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US Semiconductors

AI 2030: Stronger for longer for compute, memory, networking

Price Objective Change

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Equity
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AI data center TAM now ~$1.7Tn by CY30, +45% CAGR

In-line with our view of stronger AI infra capex outlook (see Q1 cloud capex takeaways), we update our CY30 AI data center systems TAM outlook to ~$1.7Tn AI DC vs. ~$1.4Tn prior. Despite ongoing concerns around capex sustainability and the ability to fund them, we believe: 1) 2026 will continue to be a year of accelerating AI sales and ROIs (OpenAI, Anthropic upcoming IPOs likely to provide improving prospects), while 2) 2027 could see improving tokenomics/efficiency as new architecture compute/memory systems ramp. While the current supply chain bottlenecks could limit shipment of leading-edge components, we believe key AI compute, networking, and memory vendors that have planned properly should continue to deliver and outperform.

Diversification of compute/memory additive to AI TAM

Within our new ~$1.7Tn TAM, we raise our AI accelerator outlook to ~$1.2Tn from ~$1.0Tn on increased hyperscaler custom ASIC shipments (such as Google TPU, AWS Trainium), data center server CPU outlook to ~$110bn (AI CPUs $88bn) from ~$80bn, and AI networking outlook to ~$316bn from ~$240bn on ongoing optics/switch ramp. Importantly, we flag the ongoing diversification of compute/memory components as AI workload tails elongate, but we view this as additive to overall TAM, not replacing existing workloads/components. For instance, we expect CPUs (in their new standalone racks) to work in tandem with existing GPU-CPU compute racks, and SRAM-based ultra-low-latency memory racks to coexist with HBM-based GPU racks.

Memory still attractive, MU $950 PO on sum-of-parts

Despite recent runs in memory stocks, we expect memory demand to continue outgrowing supply driven by AI, memory pricing to generally hold up (supply/demand sufficiency ratio not expected to rise above 110%), and memory (MU) earnings to remain relatively stable through CY28. Given capital, packaging, and power limitations, we view memory supply elasticity as now structurally lower, and thus expect memory vendors (demand) to outperform equipment vendors (supply) over the medium term. Accordingly, we raise MU estimates and PO to $950 from $500 on a much stronger mid-term pricing outlook, now based on sum-of-parts that values: 1) sustainable AI/HBM business at ~$240/sh (27x CY27 PE, in-line with AI compute peers), and 2) traditional cyclical DRAM/NAND business at ~$710/sh (3.1x CY27 P/B, in-line with historical upcycle).

Top picks: NVDA, AVGO, MU, AMD, MRVL

1) NVDA: top sector pick, raise est./PO to $320 from $300. Upcoming catalysts include earnings, Computex tradeshow (possible new CPU launch), Vera Rubin launch, and 2H return of cash, per our recent report. **2) AVGO:** recent frame contracts with Google and Meta provide FY27 certainty with potential upside to consensus $110bn AI sales, though we don't expect another raise on the next call. **3) MU:** raise est./PO per above. **4) AMD:** CPU strength, July analyst day event, potential for additional GW wins without warrant requirements. **5) MRVL:** raise est./PO to $200 from $125 on continued 800G/1.6T optics ramps, broad custom silicon demand strength vs. mgmt's conservative MSFT program ramp outlook in CY27 (only ~$600mn contribution vs. $2bn supply).

Exhibit 1: 2030 AI TAM estimate changes, top picks, recent PO changes

Top picks, new/recent PO changes

2030 AI TAM Estimate Changes			
May '26	**$1.7Tn**		
Feb. '26	$1.4Tn		
Dec. '25	$1.2Tn		
Jun. '25	$823bn		
Top Picks			
Compute:	NVDA, AVGO, AMD, MRVL		
Memory:	MU		
Networking:	CRDO, MTSI		
New PO Changes			
	OLD	**NEW**	**Rating**
AMD	$450	$500	BUY
COHR	$365	$400	NEUTRAL
MRVL	$125	$200	BUY
MU	$500	$950	BUY
NVDA	$300	$320	BUY
Recent PO Changes			
	Old	**New**	**Rating**
ALAB	$200	$240	NEUTRAL
ARM	$180	$245	NEUTRAL
INTC	$56	$96	U/P
LITE	$775	$1,100	NEUTRAL
LSCC	$88	$105	U/P
MTSI	$305	$410	BUY

Source: BofA Global Research

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See glossary on page 22-23

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Contents

AI 2030 TAM Outlook Update

Of the overall global IT spend of ~$6.3Tn today, we believe **data center systems** to represent $772bn across both AI and non-AI. By CY30, we expect TAM to grow toward ~$2.0Tn, growing at +32% CAGR CY25-30 and outpacing overall IT spend at +9% CAGR.

AI Data Center Systems: ~$1.7Tn by CY30

For **AI data center systems** specifically, we now see TAM growing to ~$1.7Tn by CY30 from $264bn in CY25, with AI servers representing ~75% of TAM at $1.3Tn, followed by networking at ~20% of TAM at $316bn, and storage at ~5% of TAM at $81bn.

- Within AI servers, we see **AI accelerators** to represent ~$1.2Tn TAM by CY30 from just $120bn in CY24 and $197bn in CY25, or the vast majority of server spend.
- We expect **HBM** to remain ~14-20% of overall accelerator spend, reaching $168bn TAM by CY30, though likely declines toward the lower-end of the range as memory tier broadens and types diversify for agentic AI workloads.
- We see overall **server CPU** to grow to $110bn in CY30 from ~$28bn in CY25 (+31% CAGR), while AI CPUs specifically could grow to ~$88bn in CY30 from $9bn in CY25 (+57% CAGR).
- **AI connectivity** is expected to grow at a +45% CAGR to $110bn in CY30 from $17bn in CY25, driven by **optical connectivity** growing at +42% to $88bn and **copper connectivity** growing at +61% to $22bn.

For **non-AI data center systems**, we see TAM growth of a modest +7% CAGR.

Exhibit 2: We see AI Data Center Systems TAM to reach ~$1.7Tn by CY30, +45% CAGR, with AI accelerators representing ~$1.2Tn within that
Data Center Systems TAM Breakout – AI vs. non-AI

TAM ($bn)	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	CAGR '25-'30
Overall IT Spend (1)	**$4,594.2**	**$4,693.0**	**$5,038.7**	**$5,563.8**	**$6,316.5**	**$6,985.3**	**$7,468.4**	**$8,085.5**	**$8,726.2**	**9%**
Data Center Systems TAM ($bn) (2)	**$227.1**	**$237.6**	**$333.5**	**$505.6**	**$772.4**	**$1,126.3**	**$1,490.3**	**$1,796.3**	**$2,041.5**	**32%**
YoY (%)		5%	40%	52%	53%	46%	32%	21%	14%	
AI Data Center Systems TAM ($bn)	**$23.0**	**$63.2**	**$160.2**	**$264.1**	**$547.7**	**$865.7**	**$1,192.2**	**$1,482.2**	**$1,705.8**	**45%**
YoY (%)		174%	154%	65%	107%	58%	38%	24%	15%	
AI % of Overall IT Spend (1)	0.5%	1.3%	3.2%	4.7%	8.7%	12.4%	16.0%	18.3%	19.5%	
AI % of Data Center Systems TAM (2)	10.1%	26.6%	48.0%	52.2%	70.9%	76.9%	80.0%	82.5%	83.6%	
AI Servers	**$16.3**	**$49.5**	**$130.4**	**$216.0**	**$425.1**	**$673.6**	**$927.9**	**$1,144.8**	**$1,308.5**	**43%**
AI CPUs	$1.2	$2.1	$4.0	$9.3	$24.5	$40.8	$58.6	$72.5	$87.6	57%
AI Accelerators	**$14.3**	**$45.0**	**$120.2**	**$196.5**	**$381.1**	**$603.2**	**$830.1**	**$1,026.1**	**$1,170.6**	**43%**
HBM	$1.6	$4.2	$17.4	$34.5	$76.8	$105.5	$120.5	$139.9	$168.3	37%
HBM (% of Accelerators)	*11%*	*9%*	*14%*	*18%*	*20%*	*17%*	*15%*	*14%*	*14%*	
Other (DDR/SSD/motherboard/power/etc.)	$0.8	$2.4	$6.2	$10.3	$19.5	$29.6	$39.1	$46.1	$50.3	37%
AI Networking	**$5.6**	**$10.4**	**$21.6**	**$34.6**	**$95.3**	**$150.8**	**$207.5**	**$266.8**	**$316.1**	**56%**
AI Switching (Back/Front-End)	$2.2	$4.6	$8.8	$12.5	$30.9	$52.6	$71.2	$103.9	$128.7	59%
AI SmartNIC	$0.9	$2.0	$3.3	$4.8	$23.5	$39.7	$59.0	$68.7	$77.6	75%
AI Connectivity/Other Networking	$2.5	$3.8	$9.5	$17.4	$40.9	$58.5	$77.4	$94.2	$109.8	45%
Optical	$1.9	$3.4	$8.6	$15.3	$35.8	$49.5	$62.3	$76.0	$87.7	42%
Electrical/Copper	$0.6	$0.4	$0.9	$2.1	$5.1	$9.0	$15.1	$18.2	$22.1	61%
DAC	$0.5	$0.4	$0.6	$0.8	$1.3	$1.8	$2.1	$2.4	$2.6	26%
ACC	$0.0	$0.0	$0.0	$0.0	$0.4	$1.2	$2.1	$3.1	$6.0	180%
AEC	$0.1	$0.1	$0.2	$1.2	$3.4	$6.0	$10.9	$12.8	$13.6	62%
AI Storage	**$1.1**	**$3.2**	**$8.2**	**$13.5**	**$27.3**	**$41.2**	**$56.8**	**$70.6**	**$81.2**	**43%**
Non-AI Data Center TAM ($bn)	**$204.1**	**$174.4**	**$173.3**	**$241.5**	**$224.8**	**$260.7**	**$298.1**	**$314.1**	**$335.7**	**7%**
YoY (%)		-15%	-1%	39%	-7%	16%	14%	5%	7%	

Source: BofA Global Research estimates, Gartner, Mercury Research, IDC, LightCounting, 650 Group

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Exhibit 3: We expect NVDA to generally maintain ~65-70%+ AI accelerator share over time
AI accelerator (GPU/ASIC/XPU) potential sales power by vendor

AI Accelerator Sales Power	CY24	CY25	CY26E	CY27E	CY28E	CY29E	CY30E
Nvidia ($bn)	$102.2	$162.4	$295.2	$436.9	$585.4	$714.2	$800.0
YoY		59%	82%	48%	34%	22%	12%
Implied Share	85%	83%	77%	72%	71%	70%	68%
AMD ($bn)	$5.0	$6.6	$14.7	$32.1	$44.6	$63.4	$80.1
YoY		34%	122%	118%	39%	42%	26%
Implied Share	4%	3%	4%	5%	5%	6%	7%
Broadcom ($bn)	$9.3	$16.2	$47.2	$89.5	$135.3	$162.4	$181.9
YoY		75%	192%	89%	51%	20%	12%
Implied Share	8%	8%	12%	15%	16%	16%	16%
Marvell ($bn)	$0.7	$1.3	$1.5	$3.0	$4.3	$6.5	$8.8
YoY		87%	14%	99%	45%	49%	36%
Implied Share	1%	1%	0%	0%	1%	1%	1%
Others/TBD ($bn)	$3.1	$9.9	$22.4	$41.8	$60.4	$79.7	$99.8
YoY		219%	126%	86%	45%	32%	25%
Implied Share	3%	5%	6%	7%	7%	8%	9%
Total Market ($bn)	$120.2	$196.5	$381.1	$603.2	$830.1	$1,026.1	$1,170.6
YoY		63%	94%	58%	38%	24%	14%

Source: BofA Global Research estimates

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MRVL: raise PO to $200 from $125

Along with our AI DC TAM model above, we raise our AI networking TAM forecast across the board for CY26-30. Specifically, we expect AI connectivity TAM to rise ~$6bn-$14bn over that time frame, with Ethernet Transceivers accounting for the majority of increase and CPOs also contributing modestly.

For CY27/28, we see Ethernet Transceivers TAM to increase ~$7bn/~$10bn, benefiting MRVL who supplies DSPs, TIAs, laser/modulator drivers inside. We also raise CPO forecast where MRVL supplies silicon photonics PFs (photonic fabric) via Celstial AI.

Exhibit 4: We raise Ethernet Transceivers TAM by ~$7bn/~$10bn in CY27/28E
AI Networking TAM Estimate Changes (New vs. Old Delta)

Estimate Changes						
Sales ($mn)	2025	2026E	2027E	2028E	2029E	2030E
AI Networking	$0.8	$16.8	$27.9	$36.1	$54.4	$70.9
AI Switching (Back/Front-End)	($0.5)	$9.1	$18.8	$18.1	$32.4	$45.0
AI SmartNIC	$0.0	$2.2	$2.2	$7.6	$10.1	$11.6
AI Connectivity/Other Networking	$1.3	$5.6	$7.0	$10.3	$11.9	$14.2
Optical	$1.3	$5.7	$7.5	$11.0	$13.1	$15.2
AOC	$0.0	($0.1)	($0.2)	($0.2)	($0.4)	($0.3)
Ethernet Transceiver	$1.3	$5.5	$7.2	$10.2	$12.5	$14.8
100G	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
200G	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
400G	*$0.4*	*$0.6*	*$0.4*	*$0.2*	*$0.1*	*$0.0*
800G	*$0.8*	*$3.3*	*$4.1*	*$4.8*	*$3.7*	*$2.3*
1.6T	*$0.1*	*$1.5*	*$2.6*	*$4.7*	*$5.9*	*$6.4*
3.2T	*$0.0*	*$0.0*	*$0.1*	*$0.5*	*$2.9*	*$6.0*
CPO	($0.0)	$0.2	$0.5	$1.1	$1.0	$0.8
LPO/LRO	$0.0	$0.1	($0.0)	($0.1)	($0.1)	($0.1)
Electrical/Copper	$0.0	($0.1)	($0.5)	($0.7)	($1.2)	($1.0)
DAC	$0.0	($0.0)	($0.1)	($0.1)	($0.2)	($0.1)
ACC	$0.0	($0.0)	($0.1)	($0.1)	($0.2)	($0.3)
AEC	$0.0	($0.1)	($0.4)	($0.5)	($0.8)	($0.6)

Source: BofA Global Research estimates

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MRVL Impact: DSP, TIAs, drivers, CPO

MRVL's primary optics revenue source today is the **DSP**, which accounts for ~20-25% of the total BOM in 800G/1.6T optical transceivers. A ~$10bn transceiver TAM increase in CY28 would translate to ~$2bn in DSP TAM. We estimate MRVL can maintain ~60-70% share at these generations (800G/1.6T), potentially resulting in ~$1.2bn+ of additional opportunities for MRVL DSPs.

