



Sector Spotlight: Semiconductors

Capturing Investor Mindshare
and Premium Valuation in a
Crowded Industry

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Achieving a premium valuation in the Semiconductor sector is no easy feat. The industry is characterized by high capital intensity, rapid new product introductions, and a globally integrated supply chain. Outperformance requires resilient through-cycle execution driven by strategic end-market positioning, disciplined capital allocation, and strong, differentiated investor communications to stand out in a crowded and complex sector.

Our **Sector Spotlight: Semiconductors** evaluates 51 publicly traded U.S. Semiconductor and Semi Capital Equipment companies to identify the factors leading to premium status, as well as recommended communication strategies to maximize valuation, differentiate as an investment, and shine a light on developing capabilities to close the gap – all with the intent of instilling confidence in investors in your company's quality, potential, and earnings power through cyclical capex swings.

Insights from **90 institutional investors and analysts** across Corbin Voice of Investor® Perception Studies, whose firms collectively represent more than \$10 trillion in equity assets under management, are incorporated to highlight key investment considerations and what differentiates companies able to sustain premium multiples.

Sector Spotlight: Semiconductors

Operating in a highly dynamic and capital-intensive industry, Semiconductor and Semi Equipment companies face a dynamic backdrop as they compete for investor attention. The sector is marked by rapid new product introductions, shifts in capex spending across end markets, and a globally integrated supply chain often shaped by geopolitics.

Further, despite the diverse ecosystem and varied roles that companies play across the value chain, many generalist investors often lump semiconductors together or bucket them broadly around themes. Clearly articulating your place in the ecosystem – including your unique strengths and how you are positioned to win – is essential to securing investor mindshare.

For generalists, it is imperative to simplify your message and sharpen the distinctiveness of your investment story.

"Semi-cap and semiconductors are clumped together... We look at it from an industry perspective: How are we positioned for the semiconductors? Within tech, what is our weight in semiconductors? In the investor's eyes, you look at it and say, 'These are two very different companies, risk characteristics, and growth curves,' but semiconductors get clumped together." Buy Side Analyst, \$2.7B EAUM

At the highest level, investors typically categorize the sector into six groups: fabless designers, foundries, integrated device manufacturers (IDMs), memory manufacturers, capital equipment, and material/service providers. Note, some operate across multiple groups.

While the semiconductor ecosystem spans a diverse set of business models, **fabless chip designers represent the largest cohort of U.S.-domiciled companies and valuation outperformers**. From there, the value chain extends through foundries, IDMs, memory manufacturers, and the equipment, material, and services providers that enable production across the industry, each of which has select companies outperforming their peer group.

1 Fabless (Chip Designers)

Fabless companies design and sell chips but outsource manufacturing to specialized foundries. Their strength lies in innovation and tailoring solutions for specific end markets such as AI, data centers, mobile, and automotive. Because they avoid the heavy costs of owning fabs, they operate with higher margins, and valuations tend to emphasize growth metrics.

2 Foundries (Specialized Manufacturers)

Foundries fabricate chips on behalf of fabless companies and some IDMs. They enable the broader ecosystem by providing advanced process technology and production scale. Performance is closely tied to capacity expansions, customer spending, and valuations are driven by scale, capital efficiency, and technology leadership.

3 Integrated Device Manufacturers (IDMs)

IDMs are vertically integrated, designing, fabricating, and selling their own chips. Controlling the full production process gives them flexibility and supply assurance but carries significant capital intensity. Valuations tend to reflect a balance of growth potential, asset efficiency, and through-cycle ROIC.

4 Memory (Data Storage)

Memory manufacturers design and produce DRAM and NAND flash chips used in PCs, servers, mobile devices, and cars. Although the smallest cohort in our study universe (Micron being the most notable), memory remains a critical segment, with swings in supply and demand driving activity for downstream equipment and service providers.

5 Semi Capital Equipment

Semi-caps supply the specialized machinery and software that enable chip fabrication and testing, serving as key partners to foundries, IDMs, and memory manufacturers. Sales are tied to customer capex, with valuations emphasizing technology leadership, order visibility, and market share.

6 Material / Service Providers

This group delivers consumables (e.g., specialty chemicals, wafers, substrates) and services such as subsystem support, yield management, and outsourced assembly and test (OSAT). While vital to the ecosystem, these businesses often face lower margins and greater pricing pressure.

