




Lam Research Corporation

December Quarter 2020 Financial Results

January 27, 2021

© 2021 Lam Research Corp.

Cautionary Statement Regarding Forward-Looking Statements

This presentation and the accompanying discussion contain "forward-looking statements" under U.S. securities laws. Forward-looking statements include any statements that are not statements of historical fact. Examples of forward-looking statements include, but are not limited to: (1) anticipated business, balance sheet, cash flow and financial measures and results, including guidance, whether on a GAAP or non-GAAP basis; (2) economic, market, industry and industry segment expectations; (3) product performance and changes in market share or customer demands; (4) our ability to successfully execute business, capital allocation, product and growth plans or strategies, or otherwise deliver value for customers and stockholders; (5) the impact of the COVID-19 pandemic on our operations and financial results, and our ability to mitigate operational and business impacts caused by it; and (6) the impact of trade regulations, export controls and trade disputes. Forward-looking statements speak only as of the date they are made and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed, including: the severity, magnitude and duration of the COVID-19 pandemic (and the related governmental, public health, business and community responses to it), and their impacts on our business, results of operations and financial condition, are evolving and are highly uncertain and unpredictable; business, political and/or regulatory conditions in the consumer electronics industry, the semiconductor industry and the overall economy may deteriorate or change; the actions of our customers and competitors may be inconsistent with our expectations; trade regulations, export controls, and trade disputes may inhibit our ability to sell our products; and widespread outbreaks of illness may impact our operations and revenue in affected areas; as well as the other factors discussed in our filings with the Securities and Exchange Commission ("SEC"), including specifically the Risk Factors described in our annual report on Form 10-K for the fiscal year ended June 28, 2020 and our quarterly report on Form 10-Q for quarter ended September 27, 2020. You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to update any forward-looking statements.



Business Review and Industry Outlook

TIM ARCHER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

2020: Strongest Year in Lam History



Global teams rose to challenges of COVID-19

Record year: Revenue of $11.9B and EPS of $20.45

Strong growth across systems and customer support businesses

Breakthrough product solutions provide foundation for success

EPS = earnings per share

Data calculated on a non-GAAP basis. Reconciliations of U.S GAAP results to non-GAAP results can be found at the end of this presentation

Semiconductor Demand and Higher Capital Intensity Support Sustainable Strength in WFE



2020 WFE spending estimated in high $50 billion range

Growth in 2020 across all segments of the market led by a NAND recovery, Foundry/Logic expansion, and a slight increase in DRAM

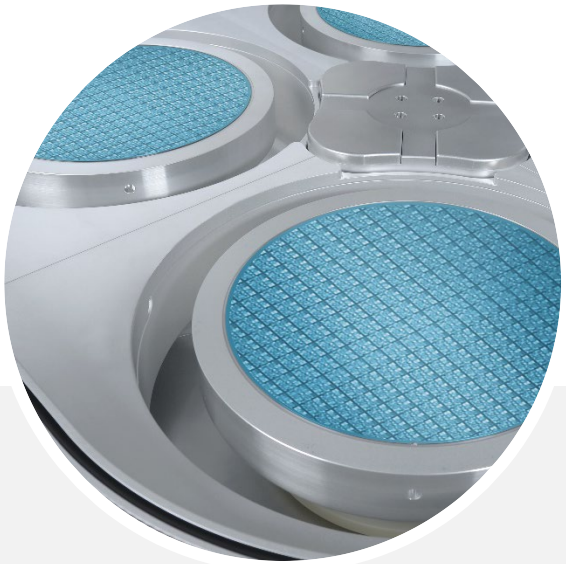
2021 WFE spending estimated in high $60s to $70 billion range

Drivers in 2021 include migration to higher layer counts in NAND, strong spending in DRAM and Foundry/Logic momentum

WFE = wafer fabrication equipment

© 2021 Lam Research Corp.

