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May 4, 2026

BLUEGRASS CAPITAL RESEARCH

# Lam Research Corporation

## The Picks and Shovels of the AI Era

Lam Research sits at the foundation of the AI infrastructure buildout, as their equipment is used in the factories of most major chipmakers globally. Increasingly complex chip designs are making that equipment more critical with every passing node. **We rate LRCX a BUY with a one-year PT of $297,** reflecting a company quietly transitioning from a cyclical equipment supplier into a durable platform at the center of the AI era.

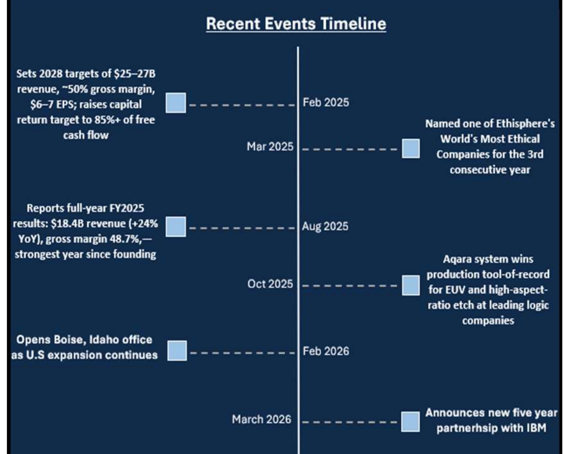
***Thesis Point 1*** While semiconductor equipment has historically been a cyclical business, AI is changing that. Every major hyperscaler is committing billions to build out AI infrastructure, and that requires more advanced chips, manufactured at nodes where etch and deposition are the most complex and critical steps. Unlike prior upcycles driven by consumer electronics, these AI capex commitments are multi-year and largely insulated from short-term macro pressure. Both memory and foundry segments are growing at the same time, a combination that has historically marked the strongest periods for wafer fabrication equipment spending. As chipmakers move to more advanced nodes, each wafer requires dramatically more etch and deposition work, expanding the demand on Lam's products. The company's served available market has already grown to mid-thirties percent of total WFE spending, with management targeting the high thirties, a trajectory that drove record revenue of $20.6 billion in 2025, up 27% year over year.

***Thesis Point 2*** Lam is winning a bigger piece of the semiconductor market through products that are hard to displace. When a chipmaker qualifies a piece of equipment as their "tool of record," that machine becomes the official tool for that manufacturing step going forward, making these wins essentially long-term contracts baked into the factory itself. Lam secured exactly that in 2025 with its products, the Aether dry-resist system and the Aqara conductor etch system, selected as tool of records for next-gen HBM memory production and EUV and high-aspect-ratio etch at leading memory and foundry customers. That longevity is showing in the financials too. Gross margins hit 49.9% in the March 2026 quarter, and management is guiding the June quarter to cross the 50% threshold for the first time. Revenue follows the same trajectory, with June quarter guidance set at $6.6 billion, up from $5.84 billion just last quarter. Underpinning all of it is a recurring service and support business (CSBG) that just crossed $2 billion in a single quarter for the first time in company history, growing 26% year over year. As that installed base compounds, Lam's financial profile looks less like a cyclical equipment company and more like a platform with durable, expanding returns.

***Company Overview*** Founded in 1980, Lam Research is an American semiconductor equipment manufacturer based in Fremont, California. Lam is a leading provider in the global semiconductor equipment market, servicing top chip makers such as TSMC, Samsung, Intel, and Micron. With a corporate mission centered on enabling next-gen semiconductor performance, Lam is strategically positioned to benefit from long-term industry growth. The company's portfolio includes critical front-end wafer fabrication processes such as etch and deposition systems which support advanced logic and memory technologies for AI workloads. Its business model combines high-margin system sales with a recurring service segment, providing greater earnings stability across semiconductor industry cycles. Lam's focus on investments in R&D and strategic partnerships allows the company to maintain competitive positioning and create solutions that evolve with increasing industry complexity. In recent years, Lam has benefited from surging demand for equipment used in AI and memory chip production. As a result of this growth, Lam Research has been able to expand its global footprint, operating across the U.S, Europe, Eastern Asia, and Southeast Asia.

