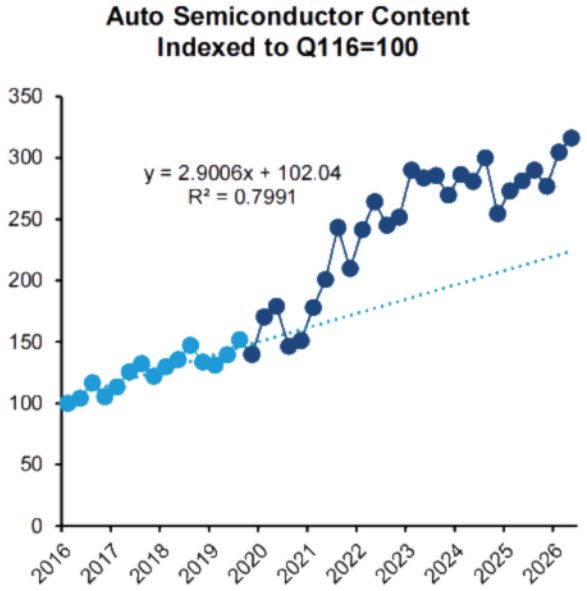
Source: C.A.D. and Bernstein analysis

IMPLIED AUTO SEMIS CONTENT $/CAR AND UNITS/CAR UP QOQ, WITH REVENUE CONTENT REMAINING ABOVE HISTORICAL TREND AND UNIT CONTENT MOSTLY ON TREND

US$/car and units/car content were up in the quarter, with dollar content above historical trend. Units/car content grew slightly and remained mostly on trend in the quarter (**Exhibit 11**-**Exhibit 12**).

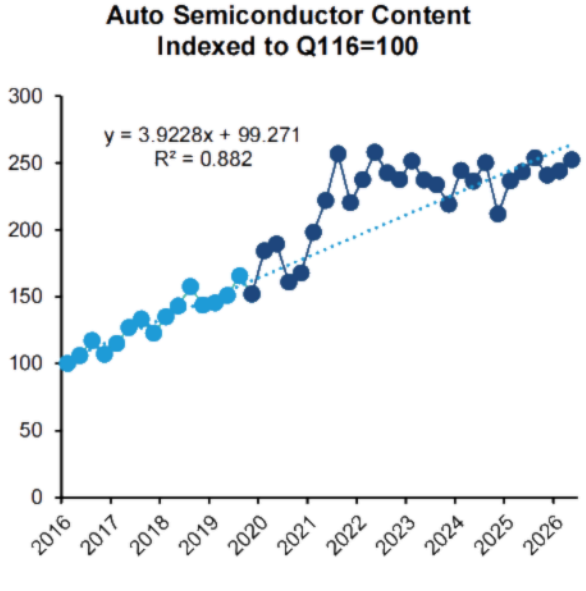
Automotive semis revenues are now seemingly into recovery, with many players reporting YoY growth in CQ2, and with guidance behavior largely positive, overall industry revenues seem to be fine at the moment and likely to continue to trend upwards this year as the industry recovers.

EXHIBIT 11: **Auto semis dollar content per car increased in the quarter and remain above trend...**



Analysis includes the areas where WSTS explicitly calls out an end market, i.e. MCU, application-specific analog, application-specific logic, DSPs, and standard cells. Analysis does NOT include power semis such as IGBTs.
Source: IHS, WSTS, Bernstein U.S. Semiconductors and Semiconductor Capital Equipment team

EXHIBIT 12: **...with unit content per car growing slightly in the quarter and remaining mostly on trend**



