Americas Technology: Semiconductors: Communacopia + Technology Conference 2026 - Day 3 Takeaways

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Companies from the US Semiconductor sector presented during Day 3 of the GS Communacopia + Technology Conference, including Nvidia, Lam Research, Seagate, Credo, Qnity, Skyworks, and EPAM. **We highlight key takeaways on the top debates, along with company-specific takeaways for each sector below.**

Takeaways for US Semiconductors

Key Takeaway #1 - AI Macro Trends and Digital Semis: Companies continued to strike a very bullish tone on the trajectory of AI infrastructure spending, with Nvidia's Jensen Huang reiterating his outlook of AI infrastructure spending of $3 - $4tn in 2030. Both elements of the supply chain remain tight - including upstream (components) and downstream (land/power/datacenter capacity) supply, even as companies continue to add more capacity to cater to structurally higher levels of demand. On the margin, our view is that downstream constraints could be more significant. Consistent with Day 2's takeaways, companies cited concrete ways in which they are implementing AI in their internal business processes to drive incremental revenue growth via new product development and faster innovation cycles in services. Companies also cited their use of internal AI tools to drive cost efficiencies.

- **Nvidia:** Nvidia reiterated its outlook of AI infrastructure spending of $3 - $4tn in 2030, and noted that its co-design capabilities - software, system, and components - as a source of competitive differentiation. Mr. Huang noted that upstream and downstream supply constraints remain significant. Management noted that its financial guarantees are designed to help seed the ecosystem, but the ultimate returns generated and variety of investment partners involved are inconsistent with the notion of circular financing. Finally, Mr. Huang is bullish on physical AI, with self-driving cars as an existing use case, and expects reasoning-based manipulation and 6G to be additional drivers of physical AI in the next few years.

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- **Credo:** Credo struck a bullish tone on its growth trajectory beyond FY27, with multiple vectors of growth in its optics portfolio, even as its copper-based AEC solutions are expected to remain mainstream in the medium term. Credo also noted that customer engagements across its optics products remain strong, and continue to broaden. Finally, Credo expects gross margins in FY27 to remain at similar levels to FY26, with OpEx growing 55% in FY27 before trending toward a more normalized revenue to OpEx ratio of 2:1.
- **Lam Research:** Lam emphasized its own use of AI to drive both productivity and growth, including training models on 30 years of proprietary data to enhance customer service, accelerate issue resolution, and improve employee efficiency.

Key Takeaway #2 – Semiconductor Capital Equipment, Foundry, and Storage: Companies continued to focus on their exposure to datacenter buildouts as a multi-year structural growth driver. Almost universally, companies are seeing significantly increased orders and backlog, driving visibility that was broadly described as historically unprecedented. Although WFE companies stopped short of providing quantitative guidance for 2027, we believe commentary around 8-10 new fabs coming online in 2027 is supportive of WFE acceleration. AI inference is driving structurally higher levels of data usage for context windows, which is driving higher levels of mass storage demand. The trend toward multi-chip integrated packages used in AI infrastructure is also driving higher levels of growth in advanced packaging and PCB structures.

- **Lam Research:** Lam expects WFE growth in 2027 to be driven by DRAM, followed closely by leading edge foundry/logic and a resurgence in NAND. The company noted increasing 3D architectures are driving additional demand for process technologies such as through-silicon vias (TSVs), and also creating further equipment content growth opportunities. Lam Research highlighted that a richer mix of differentiated products, manufacturing and R&D capabilities closer to customers, and higher pricing are improving its value proposition, enabling stronger value capture over time, and take gross margins close to mid-50% range over the next several years.
- **Qnity:** Management highlighted outsized growth in advanced packaging and interconnect solutions as key growth drivers for the company in the near term. Broadly, the company sees advanced node transitions as a structural tailwind, although it added that trailing-edge nodes have begun to recover, benefiting its semiconductor segment. Qnity sees continuing revenue momentum, combined with steady margin expansion, as providing a further boost to near-term earnings power.
- **Seagate:** Seagate sees the current demand environment for storage tied to AI infrastructure, combined with limited supply growth, continuing to support pricing uplift with higher earnings through FY27. Management reiterated that HAMR volumes are well on track to cross over PMR by the end of calendar 2026, and added that it believes HAMR will represent 80%-90% of the company's bit volumes in the next few years. Seagate also expects to continue its high-yield debt retirement plans, and to accelerate share repurchases - which it sees as the primary vehicle for returning excess capital to shareholders.

