US Semiconductors and Semi Equipment

SemiBytes: Earnings Previews (LRCX, TXN, WDC)

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Please see our separate SemiBytes note here.

LRCX (reports 10/21 AMC): We continue to see signs of the SPE supply chain building to very robust WFE levels, pointing to a very strong FQ1:27 (Sept) print and an even more robust upward bias to FQ2:27 (Dec) guidance. Importantly, we now believe semicap co's are increasingly pre-building systems by taking all volumes available at subsystem suppliers - with this dynamic likely to yield upside to what our prior checks suggested (i.e., that SPE companies asked subsystem suppliers to be ready for +/- 10% Q/Q in WFE shipments over the next quarter). To this end, UCT's guidance provides early evidence of LRCX pre-building (e.g., in CQ3, +mid-teens Q/Q Products growth vs. LRCX's >30% Q/Q Systems growth) and supports our above-Street Dec Q forecast of ~$9B in revenue (+ $450MM above Street, implying +13% Q/Q in LRCX Systems growth). On the call, we would expect management to walk up C2026 WFE to the high ~$150B range (UBSe ~ $158B), and sound increasingly bullish on WFE for C2027 (and maybe even C2028). In our view, this earnings season for the semicap group (much like last quarter) will be likely less about quarterly numbers, but rather more about capacity expansions and margins trajectory, we would expect LRCX to potentially hint at the addition of a 3rd manufacturing site (after having already announced a 2nd one last quarter, and numerous labs over the past few months). We expect LRCX to sound very constructive on the outlook for both its share and market outlook. We slightly raise our C2026/2027/2028E EPS to $8.09/$12.66/$16.79 - though noting that we have also outlined a scenario under which LRCX earns ~$18 in a $300B WFE scenario, and $23.50 at $400B with rather limited industry-wide pricing increases - and maintain our $435 PT and Buy rating.

TXN (reports 10/21 AMC): We expect CQ3 (Sept) revenue and EPS toward the high end of guidance range at $6.05B/$2.48. Into CQ4 (Dec), we see TXN guiding overall revenue down ~4% Q/Q - better than normal seasonality of down 5-7% Q/Q - and this comes off a CQ3 that will be potentially up >10% Q/Q. Overall, this would put revenue guidance potentially in the $5.8-5.9B range, above Street ~$5.7B. At the same time, investor sentiment on analog has remained muted despite what could be a quite good setup heading into earnings, with Street only ~200bps above LT seasonality for CQ4 guidance (Figure 13). In particular, ISM remains in expansionary territory (Figure 9) - underpinning continued strength in Industrial - while we believe data center can grow 73%/75% Y/Y in CQ3/CQ4. Additionally, we believe analog purchasers are increasingly worried over supply shortages in the near-term, creating potential share gain opportunity for TXN given its capacity footprint and elevated inventory compared to peers. All in, our PT remains at $380 and we continue to favor TI in an upcycle given its best-in-class operating leverage and share regain opportunity.

WDC (reports 10/22 AMC): We expect Sept Q revenue/EPS to be above Street and guidance range as WDC essentially knows what it will ship every Q given its BTO construct. In particular, we model EB shipments and ASP both up 7% Q/Q, resulting in revenue/EPS of $4.27B/$4.40. As for FQ2 (Dec), we model revs/EPS of $5.03B/$5.93 (Street $4.56B/$4.76) on the basis of EB +10% Q/Q, ASP +7% Q/Q, and GM +550bps Q/Q (to 63.5%) as price/TB inflects higher while WDC executes on LDD% costdowns. While we don't see any negative catalysts in the near-term, we find it troubling that the market is taking a more structural view on the HDD industry but not memory. We continue to push back on this belief aggressively as we believe there are multiple levers to modeling our projected downcycle in late 2028/early 2029. In fact, we continue to see both WDC and STX (in addition to, of course, Toshiba) starting to buy heads externally from TDK - an evolution to the capacity narrative. Additionally, Toshiba's

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aspirations in becoming a more competitive player in the DC HDD market (see here) could potentially be a major change to the current narrative that there is no new capacity and pricing will just keep moving higher. Overall, we maintain a positive cyclical view for now and a negative structural view relative to the current multiples, underpinning our Neutral rating. We lower our estimates slightly in moderating our ASP assumptions in CY28, while our multiple remains unchanged at 9x as we maintain our cyclical view of the industry. Our PT decreases from $525 to $470.

LRCX PREVIEW

Results: Our FQ1:27 model (Sep) is unchanged with revs/EPS of $8.2B/$2.27 , above Street at $8.13B/$2.18. We model Systems revs $5.65B (+33% Q/Q and +59% Y/Y) and Service revs $2.55B (3% Q/Q and +44% Y/Y).

Guide: Our FQ2:27 model (Dec) is a touch higher with revs/EPS of $9.0B/$2.53 (vs revs/EPS of $8.80B/$2.46 prior), and above Street at $8.54B/$2.32. We model Systems revs $6.4B (+13% Q/Q and +91% Y/Y) and Service revs $2.6B (+2% Q/Q and +31% Y/Y).

Key Topics for Earnings: 1) Any updates to C2026 outlook for WFE, especially in memory, 2) Commentary on longevity/duration of the WFE upcycle and timing of fab shell availability, 3) Commentary on domestic China spending and potential changes to export restrictions.

Figure 1: FQ1:27 Preview

	Next Q: FQ1:27			
Key Metrics	**Guidance**	**UBSe New**	**UBSe Old**	**Street Est. Old**
Revenue ($MM)	$8.10B +/- $400MM	$8,200	$8,200	$8,133
Y/Y Growth		54.0%	54.0%	52.8%
Gross Margin (Non-GAAP)	52.0% +/- 1%	52.3%	52.3%	51.9%
Operating Margin	39.5% +/- 1%	40.9%	40.9%	38.9%
Non-GAAP EPS	$2.15 +/- $0.15	$2.27	$2.27	$2.18
Segment Revenue ($MM)				
System Revenue		**$5,650**	**$5,650**	**$5,460**
Y/Y Growth		*59.3%*	*59.3%*	*53.9%*
Service Revenue		**$2,550**	**$2,550**	**$2,362**
Y/Y Growth		*43.5%*	*43.5%*	*32.9%*

Source: Company reports, UBS estimates

Figure 2: LRCX - New vs Old Estimates

	FY 2027			FY 2028			FY 2029		
(in $MM; Non-GAAP)	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue	$37,200	$36,725	1.3%	$48,075	$47,600	1.0%	$55,900	$55,750	0.3%
Y/Y Growth	60.1%	58.1%		29.2%	29.6%		16.3%	17.1%	
Gross Margin	52.9%	52.9%	0.0%	54.7%	54.7%	-0.0%	56.1%	56.1%	-0.0%
Operating Margin	42.0%	41.9%	0.1%	45.3%	45.2%	0.1%	47.6%	47.6%	0.0%
Non GAAP EPS	$10.59	$10.42	1.6%	$14.84	$14.66	1.2%	$18.33	$18.26	0.4%
Shares Outstanding	1259	1259	--	1256	1256	--	1242	1242	--
Segment Revenue									
Systems	$26,590	$26,165	1.6%	$36,000	$35,525	1.3%	$42,650	$42,500	0.4%
Y/Y Growth	78.6%	75.8%		35.4%	35.8%		18.5%	19.6%	
Service (CSBG)	$10,610	$10,560	0.5%	$12,075	$12,075	--	$13,250	$13,250	--
Y/Y Growth	27.1%	26.5%		13.8%	14.3%		9.7%	9.7%	

Source: Company reports, UBS estimates

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Figure 3: LRCX - UBSe vs. Street

	FY2026	Sep'26 2027/1F	Dec'26 2027/2F	Mar'27 2027/3F	Jun'27 2027/4F	FY2027	Sep'27 2028/1F	Dec'27 2028/2F	Mar'28 2028/3F	Jun'28 2028/4F	FY2028	Sep'28 2029/1F	Dec'28 2029/2F	Mar'29 2029/3F	Jun'29 2029/4F	FY2029	CALENDAR YEARS CY2025	CY2026	CY2027	CY2028
Revenues ($MM)																				
UBS (New)	**$ 23,233**	$ 8,200	$ 9,000	$ 9,650	$ 10,350	**$ 37,200**	$ 11,150	$ 11,600	$ 12,350	$ 12,975	**$ 48,075**	$ 13,350	$ 13,900	$ 14,150	$ 14,500	**$ 55,900**	**$ 20,561**	**$ 29,764**	**$ 42,750**	**$ 52,575**
UBS (Old)		$ 8,200	$ 8,800	$ 9,475	$ 10,250	**$ 36,725**	$ 11,000	$ 11,500	$ 12,250	$ 12,850	**$ 47,600**	$ 13,250	$ 13,850	$ 14,150	$ 14,500	**$ 55,750**		**$ 29,564**	**$ 42,225**	**$ 52,200**
Consensus		$ 8,133	$ 8,544	$ 8,855	$ 9,279	**$ 34,810**	$ 9,612	$ 10,091	$ 10,354	$ 10,760	**$ 40,817**	$ 10,965	$ 11,266	$ 11,372	$ 11,500	**$ 45,103**		**$ 29,240**	**$ 37,837**	**$ 43,344**
Delta		0.8%	5.3%	9.0%	11.5%	6.9%	16.0%	14.9%	19.3%	20.6%	17.8%	21.8%	23.4%	24.4%	26.1%	23.9%		1.8%	13.0%	21.3%
EPS (Non-GAAP)																				
UBS (New)	**$ 5.82**	$ 2.27	$ 2.53	$ 2.76	$ 3.03	**$ 10.59**	$ 3.34	$ 3.54	$ 3.84	$ 4.12	**$ 14.84**	$ 4.30	$ 4.53	$ 4.69	$ 4.81	**$ 18.33**	**$ 4.90**	**$ 8.09**	**$ 12.66**	**$ 16.79**
UBS (Old)		$ 2.27	$ 2.46	$ 2.70	$ 2.99	**$ 10.42**	$ 3.28	$ 3.50	$ 3.80	$ 4.07	**$ 14.66**	$ 4.26	$ 4.51	$ 4.69	$ 4.81	**$ 18.26**		**$ 8.02**	**$ 12.47**	**$ 16.64**
Consensus		$ 2.18	$ 2.32	$ 2.43	$ 2.59	**$ 9.51**	$ 2.74	$ 2.91	$ 3.02	$ 3.17	**$ 11.85**	$ 3.29	$ 3.41	$ 3.44	$ 3.51	**$ 13.65**		**$ 7.78**	**$ 10.68**	**$ 12.90**
Delta		4.5%	9.2%	13.5%	16.9%	11.3%	21.7%	21.5%	27.1%	29.9%	25.2%	30.5%	32.6%	36.6%	37.1%	34.2%		4.0%	18.6%	30.1%

Source: Company reports, UBS estimates, FactSet

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Figure 4: LRCX - Summary Model

Lam Research Corp. (LRCX) - Key Metrics (in $MM except EPS)	C2025A	FQ3A CQ1A	FQ4:26A CQ2A	Estimates FQ1E CQ3E	FQ2E CQ4E	C2026E	FQ3E CQ1E	FQ4:27E CQ2E	FQ1E CQ3E	FQ2E CQ4E	C2027E	FQ3E CQ1E	FQ4:28E CQ2E	FQ1E CQ3E	FQ2E CQ4E	C2028E	FISCAL YEAR SUMMARY F2025A	F2026E	F2027E	F2028E
Systems	**$13,378**	**$3,731**	**$4,250**	**$5,650**	**$6,400**	**$20,030**	**$6,965**	**$7,575**	**$8,325**	**$8,700**	**$31,565**	**$9,250**	**$9,725**	**$10,050**	**$10,600**	**$39,625**	**$11,491**	**$14,885**	**$26,590**	**$36,000**
Y/Y Growth	40%	23%	24%	59%	91%	50%	87%	78%	47%	36%	58%	33%	28%	21%	22%	26%	29%	30%	79%	35%
Services	**$7,183**	**$2,111**	**$2,472**	**$2,550**	**$2,600**	**$9,733**	**$2,685**	**$2,775**	**$2,825**	**$2,900**	**$11,185**	**$3,100**	**$3,250**	**$3,300**	**$3,300**	**$12,950**	**$6,944**	**$8,347**	**$10,610**	**$12,075**
Y/Y Growth	8%	25%	43%	44%	31%	36%	27%	12%	11%	12%	15%	15%	17%	17%	14%	16%	16%	20%	27%	14%
Total Revenue	**$20,561**	**$5,841**	**$6,722**	**$8,200**	**$9,000**	**$29,764**	**$9,650**	**$10,350**	**$11,150**	**$11,600**	**$42,750**	**$12,350**	**$12,975**	**$13,350**	**$13,900**	**$52,575**	**$18,436**	**$23,233**	**$37,200**	**$48,075**
Y/Y Growth	27%	24%	30%	54%	68%	45%	65%	54%	36%	29%	44%	28%	25%	20%	20%	23%	24%	26%	60%	29%
Gross Margin	**49.9%**	**49.9%**	**52.0%**	**52.3%**	**52.6%**	**51.9%**	**53.0%**	**53.5%**	**54.0%**	**54.5%**	**53.8%**	**54.8%**	**55.5%**	**55.8%**	**56.0%**	**55.5%**	**48.8%**	**50.6%**	**52.9%**	**54.7%**
Opex	$3,245	$866	$916	$933	$993	$3,709	$1,048	$1,073	$1,108	$1,113	$4,342	$1,133	$1,158	$1,173	$1,193	$4,657	$3,042	$3,442	$4,047	$4,512
Y/Y Growth	14%	13%	11%	12%	20%	14%	21%	17%	19%	12%	17%	8%	8%	6%	7%	7%	14%	13%	18%	11%
Operating Margin	**34.1%**	**35.0%**	**38.4%**	**40.9%**	**41.6%**	**39.4%**	**42.1%**	**43.1%**	**44.1%**	**44.9%**	**43.6%**	**45.6%**	**46.5%**	**47.0%**	**47.4%**	**46.7%**	**32.3%**	**35.6%**	**42.0%**	**45.3%**
Non-GAAP EPS	**$4.90**	**$1.47**	**$1.82**	**$2.27**	**$2.53**	**$8.09**	**$2.76**	**$3.03**	**$3.34**	**$3.54**	**$12.66**	**$3.84**	**$4.12**	**$4.30**	**$4.53**	**$16.79**	**$4.13**	**$5.82**	**$10.59**	**$14.84**
Free Cash Flow																				
CFFO	$7,122	$1,141	$1,457	$2,060	$2,752	$7,411	$3,104	$3,393	$3,815	$4,279	$14,592	$4,473	$4,868	$5,238	$5,407	$19,986	$6,173	$5,858	$11,310	$17,436
Capex	$906	$332	$189	$369	$450	$1,339	$531	$569	$613	$638	$2,351	$679	$714	$668	$695	$2,755	$759	$966	$1,919	$2,644
FCF	**$6,216**	**$810**	**$1,268**	**$1,691**	**$2,302**	**$6,071**	**$2,574**	**$2,824**	**$3,202**	**$3,641**	**$12,241**	**$3,794**	**$4,155**	**$4,570**	**$4,712**	**$17,231**	**$5,414**	**$4,891**	**$9,391**	**$14,792**
% Revenue	30.2%	13.9%	18.9%	20.6%	25.6%	20.4%	26.7%	27.3%	28.7%	31.4%	28.6%	30.7%	32.0%	34.2%	33.9%	32.8%	29.4%	21.1%	25.2%	30.8%
System Revenue Segments																				
DRAM	**$2,519**	**$1,007**	**$977**														**$2,436**			
Y/Y Growth	13%	44%	103%														13%			
NAND	**$2,543**	**$448**	**$977**														**$2,429**			
Y/Y Growth	44%	(26%)	5%														55%			
Memory	**$5,062**	**$1,455**	**$1,955**														**$4,865**			
Y/Y Growth	27%	11%	39%														31%			
Foundry	**$7,354**	**$2,015**	**$1,870**														**$5,144**			
Y/Y Growth	89%	38%	5%														43%			
IDM / Logic	**$962**	**$261**	**$425**														**$1,482**			
Y/Y Growth	(44%)	(4%)	77%														(7%)			

