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US Semiconductors and Semiconductor Equipment

SOX Pullback; What's Next?

CITI'S TAKE

Nvidia[1] and Broadcom[2] managements pushed back against concerns of a potential AI spending slowdown, emphasizing that underlying infrastructure demand remains robust and consistent with Citi's constructive outlook. Broadcom CEO Hock Tan reaffirmed confidence in the company's FY27 AI semiconductor revenue target of $115 billion. We believe the strategic importance of AI leadership, particularly amid intensifying U.S.-China technology competition, makes a meaningful pullback in AI investment unlikely. President Trump echoed this view, arguing that the United States must maintain its technological advantage over China[3]. While ongoing policy and safety debates could temper the pace of frontier model development, sustained demand for AI inference, combined with ongoing supply constraints, should support continued capital investment across the ecosystem. More gradual deployment of AI infrastructure demand could ultimately prove beneficial for the stocks. We will provide updates from the AI Infra Summit in Santa Clara (September 15-17) following meetings with industry participants and investors.

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Sources: 1. TechCrunch, Sep 14, 2026; 2. CNBC, Sep 14, 2026; 3. Reuters, Sep 13, 2026

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

Broadcom Inc

(AVGO.O; US$344.72; 1; 14 Sep 26; 16:00)

Valuation

Our PT of $515, or 19X F28 EPS, is at the low end of recent trading range of 20-40X to reflect intensifying competition.

Risks

We see the following key risks to our target price:

Customer: We estimate it derives ~35-40% of sales from its largest customer, Google. Therefore, any major uptick/downtick in demand for Google's products could result in upside/downside to our estimates and rating for Broadcom.

SG&A target: Broadcom's long-term SG&A target is <3% of revenue (excluding stock-based compensation), one of the lowest among semi peers. However, if Broadcom is unable to reach its SG&A target, it could result in downside to our estimates and rating for Broadcom.

Competition: Any fluctuations in market share between Broadcom and its competitors could result in upside/downside risk to our estimates.

M&A: If Broadcom pursues further acquisitions, it could lead to margin/EPS accretion/dilution and result in upside/downside to our estimates.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. However, should they be less than anticipated, the stock could trade above our target price.

NVIDIA Corp

(NVDA.O; US$210.96; 1; 14 Sep 26; 16:00)

Valuation

Our price target for NVDA of $315 is based on ~21x P/E on C27E earnings power. Our 21x P/E multiple is in-line with 1 year average.

Risks

Downside risks to the attainment of our target price include: 1) competition on gaming could drive the stock lower if Nvidia loses market share; 2) slower-than-expected adoption of new platforms can drive lower data center and gaming sales; 3) lumpiness in auto and data center markets can add volatility to the stock/multiple; and 4) cryptomining impact on gaming sales.

