

KLA Corporation (KLAC)

\$1,245.67 (Stock Price as of 12/19/2025)

Price Target (6-12 Months): **\$1,280.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/04/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: C

Value: D

Growth: B

Momentum: D

Summary

KLA's fiscal first-quarter revenues and earnings increased year over year. The uptick can be attributed to strong demand in leading-edge logic, high-bandwidth memory (HBM) and advanced packaging, which drove growth in the semiconductor industry. Advanced packaging is expected to exceed \$925 million in 2025. The company's robust portfolio and its leadership in process control systems are enabling customers to manage increasing design complexity. The services business also performed well, contributing significantly to revenue growth. KLA is well-positioned to capitalize on AI advancements, with AI driving demand for higher-value wafer processing and more complex designs. However, extended U.S. export controls on China impacted revenues in the reported quarter. Tariff-related uncertainties also impacted the company's performance.

Data Overview

52 Week High-Low	\$1,284.47 - \$551.33
20 Day Average Volume (sh)	879,078
Market Cap	\$160.6 B
YTD Price Change	94.0%
Beta	1.44
Dividend / Div Yld	\$7.60 / 0.6%
Industry	Electronics - Miscellaneous Products
Zacks Industry Rank	Top 30% (73 out of 243)

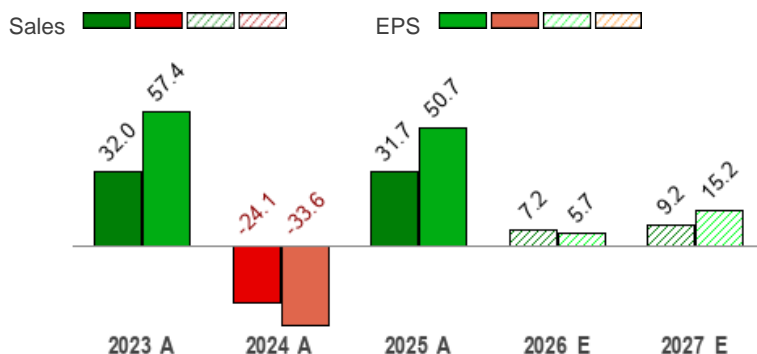
Last EPS Surprise	3.0%
Last Sales Surprise	1.7%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	01/29/2026
Earnings ESP	0.0%

P/E TTM	35.1
P/E F1	56.4
PEG F1	5.4
P/S TTM	12.8

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027					14,239 E
2026	3,210 A				13,036 E
2025	2,842 A	3,077 A	3,063 A	3,175 A	12,156 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027					40.55 E
2026	8.81 A				35.19 E
2025	7.33 A	8.20 A	8.41 A	9.38 A	33.28 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/19/2025.

(2) The report's text and the price target are as of 12/02/2025.

Overview

San Jose, CA-based KLA Corporation is an original equipment manufacturer (OEM) of process diagnostics and control (PDC) equipment and yield management solutions required for the fabrication of semiconductor integrated circuits (ICs) or chips. The company has a comprehensive portfolio of products addressing each major PDC subsegment—photomask (reticle) inspection, wafer inspection/defect review and metrology.

