



Lam Research Corporation

September Quarter 2018 Financial Results

October 16, 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) 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

Martin Anstice
Chief Executive Officer

September Quarter Performance

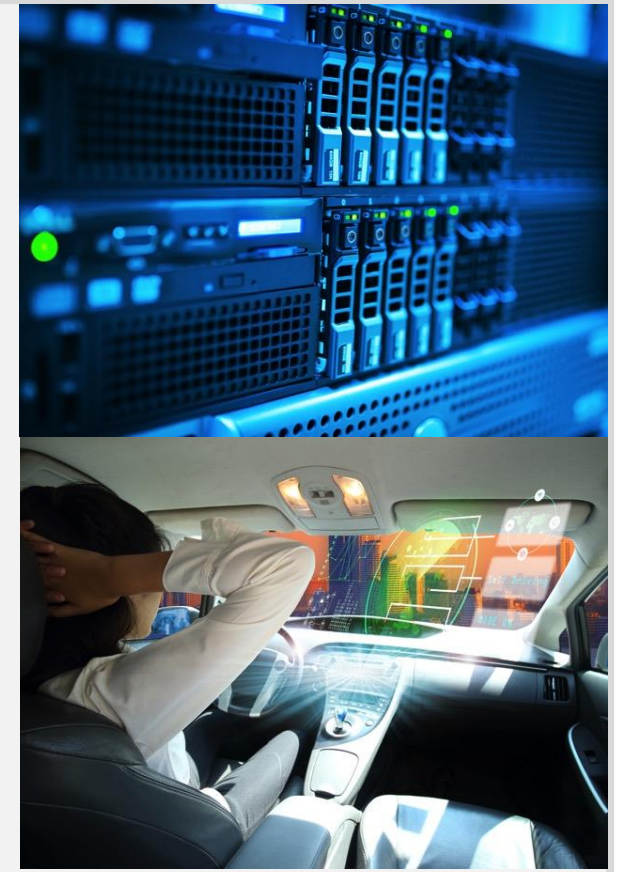
- ▶ Revenues of \$2.3 billion, operating income of \$630 million*, and EPS of \$3.36*
- ▶ Revenues, gross margin, and EPS all exceeded the mid-point of our guidance
- ▶ Near-term outlook consistent with July commentary



*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.

Rational Industry Behavior

- ▶ Strength in long-term drivers for data economy enablement from the world of silicon
- ▶ 2018 WFE expectations are up slightly year over year
- ▶ Compelling opportunities for Lam's strength in Etch and Deposition



Committed to investment and innovation for the success
of our customers and for Lam

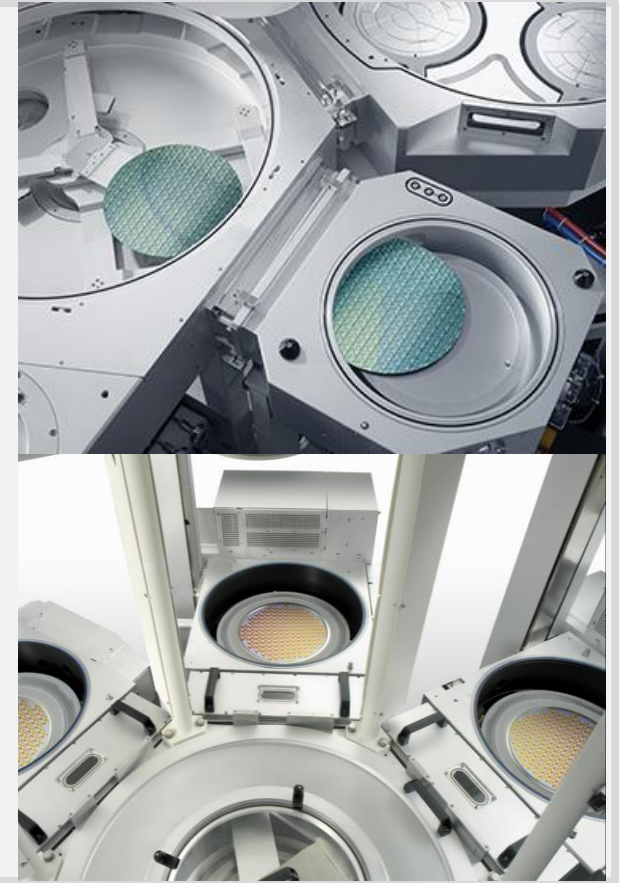
Product Differentiation and Growing Strategic Relevance

