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U.S. Equity Research

Semiconductors & Semiconductor Capital Equipment

Industry Commentary

AI Ramps: Hyperscalers Raise Capex (Positive NVDA, MU, DELL), Sec232 Quotas

Following the majority of big tech earnings, we take a look at capex/cloud revenue commentary and the outlook for some of our coverage. **We would note 1)** 2Q25 EPS reports showed Hyperscalers Raising Capex -2025 now at up 51% vs prior expectation of up 38% y/y (pre-earnings), **2)** Positive for GB200 shipments and NVDA, Positive Upside to HBM3e/8hi/12hi for MU (Buy the Pullback into Earnings), **3)** Looking for DELL Upside - with xAI, OCI and CRWV Ramping JunQ/SepQ CAPEX, and **4)** Sec232 - on the way, coming but with carve-outs. **No changes to estimates/PTs for any of the names under our coverage,** as we continue to see **NVDA** as the merchant AI leader, **AVGO** with a strong ASIC business, **CRDO** growing with an expanding customer base, and **MU** continuing to ramp HBM deployments, while **DELL** continues to take share in AI server.

Key Points

Hyperscalers Raising Capex AGAIN - 2025 now at up 51% y/y vs. up ~38% y/y Pre-Earnings. Kicking off, **GOOGL** noted it spent $22B on capex in 2Q25, with 2/3 on servers and 1/3 on infrastructure, while also raising 2025E GOOG Capex target to $85B (prior: $75B), we believe with the majority continuing to be spent on servers (positive AVGO). **MSFT** noted, that it sees SepQ capex at >$30B, noted sees F26E(Jun) capex growth will "moderate" from the F25 up 45% y/y, but expects mix of "short-lived assets" (Read GPUs) to increase (Current MSFT Cons Capex ~$82B, up 26%y/y). **META** continues to focus on AI with SuperIntelligence/Llama4, raising 2025E META capex slightly from $68B to $69B. Finally, **AMZN** noting 2Q25 capex at ~$31B, potentially setting a new run rate for 2H25 quarterly capex at flat q/q from 2Q25, with we estimate 2025E AMZN Capex now estimated at $112B (prior: $104B), up 35% y/y (positive CRDO).

Looking for a Big NVDA Print and GB200 and now H20 - Big Positive for MU into Earnings - Buy the Pullback. We see Capex raises are a tailwind to NVDA with GB200 shipments ramping, potentially into a strong NVDA JulQ result and OctQ guide when it reports earnings on August 27th - Also Positive for MU as it will be a direct beneficiary of HBM3e/8hi attach - we remain buyers on the pullback. Overall, while first GB300 NVL72s now at CRWV (Link), ramps are still slow. We would also note potential for additional tailwinds from H20 shipments driving topline/margins and potential for a downgraded B20 in 2026E.

Look for Upside on DELL - as xAI, OCI and CRWV Ramp. We note that DELL's JulQ AI server outlook of ~$7B could have some upside as OCI and xAI ramps remain strong. We would note that xAI recently raised $10B in debt/equity, while also potentially receiving an investment from TSLA (also positive CRDO). OCI demand also remains strong as the company noted F26E(May) CAPEX >$25B, up ~18% y/y after F25 capex was $21B (up ~3x y/y) - Oracle now the Biggest Tailwind for Server ODMs with Project Stargate on the way. CRWV also ramping up spend with a recent $2.6B debt raise to continue expanding capacity (also see upside potential for SMCI).

Sec232 - Coming but with Carveouts. While we believe China could see loosening AI and semiconductor restrictions (Positive AI - NVDA, AMD, INTC), we believe Sec 232 still looms as a potential headwind for semiconductor suppliers. We continue to see Sec232 with 25% tariffs on the way. We note that the current push-out of China tariffs potentially

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Symbol	PT (Previous)	Rating (Previous)	Price
AMD	$175.00	Outperform	$176.31
ARM	$180.00	Outperform	$141.38
AVGO	$320.00	Outperform	$293.70
CRDO	$112.00	Outperform	$111.55
DELL	$150.00	Outperform	$132.69
INTC	$23.00	Neutral	$19.80
MU	$150.00	Outperform	$109.14
NVDA	$192.00	Outperform	$177.87
SMCI	$47.00	Neutral	$58.97

