

## US Semiconductors

# Cloud Capex Preview: expect increased CY27 visibility throughout the year

Industry Overview

### AI capex CY26/27 outlook now up +57%/+16% YoY

Data center remains the key stronghold into Q1 semis earnings, with four major US hyperscalers (Google, Microsoft, Meta, Amazon) set to report in the coming weeks. Ahead of earnings, our tracker indicates Q1 global hyperscale capex at \$166bn, up +13% QoQ or +87% YoY. For CY26/CY27, capex points to \$750bn/\$872bn or up +57%/+16% YoY now, generally in-line with +56%/+16% post-Q4 results in February. Importantly, capex sustainability into CY27 remains the big question, though we believe a continued wave of data center buildout partnerships/announcements over the last two months help improve the visibility (such as AMD/Meta, AVGO/Anthropic, Nvidia CY27 outlook). While cloud hyperscale FCF margins remain tight today, we also expect them to improve toward 5-10% over the next few years as sales/ROI improve (more below). Overall, our top AI picks include NVDA, AVGO, MRVL, AMD, CRDO, along with related semicap (KLAC, LRCX, AMAT), EDA, and optics (MTSI) levered to our \$1.4Tn 2030 AI spending thesis.

### New DC projects improve visibility for CY27 capex

Since Q4 earnings in early February, multiple new DC projects and supply agreements have been announced for 2027-beyond deployment, supporting our view that AI capex is likely sustainable: 1) AMD/Meta deal to provide 6 GW capacity through 2030, with an obligatory 1 GW beginning 2H26; 2) NVDA DC sales outlook of ~\$500bn in CY27, up +50% YoY; 3) ARM AI CPU TAM of \$100bn by CY30, growing from ~\$50bn today (though we see \$35-40bn); 4) AVGO/GOOGL TPU/networking deal through 2031, with AVGO likely remaining the main design partner for the high-end \$15-25k+ SKU; and 5) Anthropic TPU deal to install 3.5 GW of custom compute capacity beginning 2027.

### FCF tight through CY28, but ROI improving quickly

FCF remains very tight at top hyperscalers, reaching 9% of sales in CY25 and just low-single-digit % in CY26E versus historical 15-20% pre-AI (2018-2024). However, we flag capex is an upfront investment for future token generation abilities (i.e. revenue in the AI world), and FCF margin could recover back to 5-10% level over the next few years as ROI improves with new 2<sup>nd</sup> gen AI applications such as OpenClaw. Despite the low FCF margin, there also remains FCF buffer/cushion today, with **META** claiming it generates sufficient cash to fund all infra investments in 2026, **MSFT** monetizing AI products at +60-180% YoY pace, and **AMZN** monetizing AI capacity as quickly as it can install.

### CY27 vendor view requires faster capex – potential risk

We highlight AI compute bottom-up view (combined DC sales at NVDA, AVGO, AMD) points to \$180-200bn incremental sales YoY in CY27 (>50% YoY), well above the current hyperscale cloud capex growth outlook of \$120bn YoY (+16% YoY). While we believe hyperscalers comprise of just 60-70% of global AI capex, we just flag that for every vendor's CY27 expectations to be realized, we could still require cloud capex of >\$1.0Tn vs. current \$872bn consensus. However, as we saw throughout CY25, there could be further capex revisions throughout the year, and capex from the remaining 30-40% – large private programs (i.e. Stargate), sovereigns, enterprises – could also pick up.

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**Cloud Capex Tracker:** Alibaba, Amazon, Baidu, Google, Meta, Microsoft, Oracle, Tencent

See page 8 for a Glossary of stock symbols and abbreviations used in the report.

