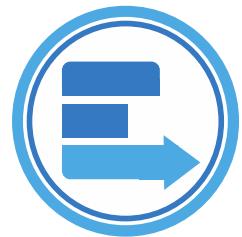


Electronic Components Industry Outlook

January 13, 2026



**EDGEWATER
RESEARCH**

Agenda

- Edgewater Introduction
- We are in a recovery; it just might not be the recovery you hoped for...
- Supply Side Fundamental Review & Outlook
- End Demand Fundamental Review & Outlook
- Edgewater Research's Industry Sales Forecast

About Edgewater

Who is Edgewater Research?

- An **Independent Research Company** specializing in Technology, Internet & Consumer/Ecommerce
- We service many of the **largest money managers** in the world who invest in technology companies
- We provide **critical business insights** into complex and dynamic industries through **fundamental research**
- **Our reputation dates back two decades** of providing trusted, timely, and unbiased research to the clients we serve

Why Edgewater?

What We Are

- **Deeply connected in the industry**, on a worldwide basis, from foundry to supplier to distributor to end customer; contacts across purchasing/strategy/business development
- A **trusted resource** for the investment community, who provides access to capital and **invests public & private growth opportunities**
- A **critical partner** with the largest global technology companies, assisting in **identifying key trends and assist in shaping a strategy** to address those opportunities

Partnering with Edgewater Research

Channel Confidant

We exchange information with a wider group of experts who also subscribe to our research product. Channel Confidants receive discounted rates for research access as long as the information exchange stays valuable and consistent over time.

Channel Subscriber

Subscribers prefer to receive the research without exchanging information. Subscription pricing is available for a variety of industry verticals and related reports.

Speaker Background & Contact Information



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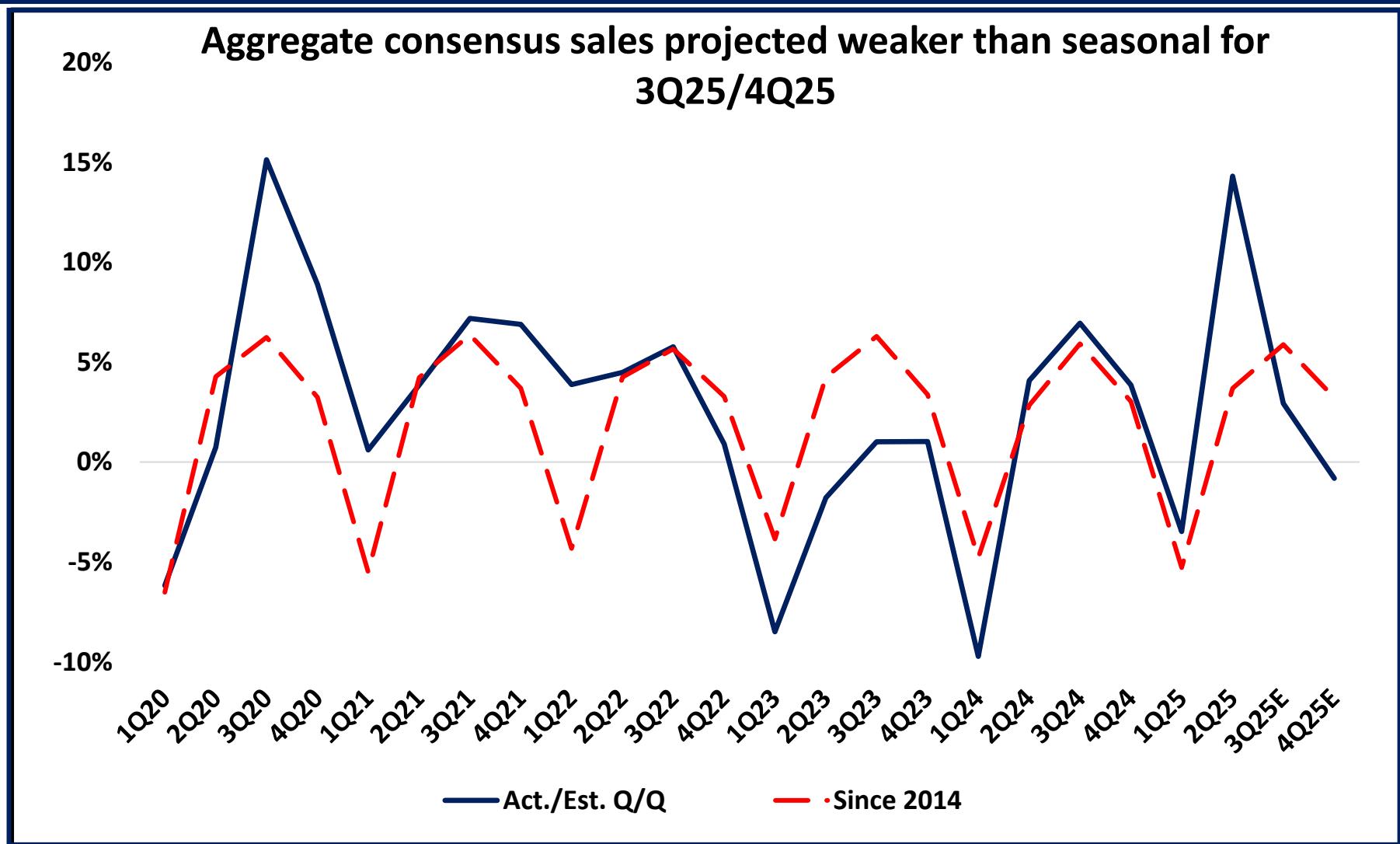
- Started as a Research Analyst in Technology in 2005 and **has over 15 years of experience** in semiconductors, memory, storage, and distribution with several respected firms including Edgewater Research.
- Developed an extensive network of technology industry professionals throughout the world and is a **trusted resource to his contacts and clients alike**.
- Worked in several roles of increasing responsibility in **strategy, product development, sales management & field sales** at Travelers Insurance.
- A 2002 graduate from Ohio University with a B.S. in Sports Administration



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Wall Street Consensus Sales (Q/Q)

Following much better results in 2Q, sales outlook still positive, but Wall St. outlook moderated



Source: WSTS, Edgewater Research estimates



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Wall St. Estimates Sample of Broadline Semiconductor Suppliers

Pace and timing of recovery largely driven by strategy leading into downturn

Consensus estimates increasing; 3Q/4Q in-line to slightly below seasonal

FactSet consensus vs. 3 year & 5 year Q/Q average (not normalized for rev rec changes, M&A)

	C1Q25A			C2Q25A			C3Q25E			C4Q25E			CY25E <u>Revs Y/Y</u>
	<u>Cons.</u>	<u>3 Yr.</u>	<u>5 Yr</u>										
Analog Devices	9%	-1%	1%	9%	6%	2%	4%	-1%	3%	-1%	-3%	-1%	23%
Diodes	-2%	-4%	1%	10%	5%	5%	7%	0%	5%	-3%	-9%	-4%	12%
Infineon	14%	0%	2%	6%	3%	2%	8%	7%	8%	-3%	-10%	-4%	11%
Microchip	-5%	-6%	2%	11%	2%	2%	6%	-1%	5%	4%	-10%	-4%	-8%
MPS	3%	4%	0%	4%	16%	11%	8%	12%	19%	0%	-1%	-4%	24%
NXP	-9%	-4%	-7%	3%	2%	4%	8%	4%	8%	2%	-1%	1%	-4%
onsemi	-16%	-3%	-4%	2%	4%	3%	3%	4%	5%	1%	-3%	-1%	-16%
STMicro	-24%	-8%	-12%	10%	0%	1%	15%	5%	14%	5%	1%	6%	-11%
Skyworks	-11%	-13%	-16%	1%	-9%	-8%	5%	14%	16%	-4%	0%	10%	-3%
Texas Instruments	2%	-5%	-1%	9%	6%	5%	5%	3%	7%	-2%	-5%	-4%	13%
Vishay	0%	-1%	4%	7%	3%	0%	2%	1%	2%	1%	-3%	-3%	3%
TSM	-2%	-7%	-12%	23%	8%	5%	1%	10%	15%	-4%	8%	7%	35%
Arrow	-6%	-6%	-8%	11%	2%	1%	1%	-3%	1%	9%	5%	6%	9%
Avnet	-6%	0%	-1%	6%	1%	1%	2%	0%	4%	2%	1%	0%	0%