Leveraging Our Widening NAND Leadership to Launch Breakthrough Products



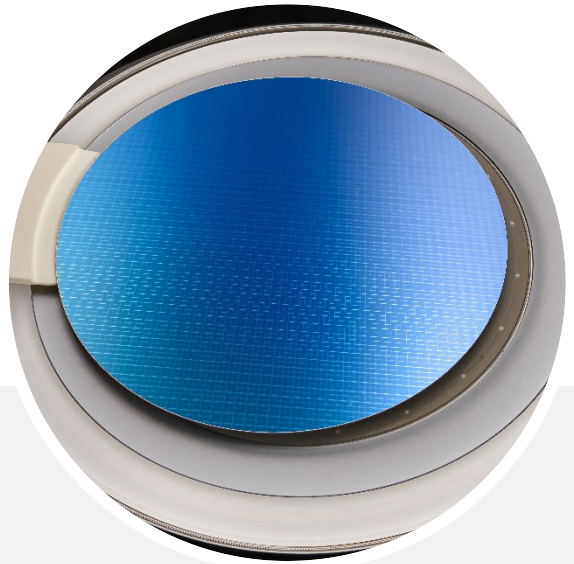
Striker® FE

Introduced unique ICEFill™ advanced dielectric gapfill for high aspect-ratio structures



Sense.i™

Launched Sense.i™ etch platform, offering best in class process, tool footprint and Equipment Intelligence® capabilities



Vantex™

Launched first module on Sense.i™ platform; features advanced RF technology and uniformity controls

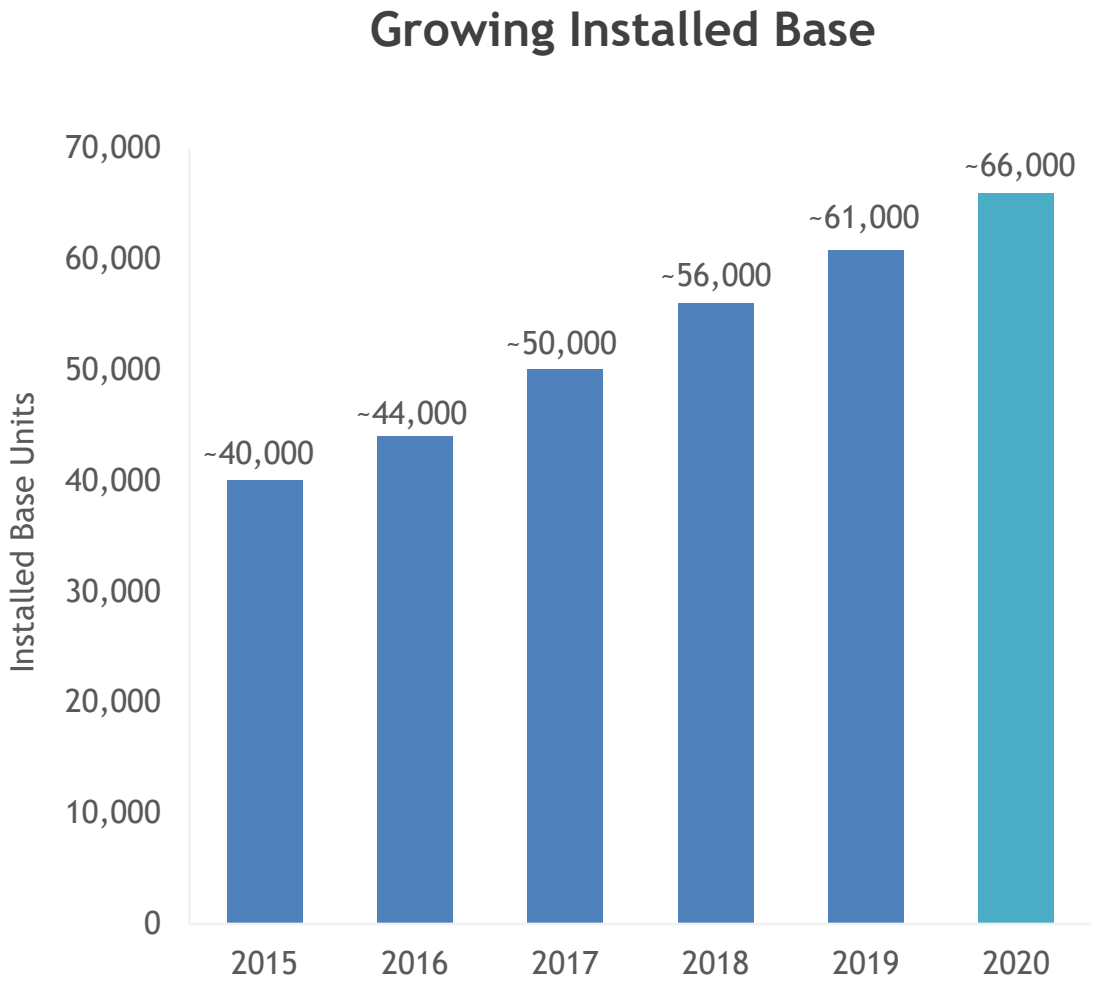
Expanding Positions and Delivering Differentiated Technology Beyond NAND



