North America Equity Research
21 May 2026

Semiconductors/Semicap

TMC Conference Summary: Continued Momentum Post Q1 Earnings: AI Inference Inflection; Broad-based Cyclical Recovery; Solid Memory Upcycle; WFE Cycle Elongated - Stay OW the Group

This week, we hosted 13 semiconductor and semiconductor capital equipment companies at our 54th annual J.P. Morgan Global Technology, Media, and Communications Conference. Our most notable takeaway from the conference is the unanimous messaging from companies on follow-through on demand momentum across both semis and equipment since the recent earnings season, with virtually every management team noting that bookings, backlogs, and customer escalations have continued to build in the weeks since their prints. On the equipment side, KLAC characterized current visibility into the following year as the best the team has seen in over a decade, with CY27 WFE expected to exceed CY26. On the semis side, MU framed its outlook as having strengthened since its March print, and MCHP cited April bookings as the highest single month in nearly four years with continued order momentum in May. The AI workload inflection has broadened from accelerator-centric to a full-stack opportunity with inferencing now firmly the structural demand driver (INTC noted the CPU-to-GPU ratio is reversing from 1:8 in training toward 1:1 in inferencing and as high as 4:1 in agentic workloads), which in turn is driving custom silicon proliferation, advanced packaging acceleration, and a meaningfully extended memory upcycle. Custom silicon was endorsed as a structural tailwind across the AI-exposed stack, with multiple management teams citing the proliferation of hyperscaler ASIC designs at 3nm/2nm as a key driver of design activity, content opportunity, and process-control intensity. In memory and storage, both MU and SNDK independently called out undersupply well beyond CY26 (with SNDK now explicitly seeing undersupply persisting through CY27), with structural supply factors and locked-in long-term customer commitments (Strategic Customer Agreements at MU, New Business Model agreements at SNDK) underwriting an extended pricing-positive environment. The broad-based cyclical recovery in industrial/auto/A&D is now firmly underway, with multiple companies citing the strongest bookings activity in years and inventory replenishment characterized as just beginning - importantly, broad-based pricing actions remain notably absent as companies in attendance prioritize design momentum and customer relationships over short-term ASP gains. Physical AI is emerging as the next-leg TAM expansion vector with concrete content data points starting to surface. Structural margin transformations are increasingly underwriting the longer-term financial models, with mix and footprint - not just utilization leverage - now anchoring LT GM targets across the franchise. Overall, we remain constructively positive on semiconductor and semiconductor equipment stocks, reinforced by the breadth of the post-earnings demand follow-through, combined with the structural strength of the AI, memory, and WFE narratives. Our top picks remain OW AVGO, OW MRVL, OW MU, OW KLAC, OW AMAT, OW CDNS, OW SNPS, OW ALAB, and OW MKSI.

See page 30 for analyst certification and important disclosures.

Semiconductors & Semiconductor Capital Equipment / IT Hardware

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- **Continued demand momentum follow-through since the recent earnings season - across both semis and equipment, with virtually every management team explicitly noting bookings, backlogs, and customer escalations have continued to build in the weeks since their prints.** This was the single most consistent message of the week and the most reassuring signal on the sustainability of the cycle. On the equipment side, KLAC explicitly highlighted that "even since earnings, momentum has continued to build" with 2H26 shaping up materially stronger than 1H and CY27 visibility now the best in over a decade; MKSI reiterated outperformance and preparation for a $165-180B WFE environment in 2027+. On the semis side, MU characterized its financial outlook as having "strengthened since our last earnings call" with HBM/DRAM/NAND tightness now expected to extend well beyond CY26; NXPI flagged that book-to-bill, backlogs, and customer escalations have all continued to build since earnings, with conviction on double-digit% growth this year and next; MCHP cited April bookings as the highest single month in nearly four years and continuing into May; VSH reiterated 1.34x book-to-bill with backlog continuing to build; SYNA reiterated 40%+ Y/Y Core IoT growth for FY26; SNDK extended its undersupply view through CY27 (vs. prior end-CY26 framing); GFS positioned the Q1 print as a proof point of structural transformation with strong Q2 pull-through; and ALAB reiterated Q2 guide of ~$360M (+17% Q/Q) with PCIe Gen 6 already >1/3 of revenue.
- **AI workload inflection broadening from accelerator-centric to full-stack.** The inferencing-surpasses-training inflection in 2H25 is now being underwritten by management commentary at multiple companies and was another notable theme of the week. INTC clearly articulated the inference-driven evolution in compute currently underway - CPU:GPU ratio reversing from 1:8 in training toward 1:1 in inference, with some agentic workloads at 4:1 CPU-heavy, frontier model startups indicating CPU is "even more useful" than GPU in agentic environments. Similarly, MKSI pointed to NAND upgrade activity pulling Power Solutions on inferencing storage, and MU flagged context windows growing 30x/year. Physical AI is the emerging next leg - SYNA's robotics pipeline expanded from 1 named humanoid OEM 90 days ago to 35 OEMs in active engagement plus 3 design wins shipping silicon (content "in the tens of dollars" initial, rising materially with Astra sockets); INTC explicitly called out physical AI as the next strategic frontier beyond agentic - GFS framed physical AI as one of its three mega-trends.
- **Memory tightness extends into CY27, with MU and SNDK both signing long-term customer agreements to capture value through the extended cycle.** SNDK extended its undersupply views from end-CY26 to end-CY27 this week, and MU emphasized supply tightness "well beyond CY26." Both companies are using structural long-term customer agreements to capture value: MU has secured its first 5-year DRAM SCA with multiple additional customers in active negotiation (including for NAND); SNDK has 5 NBMs signed with the first three at $42B in aggregate lifetime contracted value and >1/3 of FY27 bits already under firm customer commitments, with floor/ceiling pricing structures and "prenup-style" walk-away financial guarantees. Tech execution remains the differentiator - MU's HBM4 production ramp is running 2x faster than HBM3E 12-High; 1-gamma DRAM and G9 NAND on track to be majority bit mix by mid-CY26.
- **WFE cycle elongating into 2027+; best early-May visibility in over a decade.** KLAC raised CY26 WFE >$140B at earnings and explicitly noted continued momentum since earnings, with 2H shaping up materially stronger than 1H and CY27 expected to exceed CY26 - described as the best early-May visibility into the following year in more than a decade. AMAT emphasized that upside is not driven by CY27 pull-in but rather creative reuse of existing capacity. MKSI is preparing for a $165-180B WFE environment in 2027+ with the Malaysia Supercenter opening in June (explicitly not needed to meet 2026 demand but positioning for the 2027 step-up). On mix: ~80% of CY26 incremental WFE is concentrated in advanced foundry logic, DRAM, and advanced packaging where

AMAT/KLAC are share leaders; ICAPS now expected flat-to-up vs. just flat 3-6 months ago. The custom silicon proliferation at the leading edge is also uniquely benefiting process control - nodes staying occupied longer at the leading edge supports sustained process control intensity.

