Morgan Stanley | RESEARCH

IDEA

July 6, 2026 04:13 AM GMT

Semiconductor Capital Equipment | North America

Rolling over PTs to 2028

$200bn of WFE in 2027 is well understood, and $250bn in 2028 is starting to be priced in. We see opportunity in MKS and ONTO, where 2027 earnings power remains underappreciated. We are slightly less enthusiastic on the large caps.

What's Changed? We revise up our 2026 forecast from $149bn (+27% y/y) to $155bn (+32%), our 2027 forecast comes up from $191bn (+28%) to $202bn (+31%) and our 2028 forecast comes up from $215bn (+13%) to $227bn (+13%). The majority of our 2026-27 revisions are from our intra-quarter memory WFE revisions, and our 2028 revisions are driven by foundry logic.

$200bn in 2027 is priced in. Our large-cap US SPE coverage now trades at 37x our CY27 forecasts, which have been adjusted to reflect our updated WFE outlook. That 37x multiple represents a 75% premium to the 21x through-cycle average at which these stocks have traded since 2020, and a 20%+ premium to the most recent peak of 30x in July 2024. We think $200bn of WFE in 2027 is well understood by the market and are therefore shifting our valuation base year to 2028. Based on our $227bn WFE forecast for 2028, our large-cap coverage now trades at 33x, implying that **$250bn of WFE in 2028 may already be close to priced in.**

$250bn+ in 2028 is possible, but we are not ready to underwrite it. Over the past two weeks, 2028 WFE expectations have increased significantly, but we question both the legitimacy of pricing in such upside during 2026 and the feasibility of a $250bn WFE environment. We are not doubting the possibility of $250bn+, but the key questions we are asking ourselves are: **1) Memory:** Can the market digest $80bn+/$30bn+ of DRAM/NAND WFE, which would imply bit supply growth north of 40%? **2) EUV:** Can ASML supply the approximately 130 tools required? **3) Logic:** Are we willing to underwrite a meaningful contribution ($10bn+) from the likes of TeraFab and Rapidus? We are continuing to work through these questions, but without greater comfort, we are not yet ready to reflect $250bn+ in our models.

We revise up target multiples for KLA and AMAT, as we see the broadening of leading-edge customers benefiting KLA, while the strength of DRAM WFE in CY26 should benefit AMAT. Given that we have yet to see NAND WFE revisions, we leave target multiples for LAM and MKS unchanged. We revise down multiples for NVMI and CAMT, as we have questions around whether NVMI can outgrow WFE in 2027 and have market share concerns in HBM for CAMT (see Exhibit 3 for details). **Across our US SPE coverage, our preference is for companies whose earnings power on $200bn of WFE in 2027 remains underappreciated.** *Specifically, we think Top Pick MKS and OW-rated ONTO present substantial upside from undemanding valuations on 2027 earnings. We remain OW on KLA and LAM, but our enthusiasm toward both names is slightly more muted, as we think expectations for $250bn+ of WFE in 2027 are already partially priced in.*

Shane Brett
Equity Analyst
Shane.Brett@morganstanley.com +1 212 761-1022

Joseph Moore
Equity Analyst
Joseph.Moore@morganstanley.com +1 212 761-7516

Mason Wayne
Research Associate
Mason.Wayne@morganstanley.com +1 212 761-6012

Ella Tulchinsky
Research Associate
Ella.Tulchinsky@morganstanley.com +1 212 761-2222

Nicole Kozhukhov
Research Associate
Nicole.Kozhukhov@morganstanley.com +1 212 761-1636

SEMICONDUCTOR CAPITAL EQUIPMENT

North America
Industry View **In-Line**

WHAT'S CHANGED

Camtek (CAMT.O) Price Target	From $163.00	To **$167.00**
KLA Corp (KLAC.O) Price Target	From $190.00	To **$274.00**
Lam Research Corp (LRCX.O) Price Target	From $331.00	To **$404.00**
MKS Inc. (MKSI.O) Price Target	From $374.00	To **$442.00**
Nova Ltd (NVMI.O) Price Target	From $494.00	To **$540.00**
Applied Materials Inc. (AMAT.O) Price Target	From $502.00	To **$647.00**

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

WFE Forecast Table

Exhibit 1:

($mn)	2021	2022	2023	2024	2025	2026e	2027e	2028e
WFE Revenue	91,092	96,222	96,008	105,057	117,048	154,638	201,887	227,269
Semi Revenue	553,540	573,978	526,820	630,549	791,061	1,607,055	1,959,883	1,959,883
Semi Capex	157,788	187,982	176,924	198,540	215,972	305,309	357,665	351,202
Y/Y Change %								
WFE Revenue	43%	6%	0%	9%	11%	32%	31%	13%
Semi Revenue	26%	4%	-8%	20%	25%	103%	22%	0%
Semi Capex	33%	19%	-6%	12%	9%	41%	17%	-2%
Metrics								
WFE Intensity	*16%*	*17%*	*18%*	*17%*	*15%*	*10%*	*10%*	*12%*
WFE% of Total Capex	*58%*	*51%*	*54%*	*53%*	*54%*	*51%*	*56%*	*65%*
Semi Capital Intensity	*29%*	*33%*	*34%*	*31%*	*27%*	*19%*	*18%*	*18%*
3rd Party Sources								
Semi	87,499	94,100	95,610	104,270	115,700	126,100	135,200	
Gartner	92,843	101,101	102,820	111,777	124,452	144,886	161,086	154,674
WFE by segment								
Foundry/Logic	50,265	59,180	70,023	69,192	75,307	89,479	114,491	133,729
Memory	39,828	35,854	24,794	35,228	41,118	64,261	86,438	92,215
DRAM	20,664	18,256	19,579	29,244	31,083	48,621	62,430	64,108
NAND	19,164	17,598	5,215	5,985	10,035	15,640	24,009	28,107
Other	999	1,188	1,192	637	622	898	957	1,324
Y/Y Change %								
Foundry/Logic	*45%*	*18%*	*18%*	*-1%*	*9%*	*19%*	*28%*	*17%*
Memory	*42%*	*-10%*	*-31%*	*42%*	*17%*	*56%*	*35%*	*7%*
DRAM	*53%*	*-12%*	*7%*	*49%*	*6%*	*56%*	*28%*	*3%*
NAND	*31%*	*-8%*	*-70%*	*15%*	*68%*	*56%*	*54%*	*17%*
Other	*19%*	*19%*	*0%*	*-47%*	*-2%*	*44%*	*7%*	*38%*
% of Total								
Foundry/Logic	*55%*	*62%*	*73%*	*66%*	*64%*	*58%*	*57%*	*59%*
Memory	*44%*	*37%*	*26%*	*34%*	*35%*	*42%*	*43%*	*41%*
DRAM	*23%*	*19%*	*20%*	*28%*	*27%*	*31%*	*31%*	*28%*
NAND	*21%*	*18%*	*5%*	*6%*	*9%*	*10%*	*12%*	*12%*
Other	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*0%*	*1%*
WFE Intensity								
Semi ex-Memory revenue	399,706	444,153	434,511	465,032	568,550	727,417	835,151	835,151
Memory revenue	153,834	129,825	92,309	165,516	222,512	879,638	1,124,732	1,124,732
DRAM	92,960	77,769	51,945	94,860	150,598	581,901	675,059	675,059
NAND	55,953	47,109	36,104	66,427	67,685	293,508	445,443	445,443
WFE Intensity								
Foundry Logic	*13%*	*13%*	*16%*	*15%*	*13%*	*12%*	*14%*	*16%*
Memory	*26%*	*28%*	*27%*	*21%*	*18%*	*7%*	*8%*	*8%*
DRAM	*22%*	*23%*	*38%*	*31%*	*21%*	*8%*	*9%*	*9%*
NAND	*34%*	*37%*	*14%*	*9%*	*15%*	*5%*	*5%*	*6%*
% of Memory WFE								
DRAM	*52%*	*51%*	*79%*	*83%*	*76%*	*76%*	*72%*	*70%*
NAND	*48%*	*49%*	*21%*	*17%*	*24%*	*24%*	*28%*	*30%*

Exhibit 2:

($mn)	2021	2022	2023	2024	2025	2026e	2027e	2028e
WFE by Region								
Total	*91,092*	*96,222*	*96,008*	*105,057*	*117,048*	*154,638*	*201,887*	*227,269*
North America	*7,755*	*10,239*	*11,346*	*13,657*	*10,534*	*12,680*	*16,555*	*18,636*
Europe	*2,879*	*5,982*	*5,741*	*4,202*	*2,341*	*2,629*	*3,028*	*3,409*
Japan	*6,879*	*7,244*	*6,438*	*7,354*	*8,779*	*10,825*	*14,536*	*16,591*
Korea	*22,757*	*19,655*	*18,965*	*18,910*	*23,410*	*35,567*	*48,453*	*52,954*
Taiwan	*23,566*	*26,566*	*19,501*	*15,233*	*27,506*	*40,515*	*56,528*	*63,635*
China	*24,695*	*22,105*	*31,682*	*42,548*	*41,552*	*48,711*	*57,941*	*68,181*
Other	*2,561*	*4,431*	*2,334*	*3,152*	*2,926*	*3,711*	*4,845*	*3,864*
WFE by Region (Y/Y)								
North America	28%	32%	11%	20%	-23%	20%	31%	13%
Europe	8%	108%	-4%	-27%	-44%	12%	15%	13%
Japan	14%	5%	-11%	14%	19%	23%	34%	14%
Korea	51%	-14%	-4%	0%	24%	52%	36%	9%
Taiwan	54%	13%	-27%	-22%	81%	47%	40%	13%
China	48%	-10%	43%	34%	-2%	17%	19%	18%
Other	40%	73%	-47%	35%	-7%	27%	31%	-20%
WFE by Region (% of Total)								
North America	9%	11%	12%	13%	9%	8%	8%	8%
Europe	3%	6%	6%	4%	2%	2%	2%	2%
Japan	8%	8%	7%	7%	8%	7%	7%	7%
Korea	25%	20%	20%	18%	20%	23%	24%	23%
Taiwan	26%	28%	20%	15%	24%	26%	28%	28%
China	27%	23%	33%	41%	36%	32%	29%	30%
Other	3%	5%	2%	3%	3%	2%	2%	2%

Exhibit 3: Multiple revision rationale

	Old PT	New PT	Old Multiple (CY27)	New Multiple (CY28)	Multiple revision rationale
KLA	$190	$274	33x	38x	Broadening of leading edge logic customers (Intel, Rapidus, TeraFab)
AMAT	$502	$647	28x	30x	DRAM WFE far stronger than anticipated in CY26
LAM	$331	$404	34x	34x	Waiting for NAND WFE revisions to reward multiple expansion
MKS	$374	$442	22x	22x	
NVMI	$494	$540	36x	33x	Questions around outgrowth vs WFE in 2027
CAMT	$163	$167	32x	27x	Market share worries in HBM vs ONTO/KLA

How do we think about SPE valuation?

Our guiding principle for US SPE coverage valuation is that multiples are closer aligned to gross margin rather than growth rates. Gross margin is reflective of the "value" equipment companies provide to customers, which in the case of process tools is throughput while for inspection it would be yield. Gross margin for SPE doesn't materially vary y/y given these companies aren't rewarded/punished for where we are in the cycle. Gross margin expansion comes from operational improvement or providing customers with more value, rather than opportunistically increasing pricing.