Foundry / Logic	Unique atomic level etch capabilities and materials innovation to expand SAM and Share at key technology inflections
DRAM	Growing opportunity in DRAM patterning in both etch and deposition with EUV adoption

SAM = served available market

Continued Growth for Customer Support Business Group



Calendar year 2020 revenue growth exceeded chamber count growth by >2x

Record revenues for all sub-segments within CSBG

- **Reliant growth driven by specialty applications in auto, 5G, consumer electronics**
- **Growth in 2020 calendar year:**
  - 25% growth in productivity-focused services
  - 6x growth in remote support engagements

Delivering world class support of complex technologies in high volume manufacturing

© 2021 Lam Research Corp. | 01/27/2021

Excellent Position to Win

Record financial performance

Strong slate of innovative new products and services

Execution on our strategy to expand leadership across markets





December Quarter 2020 Financial Results and March Quarter 2021 Outlook

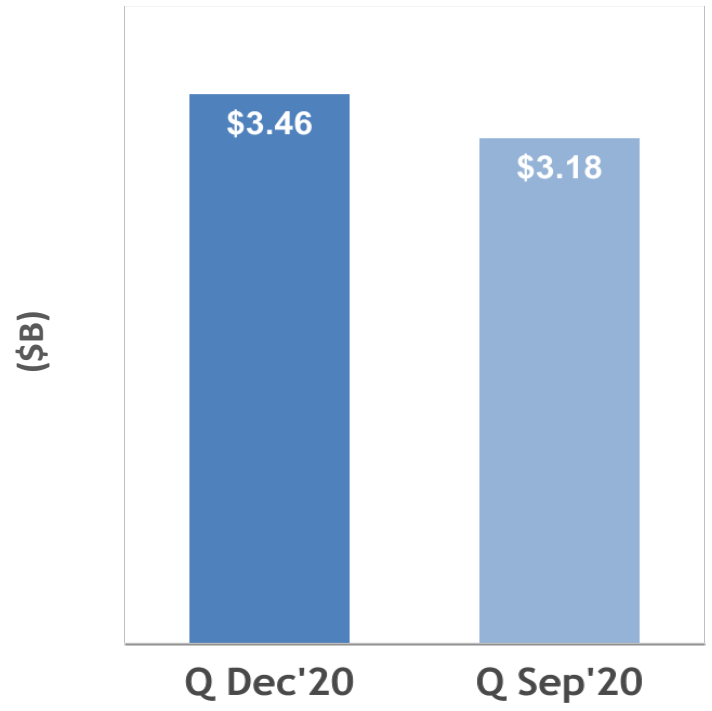
DOUG BETTINGER

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

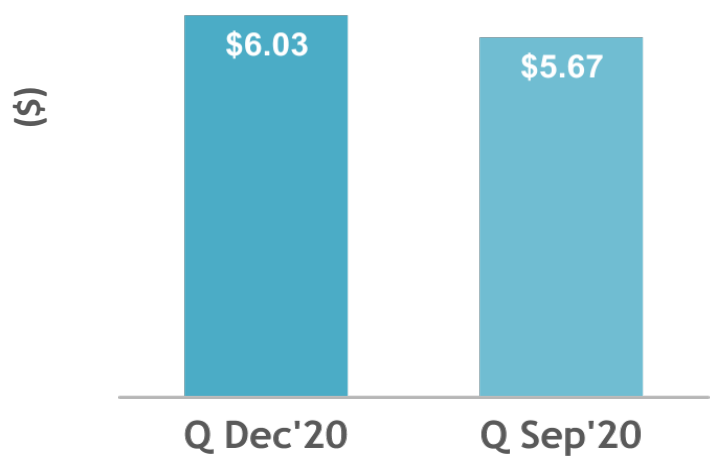
Lam RESEARCH

December Quarter Highlights

Total Revenue



Earnings per Share*

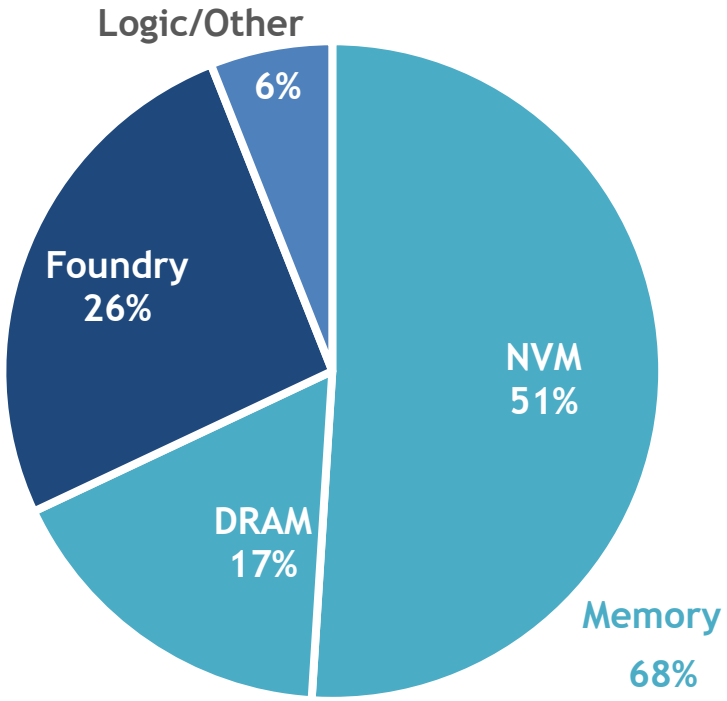


*Data are presented on a non-GAAP basis. Reconciliations of U.S. GAAP results to non-GAAP results can be found at the end of this presentation

