Rambus Inc. (RMBS)

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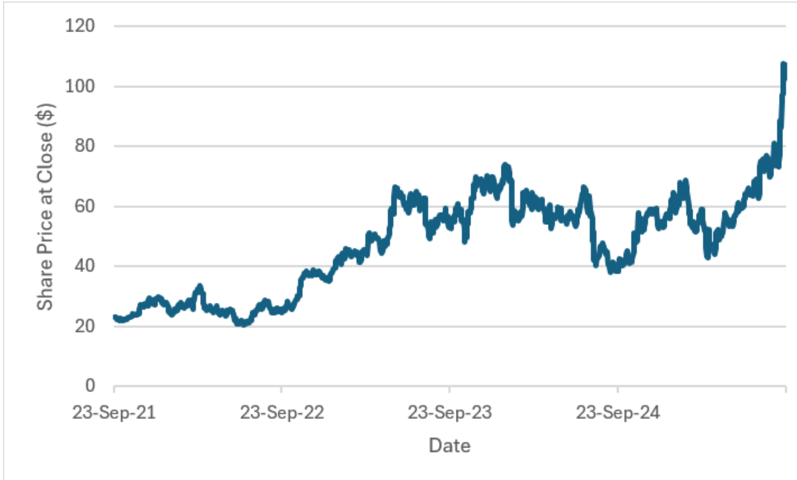
Recommendation: **Buy**

Rambus Inc. (RMBS)	
Share Price (as of 9/22/25)	$106.93
Shares Out.	107,590.0
Market Cap	11,504,598.7
Cash	$99,775
Debt	$30,151
TEV	$11,434,975
FY24 EBITDA	275,196
EV / FY24 EBITDA	41.6x
Base Case Valuation Summary:	
FY27 EBITDA:	485,343
Target Multiple	41.6x
EV	$20,167,021
Net Debt	$0
Market Cap	$20,167,021
Shares Out.	107590.0
3-Year Price Target	**$187.44**
Total Return:	75%
IRR	**21%**



Executive Summary

Rambus Inc. offers DDR memory interface chips, including DDR5 interface products for data center, AI, and high-performance computing—and a range of complementary semiconductor IP.

In 2025, the company is expected to generate revenue of approximately $618.1 million, with EBITDA forecasted to reach $302.0 million and free cash flow $250.3 million. With a current market capitalization of about $11.0 billion, Rambus trades at an estimated free cash flow yield of 2.3% and an EBITDA multiple of 36.6x, highlighting its position as a highly cash-generative, premium-valued technology company.

Looking forward to 2026, Rambus is projected to achieve revenue of $689.5 million, EBITDA of $373.6 million, and free cash flow of $308.5 million. With a robust product portfolio and ongoing investments in innovation, Rambus is well positioned for further expansion and margin enhancement.

Business Overview

Rambus Inc. specializes in the design, development, and licensing of high-performance semiconductor and intellectual property (IP) products. The company's core business focuses on advanced memory interface chips and silicon IP solutions, which are critical for improving data speed, integrity, and security in computing, data center, and communications markets.

Rambus's product portfolio includes DDR memory interface chips, digital security IP (such as cryptographic cores), and high-speed interconnect solutions. These offerings enable customers to address increasing demands for bandwidth, power efficiency, and secure data processing. The company generates revenue through product sales, licensing, and royalties from its broad IP portfolio.

Rambus serves a global customer base, including major semiconductor manufacturers and system integrators. The company invests heavily in research and development to drive innovation and maintain technology leadership, while partnering with industry leaders to expand its reach. Consistent with disclosures in its SEC filings, Rambus is focused on enabling next-generation computing infrastructure by delivering high-performance, high-security chips and IP solutions.

Investment Thesis

1. **Industry segment opportunities**: There is substantial runway for growth in memory interface, security IP, and chip businesses, with cross-selling opportunities to a blue-chip customer base. New platform wins in AI and automotive—still under-penetrated at major customers—support a long-term trajectory for double-digit revenue growth. With less than 10% share in next-gen automotive memory solutions and rapid expansion in CXL/DDR5 interfaces, Rambus can deepen its strategic role as a design partner and IP provider, driving higher switching costs and customer lock-in.

2. **Optimized portfolio following strategic divestitures**: Rambus has sharpened its focus, actively divesting non-core or lower-margin businesses to concentrate on core IP and chip markets, increasing EBITDA margins from 61% to 64% in the base and bull case scenarios. Proceeds have further strengthened the balance sheet and funded organic investments.

3. **High-quality industry comps and recent transactions support valuation**: Recent M&A—such as SK Hynix Inc.'s acquisition of Intel Corporation's NAND business at 7x revenue—validate Rambus's strategic value and provide a strong multiple floor. Rambus's asset-light, royalty-driven model justifies premium multiples given higher margins, sustainability of cash flows, and growing customer reliance.

