

The One Company Critical to the  
**1,300% EV  
REVOLUTION**



# The One Company Critical to the 1,300% EV Revolution

By Ian King, Editor of *Strategic Fortunes*

**M**Y first time driving a car that wasn't powered by gas was surreal. It was 2013 on the West Side Highway of New York City. I stopped by the Tesla dealership to check out the Model S — a new electric vehicle (EV) taking the luxury vehicle market by storm.

During the test run, the car's power responded instantly to the press of the pedal.

The acceleration from a complete stop to 60 mph was exhilarating. It pinned my head to the head rest.

I realized then what I still believe now ... EVs are the future. It's no longer a question of "if," but "when."

Eight years later, my conviction is as strong as ever. On top of that, EV technology has greatly improved and is finally affordable for the masses.

In the last 10 years alone, prices have dropped 55%.

That's because we're nearing a crossover point where an EV's production cost falls below the cost of an internal combustion engine.

This paradigm shift will hit the entire auto industry faster than the internet whacked the retailing industry.

Any automaker not ready for this crossover will face the same doom as Blockbuster and Sears.

It's simple: Companies producing EVs will see growing sales and profits margins, and those that don't ... won't.

Once the crossover point occurs, we'll enter a new era of EVs.

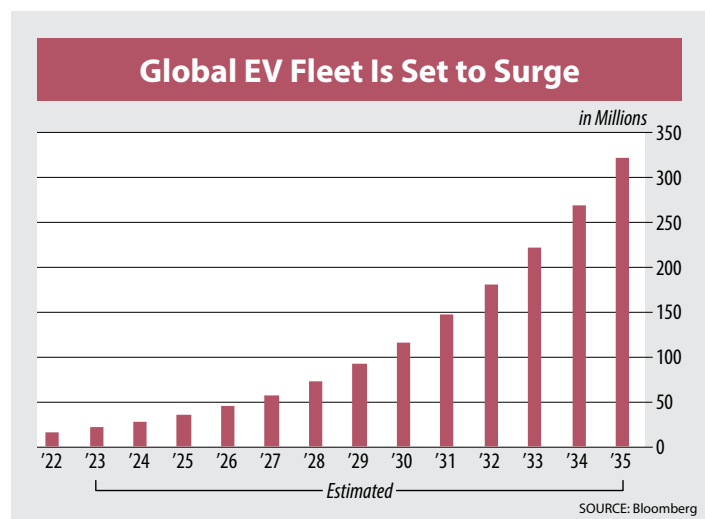
In 2020, Bloomberg reported a timeline of expectations for this crossover point getting closer at a rapid pace:

- In 2017, analysts forecasted that the crossover was in 2026, nine years out.
- In 2018, the crossover point was in 2024.
- China has already hit the crossover point, and per the latest analysis, is set for 2025 for the U.S.

But I think we'll hit it even sooner than 2025.

That means EVs could be cheaper than the internal combustion engine — before you buy your next car.

Gas-guzzling vehicles will be the horse and buggy of the early 20th century.



As a result, the size of the world's EV fleet is expected to grow by 1,300% this decade...

In 2022, global EV sales totaled 16 million units. In 2025, EV sales are projected to reach 35 million, and by 2033, the number will skyrocket to 221 million.

## The EV Race Is Here

Not only will EVs be cheaper than cars, they'll also require less maintenance.

When you consider the hundreds, if not thousands of moving parts in a gas-powered vehicle, it's clear why EVs have a distinct advantage.

You don't have to change the oil, replace spark plugs, gaskets, mufflers or countless other parts.

With EVs, these worries are gone.

That's why most analysts predict that every other car on the road will be battery powered by 2030.

Because it's not just Tesla racing to mass produce EVs. Every major automaker is rushing to get new EVs out to the masses.

In April 2021, the electric GMC Hummer sold out in its first 10 minutes.

And in June 2021, Ford received 100,000 orders for its all-electric F-150 Lightning truck in only three weeks.

Volkswagen made room in its Tennessee plant and rolled out its first US EV car, ID.4, in 2022. Now, VW also offers courses on EV technology at its vocational academy.

Automakers are collectively realizing that the EV tipping point has arrived.

But it wasn't always this way...

Just a few years ago, some of the top minds in the auto world were bashing EVs.

Vice Chairman of General Motors Bob Lutz thought EVs would be a flop.

In 2018, he said rare car collectors should buy a Tesla Model S "while they're still available," because he saw Tesla going bankrupt.

He was dead wrong.