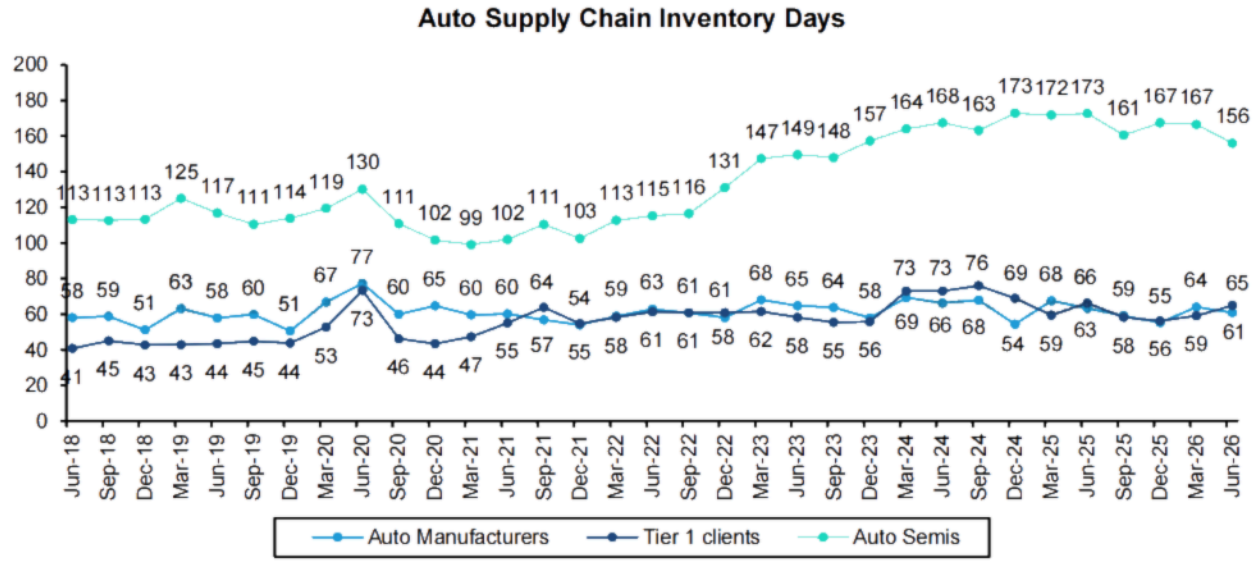
Analysis includes the areas where WSTS explicitly calls out an end market, i.e. MCU, application-specific analog, application-specific logic, DSPs, and standard cells. Analysis does NOT include power semis such as IGBTs.
Source: IHS, WSTS, Bernstein estimates and analysis

INVENTORY DAYS FELL FOR AUTO SEMIS AND AUTO OEM PLAYERS, AND ROSE FOR TIER 1 SUPPLIERS

Inventory days were down for auto semis and auto OEMs, and rose for Tier 1 suppliers. Inventory days remain elevated versus pre-COVID levels across the supply chain.

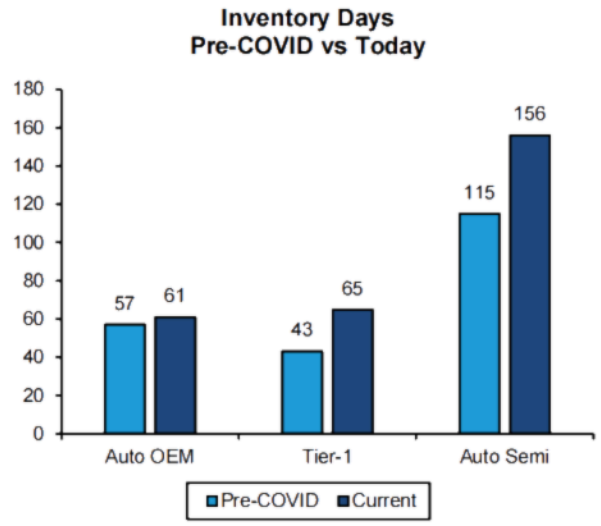
Inventory days for auto semi vendors decreased from ~167 to ~156. The largest decreases in our sample were STM (13 day decrease to 126 days), ADI (13 day decrease to 157 days), and TXN (12 day decrease to 196 days). Actual dollar inventories were up slightly in aggregate (**Exhibit 13**). Auto OEM inventory days were down slightly and remain above pre-COVID levels. Tier 1s inventory days were up slightly and remain higher vs pre-COVID levels (**Exhibit 14**).