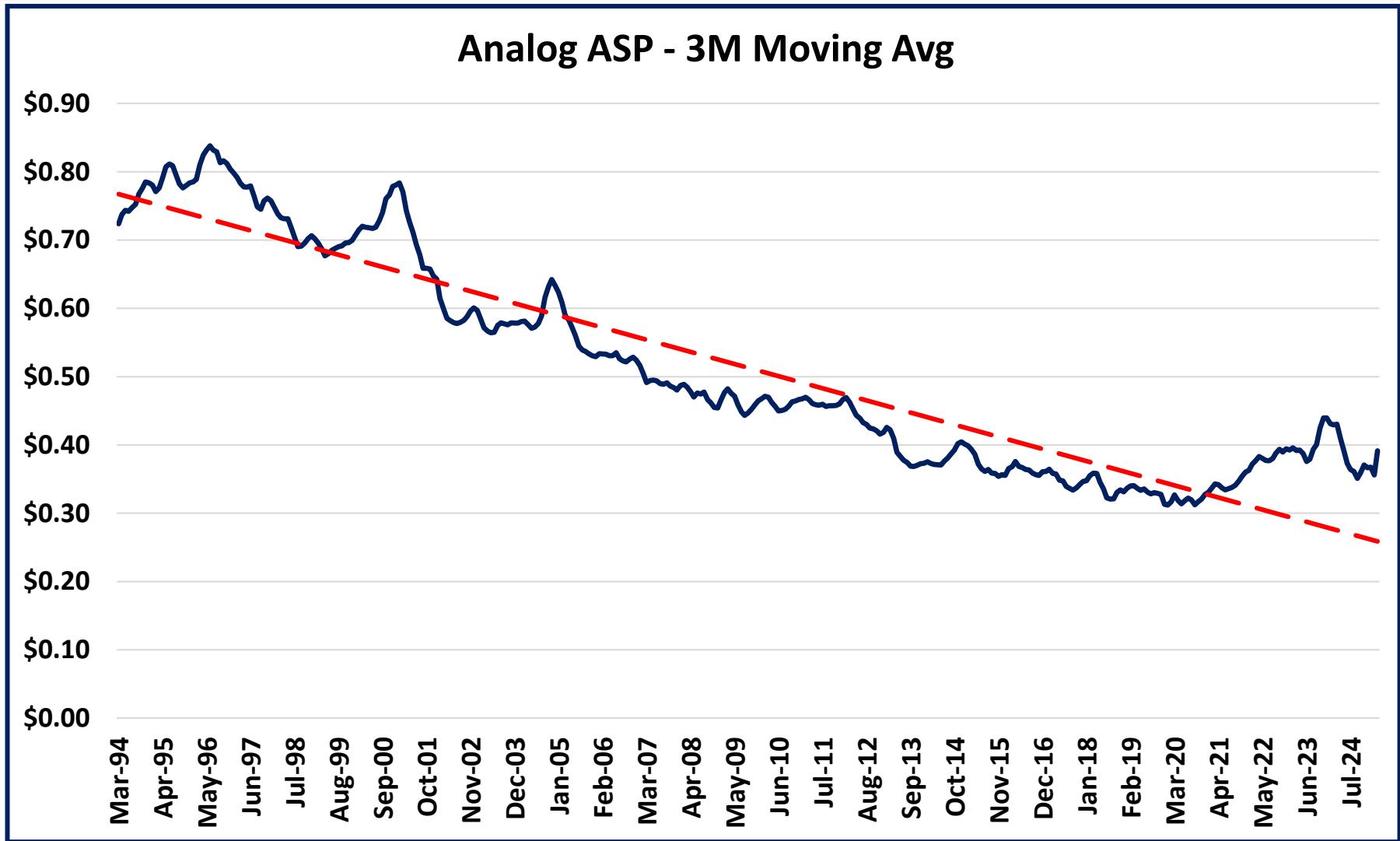
Source: WSTS, Edgewater Research estimates



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Semiconductor Industry Association (SIA) Pricing

Pricing has remained benign, but last upturn aided strongly by pricing actions of supply chain



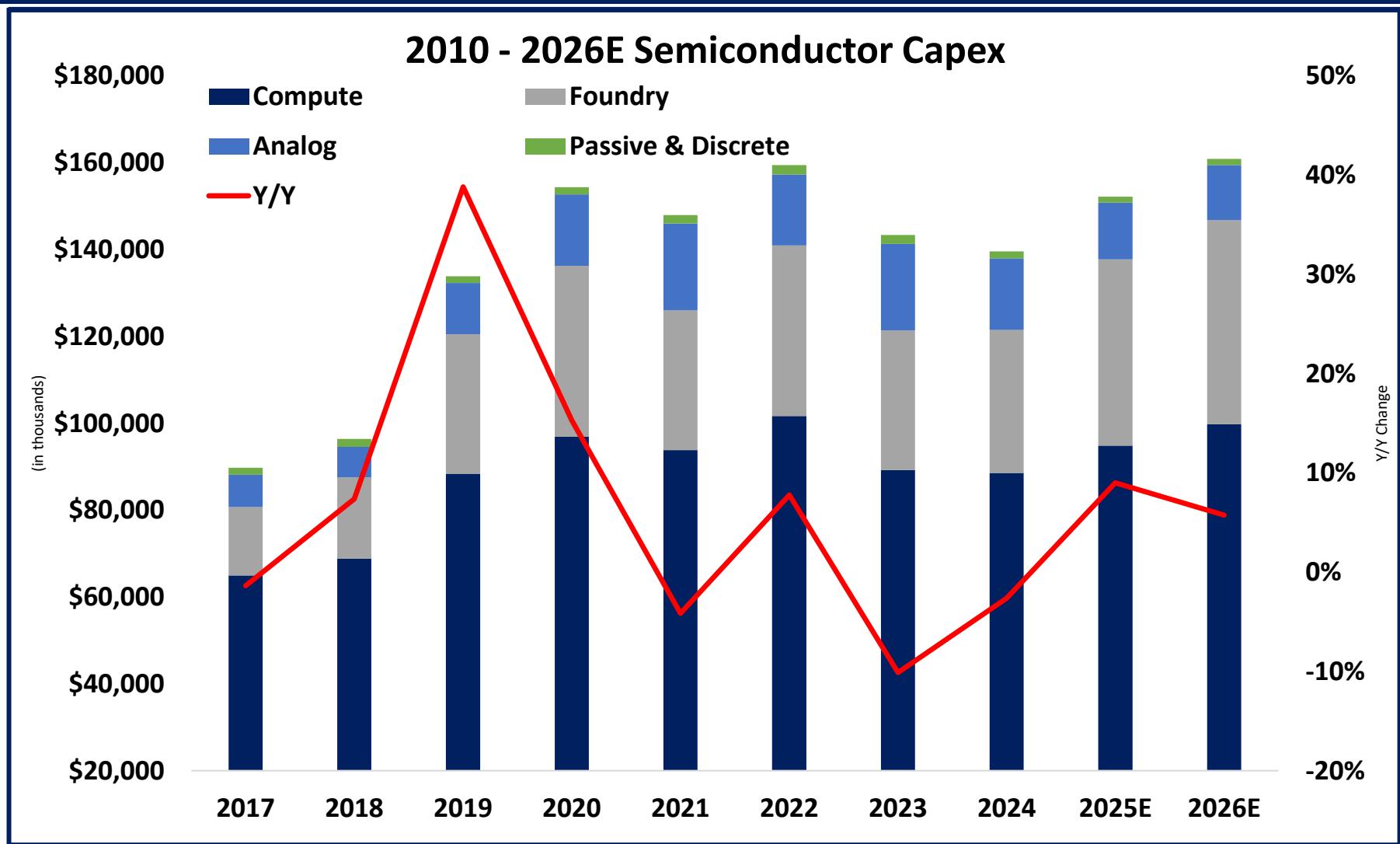
Source: WSTS, Edgewater Research estimates