# Contents

Cloud/Carrier Capex Overview	3
Glossary:	5



# Cloud/Carrier Capex Overview

## Exhibit 1: Consensus/BofA aggregate projections suggest capex across major cloud vendors can grow +57%/+16% YoY in CY26/27E

Summary of Cloud Capex Outlook (incl. leases)

CapEx (\$mn)	C1Q25	C2Q25	C3Q25	C4Q25	C1Q26E	C2Q26E	C3Q26E	C4Q26E	2023	2024	2025	2026E	2027E	2028E
<b>Top 5 US</b>	<b>82,419</b>	<b>104,919</b>	<b>121,279</b>	<b>139,046</b>	<b>158,943</b>	<b>168,660</b>	<b>183,689</b>	<b>203,364</b>	<b>161,255</b>	<b>261,106</b>	<b>447,663</b>	<b>714,656</b>	<b>834,625</b>	<b>900,798</b>
Google	17,197	22,446	23,953	27,851	35,704	42,134	47,327	53,086	32,251	52,535	91,447	178,251	210,288	229,451
Microsoft (incl. leases)	21,400	24,200	34,900	37,500	35,221	38,004	38,737	41,713	41,200	75,600	118,000	153,675	175,336	185,009
Amazon (incl. leases)	25,019	32,183	35,095	39,522	42,686	47,605	51,029	56,404	52,729	82,999	131,819	197,725	219,034	239,969
Meta (incl. leases)	12,941	17,010	18,829	22,140	26,698	29,851	32,511	36,366	28,140	39,227	70,920	125,426	154,626	158,961
Oracle	5,862	9,080	8,502	12,033	18,635	11,065	14,085	15,795	6,935	10,745	35,477	59,580	75,342	87,408
<b>Top China</b>	<b>6,404</b>	<b>7,508</b>	<b>8,582</b>	<b>8,770</b>	<b>7,497</b>	<b>8,050</b>	<b>9,423</b>	<b>10,058</b>	<b>7,910</b>	<b>18,825</b>	<b>31,264</b>	<b>35,028</b>	<b>37,174</b>	<b>41,233</b>
Alibaba	3,036	4,731	5,199	4,102	3,607	5,242	5,820	5,083	3,006	9,456	17,068	19,752	20,623	22,129
Tencent	3,107	2,402	2,963	4,131	3,578	2,369	3,150	4,434	3,344	8,077	12,603	13,532	14,729	17,155
Baidu	261	375	420	538	311	438	453	541	1,561	1,292	1,594	1,744	1,822	1,949
<b>Total</b>	<b>88,823</b>	<b>112,427</b>	<b>129,861</b>	<b>147,816</b>	<b>166,440</b>	<b>176,710</b>	<b>193,111</b>	<b>213,422</b>	<b>169,165</b>	<b>279,931</b>	<b>478,927</b>	<b>749,684</b>	<b>871,799</b>	<b>942,031</b>
<b>NVDA/AMD/AVGO DC</b>	<b>47,190</b>	<b>49,556</b>	<b>62,056</b>	<b>76,094</b>	<b>88,596</b>	<b>102,172</b>	<b>116,304</b>	<b>130,738</b>	<b>59,317</b>	<b>141,801</b>	<b>234,896</b>	<b>437,811</b>	<b>612,867</b>	<b>760,293</b>
														48%
<b>YoY %</b>														
<b>Top 5 US</b>	<b>67.1%</b>	<b>71.8%</b>	<b>80.5%</b>	<b>66.5%</b>	<b>92.8%</b>	<b>60.8%</b>	<b>51.5%</b>	<b>46.3%</b>	<b>(0.6%)</b>	<b>61.9%</b>	<b>71.4%</b>	<b>59.6%</b>	<b>16.8%</b>	<b>7.9%</b>
Google	43.2%	70.2%	83.4%	95.1%	107.6%	87.7%	97.6%	90.6%	2.4%	62.9%	74.1%	94.9%	18.0%	9.1%
Microsoft (incl. leases)	52.9%	27.4%	74.5%	65.9%	64.6%	57.0%	11.0%	11.2%	45.1%	83.5%	56.1%	30.2%	14.1%	5.5%
Amazon (incl. leases)	67.6%	82.7%	55.2%	42.0%	70.6%	47.9%	45.4%	42.7%	(17.2%)	57.4%	58.8%	50.0%	10.8%	9.6%
