KLA Corp

Company Analysis - Investment Rating

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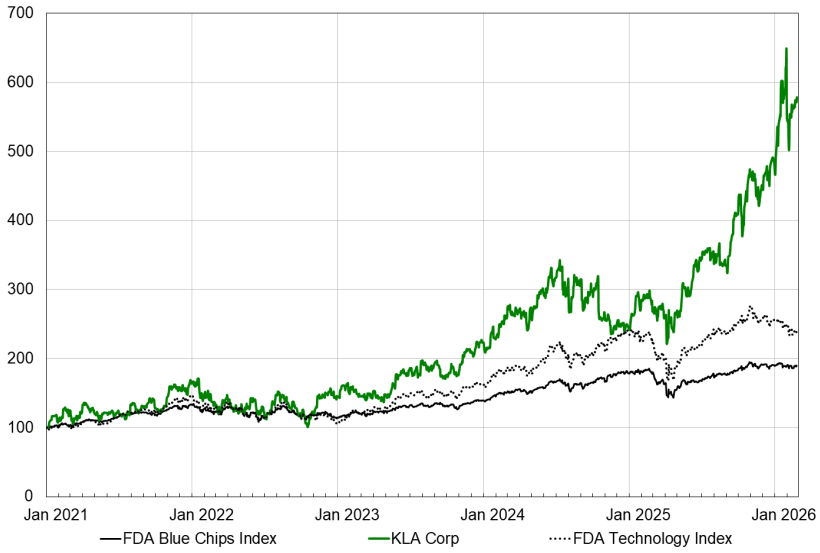
25 Februari 2026

date	24/02/2026	**index**	S&P 500	**FDA rating**	14
stock price	USD 1506.65	**country**	US	**FDA valuation**	+
market cap.	USD 205.1 bn	**freefloat**	100 %	**FDA sustainability**	78%

Investment Summary

KLA Corporation is among the pioneers in process control tools for the semiconductor industry. In 1997, the Silicon Valley-headquartered firm merged with close rival Tencor to become the clear market leader. It accounts for more than half the market of process control equipment, which is used by semiconductor manufacturers to tune chip production lines and identify particles and chip defects to maximise production yields.



Process control is expected to outpace the overall growth of chip equipment investments in the coming years. Chip designs are becoming more complex while the size and value of chips - particularly those used for AI applications - are increasing as well. On top of this, there is an increasing number of designs at the leading edge, as more and more companies design their own custom chips. Overall, this leads to a more complex and diverse production environment for leading-edge logic manufacturers, boosting demand for process control tools. At the same time, the AI boom is widening KLA´s opportunities in the memory segment and opening up the packaging market for KLA due to the shift towards `advanced packaging´ technologies.

Semiconductor manufacturing is dominated by a handful of companies, especially for the most advanced chips. Similar concentration is visible among the highly specialised firms that supply the leading chip manufacturers such as TSMC. As new manufacturing technologies require expensive and lengthy research and development trajectories, new tools are often developed in close cooperation between suppliers and their clients. This benefit to incumbents is compounded by the entry barriers resulting from the technological leadership developed through years of high research and development spending.

A large variety of tools and technologies is used to check different chip production steps and KLA offers a broad portfolio of process tools and associated software. Most of the firm´s competitors are substantially smaller and focus on niche technologies or production steps. Large semiconductor equipment manufacturers, such as ASML and Applied Materials, also sell process control tools in combination with their manufacturing equipment. However, their share of the process control equipment market remains small. Japanese firm Lasertec is an emerging competitor, focused on EUV mask inspection tools. However, adoption of Lasertec´s current generation of tools by leading chipmakers for their latest production lines has been less than earlier expected due to high cost-of-ownership whereas KLA has reported strong growth in this segment in recent quarters. Lasertec´s next-generation tools may see greater adoption whereas its tools may also see more demand when high-NA EUV lithography is introduces, but KLA has competing tools in development that will be introduced alongside the industry transition to high-NA EUV lithography.

KLA sales to China reached more than 40 per cent of revenues in 2024, as China ramped up investments in chip production equipment while elsewhere chipmakers were focused on absorbing existing capacity. China´s share of sales is expected to drop to the high 20s because of lower overall Chinese investments in chip equipment, tighter export restrictions and the expected increase in investments outside of China. A further escalation of trade tensions between the US and China presents a risk while China´s strategy to become self-sufficient in chip equipment tools will likely narrow the long-term growth opportunities for KLA in China.

Still, worldwide investment in chip production capacity is set to expand significantly in the foreseeable future due to the supply crunch created by the AI boom. Moreover, several key technological trends within the semiconductor industry are expanding KLA´s addressable market and will structurally support investments in process control tools. Given its broad portfolio and market leading position, KLA is well-positioned to capitalise on this demand. The shares of KLA are among FDA´s preferred investment choices.