Key Takeaway #3 – IT Services: Against a backdrop of muted client spending in certain

verticals, EPAM continues to see headwinds persisting throughout the remainder of the year. Despite this weaker demand environment, the company expects to maintain solid gross margins given a combination of pricing tailwinds and a move toward fixed-price contracts.

- **EPAM:** Management discussed the weaker demand environment and certain idiosyncratic challenges which drove its recent downward guidance revision. However, the company continues to see traction for its AI-native service offerings, even if talent acquisition has proven to be challenging. EPAM believes that it could begin to see revenue improvement in the coming quarters, but noted that it expects operating margins to remain in the 15%-16% range for FY27.

Key Takeaways from Qnity presentation

Presenters: Jon Kemp, CEO

- **Advanced node momentum continues, while trailing-edge is recovering:** Management highlighted accelerating advanced node sales, which grew 20% in the prior quarter, and described the migration to 3 nm nodes as a tailwind for Qnity. Additionally, management was also constructive on mature logic, and together with advanced nodes, the company sees continued sequential growth through 2H and into 2027 for the Semiconductor Technologies segment.
- **Interconnect Solutions:** The interconnect segment remains a key growth driver for the company given continued strength in advanced packaging and AI PCBs, which represents ~30% of the segment. Management noted that ICS continues to outperform and expects that trend to continue over the next year. Qnity has guided for the segment to be up mid-single QoQ in 3Q26.
- **Margins:** Mix and input cost headwinds led some gross margin pressure relative to our expectations last quarter, but going forward, Qnity expects margins to move steadily higher with potential upside from ICS mix, despite continued input cost increases, and increased operating leverage. The company sees gross margins expanding toward the 50% range over the long term.

Key Takeaways from Nvidia presentation

Presenters: Jensen Huang, Founder, President & CEO

- **2030 TAM Outlook:** Nvidia reiterated its view that AI represents a $3tn-$4tn TAM opportunity by 2030, driven by the shift from retrieval-based computing to generative computing, which requires a fundamentally new layer of compute infrastructure. Management also emphasized that the slowing of Moore's Law increases the value of Nvidia's tightly co-designed hardware and networking stack, including NVLink and scale-up / scale-out architectures, as customers seek higher performance and efficiency. Mr. Huang noted that Nvidia is capturing more wallet share in overall AI CapEx by providing more value to its customers.

- **Return on Investments:** Mr. Huang highlighted coding as one of the most compelling GenAI applications today and sees cyber security as a major AI opportunity, with AI-powered coding and software development driving significant productivity gains while enabling more advanced security capabilities.
- **Supply:** Mr. Huang acknowledged broad-based upstream supply constraints across advanced packaging, wafers, memory. Mr. Huang also noted datacenter infrastructure such as power and site availability is also constrained, but emphasized Nvidia's ecosystem scale and deep customer visibility as key advantages in navigating these downstream bottlenecks. Despite ongoing supply tightness, management reaffirmed its expectation for ~70% YoY growth in CY27.
- **Financial guarantees:** Mr. Huang discussed the financial guarantees and commitments as Nvidia is supporting the growing AI ecosystem to secure datacenter capacity. Mr. Huang noted that it helps seed the ecosystem, but the ultimate returns generated and variety of investment partners involved is inconsistent with the notion of circular financing.
- **Physical AI:** Mr. Huang struck a bullish tone on Physical AI, highlighting autonomous vehicles as a leading use case and pointing to emerging applications such as warehouse automation and navigation systems. He expects the next major inflection to come from reasoning-based manipulation systems, which he believes is roughly two years away, and also sees 6G-enabled systems as another Physical AI use case.

Key Takeaways from Lam Research presentation

Presenters: Doug Bettinger, EVP & CFO and Ram Ganesh, Head - Investor Relations

- **Customer demand visibility:** Lam Research noted that cleanroom availability remains a key capacity constraint, with additional capacity expected to come online through the end of 2027. Management highlighted strong customer engagement around 2027 demand and longer-term growth trajectories, using these discussions to refine its production plans and coordinate supply chain investments with key suppliers.
- **WFE growth in 2027:** Lam Research expects DRAM to be the largest driver of WFE growth in 2027, followed closely by leading-edge foundry/logic and NAND. While management did not quantify overall WFE growth, it noted that DRAM spending is closing the gap with leading-edge foundry/logic relative to 2026, reflecting strengthening leading edge foundry/logic investment trends.
- **3D architectures driving strong demand for Lam:** Lam Research highlighted Gate-All-Around (GAA) and backside power as major technology inflections, noting that each incremental 100k wafer starts can expand its SAM by roughly $1bn. Management also emphasized that advanced packaging and memory are becoming increasingly 3D in nature, driving additional demand for process technologies such as through-silicon vias (TSVs) and creating further equipment content growth opportunities.
- **Return on Investment (ROI) for Lam and supply chain:** Lam Research highlighted

