



Lam Research Corporation

March Quarter 2018 Financial Results

April 17, 2018



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; and (3) the details of and our ability to successfully execute business, capital allocation, product and growth plans or strategies, or otherwise deliver value for customers and stockholders. 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 factors discussed in our filings with the Securities and Exchange Commission (“SEC”). You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to publicly update any forward-looking statements.



Business Review and Industry Outlook

Martin Anstice
Chief Executive Officer

Record March Quarter Results

- ▶ QMar'18 revenues, gross margin dollars*, and non-GAAP EPS* at new record levels
- ▶ QMar'18: Shipments exceed \$3B for first time in Lam's history



Including June quarter, YoY revenue growth in 23 out of last 24 quarters

*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.

Execution Momentum Continues

- ▶ On track to grow SAM* over 40% by 2021
- ▶ QMar'18 illustrative application wins
 - 2 dielectric etch applications in DRAM & NAND
 - 1 advanced etch win in a new NVM* application
- ▶ Solid momentum with our deposition portfolio
 - Shipped 500th VECTOR Strata PECVD product
- ▶ Customer Support Business Group revenue growth continued to outperform installed base growth in QMar'18



Leveraging leadership in unit process excellence,
multi-product capabilities & ecosystem partnerships

*SAM refers to Served Addressable Market and NVM refers to Non-Volatile Memory

Healthy 2018 Outlook for WFE and Lam Research

- ▶ Customer investments remain demand-led and responsive to long-term trends in content growth
- ▶ WFE on track to grow low double digits in CY'18
- ▶ Anticipate 2018 1H/2H shipments biased to be low 50s/high 40s, with relatively more balance to revenues half over half



Anticipate another year of outperformance in calendar year 2018

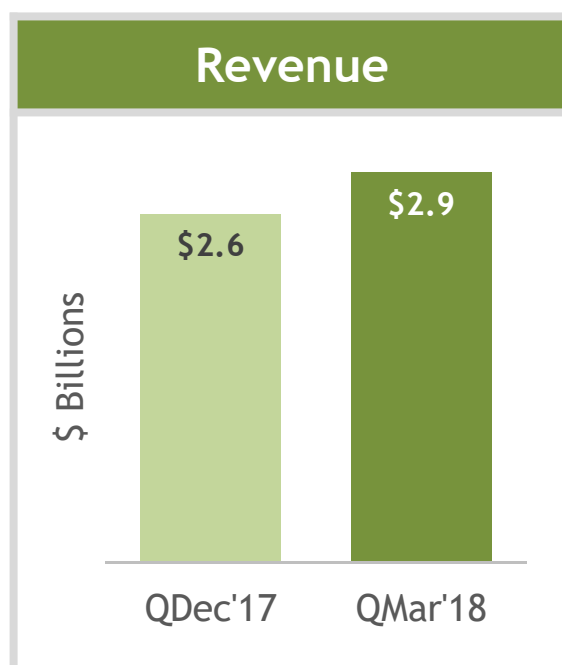
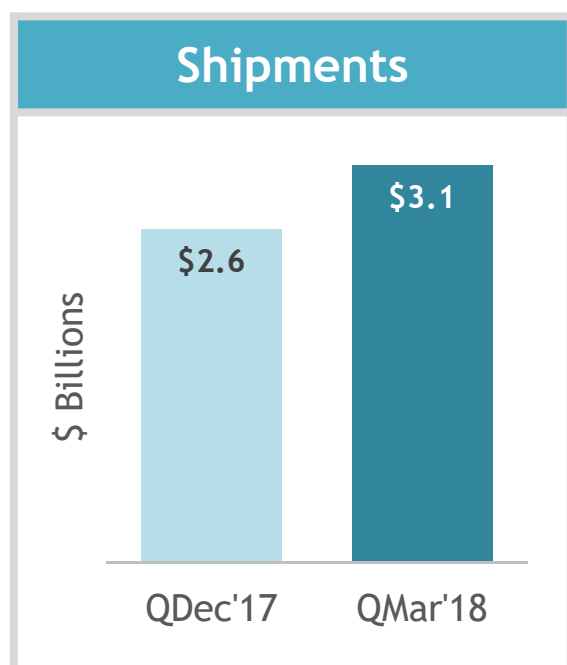
The background of the slide features a geometric pattern of overlapping triangles in various shades of blue. Some triangles are solid, while others are defined by thin white lines. The pattern is symmetrical and creates a sense of depth and structure.