The FDA Blue Chips index consists of around 400 stocks. Included are the largest EU and US companies by market capitalisation supplemented by relevant peers provided they meet certain market capitalisation and information thresholds. The FDA Blue Chips index is a market-capitalisation weighted price-index measured in EUR. FDA sector indices are constructed from the stocks included in the FDA Blue Chips index.

Valuation Recommendation

After tripling from 2015 to 2022, capital investments across the semiconductor industry stagnated for around three years as chipmakers were absorbing the substantial capacity additions that were made during the pandemic. However, the insatiable demand for AI chips is now quickly pushing up utilisation rates, which has led chipmakers to substantially accelerated their expansion plans in the final months of 2025. Based on the outlook of chipmakers, spending on so-called `wafer fabrication equipment´ (WFE) is likely to grow in the mid-teens in 2026 with further increases in 2027.

The AI boom has pulled forward some of the earlier long-term expectations for the growth of the semiconductor industry. Semiconductor sales were expected to reach around USD 1,000 bn by 2030 but more recent estimates suggest that this level may already be passed in 2027. A caveat is that this is strongly driven by the end market demand for AI chips and thus sensitive to any changes in the medium-term outlook for AI applications and the associated computing power. Still, if capital intensity would stay around the current roughly 15 per cent of semiconductor sales - which is not unlikely given the rising manufacturing complexity - WFE spending could reach USD 150 bn by 2027 already, marking a roughly 50 per cent increase from the 2022-2024 average. The availability of clean room space will likely be a gating factor in 2026. Additional clean rooms can simply not be built as fast as the current desire to ramp up production capacity. This may also hold back equipment deliveries. Whereas utilisation rates are rising for all semiconductor segments, it is clear that bottlenecks are particularly substantial in the memory segment, given the sharp price increases for memory chips in recent months. This may lead to particularly strong increases in memory capex.

Taking all this into account, spending on process control equipment is likely also to rise by mid-teens percentage in calendar 2026 and 2027. KLA should be able to benefit from this, although the management has stated it is unable to fulfil all demand in the first half of calendar 2026 due to supply constraints while fab-readiness will also influence deliveries and therefore the timing and magnitude of the revenue growth acceleration in 2026 and 2027. FDA Consultancy estimates assume revenue growth to pick up substantially from the second half of 2026, which translates into particularly fast revenue growth in KLA´s fiscal year 2027 (ending 30 June 2027).

The AI boom is widening the addressable market for process control more structurally as well. The strong demand for GPUs as well as for custom chips to power AI applications leads to larger chips (larger die sizes) as well as a greater variety of designs at the leading edge. This raises production complexity and the cost of defects for chip manufacturers, in turn, increasing demand for process control tools. The AI boom is also fuelling demand for high-bandwidth memory (HBM). Memory production has historically had fairly low process control intensity, but HBM has lower redundancy and higher reliability requirements while it is less commoditised than traditional DRAM. This improves the economic rationale to invest in process control tools, expanding KLA´s opportunities in the memory market. Lastly, logic and memory chips are increasingly assembled as if they were one chip through so-called `advanced packaging´ technologies. This is a complex (and still fairly novel) process where the cost of failure is high (e.g. often involves handling high-value GPUs and HBM), which has created a new market for KLA, as packaging used to be a low-value-added process that left little room for KLA to sell its tools.

KLA´s gross margins have been relatively stable for the past ten years, fluctuating between the high 50s and low 60s depending on the sales mix. This is higher than most other WFE suppliers, likely because process control has an impact on the entire manufacturing footprint but still only accounts for a relatively small share of WFE spending. Gross margins will be under pressure slightly in calendar 2026 due to headwinds from high DRAM prices (and a little bit from tariffs) but this is expected to fade thereafter. The strong revenue growth in coming years is likely to lift operating margins, as the firm´s substantial expenses on research and development will be supported by a larger revenue base. The combination of high operating margins and modest capital expenditure requirements leads to strong free cash flow generation. The firm´s policy is to use more than 85 per cent of free cash flow for dividends and share buybacks.

Company ratios

USD per share	2024	2025	2026e	2027e	2028e
EPS reported	20.29	30.38	35.35	43.13	49.44
EPS restated	23.75	33.29	36.37	44.09	50.42
Gross CF	24.24	34.96	41.31	50.12	57.30
Revenues	72.50	91.38	101.59	118.87	133.27
Book value	24.89	35.27	47.34	66.25	88.93
Net dividend	5.80	6.75	7.60	8.00	9.00
P/E reported	74.27	49.60	42.62	34.94	30.47
P/E restated	63.43	45.25	41.43	34.17	29.88
P/Gross CF	62.15	43.10	36.47	30.06	26.30
P/Sales	20.78	16.49	14.83	12.68	11.31
P/Book value	60.54	42.71	31.83	22.74	16.94
Dividend yield (%)	0.38	0.45	0.50	0.53	0.60
ROE (%)	96.00	94.87	77.23	66.93	57.02
ROCE (%)	36.17	43.74	39.92	38.45	35.45