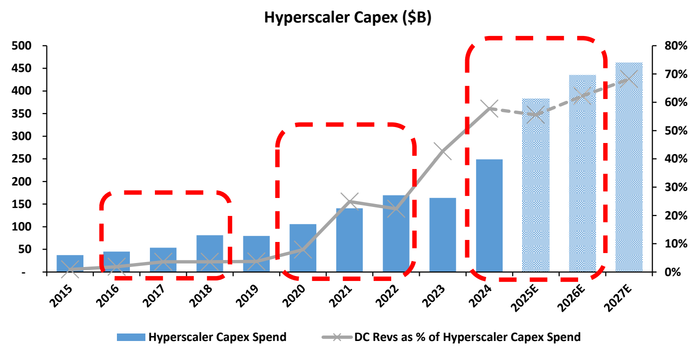
Source: Bloomberg and Mizuho Securities USA

60-90 days could allow for a broader deal to be struck, with the US potentially offering a reprieve on tech restrictions in return for access to rare earth metals.

Hyperscaler Capex Potentially Strong Through 2027E

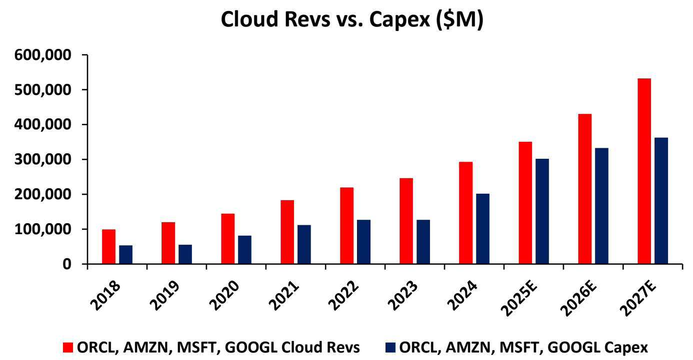
Following earnings, Hyperscaler capex estimates continue to rise, as we see CSP (including MSFT, META, GOOGL, AMZN, TSLA, AAPL and ORCL) capex now up 54% y/y in 2025E, with 2026/27E also estimated up 14%/6% y/y, we believe strong demand for continued AI spend. We would note that ORCL, AMZN, MSFT, and GOOGL are expected to continue to see cloud revenues outpacing their capex spend, allowing for continued strong investment into AI deployments as they look to turn current AI products into revenue and improve ROI. We would also note reports of AMD potentially raising MI350 prices from $15k to $25k could drive some slight 2H25E upside and further tailwinds into 2026E as CSPs look for second sources for GPUs (Link).

Exhibit 1 - Major CSP Capex Up AGAIN Post JunQ'25 Earnings



Source: Company reports, BBG, MSUSA estimates

Exhibit 2 - Cloud Revs GROWING, Supports CAPEX Upside



Source: Company reports, BBG, MSUSA Estimates

Price Target Calculation and Key Risks

Advanced Micro Devices, Inc. (AMD)

Investment Thesis

We see AMD well-positioned as a second-place AI accelerator competitor after enjoying continued strength in DC compute with share gains as it ramps its Zen 5 Turin with missteps from its competitor. We believe AI accelerator demand remains strong as MI325x/355x ramp in 2025E, with a strong roadmap to MI400X and beyond driving into the ~$500B AI accelerator market by 2028E (~60% 23-28E CAGR), currently dominated by NVDA, with upside from an estimated ~MSD% market share. 2025E could see continued strong roadmap execution with Zen 6 Medusa and Venice.

Base Case/PT

With AMD gaining server share, a potential PC rebound and upcoming AI product launches, we see a base case PT of $175, 28.2x our F26E P/E.

Bull Case/PT

If AMD can win significant server/DC market and capitalize on growth in AI, AMD could drive EPS higher with accretive GMs and better than expected Instinct ramps, implying a bull case PT of ~$225 and a 33.0x F26E P/E with a $6.81 EPS.

Bear Case/PT

If AMD is unable to maintain current roadmap execution momentum and loses server market share, AMD could see growth decline, leading to a downside EPS of $5.63, with a 24.0x F26E P/E and implying a bear case PT of ~$135.

