

## US Semiconductors

## Tariff turbulence: AI surprisingly still the resilient neighborhood

Industry Overview

## Cloud customers can sustain inflation, other areas can't

Semiconductors are not exposed to reciprocal tariffs in the first round, but the overhang persists, and we expect all semiconductor stocks to be exposed to enhanced market volatility. Not many chips are imported directly but via assembled electronics that are exposed to tariffs, so there is a significant indirect impact regardless. However, once the dust clears, we believe fundamentally estimates could stay more resilient for: 1) AI buildout: companies exposed to largely domestic US cloud customers who can afford to pay more for mission-critical AI deployments, and 2) Chip complexity/R&D roadmaps: semicap vendors (also benefit from reshoring) and design software (EDA). Cloud capex can still suffer due to macro uncertainty, but should continue to grow YoY, and in many cases valuations of top AI semis is already reflecting those potential (modest) cuts. Meanwhile, chipmakers exposed to more cyclically sensitive consumer (PC, smartphone), industrial and auto markets could face greater estimate pressure in the near-to-medium term. We continue to focus on stocks with the best scale, profit margins, balance sheets including top picks NVDA, AVGO, LRCX and CDNS. If our AI thesis comes through and investor look for beta, higher AI exposure SMidcap beneficiaries could include MRVL, COHR, CRDO. However, if the market remains defensive then historically TXN, ADI, CDNS and SNPS have declined less than the broader index.

## We saw this movie in 2018/19 also

This current ~28% SOX selloff since its 10-Jul-24 peak reminds us of the ~26% correction back in 2018 that lasted over 9 months from Mar-Dec'18. Recall the reasons in 2018 that sound similar to the current environment: 1) a weakening macro backdrop impacting industrial, cloud, and smartphone end market demand, 2) trade/geopolitical uncertainty from tariffs and China restrictions (i.e. Huawei), and 3) excess balance sheet and channel inventories. The 2018 SOX downturn presaged a 2019 semiconductor industry sales decline, and we could be in front of a similar decline now in CY26. (In early 2018, we forecasted semi ex-memory growth of +6%/+5% in 2018/2019, however actual performance was +7.8%/-2.6%, respectively). However, also important to recall that even though semi sales declined in 2019, the SOX index rebounded strongly up 62% vs SPX up 29%. Furthermore, a similar SOX decline in CY22 presaged semi sales decline in CY23 though accompanied by a +61% move in the SOX index.

## Top picks: NVDA, AVGO, LRCX, CDNS

Geopolitical uncertainty is a major headwind for a global sector such as semis. Semis were spared in the first round, which leaves open the uncertainty. We are also still to learn about the implementation of AI diffusion rules (see [our related published note on this topic](#)). However, we assume the strength of the AI buildout is robust enough to offset some of the macro headwinds. Second, balance sheets of infrastructure buildout customers (US cloud, sovereign entities, Stargate, EU etc.) suggest that they would either find a way to negotiate with the current White House (promise of greater US investments etc.) to soften the impact. We continue to favor large-cap stocks with fundamental strength including NVDA, AVGO, LRCX and CDNS.

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Equity  
United States  
Semiconductors

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## Glossary:

ADI: Analog Devices  
AVGO: Broadcom  
CDNS: Cadence  
COHR: Coherent  
CRDO: Credo  
LRCX: Lam Research  
MRVL: Marvell  
NVDA: Nvidia  
SNPS: Synopsys  
TXN: Texas Instruments  
SOX: Semiconductor Index  
SPX: S&P 500 Index  
AI: Artificial Intelligence  
EU: European Union  
EDA: Electronic Design Automation  
US: United States  
ODM: Original Design Manufacturer  
PC: Personal Computer  
IP: Intellectual Property  
IoT: Internet of Things  
P2T: Peak to Trough

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## Reciprocal Tariff Details

Baseline 10% tariff on all foreign exports will take effect on April 5. The higher reciprocal tariffs will take effect on April 9. For instance, China will be subject to 34% reciprocal tariff on top of existing 20% tariffs, totaling 54% tariff for any exports into the United States.