Relative performance against peers

Company	KLAC	ASML	AMAT
Country	US	NL	US
Price	1506.65	1263.40	377.93
Rel perf 1 yr (%)	116.5	89.3	136.4
PE 2026	41.4	46.8	31.4
PE 2027	34.2	41.4	26.4
Rel PE '26	1.0	1.2	0.8
Rel PE '27	1.0	1.2	0.8
EV/EBITDA '26	34.4	40.6	27.8
EV/EBITDA '27	28.7	36.3	23.8
Yield '26 (%)	0.50	0.58	0.26
Yield '27 (%)	0.53	0.58	0.26

KLA Corp (KLAC), ASML Holding NV (ASML), Applied Materials Inc (AMAT)

Price target

USD mln	2026	2027	2028
Revenues	13,322	15,405	17,085
Operating margin	41.6%	43.2%	44.1%
Total operating result	5,542	6,649	7,528
Operating result after tax	4,766	5,718	6,474
Change in working capital	-150	-200	-250
Correction Cashflow	290	336	372
Depreciation & Amortization	466	539	598
Capital expenditures	-367	-425	-471
Free cashflow	5,005	5,968	6,723
Growth rate 2029 - 2033	14.0%		
Growth rate after 2033	4.8%		

WACC	Equity	Debt	
Risk free	5.0%		
Equity premium	5.5%		
Beta	0.85		
Cost	9.7%	4.7%	
Weight	80.0%	20.0%	
Result	7.7%	0.9%	8.7%

Present Value of Future CFs (USD mln)	223,778
Cash (USD mln)	6,390
Debt (USD mln)	-5,884
Equity value (USD mln)	224,284
Number of shares (mln)	136
Price target (USD)	1,650.00
Price (24-2-2026, USD)	1,506.65
Expected price return	**9.5%**

Risk Assessment

KLA is the market leader in process control tools for the semiconductor industry. The firm's equipment is used to check (`inspection') photomasks and wafers for particles and chip defects, and to measure (`metrology') the thickness and width of layers and chip features. Process control accounts for a relatively small share of capital expenditures by semiconductor manufacturers such as TSMC, but the tools are critical to achieving high manufacturing yields. Due to its scale and financial resources, KLA has the research and development capacity to defend its market-leading position. However, there are several smaller rivals that have strong positions in certain sub-segments of the process control market.

FDA rating		**KLAC**	**ASML**	**AMAT**
Market leadership	(0 to 2)	1	2	1
Quality of management	(0 to 4)	3	3	3
Competitive advantage	(0 to 4)	3	4	3
Market growth	(0 to 1)	1	1	1
Market cyclicity	(0 to 1)	0	0	0
Financial strength	(0 to 3)	2	2	2
Consistency of earnings	(0 to 2)	1	1	1
Sustainability	(0 to 3)	3	3	3
FDA rating	(0 to 20)	**14**	**16**	**14**

KLA Corp (KLAC), ASML Holding NV (ASML), Applied Materials Inc (AMAT)

Semiconductor Manufacturing and the Process Control Market

The production of a modern chip, such as a CPU or GPU, starts with a bare wafer, a circular disc, typically with a diameter of 300 mm and made from silicon. A thin layer of material is applied to the wafer (`deposition') and subsequently, a pattern is applied to the wafer with a lithography machine. Thereafter, some parts of the layer are removed (`etch'), dependent on the just applied pattern. After several other smaller steps are performed the process can be repeated. Modern chips contain many layers and the manufacturing of the most advanced chips nowadays requires thousands of process steps for which a large number of different tools are used.

The spending on so-called wafer fabrication equipment (WFE) was broadly stable from 2000 to 2015, with WFE spending as a share of semiconductor sales (WFE intensity) declining to around 9 per cent. During this time, the industry transitioned from 200 mm to 300 mm wafers and from integrated device manufacturers to foundries (such as TSMC), which brought substantial efficiency improvements. However, since then, WFE spending has increased substantially. To achieve further improvements in chip performance and energy efficiency, chip manufacturers have had to adopt novel process technologies that are more complex and require more process steps. Meanwhile, the size of individual chips (a `die') has been increasing, resulting in fewer chips per wafer. The demand for more advanced wafer fabrication equipment and for a greater number of tools due to the rising number of process steps have pushed WFE intensity back up to around 15 per cent.

Deposition, etch and lithography are the largest WFE categories, each accounting for around a quarter of annual WFE expenditures. US firms Applied Materials and LAM Research dominate the market for deposition and etch tools while Dutch firm ASML has a near monopoly in lithography instruments. KLA is the market leader in process control, which accounts for around 15 per cent of spending on WFE. Process control tools are typically used more during the R&D phase, when chip manufacturers are setting up and fine-tuning all the different process steps and chip machinery for a new production line. However, the use process control tools in the high-volume manufacturing phase - to monitor the production process and make further improvements to maximise production yields - is likely to rise in coming years.