EXHIBIT 13: **Auto semis and Auto OEM inventory days decreased, while Tier 1s saw a rise in inventory days this quarter. Inventory days remain elevated across the supply chain compared to pre-COVID.**



Auto semi inventory days include all end markets, not just automotive inventory
Source: Bloomberg, Bernstein analysis

EXHIBIT 14: **Inventory days remain elevated across the supply chain compared to pre-COVID levels.**



Pre-COVID is average period from Mar-18 to Dec-19.
Source: Bloomberg, Bernstein analysis and estimates

S&P GLOBAL BEV PENETRATION ESTIMATES HAVE BEEN FINALLY REVISED UP FOR THE FIRST TIME

For the first time in several years, S&P Global has revised its BEV penetration assumptions upward, refl improving consumer sentiment and a more favorable economic backdrop for electric vehicles. BEV per now expected to reach 21.0% in 2026 (vs. 20.9% previously), 26.1% in 2027 (vs. 25.0%), 29.1% in 202 and 32.4% in 2029 (vs. 30.6%). The upward revision marks a notable change in direction after a prolonged pe downgrades. However, the increase in BEV adoption is partially offset by lower penetration of Hybrid vehicles, r

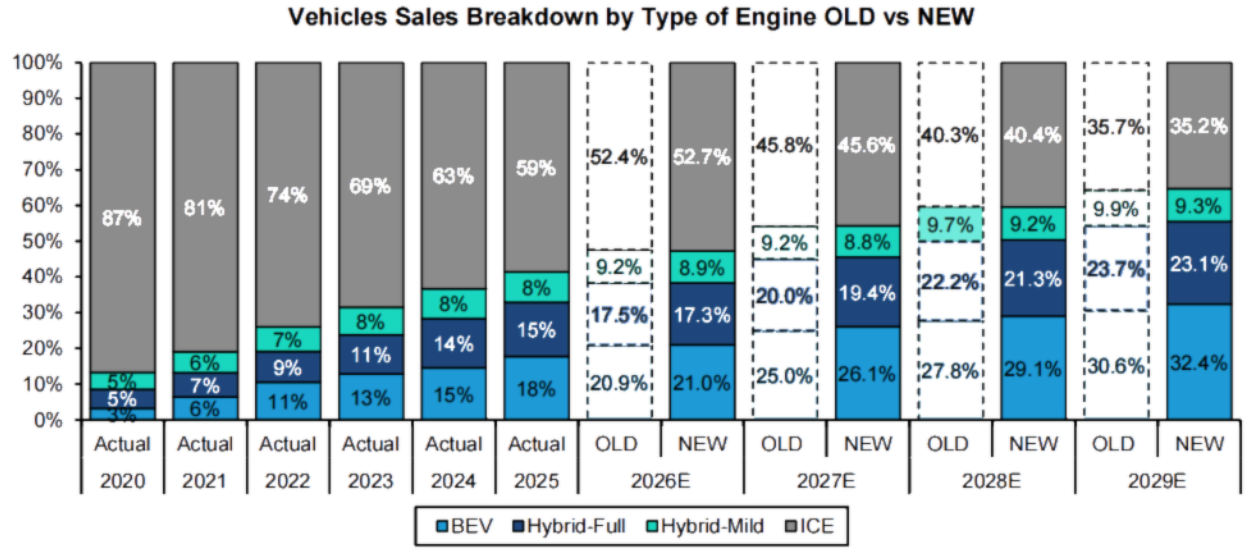
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more limited impact on overall xEV penetration than the BEV revisions alone would suggest (Exhibit 15).