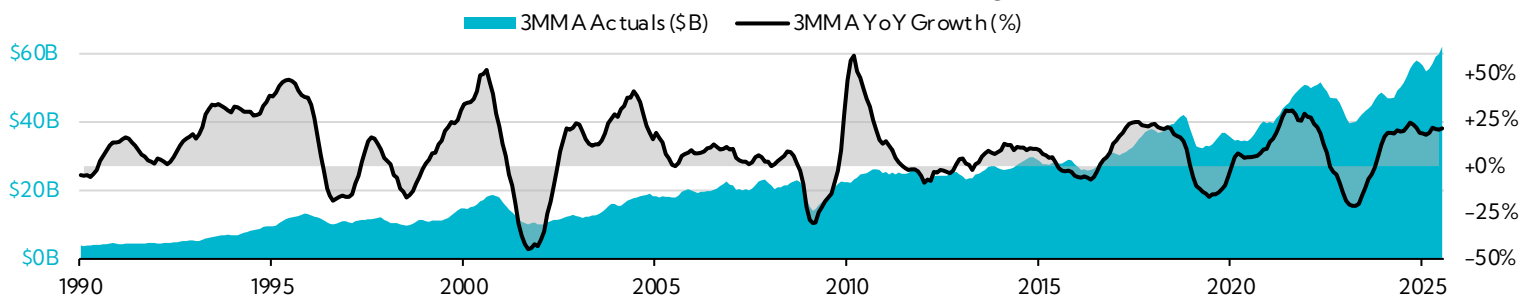
Despite distinct dynamics, investors often apply the same cyclical lens across groups, with secular growth punctuated by swings in inventory and capex.

Cyclicality vs. Secular Growth – Achieving a Premium Valuation in a Dynamic Sector

Semiconductors have long been viewed through the lens of cyclicality, with sharp peaks and troughs in revenue and valuations tied to capex and inventory swings. Despite powerful secular drivers – AI, cloud, electrification, and industrial automation – many stocks in the sector continue to trade with a “cyclicality discount” from generalist investors, who often see the group as largely at the mercy of end market demand and spending cycles. As a result, the industry straddles both worlds: structurally positioned for growth yet still navigating the volatility of supply/demand imbalances.

This dynamic is evident in the history of global semiconductor billings, which illustrates long-term growth marked by repeated booms and contractions, reinforcing why investors so often anchor their view to the cycle.

Global Semiconductor Historical Billings



Source: World Semiconductor Trade Statistics – Historical Billings report as of July 2025
3MMA = Three-month moving average

Valuations across the sector have reflected this backdrop, with performance closely tied to the stage of the capex cycle and expectations for demand across end markets.

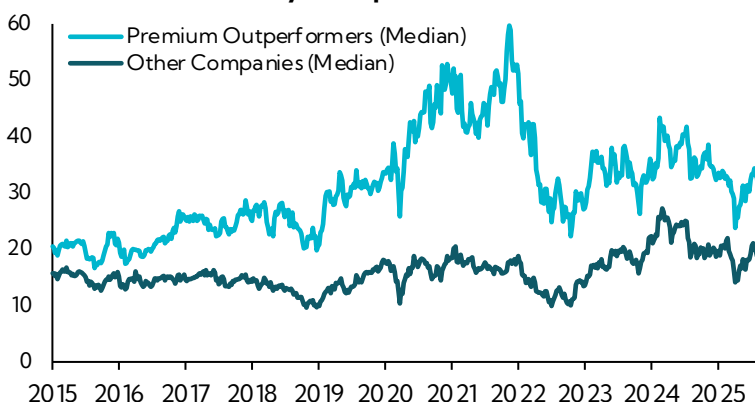
However, the Semiconductor sector has its share of outperformers – what sets these companies apart?

Our research of 51 publicly traded companies from the S&P 1500 Semiconductor & Semi Equipment sub-sector identified **13 companies¹** – denoted the “**Premium Outperformers**” – that have sustained valuation multiples meaningfully above the sector average going back to the start of 2015.