- **Broad-based cyclical recovery in industrial / auto / A&D - inventory replenishment "just beginning" with multiple companies citing strongest bookings activity in years; pricing actions notably selective and not broad-based.** The broad-based recovery thesis is now being delivered with concrete data points across our coverage. MCHP April bookings were the highest month in nearly four years with momentum continuing into May, distribution at just ~26 days of inventory with restocking now underway and many direct customers who had not ordered in 12-18 months coming back. The VSH the team is "just beginning" inventory replenishment across industrial and A&D, with defense customers having yet to place replenishment orders - meaningful runway for further demand acceleration. NXPI sees DD% growth conviction for CY26/CY27, with customer escalations and bookings building since earnings and explicitly no restocking yet ("a tailwind still to come"); company-specific growth drivers tracking at the high end of investor day targets or above. MKSI's Specialty Industrial trough is behind it with datacom and defense driving the next leg. Critically, broad-based pricing actions remain absent: NXPI started selective pricing in distribution but explicitly framed it as not broad-based; MCHP is holding pricing entirely to preserve design momentum and rebuild customer relationships after prior-cycle missteps.
- **See company-by-company summaries on the following pages (in order of presentation).**

Applied Materials

J.P. Morgan TMC Conference Takeaways

Overweight

AMAT, AMAT US
Price (19 May 26):$406.91

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Tim Deane, Applied Materials' SVP of Applied Global Services, presented at our 54th annual J.P. Morgan TMC Conference.

- **WFE outlook continues to strengthen.** Mgmt emphasized that the CY26 upside is not being driven by pull-ins from CY27 but rather by accelerating creative reuse of existing capacity - examples cited included a customer procuring a completed shell from another customer, a 200mm fab being converted to an advanced packaging facility, and an older-generation 2D NAND fab being converted to DRAM. The 100+ project pipeline (with 10+ adds in just the last 90 days) skews to advanced foundry logic, DRAM, and advanced packaging, where greenfield capacity is required because of the sheer silicon intensity of AI workloads. NAND dynamics are different given the bit-leverage from technology upgrades, though the team flagged continued optimism around eventual greenfield NAND build-out as well.
- **WFE mix is structurally shifting: ~80% of CY26 incremental WFE spend concentrated in advanced foundry logic, DRAM, and advanced packaging, all segments where AMAT holds leading share position.** The historical 1/3 leading logic / 1/3 memory / 1/3 ICAPS framework no longer captures the spending mix; mgmt indicated that roughly 80% of incremental WFE spend this year is concentrated in the three AI-driven segments where AMAT is share leader. ICAPS is now characterized as flat-to-up across both China and non-China, with mgmt incrementally more positive vs. 3-6 months ago. The team emphasized that materials engineering intensity rises meaningfully at the upcoming DRAM transitions ($4F^2$ and eventually 3D DRAM), following the same playbook that drove ~10 ppts of WFE DRAM share gain over the past decade. Mgmt sees significant runway as $6F^2$ is extended and as $4F^2$ ramps with more advanced wiring and transistor formation moving deeper into AMAT's portfolio sweet spot.
- **Mid-teens% LT growth outlook for AGS, tracking above that range near-term.** The three key growth components within AGS are all working: (1) the contract business (~2/3 of AGS revenue) with >90% renewal rates (higher on managed/performance tiers) and an average contract length of 2.9 years - right in the sweet spot for planning visibility; (2) on-demand spares and labor tracking high factory utilization; and (3) software, where AMAT is now the largest supplier of factory-level software (a less-discussed but growing engagement vector). Top-line growth is being driven by value creation; bottom-line by efficiency - the three continental distribution centers are now fully automated with robotics, making ~60% of part handling touch-free.
- **Service intensity is rising structurally with IMS adoption, advanced packaging crossover, and tight process windows.** The proliferation of IMS platforms (~30% of system sales) is meaningfully increasing service intensity given its multi-process complexity, with each tool now potentially combining ALD, anneal, CVD, and PVD capabilities. Advanced packaging is creating a

net-new service opportunity as front-end complexity migrates into the back-end, with AMAT positioned as #1 in HBM packaging and well-positioned in 3D. On the systems side, gross margins (~55%) and operating margins (~35%) are benefiting from a cadence of high-value new product releases (5 advanced products in just the past 3 months), reinforcing the structural mix shift toward higher-value IMS platforms.

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North America Equity Research
19 May 2026

Astera Labs Inc

J.P. Morgan TMC Conference Takeaways

Overweight

ALAB, ALAB US
Price (18 May 26):$215.58

Semiconductors & Semiconductor Capital Equipment / IT Hardware

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Jitendra Mohan, Astera Labs' Chief Executive Officer, and Desmond Lynch, Chief Financial Officer, presented at our 54th annual J.P. Morgan TMC Conference.

- **Broad-based growth across all product families; Scorpio set to become the largest product family exiting 2026.** The team highlighted Q1 revenue of \$308M (+93% Y/Y, +14% Q/Q) and Q2 guidance of ~\$360M (+17% sequentially) - both broad-based across Aries, Taurus, and Scorpio. The PCIe Gen 6 portfolio is already >1/3 of revenue despite NVIDIA Blackwell being the only Gen 6 GPU in market today, implying meaningful upside as additional Gen 6 platforms ramp. Scorpio P (scale-out) ended 2025 at ~15% of total revenue, and Scorpio X (scale-up) is now ramping into volume production and is expected to overtake P this year. The combined Scorpio family is expected to be the largest product family exiting 2026, with Scorpio X alone addressing a ~\$10B greenfield TAM. Content per system has expanded from sub-\$100 at IPO to crossing \$1,000 today in content-rich applications.
- **AI inferencing and agentic workload inflection driving content expansion across the Leo CXL and Scorpio families.** Mgmt framed the post-2H25 shift from training to inference workloads as creating new connectivity bottlenecks - particularly around memory (driving Leo CXL adoption for KV cache offload) and all-to-all GPU communication (driving Scorpio adoption for mixture-of-experts traffic patterns). Long context windows are pushing the bottleneck toward memory, opening additional Leo applications including a custom Leo design at a hyperscaler for KV cache offload. Scorpio family features like Hypercast (multicasting that offloads IO bandwidth from the GPU) and In-Network Compute (offloading compute overhead from the GPU), both exposed through the COSMOS software framework, are increasing the strategic value of the switching architecture across both training and inference.
- **Custom silicon dynamics are a multi-faceted tailwind – ALAB benefits both from the broader custom ASIC ecosystem and from its own custom silicon programs.** Astera positions itself as the "Switzerland of connectivity," addressing both merchant GPUs and custom ASICs. Two factors drive content: the number of XPUs deployed (ASICs typically less performant than leading NVIDIA GPUs -> more XPUs per workload -> more ALAB content), and the scale-up protocol used (PCIe and PCIe-like protocols are multiplicative ALAB opportunities). On its own custom silicon programs, the team highlighted two publicly disclosed engagements - NVLink Fusion with NVIDIA and a custom Leo for KV cache offload at a hyperscaler. Importantly, these are "concept to manufacturing" engagements where ALAB owns full front-end design, back-end design, and manufacturing – capturing materially more value than the typical pure-play ASIC vendor model. More custom programs are in flight; mgmt noted internal engineering capacity is the binding constraint.
- **UALink standards-based scale-up inflecting in 2027 – combined PCIe +**

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UALink TAM ~$10B with broader customer pipeline building beyond the two publicly committed anchor customers. AWS and AMD have publicly committed to UALink, both ramping in 2027, and Astera's product development is on track to intercept these deployments. The team flagged additional UALink customers exploring adoption but not yet publicly committed. ALAB's structural advantage stems from learnings from the current Scorpio X 320-lane platform, particularly around Hypercast, In-Network Compute, and the COSMOS software framework, will transition seamlessly into UALink switches, providing port-over continuity for customers and a meaningful first-mover position in standards-based scale-up.