Exhibit 4: US SPE CY28 P/E vs CY26-28 EPS CAGR

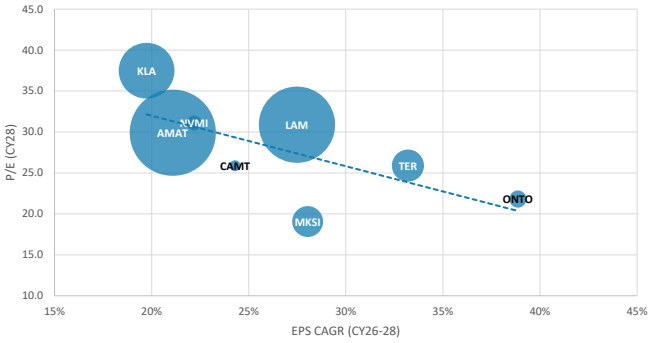
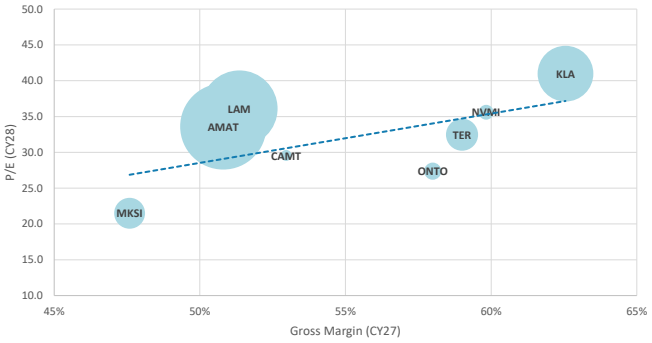


Exhibit 5: US SPE CY28 P/E vs CY27 Gross Margin (%)

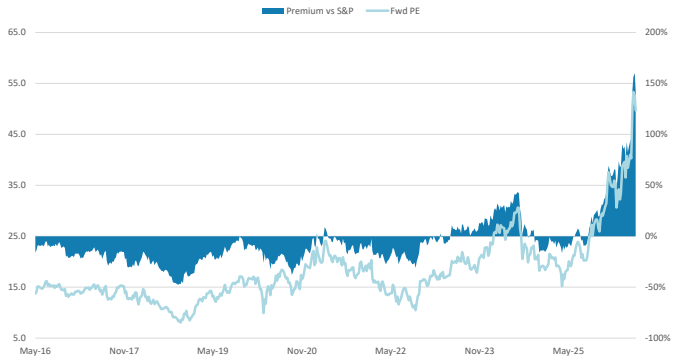


Our large cap US SPE coverage now trades at 37x CY27, a 20%+ premium to the most recent peak of 30x in Jul. 2024 when the market was increasingly looking towards $125bn of WFE in 2025. Based on our $227bn WFE in 2028, our large caps now trade at 33x, implying that $250bn in 2028 may be close to being priced in.

Exhibit 6: AMAT/LAM/KLA FwdPE vs 2020- average



Exhibit 7: AMAT/LAM/KLA FwdPE & Premium vs S&P



Risk Reward – Applied Materials Inc. (AMAT.O)

DRAM/Leading Logic upside & China/ICAPS derisked

PRICE TARGET $647.00

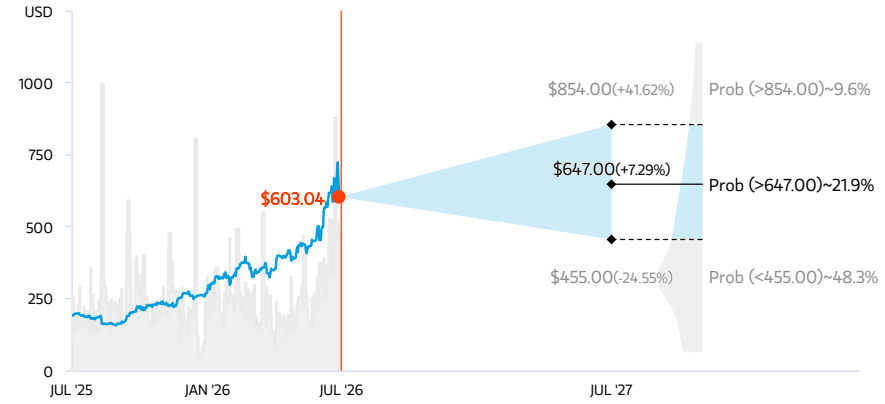
~30x CY28e EPS of $21.55, a 4-turn discount to LAM and 8-turns to KLA to reflect growth prospects in DRAM but concerns around market share loss in foundry logic.

Consensus Price Target Distribution $308.00 $570.07 $900.00

MS PT

Mean

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance Current Stock Price Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 2 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

- AMAT has traded at a material valuation discount vs LAM & KLA given execution and concerns around market share loss in China. We think AMAT will be a share gainer in 2026 but given our growth forecast is in-line with broader WFE in 2027 we think the valuation discount is unlikely to narrow in the near term.
- AMAT has the highest DRAM mix in their portfolio (CY26 31% vs LAM 23%, KLA 28%) and is most levered to greenfield wafer additions. We see DRAM as the fastest growing end-market in 2026 but the slowest growing in 2027.

Consensus Rating Distribution

87% Overweight
13% Equal-weight
0% Underweight
MS Rating

Risk Reward Themes

New Data Era: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $854.00

~35x CY28 EPS of $24.41

DRAM & ICAPS remain strong and AMAT's margin expansion accelerates.