Combined with MRVL's positioning in **TIAs** (~5%+ of BOM), **drivers** (~5%+ of BOM), we raise MRVL's non-CPO optics forecast for CY27/28, with a greater revision for CY28 given its increasing exposure/confidence to deliver 1.6T generation products.

Given our already previously strong MRVL optics forecast (+37%/+14% YoY in CY27/28E vs. cloud capex +25%/+10% YoY), we do not fully incorporate the TAM/share outlook revision into MRVL's new estimates.

CPO scale-up fabric is another area of strength for MRVL and we modestly raise our outlook as well given the stronger TAM expectations.

MRVL Custom Silicon

Lastly and separately, we modestly raise MRVL's custom silicon forecast (MSFT project ramping in CY28) given our higher overall AI DC systems TAM and increased demand for custom silicon across the board vs. mgmt's conservative MSFT program ramp outlook in CY27 (only ~$600mn contribution vs. $2bn supply).

Exhibit 5: We raise MRVL CPO, non-CPO, and custom silicon estimates mostly for CY28/FY29
MRVL Estimate Changes by Segment

	NEW			OLD		
Segment Changes	CY26E FY27E	CY27E FY28E	CY28E FY29E	CY26E FY27E	CY27E FY28E	CY28E FY29E
Data Center	**$8,544**	**$12,790**	**$17,569**	**$8,544**	**$12,630**	**$16,044**
CPO	$0	$145	$901	$0	$145	$790
Non-CPO Optics	$4,740	$6,601	$8,301	$4,740	$6,506	$7,381
Custom-silicon	$1,952	$3,994	$6,145	$1,952	$3,930	$5,652
Other DC	$1,853	$2,050	$2,221	$1,853	$2,050	$2,221
Comms and Other	**$2,307**	**$2,380**	**$2,457**	**$2,307**	**$2,380**	**$2,457**
Total	**$10,851**	**$15,170**	**$20,026**	**$10,851**	**$15,010**	**$18,501**
Delta ($)						
Data Center	**0.0**	**159.9**	**1,524.4**	**0.0%**	**1.3%**	**9.5%**
CPO	0.0	0.0	110.9		0.0%	14.0%
Non-CPO Optics	0.0	95.3	920.4	0.0%	1.5%	12.5%
Custom-silicon	0.0	64.6	493.2	0.0%	1.6%	8.7%
Other DC	0.0	0.0	0.0	0.0%	0.0%	0.0%
Comms and Other	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0%**	**0.0%**
Total	**0.0**	**159.9**	**1,524.4**	**0.0%**	**1.1%**	**8.2%**

Source: BofA Global Research estimates

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MRVL PO $200 from $125

Overall, we now raise MRVL total FY28/29E (roughly CY27/28E) sales by +1%/+8%, EPS by +3%/+15% to $5.60/$7.80. Our new forecast is now modestly above consensus for both years ($5.48/$7.49 cons.).

We also raise our PO to $200 from $125, now on 30x CY28E PE including SBC (vs. 28x CY27E prior). We move to CY28 multiple in order to factor in key growth drivers of 1.6T gen adoption, CPO revenue ramp, MSFT custom ASIC program in that year. Lastly, 30x is still within historical 14x-47x multiple and is in-line with high-growth AI compute/networking peer median of 30x.

Exhibit 6: We raise MRVL FY28/29E (roughly CY27/28E) sales by +1%/+8%, EPS by +3%/+15%
MRVL Estimate Changes by Sales/EPS

	Sales ($mn)			Non-GAAP EPS (ex. SBC)		
	Old	**NEW**	**delta**	**Old**	**NEW**	**delta**
Apr-26E	$2,407	$2,407	$0	$0.80	$0.80	$0.00
Jul-26E	$2,572	$2,572	$0	$0.89	$0.89	$0.00
Oct-26E	$2,814	$2,814	$0	$1.01	$1.01	$0.00
Jan-27E	$3,058	$3,058	$0	$1.13	$1.13	$0.00
FY27E	**$10,851**	**$10,851**	**$0**	**$3.82**	**$3.82**	**$0.00**
YoY%	32.4%	32.4%	0.0%	34.3%	34.3%	0.0%
Apr-27E	$3,269	$3,269	$0	$1.15	$1.16	$0.01
Jul-27E	$3,588	$3,592	$4	$1.28	$1.30	$0.02
Oct-27E	$3,943	$3,973	$29	$1.44	$1.48	$0.04
Jan-28E	$4,209	$4,335	$126	$1.55	$1.66	$0.11
FY28E	**$15,010**	**$15,170**	**$160**	**$5.43**	**$5.60**	**$0.17**
YoY%	38.3%	39.8%	1.1%	42.1%	46.5%	3.1%
Apr-28E	$4,411	$4,644	$233	$1.61	$1.78	$0.17
Jul-28E	$4,569	$4,858	$289	$1.68	$1.88	$0.20
Oct-28E	$4,699	$5,147	$448	$1.73	$2.02	$0.29
Jan-29E	$4,822	$5,376	$554	$1.78	$2.12	$0.34
FY29E	**$18,501**	**$20,026**	**$1,524**	**$6.81**	**$7.80**	**$0.99**
YoY%	23.3%	32.0%	8.2%	25.4%	39.3%	14.6%

Source: BofA Global Research estimates

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COHR: raise PO to $400 from $365

Given 20-30% share in the global transceiver market, we think COHR is best positioned to benefit from higher volumes in 800G/1.6T transceivers as we contemplate in our new optical model. We raise our PO to $400 from $365, now on 41x CY27 PE on higher estimates (see below) vs. 40x prior, higher due to the stronger potential for earnings leverage and share gains as the market increasingly shifts to higher-speed transceivers. We maintain our Neutral rating, however, as the current valuation already seems to price in significant earnings power ahead.

We flag that our new estimates embed higher growth in 800G, which is a large part of COHR's transceiver business today that is continuing to grow this year and next, in addition to 1.6T/3.2T where we believe COHR could take share given its supply advantage in 6" substrates where it is able to fulfill demand regardless of platform (SiPho, EML, etc.). As the market moves to higher-speed transceivers, we think the higher ASPs will also provide an uplift to gross and operating margins for COHR which combined with the margin benefit from the capacity adds could drive a stronger expansion path for margins into CY27.

Finally, as the CPO switching market grows and the demand for UHP lasers expands in sympathy, COHR should see tailwinds as a partner in the NVDA supply chain with initial lasers for scale-out CPO shipping 1H27.

COHR estimate changes

We leave our CY26 sales mostly unchanged, but raise CY27E and CY28E by 5%/10% to $10.9bn (+33% YoY)/$12.5bn (+10% YoY) from $10.4bn (+28% YoY)/$11.3bn (+8% YoY). Our pf-EPS rises by 8%/18% to $9.77/$12.17 from $9.03 and $10.29.

Exhibit 7: We raise our CY26/27/28E EPS estimates by +1%/+8%/+18%
COHR Estimate Changes by Sales/EPS

	Sales ($mn)			EPS (Non-GAAP)		
	Old	NEW	delta	Old	NEW	delta
Sep-25	$1,581	$1,581	$0	$1.16	$1.16	$0.00
Dec-25	$1,686	$1,686	$0	$1.29	$1.29	$0.00
Mar-26	$1,806	$1,806	$0	$1.41	$1.41	$0.00
Jun-26E	$1,980	$1,980	$0	$1.62	$1.62	$0.00
FY26E	**$7,053**	**$7,053**	**$0**	**$5.47**	**$5.47**	**$0.00**
YoY%	**21.4%**	**21.4%**	0.0%	51.8%	**51.8%**	0.0%
Sep-26E	$2,120	$2,126	$7	$1.78	$1.79	$0.01
Dec-26E	$2,272	$2,296	$23	$1.93	$1.97	$0.04
Mar-27E	$2,450	$2,486	$36	$2.09	$2.14	$0.06
Jun-27E	$2,650	$2,714	$64	$2.27	$2.37	$0.10
FY27E	**$9,492**	**$9,622**	**$130**	**$8.07**	**$8.27**	**$0.20**
YoY%	**34.6%**	**36.4%**	1.4%	47.5%	**51.2%**	2.5%
Sep-27E	$2,646	$2,796	$150	$2.29	$2.53	$0.24
Dec-27E	$2,695	$2,918	$222	$2.38	$2.74	$0.35
Mar-28E	$2,765	$3,028	$263	$2.48	$2.90	$0.42
Jun-28E	$2,847	$3,148	$301	$2.61	$3.09	$0.48
FY28E	**$10,953**	**$11,890**	**$936**	**$9.77**	**$11.26**	**$1.49**
YoY%	**15.4%**	**23.6%**	8.5%	47.5%	**51.2%**	15.2%
CY26E	**$8,177**	**$8,207**	**$30**	**$6.74**	**$6.78**	**$0.05**
YoY	**29.9%**	**30.4%**	0.4%	54.8%	55.9%	0.7%
CY27E	**$10,442**	**$10,914**	**$472**	**$9.03**	**$9.77**	**$0.75**
YoY	**27.7%**	**33.0%**	4.5%	34.0%	44.1%	8.3%
CY28E	**$11,316**	**$12,490**	**$1,175**	**$10.29**	**$12.17**	**$1.88**
YoY	**8.4%**	**14.4%**	10.4%	14.0%	24.5%	18.2%

Source: BofA Global Research estimates

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LITE: maintain $1100 PO, raise ests

We maintain our Neutral rating and $1100 PO, but raise estimates (detailed below) so that our new basis is 48x CY27 PE (vs. 50x prior) as additional incremental growth is reflected in our new model. While AI optics-led growth and EPS leverage is exceptionally strong, much of the LT earnings power appears baked into the current valuation.

As we increase our optical connectivity TAM by $4bn in CY26E, $5bn in CY27, and up to ~$14bn by CY30, LITE should be in a prime position to benefit. In particular, we think upgrades to our CPO switch forecasts should lend to upside for the ultra-high performance CW laser business where LITE has already agreed to a multi-billion dollar deal with NVDA through CY30 but where there could be incremental upside as LT demand strengthens and as the new Greensboro Fab supports revenue capacity beyond $5bn/year alone, mainly for lasers.

Our material increases to the high-speed transceiver market forecasts should also benefit LITE. While a smaller business today (~$250mn/qtr-$300mn/qtr in sales), we think LITE will scale this segment more meaningfully as any potential gross margin dilution will be more than offset by stronger margins elsewhere while customers could be pushing LITE to more aggressively supply the 1.6T+ and above market given limited supply. While we don't expect LITE to be a share leader in modules, the expanding share off a small base inside a potentially massive TAM suggest meaningful growth ahead

LITE estimate changes

We make changes to our CY27/28E forecasts. Sales in CY27/28 rise 3%/7% from $6.7bn (+50% YoY)/$8.8bn (+33% YoY) to $6.9bn (+55% YoY)/$9.4bn (+36% YoY). Our CY27/28E pf-EPS rises by 4%/8% from $22.07/$30.36 to $23.02/$32.74.

Exhibit 8: We raise our CY27/28E EPS forecasts by +4%/+8%
LITE Estimate Changes by Sales/EPS

	Sales ($mn)			EPS (Non-GAAP)		
	Old	**NEW**	**delta**	**Old**	**NEW**	**delta**
Sep-25	$534	$534	$0	$1.10	$1.10	$0.00
Dec-25	$666	$666	$0	$1.67	$1.67	$0.00
Mar-26	$808	$808	$0	$2.37	$2.37	$0.00
Jun-26E	$995	$995	$0	$2.99	$2.99	$0.00
FY26E	**$3,003**	**$3,003**	**$0**	**$8.41**	**$8.41**	**$0.00**
YoY%	**82.5%**	**82.5%**	0.0%	309.3%	**309.3%**	0.0%
Sep-26E	$1,182	$1,182	$0	$3.70	$3.70	$0.00
Dec-26E	$1,451	$1,451	$0	$4.69	$4.69	$0.00
Mar-27E	$1,494	$1,519	$25	$4.83	$4.93	$0.10
Jun-27E	$1,575	$1,612	$37	$5.18	$5.33	$0.15
FY27E	**$5,702**	**$5,764**	**$62**	**$18.41**	**$18.67**	**$0.25**
YoY%	**89.9%**	**92.0%**	1.1%	118.9%	**121.9%**	1.4%
1Q28E	$1,726.3	$1,792.1	$66	$5.76	$6.03	$0.27
2Q28E	$1,856.4	$1,957.7	$101	628.8%	$6.71	$0.42
3Q28E	$2,014.1	$2,138.7	$125	$6.83	$7.35	$0.52
4Q28E	$2,134.8	$2,274.9	$140	730.9%	$7.89	$0.58
FY28E	**$7,732**	**$8,163**	**$432**	**$26.20**	**$28.00**	**$1.80**
YoY	**35.6%**	**41.6%**	5.6%	42.3%	**50.0%**	6.9%
CY26E	**$4,437**	**$4,437**	**$0**	**$13.83**	**$13.83**	**$0.00**
YoY	**110.8%**	**110.8%**	0.0%	**219.0%**	**219.0%**	0.0%
CY27E	**$6,651**	**$6,881**	**$229**	**$22.07**	**$23.02**	**$0.95**
YoY	**49.9%**	**55.1%**	3.4%	**59.6%**	**66.5%**	4.3%
CY28E	**$8,814**	**$9,385**	**$571**	**$30.36**	**$32.74**	**$2.38**
YoY	**32.5%**	**36.4%**	6.5%	**37.6%**	**42.2%**	7.8%

Source: BofA Global Research estimates

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AMD: raise PO to $500 from $450

We reiterate Buy, raise our PO to $500 from $450, now on 42x CY27E PE vs. 38x prior given recent increased CPU industry strength, July analyst day event catalyst, and potential for additional GW data center wins without warrant requirements.