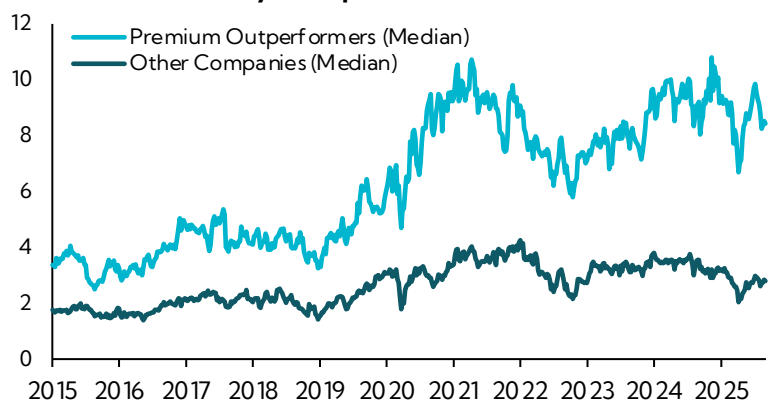
On both a forward P/E and EV/Sales basis, this group has consistently commanded premium valuations through multiple cycles. Further, while fabless peers make up a high percentage – benefiting from higher margins and asset-light models – the group spans market caps and includes members from the Semi-cap Equipment and IDM sub-groups.

To understand why these companies are rewarded with higher valuations, we analyzed Corbin’s Voice of Investor® interviews with semiconductor investors alongside the investor communications of Premium Outperformers.

Industry Multiples: P/E (NTM)



Industry Multiples: EV/Sales (NTM)



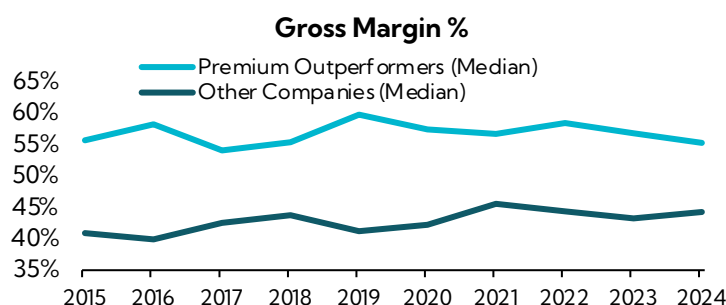
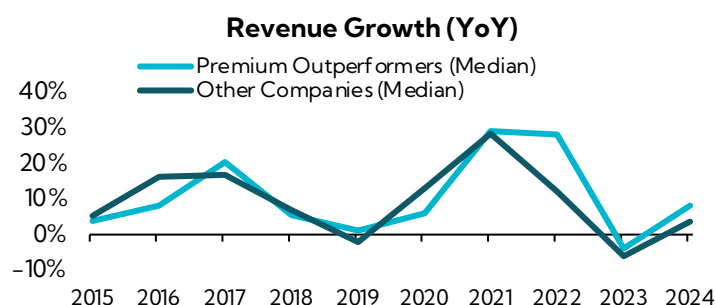
1. Companies in the analysis include the S&P 1500 Semiconductors & Semiconductor Equipment sub-sector (51 constituents). “Premium Outperformers” include: Analog Devices, Advanced Micro Devices, CEVA, Enphase Energy, Lattice Semiconductor, Monolithic Power Systems, MACOM, NVIDIA, Universal Display, PDF Solutions, Power Integrations, Silicon Labs, and Texas Instruments

Defining Characteristics of Premium Outperformers

Fundamentally, multiples across the sector are driven by revenue growth, gross margins, and ROIC, while investors also place significant weight on free cash flow generation and capital return discipline. For semi-cap equipment companies, technology leadership, order visibility, and recurring service revenues are particularly important. Notably, Premium Outperformers stand out less on revenue growth than on consistently higher margins through cycles.

However, in a highly cyclical and capital-intensive industry, it is not solely about absolute performance, but rather the resiliency and through-cycle earnings power companies demonstrate. Equally important is the ability to shape the narrative by proactively communicating strategic positioning, technology differentiation, and actions taken to manage volatility. Without clear and consistent communication, many of these strengths remain underappreciated in our research, particularly by generalist investors.

To further investigate what sets the Premium Outperformers apart, we analyzed interviews with investors and company communications. Our findings identified **five defining characteristics** exhibited by top performers that have contributed to premium through-cycle valuations.



1 Margin strength underpinned by technology leadership

These companies distinguish themselves through leadership in process technology, intellectual property, and product innovation, enabling them to command pricing power and capture share in attractive markets. Rather than relying solely on Moore's Law, they pursue "More than Moore" strategies such as advanced packaging or extend into new applications. These hard-to-replicate approaches create defensible advantages and diversified revenue streams, strengthening moats and supporting premium valuations.

2 Secular growth exposure / mega-trend tailwinds

Aligned with powerful secular drivers, including AI, automotive electrification, cloud computing, and industrial automation, these companies are viewed as benefiting from expanding addressable markets and more durable growth trajectories. Exposure to these themes enhances perceived growth optionality and the ability to sustain momentum through cycles.