### Exhibit 1: Reciprocal Tariff Rate

All China-made products will be subject to 34% additional tariffs (total of 54%)

	Tariffs charged to USA (incl. currency manipulation and trade barriers)	USA discounted reciprocal tariffs
Mexico	-	0% (for now)
Canada	-	0% (for now)
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%

Source: BofA Global Research, The White House

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All major server ODMs have a global manufacturing footprint, spanning US, Mexico, Europe, Taiwan, Malaysia, and/or Singapore. While semis are directly not exposed to the reciprocal tariffs in the first round, we note they go inside the assembled electronics (such as servers) that are then imported to the US.

### Exhibit 2: Server, AI server manufacturing location (with reciprocal tariff rate in parentheses)

All major server ODMs have manufacturing locations outside US/Canada/Mexico

	US (0%)	Mexico (0% for now)	Europe (20%)	Taiwan (32%)	Malaysia/Singapore (24%/10%)
Dell (via Ingrasys)	✓	✓	✓	✓	✓
Flex	✓	✓	✓	✓	✓
HP Enterprise	✓		✓		
Sanmina	✓	✓	✓		✓
Super Micro	✓		✓	✓	✓
Wiwynn		✓	✓	✓	✓

Source: BofA Global Research, Bloomberg

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The SOX has seen similar periods of decline in 2018 and 2022, experiencing -22% and -41% P/E multiple compressions respectively. During these periods, diversified names (namely TXN and ADI) have outperformed the SOX while EDA names (SNPS, CDNS) have also historically held up well. INTC has been the largest outperformer in 2025 and similarly outperformed the SOX in 2022, only seeing a -26% P/E multiple compression (vs. -41% SOX), the least out of our selected companies.



**Exhibit 3: P/E multiple compression during 2018, 2022, and 2025 SOX peak-to-trough corrections**

Diversified names (TXN, ADI) have historically outperformed while EDA names (SNPS, CDNS) have similarly held up well.

P/E Movements	2018			2022			2025		
	SOX Peak	SOX Trough	P/E Compression	SOX Peak	SOX Trough	P/E Compression	SOX Peak	SOX Trough	P/E Compression
Dates	3/12/2018	12/18/2018		12/27/2021	10/14/2022		7/10/2024	4/2/2025	
SOX	15.51	12.07	-22%	21.57	12.82	-41%	30.24	19.98	-34%
SPX	17.39	14.81	-15%	21.56	15.31	-29%	21.79	20.50	-6%
Nasdaq	21.98	18.42	-16%	31.56	21.16	-33%	34.53	24.71	-28%
NVDA	35.34	20.11	-43%	60.71	27.04	-55%	41.51	23.10	-44%
INTC	14.29	10.54	-26%	14.10	10.47	-26%	22.65	33.69	49%
AVGO	13.02	10.65	-18%	20.20	10.53	-48%	30.44	24.11	-21%
AMD	27.34	31.83	16%	46.78	13.79	-71%	40.53	20.53	-49%
MRVL	17.98	10.86	-40%	42.19	14.04	-67%	40.78	21.21	-48%
TXN	21.05	16.74	-20%	23.74	16.56	-30%	34.41	30.26	-12%
ADI	17.05	15.94	-7%	22.98	14.44	-37%	31.83	25.29	-21%
NXPI	16.49	8.99	-45%	19.36	10.10	-48%	18.94	15.73	-17%
MCHP	17.14	10.25	-40%	18.52	10.09	-46%	31.14	39.53	27%
ON	15.15	9.29	-39%	21.40	11.48	-46%	17.34	14.50	-16%
AMAT	13.44	9.27	-31%	19.71	10.37	-47%	27.34	15.30	-44%
LRCX	13.88	8.78	-37%	20.34	9.21	-55%	30.77	18.96	-38%
KLAC	14.74	9.97	-32%	20.72	11.48	-45%	30.91	20.99	-32%
SNPS	23.20	19.58	-16%	46.94	27.54	-41%	43.13	27.72	-36%
CDNS	24.98	22.21	-11%	53.62	32.82	-39%	49.41	37.97	-23%

Source: BofA Global Research, Bloomberg

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**Exhibit 4: Since 2010, TXN, ADI, SNPS, CDNS, INTC, and AVGO have outperformed during SOX declines of more than 10% P2T.**

