KASASV

KOREAN AMERICAN SEMICONDUCTOR ASSOCIATION IN SILICON VALLEY

July 2026

8 Steps to Good Relationships

1. Keep a close personal player relationship, but keep their respect. Be sincerely interested in their personal problems and easy to approach.

2. Maintain discipline without being dictatorial. Be fair and lead rather than drive.

3. Treat each as he/she deserves to be treated.

4. Try to develop the same sense of responsibility in all.

5. Analyze yourself as well as your players and be governed accordingly.

6. Approval is a great motivator. Use the "pat on the back," especially after severe criticism.

7. If you teach loyalty, honesty, and respect for the rights of others, you will be taking a big step forward a cooperative team with proper team spirit.
8. Consider the team first, but don't sacrifice a boy just to prove a point

– John Wooden

INTRO

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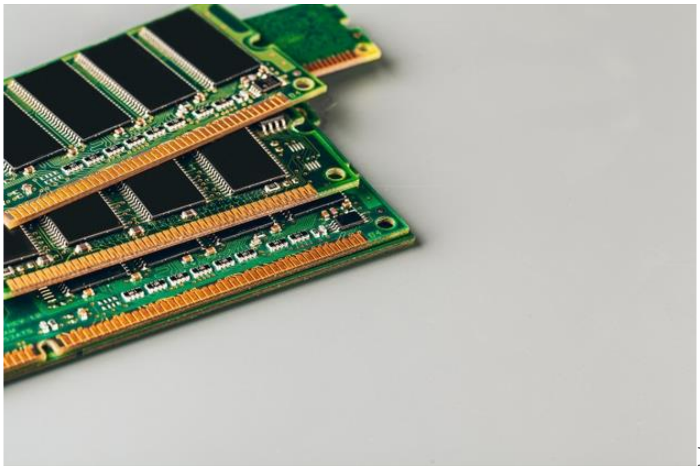
SK hynix Starts Process For Potential $29 Billion U.S. IPO

June 25, 2026 Donovan Jones

Summary

- SK hynix is pursuing a U.S. IPO to fund aggressive capacity expansion and innovation amid surging AI-driven demand for DRAM and NAND products.

- Recent financials show explosive growth: Q1 2026 revenue up 198% YoY, gross margin at 79%, and TTM free cash flow margin at 34%.
- IPO proceeds will target Korean facility construction, EUV scanners, supporting advanced packaging, and HBM leadership.
- Key risks include cyclical memory pricing, customer/geographic concentration, oversupply potential post-2027, and geopolitical exposures.


FabrikaCr/iStock via Getty Images

SK hynix Is Expanding Quickly And Needs Fresh Capital

SK hynix Inc. (SKHY) has filed to raise expansion capital via a U.S. IPO, according to an F-1 registration statement.

The company designs and manufactures various types of computer memory products.

It plans to use the IPO proceeds for expanding capacity and innovation capabilities as it seeks to keep up with soaring AI compute demand.

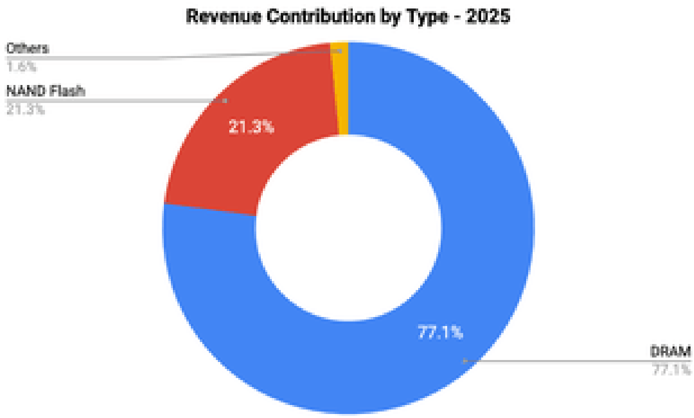
Valuation will be all-important for disciplined investors as the AI hype cycle has produced near-term share price gains only to be followed by strong downdrafts.

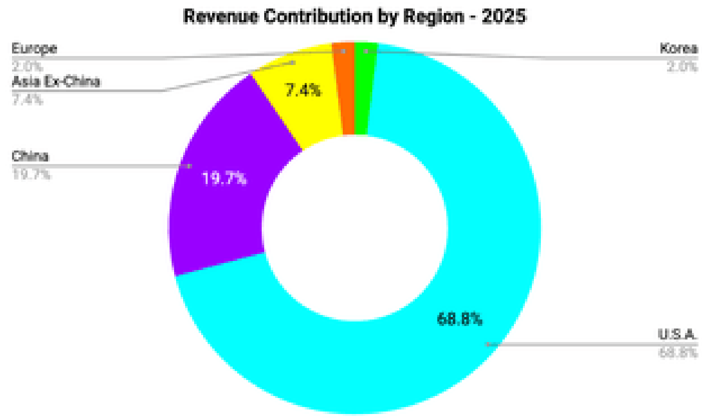
What does SK hynix do?

SK hynix is a South Korea-based manufacturer of computer memory hardware and related development resources for customers worldwide.

The company manufactures primarily DRAM (Dynamic Random Access Memory) for active working memory applications and NAND (Not AND) flash memory chips for long-term data storage purposes.

The pie charts below show the revenue contribution percentage by segment and location for 2025:





SEC

As the region pie chart highlights, a large majority of the company's revenue comes from the United States.

The firm is led by President and Chief Executive Officer Mr. Nohjung Kwak, who has a Ph.D. from Korea University and is also the Chairman of the Semiconductor Committee and the SUPEX Council at the SK Group.

SKHY has booked a fair market value investment of approximately $7.7 billion to date from investors, including SK Square, National Pension Service, Capital Research and Management Company, BlackRock, Inc. (BLK), and others.

Management said the company has a leading market share in the HBM segment (High Bandwidth Memory) used in AI systems—the graphic shows the market share per the company for each of its technology segments:

SEC

What are SK hynix's Markets?

The global DRAM market is estimated to be $124 billion in 2026 and is forecast to exceed $248 billion by 2031, according to a market research report by Mordor Intelligence.

If it achieves this growth, it would equate to a CAGR of 14.9% from 2026 to 2031, a very strong rate of growth for an already large market.

Demand growth is expected to come from AI-centric server additions, higher DRAM needs in smartphones, automotive domain growth, and reallocation toward cloud service providers.

However, export controls will restrict certain high-speed DDR5 technologies to China, while new capital subsidies in the US and EU are expected to drive manufacturing decisions in those regions later in 2027 and 2028.

Competitors in the DRAM market are few and concentrated in the following companies:

- Samsung Electronics Co., Ltd. (SSNLF).
- Micron Technology, Inc. (MU).
- NANYA TECH CORP (NNYAF).
- Winbond Electronics.
- ChangXin Memory (China).

The company is also a major participant in the NAND memory market, which is a $58.7 billion market this year, according to a separate market research report by Mordor Intelligence.

The NAND market is expected to exceed $76 billion by 2031, which would represent a CAGR of 5.32% from 2026 to 2031.

Hyperscale data center spending and the transition of PCs and game consoles to solid-state storage will drive demand growth, although at a lower CAGR than the DRAM market.

The firm's strengths are its high market share in the HBM segment of the DRAM market, a broad DRAM and NAND portfolio of offerings, and customer integration within the AI accelerator and hyperscale segments.

Its weaknesses include a clear dependency on cyclical memory pricing changes, potentially short-lived HBM leadership, large capital expenditure plans, and geopolitical exposures.

The company's opportunities are strong AI server demand, enterprise SSD demand, a planned U.S. packaging plant, and capacity expansion in Korea.

Threats to the company's position include customer allocation disputes, oversupply in the medium term, export controls, and technology transition risks.

SK hynix's Recent Financial Results

The company has produced extremely strong growth due to heavy demand from AI compute buildouts.