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Capex Outlook

Capital spending still appears disciplined in the early innings of a recovery



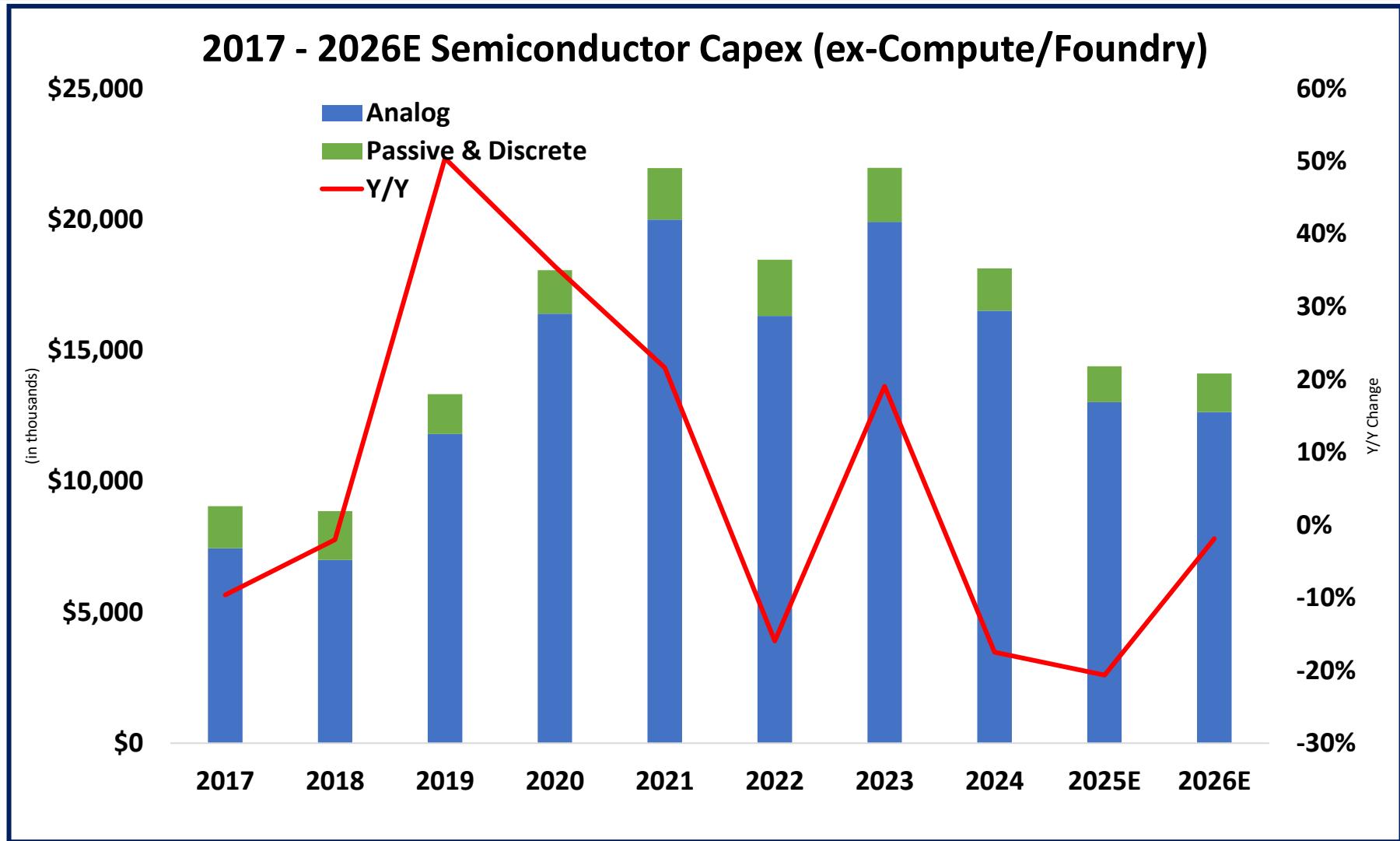
Source: Factset, Edgewater Research estimates



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Ex-AI (Compute) Capex Remains Disciplined

Suppliers still running underutilized, ample capacity available following previous over-spend



Source: Factset, Edgewater Research estimates

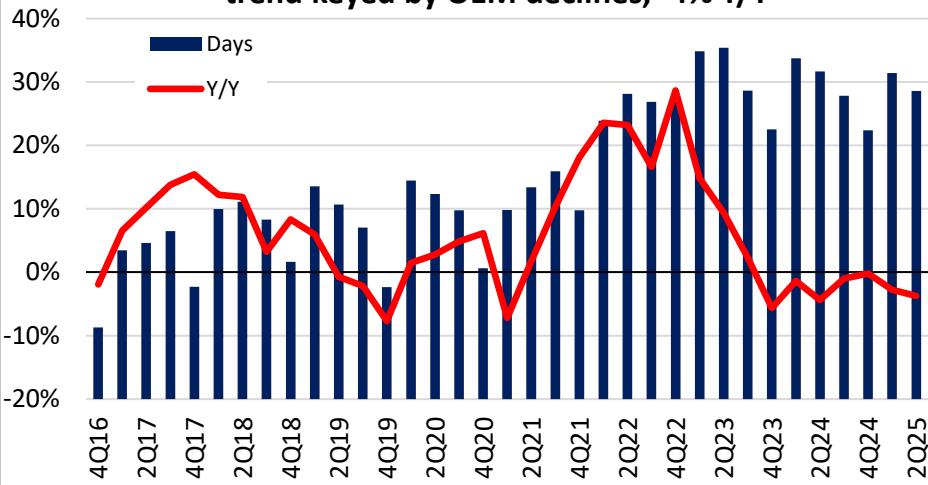
Tech Supply Chain Inventory Levels

Inventory levels appear normalized (days), dollars up on AI buildout

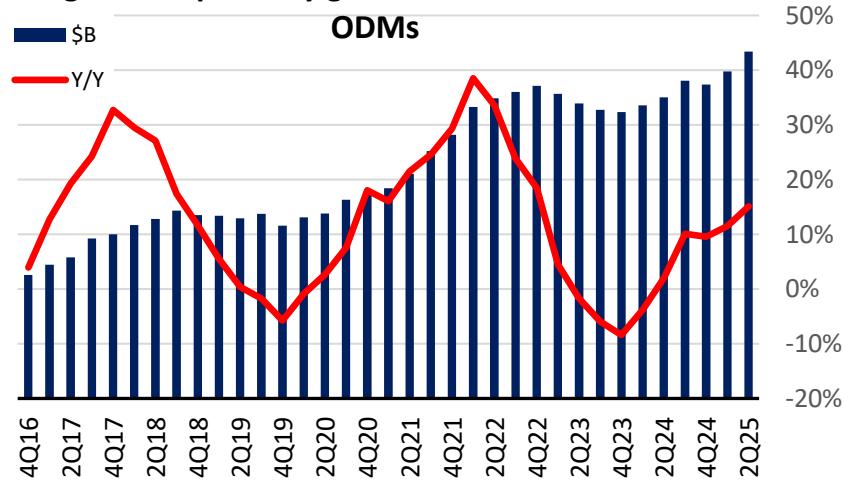
Inventory - Days Off Peak, Dollars Continue to Climb on Cost Pressures & AI Buildout

	Dollars (\$B)				Days				Dollars Change		Days Change	
	2Q23	2Q24	1Q25	2Q25	2Q23	2Q24	1Q25	2Q25	Q/Q	Y/Y	Q/Q	Y/Y
Total	\$270	\$275	\$299	\$317	71	68	68	65	6%	15%	-3%	-4%
Analog/Passive	\$35	\$36	\$38	\$41	109	108	106	103	8%	13%	-3%	-5%
Compute Suppliers	\$89	\$86	\$90	\$94	129	117	103	107	5%	10%	4%	-9%
Comms Suppliers	\$12	\$10	\$10	\$13	144	112	98	122	23%	25%	25%	9%
Distributors	\$26	\$26	\$29	\$30	59	57	62	59	4%	15%	-4%	4%
ODM/EMS	\$63	\$61	\$73	\$80	63	57	63	57	10%	32%	-8%	0%
OEMs	\$45	\$56	\$59	\$59	36	41	38	1%	6%	-7%	-7%	-7%

Tech Inventory: Days -3% Q/Q, better than seasonal trend keyed by OEM declines, -4% Y/Y



Tech Inventory: Dollars +6% and +15% Y/Y, all segments up, led by growth at TSM, Nvidia, and ODMs