Our new 42x multiple is still toward middle/upper range of historical 13x-58x, but is well supported by AMD's 50%+ annual EPS CAGR potential and its AI CPU/GPU share gain potentials.

NVDA: raise PO to $320 from $300

We reiterate Buy, top sector pick, raise estimates and PO to $320 from $300 on unchanged 28x CY27E PE (including SBC).

We point to up upcoming catalysts includes F1Q27 earnings (May 20th), Computex tradeshow in early June (possible new CPU launch), Vera Rubin launch in 2H, and potential increased return of cash in 2H, per our recent NVDA report.

NVDA estimate changes

Given continued rise in AI compute demand and NVDA's positioning with its breadth of portfolio (addresses every niche/tail of AI workload), we raise NVDA FY28/29E (roughly CY27/28E) sales forecast by +7%/+7% and EPS forecast by a similar +7%/+7%.

However, we do flag GM may modestly come down over time (30-50bps/yr) as HBM memory becomes a bigger part of the cost and as competition (new AMD MI450 Series, new custom silicon programs ramping at hyperscalers) increases.

Exhibit 9: We raise NVDA FY28/29E (roughly CY27/28E) EPS forecasts by +7%/+7%
NVDA Estimate Changes by Sales/EPS

	Sales ($mn)			EPS (Non GAAP, ex. options)		
	Old	**NEW**	**delta**	**Old**	**NEW**	**delta**
Apr-26E	$78,075	$78,075	$0	$1.73	$1.73	$0.00
Jul-26E	$85,950	$86,888	$938	$1.93	$1.95	$0.02
Oct-26E	$94,062	$96,407	$2,345	$2.13	$2.18	$0.05
Jan-27E	$101,923	$108,506	$6,583	$2.32	$2.48	$0.16
FY27E	**$360,010**	**$369,875**	**$9,866**	**$8.11**	**$8.34**	**$0.23**
YoY%	66.7%	71.3%	2.7%	78.1%	83.2%	2.9%
Apr-27E	$106,314	$115,034	$8,720	$2.42	$2.64	$0.22
Jul-27E	$111,553	$120,248	$8,695	$2.56	$2.77	$0.21
Oct-27E	$121,668	$129,393	$7,725	$2.82	$3.00	$0.19
Jan-28E	$125,862	$132,762	$6,900	$2.93	$3.09	$0.16
FY28E	**$465,397**	**$497,437**	**$32,040**	**$10.72**	**$11.50**	**$0.78**
YoY%	29.3%	34.5%	6.9%	32.3%	37.9%	7.3%
Apr-28E	$139,409	$149,738	$10,329	$3.27	$3.53	$0.26
Jul-28E	$141,322	$151,651	$10,329	$3.33	$3.58	$0.25
Oct-28E	$138,261	$148,590	$10,329	$3.26	$3.51	$0.24
Jan-29E	$139,579	$149,908	$10,329	$3.31	$3.54	$0.23
FY29E	**$558,572**	**$599,887**	**$41,315**	**$13.18**	**$14.16**	**$0.98**
YoY%	20.0%	20.6%	7.4%	22.9%	23.1%	7.4%

Source: BofA Global Research estimates

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Cloud/Carrier Capex Overview

Exhibit 10: Consensus/BofA aggregate projections suggest capex across major cloud vendors can grow +68%/+25% YoY in CY26/27E

Summary of Cloud Capex Outlook (incl. leases)

CapEx ($mn)	C1Q25	C2Q25	C3Q25	C4Q25	C1Q26	C2Q26E	C3Q26E	C4Q26E	2023	2024	2025	2026E	2027E	2028E
Top 5 US	**82,419**	**104,919**	**121,279**	**139,046**	**150,252**	**177,819**	**208,728**	**234,641**	**161,255**	**261,106**	**447,663**	**771,440**	**968,214**	**1,060,843**
Google	17,197	22,446	23,953	27,851	35,674	43,945	50,348	57,671	32,251	52,535	91,447	187,639	250,575	273,779
Microsoft (incl. leases)	21,400	24,200	34,900	37,500	31,900	41,691	53,951	57,971	41,200	75,600	118,000	185,513	231,799	251,956
Amazon (incl. leases)	25,019	32,183	35,095	39,522	44,203	48,061	51,158	56,095	52,729	82,999	131,819	199,518	236,635	256,010
Meta (incl. leases)	12,941	17,010	18,829	22,140	19,840	33,073	39,066	47,017	28,140	39,227	70,920	138,996	173,697	192,514
Oracle	5,862	9,080	8,502	12,033	18,635	11,049	14,205	15,886	6,935	10,745	35,477	59,774	75,509	86,584
Top China	**6,536**	**7,621**	**8,718**	**8,948**	**7,545**	**8,059**	**9,444**	**10,114**	**7,910**	**18,825**	**31,823**	**35,162**	**37,258**	**41,155**
Alibaba	3,047	4,748	5,218	4,117	3,576	5,197	5,769	5,038	3,006	9,456	17,130	19,580	20,701	22,327
Tencent	3,224	2,493	3,074	4,286	3,656	2,421	3,218	4,530	3,344	8,077	13,076	13,825	14,702	16,919
Baidu	265	380	426	545	313	442	456	545	1,561	1,292	1,617	1,756	1,854	1,909
Total	**88,955**	**112,540**	**129,997**	**147,994**	**157,797**	**185,879**	**218,171**	**244,754**	**169,165**	**279,931**	**479,486**	**806,601**	**1,005,472**	**1,101,998**
NVDA/AMD/AVGO DC	**47,190**	**49,556**	**62,056**	**76,094**	**89,033**	**102,757**	**117,332**	**132,850**	**59,317**	**141,801**	**234,896**	**441,972**	**631,726**	**793,199**
YoY %														
Top 5 US	**67.1%**	**71.8%**	**80.5%**	**66.5%**	**82.3%**	**69.5%**	**72.1%**	**68.8%**	**(0.6%)**	**61.9%**	**71.4%**	**72.3%**	**25.5%**	**9.6%**
Google	43.2%	70.2%	83.4%	95.1%	107.4%	95.8%	110.2%	107.1%	2.4%	62.9%	74.1%	105.2%	33.5%	9.3%
Microsoft (incl. leases)	52.9%	27.4%	74.5%	65.9%	49.1%	72.3%	54.6%	54.6%	45.1%	83.5%	56.1%	57.2%	24.9%	8.7%
Amazon (incl. leases)	67.6%	82.7%	55.2%	42.0%	76.7%	49.3%	45.8%	41.9%	(17.2%)	57.4%	58.8%	51.4%	18.6%	8.2%
Meta (incl. leases)	92.7%	100.8%	104.7%	49.2%	53.3%	94.4%	107.5%	112.4%	(12.2%)	39.4%	80.8%	96.0%	25.0%	10.8%
Oracle	250.2%	224.5%	269.2%	203.1%	217.9%	21.7%	67.1%	32.0%	3.8%	54.9%	230.2%	68.5%	26.3%	14.7%
Top China	**71.3%**	**135.5%**	**42.2%**	**58.6%**	**15.4%**	**5.7%**	**8.3%**	**13.0%**	**(15.9%)**	**138.0%**	**69.0%**	**10.5%**	**6.0%**	**10.5%**
Alibaba	97.2%	185.4%	41.7%	60.4%	17.4%	9.4%	10.6%	22.4%	(45.3%)	214.6%	81.2%	14.3%	5.7%	7.9%
Tencent	62.1%	107.6%	42.8%	56.7%	13.4%	(2.9%)	4.7%	5.7%	23.7%	141.6%	61.9%	5.7%	6.3%	15.1%
Baidu	(6.2%)	2.1%	43.8%	59.9%	18.4%	16.2%	6.9%	0.0%	28.3%	(17.2%)	25.1%	8.6%	5.6%	2.9%
Total	**67.4%**	**75.0%**	**77.3%**	**66.0%**	**77.4%**	**65.2%**	**67.8%**	**65.4%**	**(1.4%)**	**65.5%**	**71.3%**	**68.2%**	**24.7%**	**9.6%**
NVDA/AMD/AVGO DC	**69.0%**	**53.5%**	**63.0%**	**74.8%**	**88.7%**	**107.4%**	**89.1%**	**74.6%**	**150.5%**	**139.1%**	**65.7%**	**88.2%**	**42.9%**	**25.6%**
Cap. intensity (%)														
Top 5 US	**22.1%**	**26.0%**	**28.4%**	**28.7%**	**33.6%**	**38.3%**	**43.2%**	**42.7%**	**12.4%**	**17.8%**	**26.5%**	**39.7%**	**42.9%**	**40.2%**
Google	19.1%	23.3%	23.4%	24.5%	32.5%	43.6%	47.1%	48.9%	10.5%	15.0%	22.7%	43.1%	50.4%	48.3%
Microsoft (incl. leases)	30.5%	31.7%	44.9%	46.1%	38.5%	47.5%	60.0%	61.3%	18.1%	28.9%	38.6%	52.2%	55.5%	50.6%
Amazon (incl. leases)	16.1%	19.2%	19.5%	18.5%	24.4%	24.4%	25.0%	23.1%	9.2%	13.0%	18.4%	24.2%	25.4%	24.0%
Meta (incl. leases)	30.6%	35.8%	36.7%	37.0%	35.2%	55.0%	61.8%	64.1%	20.9%	23.8%	35.3%	54.9%	57.8%	54.3%
Oracle	41.5%	57.1%	57.0%	74.9%	108.4%	57.9%	74.8%	75.8%	13.4%	19.6%	58.1%	78.4%	71.3%	55.1%
Top China	**10.6%**	**11.9%**	**13.2%**	**12.4%**	**10.8%**	**10.7%**	**12.3%**	**12.2%**	**3.4%**	**7.6%**	**12.0%**	**11.5%**	**11.1%**	**11.0%**
Alibaba	9.4%	13.9%	15.1%	10.2%	9.9%	12.9%	14.3%	10.8%	2.3%	6.9%	12.1%	12.0%	11.3%	10.8%
Tencent	13.0%	9.8%	11.4%	15.6%	12.5%	8.1%	10.3%	14.4%	3.9%	8.8%	12.5%	11.3%	11.1%	11.7%
Baidu	5.9%	8.4%	9.8%	11.8%	6.8%	9.1%	9.5%	10.6%	8.2%	7.0%	9.0%	9.0%	8.6%	8.0%
Total	**20.5%**	**24.0%**	**26.4%**	**26.6%**	**30.5%**	**34.4%**	**39.0%**	**38.7%**	**11.0%**	**16.3%**	**24.6%**	**35.8%**	**38.8%**	**36.5%**
NVDA/AMD/AVGO DC	**53.0%**	**44.0%**	**47.7%**	**51.4%**	**56.4%**	**55.3%**	**53.8%**	**54.3%**	**35.1%**	**50.7%**	**49.0%**	**54.8%**	**62.8%**	**72.0%**

Source: Company reports, BofA Global Research estimates, Bloomberg

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Exhibit 11: US carrier capex intensity increased to 16.8% at the height of 5G investment cycle (2022), versus 12-14% between 2015-2021

Summary of US Carrier Capex

US Carrier	C1Q25	C2Q25	C3Q25	C4Q25	C1Q26	C2Q26E	C3Q26E	C4Q26E	2023	2024	2025	2026E	2027E	2028E
CapEx ($mn)	**10,873**	**11,101**	**11,836**	**13,998**	**11,701**	**11,875**	**12,122**	**13,359**	**46,421**	**46,193**	**47,808**	**49,056**	**48,956**	**49,276**
Verizon	4,145	3,808	4,310	4,748	4,201	3,973	4,050	4,208	18,767	17,090	17,011	16,432	16,630	16,773
AT&T	4,277	4,897	4,887	6,781	4,877	5,440	5,565	6,711	17,853	20,263	20,842	22,593	22,619	22,686
T-Mobile	2,451	2,396	2,639	2,469	2,623	2,463	2,507	2,440	9,801	8,840	9,955	10,032	9,706	9,818
Cap. intensity (%)	**12.8%**	**12.8%**	**13.7%**	**14.9%**	**13.1%**	**13.2%**	**13.4%**	**13.7%**	**13.9%**	**13.6%**	**13.6%**	**13.4%**	**13.0%**	**12.8%**
Verizon	12.4%	11.0%	12.7%	13.1%	12.2%	11.2%	11.5%	11.2%	14.0%	12.7%	12.3%	11.5%	11.5%	11.5%
AT&T	14.0%	15.9%	15.9%	20.3%	15.5%	17.1%	17.5%	19.5%	14.6%	16.6%	16.6%	17.5%	17.0%	16.9%
T-Mobile	11.7%	11.3%	12.0%	10.1%	11.4%	10.7%	10.8%	9.6%	12.5%	10.9%	11.3%	10.6%	9.8%	9.5%

Source: Company reports, BofA Global Research estimates, Bloomberg

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CY26/27 capex estimates have consistently increased over time

Below, we highlight that Street estimates for global cloud capex have steadily increased over the last 12 months. On an absolute $ basis, the outlook for CY26 capex (excl. leases for like-for-like comp) has risen +97% YoY, with CY27 capex outlook rising +131% YoY.

Including capital leases (as in Exhibit 1), the outlook for CY26 capex has risen +93% YoY and CY27 capex +123%. On a YoY growth basis (as in Exhibit 1), the current CY26 outlook calls for +68% growth YoY, with CY27 suggesting +25% YoY.

