KASASV

KOREAN AMERICAN SEMICONDUCTOR ASSOCIATION IN SILICON VALLEY

April 2026

방문객

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그는 그의 과거와 현재와 그리고 그의 미래와 함께 오기 때문이다.

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3 Winners From Micron's Huge Capex Guide

March 25, 2025 Uttam Dey

Summary

- Micron's surging capex, now guided at $25B for FY26, is catalyzing a construction boom in the memory industry, directly benefiting WFE vendors.
- LRCX, AMAT, and KLAC are best positioned to capitalize on elevated cleanroom and equipment spending by Micron and its peers.
- LRCX, AMAT, and KLAC trade at elevated multiples, but recent upward revisions in FY27 growth estimates suggest further upside remains.
- Key risks include customer capex cyclicality and China exposure, but I remain bullish on LRCX, AMAT, and KLAC given robust demand and revenue momentum.

gustavofrazao/iStock via Images

Investment Thesis

Last week was always going to be a big week for Nvidia (NVDA) and its ecosystem with the GTC26 event, but also for Micron (MU), which is one of the essential memory suppliers for Nvidia's chips.

That's because Micron would also be reporting its Q2 FY26 quarter a couple of days after Nvidia's GTC event.

Micron's shares should have catapulted higher on blowout numbers in its Q2 ER, but markets clearly used those earnings results to create winners, and Micron's capex was the trigger for markets.

Markets believe some WFE (wafer equipment) manufacturers/vendors will become big beneficiaries of Micron's surging capex over the next year as shown in the chart below.

Exhibit A: Quarterly revenue growth rates for Micron since 1998.

I believe markets are right, and I explain below why Lam Research (NASDAQ:LRCX), Applied Materials (NASDAQ:AMAT), and KLA Corp. (NASDAQ:KLAC) will benefit from Micron's rising capex as well as elevated capex plans from Micron's direct peers.

Primer On Micron's Capex Plans Vs. The Memory Industry

Markets have clearly demonstrated their disapproval for Micron's forward-looking capex forecasts, as seen in Exhibit A above.

A few days ago, I published this post explaining key details about Micron's capex components. In my strong view, understanding this nuance about the memory maker's capex is essential for investors when it comes to investing in WFE vendors.

As I noted in that post, there are 3 components to the capex budgets of most memory makers like Micron—WFE equipment, construction, and test/assembly. Micron's management usually guides investors on its capex plans in dollar terms and the areas /components that management intends to spend on.

Markets are very appreciative of management when the focus on Micron's capex is/will be directly towards WFE to support the production of its advanced memory products/components, especially for HBM and next-gen DRAM nodes. Spending on EUV (extreme ultraviolet) lithography is one example of WFE capex, which goes directly into developing more advanced technology manufacturing process nodes like the 1-γ node for DRAM and the G9 node for 3D NAND.

However, on the Q2 call, Micron's management guided up FY26 capex to $25B, up from prior estimates of $18B, and simultaneously noted that this 39% sequential increase in the FY26 capex outlook would be "driven by cleanroom facility-related CapEx," like the Tonglou, Taiwan location. This would be "followed by a construction spend increase in our U.S. fab projects" in FY26.

That's not all. Management also revealed construction capex would see a ~$10B increase in FY27:

We project our fiscal 2027 CapEx to step up meaningfully to support HBM- and DRAM-related investments. We expect construction-related CapEx to increase by over $10 billion year-over-year in fiscal 2027 as we build out our global manufacturing sites to address long-term demand opportunities. In addition, we expect higher equipment spend year-over-year in fiscal 2027.

This clearly demarcates some key beneficiaries from not just Micron's elevated focus on construction capex but also from rising construction-focused capex from Micron's peers like Samsung and SK Hynix.

Here are my winners from the elevated construction-focused capex being seen among the three largest memory makers in the world, as shown below.

1. Lam Research: Strong Support For Cleanrooms

Such is the strength in the WFE space that Lam Research's management believes the entire WFE industry's TAM can grow 22% in CY26 to $135B. These growth estimates are still likely conservative since they see a "shortage of available clean room space."

Typically, Lam Research is known to provide products and solutions that help chip foundries like Micron during initial chip fabrication stages of deposition and etching. Lam Research is most known for its Systems division, which houses its deposition and etching solutions.

But during the stages of setting up clean rooms, like I talked about in the previous section, a large volume of resources are allocated towards constructing chip fabrication shells. Lam Research engages chip foundries early on during the construction stages in areas like facility planning, WFE transport, and advanced WFE installation. And Lam Research engages customers like Micron and peers via its Customer Support business group, which brought in $1.68B in the December quarter. This business group began accelerating sequentially, growing 13.5% in December, versus the sluggish growth through Q2 and Q3 quarters.

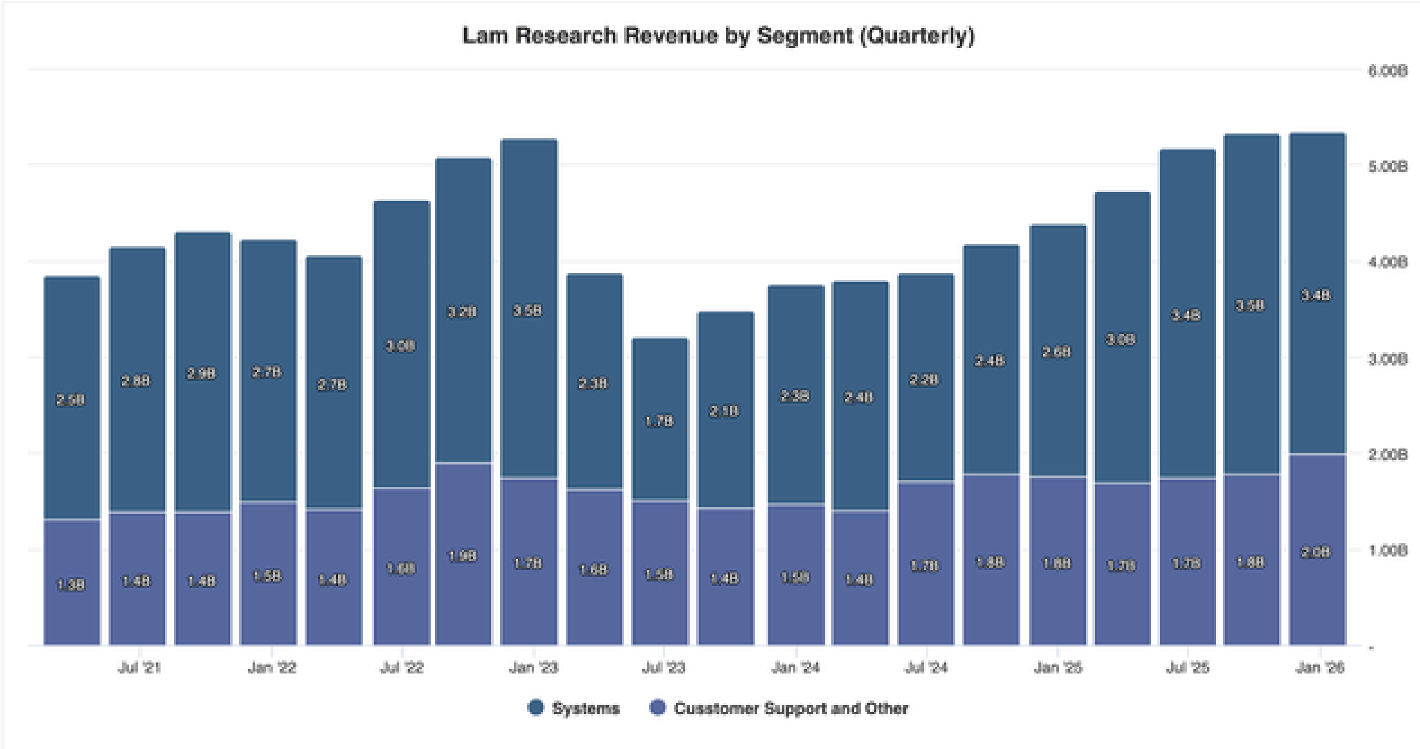


Exhibit B: Quarterly revenues split by key segments for LAM (stockanalysis)

This all-round growing strength in Lam Research's business made management up their outlook at a recent conference this month, where they said end demand "is stronger than" the prior $135B forecast, underlining a prior outlook that H2 CY26 will be strong for the company as Lam Research benefits from elevated construction capex.

2. Applied Materials: AGS Growth Vector

I have written about Applied Materials before and switched from being bullish to neutral. But that was 15 months ago, so a refresh to Applied Materials is needed.

Just like Lam Research, Applied Materials expects a strong pickup in growth in H2 this year, and a shortage of enough cleanrooms will be "a key factor pacing the rate of [WFE] investment," according to management.

Applied Materials has two key revenue segments, Semiconductor Systems, 75% of the overall business, and AGS (Applied Global Services), 21-22% of the overall business. Via AGS, Applied Materials engages with customers by providing on-field site engineers to help design, plan, and support WFE setup and installation. Customers also use Applied Materials' AIx tool for virtual fab mapping and create interactive digital twins of the new foundry layout, allowing customers like Micron, Samsung, and SK Hynix to simulate WFE placement, maximize clean room space, and remove potential bottlenecks before WFEs and machines are physically installed.

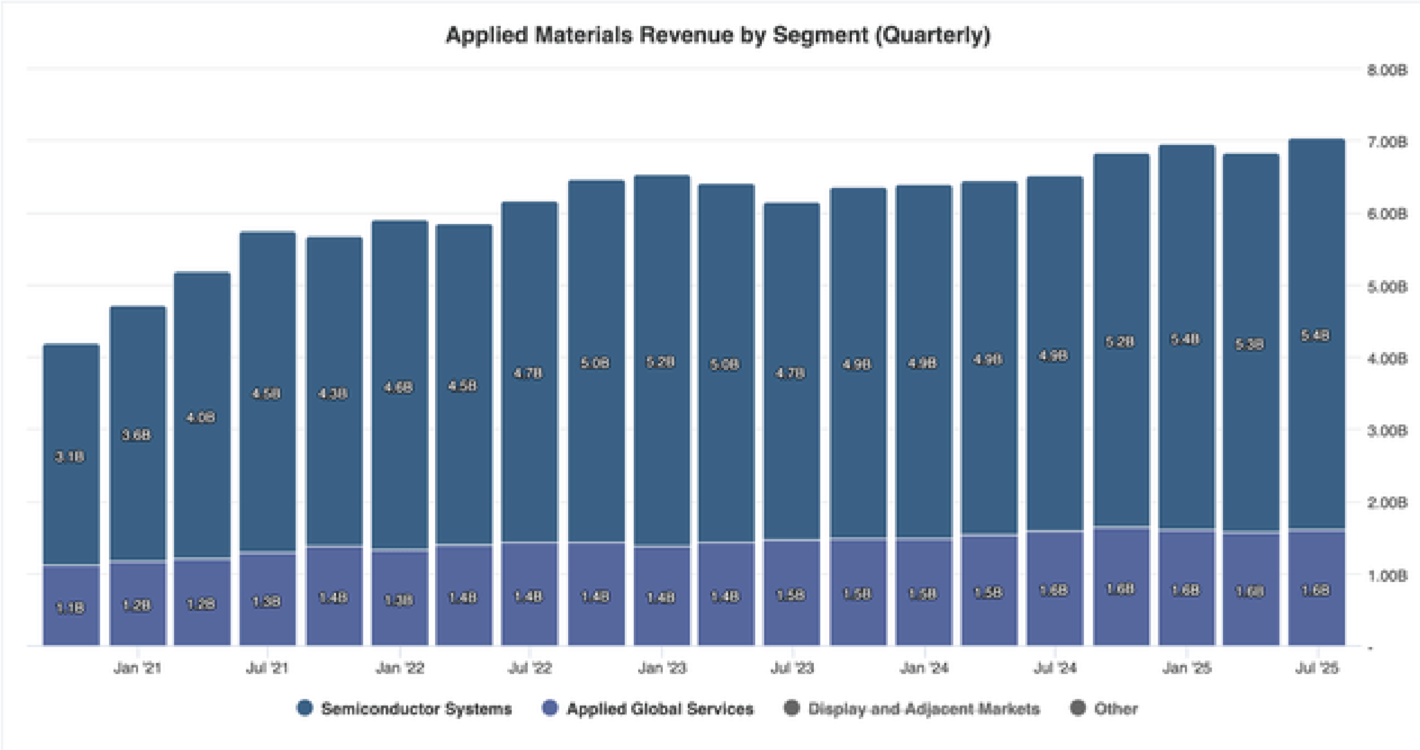


Exhibit C: Quarterly revenues split by key segments for Applied Materials (stockanalysis)

3. KLA Corp: Semi Process Control

Unlike Lam Research and Applied Materials, KLA Corp focuses on providing semiconductor process control and process-enabling solutions. Process control solutions like its inspection, quality control, and chip yield management solutions account for 90% or more of its revenues.

As new cleanroom facilities are being set up or existing facilities are being extended for more capacity, KLA's tools are typically deployed to monitor the cleanliness of the new fabrication environment, ensuring that air quality and foundry environmental conditions meet standards set by customers like Micron before the WFE is installed and during the operation of WFE. KLA also deploys their onsite engineers routinely on behalf of the customer at the customer fab site to support the installation of advanced process control as expensive WFE from companies like ASML get installed in these cleanrooms.

The big difference between KLA and the other two peers that I mentioned above is that KLA operates at strong gross margins that stand apart from Applied Materials and Lam Research, which makes KLA Corp. a lot more interesting in this era of elevated construction capex seen among broader foundry companies and memory companies.

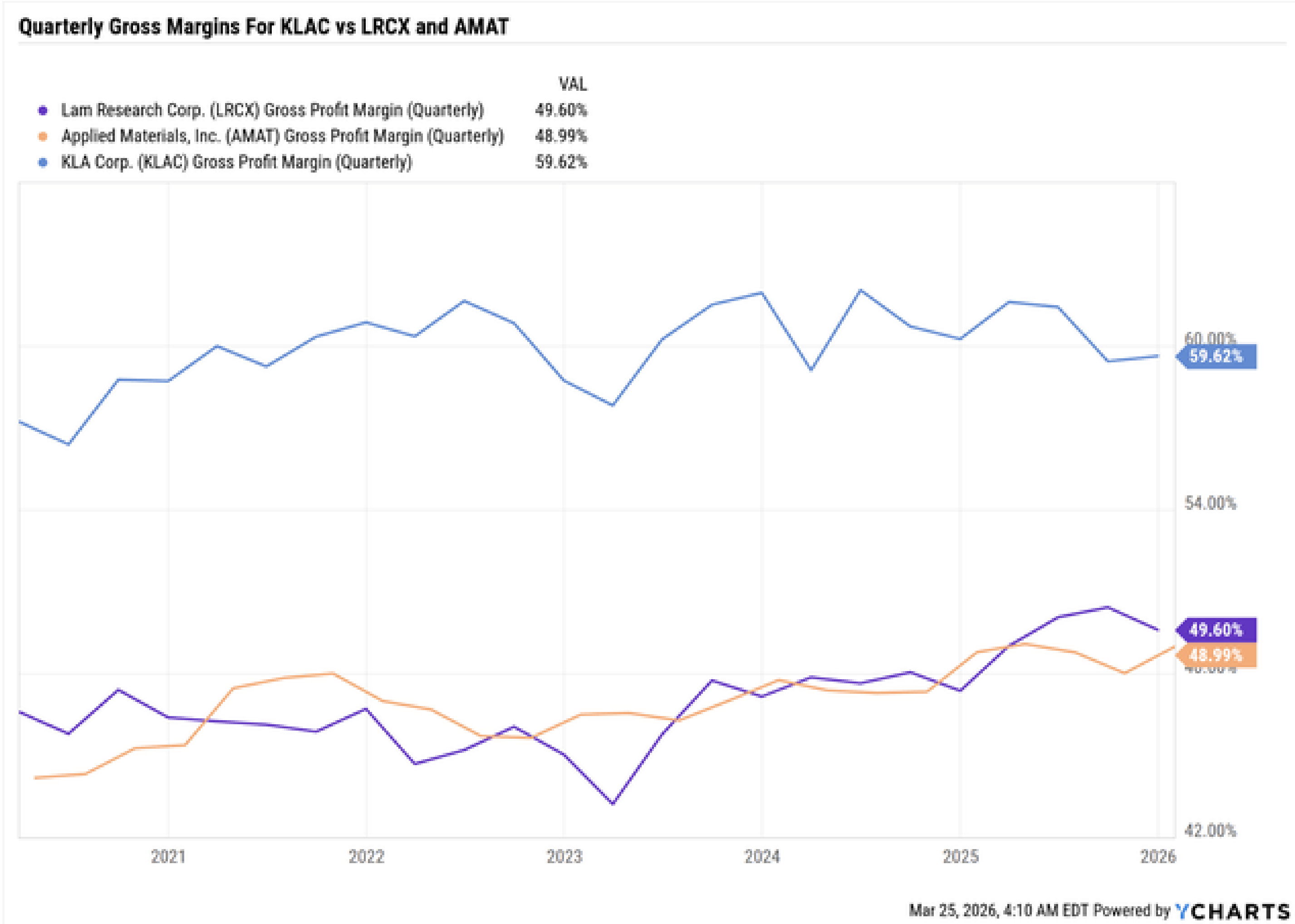


Exhibit D: Comparing KLA Corp's quarterly gross margins vs. Applied Materials and LAM (yCharts)

Recently, KLA Corp extended their current share buyback program from the $3.9B that still exists by an incremental $7B. The total value of their buyback program represents ~5% of KLA's market cap.

