KLA Corporation (KLAC)

Updated May 19th, 2025 by Jonathan Weber

Key Metrics

Current Price:	$789	**5 Year CAGR Estimate:**	3.9%	**Market Cap:**	$105B
Fair Value Price:	$616	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	05/28/25[1]
% Fair Value:	128%	**5 Year Valuation Multiple Estimate:**	-4.8%	**Dividend Payment Date:**	06/03/25[2]
Dividend Yield:	1.0%	**5 Year Price Target**	$905	**Years Of Dividend Growth:**	15
Dividend Risk Score:	A	**Sector:**	Information Technology	**Rating:**	Hold

Overview & Current Events

KLA Corporation is a supplier to the semiconductor industry. The company supplies process control and yield management systems for semiconductor producers such as TSMC, Samsung and Micron. KLA was created in 1997, through a merger between KLA Instruments and Tencor Instruments, and has grown through a range of acquisitions since then. The company is headquartered in Milpitas, CA.

When KLA Corporation reported its third quarter (fiscal 2025) earnings results, the company showed revenues of $3.06 billion for the quarter, which represents an increase of 30% compared to the prior year's quarter. This revenue increase was stronger than what the analyst community had expected, as KLA's top line beat the analyst consensus by $50 million. KLA's revenue increase can be explained by the fact that many semiconductor companies that are among KLA's customers have been investing more in new manufacturing capacity in the recent past.

KLA generated earnings-per-share of $8.41 during its fiscal third quarter, which beat estimates by $0.33, and which was up 60% compared to the previous year's quarter. In fiscal 2024, KLA generated earnings-per-share of $23.76, but it is expected that the company will earn more than $32 per share this year, in fiscal 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.98	$4.66	$5.94	$7.50	$8.46	$10.35	$14.55	$21.17	$25.33	$23.76	***$32.40***	***$47.61***
DPS	$2.00	$2.08	$2.14	$2.52	$3.00	$3.40	$3.75	$4.20	$5.20	$5.80	***$7.60***	***$11.69***
Shares[3]	158	156	157	156	156	156	155	149	138	136	***135***	***125***

KLA grew its earnings-per-share by ~25% annually between 2015 and 2024, with earnings-per-share rising in almost every year of that time frame. During the Great Recession, the company reported net losses, thus KLA Corporation can be vulnerable to economic downturns, which is not surprising, as semiconductor demand can decline during those times, which makes semiconductor companies push growth investments further out.

KLA Corporation's earnings-per-share growth has historically come from a mix of revenue growth, margin improvements, and share repurchases. The revenue growth outlook remains strong, as KLA Corporation benefits from long-term growth trends in the semiconductor industry. A large portion of KLA's revenues comes from product sales, but service revenues are becoming increasingly important. This is a positive in the long run, as a higher rate of recurring service revenues could help KLA's top line become less cyclical.

The semiconductor industry profits from massive tailwinds such as Artificial Intelligence, big data, autonomous driving, and cloud computing. These trends drive demand for chips, which means that companies such as Samsung and Taiwan Semiconductor Manufacturing Company are increasing their capacity to be able to meet demand, which fuels their demand for KLA Corporation's products. KLA Corporation has also made several acquisitions in the past, thus future tuck-in acquisitions could expand the company's growth potential in the long run.

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[1] Estimated date

[2] Estimated date

[3] In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.8	13.6	14.1	13.6	14.4	18.7	22.1	15.2	19.1	34.8	***24.4***	***19.0***
Avg. Yld.	2.9%	3.3%	2.5%	2.9%	2.5%	1.8%	1.2%	1.3%	1.1%	0.7%	***1.0%***	***1.3%***

KLA currently trades at around 24 times net earnings, based on estimates for the current fiscal year, which is higher than our fair value estimate. We believe that shares have some downside potential towards a price to earnings multiple of around 19, which would be more in-line with how KLA Corporation was valued in the past.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	67%	45%	36%	34%	35%	33%	26%	20%	21%	24%	***23%***	***25%***

