

Semiconductor Capital Equipment | Global

# Raising our memory WFE forecasts (mainly DRAM)

We are raising our DRAM WFE and bit supply forecasts, while fine-tuning our NAND WFE forecast, with NAND bit supply moving higher on yield improvement.

## Key Takeaways

- DRAM: 2026/27 WFE of \$48.6bn/\$62.5bn, bit supply of 29%/33%
- NAND: 2026/27 WFE of \$15.7bn/\$24.1bn, bit supply of 24%/31%

We are not revising our company models or logic WFE estimates, but given our checks around DRAM tool purchases being pulled forward, and our view that MU's FY26/27 capex guide may be revised higher, we are updating our DRAM and NAND WFE/supply models.

**DRAM – WFE and bits revised higher.** We raise our 2026/2027 DRAM WFE estimates from \$44.6bn/\$57.1bn to \$48.6bn/\$62.5bn. Our greenfield addition forecast is revised from 258kwpm/395kwpm to 268kwpm/395kwpm, and our bit supply growth forecast increases from 26%/32% to 29%/33%. Our 2026/2027 revisions are primarily driven by brownfield, where we now assume more upgrades across both years. We continue to believe DRAM WFE revisions are skewed to the upside, with customers doing everything in their power to pull forward spending.

**NAND – Fine-tune WFE, revise bits higher.** We fine-tune our 2026/2027 NAND WFE estimates from \$15.9bn/\$24.0bn to \$15.7bn/\$24.1bn. Our greenfield addition forecast is adjusted from 95kwpm/145kwpm to 90kwpm/150kwpm, while our bit supply growth forecast increases from 21%/32% to 24%/31%. Our wafer forecasts are only marginally changed; the biggest revision is in yield, where we now assume higher yields, driving a more meaningful increase in bit growth than in WFE. Although we continue to believe NAND WFE acceleration is inevitable and early signs are emerging, we do not expect the thesis to be realized in the near term.

**Stock implications.** Estimate revisions across our US SPE coverage remain skewed to the upside, as our DRAM revisions lift our [2026/2027 WFE forecasts](#) from \$14.9bn/\$191bn to \$153bn/\$196bn – before reflecting our more constructive view on Intel capex. Higher DRAM WFE in 2026 will inevitably benefit AMAT the most, and our downgrade to EW may have been slightly early in hindsight. That said, our bottom-up wafer analysis continues to point to NAND WFE growth far outpacing DRAM WFE growth in 2027, at 53% versus 29%. As a result, we remain confident in our relative preference for LAM over AMAT.

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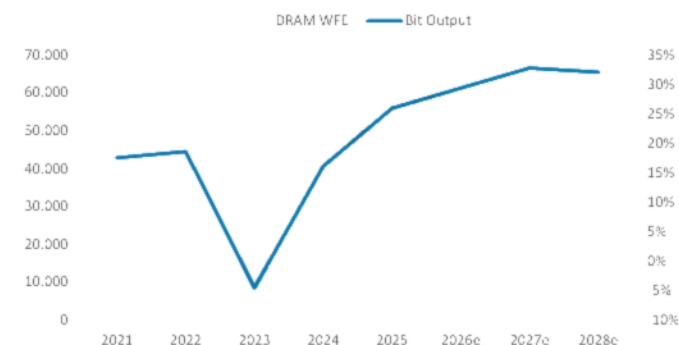
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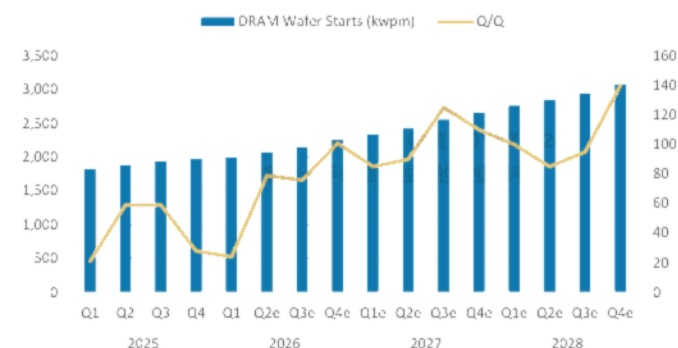
# Fewer words, more charts