Lam RESEARCH

| | |
|---|---|
| TICKER: | $LRCX |
| RATING: | BUY |
| PRICE: | $258.57 |
| PRICE TARGET: | $297.50 |
| MARKET CAP: | $314,193mm |
| 52-W RANGE: | $68.53 - $275.84 |
| NTM P/E: | 33.74x |
| IMPLIED UPSIDE: | 15.1% |


**Lam Research Corporation** | *NASDAQ: LRCX*
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***Risk 1:*** U.S. export controls have progressively restricted sales of advanced equipment to China which represented 34% of 2025 revenue. Further tightening could cut off a third of the company's revenue. Domestic Chinese equipment competitors backed by the Chinese government are gaining ground, giving Lam a disadvantage vs. non-U.S. peers who face fewer export restrictions. Lam has had to navigate similar conditions for the past 2 years and continued to grow revenues, signaling investors to monitor export policy while acknowledging the proven adaptability Lam has shown.

***Risk 2***: The wafer fabrication equipment market is highly cyclical. 2024 was a painful example as revenue fell 14.5%. Demand is dependent on customers' capex plans, which can shift rapidly due to oversupplied markets, macro conditions, or geopolitical disruption. Samsung and TSMC alone account for over 20% of Lam's revenue; if capex changes by even one of these companies can have a widespread negative impact on revenue growth. It is notable that as AI infrastructure spending shows no signs of slowing, and a memory upcycle underway, the near future looks favorable.

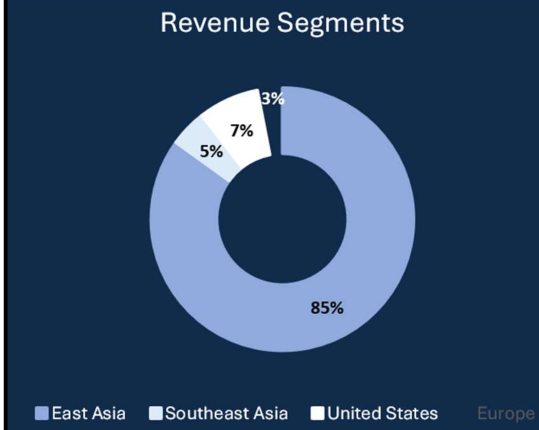
***Catalysts:*** Management called out that demand from cloud computing, AI, 5G, and IoT is driving the need for increasingly powerful and cost-efficient semiconductors. This directly benefits Lam, as AI infrastructure buildout requires massive wafer fabrication capacity expansion. The shift from 2D to 3D architecture requires dramatically more etch and deposition steps per wafer. As scaling complexity grows, so does Lam's served available market (SAM) intensity per wafer.

**DCF Analysis ($mm)**

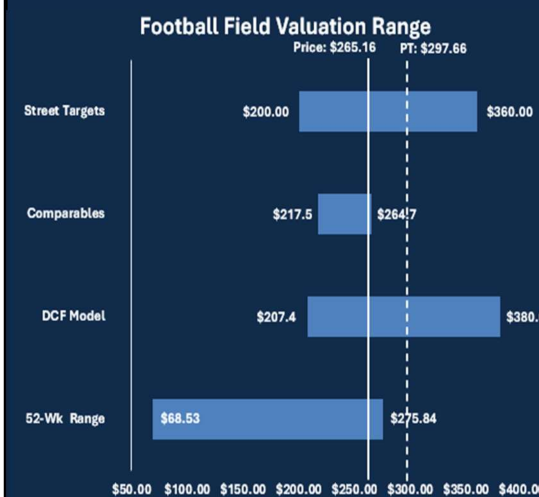
| | FY2025<br>12/31/2025 | FY2026<br>12/31/2026 | FY2027<br>12/31/2027 | FY2028<br>12/30/2028 | FY2029<br>12/30/2029 | FY2030<br>12/30/2030 | FY2031<br>12/31/2031 |
|---|---|---|---|---|---|---|---|
| Revenue | 18,436 | 21,050 | 24,052 | 27,214 | 30,486 | 33,806 | 37,102 |
| *Revenue Growth* | *24%* | *14%* | *14%* | *13%* | *12%* | *11%* | *10%* |
| East Asia | 15,659 | 18,000 | 20,700 | 23,546 | 26,490 | 29,470 | 32,417 |
| Southeast Asia | 837 | 930 | 1,033 | 1,142 | 1,257 | 1,377 | 1,501 |
| United States | 1,377 | 1,520 | 1,678 | 1,845 | 2,019 | 2,200 | 2,387 |
| Europe | 1,158.28 | 707.00 | 562.56 | 600.00 | 640.20 | 680.37 | 720.17 |
| EBIT | 5,901 | 7,000 | 7,937 | 9,049 | 10,213 | 11,410 | 12,615 |
| *EBIT Margin* | *32%* | *33%* | *33%* | *33%* | *34%* | *34%* | *34%* |
| Tax Expense | 600 | 670 | 754 | 894 | 1,047 | 1,212 | 1,388 |
| *Effective Tax Rate* | *10%* | *10%* | *10%* | *10%* | *10%* | *11%* | *11%* |
| NOPAT | 5,301.06 | 6,330.00 | 7,182.98 | 8,155.02 | 9,165.99 | 10,197.28 | 11,227.05 |
| D&A | 386 | 450 | 541 | 629 | 724 | 824 | 928 |
| Capex | 759 | 1,000 | 1,082 | 1,204 | 1,326 | 1,445 | 1,558 |
| Changes in NWC | (875) | (700) | (1,130) | (1,095) | (1,021) | (904) | (742) |
| UFCF | 5,803 | 6,480 | 7,772 | 8,675 | 9,585 | 10,480 | 11,338 |
| PV of FCF | | 6,241 | 6,818 | 6,806 | 6,726 | 6,577 | 6,364 |

