

Intra-day

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LRCX: Back the truck up



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As the Street prices into semis 1) the possibility of a recession, 2) the Intel blow-up and 3) amidst an ongoing aversion to all-things AI, we pick on a solid idea on the long side, We might even say 'back the truck up'. We like LRCX right here, right now. We reiterate our \$1000PT.

The semicap sector is pricing in the severe capex cut Intel announced last night. Here is what we would offer – the troubles at Intel may not have been much of a surprise to semicap companies. For companies run by conservative management teams, signals from Intel related to the potential problems with timing of payments may have been clear for some time.

Intel risk: We will take the view that the guidance from the semicap names that just reported their earnings may have DIALED OUT contribution from Intel. As such we would expect their guidance to be relatively insulated from Intel.

AI risk: While investors may flee from all things AI, we would stake a claim that there is has been ZERO change to the fundamentals for many stocks in the sector, the semicaps in particular. As we noted in our LRCX preview ([link](#)) and in our TSM notes ([link](#)), we believe there is an order book from AI silicon companies at TSM's 5nm node and CoWoS that stretches out for multiple years. While investors may flee AI-related names, this order book has remained intact, in our view.

Regulatory risk: Going by the most recent media reporting, the proposal of FDPR from the US Commerce department has largely been defanged as related to shipments by US-based companies to the three major non-US geos that ship semis/semicap to China – Korea, Japan, The Netherlands. Regulatory risk, one could argue, has decreased. On the margin, the lowering of regulatory risk faced by companies such as TEL (Japan) may be seen as a negative for US-based companies. But this risk, we think, is already priced into the stocks.

Net/Net: In our view there is minimal risk to the fundamentals at non-litho semicap names related to Intel capex cut and AI fundamentals. Regulatory risk, always a moving target, too has come down, in our view. The gains LRCX stock has had over the SPX index over the past year has been totally wiped out. With its AI related business at DRAM, NAND and CoWoS unchanged and with its September quarter guidance likely intact, we are calling to BACK the TRUCK up. We reiterate our \$1000 PT set back in April ([link](#))