Exhibit 12: Estimates for 2026, 2027 have increased by 90-130%+ over the last 12 months

Global cloud capex estimate changes over past 12 months (excl. leases and incl. leases)

		May' 25	Jul' 25	Aug' 25	Oct' 25	Nov' 25	Dec' 25	Jan' 26	Feb' 26	Apr' 26	May' 26	YoY
Capex ($mn)	**2025**	367,172	374,035	405,851	416,273	424,034	432,400	431,851	442,182	442,620	443,175	20.7%
(excl. leases)	**2026E**	395,598	403,938	469,858	495,915	559,725	586,274	595,004	668,563	711,130	778,672	96.8%
	2027E	416,979	430,812	513,650	544,738	641,371	689,512	693,544	783,684	833,079	962,771	130.9%
	2028E						684,268	701,043	796,911	902,738	1,057,661	NA
Change (%)	**2025**	2.9%	1.9%	8.5%	2.6%	1.9%	2.0%	-0.1%	2.4%	0.1%	0.1%	
	2026E	2.1%	2.1%	16.3%	5.5%	12.9%	4.7%	1.5%	12.4%	6.4%	9.5%	
	2027E	1.8%	3.3%	19.2%	6.1%	17.7%	7.5%	0.6%	13.0%	6.3%	15.6%	
	2028E					NA	NA	2.5%	13.7%	13.3%	17.2%	
		May' 25	**Jul' 25**	**Aug' 25**	**Oct' 25**	**Nov' 25**	**Dec' 25**	**Jan' 26**	**Feb' 26**	**Apr' 26**	**Apr' 26**	**YoY**
Capex ($mn)	**2025**	395,744	397,013	432,296	442,636	466,151	472,039	471,559	478,486	478,927	479,486	21.2%
(incl. leases)	**2026E**	418,085	435,287	500,231	527,549	610,689	631,338	641,057	748,374	749,684	806,601	92.9%
	2027E	449,982	464,910	542,388	575,937	691,332	734,062	739,160	868,655	871,799	1,005,472	123.4%
	2028E					724,269	756,666	764,846	908,762	942,031	1,101,998	NA
Change (%)	**2025**	-1.4%	0.3%	8.9%	2.4%	5.3%	1.3%	-0.1%	1.5%	0.1%	0.1%	
	2026E	-2.5%	4.1%	14.9%	5.5%	15.8%	3.4%	1.5%	16.7%	0.2%	7.6%	
	2027E	1.8%	3.3%	16.7%	6.2%	20.0%	6.2%	0.7%	17.5%	0.4%	15.3%	
	2028E					NA	4.5%	1.1%	18.8%	3.7%	17.0%	

Source: BofA Global Research estimates, Bloomberg

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On an operating cash flow basis, cloud capex is expected to reach ~95-100%+ of total operating cash flow in CY26-28E. While elevated versus historical 35-50% between 2018 and 2024, we flag US telco capex had also reached 65-70% during the peak of the 4G/5G infra buildout phase, and AI infra investment has significantly more upside potential than telco infra buildout.

Exhibit 13: Telco capex has reached as high as 65-70% during the peak of its 4G/5G infra buildout phase of 2014-2017, vs. cloud capex expected to reach ~70-95% over the next few years on expected AI infra buildout

Telco vs. Cloud Capex as a % of Cash Flow from Ops

Cloud CFO	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	CAGR '19-'24	CAGR '25-'28	CAGR '15-'25
Cash Flow from Ops ($bn)	$213	$251	$339	$347	$337	$441	$540	$659	$810	$986	$1,166	16.5%	21.0%	19.3%
Capex w/ Leases ($bn)	$78	$86	$112	$148	$172	$169	$280	$479	$807	$1,005	$1,102	26.7%	32.0%	32.8%
Free Cash Flow ($bn)	**$135**	**$172**	**$206**	**$203**	**$165**	**$272**	**$260**	**$179**	**$3**	**($20)**	**$64**	**8.7%**	**-29.1%**	**7.9%**
Cloud Capex / CFO (%)	**36.5%**	**34.1%**	**33.0%**	**42.8%**	**50.9%**	**38.4%**	**51.8%**	**72.8%**	**99.6%**	**102.0%**	**94.5%**			
FCF Margin (%, RHS)	**19.3%**	**20.7%**	**20.1%**	**15.7%**	**11.9%**	**17.7%**	**15.2%**	**9.2%**	**0.2%**	**-0.8%**	**2.1%**			
Telco CFO	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**CAGR '19-'24**	**CAGR '25-'28**	**CAGR '15-'25**
Cash Flow from Ops ($bn)	$87	$95	$97	$88	$91	$99	$102	$105	$108	$116	$126	1.3%	6.1%	2.8%
Capex w/ Leases ($bn)	$43	$44	$45	$48	$57	$46	$46	$48	$49	$49	$49	1.0%	1.0%	1.2%
Free Cash Flow ($bn)	**$44**	**$51**	**$52**	**$40**	**$34**	**$53**	**$55**	**$58**	**$59**	**$67**	**$77**	**1.6%**	**10.1%**	**4.3%**
Telco Capex / CFO (%)	**49.8%**	**46.2%**	**46.4%**	**54.8%**	**62.4%**	**46.8%**	**45.5%**	**45.4%**	**45.3%**	**42.1%**	**39.1%**			
FCF Margin (%)	**12.7%**	**14.3%**	**14.1%**	**11.2%**	**10.1%**	**15.7%**	**16.4%**	**16.3%**	**16.2%**	**17.9%**	**20.0%**			

Source: BofA Global Research estimates, Bloomberg

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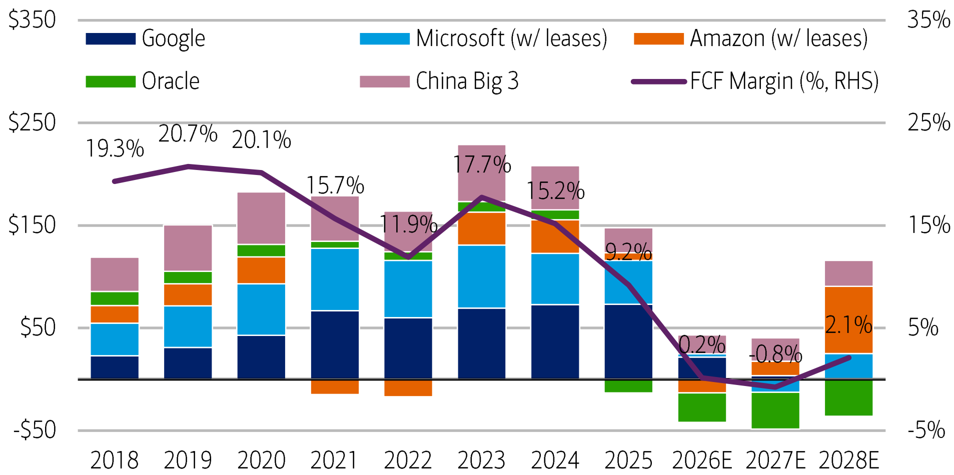
Moreover, we see cloud/hyperscale aggregate FCF margin to reach ~0% in 2026 and even slightly negative in 2027, before turning positive again (~2%) in 2028. This FCF margin prospect is much lower than historical 15-20% level for hyperscale vendors and is driven by planned accelerated infra buildout over the next few years.

While extremely low, on the other hand, we view this capex as sustainable given they are fully funded by operating cash flow (i.e. with cash generated by business).

Exhibit 14: We see cloud/hyperscale aggregate FCF margin to reach ~0% between 2026-27, before turning modestly positive again (~2%) in 2028 given accelerated infra buildout in the next few years.
FCF and FCF Margin Outlook for Each Hyperscaler



Source: BofA Global Research estimates, Bloomberg

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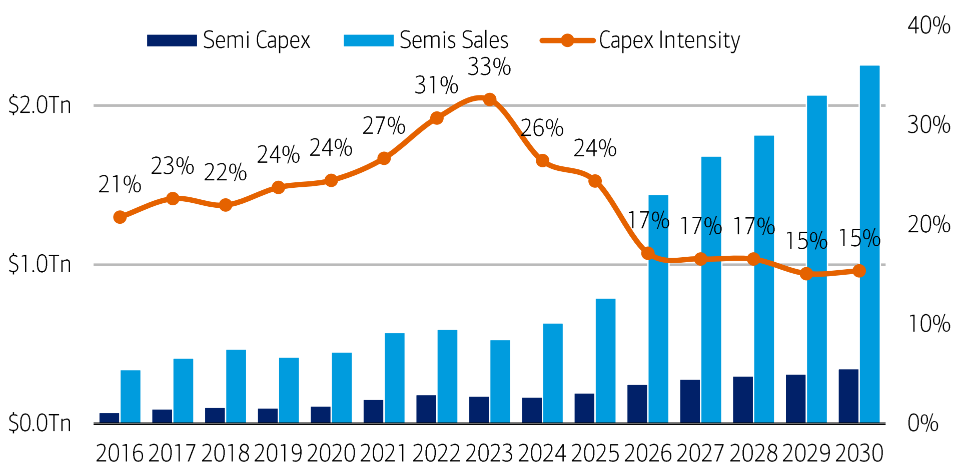
Capex sustainability: demand signals increasingly positive

We see the AI capex cycle as sustainable through 2027 as hyperscaler spending is increasingly supported by: 1) frontier lab revenue acceleration, 2) contracted cloud/backlog growth, and 3) token-intensive agentic workloads that convert usage into compute demand. A key risk remains execution (power, data center construction, financing, and component supply) but we see surging demand outpacing the capacity being built resulting in sustainably strong demand in the mid-term.

Exhibit 15: Semis capex intensity is expected to fall from mid 20s to mid teens suggesting supply constraints may persist
Total semis sales vs. semiconductor capex



Source: BofA Global Research, SIA, Gartner, Bloomberg

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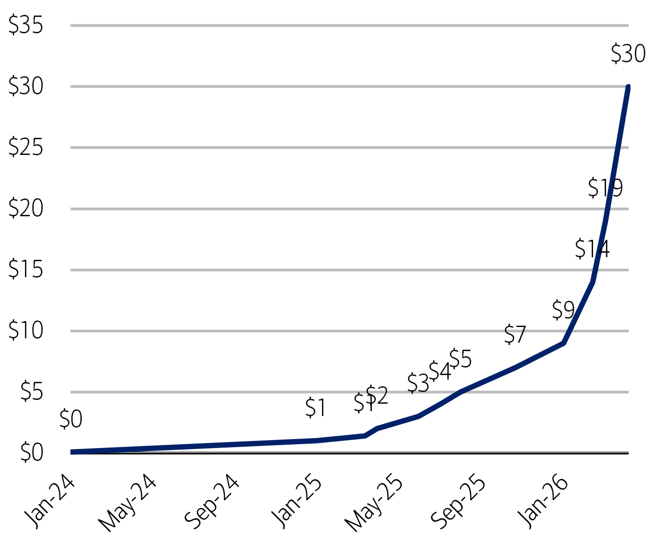
Frontier lab growth is becoming large enough to absorb compute

OpenAI and Anthropic provide the clearest evidence that AI demand is scaling faster than traditional enterprise software adoption curves. OpenAI reportedly expects revenue to increase from $13bn in 2025 to $30bn in 2026, $62bn in 2027, and $283bn by 2030, while projecting cumulative compute spend of ~$665bn through 2030. OpenAI's higher revenue and compute projections strengthen the AI demand thesis, though lower margins and higher cash burn remain a profitability challenge for the sector. BofA's Justin Post sees OpenAI revenue reaching $284bn by 2030, with agentic AI contributing roughly 20% of 2030 revenue, supported by agent packages priced from $1,500 to $20,000 per user per month.

Exhibit 16: Anthropic's ARR has inflected to $30bn as of Apr.'26
Anthropic's annualized revenue run rate ($bn)



Source: Anthropic, CNBC, Inc.com, CNBC, PYMNTS, Bloomberg

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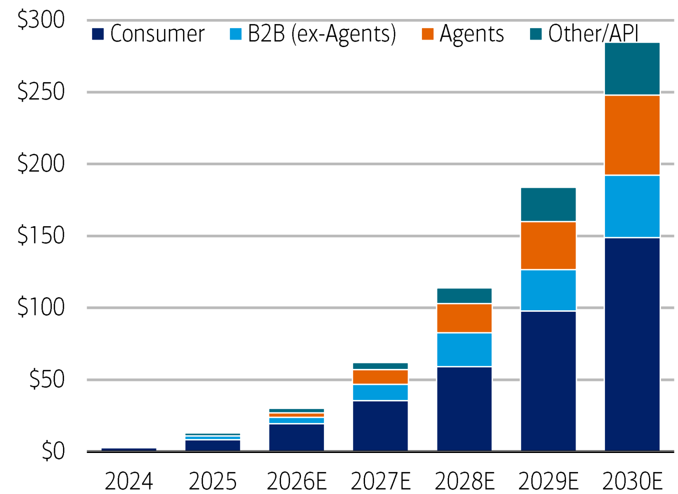
Exhibit 17: Total OpenAI revenue is expected to reach $284bn in 2030E, with $56bn coming from agents
OpenAI segment revenue, 2024-30E



Source: BofA Global Research estimates, The Information

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Anthropic is a near-term proof point for AI workload monetization with annualized revenue run rate surpassing $19bn, up $17bn YoY and $10bn from the end of 2025. Anthropic's ARR increase from $9bn in December to $19bn in March could suggest a $2.5bn+ QoQ revenue increase, and that AWS could see up to $1bn QoQ revenue contribution related to Anthropic depending on workload share and training cost capture. This creates a direct bridge from frontier lab ARR to cloud capacity demand and therefore to accelerator, HBM, networking, custom silicon, and power/thermal content.