- Revenue grows 24.6% in CY28 as AMAT outperforms WFE

- Gross margin expands to 51.9% in CY27

- Multiples expand to 35x PE, as equipment is perceived as a growth sector within semis

BASE CASE $647.00

~30x CY27 EPS of $21.55

AMAT grows in-line with WFE with DRAM growth slightly offset by China/ICAPS

- Revenue growth of 13.3% in CY28

- Non-GAAP gross margin slightly increases to 51.4% in CY27

-Multiple at a premium to AMAT's historical average

BEAR CASE $455.00

~24x CY28 EPS of $18.96

DRAM WFE slows in 2027 and leading edge logic sees headwinds from foundries scaling back their aspirations.

- Revenue increases 4.2% in CY28 as WFE recovery is subdued.

- Gross margin slightly increases to 50.6% in CY27

- Multiple contracts to a 24x PE, 2 standard deviation premium to historical levels

Risk Reward – Applied Materials Inc. (AMAT.O)

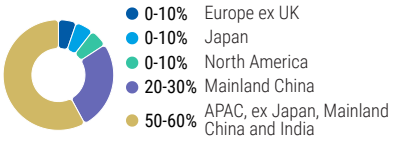
KEY EARNINGS INPUTS

Drivers	Oct 2025	Oct 2026e	Oct 2027e	Oct 2028e
GAAP Revenue ($, mm)	28,368	33,656	44,233	51,269
MW Gross Margin (%)	48.8	50.0	51.0	51.4
Non-GAAP EPS ($)	9.42	12.38	17.41	20.97
Inventory ($, mm)	5,915	7,717	9,156	10,201
DOI	146.2	164.9	151.8	147.2

INVESTMENT DRIVERS

- DRAM WFE outpaces overall WFE growth
- AMAT capitalizes on logic growth opportunities (GAA, back-side power)

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

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)

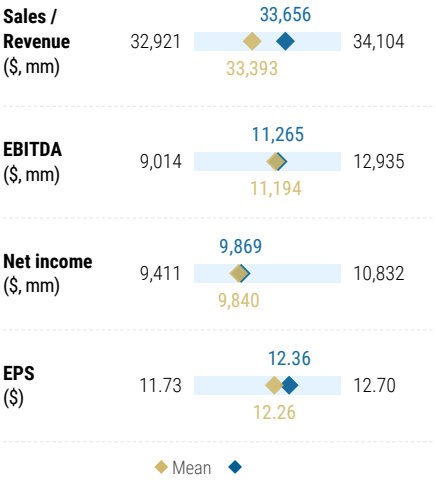
OWNERSHIP POSITIONING

Inst. Owners, % Active	50.7%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Oct 2026e





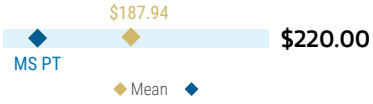
Risk Reward – Camtek (CAMT.O)

HBM beneficiary, but fairly priced

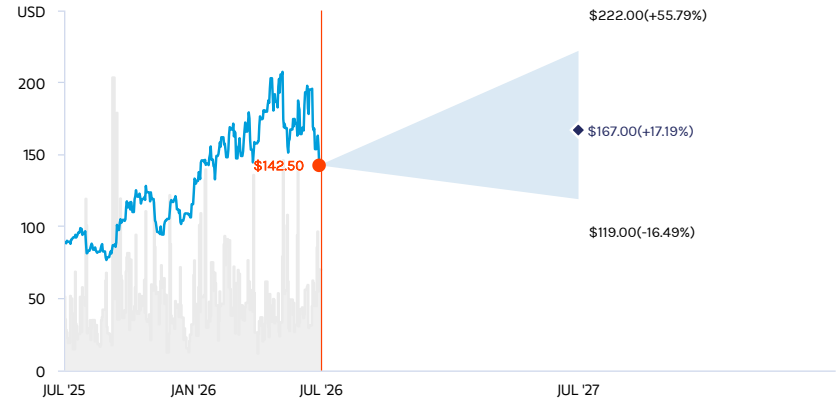
PRICE TARGET $167.00

28x multiple on the company's CY28 EPS of $5.51. Multiple is a 5-turns premium to the company's through cycle average and a 10-20% discount to peer NOVA.

Consensus Price Target Distribution



RISK REWARD CHART

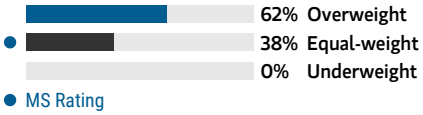


Key: Historical Stock Performance Current Stock Price Price Target

EQUAL-WEIGHT THESIS

- We like CAMT's structural growth story led by metrology/inspection intensity increasing in the back-end and the CAMT specific growth story driven by HBM. We think CAMT is set up for double-digit growth through 2026-27 led by the drivers above and continued OSAT capex strength.
- CAMT trades at above through-cycle average multiples on our above-consensus estimates, which keeps us EW the name. We would be inclined to turn more positive if we get indication that CAMT can achieve our bull case EPS of $5.50+ in 2027 but stay sidelined for now.

Consensus Rating Distribution



Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $222.00

~33x multiple on CY28 EPS of $6.32 and net cash

We reflect stronger than expected OSAT capex for 2026-2027 as well as market share gain and a multiple closer to early cycle.

- Revenue growth of 25.3% in CY28

- GM expands to 54.7% and EPS to $6.32 in CY27

BASE CASE $167.00

~28x multiple on CY28 EPS of $5.51 and net cash

Multiple is roughly in-line with the company's through cycle average.

- Revenue growth of 13.9% in CY28

- CY28 GM of 53.5%

- EPS of $5.51 in CY28

BEAR CASE $119.00

~22x multiple on CY28 EPS of $4.81 and net cash

We reflect weaker than expected OSAT capex for 2026-2027 as well as market share loss and a multiple closer to late cycle.