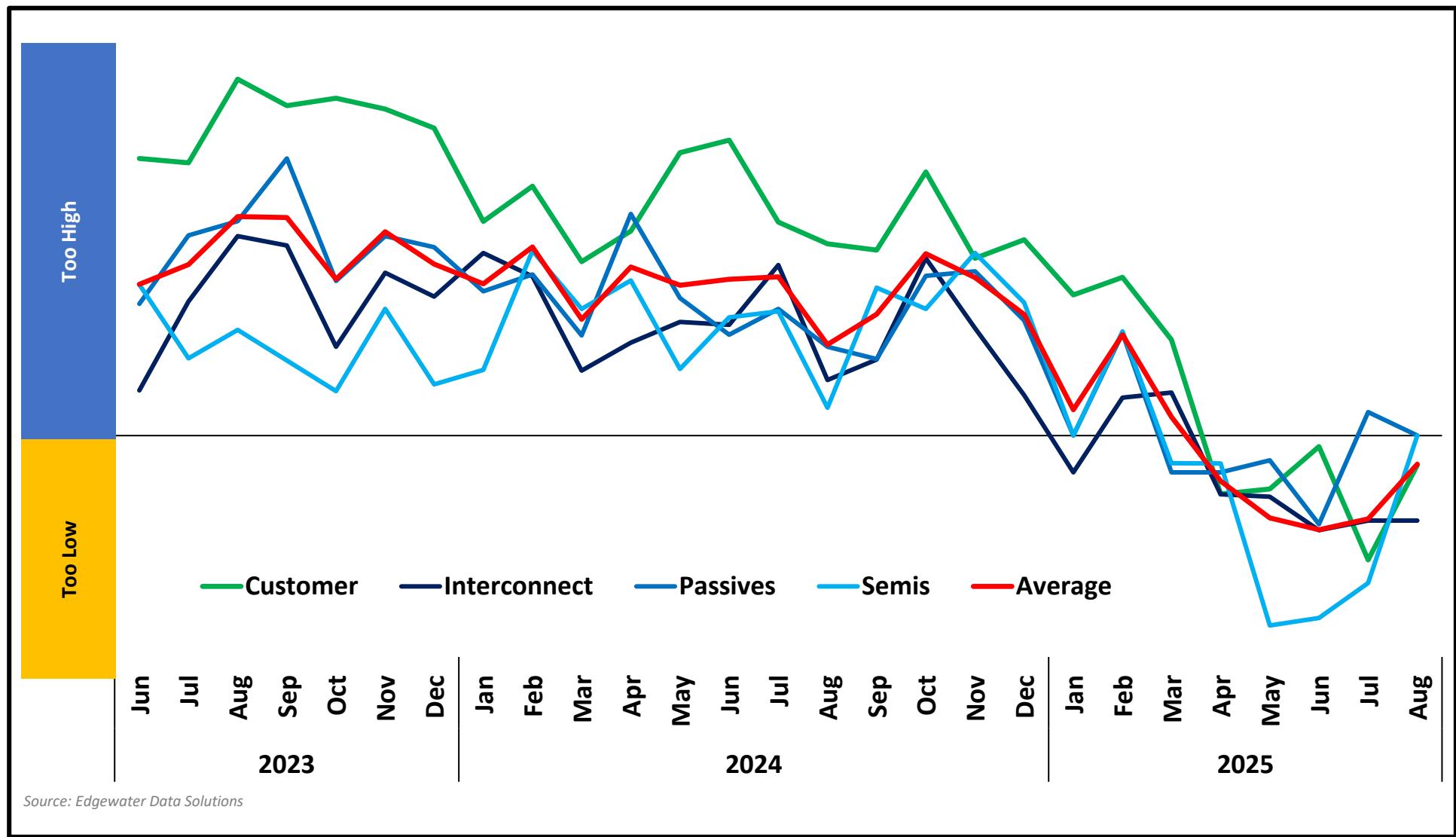
Source: FactSet, Company Reports



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Edgewater Research Channel Inventory Survey

Following a long/painful drawdown, inventory levels appear healthy



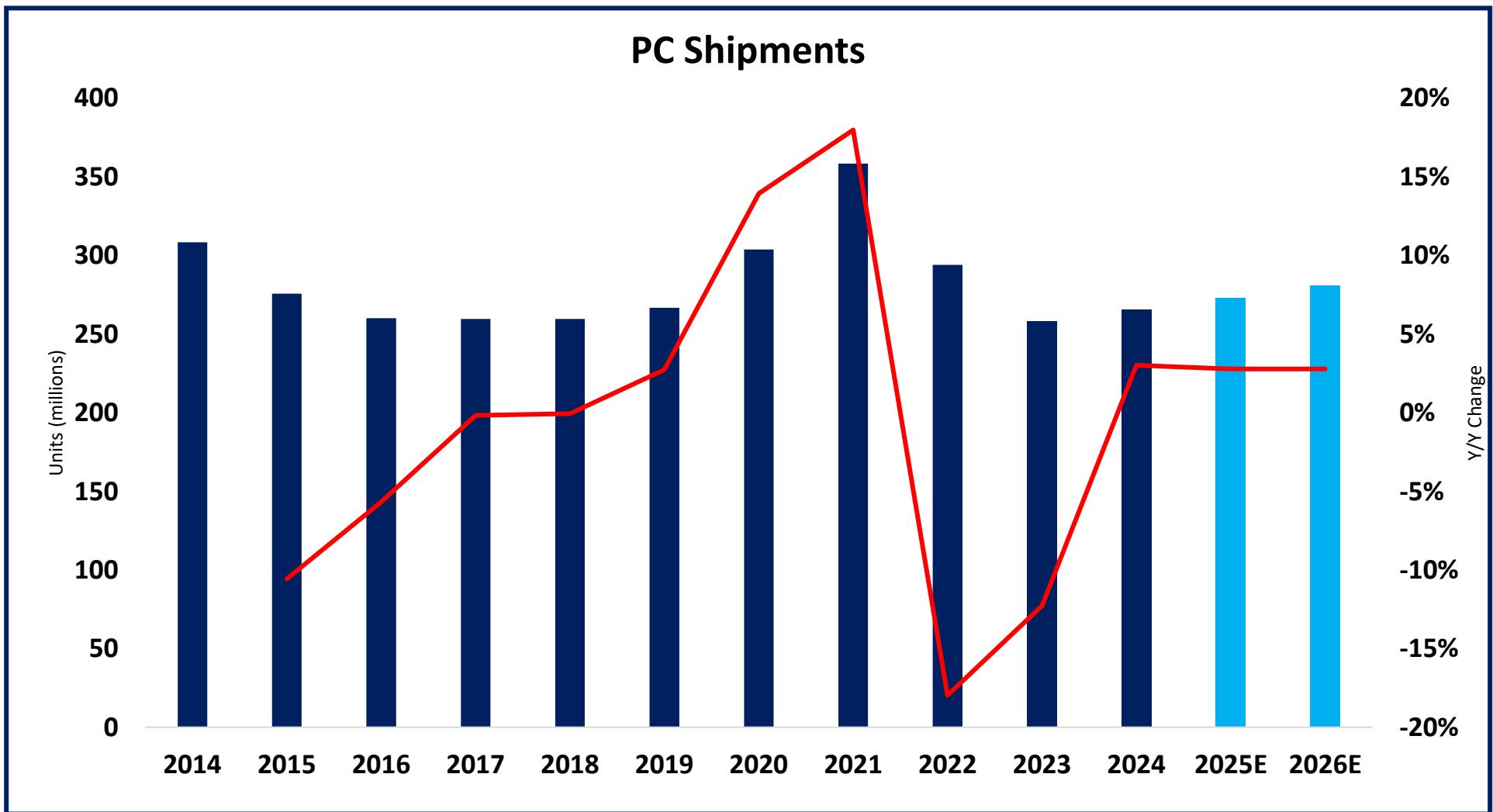
Source: Edgewater Data Solutions



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2025 & 2026 PC Outlook

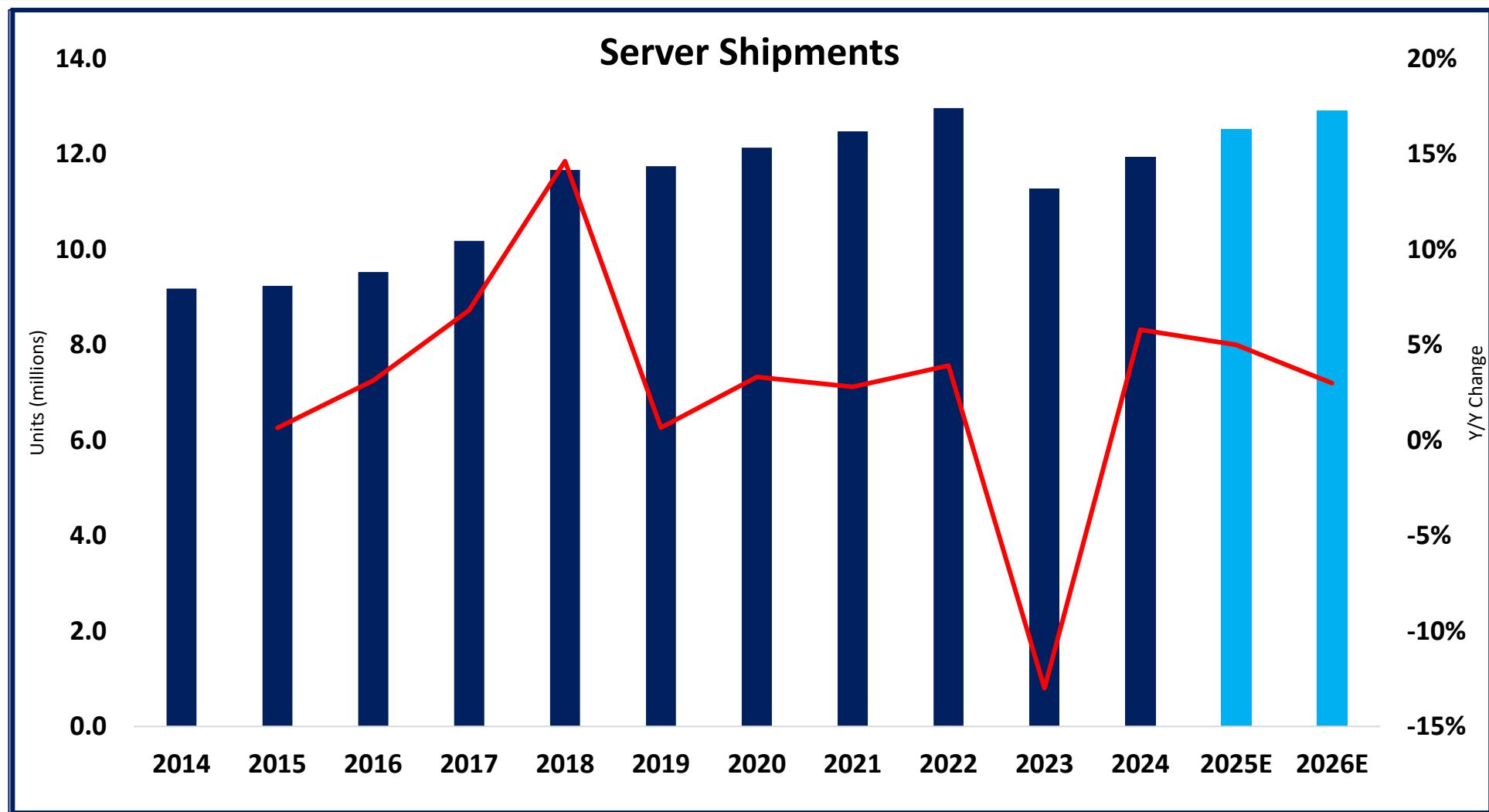
LSD growth rates seen in both 2025 and 2026