strong, AI-driven demand across its customer base, with the semiconductor supply chain investing in lockstep to support a structurally higher level of compute demand. Management also emphasized its own use of AI to drive both productivity and growth, including training models on 30 years of proprietary data to enhance customer service, accelerate issue resolution, and improve employee efficiency.

- **CSBG:** Lam Research highlighted strong momentum in its Customer Support Business Group (CSBG), driven by high wafer-fab utilization rates, an inflection in NAND upgrade activity, and resilient mature-node investments. Management expects these factors to continue supporting healthy growth in the services business.
- **Margins and pricing:** Lam Research highlighted that a richer mix of differentiated products, manufacturing and R&D capabilities closer to customers, and higher pricing are improving its value proposition. Management expects these factors to support stronger value capture over time, and take gross margins close to mid-50% range over the next several years.
- **China:** Lam Research noted China CapEx is growing, but slower than other regions. While Lam noted there are areas where the company cannot sell due to export controls, Mr. Bettinger is confident in the company maintaining share where it can sell.

Key Takeaways from Seagate presentation

Presenters: Gianluca Romano, CFO

- **Pricing trends:** Solid ongoing demand trends and the higher value of storage remain supportive of strong pricing uplift, and management sees sustained momentum through FY27 following an ~11% YoY increase in price per exabyte last quarter. It sees applications such as autonomous vehicles and the attractive TCO of storage as supporting continued exabyte demand strength.
- **HAMR volumes:** HAMR volumes have been ramping throughout the quarter and remain well on track to cross over PMR on an exabyte basis by the end of CY26. Management also added that Mozaic 4 has been qualified with customers in the US and Asia, which have provided positive feedback. Seagate expects HAMR to represent 80%-90% of its volume in a few years, though it sees a role for PMR in its portfolio for lower capacity drives.
- **Capital returns:** Management remains focused on retiring more of the company's high-yield debt, and plans to repurchase an additional high-yield note next quarter. It indicated that it will consider an increase to its dividend in the near term, but added that it plans to accelerate share repurchases which it sees as the primary vehicle for returning excess capital to shareholders.
- **Supply additions:** Seagate emphasized the need for the industry to remain disciplined on supply additions and reiterated that it views node transitions, rather than higher unit shipments, as sufficient for appropriate exabyte growth in the near term. The company also noted that it remains disciplined on CapEx, given the

possibility that datacenter customers may eventually face other bottlenecks, which could impact demand.

- **Financial outlook:** Management continues to expect sequential increases for both revenue and EPS throughout FY27, and we expect it to deliver at least 70% incremental gross margins during the period given the HAMR transition, cost benefits from its internal lasers, and pricing tailwinds.

Key Takeaways from Credo presentation

Presenters: Bill Brennan, President and CEO and Dan Fleming, CFO

- **Copper vs Optical:** Credo highlighted that although its innovation has helped extend the relevance of copper interconnects, the company's investment focus over the past two years has increasingly shifted toward optics. Management expects copper to remain the preferred solution for short-reach links due to its reliability, while optical connectivity will gain share at longer distances, creating a significant growth opportunity for Credo across both microLED and laser-based architectures.
- **Growth algorithm beyond FY27:** Credo expects its growth beyond FY27 to be driven by the ramp of its optical portfolio, including PICs and ZF optical transceivers that address reliability challenges in AI networks. Management also highlighted continued AEC proliferation at existing customers, expanding deployments at neocloud customers, and initial contributions from Active LED Cables (ALCs), creating multiple growth vectors into FY28 and beyond.
- **Customer engagements in optics:** Credo highlighted growing customer engagement for its ZF Optical portfolio, which is designed to reduce network downtime caused by link flaps and improve reliability in AI clusters. Management also emphasized the potential of its upcoming ALC products, which leverage micro-emitter technology to extend reach from ~7m to ~30m with comparable reliability, while reducing cable volume by ~75% versus AECs. ALCs are expected to launch at OCP next month and enter customer qualification thereafter, followed by volume production in FY28.
- **AEC business:** Credo highlighted continued strength in AECs as a key medium-term growth driver, benefiting from the increasing densification of AI networks and the industry's transition to higher lane speeds, both of which drive greater connectivity content and demand for its solutions.
- **Competitive trends:** Credo emphasized its differentiated system-level approach, taking ownership of the entire connectivity solution rather than supplying individual components. In optical transceivers, the company is focused on high-value, reliability-enhancing solutions rather than commodity IEEE-standard 1.6T products, allowing it to command higher ASPs. Management also highlighted its vertical integration strategy, including in-house DSPs and silicon photonics PICs, which strengthens product differentiation, improves reliability, and supports higher gross margins.
- **Financials:** Credo reiterated strong near-term growth, guiding to ~20% QoQ