Source: Company reports, UBS estimates

Valuation

We leave our $435 price target unchanged. We obtain our price target by applying a consistent ~26x NTM P/E multiple to our C2028E Non-GAAP EPS of $16.79 (vs. prior $16.47). Our valuation multiple is at a ~1x premium to the company's S&P-implied 3-year historical average multiple, which we believe is easily justifiable given the robustness of the AI-led WFE supercycle expected to play out in the next few years.

Figure 5: LRCX - Price Target

	New	Old
EPS (Non-GAAP)		
C2028E	**$16.79**	**$16.47**
Multiple	26x	26x
Price Target	$435	$435

Source: UBS estimates, FactSet

Figure 6: LRCX 1y Fwd P/E Relative to S&P 500 - 3YR Avg



Source: UBS estimates, FactSet

TXN PREVIEW

Key Topics for Earnings:

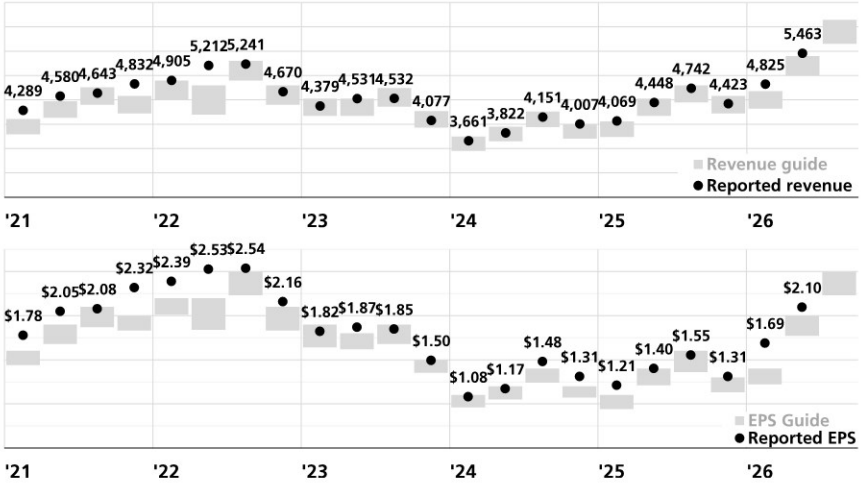
1) End market dynamics, particularly China autos and whether the improving macro environment is palpable in industrial; 2) Pricing actions and potential upside to pricing; 3) Data center momentum and incremental upside from power opportunity via Nvidia partnership; 4) monthly pacing within the quarter.

Figure 7: TXN - UBSe vs. Street

	2026/1F	2026/2F	2026/3F	2026/4F	2026	2027/1F	2027/2F	2027/3F	2027/4F	2027	2028/1F	2028/2F	2028/3F	2028/4F	2028
Revenue($MM)															
UBS	$ 4,825	$ 5,463	$ 6,048	$ 5,826	**$ 22,161**	$ 5,934	$ 6,574	$ 7,182	$ 7,038	**$ 26,727**	$ 6,943	$ 7,501	$ 8,223	$ 7,910	**$ 30,576**
Consensus			$ 5,916	$ 5,734	**$ 21,939**	$ 5,779	$ 6,190	$ 6,583	$ 6,340	**$ 24,977**	$ 6,633	$ 7,022	$ 7,427	$ 7,254	**$ 27,630**
Delta			2.2%	1.6%	1.0%	2.7%	6.2%	9.1%	11.0%	7.0%	4.7%	6.8%	10.7%	9.0%	10.7%
Non GAAP EPS															
UBS	$ 1.69	$ 2.10	$ 2.48	$ 2.41	**$ 8.68**	$ 2.51	$ 2.93	$ 3.38	$ 3.29	**$ 12.11**	$ 3.25	$ 3.65	$ 4.17	$ 3.95	**$ 15.01**
Consensus			$ 2.40	$ 2.25	**$ 8.52**	$ 2.33	$ 2.68	$ 3.01	$ 2.79	**$ 10.77**	$ 3.02	$ 3.30	$ 3.57	$ 3.43	**$ 13.32**
Delta			3.2%	7.1%	1.9%	8.1%	9.3%	12.3%	17.8%	12.4%	7.6%	10.6%	16.6%	15.2%	12.7%

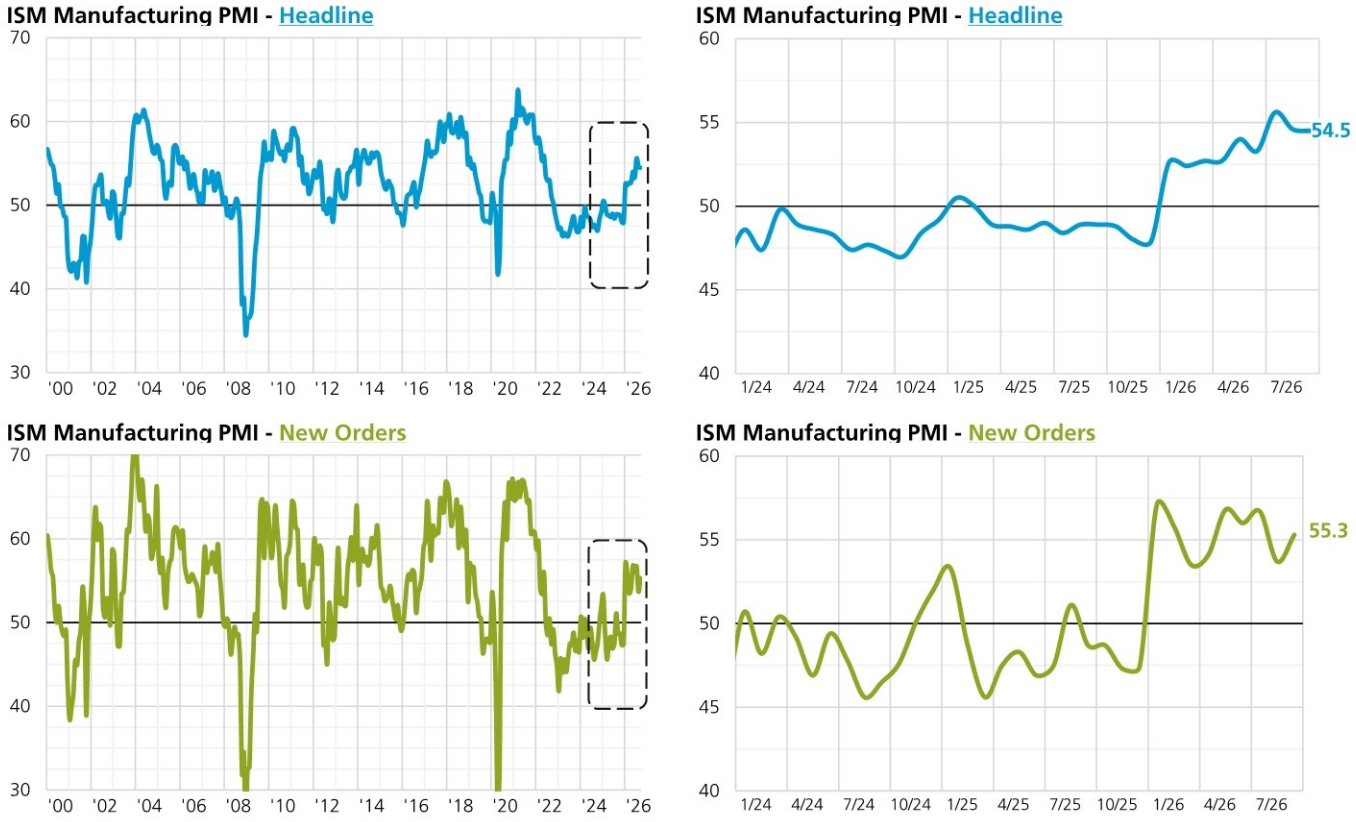
Source: Company reports, FactSet, UBS estimates

Figure 8: TXN Revenue and EPS Guidance History



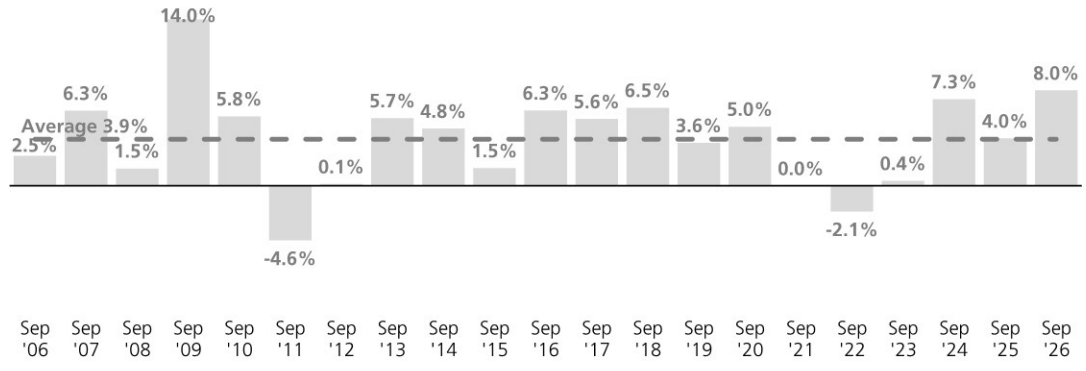
Source: Company reports, FactSet, UBS estimates

Figure 9: ISM Manufacturing PMI - headline and new orders



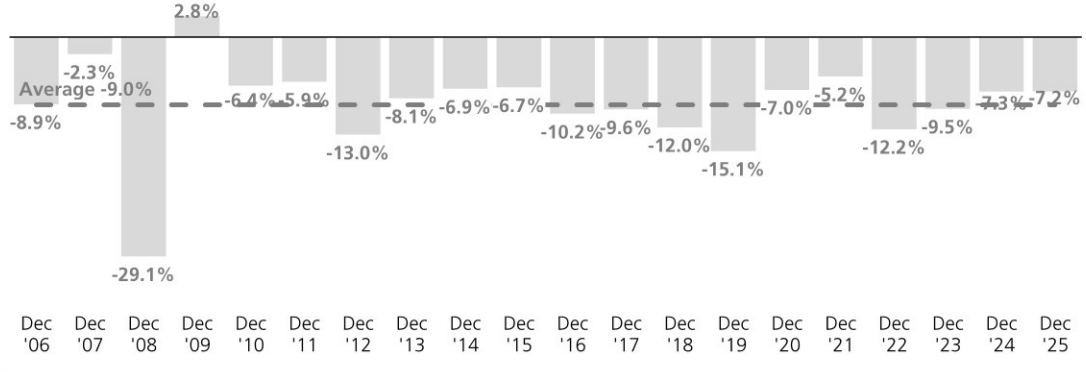
Source: UBS research, FactSet.