March Quarter 2018 Financial Results and June Quarter 2018 Outlook

Doug Bettinger
Executive Vice President & Chief Financial Officer

March Quarter Results

- Record levels for shipments, revenue, earnings per share*, operating income dollars* and cash from operations in the quarter

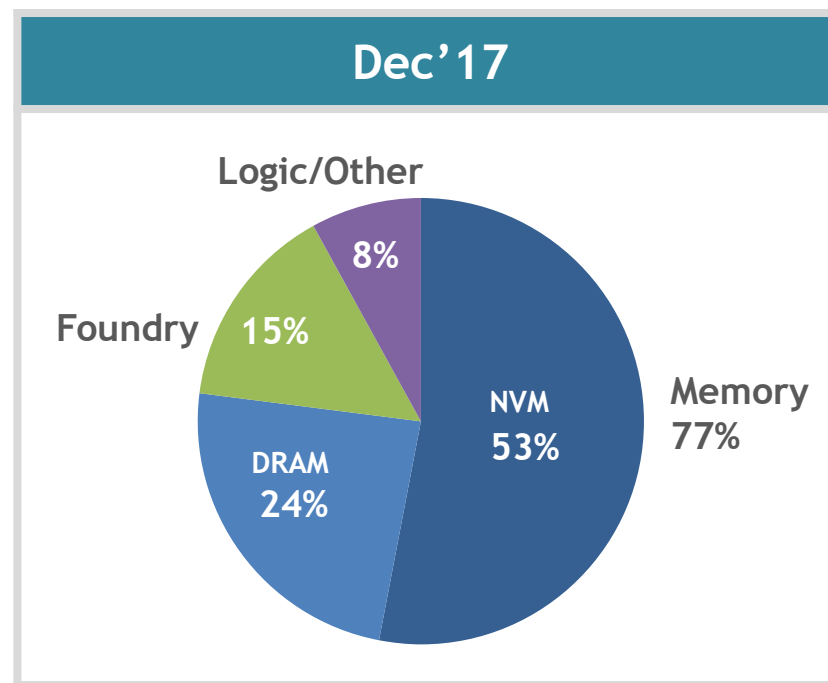
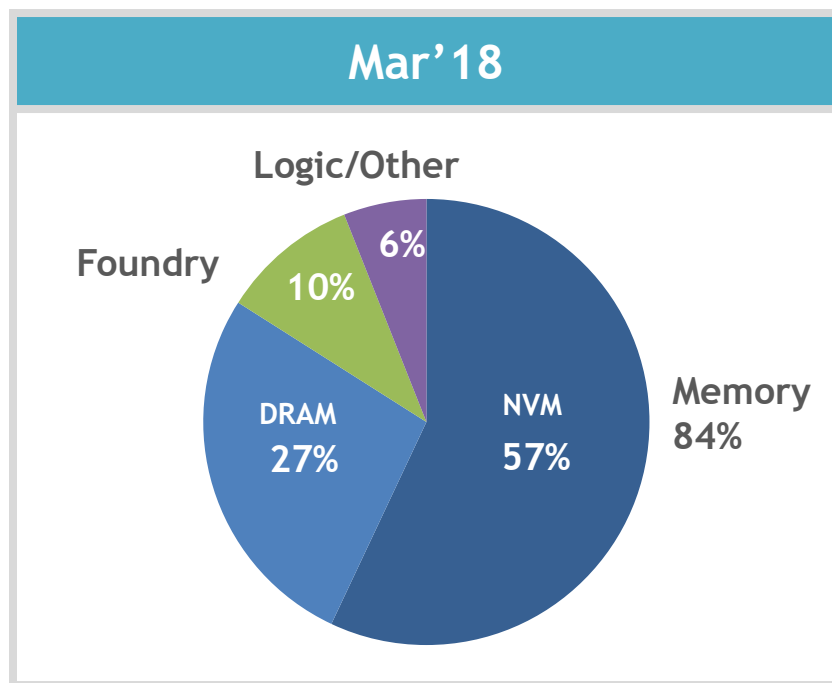


Solid financial performance in QMar'18

*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.