Meta (incl. leases)	92.7%	100.8%	104.7%	49.2%	106.3%	75.5%	72.7%	64.3%	(12.2%)	39.4%	80.8%	76.9%	23.3%	2.8%
Oracle	250.2%	224.5%	269.2%	203.1%	217.9%	21.9%	65.7%	31.3%	3.8%	54.9%	230.2%	67.9%	26.5%	16.0%
<b>Top China</b>	<b>67.8%</b>	<b>132.0%</b>	<b>40.0%</b>	<b>55.4%</b>	<b>17.1%</b>	<b>7.2%</b>	<b>9.8%</b>	<b>14.7%</b>	<b>(15.9%)</b>	<b>138.0%</b>	<b>66.1%</b>	<b>12.0%</b>	<b>6.1%</b>	<b>10.9%</b>
Alibaba	96.5%	184.4%	41.2%	59.9%	18.8%	10.8%	11.9%	23.9%	(45.3%)	214.6%	80.5%	15.7%	4.4%	7.3%
Tencent	56.2%	100.1%	37.7%	51.0%	15.2%	(1.4%)	6.3%	7.3%	23.7%	141.6%	56.0%	7.4%	8.8%	16.5%
Baidu	(7.6%)	0.7%	41.8%	57.6%	19.2%	17.0%	7.7%	0.7%	28.3%	(17.2%)	23.4%	9.4%	4.5%	7.0%
<b>Total</b>	<b>67.1%</b>	<b>74.8%</b>	<b>77.1%</b>	<b>65.8%</b>	<b>87.4%</b>	<b>57.2%</b>	<b>48.7%</b>	<b>44.4%</b>	<b>(1.4%)</b>	<b>65.5%</b>	<b>71.1%</b>	<b>56.5%</b>	<b>16.3%</b>	<b>8.1%</b>
<b>NVDA/AMD/AVGO DC</b>	<b>69.0%</b>	<b>53.5%</b>	<b>63.0%</b>	<b>74.8%</b>	<b>87.7%</b>	<b>106.2%</b>	<b>87.4%</b>	<b>71.8%</b>	<b>150.5%</b>	<b>139.1%</b>	<b>65.7%</b>	<b>86.4%</b>	<b>40.0%</b>	<b>24.1%</b>
<b>Cap. intensity (%)</b>														
<b>Top 5 US</b>	<b>22.1%</b>	<b>26.0%</b>	<b>28.4%</b>	<b>28.7%</b>	<b>37.6%</b>	<b>37.3%</b>	<b>38.6%</b>	<b>37.7%</b>	<b>12.4%</b>	<b>17.8%</b>	<b>26.5%</b>	<b>37.8%</b>	<b>38.1%</b>	<b>35.3%</b>
Google	19.1%	23.3%	23.4%	24.5%	39.0%	43.3%	45.9%	46.8%	10.5%	15.0%	22.7%	44.0%	43.8%	41.8%
Microsoft (incl. leases)	30.5%	31.7%	44.9%	46.1%	43.3%	43.3%	43.4%	44.5%	18.1%	28.9%	38.6%	43.6%	42.9%	38.5%
Amazon (incl. leases)	16.1%	19.2%	19.5%	18.5%	24.1%	25.2%	25.3%	23.6%	9.2%	13.0%	18.4%	24.5%	24.3%	23.7%
Meta (incl. leases)	30.6%	35.8%	36.7%	37.0%	48.2%	50.1%	51.7%	49.8%	20.9%	23.8%	35.3%	50.0%	52.0%	45.1%
Oracle	41.5%	57.1%	57.0%	74.9%	108.4%	58.0%	74.1%	75.4%	13.4%	19.6%	58.1%	78.2%	71.3%	55.4%
<b>Top China</b>	<b>10.4%</b>	<b>11.7%</b>	<b>13.0%</b>	<b>12.1%</b>	<b>10.8%</b>	<b>10.8%</b>	<b>12.5%</b>	<b>12.2%</b>	<b>3.4%</b>	<b>7.6%</b>	<b>11.8%</b>	<b>11.6%</b>	<b>11.1%</b>	<b>11.0%</b>
Alibaba	9.3%	13.8%	15.0%	10.2%	10.0%	13.1%	14.5%	11.0%	2.3%	6.9%	12.1%	12.2%	11.4%	10.7%
Tencent	12.6%	9.4%	11.0%	15.1%	12.4%	8.0%	10.3%	14.3%	3.9%	8.8%	12.0%	11.3%	11.2%	12.0%
Baidu	5.9%	8.3%	9.7%	11.6%	6.8%	9.2%	9.5%	10.6%	8.2%	7.0%	8.9%	9.1%	8.6%	8.1%
<b>Total</b>	<b>20.5%</b>	<b>24.0%</b>	<b>26.4%</b>	<b>26.6%</b>	<b>33.8%</b>	<b>33.5%</b>	<b>35.0%</b>	<b>34.3%</b>	<b>11.0%</b>	<b>16.3%</b>	<b>24.5%</b>	<b>34.2%</b>	<b>34.5%</b>	<b>32.2%</b>
<b>NVDA/AMD/AVGO DC</b>	<b>53.1%</b>	<b>44.1%</b>	<b>47.8%</b>	<b>51.5%</b>	<b>53.2%</b>	<b>57.8%</b>	<b>60.2%</b>	<b>61.3%</b>	<b>35.1%</b>	<b>50.7%</b>	<b>49.0%</b>	<b>58.4%</b>	<b>70.3%</b>	<b>80.7%</b>