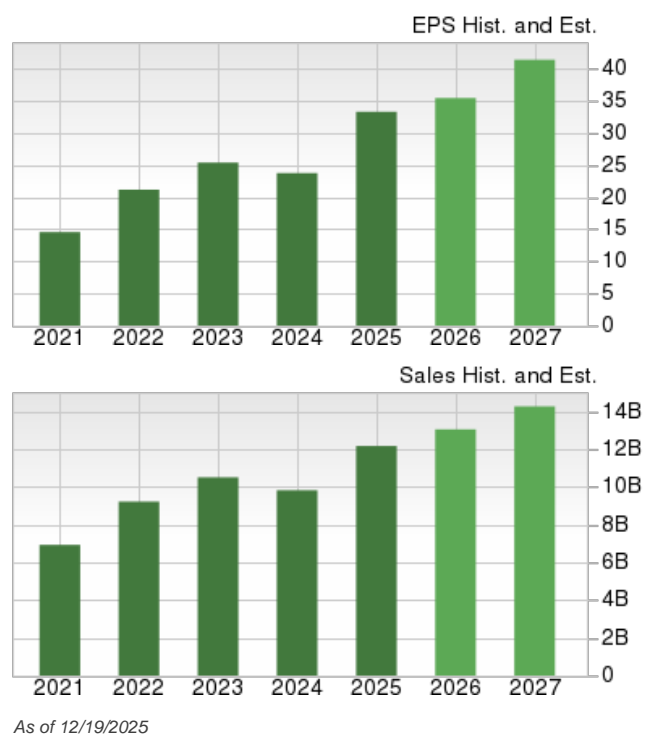
Reticle production is vital to the semiconductor device formation process. Reticles are used to control the precise deposition of materials onto the wafer, which ultimately change its chemical characteristics, imparting specific functionalities to the ICs thus created. Inspection and metrology tools measure the quality of the reticles, helping to improve reticle production yields. As a result of the broader applicability of semiconductors, shrinking form factors and increasing functionalities of individual chips, reticle design and production are growing in importance. Intel and Taiwan Semiconductor were the largest customers in the last three years, accounting for more than 10% of total sales in each year.

KLA reported revenues of \$12.16 billion in fiscal 2025. Product revenues accounted for 78% while the rest came from Service segment.

KLA's two main product lines are defect inspection and metrology. The company's defect inspection tools have very broad application in chip, wafer, reticle, storage, compound semiconductor and MEMS manufacturing. Metrology tools are used to gather critical dimension measurements of the wafer and process dimensions such as film thickness, lithography overlay and surface profiling. The company's metrology products are used in chip, wafer, reticle and solar device manufacturing. KLA also offers other products and services.

In addition to new tools, KLA also offers a comprehensive portfolio of refurbished tools that upgrade and improve yields of existing equipment under the KT-Certified program. Refurbished tools are currently sold to IC, reticle, substrate, MEMS and data storage manufacturers.

Although KLA is a major player in each of its served markets, it faces competition from other large equipment suppliers such as Applied Materials and Hitachi High-Technologies Corporation.



Reasons To Buy:

- ▲ KLA is a major player in each of its served markets. The company offers complete yield management solutions, including hardware, software and services that help improve the output and reduce overall production costs. Cost reduction is of primary importance today, as increasing competition across all growing end markets leads to demand for lower-cost components. Since yield management solutions improve manufacturing costs, demand for these products remains strong at any point in the business cycle. Therefore, the company's revenues are generally more stable than other equipment suppliers and its performance more steady in recessionary conditions.
- ▲ Technology transitions are generally positive for equipment companies, since companies need to extend capacity and tooling to try out new processes and technologies, and improve yields on them. Production ramps only after satisfactory yields are achieved, so demand for yield management solutions are high. There are a number of technology transitions (FinFET, 3D NAND, TSV and multi-patterning) that will drive KLA's demand in the following quarters. The demand for greater densities and efficiencies within chip packages are increasing complexities of semiconductor devices, which will continue to drive demand for yield management solutions.
- ▲ Process control is a critical function for foundries, since they are large-scale manufacturers of semiconductors. With new-age technologies increasing process complexities, foundries are hard-pressed to increase yields sufficiently in order to lower costs. Moreover, with such a large percentage of semiconductors currently going into consumer goods, they are also under pressure to speed up the manufacturing process. This is because consumer goods producers compete on the basis of new products and they also often want very large quantities of products at short notice in order to build a market position. These market dynamics favor KLAC, as demand for consumer electronic products (particularly, smartphones and tablets) continues to increase. At the moment, there is a great push to shift production to lower geometries (20nm to 16nm to 14nm), with each transition requiring significant investment in process control equipment, particularly inspection tools. KLA's exposure to the memory segment remains relatively low, but memory typically requires lower investment in process control, so this is not really a prime segment for KLA.
- ▲ KLA has also benefited from its new product development strategy. Equipment companies typically work closely with customers, who make the actual purchase long after they have looked at the product and tested its suitability. Therefore, new products are usually an instant success. In the last fiscal year, KLA introduced a number of new front-end defect inspection products that are expected to augment its existing portfolio. KLA's focus on innovation continues to date.
- ▲ KLA has a strong balance sheet and generates significant cash flow. As of Sept. 30, 2025, cash, cash equivalents, and marketable securities totalled \$4.68 billion compared with long-term debt of \$5.88 billion. Cash flow from operating activities was \$1.16 billion for the reported quarter. The free cash flow was \$1.07 billion for the fiscal first quarter. KLAC repurchased \$545 million worth of shares and paid \$254 million in dividends.

