Very Strong June and 2Q Semiconductor Growth

Chip Stocks Rally as 2Q Results Beat Expectations, Cyclical Recovery Begins

The really good news is that a broader semiconductor industry recovery cycle has appeared as AI continues to drive growth. June and 2Q chip industry statistics were above average and expectations, and chip sector share prices across my Universe have rallied and outperformed broader equity markets as most companies reporting 2Q results so far are exceeding expectations. The interesting news is that the SOX index is underperforming while my Universe is outperforming broader equity markets, while bad news is centered on geopolitical economic uncertainty.

AI is largely accounting for chip industry revenue growth expected at +11% this year driven by NVDA and it now appears that AI cap ex euphoria ahead of revenue streams and profits has lasted long enough for the rest of the semiconductor end-markets to return to growth, as I had hoped. AI remains strong while a broader cyclical recovery is underway across industrial, PC and smartphone markets, although automotive is relatively shallow or slightly lagging depending on the supplier. The good news is this inflection point in the business may well present some attractive equity market opportunities, especially given the equity performance incongruity between my Universe and the SOX. Stay tuned for the return of my Semiconductor Investment Ideas publication.

Geopolitical Gymnastics: Much drama and entertainment with a US semiconductor tariff of 100%, Trump calling for the resignation of Intel's recently appointed CEO for a conflict of interest with China, the Chinese government quizzing Nvida about non-existent backdoors or kill-switches in it parts, and US semiconductor export restrictions to China costing both Nvidia and AMD billions of dollars in write-offs during 2Q. And these are just recent highlights (or are they 'low-lights?').

Recall the new normal chaos is every semiconductor company preserving its supply chain and sales in a variety of ad hoc fashions by skipping around ever-evolving US, Chinese and European technology sanctions, embargoes and tariffs. 'De-Sinicization' describes Chinese and Taiwanese companies expanding operations to more politically neutral countries like Singapore, while 'Geopolitically Dependable Capacity' describes TI's strategy to support various customer supply requirements from a variety of locales. 'Indigenization' includes government grants and loans incentivizing domestic semiconductor operations that includes multiple billions of dollars from the US, China, Japan, India, South Korea, Malaysia, Taiwan and Spain. The Chinese grow-your-own category is referred to as 'Huawei-ization' due to that company's political isolation from the US—and this phenomenon appears to have accelerated the most in recent months.

Universe Deviations: Recall that my US-equity-based Tokeneke Universe does *not* include very large international players (Samsung, SK Hynix, Kioxia, MediaTek, Infineon, Renesas, Rohm, Winbond, Macronix, Nanya, Novatek, Realtek) although it does include wafer foundries (TSMC, UMC, GlobalFoundries, Skywater Tech, Tower Semi) and IP companies (Rambus, Ceva, InterDigital, Arm, Adeia) that count as costs associated with manufacturing rather than industry sales. Note my Universe on Page 5. I also normalize fiscal quarters to the best fitting two out of three months, and I don't segregate non-semiconductor corporate revenue. Unreported acquisition stub periods and mergers exiting the sector can also make a difference.

While these differences compared to semiconductor industry sales are significant, most US-based investors experience the sector from the Tokeneke Universe perspective. The Philadelphia Semiconductor Index Option (SOX) also includes wafer foundries, IP companies and equipment firms as well.

So, what does this mean? Well, near term it means that my Universe and US equities will likely outperform industry sales statistics due to AI 'double-dipping' as NVDA and other chip company sales are boosted by suppliers that include wafer foundries (TSMC) and IP firms, as well as assembly/test and equipment suppliers.

Above Average June Growth: Worldwide chip industry revenues for June grew by an above average +1.5% sequentially on a three-month rolling average basis, according to statistics released by the Semiconductor Industry Association (SIA) on Monday. I would have been surprised at the relative strength given the lackluster 2Q guidance across my Universe during the 1Q earnings season announcements, although the strength is consistent with 2Q earnings reports that began in mid-July. June has averaged growth of +0.7% with a high of +5.3%, a low of -9.2%, and 16 declines in the last 39 years including six in the last 17 according to industry statistics. Asia-Pacific and China led again with growth of +5.8% and +0.8%, respectively, followed by declining laggards of The Americas at -0.2%, Europe at –0.7% and Japan at -1.7%.

