



Lam Research Corporation

March Quarter 2019 Financial Results

April 24, 2019



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) 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 update any forward-looking statements.



Business Review and Industry Outlook

Tim Archer

President and Chief Executive Officer

March 2019 Quarter Results



\$2.44B in Revenue



25.1% Operating Margin*



\$3.70 in Earnings per Share*

Industry Overview



Overall customer WFE spending for 2019 to be in low \$40 billions



Memory supply growth for 2019 is expected to be lower than long-term demand trendline



Foundry and Logic growth slightly higher than previous expectations

Lam is confident in long-term demand trends that drive our business

Semiconductor Innovation Driving Opportunity for Lam



Additional bit lines in memory require increase in etch and deposition intensity



Emerging memory devices require new etch technologies such as ion beam etch



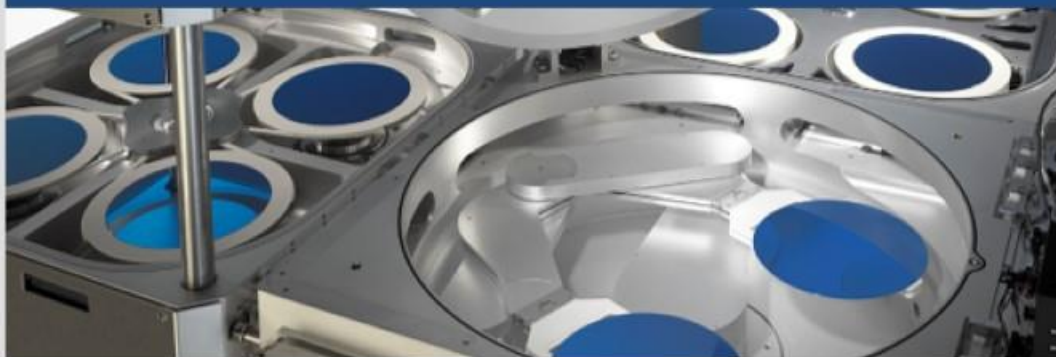
High bandwidth memory and heterogeneous packaging integration drive need for TSV* and WLP* technologies

Focus to deliver disruptive, customer-enabling technologies to expand our Served Available Market

* TSV = through-silicon via, WLP = wafer-level packaging

Deposition and Etch – Central to Customers' Technology Roadmaps

Deposition



- Quad-station module rapidly becoming architecture of choice for 3D NAND
- SABRE® ECD* enabling new materials for scaling beyond 10 nm

Etch



- New industry benchmark set by Kiyo® system with Corvus® R technology

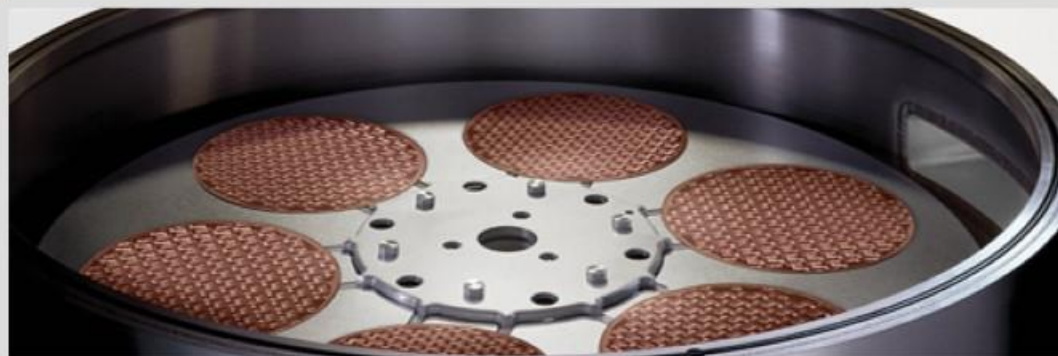
Lam executed well on new wins and defenses in the March quarter
Committed to growing market share in both Deposition and Etch

* ECD = electrochemical deposition

CSBG Continues to Deliver Sequential Revenue and Installed-base Unit Growth



Reliant® Systems



- Reliant systems business reached highest quarterly revenue level in our history

On track to deliver another record year

Summary

Product and services portfolio of Lam is unmatched in its broad fit to emerging technology inflections

Lam is leveraging Industry 4.0 technologies, advanced computing, and big data to bring innovative products and services to our customers

CSBG had sequential quarterly revenue growth and is on track to deliver another record year

Lam positioned to emerge stronger as industry spending recovers



March Quarter 2019 Financial Results and June Quarter 2019 Outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