Risks

AMD could see challenges with an AI slowdown into 2025 or a PC market rebound in 2025E not materializing. We also believe INTC proves more of a threat to AMD vs. prior years with its new product roadmap which could slow or reverse AMD's recent share gains. We would also note AMD remains a distant second supplier to NVDA in the AI GPU race, with limited CoWoS allocations potentially limiting growth.

Arm Holdings plc (ARM)

Investment Thesis

ARM is a global leader in semiconductor intellectual property (IP), powering >99% of the world's smartphones and has shipped 300B + Arm-based chips to date. Arm leverages a broad IP platform across client (smartphone, PC, XR and wearables), infrastructure (servers, cloud, networking, and 5G), automotive, and Internet-of-Things (IoT) end-markets to bring energy-efficient central processing units (CPU), graphics processing units (GPU), and system IP to its customers. We see ARM well positioned as the company should see increasing royalty revenues driven by a shift from v8 (~4% royalty rate) to v9 (~8-10% royalty rate), a 2-3x increase, and we estimate overall royalty rates growing ~70%+ by F26E. In addition to a ~99% share in the Smartphone market but is also seeing strong opportunities in Infrastructure at AI customers AMZN/NVDA/MSFT/GOOGL and Automotive with xEV driving ADAS, infotainment, and complete in-car compute systems.

Base Case/PT

We see Arm as a global leader in semiconductor IP, and increasing opportunities in DC, client and automotive to drive better units/ content. We rate Arm Outperform with a $180 PT, ~1.78x F27E PEG.

Bull Case/PT

Arm could see stronger than anticipated demand and share gains driven by AI ramps, improved IoT, and faster transitions to v9. In our Bull case scenario, we see Arm share prices rising to $240, at ~2.4x PEG.

Bear Case/PT

If Arm sees slower v9 adoption, or is impacted by geopolitical headwinds with Arm China, we could see weaker earnings growth and softer ~1.3x PEG, resulting in a Bear case scenario of $130/share.

Risks

ARM could see competition from emerging open-sourced architectures such as RISC-V, but could also see impacts from slower AI/ handset markets as well as challenges sustaining higher royalty rates. We would also note that ARM's current revenue mix is highly tied to the handset market, where it has ~100% market share, while its top 5 customers make up >50% of its revenues and sees investor concentration with Softbank still owning ~90% of shares.

Broadcom Inc. (AVGO)

Investment Thesis

AVGO remains an industry leader with strong profitability, GM/OM at ~77%/66% and FCF/year growing toward ~$39B by F25E while benefiting from key secular AI drive tailwinds for its networking and custom ASIC business. AVGO could benefit from accelerating AI tailwinds with potential for AI revenue growing to ~$40-50B by F27E (up 4x vs. F24) and a 2024 custom silicon SAM of ~$17.5B (AVGO ~70% share) potentially growing to $60-90B with AI networking Tomahawk and Jericho outpaces Infiniband as 800G/1.6T transitions take hold. We continue to see strength in its broad semiconductor portfolio including Wireless (iPhone), Networking (Tomahawk, Jericho, Trident), Storage, Broadband (Wifi6/6e/7), and Software, where >90% of bookings are recurring. We see iPhone content remaining strong, ramping iPhone 16 with potential for further gains on iPhone 17.

Base Case/PT

We see AVGO well positioned with Networking and AI ramps, a strong position in Wireless, and margin-accretive software. We rate AVGO Outperform, with a $320 PT based on ~37.7x our F26E EPS estimate.

Bull Case/PT

If AVGO can see improved AI opportunities in custom silicon and networking we believe AVGO could see a Bull case PT of ~$420, with an $9.17 upside F26E EPS, indicating a ~44.7x F26E P/E.

Bear Case/PT

The company could see headwinds in key growth drivers in Networking/AI with increasing competition, representing a Bear case PT of ~$250, ~31.8x our downside F26E EPS of $7.86.

Risks

AVGO competes in a cyclical, technologically intensive industry and sells to a concentrated customer base. Risks include: a) AVGO's continued success of its research and development efforts, b) execution of its new product launches, c) dependence on contract manufacturing and third-party manufacturers, d) customer concentration, e) competition, and f) pricing pressure from possible new market entrants from China, Asia-Pacific, or Taiwan. We could also see changes in legal and regulatory requirements, tariffs and exchange rates limiting growth.

