

## DESK NOTE

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### **Lam Research (LRCX US) – Hold Off on Lam Research:** *Geopolitical Tensions and Overvaluation Cloud the Outlook*

**Conclusive Summary:** holds a strong position in the semiconductor market with its leading role in wafer fabrication equipment and services, particularly benefiting from its focus on emerging technologies like AI, 5G, and IoT. While its solid market position and investments in advanced technologies suggest long-term growth potential, **the company's significant exposure to China (37% of revenue) hinders its short-to-medium-term prospects due to potential export controls and tariffs.** Despite recent slight margin and earnings improvements, geopolitical tensions and regulatory uncertainties could impact its addressable market. We believe **LRCX appears to be fairly valued at the moment, with a target price of \$82 and does not present an appealing investment case. We recommend revisiting the stock below \$60**, when it may offer a more compelling entry point and risk-reward profile, as there are more attractive opportunities in the semiconductor sector currently.

**Competitive Position:** operates in a competitive semiconductor capital equipment industry marked by rapid innovation and intense global rivalry. **Its strengths include a broad product portfolio across deposition, etch, and clean processes, along with leadership in 3D architectures and advanced packaging.** Competitors like Applied Materials, Tokyo Electron, and ASM International challenge Lam in specific areas, but **its integrated solutions—combining hardware, processes, and materials—set it apart. High entry barriers and its Customer Support Business Group (CSBG) enhance customer retention.** Lam generates a significant portion of its revenue from China (37%), while the US and Europe account for just 17% combined. Lam focuses on emerging trends like AI, 5G, and IoT.

**Valuation:** Using a combination of multiple (EV/EBIT, P/FCF, P/E) and DCF valuations **we reach a blended target price (TP) of \$82.12**, just +1% above current levels. The stock is trading around its 5-year multiple averages. **We recommend avoiding LRCX at current prices and revisiting the stock below \$60.**

**Ticker:** LRCX US

Previous day close price: \$79.22

Price range (52w.): \$68.87- \$113.00

Target price: \$82.00 (+1% upside)

**Recommendation:** *Avoid*

**Description:** Lam Research Corporation (LRCX) is a leading global supplier of wafer fabrication equipment and services for semiconductor manufacturing. The company specializes in nanoscale applications, serving DRAM, non-volatile memory (NVM), and logic device manufacturers across memory, foundry, and IDM markets. Its key products include deposition systems (ALTUS, SABRE, VECTOR), etch systems (Kiyo, Vantex, Flex), and clean systems (EOS, Coronus). Revenue stems from equipment sales and a strong Customer Support Business Group (CSBG), which offers maintenance, upgrades, and equipment intelligence solutions. By addressing advanced manufacturing challenges like 3D architectures and leveraging trends in AI, 5G, and IoT, Lam Research drives innovation and positions itself for sustained growth.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/EBIT	18.00	5,572	100,290	-1,084	101,374	1,292	\$78.47
P/FCF	23.00	4,816	<div>OVERPRICED</div>			1,292	\$85.74
P/E	20.00	3.83				1,292	\$76.62
Avg. Multiple Price						\$80.28	
DCF Price						\$83.96	
Avg. Multiple & DCF Price			\$82.12				

**OVERPRICED**

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