- **Optical roadmap (NPO 2027, CPO 2027/28+) plus aiXscale fiber coupling represent the next multi-$B SAM expansion.** While all scale-up today runs on copper given reliability, cost, and power advantages at the rack level, the move to multi-rack clusters (3-6 racks) will require optics given physics limits at 200G/400G. The team expects first NPO revenue in 2027, CPO for scale-out as early as 2027, and CPO for scale-up in 2028 and beyond. ALAB has been developing optical engine technology for ~2 years - electrical IC (in good shape), photonics IC (full team under development), and the aiXscale glass coupler (mechanical fiber coupling with detachable design and high-density configuration for high-radix applications). The strategy is intentionally photonics-agnostic – ALAB can work with TSMC COUPE, GlobalFoundries, Tower Jazz, or whichever foundry choice the customer prefers, providing flexibility while positioning for multi-$B SAM expansion as optics scale.

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GlobalFoundries

J.P. Morgan TMC Conference Takeaways

Neutral

GFS, GFS US
Price (18 May 26):$67.84

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Sam Franklin, GlobalFoundries' Chief Financial Officer, presented at our 54th annual J.P. Morgan TMC Conference.

- **GFS positioned as a structural beneficiary of three mega-trends – data center, physical AI, and supply chain diversification – rather than a cyclical recovery story; Q1 print served as a proof point of structural transformation.** Management emphasized that Q1 gross margin was up ~510 bps Y/Y despite just ~3% Y/Y revenue growth, driven by mix improvement and end-market diversification rather than volume leverage, and that the 2Q guide implies very strong pull-through from a margin perspective as well. The recent Investor Day (the first in 3+ years) was framed as a deliberate effort to crystallize the repositioning of the business and tie it to a multi-year financial model. The three mega trends: (1) data center role via SiPho, SiGe, CPO, and power delivery – which management sees as underappreciated today; (2) physical AI as a sweet spot for GFS's specialty/analog portfolio; and (3) GFS's three-continent manufacturing footprint as a differentiated asset, with growing fungibility across sites, in a world increasingly focused on surety of supply.
- **Long-term financial model anchored in stress-tested end-market growth assumptions – 40% GM exiting 2028 with a roadmap to 45%+ longer term, and OpEx growing at roughly half the rate of revenue.** Mgmt framed the LT model as built on momentum visible today rather than aspirational targets, with all assumptions stress-tested. End-market assumptions: CID at 30%+ growth through the cycle (high-30s% in 2026), Auto at low-double-digit % growth (following a 14x revenue increase over the past 5 years and with semis content per vehicle growing 1.5x by end of decade), IoT at mid-teens% through the cycle, and Smart Mobile assumed roughly flat. In aggregate, this translates to a 10-12% LT revenue CAGR at the enterprise level. CPO is positioned as a meaningful contributor to the GM walk starting in late-2028 / 2029. The OpEx framework – half the rate of revenue growth – provides operating leverage on top of gross margin expansion.
- **End-market diversification is the backbone of the model – 500 new design wins exiting 2025 (95% sole-source) plus the new Renesas partnership making GFS the foundry for the world's top three MCU companies.** The team highlighted that the 500 new design wins exiting 2025 were roughly evenly split across IoT (~200), Auto, CID, and Smart Mobile (reflecting deliberate diversification rather than concentration) with IoT design wins up ~40% Y/Y. The multi-year, multi-$B Renesas partnership is structurally important: GFS is now the foundry supplier to the top three MCU manufacturers (Infineon, NXP, Renesas), leveraging its BCD, GaN, and MCU technology breadth.
- **Silicon photonics and advanced packaging are the near- and mid-term inflection vectors – SiPho revenue expected to double in 2026 and CPO building as a meaningful contributor into 2028+.** Photonics revenue was

~$200M in 2025 and is expected to double to ~$400M in 2026, with continued strong pluggables demand expected into 2026 and 2027. Mgmt emphasized that GFS has been investing in this capability for over a decade and is one of the only foundries with both 200mm and 300mm photonics capability. GFS is positioning aggressively for the OCI MSA framework and views CPO as a meaningful contributor starting late 2028 / 2029, with sufficient industry-level demand to support multiple players. On advanced packaging more broadly, the team is leveraging capabilities it has long invested in (die-to-wafer and wafer-to-wafer bonding, high-performance RF) where size-sensitive applications create unique opportunities.

- **Custom silicon strategy enhanced by MIPS – bringing GFS into design conversations earlier; capital allocation framework anchored by a ~50% FCF shareholder distribution target.** Mgmt framed the MIPS acquisition as strategically important for multiple reasons – belief in RISC-V applicability, strong relevance to GFS's existing technology portfolio, and the ability to engage chip designers much earlier in the design cycle. Customer reaction has been universally positive, with MIPS bringing GFS into design discussions earlier with chip designers (the ASIC business previously sold to Marvell was sub-5nm and not the right fit, whereas MIPS is). On capital allocation, the team has generated strong FCF for the past several years and is now applying a systematic framework – reinvest in margin-accretive corridors, pursue inorganic opportunities to accelerate growth, and distribute 50% of FCF to shareholders through dividends and buybacks. The newly initiated dividend is consistent with that framework.

Intel

J.P. Morgan TMC Conference Takeaways

Underweight

INTC, INTC US
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Global Technology, Media and Communications Conference
May 18-20, 2026 | The Westin Boston Seaport District Boston, Massachusetts

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Lip-Bu Tan, Intel's Chief Executive Officer, presented at our 54th annual J.P. Morgan TMC Conference.

- **Cultural and organizational transformation accelerated – flatter structure, faster decisions, and a customer-first orientation rebuilding trust.** The team has compressed the management hierarchy from as many as 12 layers down to 5, with engineering leaders now reporting directly to Lip-Bu (what he described as a "speed-of-light" decision-making cadence vs. the prior environment in which decisions could take a year). The cultural reset emphasizes accountability ("bad news first" – surface problems within 24 hours), elimination of unnecessary meetings, and a recalibrated performance-review framework wherein "outstanding" requires company-level outperformance. The team has rebuilt customer trust through direct engagement, in one case formally working through "14 areas" that a major customer highlighted where Intel had previously fallen short. The new internal engineering bar is "A0 to production" – first-time-pass tape-outs as the cultural expectation, not the exception.
- **Foundry trust-building is progressing – 18A is in volume supporting Panther Lake, 14A is advancing toward 0.9 PDK targets, and the technology roadmap extends to 10A and 7A.** Mgmt reiterated that foundry is fundamentally a service business – customer trust must be earned through yield, defect density, cycle time, and on-time delivery, supported by ready IP and PDKs for both supply chain and design customers. Yields on 18A are improving roughly 7% per month and are ahead of year-end internal targets, with 18A now in volume production supporting the Panther Lake ramp (the team has approximately 200 design wins). On 14A, the 0.5 PDK is out and the team is targeting the 0.9 PDK for external customers in October (with internal customers earlier); 14A risk production lands in 2028 and volume in 2029, broadly aligned with TSMC's A14 timing. Customers want a multi-node roadmap, not single-node, and the team is already advancing 10A and 7A planning. Lip-Bu has also fully embraced EDA partners (Cadence, Synopsys) and consolidated internal EDA effort, cutting ~2/3 of the prior internal budget.
- **The agentic AI inflection is a meaningful structural tailwind for the CPU franchise – CPU-to-GPU ratio reversing from 1:8 toward parity and beyond.** Mgmt noted that inferencing surpassed training in the second half of 2025, and frontier model startups are now indicating that CPU is "even more useful" than GPU in agentic workloads. The CPU-to-GPU ratio was historically 1:8 in training; in inferencing and agentic environments, the ratio is moving closer to 1:1, with some customers indicating ratios as high as 4:1 (CPU heavy). Reinforced learning and the orchestration of many agents are CPU-intensive workloads – exactly the kind of demand pattern that supports Intel's core franchise.
- **Physical AI emerging as the next strategic frontier – Intel building toward**