September's release of July statistics should also be above average given robust 3Q earnings guidance across my Universe so far during the 2Q earnings season. July has averaged growth of +1.4% with a high of +5.4%, a low of -6.3%, and eight declines in the last 39 years including only two in the last 12 according to industry stats.

2Q Much Better Than Expected: Industry statistics for 2Q reflected very strong sequential quarterly revenue growth of +7.8% that is well above average and the high-end of the range of company guidance, although consistent with the strength reported so far during 2Q earnings season announcements. The quarter's growth was led by Asia-Pacific at +18.2%, China at +12.2% and Europe at +3.9%, followed by declining laggards of The Americas at -0.6% and Japan at -2.7%.

The weighted average sales growth across my Tokeneke Universe after Week 3 with 46 out of 57 companies reporting reflects a sequential quarterly gain of +8.2%, which is roughly consistent with the reported industry statistic. The specific weighted average guidance for revenue across my Universe during 1Q earnings announcements called for a sequential increase of +3.4%, ranging from +0.9% to +5.9%. The 2Q is seasonally a period of recovery for the year with average revenue growth of +4.2%, a high of +20.0%, a low of -19.9%, and only eight declines in the last 39 years including two of the last 13, according to industry statistics.

3Q Outlook Above Average: The specific weighted average guidance for revenue growth across my Universe during 2Q earnings announcements so far calls for a sequential increase of +7.1%, ranging from +4.1% to +10.1%. The 3Q is seasonally the strongest of the year with average revenue growth of +6.0%, a high of +19.9%, a low of -11.3%, and four declines in the last 39 years including only one of the last 23, per industry statistics.

Banking Deals and Executive Changes: Last month Intel sold 50M shares of its Mobileye holdings for which Mobileye purchased over 6.2M shares and received no proceeds from the sale. GlobalFoundries will purchase privately held MIPS and STMicroelectronics is buying a MEMS group from NXP Semiconductor. Alpha and Omega Semiconductor paid $4.25M to the US Government to resolve charges that it shipped restricted product to sanctioned Huawei in China during 2019, and the company also sold half of its 39% ownership in its Chinese joint venture operations to a private Chinese partner for $150M. Pixelworks Shanghai subsidiary received a $1.6M Chinese Government subsidy amid its on-going plans to take that sub public in China at some point. Microchip's former and interim CEO is now permanent, Power Integrations got a new CEO, and Wolfspeed got a new CFO amid its restructuring. And Sequans Communications' $384M offering in June has so far resulted in the acquisition of 3,157 bitcoins for its treasury initiative.

July Chip Stocks Performance Mixed: The SOX underperformed compared to broader equity markets last month while my Universe significantly outperformed as most companies reporting 2Q results exceeded expectations during the first two weeks of earnings season announcements. However, on a year-to-date basis the script is flipped with the SOX outperforming and my Universe underperforming. During July the Philadelphia Semiconductor Index Option (SOX) gained +1.1% while 24 out of 57 stocks in my Universe advanced by an average of +6.6%. The NASDAQ, S&P500 and DOW were up by +3.7%, +2.2%, and +0.1%, respectively.