In 2021, Tesla delivered a record 936,000 electric vehicles. That's 87% more than it sold in 2020.

Plus, GM is now transitioning to only make EVs in the coming years. (If you can't beat them, join them!)

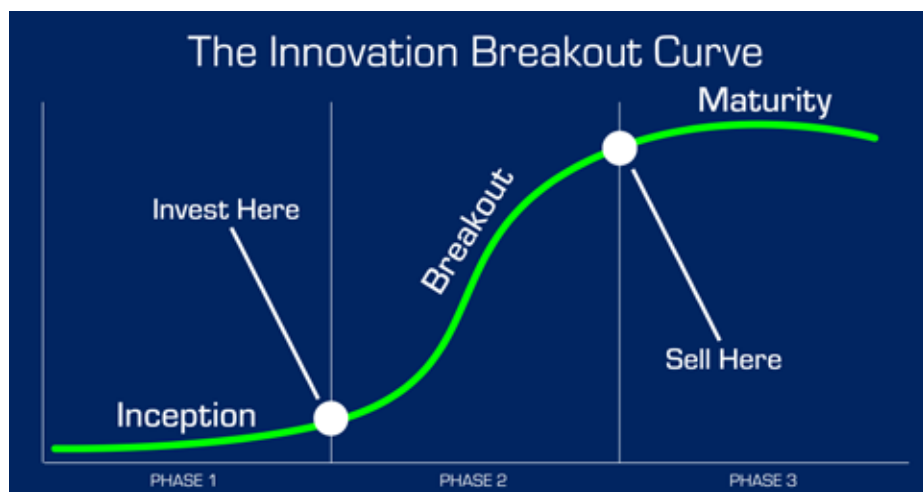
But the EV revolution is still in its early innings. And the big gains are yet to be made.

Right now, only 14% of all new cars sold are EVs. That's a small fraction of the market.

But as EVs enter the next phase, there will be a dramatic shift.

The EV market is currently in the inception phase, which means the big gains are ahead.

And the EV breakout is just around the corner. This is when the market grows and there is universal adoption. People start ditching their gas guzzlers for cheaper, more energy efficient EVs.



Tech research firm Canalsys forecasts that by 2030, nearly half of all cars sold in the world will be EVs.

That means EV production is about to lift off.

When this happens, the materials needed to make the EV motors will be in high demand. And I have the perfect company poised to take control of this rising demand. It's a company critical to the future of American EV production.

With the EV market expected to surge 1,300% ... its shares could be in for a quite a ride.

## EVs' Secret Ingredient

Most investors go looking for the sure thing. If hotcakes are flying off the shelf, they buy the makers of hotcakes.

But if you look closely at every other boom, there's always more than one way to profit.

In the '90s PC boom, investors snapped up Dell and Hewlett-Packard shares for huge gains. In the housing boom of the 2000s, homebuilding stocks delivered enormous gains for investors.

In the 2010s, smartphones were flying off the shelves. Anyone who had shares in Apple held a 900% gain.

These are the obvious investments. But there are gems just below the surface if you look closely.

The EV market is just starting to pop.

Investors are chasing stocks such as Tesla, NIO and Lucid.

They are overlooking the materials needed to make EVs before they hit the road.

And the most important tech for EVs? It's small enough to hold with one finger...

Semiconductor chips.

As chips get smaller and speed up, they drive technological change, productivity and economic growth.

Their dwindling size took computers from mainframes to desktops to laptops and now smartphones.

When Neil Armstrong walked on the moon, an IBM computer guided the mission. It cost \$3.5 million and was roughly the size of a car.

The iPhone in your pocket, costing around \$1,000, is over 100 million times faster.

I'd be useless without my iPhone. It's a modern-day supercomputer. It finds the best driving routes, stores and categorizes all my photos, and provides the answer to just about any question.

And our everyday technology has a mind of its own now too. My Alexa changes the room temperature, plays music and sets timers. And my watch tracks my sleeping to make sure I am well rested.