3 Durable revenues and strong customer relationships

Premium Outperformers benefit from revenue models that provide visibility and resilience, whether through long product cycles, multi-year design wins, or service and licensing agreements. Strong customer relationships and switching costs create durability, while broad, resilient revenue streams reduce reliance on any one market and support durable earnings power.

4 Strong execution and capital discipline

Premium valuation companies are recognized for consistent execution and disciplined capital allocation. They invest strategically in technology and capacity while maintaining strong balance sheets, with many enhancing returns through buybacks or dividends. This ability to manage volatility and deliver high ROIC through cycles supports sustained premium valuations.

5 Differentiated investor communications

While not all excel in this area, many leverage investor communications to simplify complex stories, underscore technology leadership and durable growth, leverage transparent communication across environments, and cast a light on actions to increase resiliency.

Investor Commentary: Key Investment Factors and Premium Valuation Drivers

"If they can demonstrate in the next downcycle the trough of this industry will be higher than last cycle, the stocks will get rerated. Secondly, if they can reduce the earning volatility, the stocks will get rerated as well." *Portfolio Manager, \$32.3B EAUM*

"Valuation is always a spectrum, so you do a bunch of different things but EV/FCF over the long run is the thing that normalizes the best." *Security Analyst, \$159.9B EAUM*

"The semi-cap equipment space is a play on the broad growth of semiconductors, so if you believe we will need more semiconductors in 3, 5, or 10 years, then without having to pick a specific end market winner or device winner, you can buy semi-cap equipment. Some companies are specifically interesting because they are very diversified and have equal exposure to all these different themes, so you get to play them all without having to pick a specific winner." *Security Analyst, \$124.5B EAUM*

"Some companies have done a wonderful job compounding returns to shareholders through excellent business execution and process. You cannot underestimate a company that continues to compound returns through execution, share repurchase, and capital allocation." *Portfolio Manager, \$6.0B EAUM*

"If they can prove to the market that they can capture a lot of the AI infrastructure buildout, and that will benefit their margins and structurally lift it higher, the market is going to credit them with higher valuation." *Sell Side Analyst*

"90% of all the valuation conversations I have had with investors in the sector over the last 10 to 15 years are P/E based. The two highest correlating variables to multiples in the broader sector are growth rate and gross margin percentage. If you have a low gross margin percentage, it has historically meant you also had a material P/E multiple discount. If a company could either accelerate growth or gross margins, then it could boost its normalized valuation on a long-term basis versus history." *Sell Side Analyst*

"Of all the companies in a peer group, **you should have the most diverse exposure to technological inflections...** That gives the opportunity to continue to outgrow the market. **Management teams have worked through a period of supply chain challenges, changes in end market dynamics,** all sorts of curveballs, and some have produced the **steadiest results throughout this period of volatility in the industry.**" *Portfolio Manager, \$6.0B EAUM*

"The Company's exposure is the broadest, most balanced in [its peer group]. Strong partnership with customers allows them to invest ahead and, as a result, attractive growth going forward. The services business leverages the installed base, provides stability and additional growth, as well as contributes to cash flow that sustains the capital return algorithm." *Security Analyst, \$986.5B EAUM*

"The Company's core strengths are their technology, geographic diversity, very high market share, and very demanding customers. Weaknesses are gross margins and revenue volatility. As for the key methodologies we use, we model the financials based on end markets and market share, then we use incremental margins to determine the gross margin, and then we look at a valuation versus what we think a business with that type of earnings growth deserves." *Security Analyst*

"The trends are the increasing geopolitical priority of semiconductor manufacturing and the rising capital intensity of adding semiconductor capacity as well as the increased barriers to entry." *Portfolio Manager, \$96.9B EAUM*

"We are positive on the growing tech intensity of the global economy. This flows down to growth in the semiconductors. The semi-cap equipment companies are key arms dealers to that. Within that, these companies have a deep moat." *Security Analyst, \$305.6B EAUM*

"The Company is the most strategic amongst their peers in terms of thinking about the industry and the long-term growth drivers. They have a comprehensive strategy of delivering fully integrated systems and also investing in the areas where the industry is going to see the fastest growth." *Sell Side Analyst*

Premium Outperformers Archetypes

While the Premium Outperformers share five defining characteristics, not all companies are created equal. In our research, they tend to fall into **four primary archetypes** (sometimes overlapping) that differentiate them from peers in the eyes of investors. This is important in the context of portfolio construction, where generalists often look to identify high-quality companies within the sector or select the strongest names tied to key thematic.