**Exhibit 1:** We now forecast DRAM WFE to average \$58bn during 2026-28 and average bit output of 31%



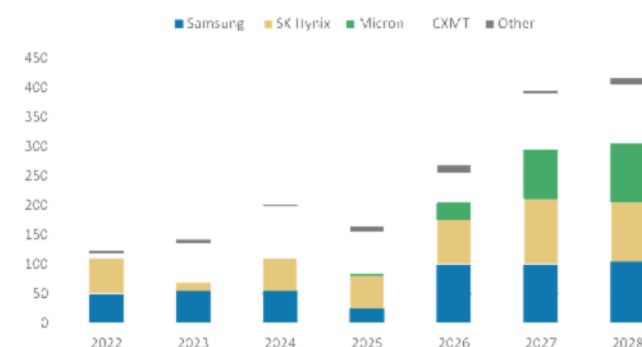
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 2:** As we exit 2026/27/28 at 2,251/2,661/3,081kwp/m



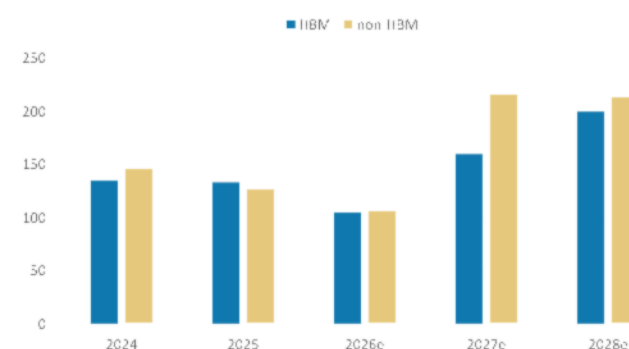
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 3:** Wafer adds will be driven by all 4 major players



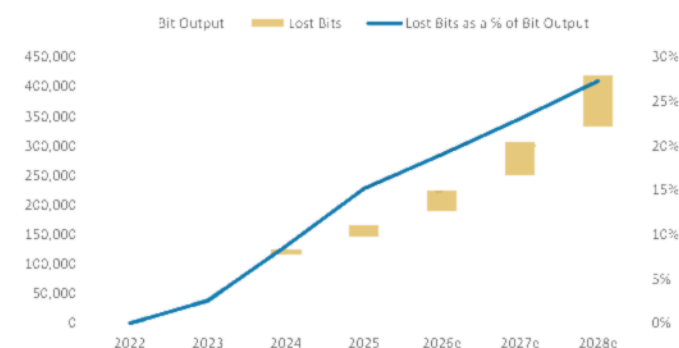
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 4:** Non-HBM wafer adds will surpass HBM wafer adds from 2027



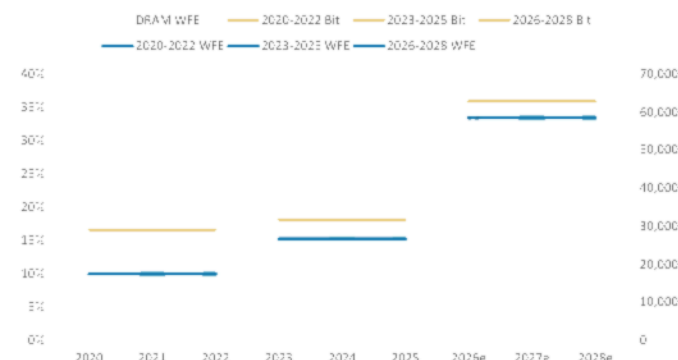
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 5:** HBM's trade ratio is driving approx. 27% of 2028 bits to be "lost bits"



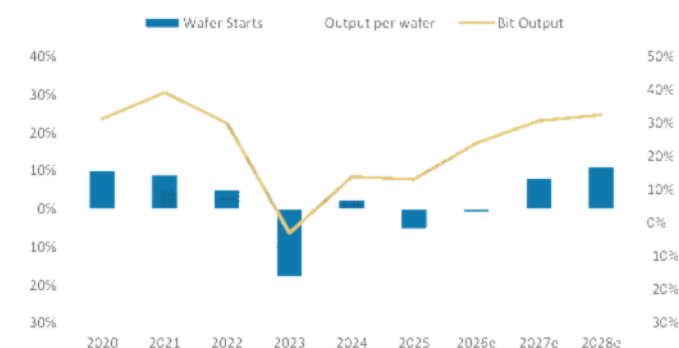
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 6:** As adjusted bit output in 2027/28 is 37% vs real bit output of 33%/32%



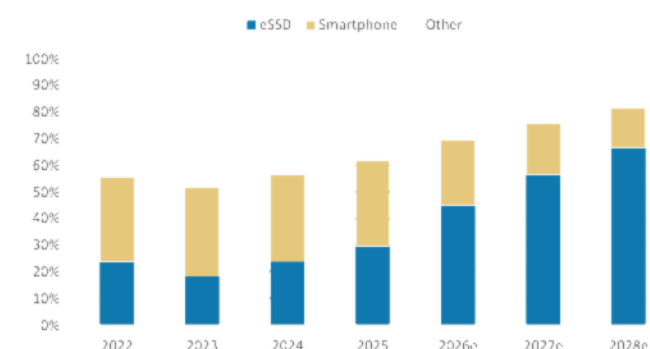
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 7:** Our NAND WFE forecast doesn't materially change, but we continue to see capacity adds as a contributor to bit supply in 2027/28



