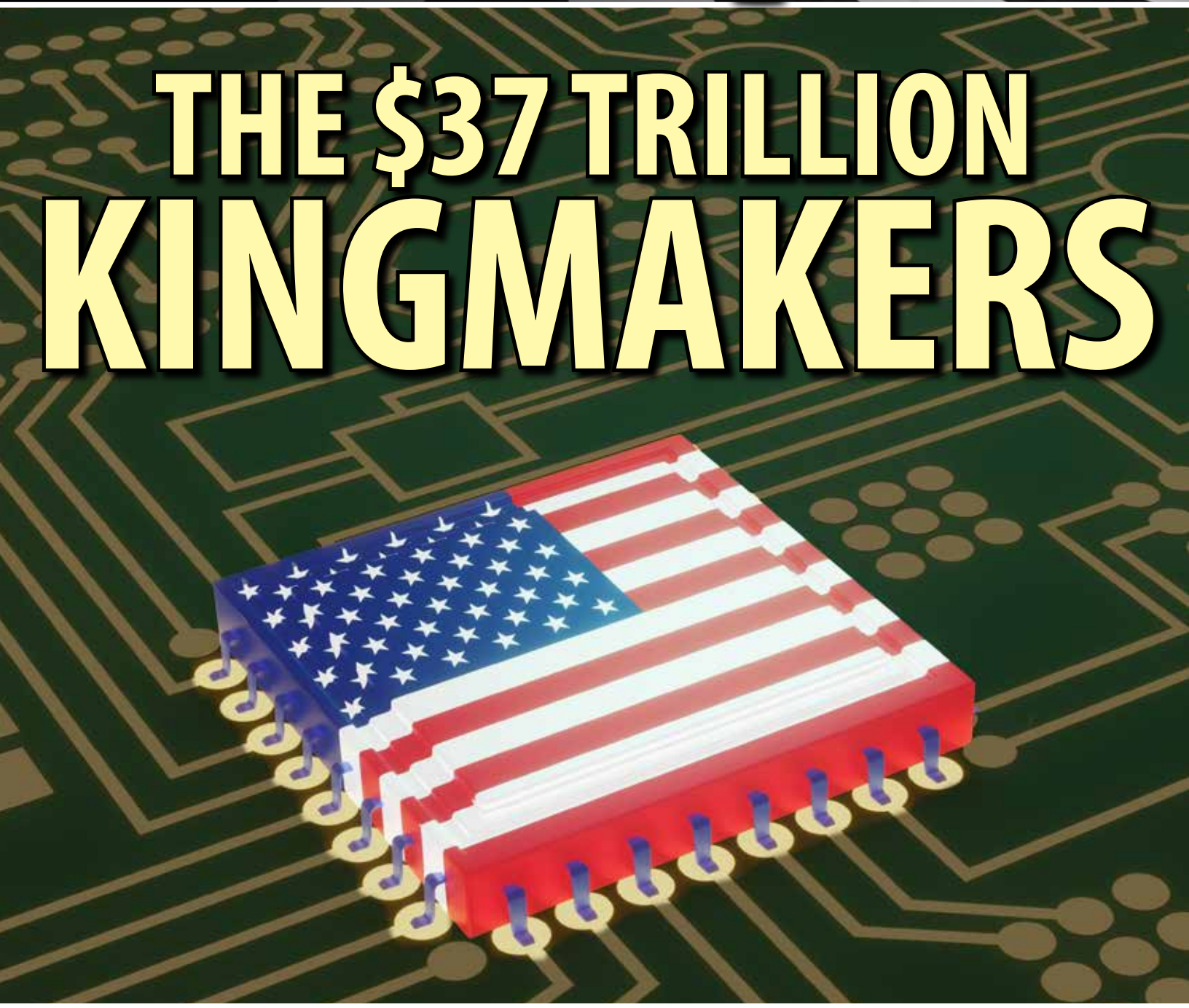
CHECKMATE

THE $37 TRILLION KINGMAKERS



BACK THE FIRMS ON THE FRONTLINES FOR 3X RETURNS

Prepared By Ian King and Michael Carr

Ian King's
Strategic Fortunes

Checkmate: The $37 Trillion Kingmakers

Back the Firms on the Frontlines for 3X Returns

By Ian King, Editor, *Strategic Fortunes*

LAST year, in a stunning demonstration of bipartisanship, the House of Representatives and Senate overwhelmingly passed the "Chips and Science Act."