Figure 10: TXN 3Q Q/Q Revenue Growth at Guidance Midpoint



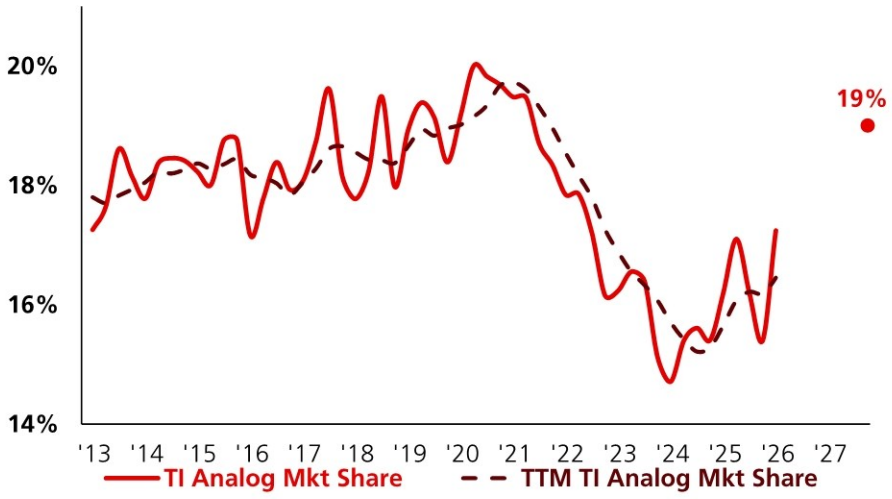
Source: Company reports, FactSet, UBS estimates

Figure 11: TXN 4Q Q/Q Revenue Growth at Guidance Midpoint



Source: Company reports, FactSet, UBS estimates

Figure 12: TI Analog market share of SIA Analog revenue



Source: Company reports, UBS, SIA. Note: CQ TXN analog revenue and unreported months of SIA based on UBSe.

Figure 13: Earnings Expectations vs Seasonality

3Q26 Results					
	UBSe Q/Q	Street Q/Q	Seasonality	Delta vs UBSe	Delta vs Street
ALGM	6.0%	4.6%	7.1%	-1.1%	-2.5%
MCHP	8.5%	8.1%	4.3%	4.2%	3.8%
ON	5.4%	6.2%	4.0%	1.4%	2.1%
TXN	10.7%	8.3%	6.1%	4.6%	2.2%
ADI	8.5%	6.8%	4.6%	3.9%	2.2%

4Q26 Guidance					
	UBSe Q/Q	Street Q/Q	Seasonality	Delta vs UBSe	Delta vs Street
ALGM	4.6%	2.1%	-5.0%	9.6%	7.1%
MCHP	1.8%	1.0%	-1.8%	3.6%	2.8%
ON	1.1%	1.9%	-1.8%	2.9%	3.7%
TXN	-3.7%	-3.1%	-5.1%	1.5%	2.1%
ADI	-1.5%	0.6%	-1.9%	0.4%	2.5%

Source: Company reports, UBS estimates, FactSet

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Figure 14: TXN Historical Seasonality

	Total Revenue % Q/Q				Analog Revenue % Q/Q				Embedded Revs % Q/Q				Industrial Revs % Q/Q				Auto Revs % Q/Q				Data Center (Enterprise) % Q/Q				Personal Electronics Revs % Q/Q				Communications Eqt Revs % Q/Q			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2006	-7.2%	+10.9%	+1.7%	-7.9%																												
2007	-7.9%	+7.3%	+7.0%	-2.9%																												
2008	-8.0%	+2.4%	+1.1%	-26.5%																												
2009	-16.3%	+17.8%	+17.2%	+4.3%																												
2010	+6.7%	+9.1%	+7.0%	-5.7%		+10.6%	+4.6%	-3.9%		+14.8%	+9.7%	-6.0%																				
2011	-3.8%	+1.9%	+0.2%	-1.3%	+1.1%	+3.4%	-2.0%	-5.0%	-1.0%	+10.8%	-8.8%	-7.0%																				
2012	-8.7%	+6.9%	+1.6%	-12.1%	-0.5%	+6.8%	+2.4%	-9.4%	+7.1%	+7.4%	+1.9%	-7.6%																				
2013	-3.2%	+5.6%	+6.5%	-6.7%	-1.3%	+5.9%	+10.7%	-3.2%	+2.7%	+10.2%	+8.1%	-9.6%																				
2014	-1.5%	+10.4%	+6.3%	-6.6%	-1.7%	+8.6%	+7.7%	-1.2%	+8.6%	+7.2%	+1.1%	-5.8%																				
2015	-3.6%	+2.6%	+6.1%	-7.0%	-4.1%	+0.7%	+6.5%	-5.0%	+0.3%	+2.7%	+5.1%	-3.4%																				
2016	-5.7%	+8.8%	+12.3%	-7.1%	-9.4%	+8.8%	+13.6%	-1.4%	+4.1%	+3.6%	+5.3%	-6.4%																				
2017	-0.4%	+8.6%	+11.5%	-8.9%	-1.5%	+6.9%	+11.9%	-6.0%	+7.9%	+8.1%	+7.3%	-3.8%																				
2018	+1.0%	+6.0%	+6.1%	-12.8%	+1.2%	+4.8%	+8.1%	-9.3%	+3.3%	+1.8%	-5.2%	-11.5%																				
2019	-3.3%	+2.1%	+2.8%	-11.2%	-4.5%	+0.6%	+5.5%	-6.6%	+0.6%	-0.8%	-8.4%	-12.6%	-3.1%	+4.0%	-3.0%	-6.1%	-0.1%	+2.6%	-1.0%	+0.0%	-13.9%	-6.3%	+45.3%	-12.3%	-28.3%	+35.6%	+15.2%	-18.3%	+32.5%	-34.8%	-20.0%	-26.5%
2020	-0.6%	-2.7%	+17.8%	+6.8%	-1.5%	-1.1%	+17.7%	+9.1%	+3.2%	-16.4%	+19.2%	+10.6%	+8.8%	+2.0%	-3.2%	+7.0%	-6.5%	-40.0%	+75.0%	+19.0%	+4.6%	+20.0%	-20.1%	-2.0%	-25.6%	+45.0%	+15.0%	+11.0%	+11.3%	+20.6%	-6.0%	-28.0%
2021	+5.2%	+6.8%	+1.4%	+4.1%	+4.9%	+5.6%	+2.4%	+5.9%	+6.5%	+1.7%	-5.4%	+3.5%	+20.0%	+14.0%	-7.0%	+18.8%	-	+3.0%	+2.0%	+21.7%	+7.0%	+18.0%	+2.0%	+73.5%	-11.0%	-	+10.0%	+3.0%	+19.0%	+3.0%	-4.0%	+16.3%
2022	+1.5%	+6.3%	+0.6%	-10.9%	+1.5%	+4.6%	+0.0%	-10.9%	+2.4%	+5.0%	-	+1.9%	-4.7%	-72.1%	+2.5%	-7.8%	-7.7%	-71.4%	+11.3%	+3.2%	-35.3%	-75.1%	+7.0%	-20.5%	-11.7%	-75.7%	-14.2%	-16.8%	-4.4%	-69.1%	+30.3%	-19.8%
2023	-6.2%	+3.5%	+0.0%	-10.0%	-7.6%	-0.3%	+2.3%	-6.9%	-0.6%	+7.5%	-0.4%	-15.5%	-0.5%	-2.0%	-4.4%	-16.4%	+11.5%	+4.0%	+1.2%	-7.1%	-23.6%	+1.0%	+14.1%	-9.1%	-29.9%	+3.0%	+16.6%	+1.0%	-14.9%	-14.5%	-19.5%	-1.0%
2024	-10.2%	+4.4%	+8.6%	-3.5%	-9.1%	+3.2%	+10.1%	-1.5%	-13.3%	-5.7%	+6.2%	-6.1%	-4.3%	-2.0%	-1.8%	-4.5%	-0.3%	-4.0%	+4.6%	-8.1%	-9.3%	+32.8%	+14.1%	-1.9%	-15.1%	+18.4%	+28.0%	+4.9%	-25.2%	+5.6%	+25.3%	+9.1%
2025	+1.5%	+9.3%	+6.6%	-6.7%	+1.1%	+7.5%	+8.0%	-3.1%	+5.5%	+4.9%	+4.4%	-6.6%	+8.0%	+14.0%	+4.0%	-6.0%	+3.0%	-1.0%	+10.0%	-3.0%	+14.0%	+20.0%	+20.0%	+4.0%	-14.0%	+8.0%	+7.0%	-15.0%	+10.0%	+10.0%	+10.0%	-15.0%
2026E	+9.1%	+13.2%	+10.7%	-3.7%	+8.5%	+11.2%	+10.0%	-1.0%	+9.2%	+9.0%	+9.0%	-	+21.0%	+10.0%	+11.0%	-	-	+8.0%	+10.0%	+5.0%	+26.0%	+20.0%	+10.0%	+5.0%	+2.0%	+8.0%	+8.0%	-17.0%	+30.0%	+15.0%	+5.0%	-15.0%
2027E	+1.9%	+10.8%	+9.2%	-2.0%	+2.0%	+9.0%	+10.0%	-	+4.0%	+10.0%	+8.0%	-2.0%	+3.0%	+6.0%	+4.0%	+1.0%	+4.0%	+5.0%	+6.0%	+3.0%	+20.0%	+17.0%	+15.0%	+14.0%	-20.0%	+10.0%	+17.0%	-3.0%	+4.0%	+4.0%	+2.0%	-13.0%
LT median	**-2.3%**	**+6.8%**	**+6.1%**	**-5.1%**	**-1.4%**	**+5.6%**	**+7.1%**	**-4.5%**	**+3.3%**	**+5.0%**	**+3.2%**	**-6.3%**	**+3.8%**	**+3.0%**	**-3.0%**	**-6.0%**	**-0.0%**	**+0.8%**	**+4.6%**	**+0.0%**	**-2.3%**	**+19.0%**	**+14.1%**	**-2.0%**	**-14.6%**	**+8.0%**	**+15.0%**	**+1.0%**	**+10.7%**	**+4.3%**	**-4.0%**	**-15.0%**
5Y median	+1.5%	+6.3%	+1.4%	-6.7%	+1.1%	+4.6%	+2.4%	-3.1%	+2.4%	+5.0%	-	-6.1%	-0.5%	-2.0%	-1.8%	-6.0%	-	-1.0%	+4.6%	-3.0%	-9.3%	+20.0%	+14.1%	-1.9%	-14.0%	+8.0%	+10.0%	+1.0%	-4.4%	+5.6%	+10.0%	-1.0%
10Y median	+0.3%	+6.1%	+6.3%	-8.0%	-0.2%	+4.7%	+8.0%	-4.5%	+3.3%	+3.4%	+2.2%	-6.3%	+3.8%	+3.0%	-3.0%	-6.0%	-0.0%	+0.8%	+4.6%	+0.0%	-2.3%	+19.0%	+14.1%	-2.0%	-14.6%	+8.0%	+15.0%	+1.0%	+10.7%	+4.3%	-4.0%	-15.0%