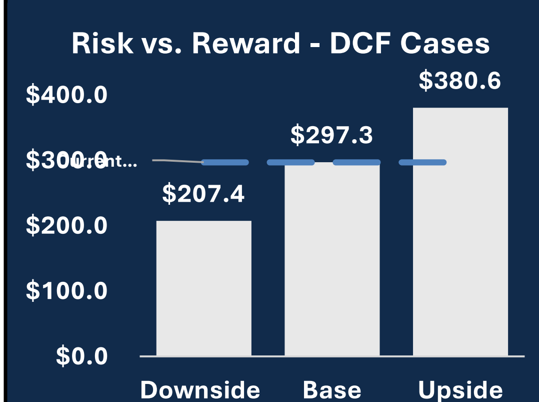
***Valuation***: Our base case DCF projects revenue growing around 14% CAGR through FY2031, driven mainly by sustained AI infrastructure investment requiring Lam's core products as well as an expanding presence in both memory and foundry markets. EBIT margins are modeled to expand modestly from 32% in FY2025 to 34% by FY2031 as the installed base continues to grow and the CSBG compounds. We applied a 43.5x EV/EBITDA exit multiple and a 11.8% WACC. Under these assumptions, our base case yields a fair value estimate of **$297.30 per share**, implying roughly **15% upside** from the current price of $258.57 and supporting our **BUY** rating. Our conservative and optimistic cases suggest a valuation range between $207.40 and $380.60 per share.

***Conclusion:*** We rate Lam Research Corporation a **BUY** based on its unique positioning at the foundation of the AI infrastructure buildout and the continued reliance companies are placing on their etch and deposition equipment. The company's financial trajectory is accelerating, with revenue expected to grow around 14% annually and EBIT margins rising toward 34% by FY2031. While China export controls and semiconductor cyclicality pose risks, Lam's innovation, balance sheet flexibility, and expanding SAM provide meaningful long-term support. The market continues to underappreciate its position as a critical enabler of next-gen chip manufacturing. We assign a **$297 price target**, representing a **15.5% upside** from current levels.




| Terminal Value | |
|---|---|
| Exit Multiple Method | |
| 2034 EBITDA | $13,542 |
| EV/EBITDA Exit Multiple | 43.5x |
| Terminal Value | $589,086 |
| PV of Terminal Value | $330,785 |
| PV of Projection Period | $39,565 |
| PV of Terminal Value | $330,785 |
| **Implied TEV** | $370,350 |
| (-) Debt | $4,484 |
| (+) Cash | $6,180 |
| Implied Equity Value | $372,047 |
| Diluted Shares Outstanding | 1,251 |
| **Implied Share Price** | $297.50 |
| Upside/Downside | 15.1% |



| Income Statement ($mm) | 2025A | 2026E | 2027E | 2028E | 2029E | CAGR% |
|---|---|---|---|---|---|---|
| Revenue | 18,436 | 21,050 | 24,052 | 27,214 | 30,486 | 13.4% |
| EBITDA | 6,287 | 7,450 | 8,478 | 9,678 | 10,937 | 14.8% |
| EBIT | 5,901 | 7,000 | 7,937 | 9,049 | 10,213 | 14.7% |
| NOPAT | 5,301 | 6,330 | 7,183 | 8,155 | 9,166 | 14.7% |

| Margin & Growth Data | 2025A | 2026E | 2027E | 2028E | 2029E | AVG% |
|---|---|---|---|---|---|---|
| EBITDA Margin | 34.1% | 35.4% | 35.3% | 35.6% | 35.9% | 35.2% |
| EBIT Margin | 32.0% | 33.3% | 33.0% | 33.3% | 33.5% | 33.0% |
| Revenue Growth | 23.7% | 14.2% | 14.3% | 13.1% | 12.0% | 15.5% |
| EBIT Growth | 36.4% | 18.6% | 13.4% | 14.0% | 12.9% | 19.1% |

| Valuation Metrics | 2025A | 2026E | 2027E | 2028E | 2029E | AVG% |
|---|---|---|---|---|---|---|
| P/FCF | 54.1x | 48.5x | 40.4x | 36.2x | 32.8x | 42.4x |
| EV/Sales | 17.0x | 14.8x | 13.0x | 11.5x | 10.3x | 13.3x |
| EV/EBITDA | 49.7x | 41.9x | 36.9x | 32.3x | 28.6x | 37.9x |
| FCF Yield | 1.8% | 2.1% | 2.5% | 2.8% | 3.1% | 2.4% |