KLA is a major player in each of its served markets. The company offers complete yield management solutions, including hardware, software and services that reduce production cost.

Reasons To Sell:

- ▼ The primary concern regarding KLA shares is the uncertainty regarding the timing of capex spending. While demand is definitely there, it is not in the markets KLA serves, so will not benefit the company. Exposure to memory makers like SanDisk, Toshiba, Micron, Hynix, etc has been increasing over time, but it still isn't significant to move the needle for KLA.
- ▼ While not an immediate concern, e-beam inspection technology could be disruptive for KLA's inspection tools. The technology has been slow to develop and even now, remains a slower process. However, it does provide material advantages over traditional inspection tools from KLA that could materially improve yields at lower nodes. It is likely that adoption will not speed up overnight, but we would like to see KLA's solution to the problem, especially considering the fact that inspection is a major chunk of its business.
- ▼ Competition in the refurbished equipment market is likely to remain. While there are just a handful of suppliers making new tools, the refurbished space is more crowded, with many players including auctioneers, universities and even online sales channels, such as eBay. The number of companies going out of business during the last downturn has increased the supply of used equipment at very attractive prices. Additionally, buyers are loath to spend more on new equipment when they have the option of using perfectly functional old equipment.

Intensifying competition, concentrated customer base and e-beam inspection technology pose serious threat to KLA.

Last Earnings Report

KLA Corporation Q1 Earnings Surpass Estimates, Revenues Increase Y/Y

KLA Corporation reported first-quarter fiscal 2026 non-GAAP earnings of \$8.81 per share, beating the Zacks Consensus Estimate by 3.04%. The figure surged 20.2% year over year.

Revenues increased 13% year over year to \$3.21 billion, surpassing the Zacks Consensus Estimate by 1.72%.

KLAC's Q1 Segmental Details

In terms of reportable segments, Semiconductor Process Control revenues (90.3% of total revenues) increased 12.6% year over year and 1% sequentially to \$2.89 billion.

Foundry & Logic accounted for about 74%, whereas Memory constituted about 26% of Semiconductor Process Control revenues.

Specialty Semiconductor Process revenues (3.7% of total revenues) were \$119.8 million, down 6.7% year over year and 16% sequentially.

PCB and Component Inspection revenues (5.9% of total revenues) increased 37.3% year over year to \$189.5 million, and up 23% on a sequential basis.

Product revenues (which accounted for 76.8% of total revenues) rose 12.2% year over year to \$2.46 billion. Service revenues (23.2% of total revenues) increased 15.6% year over year and 6% sequentially to \$744.7 million.

In terms of major products, Wafer Inspection and Patterning Systems (including metrology and reticle inspection) accounted for 48% and 21%, respectively, of KLA's total revenues in the fiscal first quarter.

Wafer Inspection revenues increased 12% year over year but decreased 13% sequentially to \$1.53 billion. Patterning revenues moved up 16% year over year and 47% sequentially to \$668 million.

In terms of the regional breakdown of revenues, Taiwan and China led revenue contributions with 25% and 39%, respectively. Korea accounted for 9%, Japan 9%, and North America 9%. Europe contributed 5%, whereas the remaining 3% came from the rest of Asia.