Gross margin has increased rapidly, as have earnings and cash flow from operations, as the table shows here:

Total Revenue

Period	Total Revenue	% Variance vs. Prior
Three Months Ended March 31, 2026	$34,174,586,550	198.1%
Year Ended December 31, 2025	$63,145,338,750	46.8%
Year Ended December 31, 2024	$43,025,424,000	

Gross Profit (Loss)

Period	Gross Profit (Loss)	% Variance vs. Prior
Three Months Ended March 31, 2026	$27,091,619,100	312.6%
Year Ended December 31, 2025	$38,149,013,500	84.4%
Year Ended December 31, 2024	$20,688,294,900	

Gross Margin		
Period	**Gross Margin**	**% Variance vs. Prior**
Three Months Ended March 31, 2026	79.27%	22.0%
Year Ended December 31, 2025	60.41%	25.6%
Year Ended December 31, 2024	48.08%	

Before Tax Profit (Loss)		
Period	**Before Tax Profit (Loss)**	**Before Tax Margin**
Three Months Ended March 31, 2026	$33,550,957,700	98.2%
Year Ended December 31, 2025	$32,802,608,800	51.9%
Year Ended December 31, 2024	$15,525,477,500	36.1%

Net Income (Loss)		
Period	**Net Income (Loss)**	**Net Margin**
Three Months Ended March 31, 2026	$26,890,626,750	78.7%
Year Ended December 31, 2025	$27,961,276,200	44.3%
Year Ended December 31, 2024	$13,678,874,300	31.8%

Cash Flow From (Used in) Operations	
Period	**Cash Flow From (Used in) Operations**
Three Months Ended March 31, 2026	$17,114,577,350
Year Ended December 31, 2025	$34,692,531,900
Year Ended December 31, 2024	$19,367,325,250
(Source: SEC)	

(Glossary of Terms)

SK hynix's Selling and Administrative efficiency has grown sharply as it has retained its sales organization while fielding far larger orders from customers:

Selling and Administrative	Efficiency Rate
Period	**Multiple**
Three Months Ended March 31, 2026	21.6
Year Ended December 31, 2025	6.2

(Source: SEC)

SK hynix's IPO Plan

SKHY plans to offer American Depositary Shares representing underlying common stock in a U.S. IPO that could exceed $25 billion.

The firm's shares are already listed on the KRX KOSPI market of the Korea Exchange under the number "000660".

The Korean government has an indirect stake in the company through the National Pension Service, which holds about 8.1% of the company's shares pre-IPO.

Company issuance and shareholder sale lock-ups will only be for ninety (90) days after the effective date of the prospectus. The norm is 180 days, so this is a material and notable change.

Management plans to use the net proceeds from the IPO for the following purposes:

We intend to use the net proceeds we receive from this offering for [i] capital expenditures of W45.5 trillion related to the construction of our production facilities in Korea, as indicated below, and [ii] our acquisition of EUV scanners, which we expect will cost approximately W11.9 trillion and will be delivered by December 2027. We expect to fund the amounts required to complete the construction and acquisitions in excess of the net proceeds from this offering using cash flows from our operating activities, borrowings under current and future credit facilities, debt securities, and other funding resources.

(Source: SEC).

The company's IPO roadshow presentation is not currently available for online viewing.

Management did not characterize the company's exposure to legal proceedings and highlighted that ADS holders waive their right to a jury trial, as follows:

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our common shares, the ADSs, or the deposit agreement, including any claim under U.S. federal securities laws. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. However, you will not be deemed by agreeing to the terms of the deposit agreement to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

(Source: SEC).

Underwriters of the IPO are currently listed as BofA Securities, Citigroup, Goldman Sachs, and J.P. Morgan, although I suspect additional investment banks will be added to the offering at a later date.

Capital Dynamics And Metrics

As of March 31, 2026, SKHY had $35.3 billion in cash, equivalents, and short-term financial instruments, and investment assets and $38 billion in total liabilities, of which $12.6 billion was debt.

Free cash flow for the twelve months ended March 31, 2026, was an impressive $29.2 billion after $16.8 billion in capital expenditures.

Its TTM free cash flow margin of 34% is extremely strong for a memory chip maker and probably reflective of peak HBM system profitability that may not be sustainable for the longer term.

SKHY is aggressively allocating capital toward expanding its capacity, advanced packaging in the U.S., and EUV lithography.

These allocations are to keep up with surging demand from AI-centric customers and to advance its technological capabilities.

SK hynix Grows Quickly As It Invests In Capacity

SKHY is seeking U.S. public capital market investment to fund the expansion of its advanced packaging capabilities in the U.S. and to pursue its other initiatives.

The company's primary growth strategy is to retain its leadership market position in HBM products while continuing its planned facility construction in Korea and the U.S. and investing in EUV scanner systems to support its longer-term competitiveness.

SKHY is primarily DRAM market-driven, so its growth strategy is exposed to cycles in the larger DRAM market.

With the surge in AI demand, the DRAM market is expected to grow robustly in the coming years, although it is uncertain as to the duration of that growth since the AI training and inference markets are in flux.

End-user enterprises are already seeking to optimize their token spending, which has become a significant expense for many firms.

If these optimization efforts were to reduce server loads and thus upgrade requirements, it could have a negative impact on upgrade cycles in the not-too-distant future.

SKHY also has customer and geographic concentration risks, along with product concentrations, supplier/equipment dependencies, and geopolitical risks.

The firm has a number of related party arrangements, which are more fully described here.

This IPO will be an unusual one in that the company is already a very large publicly held firm in Korea.

Its financial performance has also recently been stunning, but the key questions for IPO investors are how long that can continue and what valuation is reasonable to pay?

Memory markets have historically swung from shortage to oversupply conditions. Some observers believe the currently highly constrained market will last through the middle of 2027, which suggests a continued near-term strong backdrop but not a long runway before supply catches up and prices fall.

Assuming the IPO is reasonably priced, there should be strong institutional investor demand.

Expected IPO Pricing Date: To be determined

Intel (INTC) – COMPUTEX Taipei 2026 Forum

Date: June 2, 2026. AI-assisted key note from the transcript

Company Representatives:

- Lip-Bu Tan
- Alex Katouzian
- Kevork Kechichian

- Srinivasan Iyengar

Executive Summary

This was not a traditional investor conference like Bernstein. Instead, it was a strategic vision keynote intended to demonstrate:

- Intel's turnaround progress under Lip-Bu Tan.
- Intel's successful ramp of 18A process technology.
- Intel's belief that Agentic AI will fundamentally reshape compute architecture.
- Intel's commitment to x86 leadership.
- Intel's emergence as a rack-scale AI infrastructure provider.
- Intel's entry into custom ASIC ("purpose-built silicon") markets.
- Intel's expanding ecosystem partnerships.

The most important message:

Intel believes Agentic AI will dramatically increase CPU demand and rebalance the industry away from the current GPU-centric architecture.

This differs sharply from NVIDIA's GPU-centric AI narrative and may become Intel's primary competitive strategy.

Topic 1: Intel's Transformation Under Lip-Bu Tan

Question / Theme : What has changed since Lip-Bu became CEO?

Answer : Lip-Bu emphasized:

- Intel has returned to its engineering roots.
- All engineering organizations now report directly to him.
- Execution discipline has become the top priority.
- Customer relationships are improving.
- Intel is rebuilding ecosystem partnerships.

Key Takeaway: The turnaround strategy centers around engineering excellence and execution.

Topic 2: Four Core Compute Ecosystems

Question: How does Intel view future computing?

Answer:

Intel outlined four major compute ecosystems:

1. PCs
2. Edge / Agentic AI / Physical AI
3. Foundational Data Centers
4. Emerging Intelligence Centers

   Each ecosystem will require:

    - CPUs
    - GPUs
    - ASICs optimized for specific workloads.

Key Takeaway: Intel no longer sees computing as a PC-centric business. It sees multiple AI-driven compute ecosystems emerging simultaneously.

Topic 3: Intel 18A Is Fully Ramped

Question: What is the status of Intel 18A?

Answer: According to Alex Katouzian, Intel 18A is now at full scale production.

- Core Ultra Series 3 launched on 18A.
- More than 300 designs shipping.
- Nearly 400 total system designs.

Key Takeaway: This is perhaps the most important manufacturing milestone discussed. Intel is signaling that 18A is no longer a future node—it is now in production.

Topic 4: Handheld Gaming Expansion

Question: How is Intel expanding client computing?

Answer:

Intel launched: Arc G3

- 40% faster than competitors.
- Half the power consumption.
- AAA gaming at 1080p.
- 120+ FPS performance.

Key Takeaway: Intel is expanding beyond traditional PCs into handheld gaming devices.

Topic 5: Physical AI Opportunity

Question : What is Physical AI?