March Quarter Shipments

- ▶ QMar'18 shipments of **\$3.135 billion**, a 19% increase quarter over quarter
- ▶ System shipments segment mix:



March Quarter Financial Results

	Mar'18	Dec'17
Revenue	\$2,892M	\$2,581M
Non-GAAP Gross Margin*	46.8%	47.6%
Non-GAAP Operating Expenses*	\$486M	\$449M
Non-GAAP Operating Income*	\$867M	\$779M
Non-GAAP Operating Margin*	30.0%	30.2%
Non-GAAP Other Income/(Expense)*	(\$6.3M)	\$0.3M
Non-GAAP Tax Rate*	1%	-1%
GAAP Diluted EPS	\$4.33	(\$0.06)
Non-GAAP Diluted EPS*	\$4.79	\$4.34
Non-GAAP Diluted Share Count*	178M	182M

*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

	Mar'18	Dec'17
Total Consolidated Gross Cash Balance	\$6,742M	\$5,956M
Account Receivables, Net	\$2,083M	\$2,279M
DSO	66 Days	80 Days
Inventory Turns	3.7	3.6
Deferred Revenue*	\$1,114M	\$1,114M
Capital Expenditures	\$49M	\$85M
Equity Compensation Expense	\$41M	\$42M
Amortization Expense	\$41M	\$41M
Depreciation Expense	\$41M	\$39M
Headcount	~10,600	~10,200

*Does not include anticipated revenues from previous shipments to customers in Japan.
A reconciliation of deferred revenue can be found at the end of this presentation.

June 2018 Quarter Non-GAAP Guidance

	Jun'18 Guidance
Shipments	\$3.000 billion \pm \$150 million
Revenue	\$3.100 billion \pm \$150 million
Non-GAAP Gross Margin	47.5% \pm 1%
Non-GAAP Operating Margin	31.0% \pm 1%
Non-GAAP Earnings per Share*	\$5.00 \pm \$0.20

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

*Based on a share count of ~178 million shares.

Questions & Answers

Appendix - Reconciliation

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

	Three Months Ended	
	March 25, 2018	December 24, 2017
U.S. GAAP net income (loss)	\$ 778,800	\$ (9,955)
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	22,342	22,394
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	17,074	17,074
Costs associated with business process reengineering - selling, general and administrative	—	1,362
Business combination acquisition and integration related costs - selling, general and administrative	107	1,093
Amortization of note discounts - other expense, net	2,860	3,410
Realized loss on sale or impairment of investments - other expense, net	46,641	—
Net income tax benefit on non-GAAP items	(11,518)	(4,404)
Income tax expense associated with U.S. tax reform	—	756,889
Income tax benefit on the conclusion of certain tax matters	(4,511)	—
Non-GAAP net income	\$ 851,795	\$ 787,863
Non-GAAP net income per diluted share	\$ 4.79	\$ 4.34
GAAP net income (loss) per diluted share	\$ 4.33	\$ (0.06)
U.S. GAAP number of shares used for per diluted share calculation	179,779	161,135
Effect of potentially dilutive securities:		
Employee stock plans	—	2,757
Convertible notes	—	15,423
Warrants	—	4,721
Effect of convertible note hedge	(1,993)	(2,381)
Non-GAAP number of shares used for per diluted share calculation	177,786	181,655

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	
	March 25, 2018	December 24, 2017
U.S. GAAP gross margin	\$ 1,330,714	\$ 1,205,567
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	22,342	22,394
Non-GAAP gross margin	\$ 1,353,056	\$ 1,227,961
U.S. GAAP gross margin as a percentage of revenue	46.0%	46.7%
Non-GAAP gross margin as a percentage of revenue	46.8%	47.6%
U.S. GAAP operating expenses	\$ 503,203	\$ 468,196
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(17,074)	(17,074)
Costs associated with business process reengineering	—	(1,362)
Business combination acquisition and integration related costs	(107)	(1,093)
Non-GAAP operating expenses	\$ 486,022	\$ 448,667
Non-GAAP operating income	\$ 867,034	\$ 779,294
U.S. GAAP operating margin as percent of revenue	28.6%	28.6%
Non-GAAP operating margin as a percent of revenue	30.0%	30.2%