Average declines when SOX declines more than 10% P2T from 2010

Average Declines when SOX declines >10% from 2010	
SOX	-18.9%
SPX	-8.3%
Nasdaq	-11.1%
NVDA	-22.4%
INTC	-15.7%
AVGO	-15.0%
AMD	-26.1%
MRVL	-19.8%
ARM	-30.7%
TXN	-13.8%
ADI	-14.4%
NXPI	-21.0%
MCHP	-19.3%
ON	-23.7%
AMAT	-21.9%
LRCX	-20.5%
KLAC	-18.8%
SNPS	-12.0%
CDNS	-11.8%

Source: BofA Global Research, Bloomberg

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**Exhibit 5: Thus far, from SOX peak in July 2024, AVGO, TXN, MRVL, ADI, and CDNS have been the largest outperformers.**

Security price movements during current SOX price correction

SOX P2T Price Movements (7/10/24-4/2/25)		
Security	Movement	Rel. to SOX
SOX	-26.8%	0.0%
SPX	0.7%	27.5%
Nasdaq	-5.6%	21.2%
NVDA	-18.2%	8.7%
INTC	-37.0%	-10.1%
AVGO	-1.4%	25.5%
AMD	-44.0%	-17.2%
MRVL	-15.6%	11.3%
ARM	-42.0%	-15.2%
TXN	-12.5%	14.3%
ADI	-16.3%	10.6%
NXPI	-31.4%	-4.6%
MCHP	-49.0%	-22.2%
ON	-46.8%	-20.0%
AMAT	-42.1%	-15.2%
LRCX	-34.6%	-7.7%
KLAC	-23.1%	3.7%
SNPS	-29.2%	-2.4%
CDNS	-17.2%	9.7%

Source: BofA Global Research, Bloomberg

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**Exhibit 6: Annual average price movements by subsector compared to major indices**

Historically, Compute/IP and Auto/Industrial/IoT have outperformed in down years (2018, 2022)

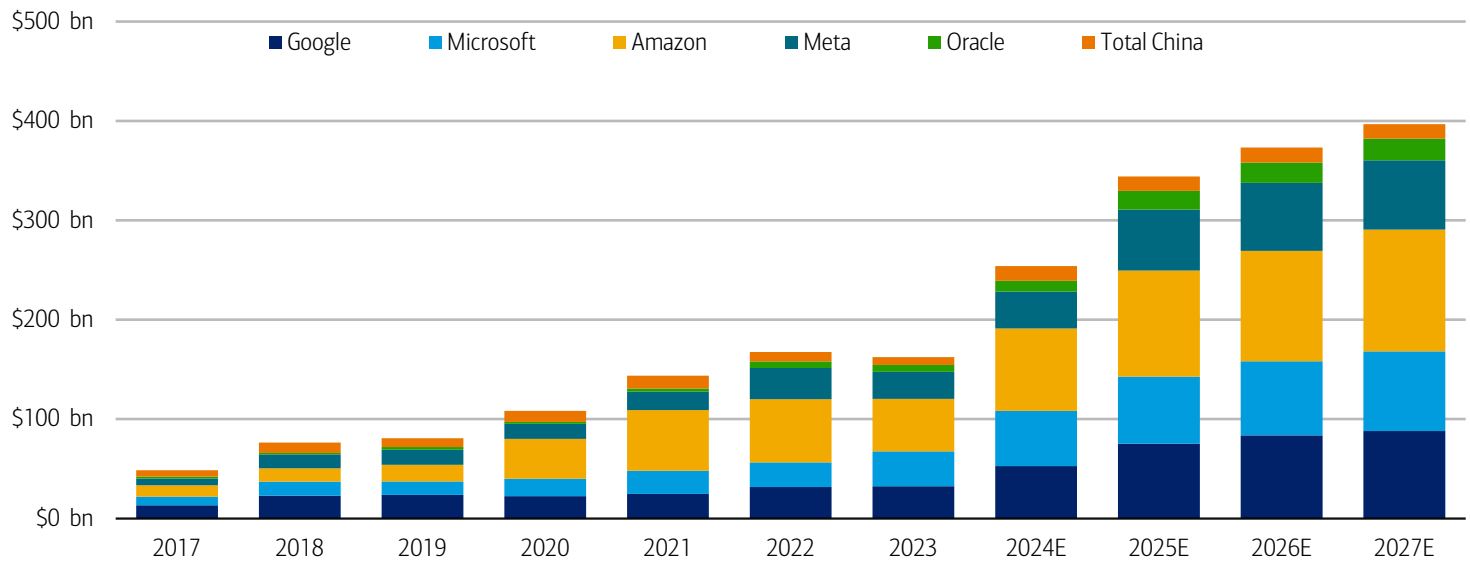
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Q1
SOX	13%	-11%	8%	32%	30%	-4%	38%	42%	-10%	62%	47%	45%	-38%	61%	25%	-15%
SPX	13%	0%	13%	30%	11%	-1%	10%	19%	-6%	29%	16%	27%	-19%	24%	23%	-4%
Nasdaq	17%	-2%	16%	38%	13%	6%	8%	28%	-4%	35%	44%	21%	-33%	43%	29%	-9%
Software	25%	-7%	16%	30%	13%	12%	5%	42%	12%	34%	52%	12%	-36%	59%	23%	-9%
<b>Avg. Sector Movements</b>																
Compute/IP	-3%	-3%	2%	37%	27%	9%	29%	40%	2%	57%	81%	42%	-28%	65%	11%	-13%
Smartphones	40%	-8%	28%	11%	38%	-9%	20%	11%	-21%	87%	36%	6%	-38%	24%	-9%	-5%
Auto/Industrial/IoT	28%	-13%	13%	38%	24%	5%	27%	33%	-19%	50%	33%	32%	-18%	24%	-10%	-9%
Semicap	11%	7%	21%	39%	16%	-11%	26%	51%	-17%	95%	58%	63%	-30%	47%	1%	-2%
Memory/Storage	-22%	-5%	49%	105%	31%	-48%	16%	28%	-31%	64%	11%	43%	-50%	66%	2%	-1%
Foundry	10%	3%	33%	2%	28%	2%	26%	38%	-7%	57%	88%	-15%	-31%	28%	46%	-15%
Smidcaps	28%	-39%	11%	56%	2%	6%	36%	31%	-28%	56%	49%	39%	-44%	28%	22%	-25%
Mag 7	-14%	3%	30%	62%	23%	32%	8%	47%	-3%	48%	79%	36%	-48%	86%	42%	-13%