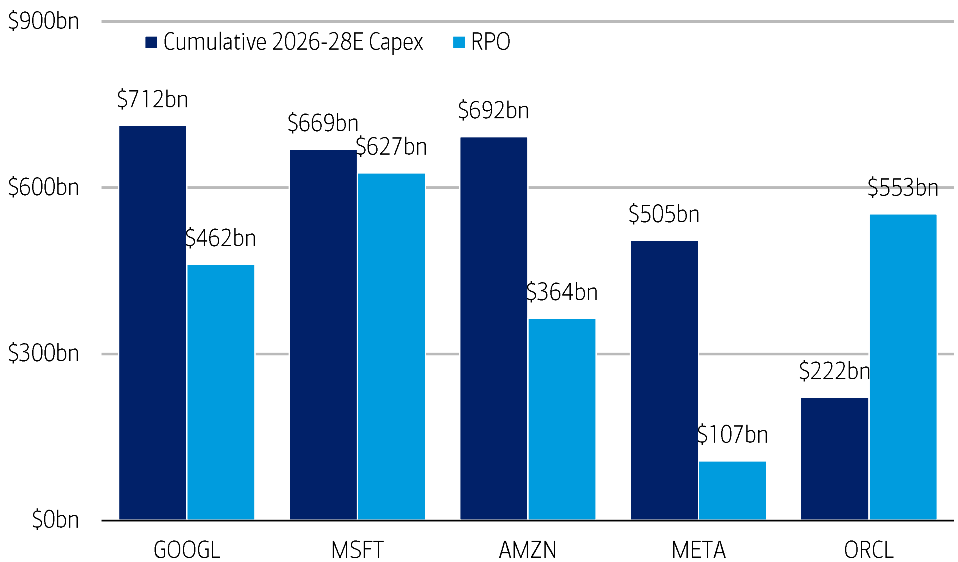
Token velocity extends the cycle beyond training

Agentic AI workflows can generate 10x to 1,000x more tokens per workflow than a chat interaction, and that token consumption is becoming the primary driver of compute demand. Tokens also change cloud monetization from seat-based economics to usage-based economics, giving cloud platforms a clearer pathway to monetize agent adoption. Efficiency gains should not be viewed simply as a capex headwind; lower cost per token can expand usage, similar to prior compute elasticity cycles. Inference, post-training, synthetic data generation, agent orchestration, and enterprise workflow automation can sustain demand even after the initial training-cluster buildout matures.

Hyperscaler capex is increasingly backed by commitments and backlog

Microsoft disclosed nearly $627bn of commercial RPO, up ~99% YoY, including an incremental $250bn OpenAI contracted for Azure services, while also planning to increase total AI capacity by >80% this year and roughly double its data center footprint over two years.

Exhibit 18: Much of hyperscaler capex is supported by RPO
Cumulative CY26-28E capex estimates vs. current RPO across hyperscalers



Source: BofA Global Research, Company Reports, Bloomberg

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Amazon disclosed AWS backlog of $364bn, explicitly excluding the recent $100bn+ Anthropic deal, and said Trainium revenue commitments exceed $225bn; AWS also reached a $150bn annualized revenue run-rate, with AI services contributing >$15bn annualized in their first three years.

Alphabet said Google Cloud revenue grew 63% to more than $20bn, backlog nearly doubled QoQ to >$460bn, and genAI model product revenue grew nearly 800% YoY.

Meta is not a cloud resale model, but its 2026 capex guide of $125-$145bn, Q1 capex of $19.8bn, and $107bn increase in multiyear infrastructure commitments underscore that internal AI compute demand remains material.

Oracle disclosed $553bn of RPO in fiscal Q3 2026, up 325% YoY and up $29bn QoQ, with most of the Q3 RPO increase related to large-scale AI contracts. For most of these contracts, equipment is funded upfront through customer prepayments so Oracle can purchase GPUs, or the customer buys GPUs and supplies them to Oracle. This reinforces the broader semi thesis that AI infrastructure demand is extending beyond the largest hyperscalers, while also highlighting the importance of funding structure, customer concentration, and delivery execution.

Memory: structural higher floor with AI

In-line with our increased outlook for AI compute and AI networking, we also maintain our bullish views for AI memory, supported by robust demand and limited supplies through CY26-28.

As we pointed out in our 2026 AI inference primer report, memory capacity and bandwidth are increasingly becoming a bottleneck in AI inference, as opposed to historically compute most often being the bottleneck.

This is especially true for long-context, high-concurrency, multi-step inference, as every generated token must repeatedly access model weights and the accumulated KV cache, while the KV cache grows with sequence length, batch size, number of layers, and model dimensionality.

Moreover, agentic systems require persistent state, and while compute (raw FLOPs) scales once per model, memory (bandwidth) scales per user, per query, and per agent.

Memory content per AI system scales faster than compute

Particularly, we flag AI model context windows are expanding much faster than model compression can offset. In other words, the raw demand for memory is increasing faster than various software/hardware abilities to compress and/or distill the amount of memory used during the inference process.

For instance, NVIDIA's software work on NVFP4 KV cache quantization aims to free HBM capacity to enable larger batches, longer sequences, and higher cache-hit rates. Yet, the raw demand for HBM memory is growing much faster than the ability to supply HBM.

Overall, we forecast HBM TAM to grow to ~$168bn by CY30 from ~$35bn in CY25, growing at +37% CAGR. We also expect HBM content per accelerator to grow to ~464GB by CY30 from ~187GB in CY25, growing at ~20% CAGR.

Exhibit 19: We see HBM content/accelerator to grow to ~464GB/accelerator by CY30 from ~187GB/accelerator in CY25
HBM Content Outlook per Accelerator

	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	CAGR '25-'30
HBM TAM ($bn)	$1	$2	$4	$17	$35	$77	$106	$120	$140	$168	37%
HBM Units (GB bn)	0.05	0.10	0.47	1.58	3.06	5.38	7.74	10.08	12.85	16.19	40%
Accelerator TAM (units mn)	4.8	4.9	6.2	11.0	16.3	22.6	27.4	28.2	32.0	34.9	16%
Total HBM Content / XPU	**10 GB**	**20 GB**	**76 GB**	**143 GB**	**187 GB**	**238 GB**	**282 GB**	**358 GB**	**402 GB**	**464 GB**	20%
HBM ASP ($/GB)	**$21.1**	**$16.7**	**$8.8**	**$11.0**	**$11.3**	**$14.3**	**$13.6**	**$12.0**	**$10.9**	**$10.4**	-2%
HBM TAM ($bn)	$1	$2	$4	$17	$35	$77	$106	$120	$140	$168	37%
Accelerator TAM ($bn)	$9	$14	$45	$120	$196	$381	$603	$830	$1,026	$1,171	43%
HBM as % of XPU (%)	**12%**	**11%**	**9%**	**14%**	**18%**	**20%**	**17%**	**15%**	**14%**	**14%**	

Source: BofA Global Research estimates

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Notably, upcoming NVDA Vera Rubin (2H26) systems use 288GB HBM4 per accelerator.

Exhibit 20: A Vera Rubin-based system roughly requires 288GB of HBM, 3.4TB of LPDDR, and ~1.8GB of SRAM memory per accelerator
Vera Rubin System Memory (HBM, LPDDR, SRAM) Requirement per Accelerator

	Vera Rubin	Vera Rubin	Vera CPU Rack	Groq-3 LPU	On-Chip Cache
Type	HBM4	LPDDR5X	LPDDR5X	SRAM	SRAM
Memory per chip	**288 GB**	**1,500 GB**	**1,500 GB**	**0.5 GB**	
Chips per rack	72	36	256	256	
Memory per rack	21 TB	54 TB	384 TB	0.128 TB	
Racks per pod	16	16	8	8	
Memory per pod	**332 TB**	**864 TB**	**3,072 TB**	**1.024 TB**	**~1.024 TB**
Memory per Accelerator	**288 GB**	**750 GB**	**2,667 GB**	**0.889 GB**	**~0.889 GB**

Source: BofA Global Research estimates

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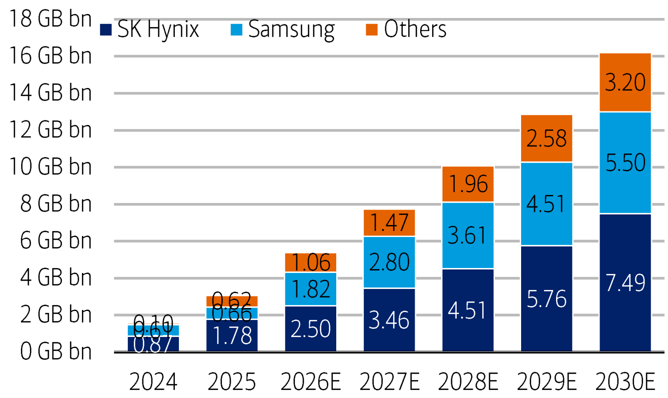
Exhibit 21: Industry HBM shipment could reach 16.19GB bn units by CY30E, growing at +40% CAGR between CY25-30E
HBM Unit Shipment Forecast by Vendor (GB bn)



Source: BofA Global Research estimates

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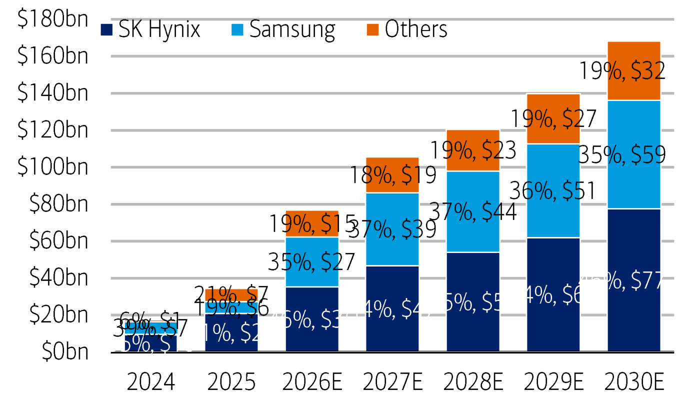
Exhibit 22: Industry HBM sales could reach $168bn by CY30E, growing at +37% CAGR between CY25-30E
HBM Sales Forecast by Vendor ($bn)



Source: BofA Global Research estimates

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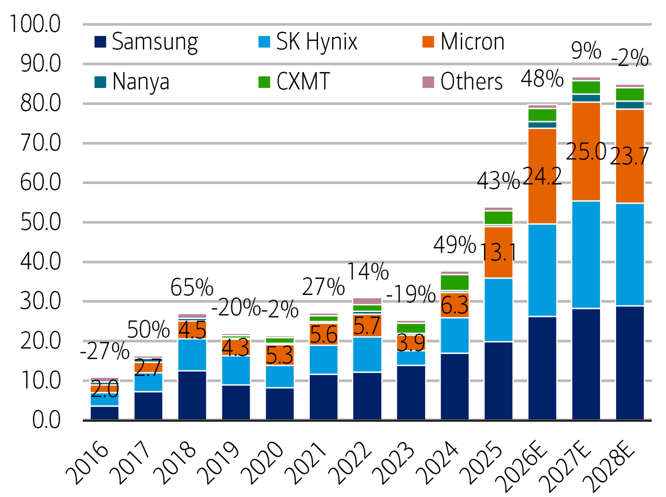
Structurally lower supply elasticity

Meanwhile, we also flag supply elasticity of memory is structurally increasingly lower due to limited capital, packaging, power, and geopolitics.

Despite increasing capex outlook for key memory vendors, we believe capacity increase is still generally limited through CY27-28 as capex is allocated towards building clean room space. For instance, MU guided its FY26 capex to be >$25bn vs. FY25 $13.8bn, with the majority of the increase for cleanroom facility. For FY27, the company expects construction related capex would be up $10bn YoY (rest of growth equipment spend).

We believe construction spend to generally outgrow equipment spend throughout CY26-27 (due to cleanroom space building), and meaningful capacity increase is likely in CY28 and beyond. For MU, its Idaho fab first output is expected to begin in mid-CY27 (CY28 ramp), while its Singapore advanced packaging facility for HBM is on track to contribute begin CY27 (CY28 full ramp).

Exhibit 23: DRAM Industry Capex Estimate ($bn)
We view overall DRAM capex outside of HBM has been muted since 2023



Source: BofA Global Research estimates

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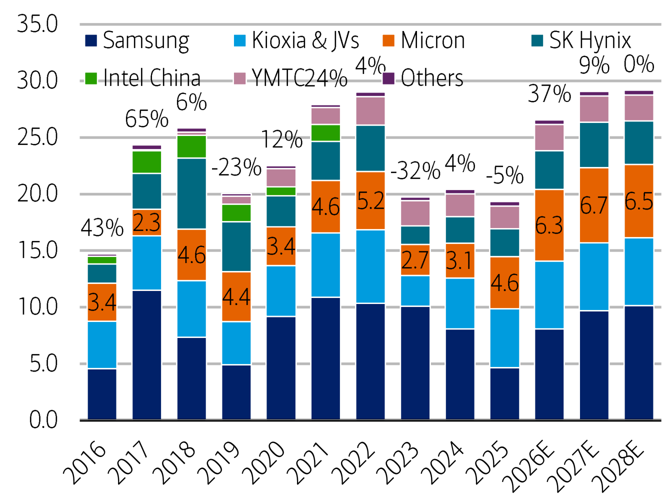
Exhibit 24: NAND Industry Capex Estimate ($bn)
We view overall NAND capex has been muted since 2023



Source: BofA Global Research estimates

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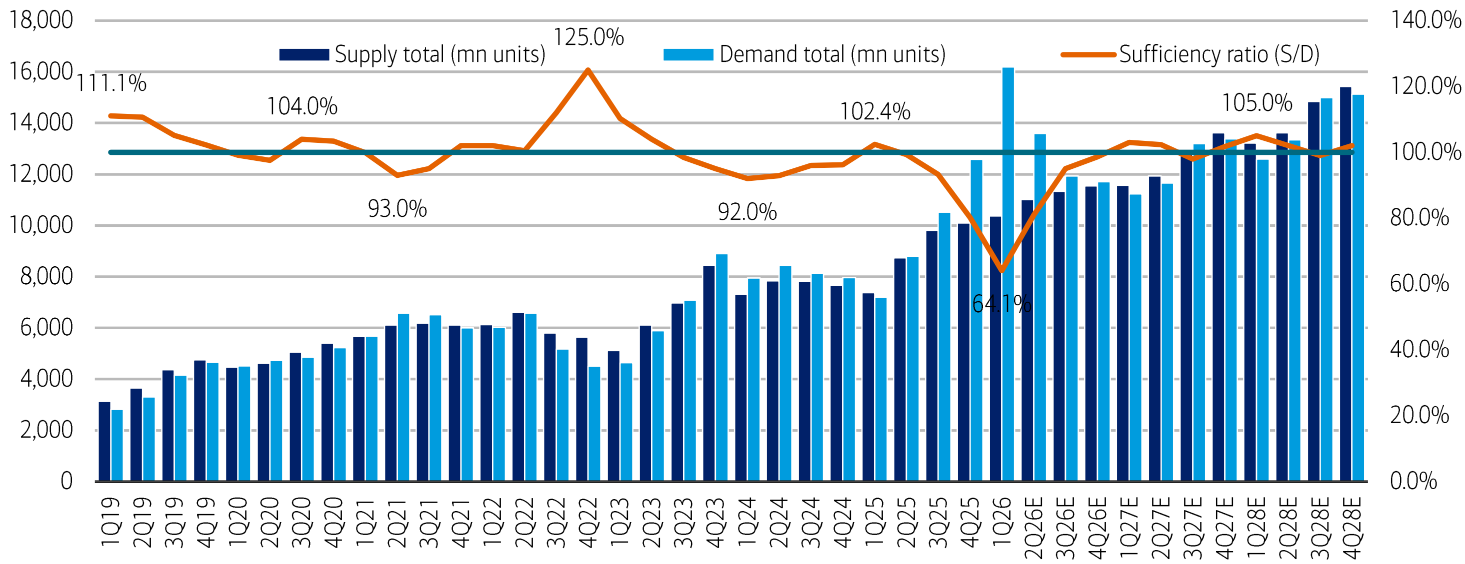
DRAM Supply/Demand Sustainability Ratio

Given DRAM industry supply and demand outlook, we see no material over-supply of DRAM (sufficiency ratio consistently >110%) through CY28, and we expect ASPs to remain relatively less cyclical vs. in prior down cycles.