NVIDIA Corporation (NVDA)

Investment Thesis

We see NVDA remaining the leader in the AI training and inference chips for Data Center applications (we estimate >95% share today), which we believe is growing at ~60% CAGR to >$500B by 2028E. Gaming GPUs (we estimate >75% PC share) are expected to remain healthy and stable, while NVDA's automotive ADAS pipeline remains strong. We continue to see NVDA executing its roadmap, with GB200 and NVL72/36 ramping in 2025E, as well as increasing its AI server content via the Grace CPU. We believe headwinds from China AI chip restrictions remain muted. We also see upgrade cycle opportunity for the RTX 50-series as RTX 40-series penetration remains at ~10% of the PC market, as NVDA could see a >$14B/yr Gaming revenue run rate.

Base Case/PT

NVDA remains well positioned in the machine learning, deep learning, and AI markets. Our $192 PT reflects ~32.4x F27E P/E, still within its historical range ~20-65x as it retains >75-90% market share in merchant DC/AI.

Bull Case/PT

NVDA has significant market leading opportunities in the AI/DC, Gaming, and Automotive markets, which could drive F27E EPS to ~ $6.52 and a share price of ~$250, with a ~38.4x F27E P/E.

Bear Case/PT

If NVDA is unable to maintain strong growth in key markets as well as fails to continue to capitalize on AI opportunities, we could see it trading closer to ~26.0x our bear case F27E EPS of ~$5.38, implying a share price of ~$140.

Risks

Escalations of export restrictions to China and other geopolitical tensions (Taiwan) or a significant pullback in AI Server spending could be major headwinds. We would also note limited CoWoS capacity at TSMC, and other suppliers, potential for FTC lawsuits, and growing competition both domestically and in China, with current shipment bans, pose additional challenges.

Intel Corporation (INTC)

Investment Thesis

We believe a new CEO could provide opportunities with a vision to return the company to growth and a trajectory to catch up with key peers AMD/NVDA in AI, Server, and PC. INTC's market opportunities remain abundant with leading share in server CPU, strong, but declining, market share in PC, and a lagging AI portfolio with Gaudi/Falcon Shores. However, we see challenges with execution as its foundry roadmap remains weak, while its AI accelerator roadmap lags both AMD/NVDA. We do see FPGA spinoff a value-adding driver, but overall remain on the sidelines with multiple headwinds and lacking company vision. We continue to see the potential spin-off/sale of its foundry business as long-term positive.

Base Case/PT

While INTC has multiple potential tailwinds including AI opportunities, IFS expansion, margin improvements and the FPGA spin, execution in these key segments has been weak with soft AI and server traction and PC share loss. We rate INTC Neutral with a $23 PT, ~32x our F26E EPS.

Bull Case/PT

If INTC can generate better than expected DC/AI revenues, successfully ramp IFS, or unlock value with business unit spin-offs, INTC could see a $31PT at ~39x F26E EPS.

Bear Case/PT

If INTC has issues with new nodes/product ramps, sees softer DC/AI, or sees foundry setbacks, we believe it could lead to share gains for AMD and NVDA, leading to a bear case PT at ~$15, or 23x F26E EPS.

Risks

INTC will need to continue to execute in 2025E on its process node roadmap as well as gain traction in its Foundry business, while it continues its search to find new leadership. Further missteps could see it lose further share to AMD in PC and/or Server, as well as fall farther behind in the AI race to NVDA.

Micron Technology, Inc. (MU)

Investment Thesis

We see MU benefiting from AI driven tailwinds supporting HBM share gains led by NVDA, while AI enabled PCs and phones could see DRAM and NAND content double. We believe MU remains well positioned with leading edge DRAM nodes driving cost downs while remaining disciplined with wafer starts, but we note near-term headwinds with NAND pricing better into 2H25E. We believe MU remains attractive with strong AI demand, driven by HBM, Data center SSDs, LP5 and high-density DIMMs offsetting lagging edge DRAM and NAND demand lookto mostly be behind it as PC/handset inventories appear to be mostly flushed out, with AI on-device and higher ASP products driving tailwinds.