► Deposition

- Key penetrations of new films for patterning, new specialty applications, and deeper partnership models for 3D NAND

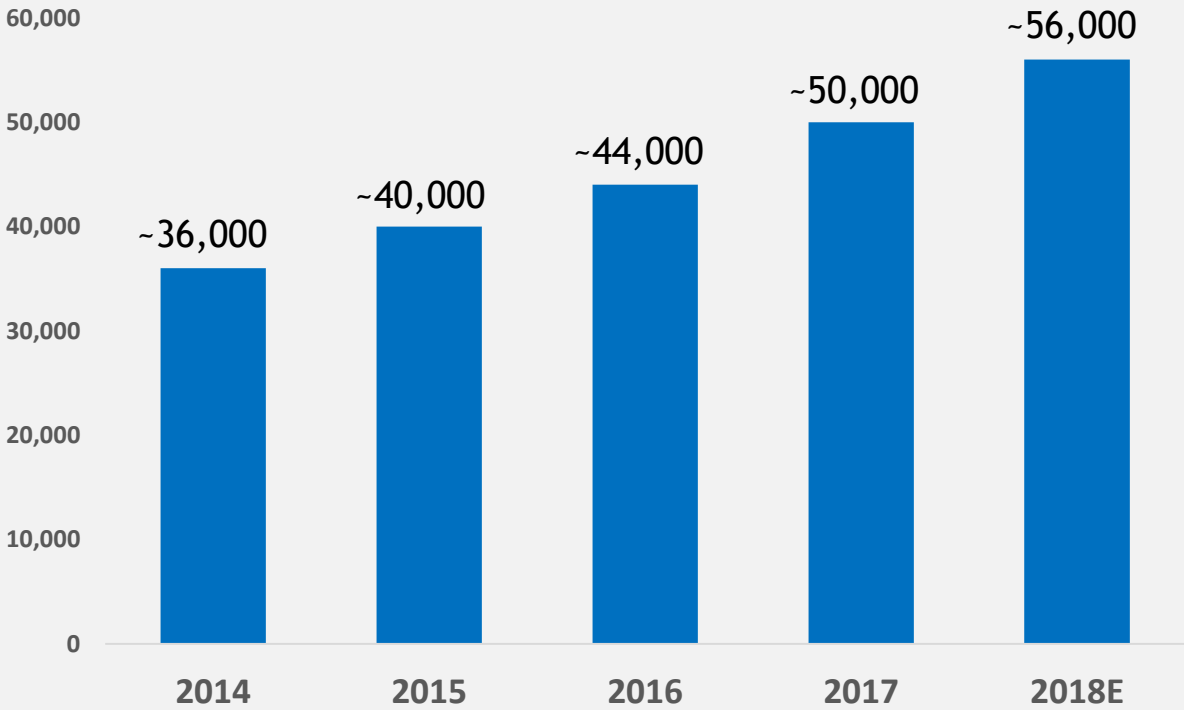
► Etch

- Continued to strengthen our leading capabilities in high aspect ratio applications for 3D NAND scaling