Source: Company reports, BofA Global Research estimates, Bloomberg

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## Exhibit 2: 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	C1Q26E	C2Q26E	C3Q26E	C4Q26E	2023	2024	2025	2026E	2027E	2028E
<b>CapEx (\$mn)</b>	<b>10,873</b>	<b>11,101</b>	<b>11,836</b>	<b>13,998</b>	<b>11,586</b>	<b>11,771</b>	<b>12,121</b>	<b>13,600</b>	<b>46,421</b>	<b>46,193</b>	<b>47,808</b>	<b>49,079</b>	<b>48,997</b>	<b>49,122</b>
Verizon	4,145	3,808	4,310	4,748	4,004	3,896	4,039	4,409	18,767	17,090	17,011	16,348	16,559	16,637
AT&T	4,277	4,897	4,887	6,781	5,093	5,392	5,554	6,683	17,853	20,263	20,842	22,723	22,671	22,670
T-Mobile	2,451	2,396	2,639	2,469	2,489	2,484	2,528	2,508	9,801	8,840	9,955	10,008	9,767	9,815
<b>Cap. intensity (%)</b>	<b>12.8%</b>	<b>12.8%</b>	<b>13.7%</b>	<b>14.9%</b>	<b>13.0%</b>	<b>13.0%</b>	<b>13.4%</b>	<b>13.9%</b>	<b>13.9%</b>	<b>13.6%</b>	<b>13.6%</b>	<b>13.4%</b>	<b>13.0%</b>	<b>12.8%</b>
Verizon	12.4%	11.0%	12.7%	13.1%	11.5%	10.8%	11.4%	11.6%	14.0%	12.7%	12.3%	11.3%	11.3%	11.3%
AT&T	14.0%	15.9%	15.9%	20.3%	16.3%	17.1%	17.6%	19.5%	14.6%	16.6%	16.6%	17.7%	17.3%	16.9%
T-Mobile	11.7%	11.3%	12.0%	10.1%	10.8%	10.8%	10.8%	9.9%	12.5%	10.9%	11.3%	10.6%	9.9%	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 +85% YoY. On a YoY growth basis (not in the table below), current CY26 outlook of +61% YoY is ~5x the +12% YoY pace a year ago.

Including capital leases (as in Exhibit 1), the outlook for CY26 capex has risen +93% YoY and CY27 capex nearly +120%. On a YoY growth basis (as in Exhibit 1), the current CY26 outlook calls for +57% growth YoY, with CY27 suggesting +16% YoY.

#### Exhibit 4: Estimates for 2026, 2027 have increased by 80-120%+ over the last 12 months

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

		Apr' 25	May' 25	Jul' 25	Aug' 25	Oct' 25	Nov' 25	Dec' 25	Jan' 26	Feb' 26	Feb' 26	YoY
<b>Capex (\$mn)</b> (excl. leases)	<b>2025</b>	356,954	367,172	374,035	405,851	416,273	424,034	432,400	431,851	442,182	442,620	30.2%
	<b>2026E</b>	387,350	395,598	403,938	469,858	495,915	559,725	586,274	595,004	668,563	711,130	85.4%
	<b>2027E</b>	409,450	416,979	430,812	513,650	544,738	641,371	689,512	693,544	783,684	833,079	114.5%
	<b>2028E</b>							684,268	701,043	796,911	902,738	NA
<b>Change (%)</b>	<b>2025</b>	5.1%	2.9%	1.9%	8.5%	2.6%	1.9%	2.0%	-0.1%	2.4%	0.1%	
	<b>2026E</b>	7.4%	2.1%	2.1%	16.3%	5.5%	12.9%	4.7%	1.5%	12.4%	6.4%	
	<b>2027E</b>	12.1%	1.8%	3.3%	19.2%	6.1%	17.7%	7.5%	0.6%	13.0%	6.3%	
	<b>2028E</b>						NA	NA	2.5%	13.7%	13.3%	
		Apr' 25	May' 25	Jul' 25	Aug' 25	Oct' 25	Nov' 25	Dec' 25	Jan' 26	Feb' 26	Apr' 26	YoY
<b>Capex (\$mn)</b> (incl. leases)	<b>2025</b>	401,517	395,744	397,013	432,296	442,636	466,151	472,039	471,559	478,486	478,927	30.4%
	<b>2026E</b>	428,779	418,085	435,287	500,231	527,549	610,689	631,338	641,057	748,374	749,684	92.5%
	<b>2027E</b>	441,857	449,982	464,910	542,388	575,937	691,332	734,062	739,160	868,655	871,799	120.4%
	<b>2028E</b>						724,269	756,666	764,846	908,762	942,031	NA
<b>Change (%)</b>	<b>2025</b>	9.4%	-1.4%	0.3%	8.9%	2.4%	5.3%	1.3%	-0.1%	1.5%	0.1%	
	<b>2026E</b>	10.3%	-2.5%	4.1%	14.9%	5.5%	15.8%	3.4%	1.5%	16.7%	0.2%	
	<b>2027E</b>	12.1%	1.8%	3.3%	16.7%	6.2%	20.0%	6.2%	0.7%	17.5%	0.4%	
	<b>2028E</b>						NA	4.5%	1.1%	18.8%	3.7%	

Source: BofA Global Research estimates, Bloomberg

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On an operating cash flow basis, cloud capex is expected to reach ~70-95% of total operating cash flow in CY25-28E. 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 arguably has more significant upside potential than telco infra buildout.