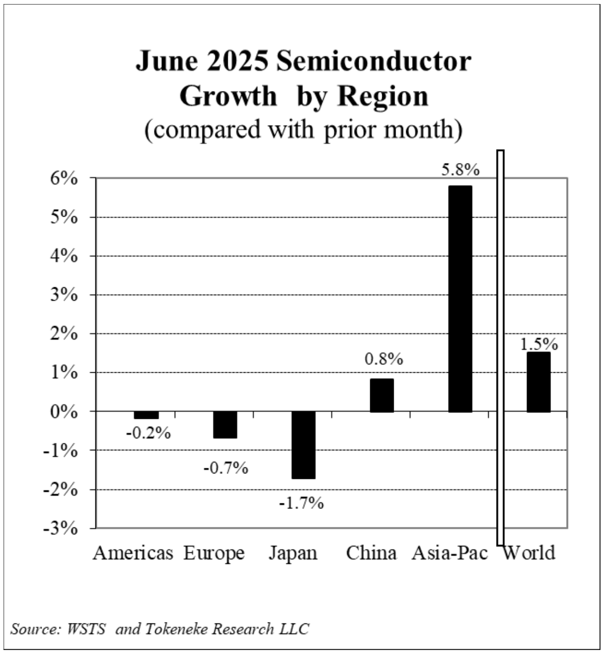
July			
Winners *(24/57)*		**Losers**	
WOLF	276.1%	MBLY	-20.8%
PXLW	69.6%	STM	-16.4%
ALAB	51.2%	SQNS	-14.3%
PI	39.2%	POWI	-13.2%
GSIT	29.5%	TXN	-12.8%
average stock +6.6%		*SOX +1.1%*	

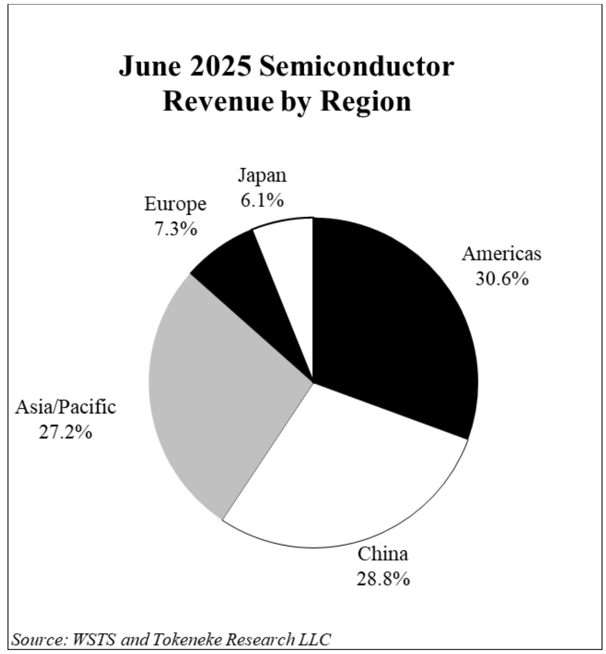
YTD			
Winners *(28/57)*		**Losers**	
NVTS	105.3%	WOLF	-77.5%
AMD	46.0%	SQNS	-63.9%
ALGM	43.7%	QUIK	-43.9%
GSIT	43.6%	SKYT	-35.1%
SIMO	41.6%	CEVA	-32.3%
average stock +1.1%		*SOX +12.6%*	

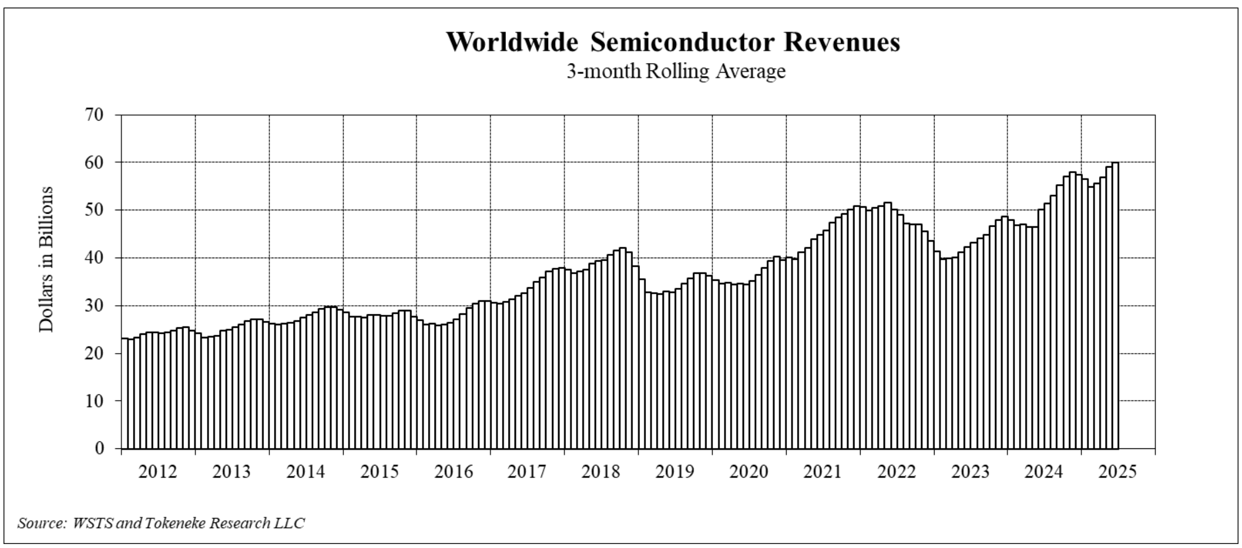
Indices	*Jul*	*YTD*
SOX	1.1%	12.6%
SMH	3.5%	19.2%
NASDAQ	3.7%	9.4%
S&P500	2.2%	7.8%
DOW	0.1%	3.7%