**Etch + Deposition market share penetration and defense activity
a net positive for Lam year-to-date**

CSBG - Installed-Base Units 5-Year Growth



Continued strength in installed-base unit growth



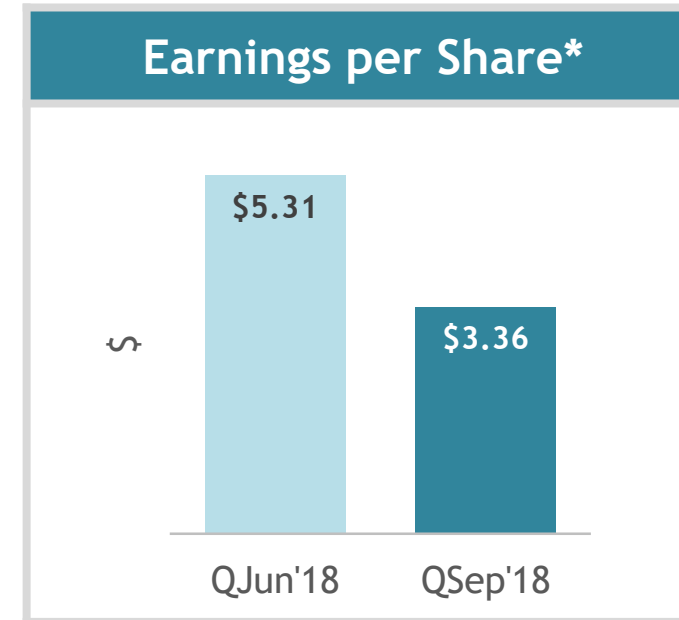
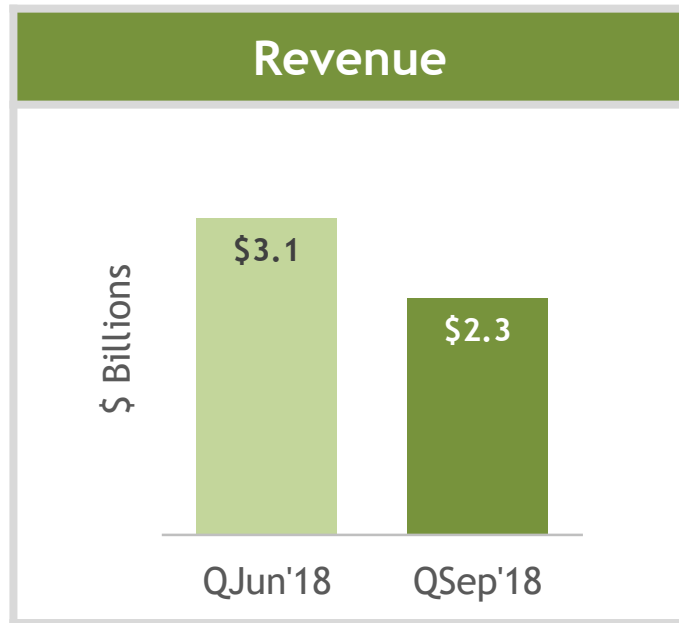
September Quarter 2018 Financial Results and December Quarter 2018 Outlook

Doug Bettinger

Executive Vice President & Chief Financial Officer

September Quarter Results

- ▶ Operating margin and EPS at the high-end of guidance range
- ▶ Discipline in our spending during a decline in industry capital equipment investments

