

# Lam Research Corporation

*December quarter 2021 financial results*

January 26, 2022



# 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 and expected duration of supply chain disruptions, and our ability to mitigate them; (6) 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 (7) 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: supply chain disruptions or manufacturing capacity constraints may limit our ability to manufacture and sell our products; trade regulations, export controls, trade disputes and other geopolitical tensions may inhibit our ability to sell our products; 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; 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; 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 27, 2021 and our quarterly report on Form 10-Q for the quarter ended September 26, 2021. You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to update any forward-looking statements.



# Business review & industry outlook

*Tim Archer*

*President and Chief Executive Officer*

# Delivered record revenue and EPS in calendar year 2021



Revenue records in  
all market segments  
and every sub-  
segment of CSBG



Market share gains in  
etch and deposition



December quarter  
results impacted by  
unexpected supply  
chain delays

# Continued growth in WFE spending



**Calendar year 2021** WFE of mid-\$80 billion consistent with prior commentary

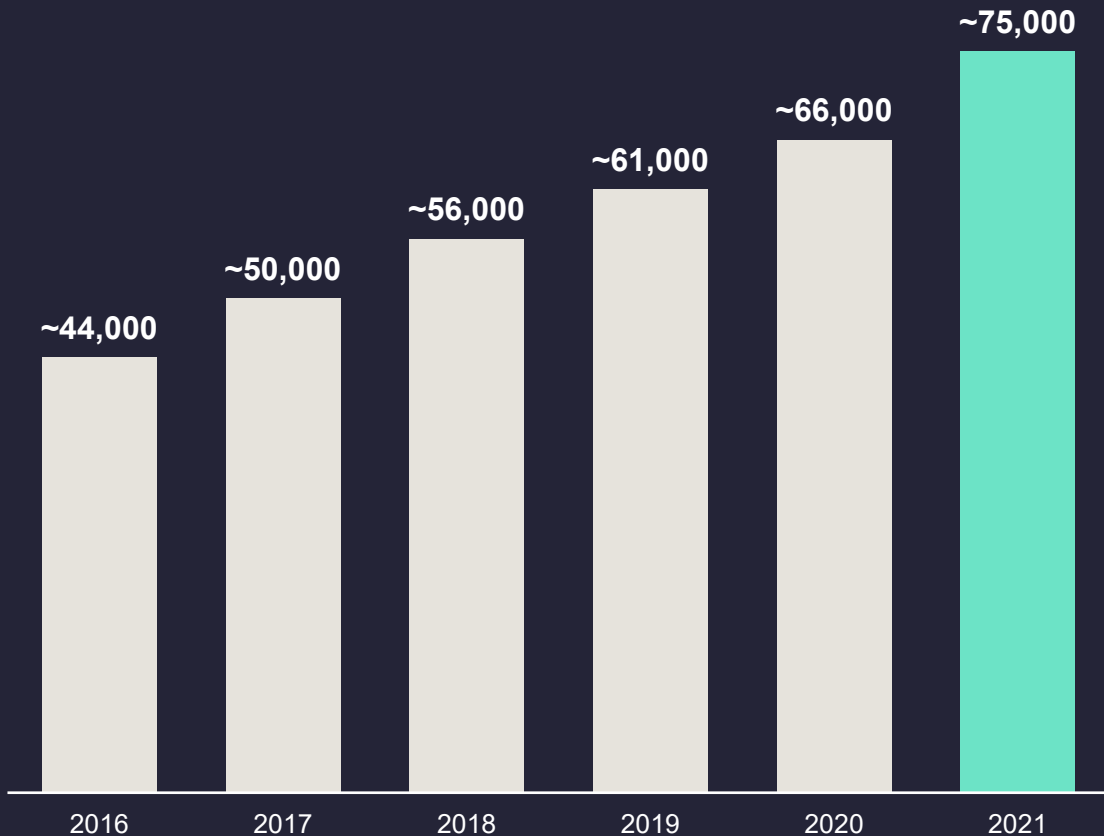
Growth from powerful end-demand, rising device complexity, strong semiconductor industry profitability, and regional government support

Technology landscape continues to build with drivers such as AI, IoT, Cloud, 5G and the upcoming metaverse