Answer: Intel believes Physical AI includes:

- Robotics
- Manufacturing automation
- Retail automation
- Industrial systems

Intel cited:$25 Trillion Physical AI Market by 2050

Current ecosystem: 4,000+ edge partners

Key Takeaway : Physical AI is becoming a major long-term growth theme for Intel.

Topic 6: Hybrid AI Inference with Perplexity

Question: Why run AI locally?

Answer: Intel and Perplexity AI demonstrated:

Hybrid Agentic Inference

- Local AI handles:
    - Sensitive files
    - Private information
    - Security decisions
- Cloud AI handles:
    - Research
    - Large model execution
- Benefits:
    - Better privacy
    - Lower cost
    - Better performance

Key Takeaway: Intel is positioning PCs as intelligent AI agents rather than simple endpoints.

Topic 7: x86 Is Not Dead

Question: What is Intel's x86 strategy?

Answer: Lip-Bu made a direct defense of x86.

Intel claims: 8 of 10 servers through 2030 will remain x86-based.

Focus:

- Performance cores (P-cores)
- Efficiency cores (E-cores)
- AI accelerators
- Security acceleration

Key Takeaway: Intel is aggressively rejecting the idea that ARM will dominate enterprise computing.

Topic 8: Xeon 6+ Launch

Question: What is new in data center?

Answer:

Intel launched: Xeon 6+

Specifications:

- 288 E-cores

- 576MB L3 cache
- Built on Intel 18A

Benefits:

- Higher density
- Better efficiency
- Smaller rack footprint

Key Takeaway: Intel is emphasizing density and efficiency rather than absolute peak performance.

Topic 9: Agentic AI Changes Compute Ratios

Question: Why does Agentic AI matter?

Answer: his was arguably the most important strategic disclosure.

Traditional AI:

- CPU : GPU ≈ 1 : 8

Agentic AI: requires significant CPU orchestration.

- Planning
- Reasoning
- Tool use
- File management
- Reflection

Intel argues: CPU demand moves much closer to parity with GPUs.

Key Takeaway: Intel's AI strategy depends heavily on Agentic AI increasing CPU demand.

Topic 10: Rackscale Blueprints

Question: How is Intel addressing AI infrastructure?

Answer: Intel introduced Rackscale Blueprints

Purpose:

- Open-standard AI racks
- Scalable infrastructure
- Purpose-built AI systems

Partners include:

- Foxconn
- SambaNova Systems

Key Takeaway: Intel wants to compete at the system level, not just the chip level.

Topic 11: Disaggregated Inference

Question: What is Intel's AI architecture strategy?

Answer: Intel and SambaNova demonstrated

Heterogeneous Inference

- Using:
  - Intel Xeon CPUs
  - NVIDIA GPUs
  - SambaNova RDUs
- Claim: 2x–3x faster than GPU-only architectures.

Key Takeaway: Intel does not believe future AI infrastructure will be GPU-only.

Topic 12: Purpose-Built Silicon

Question: Is Intel entering ASIC markets?

Answer: Yes.

Intel announced: Custom Silicon Business

Notable customers:

- Google
- Ericsson

Products include:

- Infrastructure Processing Units (IPUs)
- Telecom silicon
- Custom AI chips

Key Takeaway: Intel is formally entering the custom silicon/ASIC market.

Topic 13: Biomedical AI

Question: Where else can Intel deploy AI?

Answer Intel highlighted partnerships with:

Echo Neurotechnologies

- Focus:
  - Brain-inspired computing
  - Neuromorphic AI

Greenstone Biosciences

- Focus:
  - Drug discovery

- Human biology simulation

Key Takeaway: Intel wants to become a foundational AI infrastructure provider beyond traditional computing.

Topic 14: Foundry Progress

Question: What did Intel say about foundry?

Answer: Lip-Bu highlighted:

- 18A volume production
- Advanced packaging milestones achieved
- Customer engagement improving
- Foundry business progressing

No detailed financial targets were provided.

Key Takeaway: Management is signaling confidence but remains cautious about giving quantitative foundry guidance.

Unlike Lam or Applied, Intel spent less time discussing WFE, semicap spending, or industry demand. Instead, the keynote focused on:

- Intel's turnaround story
- AI infrastructure architecture
- Agentic AI
- CPU relevance in the AI era
- Foundry progress
- Ecosystem partnerships
- Final Investment Takeaway
- The Single Most Important Message

For investors, the most meaningful developments were:

- 18A is now in volume production.
- Intel formally entered the custom silicon market.
- Agentic AI is the cornerstone of Intel's future AI strategy.
- Rack-scale infrastructure and heterogeneous inference are becoming major strategic priorities.

Applied Materials (AMAT) – Bernstein 42nd Annual Strategic Decisions Conference

June 2, 2026 AI-assisted from the transcript

Company Representative: Gary Dickerson (CEO)

Executive Summary

The tone of Gary Dickerson was exceptionally bullish, comparable to Tim Archer's Lam presentation. However, the emphasis was different.

Applied's Core Message

AI is fundamentally a materials engineering problem.

Applied believes the biggest winners over the next decade will be companies enabling:

- Transistor architecture changes
- Interconnect innovations
- High-speed memory
- Advanced packaging
- Hybrid bonding
- Materials engineering

The conference reinforced Applied's belief that: Leading Edge Logic + DRAM + Advanced Packaging will represent: >80% of incremental WFE spending for the foreseeable future.

Topic 1: AI Is The Biggest Technology Inflection Of Our Lifetimes

Question: How has AI changed semiconductor demand?

Answer:

Gary Dickerson described AI as: "The biggest technology inflection of our lifetimes."

Applied is using AI internally across:

- Product development
- Process engineering
- Supply chain
- Service operations

He believes AI is creating:

- Massive compute demand
- Faster product cycles
- Larger service opportunities

Applied sees AI demand extending far beyond current GPU deployments.

Key Takeaway: Applied sees AI as a decade-long technology wave rather than a short-term semiconductor cycle.

Topic 2: Three Markets Driving AI Spending

Question: Where is AI spending concentrated?

Answer:

According to Gary:

Three Segments Drive Most WFE Growth

1. Leading-edge Foundry/Logic
2. DRAM
3. Advanced Packaging

Management stated these segments account for: More than 80% of incremental WFE spending and that trend should continue.

Key Takeaway: Applied is concentrated exactly where AI spending is strongest.

Topic 3: Leading Edge Logic and Gate-All-Around

Question: What is Applied doing in advanced logic?

Answer:

Applied highlighted several major technology transitions:

- Gate-All-Around (GAA)
- CFET (Complementary FET)
- Backside Power Delivery

Benefits:

- Better power efficiency
- Better performance
- ~30% area scaling

Applied estimates: Revenue per 100K wafer starts increases ~30% during GAA and backside power transitions.

Key Takeaway: Applied expects substantial content-per-wafer growth as customers move below 2nm.

Topic 4: Deep Co-Innovation With Customers

Question: How has Applied's relationship with customers changed?

Answer:

Gary explained that Applied no longer acts solely as an equipment supplier.

Instead:

Applied co-designs future technology nodes.

Key points:

- Deep engagement 5–10 years ahead
- Process integration expertise
- Multi-node development
- Joint architecture creation

Applied now participates directly in:

- Transistor design decisions
- Interconnect architecture
- Packaging roadmaps

Key Takeaway: Applied is becoming embedded in customers' technology roadmaps.

Topic 5: DRAM and HBM Opportunity

Question: How is Applied positioned in DRAM?

Answer:

Applied has gained:

~10 percentage points of DRAM market share over the past decade.

Management sees multiple upcoming growth drivers:

- High-Speed CMOS Logic
- FinFET-based DRAM logic
- $4F^2$ DRAM
- 3D DRAM

Applied claims: "The top three key technologies for 3D DRAM are all from Applied Materials."

Key Takeaway: Applied views DRAM as one of its largest future share-gain opportunities.

Topic 6: Advanced Packaging

Question: How important is packaging?

Answer:

Gary called packaging: "One of the most exciting inflections in the entire industry."

Applied's packaging business:

- Growing >50% YoY

- Multiple billions of dollars

Focus areas include:

- Hybrid bonding
- Glass substrates
- Large package sizes
- High I/O density
- Panel processing

Applied expects packaging architectures to change dramatically over the next 3–4 years.