Chips are becoming more complex, their `die' size is rising and there is a greater variety of chip designs at the leading edge. Until recently, the most advanced chip production processes where mainly used for chips for the newest smartphones, with Apple among the most important chip designers in this segment. However, hyperscalers are increasingly designing their own custom silicon to power their fast-growing AI workloads. This has led to a strong increase in the number of chip designs at the leading edge. The greater design variety on balance necessitates more process control tools.

The use of process control tools in the memory segment is likely to increase as well. Traditionally, memory chips were highly standardised. However, AI accelerators require so-called `high bandwidth' memory (HBM) that is not only more complex to manufacture (partly also because it incorporates a logic chip) but the designs are also often optimised for use in specific AI accelerators, making them less standardised. Moreover, given their use in high-value systems and the higher value of the memory chips themselves, the reliability requirements are higher and the room for redundancy is less. In other words, there is a greater need to prevent defects, which necessitates are greater use of process control tools.

Logic and memory chips are also increasingly integrated with other chips through `advanced packaging' technologies, particularly in the case of AI accelerators. Packaging used to be a relatively simple process, operating at a different `scale' than production of chips themselves. However, advanced packaging processes are highly complex, more akin to actual chip manufacturing. Moreover, any mistakes in this process can make an entire set of chips non-operable. Consequently, the rise of advanced packaging is introducing the need for process control tools in a segment of the chip production process that historically spent very little on process control tools.

Broad Variety of Tools Used in Process Control; Optical Remains Industry Workhorse

The process control tool market has many sub-segments, as there are different tools to check different production steps and a variety of technologies is used. In general, there are tools to either check photomasks or wafers. A photomask (also called a `reticle') contains the pattern for a single layer of a single `die' (i.e. chip) that a lithography machine prints multiple times on a wafer. A photomask is manufactured in a mask shop where process tools are used to check if the photomask is correct. Process tools to inspect wafers include equipment that checks if two layers align, if the pattern is correct, if pattern lines are the correct width and thickness, etc.

All of these checks and measurements can be done with different technologies. The most frequently used technology is `optical', because this is a very fast and cost-effective technology. This is essentially a very advanced and automated microscope, although there are many different variants of this technology. Optical will likely remain the dominant technology for the foreseeable future, although the ever shrinking size of chip features means that optical inspection is increasingly coupled with other technologies. One of these is electron beam (e-beam) inspection, which measures how electrons reflect off a sample. At the moment, however, e-beam tools are generally slower and more expensive. The various technologies are used simultaneously and different tools can be used to achieve the same result.

Some technologies are more suited for certain applications than others, but the speed and economics of inspection tools are just as important. Generally, optical tools are often used to only identify a defect during the production process (`in line') and e-beam tools are subsequently used to analyse the specific defect. There are also various other technologies that are mainly applied to specific use cases. Importantly, the quality of a tool depends as much on the hardware as on the associated software to interpret the measurements. These software models are refined over a long period of time, benefiting from cumulative learning processes, helped by feedback from tools that are already being used. This provides an advantage to incumbents.

KLA Pioneer in Process Control Industry with Broadest Portfolio
KLA offers a very broad portfolio of process control tools, although it has higher market shares in some sub-segments than in others. The breadth of its portfolio and its overall market share in process control of around 55 per cent make KLA a key supplier to semiconductor manufacturers. The efficiency and yield of manufacturing facilities are strongly dependent on the quality and reliability of KLA's tools. Process control has outpaced the growth of the overall WFE industry over the past few years and KLA has expanded its share of total WFE spending from around 7 per cent in 2020-2021 to currently close to 9 per cent.

KLA was founded in 1975 by Ken Levy and Bob Anderson and a few years later they introduced the world's first automated inspection tool for photomasks. This was followed several years later by the first automated wafer inspection tool. These were all optical systems and this remains KLA's strongest market, with a market share of around 85 per cent in optical inspection. It historically has had a much smaller market share in e-beam systems, although it has invested strongly in this area for the past couple of years and has recently started to gain share in this segment. KLA has also seen strong growth and market share gains in process control tools for advanced packaging.

In 1997, KLA Instruments merged with Tencor Instruments, which was a close peer with a comparable product portfolio. The merger created a clear market leader and KLA has only made several relatively small acquisitions since, with the exception of the USD 3.2 bn acquisition of Israel-based Orbotech in 2018. With the Orbotech acquisition KLA entered several new markets outside its core process control focus, such as inspection and testing of printed circuit boards (PCB) and flat panel displays (FPD). Moreover, it entered the (specialty) deposition and etching market, to some extent making it a direct competitor to Applied Materials and Lam Research. The PCB and FPD businesses, however, have struggled to grow and the FPD business was stopped in 2024. Nonetheless, Orbotech and its subsidiary SPTS are doing relatively well while they also lead KLA's efforts to capture the growth opportunities in the advanced packaging market.

