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Are U.S. AI & Semiconductor Equities Showing "Bubble" Traits?

Valuation stretch - On every conventional multiple, the flagship names now inhabit territory that historically preceded sharp mean-reversion episodes:

- Price/Sales: NVIDIA ~ 28×, Broadcom ~ 27×, AMD ~ 14× - against a long-run sector median near 4×.
- EV/EBITDA: five of the six sample names trade above 45×, a level last seen in the dot-com crest.
- Price/Book: NVIDIA north of 45×; the group median is >6× versus a post-GFC norm of ~3×.

Momentum & crowding - The cohort has contributed more than half of the S&P 500's YTD gain, option call volumes have hit all-time highs (four-week moving average >2 above the five-year mean) and retail flows into single-stock AI ETFs now dwarf tech-sector funds at the 2021 peak.

Capital supply - New equity issuance remains muted, but converts and follow-on offerings have accelerated (e.g., AI hardware suppliers placed ~ USD 12 bn of convertibles in the past nine months, the fastest pace since 2000). Managements are therefore using elevated valuations to lock in low-cost capital - a classic late-cycle indicator.

Fundamental anchoring - Revenue growth is still exceptional for the GPU specialists, yet the broader peer set's sales are decelerating to single digits while multiples march higher. The disconnect between **aggregate** earnings trajectories and **aggregate** market capitalisation is widening, another hallmark of prior bubbles.

Taken together, today's multiples, price momentum, capital-raising behaviour and narrative intensity all map closely onto the "classic" bubble checklist. The one ingredient still missing is prolific ; otherwise, the pattern is strikingly familiar.

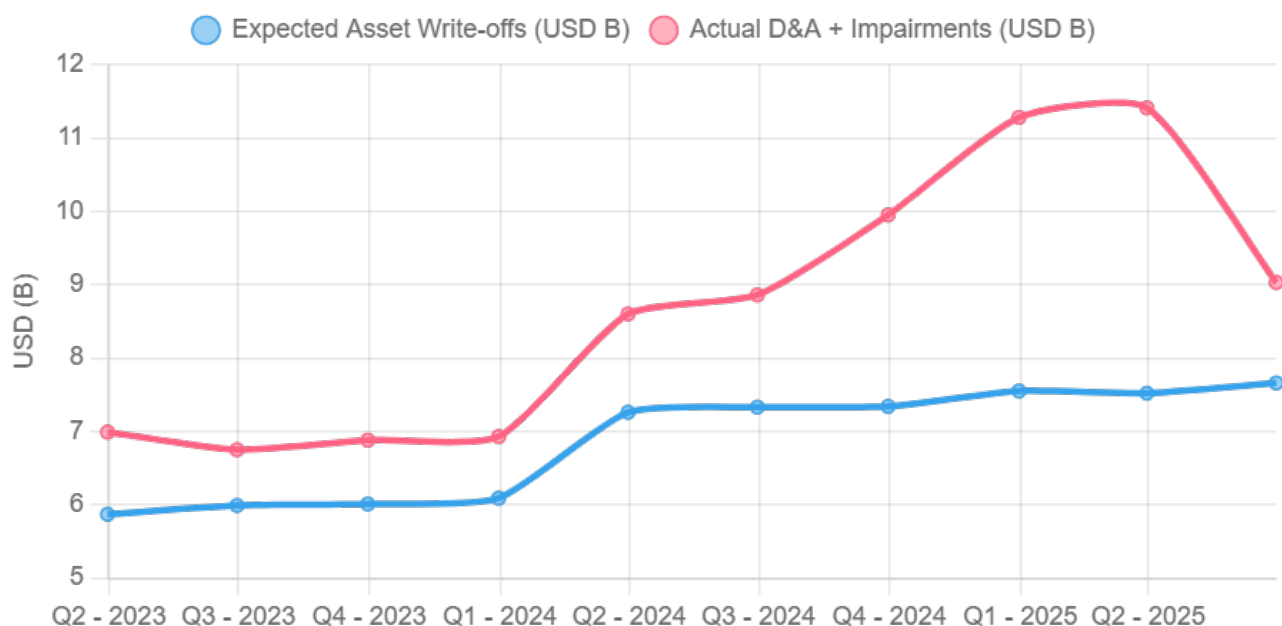
Asset-Write-Off Dynamics - Are Reported Profits Flattered?

To test whether companies are deferring impairments - thereby inflating short-term earnings - we benchmark actual charges against a **normative**

straight-line schedule:

- PP&E depreciated over seven years (~ 14 % p.a. or 3.5 % per quarter)
- Finite-life intangibles amortised over ten years (~ 10 % p.a. or 2.5 % per quarter)

The chart below aggregates NVIDIA, AMD, Broadcom, Marvell, Intel and Micron for the last ten reported quarters (covering twelve calendar quarters for most constituents).



1. Throughout the period, **actual** depreciation + amortisation + impairments the normative schedule by 15-30 % in most quarters.
2. Spikes in late-2024 and early-2025 stem from Intel's multi-billion goodwill write-downs - rather than a sector-wide reluctance to impair.
3. Even absent those one-offs, the group is **not** systematically under-depreciating; if anything, they are front-loading charges, partly because

- GPU makers depreciate advanced nodes over 4-5 years (shorter than our 7-year reference)
- Acquisition-driven intangibles (Broadcom's VMware deal, AMD's Xilinx deal) carry aggressive amortisation schedules.

In other words, the .

Accounting Quality & Profit Sustainability

- Long-lived asset mix - Semiconductor fabs (Intel, Micron) dominate PP&E, and high utilisation compresses the practical life of EUV tooling well below accounting assumptions, keeping depreciation visibly high.
- Goodwill sensitivity - Intel's recent USD 5.8 bn cumulative write-downs underline downside optionality if demand or cost-of-capital assumptions reset; other players hold sizeable goodwill but have yet to signal impairment risk.
- Capital intensity vs. operating leverage - The GPU names rely on foundry partners, capping cap-ex and pushing gross margins >70 %, but also leaving little buffer should pricing ease; if unit ASPs normalise, impairments would likely follow quickly for capitalised design intangibles.

Bottom Line

1. By most - extreme multiples, parabolic price action, speculative call-option flow, and narrative dominance - the U.S. AI/semiconductor sub-sector resembles late-cycle market tops.
2. ; the aggregate group is recognising more asset charges than a conservative straight-line schedule would dictate.
3. The real vulnerability therefore lies in , not in accounting deferral. Should revenue trajectories soften, the sector's willingness to take rapid impairments suggests a double hit: lower earnings and contraction of the multiple now priced for perpetual hyper-growth.

All forward-looking assessments are illustrative, based on historical patterns and current disclosures; actual outcomes may differ materially.

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