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Company Summary

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PRESENTATION

Operator

Good day, and welcome to the Lam Research Corporation December 2025 earnings conference call. (Operator Instructions) Please note that this event is being recorded.

I would now like to turn the conference over to Ram Ganesh, Vice President of Investor Relations. Please go ahead.

Ram Ganesh - *Lam Research Corporation - Vice President, Investor Relations*

Thank you, and good afternoon, everyone. Welcome to the Lam Research quarterly earnings conference call. With me today are Tim Archer, President and Chief Executive Officer; and Doug Bettinger, Executive Vice President and Chief Financial Officer.

During today's call, we will share our overview on the business environment and we'll review our financial results for the December 2025 quarter and our outlook for the March 2026 quarter. The press release detailing our financials results was distributed a little after 1:00 PM Pacific Time. The release can also be found on the Investor Relations section of the company's website along with the presentation slide that accompanied today's call.

Today's presentation and Q&A include forward-looking statements that are subject to risks and uncertainties reflected in the risk factors disclosed in our SEC public filings. Please see accompanying slides in the presentation for additional information.

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Today's discussion of our financial results will be presented on a non-GAAP financial basis unless otherwise specified. A detailed reconciliation between GAAP and non-GAAP results can be found in the accompanying slides in the presentation. This call is scheduled to last until 3:00 PM Pacific Time. A replay of this call will be made available later this afternoon on our website.

And with that, I'll hand the call over to Tim.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Thank you, Ram, and good afternoon, everyone. We ended calendar year 2025 on a strong note, delivering December quarter revenues ahead of the midpoint of our guidance. Gross margins, operating margins, and EPS all exceeded the high end of the range. Our performance demonstrates continued strong execution in an accelerating semiconductor demand environment.

At our Investor Day event last year, we outlined our tremendous opportunity to expand our market and gain share at every successive technology node. Vertical scaling of device and packaging architectures is driving higher deposition and etch intensity and moving the market to our strengths. The vision we shared was to more than double Lam's revenue and profit over the next five years. Today, we are well on our way.

With the industry ramping capacity and adopting new technologies to meet the demands of the AI transformation, Lam's deposition and etch capabilities are proving to be key enablers in the transition to gate all around transistors, backside power distribution, higher performance materials, and 3D advanced packaging. We prepared for this moment, launching an array of new products and advanced services targeted at broadening our exposure across DRAM, leading-edge foundry-logic, and NAND.

We've also invested in expanding our manufacturing and R&D footprint to increase operational velocity in response to strong customer demand. In 2025, we achieved record revenues of more than $20 billion and expanded our served available market, or SAM share, of WFE into the mid-30% range. This marks solid progress toward our multi-year goal of being in the high 30s.

Our shipped share of WFE grew by well over 1 percentage point year on year, and our CSBG business hit key milestones, with the size of our installed base topping 100,000 chambers and revenue growing faster than the increase in installed base units. We are proud of these accomplishments, but there's even more to come.

The AI transformation is driving industry spending higher. In 2025, WFE came in close to $110 billion. Our initial 2026 view is for WFE to be in the $135 billion range, with the growth in spending remaining constrained by a shortage of available cleanroom space. Chip makers have been public about their efforts to alleviate constraints, but they've also commented on sold-out conditions persisting, indicating the magnitude of the challenge.

We expect WFE this year to be weighted to the second half with robust growth in investments across all three device segments led by DRAM and leading-edge foundry-logic. All indications are that we are still in the early stages of the AI buildout and end markets are signaling a strong appetite for greater compute and storage capability at both the device and package level.

In foundry-logic, customers are accelerating migration to nodes employing gate all-around transistors. If you recall, we've previously said that the transition to gate all-around equates to roughly $1 billion in incremental Lam SAM for every 100,000 wafer starts per month capacity. Given the 3D nature of gate all-around structures, we are well positioned with our deposition and etch portfolio to gain share within this segment.

In addition, customers are integrating more functionality with advanced packaging. We previously estimated advanced packaging would make up a mid-single-digit percentage of overall foundry-logic equipment spend. As additional devices, including those for mobile applications, adopt more complex packaging schemes, we see this number moving higher.

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In high bandwidth memory, or HBM, advanced packaging is critical for the transition to HBM4 and 4E and stacking of up to 16 layers. Lam is in an excellent position given our market leadership and electroplating and TSV etch. We expect our overall advanced packaging business to grow more than 40% in 2026, outperforming our view of WFE growth in this space.

Finally, in NAND, demand is growing faster than previously expected as new use cases for high-capacity SSDs emerge. Non-volatile context memory layers to enable large-scale AI inference have the potential to add incremental growth in NAND bit demand. For every 2 million to 3 million accelerators sold, we estimate an incremental 1 point increase in overall NAND bit demand growth. Lam has the industry's largest installed base of NAND systems and is well positioned to outperform as the NAND market inflects higher. Against this backdrop of strong semiconductor demand and accelerated technology transitions, we are seeing increased momentum for our newly launched products.

Akara, our latest generation conductor etch system, has doubled its installed base over the past year, with production tool of record wins for EUV and high aspect ratio etch applications in advanced DRAM and foundry-logic. Critical dimensions in foundry-logic are shrinking by roughly 10% to 20% node to node. Similarly, in DRAM, aspect ratios are increasing with each node and process complexity is set to grow even more with future moves to 4F2 and 3D DRAM.