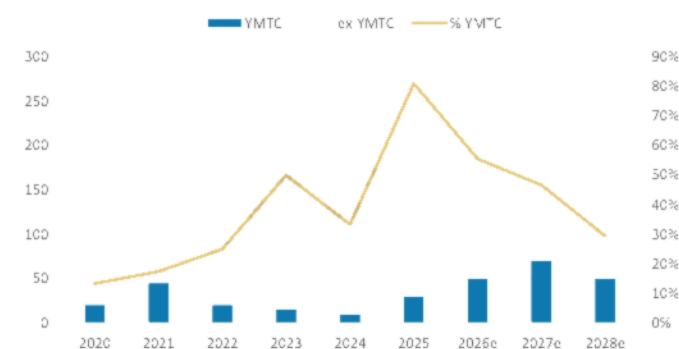
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 9:** We model eSSD mix to increase from 29% in 2025 to 67% in 2028



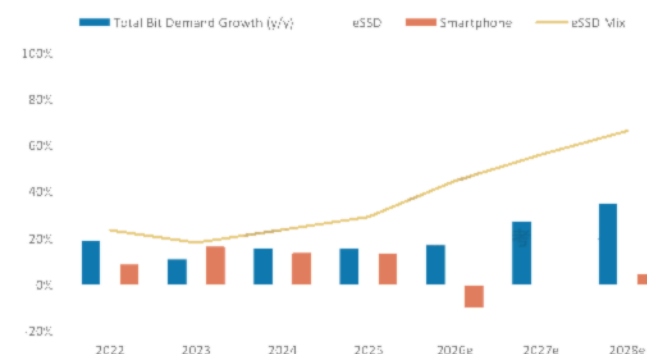
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 11:** We expect non-China players to be a meaningful contributor to NAND Wafer adds in 2027-28



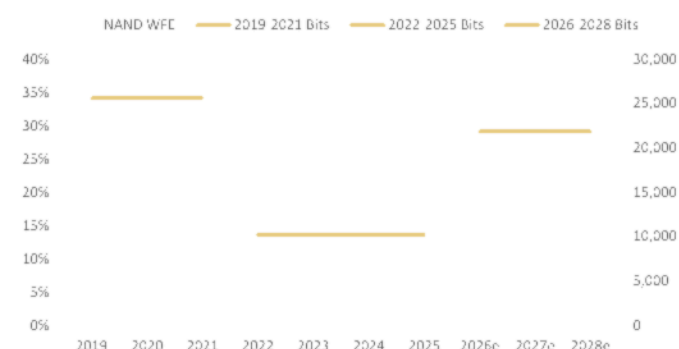
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 8:** We model eSSD bits to grow at a 3-year CAGR of 66% from 2025-28



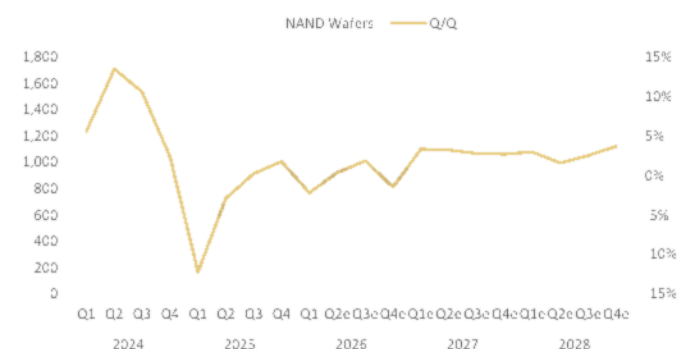
Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 10:** Our 2026-28 NAND WFE forecast translates to bit supply of 29% during 2026-28



Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

**Exhibit 12:** We don't model NAND wafer starts to surpass prior peak of 1,762kwpn (Q3 2022) in our forecast horizon



Source: Trend force, Company data, Morgan Stanley Research, e - Morgan Stanley Research estimates

## Valuation Methodology and Risks

### Applied Materials Inc. (AMAT.O)

~28x CY27e EPS of \$17.94, a 6-turn discount to LAM and 5-turns to KLA to reflect growth prospects in DRAM but concerns around market share loss in China.

#### Risks to Upside

- Market share gains as DRAM outpaces WFE
- AMAT captures market share in logic architecture inflections (backside power)

#### Risks to Downside

- Widespread restrictions on equipment shipments and services to China
- AMAT loses market share with key customers (Samsung, TSMC)