#### Exhibit 5: 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)	213.4	251.2	339.1	347.2	337.1	440.9	540.2	657.5	788.8	974.2	1,096.2	16.5%	18.6%	19.3%
Capex w/ Leases (\$bn)	77.8	85.6	111.8	148.5	171.7	169.2	279.9	478.9	749.7	871.8	942.0	26.7%	25.3%	32.8%
<b>Cloud Capex / CFO (%)</b>	<b>36.5%</b>	<b>34.1%</b>	<b>33.0%</b>	<b>42.8%</b>	<b>50.9%</b>	<b>38.4%</b>	<b>51.8%</b>	<b>72.8%</b>	<b>95.0%</b>	<b>89.5%</b>	<b>85.9%</b>			
Free Cash Flow (\$bn)	135.6	165.6	227.2	198.7	165.5	271.8	260.3	178.5	39.1	102.4	154.2	9.5%	-4.8%	7.8%
<b>FCF / Sales (%)</b>	<b>19.4%</b>	<b>20.0%</b>	<b>22.2%</b>	<b>15.3%</b>	<b>11.9%</b>	<b>17.7%</b>	<b>15.2%</b>	<b>9.1%</b>	<b>1.8%</b>	<b>4.1%</b>	<b>5.3%</b>			
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)	87.2	95.1	96.7	87.9	90.8	99.2	101.6	105.4	109.6	117.5	127.1	1.3%	6.5%	2.8%
Capex w/ Leases (\$bn)	43.5	44.0	44.9	48.2	56.7	46.4	46.2	47.8	49.1	49.0	49.1	1.0%	0.9%	1.2%
<b>Telco Capex / CFO (%)</b>	<b>49.8%</b>	<b>46.2%</b>	<b>46.4%</b>	<b>54.8%</b>	<b>62.4%</b>	<b>46.8%</b>	<b>45.5%</b>	<b>45.4%</b>	<b>44.8%</b>	<b>41.7%</b>	<b>38.6%</b>			
Free Cash Flow (\$bn)	43.8	51.1	51.8	39.7	34.1	52.7	55.4	57.6	60.6	68.5	78.0	1.6%	10.7%	4.3%
<b>FCF / Sales (%)</b>	<b>12.7%</b>	<b>14.3%</b>	<b>14.1%</b>	<b>11.2%</b>	<b>10.1%</b>	<b>15.7%</b>	<b>16.4%</b>	<b>16.3%</b>	<b>16.5%</b>	<b>18.2%</b>	<b>20.3%</b>			

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH



## Glossary:

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4G/5G: 4th/5th Generation  
AI: Artificial Intelligence  
AMD: Advanced Micro Devices  
AMZN: Amazon  
ARM: Arm Holdings  
AVGO: Broadcom  
CDNS: Cadence  
CPU: Central Processing Unit  
CRDO: Credo  
CRWV: CoreWeave  
CSP: Cloud Service Provider  
DC: Data Center  
EDA: Electronic Design Automation  
GOOGL: Google  
GPT: Generative Pre-trained Transformer  
GPQA: Graduate-Level Google-Proof Q&A Benchmark |  
GPU: Graphics Processing Unit  
GW: Gigawatt  
HBM: High-Bandwidth Memory  
HPC: High-Performance Computing  
IT: Information Technology  
KLAC: KLA Corporation  
LLM: Large Language Model  
META: Meta Platforms  
MoE: Mixture of Expert  
MSFT: Microsoft  
MTSI: M/A-Com  
MW: Megawatt  
NBIS: Nebius Group  
NIC: Network Interface Card  
NVDA: Nvidia  
SKU: Stock Keeping Unit  
SNPS: Synopsys  
SWE: Software Engineering Benchmark  
TAM: Total Addressable Market  
TPU: Tensor Processing Unit  
TSMC: Taiwan Semiconductor Manufacturing Company  
TWh: Terawatt Hour  
W: Watt



**Exhibit 11: Stocks mentioned in this report**

Stocks mentioned

<b>BofA Ticker</b>	<b>Bloomberg Ticker</b>	<b>Price</b>	<b>PO</b>	<b>Rating</b>
AMD	AMD US EQUITY	\$253.73	\$260.00	C-1-9
AMAT	AMAT US EQUITY	\$354.31	\$420.00	B-1-7
AVGO	AVGO US EQUITY	\$325.49	\$500.00	C-1-7
CDNS	CDNS US EQUITY	\$318.32	\$400.00	B-1-9
CRDO	CRDO US EQUITY	\$133.16	\$200.00	C-1-9
KLAC	KLAC US EQUITY	\$1,512.78	\$1,650.00	B-1-7
LRCX	LRCX US EQUITY	\$217.94	\$245.00	C-1-7
MRVL	MRVL US EQUITY	\$80.23	\$95.00	C-2-7
MTSI	MTSI US EQUITY	\$219.26	\$260.00	C-1-9
NVDA	NVDA US EQUITY	\$187.67	\$275.00	C-1-7
SNPS	SNPS US EQUITY	\$501.39	\$560.00	B-1-9