KLA's Operating Details

In the first quarter of fiscal 2026, the non-GAAP gross margin was 62.5%, 50 basis points above the midpoint of the guidance range.

Research and development (R&D) expenses increased 11.5% year over year to \$360.5 million. As a percentage of revenues, R&D expenses decreased 10 basis points (bps) on a year-over-year basis to 11.2%.

Selling, general and administrative (SG&A) expenses increased 7.1% year over year to \$269 million. As a percentage of revenues, SG&A expenses decreased 50 bps year over year to 8.4%.

The fiscal first-quarter non-GAAP operating expenses were \$618.

The fiscal first-quarter non-GAAP operating margin was 43.2%.

KLAC Balance Sheet & Cash Flow

As of Sept. 30, 2025, cash, cash equivalents, and marketable securities totaled \$4.68 billion compared with \$4.49 billion as of June 30, 2025.

Long-term debt at the end of the fiscal first quarter was \$5.88 billion, unchanged from the figure reported in the previous quarter.

Cash flow from operating activities was \$1.16 billion, unchanged from the figure reported in the previous quarter. The free cash flow was \$1.07 billion for the fiscal first quarter.

In the fiscal first quarter, KLAC repurchased \$545 million worth of shares and paid \$254 million in dividends.

On April 30, 2025, KLAC announced a \$5 billion share repurchase authorization.

KLAC Provides Positive 2Q26 Guidance

For second-quarter fiscal 2026, revenues are expected to be \$3.225 billion, plus/minus \$150 million.

KLA expects non-GAAP earnings of \$8.70 per share, plus/minus 78 cents. The company expects a non-GAAP gross margin of 62%, plus/minus 1%. Operating expense is expected to be roughly \$635 million in the fiscal second quarter.

FY Quarter Ending **6/30/2025**

Earnings Reporting Date	Oct 29, 2025
Sales Surprise	1.72%
EPS Surprise	3.04%
Quarterly EPS	8.81
Annual EPS (TTM)	34.80

Recent News

On Aug. 7, KLA Corporation declared a quarterly cash dividend of \$1.90 per share, payable Sept. 3, 2025, to shareholders of record as of Aug. 18, 2025.

On May 22, 2025, KLA Corporation inaugurated a new \$138 million R&D and manufacturing facility in Newport, Wales, spanning 237,000 sq. ft including 25,000sq.ft of clean room R&D space and 35,001 sq.ft of manufacturing and demo areas. The expansion supports up to 750 employees and advances semiconductor process technologies across advanced packaging, power devices, MEMS, RF, and photonics.

On May 8, 2025, KLA declared a quarterly cash dividend of \$1.90 per share, payable on June 3 to shareholders of record as of May 19.

Valuation

KLA shares are up 49.1% in the past six-months period and 73.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 26.9% while the Zacks Computer & Technology sector is up 27.8% in the past six-months period. Over the past year, the Zacks sub-industry has been up 18.5% while the sector is up 26.7%.

The S&P 500 index is up 17.7% in the past six-months period and 16.1% in the past year.

The stock is currently trading at 30.55X forward 12-month earnings, which compares to 23.83X for the Zacks sub-industry, 28.71X for the Zacks sector, and 23.57X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.56X and as low as 11.19X, with a 5-year median of 20.97X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$1280 price target reflects 34.55X forward 12-month sales.

The table below shows summary valuation data for KLAC

Valuation Multiples - KLAC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	30.55	23.83	28.71	23.57
	5-Year High	36.56	27.51	30.04	23.82
	5-Year Low	11.19	15.09	18.7	15.73
	5-Year Median	20.97	21.27	26.45	21.19
P/S TTM	Current	12.23	8.46	8.53	5.99
	5-Year High	13.06	8.77	8.75	6.17
	5-Year Low	3.81	1.92	4.39	4
	5-Year Median	7.63	2.93	7.23	5.36
EV/EBITDA TTM	Current	25.46	167.2	19.56	18.65
	5-Year High	27.19	176.14	23.68	22.41
	5-Year Low	8.94	18.08	12.05	13.87
	5-Year Median	17.69	26.19	18.36	17.96