Key Takeaway: Advanced packaging is becoming a major growth engine.

Topic 7: Visibility Is Better Than Ever

Question: How much visibility does Applied have?

Answer:

Gary's answer: "Better than ever."

Applied now receives:

8-quarter forecasts from major customers.

The company also receives:

- Long-term commitments
- Configuration-level planning
- Earlier roadmap engagement

Applied has nearly doubled manufacturing capacity in anticipation of demand growth.

Key Takeaway: Visibility is the strongest management has ever seen.

Topic 8: Agentic AI and Physical AI

Question: What comes after current AI deployments?

Answer:

Applied sees future demand waves:

- Training AI
  ↓
- Agentic AI
  ↓

- Physical AI

Gary noted Agentic AI drives:

- More CPU demand
- More DRAM demand
- More NAND demand

Key Takeaway: Applied expects AI demand to broaden, not peak.

Topic 9: EPIC Center Strategy

Question: What is EPIC?

Answer:

EPIC is Applied's major co-innovation platform.

Current partners include:

- TSMC
- Samsung Electronics
- Micron Technology
- SK hynix
- Broadcom

Focus:

- Future nodes
- Packaging
- New materials
- Process integration

Applied claims development work extends: Nearly 10 years into the future

Key Takeaway: EPIC strengthens customer lock-in and visibility.

Topic 10: Service Business

Question: What is driving services growth?

Answer:

Current service profile: >20% of Applied revenue

Growth: High-teens CAGR

Future target: Mid-teens through-cycle growth

Key drivers: AI-Connected Chambers Over: 35,000 chambers connected to AI servers.

Focus areas:

- Chamber matching
- Yield optimization
- Predictive maintenance
- Remote monitoring

Key Takeaway: Services are becoming increasingly software and AI driven.

Topic 11: China Outlook

Question: What is happening in China?

Answer:

Applied noted:

- Export restrictions doubled in 2025.
- China now represents primarily ICAPS demand.

ICAPS:

- IoT
- Communications
- Automotive
- Power devices
- Sensors

2026 Outlook: Flat to slightly up

Key Takeaway: China remains important but is no longer the primary growth driver.

Topic 12: Margin Expansion

Question: How can margins continue to improve?

Answer:

Drivers include:

Pricing Increases

- Existing products
- New products

Higher Technology Value

Better Mix

AI Architecture Enablement

- Management believes:
    - Gross margins continue rising
    - Operating margins continue rising

Key Takeaway: Applied believes future margin expansion is supported by technology leadership rather than cyclical leverage.

Topic 13: Integrated Materials Solutions

Question: Why are integrated systems important?

Answer:

Applied highlighted:

Integrated Materials Solutions (IMS)

Some platforms combine:

Seven technologies under vacuum

- Purpose:
    - Prevent oxidation
    - Improve interfaces
    - Improve electrical performance

Current contribution: ~30% of Applied business and growing.

Key Takeaway: IMS is becoming one of Applied's strongest competitive advantages.

Topic 14: Inspection and Measurement

Question: What about process control?

Answer:

Applied's eBeam business: >$1 Billion revenue

Growing faster than corporate average.

Management claims:

- Industry-leading resolution
- Industry-leading imaging speed

Expected to generate:

Multiple billions of dollars in future growth.

Key Takeaway: Inspection/metrology is emerging as an increasingly important growth driver.

Topic 15: Display Business

Question: Why keep the display business?

Answer:

Display currently contributes: >20% operating profit

Potential catalyst: OLED adoption in IT and TVs

Applied believes it has solved key technical limitations preventing broader OLED adoption.

Key Takeaway: Display remains strategically relevant because of technology overlap with packaging and panel processing.

Risks and Concerns

Near-Term

- Cleanroom constraints
- Supply chain ramp timing
- Packaging complexity

Long-Term

- Export controls
- China competition
- Technology transition execution
- Customer concentration

Lam Research (LRCX) – Bernstein 42nd Annual Strategic Decisions Conference

June 2, 2026. AI-assisted from transcript

Company Representative: Tim Archer (CEO)

Executive Summary

The conference was overwhelmingly bullish and centered on AI-driven semiconductor demand. Lam's management believes AI is creating a multi-year investment cycle that extends well beyond GPU training into inference, agentic AI, and physical AI.

The most important messages were:

1. AI demand remains stronger than expected across all semiconductor segments.
2. NAND has become a major AI beneficiary and is recovering faster than expected.
3. HBM, advanced packaging, and leading-edge logic are increasing Lam's technology intensity and market share.
4. Cleanroom availability remains the largest bottleneck to industry growth.
5. Lam continues to gain WFE share and has transformed from a memory-centric company to a diversified foundry/logic and advanced packaging leader.
6. Advanced packaging is approaching a $2B business and growing >50% YoY.
7. Dry Resist is now in production at two memory manufacturers and could become a major future growth driver.
8. Management expects compelling WFE growth in 2027 despite capacity constraints.

Topic 1: AI Driving a New Semiconductor Renaissance

Question (Stacy Rasgon)

How has AI changed wafer fab equipment demand across logic, memory, NAND, packaging and mature nodes?

Answer:

Tim Archer (CEO) stated AI is creating demand across every semiconductor category:

- Leading-edge logic requires more compute performance.
- HBM requires more bandwidth and lower latency.
- NAND demand is increasing due to inference and data storage.
- Advanced packaging complexity continues rising.
- New materials and device architectures are accelerating.

He emphasized:"More is more."

AI is pushing performance requirements higher across all semiconductor categories.

Key Takeaway

AI is not benefiting just one semiconductor segment. It is simultaneously accelerating:

- Logic
- DRAM/HBM
- NAND
- Packaging

This creates broad-based WFE demand.

Topic 2: Why This AI Cycle Is Different

Question: Is this cycle different from prior semiconductor upcycles?

Answer:

Tim Archer believes the key difference is visibility.

Lam can already see future technology requirements extending into:

- Inference AI
- Agentic AI
- Physical AI

Each AI wave requires different semiconductor architectures.

Examples:

- Training → Logic + HBM
- Inference → More CPUs + Storage
- Agentic AI → Increased NAND requirements
- Physical AI → Additional compute and memory intensity

Key Takeaway: Lam sees a multi-stage AI roadmap rather than a single demand spike.

Topic 3: Visibility and Capacity Constraints

Question: How much visibility does Lam have?

Answer:

Tim Archer said:

- Technology roadmap visibility extends into the early 2030s.
- Lam is already qualifying products for future architectures.
- Capacity visibility remains less predictable but improving.

Major bottleneck:

Cleanroom availability

Management stated cleanroom shortages remain the primary limitation preventing even higher WFE spending.

Key Takeaway

- Demand is stronger than supply.
- Industry growth is constrained by fab construction speed rather than end-market demand.

Topic 4: NAND Recovery and Upgrade Cycle

Question: What is happening in NAND?

Answer:

Tim Archer highlighted several important developments:

$40 Billion Upgrade Cycle

Customers are upgrading:

- 100+ layer NAND→200+ layer NAND

Originally expected to take several years.

Now Lam expects:

Entire $40B upgrade cycle completed by end of 2027

Why NAND is Improving?

AI is increasing NAND demand through:

- Enterprise SSDs
- Data storage
- KV cache
- Inference workloads

Greenfield Fabs - New NAND fabs are beginning to be announced.

Management expects:

Upgrade cycle = 2026-2027

Greenfield wave = 2028+

Key Takeaway: NAND demand is significantly stronger than industry expected.

Topic 5: Lam's Dominance in NAND

Question: Are upgrades or greenfields better for Lam?

Answer:

Tim Archer said both are attractive.

Upgrade Advantages

Lam controls much of the installed NAND base.

As NAND layer counts increase:

- More etch

- More deposition

Lam captures a very high percentage of upgrade spending.

Greenfield Advantages

- New fabs increase installed base.
- That creates future upgrade opportunities.

Key Takeaway

- Lam wins in both upgrade and new fab cycles.

Topic 6: Transformation from Memory Company to Logic Company

Question : How has Lam changed over time?

Answer:

Tim Archer explained:

Five years ago: ~60% of revenue from memory

Last year:~60% from Foundry/Logic

Management deliberately invested in:

- Gate-All-Around
- Advanced packaging
- ALD
- Selective etch
- Logic technology transitions

Key Takeaway : Lam is no longer dependent on memory cycles.

Topic 7: Advanced Packaging Growth

Question: What is Lam's role in advanced packaging?

Answer:

- Tim Archer said Lam benefits from:
- Copper plating("King of Copper")
- TSV Etch(Through Silicon Via)
- Dielectric deposition
- Gap-fill technologies

Advanced Packaging Revenue

- Current business:~$2 Billion

- Growth:50% YoY

Key Takeaway: Advanced packaging has become one of Lam's fastest-growing businesses.

Topic 8: DRAM and HBM Opportunity

Question: How is Lam positioned in DRAM?

Answer:

Lam is benefiting from:

- DRAM scaling
  - Conductor etch
  - Critical patterning
- EUV expansion
  - Dry resist adoption
- HBM
  - TSV etch
  - Copper plating

Key Takeaway: HBM and advanced DRAM nodes are increasing Lam's share opportunities.

Topic 9: Gate-All-Around and Logic Growth

Question: Why is Lam gaining share in foundry logic?

Answer:

Tim Archer compared:

3D NAND to Gate-All-Around Logic

Both require:

- Complex deposition
- Selective etch
- ALD
- Atomic-scale processing

Lam's expertise in 3D processing transfers naturally into GAA.

Key Takeaway: Gate-All-Around architecture is increasing etch and deposition intensity.

Topic 10: Gross Margin Expansion

Question: How did Lam move from 40% to 50% gross margins?

Answer:

Drivers include:

- Manufacturing Efficiency
  - Malaysia expansion
  - Supply chain improvements
- Higher-Value Products
  - GAA
  - HBM
  - Advanced Packaging
- Share Gains
  - New products delivering higher value.

Key Takeaway: Margin improvement appears sustainable rather than cyclical.

Topic 11: China Outlook

Question: What is happening in China?

Answer:

Management said:

- China demand remains stable.
- Growth has moderated significantly.
- China is now a much smaller portion of revenue than peak levels.

Lam serves customers where regulations permit.

China WFE Outlook: Flat to slightly up in 2026

Key Takeaway: China is no longer the primary growth story. AI-related spending is now the bigger driver.

Topic 12: Services Business and AI Maintenance

Question: What is driving services growth?

Answer:

- Installed base:~100,000 chambers
- Tool life: 20+ years
- New Growth Areas
- Dextro Cobots: Robots performing maintenance:
  - Chamber cleaning
  - Alignment
  - Precision servicing

    - Benefits:
        - Better uptime
        - Better repeatability
        - Reduced labor requirements
- Equipment Intelligence
    - AI models analyzing:
        - Sensors
        - Video
        - Plasma conditions
        - Tool health
- Used to optimize large fleets.

Key Takeaway: Lam is creating recurring AI-driven service revenue streams.

Topic 13: Dry Resist

Question: What is Dry Resist?

Answer:

Dry Resist replaces traditional wet photoresist processing.

Benefits:

- Better control
- Lower defects
- Improved scaling
- Enhanced EUV patterning

Current status:

- Production at Two Memory Manufacturers
    - Lam's Ether platform includes:
        - Underlayer
        - Dry resist
        - Dry develop

- Revenue target remains:
    - $1.5B over five years (back-end loaded)

Key Takeaway: Dry Resist could become Lam's next major technology platform.

Topic 14: Advanced Packaging Panels

Question: Will panel-level packaging become mainstream?

Answer:

Lam is actively investing.

Recent actions:

- Opened advanced packaging center in Austria
- Making panel-level packaging shipments now

Management believes larger package formats will be necessary for future AI systems.

Key Takeaway: Panel-level packaging is approaching commercialization.

Management Outlook

Positive Areas

Very Bullish

- AI infrastructure
- Advanced packaging
- HBM
- NAND upgrades
- Foundry/Logic
- Services
- Dry Resist

Bullish

- DRAM
- Specialty technologies
- Panel packaging

Neutral

- China

Risks and Concerns

Near-Term

1. Cleanroom shortages
2. Fab ramp delays
3. Workforce constraints
4. Yield ramp complexity

Longer-Term

1. China localization efforts
2. Export restrictions
3. Technology transition risks
4. Timing of NAND greenfield expansion

ASML: I Called The Supercycle - Here's What Comes Next

June 1, 2026 Millennial Dividends

Summary

- ASML has rebounded 152% from 2025 lows, driven by surging AI infrastructure demand and memory chip shortages fueling new fab investments.
- Q1 2026 earnings beat expectations with €8.8B in net sales and €2.8B in net profit, as memory orders overtook logic for the first time in years.
- Management raised 2026 guidance to €36-40B revenue, but the stock now trades at a steep 51x P/E, well above its 15-year average.

ASML's Cyclicality

ASML's business is very cyclical. As ASML doesn't sell their own chips, but DUV and EUV machines used for chip production, the boom-and-bust cycle is driven by the appetite of firms like TSMC (TSM), Intel (INTC) or Samsung (SSNLF) to invest in new manufacturing capacity. We've seen this in 2020-2021 when demand for chips was very high, every chipmaker was expanding their production capacity to satisfy the demand and capitalize on the sky-high prices. In 2022, as interest rates rose, the demand was crushed and overcapacity led to a slowdown. A painful memory for ASML.

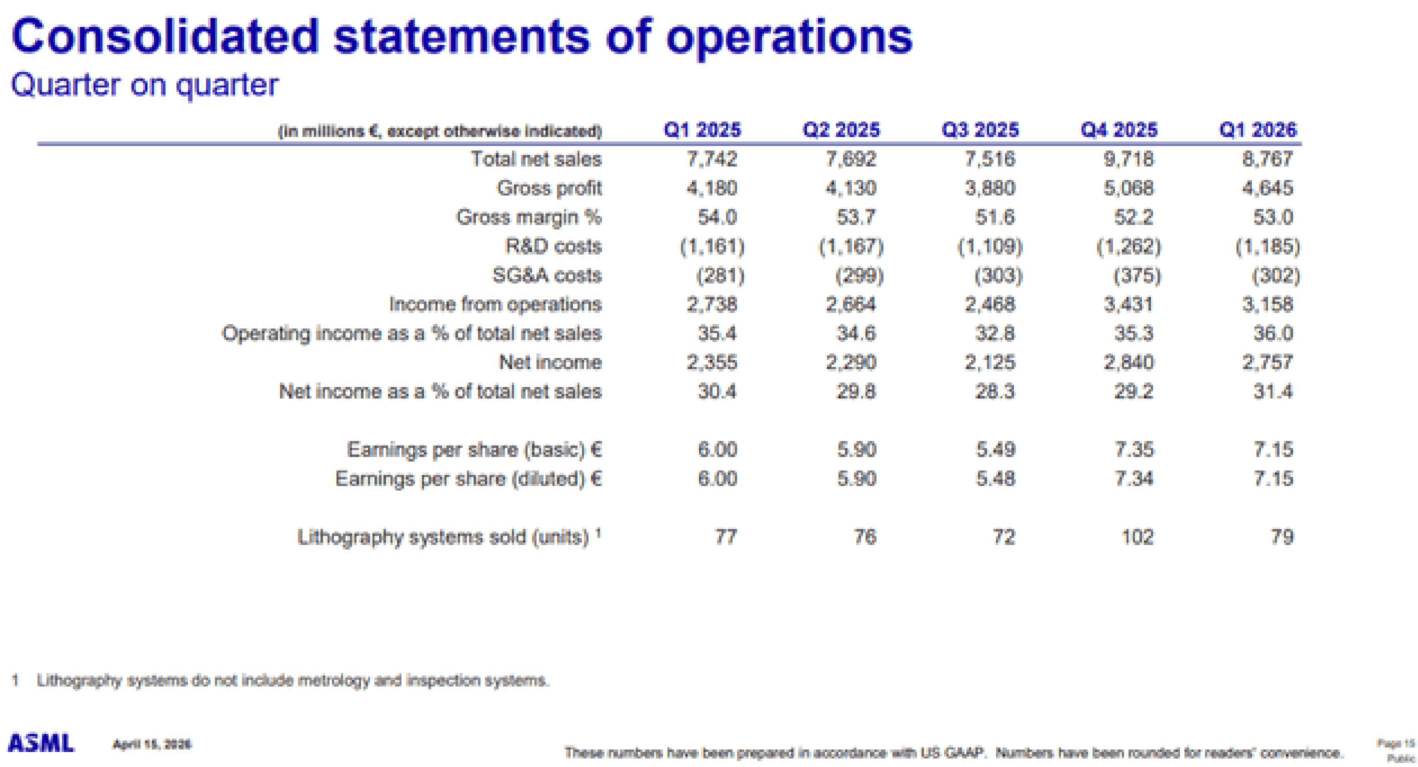
The 2026 cycle isn't any different. AI infrastructure demand, not limited anymore to AI chips, but also for memory chips and CPUs, is pushing chipmakers to once again build new fabs and invest heavily in extra capacity to capture the sky-high chip prices. For instance, memory industry navigated a harsh slowdown in 2022-2023 as supply exceeded demand. Micron (MU) in 2023 reported -$5.8B in losses. This led to a lack of expansion and the business was struggling. Today, data centers (driven by agentic AI) require massive amounts of high-bandwidth memory, and prices for memory chips increased 6x in the last 12 months. The shortage of memory chips is pushing Micron and its peers like Samsung and SK Hynix to invest in new capacity to capture the opportunity. But, as I've said in my Micron article:

From my experience, commodity business is underpinned by the dynamic of demand/supply. In times when demand exceeds supply, all players are heavily investing in additional capacity to capture the benefit of soaring prices. Though, as extra capacity is built and demand is satisfied, prices decline. In extreme cases, prices decline so much that the additional production capacity becomes unprofitable, plunging the business again to downcycle. We've seen this in 2020-2022, when demand soared and was later crushed in 2023, leading to massive losses. We will see this again in the future.

This phenomenon supports ASML's strong growth and elevated stock price. The cyclicality is a perfect example, why it is very important to get into these stocks ahead of time - as I did when I was buying ASML's shares at €570/share. We don't know when the cycle will turn, but it may be as soon as 2027-2028 as the new production capacity brings chip prices back to normal. You don't want to be caught off guard here, because the stock prices of the exposed firms can drop as much as 50-70%.

ASML's Earnings

ASML reported its Q1 earnings back in April. The earnings were very strong as the firm reported €8.8B in net sales, well above the expected €8.5B. Gross margin remained ahead of the 50%-mark, implying the "monopoly-like" status isn't anyhow challenged and pricing power remains untouched. All the other costs remained in line, which ultimately led to €2.8B of net profit, again ahead of analyst estimates of €2.5B.



Consolidated statements of operations

Quarter on quarter

(in millions €, except otherwise indicated)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Total net sales	7,742	7,692	7,516	9,718	8,767
Gross profit	4,180	4,130	3,880	5,068	4,645
Gross margin %	54.0	53.7	51.6	52.2	53.0
R&D costs	(1,161)	(1,167)	(1,109)	(1,262)	(1,185)
SG&A costs	(281)	(299)	(303)	(375)	(302)
Income from operations	2,738	2,664	2,468	3,431	3,158
Operating income as a % of total net sales	35.4	34.6	32.8	35.3	36.0
Net income	2,355	2,290	2,125	2,840	2,757
Net income as a % of total net sales	30.4	29.8	28.3	29.2	31.4
Earnings per share (basic) €	6.00	5.90	5.49	7.35	7.15
Earnings per share (diluted) €	6.00	5.90	5.48	7.34	7.15
Lithography systems sold (units) [1]	77	76	72	102	79

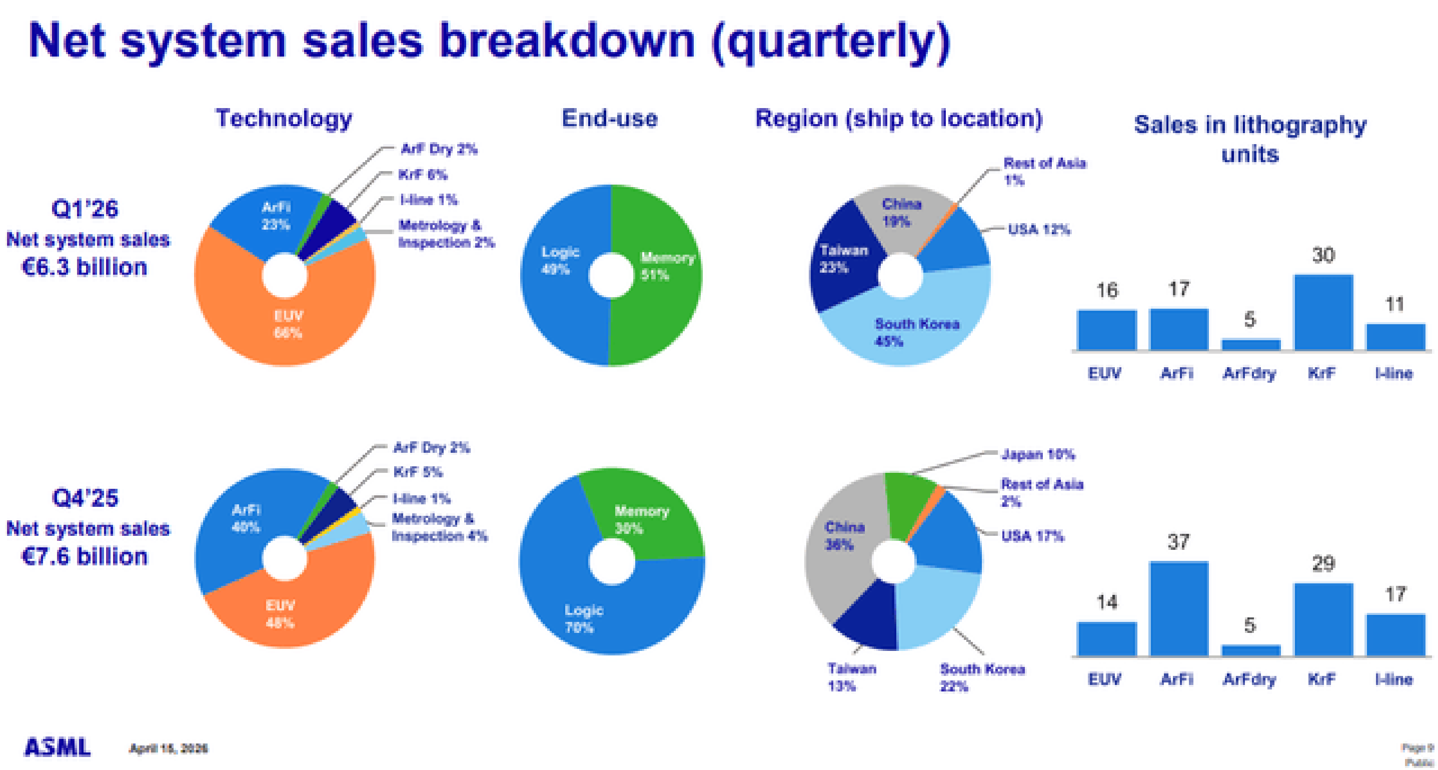
1 Lithography systems do not include metrology and inspection systems.

ASML April 15, 2026 These numbers have been prepared in accordance with US GAAP. Numbers have been rounded for readers' convenience. Page 15 Public

Q1 Earnings (ASML IR)

ASML doesn't anymore report quarterly bookings (the firm's order backlog). This in the past led to a lot of volatility, as it took all attention away from the earnings, and investors instead focused on what's to come next. However, what we can say for Q1 2026, orders must have been very strong, likely in excess of €10B. According to Reuters, SK Hynix (memory chip maker) ordered $8B in EUV machines back in March, and Samsung ordered 20 EUV machines, worth about €4-5B. TSMC also continues its build-out of multiple fabs in the US and Taiwan and Intel's recent recovery, could further support ASML's backlog. All of these chipmakers are buying chip-making equipment from ASML.

In Q1 2026 also for the first time for ASML, memory overtook logic. It's the first time in years that memory orders are growing again, and as long as the ballooning AI demand continues ASML will be a net beneficiary. Historically, ASML's revenue exposure to TSMC was one drawback. Now, the revenue base is better diversified - yet, still fully exposed to the AI trend.



Q1 Net Sales (ASML IR)

ASML's Outlook & Risk

During the earnings call, ASML's management commentary was very bullish. As a shareholder I call it a win, after few years of a somber atmosphere. Management raised the 2026 revenue forecast to €36-40B, up from the previous €34-39B. As you guessed, the main driver is the shortage of advanced logic and memory chips which could last until 2028.

If we go back a few years, ASML during Investor's Day in 2024 shared a 2030 revenue guidance of €44-60B. Now that the memory market has recovered, I expect this will be revised higher during ASML's next investor day. It could be revised to €50-65B, and ASML could deliver in the upper range.

ASML updated financial model 2030

	Latest estimate 2024	CMD 2022 Low - High market 2030	CMD 2024 Low - High market 2030
Total sales	28.0€bn	~44 – 60€bn	~44 – 60€bn
Installed Base Management*	6.2€bn	~11 – 13€bn	~11 – 13€bn
System sales	21.8€bn	~33 – 47€bn	~33 – 47€bn
Gross margin	~50.6%	~56% – 60%	~56% – 60%
R&D	4.3€bn (15%)	~6.0 – 6.6€bn	~6.0 – 6.6€bn
SG&A	1.1€bn (4%)	~1.6€bn	~1.7 – 1.9€bn
Capex	1.9€bn (7%)	~1.5€bn	~2.5€bn
Cash Conversion Cycle**	<200 days	<200 days	<200 days
Effective Tax Rate***	16-17%	~16.5%	~17%

Rounding differences may occur as these numbers / percentages are rounded to 1 decimal
* Installed Base Management equals our net service and field option sales
** Cash Conversion Cycle is the sum of: accounts receivable, finance receivables, contract liabilities (including customer down payments); all divided by total net sales * 365 days. Accounts payable, inventories and vendor advance payments; all divided by total cost of sales * 365 days.
*** Estimated Effective Tax Rate is based on 2024 tax legislation, and currently expected changes

ASML November 14, 2024

ASML Long-Term Guidance (ASML IR)

The chip-equipment-making industry finally showed a sign of revival, but we shouldn't ignore all the inherent risk ASML possesses, which forces many investors to stay on the sidelines.

China remains the single greatest risk. ASML doesn't export any EUV machines to China, but it does export DUV. The new US MATCH Act could jeopardize ASML's DUV export to China, and cut €5-7B of ASML's revenue annually (roughly 15%). This would also impact ASML's recurring installed base revenue, unable to service equipment sold to Chinese chipmakers. Servicing is ASML's highest margin business.

ASML's customer base concentration to TSMC, Intel, Micron, SK Hynix and Samsung is a major risk as well. We've seen in the past Intel's challenges, reducing their CapEx and ASML immediately felt it. This could happen in the future, especially as the AI reliance right now is disproportionate and if someone falls behind in the race, ASML's net sales may take a hit.

Valuation

This brings me to ASML's valuation, which is a standalone risk, particularly as all the positive news appears to be priced in. On the day, when Samsung and SK Hynix deals were announced, it failed to lift the stock price, implying the upside may be limited.

ASML's 15Y avg. P/E is 34.4x. This historical view includes periods of boom and bust alike.

During the boom cycle, in 2020-2021, the P/E went as far as 50-57x. Then, as the market cooled, the valuation dropped like a stone to 25-30x in 2022.

In 2024, as Nvidia's (NVDA) AI success started becoming clear, ASML's valuation again jumped to P/E 30-48x, just for it to drop down to 27-30x in 2025.

Today, ASML's shares are trading at a once-again steep valuation of 51x. Perhaps, not the highest it has been in last 6 years, but well above 15Y average and in the upper percentile.

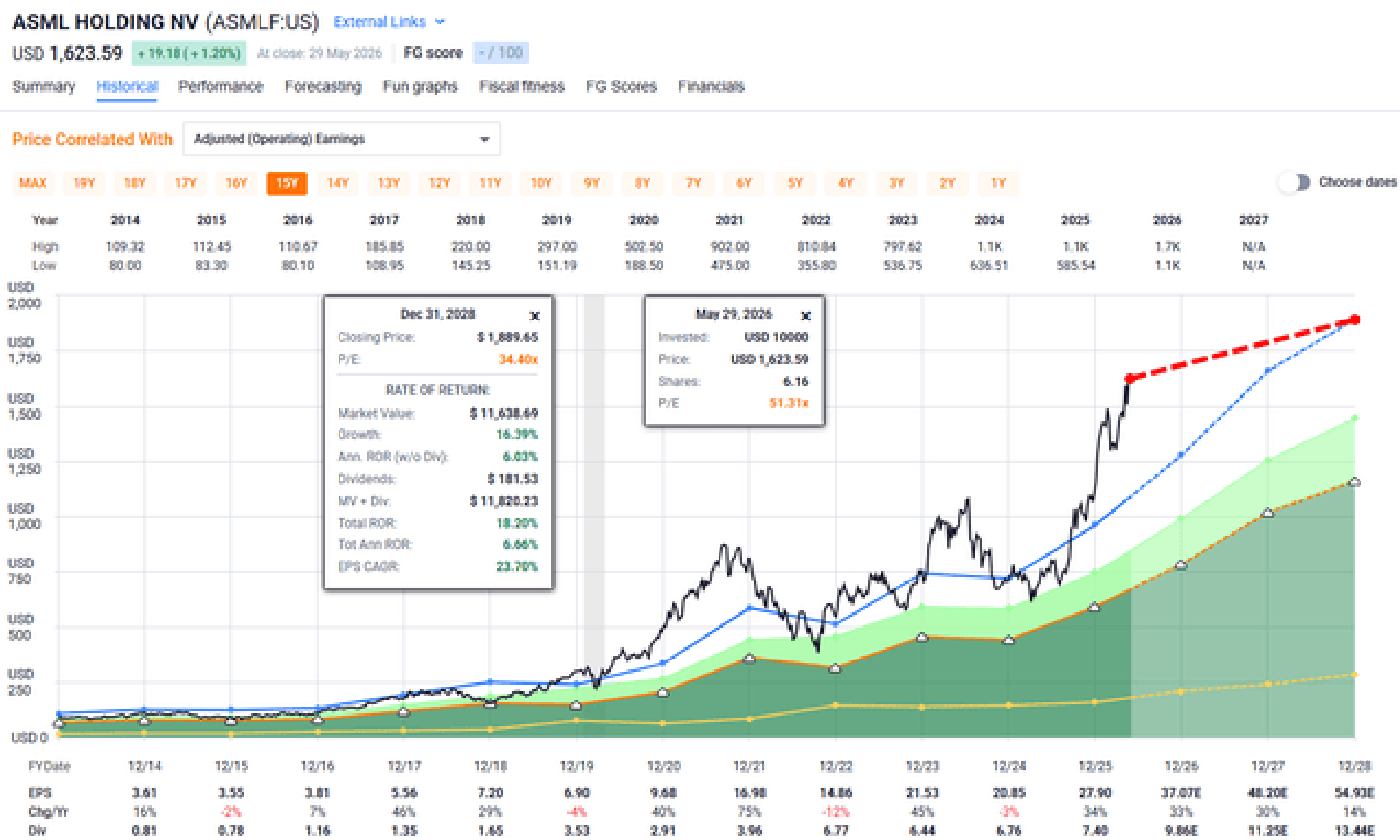
In the last 15Y ASML's EPS grew at a rate of 21% annually. Today, FactSet is expecting:

> *FY2026: EPS of $37.07E, 33% YoY growth*
>
> *FY2027: EPS of $48.20E, 30% YoY growth*
>
> *FY2028: EPS of $54.93E, 14% YoY growth*

That's for an annual average of 25.6% over the next 3 years. Yes, it's above the 15Y average of 21%, but does 4.6% extra EPS growth per year justify a valuation jump from P/E 34.4x to 51.0x? I don't think so.

ASML's shares were a bargain to buy in 2025, but the stock isn't attractively priced anymore. I think all the good news is fully priced-in, and valuation doesn't have a meaningful runway to further expand. Simply, there isn't any room for error, and in the highly cyclical industry, this is a flaw to watch out for.

The potential annual returns, assuming a return to its 15Y avg. valuation suggest a lackluster 6-7%. That's insufficient compensation for the high volatility one has to endure.


ASML Potential Returns (FAST Graphs)

Takeaway

ASML is highly cyclical business, navigating boom-and-bust cycles, every few years. The latest cycle is fueled by AI infrastructure build-out and the hot demand for memory chips.