	Gross Margin bps Q-Q				Opex % Q/Q				Operating Margin bps Q-Q				Adj EPS % Q/Q				Working Capital $				Capital Intensity			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2006	+186 bp	+143 bp	-21 bp	-89 bp	+3.2%	-	+5.0%	-2.1%	-102 bp	+424 bp	-105 bp	-258 bp	-12.1%	+243.8%	-62.4%	-1.8%	-391	-397	-607	-143	12.2%	10.1%	7.3%	6.2%
2007	+82 bp	+80 bp	+206 bp	-0 bp	-2.4%	+1.9%	-0.4%	-4.2%	-84 bp	+232 bp	+403 bp	+35 bp	-21.2%	+18.5%	+27.9%	+1.1%	-328	-76	+414	+335	5.6%	5.1%	4.1%	5.1%
2008	-49 bp	-147 bp	-368 bp	-447 bp	+2.0%	-3.5%	-2.1%	-11.7%	-335 bp	+19 bp	-283 bp	-978 bp	-8.7%	-10.8%	-2.6%	-50.6%	-258	-370	+253	+687	6.7%	8.1%	5.8%	3.1%
2009	-540 bp	+711 bp	+568 bp	+145 bp	-12.8%	+0.7%	+1.7%	-0.8%	-673 bp	+1,191 bp	+942 bp	+268 bp	-86.4%	+655.4%	+95.8%	+24.0%	-59	+11	-50	+11	2.1%	1.9%	7.8%	14.5%
2010	-18 bp	+148 bp	+34 bp	-150 bp	+3.8%	+5.6%	+4.9%	-3.2%	+12 bp	+202 bp	+114 bp	-197 bp	-0.0%	+19.3%	+14.0%	-2.3%	-208	-477	+216	+324	6.8%	8.1%	10.6%	8.5%
2011	-208 bp	-25 bp	-17 bp	-224 bp	+4.6%	+2.1%	-6.2%	+17.2%	-407 bp	-60 bp	-248 bp	-1,000 bp	-20.5%	+2.1%	-31.0%	+28.2%	-469	-275	+221	+383	5.7%	8.0%	5.6%	4.4%
2012	+78 bp	+45 bp	+182 bp	-282 bp	+5.8%	-3.6%	-2.1%	-6.7%	-96 bp	+521 bp	+685 bp	-2,011 bp	-85.4%	+299.2%	+105.2%	-11.4%	-210	-183	+51	+514	3.3%	4.4%	4.4%	3.2%
2013	-88 bp	+390 bp	+331 bp	-68 bp	+2.7%	-2.1%	-3.1%	-3.1%	+903 bp	+1,604 bp	-372 bp	-333 bp	-37.1%	+55.6%	+10.7%	+0.5%	-402	-313	+124	+185	2.9%	3.2%	3.8%	3.5%
2014	-29 bp	+327 bp	+124 bp	-41 bp	+4.7%	-2.8%	-3.2%	-6.9%	+44 bp	+670 bp	+373 bp	+9 bp	-28.3%	+48.3%	+21.7%	-6.7%	-376	-233	+219	+88	2.6%	2.4%	2.9%	3.8%
2015	-32 bp	+55 bp	+4 bp	+28 bp	+5.0%	+1.7%	-5.1%	-5.2%	-324 bp	+84 bp	+270 bp	+186 bp	-11.9%	+7.0%	+16.0%	-6.2%	-421	-192	+310	+306	3.9%	3.9%	4.1%	5.1%
2016	+212 bp	+56 bp	+84 bp	+44 bp	+8.9%	+4.0%	-0.1%	-6.2%	-363 bp	+195 bp	+383 bp	+68 bp	-9.1%	+17.0%	+24.5%	-6.0%	-466	+31	+277	+147	4.1%	4.8%	3.8%	3.2%
2017	+54 bp	+126 bp	+24 bp	+54 bp	+7.2%	+0.5%	-3.1%	+1.0%	-183 bp	+327 bp	+336 bp	-176 bp	+0.8%	+12.3%	+24.0%	-14.8%	-509	-385	+160	+1,157	3.7%	4.1%	4.5%	6.2%
2018	-48 bp	+62 bp	+61 bp	-105 bp	+2.9%	+0.9%	-4.7%	+3.6%	-82 bp	+176 bp	+284 bp	-467 bp	+14.1%	+12.2%	+15.1%	-19.9%	-522	+113	+299	+641	5.0%	6.2%	8.7%	8.7%
2019	-185 bp	+143 bp	+52 bp	-227 bp	-1.4%	+0.9%	-4.0%	+2.6%	-242 bp	+269 bp	+108 bp	-485 bp	-4.1%	+7.5%	+7.0%	-19.0%	-431	+147	+248	+343	7.0%	7.7%	4.0%	4.9%
2020	+12 bp	+156 bp	-1 bp	+65 bp	-0.5%	-1.8%	+1.7%	-0.9%	+8 bp	+54 bp	+424 bp	+233 bp	-0.5%	+9.5%	+18.8%	+21.7%	-602	+53	-157	+175	4.8%	4.0%	3.8%	5.2%
2021	+30 bp	+197 bp	+70 bp	+144 bp	+3.2%	+0.6%	-2.0%	-0.9%	+73 bp	+311 bp	+133 bp	+216 bp	+0.2%	+15.1%	+1.5%	+11.5%	-212	-122	+169	+10	7.2%	8.4%	10.5%	26.5%
2022	+186 bp	-62 bp	-54 bp	-291 bp	+2.5%	+2.8%	+3.1%	+0.1%	+45 bp	-1 bp	-115 bp	-450 bp	+3.0%	+5.9%	+0.4%	-15.0%	-342	-833	+144	-72	9.0%	11.5%	15.1%	20.7%
2023	-266 bp	-116 bp	-211 bp	-249 bp	+7.6%	+1.0%	-1.6%	-2.7%	-243 bp	-64 bp	-177 bp	-415 bp	-15.6%	+2.6%	-1.2%	-19.1%	-925	-681	-72	+287	22.4%	31.9%	33.0%	28.2%
2024	-327 bp	+62 bp	+175 bp	-185 bp	+3.9%	+3.2%	-4.5%	+1.8%	-247 bp	-247 bp	+478 bp	-307 bp	-27.6%	+8.2%	+26.3%	-11.4%	-356	+20	-47	+300	34.1%	27.8%	31.7%	29.7%
2025	-90 bp	+105 bp	-47 bp	-153 bp	+5.5%	+2.3%	-3.7%	-0.8%	-183 bp	+260 bp	-7 bp	-177 bp	-7.6%	+15.7%	+10.8%	-15.6%	-724	-15	+187	+281	27.6%	29.3%	25.2%	20.9%
2026E	+212 bp	+335 bp	+94 bp	+70 bp	+0.7%	+5.2%	-	-1.0%	+417 bp	+481 bp	+279 bp	+22 bp	+28.9%	+24.0%	+18.3%	-2.8%	-624	+46	+349	+581	14.0%	9.4%	10.7%	12.9%
2027E	+50 bp	+100 bp	+100 bp	-25 bp	+4.0%	+2.0%	-1.0%	-1.0%	+43 bp	+241 bp	+253 bp	-40 bp	+4.3%	+16.5%	+15.3%	-2.5%	-403	-328	-214	+528	11.8%	10.6%	10.4%	10.7%
LT median	**-3 bp**	**+126 bp**	**+29 bp**	**-79 bp**	**+3.5%**	**+1.5%**	**-2.0%**	**-1.4%**	**-90 bp**	**+232 bp**	**+164 bp**	**-176 bp**	**-10.5%**	**+15.7%**	**+14.6%**	**-6.5%**	**-356**	**-122**	**+134**	**+294**	**6.8%**	**8.1%**	**8.9%**	**7.6%**
5Y median	-90 bp	+62 bp	-47 bp	-185 bp	+3.9%	+2.8%	-2.0%	-0.8%	-183 bp	-1 bp	-7 bp	-307 bp	-7.6%	+8.2%	+1.5%	-15.0%	-624	-15	+144	+281	22.4%	27.8%	25.2%	26.5%
10Y median	-18 bp	+115 bp	+38 bp	-129 bp	+3.0%	+0.9%	-2.5%	-0.4%	-133 bp	+218 bp	+208 bp	-242 bp	-0.1%	+10.9%	+12.9%	-14.9%	-516	+3	+165	+284	8.1%	8.9%	9.6%	14.7%

Source: Company reports, UBS.

本报告来源于“慧博投研”，请勿外传!

Figure 15: TXN - Summary Model

Texas Instruments (TXN) - Key Metrics (in $MM except EPS)	C2023A	C2024A	C2025	CQ1A	CQ2A	Estimates CQ3E	CQ4E	C2026E	CQ1E	CQ2E	CQ3E	CQ4E	C2027E	CQ1E	CQ2E	CQ3E	CQ4E	C2028E
Revenue	**$17,519**	**$15,641**	**$17,682**	**$4,825**	**$5,463**	**$6,048**	**$5,826**	**$22,161**	**$5,934**	**$6,574**	**$7,182**	**$7,038**	**$26,727**	**$6,943**	**$7,501**	**$8,223**	**$7,910**	**$30,576**
Y/Y Growth	(13%)	(11%)	13%	19%	23%	28%	32%	25%	23%	20%	19%	21%	21%	17%	14%	14%	12%	14%
Q/Q Growth				9%	13%	11%	(4%)		2%	11%	9%	(2%)		(1%)	8%	10%	(4%)	
Gross Profit	$11,019	$9,094	$10,083	$2,799	$3,352	$3,768	$3,670	$13,589	$3,768	$4,241	$4,704	$4,592	$17,304	$4,565	$5,007	$5,530	$5,280	$20,381
Gross Margin	**62.9%**	**58.1%**	**57.0%**	**58.0%**	**61.4%**	**62.3%**	**63.0%**	**61.3%**	**63.5%**	**64.5%**	**65.5%**	**65.3%**	**64.7%**	**65.8%**	**66.8%**	**67.3%**	**66.8%**	**66.7%**
R&D	$1,863	$1,959	$2,083	$510	$535	$535	$530	$2,110	$551	$562	$556	$551	$2,220	$573	$584	$578	$573	$2,308
SG&A	$1,825	$1,794	$1,860	$464	$490	$490	$485	$1,929	$505	$515	$509	$504	$2,033	$525	$535	$530	$524	$2,114
Opex (Non-GAAP)	**$3,688**	**$3,753**	**$3,943**	**$974**	**$1,025**	**$1,025**	**$1,015**	**$4,039**	**$1,055**	**$1,076**	**$1,066**	**$1,055**	**$4,252**	**$1,097**	**$1,119**	**$1,108**	**$1,097**	**$4,421**
Y/Y Growth	9%	2%	5%	(2%)	1%	5%	5%	2%	8%	5%	4%	4%	5%	4%	4%	4%	4%	4%
Operating Income (Non-GAAP)	$7,331	$5,341	$6,140	$1,825	$2,327	$2,743	$2,655	$9,550	$2,713	$3,164	$3,638	$3,537	$13,052	$3,468	$3,887	$4,422	$4,183	$15,960
Operating Margin	**41.8%**	**34.1%**	**34.7%**	**37.8%**	**42.6%**	**45.4%**	**45.6%**	**43.1%**	**45.7%**	**48.1%**	**50.7%**	**50.3%**	**48.8%**	**49.9%**	**51.8%**	**53.8%**	**52.9%**	**52.2%**
Non-GAAP EPS	**$ 7.04**	**$ 5.05**	**$ 5.48**	**$ 1.69**	**$ 2.10**	**$ 2.48**	**$ 2.41**	**$ 8.68**	**$ 2.51**	**$ 2.93**	**$ 3.38**	**$ 3.29**	**$ 12.11**	**$ 3.25**	**$ 3.65**	**$ 4.17**	**$ 3.95**	**$ 15.01**
Free Cash Flow																		
CFFO (ex CHIPS)	$6,420	$5,730	$6,818	$1,184	$2,402	$3,159	$3,386	$10,131	$2,556	$3,025	$3,579	$4,258	$13,419	$3,434	$3,885	$3,918	$4,721	$15,958
Capex	($5,071)	($4,820)	($4,550)	($676)	($514)	($650)	($750)	($2,590)	($700)	($700)	($750)	($750)	($2,900)	($750)	($750)	($800)	($800)	($3,100)
CHIPS + ITC	--	$588	$670	$891	$850	$575	$575	$2,891	$491	$491	$491	$491	$1,963	$481	$481	$481	$481	$1,922
FCF	**$1,349**	**$1,498**	**$2,938**	**$1,399**	**$2,738**	**$3,084**	**$3,211**	**$10,432**	**$2,347**	**$2,816**	**$3,320**	**$3,998**	**$12,481**	**$3,165**	**$3,615**	**$3,598**	**$4,402**	**$14,780**
% of revenue	8%	10%	17%	29%	50%	51%	55%	47%	40%	43%	46%	57%	47%	46%	48%	44%	56%	48%
Y/Y Growth	(77%)	11%	96%	(10,093%)	393%	189%	142%	255%	68%	3%	8%	25%	20%	35%	28%	8%	10%	18%
Segment Disclosures																		
Analog Revenue	**$13,040**	**$12,161**	**$14,006**	**$3,924**	**$4,365**	**$4,802**	**$4,753**	**$17,844**	**$4,849**	**$5,285**	**$5,813**	**$5,813**	**$21,760**	**$5,697**	**$6,096**	**$6,706**	**$6,504**	**$25,003**
Y/Y Growth	(15%)	(7%)	15%	22%	26%	29%	31%	27%	24%	21%	21%	22%	22%	18%	15%	15%	12%	15%
Q/Q Growth				9%	11%	10%	(1%)		2%	9%	10%	--		(2%)	7%	10%	(3%)	
Analog Op. Profit	$5,821	$4,608	$5,412	$1,638	$1,992	$2,065	$2,092	$7,786	$2,182	$2,431	$2,732	$2,849	$10,194	$2,792	$3,048	$3,353	$3,252	$12,445
Operating margin	45%	38%	39%	42%	46%	43%	44%	44%	45%	46%	47%	49%	47%	49%	50%	50%	50%	50%
Embedded Processing Revenue	**$3,368**	**$2,533**	**$2,697**	**$723**	**$788**	**$859**	**$859**	**$3,229**	**$893**	**$983**	**$1,061**	**$1,040**	**$3,977**	**$1,071**	**$1,125**	**$1,237**	**$1,237**	**$4,670**
Y/Y Growth	3%	(25%)	6%	12%	16%	21%	30%	20%	24%	25%	24%	21%	23%	20%	14%	17%	19%	17%
Q/Q Growth				9%	9%	9%	--		4%	10%	8%	(2%)		3%	5%	10%	--	
Embedded Processing Op. Profit	$1,008	$352	$304	$122	$168	$155	$172	$616	$197	$236	$287	$312	$1,031	$332	$371	$408	$408	$1,520
Operating margin	30%	14%	11%	17%	21%	18%	20%	19%	22%	24%	27%	30%	26%	31%	33%	33%	33%	33%
Other Revenue	**$1,111**	**$947**	**$979**	**$178**	**$310**	**$388**	**$213**	**$1,089**	**$192**	**$307**	**$307**	**$184**	**$990**	**$175**	**$280**	**$280**	**$168**	**$903**
Y/Y Growth	(21%)	(15%)	3%	(16%)	(2%)	27%	46%	11%	8%	(1%)	(21%)	(14%)	(9%)	(9%)	(9%)	(9%)	(9%)	(9%)
Q/Q Growth				22%	74%	25%	(45%)		(10%)	60%	--	(40%)		(5%)	60%	--	(40%)	
Other Op. Profit	$502	$505	$307	$48	$150	$507	$375	$1,080	$334	$497	$619	$376	$1,827	$344	$468	$661	$522	$1,996
Operating margin	45%	53%	31%	27%	48%	131%	176%	99%	174%	162%	202%	204%	185%	197%	167%	236%	311%	221%
End Market Revenue																		
Industrial	**$6,870**	**$5,377**	**$6,139**	**$1,864**	**$2,051**	**$2,276**	**$2,276**	**$8,468**	**$2,345**	**$2,485**	**$2,585**	**$2,611**	**$10,026**	**$2,611**	**$2,611**	**$2,637**	**$2,505**	**$10,363**
% of Sales	39%	33%	33%	39%	38%	38%	39%	38%	40%	38%	36%	37%	38%	38%	35%	32%	32%	34%
Y/Y Growth	(13%)	(22%)	14%	35%	30%	39%	48%	38%	26%	21%	14%	15%	18%	11%	5%	2%	(4%)	3%
Automotive	**$5,691**	**$5,298**	**$5,358**	**$1,369**	**$1,478**	**$1,626**	**$1,707**	**$6,180**	**$1,776**	**$1,864**	**$1,976**	**$2,035**	**$7,652**	**$2,035**	**$2,035**	**$2,056**	**$1,953**	**$8,080**
% of Sales	34%	35%	33%	28%	27%	27%	29%	28%	30%	28%	28%	29%	29%	29%	27%	25%	25%	26%
Y/Y Growth	21%	(7%)	1%	6%	15%	15%	25%	15%	30%	26%	22%	19%	24%	15%	9%	4%	(4%)	6%
PE	**$2,504**	**$3,070**	**$3,347**	**$795**	**$859**	**$927**	**$770**	**$3,351**	**$616**	**$677**	**$793**	**$769**	**$2,854**	**$661**	**$734**	**$837**	**$795**	**$3,026**
% of Sales	16%	22%	21%	16%	16%	15%	13%	15%	10%	10%	11%	11%	11%	10%	10%	10%	10%	10%
Y/Y Growth	(38%)	23%	9%	0%	0%	1%	(1%)	0%	(23%)	(21%)	(15%)	(0%)	(15%)	7%	8%	6%	3%	6%
Data Center	**$743**	**$894**	**$1,461**	**$537**	**$644**	**$708**	**$744**	**$2,633**	**$893**	**$1,044**	**$1,201**	**$1,369**	**$4,507**	**$1,506**	**$1,732**	**$2,044**	**$2,248**	**$7,529**
% of Sales	5%	6%	9%	11%	12%	12%	13%	12%	15%	16%	17%	19%	17%	22%	23%	25%	28%	25%
Y/Y Growth	(30%)	20%	63%	89%	89%	73%	75%	80%	66%	62%	70%	84%	71%	69%	66%	70%	64%	67%
Communications	**$695**	**$530**	**$757**	**$233**	**$268**	**$282**	**$239**	**$1,022**	**$249**	**$259**	**$264**	**$230**	**$1,001**	**$248**	**$258**	**$263**	**$229**	**$998**
% of Sales	4%	3%	3%	5%	5%	5%	4%	5%	4%	4%	4%	3%	4%	4%	3%	3%	3%	3%
Y/Y Growth	(37%)	(24%)	43%	34%	40%	33%	33%	35%	7%	(3%)	(6%)	(4%)	(2%)	(0%)	(0%)	(0%)	(0%)	(0%)
Other	**$1,016**	**$472**	**$620**	**$27**	**$163**	**$228**	**$89**	**$507**	**$56**	**$244**	**$363**	**$24**	**$687**	**($118)**	**$131**	**$387**	**$180**	**$579**
% of Sales	2%	1%	1%	1%	3%	4%	2%	2%	1%	4%	5%	0%	3%	(2%)	2%	5%	2%	2%
Y/Y Growth	(14%)	(54%)	31%	(80%)	(18%)	48%	(31%)	(18%)	108%	50%	59%	(73%)	35%	(310%)	(46%)	7%	653%	(16%)

Source: Company reports, FactSet, UBS estimates

Valuation

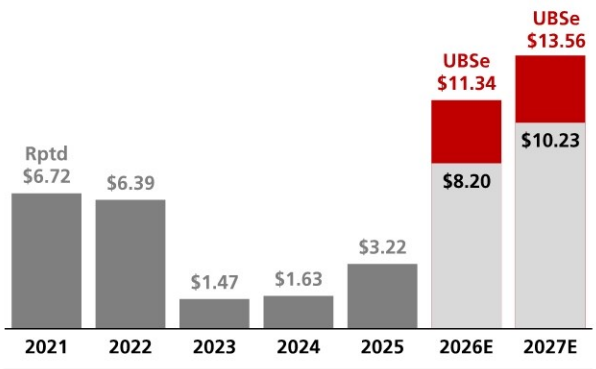
Our PT remains unchanged at $380, based on a 24x target EV/FCF multiple applied to CY28E FCF of $14.8B (unchanged).

Figure 16: TXN Valuation

Valuation	New	Old
FCF		
CY2028	14,780	14,780
EV/FCF Multiple	24x	24x
Enterprise Value	354,725	354,725
Add: Cash	9,762	9,762
Equity Value	350,572	350,572
Shares Outstanding	921	921
Price Target	$ 380	$ 380

Source: Company reports, UBS estimates, FactSet.

Figure 17: TXN FCF per share



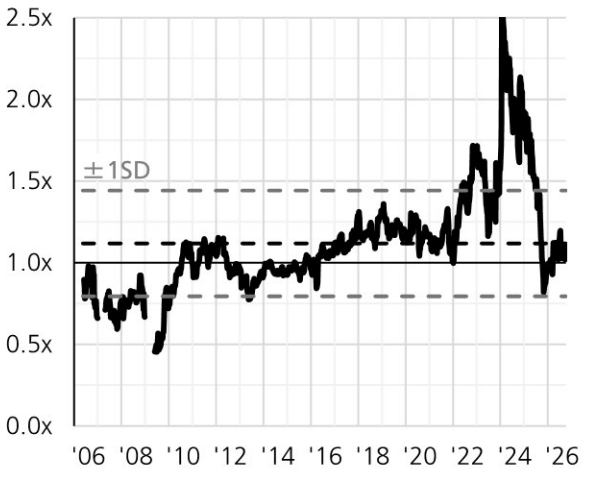
Source: Company reports, UBS, FactSet.

Figure 18: TXN P/FCF history



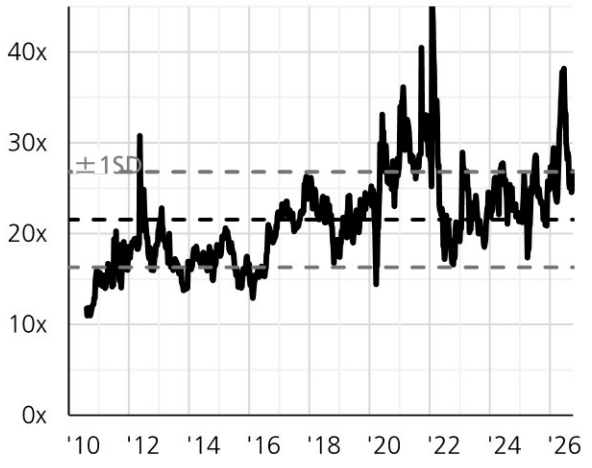
Source: Company reports, UBS estimates

Figure 19: Texas Instruments 1y Fwd P/FCF Relative to SOX - LT History



Source: Company reports, UBS, FactSet.

Figure 20: Major Analog Companies' 1-yr Forward P/FCF LT History



Source: Company reports, UBS, FactSet.

Figure 21: NTM EV/FCF Comps

Ticker	Company Name	Enterprise Value $M	FCF $M (NTM)	EV/FCF (NTM)
ADI-US	Analog Devices	205,357.4	7,245.1	28x
IFX-DE	Infineon	93,790.7	2,378.3	39x
NXPI-US	NXP Semiconductor	65,910.9	4,083.7	16x
MPWR-US	Monolithic Power	66,893.8	1,528.4	44x
STMPA-PAR	STMicro	46,769.1	1,557.3	30x
6723-JP	Renesas	46,957.9	2,885.9	16x
MCHP-US	Microchip	46,716.7	2,249.3	21x
ON-US	ON Semi	32,216.0	1,962.4	16x
6963-JP	Rohm	13,675.7	246.9	55x
ALGM-US	Allegro Micro	6,814.2	191.5	36x
MELE-BE	Melexis	3,145.5	193.1	16x
	Median	**628,247.9**	**24,521.9**	**28x**

Source: Company Reports, UBS estimates, FactSet.

Figure 22: Analog EV/FCF Progression

		EV/FCF				P/E				EV/Sales				EV/EBITDA					
Ticker	Company Name	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	Mkt Cap	EV
ADI-US	Analog Devices	47x	39x	28x	23x	52x	32x	24x	21x	18.6x	13.6x	11.1x	10.0x	32x	26x	21x	19x	$196.8B	$205.4B
IFX-DE	Infineon	45x	70x	40x	26x	41x	34x	21x	15x	5.5x	5.1x	4.2x	3.6x	19x	17x	12x	10x	$86.1B	$93.8B
NXPI-US	NXP Semiconductors	25x	18x	16x	13x	19x	15x	13x	11x	5.4x	4.6x	4.1x	3.8x	14x	12x	10x	9x	$57.4B	$65.9B
MPWR-US	Monolithic Power	84x	60x	40x	32x	78x	51x	38x	32x	24.0x	16.1x	12.5x	10.4x	65x	41x	32x	NM	$68.1B	$66.9B
STMPA-PAR	STMicro	218x	86x	25x	16x	98x	38x	19x	13x	4.0x	3.2x	2.7x	2.4x	19x	14x	9x	7x	$47.5B	$46.8B
6723-JP	Renesas	NM	16x	16x	14x	NM	15x	14x	12x	5.6x	4.5x	4.0x	3.6x	17x	12x	10x	9x	$42.5B	$47.0B
MCHP-US	Microchip	49x	23x	19x	NM	46x	21x	17x	NM	9.9x	7.3x	6.3x	NM	27x	16x	13x	13x	$41.0B	$46.7B
ON-US	ON Semi	23x	20x	16x	13x	33x	24x	17x	13x	5.4x	4.9x	4.3x	3.8x	18x	17x	12x	11x	$30.2B	$32.2B
6963-JP	Rohm	NM	57x	54x	40x	-12x	43x	30x	23x	4.5x	4.0x	3.7x	3.4x	NM	21x	13x	NM	$12.6B	$13.7B
ALGM-US	Allegro Micro	NM	49x	29x	NM	66x	35x	24x	17x	7.7x	6.2x	5.3x	4.5x	43x	25x	21x	NM	$6.6B	$6.8B
MELE-BE	Melexis	25x	14x	17x	15x	22x	22x	17x	14x	3.2x	3.2x	3.0x	2.7x	14x	14x	12x	10x	$2.9B	$3.1B
	Median	**46x**	**39x**	**25x**	**16x**	**43x**	**32x**	**19x**	**15x**	**5.5x**	**4.9x**	**4.2x**	**3.7x**	**19x**	**17x**	**12x**	**10x**	**$591.7B**	**$628.2B**
	Simple Average	65x	41x	27x	21x	44x	30x	21x	17x	8.5x	6.6x	5.6x	4.8x	27x	19x	15x	11x		
	Weighted Average	61x	43x	28x	22x	51x	31x	22x	18x	12.0x	9.0x	7.4x	6.6x	29x	21x	17x	13x		
TXN-US	**Texas Instruments**	**94x**	**32x**	**27x**	**22x**	**52x**	**33x**	**28x**	**24x**	**15.1x**	**12.1x**	**10.7x**	**9.6x**	**33x**	**22x**	**18x**	**16x**	**$259.1B**	**$266.2B**

Source: Company Reports, UBS estimates, FactSet.

WDC PREVIEW

Key Topics for Earnings

1) Commentary on cloud and enterprise spending environment in the US and China; 2) HDD revs mix and SMR ramp; 3) Expectations for shape of HDD EB shipments and ASP trends in C2026/C2027; 4) Visibility into cloud capex and enterprise spending environment.

Figure 23: WDC Annual Estimate Change Summary

	CY 2026E			CY 2027E			CY2028E		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenue ($MM)	$16,380	$16,380	0.0%	$28,453	$28,453	0.0%	$34,530	$35,664	-3.2%
Y/Y Growth	52.6%	52.6%		73.7%	73.7%		21.4%	25.3%	
Gross Margin	57.3%	57.3%	0.0%	70.7%	70.7%	0.0%	74.8%	75.2%	-0.4%
OpEx % of Revs	10.0%	10.0%	0.0%	6.4%	6.4%	0.0%	5.6%	5.4%	-0.2%
Operating Margin	47.3%	47.3%	0.0%	64.3%	64.3%	0.0%	69.2%	69.7%	-0.5%
Non-GAAP EPS	$16.61	$16.62	-0.1%	$39.71	$40.06	-0.9%	$53.05	$56.76	-6.5%
Segment Disclosures									
HDD EB shipments	970	970	0.0%	1,322	1,322	0.0%	1,551	1,551	0.0%
Y/Y Growth	25.1%	25.1%		36.4%	36.4%		17.3%	17.3%	
HDD ASP ($/TB)	$16.89	$16.89	0.0%	$21.52	$21.52	0.0%	$22.27	$23.00	-3.2%
Y/Y Growth	22.0%	22.0%		27.4%	27.4%		3.5%	6.9%	

Source: Company reports, UBS estimates.