Source: BofA Global Research, Bloomberg

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**Exhibit 7: We continue to expect total cloud capex to grow over 30% YoY in 2025E to over \$360bn**

BofAe annual global cloud capex spend



Source: BofA Global Research, company reports, Bloomberg

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**Exhibit 8: Stocks mentioned**

Stocks mentioned in this report

BofA Ticker	Bloomberg Ticker	Price	PO	Rating
ADI	ADI US EQUITY	\$199.59	\$280.00	B-1-7
AVGO	AVGO US EQUITY	\$172.09	\$260.00	C-1-7
CDNS	CDNS US EQUITY	\$264.94	\$350.00	B-1-9
COHR	COHR US EQUITY	\$67.54	\$125.00	C-1-9
CRDO	CRDO US EQUITY	\$43.04	\$75.00	C-1-9
LRCX	LRCX US EQUITY	\$73.78	\$110.00	C-1-7
MRVL	MRVL US EQUITY	\$63.23	\$120.00	C-1-7
NVDA	NVDA US EQUITY	\$110.42	\$200.00	C-1-7
SNPS	SNPS US EQUITY	\$438.55	\$630.00	B-1-9
TXN	TXN US EQUITY	\$178.19	\$220.00	B-2-7

Source: BofA Global Research, Bloomberg

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**Exhibit 9: 2024 End Market Poster**

Semiconductor company exposure to various end markets, customers, and products.