- Revenue growth of 5.9% in CY28

- GM declines to 52.0% and EPS comes in at $4.81 in CY28

Risk Reward – Camtek (CAMT.O)

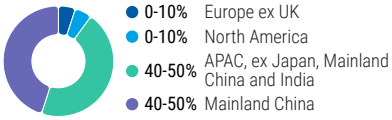
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
GAAP Revenue ($, mm)	496	577	731	833
MW Gross Margin (%)	51.0	51.8	53.0	53.0
Non-GAAP EPS ($)	3.19	3.56	4.82	5.51
Inventory ($, mm)	112	124	137	151
DOI	164.4	159.2	142.3	138.2

INVESTMENT DRIVERS

- HBM capacity expansion
- OSAT capex strength
- Market share vs ONTO & KLA

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- OSAT capex growth accelerates
- HBM capacity growth accelerates
- Share gain from ONTO and KLA

RISKS TO DOWNSIDE

- OSAT capex growth decelerates due to end-market weakness
- HBM capacity growth slower than expected
- Share loss to ONTO and KLA

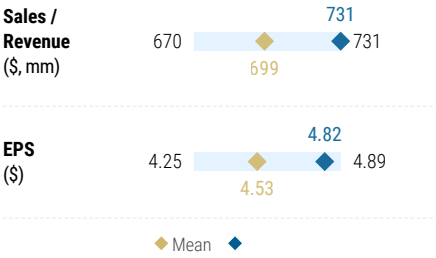
OWNERSHIP POSITIONING

Inst. Owners, % Active	84.7%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



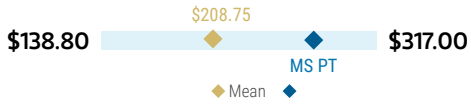
Risk Reward – KLA Corp (KLAC.O)

OW on structural and idiosyncratic drivers

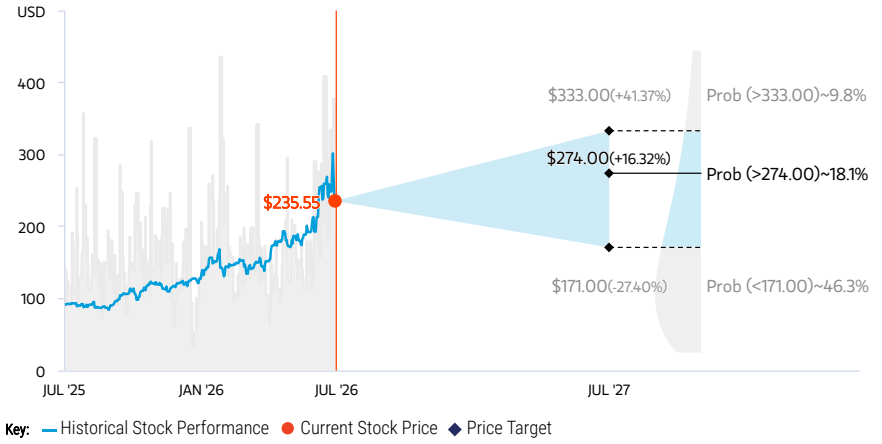
PRICE TARGET $274.00

38x CY28e EPS of $7.22, a 15% premium to US SPE peers LAM & AMAT to reflect growth prospects in foundry logic and DRAM.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



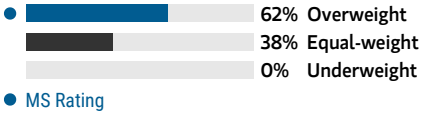
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 2 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- KLA's fundamental story has gone from strength to strength: 1) Process control intensity: to structurally increase going forward due to larger die sizes and increased design starts, both causes of lower yield. 2) Share increase: KLA should continue to gain market share in process control given the company is first to inflections and has the fundamental technology to enable that.
- We believe a premium multiple to SPE peers is justified given KLA's growth prospects (outperformance vs WFE) as well as its superior gross margin.

Consensus Rating Distribution



Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $333.00

41x CY28e EPS of $8.12

KLA gains more market share than expected on the back of leading edge logic spending accelerating and process control intensity in DRAM increasing greater than expected.

- In this scenario we assume a considerable premium to US SPE peers (AMAT/LAM) as KLA's growth prospects are more appreciated.

- Revenue grows 27.7% in CY28 as KLAC sees outsized growth due to increased market share.

- GM expands to 63.5% and EPS grows to $8.12 in 2028.

BASE CASE $274.00

38x CY28e EPS of $7.22

KLA grows ahead of WFE in 2027 due to increased process control intensity in leading edge logic and DRAM.

- In this scenario we assume a premium to US SPE peers (AMAT/LAM) that is slightly higher than historic due to KLA's growth prospects.

- Revenue grows 16.1% in CY28 and KLA slightly increases market share.

- GM expands to 62.8% and EPS grows to $7.22 in 2028

BEAR CASE $171.00

26x CY28e EPS of $6.59

KLA's market share contracts due to leading edge logic and DRAM investment slowing down. KLA faces increasing competition in mask inspection, pressuring valuation multiple.

- In this scenario we assume multiple in-line with US SPE peers (AMAT/LAM)

- Revenue growth of 7.3% in CY28 as leading edge logic growth is limited.