full-stack capability from a position of embedded strength. The team called out physical AI (robotics, digital workers) as the next major opportunity beyond agentic and is building full-stack capability, from silicon optimization through software to system platform engineering. Intel's existing position in embedded and the Altera FPGA business (now spun out) provide strong starting points. The team is also addressing strategic capability gaps – memory (where Intel previously divested but is now recruiting talent to address as a system-level bottleneck) and high-speed/optical I/O. On accelerators specifically, the team's philosophy is "leapfrog rather than catch-up" – finding less-crowded areas where Intel can differentiate on performance, power, or software, rather than competing head-to-head in saturated GPU/ASIC markets.

North America Equity Research
18 May 2026

IonQ

J.P. Morgan TMC Conference Takeaways

Neutral

IONQ, IONQ US
Price (15 May 26):$51.95

Global Technology, Media and Communications Conference
May 18-20, 2026 | The Westin Boston Seaport District Boston, Massachusetts

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Inder Singh, IonQ's CFO and COO, presented at our 54th annual J.P. Morgan TMC Conference.

- **Trapped-ion modality durability reaffirmed; the team expects multi-modality coexistence over the longer term.** Management reiterated that trapped ions start with a fundamental fidelity advantage and that laser-based control works well through the ~100-200 qubit range before scaling, maintenance, and cycle time become prohibitive. The Oxford Ionics acquisition is the bridge – moving electronic qubit control onto a semiconductor manufacturing roadmap to enable both the 256-qubit and 10K-qubit platforms. The team framed the broader competitive landscape as a multi-modality world (trapped ion, superconducting, photonics, neutral atoms, etc.) but flagged IonQ's lead specifically within trapped ion, citing the team is ahead of its primary trapped-ion competitor on the 5th- and 6th-generation systems.
- **Roadmap execution on track – 256-qubit ahead of schedule, multiplexing unlocks the path to 10K, and interconnect provides the path to millions of qubits over the longer term.** The team confirmed the 256-qubit chip is developed and multiple prototypes are being built, with quarterly milestone updates planned and the program already ahead of internal schedule. Management framed the step from 256 to 10K as the next major milestone – anchored in CMOS-environment leverage, multiplexing, and mature semiconductor nodes (a proven path over decades), with execution following a familiar playbook. Beyond 10K, architectures become modular, opening the door to modular upgrades that reinforce customer stickiness. With industry-leading fidelity already in place, the remaining work is largely maintaining performance at scale, with interconnect-based architectures providing the path to millions of qubits by 2030.
- **SkyWater partnership emerging as a key strategic advantage – foundry supply scarcity and regulatory/export considerations on 10K-class systems are shaping the commercial model.** The team flagged that other foundries were surprised by the production volume IonQ was projecting and asked for revenue shares or other commitments, making the SkyWater partnership both fortunate timing and strategically critical. Surety and security of supply have been priorities from the start, with the team treating these considerations as foundational to the merchant supplier strategy. On the regulatory front, management was direct that for 10K-class systems national security is already involved for some applications. Importantly, 10K-class machines may face export restrictions – the team is already designing the 256-qubit commercial product with that in mind.
- **Algorithm development is positioned as both a moat and a customer enablement lever.** Management highlighted that the platform is uniquely positioned to network quantum systems together while simultaneously

providing security solutions against the future quantum threat (Q-Day). On the algorithm side, IonQ is developing key applications in sciences, materials, and financials in-house, while leveraging partnerships for areas like drug discovery and protein folding. The team framed algorithm work as a meaningful customer enablement lever given the scarcity of quantum engineers in the market – IonQ can both provide turnkey quantum algorithms and re-package customer-developed algorithms to accelerate adoption. The team also reiterated the broader portfolio breadth, from sensing and atomic clocks to encryption protection and supply chain scale, as a key differentiator from peers focused on compute alone.

KLA Corporation

J.P. Morgan TMC Conference Takeaways

Overweight

ANALYST FOCUS LIST

KLAC, KLAC US
Price (18 May 26):$1,756.45

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Bren Higgins, KLA's EVP & Chief Financial Officer, presented at our 54th annual J.P. Morgan TMC Conference.

- **WFE's outlook strengthening with momentum across all segments – even post earnings, momentum has added to a better 2H; CY27 visibility is the best the team has seen in years.** The team raised its CY26 WFE spending outlook to >$140B at earnings and noted that even since earnings, momentum has continued to build – the second half is shaping up materially stronger than the first as supply-chain lead times stretch and customer urgency builds. Mgmt noted this is the best early-May visibility into the following year for more than a decade, driven by new greenfield fab construction across logic, DRAM, and flash, for which customers are tightly aligning equipment delivery schedules to facility opening dates. The team expects CY27 WFE growth to exceed CY26, with growth this year "bumping" against fab-space limits, reinforcing the elongation of the cycle into 2027 and beyond.
- **R&D scale and new product cadence remain structural competitive advantages – and a key mechanism for value-based pricing.** The team reiterated its rapid new product launch cadence as a key differentiator – 13 platforms across product segments this year, the most in 10 years, with average platform spend running ~70% higher than a decade ago. Mgmt framed NPIs as delivering three structural advantages: staying a moving target to competitors, giving the salesforce new capability to sell, and resetting the cost-vs-price relationship at each launch. The team was explicit that in a consolidated industry, going back to raise prices on an established product "just doesn't work" – new product introductions are the mechanism for capturing cost-of-ownership improvement value.
- **Custom silicon proliferation at the leading edge uniquely benefits process control, particularly KLA.** The team highlighted a proliferation of custom ASIC designs at 3nm/2nm as introducing high-change, high-value production environments for which yield predictability and tight time-to-market are critical. Mgmt framed process control as "insurance" – the more valuable the die, the more customers are willing to spend ensuring it yields and performs as designed. Additionally, as nodes stay occupied longer rather than churning to the next node, the previous node's capacity gets used harder and customers tend not to reuse it for next-node ramps – supporting sustained process control intensity at the leading edge.
- **Advanced packaging acceleration continues.** As packaging design rules shrink and die-stacking complexity grows, the market is moving toward front-end–like solutions, naturally pulling KLA's macro inspection portfolio (in which the team has long been dominant in front end) and driving adoption of more advanced platforms including Gen 4, Gen 5 optical, BBP, and laser scanning tools. KLA's share of the overall advanced packaging market has risen from ~50-100bps in 2021/22 to ~6% in 2025 and likely 7%+ in 2026.

Sampling rates remain high (customers will not risk rework on high-value packages), and the team sees continued momentum from the bump-dimension shrink and the eventual transition to hybrid bonding.