Valuations May Be Stretched But Don't Factor Coming Upside

All three WFE companies follow Micron's FY system that ends in August. That means all three

The shares of all three capex beneficiaries I noted above have already run up in anticipation of the coming capex boom from their target customers. This can be seen in elevated forward revenue multiples below.

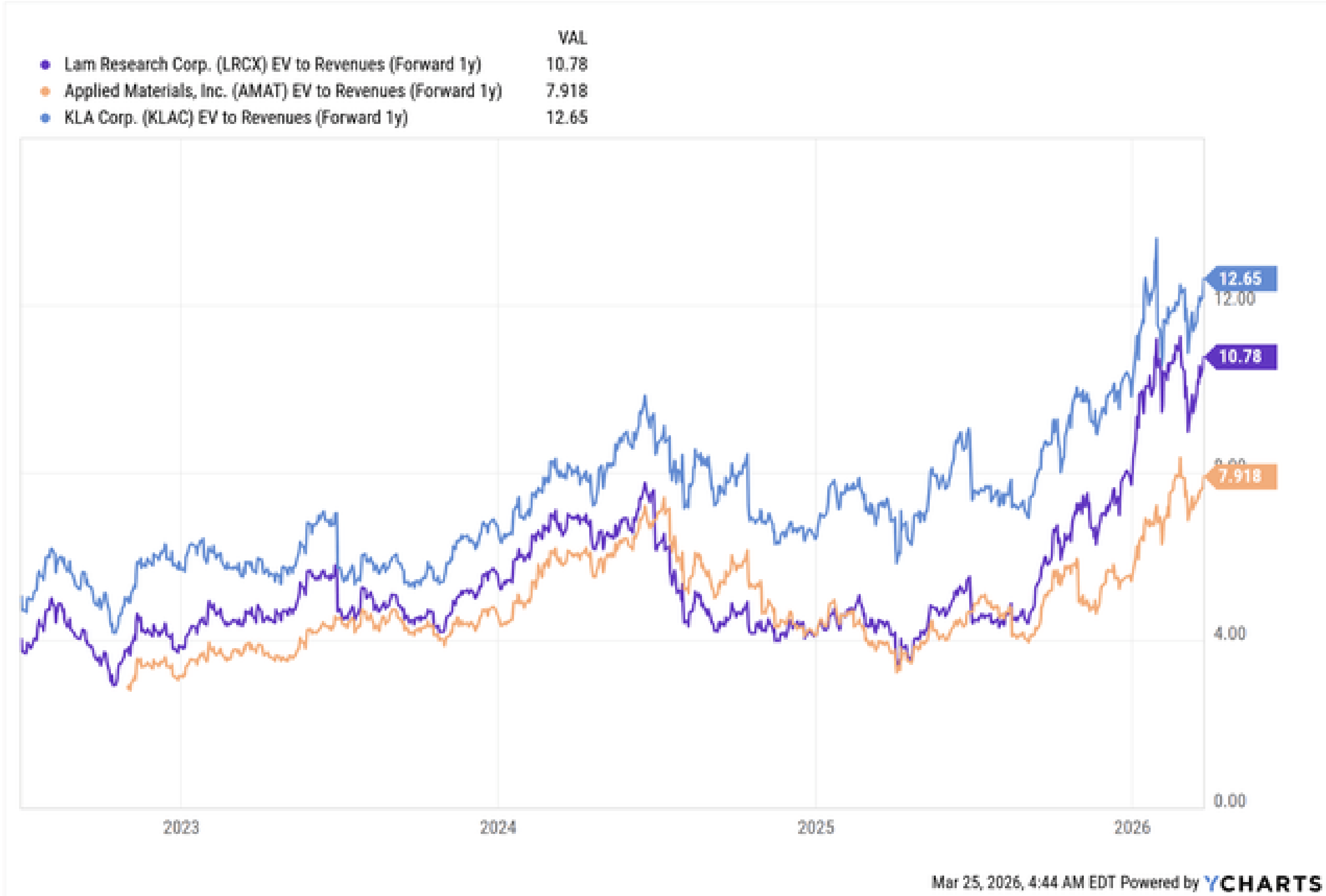


Exhibit E: Comparing forward revenue multiples of KLA Corp, Applied Materials and LAM (yCharts)

Lam Research is the only company that analysts believe can score 21-23% growth in FY26 and FY27. Compared to forward growth, Lam Research trades at 13x FY26 revenues and 11x FY27 revenues.

In contrast to Lam Research, its other large peer, Applied Materials is expected to grow 11% in FY26 and 18% in FY27 but trades at 9.4x FY26 and just 8x FY27 revenues.

Finally, KLA, the smallest of the three, in terms of market cap, trades at 15x FY26 revenues and 12.7x FY27 revenues for revenue growth projections of 10% this FY that more than doubles to 21.7% in FY27.

Personally, I believe all three companies are still undervalued because there is still strong scope for revenue estimates to keep increasing. For example, FY27 revenue growth estimates for all three companies were hiked by 10-15% in just the last 3 months as per SA data. So there is definitely more upside in the shares of KLA, Lam Research, and Applied Materials.

Risks & Other Factors To Note

Two main risks when investing in the WFE companies I noted in this post.

First, all companies have some amount of revenue exposure to China, and that introduces the risk of possible regulatory oversight and the added vulnerability of tariffs/export restrictions that could return.

Two, Applied Materials, Lam Research, and KLA are highly sensitive to the capex budgets of their target customers, which introduces a different kind of business cyclicality and capex volatility. So if their customers suddenly see any weakness in their own businesses, they may scale back capex, which may hurt all three beneficiaries.

Takeaway

Micron's ballooning capex is a direct reaction function to the unprecedented demand environment seen in the memory market.

While that benefits Micron long-term, the new capacity that Micron and its peers are rushing to create will make strong beneficiaries out of WFE vendors such as Applied Materials, KLA Corp., and Lam Research that are best positioned to assist each foundry in the global race to construct more clean rooms.

Another Monday Madness: A Tech Take

March 30, 2026 Tech Contrarians

Summary

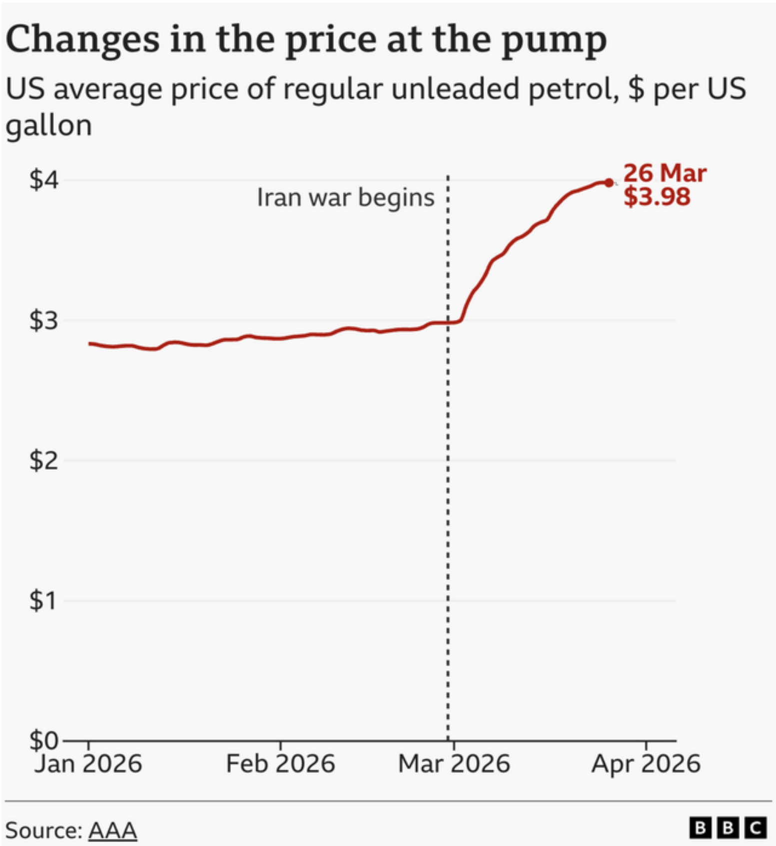
- The U.S.-Israel war on Iran persists, in spite of Trump's signals of potential resolution to which the market has grown thicker-skinned.
- The supply shock that this creates, and could expand with the closure of the Bab al-Mandeb Strait, has yet to take its full force, and markets are beginning to digest that.
- Tech itself had been in a bit of a tough spot heading into this, with forecasts for smartphone and PC TAM to decline in the double digits for the year.
- It seems we're getting all the cards on the table, and in a market like this, the beneficiaries could be the analog peer group.

Monday Madness

Another Monday comes with another post on Truth Social from President Trump. We're covering the macro picture every Monday as we push through the current U.S.-Israel-Iran war. This Monday, not unlike last Monday, the U.S. remains in "serious discussions" with Iran. Trump's five-day pause on hitting energy sites amid productive conversations with Iran, announced last Monday, got extended until April 6th on Thursday as we neared the deadline. These Monday headlines also make it clear that this administration's vulnerability lies in financial markets, particularly as we see them begin to digest the gravity of the situation.

TruthSocial

Unfortunately for Trump, the market isn't buying into his rhetoric anymore, and a big part of why is that Iran has been denying its occurrence. Markets went up slightly after his post on Thursday post-market close, but gains didn't hold, and another crash came around Friday, driving Nasdaq and Dow into correction territory, and it has seriously spilled into Monday. Oil prices (CO1:COM) are hitting their highest level since 2022, and panic seems to be growing roots. Oil prices are driving the physical shortage that has yet to fully trickle down to the consumer, although prices at the pump are not hiding how bad things could get, as shown below.



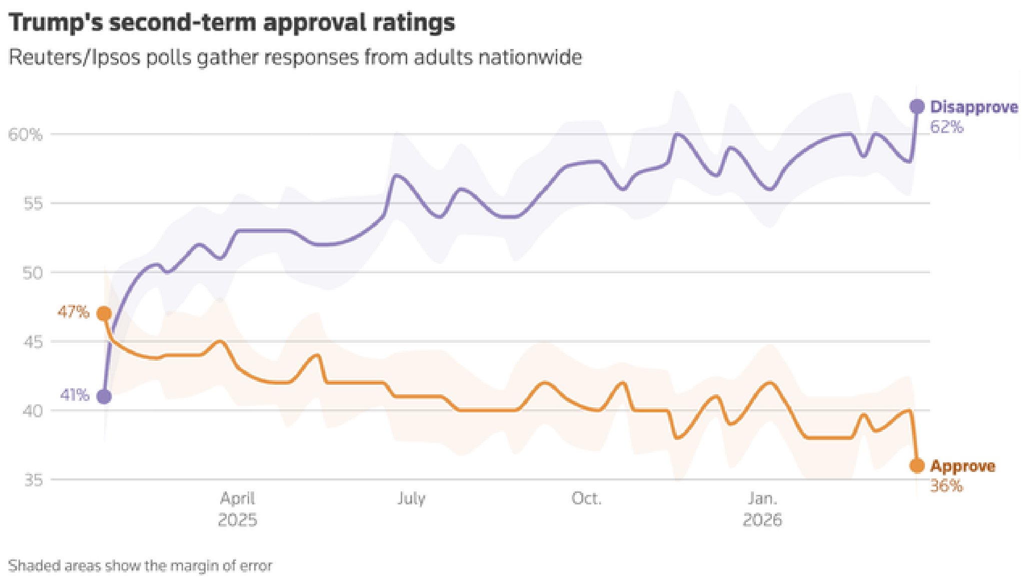
We're also hearing divergent accounts of the state of the Strait, with Trump claiming that Iran has allowed up to 20 tankers to pass through the Strait as a "present," while other reports indicate that two vessels from China Ocean Shipping Company were unable to pass through. Footage circulating online showcases just how bad the traffic buildup at the Strait has become. There are now almost 17.8M barrels per day that usually pass through Hormuz, and that flow is disrupted.

With the war now entering its 31st day, the question on everyone's mind is: Are we near the end? More specifically, are we near that April buying moment we got after Liberation Day?

All signs point to Trump not wanting a ground invasion or a more serious escalation, but unlike prior situations we've seen Trump navigate, his counterpart is uninterested, which leads us to believe things could stretch out longer. The Pentagon apparently is preparing for a limited ground operation, particularly one involving Kharg Island and coastal sites near Hormuz, indicating this is the arrival of the USS Tripoli in the region, bringing about 3,500 more U.S. troops. A ground intervention, even in a limited capacity, would make matters significantly worse on multiple fronts.

For starters, Iran is threatening that any such invasion would be met with force and the creation of a new potential chokepoint at the Bab al-Mandeb Strait. The closure of the latter would materially worsen the current oil disruption. About 4.2M barrels of crude oil and petroleum products pass through the Bab al-Mandeb Strait daily, according to H1 '25 stats. This number is already down from its prior height after the Houthis' blockade of the Strait in 2023. Yet, with the ongoing conflict and closure of Hormuz, a lot of traffic has been going through Bab al-Mandeb, Saudi Arabia's Red Sea port of Yanbu, and exports alone have tripled to 4M per day. So, Bab al-Mandeb is another leverage card that has yet to be played and could knock this oil disruption into a catastrophe, as the combined closure of the two Straits would block about 30% of global container shipping and 22% of global oil supply.

Secondly, this would have disastrous connotations for the Trump administration's standing at home. Trump's approval has hit 36%, the lowest point seen since he returned to office for his second term. The driver for this sharp drop in approval, as shown below, is the entry into and conduct of this war. A ground invasion would only weigh this approval rate lower. The rate of those who approve of the war is also coming down from 37% last week to 35% now, while the disapproval rate has gone in the opposite direction, growing from 59% to 61%.



Reuters

The Trump element is not divorced from how markets are digesting this war, nor is the sentiment in financial markets isolated from how the president is conducting it. The more the impact of oil disruptions and potential ground invasion is felt by the end consumer and thus reflected on markets, the more urgency the Trump administration will feel to make an exit. So, as the backlash of this war grows higher, we think the end grows nearer, too.

Tech Sluggishness Pre-Dates The War

For us, everything comes back to technology, and this war is not without impact on the tech sector. We discussed this in our last piece, "Another Uno-Reverse Card: This Market Trusts Trump," with specific focus on the impact of helium shortage, with about 30% of the global supply coming from Qatar. Chip makers such as TSMC (TSM), Samsung (SSNLF), and SK Hynix all have material helium dependency, with the Korean fabs holding 65% dependency on Qatar's Helium supply. TSMC's LNG imports from Qatar add more pressure, with a 33.7% reliance. Matters have trickled into other areas, too, including Aluminum. Iran targeted the two main aluminum producers over the past 24 hours: the UAE and Bahrain. Emirates Global Aluminium (EGA) and Aluminium Bahrain (Alba) both confirmed that their facilities have been hit, with the latter going so far as to cite "significant damage." The attacks pushed up aluminum (LMAHDS03:COM) close to its four-year peak, as the Gulf accounts for about 9% of the global aluminum supply. According to analysts at ING Economics:

The latest attacks increase the probability of a prolonged disruption scenario, where supply losses could persist even if geopolitical tensions ease, reinforcing upside risks to prices.