Source: IDC, Edgewater Research estimates

2025 & 2026 Server Outlook

Enterprise on-prem & cloud still seeing moderate growth, AI remains robust

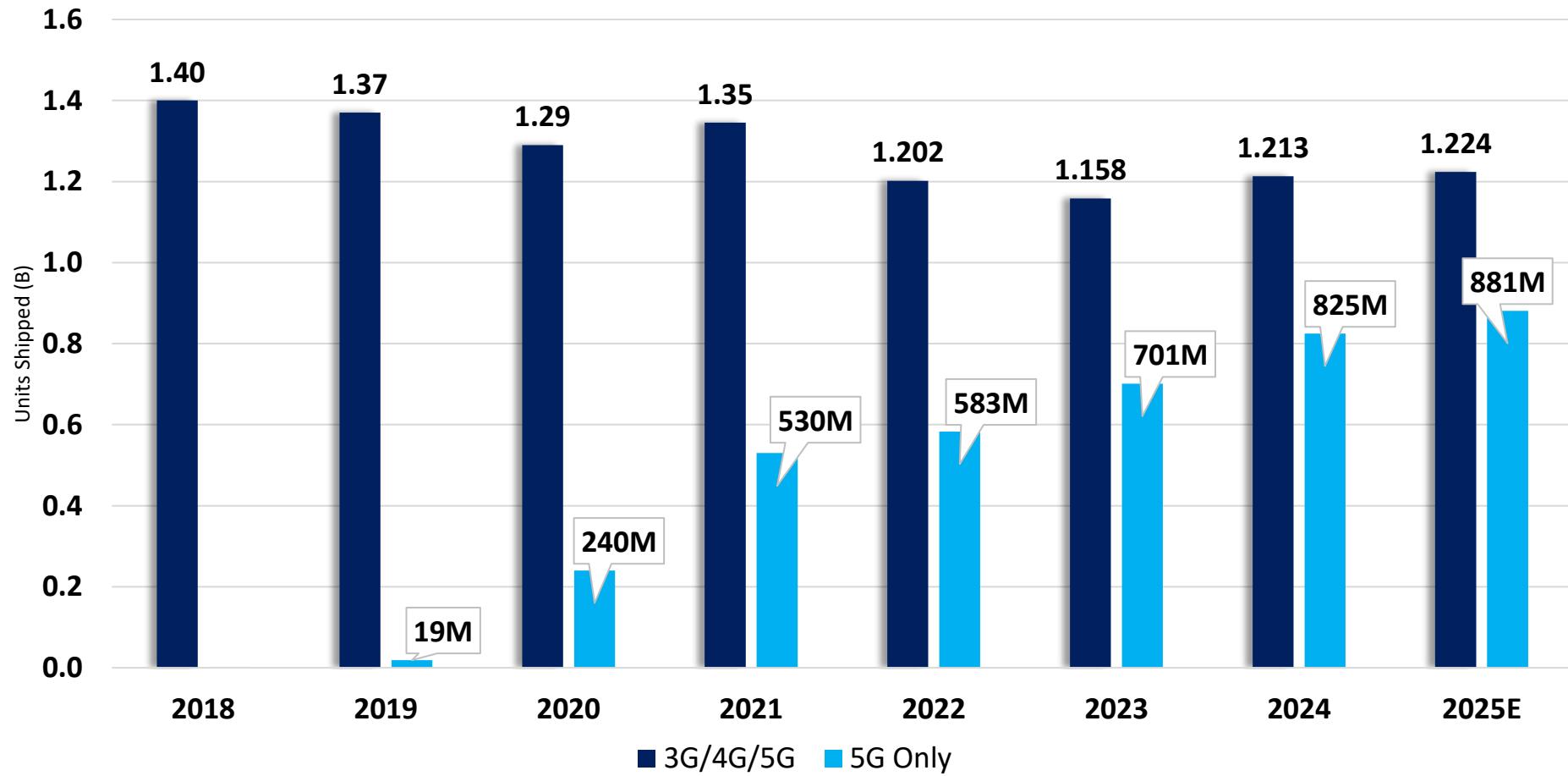


Source: IDC, Edgewater Research estimates

2025 & 2026 Smartphone Outlook

Overall smartphone demand muted, mix viewed as moving higher in 2025, 2026 outlook muted