revenue growth in FY3Q and ~30% QoQ growth in FY4Q. Management expects FY27 gross margins to remain consistent with FY26, while OpEx is expected to grow ~55% YoY in FY27 before trending toward a more normalized revenue-to-OpEx ratio.

Key Takeaways from EPAM presentation

Presenters: Balazs Fejes, President & CEO, and Jason Peterson, CFO

- **Strategic and Macro.** EPAM expects weaker discretionary spending through the remainder of 2026 as clients remain cautious on their overall spending envelope - especially in traditional practice areas and certain verticals where demand is being impacted by oil prices and the conflict in the Middle East. Management also cited shortfalls in sales execution in the US as contributing to the recent downtick in the company's guidance for 2026.
- **Generative AI.** EPAM continues to see traction for its AI-native service offerings, which drove over $160mn in sales in 2Q, and expects 2026 generative AI revenue of at least $600 mn. The company continues to see strength in areas such as AI-native software engineering, though it noted that many customers are approaching agentic automation with a goal of remaining within the same budget envelopes, which it sees as a challenging dynamic.
- **Workforce and talent:** Although the company noted that it is enjoying record-low attrition, it added that there is a very limited supply of AI-native talent in the marketplace. EPAM is focused on internal training and upskilling its existing engineering workforce to align with what it described as a fast evolving environment.
- **Financials.** EPAM continues to expect to deliver healthy gross margin trends in 2H driven by tailwinds from pricing and utilization despite the impact of near-term revenue headwinds. Management expects the company's non-GAAP operating margin to remain within the 15%-16% range for FY27, and added that it still sees room for non-T&M profitability to improve. On capital allocation, the company said it would remain biased towards share repurchases over M&A going forward.

Valuation/Risks

Qnity (Buy): Our 12-month price target is $175, which is based on a 32X P/E multiple applied to our normalized EPS of $5.50. Key downside risks: (1) slowdown in wafer starts across any of the end-markets the company serves (i.e., DRAM, NAND, foundry/logic etc.); (2) incrementally punitive tariffs and export restrictions; (3) additional contingent liabilities stemming from PFAS litigation.

Nvidia (Buy): Our 12-month price target is $300, which is based on a 30X P/E multiple applied to our normalized EPS estimate of $10.00. Key downside risks include: (1) slowdown in AI infrastructure spending, (2) share erosion due to increased competitive intensity, (3) margin erosion due to increased competition; (4) supply constraints.

Lam Research (Buy): Our 12-month price target is $380, which is based on a 35X

multiple applied to our normalized EPS forecast of $10.75. Key downside risks: (1) pause in upgrade spending from the NAND suppliers; (2) incrementally punitive export restrictions released by the US government; (3) marked shift in the industry's need for lithography (increase in intensity) vis-a-vis deposition/etch applications.

Seagate (Buy): Our 12-month price target is $960, which is based on a 24X P/E multiple applied to our normalized EPS estimate of $40.00. Key downside risks: (1) difficulties qualifying HAMR at the major hyperscalers; (2) lack of supply-side prudence from Seagate or the broader industry.

Credo (Buy): Our 12-month price target is $285, which is based on 27X NTM P/E applied to our Q5-Q8 EPS estimate of $10.75. Key downside risks: (1) faster than expected adoption of optical solutions at the expense of copper; (2) increased competition in AECs; (3) lumpiness in revenues due to customer concentration.

EPAM (Neutral): Our 12-month price target is $100, which is based on 7X our one-year forward earnings estimates. Upside risks: (1) earlier-than-expected recovery in discretionary IT spending, (2) increased demand for AI-related projects, (3) stronger-than-expected deal conversion. Downside risks: (1) further demand slowdown, (2) dilutive M&A, (3) increased geopolitical tensions.