This matters for a couple of different reasons, specifically when it comes to tech, where aluminum is everywhere in server chassis, EV batteries, packaging, and even within data center infrastructure. Packaging alone accounts for +21% of aluminum shipments in North America. So there is a very real supply constraint that is playing out of this, and that will take weeks if not months to resolve, even after the war is over.

The other concern is that outside of AI, tech end demand remains pretty sluggish. IDC forecasted smartphone TAM growth of 1.2% for the year last September. That outlook was revised down to a -0.9% decline in December, citing memory shortages and the pushout of Apple's new iPhone lineup. Since then, IDC cut numbers again, and this time more dramatically, for a -12.9% decline, and it was described by IDC as "not a temporary squeeze, but a tsunami-like shock originating in the memory supply chain." The outlook for a -12.9% decline in smartphone TAM is the one that stuck and represents the lowest annual smartphone shipment volume in over a decade.

Things aren't much better on the PC front, either. IDC's baseline outlook, shared last November, was for a -2.4% outlook. This was revised down to -11.3% in March, with industry peers pointing to as much as a -15% outlook, citing "massive disruption." The AI build-out is driving memory costs substantially higher and weighing on end demand. So, this adds another layer to the current tech market: higher memory ASP is bad for device TAM, and as the end consumer digests this, pricing power for non-AI memory wanes as units fall. According to Wccftech, DDR5 retail prices are already falling. If memory spot prices have hit a ceiling, then this also means bad news for memory players, who have been the growth spot for tech since the start of the year.

Where To Hide Out In Tech?

The analog peer group doesn't get too much love; it bridges the gap between the physical and digital, feeding into several diversified end markets (including auto, industrial, consumer, IoT, defense, and healthcare). For the most part, with analog chips, we're talking about older process nodes (i.e., they don't often fall within the 3nm-and-smaller conversation) because of the physical properties required to perform their functions. So, this makes them a less attractive area to explore when the whole market is moving on the AI infrastructure build-out, with the exception of guys like Monolithic Power Systems (MPWR) or even Infineon, the former of which very early on in this AI boom carved out a play within the AI supply chain for power management (the content of which has been increasing). Yet, in times like these, when we're seeing increased macro uncertainty and fears of higher component costs as the oil disruption tied to Iran persists, analogs become something of a safe haven.

The thesis behind this is pretty simple, and it's been tested and tried. When there are panics over price pressure, shortages, and longer lead times, everyone and their grandmother will pull in orders, or even double orders, to secure capacity at a more favorable price. Now, this happens across the supply chain, but the reason analog is special is that, unlike other sectors, analog tech doesn't easily go out of fashion. Remember, we're not talking about 5nm moving to 3nm; we're talking about old generations. So, the backlash for holding more inventory than ideal on these chips if end demand doesn't kick in is more manageable.

Hence, when macro uncertainty looms, analogs tend to see short-term benefit from pull-ins and double ordering. We saw this happen around this time last year in the aftermath of Trump's Liberation Day tariffs. Remember, Trump announced a package of import duties, including a universal 10% tariff and higher tariffs for about 60 countries in the double-digit range. The market melted in reaction before the 90-day pause, which took place a few days later. Nonetheless, when the next quarter's print came around, analog companies across the board boasted better-than-expected numbers, which soon appeared to be the result of pull-ins and double ordering out of fear that tariffs were coming once the pause was over.

For example, last year Texas Instruments (TXN) reported Q1 '25 results in late April, beating expectations and guiding above seasonal for Q2, pushing the stock up 10% in reaction. The following quarter, Q2, the company guided below seasonality for Q3, which pointed to the double ordering that propped up results the quarter prior.

While we're not in this exact situation today, given that last April's episode was more of a demand and supply shock, and today we're seeing more of a supply shock, we share similarities with it. The most important of which is that markets are stuck in another round of macroeconomic uncertainty that could seriously impact supply chains due to the closure of the Strait of Hormuz.

In this environment, we think we'll see pull-ins and double orders turn their heads again, and with that, we see opportunity in the analog peer group and greater short-term resilience. Given that each analog name has its own unique exposure to end markets, we think the best way to play this thesis is to stick to the guys with either 1. The most diversified end market exposure that'll benefit from across-the-board pull-in without being overly exposed to one end market demand. Here, we like TXN, which has exposure to Industrial (33% of total sales), auto (33% of total sales), data center (9% of total sales), personal electronics (21% of total sales), and embedded and communications infrastructure (together 4% of total sales). 2. More concentrated end market exposure in favorable areas, such as Analog Devices (ADI) or Microchip (MCHP). The industrial and auto markets are most prone to panic ordering and hoarding because if you're missing even one component, the assembly line pauses, as analog is often sole-sourced, meaning pieces are designed to fit a specific structure.

Amcor: A Defensive Value Play In Packaging

March 30, 2026 Juan Ignacio Orlando

Summary

- Amcor is a global packaging leader trading at a 10x forward P/E and offering a 6.5% dividend yield, rated Buy.
- Synergies from the Berry merger are ahead of schedule, with $93M realized in H1 FY2026 and a $650M target by FY2028.
- AMCR's stable cash flows, narrow moat, and defensive sector positioning underpin dividend safety despite elevated leverage post-merger.
- Capital appreciation potential is supported by undervaluation, insider buying, and robust shareholder yield, though debt and integration risks warrant monitoring.

Rafael_Wiedenmeeir/iStock Unreleased via Getty Images

Amcor (AMCR) is a global leader in consumer packaging. Following its combination with Berry, it has fortified that position. The stock is trading at historically low multiples with a forward P/E ratio of 10x, and a juicy dividend yield of 6.5%, backed by a 69% payout ratio and a stable free cash flow stream.

The integration of Berry is a long and complex process that will take years to complete, but so far synergies have exceeded expectations. Also, the balance sheet is on a path to deleveraging, and the business is supported by a series of competitive advantages that do not constitute a wide moat but allow for a stable revenue base. All this leads me to conclude that the dividend is relatively safe.

At current price levels, AMCR offers an attractive combination of high income through dividends and potential capital appreciation, making it a strong candidate for a defensive position in a diversified portfolio. I rate Amcor as a Buy.

Global leader in packaging

I have no idea what the AI world will look like, but I am certain that humans will still be buying packaged products. Millions of people around the globe come into contact with packaging produced by Amcor every single day. This is due to the global footprint of the company, which, following the $8.4 billion all-stock merger with Berry Global that closed in April 2025, operates 400+ locations in 40+ countries. Amcor generates around $23 billion in revenue, of which 51% comes from North America, 28% from Western Europe, and the remainder from emerging markets. The firm’s products are segmented into flexible packaging, representing 57% of revenue, and rigid packaging, the remaining 43%.

For multinationals like Coca-Cola (KO), PepsiCo (PEP), or McDonald's (MCD)—all of which are AMCR’s clients—working with smaller regional packaging manufacturers is not a viable option because they require high and consistent quality across all geographies. This underpins the concentrated structure of the packaging industry, at least for global brand suppliers, and bolsters AMCR's competitive advantages.

Amcor is not in a glamorous or sexy business; instead, it is boring and mature, so it is not reasonable to expect spectacular profitability margins or growth rates that are common in other sectors. However, industry leaders like AMCR enjoy low-volatility revenue. Amcor’s competitive position relies on four advantages that constitute a narrow moat. First, switching costs. Once a client integrates Amcor's packaging into its production lines, a process that requires several steps such as regulatory approvals, filling lines testing, shelf-validation, etc., changing the vendor poses a real operations disruption risk.

Second, there are cost advantages driven by scale. Given its scale, Amcor can negotiate terms with raw materials suppliers that regional packaging producers cannot.

Third, there is significant IP involved in packaging, and AMCR has over 7,000 registered patents, designs, and trademarks; 10 innovation centers; and approximately $180 million allocated to R&D annually. Because of this, the company can create differentiated solutions, especially in sustainable materials and pharma packaging, while smaller players with fewer resources fall behind.

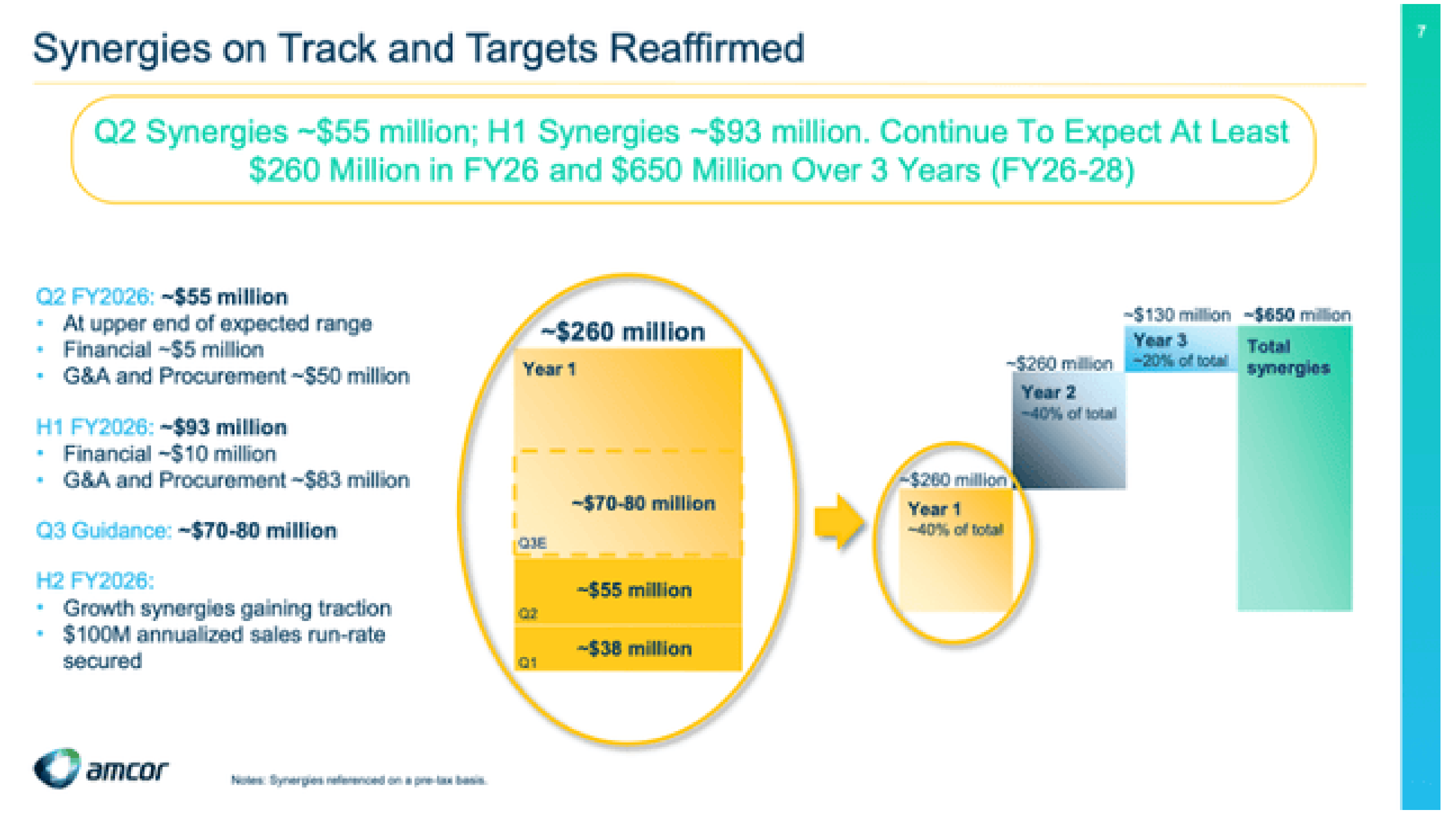
Fourth, AMCR does business with a large portfolio of clients with relationships governed by long-term contracts. No single customer exceeds 10% of revenue, and multi-year contracts have pass-through mechanisms for fluctuations in raw material costs, which provides a recurring, predictable revenue base.

These four factors do not constitute a wide moat because FMCG companies have strong bargaining power and a significant part of the products are commodities, but they at least allow for durable cash flows that have proven resilience through economic cycles. Consequently, this is a good defensive sector, and Amcor's 0.63 beta reflects that.

Investor Presentation – November 2025

Synergies & Q2 results

One of Amcor's key earnings drivers for the next couple of years isn't actually dependent on the business cycle. As part of the merger, management identified $650 million in annualized synergies that can be realized by FY2028. These synergies cover multiple areas, such as operations, procurement, G&A, and finance. When analyzing M&A, synergies should always be taken with a grain of salt; however, Amcor's early execution is already ahead of schedule. The firm captured $55 million in synergies in Q2 alone, which were at the upper end of guidance, accumulating $93 million in H1 FY2026.

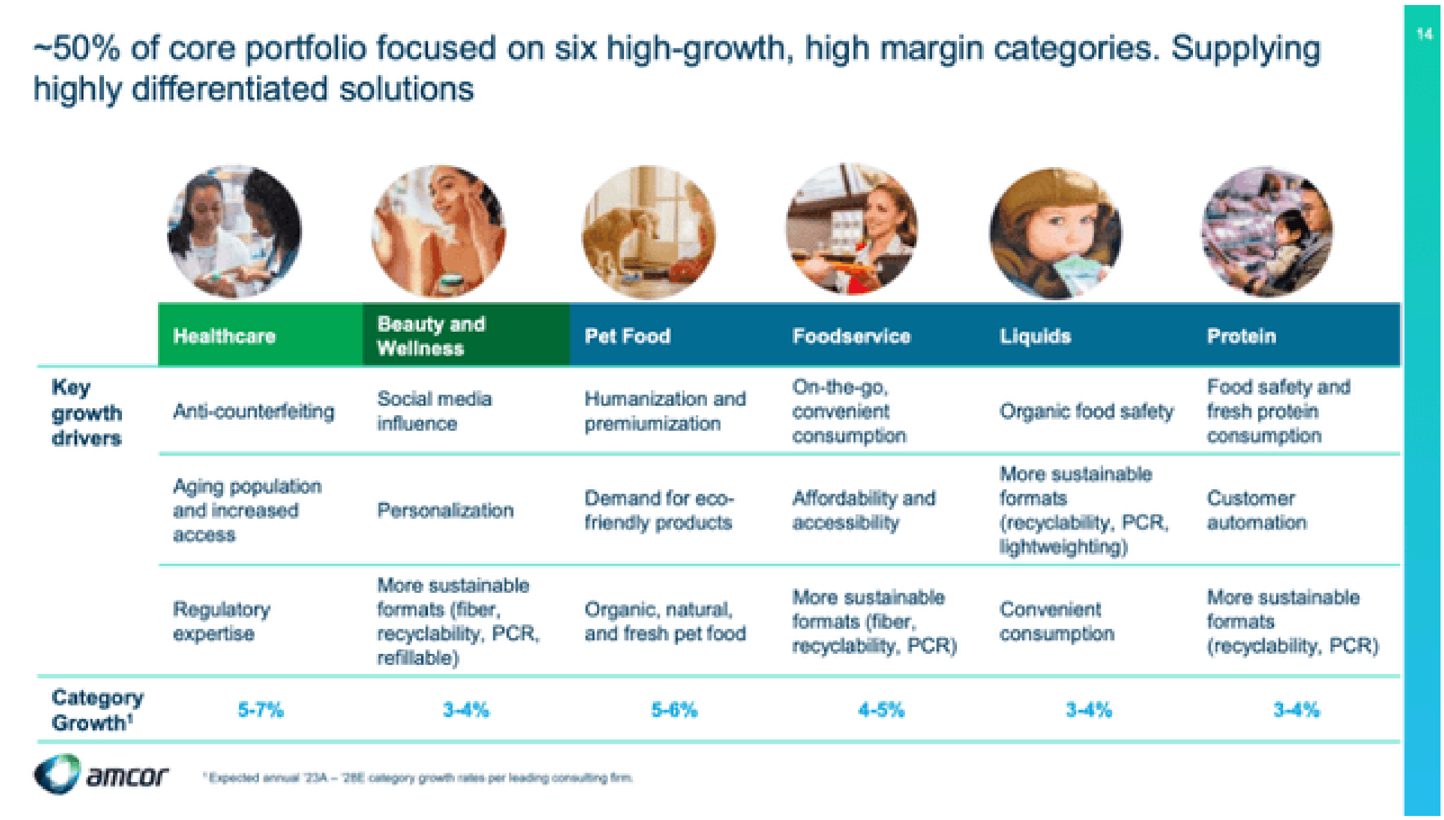


Q2 FY2026 Earnings call Presentation

In the latest earnings report, AMCR delivered a Q2 EPS of $0.86, beating consensus estimates of $0.83. Also, management reaffirmed FY2026 guidance of $4-$4.15 adjusted EPS (12-17% CC growth) and FCF of $1.8-$1.9 billion. The impact of synergies is clear, as Core Portfolio adjusted EBIT was up 7%, but when excluding synergies, it remained flat due to lower volume. Finally, management noted they are making progress on the divestitures of its $2.5 billion non-core businesses, which should help reduce the debt load.