Importantly, your company does not need to be the market leader or operate in a structurally less cyclical segment to move toward premium status. **Investors are ultimately looking for quality and potential.** While some Premium Outperformers compete in areas like analog, power, and connectivity that benefit from long product cycles and steadier demand, others – including high-profile names in AI, computing, and solar – operate in more volatile markets yet still command premium valuations through secular growth exposure, technology leadership, and strong execution.

It is not about where you start, but how you evolve to close competitive gaps, maximize your opportunities, and drive higher normalized earnings power. What we **encourage you to take from these archetypes are the developing or emerging characteristics that make your company better positioned for the future.**

1 The Technology Leader

These companies set the pace in innovation, process technology, or IP development. By shaping industry standards, commanding pricing power, and capturing outsized share of high-growth markets, these leaders are viewed by investors as having durable competitive advantages and significant runway for future growth.

The obvious example is **Nvidia**, which has become synonymous with the AI secular growth theme and accelerated computing in the datacenter. But technology leadership is not limited to mega-caps. For example, **Lattice Semiconductor** (~\$10B market cap) has carved out a differentiated leadership position in low-power FPGAs, a niche market with few competitors. Its scarcity value, strong margins, and exposure to attractive end markets have helped it sustain premium valuations despite its smaller scale.

2 Strategic Partners with Durable Demand

Companies that embed themselves deeply in customer ecosystems benefit from long product lifecycles, high switching costs, and durable revenue streams. By serving as strategic partners, they create visibility and resilience that investors reward with premium valuations.

Analog Devices is a clear example, with products tied to industrial and automotive applications where design cycles can last more than a decade. This sticky positioning supports high gross margins and steadier demand across cycles. Similarly, **Silicon Labs** has established itself as one of the few pure-plays on wireless IoT connectivity, where multi-year design wins drive durable growth while its focused portfolio supports best-in-class gross margins.

3 The Cost/Scale Champion

Scale and cost leadership allow certain companies to achieve structurally higher margins and resilience, supporting premium valuations. By leveraging efficient manufacturing, diverse products, and disciplined capital allocation, these companies deliver solid returns through cycles.

Texas Instruments exemplifies this model, leveraging low-cost fabs for a structural margin edge and a vast catalog that makes it indispensable across industries. Disciplined capital returns through dividends and buybacks further reinforce confidence. Beyond the IDMs, **Monolithic Power** and **Power Integrations** show how fabless companies can achieve above-market growth, high margins, and robust FCF through efficient, asset-light models and strong execution.

4 The Ecosystem Enabler

These companies play mission-critical roles in the semiconductor value chain, providing tools, software, or services that enable manufacturing efficiency. High barriers to entry and attractive installed bases support resilient performance across cycles.

PDF Solutions illustrates this model with its analytics platform, providing mission-critical yield management data to IDMs and foundries. While none of the more traditional semi-caps landed in the Premium Outperformers group (based on both P/E and EV/Sales), **KLA** stands out for maintaining top-quartile EV/Sales valuations going back to 2015, driven by strong customer relationships, technology leadership, recurring service revenues, and superior order visibility.

Overcoming Investor Hurdles and “Democratizing” the Investment Story

Given the unique communication challenges faced by the sector, we drew on our database of semiconductor investor and analyst interviews to identify actionable investor communication insights. These perspectives highlight how management teams can address perceived cyclicality, strengthen their investment thesis, and clearly differentiate their companies to win investor mindshare.

Overcoming the cyclicality hurdle

“The **primary factor holding the Company’s multiples below the S&P is the cyclicality of the business**. Companies that are viewed as more secular have higher multiples. **The biggest thing the Company can do is continue to manage the challenging environment**. What is in their control is **continuing to create innovative products and invest in the R&D and innovation and make sure they are disciplined** around the R&D dollars, so they do continue to exert leadership in the space.” *Portfolio Manager, \$44.4B EAUM*

“The **successful companies are the ones that state that through cycles we are going to return 100% of our free cash flow back to shareholders** each and every year, **so having a very disciplined approach to that helps over time**. Texas Instruments started it and it took them about five years for the stock to truly rerate, so it is not something where you announce it and it is going to happen in 6 or 12 months. **Continuing to drive that home is important.**” *Sell Side Analyst*

“Some companies’ strategies are to lead with innovation. They have created a nice **recurring services business, which creates stability during downcycles and upcycles**. Despite the industry being naturally cyclical, they have **found a way to maintain an R&D lead while simultaneously trying to smooth out the natural cyclicality** via a services business.” *Buy Side Analyst*