March Quarter Results

- ▶ Non-GAAP EPS exceeded high end of guidance range
- ▶ Cash from operations at \$933 million - the second highest quarterly cash generation in our history

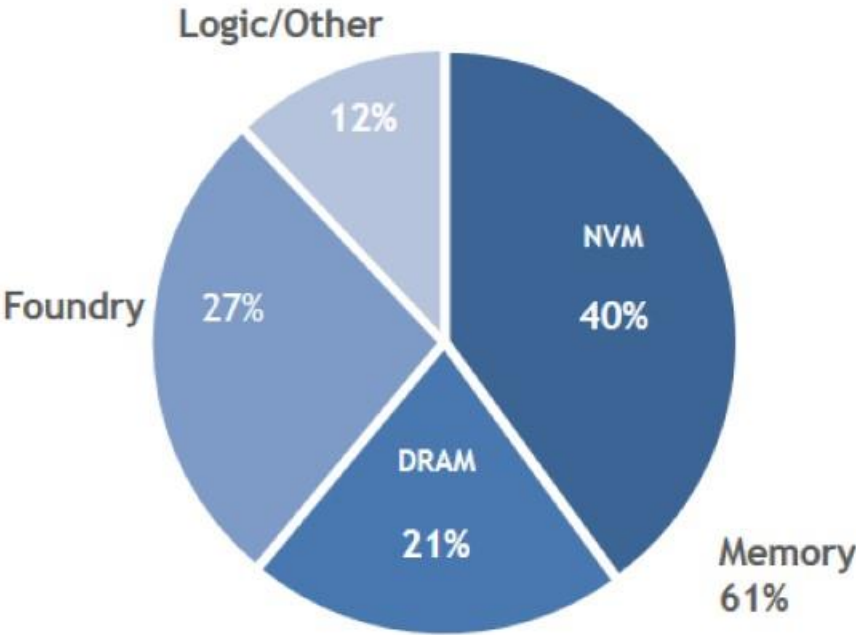


*Data are presented on a non-GAAP basis. Reconciliations of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.

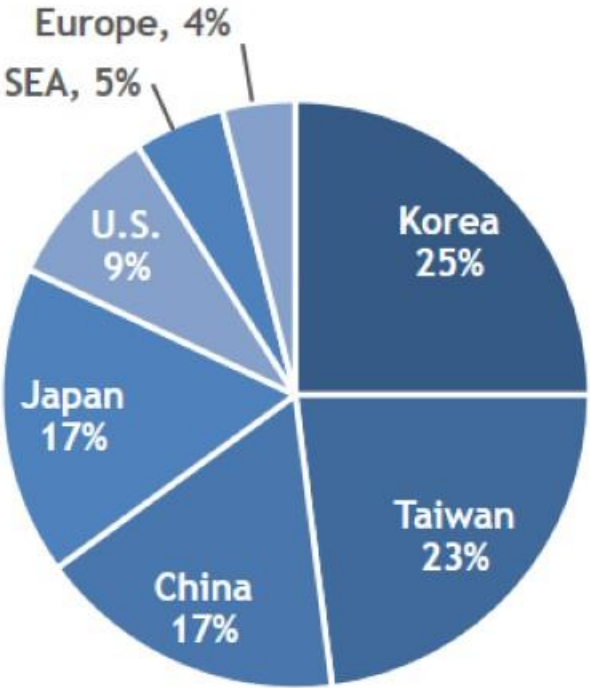
March Quarter Revenue Mix

► Foundry systems revenue mix at highest level since March 2017

System Revenue Segments



Revenue by Region



March Quarter Financial Results

	Mar'19	Dec'18
Revenue	\$2,439M	\$2,523M
Non-GAAP Gross Margin*	45.1%	46.3%
Non-GAAP Operating Expenses*	\$488M	\$440M
Non-GAAP Operating Income*	\$611M	\$728M
Non-GAAP Operating Income as a percentage of Revenue*	25.1%	28.8%
Non-GAAP Other Income/(Expense)*	\$21M	(\$30M)
Non-GAAP Tax Rate*	7.6%	10.0%
GAAP Diluted EPS	\$3.47	\$3.51
Non-GAAP Diluted EPS*	\$3.70	\$3.87
Diluted Share Count	158M	162M

*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'19	Dec'18
Total Consolidated Gross Cash Balance	\$6,397M	\$3,891M
Account Receivables, Net	\$1,522M	\$1,869M
DSO	61 Days	67 Days
Inventory Turns	3.4	3.2
Deferred Revenue*	\$441M	\$493M
Capital Expenditures	\$76M	\$106M
Equity Compensation Expense	\$53M	\$39M
Amortization Expense	\$36M	\$36M
Depreciation Expense	\$46M	\$46M
Headcount	~10,800	~10,950

* 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 approx. \$80M as of March 31, 2019 and \$262M as of December 23, 2018.