Growth opportunities

Apart from the realization of synergies, there are other factors that I think are accretive to profits independent of the business cycle. About half of Amcor's product portfolio sits in six high-growth, high-margin categories like healthcare, beauty and wellness, pet food, foodservice, liquids, and protein. Healthcare alone, which represents roughly $3 billion in annual revenue, is estimated to grow 5-7% annually through FY2028, driven by aging global demographics and extensive regulatory requirements that favor established suppliers with proven compliance track records. In the Q2 FY2026 earnings conference call, management highlighted a significant contract win in specialized pharmaceutical packaging as a result of the capabilities expanded by the merger with Berry.



~50% of core portfolio focused on six high-growth, high margin categories. Supplying highly differentiated solutions

	Healthcare	Beauty and Wellness	Pet Food	Foodservice	Liquids	Protein
Key growth drivers	Anti-counterfeiting	Social media influence	Humanization and premiumization	On-the-go, convenient consumption	Organic food safety	Food safety and fresh protein consumption
	Aging population and increased access	Personalization	Demand for eco-friendly products	Affordability and accessibility	More sustainable formats (recyclability, PCR, lightweighting)	Customer automation
	Regulatory expertise	More sustainable formats (fiber, recyclability, PCR, refillable)	Organic, natural, and fresh pet food	More sustainable formats (fiber, recyclability, PCR)	Convenient consumption	More sustainable formats (recyclability, PCR)
Category Growth[1]	5-7%	3-4%	5-6%	4-5%	3-4%	3-4%

Investor Presentation – November 2025

In my view, sustainability can be another growth lever uncorrelated with the business cycle. Amcor appears well positioned to face increasing regulatory complexity, especially the 2026 European Union PPWR regulation, since 96% of flexible packaging products by area and 96% of rigid products by weight are already designed for recycling. This is possible due to the scale of AMCR's R&D capability, which smaller players simply cannot match.

Debt and dividend

The merger brought not only a great complementary business but also a significant debt load. Currently the net leverage ratio is 3.6x. While the three main credit agencies have investment-grade ratings for AMCR, the reality is that the company needs to reduce the debt before increasing dividends, resuming buybacks, or undertaking additional M&A. The path to a 2.5-3.0 target ratio seems clear, though not necessarily easy. Synergies can drive margin expansion, consequently raising the denominator, and that extra cash will be deployed in paying down debt, thereby reducing the numerator. If management continues successfully realizing synergies, which is critical, I estimate the deleveraging can be reached in 3-4 years. However, additional asset sales can accelerate the process. Management expects a net leverage ratio of 3.1-3.2x by FY2026, which will be a key indicator of their progress.

Within this deleveraging process, I don't see room for dividend increases. AMCR has inherited its Dividend Aristocrat status from Bemis, a company acquired in 2019, and has grown dividends at a CAGR of 2% over the past five years. This rate does not look great when compared to inflation rates during the period, but if we consider that the dividend yield is currently 6.5% at a 69% payout ratio, it looks better.

In my view, the case for the dividend looks more convincing if we zoom out. Management teams tend to be very careful with dividend policy because they know that every move sends a strong signal to the market. Managers typically set the dividend at a level they can sustain even under adverse business conditions because they recognize that investors assume the dividend will remain stable regardless of business cycles. Under positive circumstances, when a cash surplus is available but there are not enough opportunities to reinvest in the business, companies return extra cash to shareholders via share buybacks, which they can halt or accelerate. Management is unlikely to increase a dividend if they anticipate a potential cut in the near future.

Further, some of the major institutional investors in names like Amcor, who often steer corporate policy and board appointments, aren't necessarily hunting for explosive capital gains. Instead, they prioritize steady yield. Consequently, management would likely exhaust every available alternative before opting for a dividend cut that would alienate its most influential backers. With Amcor’s payout ratio sitting at 69%, I suspect that if FCF hits a temporary snag, the firm would sooner taper its deleveraging pace or divest non-core assets than touch the dividend.

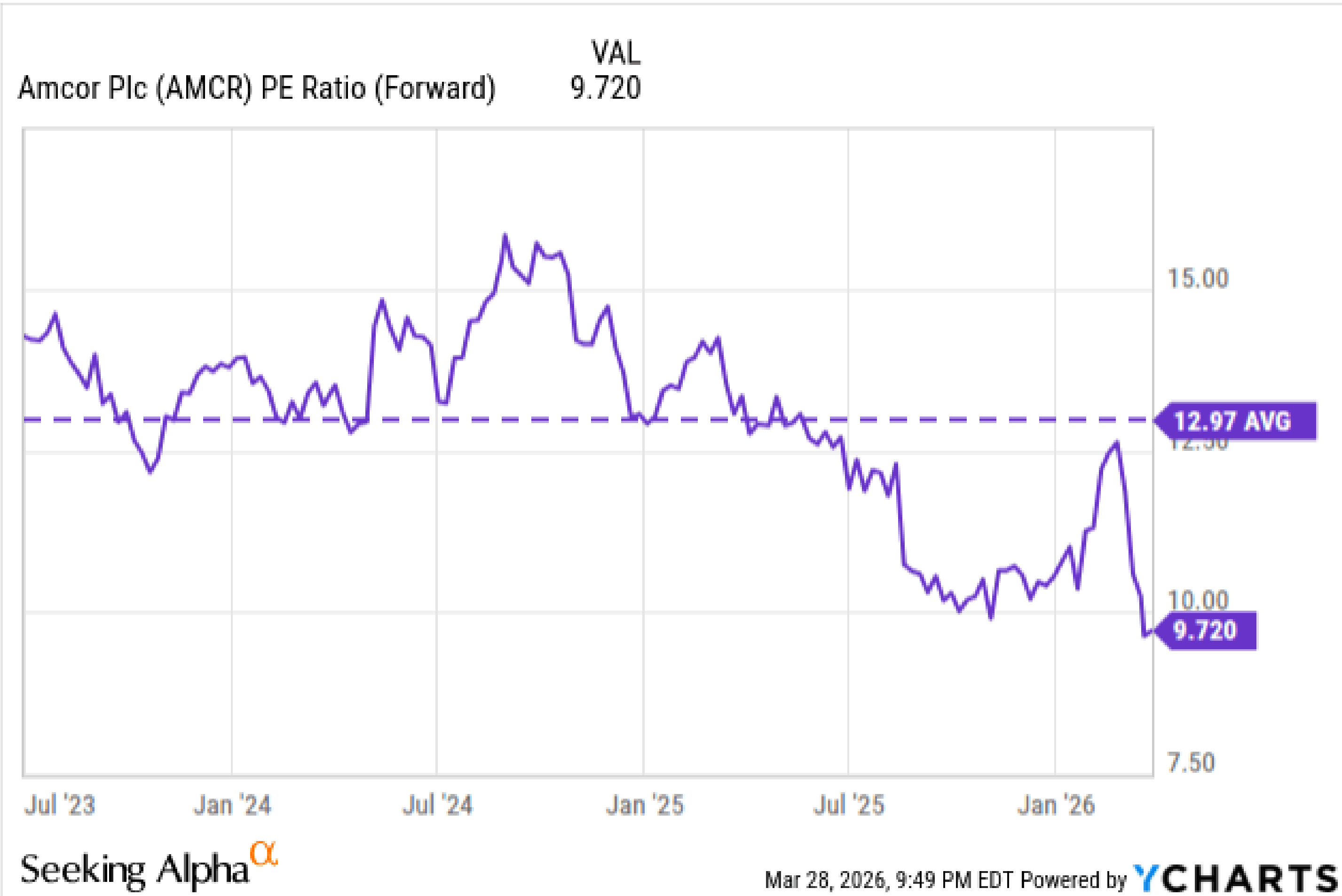
Finally, in the merger presentation, management laid out 'The new Amcor model,' committing to FCF of $2 billion, dividend per share growth, EPS growth of 10-15%, and a total shareholder return of 13-18%. With these metrics, the current dividend should be more than covered. This slide is significant; in fact, it is included in every earnings presentation because it will be the yardstick by which the merger and the Berry integration will be evaluated by investors. In my view, cutting the dividend after committing to these figures would be equivalent to an admission of defeat by management.

Amcor and Berry Joint Investor Conference Presentation

Reverse engineering the stock’s value based on this slide is a telling exercise. At $1.1 billion in total dividends, a midpoint yield of 3.5%, and 462 million shares outstanding, we arrive at an implied share price of $68—a staggering 70% premium over the current $40 mark. This is not my personal intrinsic value estimate, as I am merely playing around with management’s own assumptions. However, it’s always worth looking at the thesis through their lens to understand exactly how leadership perceives the company’s valuation gap.

The stock looks undervalued

Currently, the stock trades at a forward P/E ratio of 10x, which is 30% lower than its three-year average of 13x. While this may indicate the stock is undervalued, the chart also shows the start of the multiple contraction coincided with the Amcor-Berry merger announced in late 2024. This suggests that the market is either penalizing AMCR for the deal or remains skeptical about the delivery of synergies.



YCharts

From a shareholder yield perspective, combining the 6.5% dividend yield with a 10% consensus three-year EPS CAGR results in a 16.5% expected return, before accounting for any multiple re-rating. This is another indication that the stock may be undervalued. Notably, the current $40 share price is below the lowest Wall Street price target of $43.

Finally, insider buying activity points in the same direction. Last November, when the stock was trading at current levels (adjusting for the 1-for-5 reverse stock split), there were significant insider purchases, including by the CEO, Peter Konieczny. While this activity may partly reflect minimum holding requirements, the fact that these buys occurred at these levels is consistent with management’s conviction that the stock remains undervalued.

Risk factors

The surge in oil prices due to the military conflict with Iran will be a severe blow to manufacturing companies. Amcor is not immune to this impact, as a large portion of its raw materials, such as polymer resins and films, have prices that are closely tied to crude prices. Also, AMCR's production processes are energy-intensive. The good news is that client contracts include pass-through mechanisms, so AMCR does not fully bear these cost pressures. However, these mechanisms operate with a lag.

Beyond the cost effect, strained consumer budgets due to higher fuel prices may soften demand for Amcor-packaged products. Additionally, if the shock in the energy markets leads to an environment of high inflation and interest rates, the firm would need to allocate more cash to interest payments, constraining cash available for reinvestments, dividends, and buybacks.

The integration of Berry is another key risk. Realizing the $650 million in synergies over three years looks challenging. Assuming all those synergies exist, one should acknowledge that streamlining procurement, consolidating plants, and integrating systems and processes, bear significant operational risks. For now, results look encouraging; however, frictions or unexpected costs in later stages should come as no surprise. Finally, regulatory pressure on single-use plastics is another factor to watch. While I believe it is manageable for Amcor due to its R&D capabilities, it could require higher CAPEX than anticipated in the coming years.

Conclusion

Amcor is not a growth story, and its business is not about new disruptive technologies that can change people's lives, but I still think it can be a good investment. The investment case relies on a predictable cash flow and a leading position in an industry that has been stable through economic cycles. This strong position is built around competitive advantages like switching costs, scale, R&D, and diversification. Despite this, this strong position does not translate into high margins because of FMCG bargaining power. However, most of AMCR's clients are in defensive sectors, and contracts are multi-year with pricing mechanisms that allow for passing through raw material price volatility. I think this could help the firm to navigate the complex macroeconomic environment of weak consumer sentiment and rising energy costs we are currently facing.

In the meantime, Amcor is doing a good job integrating Berry, and synergies achieved can help support the 6.5% dividend yield. Given the compressed multiples at which the stock is trading, capital gains can be another layer of investor returns. The balance sheet is not rock solid after the merger, but the stable revenue base, synergy realization, and non-core asset divestments should keep the dividend relatively safe. However, debt levels should be monitored, as if interest rates rise due to inflation, interest can consume a large portion of cash flows. I rate the stock as a buy, as I think AMCR can be a good defensive position for a diversified portfolio.

Intel Still Leans On A Fragile CPU Business

March 30, 2026 Deep Value Investing

Summary

- Intel Corporation is still reliant on its traditional x86 CPU business, with the Client Computing Group far outpacing Data Center AI in both revenue and operating income.
- The PC business looks fragile to me. Memory, storage, and now CPU price hikes are increasing, as analysts forecast the 2026 PC market to decline mid-single digits after 2025 growth.
- On the CPU server side, Intel hasn't fully met demand, while ARM is now emerging as another competitor after its announcement last week.

- In my view, the main upside catalyst is Foundry, despite the $2.5B operating loss in Q4 '25. Even one external 18A, 18A-P, or 14A customer in H2 2026 may lift sentiment.
- Overall, I still remain on the sidelines, as INTC price action appears weak and I don't see a material improvement in fundamentals this year.

hapabapa/iStock Editorial via Getty Images

Intel Corporation (INTC) is back on my radar after it was reported last week that the current CPU supply constraints due to the AI data center buildout led Intel and Advanced Micro Devices (AMD) to hike CPU prices, impacting PC and server makers.

This pressure comes on top of the earlier memory crunch, which led many PC makers to increase prices across their offerings.

The main issue that I see is that Intel still relies heavily on its traditional CPU businesses to support earnings. Its DCAI business is still far from the CCG segment in terms of both revenue and operating income.

My disappointment with the company is mainly due to the fact that it is unable to satisfy the high demand for server CPUs. On top of that, many analysts expect the PC market to contract this year by as much as mid-single digits, which will directly impact the CCG segment.

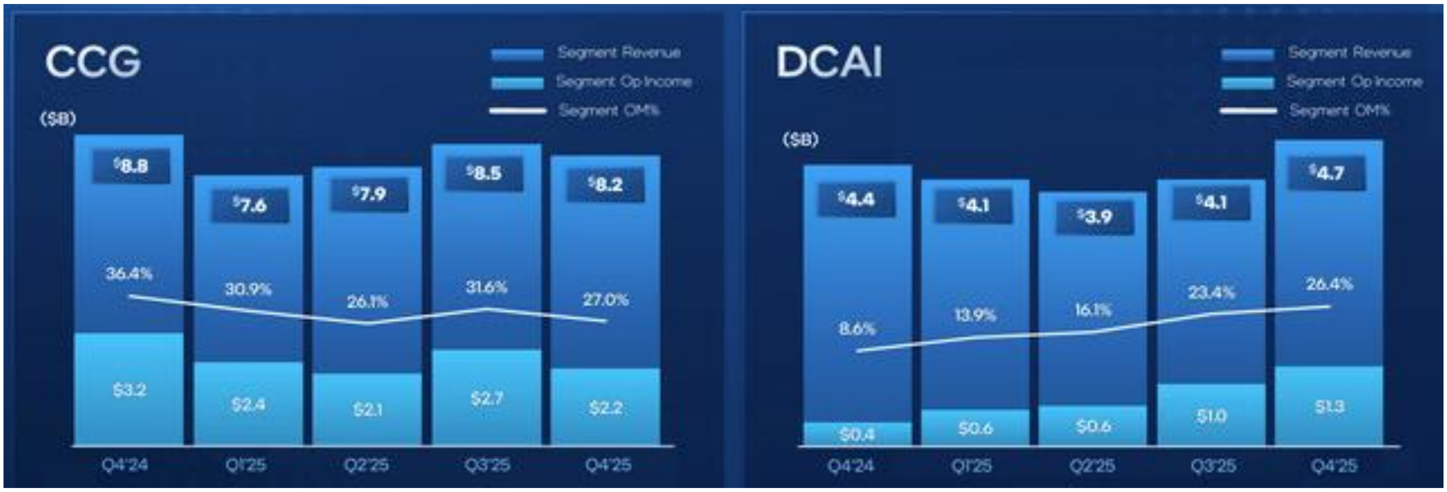
On the positive side, I now see two catalysts in the foundry business that could revive the optimism around this stock, despite the $2.5B operating loss in Q4 2025. In my view, any signed external customer (more likely in H2 than H1 this year) for 18A or 14A could meaningfully change sentiment and resume the bull run that began in August last year.