As of 12/01/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 28% (67 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
NVIDIA Corporation (NVDA)	Outperform	1
Rockwell Automation, Inc. (ROK)	Outperform	2
Garmin Ltd. (GRMN)	Neutral	3
Hoya Corp. (HOCY)	Neutral	4
Smc Corporation (SMCAY)	Neutral	4
Timken Company (The) (TKR)	Neutral	3
Tokyo Electron Ltd. (TOELY)	Neutral	2
Texas Instruments Inc. (TXN)	Neutral	3

Industry Comparison⁽¹⁾ Industry: Electronics - Miscellaneous Products

	KLAC	X Industry	S&P 500	GRMN	NVDA	ROK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	3	-	-	3	1	2
VGM Score	C	-	-	F	C	C
Market Cap	160.61 B	225.91 M	38.81 B	38.89 B	4,231.60 B	43.97 B
# of Analysts	8	2	22	4	17	8
Dividend Yield	0.62%	0.00%	1.41%	1.78%	0.02%	1.41%
Value Score	D	-	-	D	F	D
Cash/Price	0.03	0.09	0.04	0.06	0.01	0.01
EV/EBITDA	29.00	3.33	14.58	19.39	48.51	28.43
PEG Ratio	5.33	1.86	2.21	2.29	0.81	2.65
Price/Book (P/B)	32.22	1.81	3.30	4.59	35.59	11.86
Price/Cash Flow (P/CF)	31.72	16.37	15.05	24.14	56.95	25.25
P/E (F1)	55.34	24.48	19.66	24.67	37.53	32.80
Price/Sales (P/S)	12.82	1.93	3.08	5.60	22.61	5.27
Earnings Yield	2.90%	2.97%	5.02%	4.06%	2.66%	3.05%
Debt/Equity	1.18	0.06	0.57	0.00	0.06	0.70
Cash Flow (\$/share)	38.53	0.24	8.99	8.38	3.06	15.51
Growth Score	B	-	-	D	B	B
Hist. EPS Growth (3-5 yrs)	19.94%	3.98%	8.16%	7.74%	94.19%	4.80%
Proj. EPS Growth (F1/F0)	-33.62%	20.20%	8.60%	10.96%	55.18%	13.39%
Curr. Cash Flow Growth	29.56%	-6.04%	6.75%	28.48%	140.54%	21.60%
Hist. Cash Flow Growth (3-5 yrs)	17.82%	4.44%	7.43%	10.99%	87.52%	10.27%
Current Ratio	2.69	1.98	1.18	3.32	4.47	1.14
Debt/Capital	54.14%	15.35%	38.01%	0.00%	5.91%	41.33%
Net Margin	33.83%	1.29%	12.78%	22.63%	53.01%	10.42%
Return on Equity	107.26%	6.45%	17.00%	19.42%	99.24%	32.69%
Sales/Assets	0.80	0.71	0.53	0.69	1.39	0.75
Proj. Sales Growth (F1/F0)	-24.10%	0.00%	5.79%	13.30%	62.00%	5.80%
Momentum Score	D	-	-	D	C	D
Daily Price Chg	4.30%	0.70%	0.79%	0.36%	1.87%	0.53%
1 Week Price Chg	-1.69%	0.00%	-1.83%	2.34%	-4.05%	0.22%
4 Week Price Chg	10.88%	5.06%	3.61%	8.07%	-3.60%	6.22%
12 Week Price Chg	15.42%	0.00%	2.57%	-14.58%	-2.00%	15.17%
52 Week Price Chg	96.47%	-1.57%	15.47%	-1.57%	33.26%	36.93%
20 Day Average Volume	879,078	146,986	2,770,348	1,055,543	184,354,848	897,123
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.04%	0.00%	0.00%	0.00%	3.18%	0.59%
(F1) EPS Est 12 week change	3.03%	0.62%	0.69%	0.21%	4.51%	4.71%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	8.31%	1.92%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	B
Momentum Score	D
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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