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US Semiconductors and Semiconductor Equipment

Earnings so Far – Four Key Observations

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CITI'S TAKE

SOX has retraced 8% since our earnings preview, consistent with our view that investors should become more selective as estimate revisions moderate. One-third of the way through earnings season, we see four key developments emerging. We are incrementally cautious on semiconductor capital equipment stocks, where supply chain and component constraints may limit upside to WFE forecasts. In contrast, constrained supply conditions should further improve near-term memory supply-demand fundamentals which are positive for Micron.

Observation #1 — EPS revisions moderate: C26/27 consensus EPS estimates for 3Q26 reports so far are up 3%/8% vs 7%/10% in 2Q on average. Estimate revision momentum slowed down more for semi caps vs semis. Networking & analog earnings momentum remains on top, followed by compute, with semi caps deteriorating and memory recovering (see Figure 3).

Observation #2 — Memory earnings: SK Hynix reported robust earnings driven by higher ASPs. SK Hynix signed long-term agreements (~5-year) with 14 key customers covering more than 50% of 2027-28 capacity and described its DRAM and HBM capacity as effectively sold out through 2029 based on current customer demand. Samsung emphasized that industry memory supply remains constrained and expects AI-driven demand to continue exceeding industry supply through 2027-28. It has signed long-term supply agreements with 10 major customers, with negotiations underway with additional customers.

Observation #3 — Mixed results for Analog: TXN reported beat-and-raise driven by strength in Data center and Industrial while NXPI missed 4Q26 consensus sales given softer Auto demand, consistent with our recent downgrade. Analog semis have implemented price increases to offset inflationary input costs. Lead times are extending, customer escalations are increasing and utilization rates are roughly ~85%. With the analog cycle well into recovery and largely reflected in consensus, we favor companies with internal manufacturing capacity and growing data center exposure like TXN, MPWR, and ADI.

Observation #4— Hyperscale capex outlook essentially unchanged – remains positive: The capex outlook for four of the Big Five cloud players remains mostly unchanged and points to ~90% growth Y/Y in FY26 and >40% in FY27. 2026 capex guidance from META and GOOG was essentially unchanged and reflects Y/Y growth of +94% and +119%, at the midpoint, respectively. While delays in third party capacity deliveries are lowering MSFT's capex outlook, the company's $170B cal 2026 capex guide implies 44% growth Y/Y in total capex and room for $163B (~50% growth Y/Y) in Azure spend, which would be about $11B or 10pts below Citi's prior growth estimate. With regards to 2027, MSFT expects a 2H FY acceleration in capex while GOOGL reiterated expectations for 2027 spending to increase significantly, with details to come on the Q4 call. Lastly, we view ORCL's analyst day commentary around peak capex in FY27/28 as broadly supportive of the near term capex outlook.

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

Earnings so Far...

Figure 1. C26 and C27 EPS Estimate Revisions Post Earnings (Local Currency)

	2026 Consensus EPS			2027 Consensus EPS		
	Pre-earnings	Post-earnings	Delta	Pre-earnings	Post-earnings	Delta
TSM	$16.93	$17.19	2%	$22.35	$22.92	3%
ASML	$43.69	$46.08	5%	$60.45	$63.30	5%
LRCX	$7.67	$7.75	1%	$10.67	$10.88	2%
Average			3%			3%
TXN	$8.54	$9.08	6%	$10.37	$11.67	13%
NXPI	$15.14	$15.24	1%	$18.37	$18.24	-1%
SK Hynix	₩359,131	₩366,940	2%	₩481,747	₩578,269	20%
Average			3%			11%
Median			2%			5%
Average			3%			8%

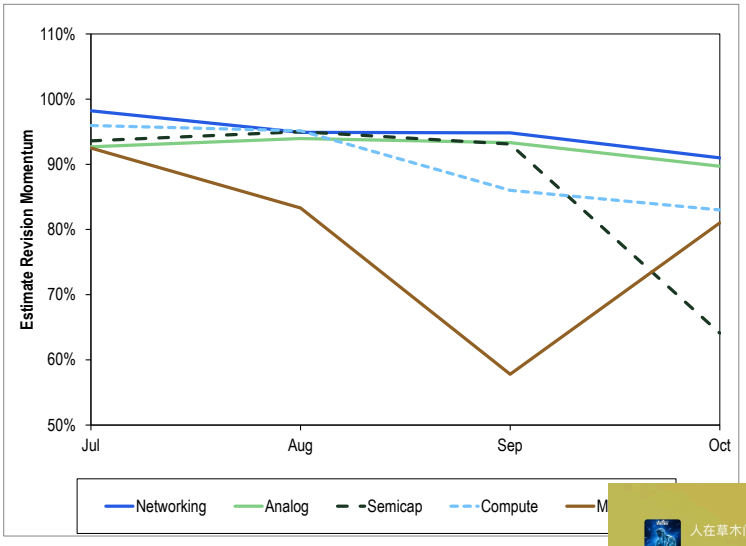
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Figure 2. C26 and C27 Sales Estimate Revisions Post Earnings (Local Currency)

	2026 Consensus Sales			2027 Consensus Sales		
	Pre-earnings	Post-earnings	Delta	Pre-earnings	Post-earnings	Delta
TSM	$170,547	$172,772	1%	$231,242	$237,803	3%
ASML	$49,696	$49,475	0%	$63,541	$64,125	1%
LRCX	$29,138	$29,345	1%	$38,368	$38,882	1%
Average			1%			2%
TXN	$21,975	$22,411	2%	$25,086	$26,341	5%
NXPI	$14,313	$14,318	0%	$16,040	$16,042	0%
SK Hynix	₩343,694,620	₩365,844,350	6%	₩534,649,000	₩614,674,300	15%
Average			3%			7%
Median			1%			1%
Average			2%			4%

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Figure 3. End Market Estimate Revision Momentum



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Companies Mentioned:

Alphabet Inc (GOOGL.O; US$324.89; 1; 28 Oct 26; 16:00)

Analog Devices (ADI.O; US$428.27; 1; 28 Oct 26; 16:00)

ASML Holding NV (ASML.AS; €1489.6; 1; 28 Oct 26; 16:30)

Lam Research Corp (LRCX.O; US$253.82; 1; 28 Oct 26; 16:00)

Meta Platforms Inc (META.O; US$612.49; 1; 28 Oct 26; 16:00)

Micron Technology Inc (MU.O; US$983.23; 1; 28 Oct 26; 16:00)

Microsoft Corp. (MSFT.O; US$531.01; 1; 28 Oct 26; 16:00)

Monolithic Power Systems (MPWR.O; US$1211.22; 1; 28 Oct 26; 16:00)

NXP Semiconductors NV (NXPI.O; US$251.69; 2; 28 Oct 26; 16:00)

Oracle Corporation (ORCL.K; US$144.54; 1; 28 Oct 26; 16:00)

Samsung Electronics (005930.KS; W242000.0; 1; 28 Oct 26; 15:45)

SK Hynix (000660.KS; W1487000.0; 1; 28 Oct 26; 15:45)

Texas Instruments Inc (TXN.O; US$309.83; 1; 28 Oct 26; 16:00)

TSMC (2330.TW; NT$2425.0; 1; 28 Oct 26; 13:30)