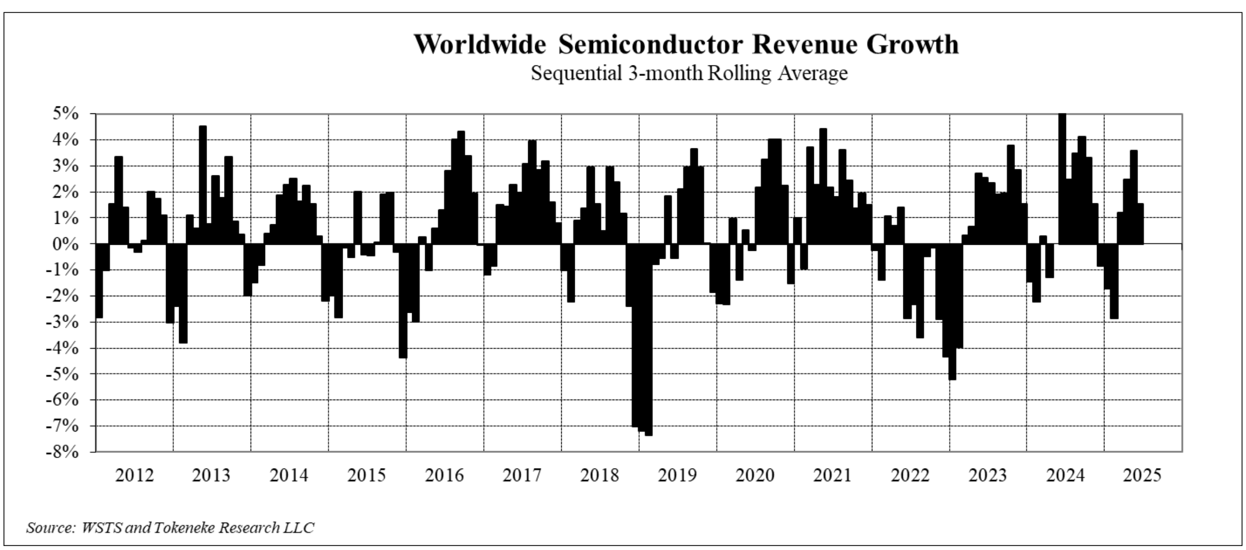
Chip Stock Opportunities Emerging: AI remains strong while the rest of the semiconductor markets have finally begun their cyclical recovery. Interestingly, the SOX is lagging this quarter while my Universe is outperforming. The good news is that some attractive fundamental valuations have emerged across the sector. The bad news is the most attractive ones are distressed businesses. Which means that I now need to re-energize my Semiconductor Investment Ideas publication (hopefully within the next few weeks). Stay tuned.