**Calendar year 2022** spending expected in \$100 billion range, with strong growth across all market segments

# CSBG continues to exceed expectations

## GROWING INSTALLED BASE UNITS



Large and growing installed base key to our product innovation process

Calendar year 2021 ending chamber count of ~75,000 units, up ~13% year-over-year

Revenue per chamber grew nearly twice the growth of chamber count, at ~24% year-over-year

Expect calendar year 2022 to be another strong growth year for CSBG



# 2021 was a year of significant milestones

## Vantex™

- Fastest new etch product ramp in Lam history and set to double revenue for this product in 2022

## Vector® DT

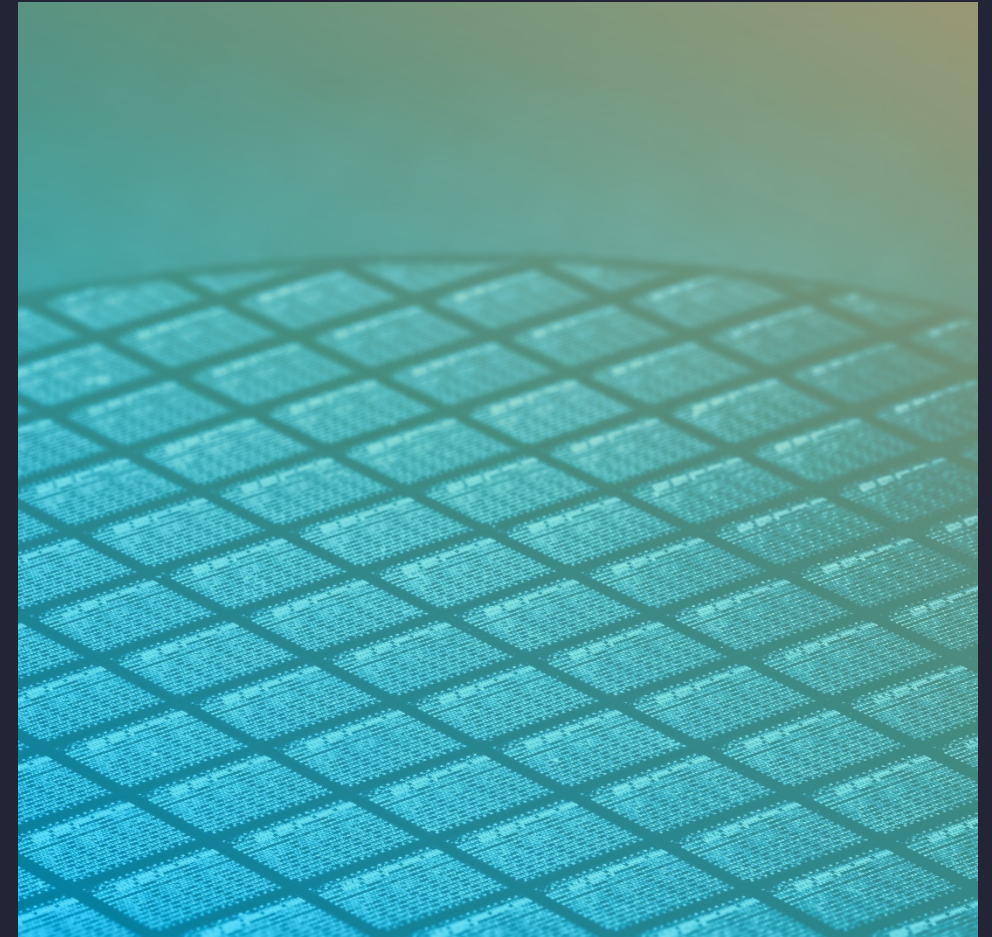
- Backside deposition PTOR at all 3D NAND customers for >200-layer devices

## Selective etch

- Leading-edge wins with our selective etch, strip and surface treatment solutions, including for gate-all-around applications and first win in DRAM

## Critical bitline/spacer

- Increased deposition market share with application wins for RC reduction and qualified at all leading nodes



# Preparing for another outstanding period of growth

- + Near term: Alleviate supply constraints
- + Product momentum
- + Installed-base outperformance
- + Tremendous WFE demand