Technology Inflections and New End Markets Create Opportunities for Smaller Rivals
Over the past decades, the semiconductor industry has trended towards further specialisation and consolidation. The relentless innovation pace could only be supported by firms that focused on and specialised in certain aspects of the industry's value chain. This provided the economies of scale and financial leverage to sustain the high research and development investments. The WFE industry and the process control sub-segment is no exception. The industry is dominated by a handful of firms, including ASML, Applied Materials, Lam Research and KLA. The WFE suppliers, in turn, sell to a relatively small number of clients, mainly TSMC, Samsung and Intel, and to a lesser extent memory manufacturers such as Micron and SK Hynix. The market concentration among both suppliers and clients creates a mutual dependence that benefits the incumbents. Because of the lengthy development times for new tools, research and development initiatives are typically closely aligned with clients' roadmaps.

Nonetheless, even though KLA is by far the largest firm in the process control market, there are several smaller firms that have had success in specific areas. Israel-based and US-listed Nova has been particularly successful with tools for high-accuracy measurement of individual features on wafers (`optical critical dimension') while US-based Onto Innovation has seen strong demand for its inspection and metrology tools for advanced packaging, although it appears that it is starting to see an impact from KLA's efforts to expand in this market. These firm have been active in the process control market for decades but their revenues are only 5-10 per cent of KLA's sales. Nonetheless, market shifts or technology inflections can create new market opportunities for such smaller players. Success in a niche area may provide the financial resources to expand into other segments and become a greater threat to KLA.

Japan's Lasertec is an emerging competitor that has seen significant interest in its `actinic' EUV photomask inspection tool (i.e. the inspection tool uses the same wavelength light as the lithography tool, in this case EUV light). In the early 2010s, KLA `refused' to develop an actinic EUV tool without funding commitments from clients and it put its investments on hold. It believes these tools are not required for current-generation EUV lithography and therefore it would have had to make substantial investments for a very small end market. KLA claims it currently has an actinic EUV tool in development that will be launched in time for the adoption of high-NA EUV (closer to 2030). It has a partnership with Carl Zeiss specifically for an actinic EUV inspection tool. Carl Zeiss supplies the optics for ASML's EUV lithography equipment. The partnership aims to align the high-NA EUV lithography and process control roadmaps. Historically, KLA has a strong track record of bringing tools to market at the right time. This is also underlined by its recent success in the e-beam market, where it was absent for a long period of time. KLA's strategy also appears to be validated by strong growth for its existing photomask inspection tools while Lasertec's actinic EUV tools have not (yet) been widely adopted for high-volume manufacturing, although it has recently introduced new tools with higher throughput that may accelerate adoption.

Dutch firm Nearfield Instruments has reportedly attracted some interest from Samsung (which has been an investor in the firm as well) to use its metrology tools that use Atomic Force Measurements (AFM). KLA offered AFM tools in the early 2000s, but it abandoned the technology. However, Nearfield claims to have made some breakthroughs that make the technology more economically viable.

Competition also comes from firms that have leading positions in other parts of the WFE industry. Their initiatives are premised on the assumption that additional efficiencies can be generated by further integrating process control tools with the tools that execute the actual process steps. Applied Materials, for instance, focuses on its e-beam tools, primarily for wafer inspection, which aligns well with its market-leading deposition tools. Similarly, ASML sells both optical and e-beam inspection tools alongside its lithography machines as part of its `holistic lithography' strategy that encompasses software that creates an automated feedback loop between process control and lithography tools.

The ability to sell more integrated offerings was also the reason for LAM Research and KLA to announce a merger in 2016, but the deal was blocked by regulators. There are clearly opportunities for further integration, but interoperability can likely also be achieved between tools from different vendors, particularly given the large influence of a handful of clients that procure tools from all WFE suppliers. In fact, KLA claims that 95 per cent of all semiconductor fabrication plants use its data analytics platform (`KLArity'), which also works with rival tools.

Corporate Sustainability Assessment

Governance
KLA has no major strategic shareholders and there are no elements in the governance structure that could severely hamper the functioning of checks and balances. Richard Wallace has been KLA´s CEO for 20 years, which reflects the firm´s broader tendency for long tenures and promoting from within. Most of the senior leadership team has been with KLA for at least 20 years. Until 2025, directors also had relatively long average tenures but since then significant Board refreshment has taken place, with four new director joining. Moreover, most directors have a background at technology firms, including in the semiconductor industry, suggesting sound Board expertise and independence.

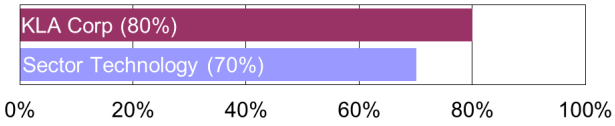
KLA´s remuneration policy is similar to that of many other US stock-listed technology firms. The fixed part of the compensation is relatively small while the larger variable component is partly dependent on achieving certain performance criteria. Although a small part is linked to revenue growth and WFE market share, the emphasis is on profitability targets, such as operating profit and free cash flow. The performance is also assessed over a relatively short period of three years (for the PRSUs), although this is common as well.

The focus on profitability and free cash flow reflects the firm´s broader approach. The firm typically focuses on investing in new technologies that will likely see strong near-term demand. This may lead to underinvestment in breakthrough technologies, but the approach has likely been successful because it has close relationships with key semiconductor manufacturing firms that provide the firm with good insight into their development pipelines while entry barriers for potentially new competitors are high. Around 2015 the firm abandoned a product-line-oriented approach to R&D, because of the consolidation of its client base, with TSMC typically accounting for between 15 and 20 per cent of sales while Samsung is also a substantial client. This gives the firm more flexibility to shift resources to those technologies that align best with clients´ R&D roadmaps. As a result, the firm has been able to balance extensive R&D expenses with sector-leading profitability.

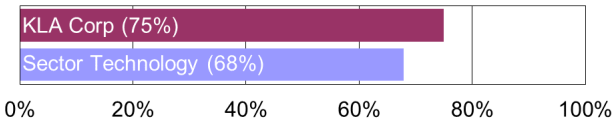
Social
KLA has around 15,000 employees, mostly on full-time contracts. Around a quarter of employees work in R&D roles while the firm strongly relies on specialised suppliers for the manufacturing of subcomponents. Just 20 per cent of its employees work in manufacturing, mainly in assembly activities at its factories in California and Singapore. Although KLA is headquartered in Silicon Valley, only around 30 per cent of the workforce is employed in the US. Around half of employees are in Asia. In addition to the Singapore assembly plant, the firm has significant sales and support offices in Taiwan, Korea and Japan, close to manufacturing plants of key customers.

The firm´s facilities have a good track record of occupational health and safety and there are no signs of structural malpractices. Although labour costs of the Singapore facility are likely relatively low, the assembly process is likely highly controlled and advanced. Singapore has a long history of providing manufacturing and assembly services for Western semiconductor firms. Risks of labour malpractices elsewhere across the organisation are also assessed as low, as this mainly concerns high-tech jobs in advanced economies. The firm also seems to have no issues attracting talent while employee turnover has been very low consistently.

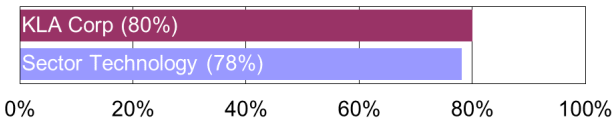
Governance dimension



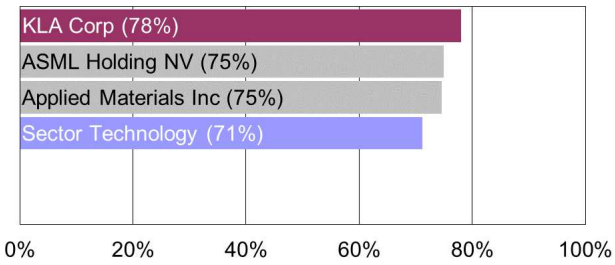
Social dimension



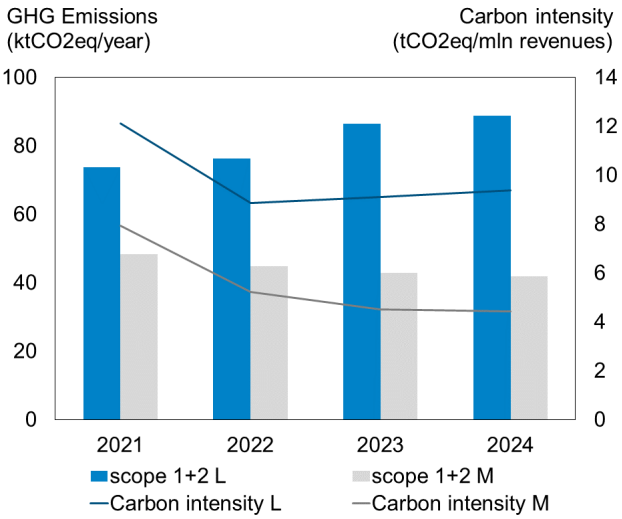
Environmental dimension



Total score - peer comparison



Carbon footprint



China has become a key end market for KLA. The firm typically sells less advanced tools to Chinese customers for use in the production of trailing edge logic and memory chips. The company has benefited from the Chinese government´s initiatives to expand domestic semiconductor manufacturing capacity. However, KLA´s sales to China are vulnerable to changes in US export restrictions amid the rising geopolitical tensions between the US and China. The extent and impact of potential new restrictions are difficult to assess but revenue growth in the coming years is likely to come mainly from leading-edge chipmakers outside of China.