- **Services business durability -13-15% LT CAGR target intact, with incremental gross margins now trending above 55%.** The team reiterated the structural services model – ~80% of revenue is contract-based with renewal rates in excess of 90-95%, tool lifetime has extended to 20+ years from ~10 historically, and service revenue over the lifetime of a tool now exceeds the original ASP value (vs. 40-50% a decade ago). Growth vectors include HBM (in which the team is starting to see memory customers shift toward higher-service models), advanced packaging, and integration of acquired companies into KLA's global service infrastructure. The team also flagged that incremental services gross margins are now trending above 55%, reflecting the leverage from the broadened global service footprint and the AI-driven predictive maintenance capabilities being deployed.

J.P.Morgan

Microchip Technology

J.P. Morgan TMC Conference Takeaways

Overweight

MCHP, MCHP US
Price (19 May 26):$91.81

Semiconductors & Semiconductor Capital Equipment / IT Hardware

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Eric Bjomholt, Senior Corporate VP and CFO, and Sajid Daudi, Head of IR, presented at our 54th annual J.P. Morgan TMC Conference.

- **Recovery firmly on track; the 9-point plan now well into execution.** Mgmt opened with a clean recap of progress on the team's 9-point recovery plan launched in March 2025 - FY26 revenue up 35% Y/Y, EPS recovering from $0.11 to $0.57 on a quarterly basis, and $320M of inventory taken out since Dec '24. The manufacturing footprint has been right-sized with capacity to grow into, cash flow has improved significantly, and net leverage will be below 3x exiting the June qtr - a meaningful milestone after the prior down-cycle leverage spike. The team is now focused on closing the gap to the long-term operating model of 65% GM and 40% OpM. Jun-qtr 62.75% GM guide demonstrates the trajectory, with the remaining ~225bps coming from continued underutilization unwind and mix. Opex remains a work-in-progress at ~29% of revenue vs. the 25% target, but mgmt sees a clear path.
- **Demand strength broad-based across geographies and end markets - April bookings the highest month in nearly four years, momentum continuing into May; team explicitly holding the line on pricing to preserve design momentum.** Sell-through was strong across every geography in the March quarter and has continued into this quarter, with bookings trending strongly across all end markets and geos. Mgmt could not call out any single end market or region as a particular driver, framing the recovery as truly broad-based. On pricing, the team explicitly is not considering broad-based price increases at this point, prioritizing the rebuilding of customer relationships and recapturing of design share after some "missteps" in the last cycle - many customers that had not ordered in 12-18 months are now coming back and opening up new design opportunities. Mgmt did acknowledge that if input cost inflation continues to accelerate, some pricing action may become necessary, but the philosophy is to maximize OpM dollars long-term and the team would rather hold prices and gain share where possible.
- **Megatrends now >50% of revenue; FPGA franchise outperforming (#3 globally, ~$500M+); 64-bit RISC-V embedded processor targeting a $5B TAM.** The six megatrend areas (Edge/IoT, Compute/DC, AI, Sustainability, E-mobility, Networking) grew at a 26% CAGR FY21-FY24 and now exceed 50% of revenue - still high growth and a continued strategic focus, even if 2x corporate growth is unlikely sustainable from this scale. The Total System Solution (TSS) attach rate remains around 4-5 additional MCHP products per anchor (MCU/MPU/FPGA) design win, with continued investment in reference designs and sales-team training driving incremental BOM share. FPGA outperformed corporate in CY25 - PolarFire is dominant in A&D (radiation-hardening, power efficiency, security - well-positioned for the global defense replenishment cycle), and PolarFire 2 is broadening reach into "industry 4.0", vision capture, and smart agriculture (all GM-accretive). The

64-bit embedded processor on RISC-V (with optionality for ARM additions over time) is targeting a ~$5B TAM, with a recent NASA/JPL collaboration cited as a milestone moment for the high-performance space compute franchise.

- **Path to 65% GM clear - underutilization charges alone get there, with positive product mix as a structural tailwind on top.** Underutilization charges will keep declining each quarter (down $6M last qtr with a similar pace expected this qtr) but will not be fully eliminated by year-end given internal fabs can only ramp 15-20% Q/Q. The team is currently shipping above internal wafer-out, which is why inventory has continued to come down. Manufacturing mix stays stable at ~35% internal / ~65% external (anything ≥110nm internal, ≤90nm external), with potential for the internal share to drift slightly lower as faster-growing externally-sourced products (data center, networking, FPGA) outgrow the broader portfolio. Fab 5 in Colorado retains the optionality to convert from 6-inch to 8-inch without greenfield expansion. The China-for-China strategy has been abandoned given tariff dynamics now look at point-of-fab rather than point-of-package, so the team is leveraging Thailand and Philippines assembly and test (~70% in-house, expected to inch up modestly over time) to serve Asia including China. Higher-growth product areas (data center, networking, FPGA) carry above-corporate gross margins, providing a structural mix tailwind on top of the underutilization unwind - mgmt is not yet ready to update the LT margin profile but views the 65% GM target as a level the franchise should be able to float around through cycles given better inventory discipline this time.

J.P.Morgan

North America Equity Research
20 May 2026

Micron Technology

J.P. Morgan TMC Conference Takeaways

Overweight

MU, MU US
Price (19 May 26):$698.74

Semiconductors & Semiconductor Capital Equipment / IT Hardware

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Manish Bhatia, Micron's EVP of Global Operations, and Samir Patodia, Senior Director of Investor Relations, presented at our 54th annual J.P. Morgan TMC Conference.

- **Financial outlook has strengthened since the March earnings call; HBM, DRAM, and NAND tightness expected to continue "well beyond CY26."** Mgmt opened with a clear positive update – the financial outlook has strengthened since the last earnings call, the team is on track for another substantial record FCF in fiscal Q3, the balance sheet has never been stronger, and all three rating agencies have upgraded Micron this year. Pricing has played out as expected since March but demand has been very strong, with agentic AI and machine-to-machine workloads driving inferencing as an increasingly larger portion of customer demand. Memory is increasingly framed as a strategic asset – higher-performance, higher-reliability, and higher-capacity memory all add to the performance of AI models. The team also reiterated that supply continues to be very difficult to increase, and tightness across HBM, DRAM, and NAND is expected to extend well beyond CY26.
- **Structural supply constraints reinforce the multi-year AI memory bull case – tech transitions delivering less bit growth, HBM trade ratio widening with each generation, and greenfield capacity is the central path forward.** Two structural factors compound the supply tightness: (1) DRAM and NAND technology transitions are delivering less productivity (less bit growth per node) than prior nodes, and (2) HBM die sizes are materially larger than standard DRAM, requiring >3x as many wafers per bit, with the trade ratio continuing to grow from HBM3E -> HBM4 -> HBM4E. Both dynamics force greenfield capacity additions rather than incremental retrofits – and greenfield requires more cleanroom space and longer build timelines.
- **Capacity expansion is broad and accelerating – Tongluo + twin fab (Taiwan), Idaho 1 (pulled in to mid-CY27) and Idaho 2 (CY28), New York (ahead of schedule), Singapore HBM (CY27) and a new Singapore NAND fab.** The Tongluo acquisition in Taiwan closed ahead of schedule (strong support from the Taiwanese government), with the converted fab on track for leading-edge DRAM production in 2H CY27; construction on a twin fab adjacent to it begins this summer, with the combined site to operate as a mega-cluster with the existing Taichung operations. Idaho 1 has been pulled in from 2H27 to mid-CY27; Idaho 2 ground preparation is under way, with wafer output expected in late CY28. NY construction is ahead of schedule with concrete being poured later this year. In Singapore, the HBM facility is on track for production impact in CY27 to supplement Taiwan, and the team broke ground on a new NAND fab there earlier this year.
- **Technology execution remains a key differentiator – 1-gamma DRAM and G9 NAND on track to cross over to majority bit mix by mid-CY26; HBM4 production ramping 2x faster than HBM3E 12-High; HBM4E**

development well under way with a JEDEC-standard product first, customization to follow. Both 1-gamma DRAM and G9 NAND are on track to become the majority of bit output by middle of this year, both ramping faster than prior nodes, with 1-gamma expected to become the highest-volume DRAM node on a total wafer-out basis in Micron's history. EUV deployment on 1-gamma is progressing well, and the team is increasing EUV deployment in 1-delta and future generations. HBM4 production is ramping 2x faster than HBM3E 12-High did last year, with yields also improving faster, running on the 1-beta platform with an in-house optimized base die. HBM4E development is well under way for a CY27 ramp – first product will be a JEDEC-standard part on 1-gamma DRAM with TSMC logic die, with customization opportunities following for higher-value engagements. Mgmt sidestepped specific CY27 HBM volume/pricing color but noted prior years' contracts (including HBM3E+HBM4 mix for CY26) closed in CQ4 of the prior year, implying a similar playbook for CY27.

- **Data center SSD share continues to compound – exited CY25 at 15% (#3 globally) on PCIe Gen 5 traction and first-to-market Gen 6; Strategic Customer Agreements (SCAs) building across both DRAM and NAND.** Data center SSD share has gone from 5-7% in 2022 -> 10-12% in 2023 -> 15% exiting CY25, with Micron now the #3 global data center SSD supplier. The PCIe Gen 5 9550 has driven the recent gains, and the team is first-to-market with the Gen 6 9650 (on G9 NAND), which is qualified on NVIDIA's STX reference platform. Exponential growth in AI context windows is reinforcing NAND's strategic role for KV-cache offload and broader inference workloads, with Micron well positioned given the breadth of its memory portfolio (now 4 generations of leadership in DRAM and 3 in NAND, increasingly co-defining architectures with customers rather than just supplying to JEDEC spec). On SCAs, mgmt confirmed meaningful progress since the first 5-year DRAM SCA disclosed in March, with multiple additional customers in active conversations, and explicitly confirmed SCAs are now being secured for NAND as well – an incremental positive given the structural NAND tightness narrative.

J.P.Morgan

North America Equity Research
18 May 2026

MKS Inc

J.P. Morgan TMC Conference Takeaways

Overweight

MKSI, MKSI US
Price (15 May 26):$303.17

Global Technology, Media and Communications Conference
May 18-20, 2026 | The Westin Boston Seaport District Boston, Massachusetts

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John Lee, MKS Instruments' President and CEO, and Ram Mayampurath, CFO, presented at our 54th annual J.P. Morgan TMC Conference.

- **Well-positioned to continue to outperform WFE in this upcycle.** The team reiterated its long-standing track record of outperforming WFE through-cycle by ~200bps but flagged three structural differences this cycle: less NAND amplitude than past cycles, broader litho/metrology/inspection exposure that smooths the cyclical swings, and a larger China domestic OEM share of WFE that expands the denominator. Encouragingly, the team flagged the broader depth/etch inflection – more chips going vertical, requiring more deposition and etch process steps – as a structural tailwind given MKSI's historical strength there. NAND upgrade activity is starting to pull through Power Solutions on AI inferencing storage demand, and the team highlighted a customer-announced greenfield NAND fab targeting mid-2028 production as a leading indicator. MKSI is preparing for a $165-180B WFE environment in 2027 and beyond.
- **E&P chemistry and chemistry equipment both at record levels, with multiple consecutive quarters of strong equipment bookings and AI chemistry on track to roughly double Y/Y.** The team noted that chemistry growth remains robust and the broader E&P segment continues to benefit from sustained PCB industry capex strength. Chemistry equipment bookings have been strong for several consecutive quarters (exceptional in a cyclical business that historically alternates up-one/down-two years). AI-related chemistry mix should reach ~15% in 2026, up from ~5% in 2024 and ~10% in 2025, implying the AI portion roughly doubles Y/Y. Importantly, the team framed PCB consumables growth as benefiting from three concurrent vectors - more layers per board (MLB now 20-25 vs. 4-5 historically; total layers per AI system at 80-100 today vs. 30-40 a few years ago), larger boards, and smaller features requiring more expensive chemistry. AI-related chemistry growth is expected to more than offset potential consumer device unit declines tied to higher memory pricing.
- **Specialty Industrial steady; auto remains a drag, but datacom and emerging quantum provide incremental tailwinds.** Specialty Industrial revenue has stabilized in the ~$290-300M per quarter range, with the team comfortable that the trough is behind it. Within the segment, autos remains weak, but datacom and defense are the two key growth drivers. Quantum end-market exposure has scaled from low single-digit million dollars a few quarters ago to low double-digit million dollars today – still a small contributor but growing meaningfully off a small base, spanning vibration isolation tables, optomechanics, lasers, and optical components. The segment continues to deliver attractive margins and steady incremental free cash flow.
- **Malaysia Supercenter opens in June – but explicitly not needed to meet 2026 WFE demand.** The Malaysia Supercenter – a 17-acre, ~500K sq ft

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facility (the largest factory in MKS history) – opens in June, initially semi-focused with optionality into E&P, and built with room to expand further. Mgmt explicitly noted that Malaysia is not required to meet the current $140B+ WFE environment (existing capacity is already sufficient) but the facility positions MKSI to scale into the anticipated 2027 step-up. Near-term ramp costs are embedded in guidance, with the facility expected to turn accretive to gross margin once utilization scales. The longer-term GM objective remains intact, with additional color expected at the Investor Day later this year.

- **Capital allocation focused on continued debt paydown – pace could accelerate given strong FCF; M&A framing shifted toward a higher bar as organic investment is increasingly viewed as faster and cheaper.** The team noted that the combination of strong free cash flow and revenue growth could accelerate the pace of debt paydown, with the ~2.0-2.5x net leverage target achievable by year-end 2026 or early 2027. Beyond the leverage target, capital allocation will shift to a more balanced approach, adding inorganic growth opportunities and opportunistic capital returns through buyback or dividend on top of organic investment and debt management. On M&A specifically, mgmt flagged that the portfolio has no major missing pieces today, and that in many cases organic investment can now be executed as fast and more cheaply than acquisitions (with the recent Photon Control deal cited as the kind of niche capability that still merits M&A). Net takeaway: a higher M&A bar from here, with both organic and inorganic options remaining open.

J.P.Morgan

North America Equity Research
20 May 2026

NXP Semiconductors

J.P. Morgan TMC Conference Takeaways

Neutral

NXPI, NXPI US
Price (19 May 26):$294.28

Global Technology, Media and Communications Conference
May 18-20, 2026 | The Westin Boston Seaport District Boston, Massachusetts

Semiconductors & Semiconductor Capital Equipment / IT Hardware

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Bill Betz, NXP's Executive VP and CFO, and Jeff Palmer, SVP, Investor Relations, presented at our 54th annual J.P. Morgan TMC Conference.