Company	Ticker	Auto	Industrial	Consumer	PC	Smartphone	Data Ctr. Compute	Data Ctr./Telco Networking	Mobile Infra	Key Customers	Key Products
AMD	AMD	5%	6%	12%	24%	0%	48%	2%	3%	Microsoft, Dell, HP, Meta, Sony	CPU, GPU, FPGA
Allegro Microsystems	ALGM	75%	16%	7%	2%	0%	0%	0%	0%	-	Power Mgmt, Sensors
Ambarella	AMBA	26%	61%	13%	0%	0%	0%	0%	0%	Motorola, Bosch, Amazon	Video and Image Processors
ams OSRAM	AMS	39%	27%	8%	1%	21%	4%	1%	0%	Apple	LEDs, Optical
Analog Devices	ADI	30%	47%	11%	2%	1%	0%	3%	7%	Apple	Analog
Broadcom	AVGO	1%	3%	9%	1%	26%	14%	46%	0%	Apple, Cisco	RF, Networking, Storage, ASIC
Coherent	COHR	3%	37%	1%	1%	5%	24%	21%	8%	-	Optical, Specialty Lasers
Cirrus Logic	CRUS	2%	1%	11%	5%	81%	0%	0%	0%	Apple	Audio Codecs, Amplifiers, Power Mgmt
Diodes	DIOD	19%	24%	19%	13%	8%	12%	5%	0%	Apple	Analog, Discretes
GlobalFoundries	GFS	19%	17%	0%	3%	43%	10%	8%	0%	Qualcomm, AMD	-
Infineon Technologies	IFX	53%	25%	8%	2%	2%	8%	1%	1%	-	MCU, Discretes, Sensors
Intel	INTC	3%	4%	1%	56%	0%	24%	10%	3%	Dell, Lenovo, HP, Google	CPU, FPGA
Kioxia	-	2%	4%	5%	33%	34%	16%	0%	7%	-	NAND
Lattice Semiconductor	LSCC	1%	49%	8%	0%	0%	30%	9%	12%	-	FPGA
Lumentum	LITE	1%	13%	0%	0%	5%	20%	60%	2%	Apple, Huawei, Ciena	Optical, Lasers
M/A-COM Technology Solutions	MTSI	1%	49%	0%	0%	0%	25%	5%	20%	-	Power RF, Optical, Discretes
Marvell	MRVL	4%	3%	5%	0%	0%	11%	70%	8%	WDC, Cisco, Arista, Samsung	Networking, Storage, DPU
MaxLinear	MXL	1%	25%	8%	2%	0%	2%	21%	42%	Commscope	WiFi, Optical, Transceivers
MediaTek	-	2%	0%	25%	6%	52%	0%	15%	0%	Samsung, Huawei	Modem
Microchip Technology	MCHP	18%	43%	11%	3%	0%	14%	6%	5%	-	MCU, Analog, FPGA
Micron Technology	MU	15%	4%	5%	12%	23%	38%	3%	0%	Apple, Dell, Nvidia	DRAM, NAND
Monolithic Power Systems	MPWR	19%	7%	9%	14%	1%	40%	0%	10%	-	Analog
Murata Manufacturing	-	20%	10%	2%	18%	24%	0%	7%	20%	Samsung	Discretes, Sensors
Nanya Technology	-	17%	5%	48%	10%	4%	6%	0%	10%	Huawei, Kingston	DRAM
Novatek	-	6%	4%	47%	33%	11%	0%	0%	0%	-	Display Drivers
Nvidia	NVDA	1%	1%	1%	12%	0%	70%	15%	0%	Microsoft, Meta, Dell, SMCI	GPU, DPU
NXP	NXPI	56%	19%	1%	0%	11%	0%	2%	11%	Continental, Apple	MCU, Power RF, Connectivity, Discretes
Onsemi	ON	55%	25%	5%	2%	2%	7%	2%	3%	-	Analog, Discretes, Sensors
Qorvo	QRVO	2%	4%	3%	0%	74%	0%	5%	12%	Apple, Samsung	RF, Discretes
Qualcomm	QCOM	9%	1%	6%	1%	74%	0%	3%	7%	Apple, Samsung, Xiaomi	RF, Modem
Renesas Electronics	-	50%	15%	9%	5%	5%	10%	3%	5%	-	MCU, Analog, Power Mgmt
ROHM	-	47%	18%	21%	7%	5%	3%	1%	0%	-	Discretes
Samsung Electronics	-	5%	4%	13%	4%	38%	33%	1%	4%	Apple, Samsung, Amazon	DRAM, NAND, Sensors, Display Drivers
Semtech	SMTC	3%	39%	9%	5%	5%	24%	15%	0%	Trend-tek, Frontek, Samsung	Analog, Power Mgmt, Discretes
Silicon Motion	SIMO	1%	3%	1%	50%	16%	29%	0%	0%	Intel, Micron	Storage
SK hynix	-	2%	3%	10%	8%	28%	48%	2%	0%	Apple, Amazon, Microsoft, Dell	DRAM, NAND
Skyworks Solutions	SWKS	5%	4%	4%	0%	68%	0%	2%	17%	Apple, Samsung	RF, Power Mgmt
Sony	-	7%	12%	3%	0%	78%	0%	0%	0%	Apple, Samsung	Image Sensors
STMicroelectronics	STM	39%	25%	7%	3%	16%	4%	2%	4%	Apple, Samsung, Tesla	MCU, Analog, Discretes, Sensors
Synaptics	SYNA	11%	6%	47%	16%	17%	0%	4%	0%	Samsung, Apple	Connectivity, Display Drivers, Sensors
Taiwan Semi Manufacturing	TSMC	5%	7%	2%	4%	36%	46%	1%	1%	Apple, AMD, Qualcomm, Nvidia	-
Texas Instruments	TXN	34%	39%	6%	3%	4%	6%	2%	7%	Apple	Analog, MCU
Vishay	-	28%	53%	8%	2%	1%	3%	3%	3%	-	Discretes, Optical
Western Digital	WDC	1%	1%	0%	49%	19%	31%	0%	0%	Dell	NAND
Wolfspeed	WOLF	12%	88%	0%	0%	0%	0%	0%	0%	-	Power RF, Discretes