Appendix - Reconciliation

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

	Three Months Ended	
	March 25, 2018	December 24, 2017
U.S. GAAP Other expense, net	\$ (55,810)	\$ (3,152)
Pre-tax non-GAAP items:		
Amortization of note discounts	2,860	3,410
Realized loss on sale or impairment of investments - other expense, net	46,641	—
Non-GAAP Other income (expense), net	\$ (6,309)	\$ 258

Appendix - Reconciliation

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

	Three Months Ended	
	March 25, 2018	December 24, 2017
U.S. GAAP income before income taxes	\$ 771,701	\$ 734,219
U.S. GAAP income tax (benefit) expense	\$ (7,099)	\$ 744,174
U.S. GAAP income tax rate	(0.9)%	101.4%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 22,342	\$ 22,394
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	17,074	17,074
Costs associated with business process reengineering - selling, general and administrative	—	1,362
Business combination acquisition and integration related costs - selling, general and administrative	107	1,093
Amortization of note discounts - other expense, net	2,860	3,410
Realized loss on sale or impairment of investments - other expense, net	46,641	—
Non-GAAP income before taxes	\$ 860,725	\$ 779,552
Net income tax benefit on non-GAAP items	11,518	4,404
Income tax expense associated with U.S. tax reform	—	(756,889)
Income tax benefit on the conclusion of certain tax matters	4,511	—
Non-GAAP income tax expense (benefit)	\$ 8,930	\$ (8,311)
Non-GAAP income tax rate	1.0%	(1.1)%

Appendix - Reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the June 2018 quarter (unaudited)

	U.S. GAAP			Reconciling Items	Non-GAAP		
	\$3.000 Billion	+/-	\$150 Million	—	\$3.000 Billion	+/-	\$150 Million
Shipments	\$3.000 Billion	+/-	\$150 Million	—	\$3.000 Billion	+/-	\$150 Million
Revenue	\$3.100 Billion	+/-	\$150 Million	—	\$3.100 Billion	+/-	\$150 Million
Gross margin	46.8%	+/-	1%	\$ 22 Million	47.5%	+/-	1%
Operating margin	29.7%	+/-	1%	\$ 39 Million	31.0%	+/-	1%
Net income per diluted share	\$4.77	+/-	\$0.20	\$ 36 Million	\$5.00	+/-	\$0.20
Diluted share count	179 Million			1 Million	178 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, balance sheet valuation adjustments, financing arrangements, other investments, measurement period adjustments related to U.S. tax reform, or other significant transactions 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 - amortization related to intangible assets acquired through business combinations, \$22 million.
- Operating margin - amortization related to intangible assets acquired through business combinations, \$39 million.
- Earnings per share - amortization related to intangible assets acquired through business combinations, \$39 million; amortization of note discounts, \$2 million; and associated tax benefit for non-GAAP items (\$5 million); totaling \$36 million.
- Diluted share count - impact of a note hedge issued contemporaneously with the convertible notes due 2018, 1 million shares.

Appendix - Reconciliation

Reconciliation of Deferred Revenue (in millions) (unaudited)

	Three Months Ended	
	March 25, 2018	December 24, 2017
Beginning Balance	\$ 1,114.3	\$ 937.9
Shipments	3,134.7	2,631.7
Revenue	(2,892.1)	(2,580.8)
Net Change in Japan (1)	(236.6)	55.3
Services & Other	(6.4)	70.2
Ending Balance	\$ 1,113.9	\$ 1,114.3
Value of shipments to customers in Japan not recorded as deferred revenue (2)	\$ 525.8	\$ 289.2

- (1) Net change in the value of orders shipped from backlog to customers in Japan that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers
- (2) The value of orders shipped from backlog to customers in Japan that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers.



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