- GM declines to 61.8% and EPS slightly increases to $6.59 in 2028

Risk Reward – KLA Corp (KLAC.O)

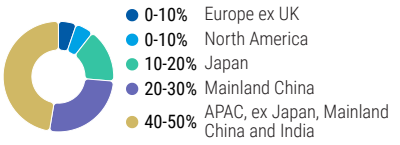
KEY EARNINGS INPUTS

Drivers	Jun 2025	Jun 2026e	Jun 2027e	Jun 2028e
GAAP Revenue ($, mm)	12,156	13,524	18,117	21,746
MW Gross Margin (%)	62.3	62.2	62.4	62.7
MW EPS ($)	3.33	3.70	5.41	6.66
Inventory ($, mm)	3,212	3,623	4,918	5,586
DOI	246.7	251.5	258.1	246.8

INVESTMENT DRIVERS

- WFE market growth, specifically in leading edge logic where KLA has outsized exposure.
- Process control intensity and KLA's market share within process control.

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Foundries (TSMC, Intel, Samsung) pull forward their logic roadmaps
- Design starts in leading edge nodes increase
- Process control intensity increases in DRAM due to HBM

RISKS TO DOWNSIDE

- Certain foundries (Intel, Samsung) scale back their aspirations
- Market share loss in mask inspection to Lasertec or in e-beam to AMAT or ASML
- China restrictions

OWNERSHIP POSITIONING

Inst. Owners, % Active	51.2%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2027e

Sales / Revenue ($, mm)	16,463	17,310	18,117 / 20,692
EBITDA ($, mm)	7,505	8,200	8,802 / 10,344
Net income ($, mm)	6,231	6,734	7,067 / 8,414
EPS ($)	4.69	5.15	5.41 / 6.47

◆ Mean ◆

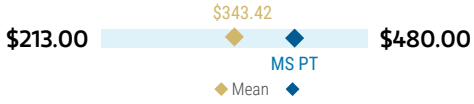
Risk Reward – Lam Research Corp (LRCX.O)

WFE outperformance intact with NAND & Logic

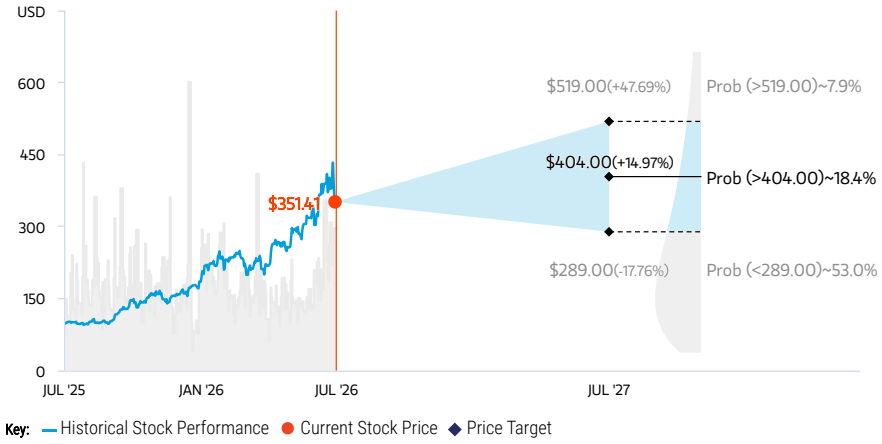
PRICE TARGET $404.00

34x CY28 non-GAAP EPS of $11.89, multiple reflects a 15% premium to AMAT (30x) to reflect LAM's market share gains.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



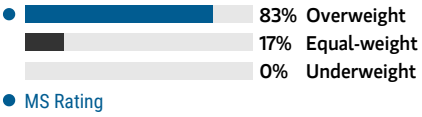
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OVERWEIGHT THESIS

- After shipments underperformed WFE by 33ppt in 2023 due to a cyclical decline in NAND and China entity list impact, LAM outperformed WFE by 8ppt in 2024 and we estimate another 27ppt outperformance in 2025 driven by NAND, China, and TSMC. We model LAM's system shipments to outperform WFE in 2026 & 2027 for the 3rd and 4th consecutive year as NAND and non-China foundry logic continues to strengthen.
- LAM has unique drivers supporting the long-term growth story as the company is seeing gross margin expansion from shifting manufacturing to Malaysia, is positioned well to gain share with the 4F2 transition in DRAM and in advanced packaging.

Consensus Rating Distribution



Risk Reward Themes

New Data Era:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $519.00

~38x CY28 non-GAAP EPS $13.66

DRAM and NAND pricing and utilization improve further than expected, and LAM sees record revenue in CY27. The company sees revenue growth exceed WFE on the back of market share gains in leading edge nodes.

- Revenue growth of 13.2% in CY28 as LAM benefits from NAND WFE growth and market share gains

- GM expands to 52.0% in CY28

BASE CASE $404.00

~34x CY28 non-GAAP EPS of $11.89

We expect LAM to outperform in 2026-27 on the back of NAND and foundry logic strength.

– Revenue growth of 13.2% in CY28 driven by NAND and foundry logic

- CY28 GM of 52.0% as regional mix deterioration is offset by top-line growth

BEAR CASE $289.00

~27x CY28 non-GAAP EPS of $10.72

Memory markets turn weaker and LAM loses share to competitors.

