BofA SECURITIES

US Semiconductors

Silicon Valley East: Washington DC impact on NVDA, AMD, INTC

Industry Overview

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Equity
United States
Semiconductors

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Maintain Buy NVDA and AMD, but remain Neutral INTC

Busy period of interactions between the US Government (USG)/White House (WH) and major US chipmakers. The critical nature of semis is likely to enhance these interactions that will continue to be both positive (USG/WH major promoter of AI investments) and a headwind/source of volatility (US/China geopolitics, sensitive nature of AI chip exports). Recent news involves: 1) 15% potential tax/levy on sales of specific AI chips in return for China approvals: a net positive and we maintain Buys on NVDA, AMD, 2) Spotlight on INTC management: chance for INTC to showcase its (long-term) strategic importance to tech ecosystem, though meeting likely has no bearing on the company's (tough) competitive positioning or manufacturing expertise, so we remain Neutral.

China approvals net positive NT, but '26 impact TBD

Per media reports, in return for a 15% penalty, the US Government is willing to let NVDA/AMD ship specific AI chips (H20/MI308) to China. We see this as an incremental positive since: 1) NVDA/AMD likely have enough pricing power to offset some part of the 15% penalty, 2) The companies can use some part of their prior written-off inventory so even with 15% penalty they get some gross profit recovery, and 3) China resumption maintains the original goal of engaging with an important (China) AI ecosystem and of potentially keeping competitors (Huawei) in check. However, we would not yet count on China being a source of durable upside since: 1) it isn't clear if USG will continue to provide approvals next year (though intra-day media headlines suggested White House open to degraded Blackwell variants, though we don't know if penalty would stay or change from the current 15% rate), 2) restarting supply chains to produce more AI chips could take 8-9 months leaving a China hole in 1HCY26E, and 3) rapidly evolving AI landscape could reduce demand from certain China customers.

Goal will be to recoup at-least prior written-off amounts

We leave our NVDA, AMD estimates unchanged, but industry discussions suggest the companies will likely at-least try to recoup their recent write-off amounts ($4.5bn for NVDA, $800mn for AMD) even if they have to pay 15% penalties to the USG. For instance, if we assume ~75-80% of the write-offs was usable material (so ~$3.4bn for NVDA, ~$600mn for AMD) and with remaining write-off purchase commitments, then even at 30-40% GM (including 15% USG penalty), NVDA and AMD would be able to recoup their written off amounts assuming of course sufficient China demand.

INTC: focus on ability, not WH headlines

We make no comment on personnel matters but believe they detract from INTC's core challenges that not yet been rectified: 1) No independent validation/support for 18A (or 14A) manufacturing, despite sore need to have leading-edge foundry options , 2) Lack of AI strategy, 3) Constant restructuring turmoil, and 4) Tough competition against AMD and ARM-variants in what is likely an ex-growth x86 PC/server CPU market. INTC's low valuation, restructuring potential and scarcity value underlie our Neutral rating, but until core challenges are addressed it's hard to see a durable rebound regardless of management related headlines, in our opinion.

Glossary:
INTC: Intel
AMD: Advanced Micro Devices
NVDA: Nvidia
ARM: Arm Holdings
AI: Artificial Intelligence
CPU: Central Processing Unit
PC: Personal Computer
USG: US Government
WH: White House

Refer to important disclosures on page 4 to 8. Analyst Certification on page 3. Price Objective Basis/Risk on page 2. 12864803

Exhibit 1: Companies mentioned
Stocks mentioned in this report

BofA Ticker	Bloomberg Ticker	Price	PO	Rating
AMD	AMD US EQUITY	$172.28	$200.00	C-1-9
INTC	INTC US EQUITY	$20.65	$25.00	C-2-9
NVDA	NVDA US EQUITY	$182.06	$220.00	C-1-7

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

Advanced Micro Devices, Inc (AMD)

Our $200 PO is based on 33x our 2026E non-GAAP EPS, which is towards the higher-end of AMD's historical 13x-39x 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

Intel (INTC)

Our $25 price objective is based on 2.6x our 2026E EV/S, in-line with historical 1.7x-4x range, which we view as appropriate given manufacturing uncertainties but approaching cycle trough.

Upside risks to our price objective are 1) a stronger than expected PC market from Windows 10 refresh or AI uplift, 2) geopolitical tensions boosting sentiment for domestic manufacturing asset, 3) new products allowing Intel to limit share loss, 4) manufacturing slip up at key foundry competitors.

Downside risks to our price objective are 1) weaker-than-expected trends in a mature PC market, which is largest revenue generator for Intel, 2) delays in process technology and roadmap, 3) accelerated share loss to major competitors, 4) more competition in profitable data center market.

NVIDIA Corporation (NVDA)

Our $220 PO is based on 37x CY26E PE ex cash, in the middle of 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.