Precedent Transaction Analysis

Date	Seller	Acquirer	Terms	Multiple
Closed 03/27/2025	NAND Memory and Storage Business (not the entire Intel Corporation)	SK hynix Inc.	$9b	1.7x revenue

4. **Approaching an inflection in margins and operating leverage**: Deployment of new technology (DDR5, CXL), customer adoption of high-margin IP products, and efficiency in R&D are driving both margin improvement and cash flow growth. Rambus FCF margins are predicted to rise from ~45% to nearly 50% and capex as a percent of revenue to remain well below industry averages.

5. **Leadership and governance upgrades**: Rambus has bolstered its leadership with proven executives in semiconductor licensing and technology commercialization. The board is composed of industry experts with extensive experience in scaling technology businesses, supporting prudent capital allocation and strategic focus.

Management Team and Board of Directors

-Luc Seraphin brings over 20 years of global management experience, driving growth and vision for Rambus. Formerly SVP and GM of Memory and Interface, he led key product innovations and has also overseen sales and operations.

-Cliff Burnette joined Rambus in 2019 with more than 20 years in HR leadership at public tech companies. He oversees human resources, corporate strategy, and culture, bringing expertise in employee relations, organizational development, and compensation, previously serving at Cypress Semiconductor and AMD.

-I Nong Chao is responsible for Rambus's global operations, covering product manufacturing, testing, supply chain, quality, and engineering. She is focused on operational excellence and scaling company growth.

-Sean Fan guides overall business and R&D transformation at Rambus, drawing on deep P&L and strategy experience from Renesas Electronics and IDT, and industry leadership roles in memory, timing, power, and networking solutions.

-Joining Rambus in 2019, Matt Jones leads development and growth for the company's silicon IP portfolio, focusing on high-performance, secure memory and interconnect architectures for data centers and edge computing.

-Desmond Lynch, CFO since 2022, manages global financial operations. With extensive semiconductor finance experience at Renesas and several other major tech firms, his focus is financial planning, management, and reporting.

-Shyam Ramachandran manages IT, security, data management, and enterprise systems, leveraging over 25 years in technology leadership to drive Rambus's global tech vision and secure infrastructure.

-Kit Rodgers oversees corporate development and technology partnerships, after leading the licensing and IP strategy for Rambus. He focuses on expanding business through industry collaborations.

-Rami Sethi leads the Memory Interface Chip division with full P&L responsibilities. He brings leadership expertise from Renesas and IDT and has played key roles in memory technology innovation and industry standardization organizations.

Valuation

	Base	Bull	Bear
	FY2027	FY2027	FY2027
Revenue	$773,071	$814,418	$724,718
3yr Growth	*38.9%*	*46.3%*	*30.2%*
Adj. EBITDA	$485,343	$523,586	$442,197
Margin	*62.8%*	*64.3%*	*61.0%*
FCF	$374,057	$404,663	$326,814
Margin	*48.4%*	*49.7%*	*45.1%*
Conversion	*77.1%*	*77.3%*	*73.9%*
EBITDA Multiple	41.6x	43.1x	40.1x
EV	20,190,263.9	22,566,567.7	17,732,088.7
Net Debt	-	-	-
Equity Value	20,190,263.9	22,566,567.7	17,732,088.7
Sh. Out.	107,590.0	107,590.0	107,590.0
Price Target	**187.7**	**209.7**	**164.8**
Upside/Downside	75%	96%	54%
IRR	**21%**	**25%**	**16%**
Risk/Reward vs Bear Case	-1.4	-1.8	

The base case assumes the topline grows at 38.9% over 3 years, which may be below the historical CAGR or management's targets. The base case further assumes the company achieves an FY2027 EBITDA margin of 62.8%, while FCF margin stands at 48.4%. Applying a conservative 41.6x (versus peer averages) on FY27 base case EBITDA suggests an equity value of $20.19B.

The bear case assumes the topline grows at 30.2% over 3 years, driven by ongoing contract losses or elevated churn. It further assumes the strategy to expand existing client revenue is challenged, with EBITDA margin compressed to 61.0% and FCF margin at 45.1%. Applying a multiple of 40.1x on FY27 bear case EBITDA suggests an equity value of $17.73B.

The bull case assumes a higher 46.3% revenue CAGR over 3 years, still below aggressive management targets to be conservative. It further assumes the company achieves an FY2027 EBITDA margin of 64.3% and an FCF margin of 49.7%. Applying a slightly higher but still reasonable multiple of 43.1x on FY27 bull case EBITDA suggests an equity value of $22.57B.