Great position for  
calendar year 2022





# December quarter 2021 financial results & March quarter 2022 outlook

*Doug Bettinger*

*Executive Vice President and Chief Financial Officer*

# Calendar year highlights



## CY 2021 REVENUE

**\$16.5B**

CY 2020 revenue: \$11.9B

## CY 2021 EARNINGS PER SHARE\*

**\$32.46**

CY 2020 EPS\*: \$20.45

# December quarter highlights



## Q DEC'21 REVENUE

**\$4.23B**

Q Sep'21 revenue: \$4.30B

## Q DEC'21 DEFERRED REVENUE

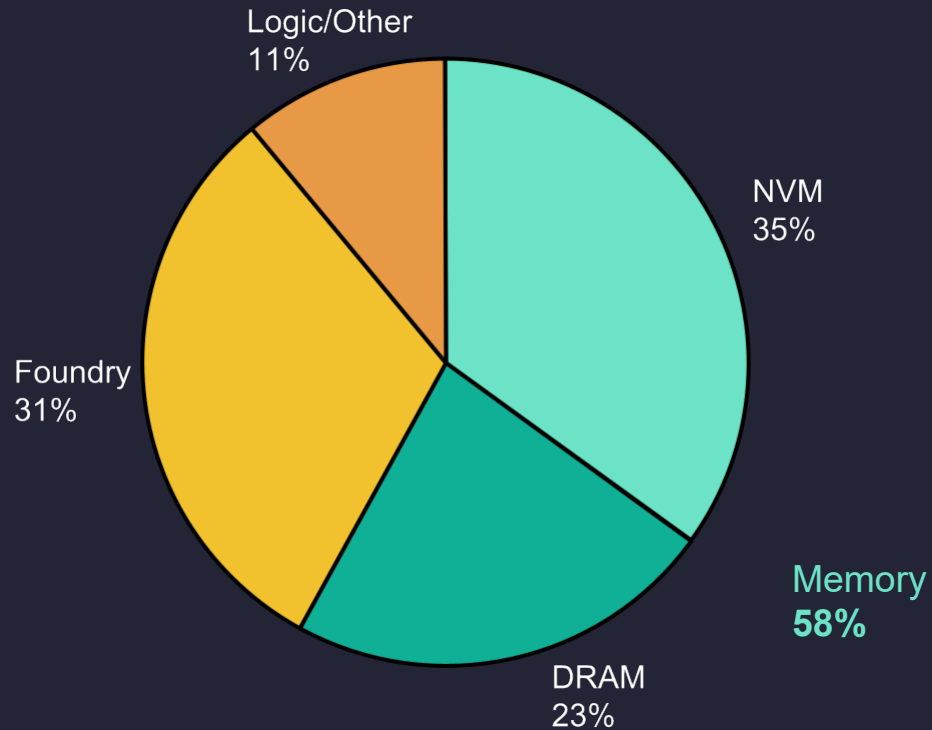
**\$1.46B**

Q Sep'21 deferred revenue: \$1.11B

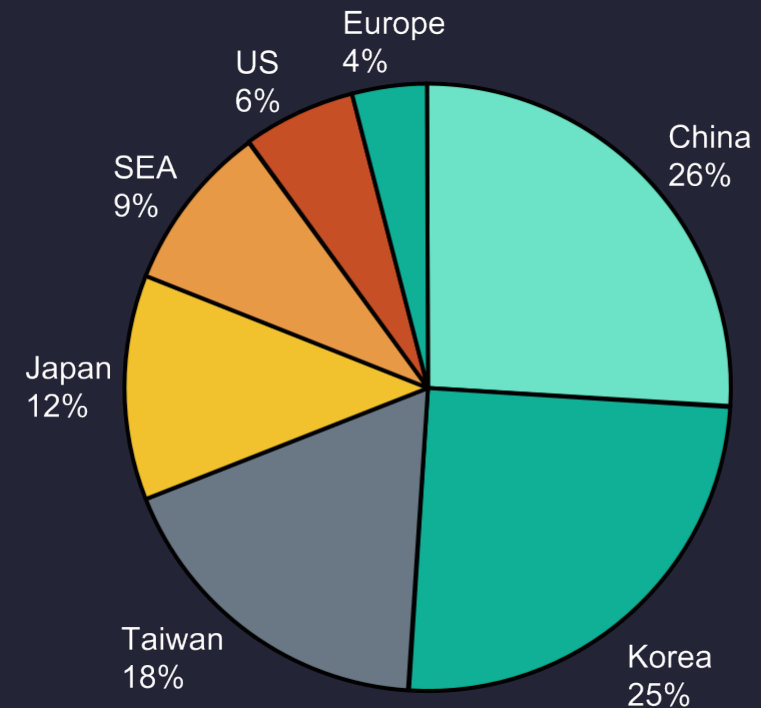
# December quarter revenue mix

*Record level of logic/other revenue dollars*

System revenue segments\*



Revenue by region



# Customer Support Business Group



Q DEC'21 CSBG REVENUE

**\$1.49B**

Q Sep'21 CSBG revenue: \$1.38B

Q Dec'20 CSBG revenue: \$1.15B

**12th consecutive record  
Reliant<sup>®</sup> quarter**



# December quarter financial results

	Q DEC'21	Q SEP'21
Revenue	\$4,227M	\$4,304M
Non-GAAP Gross Margin*	46.8%	46.0%
Non-GAAP Operating Expenses*	\$627M	\$586M
Non-GAAP Operating Income*	\$1,352M	\$1,393M
Non-GAAP Operating Income as a percentage of Revenue*	32.0%	32.4%
Non-GAAP Other Income (Expense), Net*	\$19M	\$(36)M
U.S. GAAP Diluted EPS	\$8.44	\$8.27
Non-GAAP Diluted EPS*	\$8.53	\$8.36
Diluted Share Count	142M	143M

# Key balance sheet and financial metrics

	Q DEC'21	Q SEP'21
Total Consolidated Gross Cash Balance	\$5,580M	\$4,863M
Account Receivables, Net	\$3,403M	\$3,397M
DSO	73 Days	72 Days
Inventories	\$3,074M	\$2,872M
Inventory Turns	2.9	3.2
Deferred Revenue*	\$1,458M	\$1,110M
Capital Expenditures	\$138M	\$136M
Equity Compensation Expense	\$63M	\$58M
Amortization Expense	\$20M	\$19M
Depreciation Expense	\$62M	\$61M
Share Repurchases	\$430M	\$1,210M
Cash Dividends	\$211M	\$185M
Headcount	~16,300	~15,400

# March 2022 quarter guidance



**\$4.25B +/- \$300M**

Revenue



**45.0% +/- 1%**

Non-GAAP gross margin



**29.5% +/- 1%**

Non-GAAP operating margin



**\$7.45 +/- \$0.75**

Non-GAAP earnings per share\*

# Q&A

# 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 26, 2021	September 26, 2021
U.S. GAAP net income	\$ 1,194,830	\$ 1,179,744