In the meantime, I see raw fundamentals and a macro that doesn't support the consumer side of the CCG business. I discuss more below.

Core x86 CPU Business Is Fragile

Why does this even matter in the first place, anyway?

Well, the company still depends heavily on x86 CPUs from an earnings perspective.



Intel

Last quarter, the Client Computing Group (CCG) recorded $2.2B in operating income. In comparison, the Data Center AI segment brought only $1.3B in operating income, and Intel Foundry lost $2.5B.

Let's leave the loss of Intel Foundry on the side for now and focus on the CPU business.

There are essentially two end markets here: PCs and servers.

Let's start with PCs. This is a highly cyclical market, and I have strong reasons to believe that it's near a cycle peak.

Why?

On top of the recent memory and storage inflation, it appears that CPUs are next in line, after some sources suggested that both Intel and AMD have recently told clients they will increase prices for all series of CPUs from March and April, respectively. In the last earnings call, CFO David Zinsner warned of the negative effect that the pricing of certain components could have on demand:

Rising component pricing is a dynamic we continue to watch closely, especially relative to the client market and could limit our revenue opportunity this year.

This risk is already materializing. In February, Lenovo told Reuters that it had raised prices to offset the increase in memory costs. As a side note, some analysts estimate that memory costs represent 25% to 30% of a PC's bill of materials. That's a lot, especially when looking at the PC DRAM price hike of over 100% quarter over quarter projected for Q1 2026.

Memory Price Forecasts, 4Q25–1Q26

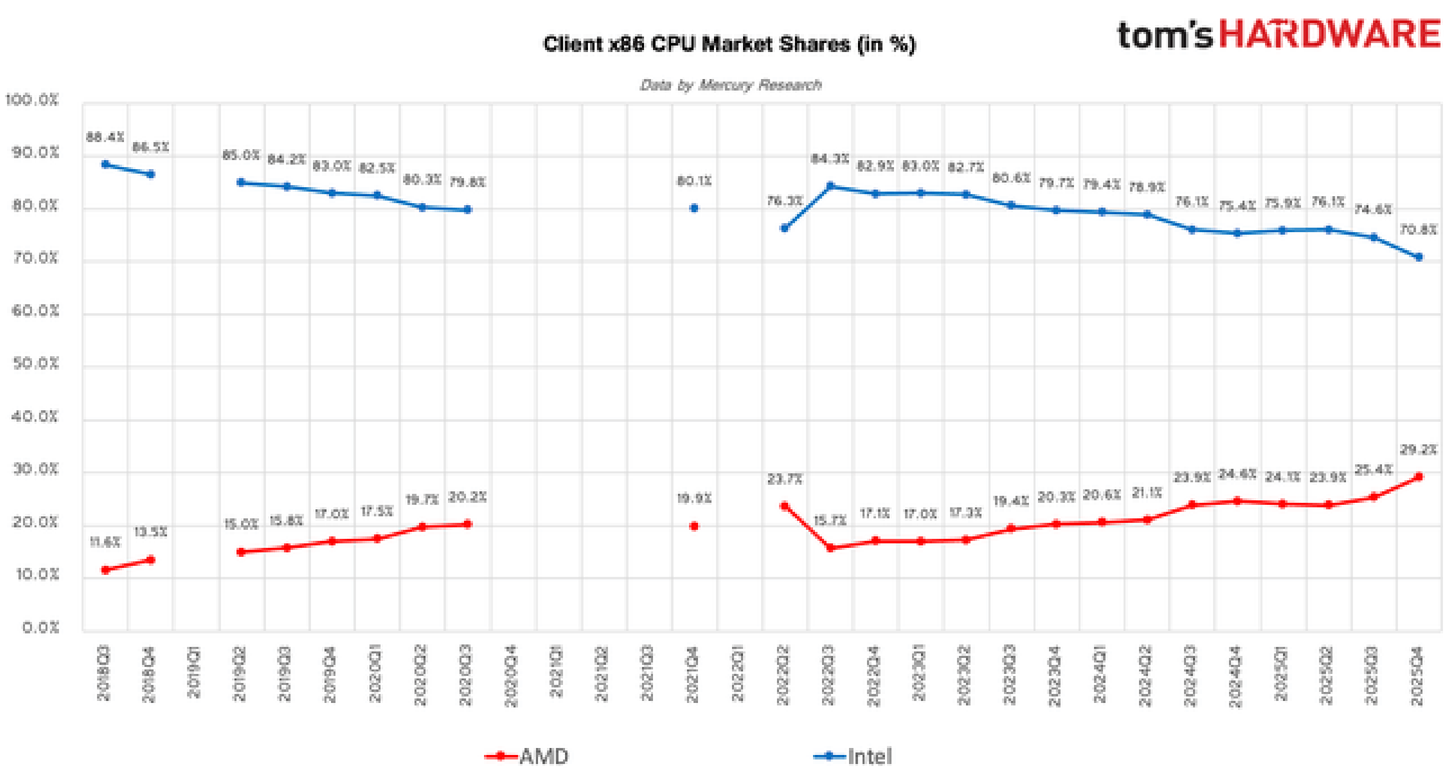
	4Q25	1Q26E revised
PC DRAM	DDR4&DDR5 blended: up 38~43%	DDR4&DDR5 blended: up 105~110%
Server DRAM	DDR4&DDR5 blended: up 53~58%	DDR4&DDR5 blended: up 88~93%
Mobile DRAM	LPDDR4X: up 48~53% LPDDR5X: up 43~48%	LPDDR4X: up 88~93% LPDDR5X: up 88~93%
Total DRAM	Conventional DRAM: up 45~50% HBM Blended: up 50~55%	Conventional DRAM: up 90~95% HBM Blended: up 80~85%
Enterprise SSD	up 25~30%	up 53~58%
Total NAND Flash	up 33~38%	up 55~60%

Source: TrendForce, Feb. 2026

TrenceForce

Given these headwinds in the PC market, some analysts are now projecting the PC market to shrink at least 4.9% in 2026 after 8.1% growth in 2025.

That wouldn't be Intel's only problem in the PC segment. The other issue is related to its market share. As seen below, Intel has been persistently losing market share to AMD.



Tom’s Hardware

On the CPU server side, Intel has been caught off guard by the surging demand for server CPUs to the point that they were unable to fully meet that demand, even with factories running at full capacity.

I considered including below the remarks from Lip-Bu Tan during the last earnings call, which show the disappointment of the CEO:

But I'm also mindful of the challenges ahead of us and transparent about the areas that we are doing well and areas we need to improve. In the short term, I'm disappointed that we are not able to fully meet the demand in our markets.

Back in February, some reports suggested that Intel had warned Chinese customers of up to 6-month lead times for some server CPUs, with prices for Intel server products up 10%.

Aside from Intel's supply issues, last week, Arm Holdings (ARM) announced its own AI CPU for data centers, with Meta as lead partner and customers including OpenAI (OPENAI), Cloudflare, SAP, and SK Telecom. From a deployment perspective, Arm said that the chip would go into volume production in the second half of 2026, using TSMC's (TSM) 3-nm process node.

Even though I don't see the ARM headline as an immediate Intel share loss, the company now has one new player in the CPU space to worry about.

Good News For Foundry

Back in January, Intel said that two customers were evaluating the technical details of the 14A, with management expecting an answer in H2 2026 on whether external customers want to use it.

That's a nice catalyst ahead.

On top of that, the CFO recently said during a conference that the CEO, Lip-Bu Tan, now sees the 18A as a good node to offer to external customers.

And while Lip-Bu was, I think, thinking that we probably should focus on 14A as a foundry node and make 18A really just an internal node, now that we've got -- seen some real progress there, I think he's now starting to recognize that this is actually a good node to offer to external customers as well. And we've been getting some kind of inbound interest in 18A-P as a foundry node. So that's -- I think that's pretty positive.

That remark really raised my eyebrows, given that in the last earnings call, the CEO said that yields were still below his expectations:

My team and I are working tirelessly to drive efficiency and more output from our fabs. While yields are in line with our internal plans, they are still below what I want them to be.

Did they really improve that much to offer it to external customers? While I don’t know the answer to that question, it is definitely one of the key things I will be looking for in the next earnings season.

If the company secured even one unnamed external customer for the 18A (or 18A-P), I think shares could see the next leg of the current bull run.

In the meantime, Foundry is still a drag on the company, with a loss of about $2.5 billion at the operating level in Q4 2025 alone.

Valuation

If we look at 1-year non-GAAP earnings, the stock is trading at an 89x multiple. In comparison, AMD is trading at just 30x and ARM at 81x.

The only valuation metric where Intel excels is in its forward P/S. The company is trading at just 4x next year's sales, despite the 83% increase in its share price in the last year.

In comparison, AMD is trading at 7x forward sales and ARM at a 31x ratio.

Overall, I don't see Intel as a value play. In fact, after the investments last year from the U.S. government and SoftBank, the stock is largely trading based on its narrative and not its valuation.

Looking Ahead

From a technical perspective, I am quite disappointed with this stock. As seen below, the price is now breaking a long-term trend since August last year.

Guidance Terminal

On the positive side, I still see some potential if the company is able to sign external foundry customers for either the 14A or the 18A process nodes. The fact that the CEO is now considering offering the 18A to external customers may be a sign that yields have improved significantly since the last earnings call.

That said, this is the only strong catalyst that I see for this stock. In the meantime, I see a deteriorating PC market, affected by both memory and CPU price hikes. This is likely to lead to a deterioration in consumer demand, especially if the lower-end consumer (globally, not just the U.S.) is now pressured by the hike in gas prices at the fuel pump after the conflicts in the Middle East.

Overall, regardless of any external customer announcements for the 14A or 18A nodes, I expect fundamentals to remain under pressure this year.

AMD Vs. Nvidia: Bet On AMD The Underdog

March 27, 2026 Louis Liu, Esq

Summary

- Nvidia commands extraordinary margins, growth, and a dominant AI ecosystem, but its valuation assumes improbable long-term market leadership.
- I prefer Advanced Micro Devices over NVDA, as AMD only needs to capture a meaningful AI market share—not unseat NVDA—to deliver strong returns.
- Historical precedent shows AMD can close competitive gaps, and large customers may diversify suppliers, supporting AMD's upside potential.
- AMD's success hinges on AI market expansion and effective execution, with significant upside if it secures a 25% share.
- Investors without uncommon insights into the future of the AI field may be better off staying out of any investment there.

Introduction

Nvidia (NVDA) is probably the best company in AI today. Its growth, margins, and scale are extraordinary, and its CUDA ecosystem has created a level of network effect and the resultant customer lock-in that few companies have ever achieved.

However, if I were forced to choose between the two stocks, I would still rather own Advanced Micro Devices (AMD).

The reason is not that AMD is better. It is because Nvidia's valuation assumes that its current unchallenged dominance will persist for a long time to come, which will require it to continue to capture a disproportionate share of the economic value created by the AI boom in the long term, an unlikely feat to accomplish.

The Business Fundamental Gap And The Valuation Disparity

Let's begin with the numbers.

As indicated in the following table (all tables herein compiled from Seeking Alpha Peer Comparison function), AMD's market capitalization is roughly $360 billion. Nvidia stands at approximately $4.4 trillion. That is more than a tenfold difference.

AMD	NVDA	
Market Cap	359.13B	4.34T
TTM Revenue	$34.6B	$215.9B
Cash From Operations	$7.7B	$102.7B
Enterprise Value	352.58B	4.29T
Employees	31,000	42,000

Nvidia generates about five times the revenue, roughly $215.9 billion compared to $34.6 billion for AMD during the trailing 12 months, and approximately fifteen times the cash from operations, about $102.7 billion versus $7.7 billion.

Yet the two companies employ a similar number of people—about 31,000 at AMD and 42,000 at Nvidia.

The profitability gap, as demonstrated in the table below, is even more striking. Nvidia operates with gross margins above 70% and net margins above 50%, while AMD's corresponding figures are approximately 51% and 9.6%. Fueled by about 3 times the asset turnover rate of AMD, the return on equity of Nvidia dwarfs the corresponding measures of AMD by about 15 times.

NVDA	AMD	
Gross Profit Margin	71.07%	52.49%
Net Income Margin	55.60%	12.51%
Levered FCF Margin	26.92%	13.24%
Return on Equity	101.49%	7.08%
Cash From Operations	102.72B	7.71B
Revenue Per Employee	5.14M	1.12M
Net Income Per Employee	2.86M	140K
Asset Turnover	1.36	0.47

On a per-employee basis, the difference becomes almost difficult to reconcile. Each Nvidia employee, from Mr. Jensen Huang to the last entry-level employee, corresponds to a mind-boggling $102 million in market capitalization, $5.1 million in revenue, and $2.9 million in net income, compared to the modest approximately $10 million, $1.1 million, and $140K, respectively, for AMD.

However you look at it—revenue, margins, profits, or just how much each employee is producing—Nvidia is simply in a different league right now. The contrast here makes you wonder whether they are even in the same industry.

Why Nvidia Deserves This Lead (At Least For Now)

Nvidia did not get here by only designing a better chip. It has built a platform that results in what appear to be insurmountable barriers to entry. At the center of that platform is CUDA. Developers are trained on it. Enterprise workflows depend on it. Once a company commits to CUDA, it is too sticky for it to switch because switching is technically cumbersome and operationally risky. It is like Hotel California: you can check in but cannot check out.

This is what allows Nvidia to charge premium prices and sustain margins that exceed 50% at the net income level.

The Moat of Nvidia May Not Be As Permanent

Nobody denies the advantage or the dominance of Nvidia today. However, it is equally undeniable that Mr. Market has assigned a rich premium to the stock valuation of NVDA on account of such an advantage.

The real question is: how sustainable is the advantage and the resultant premium?

Where the market may be overreaching is in treating Nvidia's dominance as if it were inevitably permanent or even structurally stable.

Nvidia enjoys powerful advantages. But they are much more breakable in the way that trade secret-intensive and production process-based monopolies are.

You can think of Nvidia for now as the most sought-after architect firm in town. It has come up with the design everyone wants to use for AI compute. But the architects across the street, AMD, are not sitting still. They are studying that design, trying to close the gap.

There is no fundamental structural reason that they cannot. This is not like a manufacturing monopoly like TSMC or Coca-Cola, where others are locked out via trade secrets --- there are only so many people in this world who know how to manufacture a 2-nanometer (2nm)-process-node chip, or have access to the secret recipe for Coca-Cola. The gap is real, but it is not protected by a similarly unbreakable barrier.

The designs of AMD may not inspire the same "wow" yet. But buyers may not need to choose based on one factor alone.

The current dynamic between AMD and NVDA reminds me of a familiar scene: two highly competitive cousins (coincidentally, Dr. Lisa Su and Mr. Jensen Huang are distant cousins) reaching for the same prized object. Of course, the "toy" here is not your regular Barbie, but the dominance of the global market for AI compute.

The difference, of course, is that this is not a zero-sum game. The "toy" is expanding rapidly, and there may be room for more than one winner. The current winner may not be taken for granted as the forever winner that will leave the other cousin no room for success.

AMD Under Lisa Su Has Done This Before

It is almost tempting to look at the current gap between Nvidia and AMD and conclude that it is insurmountable. That conclusion would have been equally reasonable or at least appealing a decade ago when AMD was the underdog in its race against Intel.

