KLA Corp. (KLAC): First Take: Modest upside to quarter and guidance relative to elevated expectations

James Schneider, Ph.D.
+1(212)357-2929 | jim.schneider@gs.com
Goldman Sachs & Co. LLC

Anmol Makkar
+1(212)357-1366 | anmol.makkar@gs.com
Goldman Sachs & Co. LLC

Luya You
+1(212)902-5297 | luya.you@gs.com
Goldman Sachs & Co. LLC

Khalil Fenina
+1(212)357-6392 | khalil.fenina@gs.com
Goldman Sachs & Co. LLC

Key stock takeaways: We expect the stock to trade lower following a quarter and guidance that were consistent with Street numbers, but below elevated investor expectations, per our conversations. We believe investor expectations were somewhat elevated heading into the print, with tailwinds to WFE trends and upside in advanced node logic spending being partly offset by concerns around lower process-control intensity. We expect the following topics to be in focus on the earnings call: (1) management's view on process control intensity in CY26/27; (2) near-term inflection in advanced packaging demand given CoWoS tightness; (3) gross margin trends.

Quarterly results just above the Street: KLA reported revenue of $3.66 bn, just above GS at $3.62 bn and the Street (Visible Alpha) at $3.61 bn, while gross margin of 62.4% was just above GS at 62.1% and the Street at 61.9%. Non-GAAP EPS of $1.05 was above GS at $1.01 and the Street at $1.00. Systems revenue of $2.84bn was above GS at $2.61 bn and the Street at $2.81 bn, and Service revenue of $820 mn was above GS at $809 mn and the Street at $813 mn.

3Q revenue guidance is slightly above the Street, with EPS above. KLA guided 3Q just above the Street on revenue and EPS. Revenue was guided to $4.00 bn at the midpoint, which is slightly above GS at $3.93 bn and the Street at $3.95 bn. Gross margin was guided to 62.5%, which is just above GS at 61.9% and the Street at 62.2%. Non-GAAP EPS guidance of $1.16 at the midpoint is above GS at $1.11 and the Street at $1.13.

Read-through to our coverage: We expect a modestly negative initial reaction for AMAT (Buy) and LRCX (Buy) in our coverage.

Price target and risks: Our 12-month target price of $230 reflects a 35X P/E multiple applied to our normalized EPS of $6.50. Key upside/downside risks: (1) sharp increase in Foundry/Logic spending; (2) uncertainty related to export restrictions were to be removed; (3) sharp rebound in Memory WFE spending (vis-a-vis Foundry/Logic); (4) incremental US export restrictions.

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Exhibit 1: KLA - Variance summary

Financials ($ mn, except EPS)	2Q26 Actual	GS	Street	Actual/GS	Actual/Street
Total Systems	2,837	2,611	2,812	8.6%	0.9%
Total Service	820	809	813	1.4%	1.0%
Total Revenue	3,658	3,620	3,610	1.0%	1.3%
QoQ	*7.1%*	*6.0%*	*5.7%*		
YoY	*15.2%*	*14.0%*	*13.7%*		
Gross Margin	62.4%	62.1%	61.9%	*+29 bps*	*+44 bps*
Operating Margin	43.4%	43.4%	43.4%	*+2 bps*	*+2 bps*
Non-GAAP EPS	$1.05	$1.01	$1.00	4.4%	4.9%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 2: KLA - Guidance

Financials ($ mn, except EPS)	3Q26E High	Low	Guidance (midpoint)	GS	Street	Guidance/GS	Guidance/Street
Total Revenue	4,200	3,800	4,000	3,928	3,954	1.8%	1.2%
QoQ			*9.4%*	*8.5%*	*8.1%*		
YoY			*24.6%*	*22.4%*	*23.2%*		
Gross Margin	63.5%	61.5%	62.5%	61.9%	62.2%	*+59 bps*	*+33 bps*
Non-GAAP EPS	$1.26	$1.06	$1.16	$1.11	$1.13	4.8%	2.3%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

KLAC	12m Price Target: **$230.00**	Price: **$203.36**	Upside: **13.1%**

Neutral

Market cap: $267.9bn
Enterprise value: $271.9bn
3m ADTV: $2.8bn
United States
Americas Semiconductors & IT Services
M&A Rank: 3

GS Forecast

	6/25	6/26E	6/27E	6/28E
Revenue ($ mn)	12,156.2	13,541.8	17,027.1	19,699.1
EBITDA ($ mn)	5,332.8	5,920.0	7,698.7	9,084.5
EBIT ($ mn)	5,241.0	5,821.9	7,594.2	8,973.6
EPS ($)	3.33	3.71	4.91	5.89
P/E (X)	22.0	54.8	41.4	34.5
EV/EBITDA (X)	19.1	46.0	34.8	29.0
FCF yield (%)	3.8	1.5	2.1	2.9
Dividend yield (%)	0.9	0.4	0.5	0.6
Net debt/EBITDA (X)	0.7	0.7	0.4	0.2

	3/26	6/26E	9/26E	12/26E
EPS ($)	0.94	1.01	1.11	1.25

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 27 Jul 2026 close.