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,092	1,092
Elective deferred compensation ("EDC") related liability valuation (decrease) increase - cost of goods sold	(8)	1,896
EDC related liability valuation (decrease) increase - research and development	(15)	3,412
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
EDC related liability valuation (decrease) increase - selling, general and administrative	(10)	2,275
Amortization of note discounts - other income (expense), net	689	683
Loss (Gain) on EDC related asset - other income (expense), net	56	(7,437)
Net income tax benefit on non-GAAP items	(1,651)	(2,461)
Non-GAAP net income	\$ 1,207,340	\$ 1,191,561
Non-GAAP net income per diluted share	\$ 8.53	\$ 8.36
U.S. GAAP net income per diluted share	\$ 8.44	\$ 8.27
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	141,530	142,612



# 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 26, 2021	December 27, 2020
U.S. GAAP net income	\$ 4,590,352	\$ 2,964,134
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	4,368	5,794
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	8,130	7,040
Product rationalization - cost of goods sold	5,774	—
EDC related liability valuation increase - research and development	14,633	12,672
Product rationalization - research and development	426	—
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	49,428	49,428
EDC related liability valuation increase - selling, general and administrative	9,772	8,448
Amortization of note discounts - other income (expense), net	3,293	3,900
Gain on EDC related asset - other income (expense), net	(32,085)	(29,441)
Net income tax benefit on non-GAAP items	(10,447)	(10,786)
Income tax benefit on the conclusion of certain tax matters	—	(276)
Cumulative income tax benefit reversal due to a court ruling	—	(821)
Non-GAAP net income	\$ 4,643,644	\$ 3,010,092
Non-GAAP net income per diluted share	\$ 32.46	\$ 20.45
U.S. GAAP net income per diluted share	\$ 32.09	\$ 20.14
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	143,066	147,185
U.S. GAAP and non-GAAP revenue	\$ 16,523,902	\$ 11,928,806