**Comparable Companies**
*$mm*

| Ticker | Mkt Cap | EV | P/E LTM | Revenue LTM | EBITDA LTM |
|---|---|---|---|---|---|
| Applied Materials, Inc. (NasdaqGS:AMAT) | $312,889 | $311,568 | 32.6x | $28,214 | $8,889 |
| KLA Corporation (NasdaqGS:KLAC) | $229,136 | $230,038 | 41.4x | $12,745 | $5,742 |
| ASML Holding N.V. (ENXTAM:ASML) | $1,452 | $552,142 | 37.3x | $39,774 | $14,998 |
| Onto Innovation Inc. (NYSE:ONTO) | $12,879 | $12,257 | 39.7x | $1,005 | $273 |
| **Lam Research Corporation** | $331,124 | $329,427 | 42.4x | $20,561 | $7,344 |

| Ticker | LTM EV/EBITDA | Gross Margin | EBITDA Margin | EBIT Margin | 1 Yr Rev Growth Rate LF |
|---|---|---|---|---|---|
| Applied Materials, Inc. (NasdaqGS:AMAT) | 35.1x | 48.7% | 31.5% | 29.9% | 2.1% |
| KLA Corporation (NasdaqGS:KLAC) | 40.1x | 61.6% | 45.1% | 42.0% | 17.5% |
| ASML Holding N.V. (ENXTAM:ASML) | 36.8x | 52.6% | 37.7% | 34.8% | 9.7% |
| Onto Innovation Inc. (NYSE:ONTO) | 44.8x | 54.6% | 27.2% | 21.2% | 1.8% |
| **Lam Research Corporation** | 44.9x | 49.8% | 35.7% | 33.8% | 26.9% |

| | | | | | |
|---|---|---|---|---|---|
| High | 44.86x | 61.6% | 45.1% | 42.0% | 26.9% |
| 75th Percentile | 44.85x | 54.6% | 37.7% | 34.8% | 17.5% |
| **Average** | 40.33x | 53.5% | 35.4% | 32.3% | 11.6% |
| **Median** | 40.06x | 52.6% | 0.0% | 33.8% | 9.7% |
| 25th Percentile | 36.82x | 49.8% | 31.5% | 29.9% | 2.1% |
| Low | 35.05x | 48.7% | 27.2% | 21.2% | 1.8% |

| Lam Research Corporation | | |
|---|---|---|
| Implied Enterprise Value (25th Percentile) | $ | 270,356 |
| **Implied Enterprise Value (Median)** | **$** | **294,193** |
| Implied Enterprise Value (75th Percentile) | $ | 329,329 |
| Implied Share Price (25th Percentile) | $ | 217.54 |
| **Implied Share Price (Median)** | **$** | **236.60** |
| Implied Share Price (75th Percentile) | $ | 264.70 |

| Weighted Average Cost of Capital ($mm) | |
|---|---|
| Market Risk Premium | 4.23% |
| Beta | 1.79 |
| Risk Free Rate | 4.35% |
| Cost of Equity | 11.77% |
| Weighted Average Cost of Debt | 3.5% |
| Tax Rate | 9.5% |
| Cost of Debt | 0.04% |
| Total Equity | $314,193 |
| Total Debt | $1,697 |
| Equity/Total Capitalization | 98.67% |
| Debt/Total Capitalization | 1.33% |
| WACC | 11.81% |

**Downside Case:** Our **$207** downside case assumes a **35.0x EV/EBITDA multiple**, with revenue growing about **8%** annually through 2031 and EBIT margins topping out near **31%**. We model a slowdown in chipmaker capex, continued headwinds from China, and limited new tool-of-record wins, which all limit margin expansion and free cash flow growth.

**Upside Case:** Our **$380** upside case uses a **47.0x EV/EBITDA multiple**, reflecting roughly **16% annual revenue growth** and margin expansion to around **34%** by 2031. Accelerating AI infrastructure development, a faster memory upcycle, and continued gains at leading edge nodes drive higher equipment demand and fuel a **50% upside**.