The improved outlook is driven by several factors. Most notably, higher oil and fuel prices following geopolitical tensions in the Middle East have strengthened the total cost of ownership proposition of electric vehicles, increasing consumer interest in BEVs. In addition, continued declines in battery costs, a broader range of available models, and ongoing investments in charging infrastructure are helping narrow the affordability and convenience gap relative to ICE vehicles. Together, these factors have prompted forecasters to become more constructive on the pace of EV adoption after several years of more cautious expectations.

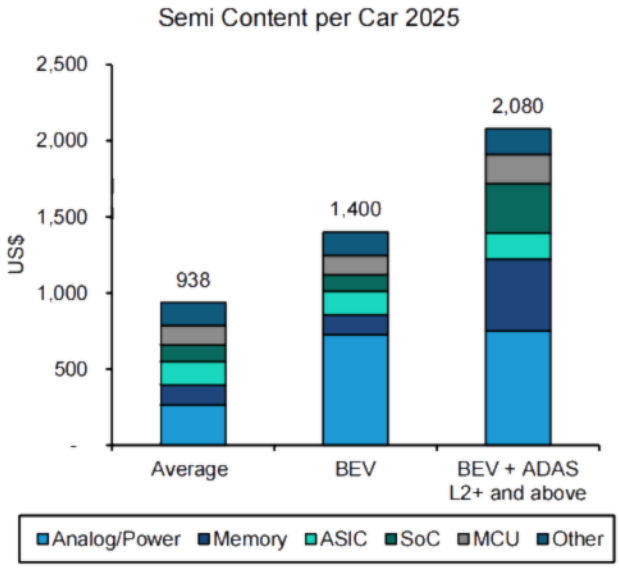
For semis suppliers, the revision is particularly positive given the significantly higher semiconductor content of BEVs compared with conventional vehicles. While the reduction in Hybrid penetration partially offsets the benefit, BEVs remain the most semiconductor-intensive segment. In our recent primer on Automotive semis (Electric Revolution: Resilience in the Auto Semiconductor Supply Chain) **we estimated that semi content in a BEV is roughly $600 higher than in an ICE vehicle**, driven predominantly by the increased Power and Analog content required for the electrified powertrain. In parallel, advanced ADAS capabilities (L2+ and above) further increase semiconductor requirements through higher computing intensity, driving demand for Memory, SoC and, to a lesser extent, MCU adding another $600 in semi content. **As a result, analog and power semiconductor companies such as Infineon, STMicro, onsemi and Rohm stand to benefit from a faster acceleration in BEV adoption than previously anticipated**. (Exhibit 16).

EXHIBIT 15: **For the first S&P Global revise up its BEV penetration assumptions. It now expects BEVs to account for 26% of vehicles in 2027 and 29% in 2028. However, this is partially offset by lower penetration of Hybrid vehicles.**



Old data from February 2026
Source: S&P Global estimates (April 2026), Bernstein analysis

EXHIBIT 16: **Semi content rises substantially from ICE to BEV vehicles, driven by a more than 2x increase in power content resulting from the electrified powertrain. Autonomous driving capabilities further boost content, particularly in Memory and SoC.**