- Revenue growth of 25.6% in CY28 as memory recovery more muted than expected

- GM of 53.0% in CY28

Risk Reward – Lam Research Corp (LRCX.O)

KEY EARNINGS INPUTS

Drivers	Jun 2025	Jun 2026e	Jun 2027e	Jun 2028e
GAAP Revenue ($, mm)	18,436	23,223	33,063	40,245
MW Gross Margin (%)	48.8	50.2	51.0	51.8
Non-GAAP EPS ($)	4.13	5.73	8.78	11.22
Inventory ($, mm)	4,308	4,583	5,945	6,391
DOI	164.0	142.3	132.0	118.5

CATALYST CALENDAR

Date	Event
04 Nov 2026 - 08 Nov 2026	Lam Research Corp Annual Shareholders Meeting

INVESTMENT DRIVERS

- NAND WFE market trends (LAM has outsized share)
- Market share gains from new logic architectures (GAA, backside power)

GLOBAL REVENUE EXPOSURE



- 0-10% Europe ex UK
- 0-10% North America
- 10-20% Japan
- 30-40% Mainland China
- 40-50% APAC, ex Japan, Mainland China and India

View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Market share gains in new logic architectures (GAA, backside power)
- NAND capex recovers to new highs
- Continued share gains in China

RISKS TO DOWNSIDE

- NAND WFE weaker than expected
- Widespread export restrictions to China
- Market share loss to competitors in etch

OWNERSHIP POSITIONING

Inst. Owners, % Active	48.6%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2027e

Sales / Revenue ($, mm)	27,970	30,422	33,063 / 33,650
EBITDA ($, mm)	10,584	11,993	13,014 / 13,777
Net income ($, mm)	8,913	9,946	10,937 / 11,543
EPS ($)	7.25	7.96	8.78 / 9.19

◆ Mean ◆

Risk Reward – MKS Inc. (MKSI.O) Top Pick

Cyclical recovery to drive deleverage & EPS growth, OW

PRICE TARGET $442.00

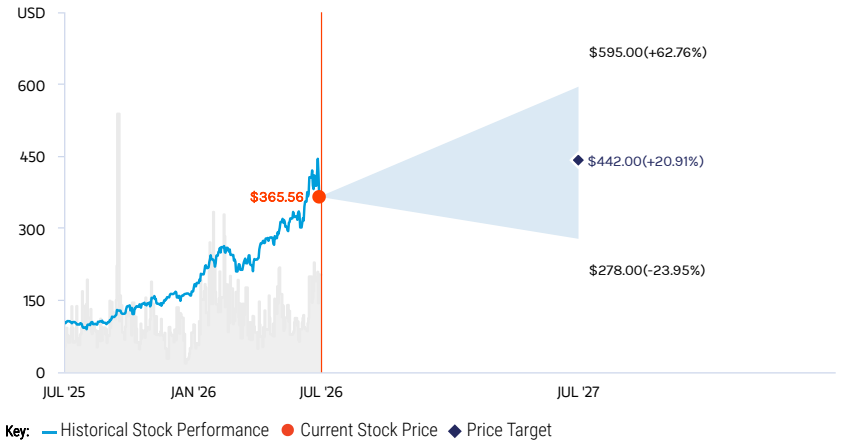
22x FY28 EPS of $20.08. Multiple is a larger discount to front-end SPE vs historic to reflect balance sheet concerns and business mix shift to packaging.

Consensus Price Target Distribution $265.00 $399.02 $600.00

MS PT

Mean

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

OVERWEIGHT THESIS

- Cyclical recoveries for MKS' semi and electronics & packaging (E&P) business should drive revenue and FCF growth, helping the company delever and EPS outperform.
- The company's outsized NAND exposure has worked against the company during 2023-2024, but we expect NAND spend to outgrow overall WFE in 2027 and MKS to be a beneficiary.
- We forecast MKS' E&P business to grow above PCBs but below advanced electronics through 2027, as the company's "Optimize the Interconnect" strategy drives share gains from scale.

Consensus Rating Distribution

87%	Overweight
7%	Equal-weight
7%	Underweight

MS Rating

Risk Reward Themes

New Data Era:	*Positive*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $595.00

25x FY27 EPS of $23.79

A stronger than expected WFE and advanced electronics upcycle drives more aggressive debt paydowns and MKS' EPS sees strong growth.

-Revenue grows 17.6% in 2028 on the back of a stronger WFE and advanced electronics upcycle.

-GPM% expands to 48.9% and EPS to $23.79 in 2028.

BASE CASE $442.00

22x FY28 EPS of $20.08

MKS' semiconductor & E&P businesses benefit from a cyclical recovery in 2027 and grows revenue y/y in both segments.

-Revenue grows 9.9% in 2028.

-GPM% expands to 47.9% and EPS to $20.08 in 2028.

BEAR CASE $278.00

16x FY28 EPS of $17.38

A weaker WFE and advanced electronics cycle dampen the recovery and MKS sees slower debt repayments and deleverage.

-Revenue growth of 2.2% in 2028 on the back of a weaker WFE and advanced electronics upcycle.

-GPM% grows to 46.4% and EPS to $17.38 in 2028.

Risk Reward – MKS Inc. (MKSI.O)

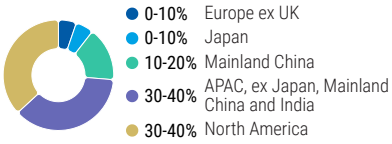
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
GAAP Revenue ($, mm)	3,930	4,870	6,001	6,597
MW Gross Margin (%)	46.8	47.1	47.7	47.9
MW EPS ($)	7.88	11.95	17.62	20.08
Inventory ($, mm)	651	940	1,144	1,200
DOI ($, mm)	158.5	154.8	152.9	145.9

INVESTMENT DRIVERS

- WFE and semiconductor subcomponent cycle.
- MKS' market share in semi subcomponents (outsized exposure to NAND).
- Advanced Electronics and PCB & Substrate cycle.