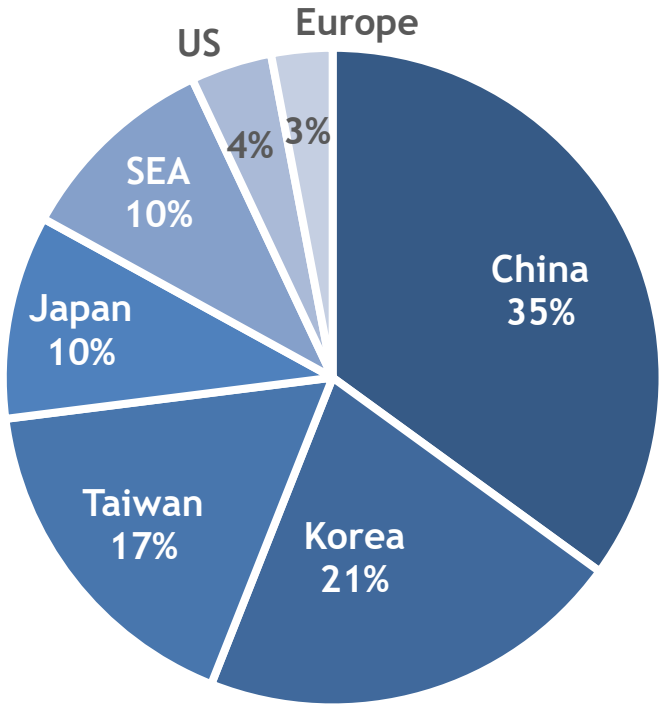
December Quarter Revenue Mix

Record level of foundry revenue dollars

System Revenue Segments*



Revenue by Region

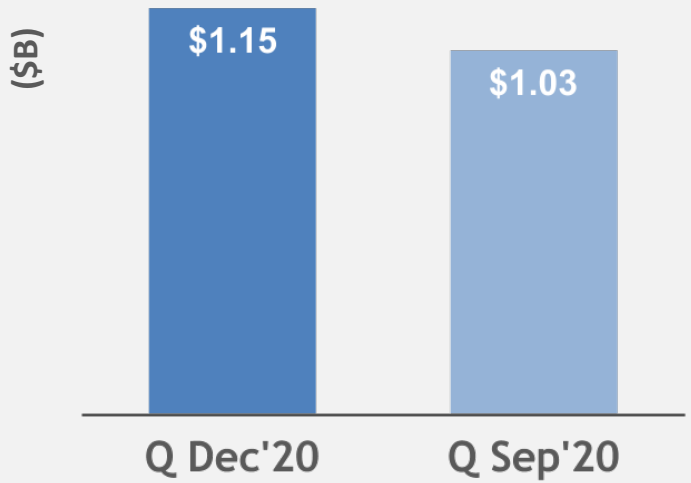


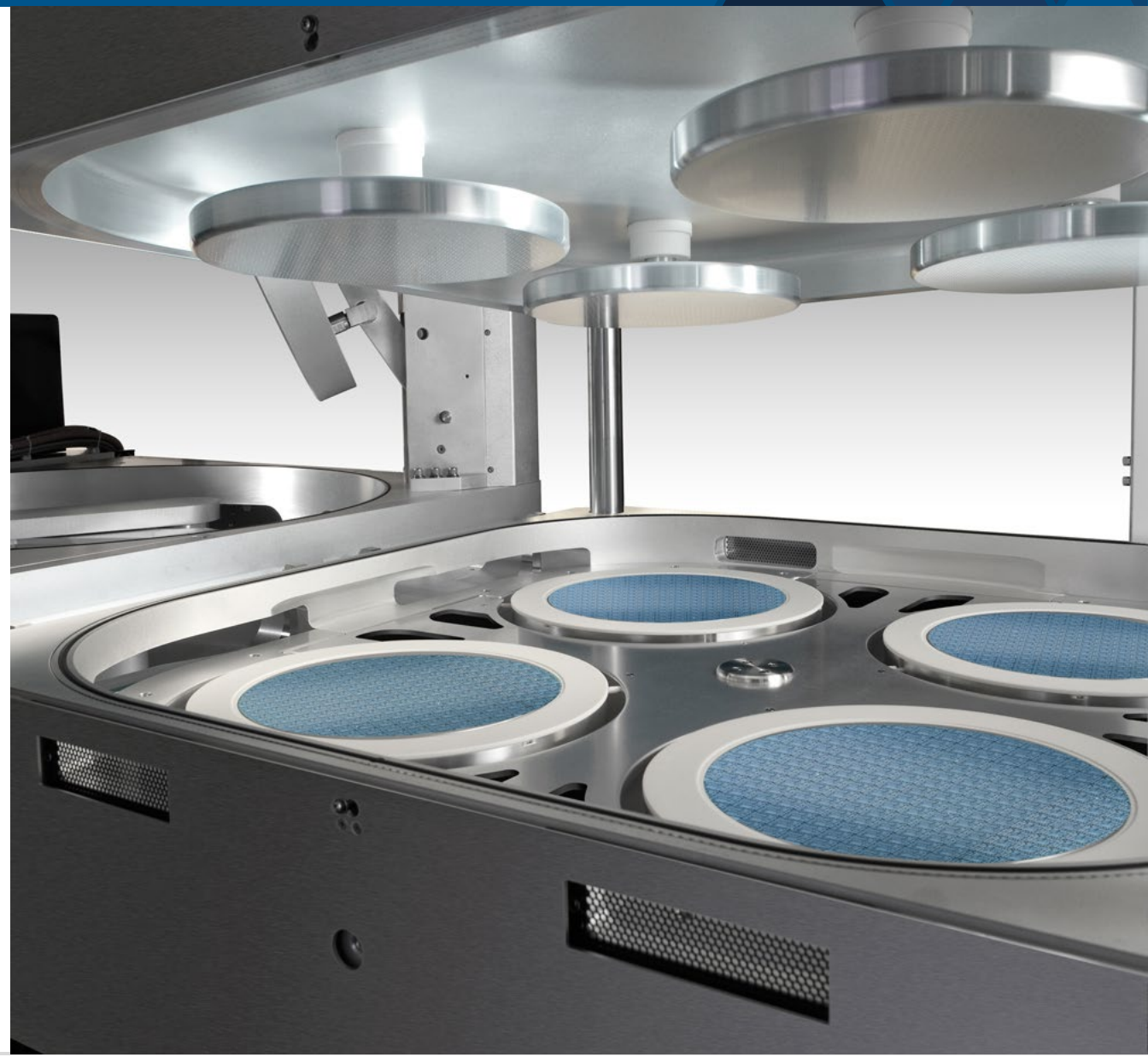
NVM = non-volatile memory

*Systems revenue includes equipment and equipment upgrade sales from etch, deposition, clean, and our Reliant® product line

Customer Support Business Group

CSBG Revenue





December Quarter Financial Results

	Q Dec'20	Q Sep'20
Revenue	$3,456M	$3,177M
Non-GAAP Gross Margin*	46.6%	47.5%
Non-GAAP Operating Expenses*	$563M	$523M
Non-GAAP Operating Income*	$1,048M	$988M
Non-GAAP Operating Income as a percentage of Revenue*	30.3%	31.1%
Non-GAAP Other Expense, Net*	$53M	$51M
U.S. GAAP Diluted EPS	$5.96	$5.59
Non-GAAP Diluted EPS*	$6.03	$5.67
Diluted Share Count	146M	147M