Global Smartphone Unit Shipments

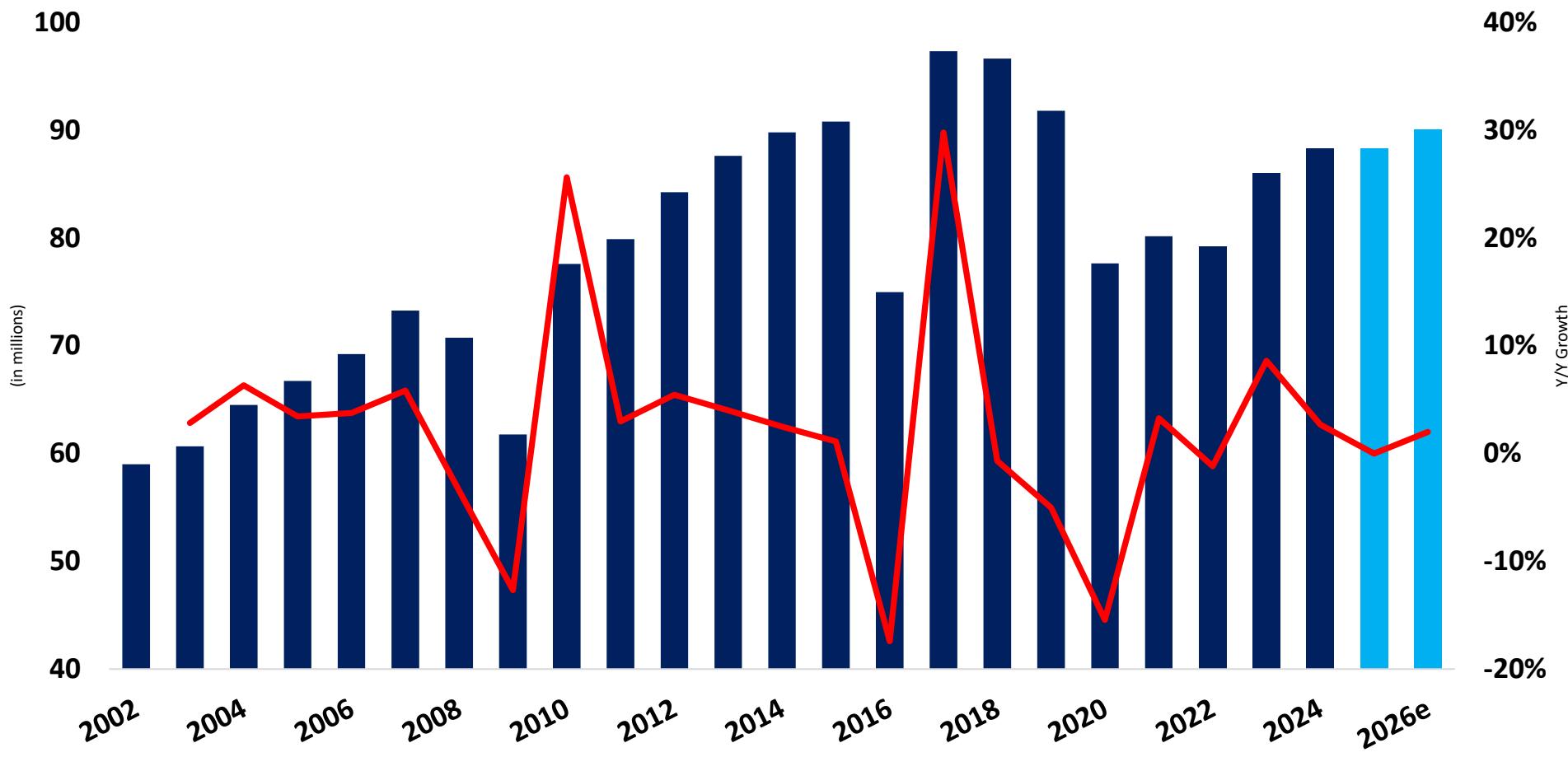


Source: IDC, Edgewater Research estimates

2025 & 2026 Auto Outlook

2025 outlook unchanged at flat, initial 2026 outlook flat to up Y/Y

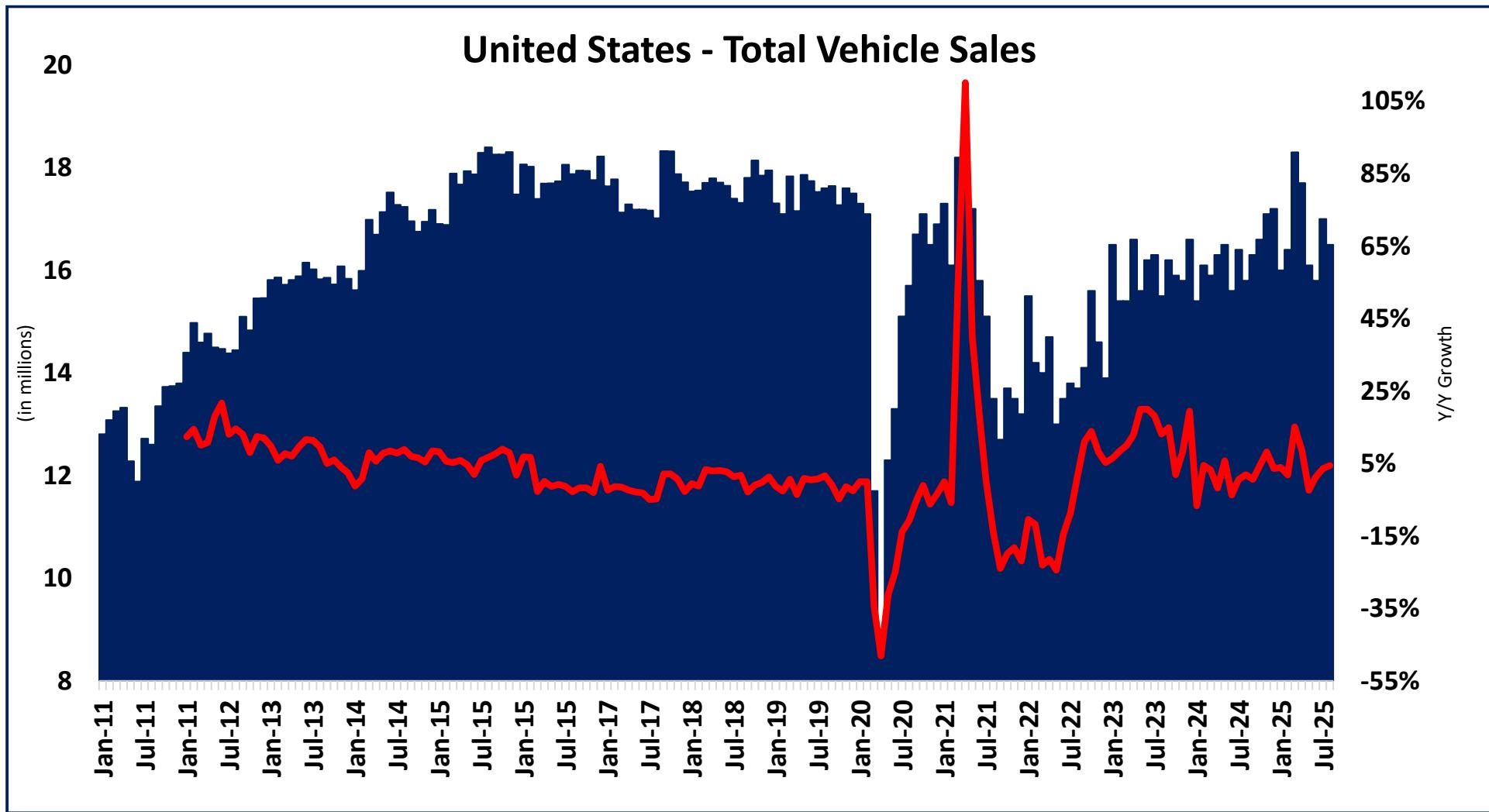
Global Automotive Production



Source: Factset, Company Reports Edgewater Research estimates

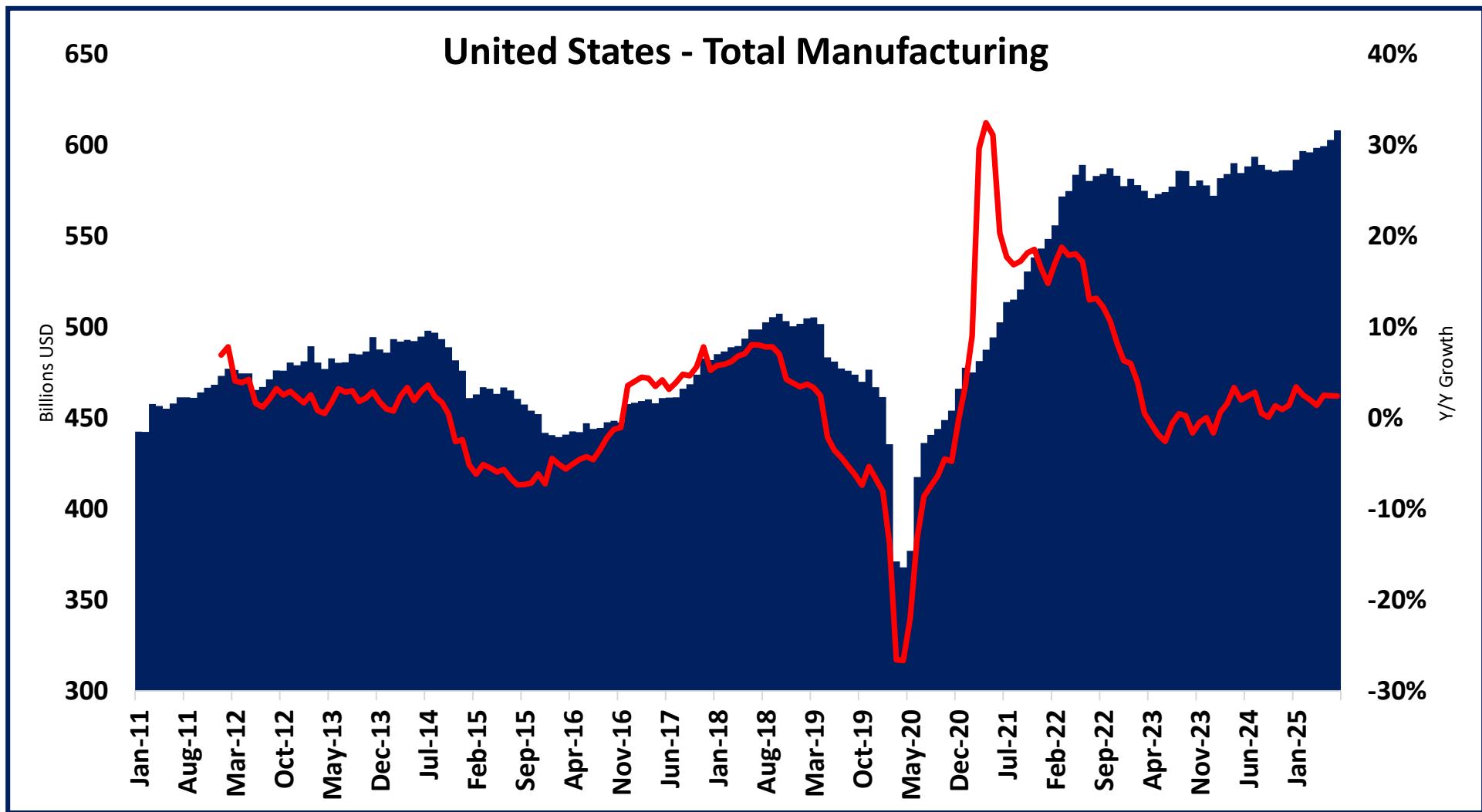
2025 & 2026 Auto Outlook

2026 SAAR outlook flattish at 16.5 million units



2025 Industrial Outlook

End demand consistent with slow growth, inventories showing signs of clearing