Consequently, multiple customers have chosen Akara for its unmatched ability to etch the smallest dimensions at very high aspect ratios while maintaining profile control and reducing variability across the wafer. This is achieved through new innovations, including our DirectDrive solid-state power delivery hardware and TEMPO plasma pulsing. In next-generation gate-all-around devices, we expect the number of applications using Akara to grow by roughly 2 times, including wins for critical front-end silicon etch applications.

In DRAM, we already have wins with Akara for the 1C node that are set to ramp this year and expect growing momentum as the applications using Akara expand nearly 3 times in a subsequent 1D node. As we look out over a multi-year period, the unprecedented AI ramp demands greater speed and agility across the ecosystem. Our customers are moving faster at every stage of process development and manufacturing, so we have increased the velocity of our execution across the board.

We are strengthening our supply base, automating logistics and ramping high-volume manufacturing. Over the last four years, we have nearly doubled our overall manufacturing capacity. And in 2025, we launched state-of-the-art automated warehouses that enable greater production efficiency. These investments have proved critical in a fast-ramping market environment, and we're set to expand our footprint further to meet the demand we see over the next several years.

Our product sales and support teams are also executing to the accelerated pace of customer demand. Over the course of 2025, Lam was recognized with nearly 40 supplier awards, highlighting in many cases our fast tool installations and outstanding production ramp support. Looking forward, we see Lam's Equipment Intelligence solutions and Dextro cobots leading the way to the autonomous fab with predictive and automated maintenance and precise global fleet matching. Dextro continued to gain momentum in 2025, expanding to cover six different Lam tool types.

And finally, in an environment where inflections are more complex and innovation timelines are compressing, we have transformed our R&D capabilities to help us stay ahead. We are utilizing velocity labs located close to our customers to screen new materials, new hardware, and new process regimes at a rate not previously possible. We are also leveraging Lam's digital twins capabilities to shorten product development cycles and converge on next-generation tool and process solutions with greater efficiency.

Wrapping up, the growth we envisioned for Lam at our investor event one year ago is materializing faster than we anticipated. We are making progress against our SAM expansion, share gain, and profitability objectives. And with the demand environment continuing to accelerate, we are elevating our focus on scaling the company, delivering for customers, and outperforming in the AI era.

Thank you, and here's Doug.

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Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Great. Thank you, Tim. Good afternoon, everyone. Thank you for joining our call today during what I know is a super busy earnings season. Before I get into the details, I'd like to say that we were quite pleased with the strong execution across the company in calendar year 2025, which translated into record top and bottom line financial performance.

In calendar year 2025, revenue was a record coming in at $20.6 billion, which was up 27% year over year. CSBG revenue also reached a record of $7.2 billion. Gross margin was 49.9%, the highest result as a combined company for the full year since the Novellus merger back in 2012. Gross profit increased 31% year over year to $10.3 billion.

We also had record operating margin of 34.1% and operating profit dollars of $7 billion, which was up 41% year over year. Diluted earnings per share were $4.89, which was up [46%] (corrected by company after the call) year over year. Looking at it, we delivered leverage from the top to the bottom of the P&L in 2025.

Let me turn to the December quarter results. Our revenue was above the midpoint of guidance, while gross margin, operating margin, and earnings per share all exceeded the high end of our guided range. Revenue for the December quarter was a record coming in at $5.34 billion. This marked our 10th consecutive quarter of revenue growth. The deferred revenue balance at quarter end came in at $2.25 billion, down sequentially due to an approximately $500 million reduction in those customer advanced down payments.

From a market segment perspective, Foundry accounted for 59% of our systems revenue in the December quarter, slightly down sequentially, but up from 35% in the December 2024 period. This underscores the success of our strategic focus and execution in Foundry. Foundry's strength came from investments at the leading edge in addition to mature node spending that we saw in China.

Memory was 34% of systems revenue, in line with the prior quarter. Within memory, we generated record DRAM revenue accounting for 23% of systems revenue, which was up from 16% in the September quarter. Investments in high-bandwidth memory continue to remain strong, driven by movement to HBM3E and 4. We also saw traditional node migrations to the 1B and 1C nodes, enabling the transition to DDR5.

Non-volatile memory contributed 11% of our systems revenue, down from 18% in September quarter. This trajectory was in line with our expectations for customer plans coming into the year.

Despite the quarterly decline, NAND revenues grew strongly for Lam in what was the first-half-weighted calendar year 2025. As we enter 2026, we see solid end market demand as customers prepare for the next stage of AI-driven growth in NAND.

And finally, the Logic and Other segment came in at 7% of systems revenue in the December quarter, slightly up sequentially.

Let's turn to the regional breakdown of our total revenue. China came in at 35%, which was a decrease from the prior quarter level of 43% but slightly higher than our original expectations. This was due to updates in the affiliate rule and the resulting timing of shipments from that. The next largest geographic concentrations were Taiwan coming in at 20%, up sequentially from 19%; and Korea had 20%, up sequentially from 15%.

Customer Support Business Group generated approximately $2 billion in revenue for the December quarter, up 12% sequentially on an increase in Reliant systems. We were 14% higher than the same period in 2024, primarily a growth in spares. CSBG obviously remains a key part of our growth strategy with our expanding installed base and innovation and advanced services.

NAND spending enabled record upgrade revenue in 2025, up more than 90% year over year. In the 13 years since we brought Lam and Novellus together, I'd like to remind everybody that CSBG has grown every year except for one.

Let's look to profitability. Gross margin in the December quarter was 49.7%, which exceeded the high end of our guided range on better-than-expected customer mix. Sequentially, gross margin was about 1 percentage point lower reflecting a customer mix that was less

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favorable than what we saw in September. Operating expenses for December came in at $827 million, which is roughly flat sequentially. R&D accounted for 68% of the total operating expenses.

We continue investing to maintain our leadership with a differentiated product portfolio for our customers with innovations like Vantex, Akara, Halo, and Dextro. The December quarter operating margin was 34.3%, exceeding the high end of our guidance. The non-GAAP tax rate for the quarter came in at 13.2%, generally in line with our expectations.

We continue to see the tax rate in the low- to mid-teens for calendar 2026. Other income and expense for the December quarter was approximately $10 million in income compared with $8 million in income in the September quarter. Slight fluctuation in OI&E was primarily the result of gains in our venture portfolio, partly offset by lower interest income. As we've talked about in the past, you should expect to see variability in OI&E quarter-to-quarter.

Capital return in the December quarter, we allocated approximately $1.4 billion towards share buybacks through open market share repurchases. Our average buyback price in the quarter was approximately $154 per share.

In calendar year 2025, we repurchased approximately 39 million shares at an average price of $104 per share. We also paid $328 million in dividends in the quarter. In calendar year 2025, we returned 85% of our free cash flow. Our plans remain to return at least 85% of free cash flow to our shareholders over time.

The December quarter diluted earnings per share were $1.27, which came in above the guidance range. The diluted share count was 1.26 billion shares, which was a reduction from the September quarter and consistent with our guidance. We have $5.1 billion remaining on our board authorized share repurchase plan.

Let me pivot to the balance sheet. Cash and cash equivalents totaled $6.2 billion at the end of the December quarter, a decrease from $6.7 billion at the end of the September quarter. The reduction in cash is attributed to capital return as well as CapEx spending. As we look ahead, our strong cash position and continued free cash flow enable us flexibility to potentially simply repay the $750 million March 2026 notes when they mature.

Days sales outstanding was 59 days in the December quarter, a decrease from 62 days in the September quarter. Inventory turns improved to 2.7 times from 2.6 times in the prior quarter and up from 1.5 times a little over two years ago.

As a company, we remain focused on asset utilization, and we were pleased by the sustained progress we continue to make. Our non-cash expenses in the December quarter included approximately $89 million for equity compensation, $91 million for depreciation, and $13 million in amortization. Capital expenditures for the December quarter was $261 million, which was up $76 million from the September quarter. Spending was driven by investments in manufacturing capacity, R&D and lab infrastructure that supports our technology road map and customer needs.

We also purchased a new building in Arizona to support the growing industry footprint there. This capital spending remains consistent with our global strategy of expanding capabilities close to where our customers are.

Looking forward, we continue to expect capital expenditure to be in the 4% to 5% of revenue range. We ended the December quarter with approximately 19,700 regular full-time employees, which was an increase of approximately 300 people from the prior quarter. Headcount increases were primarily within the field organization to support customer growth as well as in R&D to support our long-term product roadmap.

Let's turn to our non-GAAP guidance for the March 2026 quarter. We're expecting revenue of $5.7 billion, plus or minus $300 million. We're expecting gross margin of 49%, plus or minus 1 percentage point. We're expecting to see slight headwinds from customer mix. We're forecasting operating margins of 34%, plus or minus 1 percentage point. You'll see the normal seasonal uptick in operating expenses in the March quarter. And finally, we're forecasting earnings per share of $1.35, plus or minus $0.10, based on a share count of approximately 1.26 billion shares.

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So let me wrap up. We delivered a record year in 2025, reflecting strong execution and broad-based strength across our product portfolio. As we look into 2026, we expect meaningful year-over-year growth supported by sustained demand in AI-driven markets and continued investment in capacity. We agree with the prevailing view that much of the market will be undersupplied in 2026 due to clean room space constraints. In line with that, we see 2026 as a second-half-weighted year.

With our strong balance sheet, an expanding installed base and the strength of our product portfolio, we remain confident in Lam's ability to continue to outperform and deliver long-term value for our customers and shareholders.

Operator, that concludes our prepared remarks. Tim and I would now like to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Tim Arcuri, UBS.

Timothy Arcuri - *UBS AG - Analyst*

Doug, I had a question about WFE this year. So you said we're going to be constrained because of this fab readiness. Is it possible to say how much? I know you're guiding WFE to $135 billion this year. I mean, if we use semiconductor revenue and you assume sort of a normal WFE intensity number, it seems like you can get to like $150 billion. So maybe the constraints are costing the industry like $15 billion.

Is it possible to give a number in terms of how much the constraints are kind of costing in terms of WFE this year so we can kind of pro forma that out?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah, Tim. I knew somebody was going to ask that question. I should have anticipated it was going to be you. Listen, it's hard for us to put a number on it, and I'm going to decline to do that as we sit here right now. And the reason Tim is plans are somewhat fluid if we're honest, meaning people are trying to figure out how to get a little more cleanroom space, so to bring facilities online and bump things up a little bit. So I'm not -- we're not going to put a number on it.