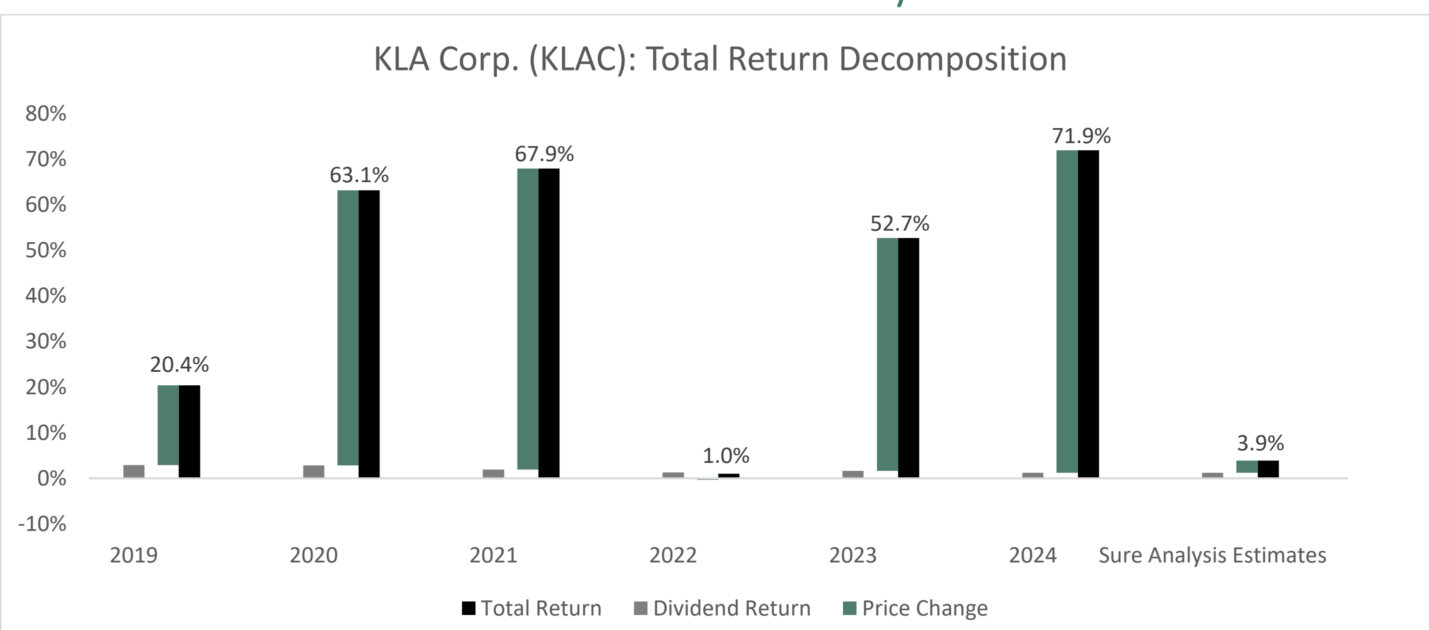
KLA did not raise its dividend during the Great Recession, but since then, the dividend has been raised very consistently. Even though there was no dividend increase in crisis year 2009, KLA decided to maintain the dividend, thus there was no reduction, either. The payout ratio looks highly sustainable, although the cyclicality in KLA's earnings could make the payout ratio rise substantially during potential worldwide future economic downturns.

KLA is a key supplier to the largest semiconductor companies, and therefore a relevant part of this large industry that is extremely important to our modern way of life. KLA is the market leader in the process control sector. Its scale and size give it advantages over competitors when it comes to receiving big contracts, and through better economies of scale, KLA also has the ability to achieve higher margins than many of its smaller peers. The Great Recession has proven that KLA's business is cyclical, as lower spending by semiconductor manufacturers during economic downturns hurts KLA.

Final Thoughts & Recommendation

As an important supplier to the global semiconductor industry, KLA benefits from megatrends that increase worldwide demand for chips, such as Artificial Intelligence. KLA should be able to capitalize on these trends by growing its earnings-per-share meaningfully in the future. Because shares trade well above fair value, the total return outlook is unfortunately not very strong today. We rate KLA Corporation a hold at current prices.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,814	2,984	3,480	4,037	4,569	5,806	6,919	9,212	10,496	9,812
Gross Profit	1,599	1,821	2,194	2,591	2,700	3,357	4,147	5,619	6,278	5,884
Gross Margin	56.8%	61.0%	63.0%	64.2%	59.1%	57.8%	59.9%	61.0%	59.8%	60.0%
SG&A Exp.	407	379	388	442	599	734	730	860	986	970
D&A Exp.	81	67	58	63	233	348	333	363	415	402
Operating Profit	661	960	1,279	1,540	1,389	1,759	2,488	3,654	3,995	3,636
Operating Margin	23.5%	32.2%	36.7%	38.1%	30.4%	30.3%	36.0%	39.7%	38.1%	37.1%
Net Profit	366	704	926	802	1,176	1,217	2,078	3,322	3,387	2,762
Net Margin	13.0%	23.6%	26.6%	19.9%	25.7%	21.0%	30.0%	36.1%	32.3%	28.1%
Free Cash Flow	560	728	1,041	1,162	1,022	1,626	1,953	3,005	3,328	3,031
Income Tax	68	154	247	654	121	102	283	167	402	428

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,826	4,962	5,532	5,639	9,009	9,280	10,271	12,597	14,072	15,434
Cash & Equivalents	838	1,108	1,153	1,404	1,016	1,234	1,435	1,585	1,928	1,977
Accounts Receivable	585	613	571	652	990	1,107	1,305	1,812	1,753	1,833
Inventories	618	699	733	932	1,263	1,311	1,575	2,147	2,877	3,035
Goodwill & Int. Ass.	347	340	368	374	3,773	3,437	3,196	3,514	3,214	2,684
Total Liabilities	4,405	4,273	4,206	4,018	6,331	6,599	6,895	11,198	11,153	12,065
Accounts Payable	103	107	147	169	202	264	342	443	371	359
Long-Term Debt	3,190	3,058	2,930	2,237	3,423	3,470	3,443	6,661	5,891	6,630
Shareholder's Equity	421	689	1,326	1,621	2,659	2,665	3,378	1,401	2,920	3,368
LTD/E Ratio	7.57	4.44	2.21	1.38	1.29	1.30	1.02	4.75	2.02	1.97

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.1%	14.4%	17.6%	14.4%	16.1%	13.3%	21.3%	29.1%	25.4%	18.7%
Return on Equity	17.9%	126.9%	91.9%	54.4%	54.7%	45.4%	68.6%	139%	157%	87.8%
ROIC	9.1%	19.1%	23.1%	19.8%	23.6%	19.9%	32.0%	44.7%	40.2%	29.4%
Shares Outstanding	158	156	157	156	156	156	155	149	138	136
Revenue Per Share	17.19	19.04	22.10	25.65	29.11	36.75	44.51	60.78	74.85	72.05
FCF Per Share	3.42	4.64	6.61	7.38	6.51	10.29	12.57	19.83	23.73	22.26

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.