Although KLA´s market share in process control equipment exceeds 50 per cent, there are no signs that it is abusing its market power. The firm has only made a few relatively small acquisitions over the past two decades and will likely continue to seek to expand its market share organically. In 2016, KLA´s and Lam Research´s plan to merge was blocked by US antitrust enforcers. And given the already strongly consolidated market structure, future significant mergers and acquisitions would likely also be blocked.

Environmental
KLA´s direct environmental footprint is relatively small, because it is mostly engaged in research and development and outsources the manufacturing of key components to suppliers. However, the environmental footprint of its value chain is fairly significant, particularly due to the high electricity consumption of its tools during the chip manufacturing process. More generally, the broader chip production process is energy and water intensive.

KLA aims to more than half the carbon emissions per billion transistors inspected by its tools by 2030. As chip production equipment consistently improves to allow for the rapid advancements in chip performance, the firm´s product development is likely to naturally lead to reductions in emissions per billion transistors. Nonetheless, the number of transistors inspected is likely to rise just as fast. It thus remains to be seen if absolute emissions from KLA and indeed the wider semiconductor industry can decline strongly. This will likely need

to occur primarily by increasing the use of renewable energy, which should not be that challenging because most of KLA´s energy consumption comes from electricity use.

To this end, KLA targets a 50 per cent reduction in scope 1 and 2 greenhouse gas emissions by 2030 compared to 2021, mainly by only procuring electricity from renewable sources by 2030. In 2024, renewable energy accounted for 68 per cent of electricity consumption, which includes purchases of renewable energy credits but also a sizeable power purchase agreement with a solar farm in Texas. All targets have been validated by the Science Based Targets initiative.

The semiconductor industry will likely have to take additional steps to address the sector´s relatively high environmental footprint. However, this will likely be a gradual and sector-wide process. KLA is already taking steps to reduce its impact and will likely be able to adapt to these potential changes in cooperation with its clients.

Corporate sustainability is essential to investment decisions, as shareholder value can only endure if companies have sufficient attention for the interests of various stakeholders. FDA's Corporate Sustainability Assessment is an in-depth review of how companies handle this responsibility. FDA reviews a company's performance by assigning points on 20 different sustainability aspects. The approach results in detailed, regularly updated, sustainability reports. A higher sustainability score reflects a stronger performance and a perceived lower level of investment risk.

Three sub-scores reflect a firm's performance in the governance, social and environmental dimension. Governance-related issues determine 35% of the aggregated score, social issues 40% and environmental aspects 25%. The graph shows a comparison with peers and the performance of the broader sector.

FDA uses an investment rating system, with the perceived level of risk reflected in a score that weighs important aspects, including quality of management, competitive advantage and financial position. The in-depth sustainability analyses are an integral part of the overall assessment with the sustainability rating contributing to the total investment rating. The maximum FDA investment rating for a company is 20 points, with a higher score reflecting lower investment risks.

For more information about sustainability and full access to FDA's corporate sustainability reviews, please contact us.

Financiële Diensten Amsterdam

Financiële Diensten Amsterdam (FDA) provides investment advice based on a combination of independent equity research and macroeconomic analysis. FDA was founded in 1986 and currently has a staff of about 20 full-time analysts, with vastly different backgrounds, working together in an interdisciplinary fashion to translate the interaction between the real, financial, and monetary spheres into risk/return opportunities for various investment management styles. Our main customers are institutional investors, banks and asset management firms.

As we do not have a brokerage arm or derive any revenue from the transactions of our clients, our advice is not influenced by trade-related pressure. Moreover, our policy prohibits staff members from holding a personal equity portfolio, creating a research environment that is free of potential conflict of interest.

FDA Consultancy

The online subscription-based service 'FDA Consultancy' provides direct access to the daily research output of an independent research team that is working for a company with a track record of more than 30 years in product development, investment research, portfolio advice and consultancy.

FDA Consultancy covers investment research on around 150 companies and over 30 countries. The company research universe is focused on international blue chip companies. In addition, macroeconomic developments that matter to world financial markets are explained. FDA Consultancy includes full access to several model portfolios. This completely integrated decision support system is only available through www.fdaconsultancy.nl while components are distributed through selected third parties.

FDA Blue Chips Equity Portfolio

The added value of FDA research is best reflected in a disciplined investment process and consistent outperformance, as reflected in the FDA Blue Chips Equity model portfolio. The portfolio is a selection of international blue chips from the FDA Research Universe. Only companies that meet minimum sustainability criteria, based on FDA's proprietary corporate sustainability framework, can be included in the portfolio. Consisting of around 65 individual stocks, the portfolio serves as a model for a relatively concentrated institutional investor equity portfolio up to EUR 1 bn in size.