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	4/5 MOST	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger than expected WFE spend
- Market share gains in semis on the back of NAND growth
- PC, smartphone, and server strength
- Debt paydowns progress quicker than anticipated

RISKS TO DOWNSIDE

- WFE growth slows and NAND makers continue to be disciplined on capex
- PC, smartphone, and server extended weakness
- Debt paydowns slow due to slow revenue growth and higher rates

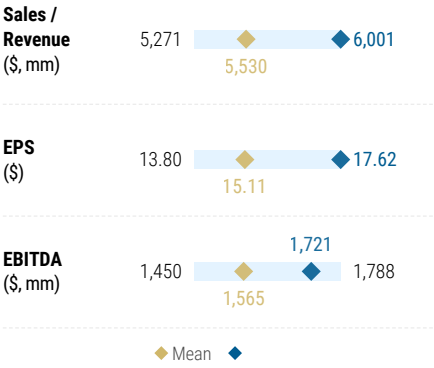
OWNERSHIP POSITIONING

Inst. Owners, % Active	63.1%	
HF Sector Long/Short Ratio	2.1x	
HF Sector Net Exposure	29.5%	

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MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



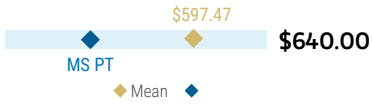
Risk Reward – Nova Ltd (NVMI.O)

Metrology/Inspection intensity beneficiary at a premium valuation

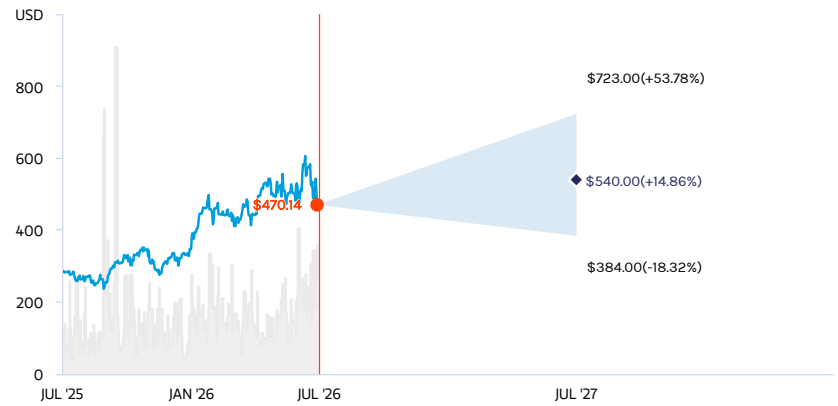
PRICE TARGET $540.00

We use a 33x PE multiple on the company's CY28 EPS of $15.39 (+ net cash), which implies a premium to its through-cycle average of 28x, commensurate with the multiple appreciation across the group.

Consensus Price Target Distribution



RISK REWARD CHART

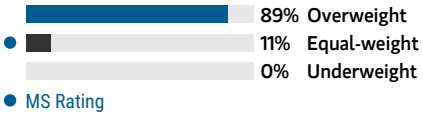


Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

EQUAL-WEIGHT THESIS

- NOVA has increased their share of WFE from an average of 32bp during 2018-2020 to 52bp during 2023-2025 driven by metrology/inspection intensity increasing in foundry logic and DRAM as well as NOVA's customer diversification and inorganic growth execution.
- We expect the pace of share gains to moderate in 2026-27, but NOVA to gain share nonetheless driven by reacceleration of leading edge logic growth and continued share gains in DRAM.
- NOVA trades at a premium multiple vs peers on our above-consensus estimates, which keeps us EW the name. We would be inclined to turn more positive if we get indication that NOVA can achieve our bull case EPS of $15.50 in 2027 but stay sidelined for now.

Consensus Rating Distribution



Risk Reward Themes

Secular Growth: *Positive*
Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $723.00

~39x CY28 non-GAAP EPS of $17.72 + net cash

We reflect stronger than expected WFE market growth for 2026-2027 as well as market share gain and a multiple closer to early cycle.

- Revenue growth of 23.8% in CY28

- GM expands to 61.1% and EPS to $17.72 in CY28

BASE CASE $540.00

~33x CY28 non-GAAP EPS of $15.39 + net cash

Multiple is a premium to its through-cycle-average of 28x.

- Revenue growth of 12.6% in CY28

- CY28 GM of 60.1%

- EPS of $15.39 in CY28

BEAR CASE $384.00

~26x CY28 non-GAAP EPS of $13.53 + net cash

We reflect weaker than expected WFE market growth for 2026-2027 as well as market share loss and a multiple closer to late cycle.

- Revenue increases by 5.3% in CY28

- GM declines to 58.6% and EPS comes in at $13.53 in CY28

Risk Reward – Nova Ltd (NVMI.O)

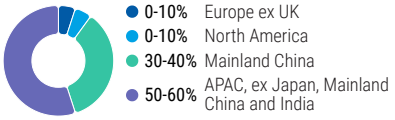
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
GAAP Revenue ($, mm)	880.6	1,063.5	1,377.3	1,550.6
MW Gross Margin (%)	59.4	59.3	59.8	60.1
MW EPS ($)	8.67	10.18	13.44	15.39
Inventory ($, mm)	183.7	212.6	252.9	281.3
DOI	176.1	170.0	158.7	158.2

INVESTMENT DRIVERS

- Metrology/Inspection intensity in leading logic and memory
- Leading logic and memory capacity expansion
- Market share vs KLA & ONTO

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Metrology/inspection intensity increases in leading logic and memory
- Leading logic capacity expansion tracks ahead of expectation

RISKS TO DOWNSIDE

- Market share loss to KLA & ONTO
- Cyclical decline in memory leads to slower capex

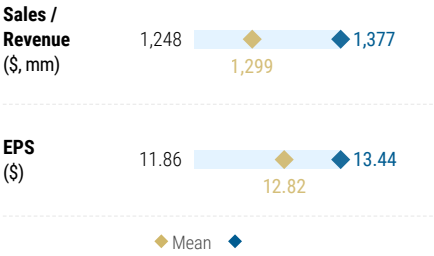
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MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf