

# KLA Corporation

## Levered To N2, But the Key Lever Is Probably Intel

### Summary

Revenue and market commentary was largely in line w/expectations and we did not hear a whole lot to really sway the debate one way or the other, apart from the same macro uncertainty impacting nearly every company in our coverage. KLAC is doing a nice job offsetting what [we highlighted](#) was greater direct exposure to tariffs versus peers and the services business is growing a little faster than expected this year. Absent a macro-related cut to WFE (we do not see this), KLAC still has a strong N2 foundry pipeline but maybe the biggest swing factor here is INTC - traditionally adopting inspection at much lower levels than foundries like TSMC. With new management increasingly benchmarking against TSMC, if we were to get more excited here, this would be why. Absent a major change there, we think the Street is already baking in a lot of this N2 follow through for next year and the stock is trading at ~2-6 turn premium to peers like LRCX/AMAT - both of which we think have a much better shot of gaining WFE share next year. Net, we raise our estimates due to better service and we build in a bit more optimism that INTC does indeed increase inspection intensity. On higher estimates but a ~one-turn lower multiple, our PT goes from \$690 to \$740 and our rating remains Neutral.

### Analysis/Key Highlights

- Revenue came in near the midpt of guidance and higher than the Street given continued strength in foundry/logic (71% of revenue) and better NAND, while EPS of \$8.41 was close to the top-end of guidance and above UBSe/Street at \$8.23/\$8.09. Gross margin was ~100bps better than expected on better mix in process control, while opex was \$10MM lighter than guided. June Q guidance was also better than expected at \$3.075B/\$8.53 (midpt), with gross margin expected up 100bps (midpt) despite tariffs starting to hit mid-quarter. By segment, EPC systems revenue is expected down ~\$35MM Q/Q (-10MM SPTS; ~25MM FPD+PCB), and "Other" (within semi systems; a mix of SiC/benchtop equipment) should stay in the ~\$40-45MM range going forward - and implying rest of semi PC & service to be up Q/Q.
- Relative to gross margins, we called KLAC out ([here](#)) for being more directly exposed to tariffs than peers, but it appears to have taken enough costs out to roughly offset the tariffs. To wit, FQ3 (Mar) was at the high end of the range because mix was a bit more favorable and it is finally lapping some of the cost increases that have been headwinds over the past few years. KLAC guided flat at these levels on fairly flat revenue - a strong statement if this is fully impacted by tariffs, but these seem unlikely to really hit the P&L until C2H. On the tariff impact, KLAC suggested this will be a ~100bps/Q headwind to margins. For C2H, it raised

### Equities

Americas  
Semiconductors

12-month rating **Neutral**

12m price target **US\$740.00**

Prior : **US\$690.00**

Price (30 Apr 2025) **US\$702.69**

RIC: KLAC.O BBG: KLAC US

### Trading data and key metrics

|                             |                   |
|-----------------------------|-------------------|
| 52-wk range                 | US\$892.35-576.53 |
| Market cap.                 | US\$93.4b         |
| Shares o/s                  | 133m (COM)        |
| Free float                  | 100%              |
| Avg. daily volume ('000)    | 1,191             |
| Avg. daily value (m)        | US\$823.1         |
| Common s/h equity (06/25E)  | US\$4.39b         |
| P/BV (06/25E)               | 21.3x             |
| Net debt to EBITDA (06/25E) | 0.3x              |

### EPS (UBS, diluted) (USD)

|        | 06/25E |       | % ch | Cons. |
|--------|--------|-------|------|-------|
|        | From   | To    |      |       |
| Q1     | 7.33   | 7.33  | 0    | 7.33  |
| Q2     | 8.20   | 8.20  | 0    | 8.20  |
| Q3     | 8.23   | 8.41  | 2    | 8.10  |
| Q4E    | 7.77   | 8.54  | 10   | 7.99  |
| 06/25E | 31.52  | 32.46 | 3    | 31.65 |
| 06/26E | 30.50  | 32.75 | 7    | 32.39 |
| 06/27E | 33.39  | 35.60 | 7    | 36.85 |

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| Highlights (US\$m)        | 06/22   | 06/23   | 06/24   | 06/25E  | 06/26E | 06/27E | 06/28E | 06/29E |
|---------------------------|---------|---------|---------|---------|--------|--------|--------|--------|
| Revenues                  | 9,212   | 10,496  | 9,812   | 12,071  | 12,280 | 12,776 | 12,495 | 12,575 |
| EBIT (UBS)                | 3,654   | 3,995   | 3,636   | 5,016   | 5,145  | 5,506  | 5,324  | 5,383  |
| Net earnings (UBS)        | 3,205   | 3,558   | 3,234   | 4,342   | 4,307  | 4,591  | 4,443  | 4,508  |
| EPS (UBS, diluted) (US\$) | 21.16   | 25.37   | 23.75   | 32.46   | 32.75  | 35.60  | 35.15  | 36.37  |
| DPS (net) (US\$)          | 4.22    | 5.22    | 5.68    | 6.75    | 7.60   | 7.60   | 7.60   | 7.60   |
| Net (debt) / cash         | (3,953) | (2,648) | (2,126) | (1,411) | (517)  | 63     | 242    | 263    |
| Profitability/valuation   | 06/22   | 06/23   | 06/24   | 06/25E  | 06/26E | 06/27E | 06/28E | 06/29E |
| EBIT (UBS) margin %       | 39.7    | 38.1    | 37.1    | 41.6    | 41.9   | 43.1   | 42.6   | 42.8   |
| ROIC (EBIT) %             | 75.5    | 73.2    | 65.7    | 88.8    | 93.5   | 105.3  | 103.5  | 106.2  |
| EV/EBITDA (UBS core) x    | 13.8    | 12.2    | 20.3    | 17.5    | 17.0   | 15.9   | 16.5   | 16.3   |
| P/E (UBS, diluted) x      | 16.9    | 14.8    | 25.0    | 21.6    | 21.5   | 19.7   | 20.0   | 19.3   |
| Equity FCF (UBS) yield %  | 4.7     | 6.3     | 3.8     | 4.1     | 5.2    | 4.9    | 5.0    | 4.8    |
| Dividend yield (net) %    | 1.2     | 1.4     | 1.0     | 1.0     | 1.1    | 1.1    | 1.1    | 1.1    |

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$ 702.69 on 30-Apr-2025

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full year GM by 50bps to 62.5%, which implies that margins step down from ~63% to 62% for C2H on what KLAC is suggesting is flat revenue. Ergo, KLAC has effectively moved underlying margins up by ~100bps to offset the tariff impact.

- At a high level, the company is suggesting overall revenue will remain "stable" for C2H, e.g. ~\$3B/Q. The company also added the view that semi systems shipments will outgrow WFE growth of mid single-digits this year by "several" points. Based on implied semi systems revenue of ~\$4.4B and taking this against C2024 semi systems of ~\$7.55B, this implies semi systems would be down ~15% H/H for C2H. When queried, though, the company is suggesting that systems are actually expected to be more like flattish - this would put systems up in the mid-teens this year, or ~10% outperformance - much higher than "several" points. It was all very confusing, but ultimately it seems like just KLAC being conservative.
- Service revenue was flattish Q/Q in March despite the ~\$35-40MM/quarter headwinds from export controls expected to persist through C2025. Management expects the segment to grow +10% Y/Y (UBSe 9% Y/Y) off higher attach rates and increasing advanced packaging sampling (and needing higher tool uptime) - although this is slightly below the LT target of 12-14% Y/Y. Regarding tariffs, KLAC is the importer for spares required to support its service contracts, and would be subject to tariffs when shipping to its Chinese customers. Over time, KLAC expects to return to LT growth targets as demand from ROW offsets China headwinds, while megatrends such as greater useful life of equipment, rising ASPs, and increasing semi revenue remain a tailwind.
- On China, management reiterated its view for revenue from the geo to be in the "high-20%s, maybe 30%" range in C2025. Effectively, this would imply Mar-Q (at ~26%) to be the low point for China mix for the year, which is a very different revenue trajectory vs the dynamics suggested by LRCX - with China bans falling mostly into 2H:25 and flattening the overall trajectory of systems growth for the year.
- RPO (essentially backlog but including shipments extending >12mos) is reported in the 10K but KLAC indicated it was ~\$8.9B, which implies that net orders increased but BTB is still <1. We estimate net orders of ~\$2.8B, or up ~30% off a very weak order Q in Dec (Figures 12-14). The company plans to move to a reporting structure similar to peers like LRCX and AMAT with backlog (shipment obligations inside of 12mos) and deferred revenue (the gap between shipments and revenue). This will start with F2026.

### Read Across

Commentary around the strength of leading-edge foundry/logic and the uptick in advanced packaging reads favorably for AMAT/LRCX. China reverting to ~30% of revenue mix is consistent w/ LRCX results and AMAT's guidance.

### Valuation: PT \$740 (from \$690)

Our \$740 PT (from \$690) is based on a 21x multiple (from 22x) on C2026E EPS of \$34.73 (from \$31.33).

**Results (FQ3:25):** KLAC reported FQ3 revs/EPS of \$3.06B/\$8.41 vs. our pre call estimates of \$3.05B/\$8.23.

**Figure 1: FQ3:25 Results**

| Key Metrics             | Reported Q: FQ3:25 |              |                 |            |               |
|-------------------------|--------------------|--------------|-----------------|------------|---------------|
|                         | Actual             | UBS Estimate | Street Estimate | Act vs UBS | Act vs Street |
| Revenue (\$MM)          | \$3,063            | \$3,045      | \$3,010         | 0.6%       | 1.8%          |
| Y/Y Growth              | 29.8%              | 29.0%        | 27.5%           |            |               |
| Guidance                | \$3.00B+/- \$150MM |              |                 |            |               |
| Gross Margin (Non-GAAP) | 63.0%              | 62.0%        | 61.9%           | 1.0%       | 1.1%          |
| Guidance                | 62.0% +/- 1%       |              |                 |            |               |
| OpEx                    | \$575              | \$585        |                 |            |               |
|                         | ~\$585MM           |              |                 |            |               |
| Operating Margin        | 44.2%              | 42.8%        | 42.2%           | 1.4%       | 2.0%          |
| Non-GAAP EPS            | \$8.41             | \$8.23       | \$8.09          | 2.1%       | 4.0%          |
| Guidance                | \$8.05 +/- \$0.60  |              |                 |            |               |
| System Revenue (\$MM)   | \$2,394            | \$2,410      | \$2,315         | -0.7%      | 4.1%          |
| Y/Y Growth              | 35.3%              | 36.2%        | 30.8%           |            |               |
| Services Revenue (\$MM) | \$669              | \$635        | \$647           | 5.4%       | 3.4%          |
| Y/Y Growth              | 13.3%              | 7.5%         | 9.6%            |            |               |

Source: Company reports, FactSet, UBSe

**Guidance (FQ4:25):** KLAC guided revenue of \$3,075MM at the midpoint (\$2,925MM - \$3,225MM range), gross margin of 63.0% at the midpoint (62.0% - 64.0% range), and non-GAAP EPS of \$8.53 at the midpoint (\$7.75 - \$9.31 range). KLAC also guided revenue from Foundry/Logic and Memory of 69% and 31%, respectively.

**Figure 2: FQ4:25 Guidance**

| Key Metrics             | Guidance             | Next Q: FQ4:25 |                 |                        |
|-------------------------|----------------------|----------------|-----------------|------------------------|
|                         |                      | UBSe New       | UBSe (pre-call) | Street Est. (pre-call) |
| Revenue (\$MM)          | \$3.075B +/- \$150MM | \$3,090        | \$3,010         | \$3,003                |
| Y/Y Growth              |                      | 20.3%          | 17.2%           | 16.9%                  |
| Gross Margin (Non-GAAP) | 63.0% +/- 1%         | 63.0%          | 62.0%           | 62.0%                  |
| OpEx                    | ~\$595MM             | \$593          | \$623           |                        |
| Operating Margin        | -                    | 43.8%          | 41.3%           | 41.6%                  |
| Non-GAAP EPS            | \$8.53 +/- \$0.0.78  | \$8.54         | \$7.77          | \$8.00                 |
| System Revenue (\$MM)   |                      | \$2,410        | \$2,360         | \$2,317                |
| Y/Y Growth              |                      | 23.3%          | 20.7%           | 18.5%                  |
| Services Revenue (\$MM) |                      | \$680          | \$650           | \$648                  |
| Y/Y Growth              |                      | 10.8%          | 5.9%            | 5.5%                   |

Source: Company reports, FactSet, UBSe

## Estimate Changes































We raise FQ4:25E Revs/EPS from \$3.01B/\$7.77 to \$3.09B/\$8.54. We raise CY25E Revs/ EPS from \$12.07B/\$31.28 to \$12.26B/\$33.14 and CY26E Revs/EPS from \$11.94B/ \$31.33 to \$12.63B/\$34.73.

**Figure 3: New vs Old Estimates**

|                                | FY 2025  |          |          | FY 2026  |          |          | FY 2027  |          |          |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                | New      | Old      | % Change | New      | Old      | % Change | New      | Old      | % Change |
| <b>Revenue (\$MM)</b>          | \$12,071 | \$11,973 | 0.8%     | \$12,280 | \$11,907 | 3.1%     | \$12,776 | \$12,359 | 3.4%     |
| Y/Y Growth                     | 23.0%    | 22.0%    |          | 1.7%     | -0.6%    |          | 4.0%     | 3.8%     |          |
| <b>Gross Margin (Non-GAAP)</b> | 62.2%    | 61.7%    | 0.5%     | 62.0%    | 62.0%    | 0.0%     | 62.4%    | 62.3%    | 0.2%     |
| <b>Operating Margin</b>        | 43.0%    | 41.9%    | 1.1%     | 41.9%    | 40.8%    | 1.1%     | 43.1%    | 42.2%    | 0.9%     |
| <b>OpEx</b>                    | \$2,324  | \$2,374  | -2.1%    | \$2,475  | \$2,531  | -2.2%    | \$2,471  | \$2,477  | -0.3%    |
| <b>Non-GAAP EPS</b>            | \$32.46  | \$31.52  | 3.0%     | \$32.75  | \$30.50  | 7.4%     | \$35.60  | \$33.39  | 6.6%     |
| <b>System Revenue (\$MM)</b>   | \$9,411  | \$9,377  | 0.4%     | \$9,420  | \$9,132  | 3.2%     | \$9,601  | \$9,279  | 3.5%     |
| Y/Y Growth                     | 25.8%    | 25.3%    |          | 0.1%     | -2.6%    |          | 1.9%     | 1.6%     |          |
| <b>Services Revenue (\$MM)</b> | \$2,661  | \$2,597  | 2.5%     | \$2,860  | \$2,775  | 3.1%     | \$3,175  | \$3,080  | 3.1%     |
| Y/Y Growth                     | 14.2%    | 11.5%    |          | 7.5%     | 6.9%     |          | 11.0%    | 11.0%    |          |
| <b>FCF (\$MM)</b>              | \$3,879  | \$4,076  | -4.8%    | \$4,894  | \$4,619  | 6.0%     | \$4,559  | \$4,159  | 9.6%     |

Source: Company reports, UBSe

Figure 4: UBS vs. Street

|                        | 2024     | 2025/1F  | 2025/2F  | 2025/3F  | 2025/4F   | 2025  | 2026/1F   | 2026/2F   | 2026/3F   | 2026/4F   | 2026  | 2027/1F   | 2027/2F   | 2027/3F   | 2027/4F   | 2027  | CY2024    | CY2025  | CY2026  | CY2027  |
|------------------------|----------|----------|----------|----------|---|---|---|---|---|---|---|---|---|---|---|---|-----------|---|---|---|
| <b>Revenues (\$MM)</b> |          |          |          |          |   |   |   |   |   |   |   |   |   |   |   |   |           |   |   |   |
| UBS (New)              | \$ 9,812 | \$ 2,842 | \$ 3,077 | \$ 3,063 | \$ 3,090  | \$ 12,071   | \$ 3,040  | \$ 3,070  | \$ 3,080  | \$ 3,090  | \$ 12,280   | \$ 3,225  | \$ 3,235  | \$ 3,161  | \$ 3,155  | \$ 12,776   | \$ 10,847 | \$ 12,263   | \$ 12,630   | \$ 12,601   |
| UBS (Old)              |          |          |          |          | \$ 3,010  | \$ 11,973   | \$ 3,015  | \$ 2,995  | \$ 2,961  | \$ 2,936  | \$ 11,907   | \$ 3,019  | \$ 3,029  | \$ 3,171  | \$ 3,141  | \$ 12,359   |           | \$ 12,065   | \$ 11,944   | \$ 12,519   |
| Consensus              |          |          |          |          | \$ 3,003  | \$ 11,931   | \$ 2,981  | \$ 2,994  | \$ 3,074  | \$ 3,173  | \$ 12,222   | \$ 3,246  | \$ 3,329  | \$ 3,324  | \$ 3,357  | \$ 13,256   |           | \$ 11,988   | \$ 12,822   | \$ 13,627   |
| Delta                  |          |          |          |          | 2.9%  | 1.2%  | 2.0%  | 2.5%  | 0.2%  | (2.6%)  | 0.5%  | (0.7%)  | (2.8%)  | (4.9%)  | (6.0%)  | (3.6%)  |           | 2.3%  | (1.5%)  | (7.5%)  |
|                        |          |          |          |          |  |  |  |  |  |  |  |  |  |  |  |  |           |  |  |  |
| <b>EPS (Non-GAAP)</b>  |          |          |          |          |   |   |   |   |   |   |   |   |   |   |   |   |           |   |   |   |
| UBS (New)              | \$ 23.75 | \$ 7.33  | \$ 8.20  | \$ 8.41  | \$ 8.54   | \$ 32.46  | \$ 8.05   | \$ 8.14   | \$ 8.22   | \$ 8.34   | \$ 32.75  | \$ 9.02   | \$ 9.15   | \$ 8.69   | \$ 8.74   | \$ 35.60  | \$ 27.39  | \$ 33.14  | \$ 34.73  | \$ 35.03  |
| UBS (Old)              |          |          |          |          | \$ 7.77   | \$ 31.52  | \$ 7.67   | \$ 7.61   | \$ 7.63   | \$ 7.58   | \$ 30.50  | \$ 8.02   | \$ 8.10   | \$ 8.67   | \$ 8.61   | \$ 33.39  |           | \$ 31.28  | \$ 31.33  | \$ 34.39  |
| Consensus              |          |          |          |          | \$ 8.00   | \$ 31.61  | \$ 7.76   | \$ 7.75   | \$ 8.08   | \$ 8.48   | \$ 32.07  | \$ 8.77   | \$ 9.11   | \$ 9.11   | \$ 9.24   | \$ 36.22  |           | \$ 31.59  | \$ 34.44  | \$ 37.26  |
| Delta                  |          |          |          |          | 6.7%  | 2.7%  | 3.8%  | 5.0%  | 1.7%  | (1.7%)  | 2.1%  | 2.9%  | 0.5%  | (4.6%)  | (5.4%)  | (1.7%)  |           | 4.9%  | 0.9%  | (6.0%)  |
|                        |          |          |          |          |  |  |  |  |  |  |  |  |  |  |  |  |           |  |  |  |

Source: Company reports, FactSet, UBS

Figure 5: Summary Model

| KLA Corporation (KLAC) - Key Metrics<br>(in \$MM except EPS) | Estimates    |                 |              |              |         |              |                 |              |              |         | FISCAL YEAR SUMMARY |                 |              |              |         |          |          |         |          |          |          |
|--|--------------|-----------------|--------------|--------------|---------|--------------|-----------------|--------------|--------------|---------|---------------------|-----------------|--------------|--------------|---------|----------|----------|---------|----------|----------|----------|
|  | FQ3A<br>CQ1A | FQ4:25E<br>CQ2E | FQ1E<br>CQ3E | FQ2E<br>CQ4E |         | FQ3E<br>CQ1E | FQ4:26E<br>CQ2E | FQ1E<br>CQ3E | FQ2E<br>CQ4E |         | FQ3E<br>CQ1E        | FQ4:27E<br>CQ2E | FQ1E<br>CQ3E | FQ2E<br>CQ4E |         | F2023A   | F2024A   | F2025E  | F2026E   | F2027E   |          |
|  | C2024A       |                 |              |              |         | C2025E       |                 |              |              |         | C2026E              |                 |              |              |         | C2027E   |          |         |          |          |          |
| Systems  | \$8,331      | \$2,394         | \$2,410      | \$2,350      | \$2,370 | \$9,524      | \$2,350         | \$2,350      | \$2,445      | \$2,460 | \$9,605             | \$2,366         | \$2,330      | \$2,315      | \$2,280 | \$9,291  | \$8,379  | \$7,483 | \$9,411  | \$9,420  | \$9,601  |
| Y/Y Growth   | 11%          | 35%             | 23%          | 7%           | (2%)    | 14%          | (2%)            | (2%)         | 4%           | 4%      | 1%                  | 1%              | (1%)         | (5%)         | (7%)    | (3%)     | 15%      | (11%)   | 26%      | 0%       | 2%       |
| Services   | \$2,516      | \$669           | \$680        | \$690        | \$700   | \$2,739      | \$730           | \$740        | \$780        | \$775   | \$3,025             | \$795           | \$825        | \$835        | \$855   | \$3,310  | \$2,117  | \$2,329 | \$2,661  | \$2,860  | \$3,175  |
| Y/Y Growth   | 15%          | 13%             | 11%          | 7%           | 5%      | 9%           | 9%              | 9%           | 13%          | 11%     | 10%                 | 9%              | 11%          | 7%           | 10%     | 9%       | 11%      | 10%     | 14%      | 7%       | 11%      |
| Revenue  | \$10,847     | \$3,063         | \$3,090      | \$3,040      | \$3,070 | \$12,263     | \$3,080         | \$3,090      | \$3,225      | \$3,235 | \$12,630            | \$3,161         | \$3,155      | \$3,150      | \$3,135 | \$12,601 | \$10,496 | \$9,812 | \$12,071 | \$12,280 | \$12,776 |
| Y/Y Growth   | 12%          | 30%             | 20%          | 7%           | (0%)    | 13%          | 1%              | --           | 6%           | 5%      | 3%                  | 3%              | 2%           | (2%)         | (3%)    | (0%)     | 14%      | (7%)    | 23%      | 2%       | 4%       |
| Gross Margin   | 61.4%        | 63.0%           | 63.0%        | 62.1%        | 62.0%   | 62.5%        | 62.0%           | 62.1%        | 62.3%        | 62.5%   | 62.2%               | 62.5%           | 62.5%        | 61.8%        | 63.0%   | 62.4%    | 61.6%    | 61.9%   | 62.2%    | 62.0%    | 62.4%    |
| Opex   | \$2,253      | \$575           | \$593        | \$608        | \$622   | \$2,398      | \$623           | \$622        | \$603        | \$604   | \$2,452             | \$634           | \$630        | \$615        | \$626   | \$2,505  | \$2,158  | \$2,174 | \$2,324  | \$2,475  | \$2,471  |
| Y/Y Growth   | 5%           | 6%              | 7%           | 9%           | 4%      | 6%           | 8%              | 5%           | (1%)         | (3%)    | 2%                  | 2%              | 1%           | 2%           | 4%      | 2%       | 14%      | 1%      | 7%       | 7%       | (0%)     |
| Operating Margin   | 40.6%        | 44.2%           | 43.8%        | 42.1%        | 41.7%   | 43.0%        | 41.8%           | 42.0%        | 43.5%        | 43.8%   | 42.8%               | 42.4%           | 42.5%        | 42.2%        | 43.0%   | 42.6%    | 41.1%    | 39.7%   | 43.0%    | 41.9%    | 43.1%    |
| Non-GAAP EPS   | \$27.39      | \$8.41          | \$8.54       | \$8.05       | \$8.14  | \$33.14      | \$8.22          | \$8.34       | \$9.02       | \$9.15  | \$34.73             | \$8.69          | \$8.74       | \$8.71       | \$8.89  | \$35.03  | \$25.37  | \$23.75 | \$32.46  | \$32.75  | \$35.60  |
| Free Cash Flow   |              |                 |              |              |         |              |                 |              |              |         |                     |                 |              |              |         |          |          |         |          |          |          |
| CFFO   | \$3,647      | \$1,072         | \$1,289      | \$1,783      | \$1,130 | \$5,274      | \$1,168         | \$1,182      | \$1,088      | \$1,292 | \$4,729             | \$1,329         | \$1,234      | \$1,203      | \$1,321 | \$5,087  | \$3,670  | \$3,309 | \$4,206  | \$5,262  | \$4,943  |
| Capex  | \$285        | \$82            | \$93         | \$91         | \$92    | \$358        | \$92            | \$93         | \$97         | \$97    | \$379               | \$95            | \$95         | \$95         | \$94    | \$378    | \$342    | \$277   | \$328    | \$368    | \$383    |
| FCF  | \$3,362      | \$990           | \$1,197      | \$1,692      | \$1,038 | \$4,916      | \$1,075         | \$1,089      | \$991        | \$1,195 | \$4,350             | \$1,234         | \$1,139      | \$1,108      | \$1,227 | \$4,709  | \$3,328  | \$3,031 | \$3,879  | \$4,894  | \$4,559  |
| % revenue  | 31.0%        | 32.3%           | 38.7%        | 55.6%        | 33.8%   | 40.1%        | 34.9%           | 35.2%        | 30.7%        | 36.9%   | 34.4%               | 39.0%           | 36.1%        | 35.2%        | 39.1%   | 37.4%    | 31.7%    | 30.9%   | 32.1%    | 39.9%    | 35.7%    |
| Segment Revenue  |              |                 |              |              |         |              |                 |              |              |         |                     |                 |              |              |         |          |          |         |          |          |          |
| Total Systems Revenue  | \$8,331      | \$2,394         | \$2,410      | \$2,350      | \$2,370 | \$9,524      | \$2,350         | \$2,350      | \$2,445      | \$2,460 | \$9,605             | \$2,366         | \$2,330      | \$2,315      | \$2,280 | \$9,291  | \$8,379  | \$7,483 | \$9,411  | \$9,420  | \$9,601  |
| Process control  | \$7,277      | \$2,132         | \$2,165      | \$2,125      | \$2,125 | \$8,547      | \$2,100         | \$2,100      | \$2,150      | \$2,150 | \$8,500             | \$2,075         | \$2,025      | \$1,975      | \$1,950 | \$8,025  | \$7,129  | \$6,388 | \$8,336  | \$8,450  | \$8,400  |
| Spec semis   | \$478        | \$138           | \$130        | \$130        | \$140   | \$538        | \$145           | \$150        | \$160        | \$170   | \$625               | \$161           | \$175        | \$185        | \$175   | \$696    | \$492    | \$470   | \$524    | \$565    | \$666    |
| FPD+PCB  | \$308        | \$104           | \$79         | \$55         | \$65    | \$303        | \$65            | \$60         | \$60         | \$65    | \$250               | \$55            | \$55         | \$55         | \$55    | \$220    | \$377    | \$290   | \$349    | \$245    | \$235    |
| Other  | \$268        | \$20            | \$36         | \$40         | \$40    | \$136        | \$40            | \$40         | \$75         | \$75    | \$230               | \$75            | \$75         | \$100        | \$100   | \$350    | \$382    | \$334   | \$202    | \$160    | \$300    |
| Total Service Revenue  | \$2,516      | \$669           | \$680        | \$690        | \$700   | \$2,739      | \$730           | \$740        | \$780        | \$775   | \$3,025             | \$795           | \$825        | \$835        | \$855   | \$3,310  | \$2,117  | \$2,329 | \$2,661  | \$2,860  | \$3,175  |

Source: Company reports, UBS

**Valuation:**

We increase C2026 non-GAAP EPS from \$31.33 to \$34.73 but lower our target multiple to ~21x (from ~22x) as we struggle to see KLAC outperforming peers for two reasons: (1) we believe its WFE share will peak in C25 and start to normalize in C26-onwards, and (2) the stock is currently trading close to record levels from a premium standpoint to other US semicap names (LRCX/KLAC). Consequently, we lower our target multiple to be in line with its 3-yr NTM P/E average, and our PT goes from \$690 to \$740.

**Figure 6: Valuation**

| Valuation             | New            | Old     |
|-----------------------|----------------|---------|
| <b>EPS (Non-GAAP)</b> |                |         |
| <b>C2026E</b>         | <b>\$34.73</b> | \$31.33 |
| <b>Multiple</b>       | <b>21x</b>     | 22x     |
| <b>Price Target</b>   | <b>\$740</b>   | \$690   |

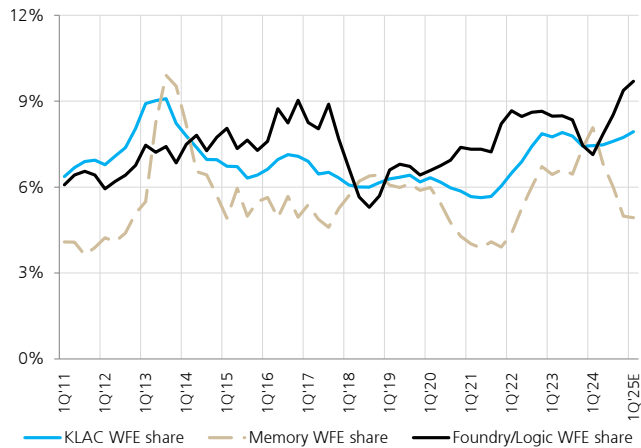
Source: Company reports, UBSe

**Figure 7: KLAC - Multiple Justification**

Source: UBSe, FactSet

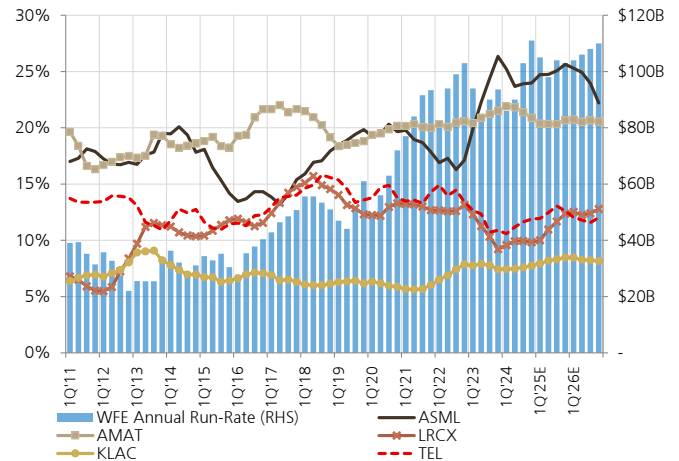
## WFE Charts

Figure 8: KLAC WFE share, TTM



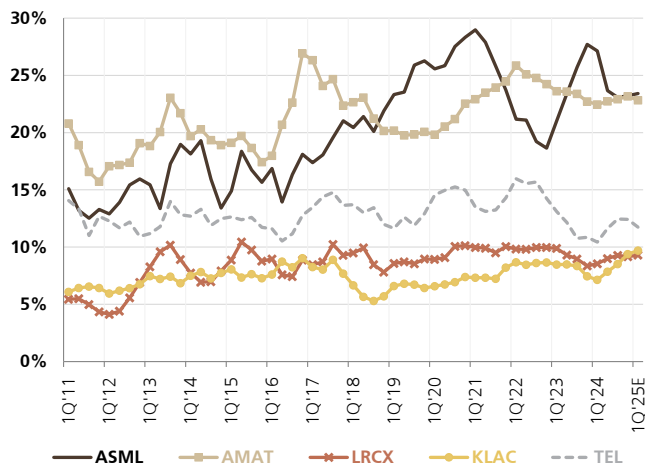
Source: Company reports, UBSe

Figure 9: TTM WFE Share vs WFE Annual Run-Rate



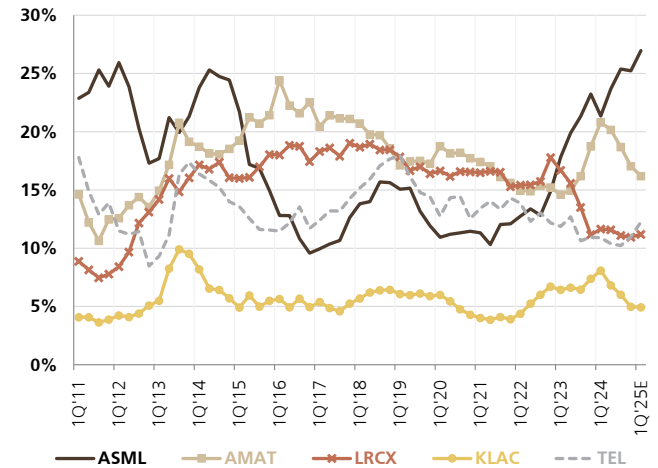
Source: Company reports, UBSe

Figure 10: Share of foundry/logic WFE dollars, TTM



Source: company reports, UBSe

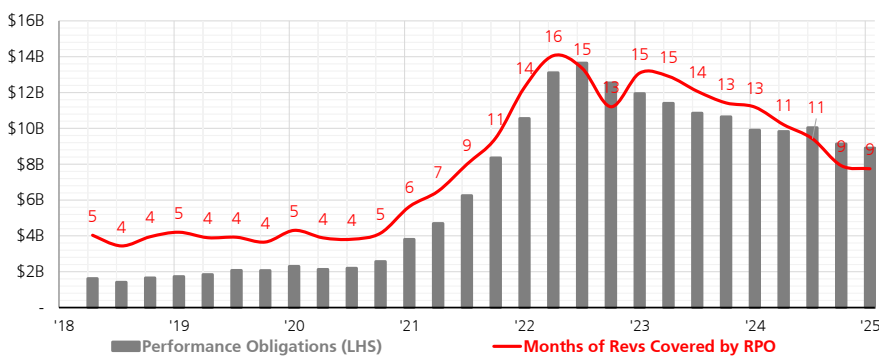
Figure 11: Share of memory WFE dollars, TTM



Source: company reports, UBSe

## Company Charts

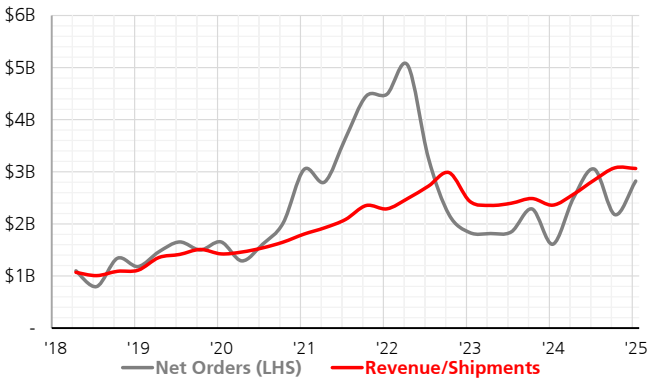
Figure 12: RPO vs Months of Revs Covered



Source: Company data, UBS Research

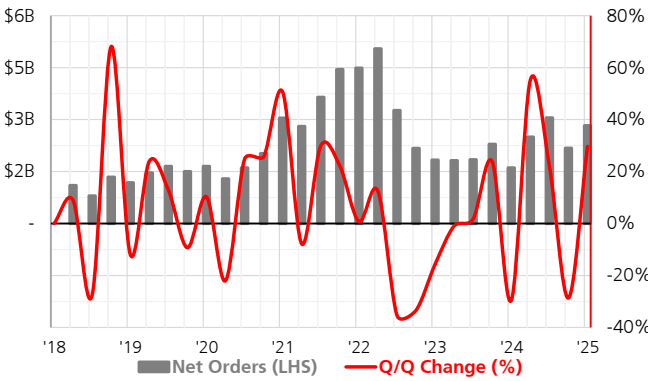


Figure 13: Net Orders vs Revenue/Shipments



Source: Company data, UBS Research

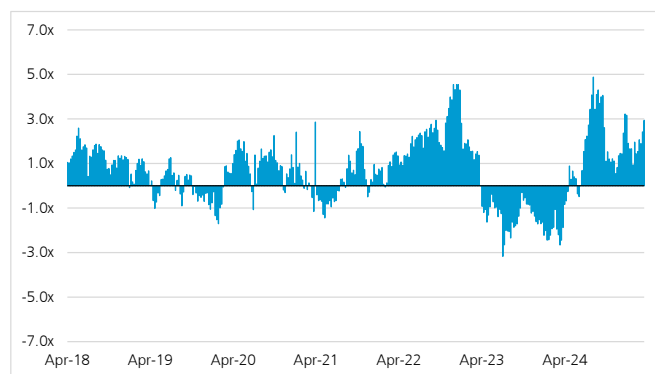
Figure 14: Net Orders vs Q/Q Change



Source: Company data, UBS Research

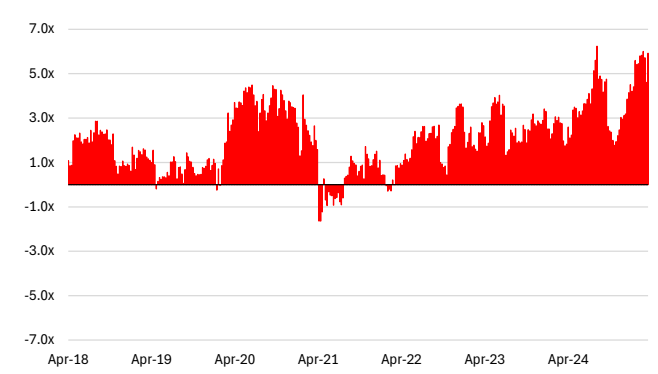
## Valuation Charts

**Figure 15: KLAC's premium to LRCX (on NTM P/E)**



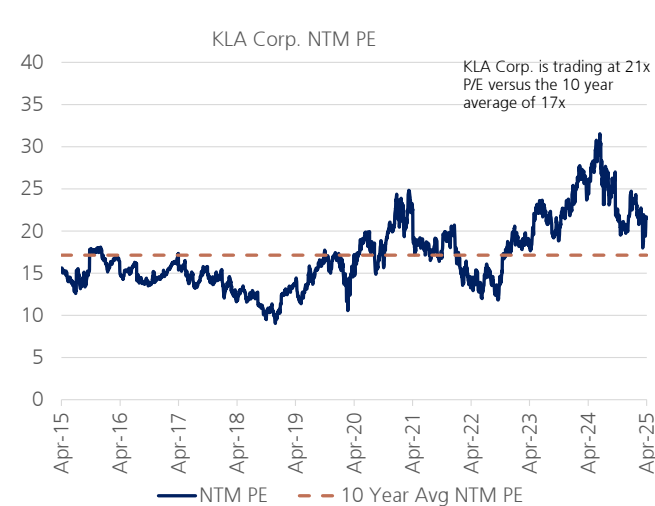
Source: FactSet

**Figure 16: KLAC's premium to AMAT (on NTM P/E)**



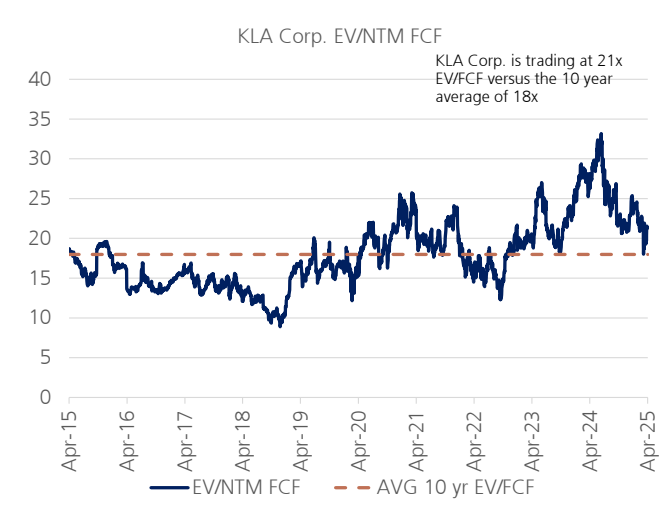
Source: FactSet

**Figure 17: KLAC is trading at ~21x PE...**



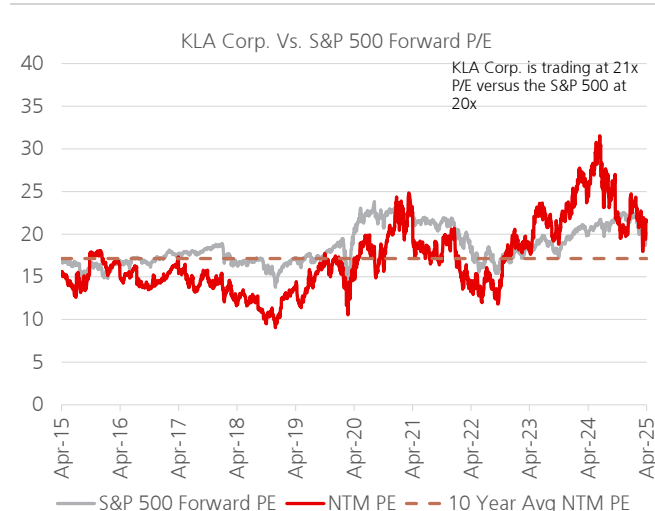
Source: FactSet

**Figure 18: ... and ~21x EV/FCF**



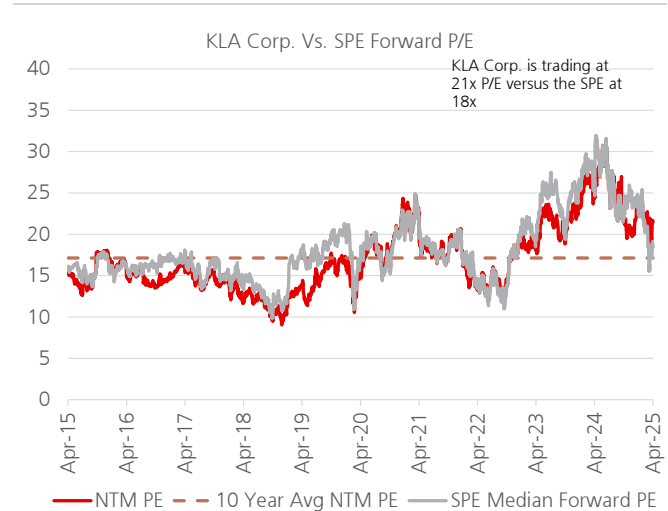
Source: FactSet

**Figure 19: KLAC is trading at a ~1 turn P/E premium to S&P 500...**



Source: FactSet

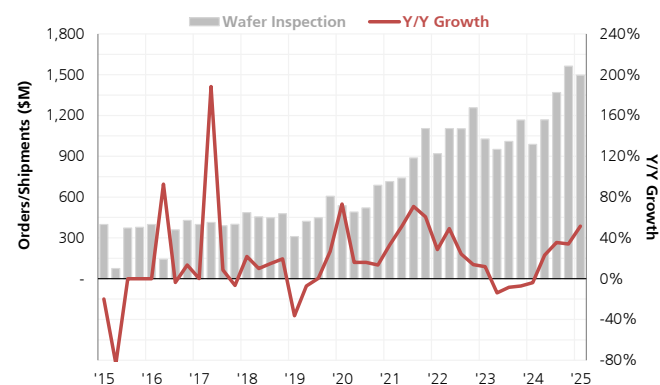
**Figure 20: ... and a ~3 turn P/E premium to SPE**



Source: FactSet

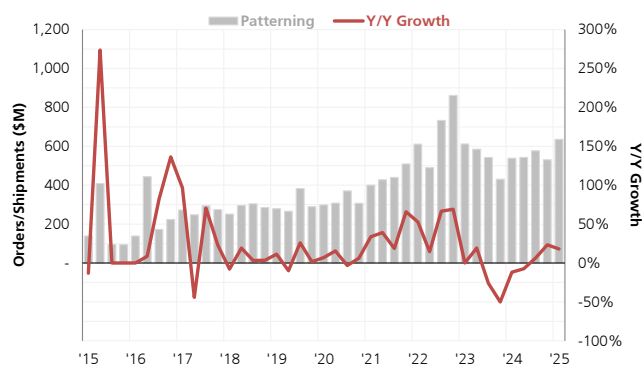
## Appendix

**Figure 21: Wafer Inspection Revenue**



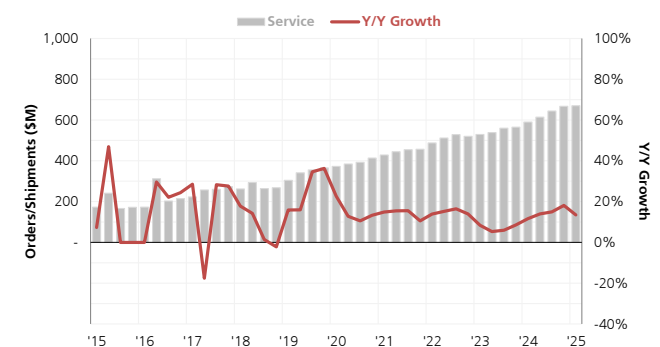
Source: Company reports

**Figure 22: Patterning Revenue**



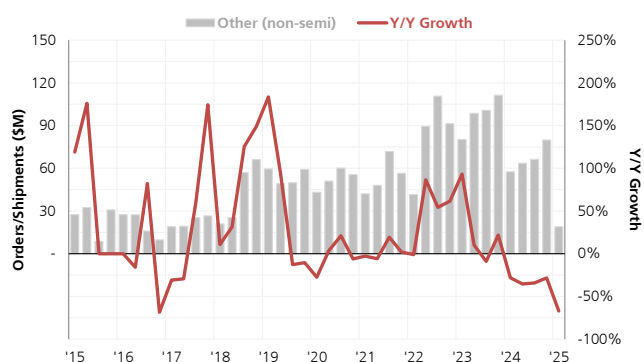
Source: Company reports

**Figure 23: Services Revenue**



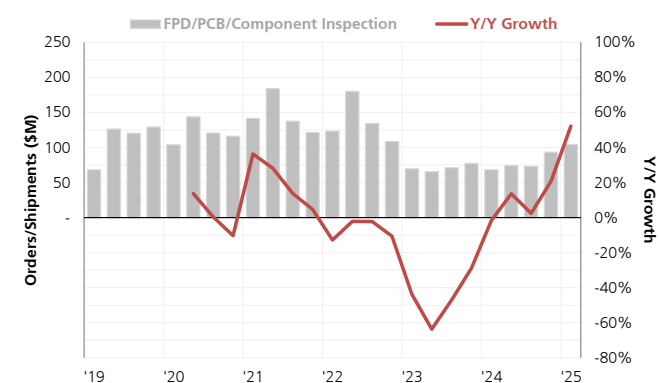
Source: Company reports

**Figure 24: Other Revenue**



Source: Company reports

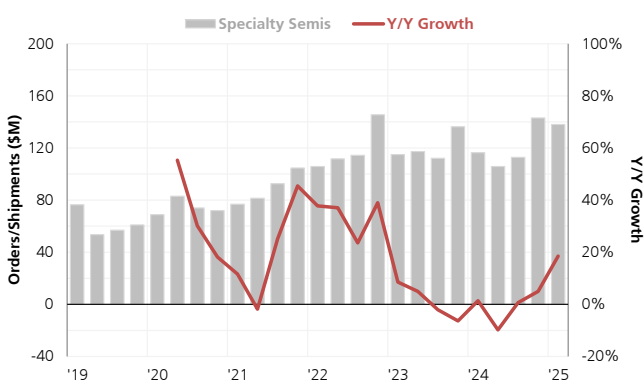
**Figure 25: FPD + PCB Revenue**



Source: Company reports

Note: KLAC has made strategic decision to exit FPD business and expects to complete the exit by Dec 2024.

**Figure 26: SPTS Revenue**



Source: Company reports

## KLA Corporation (KLAC.O)

|   | 06/22          | 06/23          | 06/24          | 06/25E         | %ch           | 06/26E         | %ch          | 06/27E         | 06/28E         | 06/29E         |
|---|----------------|----------------|----------------|----------------|---------------|----------------|--------------|----------------|----------------|----------------|
| <b>Income Statement (US\$m)</b>             |                |                |                |                |               |                |              |                |                |                |
| <b>Revenues</b>                             | <b>9,212</b>   | <b>10,496</b>  | <b>9,812</b>   | <b>12,071</b>  | <b>23.0</b>   | <b>12,280</b>  | <b>1.7</b>   | <b>12,776</b>  | <b>12,495</b>  | <b>12,575</b>  |
| Gross profit                                | 5,619          | 6,278          | 5,884          | 7,384          | 25.5          | 7,620          | 3.2          | 7,977          | 7,808          | 7,875          |
| <b>EBITDA (UBS)</b>                         | <b>4,018</b>   | <b>4,410</b>   | <b>4,037</b>   | <b>5,412</b>   | <b>34.1</b>   | <b>5,555</b>   | <b>2.6</b>   | <b>5,938</b>   | <b>5,746</b>   | <b>5,808</b>   |
| Depreciation & amortisation                 | (363)          | (415)          | (402)          | (396)          | 1.4           | (411)          | -3.8         | (432)          | (422)          | (424)          |
| <b>EBIT (UBS)</b>                           | <b>3,654</b>   | <b>3,995</b>   | <b>3,636</b>   | <b>5,016</b>   | <b>38.0</b>   | <b>5,145</b>   | <b>2.6</b>   | <b>5,506</b>   | <b>5,324</b>   | <b>5,383</b>   |
| Associates & investment income              | 0              | 0              | 0              | 0              | -             | 0              | -            | 0              | 0              | 0              |
| Other non-operating income                  | 0              | 0              | (289)          | (239)          | 17.4          | 0              | -            | 0              | 0              | 0              |
| Net interest                                | (165)          | (206)          | (156)          | (149)          | 4.3           | (136)          | 9.0          | (167)          | (158)          | (142)          |
| Exceptionals (incl goodwill)                | 0              | 0              | 0              | 0              | -             | 0              | -            | 0              | 0              | 0              |
| <b>Pre-tax profit</b>                       | <b>3,489</b>   | <b>3,789</b>   | <b>3,190</b>   | <b>4,628</b>   | <b>45.1</b>   | <b>5,008</b>   | <b>8.2</b>   | <b>5,339</b>   | <b>5,166</b>   | <b>5,241</b>   |
| Tax   | (167)          | (402)          | (428)          | (634)          | -48.1         | (701)          | -10.6        | (747)          | (723)          | (734)          |
| <b>Profit after tax</b>                     | <b>3,322</b>   | <b>3,387</b>   | <b>2,762</b>   | <b>3,994</b>   | <b>44.6</b>   | <b>4,307</b>   | <b>7.8</b>   | <b>4,591</b>   | <b>4,443</b>   | <b>4,508</b>   |
| Preference dividends                        | 0              | 0              | 0              | 0              | -             | 0              | -            | 0              | 0              | 0              |
| Minorities                                  | 0              | 0              | 0              | 0              | -             | 0              | -            | 0              | 0              | 0              |
| Extraordinary items                         | 0              | 0              | 0              | 0              | -             | 0              | -            | 0              | 0              | 0              |
| <b>Net earnings (local GAAP)</b>            | <b>3,322</b>   | <b>3,387</b>   | <b>2,762</b>   | <b>3,994</b>   | <b>44.6</b>   | <b>4,307</b>   | <b>7.8</b>   | <b>4,591</b>   | <b>4,443</b>   | <b>4,508</b>   |
| <b>Net earnings (UBS)</b>                   | <b>3,205</b>   | <b>3,558</b>   | <b>3,234</b>   | <b>4,342</b>   | <b>34.3</b>   | <b>4,307</b>   | <b>-0.8</b>  | <b>4,591</b>   | <b>4,443</b>   | <b>4,508</b>   |
| Tax rate (%)                                | 4.8            | 10.6           | 0.0            | 13.7           | -             | 14.0           | 2.2          | 14.0           | 14.0           | 14.0           |
| <b>Per Share (US\$)</b>                     |                |                |                |                |               |                |              |                |                |                |
| EPS (UBS, diluted)                          | 21.16          | 25.37          | 23.75          | 32.46          | 36.7          | 32.75          | 0.9          | 35.60          | 35.15          | 36.37          |
| EPS (local GAAP, diluted)                   | 21.92          | 24.16          | 20.29          | 29.86          | 47.2          | 32.75          | 9.7          | 35.60          | 35.15          | 36.37          |
| EPS (UBS, basic)                            | 21.30          | 25.51          | 23.89          | 32.59          | 36.4          | 32.75          | 0.5          | 35.60          | 35.15          | 36.37          |
| DPS (net) (US\$)                            | 4.22           | 5.22           | 5.68           | 6.75           | 18.9          | 7.60           | 12.5         | 7.60           | 7.60           | 7.60           |
| Cash EPS (UBS, diluted) <sup>1</sup>        | 23.55          | 28.34          | 26.70          | 35.42          | 32.7          | 35.87          | 1.3          | 38.95          | 38.49          | 39.80          |
| Book value per share                        | 9.88           | 21.35          | 25.06          | 32.99          | 31.7          | 36.00          | 9.1          | 41.42          | 42.16          | 43.53          |
| Average shares (diluted)                    | 152            | 140            | 136            | 134            | -1.7          | 132            | -1.7         | 129            | 126            | 124            |
| <b>Balance Sheet (US\$m)</b>                |                |                |                |                |               |                |              |                |                |                |
| Cash and equivalents                        | 2,708          | 3,243          | 4,504          | 4,473          | -0.7          | 5,367          | 20.0         | 5,946          | 6,125          | 5,347          |
| Other current assets                        | 4,461          | 5,129          | 5,527          | 5,848          | 5.8           | 5,304          | -9.3         | 5,391          | 5,222          | 5,317          |
| <b>Total current assets</b>                 | <b>7,169</b>   | <b>8,372</b>   | <b>10,031</b>  | <b>10,321</b>  | <b>2.9</b>    | <b>10,671</b>  | <b>3.4</b>   | <b>11,337</b>  | <b>11,347</b>  | <b>10,663</b>  |
| Net tangible fixed assets                   | 850            | 1,032          | 1,110          | 1,193          | 7.5           | 1,150          | -3.6         | 1,102          | 1,055          | 1,008          |
| Net intangible fixed assets                 | 3,514          | 3,214          | 2,931          | 1,788          | -39.0         | 1,788          | 0.0          | 1,788          | 1,788          | 1,788          |
| Investments / other assets                  | 1,064          | 1,454          | 1,361          | 2,257          | 65.8          | 2,257          | 0.0          | 2,257          | 2,257          | 2,257          |
| <b>Total assets</b>                         | <b>12,597</b>  | <b>14,072</b>  | <b>15,434</b>  | <b>15,559</b>  | <b>0.8</b>    | <b>15,866</b>  | <b>2.0</b>   | <b>16,484</b>  | <b>16,447</b>  | <b>15,716</b>  |
| Trade payables & other ST liabilities       | 2,871          | 3,743          | 3,911          | 3,898          | -0.3          | 3,898          | 0.0          | 3,904          | 3,885          | 3,888          |
| Short term debt                             | 0              | 0              | 750            | 0              | -             | 0              | -            | 0              | 0              | 0              |
| <b>Total current liabilities</b>            | <b>2,871</b>   | <b>3,743</b>   | <b>4,661</b>   | <b>3,898</b>   | <b>-16.4</b>  | <b>3,898</b>   | <b>0.0</b>   | <b>3,904</b>   | <b>3,885</b>   | <b>3,888</b>   |
| Long term debt                              | 6,661          | 5,891          | 5,880          | 5,883          | 0.1           | 5,883          | 0.0          | 5,883          | 5,883          | 5,083          |
| Other long term liabilities                 | 1,666          | 1,519          | 1,524          | 1,390          | -8.8          | 1,390          | 0.0          | 1,390          | 1,390          | 1,390          |
| Preferred shares                            | 0              | 0              | 0              | 0              | -             | 0              | -            | 0              | 0              | 0              |
| <b>Total liabilities (incl pref shares)</b> | <b>11,198</b>  | <b>11,153</b>  | <b>12,065</b>  | <b>11,172</b>  | <b>-7.4</b>   | <b>11,171</b>  | <b>0.0</b>   | <b>11,178</b>  | <b>11,159</b>  | <b>10,362</b>  |
| <b>Common s/h equity</b>                    | <b>1,401</b>   | <b>2,920</b>   | <b>3,368</b>   | <b>4,387</b>   | <b>30.2</b>   | <b>4,695</b>   | <b>7.0</b>   | <b>5,306</b>   | <b>5,288</b>   | <b>5,354</b>   |
| Minority interests                          | (2)            | 0              | 0              | 0              | -             | 0              | -            | 0              | 0              | 0              |
| <b>Total liabilities &amp; equity</b>       | <b>12,597</b>  | <b>14,072</b>  | <b>15,434</b>  | <b>15,559</b>  | <b>0.8</b>    | <b>15,866</b>  | <b>2.0</b>   | <b>16,484</b>  | <b>16,447</b>  | <b>15,716</b>  |
| <b>Cash Flow (US\$m)</b>                    |                |                |                |                |               |                |              |                |                |                |
| Net income (before pref divs)               | 3,322          | 3,387          | 2,762          | 3,994          | 44.6          | 4,307          | 7.8          | 4,591          | 4,443          | 4,508          |
| Depreciation & amortisation                 | 363            | 415            | 402            | 396            | -1.4          | 411            | 3.8          | 432            | 422            | 424            |
| Net change in working capital               | (305)          | 10             | (201)          | (454)          | -126.1        | 544            | -            | (81)           | 150            | (92)           |
| Other operating                             | (67)           | (143)          | 346            | 270            | -21.8         | 0              | -            | 0              | 0              | 0              |
| <b>Operating cash flow</b>                  | <b>3,312</b>   | <b>3,670</b>   | <b>3,309</b>   | <b>4,206</b>   | <b>27.1</b>   | <b>5,262</b>   | <b>25.1</b>  | <b>4,943</b>   | <b>5,015</b>   | <b>4,840</b>   |
| Tangible capital expenditure                | (307)          | (342)          | (277)          | (328)          | -18.1         | (368)          | -12.5        | (383)          | (375)          | (377)          |
| Intangible capital expenditure              | (479)          | (27)           | (4)            | (3)            | 22.6          | 0              | -            | 0              | 0              | 0              |
| Net (acquisitions) & disposals              | 0              | 0              | 5              | 0              | -96.8         | 0              | -            | 0              | 0              | 0              |
| Other investing                             | (90)           | (114)          | (1,201)        | 360            | -             | 0              | -            | 0              | 0              | 0              |
| <b>Investing cash flow</b>                  | <b>(876)</b>   | <b>(483)</b>   | <b>(1,477)</b> | <b>30</b>      | <b>-</b>      | <b>(368)</b>   | <b>-</b>     | <b>(383)</b>   | <b>(375)</b>   | <b>(377)</b>   |
| Equity dividends paid                       | (639)          | (733)          | (773)          | (903)          | -16.8         | (1,000)        | -10.7        | (980)          | (961)          | (942)          |
| Share issues / (buybacks)                   | (3,968)        | (1,187)        | (1,659)        | (2,177)        | -31.2         | (3,000)        | -37.8        | (3,000)        | (3,500)        | (3,500)        |
| Other financing                             | (49)           | (117)          | (79)           | (79)           | 0.6           | 0              | -            | 0              | 0              | 0              |
| Change in debt & pref shares                | 3,222          | (794)          | 735            | (750)          | -             | 0              | -            | 0              | 0              | (800)          |
| <b>Financing cash flow</b>                  | <b>(1,433)</b> | <b>(2,830)</b> | <b>(1,776)</b> | <b>(3,909)</b> | <b>-120.1</b> | <b>(4,000)</b> | <b>-2.3</b>  | <b>(3,980)</b> | <b>(4,461)</b> | <b>(5,242)</b> |
| <b>Cash flow inc/(dec) in cash</b>          | <b>1,003</b>   | <b>357</b>     | <b>56</b>      | <b>328</b>     | <b>NM</b>     | <b>894</b>     | <b>172.8</b> | <b>579</b>     | <b>179</b>     | <b>(779)</b>   |
| FX / non cash items                         | (789)          | 178            | 1,205          | (359)          | -             | 0              | -            | 0              | 0              | 0              |
| <b>Balance sheet inc/(dec) in cash</b>      | <b>213</b>     | <b>535</b>     | <b>1,261</b>   | <b>(31)</b>    | <b>-</b>      | <b>894</b>     | <b>-</b>     | <b>579</b>     | <b>179</b>     | <b>(779)</b>   |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.<sup>1</sup> Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

# KLA Corporation (KLAC.O)

| Valuation (x)                               | 06/22         | 06/23         | 06/24         | 06/25E        | 06/26E        | 06/27E        | 06/28E        | 06/29E        |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| P/E (local GAAP, diluted)                   | 16.3          | 15.6          | 29.3          | 23.5          | 21.5          | 19.7          | 20.0          | 19.3          |
| P/E (UBS, diluted)                          | 16.9          | 14.8          | 25.0          | 21.6          | 21.5          | 19.7          | 20.0          | 19.3          |
| P/CEPS                                      | 15.1          | 13.2          | 22.1          | 19.8          | 19.6          | 18.0          | 18.3          | 17.7          |
| Equity FCF (UBS) yield %                    | 4.7           | 6.3           | 3.8           | 4.1           | 5.2           | 4.9           | 5.0           | 4.8           |
| Dividend yield (net) %                      | 1.2           | 1.4           | 1.0           | 1.0           | 1.1           | 1.1           | 1.1           | 1.1           |
| P/BV  | 36.2          | 17.6          | 23.7          | 21.3          | 19.5          | 17.0          | 16.7          | 16.1          |
| EV/revenues (core)                          | 6.0           | 5.1           | 8.3           | 7.8           | 7.7           | 7.4           | 7.6           | 7.5           |
| EV/EBITDA (UBS core)                        | 13.8          | 12.2          | 20.3          | 17.5          | 17.0          | 15.9          | 16.5          | 16.3          |
| EV/EBIT (core)                              | 15.2          | 13.5          | 22.5          | 18.9          | 18.4          | 17.2          | 17.8          | 17.6          |
| EV/OpFCF (core)                             | 14.5          | 12.9          | 21.7          | 18.5          | 17.9          | 16.7          | 17.2          | 17.0          |
| EV/op. invested capital                     | 11.5          | 9.9           | 14.8          | 16.8          | 17.2          | 18.1          | 18.4          | 18.7          |
| <b>Enterprise value (US\$m)</b>             | <b>06/22</b>  | <b>06/23</b>  | <b>06/24</b>  | <b>06/25E</b> | <b>06/26E</b> | <b>06/27E</b> | <b>06/28E</b> | <b>06/29E</b> |
| Market cap.                                 | 54,225        | 52,565        | 80,619        | 93,418        | 93,418        | 93,418        | 93,418        | 93,418        |
| Net debt (cash)                             | 1,219         | 1,219         | 1,219         | 1,219         | 1,219         | 1,219         | 1,219         | 1,219         |
| Buy out of minorities                       | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Pension provisions/other                    | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Total enterprise value</b>               | <b>55,444</b> | <b>53,783</b> | <b>81,838</b> | <b>94,637</b> | <b>94,637</b> | <b>94,637</b> | <b>94,637</b> | <b>94,637</b> |
| Non core assets                             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Core enterprise value</b>                | <b>55,444</b> | <b>53,783</b> | <b>81,838</b> | <b>94,637</b> | <b>94,637</b> | <b>94,637</b> | <b>94,637</b> | <b>94,637</b> |
| <b>Growth (%)</b>                           | <b>06/22</b>  | <b>06/23</b>  | <b>06/24</b>  | <b>06/25E</b> | <b>06/26E</b> | <b>06/27E</b> | <b>06/28E</b> | <b>06/29E</b> |
| Revenue                                     | 33.1          | 13.9          | (6.5)         | 23.0          | 1.7           | 4.0           | (2.2)         | 0.6           |
| EBITDA (UBS)                                | 42.4          | 9.8           | (8.4)         | 34.1          | 2.6           | 6.9           | (3.2)         | 1.1           |
| EBIT (UBS)                                  | 46.8          | 9.3           | (9.0)         | 38.0          | 2.6           | 7.0           | (3.3)         | 1.1           |
| EPS (UBS, diluted)                          | 45.4          | 19.9          | (6.4)         | 36.7          | 0.9           | 8.7           | (1.3)         | 3.5           |
| Net DPS                                     | 17.2          | 23.9          | 8.7           | 18.9          | 12.5          | 0.0           | 0.0           | 0.0           |
| <b>Margins &amp; Profitability (%)</b>      | <b>06/22</b>  | <b>06/23</b>  | <b>06/24</b>  | <b>06/25E</b> | <b>06/26E</b> | <b>06/27E</b> | <b>06/28E</b> | <b>06/29E</b> |
| Gross profit margin                         | 61.0          | 59.8          | 60.0          | 61.2          | 62.0          | 62.4          | 62.5          | 62.6          |
| EBITDA margin                               | 43.6          | 42.0          | 41.1          | 44.8          | 45.2          | 46.5          | 46.0          | 46.2          |
| EBIT (UBS) margin                           | 39.7          | 38.1          | 37.1          | 41.6          | 41.9          | 43.1          | 42.6          | 42.8          |
| Net earnings (UBS) margin                   | 34.8          | 33.9          | 33.0          | 36.0          | 35.1          | 35.9          | 35.6          | 35.8          |
| ROIC (EBIT)                                 | NM            | 73.2          | 65.7          | NM            | NM            | NM            | NM            | NM            |
| ROIC post tax                               | 69.4          | 68.7          | 65.7          | NM            | NM            | NM            | NM            | NM            |
| ROE (UBS)                                   | 134.1         | 164.7         | 102.8         | 112.0         | 94.9          | 91.8          | 83.9          | 84.7          |
| <b>Capital structure &amp; Coverage (x)</b> | <b>06/22</b>  | <b>06/23</b>  | <b>06/24</b>  | <b>06/25E</b> | <b>06/26E</b> | <b>06/27E</b> | <b>06/28E</b> | <b>06/29E</b> |
| Net debt / EBITDA                           | 1.0           | 0.6           | 0.5           | 0.3           | 0.1           | 0.0           | 0.0           | 0.0           |
| Net debt / total equity %                   | 282.5         | 90.7          | 63.1          | 32.2          | 11.0          | (1.2)         | (4.6)         | (4.9)         |
| Net debt / (net debt + total equity) %      | 73.9          | 47.6          | 38.7          | 24.3          | 9.9           | (1.2)         | (4.8)         | (5.2)         |
| Net debt/EV %                               | 4.4           | 6.1           | 2.9           | 1.9           | 1.0           | 0.2           | (0.2)         | (0.3)         |
| Capex / depreciation %                      | 84.6          | 82.3          | 69.0          | 82.7          | 89.7          | 88.7          | 88.8          | 88.9          |
| Capex / revenue %                           | 3.3           | 3.3           | 2.8           | 2.7           | 3.0           | 3.0           | 3.0           | 3.0           |
| EBIT / net interest                         | 22.2          | 19.4          | 23.3          | 33.6          | 37.8          | 32.9          | 33.7          | 37.9          |
| Dividend cover (UBS)                        | 5.0           | 4.9           | 4.2           | 4.8           | 4.3           | 4.7           | 4.6           | 4.8           |
| Div. payout ratio (UBS) %                   | 19.8          | 20.5          | 23.8          | 20.7          | 23.2          | 21.3          | 21.6          | 20.9          |
| <b>Revenues by division (US\$m)</b>         | <b>06/22</b>  | <b>06/23</b>  | <b>06/24</b>  | <b>06/25E</b> | <b>06/26E</b> | <b>06/27E</b> | <b>06/28E</b> | <b>06/29E</b> |
| Others                                      | 9,212         | 10,496        | 9,812         | 12,071        | 12,280        | 12,776        | 12,495        | 12,575        |
| <b>Total</b>                                | <b>9,212</b>  | <b>10,496</b> | <b>9,812</b>  | <b>12,071</b> | <b>12,280</b> | <b>12,776</b> | <b>12,495</b> | <b>12,575</b> |
| <b>EBIT (UBS) by division (US\$m)</b>       | <b>06/22</b>  | <b>06/23</b>  | <b>06/24</b>  | <b>06/25E</b> | <b>06/26E</b> | <b>06/27E</b> | <b>06/28E</b> | <b>06/29E</b> |
| Others                                      | 3,654         | 3,995         | 3,636         | 5,016         | 5,145         | 5,506         | 5,324         | 5,383         |
| <b>Total</b>                                | <b>3,654</b>  | <b>3,995</b>  | <b>3,636</b>  | <b>5,016</b>  | <b>5,145</b>  | <b>5,506</b>  | <b>5,324</b>  | <b>5,383</b>  |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

**Forecast returns**

|                             |       |
|-----------------------------|-------|
| Forecast price appreciation | 5.3%  |
| Forecast dividend yield     | 1.1%  |
| Forecast stock return       | 6.4%  |
| Market return assumption    | 8.6%  |
| Forecast excess return      | -2.2% |

**Company Description**

KLA-Tencor Corporation is a Milpitas, CA-based company that designs and develops process control and yield management solutions for semiconductor and other related nano-electronics industries. Major products include wafer inspection (45-50% of sales), patterning equipment (25-30%), and associated service and support (20-25%). End-customer categories are foundry (45-55% of sales), memory (30-50%), and logic and others (~10%).

**Valuation Method and Risk Statement**

KLAC: We use a P/E valuation methodology on KLAC. Risk to upside and downside for our universe of semiconductor and semiconductor equipment stock include macroeconomic and geopolitical environments, M&A, market share loss/gain, currency fluctuations, tax policies, amongst others. Macroeconomic conditions and a slowdown in end markets for semiconductors may lead to curtailment of spending on capital equipment and deferral/postponement of orders placed with KLAC.

## Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on [ubs-quant-answers@ubs.com](mailto:ubs-quant-answers@ubs.com). A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

### KLA Corporation

| Question   | Response |
|--|----------|
| 1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)   | 3        |
| 2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher, 3 = no change, 5 = getting better, N/A = no view)                                | 3        |
| 3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)                         | 3        |
| 4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)                | N/A      |
| 5. What's driving the difference?  |          |
| 6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of: (1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view) | N/A      |
| 7. What's driving the difference?  |          |
| 8. Is there an upcoming catalyst for the company over the next three months?   |          |
| 9. Is there an actual or approximate date for the catalyst?  |          |
| 10. Is the catalyst date an actual or approximate date?  |          |
| 11. What is the catalyst?  |          |

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| 12-Month Rating   | Definition  | Coverage <sup>1</sup> | IB Services <sup>2</sup> |
|-------------------|---|-----------------------|--------------------------|
| Buy               | FSR is > 6% above the MRA.  | 52%                   | 24%                      |
| Neutral           | FSR is between -6% and 6% of the MRA.   | 40%                   | 20%                      |
| Sell              | FSR is > 6% below the MRA.  | 8%                    | 22%                      |
| Short-Term Rating | Definition  | Coverage <sup>3</sup> | IB Services <sup>4</sup> |
| Buy               | Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event. | <1%                   | <1%                      |
| Sell              | Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. | <1%                   | <1%                      |

Source: UBS. Rating allocations are as of 31 March 2025.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.



**KEY DEFINITIONS: Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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**UBS Securities LLC:** Aaryan Wadhwa, Gianmarco Vella, Grant Joslin, Mayur Ramdhani, Timothy Arcuri.

## Company Disclosures

| Company Name                            | Reuters | 12-month rating | Price      | Price date  |
|---|---------|-----------------|------------|-------------|
| <b>KLA Corporation</b> <sup>16,28</sup> | KLAC.O  | Neutral         | US\$702.69 | 30 Apr 2025 |

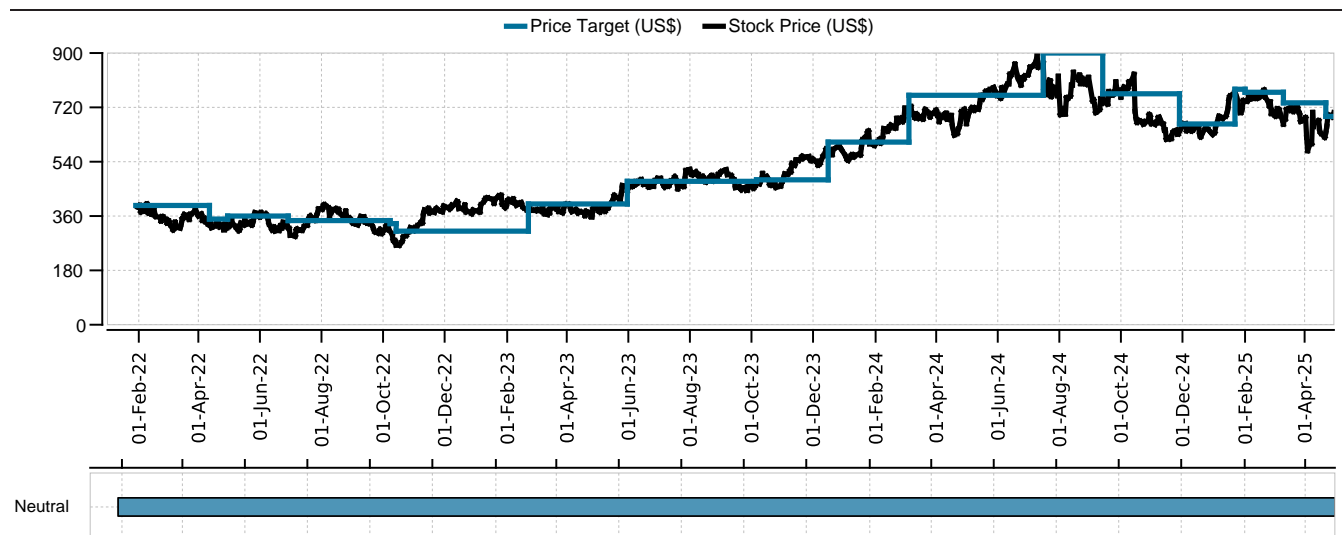
Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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## KLA Corporation (US\$)



| Date       | Stock Price (US\$) | Price Target (US\$) | Rating  |
|------------|--------------------|---------------------|---------|
| 2022-01-28 | 366.65             | 395.00              | Neutral |
| 2022-04-11 | 331.47             | 350.00              | Neutral |
| 2022-04-29 | 319.26             | 360.00              | Neutral |
| 2022-06-28 | 330.09             | 345.00              | Neutral |
| 2022-10-07 | 314.16             | 335.00              | Neutral |

| Date       | Stock Price (US\$) | Price Target (US\$) | Rating  |
|------------|--------------------|---------------------|---------|
| 2022-10-13 | 278.54             | 310.00              | Neutral |
| 2023-02-21 | 378.34             | 400.00              | Neutral |
| 2023-05-30 | 458.73             | 475.00              | Neutral |
| 2023-10-05 | 461.08             | 480.00              | Neutral |
| 2023-12-15 | 585.13             | 605.00              | Neutral |
| 2024-03-04 | 717.81             | 760.00              | Neutral |
| 2024-07-15 | 858.12             | 900.00              | Neutral |
| 2024-09-12 | 733.28             | 765.00              | Neutral |
| 2024-11-27 | 632.14             | 665.00              | Neutral |
| 2025-01-21 | 767.24             | 780.00              | Neutral |
| 2025-01-31 | 738.24             | 770.00              | Neutral |
| 2025-03-10 | 678.36             | 735.00              | Neutral |
| 2025-04-21 | 620.80             | 690.00              | Neutral |

Source: UBS Global Research; LSEG Eikon as of 30-Apr-2025. All prices as of local market close. Ratings as of date shown.

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