*A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation

Key Balance Sheet and Financial Metrics

	Q Dec'20	Q Sep'20
Total Consolidated Gross Cash Balance	$6,295M	$6,911M
Account Receivables, Net	$2,900M	$2,318M
DSO	76 Days	66 Days
Inventory Turns	3.2	3.1
Deferred Revenue*	$640M	$680M
Capital Expenditures	$92M	$63M
Equity Compensation Expense	$52M	$56M
Amortization Expense	$17M	$17M
Depreciation Expense	$59M	$56M
Headcount	~12,200	~11,700

*Lam's deferred revenue balance does not include shipments to customers in Japan, to whom title does not transfer until customer acceptance
Estimated future revenue from shipments to customers in Japan was approximately $206M as of December 27, 2020 and $201M as of September 27, 2020

March 2021 Quarter Guidance



$3.7B +/- $200M
Revenue



46.0% +/- 1%
Non-GAAP
Gross Margin



30.5% +/- 1%
Non-GAAP
Operating Margin



$6.55 +/- $0.40
Non-GAAP
Earnings per Share*

A reconciliation of U.S. GAAP projected results to non-GAAP projected results can be found at the end of this presentation
*Based on a diluted share count of approximately 145 million shares



Questions and Answers

Appendix – Reconciliation

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	December 27, 2020	September 27, 2020
U.S. GAAP net income	$ 869,229	$ 823,451
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,270	1,270
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	6,089	3,224
EDC related liability valuation increase - research and development	10,961	5,803
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
EDC related liability valuation increase - selling, general and administrative	7,307	3,869
Amortization of note discounts - other expense, net	1,001	1,011
Gain on EDC related asset - other expense, net	(24,207)	(12,927)
Net income tax benefit on non-GAAP items	(3,796)	(2,992)
Non-GAAP net income	$ 880,211	$ 835,066
Non-GAAP net income per diluted share	$ 6.03	$ 5.67
U.S. GAAP net income per diluted share	$ 5.96	$ 5.59
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	145,910	147,248

Appendix – Reconciliation

Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating Income to Non-GAAP Gross Margin, Operating Expenses and Operating Income
(in thousands, except percentages)
(unaudited)

	Three Months Ended	
	December 27, 2020	September 27, 2020
U.S. GAAP gross margin	$ 1,603,795	$ 1,506,179
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	1,270	1,270
EDC related liability valuation increase	6,089	3,224
Non-GAAP gross margin	$ 1,611,154	$ 1,510,673
U.S. GAAP gross margin as a percentage of revenue	46.4 %	47.4 %
Non-GAAP gross margin as a percentage of revenue	46.6 %	47.5 %
U.S. GAAP operating expenses	$ 594,071	$ 545,115
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,357)	(12,357)
EDC related liability valuation increase	(18,268)	(9,672)
Non-GAAP operating expenses	$ 563,446	$ 523,086
U.S. GAAP operating income	$ 1,009,724	$ 961,064
Non-GAAP operating income	$ 1,047,708	$ 987,587
U.S. GAAP operating income as percent of revenue	29.2 %	30.2 %
Non-GAAP operating income as a percent of revenue	30.3 %	31.1 %

Appendix – Reconciliation

Reconciliation of U.S. GAAP Other Expense, Net to Non-GAAP Other Expense, Net
(in thousands)
(unaudited)

	Three Months Ended	
	December 27, 2020	September 27, 2020
U.S. GAAP Other expense, net	$ (29,941)	$ (38,792)
Pre-tax non-GAAP items:		
Amortization of note discounts	1,001	1,011
Gain on EDC related asset - other expense, net	(24,207)	(12,927)
Non-GAAP Other expense, net	$ (53,147)	$ (50,708)

Appendix – Reconciliation

Reconciliation of U.S. GAAP Income Tax Rate to Non-GAAP Income Tax Rate
(in thousands, except percentages)
(unaudited)