ASML reported very strong Q1 2026 earnings and despite no longer reporting its backlog, I assume it must have been well in excess of €10B, fueled by deals with SK Hynix and Samsung, to boost production capacity.

The firm raised its 2026 guidance and investors flocked back into the stock. However, the valuation once again reminds me of investors's euphoria reached during the peaks of 2021 and 2024. Each time, it was followed by pain.

Nikon: The ASML Angle Has Limits

June 2, 2026 Daniel James

Summary

- Nikon is refocusing on semiconductor lithography, digital lithography, cinema cameras, and large-format metal 3D printing amid a weak financial base.
- FY2026 marked a trough with significant losses; FY2027 guidance signals recovery but with razor-thin 1.35% operating margins and a halved dividend.

- NINOF trades at higher EBITDA multiples and lower margins than Canon, making it unattractive despite being cheaper than ASML on sales multiples.
- The ArF lithography opportunity is promising, but customer diversification and tangible order flow beyond Intel are essential for a rerating

JHVPhoto/iStock Editorial via Getty Images

ntroduction

Nikon (NINOF) has already moved sharply over the past year, and the recent ASML-related (ASML) news gives investors a clear reason to give the stock a closer look. Management is now putting more emphasis on semiconductor lithography, digital lithography, cinema cameras, and large-format metal 3D printing. However, Nikon's FY2026 results were bad enough to lower expectations, and FY2027 guidance suggests recovery rather than strength. The company may have a real chance to rebuild relevance in ArF lithography, but the current financial base remains weak. Against ASML, Nikon looks cheap because ASML is a far better business, while against Canon (CAJPY), the stock is just not cheap enough.

FY2026 Was A Bad Year

Nikon's FY2026 was bad on most metrics. Revenue fell 5.3% to ¥677.2 billion, the company reported an operating loss of ¥112.4 billion, and a loss attributable to owners of ¥86.1 billion. Basic EPS was negative ¥261.57, and operating cash flow was also negative at ¥4.4 billion. The stock isn't rallying because Nikon is producing strong results but because investors are looking through FY2026 and hoping that the year marked a trough.

A lot of the damage came from Digital Manufacturing, where revenue actually rose 20.3% to ¥28.1 billion, but the segment still posted a massive ¥106.3 billion operating loss. Nikon has spent a lot of money and attention on growth platforms, but the impairment shows that not every strategic bet has worked out as planned.

Precision Equipment also weakened, with segment revenue down by 17.2% to ¥167.3 billion, and the business posting an operating loss of ¥4.6 billion. If the "cheaper alternative to ASML" angle is going to drive a rerating, Precision Equipment needs to start making a meaningful and positive contribution to results.

Imaging remains relevant, but it’s not enough to carry the recovery on its own. Imaging Products revenue fell 1.8% to ¥290.1 billion, while operating profit fell 59.5% to ¥16.7 billion. Healthcare also declined, with revenue down 3.9% to ¥111.9 billion and operating profit down 76.8% to ¥1.6 billion. Components was better, with revenue up 2.8% to ¥76.2 billion and operating profit up 33.0% to ¥9.6 billion, but not enough to make much of an impact on a group level.

FY2027 Guidance Shows Recovery, Not Strength

Nikon’s FY2027 guidance indicates that FY2026 may have been the bottom. Management expects revenue of ¥740 billion, up 9.3%, with operating profit of ¥10 billion and profit attributable to owners also at ¥10 billion. Basic EPS is expected to come in at ¥30.36.

That’s a large improvement from FY2026, but doesn’t show strong profitability. ¥10.0 billion of operating profit on ¥740.0 billion of revenue implies an operating margin of only about 1.35%, which is razor-thin. The dividend forecast is also something of a red flag. Nikon paid ¥40 per share for FY2026, but the FY2027 dividend forecast is ¥20 per share.

A low-margin recovery can still be attractive if the stock is priced as distressed, but Nikon doesn’t actually look that cheap compared to Canon. Looking at the Seeking Alpha valuation tables, Nikon trades at roughly 0.92x trailing sales and 0.94x forward EV/sales, while Canon trades at roughly 0.80x trailing sales and 0.94x forward EV/sales. On EBITDA, Nikon looks a lot more expensive. Nikon trades at 12.84x forward EV/EBITDA and 23.35x trailing EV/EBITDA, while Canon trades at 6.49x forward EV/EBITDA and 6.51x trailing EV/EBITDA.

The margin comparison simply makes Nikon look bad, with an EBITDA margin at 4.23% versus Canon’s EBITDA margin at 14.65%. Nikon’s net margin is negative, while Canon’s net margin is 6.61%. Canon is not a perfect peer, but it’s the closest comparison because the company also combines imaging, optics, and lithography exposure.

The ASML Angle Is Interesting, But Narrow And Early

The most interesting part of Nikon is semiconductor lithography. New CEO Yasuhiro Ohmura has said Nikon plans to compete with ASML by pricing semiconductor photolithography equipment below its far more established and dominant rival. His argument is that Nikon produces many parts in-house, allowing it to offer lower prices while still making a profit. That gives the company a clear strategic hook. Customers may want supplier diversification, especially in a market where ASML dominates and lithography tools are expensive, complex, and strategically important.

Nikon and ASML are reportedly the only companies producing ArF lithography equipment. Advanced chips still require many DUV steps, so ArF is not irrelevant just because EUV gets most of the attention. The possible customer pitch is not “replace ASML.” It’s lower cost, supplier diversification, and performance that's good enough for specific process steps.

Nikon’s most recent Q&A sheds some light on this. Management said short-to-medium-term semiconductor growth will mainly come from expanded sales of existing ArF dry and ArF immersion lithography systems. It also said demand remains strong and that Nikon is receiving more specific requests and inquiries from multiple major semiconductor makers, especially for the NSR-S636E ArF immersion system and the NSR-S333F ArF dry system.

However, the company is starting from a position of dependence. Intel has represented around 80% of Nikon's ArF lithography orders, and that dependence explains why the market has not treated Nikon as a realistic alternative to ASML. Ohmura himself acknowledged that Nikon lacked a sufficient track record outside Intel and that its support capabilities had not earned enough trust among a broader customer base. Semiconductor customers don't switch lithography suppliers casually due to high switching costs. Pricing may help, but reliability, service, process integration, and customer confidence are perhaps more important.

Valuation: Weaker Than ASML, More Expensive Than Canon

ASML trades at much higher multiples because it's a far stronger company. It has a near-monopoly position in lithography, much higher margins, and a better earnings base. Nikon's low sales multiple relative to ASML does not automatically make the stock cheap and mostly reflects the fact that Nikon is not ASML.

However, if Nikon converts ArF inquiries into real orders, diversifies away from Intel, and improves Precision Equipment margins, the market could start valuing Nikon as more than a weak imaging and industrial turnaround. Even a modest semiconductor recovery could change perception because expectations are low, which we can see clearly in the multiples.

The problem is the comparison with Canon. Canon trades at similar or lower sales multiples, much lower EBITDA multiples, and far better margins. That makes it hard to argue that Nikon already deserves a large premium for a semiconductor recovery that has not yet shown up in the numbers or even deserves much credibility yet.

Risks & Catalysts

In terms of risks, Nikon may gain new customers through aggressive pricing alone, which limits margins, while Precision Equipment may keep lagging despite the renewed focus on semiconductors. Digital Manufacturing may continue to eat up Capex or result in losses, and imaging margins may remain under pressure. At the same time, Canon may continue to look cheaper and more profitable.

In terms of catalysts, confirmed ArF purchase orders from major non-Intel customers would change the game, as would a visible rebound in Precision Equipment margins and stabilization in Imaging Products profitability. The most important factor is customer diversification, because Nikon's ArF business has historically been too dependent on Intel.

If Nikon can demonstrate that other major chipmakers are willing to buy its tools, the market may start seeing the lithography business as a real opportunity. Even sluggish and uneven progress could boost investor confidence because the current earnings base is depressed, so margin recovery could have an outsized impact if revenue stabilizes.

Conclusion

The ArF lithography angle gives Nikon a real semiconductor catalyst, and management's renewed focus on this angle makes a potential recovery look more likely. However, this is still a low-margin turnaround with little proof. Against ASML, Nikon looks cheap because it is structurally inferior. Against Canon, Nikon simply doesn't look cheap enough to justify the performance gap.