Exhibit 25: We see no material over-supply of DRAM (sufficiency ratio consistently >110%) through CY28, expect ASPs to remain relatively less cyclical vs. in prior down cycles

DRAM Industry Supply/Demand and Sufficiency Ratio %



Source: BofA Global Research estimates

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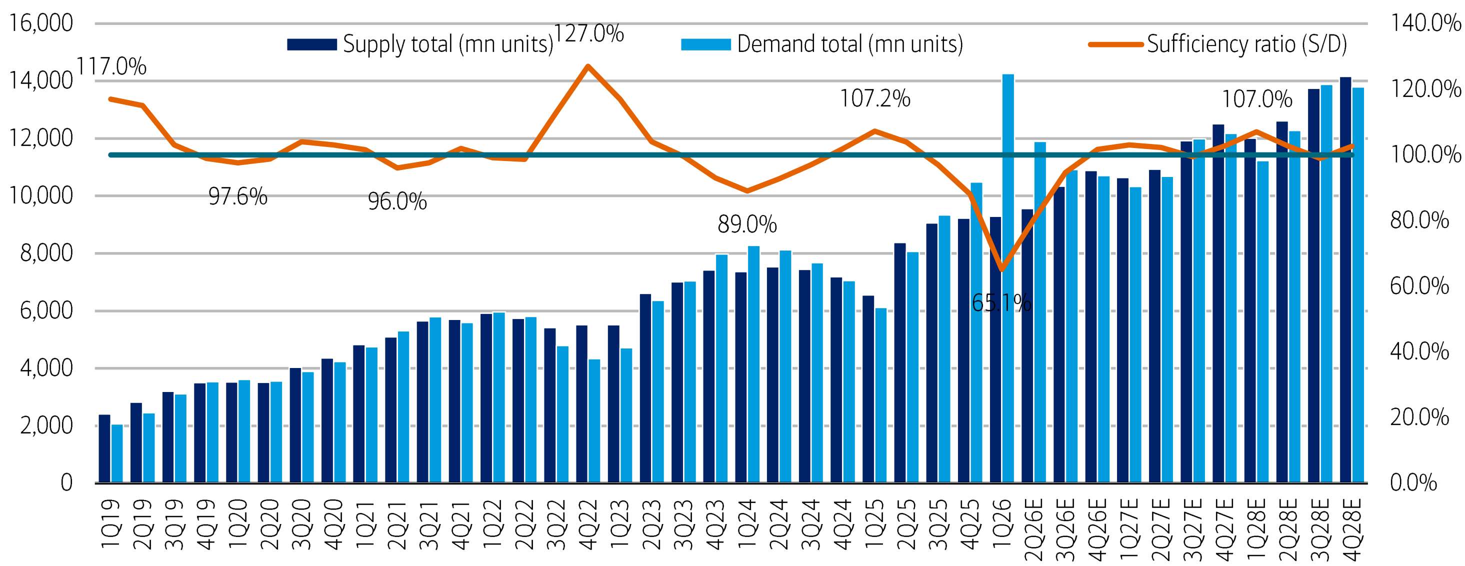
NAND Supply/Demand Sustainability Ratio

Similarly given NAND industry supply and demand outlook, we see no material over-supply of NAND (sufficiency ratio consistently >110%) through CY28, and we expect ASPs to remain relatively less cyclical vs. in prior down cycles.

Exhibit 26: We see no material over-supply of NAND (sufficiency ratio consistently >110%) through CY28, expect ASPs to remain relatively less cyclical vs. in prior down cycles

NAND Industry Supply/Demand and Sufficiency Ratio %



Source: BofA Global Research estimates

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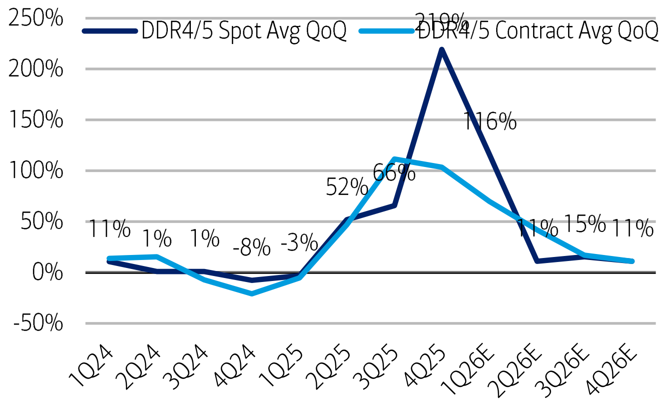
DRAM/NAND Pricing Trends

Following exceptionally strong spot/contract pricing trends over the last few months, we expect the growth to generally stabilize over the rest of 2026. By 4Q26, we expect pricing growth to moderate to single-digit/low-double-digit QoQ levels for DRAM/NAND.

Exhibit 27: Strong DRAM spot/contract pricing trends throughout 2026
DRAM Spot/Contract ASP Trends



Source: BofA Global Research estimates

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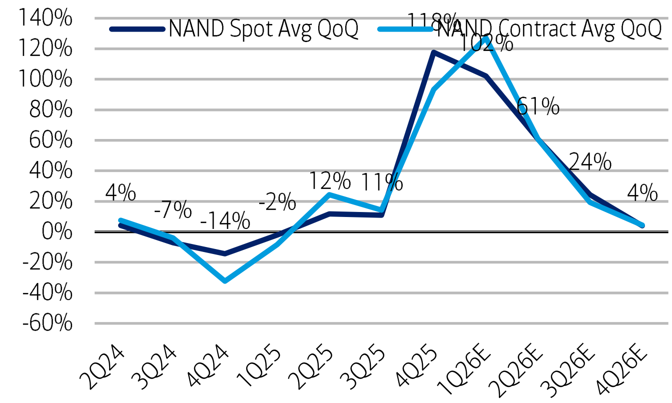
Exhibit 28: Strong NAND spot/contract pricing trends throughout 2026
NAND Spot/Contract ASP Trends



Source: BofA Global Research estimates

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MU Estimate Changes

Based on the latest pricing trends/outlook and MU's increased long-term sales/contract visibility, we raise our MU sales/EPS ests.

Exhibit 29: We raise MU FY26/27/28E sales by +7%/+25%/+30%, EPS by +10%/+32%/+42% to $61.01/$101.92/$96.69
MU Estimate Changes

	Sales ($mn)			Non-GAAP EPS		
	Old	**NEW**	**delta**	**Old**	**NEW**	**delta**
Nov-25	$13,643	$13,643	$0	$4.78	$4.78	$0.00
Feb-26	$23,860	$23,860	$0	$12.20	$12.20	$0.00
May-26E	$33,501	$35,185	$1,683	$19.12	$20.44	$1.33
Aug-26E	$33,953	$39,754	$5,801	$19.25	$23.57	$4.32
FY26E	**$104,957**	**$112,441**	**$7,484**	**$55.35**	**$61.01**	**$5.65**
YoY%	180.8%	200.8%	7.1%	567.8%	636.0%	10.2%
Nov-26E	$34,275	$42,048	$7,774	$19.31	$24.94	$5.63
Feb-27E	$34,140	$42,786	$8,645	$19.01	$25.20	$6.20
May-27E	$34,641	$43,366	$8,725	$19.08	$25.32	$6.25
Aug-27E	$35,986	$45,495	$9,509	$19.72	$26.45	$6.73
FY27E	**$139,042**	**$173,696**	**$34,653**	**$77.12**	**$101.92**	**$24.80**
YoY%	32.5%	54.5%	24.9%	39.3%	67.1%	32.2%
Nov-27E	$35,124	$45,372	$10,248	$18.69	$25.97	$7.28
Feb-28E	$31,707	$41,893	$10,186	$16.00	$23.28	$7.28
May-28E	$31,910	$41,502	$9,593	$15.98	$22.77	$6.79
Aug-28E	$34,506	$44,493	$9,987	$17.60	$24.68	$7.08
FY28E	**$133,247**	**$173,261**	**$40,014**	**$68.27**	**$96.69**	**$28.41**
YoY%	-4.2%	-0.3%	30.0%	-11.5%	-5.1%	41.6%
CY26E	**$125,589**	**$140,847**	**$15,258**	**$69.88**	**$81.17**	**$11.28**
YoY%	196.8%	232.9%	12.1%	519.6%	619.6%	16.1%
CY27E	**$139,892**	**$177,019**	**$37,128**	**$76.50**	**$102.95**	**$26.45**
YoY%	11.4%	25.7%	26.5%	9.5%	26.8%	34.6%
CY28E	**$134,995**	**$175,459**	**$40,464**	**$68.46**	**$97.16**	**$28.71**
YoY%	-3.5%	-0.9%	30.0%	-10.5%	-5.6%	41.9%

Source: BofA Global Research estimates

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MU Valuation Analysis, $950 PO

Exhibit 30: We see $710 value from MU's traditional DRAM/NAND business (3.1x P/B) and $190 from HBM business (27x PE), totaling $950/sh in total value
MU Sum-of-Parts Analysis

	CY26E	CY27E	CY28E	Notes
Trad. DRAM/NAND Business				
Total Book Value ($bn)	**152.0**	**270.9**	**383.9**	
HBM ($bn)	21.3	42.0	65.3	
HBM % (est.)	14.0%	15.5%	17.0%	
Non-HBM ($bn)	130.7	228.9	318.6	
P/B Multiple		**3.1x**		Historical Upcycle Level
Value/sh		**$710**		
HBM Business				
Sales ($bn)	**13.2**	**19.0**	**23.0**	
OpM (est.)	57.0%	65.0%	67.0%	
EBIT ($bn)	7.5	12.4	15.4	
Tax rate	15.1%	15.1%	15.1%	
Net Income ($bn)	6.4	10.5	13.1	
DSO (mn)	1,150	1,157	1,163	
EPS ($)	$5.55	$9.06	$11.24	
P/E Multiple		**27x**		AI Compute Peers Level
Value/sh		**$245**		
Total Sum-of-Parts		**$954**		

Source: BofA Global Research estimates

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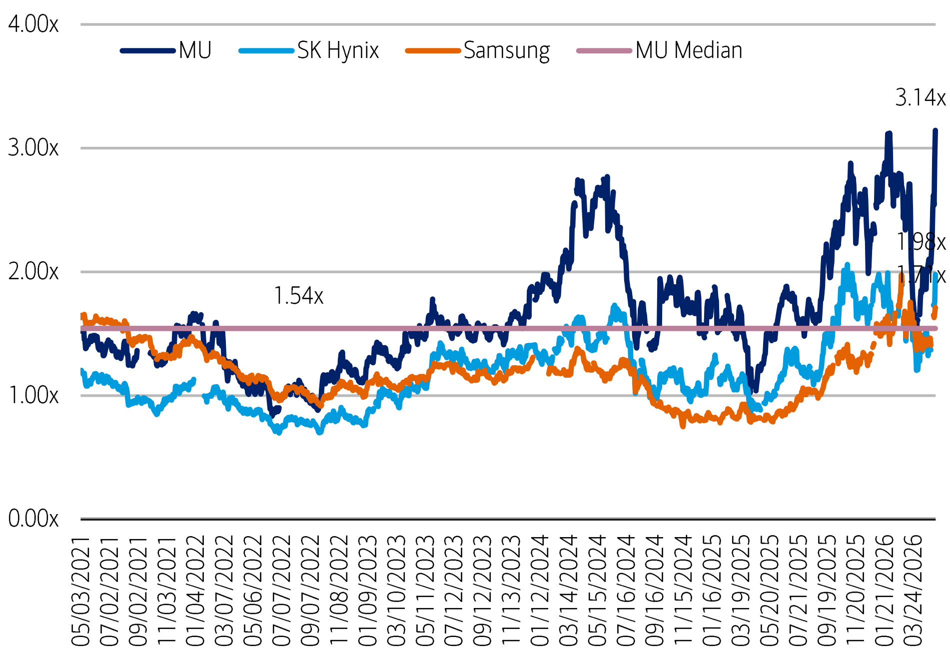
MU is currently trading at 3.1x consensus P/B, near the upper-end of its historical range and well above historical median of 1.5x (2yr fwd). However, we believe MU is now a fundamentally different company with a new and sustainable HBM-related business, in addition to its traditional commodity memory (DRAM/NAND) business.

Exhibit 31: MU is currently trading at ~3.14x fwd P/B vs. historical ~1.54x median. SK Hynix at ~1.98x and Samsung Electronics at ~1.71x
Major Memory Vendors 2-Yr Fwd P/B Valuation



Source: BofA Global Research, Bloomberg

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Global Semis Forecast Update

We model CY26 semis/core semis (ex-memory) growth of +83%/+25% YoY, led by growth in data center. For note, our core semis (ex-memory) estimates remain unchanged from our Apr 2026 update.