It authorizes $280 billion to create a sweeping nationwide manufacturing program.

The major highlights include…

- $39 billion to help leading-edge chip manufacturers build their own facilities right here in America.
- $13 billion for research and development into next-generation chips.
- $10 billion to build 20 regional tech hubs to make the logistics of the supply chain easier.
- An even bigger chunk — $81 billion — is for loans and grants.

Overall, the result is going to be like *Made in America 2.0* on steroids.

It's going to transform our country.

Of course, there will be winners and losers from the Chips and Science Act.

I've investigated, analyzed and rated all of the major players.

And found two "Kingmakers" in specific American companies.

These are the foundational moves. They're all going to be large, established companies.

So by their very nature, they will be more conservative investments.

But the upside? I'm projecting 3X returns over the next three years.

So let's jump into it…

Kingmaker No. 1

Based in Santa Clara, California, **Advanced Micro Devices Inc. (Nasdaq: AMD)** is a global semiconductor device company that specializes in manufacturing products for microprocessors, chipsets, graphics, video and multimedia products.

While AMD participates in several emerging markets, the segment we're most interested in is its computing and graphics operations.

This is the part of its business that builds graphics processing units (GPUs) for personal computer (PC) desktops, notebooks and mobile phones.

GPUs are AMD's main revenue driver.

A GPU is responsible for taking the information from your PC and making it an image on the PC's monitor.

AMD offers multiple tiers of GPUs in which its clients may choose. And when compared to its closest competitor, NVIDIA, we believe AMD wins hands down.

Where NVIDIA traditionally beats AMD in terms of power for its higher-priced products, AMD makes up for this with its competitive pricing in its lower and mid-range products.

Typically, AMD's GPUs are a couple hundred dollars cheaper than comparable models in NVIDIA's line.

And while this may not sound like much money in the long run, the savings add up … especially when you take the growing artificial intelligence (AI) market into consideration — a potential windfall for AMD!

Generative AI models such as ChatGPT and DALL-E have taken off because they can generate written responses and images based on simple text-based input.

Major companies have rushed to incorporate these generative tools into their products offerings.

Microsoft and Google are adding AI chatbots to their search engines and Meta is using AI to help its advertisers create ads and marketing content.

GPUs are required for the training and development of these generative AI models. While AMD's products have been used for this, they didn't compete directly with Nvidia which controls 80% of this market.

That is until recently. AMD is now getting actively involved in the GPU market for AI known as AI accelerators.

AMD estimates that the AI accelerator market will grow from around $30 billion this year to over $150 billion in 2027, at a compound annual growth rate (CAGR) of 50%!