At the time, AMD was widely viewed as an inferior competitor. At one point, it was even close to shutting down its business. Intel dominated not only in scale and profitability, but also in ecosystem and customer relationships. Sounds familiar, huh?

Under the leadership of Dr. Lisa Su, AMD not only caught up with Intel, but reversed that position. Of course, Intel helped AMD along with its own bloated bureaucracy and loss of long-term vision. Read this article if you are interested in a brief overview of that history.

I am not concluding that AMD and Nvidia will trade places in the chip industry as AMD and Intel did. However, if Dr. Su repeats the feat, I would not be surprised, either. What that history does establish is that the gap between perceived dominance and actual outcomes can be wider than the market and the general public assume.

AMD's Win Does Not Have to Be NVDA's Loss

For my thesis to work out, it does not require AMD to become categorically superior. It only required AMD to become a viable competitor that was competitive enough, at the right time, in a market where customers were willing to adopt an alternative for the right price.

The current market narrative implicitly treats AI as a winner-take-all market. For any emerging technology, AI included, there rarely is a perpetual monopoly.

AMD does not have to match or beat Nvidia. It only needs to take sufficient market share. Concerns about Nvidia's monopolistic pricing power and overreliance upon Nvidia may push current and future hyperscalers toward diversification. Also, the demand for AI compute has expanded so dramatically that customers may have to prioritize availability over perfection. A “good enough” alternative to CUDA and Nvidia's GPU may be sufficient or even more economical. AMD is positioned exactly there to potentially take advantage of such opportunities, which may provide enough to substantially boost AMD's overall market cap.

The Bet

This is not a bet that AMD is better than Nvidia. It is a bet that Nvidia cannot maintain its absolute dominance in the long term.

Nvidia’s current valuation reflects an expectation that its dominance will translate into capturing most of the economic value of AI computing for the long term. That may prove partially true. It rarely proves entirely true.

AMD does not need to disprove Nvidia’s strength. It only needs to demonstrate that the market is large enough and competitive enough that a second player can emerge on a meaningful scale despite the advantage enjoyed by Nvidia now.

Part of my thinking here is influenced by Chris Miller’s book Chip War, which I recommend every investor of NVDA and AMD to read. One theme that comes up repeatedly is that leadership in semiconductors rarely stays fixed for as long as people expect. Companies that look dominant at one point in time often lose that position when technology shifts or when a different part of the value chain becomes more important.

That does not mean Nvidia will follow the same path. But it does make me a bit more cautious about assuming that today’s advantage will remain intact for a very long time. For example, a challenger’s smaller scale may turn into an advantage, enabling it to adopt new technologies more swiftly to unseat the incumbent leader. After all, the technology field evolves faster than expected or can be foreseen.

I speculate if anyone had asked Jensen Huang ten years ago whether he expected to have the fortune and fame he obtained today, would he have said yes? I doubt it. Things change, often faster than we think, especially in the technology field, and even the people at the epicenter of that may not know.

What If AMD Takes 25% of the Market?

This is where the discussion should move from narrative to arithmetic. Nvidia currently generates approximately $148.5 billion in annual revenue. That alone suggests that the AI accelerator market is already extremely large. Assume, for the sake of argument, that the market grows to $300 billion over the next five years, or at a rate of about 15% annually. I do not know if this will happen, but Nvidia’s current valuation implies continued expansion, at least at such a scale.

If AMD captures 25% of that market, it would generate approximately $75 billion in revenue. Assume further that AMD achieves a conservative net margin of 25%, which is only half of Nvidia’s current level. That would result in roughly $18–19 billion in net income. Applying a 25x earnings multiple yields a valuation of approximately $450–475 billion. From a current base of about $360 billion, that represents roughly 30% upside.

If the market grows to $400 billion instead, or AMD's net profit margin improves to 35%, the same assumptions produce approximately $25 billion in net income and a valuation of about $625 billion, implying significantly greater upside.

In short, the extent of AMD's success depends on the size of the market and AMD's ability to secure a more meaningful share of it than implied by the current market cap gap between AMD and NVDA.

Risks to the Thesis

The argument for AMD ultimately rests on the assumption that Nvidia will not retain the vast majority of the economics of the AI compute market. That may or may not work out to be the case in the future.

First, Nvidia's advantage may be more durable than it appears. CUDA is an ecosystem built over many years, with deep integration into developer workflows and AI frameworks. Even if AMD's hardware performance approaches parity, the friction involved in switching away from CUDA may remain high enough to discourage meaningful migration. That is to say that the assumption that large customers will diversify suppliers may not apply.

Second, the valuation framework presented depends heavily on the future size of the AI accelerator market. While current growth rates are extraordinary, it is not clear that they are sustainable at scale. A slowdown in AI spending would disproportionately affect AMD's upside, as its investment case relies on such future expansion at least as much as Nvidia does.

Finally, at the risk of stating the obvious, it is hard to catch up in any race with such a wide gap, and AMD cannot afford any execution blunder. While I think AMD may have meaningful upside under certain scenarios, I am not blessed with enough uncommon insights—nor foolishly confident enough—to conclude that the path to realizing that upside is simple or assured.

Conclusion

Nvidia is an extraordinary company. Its platform, ecosystem, and execution justify its leadership position. But investing is not about identifying the best company. By the time it is publicly recognized to be the best company, its stock will be priced to reflect that consensus, and its potential to deliver market-beating returns diminishes dramatically. It is about identifying the next potential winner whose competitive merits are likely underappreciated.

What I am trying to argue here is that if I were forced to choose between NVDA and AMD, I would be inclined to invest in AMD. NVDA may be a good short- to intermediate-term investment for the investors who understand its competitive position well enough to know when to exit from it. However, it probably is a SELL for the long-term investor. AMD, on the other hand, will probably deliver a better risk-adjusted return as an intermediate- to long-term investment.

In short, my thesis really is that the probability for NVDA to continue its dominance in the long run should be smaller than implied in its stock price today.

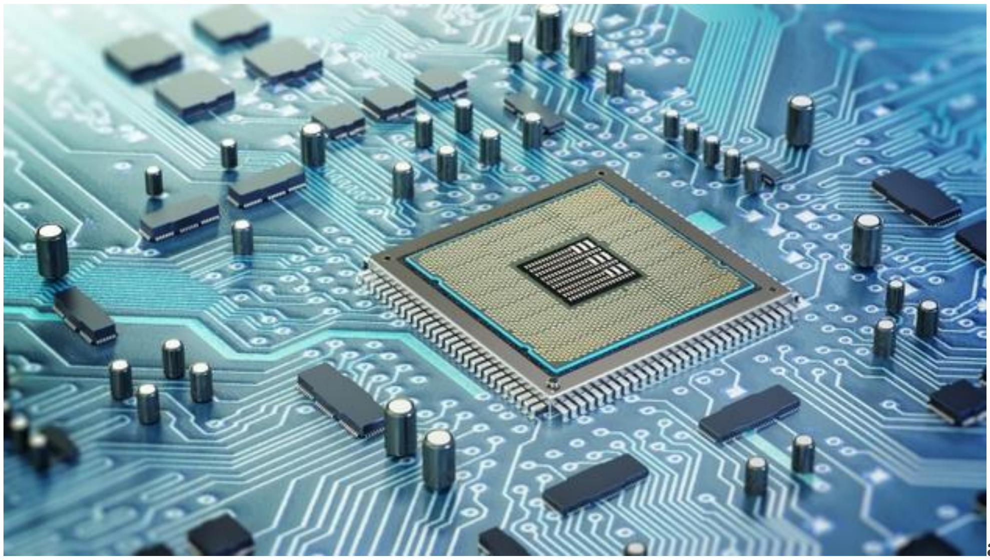
Conversely, the probability for AMD to continue to lag so far behind is also smaller than implied in its current stock price. AMD is not required to beat NVDA in the race. It only needs to survive to run the race reasonably well until the day it somehow closes the gap against NVDA. And if it does, its stock would perform much better relative to the stock of NVDA.

Applied Materials: The Gate-All-Around Inflection Point Justifies A Strong Buy

March 17, 2026 Emanuel Nemec

Summary

- Applied Materials receives a 'Strong Buy' rating due to its robust moat and projected growth from advanced semiconductor manufacturing trends.
- Strategic partnerships with Micron and SK hynix position AMAT to capture growth in high-bandwidth memory and AI-driven demand, reinforcing its competitive edge.
- Despite recent flat revenues and margin contraction, AMAT's Q2 2026 guidance signals a potential inflection point with high single-digit to double-digit growth.
- Management expects over 20% semiconductor equipment growth in 2026, supporting a potential PE multiple re-rating and an estimated 28.6% near-term upside.


adventtr/iStock via Getty Images

This is my first coverage of Applied Materials (AMAT). In this article, I will analyze their business model, how their recent partnerships and advances in technology will impact their moat, their recent Q1 2026 results, and valuation. Due to a strong moat and projected growth, I am issuing a "Strong Buy" rating.

Introduction

For those unfamiliar with the company, Applied Materials is one of the largest producers of semiconductor manufacturing equipment. To be more specific, their areas of expertise are deposition, etching, metrology, and inspection. This is becoming more complex as the transistor size is becoming smaller, which, in my opinion, expands their moat and consequently their margin. To understand their moat, one must understand their peers, specifically ASML (ASML) and Lam Research (LRCX), and how they share the semiconductor manufacturing market.

Comparison with ASML, Lam Research, and Moat

In my opinion, understanding the competitors is the first step to determining Applied Materials' moat. Without recognizing the strong moat that they have, the current PE multiple would be too expensive to justify my "Strong Buy" recommendation. Let's start with ASML. The company is the largest semiconductor equipment supplier in the world, but they are not a competitor. ASML deals with lithography, while Applied Materials' machinery specializes in material deposition and etching, making them natural partners. Currently, there is no evidence that ASML is diversifying into AMAT's area of expertise. I would argue that the opposite is true, as transistor sizes get even smaller, there is a need to move to Gate-All-Around architectures, which are actually much more difficult to manufacture, requiring additional complexity in deposition and etching machinery.

This will, in my opinion, increase the collaboration between the companies and further increase the moat Applied Materials has. I believe margins will follow. I will not go into technical details on Gate-All-Around architecture, nor why it is more complex, but if you are interested, I recommend watching the following video, made by AMAT.

On the other hand, Lam Research is a more direct competitor. Both companies provide deposition and etching machinery. It could be argued that AMAT is focusing more on deposition while Lam is focused more on etching. This is important as we are currently experiencing a high-bandwidth memory shortage, which is heavily reliant on complex etching. I would argue this is the main reason Lam is experiencing much faster revenue growth, and not because Lam is taking Applied Materials' deposition market share. But is AMAT also capturing the memory market? To make a better evaluation, we need to look at the recent partnerships.

Memory Partnerships and EPIC Center

Applied Materials doesn't want to lag in the memory manufacturing equipment market and is therefore announcing strategic partnerships with two of the world's largest memory manufacturers - Micron and SK hynix. Both partnerships were announced on March 10, 2026.

The goal is joint development of high-bandwidth memory, DRAM, and NAND in Applied's new EPIC Center in Silicon Valley. I believe this is excellent news, as the US is reshoring semiconductor manufacturing and research. As long as AMAT remains at the forefront of innovation, I remain confident in their moat.

Q1 Earnings and Call

AMAT's top line remained stagnant with revenue of approximately $7 billion, which represented a contraction of 2% YoY. Operating income also did not perform well; in fact, it also contracted even more than revenue - 3.6%, negatively impacting margins. This looks even worse since revenues remained nearly flat for the past two to three years.

Such results don't look good for a company trading at a 35x PE multiple amidst the high-growth semiconductor investment environment we are experiencing amidst the AI boom cycle. But an AMAT investor should not forget about the cyclicality of the industry, and one should always consider the future and how the growth will look in the next year or two. As mentioned above, the new all-around transistor requires new advanced machinery that AMAT makes. For example, TSMC just started 2nm high-volume production in Q4 2025.

I believe other manufacturers will follow suit, as they would not want to be left behind. Intel is a cautionary tale. This essentially means we could be at an inflection point. The main evidence is the guidance, with Q2 2026 revenue guidance of $7,650 million. Compared to revenue of $7,100 million, this represents growth acceleration to high single digits. Should they beat this guidance, as this company often does, we could reach low double-digit growth, providing early evidence of an inflection point. I plan to watch this metric closely in Q2.

To provide further evidence, the CEO stated, "We expect to grow our semiconductor equipment business more than 20% this calendar year. We see the demand profile weighted towards the second half of the calendar year." I believe that if we reach a 20% growth rate, the company's PE multiple should re-rate. Let's do some estimates.

Valuation

Based on my previous assessment of an inflection point, management's expectation of top-line growth reaching and possibly surpassing 20%, and the nature of the business providing a strong moat, we need to estimate fair valuation at the end of 2026.

I believe that such a company would demand a PE multiple of 35x-50x. For example, Lam Research is currently trading at a 45x PE multiple while growing revenues 22% in the latest quarter, YoY. ASML is trading at a 49 PE multiple but has arguably a stronger moat. I believe that it is likely AMAT will re-rate to a multiple similar to Lam, from the current 35x PE multiple, if we reach the growth guidance. This would present a 28.6% upside in a relatively short time frame. I expect such a return would drastically outperform the market return.

Risks

The main risk is a cooldown in the AI demand. If it happens, I expect demand from the semiconductor manufacturers will soften, negatively impacting the projected growth and negating my thesis. But we are seeing the opposite: the projected hyperscalers' CapEx remains at record highs, and data center vacancies remain at record lows. I talked more about the strong momentum in the articles about crypto miners pivoting to HPC. Feel free to read them for a detailed macro picture.

The second risk is recession as a consequence of inflation impacted by high oil prices. This remains a wild card, and one should monitor inflation and the Fed's commentaries closely.

Micron: Memory Downcycle Sooner Than Expected

March 16, 2026 Lakshya Singh

Summary

- Micron (MU) faces a likely ~25-30% share price decline as memory market down-cycle risk rises.
- MU's pivot to HBM and data center memory has driven exceptional margins—Q2 2026 gross margin guided to 68%.
- Supply constraints and high prices risk triggering hyperscaler CapEx cuts, threatening demand and future cash flows.

- I recommend shorting MU, as elevated memory costs and artificial supply restrictions may precipitate a sharp downturn.

mesh cube/iStock via Getty Images

On Friday, 6th March, Micron Technology, Inc. (MU) faced a sharp decline during this week, ending with an intraday drop of -6.74%. My initial plan for this article was to lay out two scenarios that I expected to play out in the near future for Micron and the memory sector overall. This sharp decline and the reasons behind it have increased the probability of one scenario playing out sooner than my initial expectations.

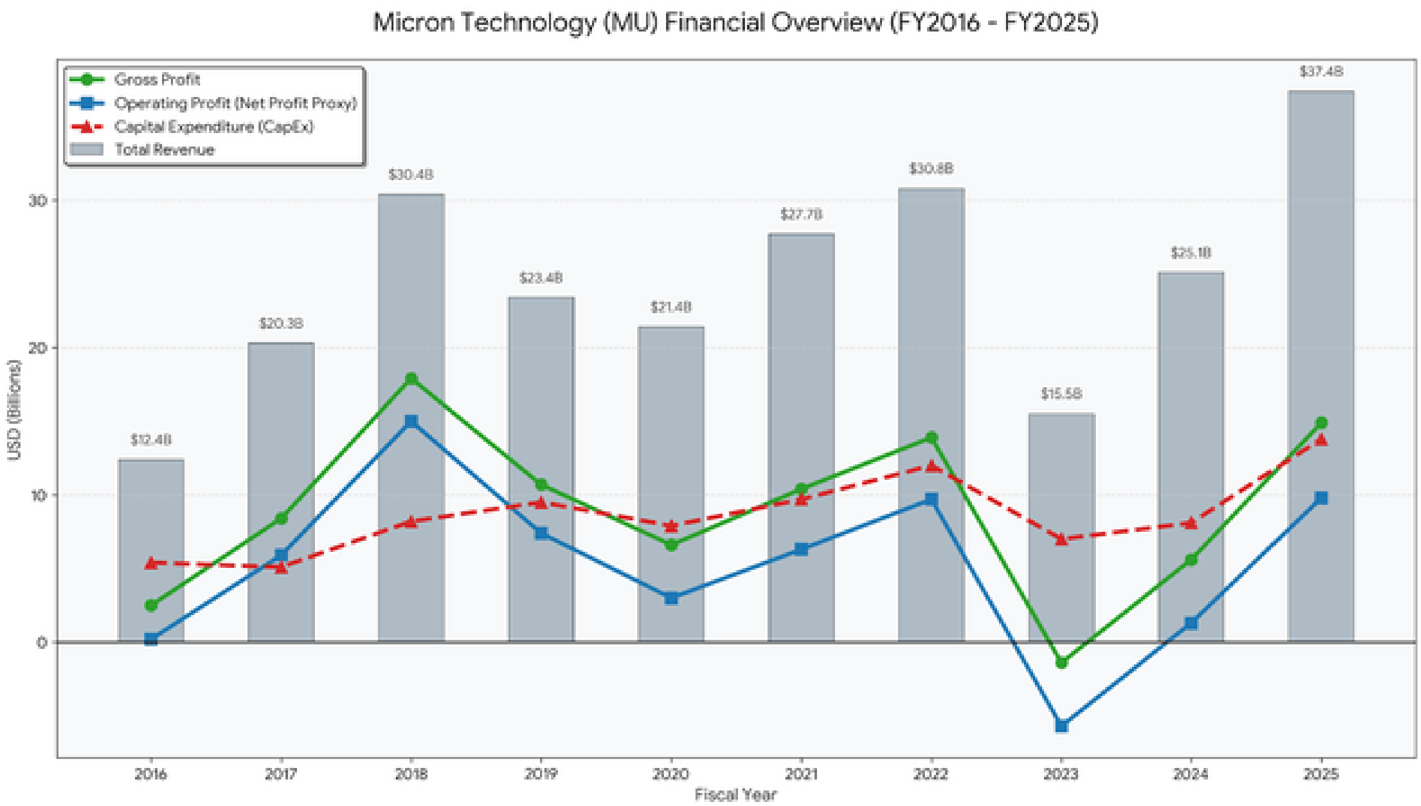
To give a quick introduction, all the signs in the market point towards a down-cycle in the memory market soon. To be clear beforehand, it is not just due to the Iran-US-Israel war. I expect a ~25-30% decline in the share price at minimum, giving opportunities at that lower price to increase portfolio exposure.

Cyclical Shifts

DRAM pricing in the past decade has seen cyclical shifts due to extremely dynamic demand-supply changes and production capacity additions/reductions. Like any technology, advancement leads to reduced cost of manufacturing on a marginal basis, leading to lower prices over time. In the case of DRAM, the density has stagnated, and DRAM scaling has slowed (Slowing of Moore's Law in Memory). Therefore, Cost per gigabyte reductions have slowed, making any price change largely dependent on cyclical shifts.

Supply shortages when the demand increases have been at the core of this dynamic price shift. Realizations of delayed CapEx put memory manufacturers behind the demand timeline, high cost of increasing production capacity, and the time it takes to start supplying, making the expenditure worthless as the increased capacity is just left to be amortised. This compels the manufacturers to sell at minimum margins. The cause of the issues memory manufacturers face can be explained by simply putting it as: Memory demand is extremely elastic, and supply is extremely inelastic.

The two such supercycles have been the 2017-19 and the demand surge during COVID. To come close to taking a stance on what you think the future holds, it is important to understand the effects of these two super-cycles on the memory manufacturers.



Micron: Memory Supercycles (Micron Earnings Reports)

During 2017, the demand peaked due to server upgrades and increased memory-intensive workloads. Being more profitable than the PC and mobile categories, it was an obvious decision to capture increased margins by producing more. During the 2018 cycle peak, Micron's gross margins hit nearly 60% (Q3 2018), only to collapse to below 30% by August 2019 as the supply glut materialized, and the reality fell short of expectations of sustained high selling price and demand. During the 2019 downcycle, Micron's revenues fell from a peak of $8.44 billion/quarter (Q4 FY2018) to $4.87 billion/quarter (Q4 FY2019), a 42% quarterly revenue collapse, while production only fell modestly (supply was sticky; prices crashed instead). This is the textbook signature of inelastic supply meeting elastic demand. What do you think happened? Demand slowed, margins dropped.

COVID caused the demand side to be scared of not being able to have enough supply from the memory manufacturers due to the chip shortage. Pre-orders were through the roof, Micron's contract liabilities increased as buyers, desperate, got locked into NCNR agreements for multiple years to secure supply. The industry again faced demand pressure, but from learnings of the past, the stance from the suppliers was spot price and controlled plans of expansion. Obviously, the production costs were higher, elevated CapEx failed to translate to substantial supply, and as mentioned earlier, the advancement of technology has slowed. This showed memory suppliers the benefits of controlled supply.

The global memory market collapsed by 30.6% to 33.0% in 2019 according to the World Semiconductor Trade Statistics (WSTS) Autumn 2019 Forecast Release, rebounded violently with >30% growth in 2021, and crashed again by roughly 35% in 2023, according to the 2023 forecast.

The Memory Industry

To start with, Micron does not have any clear advantage over the competition; the only unique position is that it is US-based, giving the company access to US government incentives like the CHIPS ACT and investment tax credits. Price is the primary decision variable for customers of memory, and outside HBM, products are interchangeable. During oversupply periods, there is no pricing power for any player.

Here we will focus on the semiconductor memory market, which is dominated by Samsung Electronics, SK Hynix (the two players from South Korea), and Micron, collectively having ~95% of global DRAM revenue and ~100% HBM supply. During the first half of CY25, SK Hynix became the largest DRAM supplier, pushing Samsung down to take the second largest supplier position, mainly due to the HBM dominance. The three companies also hold majority shares in NAND.

Market Share

Company	DRAM Approx. Share %	HBM Approx. Share %
SK HYNIX	34%	57%
Samsung	33%	22%
Micron	26%	21%
CMXT	5%	
Nanya and Others	2%	

(Counter Point Research, 2025)

DRAM & HBM Market Share (Counter Point Research)

As per TrendForce, Micron gained 3.7% QoQ in the third quarter of 2025, a higher growth rate than the other two. SK Hynix has the largest share of HBM supply as it is the primary HBM supplier of Nvidia. Micron is ramping up HBM4 for mass production in the second half of this year, but the company has been excluded from Nvidia's flagship Vera Rubin HBM4 program and will only supply for lower-tier Rubin CPX inference accelerators. This is a solid competitive concern for Micron.

Value Migration of Micron

Micron designs, fabricates, and sells three core products, focused primarily on semiconductor memory and storage: DRAM (77% of FY2025 revenue), NAND flash memory (23% of FY2025 revenue), and a small percentage of NOR flash and other products. With DRAM, HBM is the highest growth and highest margin product, which is used in AI accelerators. (FY2025 10-K)

Distribution of Micron's business in four operating segments is as follows;

Micron's Operaitng Segments
(In USD Billions)

Segment	Q1 FY26 Revenue	(% Share)	Key Customer & Use Cases	Gross Margin (Q1 FY26)
CMBU (Cloud Memory)	$5.28	39%	Hyperscalers, GPU/ASIC vendors (HBM + Server DRAM)	66%
CDBU (Core Data Cente	$2.38	17%	Enterprise data center SSDs, storage arrays (NAND-Centric)	51%
MCBU (Mobile & Client	$4.26	31%	Smartphone & PC OEMs (LPDDR5X, DDR5, client SSDs)	54%
AEBU (Auto & Embedde	$1.73	13%	Automotive, Industrial IoT, drones, robotics)	45%
Total	$13.65	100%		

Micron Revenue Sahre per Segment (Micron Earnings Reports)

Discontinuation of Crucial consumer brand, i.e., stopping consumer-channel sales of DDR4/DDR5 modules and consumer SSDs. The Crucial brand killing by February 2026 was a decision announced in December 2025, wherein the focus shifted on HBM.

On one hand, it is a decision that is difficult to argue with, as this will be highly accretive to margins; on the other hand, a complete exit from the consumer market exposes Micron's revenue dependency on AI infrastructure spending.

HBM has higher margins, and this mix is actively expanding overall profitability. The Cloud Memory Business Unit (CMBU), which houses HBM and DRAM, reported a Q1 2026 gross margin of 66% and an operating margin of 55%, vastly outperforming mobile and client segments. DRAM ASP is the single biggest driver of revenue and margins. CMBU generated $5.28 billion in Q1 2026, making up 39% of total company revenue and growing 16% sequentially. Data center SSDs sit in the Core Data Center Business Unit (CDBU) and reported $2.4 billion revenue in Q1 FY2026 (51% gross margin, 37% operating margin). Driven by this, Mark Murphy, the CFO, guided total Q2 2026 Non-GAAP gross margins to an exceptional 68% (Q1 2026 Earnings call, Prepared Remarks). The high margin's sustainability is where I roll my eyes. For how long can Micron hold this?

Sanjay (CEO) stated on the Q1 call that HBM is fully sold out for 2026, they have completed agreements on price and volume, including HBM4. Micron was excluded from Nvidia's flagship Vera Rubin HBM4 program (Given to SK Hynix and Samsung), which was also one of the reasons for the drop in share price. Micron does supply HBM4 for the lower-tier Rubin CPX inference accelerator, but has no committed volume in the flagship VR200 NVL72 platform. During the call, the expectations of HBM TAM CAGR of approximately 40%, growing from $35 billion in 2025 to $100 billion by 2028, were laid out, two years faster than the previous outlook.

A report from TrendForce reported that data centers will consume 70% of all globally manufactured high-end memory chips in 2026. Supporting the inclination towards HBM by Micron. The CEO also confirmed the capacity cannibalization, "The dramatic increase in HBM demand is further challenging the supply environment due to the 3-to-1 trade ratio with DDR5, and this trade ratio only increases with future generations of HBM."

This is where it gets tricky. As we read above that the manufacturers have learnt to restrict the supply to sustain high margins, the planned CapEx and capacity expansion do not begin to be a part of the supply chain for at least 2 years. There will be a supply drought in the near term.

Demand is high, as the management admitted to only being able to meet approximately 50% to 2/3rd of their demand from key customers in the medium term. This increase in demand is driven by 2025 server unit growth hitting the high-teens percentage range. This supply drought will make sure future contracts are set at very high prices. The question I want you to ask yourself is, at what point will consumers start to say," Wow, that's too expensive for too long, let's cut some CapEx". I think it has started to happen.

The supply shortage is not going to be solved anytime before 2028. The producers were too careful to add capacity fast, and I believe that now it's too late.

Micron's planned capacity expansion,

1 - $24 billion Singapore Wafer Production by 2028, this is an advanced NAND fab, wafer output scheduled to begin in the second half of 2028.

2 - $100 billion Super-Fab in New York (Initial Production starting 2030, $200 billion US Expansion over the next two decades).

The Future

My current suggestions are based on this scenario, as I am inclined towards this playing out very soon.

As a buyer, when you think that there is going to be a shortage of something, what do you do? You order more beforehand (toilet paper during COVID). That is what has happened till now, with consumers pre-ordering massively. During this shortage, consumers also over-order in fear of full demand not being met by the producer.

BofA estimates, as cited in SK Hynix market outlook, the 2026 HBM market alone will reach $54.6 billion (a 58% YoY increase), continuing the memory supercycle.

2026 capacity being full is good, but markets price the future. As more capacity comes online, the cash flows of these companies are going to come down. Memory producers will always try to keep the market in deficit.

Or else, price pressure reduces consumer CapEx (AI spending deceleration), lowering the demand, because at some point, the consumers will be reminded that they also need to make profits, and at high memory costs, their margins will be touching the floor. This will also cause the free cash flows to reduce for Micron and other memory manufacturers.

The scale of current CapEx can be understood by looking at the top five North American CSPs — Alphabet Inc. (GOOG), Amazon.com, Inc.'s (AMZN) AWS, Meta Platforms, Inc. (META), Microsoft Corporation (MSFT), and Oracle Corporation (ORCL). They are projected to increase capital expenditures by 40% YoY in 2026, pushing total cloud AI infrastructure spending to $600 billion.

With Contrast, prices for server DDR5 and HBM3e are rapidly converging, and PC vendors, like Dell Technologies, Inc. (DELL) and HP, Inc. (HPQ), are warning of 15–20% memory price hikes hitting their BOM (Bill of Materials). End-user pushback is inevitable.

This is a highly concentrated market with Micron, SK Hynix, and Samsung being the major players. By making the shift to focus on HBM, these players will eventually get DDR4, DDR5, and LPDDR5X margins high in the long term. Making consumer-grade memory expensive for years.

As per The Goldman Sachs Group, Inc. (GS), the global DRAM market will face a 4.9% undersupply in 2026 and a 2.5% undersupply in 2027. Consumer memory remains the lowest priority for producers, and no relief before the end of 2027, at the earliest.

This deficit story laid down a really solid future for Micron (From the perspective of sustained high margins). But then, Bloomberg's report of Oracle/OpenAI's officially scrapped plans of the flagship Data Center expansion by 800MW to a total of 2GW from the initially planned 1.2GW in Abilene, TX, shattered Micron's price by -6.74%. This expansion was scrapped due to financing friction, heavily influenced by Oracle accumulating over $100 billion in debt to fund its AI infrastructure buildout.

Even though Meta will absorb this abandoned 800MW capacity, supported by Nvidia's $150M deposit with Crusoe to ensure its chips fill up the capacity rather than the rival AMD. Meta is stepping in, backed by a projected total 2026 CapEx budget of up to $135 billion.

Anything to do with the AI infrastructure faced a shock on Friday, 6th March, be it memory, energy, or cooling. Some examples;

- Bloom Energy Corporation (BE) (huge drop) -14.4%
- Micron's dropped 6.74%
- Sandisk Corporation (SNDK) down -7%
- Astera Labs, Inc. (ALAB) dropped somewhat
- Credo Technology Group Holding Ltd. (CRDO) dropped somewhat
- Seagate (STX) dropped -4%
- Western Digital (WDC) dropped -5.4%
- Cipher Digital Inc (CIFR) dropped -9.9%

The biggest threat to the AI growth story, according to me, is any pullback on AI infrastructure CapEx. When one player starts to cut back, others will follow suit. My expectations are that there is going to be more cutoffs in the CapEx expenditure due to the elevated memory prices, supply chain issues due to the war, and contributions of the elevated energy prices.

U.S. data center grid demand is projected to hit 75.8 GW in 2026. Consequently, the U.S. The Energy Information Administration reported that national electricity prices jumped 27% from 2019 to 2025. More critically, in data center hubs like Virginia, electricity prices have surged by up to 267% over the last five years, directly threatening hyperscaler operating margins.

If $600 billion in CapEx is met with stalled AI monetization and 267% higher energy bills, hyperscalers will violently pull back on orders, crashing memory spot prices.

Any more hyperscaler CapEx cutbacks would mean that the 5% memory deficit that was observed in the industry in 2025 will vanish, and the memory prices will come crashing down, raising a question on the sustainability of ~70% gross margins, which are currently entirely reliant on artificial supply constraints and deferred fab build-outs rather than structural cost-per-bit reductions.

This is also supported by a Bloomberg/Reuters report, which shares the 20-30 thousand job cuts in Oracle to deal with the AI cash needs.

TD Cowen estimates that the layoffs are a necessary measure to free up $8-$10 billion in Oracle's free cash flow to sustain base AI operations.

The CapEx required to build AI data centers, and the ballooning (OpEx) required to run them were already extremely high; add the increasing memory cost, and the CapEx will come down. The risk of overshoot in supply and its dictating memory makers' strategy of artificially restricting baseline capacity to minimize the risk of oversupply will turn out to be a big mistake. The solution to avoid memory downcycle will become the cause.

The risk to this thesis is the value driver for Micron post memory supercycle, which is Node Migration to 1-gamma from 1-beta. Q4 FY25 Prepared Remarks by the CEO mentions this to be the “structural margin expansion once cyclical pricing normalizes”. This transition, using ASML Holding N.V.’s (ASML) EUV tools to produce 1-gamma DRAM, will provide cost-per-bit reductions. As we read above, the supercycles have lately never been due to technological migration; current artificial margin expansion will be difficult to sustain even with this shift.