But I think it's safe to say, and Tim can comment on this as well. I think it sets up for '27 to also be a pretty good year as we think through this. I mean, the industry seems to be sold out for most of what it is supplying, everybody is talking about these multi-year agreements that they're working on. And I think that's largely a reflection of the fact that demand is very strong, and there's just not enough cleanroom out there.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. I don't have much to add, Tim, other than to say that clearly, you've seen a large number of fab announcements. I mean, those fab announcements are capacity in '27, '28, and beyond. And so I think there's a view that the constraints this year are going to continue even out until many of those new fabs open up. And so I think we've given you a view of what we think WFE is, as Doug said, we're working on productivity improvements to get a little extra output for customers. That's how we support them. But fundamentally, it's a pretty big challenge.

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Timothy Arcuri - *UBS AG - Analyst*

Thanks a lot. Doug, and then you're guiding gross margin down a bit on up revenue. It sounds like it's predominantly related to China. So China was 35% in December.

Is it going to come down? Like is that the reason why the gross margin is coming down? And if so, like what mixes in China will be for March?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah. I'm not going to give you a hard number, Tim. But yes, it's customer mix. It's going to be less rich in the March quarter. And I'll also remind everybody that this isn't a fixed cost business for us. So as volume goes up and down, the component that just benefits from revenue growing isn't that big. The mix component of both products as well as customer is an important item. So you're latched on to the right thing, Tim.

Operator

CJ Muse, Cantor Fitzgerald.

CJ Muse - *Barclays - Analyst*

I guess to follow up on that last question, Doug, could you speak a bit about the work you're doing with the supply chain, bringing on manufacturing, ramping Malaysia, and how we should think about that in the context of gross margins as revenues ramp in the second half of calendar '26 and beyond?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah, CJ. I mean, we've been talking for a while. I think, about CapEx growing as a result of expanding manufacturing capability. Tim specifically talked about a doubling over the last four, five years. So it's been an item that we've been clearly very focused on.

We're ramping globally, and you're right, that Malaysia location is our biggest location as we sit here today, and we're trying to get more out of that in addition to everywhere that we are. But the mix component, CJ. is going to be more important than anything, at least in the near term, less than just volume ramping.

CJ Muse - *Barclays - Analyst*

And then maybe a follow-up question on CSBG, I would think your customers are trying to get every bit that they can out. And so the uplift that you saw in the December quarter, and I assume continued strength into March. Is that something that will sustain throughout the whole calendar year and should drive better than kind of that 12% growth CAGR? Or does that take a pause at some point as the transition focuses on greenfield investments?

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. CJ, I'll let Doug speak to the specific numbers. But I think that what you should keep in mind is the CSBG, a lot of our growth, of course, is driven by customers' near-term actions and what we need to do to help them get maximum amount of output from the tools they have. But a lot of the growth really is we're transforming our service business to be much more oriented towards the use of equipment intelligence for predictive maintenance as a way of getting more output from tools and also the implementation of Dextro cobots for our automated maintenance.

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And both of those things not only will drive top-line growth but also margin profitability improvement just given the efficiency with which we deliver those services. And so I think there's a number of moving pieces that are all positive for CSBG.

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah. I would just add, CJ. We were pleased to see the chamber count number up. Obviously, we knew that was coming, and we're happy to share it with you. So that's one aspect of what we're continue to take advantage of going forward is very consistent, though, with what we articulated at that Investor Day back, I guess, almost a year ago.

And so I would still want you thinking about CSBG growing the same way we described it back then, which is a high single digit, maybe low double digit. We had a very strong December quarter. It was primarily a result of Reliant systems. That piece might be a little bit lumpy; it always is. But again, CSBG is just going to keep chugging along.

Operator

Atif Malik, Citi.

Atif Malik - *Citibank Cameroon SA (Douala Branch) - Analyst*

The first one for Tim. Tim, on the DRAM market, when do you see the volume adoption of 4F2 from 6F4? And can you talk about your SAM market share when you move to 4F2? I know you called out Akara in your prepared remarks.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. So I think 4F2, I mean, obviously, there's still some question as to exact timing and customers have talked about it being something towards the end of the decade, probably full volume production. But clearly, we're engaged today with customers looking at the technical needs.

And we called out Akara. Akara is very well suited to the types of high aspect ratio, very small features that exist in 4F2 as well as other devices we've talked about, whether it's future at all around or even a foundry-logic nodes to CFET. And so Akara is -- it's sort of a foundational tool for us in terms of capabilities that are going to be important for all of these transitions.

But you really should think about those kinds of technology transitions occurring after -- probably after this next big wave of fab openings. But again, back to the constraint question, in some ways, if this turns out to be as we believe a multi-year build-out of fabs, the fabs that come towards the end of that will be the fabs to benefit from the SAM expansion and share gain that we're going to see coming from these new products that we've talked about. So Anyway, I think Four F-Squared is probably on the back end of that, but there's a lot in between that will also drive our business.

Atif Malik - *Citibank Cameroon SA (Douala Branch) - Analyst*

Great. And then Doug on the NAND market. I know the memory dynamics were in line with your expectations in the December quarter, but NAND was down sequentially and DRAM up. Do you see the NAND makers slowing down technology migrations as they focus more on in terms of like minting money given how the supply shortages are materializing? And when do you see NAND new capacity additions coming on?

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Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah, Atif. No, listen, NAND played out exactly as we saw it as the year began in 2025. And as we sit here looking at 2026, it will be a growth year for NAND. There's no question about that in our minds.