June 2019 Quarter Guidance



\$2.35B \pm \$150M

Revenue



26.0% \pm 1%

Non-GAAP
Operating margins



45.5% \pm 1%

Non-GAAP
Gross Margin



\$3.40 \pm \$0.20

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 155M 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	
	March 31, 2019	December 23, 2018
U.S. GAAP net income	\$ 547,390	\$ 568,855
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	22,342	22,342
Restructuring charges - cost of goods sold	2,871	—
Restructuring charges - research and development	4,698	—
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,446	12,490
Restructuring charges - selling, general and administrative	3,287	2,356
Amortization of note discounts - other expense, net	956	886
Net income tax benefit on non-GAAP items	(6,718)	(5,704)
Income tax benefit on the conclusion of certain tax matters	(2,922)	(1,635)
Income tax expense associated with U.S. tax reform	—	28,606
Non-GAAP net income	\$ 584,350	\$ 628,196
Non-GAAP net income per diluted share	\$ 3.70	\$ 3.87
GAAP net income per diluted share	\$ 3.47	\$ 3.51
U.S. GAAP number of shares used for per diluted share calculation	157,849	162,170

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 31, 2019	December 23, 2018
U.S. GAAP gross margin	\$ 1,074,337	\$ 1,145,033
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	22,342	22,342
Restructuring charges	2,871	—
Non-GAAP gross margin	\$ 1,099,550	\$ 1,167,375
U.S. GAAP gross margin as a percentage of revenue	44.0%	45.4%
Non-GAAP gross margin as a percentage of revenue	45.1%	46.3%
U.S. GAAP operating expenses	\$ 508,820	\$ 454,654
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,446)	(12,490)
Restructuring charges	(7,985)	(2,356)
Non-GAAP operating expenses	\$ 488,389	\$ 439,808
U.S. GAAP operating income	\$ 565,517	\$ 690,379
Non-GAAP operating income	\$ 611,161	\$ 727,567
U.S. GAAP operating income as percent of revenue	23.2%	27.4%
Non-GAAP operating income as a percent of revenue	25.1%	28.8%

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 31, 2019	December 23, 2018
U.S. GAAP Other income (expense), net	\$ 20,532	\$ (30,649)
Pre-tax non-GAAP items:		
Amortization of note discounts	956	886
Non-GAAP Other income (expense), net	\$ 21,488	\$ (29,763)

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 31, 2019	December 23, 2018
U.S. GAAP income before income taxes	\$ 586,049	\$ 659,730
U.S. GAAP income tax expense	\$ 38,659	\$ 90,875
U.S. GAAP income tax rate	6.6%	13.8%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 22,342	\$ 22,342
Restructuring charges - cost of goods sold	2,871	—
Restructuring charges - research and development	4,698	—
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,446	12,490
Restructuring charges - selling, general and administrative	3,287	2,356
Amortization of note discounts - other expense, net	956	886
Non-GAAP income before taxes	\$ 632,649	\$ 697,804
Net income tax benefit on non-GAAP items	\$ 6,718	\$ 5,704
Income tax benefit on conclusion of certain tax matters	2,922	1,635
Income tax expense associated with U.S. tax reform	—	(28,606)
Non-GAAP income tax expense	\$ 48,299	\$ 69,608
Non-GAAP income tax rate	7.6%	10.0%

Appendix - Reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the June 2019 quarter

	U.S. GAAP			Reconciling Items	Non-GAAP		
	\$2.35 Billion	+/-	\$150 Million		\$2.35 Billion	+/-	\$150 Million
Revenue				—			
Gross margin as a percentage of revenue	45.4%	+/-	1%	\$ 3 Million	45.5%	+/-	1%
Operating income as a percentage of revenue	25.3%	+/-	1%	\$ 16 Million	26.0%	+/-	1%
Net income per diluted share	\$3.31	+/-	\$0.20	\$ 14 Million	\$3.40	+/-	\$0.20
Diluted share count	155 Million			—	155 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 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 as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$3 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$16 million.
- Earnings per share - amortization related to intangible assets acquired through business combinations, \$16 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$3 million); totaling \$14 million.

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