# 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 26, 2021	September 26, 2021
U.S. GAAP gross margin	\$ 1,977,916	\$ 1,976,754
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	1,092	1,092
EDC related liability valuation (decrease) increase	(8)	1,896
Non-GAAP gross margin	\$ 1,979,000	\$ 1,979,742
U.S. GAAP gross margin as a percentage of revenue	46.8 %	45.9 %
Non-GAAP gross margin as a percentage of revenue	46.8 %	46.0 %
U.S. GAAP operating expenses	\$ 639,777	\$ 604,521
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,357)	(12,357)
EDC related liability valuation decrease (increase)	25	(5,687)
Non-GAAP operating expenses	\$ 627,445	\$ 586,477
U.S. GAAP operating income	\$ 1,338,139	\$ 1,372,233
Non-GAAP operating income	\$ 1,351,555	\$ 1,393,265
U.S. GAAP operating income as percent of revenue	31.7 %	31.9 %
Non-GAAP operating income as a percent of revenue	32.0 %	32.4 %

# Appendix – reconciliation

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

U.S. GAAP Other income (expense), net

Pre-tax non-GAAP items:

Amortization of note discounts

Loss (gain) on EDC related asset

Non-GAAP Other income (expense), net

Three Months Ended	
December 26, 2021	September 26, 2021
\$ 17,999	\$ (28,857)
689	683
56	(7,437)
\$ 18,744	\$ (35,611)

# Appendix – reconciliation

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

	Three Months Ended				Twelve Months Ended
	March 28, 2021	June 27, 2021	September 26, 2021	December 26, 2021	December 26, 2021
U.S. GAAP net cash provided by operating activities	\$ 1,165,080	\$ 1,435,935	\$ 457,524	\$ 1,440,506	\$ 4,499,045
U.S. GAAP cash used for capital expenditures and intangible assets	(89,596)	(104,622)	(136,427)	(138,493)	(469,138)
Total free cash flow	\$ 1,075,484	\$ 1,331,313	\$ 321,097	\$ 1,302,013	\$ 4,029,907

# 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 26, 2021	September 26, 2021
U.S. GAAP income before income taxes	\$ 1,356,138	\$ 1,343,376
U.S. GAAP income tax expense	\$ 161,308	\$ 163,632
U.S. GAAP income tax rate	11.9 %	12.2 %
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 1,092	\$ 1,092
Elective deferred compensation ("EDC") related liability valuation (decrease) increase - cost of goods sold	(8)	1,896
EDC related liability valuation (decrease) increase - research and development	(15)	3,412
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
EDC related liability valuation (decrease) increase - selling, general and administrative	(10)	2,275
Amortization of note discounts - other income (expense), net	689	683
Loss (Gain) on EDC related asset - other income (expense), net	56	(7,437)
Non-GAAP income before taxes	\$ 1,370,299	\$ 1,357,654
Net income tax benefit on non-GAAP items	\$ 1,651	\$ 2,461
Non-GAAP income tax expense	\$ 162,959	\$ 166,093
Non-GAAP income tax rate	11.9 %	12.2 %



# Appendix – reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the  
quarter ended March 27, 2022

	U.S. GAAP			Reconciling Items	Non-GAAP		
	\$4.25 Billion	+/-	\$300 Million	—	\$4.25 Billion	+/-	\$300 Million
Revenue							
Gross margin as a percentage of revenue	45.0%	+/-	1%	\$ 1 Million	45.0%	+/-	1%
Operating income as a percentage of revenue	29.2%	+/-	1%	\$ 13 Million	29.5%	+/-	1%
Net income per diluted share	\$7.36	+/-	\$0.75	\$ 12 Million	\$7.45	+/-	\$0.75
Diluted share count		141 Million		—		141 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 or recognized 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 through business combinations, \$13 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$2 million); totaling \$12 million.