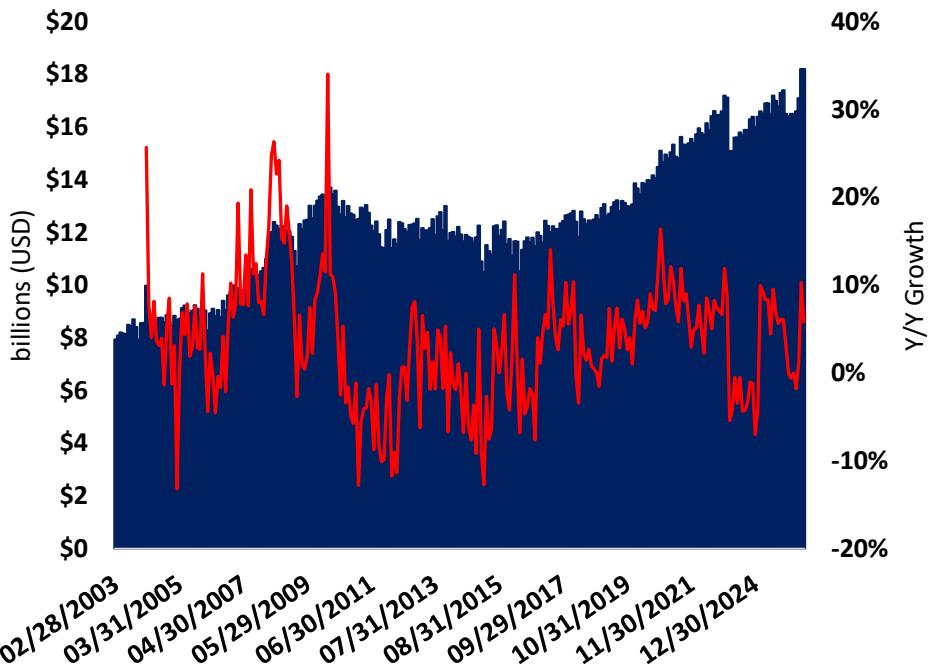


Source: Factset, Company Reports Edgewater Research estimates

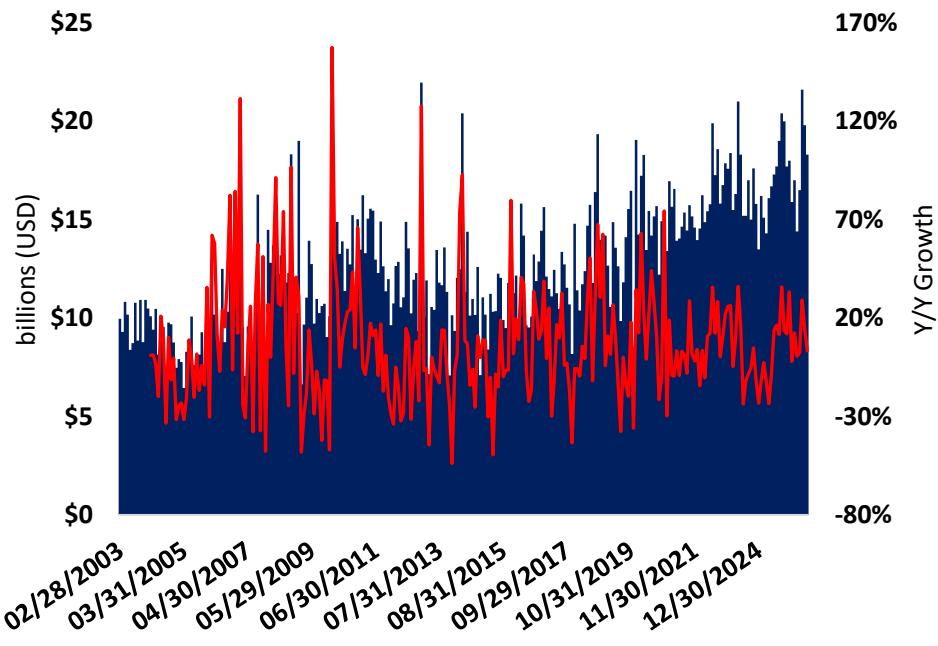
2025 & 2026 Military Outlook

Aerospace, Defense & Military outlook remains robust entering 2026

Total Defense Manufacturing - Shipments



New Orders - Total Defense Manufacturing



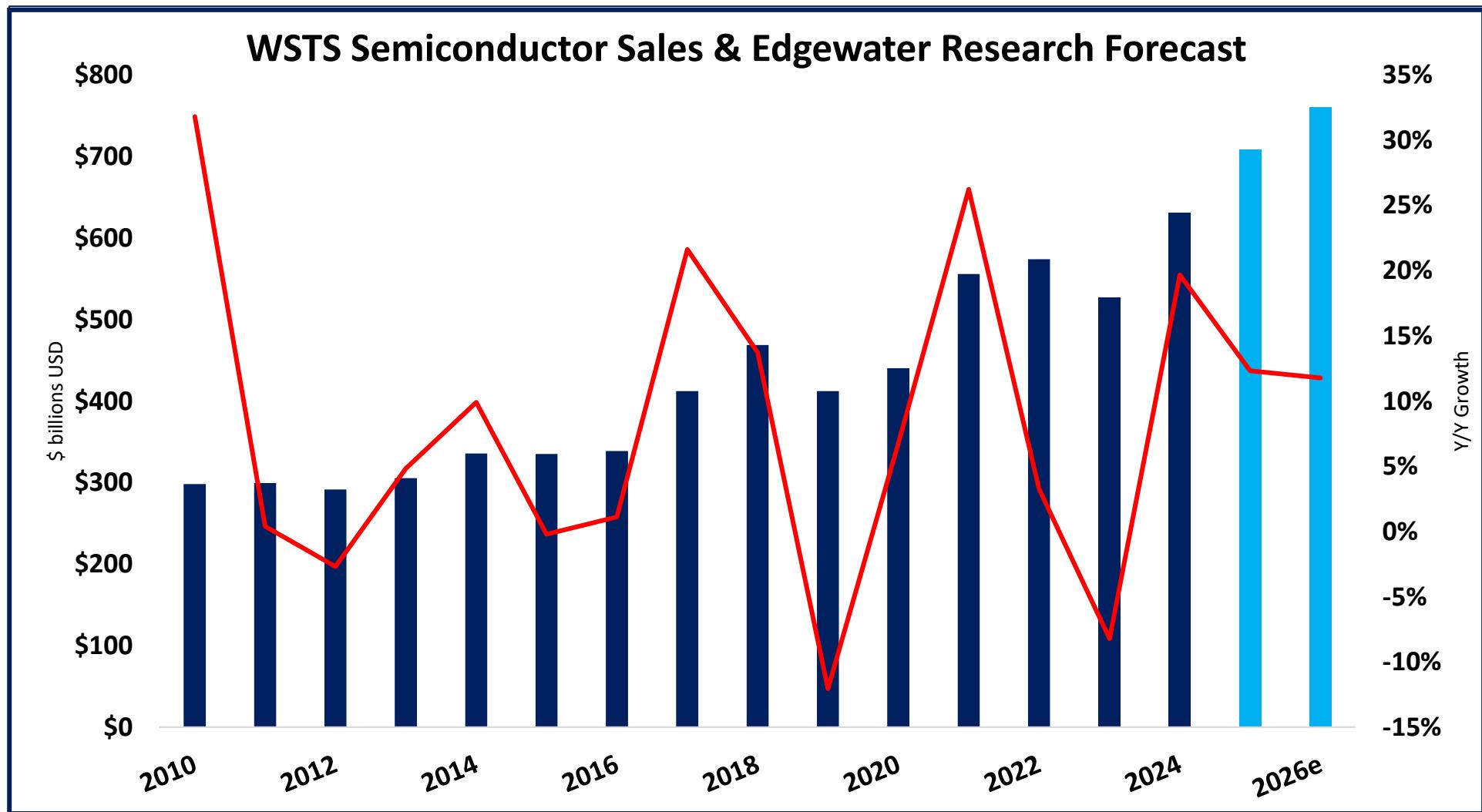
Source: Factset, Company Reports Edgewater Research estimates



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Edgewater Research Industry Sales Estimates