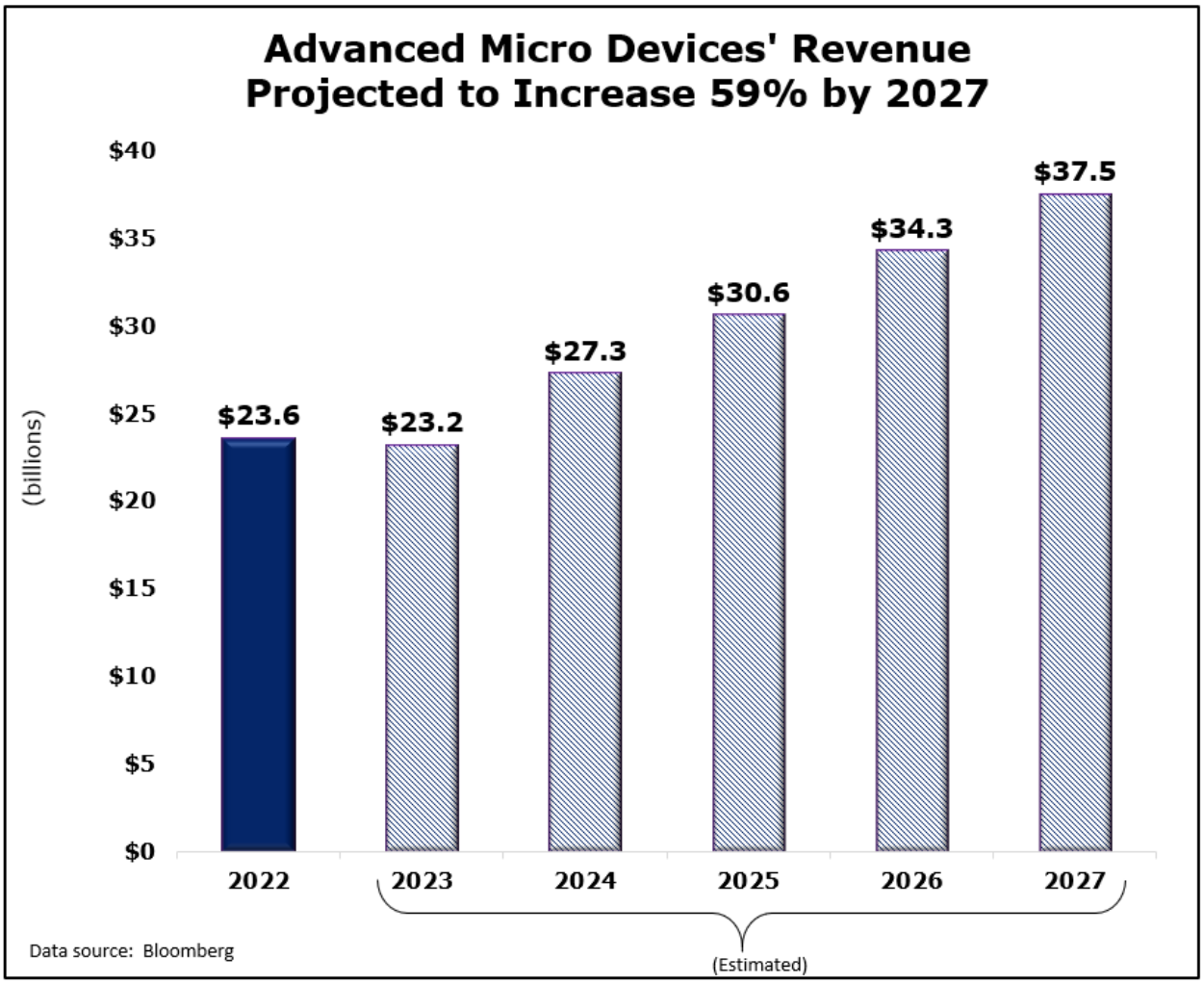
Where AMD benefits is in the sheer number of GPUs necessary for an AI application.

Tools like Chat GPT require between 10,000 and 30,000 GPUs to operate. And each GPU from Nvidia costs between $15,000 and $30,000.

AMDs new AI accelerators are expected to be cheaper than this and is expected to create competition in a market Nvidia dominated until now.

Back in 2013, AMD made the strategic decision to revamp its product line, focusing the core of its business on its PC segment. Since that time, the company's annual total revenues have skyrocketed 334%, up from $5.3 billion in 2013 to $23.6 billion in 2022.

Bloomberg data forecasts total revenue could reach $37.5 billion in 2027. And if it does, that would be a 59% increase over 2022!



Better still is AMD's ability to turn a profit on the income it generates.

As of its most recent annual report, AMD's net income hit $1.7 billion in 2022 — a remarkable $1.35 billion increase since 2018.

Now, one of the things that we always look for when making a recommendation for the model portfolio is a company's product. More specifically, we look at whether or not the product or service being offered is in line to grow with burgeoning market demand.

The GPU market, AMD's bread and butter, is projected to reach $200.85 billion by 2027. This is a CAGR of 22.6% since 2020.

Even if AMD ends up capturing a small percentage of this market share, investors of today are positioned to see a sizeable return on their investments.

Looking at AMD's future net income projections, management forecasts that future net income will total $6.5 billion in 2024 and $7.4 billion in 2025. That's quadruple its 2022 income.

No one knows a business better than a company's own management team, so this gives us great confidence in the fact that we're buying into a healthy — and sustainable — business.

Action to Take: Buy Advanced Micro Devices Inc. (Nasdaq: AMD).

Kingmaker No. 2

The second kingmaker I'm recommending today is **onsemi (Nasdaq: ON)**. It is an American semiconductor supplier and power management provider.

Its power and sensing technologies are used in several mega trends such as 5G, electric vehicles (EVs), cloud computing and solar power.

Founded in 1999 as a spin off of Motorola's semiconductor components group, onsemi began as the largest component supplier in the semiconductor industry.

Under the initial guidance of CEO Keith Jackson in 2002, onsemi's stock skyrocketed approximately 2,000%. This growth was due to 22 revenue-growing acquisitions during Jackson's tenure. On top of that, the market for onsemi's products soared over the next couple of decades.

In 2020, when Hassane El-Khoury took over as President and CEO, onsemi took a big step to strengthen its business.