- **Demand momentum building with conviction on double-digit% growth this year and next year – still no signs of restocking (a tailwind yet to come) and pricing actions starting in distribution.** Mgmt characterized the environment as one in which demand signals continue to gain momentum since earnings, with book-to-bill, backlogs, and customer escalations all building, supporting strong conviction on the double-digit% growth trajectory for CY26 and CY27. Approximately half of the business goes through distribution and disty inventories are right where the team wants them, with Auto Tier-1 working capital still tight and the team explicitly not seeing pull-aheads or restocking (framed as a tailwind that is still to come). Pricing actions have started in the distribution channel as a first response to input cost inflation and may broaden to direct customers in 2H26 if inflation persists, though mgmt was careful to emphasize this is selective.
- **Company-specific growth drivers running at the high end of the model or above.** All company-specific growth drivers are tracking at or above the targets shared at NXP's investor day, with the trajectory becoming more visible now that the inventory digestion overhang has cleared. In auto, ~45-46% of the segment is linked to specific growth drivers, all at or above plan, and mixing toward 50% of the auto business. In Industrial/IoT (60% industrial / 40% IoT), the company-specific growth drivers (~35% of portfolio, heading toward 40%) are growing at ~30% (heading to 40%), driven by design wins from several years ago that are now ramping - giving the team confidence the trajectory is more than cyclical. The core part of the industrial portfolio is growing ~15%, with company-specific drivers layering on top.
- **Data center now sizeable enough to be broken out as a standalone disclosure - expected to outgrow its SAM, with wins building across networking and broad compute.** With data center revenue now embedded across both Industrial IoT and Comms Infrastructure (~50/50 split), the team has begun discussing it as a standalone vector and will provide quarterly updates going forward, with the expectation to grow faster than the underlying SAM. Wins are coming through networking (LayerScape family on the control plane) and board compute & cooling, supported through both direct and distribution channels with multiple new customers added recently and exposure to several hyperscalers and OEMs. Mgmt flagged continued investment opportunities in AI data center given the breadth of the portfolio and NXP's positioning in switching and the control plane, an area where the team has historically been a leader.
- **AI-at-the-edge / "AI enablement" is the next leg - barely started; 2025 ~5% of Industrial IoT revenue, 2026 ~12%, with Kinara revenue still to come in CY27+.** Mgmt framed AI at the edge as still "in spring training" - the share

of Industrial IoT revenue carrying AI enablement capabilities was ~5% in 2025 and is expected to be ~12% in 2026, and importantly that excludes Kinara (revenue from Kinara only begins to flow through in CY27). The Kinara engagement funnel has now surpassed $1B with broad early-stage customer interest, with distribution partners being trained to chase the long tail of customers. The TTTech / CoreRide acquisition was framed as the "move up the stack" enabler - software ahead of hardware as a competitive advantage with high switching costs, allowing NXP to win where engagements are increasingly with engineers and OEMs rather than Tier-1s.

- **Capacity build-out underpins the path to the 60% long-term gross margin target - VSMC alone drives 200bps of GM by 2028.** Mgmt reiterated the multi-year manufacturing build-out: the VSMC JV (300mm fab in Singapore, cost-plus model) starts ramping in 2027 and alone is expected to drive ~200bps of gross margin uplift by 2028. ATKL2 (Malaysia assembly & test) breaks ground in 2Q26 and comes online in 2028 in line with VSMC - highly automated and providing inventory and timing control vs. relying on OSATs (where NXP would otherwise have to buy finished goods rather than control WIP). On the LT 60% GM target, utilization remains the biggest lever and mix the other; investments from 4-5 years ago carried 55% GM entitlement and are ramping now, while new investments today carry ≥60% GM entitlement and will layer in over time. The team continues to view software-defined vehicles as early innings and physical AI as "in spring training," with the strategic runway framed as the next 5-10 years.

J.P.Morgan

North America Equity Research
20 May 2026

Sandisk

J.P. Morgan TMC Conference Takeaways

Not Rated

SNDK, SNDK US
Price (19 May 26):$1,383.29

Global Technology, Media and Communications Conference
May 18-20, 2026 | The Westin Boston Seaport District Boston, Massachusetts

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David Goeckeler, Sandisk's Chairman & CEO, and Luis Felipe Visoso, CFO, presented at our 54th annual J.P. Morgan TMC Conference.

- **Portfolio in great shape across all three end markets.** The team opened by characterizing the portfolio as being "in great shape" – BiCS8 ramping as a differentiated node, a strong consumer business, a strong edge business, and a now-meaningful data center business that grew over 200% sequentially in the March qtr to 25% of the mix. Mgmt continues to expect the data center business to grow from here as the team executes against its eSSD product strategy. The combination of BiCS8 leadership, broadening data center traction, and pricing strength is supporting what mgmt characterized as a balanced portfolio across all three end markets.
- **NBM (New Business Model) framework is a centerpiece of the transformation – built around three balancing objectives: fair return for the technology, dampening cyclicality, and continued mid- to high-teens % bit supply growth.** Mgmt laid out the explicit framework behind the NBMs: (1) get a fair return for SNDK's technology, (2) dampen cyclicality (with strengthened balance sheet, cash reserves, and contractual mechanisms that benefit SNDK if downturns occur), and (3) sustain mid- to high-teens % bit growth. Mgmt argued that the traditional NAND model of quarterly clearing prices, episodic inventory-to-cash cycles, and customers/suppliers misaligned on duration, has been "extremely corrosive" to the industry, and the NBMs are designed to close the door on that historic dynamic.
- **NBM mechanics – multi-year supply commitments (3-5 years), floor/ceiling pricing with mostly fixed near-term and variable longer-term, and "prenup-style" walk-away financial guarantees held by SNDK or third-party institutions.** The team walked through NBM mechanics: NBM conversations are initiated by customers asking for supply assurance (not price), and durations are typically 3-5 years (some customers want longer, but visibility is the constraint). Pricing is mostly fixed for the near term and incorporates a floor-and-ceiling structure further out, calibrated such that the floor is attractive to SNDK and the ceiling is even more so, allowing both parties to capture upside while limiting downside. Critically, every NBM includes a financial guarantee structure where walk-away funds flow either through SNDK or a third-party financial institution under pre-defined criteria – "no lawsuits, no discussions." The team also explicitly focuses on customers that are growing faster than mid-teens bit supply (so NBM partners take an increasing share of SanDisk's portfolio over time).
- **NBM progress – 5 signed (first 3 at $42B aggregate lifetime value; >1/3 of FY27 bits covered); active negotiations broadening across data center and edge; consumer outside the NBM model.** As of the April earnings call, the team had 5 NBMs signed with the first three carrying $42B in aggregate lifetime contracted value, with >1/3 of FY27 bits now under firm customer

commitments. Mgmt declined to update incremental progress ahead of the next earnings call but confirmed active negotiations with additional customers across both data center and edge end markets. Consumer is explicitly outside the NBM construct given the structure of that business – SNDK remains committed to consumer and edge as strategic markets. Mgmt emphasized that diversity is intentional, with the team constructing a portfolio of NBMs across different end markets and staggered durations rather than concentrating on a single segment. On cost-downs, the team is still driving low-teens % annualized cost-per-bit declines (factored into all signed NBMs) but explicitly noted that cost is no longer the primary framing for the business.

J.P.Morgan

Synaptics Inc

J.P. Morgan TMC Conference Takeaways

Overweight

SYNA, SYNA US
Price (15 May 26):$128.23

Global Technology, Media and Communications Conference
May 18-20, 2026 | The Westin Boston Seaport District Boston, Massachusetts

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Rahul Shah, Synaptics' President and CEO, and Manjul Shah, VP of Investor Relations, presented at our 54th annual J.P. Morgan TMC Conference.