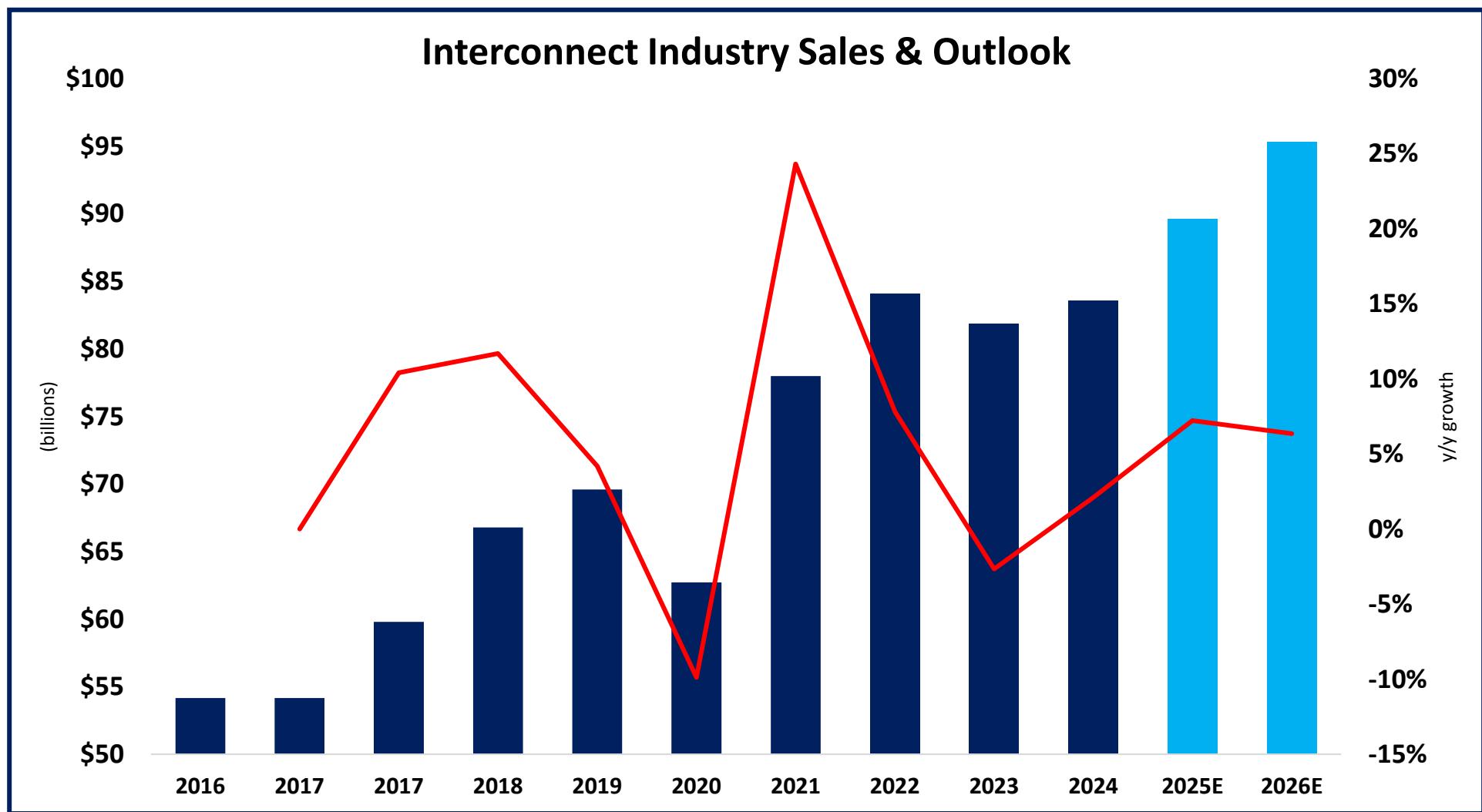
2026 sales +12 %, 13% ex-memory, ex-memory/logic now +6%



Source: WSTS, Edgewater Research estimates

Edgewater Research Industry Sales Estimates

2026 forecasted up 6% Y/Y on continued AI growth and cyclical recovery

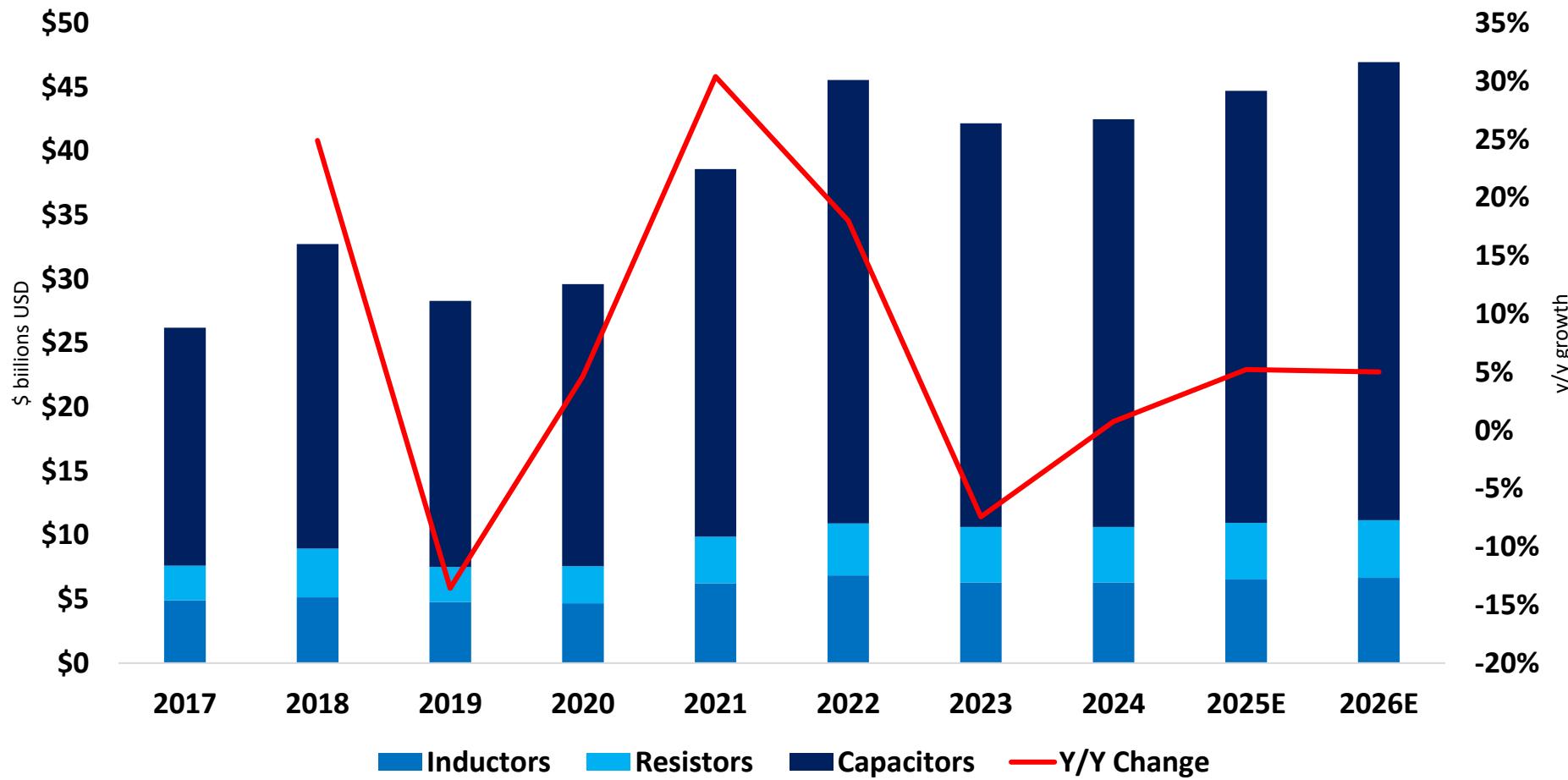


Source: Bishop Report, Edgewater Research estimates

Edgewater Research Industry Sales Estimates

2026 passive sales expected to increase 5% Y/Y on cyclical recovery & AI

Passive Industry Sales & Outlook



Source: WSTS, Edgewater Research estimates



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Things We are Watching in 2026 & Beyond

- **Tariffs and the impact to inflation/end demand?**

- To date, tariffs have had minimal impact on industry/end demand, clearly experienced some pull forward in 2Q, but recovery remains in place
- Individual deals being announced, due to length of most supply chain impacts have yet to be felt by B2B/B2C markets
- Impacts from tariffs (aka increased costs) expected to be more apparent starting in late 3Q/into 4Q – what impact will this have on demand?

- **What inning is the AI investment cycle?**

- Nvidia Datacenter revenues have increased from ~\$15B in FY23 to ~\$185B by the FY26, a 131% CAGR
- Broadcom, Marvel, etc. have also show robust growth CAGRs
- AI has yet to deliver on true economic gains, to date gains have been around costs savings/productivity, but ROI questions and questions around deployments remain
- In March 2025, OpenAI raised \$40B at a valuation of \$300B and is expected to generate a \$115B cash burn through 2029
- Meta offering \$100M pay packages for AI engineers

- **Where has all the M&A gone?**

- M&A activity has minimal despite the prolonged downturn, unclear if a reflection of increased multiples vs. fundamentals or previous consolidation



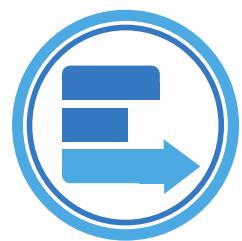
Questions?

What Questions do you have?

APPENDIX

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