Source: BofA Global Research

BofA GLOBAL RESEARCH

**Price objective basis & risk****Advanced Micro Devices, Inc (AMD)**

Our \$280 PO is based on 27x our 2027E non-GAAP EPS. Our PO basis is towards the middle of AMD's historical 13x-58x range, justified by AI growth and CPU share gains offset by slower growth in cyclical 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

**Applied Materials, Inc. (AMAT)**

Our PO of \$420 is based on 29x our CY27E P/E estimate. Our PO basis is at the high-end of AMAT's historical 10-30x trading range justified given the potential for WFE outgrowth in 2026/27E and remains at a discount to other large peers given more balanced growth profile and lower profitability.

Downside risks to our PO are: ongoing US government probe that we are unable to size the financial impact at this time, slower-than-expected capital spending cycle, delay in memory capacity adds, market share loss in deposition, implant, thermal, CMP, etch, or process control segments, merger & integrations risk, and macro headwinds.

**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.

**Cadence (CDNS)**

Our \$375 PO is based on 40x CY27E P/E, in lower half of historical 30x-54x trading range and justified in our view given the strategic importance of EDA in an increasingly fragmented global electronics supply chain offset by recent multiple compression in software.

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

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

Our \$160 PO is based on 27x CY27E P/E. Our PO basis is within the range of similar high-growth compute/optical semiconductor peers trading 18x-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.

#### **KLA Corporation (KLAC)**

We assign a \$1850 PO based on 40x CY27E P/E. Our PO basis is above the high end of 12x-37x historical range justified by KLAC's leading profit margin, longer lead times (resulting in greater visibility), and less cyclical topline supports a slightly high multiple vs. semicap peers.

Downside risks to our PO are the cyclical nature of the semiconductor capital spending and its impact on earnings, competitive price and market share issues, ability to get new products and technologies into the market in a timely manner.

#### **Lam Research Corp. (LRCX)**

We assign a \$285 PO based on 41x CY27E PE. Our PO basis is above the upper end of historical 9x-40x trading range justified by ongoing memory and leading-edge foundry/logic WFE cycle, high-teens EPS CAGR over time, etch/deposition product leadership, rising etch/deposition intensity, share gains, growing foundry/logic exposure over memory, improving prospects of NAND recovery, and robust FCF generation, offset by near-term concerns around cost inflation and tariffs.

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

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

#### **M/A-Com (MTSI)**

Our \$260 PO is based on a 48x CY27E P/E. Our PO basis is towards upper end of 16x-57x trading range justified by continued data center strength, expanding margins, and stability in defense/telecom end markets offset by near term concerns around 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 \$125 PO is based on 28x FY28E/CY27E pf-EPS (including stock-based comp). Our PO basis is generally in-line with 27x historical median and within 14x-47x range 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.

#### **NVIDIA Corporation (NVDA)**

Our \$300 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.

#### **Synopsys (SNPS)**

Our \$515 PO is based on 29x 2027E P/E, below historical median of 36x but still within the company's historical trading range (22x-49x), justified in our view as EDA investment accelerates as chip complexity rises, despite near-term concerns around IP (including at top customer Intel), Ansys integration, and EDA demand in China.

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

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



## Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.



## US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	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
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
<b>NEUTRAL</b>				
	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
	onsemi	ON	ON US	Vivek Arya
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
<b>UNDERPERFORM</b>				
	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
<b>RVW</b>				
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

## Disclosures

## Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

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



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

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

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