I think what I observed the memory customers doing at least to the extent that they have both NAND and DRAM right now anyway, is prioritizing DRAM over NAND a little bit because profitability there is somewhat better. I think you all understand that and know that. But that doesn't mean that people aren't focused on NAND.

In fact, one of our largest customers announced a new fab that's going to be dedicated pretty well, not dedicated but heavily emphasizing NAND capacity. And so that's on the come line, we see that happening as we get into '26 growth that is happening. We're still sticking by. We think upgrades happen before real capacity additions. But you're going to see a combination of both and that $40 billion that we've been talking about, likely happens quicker than what we originally expected a year ago. So anyway, we feel quite good about where NAND is trending. Thanks, Atif.

Operator

Vivek Arya, Bank of America Securities.

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So you're guiding WFE up 23%. I think last year, you said you gained a point of share. Do you expect to maintain or gain share this year, Tim? What are kind of the puts and takes around the different markets? And then specifically, what are you assuming for China contribution overall for WFE and what that means for Lam in calendar '26?

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. Let me take the first part of it. I mean, I think what's important to remember from the longer-term plan we laid out at last year's Investor Day and things I said on the call today, we expect to gain share and expand our SAM with every successive technology node. And so to your point, do we plan to sustain or increase share? The answer is we plan to increase our share of WFE again this year.

And what needs to take place is technology transitions need to keep occurring. And what we're seeing in the environment today is those are accelerating. That's a way for customers to get more output and more output of the types of devices that are strongly demanded by the AI environment. At the same time, those technology transitions are driving higher deposition and etch intensity which is pretty much our entire business. And so from that perspective, that's a real positive for us.

And then we've talked about the success of our new products. I mean, we've refreshed our conductor etch product line. We previously refreshed our dielectric etch line. We've launched moly. Dry resist is gaining traction. We're strong in advanced packaging.

Backside power is still to come, and it's going to be a driver for us. And so I think we have confidence that whatever the WFE is, if it's technology-driven as it looks like it will be, we will continue to expand SAM share of the WFE.

Now as far as China goes, I think that we are looking at China being more kind of flattish year-on-year. And therefore, as the rest of the technology-driven part of the business grows, becoming a smaller percentage of our overall revenue.

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Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

And for my follow-up, I think in the past, you have given this $40 billion or so addressable opportunity to upgrade the installed base to higher layer accounts. I'm curious where are we now versus that $40 billion number? How much more to go?

And given this emerging role of NAND or this enhanced role of NAND, I should say, in AI inference, is there a new number versus that $40 billion number that you had before?

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. I think we might wait until a little later in the year to refresh that number. But we've said a few times now, the specific wording we used at Investor Day was $40 billion over several years. We've now, I think, on almost every earnings call said that seems to be happening faster than expected. And today, I reiterated that, which was NAND is moving faster than we expected on the upgrade path. And I think we'll come out and look.

And as Doug just mentioned, we're starting to see more interest in investing in NAND capacity, but it trades off. I mean, when you have clean room space, everybody has to make a decision as to where to use that today. But I think that as we move forward and we see the growth from AI inference and other use cases, NAND is going to take its place in the AI data infrastructure and memory infrastructure, and I think you'll see growth there. And so we're just executing to the customer demand today faster than we had previously expected, and anticipate more to come.

Operator

Srini Pajjuri, RBC Capital.

Srini Pajjuri - *Rbc Capital Markets - Analyst*

I want to go back to the previous question. The 1 point of WFE share that you gained, maybe if you could help us understand if it is coming primarily in foundry and logic or if you're seeing that across the board. Because foundry and logic is where you, I think, you made the most progress in the last couple of years.

And then Doug said, you expect year-on-year growth to be meaningful this year. Just given your WFE expectation for 22% growth, I guess, should we model 22%-plus growth on the top line for the year?

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yes. So let me take the first one. The share gains came from a combination of both NAND and foundry-logic. And again, it's -- you might think already we have very high share in NAND, but as technology transition occurs and layer count increases, we have an opportunity still to gain share of some of the new applications required to enable those higher layer counts. And so we gained share in NAND.

But a lot of our focus we talked about over the last number of years has been to launch products that allow us to gain share at the gate all-around nodes, more advanced foundry-logic and the transitions that are coming there. And also in advanced DRAM, we saw this year some of those foundry-logic share gains coming through in the numbers that you can see. So I'd say those primarily NAND and foundry-logic this year.

And then -- sorry, the second question, can you just repeat the second question? What was the second question?

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Srini Pajjuri - *Rbc Capital Markets - Analyst*

Yeah. So I guess my second question was about your expectation for the current year. I know you said. It's going to be second half weighted, yeah.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. No, no. Your comment was basically will we outperform the WFE that we just talked about. I guess that's the message to try and deliver us. We're going to expand SAM gaining share, and we're going to outperform WFE this year as our current view.

Srini Pajjuri - *Rbc Capital Markets - Analyst*

Okay. Got it. And then one quickly on the Op margin. Doug, I think at the Analyst Day, you gave us the guidance for 34% to 35% at roughly $25 billion to $27 billion. And you're already there. I think you're around $23 billion run rate if I look at your March guidance.

So I guess my question is, as we go through the next few quarters, how should we think about the Op margin fall through? I know you're guiding OpEx a little bit of growth here, but I just want to understand how you should model OpEx going forward.

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah. No, we're pretty pleased with how we've performed. Clearly, we're ahead of the model, right? I mean, that model had -- '28 kind of model. And we're run rating at least on a percentage basis, what the model suggests that we're going to be able to do.

Ram and I and Tim were debating a little bit. We probably later in the year need to come out and give you an update on that model. And I think we'll do that. Lots have changed in the last year or so. So stay tuned for that.

I think as we think about this year, frankly, this is a management team that prides itself on being able to deliver leverage through to the bottom line. We really did a great job with it last year which is why I went through all the kind of demonstration of what we did last year. We will be focused on delivering leverage as we go through this year as well. And like I said, we'll give you an update to that longer-term model probably later in the year.

Operator

Jim Schneider, Goldman Sachs.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

Relative to your prior comments on NAND, understand there's a little bit more prioritization toward DRAM right now. But when do you expect that your customers are going to sort of pivot from NAND upgrades to more greenfield NAND capacity additions. We saw some announcements from at least one of your customers recently on that.

So I'm curious about when you expect to sort of see that upgrade business turn into greenfield business. Could that be before the end of 2026? Or is it more of a 2027 event or maybe even later? Thank you.

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Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah, it's a great question. I think that what we're -- the way we view it right now is that because of the clean room space constraints, it's probably again, part of that multi-year build-out '27, '28. When cleanroom space is sufficiently available such that they can invest in additional NAND capacity in a big way. So that's probably our view right now.

In the meantime, we talked about the acceleration of the technology transitions. You do get bit growth, you get more capacity of the higher-performing bits that are in strong demand at AI. And so I think that those are the decisions that people are making today is move ahead as quickly as possible with many of the key technology transitions. And so we're busy doing upgrades, and that's where our focus is right now. But greenfield will come eventually, and you've seen some of those initial announcements, and I think that's encouraging for all of us.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

And then maybe just as a follow-on, I think we all can see the trends by Foundry, DRAM, and NAND. They're in play right now in terms of level of growth rate. But as we head into 2027 or the end of 2026, do you see the potential rank order of those growth rates sort of changing amongst those categories?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Oh, man, Jim, that's a great question going in '27. We just, for the first time, give you a '26. You're asking '27. Listen, in '26, we're very confident everything is growing. It's unequivocal. And we're also very clear when we look everything is constrained, frankly, right? You're hearing it from every one of our customers when we talk about things, and they're talking about these multi-year agreements to kind of deliver the visibility into next year.

Foundry-logic has grown a lot this year. DRAM has grown a lot this year. NAND has grown a little bit less, but still growing pretty well this year. At the end of the day, though, when you look at the system architectures, all this stuff needs to fit together, and you saw one of the big accelerator guys talking about this at CES, like, hey, we need this NAND stuff showing up. That's happening clearly, so. Into '27, I think we're going to see another year where everything is growing. I'm not ready to rank order it quite yet, Jim, no.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

I think as we move through this year, though, we already, I would say, have better visibility into the following year than I think I can ever remember. And that's simply because customers know that they're building these fabs. They're announcing them. They're signaling to their customers they're going to have that capacity available. And so clearly, we're having discussions at this point on what tools are going to be needed, what technology nodes they're going to be running in those fabs. And they want to make sure that they can secure the capacity such that that fab can be started up and producing as quickly as possible.

And so those discussions on those fabs are clearly out into 2027. But I think in terms of exactly how those decisions get made through this year, once you have cleanroom space, in some cases, Ken, as we just talked about, they can trade off sometimes a little bit of a cleanroom space to be used for DRAM or for NAND or for what we're seeing in a few cases is for advanced packaging.

I talked about the tremendous growth in advanced packaging and the importance that it's -- the role that it's playing. And so we've been seeing that. So I guess we'd have to see the year continuing to evolve and how the markets -- kind of where the demand is the shortest, but we would anticipate, as we said, robust investment across all device segments, and I think that continues on into 2027 across all three segments.

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Operator

Krish Sankar, TD Cowen and Company.

Krish Sankar - *Cowen and Company LLC - Analyst*

Congrats on the good results and guide. Doug, my first question is, I understand that you spoke about the global manufacturing footprint doubled over the last four years. Just wondering, as your customers ramp up more onshore manufacturing, would it lead to you increasing shipments from your US specialities in California and Oregon rather than Malaysia for some of your products? If so, what would be the margin implications?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah, Chris. Listen, we have a global manufacturing footprint, right? We've got factories in Oregon, California, Ohio, Malaysia, Taiwan, Korea, Austria. I think I didn't miss anything there. We have some level of flexibility given enough time to move things around if we really need to do that. And as customers tell us what they need and where they need it, we may adjust things. Right now, I think we feel pretty good about how we've got things set up though.

Krish Sankar - *Cowen and Company LLC - Analyst*

And then Tim, I just had a follow-up for you, like a technical question. Last year, you had really good traction in ALD moly. Are customers moving away from single wafer ALD to batch ALD for moly? And if so, how would that impact Lam?

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

No. I mean, well, at this point, if we look -- we had said previously that in kind of the order of adoption, NAND would be first to adopt moly, and we're seeing that followed by foundry-logic and then ultimately by DRAM. What we can say right now is that the customers that have committed to production of using moly in NAND have gone with Lam's tools. We have a very strong position there.

And I think the value of that, as we talked in the past, is it means that throughout these first production ramps with ALD moly, we are building an installed base, we're maturing the tool, we're getting process learning. Competitors aren't going to give up. This is an incredibly important market and a big inflection that we've talked about. But we feel really good about our single -- we call it single wafer moly, but if you look at the tool itself, it has multiple stations inside of one chamber in order to give ourselves high productivity. So that's a production tool close today for the industry, and we intend to continue to keep it that way.

Operator

Harlan Sur, JPMorgan.

Harlan Sur - *JPMorgan Chase & Co - Analyst*

Great job on the quarterly execution. Just as many of your customers have been surprised by the sudden rise in compute and storage demand. And therefore, requirements for more GPUs, XPUs, CPUs, and the associated memory and storage they obviously got caught somewhat flat footed in terms of sort of near to midterm capacity to support that demand curve, right, as you guys outlined.

Is the stronger velocity of demand having a similar impact to your manufacturing capability and ability to procure the necessary components and subsystems? And any bottlenecks that you have in your supply chain?

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Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Well, it isn't without a lot of hard work. But one good news is we did a lot of fact finding post the COVID pandemic and the supply shortages that occurred in our own systems at that time. And we made a lot of improvements. And Doug just talked about the global nature of our manufacturing facilities, standing from the US, in Europe, and all through Asia. And we looked at the same thing with respect to our supply chain.

And I would say today compared to when we had those shortages, we have built a much stronger, broader, deeper supply chain. And so I don't want to sell short the hard work of our supply chain guys today to meet all these expedited pull-in requests from customers. It's very hard work. But today, I would say we're not the big constraint for any of the devices compared to cleanroom space being a constraint to the industry.

And so as the industry continues to go, we need to keep working to again, expand our capacity, as I said, make our own operations faster. That's why we've done things like automating our warehouses to make the rate at which we can feed those parts from the time they received from the supplier into the manufacturing that much quicker and more efficient. And so we're just continually working on what I would do is our operational velocity, so that we're not the constraint.

Harlan Sur - *JPMorgan Chase & Co - Analyst*

Appreciate that. And then for my second question, one of the significant, obviously, in the incremental drivers of your business among many has been advanced packaging in HBM. You guys did about $1-plus billion in advanced packaging revenues. I think it was in calendar '24, you're anticipating strong 40%-plus growth this year, but can you guys quantify how much advanced packaging grew for the team in calendar '25. And then of that 40% growth this year, is that being more driven by 2.5D the -- 3.5D advanced packaging or HBM?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah, Harlan. We didn't quantify 2025 in packaging, except to tell you it grew nicely, and I think we're going to kind of leave it at that. Tim gave you the 40% this year. So we're super excited about what's going on there.

And I'll let Tim talk about the technologies.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. We've lumped it together. I mean, it is strength in HBM. Clearly, there's strong demand there. But also I talked about more complex packaging schemes across advanced foundry-logic, and that's an important driver for us as well.

The great thing about our advanced packaging capabilities is they're used in the advanced packaging of all device types. And so it's things like copper plating. It's things like etch, dielectric gap fills. And so they're really fundamental technologies to the success. So we see that as a really important business, and we've talked about the fact that we continue to invest in new technologies in that space.

Operator

Stacy Rasgon, Bernstein Research.

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

For my first one, Doug, you've clearly said it's a second-half-loaded year, which is fine. What does that imply for the first half of the calendar year? Like is March quarter the trough? Do you think things are kind of flattish at the March level until we get that second half inflection? Just how are you thinking about the shape of the year?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah. Stacy, it's a great question. Frankly, as I sit here right now, I think we're going to see growth every quarter from the previous quarter. I'm not going to give you a precise number. We feel good about that March quarter. I think June probably grows from that, September from that, and it ends up being a second-half-weighted year both from a WFE standpoint and from our revenue.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I guess to get there, would you need an inflection in that growth rate in the second half? I guess some of it compares which makes it easier. But just are you thinking there's an inflection? Do you think the growth is steady or --?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

I think it's reasonably steady. I mean, part of this is going to be modulated by, okay, how much cleanroom space there is available available at each customer. And I think that they're trying to figure out still and so are we, which is why I'm not giving you more specificity. It will be second half weighted. But like I said, I think you'll see growth quarter by quarter as we go through '26.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Stacy, I guess the only thing I would add is -- I was just going to add that my comment about basically every customer is asking for pull-ins. And so there is some element of whether or not we can accelerate some small portion into the first half of the year. We would still see growth in the second because obviously, that probably been things start pulling in from the first half of next year as well. But we're in an accelerating environment of both demand and also timing requests.

And so I think that back to the question which was asked about constraints, I think we need to see through the year how those play out as to kind of how much we can do.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

And for my second question, I just wanted to ask about China. So Doug, I think you said you expected China to be flattish year over year. Was that a market statement or was that a Lam revenue statement?

And the percentage should go down. I guess, it was 36% or something in calendar '25. You had talked previously about like a 30% threshold. Do you think it gets to that 30%? Or do you think it's just down but doesn't quite get there?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah, Stacy. The comment, in fact, we think WFE in China is flat-ish, '25to '26, and everything else is going to grow. So as a percent of the total, it's going to be down. We didn't give a precise number. Whether it's in the low-30s or high-20s, that's plus or minus probably where it is. And part of it will be modulated by how much growth comes from outside of China. So numerator-denominator thing as well, obviously.

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Operator

Blayne Curtis, Jefferies.

Blayne Curtis - *Jefferies - Analyst*

A couple of questions. Maybe just Doug I wanted to just understand the strength in Reliant with China down, is that multinational? I just was curious where you're seeing that demand. I know you said it was lumpy. I just was curious why it was up so much.