By end market, we model (1) compute and storage up +43% YoY (continued server strength); (2) wireless comms down -9% YoY (smartphone unit headwind); (3) auto sales up +3% on sluggish units but improving content; (4) Industrial up +16% YoY on improved end demand and inventory dynamics since 2H25; (5) consumer down -6% YoY; and (6) wired comms up +28% YoY on data center related infra buildout.

Exhibit 32: We model semis/core semis sales up +83%/+25% YoY in CY26E

Summary of BofA Semiconductor forecasts by end market

Revenue ($mn)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	CAGR '15-25	CAGR '19-25	CAGR '25-30
Total Semis	$451	$572	$594	$528	$633	$790	$1,441	$1,681	$1,816	$2,067	$2,255	9.0%	11.2%	23.3%
YoY%	7.7%	27.0%	3.8%	(11.0%)	19.7%	24.8%	82.5%	16.6%	8.0%	13.8%	9.1%			
Memory	$128	$170	$150	$94	$170	$220	$730	$860	$898	$1,065	$1,193	11.0%	11.8%	40.3%
YoY%	13.5%	33.4%	(11.9%)	(37.4%)	81.3%	28.9%	232.6%	17.8%	4.4%	18.6%	12.1%			
Core Semis (ex-memory)	$323	$402	$444	$435	$463	$570	$711	$821	$918	$1,002	$1,062	8.3%	10.9%	13.2%
YoY%	5.6%	24.4%	10.5%	(2.1%)	6.4%	23.3%	24.7%	15.5%	11.8%	9.2%	6.0%			
Compute and Storage	$108	$128	$154	$167	$207	$303	$432	$521	$595	$660	$703	13.8%	21.0%	18.3%
YoY%	11.2%	19.1%	20.3%	8.4%	23.9%	46.5%	42.5%	20.6%	14.3%	10.8%	6.6%			
PCs	$56	$68	$59	$52	$57	$61	$57	$58	$61	$64	$66	4.3%	4.3%	1.5%
YoY%	16.5%	22.3%	(12.4%)	(11.8%)	9.3%	7.0%	(7.9%)	3.0%	4.9%	4.5%	3.5%			
Servers (silicon only)	$27	$32	$63	$80	$121	$213	$346	$432	$503	$564	$605	28.5%	41.4%	23.2%
YoY%	2.2%	16.9%	97.3%	27.5%	51.6%	75.6%	62.6%	25.0%	16.3%	12.1%	7.2%			
Wireless Communications	$85	$104	$111	$94	$93	$91	$83	$85	$89	$93	$96	3.3%	2.9%	1.2%
YoY%	11.1%	22.3%	6.8%	(15.8%)	(0.5%)	(2.4%)	(8.5%)	2.3%	5.1%	4.0%	3.6%			
Smartphone	$71	$88	$91	$77	$80	$78	$71	$72	$76	$79	$82	3.9%	3.5%	0.9%
YoY%	12.3%	23.7%	3.2%	(15.4%)	3.6%	(2.0%)	(9.4%)	2.0%	5.1%	4.0%	3.5%			
Wireless Infrastructure	$14	$16	$20	$16	$13	$13	$12	$13	$13	$14	$14	2.9%	(0.7%)	2.8%
YoY%	5.0%	14.7%	27.1%	(17.5%)	(20.0%)	(5.0%)	(3.0%)	4.0%	5.0%	4.0%	4.0%			
Automotive	$34	$46	$49	$59	$53	$52	$54	$59	$66	$71	$76	5.6%	5.4%	8.0%
YoY%	(9.1%)	34.6%	5.4%	22.3%	(10.3%)	(3.0%)	3.4%	10.1%	11.3%	8.6%	6.6%			
Global Automotive Units (mn)	74.6	77.2	82.3	90.5	88.7	93.0	92.8	94.1	94.9	96.3	97.3	0.5%	0.8%	0.9%
YoY%	(16.1%)	3.5%	6.7%	9.9%	(2.0%)	4.9%	(0.2%)	1.4%	0.8%	1.5%	1.0%			
Auto semi content ($/LV) / Inv. Adj.	$459	$597	$590	$657	$602	$556	$577	$627	$692	$740	$781	5.1%	4.6%	7.0%
YoY%	8.4%	30.0%	(1.1%)	11.3%	(8.5%)	(7.5%)	3.7%	8.6%	10.4%	7.0%	5.5%			
Industrial & Other	$43	$54	$62	$59	$45	$50	$58	$63	$68	$72	$74	4.1%	2.1%	8.3%
YoY%	(2.6%)	26.5%	15.3%	(4.8%)	(24.3%)	10.8%	15.8%	9.9%	7.4%	5.2%	3.6%			
Automation	$10	$13	$15	$15	$12	$13	$13	$15	$17	$19	$22	6.2%	4.2%	11.0%
YoY%	(3.0%)	29.5%	17.0%	(1.0%)	(15.0%)	3.6%	4.1%	11.6%	13.2%	13.2%	13.2%			
Power/Energy	$6	$7	$9	$9	$8	$8	$8	$9	$9	$9	$10	6.8%	5.3%	4.5%
YoY%	(0.5%)	25.4%	22.0%	5.0%	(18.0%)	4.1%	4.1%	6.2%	4.1%	4.1%	4.1%			
Consumer	$35	$48	$48	$30	$31	$33	$31	$31	$32	$34	$35	1.1%	(0.0%)	1.2%
YoY%	6.5%	37.5%	0.1%	(37.1%)	3.4%	4.7%	(6.0%)	0.2%	3.0%	5.6%	3.6%			
TVs	$10	$14	$14	$11	$11	$11	$11	$11	$11	$12	$12	0.3%	2.8%	1.9%
YoY%	10.5%	37.1%	1.8%	(21.7%)	(4.0%)	2.1%	(3.2%)	3.9%	3.0%	3.0%	3.0%			
Video console SoCs (Gaming)	$3	$6	$7	$7	$3	$3	$3	$3	$3	$4	$4	6.5%	14.5%	6.3%
YoY%	102.2%	89.9%	26.2%	(4.3%)	(57.1%)	13.0%	(9.9%)	(0.7%)	8.9%	29.0%	7.7%			
Wired Communications	$18	$21	$20	$25	$33	$42	$54	$62	$68	$73	$77	9.8%	15.2%	12.9%
YoY%	1.0%	17.0%	(8.3%)	26.9%	32.8%	28.1%	27.9%	15.5%	9.2%	7.2%	5.8%			
Ethernet/Network switch	$5	$5	$6	$9	$13	$17	$24	$30	$33	$36	$38	12.3%	22.6%	17.2%
YoY%	(3.8%)	11.9%	15.0%	45.0%	40.0%	35.0%	40.0%	22.0%	12.0%	9.0%	6.0%			
Optical Equipment	$4	$5	$5	$6	$9	$12	$15	$18	$19	$21	$22	18.4%	20.5%	13.9%
YoY%	9.8%	11.8%	5.0%	30.0%	35.0%	35.0%	30.0%	15.0%	10.0%	8.0%	8.0%			

Source: BofA Global Research, Mercury Research, Gartner, Omdia, SIA

BofA GLOBAL RESEARCH

In 2026, we expect semis/core semis sales to grow +83%/+25% YoY. Memory is expected to be even stronger, now up nearly +233% YoY (after +81%/+29% YoY growth in CY24/25).

By device type, we see CY26 memory sales driven by both DRAM (+256% YoY) and NAND (+205% YoY).

Ex-memory, microprocessors (MPUs) strong (+10% YoY) on hyperscaler consumption modestly offset by weak PC units, and logic particularly strong (+33% YoY) on AI accelerator-related demand. We also model industrial-centric markets (MCUs, Analog) seeing recovery following inventory digestion throughout 2024 and 1H25. In CY26, we model other markets (discretes, optos, sensors) to generally return to healthy growths (+25% YoY) as well, particularly driven by data center-related optoelectronic demands.

Exhibit 33: We model memory, logic, microcomponents driving semiconductor growth
Summary of BofA Semis Forecast by device type

Revenue ($bn)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	CAGR '15-25	CAGR '19-25	CAGR '25-30
Total Semis	**$451**	**$572**	**$594**	**$528**	**$633**	**$790**	**$1,441**	**$1,681**	**$1,816**	**$2,067**	**$2,255**	**9.0%**	**11.2%**	**23.3%**
YoY%	7.7%	27.0%	3.8%	(11.0%)	19.7%	24.8%	82.5%	16.6%	8.0%	13.8%	9.1%			
Memory	**$128**	**$170**	**$150**	**$94**	**$170**	**$220**	**$730**	**$860**	**$898**	**$1,065**	**$1,193**	**11.0%**	**11.8%**	**40.3%**
YoY%	13.5%	33.4%	(11.9%)	(37.4%)	81.3%	28.9%	232.6%	17.8%	4.4%	18.6%	12.1%			
DRAM	**$65**	**$92**	**$78**	**$47**	**$88**	**$134**	**$476**	**$575**	**$610**	**$731**	**$835**		**13.5%**	**44.2%**
YoY%	4.6%	40.9%	(15.7%)	(39.1%)	85.9%	52.2%	255.9%	20.8%	6.1%	19.8%	14.2%			
NAND	**$59**	**$73**	**$67**	**$42**	**$78**	**$81**	**$247**	**$277**	**$280**	**$325**	**$349**		**9.8%**	**33.9%**
YoY%	26.4%	25.3%	(8.2%)	(36.9%)	84.0%	3.7%	205.3%	11.9%	1.1%	16.3%	7.3%			
Core Semis (ex-memory)	**$323**	**$402**	**$444**	**$435**	**$463**	**$570**	**$711**	**$821**	**$918**	**$1,002**	**$1,062**	**8.3%**	**10.9%**	**13.2%**
YoY%	5.6%	24.4%	10.5%	(2.1%)	6.4%	23.3%	24.7%	15.5%	11.8%	9.2%	6.0%			
Analog	**$56**	**$74**	**$89**	**$81**	**$80**	**$87**	**$99**	**$108**	**$116**	**$121**	**$125**	**6.7%**	**8.2%**	**7.6%**
YoY%	3.2%	33.1%	20.1%	(8.8%)	(2.0%)	8.9%	13.9%	9.4%	7.1%	4.7%	3.3%			
Microcomponents	**$70**	**$81**	**$79**	**$77**	**$79**	**$85**	**$93**	**$101**	**$107**	**$113**	**$117**	**3.3%**	**4.1%**	**6.7%**
YoY%	4.9%	15.5%	(1.5%)	(3.5%)	3.7%	6.8%	10.3%	8.6%	5.9%	5.1%	3.7%			
Microprocessors	**$51**	**$56**	**$51**	**$45**	**$53**	**$60**	**$69**	**$77**	**$85**	**$88**	**$90**	**3.4%**	**3.9%**	**8.3%**
YoY%	6.5%	10.4%	(9.5%)	(11.3%)	17.1%	14.0%	15.2%	10.4%	10.7%	3.6%	2.0%			
Microcontrollers	**$18**	**$23**	**$27**	**$29**	**$24**	**$23**	**$26**	**$29**	**$31**	**$35**	**$39**	**4.2%**	**4.8%**	**11.2%**
YoY%	3.3%	25.0%	20.8%	7.6%	(19.2%)	(2.4%)	12.0%	11.8%	7.6%	11.3%	13.2%			
Logic	**$118**	**$154**	**$176**	**$178**	**$213**	**$301**	**$400**	**$476**	**$544**	**$605**	**$648**	**12.7%**	**18.9%**	**16.6%**
YoY%	11.1%	30.2%	14.2%	1.4%	19.1%	41.7%	32.7%	19.1%	14.3%	11.3%	7.1%			
Others (Discretes, optos, sensors)	**$79**	**$93**	**$100**	**$98**	**$91**	**$98**	**$119**	**$136**	**$151**	**$163**	**$172**	**4.9%**	**3.6%**	**11.9%**
YoY%	0.3%	17.4%	7.1%	(1.2%)	(7.5%)	7.5%	21.9%	14.1%	11.2%	7.8%	5.2%			

Source: BofA Global Research, Mercury Research, Gartner, Omdia, SIA

BofA GLOBAL RESEARCH

Looking at our forecasts versus BofA Global semis bottom-up estimates, we are generally in line with the growth trajectory for CY26E/CY27E ex-NVDA (which now realizes significant revenue from system sales growth and software). Modest outperformance versus industry reflects continued industry trends of industry consolidation and share gains by top vendors.