- **Core IoT remains the primary growth engine with multiple concurrent product drivers ramping into FY27 - Astra, Wi-Fi 7 monolithic MCU, and semi-custom all materializing on schedule.** The team reiterated that Core IoT is on track for ~40%+ Y/Y growth in FY26, with CY27 framed as the year the Astra family becomes the primary growth engine. Astra is positioned as "AI-native" (every processor in the family includes inference capability at the far edge) and SYNA's first Astra microprocessor is now in production with revenue ramp into late CY26 and through CY27. The Astra-enabled connected MCU (industry's first to integrate Wi-Fi 7, Bluetooth 6, MCU, and NPU in a monolithic die) is now sampling - mgmt highlighted that peer MCU/processor players (NXP, STMicro, Infineon, Microchip, Renesas) "barely have Wi-Fi 6" today, underscoring the differentiation. Wi-Fi 8 silicon is expected by year-end CY26, extending the connectivity runway and providing additional tailwind into CY27/CY28.
- **Physical AI / robotics pipeline expanding meaningfully - 35 engagements plus three additional shipping silicon this past quarter.** Management leaned into robotics as the highest-leverage new vector. The pipeline has expanded from one named humanoid OEM 90 days ago to 35 OEMs in active engagement globally, plus three additional design wins now shipping silicon. Content per humanoid is concentrated in tactile sensing. The team detailed approximately 10-20 touch controllers per palm (two palms per humanoid) plus a video bridge interface from main SoC to display, putting initial content "in the tens of dollars." The longer-term opportunity expands materially as customers add Astra processors (every subsystem in a robot needs local MCU/inference capability - another $10-20 of content per Astra socket). The lead North American customer has publicly announced humanoid pilots end of CY26 and production end of CY27 - early industry forecasts of ~1M humanoid units in CY28 frame the magnitude. Notably, robotics revenue is not embedded in formal FY27 financial plans.
- **Semi-custom project on track - sampling this fall, production 1H27 and larger ramp 2H27; framework now extends to multiple additional engagements under evaluation.** The team reaffirmed the SR-series semi-custom platform (Synaptics microcontroller + Google's Coral NPU + ISP capabilities) is sampling this fall with production ramp in 1H27 and the larger ramp in 2H27. Mgmt framed the semi-custom philosophy as the highest-conviction model - customer brings material skin in the game; a more certain path to production; and the architecture is co-developed such that Synaptics can take the resulting design to the broader marketplace. Multiple additional semi-custom discussions are ongoing across sensing, processing, and wireless, with the team disciplined on OpEx allocation - every engagement is evaluated on customer commitment, time-to-market, target market scale, and the ability

to repurpose the architecture into a broader product family.

- **Gross margin steady at 53.5% +/- 1%; Astra mix accretion remains structural, but input cost headwinds expected to persist near-term.** The team reiterated near-term gross margin in the 53.5% +/- 1% range despite input cost increases over the last several quarters, with mgmt noting it does not see relief on input costs in the coming quarters - a dynamic framed as industry-wide rather than Synaptics-specific. Astra is “by design” expected to be gross margin accretive as it scales through CY27, but the team will remain watchful on how the input cost environment evolves relative to the mix benefit. The longer-term Astra-driven mix shift remains the structural tailwind, but management is appropriately tempered on the near-term margin trajectory.

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North America Equity Research
19 May 2026

Vishay Intertechnology Inc

J.P. Morgan TMC Conference Takeaways

Joel Smejkal, Vishay Intertechnology's President & CEO, presented at our 54th annual J.P. Morgan TMC Conference.

- **Vishay 3.0 transformation is paying off – broad-based growth across all end markets, channels, and regions, with channel partners leading the way.** The team emphasized that Q1 represented continued validation of the Vishay 3.0 strategy: 1.34x book-to-bill (semis 1.47x, passives 1.23x), gross margin of 21% (vs. 19% a year ago), backlog at 5.7 months and growing. Distribution revenue grew 19% Y/Y and OEM grew 14% Y/Y – a marked shift from the "Vishay 2.0" era of stockpiled cash, limited capacity, and minimal R&D. Management framed the transformation as broader than operational catch-up: reengaging lost and underserved customers, prioritizing high-margin channels (distribution, EMS, key OEMs), and intensifying R&D. ASP increases are recent and expected to show more meaningfully in Q2 and Q3.
- **Customer relationships are being rebuilt and inventory replenishment is "just beginning" across industrial and A&D – meaningful runway for further demand acceleration.** The team described actively repairing relationships with customers previously underserved by Vishay 2.0 (including formally apologizing for prior service issues) with customers now opening up technical roadmaps to Vishay as a "new supplier that can scale with them." Industrial power (EVs, AI datacenters) is leading, with Vishay winning large share of capacitor business in those projects. A&D demand is moving higher, with the team now repurposing auto-grade semiconductors for military/A&D applications; defense primes have yet to fully place replenishment orders, suggesting continued runway. Both passives and semiconductor backlogs are expected to keep building as OEM inventory replenishment broadens across end markets.
- **Closing a 10-year technology gap – SiC and GaN MOSFETs and diodes now at parity with competition; "Vishay Solutions" reference designs reframing the sales motion.** The team highlighted that Vishay's product roadmap has closed a meaningful technology gap to competitors, particularly in SiC and GaN power devices where Vishay had historically lagged. The newly built mobility design team is creating reference designs that allow engineers to populate around the processor with Vishay passives and discretes. As a hybrid semi and passive manufacturer supplying ~80% of customer BOM, this innovation push is reframing Vishay as a solutions provider rather than a discrete component supplier.
- **Capacity expansion and footprint optimization underpinning both volume growth and margin expansion – Newport fab utilization ramping 2H26, 12" Itzehoe fab on track for 2027, ~60 factories under consideration for optimization.** The team expanded internal capacity 70% from 2023-2025, complemented by subcontractor capacity additions. The Newport fab is expected to start filling in 2H26 as customer qualifications complete, with 10

Neutral

VSH, VSH US
Price (18 May 26):$36.95

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automotive site audits expected through 2Q26. The new 12" Itzehoe (Germany) fab is on track for a 2027 ramp and is expected to deliver a ~30% cost benefit over the 8" footprint, initially filled with commercial, AI, and industrial products given automotive qualifications take 12-18 months. In parallel, the team is evaluating 60 factories for optimization (getting out of high-cost countries), which should drive margin uplift particularly on the passive side. Importantly, the team noted that historically low MOSFET share simply reflected capacity constraints; with new fab capacity coming online, Vishay can now monetize design positions it had previously underserved.

- **Gross margin progression on track from 21% today toward the 30% target on a $5B revenue base – multiple levers support the path with no single dependency.** The team framed the margin walk as supported by five distinct levers: ASP increases (recent, with more impact expected in Q2/Q3); volume efficiencies; internal cost savings (all 17 business units have specific annual targets); filling Newport fab; and the 12" Itzehoe fab transition (~30% cost benefit going from 8" to 12"). New products tend to launch at higher margin and contribute to ongoing mix uplift. Mgmt was confident that the cultural and operational transformation is "here, it's done" – pointing to the highest level of organizational excitement in years and the energizing effect of the sales team finally having reference designs and capacity to take to customers.

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