—Dan K. Scovel
Semiconductor Analyst


June 2025 Semiconductor Growth by Region
(compared with prior month)
6%
5%
4%
3%
2%
1%
0%
-1%
-2%
-3%
-0.2%
-0.7%
-1.7%
0.8%
5.8%
1.5%
Americas
Europe
Japan
China
Asia-Pac
World
Source: WSTS and Tokeneke Research LLC


June 2025 Semiconductor Revenue by Region
Japan 6.1%
Europe 7.3%
Americas 30.6%
Asia/Pacific 27.2%
China 28.8%
Source: WSTS and Tokeneke Research LLC


Worldwide Semiconductor Revenues
3-month Rolling Average
Dollars in Billions
70
60
50
40
30
20
10
0
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Source: WSTS and Tokeneke Research LLC


Worldwide Semiconductor Revenue Growth
Sequential 3-month Rolling Average
5%
4%
3%
2%
1%
0%
-1%
-2%
-3%
-4%
-5%
-6%
-7%
-8%
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Source: WSTS and Tokeneke Research LLC

Weekly Philadelphia Semiconductor Index Option (SOX) vs. S&P 500

Source: Tokeneke Research LLC

S&P 500 normalized to the SOX (divided by 3.80508)

The Tokeneke Universe:

57 companies/tickers as of 6/10/25.

Company	Ticker	Company	Ticker	Company	Ticker
Adeia	ADEA	Mobileye Global	MBLY	QuickLogic	QUIK
Analog Devices	ADI	Microchip Technology	MCHP	Rambus	RMBS
Astera Labs	ALAB	Monolithic Power Systems (MPS)	MPWR	Silicon Motion	SIMO
Allegro Microsystems	ALGM	Everspin Technologies	MRAM	SiTime	SITM
Ambarella	AMBA	Marvell	MRVL	SkyWater Technology	SKYT
Advanced Micro Devices (AMD)	AMD	M/A-COM Technology	MTSI	Silicon Laboratories	SLAB
Alpha Omega Semiconductor	AOSL	Micron Technology	MU	Semtech	SMTC
Arm Holdings	ARM	MagnaChip	MX	Sandisk	SNDK
Broadcom	AVGO	MaxLinear	MXL	Sequans Communications	SQNS
CEVA	CEVA	Netlist	NLST	STMicroelectronics	STM
Cirrus Logic	CRUS	NVIDIA	NVDA	Skyworks Solutions	SWKS
Diodes	DIOD	Navitas Semiconductor	NVTS	Synaptics	SYNA
GlobalFoundries	GFS	NXP Semiconductors	NXPI	Tower Semiconductor (TowerJazz)	TSEM
GSI Technology	GSIT	ON Semiconductor	ON	Taiwan Semiconductor Mfg. Corp. (TSMC)	TSM
Himax Technologies	HIMX	Impinj	PI	Texas Instruments (TI)	TXN
InterDigital	IDCC	Power Integrations	POWI	United Microelectronics Corp. (UMC)	UMC
Indie Semiconductor	INDI	Pixelworks	PXLW	Valens Semiconductor	VLN
Intel	INTC	QUALCOMM	QCOM	Vishay Intertechnology	VSH
Lattice Semiconductor	LSCC	Qorvo	QRVO	Wolfspeed	WOLF

The Company

Tokeneke Research is an independent research firm specializing in semiconductor industry business issues, providing fundamental research focused on US equities across all market capitalizations within the sector to investors. The company was founded in 2005 and is based in Connecticut.

My Background

I have an electrical engineering degree, nearly 12 years of semiconductor industry experience, and was on Wall Street for nearly eight years where I was selected as Best On The Street semiconductor analyst by The Wall Street Journal in 2002.

I obtained my undergraduate BS degree in electrical engineering from the University of Washington, and my MBA from Santa Clara University. My industry experience consists of nearly 12 years in various technical sales and marketing roles at four different semiconductor firms located in Silicon Valley beginning with Advanced Micro Devices in 1984, followed by two small start-up companies, and ending at Cirrus Logic where I supported the firm's Japanese market development. I joined Fahnestock & Co. as a senior semiconductor analyst in 1996 and was recruited by Needham & Co. in April 2000.

My formal coverage as a sell-side analyst included the following: AMD, ALSC, ALTR, ARTI, ATML, CUBE, CY, ESST, GNSS, INTC, ISSI, LSI, MOSY, MU, OIIM, OVTI, RMTR, SIII, SMSC, STEC, SVTG, TDFX, TSRA, TXN, and ZRAN.

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