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Figure 24: WDC UBSe vs. Street

	2025	2026	Sep'26 2027/1F	Dec'26 2027/2F	Mar'27 2027/3F	Jun'27 2027/4F	2027	Sep'27 2028/1F	Dec'27 2028/2F	Mar'28 2028/3F	Jun'28 2028/4F	2028	CY2025	CY2026	CY2027
Revenues ($MM)															
UBS	**$13,279**	**$12,919**	$4,270	$5,026	$5,807	$6,647	**$21,750**	$7,610	$8,389	$8,897	$9,075	**$33,971**	**$10,734**	**$16,380**	**$28,453**
UBS (old)			$4,270	$5,026	$5,807	$6,647	**$21,750**	$7,610	$8,389	$8,985	$9,256	**$34,240**		**$16,380**	**$28,453**
Consensus			$4,137	$4,555	$5,013	$5,504	**$19,210**	$5,892	$6,334	$6,858	$7,230	**$26,314**		**$15,776**	**$22,744**
Delta			3.2%	10.3%	15.8%	20.8%	13.2%	29.2%	32.5%	29.7%	25.5%	29.1%		3.8%	25.1%
EPS															
UBS (non-GAAP)	**$ 6.57**	**$ 10.24**	$ 4.40	$ 5.93	$ 7.36	$ 8.99	**$ 26.66**	$ 10.88	$ 12.48	$ 13.55	$ 14.18	**$ 51.03**	**$ 6.93**	**$ 16.61**	**$ 39.71**
UBS (non-GAAP) (old)			$ 4.40	$ 5.94	$ 7.37	$ 9.04	**$ 26.72**	$ 10.99	$ 12.65	$ 14.05	$ 15.05	**$ 52.65**		**$ 16.62**	**$ 40.06**
Consensus (non-GAAP)			$ 4.08	$ 4.76	$ 5.53	$ 6.37	**$ 20.75**	$ 7.10	$ 7.84	$ 8.75	$ 9.48	**$ 33.17**		**$ 15.12**	**$ 26.85**
Delta			7.7%	24.5%	32.9%	41.0%	28.5%	53.3%	59.1%	54.8%	49.5%	53.8%		9.8%	47.9%

Source: Company reports, FactSet, UBS estimates

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Figure 25: WDC - Summary Table

Western Digital (WDC) - Key Metrics	Pro-forma				Estimates													---------- Pro-forma ----------					
			FQ3A	FQ4:26A	FQ1E	FQ2E		FQ3E	FQ4:27E	FQ1E	FQ2E		FQ3E	FQ4:28E	FQ1E	FQ2E		FISCAL YEAR SUMMARY					
(in $MM except EPS)	C2024A	C2025A	CQ1A	CQ2A	CQ3E	CQ4E	C2026E	CQ1E	CQ2E	CQ3E	CQ4E	C2027E	CQ1E	CQ2E	CQ3E	CQ4E	C2028E	F2022A	F2023A	F2024A	F2025A	F2026E	F2027E
Revenue	**8,377**	**10,734**	**3,337**	**3,747**	**4,270**	**5,026**	**16,380**	**5,807**	**6,647**	**7,610**	**8,389**	**28,453**	**8,897**	**9,075**	**8,621**	**7,937**	**34,530**	**9,039**	**6,255**	**6,317**	**9,520**	**12,919**	**21,750**
Y/Y Growth		28%	45%	44%	52%	67%	53%	74%	77%	78%	67%	74%	53%	37%	13%	-5%	21%		-31%	1%	51%	36%	68%
COGS	5,392	6,109	1,653	1,710	1,793	1,834	6,991	1,945	2,027	2,131	2,223	8,327	2,224	2,178	2,198	2,103	8,704	6,468	4,827	4,506	5,772	6,570	7,600
Gross Profit	2,985	4,625	1,684	2,037	2,477	3,191	9,389	3,861	4,620	5,479	6,166	20,127	6,673	6,897	6,423	5,834	25,826	2,571	1,428	1,811	3,748	6,349	14,149
Gross Margin	**35.6%**	**43.1%**	**50.5%**	**54.4%**	**58.0%**	**63.5%**	**57.3%**	**66.5%**	**69.5%**	**72.0%**	**73.5%**	**70.7%**	**75.0%**	**76.0%**	**74.5%**	**73.5%**	**74.8%**	**28.4%**	**22.8%**	**28.7%**	**39.4%**	**49.1%**	**65.1%**
Opex	$1,540	$1,422	$397	$382	$425	$430	$1,634	$440	$455	$467	$469	$1,831	$477	$481	$488	$488	$1,934	$1,910	$1,572	$1,468	$1,424	$1,532	$1,750
Y/Y Growth		-8%	23%	11%	12%	16%	15%	11%	19%	10%	9%	12%	8%	6%	4%	4%	6%		-18%	-7%	-3%	8%	14%
Operating Margin	**17.2%**	**29.8%**	**38.6%**	**44.2%**	**48.0%**	**54.9%**	**47.3%**	**58.9%**	**62.7%**	**65.9%**	**67.9%**	**64.3%**	**69.6%**	**70.7%**	**68.8%**	**67.4%**	**69.2%**	**7.3%**	**-2.3%**	**5.4%**	**24.4%**	**37.3%**	**57.0%**
Non-GAAP EPS	**NA**	**$ 6.93**	**$ 2.72**	**$ 3.56**	**$ 4.40**	**$ 5.93**	**$ 16.61**	**$ 7.36**	**$ 8.99**	**$ 10.88**	**$ 12.48**	**$ 39.71**	**$ 13.55**	**$ 14.18**	**$ 13.26**	**$ 12.06**	**$ 53.05**	**NA**	**NA**	**NA**	**$ 4.93**	**$ 10.24**	**$ 26.66**
Cash Flow																							
CFFO	NA	2,671	1,123	1,389	1,547	1,967	6,026	2,569	3,120	3,571	4,424	13,684	4,974	5,282	4,986	4,867	20,109	NA	NA	NA	1,691	3,929	9,203
Capex	262	364	145	108	171	201	625	232	266	304	336	1,138	356	363	345	317	1,381	1,120	807	292	315	418	870
FCF	**NA**	**2,363**	**978**	**1,281**	**1,376**	**1,766**	**5,401**	**2,336**	**2,854**	**3,267**	**4,088**	**12,546**	**4,618**	**4,919**	**4,641**	**4,550**	**18,728**	**NA**	**NA**	**NA**	**1,432**	**3,511**	**8,333**
% revenue		22%	29%	34%	32%	35%	33%	40%	43%	43%	49%	44%	52%	54%	54%	57%	54%				15%	27%	38%
HDD KPIs																							
HDD Revenue	**8,375**	**10,734**	**3,337**	**3,747**	**4,270**	**5,026**	**16,380**	**5,807**	**6,647**	**7,610**	**8,389**	**28,453**	**8,897**	**9,075**	**8,621**	**7,937**	**34,530**	**9,040**	**6,255**	**6,316**	**9,519**	**12,919**	**21,750**
Q/Q Growth			11%	12%	14%	18%		16%	14%	14%	10%		6%	2%	-5%	-8%							
Y/Y Growth		28%	45%	44%	52%	67%	53%	74%	77%	78%	67%	74%	53%	37%	13%	-5%	21%	10%	-31%	1%	51%	36%	68%
HDD EB shipments	617.6	775.4	222.0	231.0	246.0	270.6	969.6	295.0	318.6	344.1	364.7	1,322.3	382.9	390.6	390.6	386.7	1,550.8	563.8	417.0	447.5	699.0	872.0	1,130.2
Q/Q Growth			3%	4%	7%	10%		9%	8%	8%	6%		5%	2%	0%	-1%							
Y/Y Growth		26%	33%	22%	21%	26%	25%	33%	38%	40%	35%	36%	30%	23%	14%	6%	17%	20%	-26%	7%	56%	25%	30%
HDD ASP ($/TB)	$13.56	$13.84	$15.03	$16.22	$17.36	$18.57	$16.89	$19.69	$20.87	$22.12	$23.00	$21.52	$23.23	$23.23	$22.07	$20.53	$22.27	$16.04	$15.00	$14.11	$13.62	$14.81	$19.24
Q/Q Growth			7%	8%	7%	7%		6%	6%	6%	4%		1%	0%	-5%	-7%							
Y/Y Growth		2%	9%	18%	26%	32%	22%	31%	29%	27%	24%	27%	18%	11%	0%	-11%	3%	-8%	-6%	-6%	-4%	9%	30%
HDD Unit shipments (MMs)	50.5	51.3	13.2	13.1	13.1	13.2	52.5	13.3	13.3	13.2	13.1	52.9	13.1	13.1	12.9	12.8	51.9	82.0	57.6	45.3	51.7	52.5	52.9
Q/Q Growth			1%	-1%	0%	1%		1%	0%	-1%	-1%		0%	0%	-1%	-1%							
Y/Y Growth	27%	2%	9%	1%	-1%	1%	2%	1%	2%	1%	-1%	1%	-2%	-2%	-2%	-2%	-2%	-16%	-30%	-21%	14%	2%	1%
TB/Drive	48.7	60.4	16.8	17.7	18.8	20.5	73.8	22.1	23.9	26.1	27.9	100.0	29.3	29.9	30.2	30.2	119.6	6.9	7.2	9.9	13.5	16.6	21.4

Source: Company reports, FactSet, UBSe

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Figure 26: Western Digital Seasonality Analysis

	HDD EB Shipped % Q/Q				HDD ASP $/TB % Q/Q				HDD Revenue % Q/Q				HDD Units % Q/Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011												-26.1%			7.5%	-50.8%
2012			-6.5%	7.4%			-10.2%	-11.8%	53.1%	53.5%	-16.1%	-5.2%	55.3%	60.6%	-12.0%	-5.2%
2013	1.7%	-1.4%	6.5%	8.5%	-1.7%	-0.7%	-5.1%	-3.9%	-0.1%	-2.1%	1.0%	4.2%	1.6%	-0.5%	4.5%	0.8%
2014	-2.7%	3.0%	17.4%	2.5%	-4.8%	-2.1%	-9.5%	-4.8%	-7.4%	0.8%	6.3%	-2.5%	-4.2%	4.4%	2.6%	-5.7%
2015	-7.7%	-8.3%	13.0%	8.8%	-1.6%	-4.5%	-5.6%	-10.3%	-9.2%	-12.5%	6.6%	-2.3%	-10.7%	-11.0%	6.6%	-3.9%
2016	-10.0%	-2.3%	12.3%	6.6%	-5.2%	-0.1%	2.2%	-10.2%	-14.6%	-2.3%	14.7%	-4.3%	-13.2%	-7.0%	18.5%	-5.8%
2017	-7.5%	9.5%	7.6%	9.0%	-4.0%	-8.2%	-2.0%	-5.3%	-11.2%	0.5%	5.4%	3.2%	-12.6%	0.5%	7.4%	0.2%
2018	7.0%	6.0%	-6.0%	-17.0%	-8.4%	-1.6%	-3.7%	-0.5%	-2.0%	4.3%	-9.4%	-17.4%	-13.9%	7.1%	-12.6%	-11.4%
2019	13.0%	14.0%	23.0%	-1.0%	-11.3%	-9.6%	-8.0%	0.5%	0.2%	3.1%	13.2%	-0.5%	-7.9%	-0.4%	5.8%	-0.3%
2020	-6.0%	-2.0%	-7.0%	2.0%	-6.1%	-1.1%	-3.2%	1.5%	-11.8%	-3.1%	-10.0%	3.5%	-16.4%	-5.3%	-0.4%	11.7%
2021	7.0%	34.0%	4.0%	-14.0%	-3.9%	-4.9%	-1.5%	0.5%	2.8%	27.5%	2.4%	-13.6%	-9.7%	9.5%	-5.1%	-10.4%
2022	1.0%	1.0%	1.0%	-35.0%	-4.3%	-1.5%	-6.3%	10.8%	-3.4%	-0.5%	-5.4%	-28.0%	-8.3%	-16.7%	-2.4%	-9.1%
2023	15.0%	-18.0%	-5.0%	14.0%	-10.3%	5.6%	-2.9%	0.4%	3.2%	-13.4%	-7.8%	14.5%	-6.3%	-4.7%	-18.5%	1.3%
2024	41.0%	12.0%	14.0%	7.0%	-9.1%	2.1%	-3.2%	1.8%	28.2%	14.3%	10.4%	9.0%	8.3%	3.4%	9.1%	2.3%
2025	-6.0%	14.0%	7.5%	5.4%	1.3%	-0.4%	0.6%	1.6%	-4.8%	13.6%	8.2%	7.1%	-10.4%	6.6%	2.3%	-1.0%
2026	3.3%	4.1%	6.5%	10.0%	7.1%	7.9%	7.0%	7.0%	10.6%	12.3%	14.0%	17.7%	1.0%	-1.0%	-	1.0%
2027	9.0%	8.0%	8.0%	6.0%	6.0%	6.0%	6.0%	4.0%	15.5%	14.5%	14.5%	10.2%	1.0%	-	-1.0%	-1.0%
LT median	**1.3%**	**3.5%**	**7.0%**	**6.0%**	**-4.6%**	**-1.3%**	**-3.4%**	**-0.0%**	**-2.0%**	**0.8%**	**3.9%**	**-2.3%**	**-8.3%**	**-0.4%**	**2.6%**	**-3.9%**
5y median	3.3%	4.1%	4.0%	5.4%	-4.3%	2.1%	-2.9%	1.6%	3.2%	12.3%	2.4%	7.1%	-6.3%	-1.0%	-2.4%	-1.0%
10y median	5.1%	7.8%	5.7%	3.7%	-5.2%	-1.3%	-3.1%	0.5%	-0.9%	3.7%	3.9%	1.4%	-9.0%	0.1%	0.9%	-0.7%