Source: BofA Global Research, Company Reports

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**Price objective basis & risk****Analog Devices Inc. (ADI)**

Our \$280 PO is based on 35x CY2026E P/E, at the high end of the 15x-38x range, and justified based on ADI's best-in-class profitability and differentiated/secular comms exposure.

Downside risks to our price objective: 1) Economic downturn, which could reduce demand for automotive, industrial products, impacting gross margins, especially given recent capital expenditures and higher fixed cost footprint. 2) Inability to realize the



planned cost synergies from the Maxim combination. 3) Competition from larger vendors that have lower-cost production facilities. 4) Exposure to US-China tensions/tariffs via Chinese automotive market.

#### **Broadcom Inc (AVGO)**

Our \$260 price objective for Broadcom is based on 32x CY26E P/E, the upper end of its 7x-35x historical range, though justified given double-digit EPS growth and best-in-semis profitability, FCF generation, and returns.

Downside risks to our price objective are: 1) semiconductor cycle risks, including sensitivity to fundamental or sentiment shifts in AI theme, 2) high exposure to Apple and Google with potential design out risks, 3) competitive risks in networking, smartphone, storage, enterprise software markets, including rising NVDA competition in networking, 4) frequent acquirer of assets, which increases financial and integration risks, and 5) large \$60bn net-debt.

#### **Cadence (CDNS)**

Our \$350 PO is based on 46x CY26E P/E, at upper end of historical 22x-52x trading range and justified in our view given the strategic importance of EDA in an increasingly fragmented global electronics supply chain.

Downside risks are: (1) Share loss in existing markets to primary competitors, (2) a broader economic downturn dampens semis R&D spending and corresponding spend on EDA tools and services, (3) escalation of US-China trade war limits CDNS' ability to sell to key customers, (4) semiconductor industry consolidation accelerates which could diminish customer spending power, (5) venture into adjacent system analysis market fails to meaningfully accelerate revenue growth and incremental investments suppress margin expansion.

#### **Coherent Corp (COHR)**

We assign a \$125 PO based on 26x CY26E P/E, near the high end of the historical 5x-27x range, but justified given potential sales upside from hyperscaler upgrades and solid margin expansion opportunities under new management team.

Upside risks to our PO are 1) better than expected datacom/AI and telco capex trends, 2) cyclical recovery in industrial, auto markets, 3) faster implementation of cost cutting and restructuring measures.

Downside risks to our PO are 1) lumpy and cyclical telecom/hyperscaler capex trends, 2) sentiment around AI exposure and high volatility, 3) high debt balance which could limit operating leverage, and 4) high competition in optical transceivers potentially leading to a price war.

#### **Credo Technology (CRDO)**

Our \$75 PO is based on 56x CY26E P/E, in line with high-growth compute/optical semiconductor peers trading 20x-73x.

Downside risks to our PO are: (1) increased competition from large cap peers Marvell/Broadcom, (2) delayed adoption of active electrical cable (AEC) products, (3) downturn in spending across hyperscalers and network operators, (4) Inability for CRDO to scale and meet demand from products beginning to ramp, (5) supply chain headwinds limiting available capacity.

Upside risks are: (1) unforeseen, accelerated AEC engagements, (2) sudden rebound in ramp for higher margin optical DSP products, (3) prudent opex/margin management to support EPS in downcycle.