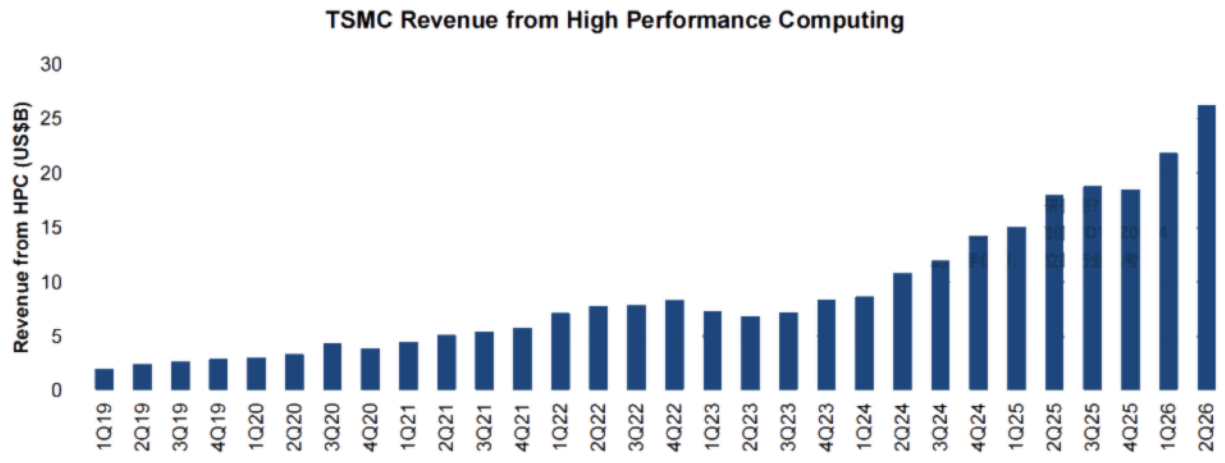


Source: Company reports, Gartner, Bernstein analysis and estimates

TSMC'S AUTOMOTIVE REVENUE GREW NOTABLY IN 2Q26.

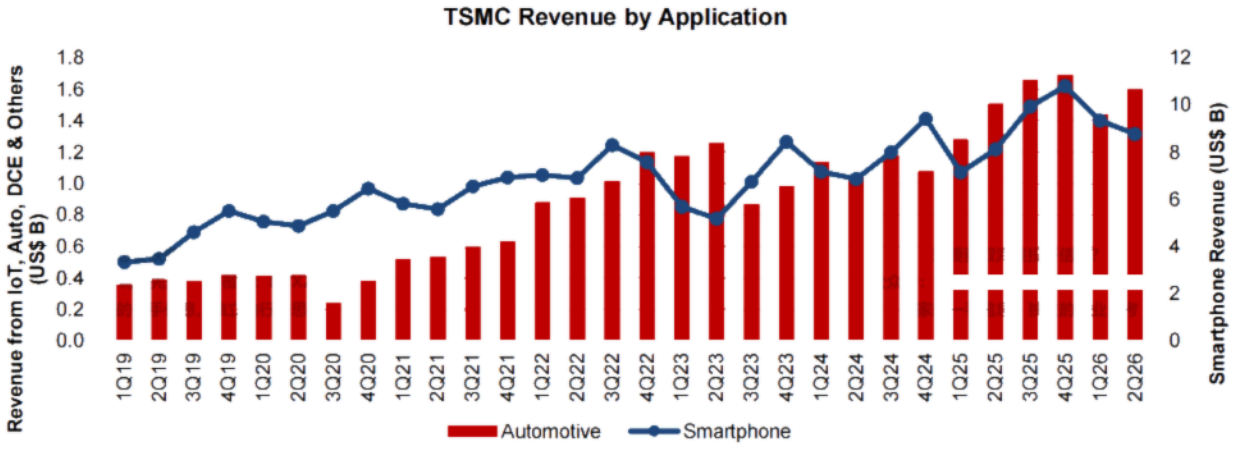
For foundries, investors should first be mindful that foundries represent only a small part of automotive chip production. That said, being a marginal capacity supplier may provide earlier cyclical signals and hence we still summarize their outlooks here. While smartphone revenue was seasonally slow in 2Q26, HPC (High-Performance Computing) revenue reached another record high, and TSMC management raised its 2026 revenue guidance for the second time, supported by stronger-than-expected AI demand (Exhibit 17). In automotive, TSMC delivered more than 10% QoQ revenue growth in 2Q26, but the revenue stayed below the peak reached in 2H25 (Exhibit 18).

EXHIBIT 17: **HPC is clearly the main growth driver for TSMC and its revenue set a new high in 2Q26.**



Source: Company reports, Bernstein analysis

EXHIBIT 18: **In 2Q26, TSMC's automotive revenue registered over 10% QoQ growth, but remained below the peak seen in 2H25.**



Source: Company reports, Bernstein analysis