	Total Revenue % Q/Q				Adj Gross Margin Q-Q				Adj Operating Margin Q-Q				Working Capital $			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011	-9.0%	6.7%	12.1%	-25.9%	-103 bp	+131 bp	+117 bp	+1,240 bp	-228 bp	+115 bp	+124 bp	+877 bp	(4)	108	(71)	(49)
2012	52.1%	56.6%	-15.1%	-5.2%	+300 bp	-370 bp	+24 bp	-182 bp	+407 bp	-311 bp	-173 bp	-168 bp	483	(40)	77	1
2013	-1.6%	-1.0%	2.0%	4.4%	+51 bp	-9 bp	+44 bp	+27 bp	-51 bp	-37 bp	-21 bp	-15 bp	(1)	638	(101)	(49)
2014	-6.8%	-1.4%	8.0%	-1.4%	-0 bp	-58 bp	+36 bp	+48 bp	-83 bp	-63 bp	+95 bp	+80 bp	(24)	(44)	61	(536)
2015	-8.7%	-10.1%	5.3%	-1.3%	-59 bp	-28 bp	-119 bp	-59 bp	-159 bp	-90 bp	-142 bp	-40 bp	5	(123)	(28)	29
2016	-14.9%	23.8%	34.9%	3.7%	-28 bp	+304 bp	+460 bp	+274 bp	-58 bp	+61 bp	+275 bp	+474 bp	129	244	(205)	168
2017	-4.9%	4.2%	7.0%	3.0%	+262 bp	+199 bp	+452 bp	+91 bp	+148 bp	+266 bp	+591 bp	+50 bp	108	20	(236)	1,507
2018	-6.1%	2.1%	-1.7%	-15.8%	+15 bp	-239 bp	-446 bp	-666 bp	-59 bp	-146 bp	-453 bp	-778 bp	(323)	(462)	(597)	299
2019	-13.2%	-1.1%	11.2%	4.8%	-609 bp	-104 bp	-565 bp	+113 bp	-858 bp	-99 bp	-646 bp	+205 bp	291	(253)	82	(62)
2020	-1.4%	2.7%	-8.5%	0.5%	+197 bp	+102 bp	-63 bp	+6 bp	+236 bp	+207 bp	-86 bp	+46 bp	(351)	(426)	(43)	(35)
2021	4.9%	18.9%	2.7%	-4.3%	+130 bp	+523 bp	+536 bp	-33 bp	+126 bp	+687 bp	+202 bp	-60 bp	(315)	218	(440)	(275)
2022	-9.4%	3.4%	-17.5%	-16.8%	-185 bp	+56 bp	-627 bp	-928 bp	-341 bp	+67 bp	-729 bp	-1,205 bp	41	(401)	(329)	72
2023	-9.8%	-4.7%	2.9%	10.3%	-675 bp	-674 bp	-1,166 bp	+1,143 bp	-702 bp	-704 bp	+178 bp	+1,311 bp	(41)	388	(132)	30
2024	14.0%	8.9%	8.8%	4.6%	+1,377 bp	+702 bp	+1,570 bp	-257 bp	+1,399 bp	+670 bp	+389 bp	-142 bp	(303)	(193)	(824)	(288)
2025	-46.5%	13.6%	8.2%	7.1%	+421 bp	+124 bp	+541 bp	+221 bp	+582 bp	+212 bp	+228 bp	+340 bp	(110)	120	(99)	(176)
2026	10.6%	12.3%	14.0%	17.7%	+436 bp	+390 bp	+886 bp	+550 bp	+479 bp	+560 bp	+388 bp	+690 bp	(93)	(290)	(224)	(391)
2027	15.5%	14.5%	14.5%	10.2%	+300 bp	+300 bp	+695 bp	+150 bp	+398 bp	+373 bp	+321 bp	+205 bp	(338)	(401)	(648)	(363)
LT median	**-6.4%**	**3.8%**	**5.3%**	**0.5%**	**+33 bp**	**+79 bp**	**+36 bp**	**+27 bp**	**-54 bp**	**+64 bp**	**+95 bp**	**+46 bp**	**(14)**	**(42)**	**(101)**	**(35)**
5y median	-9.4%	8.9%	2.9%	4.6%	+421 bp	+124 bp	+536 bp	-33 bp	+479 bp	+212 bp	+202 bp	-60 bp	(93)	(193)	(329)	(176)
10y median	-5.5%	3.8%	5.0%	3.3%	+164 bp	+113 bp	+194 bp	+49 bp	+137 bp	+209 bp	+190 bp	+48 bp	(102)	(223)	(221)	(3)

Source: Company reports, UBS

Valuation

Our PT goes from $525 to $470, based on CY28E non-GAAP EPS of $53.05 (from $56.76) applied to a target multiple of 9x (unchanged) - below S&P-implied and SOX-implied valuation to better reflect multiple compression the deeper we get into the upcycle (Figure 28).

Figure 27: Western Digital Valuation

Valuation	New	Old
Non-GAAP EPS		
C2028	**$ 53.05**	$ 56.76
Multiple	9x	9x
Price Target	**$ 470**	**$ 525**

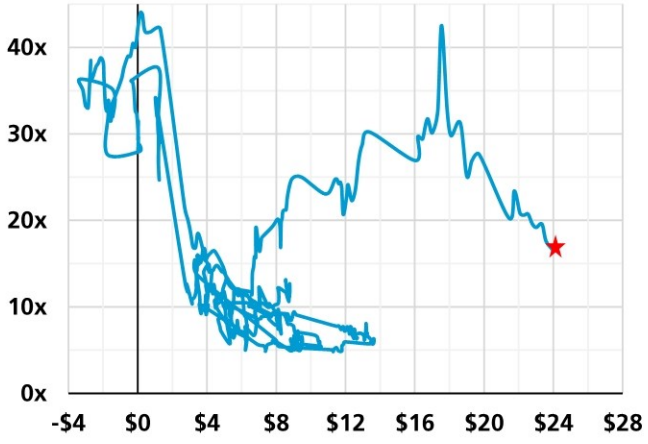
Source: Company reports, UBS estimates, FactSet.

Figure 28: Western Digital Relative Valuation Approaches

Current STX NTM P/E Multiple	18.4x
WD Pure Play Premium/Discount to STX	+3%
STX-Implied WDC NTM Multiple	**18.9x**
Current SOX NTM P/E Multiple	20.6x
Western Digital LT Avg Premium/Discount to SOX	-42%
SOX-Implied WDC NTM Multiple	**11.9x**
Current S&P 500 NTM P/E Multiple	19.3x
LT Avg Premium/Discount to S&P 500	-32%
S&P 500-Implied WDC NTM Multiple	**13.1x**

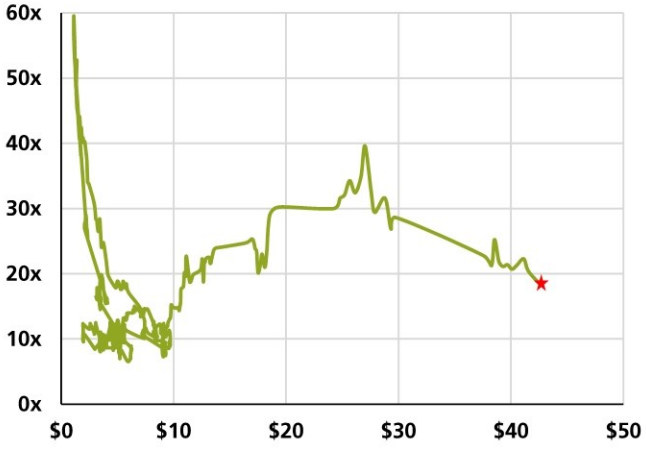
Source: Company reports, UBS estimates, FactSet.

Figure 29: WDC PE and EPS LT trajectory



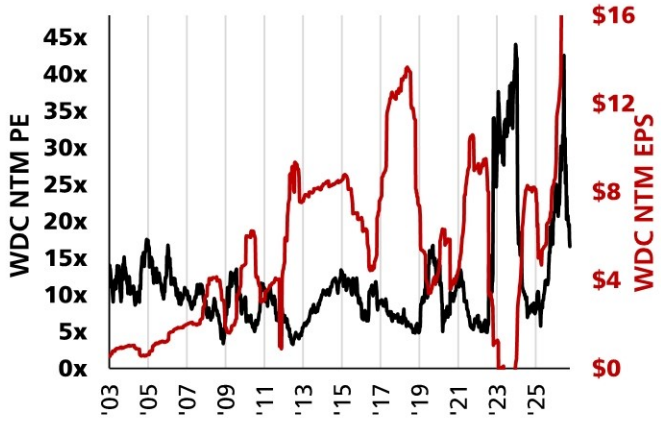
Source: Company reports, UBS, FactSet.

Figure 30: STX PE and EPS LT trajectory



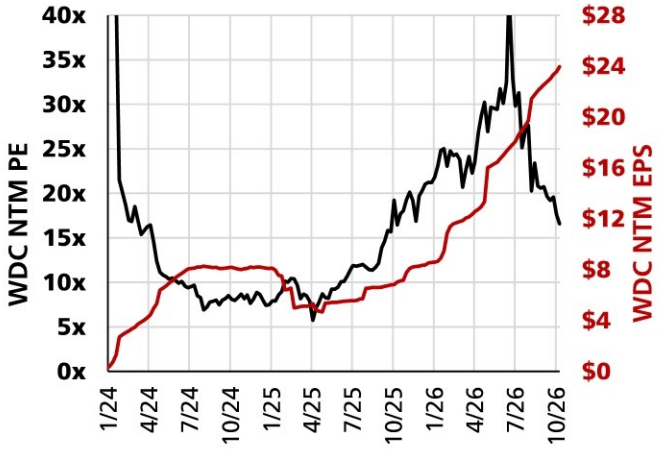
Source: Company reports, UBS, FactSet.

Figure 31: WDC PE and EPS LT history



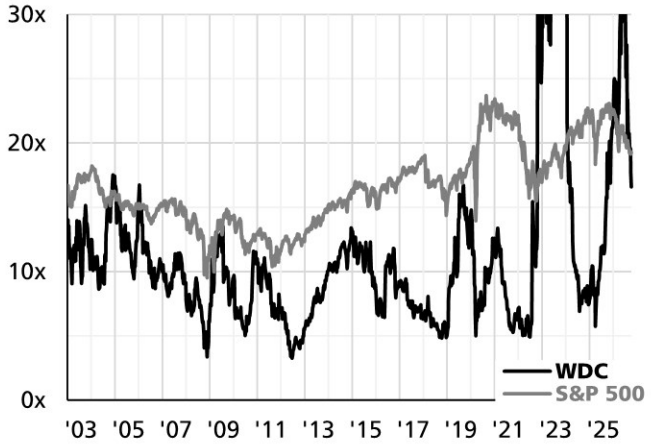
Source: Company reports, UBS, FactSet.

Figure 32: WDC PE and EPS ST history



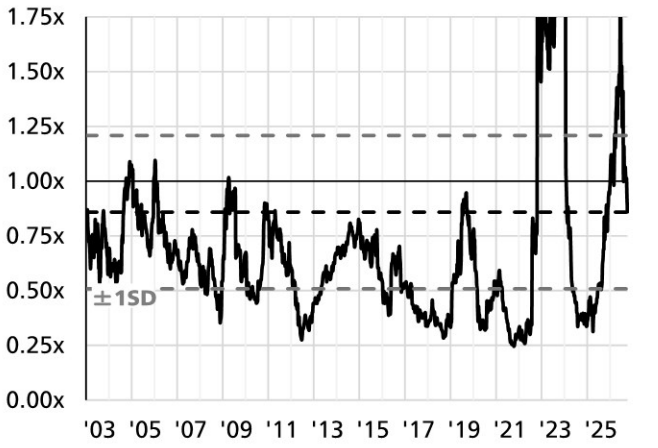
Source: Company reports, UBS, FactSet.

Figure 33: Western Digital (WDC) and S&P 500 1-yr Forward P/E LT History



Source: Company reports, UBS, FactSet.

Figure 34: Western Digital (WDC) 1y Fwd P/E Relative to S&P 500 - LT History

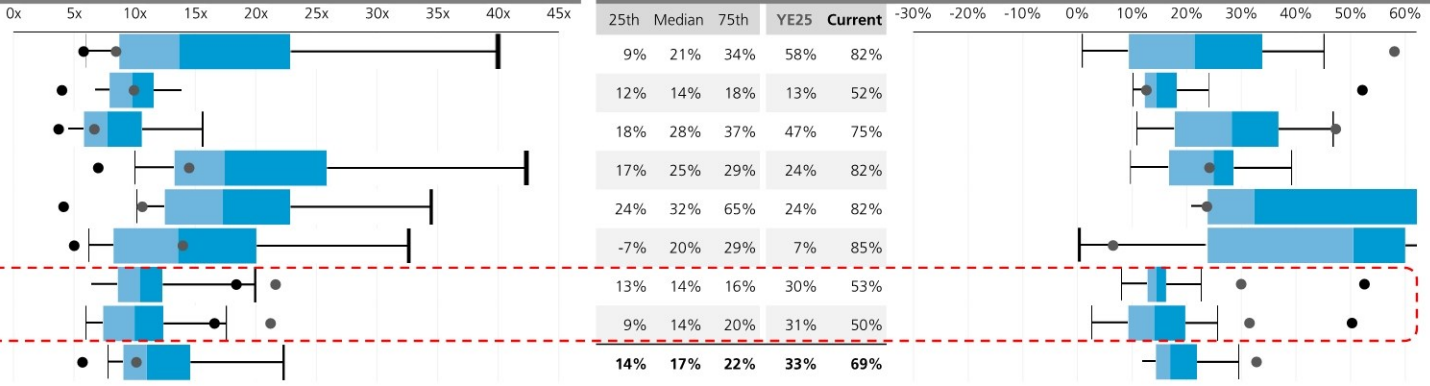


Source: Company reports, UBS, FactSet.