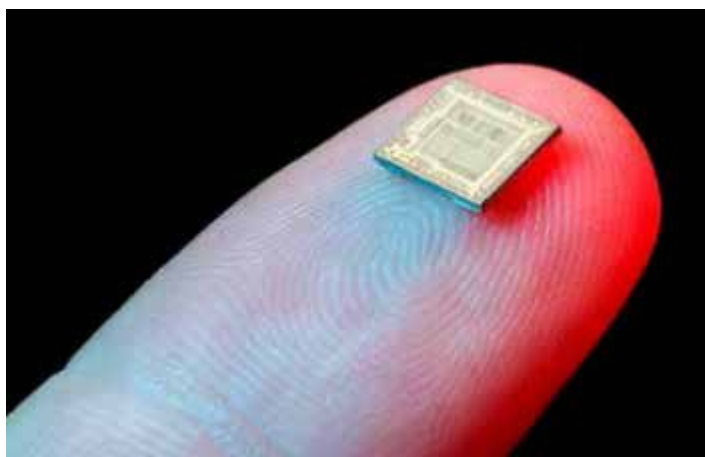
Eventually, all our devices will be intelligent and connected.

But the biggest disruption from semiconductors in the next decade will impact how we travel.

Two major technological breakthroughs are converging that will reshape mobility: electrification and autonomy.

But to reach this future, it's going to require more semiconductor chips per vehicle than ever before.

That means demand for our next company's chips will soar this decade. And I expect its stock price to triple in the next two years.



## The Race to Electrify

As a teenager, I restored my mom's old 1972 Volkswagen Karmann Ghia.

Before I repaired the engine, it sat in our garage for a decade collecting rust and dust. It even served as the temporary home for a litter of stray cats.

The old stick shift jalopy had no clutch and ran on a four-cylinder, air-cooled engine.

On a good day, it could outspurt a lawn mower. On a bad day, I had to roll it down a hill to jump-start the engine.

There was no power steering or anti-lock brakes. The most advanced technology was the AM/FM radio, which had been stuck on AM since 1981.

But times have drastically changed. The only thing that old Volkswagen and the cars of today have in common are rubber tires.

Nowadays, a car is more like a computer on four wheels.

The average new gas-powered car rolls off the lot with 1,000 semiconductors under the hood.

These chips control navigation, infotainment and traction control. They're also used in advanced safety features, such as detecting when there's a car in the next lane or when a car brakes in front of you.

This trend is only accelerating from here.

You see, electric vehicles (EVs) double the need for chips to roughly 2,000 chips per vehicle. EV powertrains and batteries require even more chips for sensors and power technology.

And a fully loaded EV with partial self-driving contains up to 3,000 chips!

It's no secret where the world is headed. Every major automaker — from Ford to GM to Volkswagen — is rolling out new EV models.

Our electric future just won't be possible without the essential ingredients to make these cars move. (I'm not quite sure the rolling start will cut it anymore.)

That puts the market for power and sensing semiconductors at a tipping point.

Demand for chips in the automotive space will accelerate this decade. And that's great news for today's recommendation.

## Company Leading Semiconductor Market

This company goes after two of the largest semiconductor markets: power and sensing.

Power technologies:

- Produce lighter and longer-range electric vehicles.
- Enable efficient fast-charging systems.
- Propel the sustainable energy evolution for efficient solar strings, industrial power and storage systems.

Additionally, sensing technologies:

- Enable the next generation of industry for smarter homes, factories and buildings.
- Create high-performance automated driving systems (ADAS).

Today's recommendation is: **onsemi (Nasdaq: ON)**, formerly named ON Semiconductor.

It's an American semiconductor supplier and power management provider. Its power and sensing technologies are used in several mega trends such as 5G, EVs, the cloud and solar.

The company started in 1999, when Motorola spun off its semiconductor components group. At the time, onsemi was the largest component supplier in the semiconductor industry.

But the company struggled out of the gate. Between 2000 and 2002, revenue dropped by 50%. The Nasdaq bubble burst, and chip sales tumbled.

In 2002, the troubled company brought on Keith Jackson as CEO. He had nearly 30 years of experience in the industry, including work at notable companies such as National Semiconductor and Texas Instruments.

Under Jackson's management over the next 18 years, 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 few decades.

When Hassane El-Khoury took over in 2020, he came from Cypress Semiconductor. His four-year tenure as CEO ended when he sold Cypress to Infineon for \$10 billion.

El-Khoury's bio reads like the classic American dream. Speaking very little English, he left Lebanon at age 17 to pursue multiple engineering degrees. He worked his way up the ranks in the tech sector and eventually became the head of Cypress Semiconductor.

And he's already doing big things at onsemi. In November 2021, ON took a big step to strengthen its business. It acquired GT Advanced Technologies for \$415 million.

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

As onsemi controls more stages of production, it becomes more vertically integrated. It also reduces the company's exposure to supply chain uncertainty, which heavily impacted the sector in 2021.

Plus, 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 ON is poised to capture a larger share of this market in the next couple of years.

El-Khoury sees the company's SiC production reaching \$1 billion per year by the end of 2023.

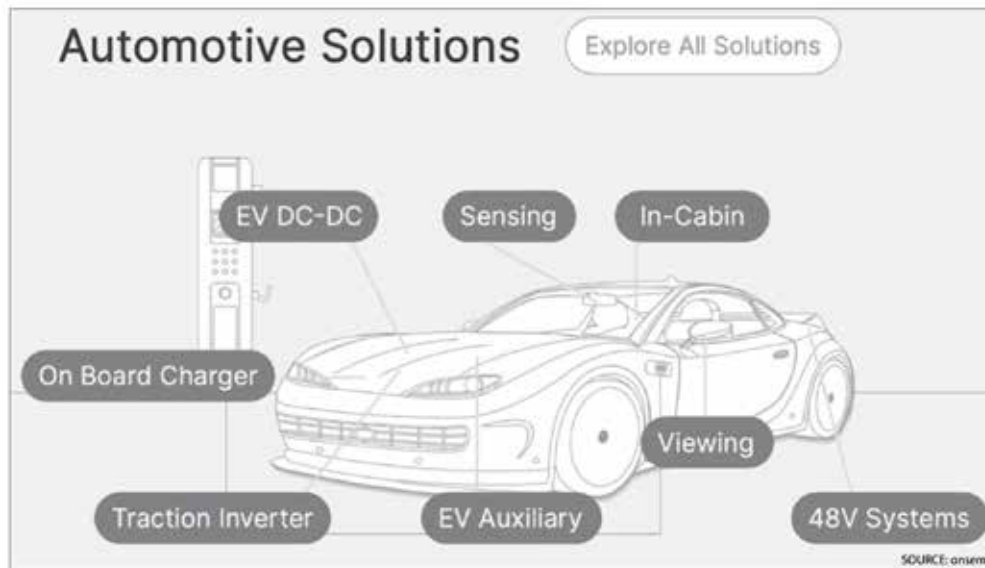
ON's automotive segment accounted for 34% of sales over the past 12 months. It's the company's most valuable business line.



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

But the electrification of cars won't be the only fertile ground for onsemi.

As autos become partially, and eventually fully, self-driving, they'll require even more electronics. This creates another huge opportunity for onsemi.



At the end of 2020, ADAS were only installed in 10% of the 1 billion vehicles on the road. ADAS are the systems that make cars “smart.” They warn drivers when they're drifting or automatically hit the brakes when needed. They're also necessary for partial and full self-driving.

This leaves enormous room for growth. As technology advances, new vehicles will utilize more sophisticated ADAS — and eventually, ADAS will evolve into full autonomy. By 2025, I expect 95% of new vehicles to have some form of ADAS.

I can't imagine buying a new car without these safety features.

According to Research and Markets, there were only 6,100 autonomous vehicles (AVs) on the road in 2020. But that number is expected to jump 180-fold, reaching 1.1 million by 2026.

Our shift toward AVs will help push the global ADAS market from \$27 billion in 2021 to \$75 billion by 2030. As our cars get “smarter,” it will accelerate the demand for onsemi chips this decade.

## X-Factor Catapults ON's Revenue Stream

We look for companies with an X-factor. This is a line of business that could grow faster than investors anticipate.

For onsemi, it was a toss-up. Clearly, the company's revenue could grow faster than expected based on the ramp-up of EVs and AVs over the next decade.

But there's another revenue driver that could see incredible growth this decade.

ON's industrial segment provides semiconductors for the renewable energy and industrial automation markets. These chips provide a variety of uses, from converting sunlight to electricity to giving autonomous robots “vision.”

The segment accounted for 26% of revenue over the past 12 months. But I believe it has significant growth ahead. 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 ON'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.

EV charging is another area that will be essential to the world's power grid. The future world of EVs won't happen without building out the charging infrastructure.

Global deployment of EV charging stations is expected to reach 66 million units by 2030, up from 5.8 million in mid-2021. That's why we recommended ChargePoint last December.

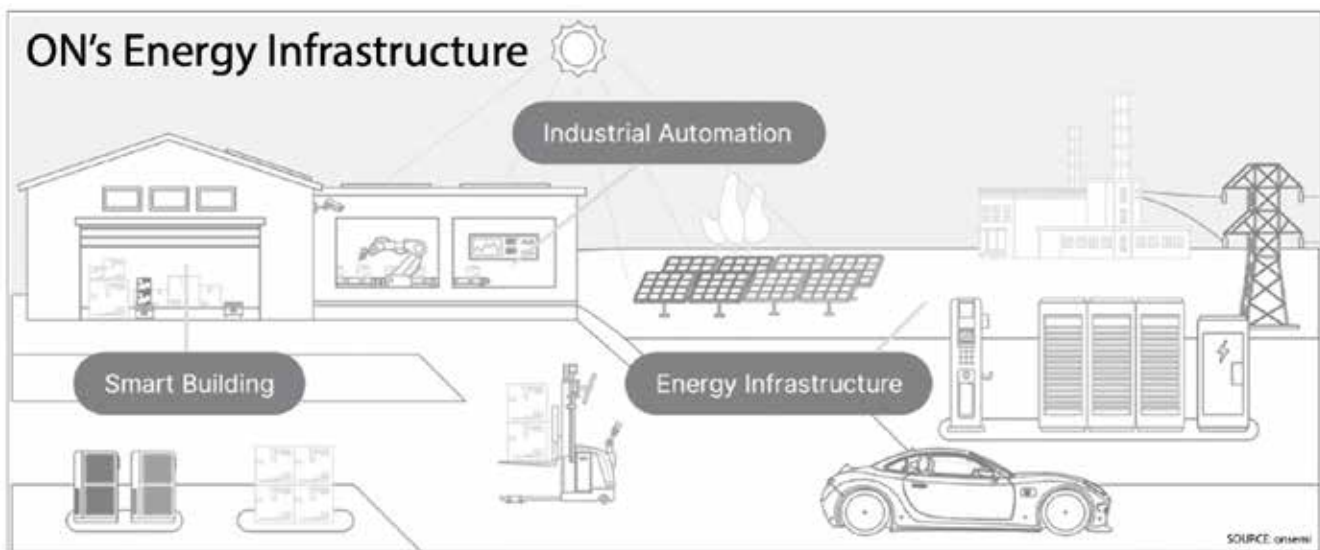
But there's another industry set to explode higher. And it offers additional growth for onsemi in the years ahead. Onsemi's chips are also used in industrial automation.

Interest in this segment is ramping up as companies replace workers with robots.

Tesla CEO Elon Musk recently announced his prime focus in the near term is developing humanoid robots. He thinks this market could surpass the auto market in the future. But this won't be possible without power and sensing semis.

The global industrial automation market is huge. It's projected to more than double from \$192 billion in 2021 to \$355 billion in 2028. But I expect it to grow even faster.

A company's investment in industrial automation makes it more productive. This productivity growth enables it to manufacture products cheaper. Once this happens, competitors are forced to invest in their own industrial automation to keep up.



That's why I believe onsemi's renewable energy and industrial automation segments are truly an X-factor.

## Onsemi Is A One-Stop Semiconductor Shop

Onsemi's management is focusing primarily on mobility and industrial applications moving forward. It changed its reportable revenue by end user to "Automotive," "Industrial" and "Other." It used to break out the "Other" individually.

Considering mobility, renewable energy and industrial automation are still early in the adoption phase, this is a smart move by ON.

ON's "Other" segment encompasses 5G, cloud, the Internet of Things (IoT) and other applications.

And I believe this segment is due for growth, too.

As 5G scales, demand for high-performance infrastructure will increase. 5G base stations and radio stations



consume twice the power as 4G. ON's technology is used to improve system performance and promote energy savings.

5G compatibility is becoming the norm on new smartphone models. But the market for 5G towers is still early in its growth phase.

The global small cell 5G network market is expected to grow from \$859 million in 2021 to \$18 billion in 2028.

Meanwhile, demand for cloud computing has led to growth in the size, density and number of data centers. This has increased demand for efficiency, as the highest cost for data centers is electricity.

ON provides power supply solutions to data centers to help keep their electricity costs down. ON offers a server system with high power density and high energy efficiency.

The market for data center power stood at \$19 billion in 2020 and is expected to grow \$26 billion by 2025.

And demand for more data center power is thanks to the ever-growing IoT. As society becomes more connected and technology improves, the number of IoT devices will continue to escalate.

The global number of connected IoT devices is expected to go from 13.8 billion devices in 2021 to 31 billion in 2025. This is huge growth considering there were only 4.6 billion connected devices in 2016.

All of these devices are built with semiconductors. As demand for efficient and smaller chips grows, ON's high-performance semiconductors should see high demand.

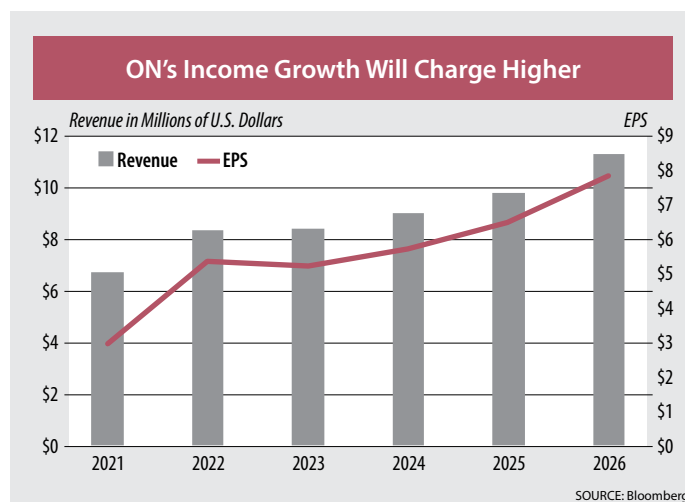
Analysts see ON growing over the coming years as these mega trends come to fruition.

Revenue is expected to reach nearly \$11 billion in 2026, up from \$6.7 billion in 2021.

Better yet, earnings per share (EPS) will increase nearly threefold during the same span.

ON's enterprise value is currently \$41 billion, and the company is expected to generate \$8 billion in revenue this year.

That gives it an enterprise value/sales ratio of 5.01. This is below its peer group of NXP Semiconductors, Analog Devices and Power Integrations, which have an average multiple of 7.05.



## ON Checks All the Boxes

Onsemi meets my four-step system criteria for finding “tipping-point trends.”

- **No. 1: Tipping-Point Trends** — Two major technological breakthroughs are converging that will reshape mobility: electrification and autonomy.
- **No. 2: X-Factor** — ON's industrial segment provides semiconductors for the renewable energy and industrial automation markets. The segment accounted for 26% of revenue over the past 12 months.
- **No. 3: Momentum** — We believe EVs will account for 90% of new car sales by 2030. And every EV needs thousands of semis made to build it.
- **No. 4: Beat the Street** — ON's enterprise value is currently \$41 billion, and the company is expected to generate \$8 billion in revenue this year. ON is growing earnings much faster than its peers, and its net income is expected to surge.

The company's earnings per share is expected to grow at an annualized rate of 33% between 2021 and 2026. This is well ahead of the 21% growth rate of its peer group.

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

So grab shares of this semiconductor maker before the EV race takes off!

**Action to take: Buy onsemi (Nasdaq: ON).**

That's all for today!

If you have any questions, you can always reach out to my team and me at [StrategicFortunes@BanyanHill.com](mailto:StrategicFortunes@BanyanHill.com).

Regards,

A handwritten signature in black ink that reads "Ian King". The signature is written in a cursive, slightly slanted style.

Ian King  
Editor, *Strategic Fortunes*



**Banyan Hill**

P.O. Box 8378

Delray Beach, FL 33482 USA

USA Toll Free Tel.: (866) 584-4096

Email: <http://banyanhill.com/contact-us>

Website: [www.banyanhill.com](http://www.banyanhill.com)

**LEGAL NOTICE:** This work is based on what we've learned as financial journalists. It may contain errors and you should not base investment decisions solely on what you read here. It's your money and your responsibility. Nothing herein should be considered personalized investment advice. Although our employees may answer general customer service questions, they are not licensed to address your particular investment situation. Our track record is based on hypothetical results and may not reflect the same results as actual trades. Likewise, past performance is no guarantee of future returns. Certain investments carry large potential rewards but also large potential risk. Don't trade in these markets with money you can't afford to lose. Banyan Hill Publishing permits editors of a publication to recommend a security to subscribers that they own themselves. However, in no circumstance may an editor sell a security before our subscribers have a fair opportunity to exit. Any exit after a buy recommendation is made and prior to issuing a sell notification is forbidden. The length of time an editor must wait after subscribers have been advised to exit a play depends on the type of publication.

(c) 2023 Banyan Hill Publishing. All Rights Reserved. Protected by copyright laws of the United States and treaties. This report may only be used pursuant to the subscription agreement. Any reproduction, copying, or redistribution, (electronic or otherwise) in whole or in part, is strictly prohibited without the express written permission of Banyan Hill Publishing. P.O. Box 8378, Delray Beach, FL 33482 USA. (TEL.: 866-584-4096)