Communication strategies for appealing to generalist investors

“**Make the story more digestible to the generalist PM...** The area people least understand is that it is not just about finding defects but about helping customers classify and find the root cause of those defects. **Those are things where incumbency value is very high and that is not well understood by the generalist pool of money out there.**” *Sell Side Analyst*

“Many companies do an Analyst Day where **they explain their product roadmap and differentiation**. It is all about better **transparency and articulating their longer-term strategy... explaining what type of products the Company is good at versus a competitor would help the stock and the multiple.**” *Buy Side Analyst*

“Purely from a messaging standpoint, a lot of investors are deciding whether they should own Company A or Company B. **They need to retarget their messaging to explain, with this set of drivers, why one should own A instead of B.**” *Portfolio Manager, \$6.0B EAUM*

“**Deep dives at seminars are excellent**. They should keep those going even if they are short updates that one could watch the previous version but get an update. ‘It was two years ago we talked about our [segment] plans, and **here is a quick update on how we are progressing** along that,’ even if it was 20 minutes to a half hour.” *Portfolio Manager, \$10.4B EAUM*

“[Some companies] **carve out five minutes on their quarterly earnings call to do a deep dive into a business or technology**. It helps **lend a more strategic interaction on the quarterly earnings call** rather than the numbers you need to fill out the model. We’ve seen some companies do a great job. They did a **deep dive into technology**, which was a **phenomenal way to learn a lot more about a business that is sophisticated, non-intuitive, and make it a lot more conversant for investors.**” *Sell Side Analyst*

THE *Big* so WHAT®

With investor focus on both the volatility and potential of the semiconductor sector, companies have an opportunity to take control of their narratives and leverage strategic investor communications to rise above the pack. For those seeking to expand valuation, we offer some key considerations to bolster investor confidence in your long-term investment merits, as every quarter of a turn in multiple expansion can equate to tens or hundreds of millions (or billions) in shareholder value creation:

- **Make the investment case accessible to generalist investors** — avoid overly complex technological discussions and break down the investment thesis into simple, compelling themes
- Outline how your business model, end market diversification, and operational discipline **support earnings power through cycles**, and (if appropriate) why it is stronger today than in past environments
- Highlight relative positioning — technology leadership, supply chain resilience, customer relationships — that **highlight how you are positioned to win or close the gap with peers**
- **Shine a light on sustainable advantages not yet fully reflected in valuation**, whether proprietary IP, ecosystem stickiness, scale, or unique partnerships
- **Proactively address perceived risks** around cyclicalities, geopolitics, or inventory swings, and **articulate steps taken to mitigate**

Wherever you currently sit on your journey, it is critical to start with a well-defined, differentiated investment thesis – the case for why to invest – while underpinning confidence in the **Corbin Critical Five** investment factors, a distinguished group of measures cited as most important by institutional investors beyond quantitative screening when determining to allocate capital:

Management Quality	• Position leadership as cycle-tested and resilient, with proof points on navigating past downturns, technology transitions, and supply chain disruptions, or lessons learned that position the business for long-term success
Long-term Strategy	• Keep investors anchored on the long-term vision, emphasizing strategic measures to capture secular tailwinds or reduce earnings volatility; connect this vision to tangible outcomes, such as greater earnings resilience and more diversified revenue streams
Execution Track Record	• Showcase operational and financial strength, such as cost efficiency, disciplined capital allocation, supply chain and geopolitical risk management • Demonstrate consistency through cycles by outlining how you manage inventory, maintain customer relationships, and deliver on technology roadmaps across upturns and downturns
Sustainable Competitive Advantages	• Communicate what truly sets your company apart, whether proprietary IP, scale, long product lifecycles, or ecosystem stickiness • Highlight moats that may not be fully appreciated, such as switching costs, recurring revenues, or unique ecosystem partnerships
Capital Allocation	• Clearly articulate a capital deployment strategy that balances growth investments in R&D and capacity with shareholder returns

Let Corbin help you cut through the noise and develop a differentiated investment thesis that serves to educate and capture investor mindshare.



Contact us today:

<https://www.corbinadvisors.com/contact/>

About Corbin Advisors

Corbin Advisors is a strategic consultancy accelerating value realization globally. We engage deeply with our clients to assess, architect, activate, and accelerate value realization, delivering research-based insights and execution excellence through a cultivated and caring team of experts with deep sector and situational experience, a best practice approach, and an outperformance mindset.

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