Valuation : EV/EBITDA Peer Multiple	
Methodology:	CY2026E EV / EBITDA at Median Peer Multiple (SK Hynix, Samsung (Expected SOTP values to remove low margin segments) & Micron)
Peer Median Multiple:	6.76x
Micron CY26E EBITDA ($B):	$51.0
Implied EV ($B):	$344.7
(+) Cash ($B):	$12.0
(-) Debt ($B):	-$11.7
Implied Equity ($B):	**$345.0**
Diluted Shares (M):	1,150
Implied Share Price:	**$299.96**
Current Share Price:	**$420.00**
Premium / (Discount):	**-28.6%**

Valuation using Forward Midian EV/EBITA peer multiple (Estimates)

Micron looks expensive on enterprise-value metrics relative to memory peers, with an implied share price of ~$300, ~29% lower than the current share price of $420. As an investor, what should you do? Have a keen eye on Hyperscaler CapEx pullbacks. In my opinion, Energy and memory costs and debt loads will force them to cut infrastructure spending reducing the memory demand. Also in my opinion, any further announcements of CapEx pullback will drag Micron's share price down.

Let us not also forget about the Memory oversupply with capacity additions from all three major players, which will be online at the same time during 2028-29. Classical oversupply crash.

ASML plans to build tools for advanced packaging for AI chips: report

March 2, 2026 Ravikash Bakolia

ASML (ASML) plans to expand its chipmaking equipment portfolio with new products to capture more of the growing market for AI chips, Reuters reported, citing the company's Chief Technology Officer Marco Pieters.

ASML is the only company that makes extreme ultraviolet, or EUV, machines that are vital for Taiwan Semiconductor Manufacturing (TSM) and Intel (INTC) to produce advanced AI chips. The Dutch company has a next-generation product nearing production and is researching a third potential generation, the report added.

The company intends to expand into the market to manufacture equipment that can help glue and connect multiple specialized chips, called advanced packaging. It is a vital building block for AI chips and the advanced memory that drives them. As part of these efforts, ASML will deploy AI in its forthcoming businesses and legacy efforts, according to the report.

"We look, not just for the next five years, we look at the next 10, maybe 15 years," said Pieters to the news outlet. "(We look at) what are potential directions the industry could take, and what would it require in terms of packaging, bonding, etc.?"

The EUV machines are used for lithography — a process of using light to print complex patterns on silicon wafers to make chips. ASML plans to determine if it can expand the maximum size of chips it can print beyond what it currently does — around the size of a postage stamp — which limits its speed, the report noted.

The company is advancing plans to build equipment that helps in packaging chips and is starting to develop chipmaking tools that can help build newer generations of advanced AI processors, the report added.

Pieters — who was promoted to CTO in October 2025 and replaced Martin van den Brink, who was the head of the technology unit for about 40 years — said that ASML's tools get faster, its engineers will be able to use AI to speed up its machines' control software and the tools' inspection of chips as they are constructed, the report noted.

The complexity and accuracy needed to develop skyscraper-style chips has made packaging, once a low-margin volume business, a more lucrative part of manufacturing for companies such as ASML. TSM has used an advanced packaging technology to build the most advanced Nvidia (NVDA) AI chips, the report added.

"But we also see more of that advanced packaging is coming to the front end," said Pieters, referring to what TSM and others are doing. "Accuracy is becoming more and more important."

When Pieters examined the chip maker's plans, including memory makers like SK hynix (HXSC.F), it was clear there would be requirements for additional machines to help companies make things such as chips stacked on top of one another, according to the report.

In 2025, ASML unveiled a scanning tool named XT:260 built specifically to help produce advanced memory chips used for AI and the AI processors themselves. Pieters noted that the company's engineers are exploring additional machines.

One of the things I'm doing is also looking at what could be a product portfolio in that direction," said Pieters.

AI chips have increased in size, and ASML is evaluating additional scanner systems and lithography tools to make chips even larger.

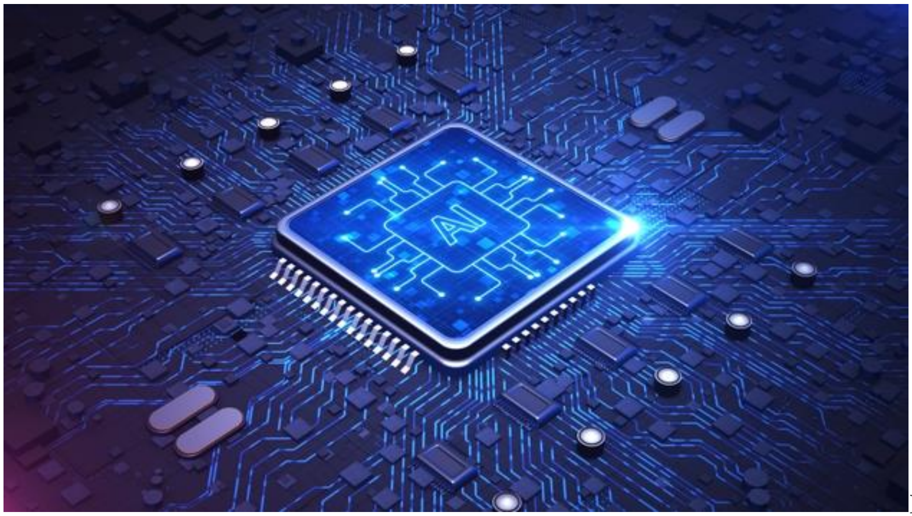
Pieters noted that because the scanning equipment uses expertise like optics and know-how like the intricate ways a tool handles silicon wafers, it will give ASML an edge in making future machines.

AMD: Meta Deal Is A Game Changer

March 2, 2026 The Asian Investor

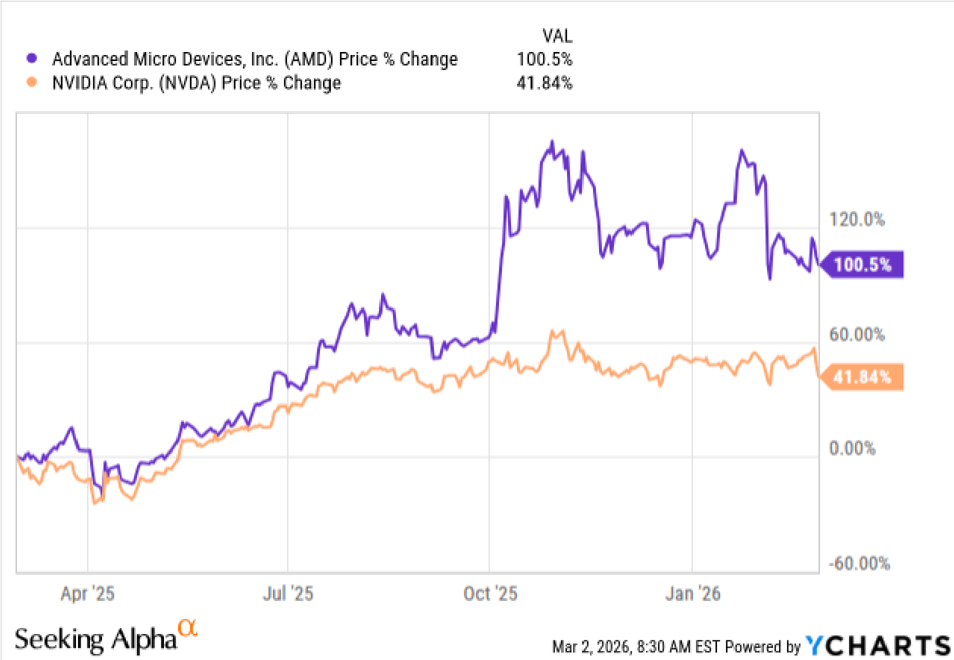
Summary

- Advanced Micro Devices, Inc. secured a transformative 5-year, 6 GW AI infrastructure deal with Meta Platforms last week, potentially adding up to $100B in new revenue.
- This Meta partnership could boost AMD’s annual revenue by up to 50% over the Q4 ’25 run-rate revenue baseline, significantly narrowing the gap with Nvidia.
- AMD’s AI accelerator pipeline is densifying, and the chipmaker is shifting to a faster, one-year product release cadence to compete more effectively.


KanawatTH/iStock via Getty Images

Advanced Micro Devices, Inc. (AMD), just two weeks after reporting accelerating growth in its core Data Center segment, announced a major agreement with social media behemoth Meta Platforms, Inc. (META) for the deployment of 6 GW of AMD-powered AI infrastructure over the next five years. This deal will provide a massive revenue uplift for AMD as the chipmaker is set to collect up to $100B in previously non-existent revenue.

The chipmaker is also set to leverage the deal in order to catch up to NVIDIA Corporation (NVDA), which is still the uncontested leader in the AI GPU market, and has a real chance of improving its gross margin profile on the back of a strong ramp of MI450 AI accelerator shipments. AMD's shares responded very favorably following the Meta deal, and I continue to see massive growth upside for the company long term.



Data by YCharts

Game-changing deal with Meta set to narrow performance gap to Nvidia

AMD and Meta Platforms announced a massive, multi-year strategic partnership on February 24, 2026, which will see the social media platform acquire AMD's upcoming Instinct MI450 GPUs (as well as 6th Gen EPYC CPUs) -- which have been specifically designed and optimized for the firm's AI inference workloads.

The deal expands on the existing collaboration partnership the two companies have, and Meta is now set to acquire 6 GW of AMD-delivered AI infrastructure in order to deploy across its rapidly growing Data Center footprint. According to the agreement, AMD will start making its first gigawatt deployment in H2'26, which will include the new AMD Instinct MI450-based GPUs.

In terms of revenue potential, the size and the importance of the deal cannot be understated: AMD, which is on an annual revenue run-rate, based on Q4 '25 results, of ~$41B, is expected to add between $60-100B in additional revenues just from the Meta deal over the next 5-year period.

This revenue potential comes in addition to the "tens of billions of additional revenues" AMD expects to capture from its AI accelerator supply agreement with OpenAI (OPENAI) in September of last year. In other words, the deal with Meta Platforms alone, over a period of five years, could add up to $20.0B annually, on average, to the firm's top line -- representing a near-50% up-lift to the chip enterprise's Q4'25 run-rate revenue volume.

The deal is not only significant because of its large deal size relative to AMD's current revenue volume, but it will also allow AMD to become a more formidable competitor in the AI accelerator space and catch up to Nvidia. As per Nvidia's latest report, the AI GPU maker has a run-rate Q4 '26 (the last reported quarter) revenue volume of $272B, meaning Nvidia is about 6.6X bigger than AMD in terms of consolidated revenue volume.

In the Data Center business, the picture looks a little different, however, as the gap between Nvidia and AMD is much wider: here, Nvidia is about 11.6X larger than AMD, mainly because the chip-maker has evolved into a more concentrated play on the server market in the last several years. The Meta deal will therefore significantly boost AMD's Data Center chip business and help the company drastically narrow the revenue (and free cash flow gap) between the two chip enterprises.

AMD	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Y/Y Growth
Data Center Revenues	$3,859	$3,674	$3,240	$4,341	$5,380	39%
Q/Q Growth	9%	-5%	-12%	88%	24%	167%
Total Revenues	$7,658	$7,438	$7,685	$9,246	$10,270	34%
Data Center Revenue Share	50%	49%	42%	47%	52%	4%

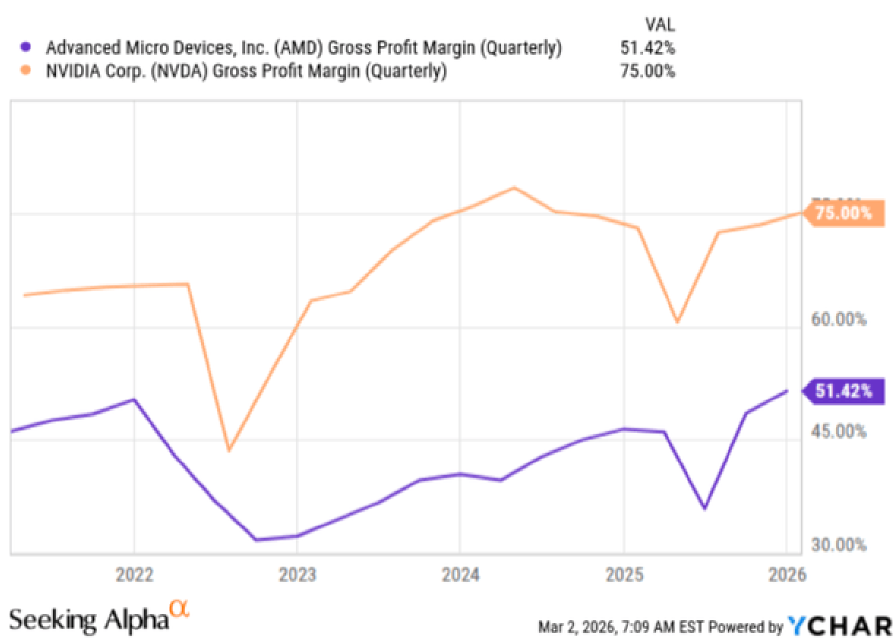
Nvidia	FQ4'25	FQ1'26	FQ2'26	FQ3'26	FQ4'26	Y/Y Growth
Data Center Revenues	$35,580	$39,112	$41,096	$51,215	$62,314	75%
Q/Q Growth	16%	10%	5%	25%	22%	35%
Total Revenues	$39,331	$44,062	$46,743	$57,006	$68,127	73%
Data Center Revenue Share	90%	89%	88%	90%	91%	1%

Source: Author

A sweetener in the deal for Meta was that AMD agreed to issue performance-based warrants to Meta Platforms for up to 160 million shares of AMD -- which about equals an ownership stake of 10% -- that will align interests between the corporate behemoths.

Most importantly, as AMD gears up to bring the MI450 AI accelerator to market in the second half of 2026 -- which may cost up to $30,000 per-unit -- the revenue growth outlook is overall improving. The release of this high-margin AI accelerator also has the potential for AMD to significantly boost its gross margin profile, which is still very much lagging behind Nvidia.

As per the latest quarterly reports for both companies, there is about a 23.6 PP gross margin gap (on a GAAP level) that AMD would have to close in order to be fully on par with Nvidia in terms of profitability.



YCharts

AMD's valuation

The announcement of the Meta deal is set to lead to significant revenue estimate upside revisions for the chip-maker, which in itself could be a major catalyst for AMD's shares. AMD is currently trading well below the 3-

year average P/E ratio of 31.1X, mainly because of market concerns about the SaaS sector and the impact AI will have on it. Further, the escalation in the Middle East has the potential to depress stock valuations in the short term, so investors may even be able to buy into the chip company at an even lower valuation going forward.

The chipmaker is currently priced at 18.5X next year's estimated revenue vs. 16.6X for Nvidia. I described in my last work on Nvidia that the GPU maker is set to benefit from a major growth acceleration related to its Vera Rubin chip release in H2 '26 and that agentic AI presents a long-term growth opportunity for the company.

Primary risks

AMD went through a major repricing after the OpenAI deal in September 2025 was announced, but recently, investors have been caught off guard by renewed fears about the disruptive potential of AI in the SaaS sector. Further, a new conflict in the Middle East is brewing and has the potential to depress investor optimism about AI stocks... even after the massive AMD-Meta deal from last week.

What would change my mind about AMD is if the chipmaker were to see a delay in the mass roll-out of MI450 AI accelerators later this year or if the company failed to catch up to Nvidia in terms of gross profit margins and Data Center revenue share.

Final thoughts

The AMD and Meta partnership for the supply of 6 gigawatts worth of AMD-provided AI infrastructure is a game-changing event for the chip-maker. The deal could provide a 50% revenue uplift, based on Q4 '25 revenue volumes, and is gigantic in size. Further, with the MI450 chip launch nearing later this year, AMD has a revenue and free cash flow growth catalyst in its portfolio that the market may not yet price correctly. The AMD-Meta deal will also help the company to shrink its massive revenue gap with regard to Nvidia in the lucrative Data Center segment.

I currently maintain a Hold rating for AMD, but only because of concerns about macroeconomic developments. The deal with Meta is very much historic for AMD and is set to lift the chipmaker into an entirely new revenue category.