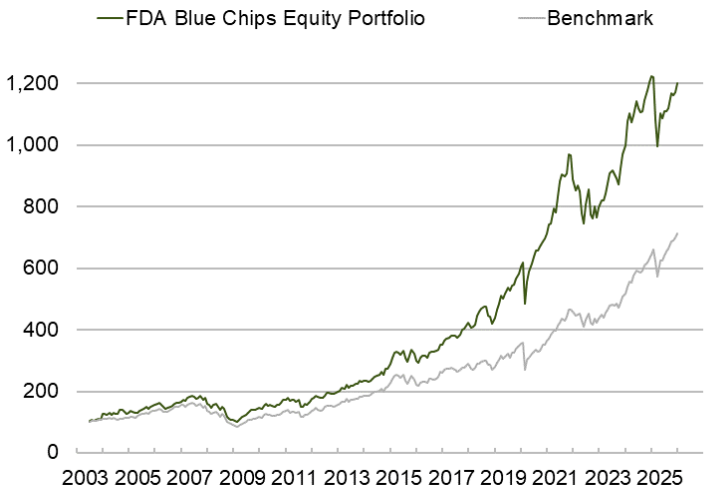
No restrictions are applied to the portfolio, as far as its time horizon or allocation of stocks between various sectors. The goal of the portfolio is to translate the daily output of 20 analysts into a combination of a positive total return and superior performance vs. the relevant benchmark*.

return % 24-2-2026	**ytd**	**12mth**	**inc.****	**inc.*****
portfolio	-1.4	-4.1	1056.5	11.4
benchmark*	2.1	9.2	617.8	9.1
outperformance	-3.6	-13.2	438.7	2.3
turnover %	**ytd**	**12mth**		**inc.*****
turnover	1.6	10.4		8.3
months outperformance		**12mth**		**inc.*****
outperformance / total		2 / 12		157 / 271

** The composite benchmark consists of 50% 'MSCI Pan-Euro Net Total Return Index' and 50% 'Standard & Poor's 100 Net Total Return Index' (converted to Euro), which is rebalanced monthly.*

*** Portfolio inception date 30-6-2003*

**** Annualised*



For a one-week free trial on FDA Consultancy, including access to all FDA research and model portfolios, please contact us at informatie@fda.nl.

Appendix - FDA Research Universe - Company and FDA Rating

Accenture plc	14	Fastenal	11	PepsiCo Inc	13
Adobe Systems Inc	14	FedEx	10	Pernod Ricard	12
Adyen NV	12	FMC Corp	8	Procter & Gamble	13
Ahold Delhaize	13	Geberit	11	Quanta Services Inc	11
Air Liquide	14	Gilead	10	RELX plc	14
Alibaba Group	10	Givaudan	11	Richemont	11
Alphabet	12	Hermès International SCA	13	Roche	10
Amazon.com	12	Home Depot	13	S&P Global	12
Apple	13	Illumina	10	Salesforce.com	13
Applied Materials Inc	14	Intel Corporation	9	SAP SE	14
Ashtead Group plc	13	Intuitive Surgical Inc	15	Schindler Holding	11
ASM International NV	12	JPMorgan Chase & Co	9	ServiceNow Inc	14
ASML Holding NV	16	Kering	11	Shell plc (Dutch listing)	7
Assa Abloy B	13	KLA Corp	14	Sherwin-Williams	13
Atlas Copco A	13	Kone Corp	12	Shopify Inc	11
Autodesk Inc.	12	Linde	13	Sika AG	11
AutoZone Inc	12	Lindt & Sprüngli (part. cert.)	12	Sonova Holding AG	13
Biogen	10	London Stock Exchange Group	11	Straumann Holding AG	13
Booking Holdings	12	Lowe's	13	Stryker	13
Broadcom Inc	11	LVMH	13	Synopsys Inc	14
Cadence	14	Marsh McLennan	10	Tesla Inc	7
Cisco Systems Inc	13	Mastercard	14	Thermo Fisher Scientific Inc	13
CME Group	10	McDonald's Corp.	12	TotalEnergies	8
Coca-Cola Company	11	Merck & Co Inc	11	Umicore Group	9
Coloplast	12	Meta	9	Unilever (Dutch listing)	12
Crown Holdings	10	Microsoft Corporation	14	Union Pacific Corp	13
Danaher Corp	12	MSCI Inc	12	United Rentals Inc	12
DexCom Inc	11	Netflix Inc	13	UPS (United Parcel Service)	11
Diageo	12	Nike	11	VAT Group AG	11
DSM-Firmenich AG	13	Novartis	10	Visa	14
DSV A/S	10	Novo Nordisk	11	Walmart	12
Edwards Lifesciences Corp	14	Novonesis	14	Walt Disney	12
Electronic Arts	10	NVIDIA Corp	16	Watsco Inc	10
Eli Lilly and Company	11	Old Dominion Freight Line Inc	11	Wolters Kluwer NV	13
Equinix Inc	14	Oracle Corporation	9	Yum! Brands Inc	10
EssilorLuxottica	13	Oréal L'	16	Zalando	9
Estée Lauder	13	PayPal Holdings Inc	10		

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