Base Case/PT

We see continued strength into 2H25 improving with better HBM pricing, industry supply discipline, and further ramps of leading edge products, offsetting legacy product weakness. We rate MU Outperform with a $150 PT, ~2.4x F26E P/B.

Bull Case/PT

Extraneous shocks to supply, faster than expected recovery in demand/inventory could drive DRAM/NAND prices higher earlier, as well as HBM ramps ahead of expectations, and drive upside to the stock, we believe towards ~$200, at ~3.2x our upside F26E P/B.

Bear Case/PT

Higher than expected pricing pressure on NAND and DRAM into 2H25E, with softer than expected demand from Data Center, PC, or handsets, as well as slower than expected share gains in HBM, could see a return to broad-based memory oversupply and MU trade closer to ~1.7x our downside F26E P/B, or ~$105.

Risks

Key risks include for MU include memory ASP declines and cyclicality, competitive and market share pressures, increased industry memory capacity and capex from competitors, higher than expected costs or yield issues, slower DRAM/NAND improvement and/or yield issues affecting ramps, and increased HBM competition from Hynix/Samsung, limiting MU's share growth.

Dell Technologies Inc. (DELL)

Investment Thesis

We see DELL as a growing player in the AI server market, with F4Q25 sales of $2.1B, a $9B AI server backlog exiting February, and even stronger pipeline (several multiples of backlog and up q/q in the JanQ) as it looks to capture share. We see DELL preparing for the ramp of GB200 platforms this year as it recently added 2 DLC servers to its product lineup. We do see headwinds from limited AI server OMs, but we would note offsets from traditional compute server strength and its strong storage margins. We see potential tailwinds from DELL with increasing storage needs tied to AI server cluster ramps, as well as benefit from an expected corporate PC refresh, which could lead to higher adoption of AI PCs as refresh cycles have elongated to 3-4 years post-Covid vs. historical 2-3 years. We believe DELL has negative WC due to strong supplier relationships and a strong balance sheet, which helps drive strong FCF to support its growth into the AI server market.

Base Case/PT

With a strong compute server market share, growing AI server share, and a pending corporate PC refresh, we rate DELL Outperform with a $150 PT, 13.6x our F27E EPS of $11.

Bull Case/PT

If DELL can build off its AI server backlog and capture more of its pipeline, as well as see strong ramps of AI PCs and corporate PC orders, we believe DELL's F27E EPS could reach $12.1 and trade at an 16.9x P/E, indicating a $205PT.

Bear Case/PT

If DELL sees its AI share stagnate or fall and the PC refresh cycle takes longer than expected, we could see DELL's F27E come in below our estimates at $10 and trade at a 11.5x P/E, or a $115PT.

Risks

DELL risks include the potential slowing of AI server ramps, slower than expected AI PC ramps, a continued drawing out of corporate PC refreshes, customer concentration in the AI server market as DELL mostly services TIer-2 CSPs and enterprise customers who traditionally have less deployable capital than hyperscalers, margin sensitivity as ramping of AI servers could lead to compressed margins in the short-term as it offers deals to win share, competition with AI server builds all fairly similar and DLC server being expensive and leading customers potentially back to air-cooled, as well as geopolitical/macro risks.

Super Micro Computer, Inc. (SMCI)

Investment Thesis

We see SMCI well positioned as a leader in the AI server market, with >75% ex-CSP share in 2024, though likely declining as peers, such as DELL and others, increase capacity and ramp deployments. However, we see SMCI execution remaining strong with most deployments taking <8 weeks to stand up, and we continue to expect SMCI to be one of the first OEMs to ramp NVDA GB200 servers with liquid cooling and SMCI's capacity reaching >3K/month by end of F25E (total rack capacity 5k/month). Overall we see AI servers trending strongly with DLC >30% penetration of new AI servers in 2025E, and C25E/26E AI server shipments growing 25%/22% y/y, while we do see some potential headwinds for SMCI with air-cooled GB300A servers ramping in 2H25E, reducing its moat, while internal controls post regaining filing compliance remain an additional overhang.