**Lam Research Corp. (LRCX)**

We assign a \$110 PO based on 25x CY26E PE, near the high-end of LRCX's 10-30x range, justified by mid-teens EPS CAGR over time, etch/deposition product leadership, rising etch/deposition intensity, share gains, growing foundry/logic exposure over memory, and robust FCF generation.

Upside risks are tech inflections, F/L share gains, NAND upgrades.

Downside risks are slower than expected capital spending cycle, delay in memory capacity adds, market share loss in etch or clean segments, merger & integrations risk, macro headwinds, customer consolidation and China.

**Marvell Technology, Inc. (MRVL)**

Our \$120 PO is based on a 34x FY27E/CY26E pf-EPS, which is well supported by the nearly 40% compounded annual EPS growth potential next several years and near the normal 1x-2x range for high growth semi peers.

Downside risks: 1) Integration risks in recent deals, 2) financial risks related to going to net debt from net cash position, and in achieving expected cost synergies in a timely manner, and 3) cyclical industry risks including potential slowdown in legacy hard disk drive, infrastructure spending, and storage assets, 4) competitive risks against larger well-resourced rivals.

**NVIDIA Corporation (NVDA)**

Our \$200 PO is based on 33x CY26E PE ex cash, within NVDA's historical 25x-56x forward year PE range, which we believe is justified given stronger growth opportunities ahead as gaming cycle troughs and data center demand potentially faces strong, long-term demand dynamics.

Downside risks are: 1) weakness in consumer driven gaming market, 2) Competition with major public firms, internal cloud projects and other private companies in AI and accelerated computing markets, 3) Larger than expected impact from restrictions on compute shipments to China, or additional restrictions placed on activity in the region, 4) Lumpy and unpredictable sales in new enterprise, data center, and autos markets, 5) Potential for decelerating capital returns, and 5) Enhanced government scrutiny of NVDA's dominant market position in AI chips.

**Synopsys (SNPS)**

Our \$630 PO is based on 38x 2026E P/E, near the upper end of company's historical trading range (19x-49x), justified in our view as EDA investment accelerates as chip complexity rises.

Downside risks are (1) variability in IP/hardware sales creates issues in timing of revenue recognition, (2) competitors develop unique software capabilities displacing SNPS at core customers, (3) heightened geopolitical tensions lead to further restrictions on supplying firms in China with EDA technology, (4) uncertainty over proposed M&A transaction going through China approval, (5) exposure to Intel turmoil.

Upside risks are (1) share gains in existing markets versus primary competitors, (2) increased government investment in semiconductor R&D and development as nations develop internal ecosystems, (3) material M&A that enables consistent margin expansion or further accelerates sales CAGR, (4) faster-than-expected cost improvements driving higher operating margin.

**Texas Instruments Inc. (TXN)**

Our \$220 PO is based on 34x CY26E P/E, at the high-end of its historical 16x-36x range, which we believe is warranted based on TXN's best-in-class FCF generation and returns,

and based on incremental cash flow from US CHIPS Act grants.

Risks to our price objective: 1) Macro/cyclical risks given high exposure to automotive, industrial, and telco capex markets, also makes TXN susceptible to any potential global trade tensions/tariffs, 2) Increasing capex intensity and higher depreciation burden could be a headwind to gross margins, 3) Increased R&D spending pressure to maintain an edge versus the competition, 4) Inventory cycles and potential double ordering by customers that can often create mismatches between real supply and demand, 5) exposure to several mature markets such as PC and other consumer.

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**US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	Coherent Corp	COHR	COHR US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology, Inc.	MRVL	MRVL US	Vivek Arya
	MKS Instruments	MKSI	MKSI US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
<b>NEUTRAL</b>				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Ambarella	AMBA	AMBA US	Vivek Arya
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
<b>UNDERPERFORM</b>				
	Lattice Semiconductor	LSCC	LSCC US	Duksan Jang
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

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**Equity Investment Rating Distribution: Technology Group (as of 31 Mar 2025)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	207	53.08%	Buy	102	49.28%
Hold	92	23.59%	Hold	49	53.26%
Sell	91	23.33%	Sell	24	26.37%

**Equity Investment Rating Distribution: Global Group (as of 31 Mar 2025)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1867	54.40%	Buy	1108	59.35%
Hold	774	22.55%	Hold	466	60.21%
Sell	791	23.05%	Sell	368	46.52%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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