Exhibit 34: Our Semis industry outlook generally aligns with bottoms-up company estimates
Summary of BofA semis forecasts versus bottoms-up estimates

Semis ex-mem Forecast ($bn)	2025	2026E	2027E	2028E	2029E	2030E
BofA Semi Ex-Memory Forecast	$570	$711	$821	$918	$1,002	$1,062
YoY (%)	*23.3%*	*24.7%*	*15.5%*	*11.8%*	*9.2%*	*6.0%*
BofA Coverage Bottoms-Up Sales	$539	$767	$980	$1,184	$1,327	$1,466
YoY (%)	*26.8%*	*42.3%*	*27.9%*	*20.7%*	*12.1%*	*10.5%*
BofA Coverage Bottoms-Up Ex-NVDA Sales	$323	$407	$515	$625	$701	$790
YoY (%)	*9.6%*	*25.9%*	*26.7%*	*21.4%*	*12.2%*	*12.7%*

Source: BofA Global Research estimates, SIA, company reports

BofA GLOBAL RESEARCH

Glossary

A/P: Advanced Packaging
ACC: Active Copper Cable
AEC: Active Electrical Cable
AI: Artificial Intelligence
AMD: Advanced Micro Devices
AOC: Active Optical Cable
API: Application Programming Interface
ARR: Annualized Revenue Run Rate
ASIC: Application-Specific Integrated Circuit
ASP: Average Selling Price
AT&T: American Telephone & Telegraph
AVGO: Broadcom Inc. ticker
AWS: Amazon Web Services
B2B: Business-to-Business
BOM: Bill of Materials
CFO: Cash Flow from Operations
COHR: Coherent Corp. ticker
Comms: Communications
cons.: Consensus
CPO: Co-Packaged Optics
CPU: Central Processing Unit
CRDO: Credo Technology Group ticker
CW: Continuous Wave
CXMT: ChangXin Memory Technologies
DAC: Direct Attach Copper
DC: Data Center
DDR: Double Data Rate memory
DRAM: Dynamic Random-Access Memory
DSP: Digital Signal Processor
EBIT: Earnings Before Interest and Taxes
EML: Electro-absorption Modulated Laser
EPS: Earnings Per Share
ex- / excl.: Excluding
FCF: Free Cash Flow
FLOPs: Floating Point Operations per Second
GB: Gigabyte
genAI: Generative Artificial Intelligence
GOOGL: Alphabet Inc. ticker
GPU: Graphics Processing Unit
GW: Gigawatt
HBM: High Bandwidth Memory
IDC: International Data Corporation
incl.: Including
infra: Infrastructure
Inv. Adj.: Inventory Adjustment
IPO: Initial Public Offering
IT: Information Technology
JV / JVs: Joint Venture / Joint Ventures
KV: Key-Value, as in KV cache
LITE: Lumentum Holdings ticker
LPO / LRO: Linear Pluggable Optics / Linear Receiver Optics
LPDDR: Low Power Double Data Rate memory
LPU: Language Processing Unit
LT: Long Term
LV: Light Vehicle

MCU: Microcontroller Unit
mn: Million
MPU: Microprocessor Unit
MRVL: Marvell Technology ticker
MSFT: Microsoft Corp. ticker
MTSI: MACOM Technology Solutions ticker
MU: Micron Technology ticker
NAND: NAND flash memory; "Not AND" logic-derived memory type
NIC: Network Interface Card
NVDA: NVIDIA Corp. ticker
NVFP4: NVIDIA Floating Point 4-bit format
OEM: Original Equipment Manufacturer
OpM: Operating Margin
P/B: Price-to-Book
P/E / PE: Price-to-Earnings
PC / PCs: Personal Computer / Personal Computers
PF: Photonic Fabric
pf-EPS: Pro forma Earnings Per Share
qtr: Quarter
RAM: Random Access Memory
ROI / ROIs: Return on Investment / Returns on Investment
RPO: Remaining Performance Obligation
S/D: Supply / Demand
SBC: Stock-Based Compensation
sh: Share
SIA: Semiconductor Industry Association
SiPho: Silicon Photonics
SK Hynix: SK hynix Inc.
SmartNIC: Smart Network Interface Card
SoC / SoCs: System on Chip / Systems on Chip
SoP: Sum of Parts
SRAM: Static Random-Access Memory
SSD: Solid State Drive
TAM: Total Addressable Market
TBD: To Be Determined
TB: Terabyte
TIA / TIAs: Transimpedance Amplifier / Transimpedance Amplifiers
T-Mobile: T-Mobile US
TPU: Tensor Processing Unit
Tn: Trillion
TV / TVs: Television / Televisions
UHP: Ultra-High Performance
w/: With
w/o: Without
XPU: Generic processing unit term
YMTC: Yangtze Memory Technologies Co.
YoY: Year-over-Year

Exhibit 35: Companies mentioned
Companies mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AMD	AMD US	Advanced Micro	US$ 448.29	C-1-9
ARM	ARM US	Arm Holdings	US$ 207.92	C-2-9
ALAB	ALAB US	Astera Labs	US$ 204.42	C-2-9
AVGO	AVGO US	Broadcom	US$ 419.3	C-1-7
COHR	COHR US	Coherent	US$ 374.01	C-2-9
CRDO	CRDO US	Credo Technology	US$ 198.57	C-1-9
INTC	INTC US	Intel	US$ 120.61	C-3-9
LSCC	LSCC US	Lattice Semicond	US$ 125.43	C-3-9
LITE	LITE US	Lumentum	US$ 992.37	C-2-9
MTSI	MTSI US	M/A-Com	US$ 362.76	C-1-9
MRVL	MRVL US	Marvell	US$ 164.5	C-1-7
MU	MU US	Micron	US$ 766.58	C-1-7
NVDA	NVDA US	NVIDIA	US$ 220.78	C-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Advanced Micro Devices, Inc (AMD)

Our $500 PO is based on 42x our 2027E non-GAAP EPS. Our PO basis is now towards middle/upper range of historical 13x-58x, but is well supported by AMD's 50%+ annual EPS CAGR potential and its AI CPU/GPU share gain potentials, modestly offset by slower growth in cyclical PC/embedded/console markets.

Downside risks: 1) Execution on first rack-scale product (MI400 Series), 2) Timing/Magnitude of Middle East AI Projects, 3) Lumpy nature of consumer and enterprise spending that could create delays in acceptance and success of new products, 4) High reliance on one outsourced manufacturing partner, 5) Maturity of current game console cycle.

Upside risks are greater share gain potential in the PC and server processor market against competitors.

Arm Holdings (ARM)

We assign a $245 PO, which is based on 69x our CY28E non-GAAP EPS. Our PO basis is towards the middle of the 35x-92x historical trading range given longer-term data center content and silicon/chiplet (AGI CPU) opportunities, offset by high SoftBank dependence and opex ramp. This basis is also in-line with 2x-3x PEG framework for IP/EDA peers.

Upside risks: 1) better than expected smartphone/PC/server unit shipment, 2) faster adoption of higher-royalty rate v9 and CSS IP at customers, 3) faster share gains and ramp of AGI CPU chiplet lineup, 4) further proliferation of AI data centers and hyperscale-specific custom products, 5) Qualcomm/Nuvia content expansion post-settlement, 6) small floating volume.

Downside risks: 1) historically cyclical nature of semiconductor units, 2) high exposure to mature smartphone market, 3) competition against established x86 and other custom Arm-based CPU offerings in the data center, 4) emerging competition from RISC-V in low-end consumer markets, 5) rising geopolitical tensions and deterioration of Arm China relationship, 6) ongoing Qualcomm/Nuvia litigation, 7) small trading float.

Astera Labs Inc (ALAB)

Our $240 PO is based on 66x CY27E P/E. Our PO basis is near the high-end of similar high-growth compute/optical semiconductor peers trading at 18x-66x but in-line with

0.5x EV/S to sales CAGR framework given ALAB's superior sales growth outlook.

Downside risks to our PO are: (1) project delays/changes at leading customer Amazon, (2) increased competition from large cap connectivity peers Marvell/Broadcom, (3) delayed adoption of UALink-based scale-up switches or active electrical cable (AEC) products, (4) downturn in spending across hyperscalers and network operators, (5) Inability for ALAB to scale and meet demand from products beginning to ramp, (6) supply chain headwinds limiting available capacity.

Upside risks are: (1) unforeseen, accelerated engagements in PCIe- or UALink-based switching products, (2) a faster than anticipated ramp of lead customer accelerator projects leading to higher than expected ALAB products demand, (3) GM consistency/expansion over time, overcoming headwinds from an ongoing mix shift to more hardware/module products vs. chips/silicon

Broadcom Inc (AVGO)
Our $450 price objective for Broadcom is based on 26x CY27E P/E, in the middle of its 11x-41x historical range, still in-line with 1x-2x PEG framework for high-growth compute vendors, and 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.

Coherent Corp (COHR)
Our PO of $400 is based on 41x CY27E P/E. Our PO basis is at the upper end of historical 7x-41x trading range and justified given potential sales upside from hyperscaler upgrades, product ramps across optical circuit switches, co-packaged optics, transceivers, and more, and solid margin expansion opportunities due to mix, pricing, and yield improvements.

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 $210 PO is based on 30x CY27E P/E. Our PO basis is within the range of similar high-growth compute/optical semiconductor peers trading 22x-60x and also generally in-line with 1x-2x PEG framework.

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.

Intel (INTC)

Our $96 price objective is based on a conceptual sum-of-parts valuation that values internal IDM at $74 (37x CY28E EPS) and external foundry at $21-22 (10x CY28E EV/S), in line with competitive peers. Our PO implies 6.7x our total company 2028E EV/S which is well above historical 1.7x-4x range but we view as appropriate given increasing server CPU and external foundry opportunity, offset by near-/medium-term manufacturing ramp-up uncertainties.

Upside risks to our price objective are 1) key external foundry packaging/wafer deals that could significantly boost sales/utilization, 2) greater than expected yields/ramps at 18A and upcoming 14A nodes, resulting in greater GM/utilization profile, 3) stronger than expected PC market from Windows 10 refresh or AI uplift, 4) geopolitical tensions boosting sentiment for domestic manufacturing asset.

Downside risks to our price objective are 1) lower than yield/ramp at Intel Foundry, particularly for its new 18A and upcoming 14A nodes, 2) lack of material external foundry customer in wafer processing, 3) weaker-than-expected trends in a mature PC market, which is largest revenue generator for Intel, 4) accelerated share loss to major CPU competitors.

Lattice Semiconductor (LSCC)

Our $105 PO is based on 47x CY27E P/E, toward the upper end of peers trading at 16x-50x but still in line with LSCC's historical 5-year median of mid-40x given healthy double-digit sales growth, offset by limited GM expansion outlook.

Upside risks to our PO are: 1) successful CEO transition, 2) new margin expansion and opex control initiatives, 3) faster than expected share gains in mid-range FPGA market, 4) faster than expected adoption by customers, replacing legacy ASIC and/or MCU solutions, expanding overall FPGA TAM.

Downside risks to our PO are: 1) AMI deal not going through and/or not receiving regulatory approvals, 2) limited traction in mid-range FPGA market due to rising competition, 3) sudden onset of industrial/FPGA inventory correction, 4) share gains by larger competitors in small FPGA market, 5) gross margin deceleration.

Lumentum Holdings (LITE)

We assign LITE a $1100 PO based on 48x CY27E P/E. Our PO basis is at the high end of a 8x-50x historical range, justified given large growth opportunities in datacom chips (EML lasers, OCS, CPO), transceiver modules, and telecom (DCI/ZR), along with strong margin expansion potential to the low-50% range, and best-in-class EPS growth (>100% CY25-28E EPS CAGR).

Downside risks are 1) delays in industrial and telco rebound, 2) delayed upgrades made by hyperscaler/telecom network slowing rollout of emerging high speed optical equipment, 3) competitive pressures in optical communications market weighing on price/margin, 4) consistent M&A weighing on long-term multiple.

Upside risks are 1) quick rebound in cloud activity, 2) more resilient iPhone sales trends as well as limited share loss, 3) gross margin resilience if demand comes in better than expected.

M/A-Com (MTSI)

Our $410 PO is based on a 57x CY27E P/E. Our PO basis is at the high end of a 16x-57x trading range, justified, in our view, by continued data center strength, expanding margins, and stability in defense/telecom end markets, offset by near-term concerns about cost inflation and tariffs.

Downside risks to our price objective are (1) semiconductor cyclicality driven by weak macroeconomic conditions, demand or inventory corrections, (2) large private ownership with limited public float, which could add volatility to the stock price, (3) demand fluctuations in optical, aerospace, and defense markets, and (4) high degree of leverage, which could limit M/A-Com's flexibility and ability to engage in buybacks/dividends.

Marvell Technology, Inc. (MRVL)
Our $200 PO is based on 30x FY29E/CY28E pf-EPS (including stock-based comp). Our PO basis is modestly higher than 26x historical median but within 14x-47x range and is justified by an improvement in visibility for major customer ASIC projects, broadening AI portfolio across connectivity/switch/compute, and cyclical industry risks offset by ASIC upside, networking strength, and AEC/CPO/scale-up share gains.

Upside risks: 1) Faster than anticipated ramp/visibility in major custom ASIC projects, 2) Continued growth in DSP-based pluggable market, versus new LPO/LRO techs, 3) Share gains in emerging AEC/CPO/scale-up switch markets against incumbents.

Downside risks: 1) Loss of visibility in key custom ASIC projects, particularly in the next-gen 3nm/2nm chips at AWS and Microsoft, 2) Competition in AI compute, with merchant vendors continuing to proliferate and ASIC incumbent AVGO winning many of the large hyperscaler/AI customers, 3) cyclical industry risks including potential slowdown in legacy storage, enterprise networking, carrier markets.

Micron Technology, Inc (MU)
Our $950 PO is based on a sum-of-parts valuation that values: (1) traditional cyclical memory business at $710/sh at 3.1x CY27E P/B, toward the high-end range of MU's long-term range 0.8x-3.1x as we are potentially in a memory upcycle, and (2) AI HBM business at 27x CY27E PE, in-line with AI compute peer group median.

Downside risks: (1) larger than expected memory ASP decline, (2) greater competition from China newcomers, (3) share loss to large competitors, (4) softening of demand across major end markets such as data center, smartphones, or PCs.

NVIDIA Corporation (NVDA)
Our $320 PO is based on 28x CY27E PE ex cash, within NVDA's historical 25x-56x forward year PE range, which we believe is justified by NVDA's leading share in fast-growing AI compute/networking markets, offset by lumpiness in global AI projects, cyclical gaming market, and concerns around access to power.

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.

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US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Allegro Microsystems	ALGM	ALGM US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Michael Mani
	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
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	MKS Instruments	MKSI	MKSI US	Michael Mani
	Nova	NVMI	NVMI US	Michael Mani
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
NEUTRAL				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Ambiq Micro, Inc.	AMBQ	AMBQ US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Astera Labs Inc	ALAB	ALAB US	Vivek Arya
	Coherent Corp	COHR	COHR US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
UNDERPERFORM				
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Duksan Jang
	Qualcomm	QCOM	QCOM US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
RVW				
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

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Important Disclosures

Equity Investment Rating Distribution: Technology Group (as of 31 Mar 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	234	58.50%	Buy	123	52.56%
Hold	90	22.50%	Hold	43	47.78%
Sell	76	19.00%	Sell	23	30.26%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1993	55.76%	Buy	1186	59.51%
Hold	821	22.97%	Hold	509	62.00%
Sell	760	21.26%	Sell	400	52.63%

[R1] 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[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]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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