Base Case/PT

A strong AI server portfolio and leading market share position SMCI well with DLC penetration growing and execution strong, but increasing competition and limited margin expansion weigh. We rate SMCI Neutral with a $47 PT, or 15.7x our F26E P/E with some near-term multiple compression.

Bull Case/PT

If ex-CSP AI demand growth accelerates into 2025/26E and DLC penetration grows ahead of ~30% estimated over the NTM, SMCI could benefit, which we believe we could see SMCI trade at a $59PT, 18.8x F26E EPS our upside F26E EPS of $3.14.

Bear Case/PT

Accelerated share loss, as other key US Server Integrators ramp deployments driving increasing competition, and a slowdown in ex-CSP AI capex spend could negatively impact SMCI and we see a potential bear case F26E EPS come in at $2.85, 12.3x our F26E downside EPS, for a $35PT.

Risks

1) Potential stalled revenue growth if AI server spending slows

2) Customer concentration as its two major customers accounted for ~58% sales with the rise of hyperscaler AI server demand

3) Elevated CCC, as SMCI pays back its suppliers faster than it receives payment from customers

4) GM/OM sensitivity with limited AI server margins, increasing competition

5) Technology risks as expensive liquid cooling adoption remains slow with customers preferring air-cooled solutions

6) Supplier concentration risk with~ 64% of purchases from its largest supplier

7) Internal control issues have yet to be resolved, potentially leading to further accounting headwinds

Credo Technology Group Hldg (CRDO)

Investment Thesis

CRDO is a technology innovator with strength in SerDes IP, server interconnect products with its AEC (active electrical cables), Optical DSP, Line Card PHY, chiplets, and IP licensing. CRDO is actively engaged with all seven major hyperscalers, as well as CSP, Enterprise, and Networking customers and is benefiting from increased AI infrastructure spending for its Optical and AEC solutions. CRDO has strong GMs at ~65% (at to above LT 63-65%), and we believe is an attractive company with competitive advantages in SerDes IP that can drive materially lower TCO in Data Centers compared to the competition with a TAM potentially ~15x its current AEC revenue run rate of ~$400M/yr.

Base Case/PT

Our $112 PT is ~18.8x our F27E P/S and represents our base case scenario. We view CRDO as a leader, with a full suite of products addressing the 400G+ market, growing 2x overall DC market.

Bull Case/PT

If CRDO can successfully ramp at its 3 key hyperscale customers, ramp capacity and potentially add additional hyperscale customers, as well as see overall faster 400G/800G ramps, it could see benefits to its top and bottom lines. Our upside case scenario implies a $155PT, and ~23.1x our upside F27E sales of ~$1.3B.

Bear Case/PT

If CRDO sees tougher than expected competition, fails to sustain traction with AEC, or sees a slowdown in DC, we see CRDO trading at $85, ~15.3x our downside F27E topline of ~$1.06B.

Risks

CRDO is sensitive to spending from a few large customers in the Data Center market, including US/China hyperscalers and CSPs. While an advantage typically, if its customers significantly pull back on buildouts and investment, then this could negatively impact CRDO's growth. Competition, mainly from AVGO and MRVL, could be headwinds to CRDO, as well exposure to China customers, and TSMC as its sole source foundry partner.

Companies Mentioned (prices as of 8/1/2025)

Advanced Micro Devices, Inc. (AMD- Outperform $176.31)
Amazon.com, Inc. (AMZN- Outperform $214.75)
CoreWeave, Inc. (CRWV- Neutral 104.14)
Dell Technologies Inc. (DELL- Outperform $132.69)
Meta Platforms, Inc. (META- Outperform $750.01)
Microsoft Corporation (MSFT- Outperform $524.11)
Oracle Corporation (ORCL- Outperform $244.42)
Tesla, Inc. (TSLA- Outperform $302.63)
Alphabet, Inc. (GOOGL- Outperform $189.13)
Broadcom Inc. (AVGO- Outperform $293.70)
Credo Technology Group Hldg (CRDO- Outperform $111.55)
Intel Corporation (INTC- Neutral $19.80)
Micron Technology, Inc. (MU- Outperform $109.14)
NVIDIA Corporation (NVDA- Outperform $177.87)
Super Micro Computer, Inc. (SMCI- Neutral $58.97)