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

It was multinational and it was China. It was a little bit of both of them, Blayne.

Blayne Curtis - *Jefferies - Analyst*

And then just on the NAND front, obviously, the demand is very strong. You talked about the upgrades happening earlier. Is that in the camp of also second half weighted? I mean, it's not waiting on clean room space? I'm just kind of curious the shape of NAND for the year.

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah, it probably is a little bit second half weighted, Blayne.

Operator

Melissa Weathers, Deutsche Bank.

Melissa Weathers - *Deutsche Bank AG - Analyst*

I wanted to go back to the NAND side and touch on something that Tim mentioned in his prepared remarks on the expanding applications for NAND in the data center. And Doug, you kind of alluded to some of the CES announcements as well. So is the right interpretation that those applications in the data center have expanded versus what you guys had been thinking? Because you guys have been talking about NAND in the data center for several quarters now. So is that the right way to think about it?

And then what could this mean for, like your moly ALD, your 300-layer-type devices and the expanding share you could get there?

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah, sure. I think we characterize it as a new use case. So I don't think we saw this particular use case coming, which is related to the AI inference and kind of the expansion of KV cache and such. I think our previous estimates have been more -- kind of on more traditional storage for using enterprise SSDs. And so, yeah, this is an expansion and kind of presents a bit longer-term growth opportunity for NAND.

And so therefore, it would be beyond the kind of projections that we would have given back at Investor Day a year ago for the outlook and long term.

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Melissa Weathers - *Deutsche Bank AG - Analyst*

And then a quick question on the inventory side of things. Doug, I just wanted to check in and see how you're thinking about parts availability and your ability to scale production in line with demand. Can you help us with a framework to think about how you're thinking about inventories on a days or dollars basis?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah, Melissa. No, it's a great question. Listen, if we're right about how things play out here, it's very likely that we're going to need to build some inventory in total dollar terms as we go through the year, right? When business grows, you got to have stuff ready for that growing business. So I think that's clearly going to happen.

We will remain focused on asset utilization and efficiencies and hopefully be able to drive turns up a little bit from here. But we definitely are going to need to build some inventory in advance of a growing top line. So we'll be working on all of that, Melissa.

Operator

Joe Quatrochi, Wells Fargo.

Joe Quatrochi - *Wells Fargo Securities LLC - Analyst*

Maybe just a follow-up on that. Is there any area of your supply chain where you're pursuing suppliers maybe that could be a potential area of shortage? Or do you feel like there's available capacity to continue to kind of support the growth you're talking about?

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Well, I think that we don't have any line of sight to significant problems at this point. I made the comment a couple of times. It's really a lot of work given the accelerated nature of the demand and the the high levels of demand and customer requests for pull-ins well within our normal lead times. But at this point, we're working across our global supply chain to ensure that we can meet the demand.

Joe Quatrochi - *Wells Fargo Securities LLC - Analyst*

And maybe as a follow-up, China now expected to be flattish. Is that a reflection of just the affiliate rule impacts re-entering kind of WFE across the company base in terms of just your peers? Or is there a change in the underlying demand that you're seeing as well in China?

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

I think, Joe, it's probably a little bit of affiliate rule, but frankly, there's a broad-based set of customer spending in China that have nothing to do with the affiliate rules. So it's the mosaic of everything that's going on there. It's very broad.

Thanks, Joe. Operator, we will be one more question.

Operator

Vijay Rakesh, Mizuho.

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Vijay Rakesh - *Mizuho Securities Asia Ltd - Analyst*

Just a quick question on the Foundry side. I think China was down, I guess, you mentioned affiliate rule, but your Foundry is growing almost 100%-plus year on year. Just wondering as you look at '26, '27 with some of the leading-edge Foundries accelerating how you see that roadmap.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. Well, I guess speaking to whatever it looks like from a roadmap perspective. Each technology node, we said the opportunity for Lam from an etch and intensity perspective and how our tools like the Akara and others fit into that, the opportunities get bigger. As you move forward, you start seeing things that, again, we would anticipate future nodes -- talk '27, '28 introduction of things like backside power again, more use of advanced packaging across more of the leading-edge Foundry space. All of those things are good for us from both the SAM and a share perspective. So from a product perspective, it's a very good picture for us.

Vijay Rakesh - *Mizuho Securities Asia Ltd - Analyst*

Got it. And then on the DRAM side, I know you mentioned briefly HBM4 with 16 layers. Obviously, that's a nice step-up from where HBM is now. Can you talk to what that does for your WFE, the content and the growth there on the DRAM HBM side? Thanks.

Timothy Archer - *Lam Research Corp - President, Chief Executive Officer, Director*

Yeah. I mean, just in general terms, I mean, what happens is you end up going to next-generation HBM, dies become bigger, and that's generally what is creating the majority of the problem relative to when we talk about clean room space constraints. You need more clean room space and more tooling per fit that comes out of the fab. So therefore, that was what we're trying to communicate. Obviously, the performance improves, but the space required and the equipment required increases.

Douglas Bettinger - *Lam Research Corp - Chief Financial Officer, Executive Vice President, Chief Accounting Officer*

Yeah. Appreciate everybody's questions today. That concludes our call for today. We look forward to seeing everybody as we do the conference circuit and get out on the road. So thank you for your time today.

Operator

Thank you, everyone. The conference has now concluded. You may now disconnect.

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