	Three Months Ended	
	December 27, 2020	September 27, 2020
U.S. GAAP income before income taxes	$ 979,783	$ 922,272
U.S. GAAP income tax expense	$ 110,554	$ 98,821
U.S. GAAP income tax rate	11.3 %	10.7 %
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	$ 1,270	$ 1,270
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	6,089	3,224
EDC related liability valuation increase - research and development	10,961	5,803
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
EDC related liability valuation increase - selling, general and administrative	7,307	3,869
Amortization of note discounts - other expense, net	1,001	1,011
Gain on EDC related asset - other expense, net	(24,207)	(12,927)
Non-GAAP income before taxes	$ 994,561	$ 936,879
Net income tax benefit on non-GAAP items	$ 3,796	$ 2,992
Non-GAAP income tax expense	$ 114,350	$ 101,813
Non-GAAP income tax rate	11.5 %	10.9 %

Appendix – Reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the quarter ended March 28, 2021

	U.S. GAAP			Reconciling Items	Non-GAAP		
Revenue	$3.7 Billion	+/-	$200 Million	—	$3.7 Billion	+/-	$200 Million
Gross margin as a percentage of revenue	46.0%	+/-	1%	$ 1 Million	46.0%	+/-	1%
Operating income as a percentage of revenue	30.1%	+/-	1%	$ 13 Million	30.5%	+/-	1%
Net income per diluted share	$6.47	+/-	$0.40	$ 12 Million	$6.55	+/-	$0.40
Diluted share count	145 Million			—	145 Million		

The information provided above is only an estimate of what the Company believes is realizable as of the date of this release and does not incorporate the potential impact of any business combinations, asset acquisitions, divestitures, restructuring, balance sheet valuation adjustments, financing arrangements, other investments, or other significant arrangements that may be completed after the date of this release. U.S. GAAP to non-GAAP reconciling items provided include only those items that are known and can be estimated as of the date of this release. Actual results will vary from this model and the variations may be material. Reconciling items included above are as follows:

- Gross margin as a percentage of revenue - amortization related to intangible assets acquired through business combinations, $1 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, $13 million.
- Net income per diluted share - amortization related to intangible assets acquired though business combinations, $13 million; amortization of note discounts, $1 million; and associated tax benefit for non-GAAP items ($2 million); totaling $12 million.

Appendix – Reconciliation

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income
(in thousands, except per share data)
(unaudited)

	Twelve Months Ended		
	December 27, 2020	December 29, 2019 (as originally disclosed)	December 29, 2019 (as adjusted for comparability)
U.S. GAAP net income	$ 2,964,134	$ 2,069,514	$ 2,069,514
Pre-tax non-GAAP items:			
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	5,794	28,986	28,986
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	7,040	—	10,383
Restructuring charges - cost of goods sold	—	3,472	3,472
Restructuring charges - research and development	—	4,904	4,904
EDC related liability valuation increase - research and development	12,672	—	18,690
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	49,428	49,517	49,517
Restructuring charges - selling, general and administrative	—	5,414	5,414
EDC related liability valuation increase - selling, general and administrative	8,448	—	12,460
Amortization of note discounts - other expense, net	3,900	4,543	4,543
Gain on EDC related asset - other expense, net	(29,441)	—	(41,318)
Net income tax benefit on non-GAAP items	(10,786)	(14,678)	(16,541)
Income tax benefit on the conclusion of certain tax matters	(276)	(3,094)	(3,094)
Cumulative income tax benefit reversal due to a court ruling	(821)	74,516	74,516
Income tax expense associated with U.S. tax reform	—	1,453	1,453
Non-GAAP net income	$ 3,010,092	$ 2,224,547	$ 2,222,899
Non-GAAP net income per diluted share	$ 20.45	$ 14.51	$ 14.49
U.S. GAAP net income per diluted share	$ 20.14	$ 13.49	$ 13.49
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	147,185	153,362	153,362

Appendix – Reconciliation

Calculation of Free Cash Flows
(in thousands)
(unaudited)

U.S. GAAP net cash provided by operating activities for the quarter ended:	
March 29, 2020	$541,428
June 28, 2020	813,048
September 27, 2020	642,511
December 27, 2020	344,637
U.S. GAAP cash used for capital expenditures and intangible assets for the quarter ended:	
March 29, 2020	(51,375)
June 28, 2020	(50,554)
September 27, 2020	(62,806)
December 27, 2020	(92,072)
Total free cash flows for calendar year ending December 27, 2020	$2,084,817

Innovative **Technology**

Trusted **Productivity**

Fast **Solutions**

Lam RESEARCH