Ticker	Name	Last Price	USD Market Cap (b)	USD EV (b)	% Chg 1Yr	% Chg YTD	USD Sales (m)	1Yr Sales GR	EV / EBITDA Crnt Yr	P/E Crnt Yr	P/E NY	EBIT Margin T12M	Dvd Yield
MU	Micron Technology, Inc.	$ 162.73	$ 182.11	$ 187.52	74%	86%	$ 33.81	35%	11.6x	20.1x	12.2x	24%	0.27%
005930.KS	Samsung Electronics Co Ltd	$ 57.04	$ 372.04	$ 327.11	37%	48%	$ 221.45	3%	5.5x	17.7x	13.0x	11%	N/A
INTC	Intel Corporation	$ 29.58	$ 138.15	$ 166.89	31%	44%	$ 53.07	-0.06%	150.8x	246.5x	46.2x	-20%	0.41%
000660.KS	SK hynix Inc.	$ 252.64	$ 174.42	$ 179.65	75%	59%	$ 55.40	17%	5.2x	7.9x	6.9x	46%	N/A
688008.SS	Montage Technology Co., Ltd.	$ 120.59	$ 138.09	$ 127.80	78%	70%	$ 4.60	27%	61.9x	N/A	N/A	43%	0.5%
	Comp Group Average	$ 124.52	$ 200.96	$ 197.79	58.95%	61.59%	$ 73.67	16.11%	47.0x	73.1x	19.6x	21%	0.39%
	Comp Group Median	$ 120.59	$ 174.42	$ 179.65	73.91%	59.37%	$ 53.07	16.65%	11.6x	18.9x	12.6x	24%	0.41%
RMBS	**Rambus Inc.**	**$106.93**	**$ 11.50**	**$ 11.43**	**177.74%**	**99.87%**	**$ 0.65**	**16%**	**34.9x**	**49.3x**	**42.1x**	**40%**	**0%**

Risks

1. The company operates in a cyclical and competitive industry.

2. There are risks of potential market saturation, especially as certain product lines (e.g., DDR4) approach end-of-life, and from the inherent demand volatility in the semiconductor sector.

3. Macroeconomic uncertainty, inflation, and potential global market slowdowns may negatively impact Rambus's financial performance and customer purchasing behavior.

4. A significant portion of revenue is concentrated among a small group of customers, exposing Rambus to risks if a major customer reduces or delays purchases.

5. Sustained innovation is essential; failure to keep pace with rapid technological change or to successfully commercialize new offerings could damage Rambus's competitive position.

6. Holding higher levels of "strategic inventory" could result in supply-demand imbalances and possible inventory write-downs.

7. The company has guided increased operating costs in future quarters, which may weigh on profit margins if not offset by revenue growth.

Financials

	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	**246,322.00**	**328,304.00**	**454,793.00**	**461,117.00**	**556,624.00**	**618,075.01**	**689,544.14**	**773,071.03**	**871,077.20**	**986,434.55**
Growth	-	0.33	0.39	0.01	0.21	0.11	0.12	0.12	0.13	0.13
Profit	185,574.00	257,910.00	347,214.00	357,695.00	444,197.00	497,150.61	561,984.06	638,734.93	729,957.28	838,686.05
Margin	0.75	0.79	0.76	0.78	0.80	0.80	0.82	0.83	0.84	0.85
SG&A	86,441.00	91,057.00	106,718.00	108,149.00	104,094.00	104,094.00	104,094.00	104,094.00	104,094.00	104,094.00
Margin	0.35	0.28	0.23	0.23	0.19	0.17	0.15	0.13	0.12	0.11
EBITDA	78,269.00	41,176.00	128,860.67	237,078.00	244,149.00	302,026.94	373,625.41	445,223.88	514,193.07	581,036.82
Margin	0.32	0.13	0.28	0.51	0.44	0.49	0.54	0.58	0.59	0.59
D&A	48,186.00	44,277.00	47,127.00	48,428.00	42,690.00	41,348.00	40,006.00	38,664.00	37,322.00	35,980.00
Margin	0.20	0.13	0.10	0.11	0.08	0.07	0.06	0.05	0.04	0.04
Operating Income	(44,054.00)	24,281.00	76,942.00	153,639.00	180,689.00	233,218.81	297,628.46	373,955.53	464,754.08	573,059.05
Margin	(0.18)	0.07	0.17	0.33	0.32	0.38	0.43	0.48	0.53	0.58
Interest Expense	(10,340.00)	(10,706.00)	(1,874.00)	(1,490.00)	(1,416.00)	(1,416.00)	(1,416.00)	(1,416.00)	(1,416.00)	(1,416.00)
EBT	(36,539.00)	23,286.00	(7,825.00)	187,160.00	197,723.00	254,562.81	323,282.46	403,919.53	499,028.08	611,643.05
Tax	3,932.00	4,952.00	6,485.00	(146,744.00)	20,222.00	26,035.26	33,063.52	41,310.63	51,037.79	62,555.42
Income	(40,471.00)	18,334.00	(14,310.00)	333,904.00	177,501.00	228,527.55	290,218.95	362,608.91	447,990.29	549,087.63
Sh. Out.	112.00	109.00	108.00	108.00	107.00	107.00	107.00	107.00	107.00	107.00
EPS	(0.36)	0.17	(0.13)	3.09	1.65	0.64	0.66	0.68	0.70	0.72
FCF	185,459.00	184,065.00	168,656.00	180,546.00	191,918.00	250,322.95	308,463.43	374,056.56	455,512.43	553,498.64
Net Leverage	(1.12)	1.08	(0.31)	(1.24)	(0.25)	(0.37)	(0.57)	(0.85)	(1.20)	(1.62)