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Figure 35: Memory Cycle Overview - STX and WDC are both at peak margins and peak multiples at the same time

	NTM P/E Ratio					Operating Margin				
	25th	Median	75th	YE25	Current	25th	Median	75th	YE25	Current
Micron	8.7x	13.7x	22.9x	8.4x	5.8x	9%	21%	34%	58%	82%
Samsung	7.9x	9.8x	11.6x	9.9x	4.0x	12%	14%	18%	13%	52%
SK Hynix	5.8x	7.7x	10.6x	6.7x	3.7x	18%	28%	37%	47%	75%
Sandisk	13.3x	17.4x	25.9x	14.5x	7.0x	17%	25%	29%	24%	82%
Kioxia	12.5x	17.3x	22.9x	10.6x	4.1x	24%	32%	65%	24%	82%
Nanya Tech	8.2x	13.6x	20.0x	14.0x	5.0x	-7%	20%	29%	7%	85%
Seagate	8.6x	10.4x	12.3x	21.6x	18.4x	13%	14%	16%	30%	53%
Western Digital	7.4x	10.0x	12.4x	21.2x	16.6x	9%	14%	20%	31%	50%
Memory/Storage Weighted Avg	**9.1x**	**11.0x**	**14.6x**	**10.1x**	**5.7x**	**14%**	**17%**	**22%**	**33%**	**69%**



Source: Company reports, UBS estimates, FactSet

Valuation Method and Risk Statement

We use various valuation techniques such as P/E, EV/FCF for valuing the companies in this report. Risk factors include but are not limited to macroeconomic factors such as a downturn in the economy, technological disruption due to new inventions, or business model innovation whereby structural changes in the industry alter the future course of revenues.

LAM Research Corp:
LRCX: We use a P/E valuation methodology on LRCX. Key downside risks include Macro, Trade, Regulatory risk competition. LRCX has high exposure to memory and NAND in particular. Any demand shocks to memory could also impact our view on LRCX. On the other hand faster than expected AI, 5G uptake serve as upside risks.

Texas Instruments Inc:
TXN: Our valuation is based on an EV/FCF multiple methodology. Texas Instruments faces a variety of risks, including rapidly changing technology, intense competition, high level of capital investment, pricing pressure, and cyclical end-market demand.

Western Digital Corp:
WDC: For Western Digital, we are using a NTM P/E multiple of 11x, consistent with peer Seagate. Risks to our investment thesis include: (1) HDD industry supply/demand dynamics; (2) SSD pricing vs HDD trend; (3) End market demand. The upside scenario could be possible based on: (1) higher revenue and better than expected market share expansion in HDD/Nearline, and (2) better HDD ASP. On the flip side, the downside scenario could be possible based on: (1) lower revenue and market share losses in HDD/Nearline, and (2) weaker HDD ASP.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

LAM Research

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	N/A
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	N/A
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	N/A
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	N/A
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	N/A
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

Texas Instruments

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	N/A
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	N/A
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	N/A
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	N/A
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	N/A
7. What's driving the difference?	

Question	Response
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

Western Digital

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	4
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	39%	20%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 September 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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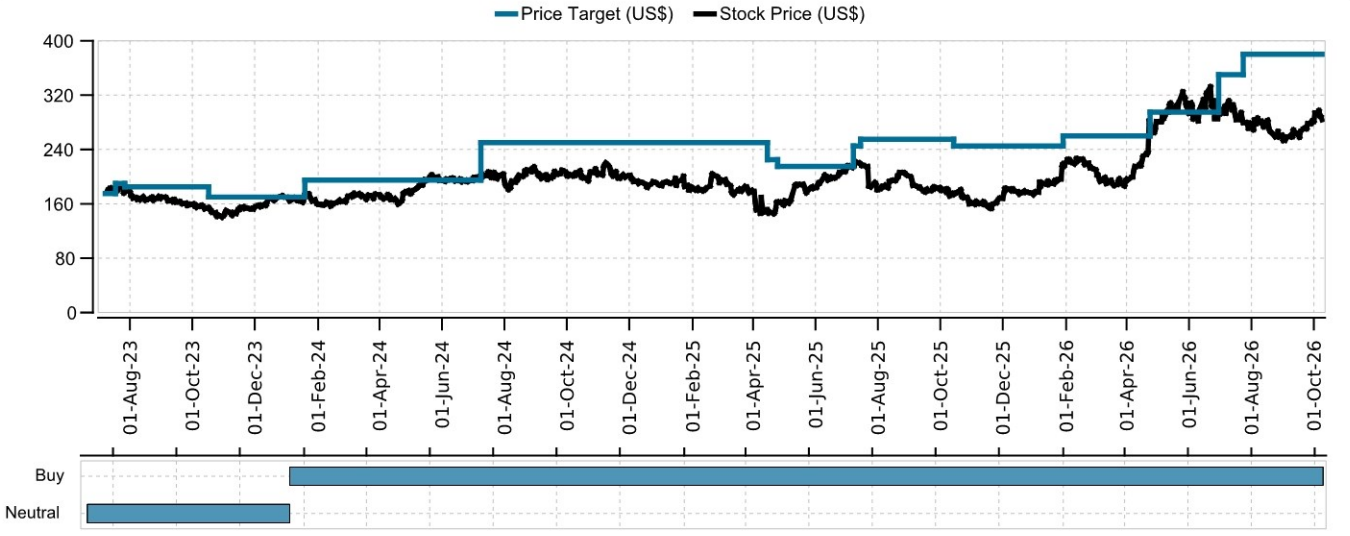
Company Name	Reuters	12-month rating	Price	Price date
LAM Research Corp[16,28,8]	LRCX.O	Buy	US$318.84	09 Oct 2026
Texas Instruments Inc[16,28]	TXN.O	Buy	US$283.74	09 Oct 2026
Western Digital Corp[16,28,20]	WDC.O	Neutral (CBE)	US$397.28	09 Oct 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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Texas Instruments Inc (US$)

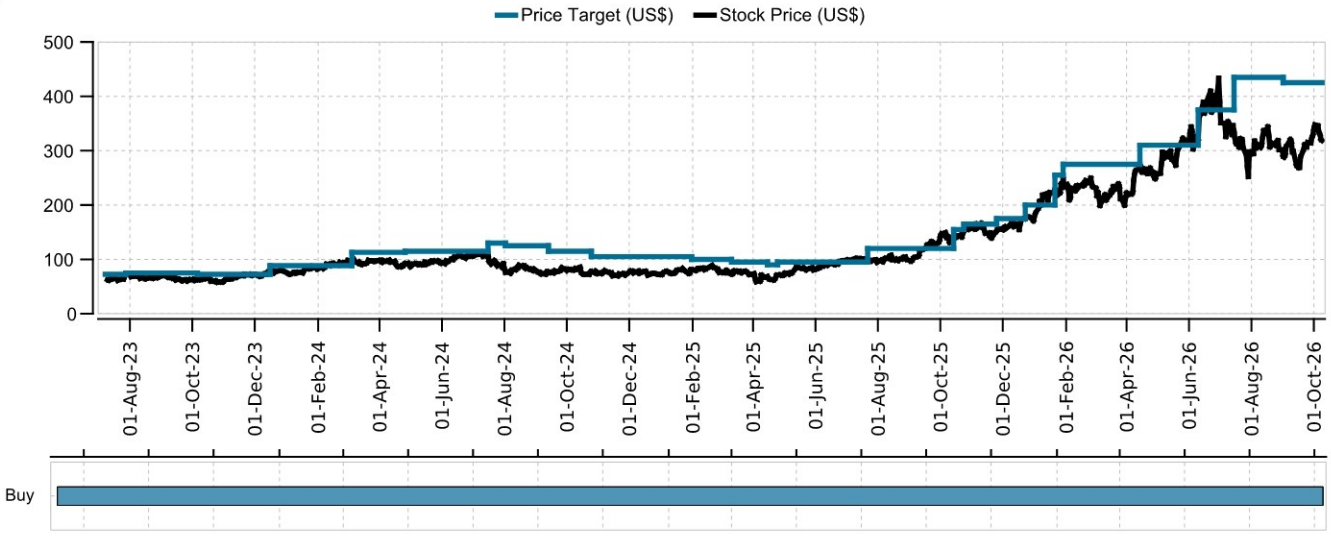


Date	Stock Price (US$)	Price Target (US$)	Rating
2023-07-07	173.70	175.00	Neutral
2023-07-17	183.40	190.00	Neutral
2023-07-26	176.00	185.00	Neutral
2023-10-16	154.30	170.00	Neutral
2024-01-18	166.91	195.00	Buy
2024-07-08	201.47	250.00	Buy
2025-04-14	150.98	225.00	Buy
2025-04-24	162.13	215.00	Buy
2025-07-07	213.41	245.00	Buy
2025-07-14	220.05	255.00	Buy
2025-10-13	175.11	245.00	Buy
2026-01-28	216.17	260.00	Buy
2026-04-23	282.23	295.00	Buy
2026-06-29	285.48	350.00	Buy

Date	Stock Price (US$)	Price Target (US$)	Rating
2026-07-23	284.99	380.00	Buy

Source: UBS Global Research; LSEG Eikon as of 09-Oct-2026. All prices as of local market close. Ratings as of date shown.

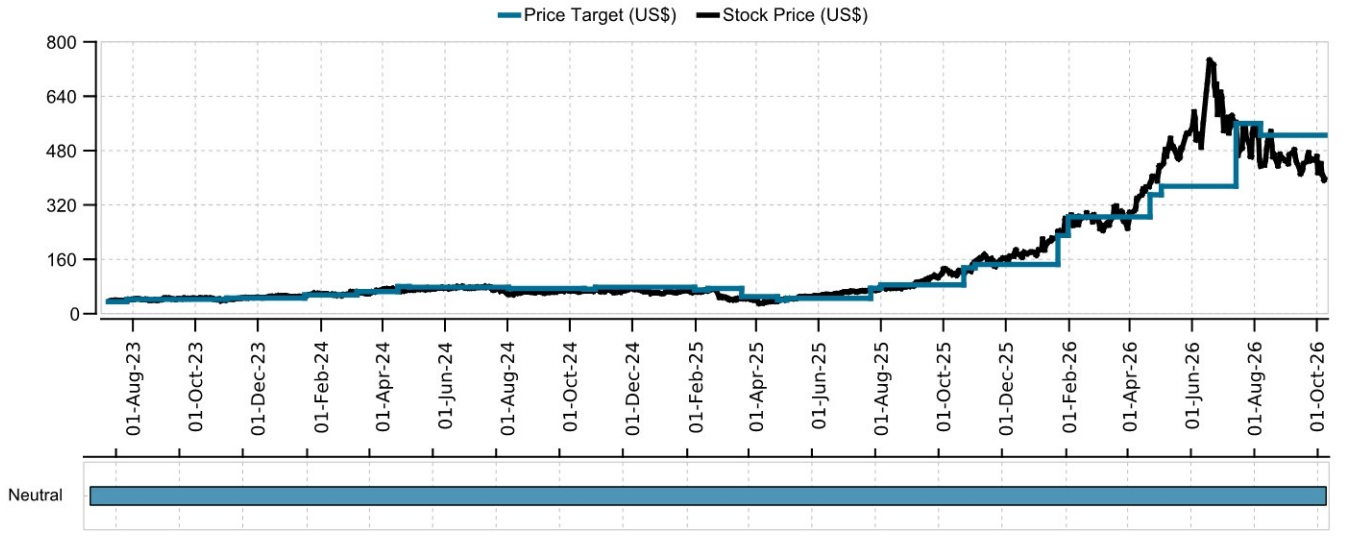
LAM Research Corp (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2023-07-07	61.79	72.50	Buy
2023-07-27	70.20	75.00	Buy
2023-10-05	62.58	72.50	Buy
2023-12-15	77.35	88.50	Buy
2024-03-04	97.75	113.00	Buy
2024-04-25	90.15	115.00	Buy
2024-07-15	106.91	130.00	Buy
2024-08-01	83.03	125.00	Buy
2024-09-12	74.78	115.00	Buy
2024-10-24	76.57	105.00	Buy
2025-01-30	80.73	100.00	Buy
2025-03-10	73.81	95.00	Buy
2025-04-14	67.86	90.00	Buy
2025-04-24	70.90	95.00	Buy
2025-07-21	101.74	120.00	Buy
2025-10-13	137.81	155.00	Buy
2025-10-23	147.54	165.00	Buy
2025-11-24	150.38	175.00	Buy
2025-12-22	175.26	200.00	Buy
2026-01-20	222.41	255.00	Buy
2026-01-28	239.58	275.00	Buy
2026-04-13	267.32	310.00	Buy
2026-06-09	327.16	375.00	Buy
2026-07-14	346.10	435.00	Buy
2026-08-31	301.49	425.00	Buy

Source: UBS Global Research; LSEG Eikon as of 09-Oct-2026. All prices as of local market close. Ratings as of date shown.

Western Digital Corp (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2023-07-07	37.67	35.00	Neutral
2023-07-25	38.64	42.00	Neutral
2023-10-31	40.15	46.00	Neutral
2024-01-15	50.01	55.00	Neutral
2024-03-06	64.70	65.00	Neutral
2024-04-15	70.43	80.00	Neutral
2024-04-26	71.36	78.00	Neutral
2024-08-01	60.53	74.00	Neutral
2024-10-14	66.83	72.00	Neutral
2024-10-25	69.45	78.00	Neutral
2025-01-30	65.78	70.00	Neutral
2025-02-12	67.28	74.00	Neutral
2025-03-17	44.75	50.00	Neutral
2025-04-21	35.96	40.00	Neutral
2025-04-30	43.86	45.00	Neutral
2025-07-21	68.74	75.00	Neutral
2025-07-31	78.69	85.00	Neutral
2025-10-20	121.53	135.00	Neutral
2025-10-31	150.21	145.00	Neutral
2026-01-20	222.97	230.00	Neutral
2026-01-30	250.23	285.00	Neutral
2026-04-20	374.11	350.00	Neutral
2026-05-01	431.52	375.00	Neutral
2026-07-13	555.55	560.00	Neutral
2026-08-06	451.52	525.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 09-Oct-2026. All prices as of local market close. Ratings as of date shown.

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