It acquired GT Advanced Technologies for $415 million.

With this acquisition, ON positioned itself to be able to secure and grow a supply of silicon carbide (SiC). This is a base material used in the next generation of semiconductors.

SiC is a game-changer. Just as silicon transformed the industry nearly 70 years ago, SiC will catapult onsemi even higher…

Onsemi's Secret Weapon

Silicon carbide consists of a strong physical bond of silicon (Si) and carbon (C). This gives a semiconductor chip high mechanical, chemical and thermal stability.

Semiconductors made with SiC are more energy-efficient and offer higher performance than traditional semiconductors made with silicon alone. They can also achieve up to 500% higher switching frequency.

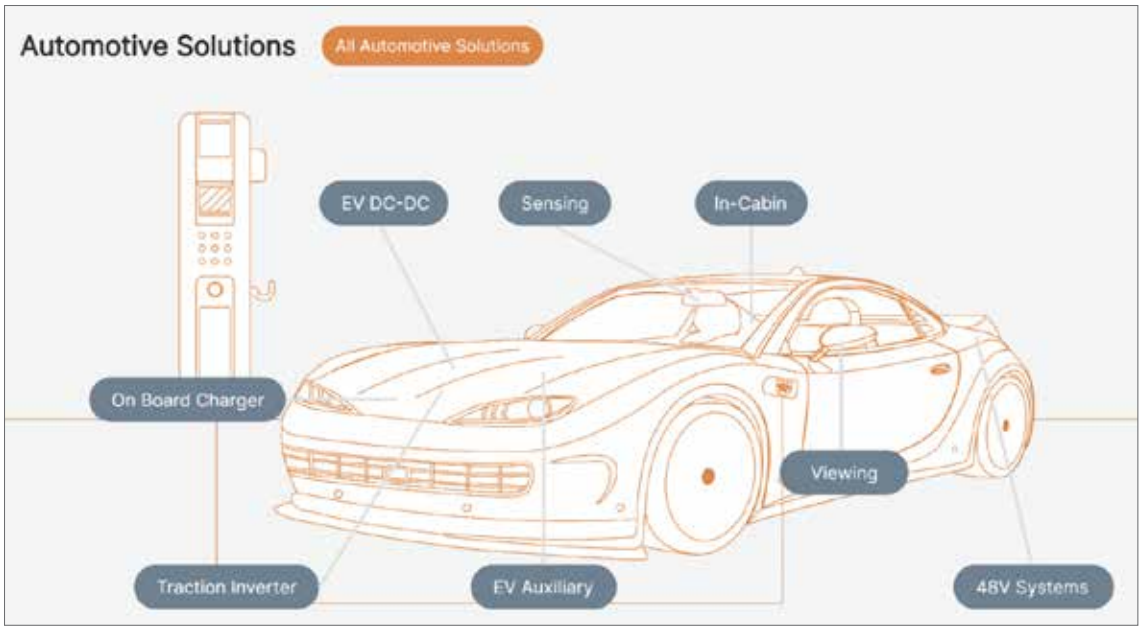
This is the rate at which an electronic switch performs its function. The higher the switching frequency, the smaller the components can be.

Additionally, SiC semiconductors have up to 50% less heat loss (or energy loss), allowing them to hold power longer.

Due to their high performance, SiC semiconductors can be produced at sizes 10 times smaller than traditional semiconductors.

And you can pack more of them into smaller spaces. This is exactly what's needed for smaller, lighter EV batteries.

They've already been shown to improve an EV's driving range by 10% to 15%.



SiC semiconductors are still a relatively small piece of the broader market. In 2020, total sales came in at $629 million. That's just over 0.1% of the $464 billion global semiconductor market.

But the SiC semiconductor market is expected to jump sevenfold to $4.1 billion by 2026. That would still only be 0.5% of the semiconductor market forecast.

This means there is more room for growth over the coming decades.

And onsemi is poised to capture a larger share of this market in the next couple of years.

In May 2023, onsemi executives forecast the company will capture 40% of the silicon carbide automotive chip market by 2027.

As automakers accelerate the EV shift, this segment will be a strong revenue driver this decade.

X-Factor Catapults ON's Revenue Stream

In addition to EVs, there's another revenue driver that could see incredible growth this decade.

Onsemi's industrial segment provides semiconductors for the renewable energy. These chips provide a variety of uses like converting sunlight to electricity.

Governments worldwide are enacting legislation to accelerate the transition to renewable energy. This has created high demand for solar infrastructure, which requires semiconductors.

Installed solar capacity is expected to climb to 20 million gigawatts by 2050, up from 8 million at the end of 2021. That's over a sixfold increase.

Additionally, renewable energies like solar and wind won't scale without massive investments in the global power grid. This will drive demand for onsemi's semiconductors.

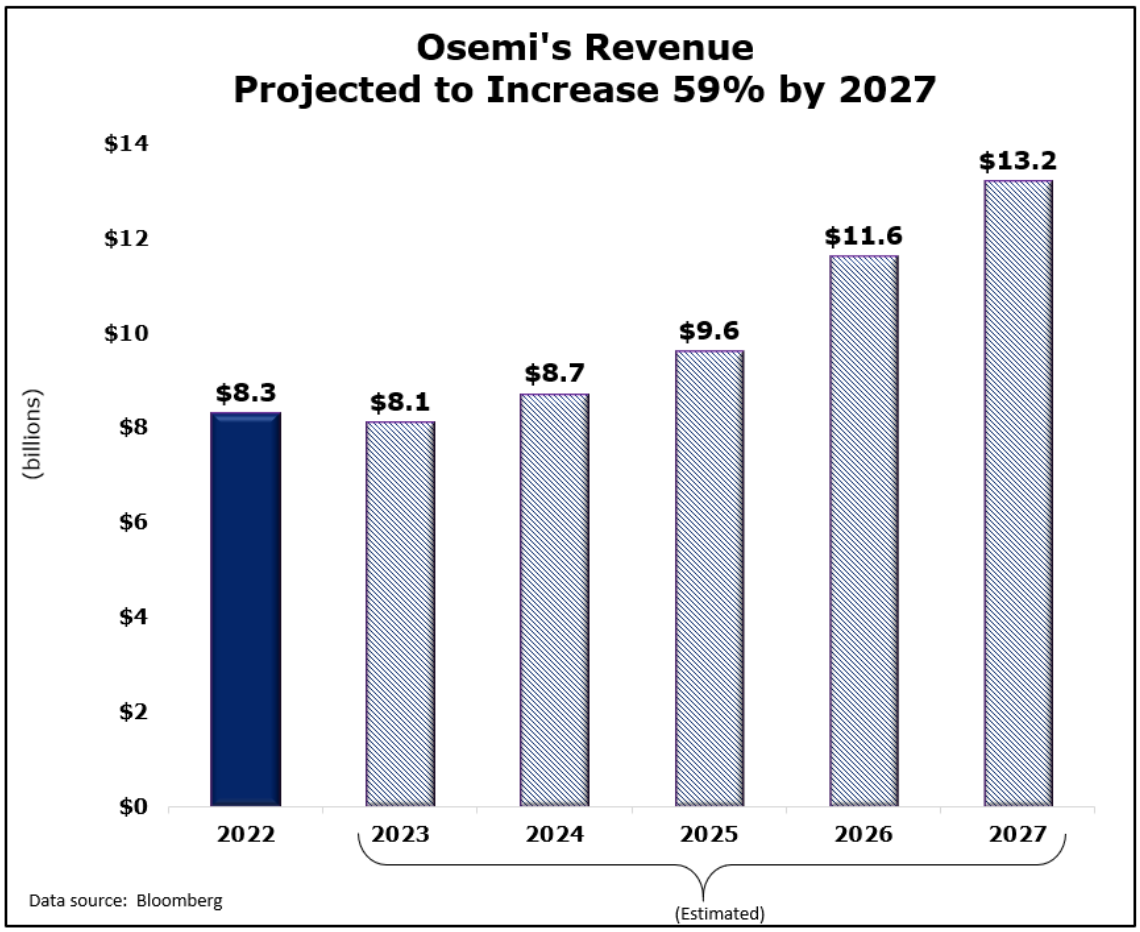
Annual power grid investments are expected to grow from $235 billion in 2020 to $636 billion by 2050.

This translates to a total $14 trillion in grid spending needed by 2050.

Considering e-mobility and renewable energy are still early in the adoption phase, this is a smart move by onsemi.

Analysts see onsemi growing over the coming years as these mega trends come to fruition.

Revenue is expected to reach $13.2 billion in 2027, up from $8.3 billion in 2022.



Better yet, earnings per share is expected to double during the same span.

If these projections pan out, the stock could be trading at a premium to its peer group.

Action to Take: Buy onsemi (Nasdaq: ON).

Regards,

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