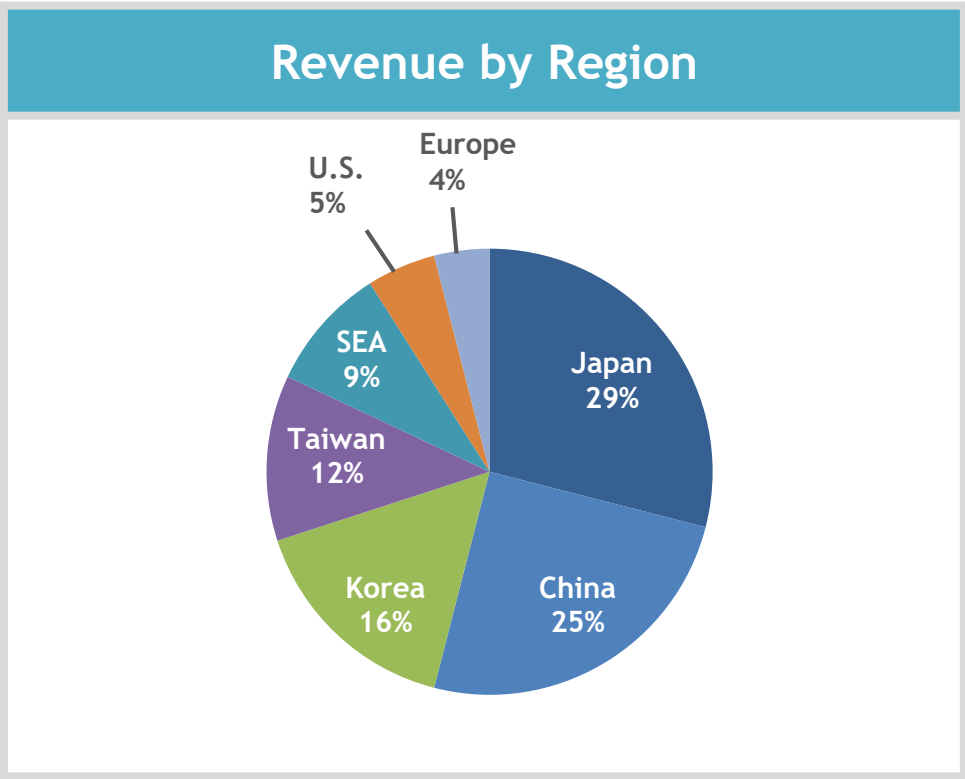
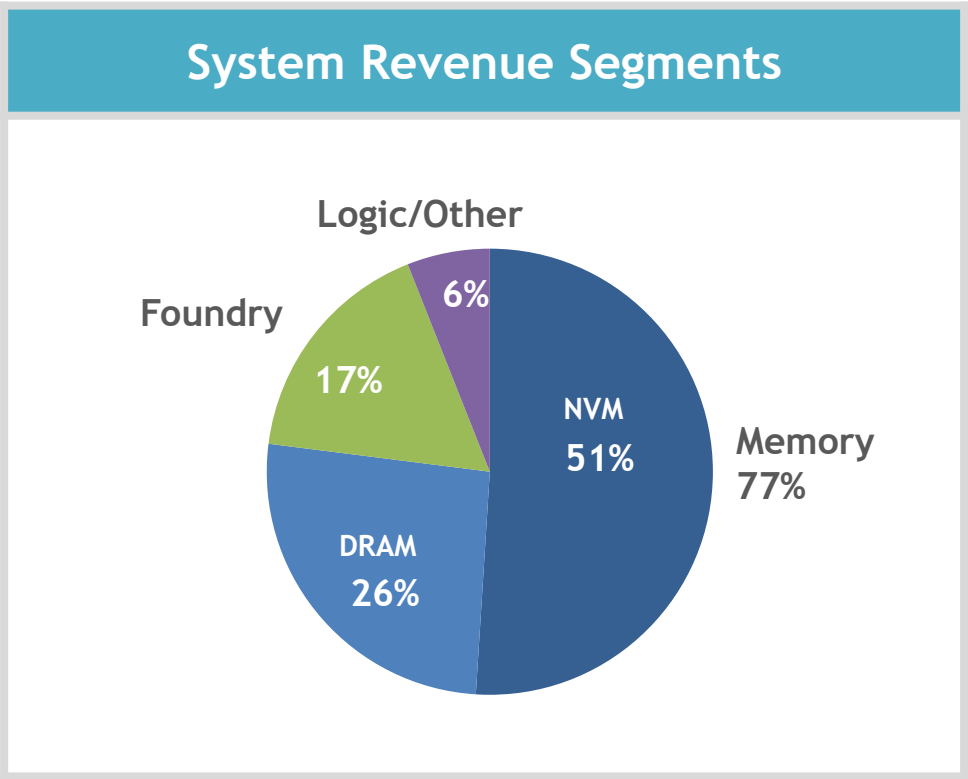


Strong Execution in QSep'18

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September Quarter Revenue Mix

► Combined memory segment is 77% of total systems revenue



September Quarter Financial Results

	Sep'18	Jun'18
Revenue	\$2,331M	\$3,126M
Non-GAAP Gross Margin*	46.4%	48.0%
Non-GAAP Operating Expenses*	\$451M	\$507M
Non-GAAP Operating Income*	\$630M	\$994M
Non-GAAP Operating Margin*	27.0%	31.8%
Non-GAAP Other Income/(Expense)*	\$0.5M	\$4.8M
Non-GAAP Tax Rate*	11.9%	6.7%
GAAP Diluted EPS	\$3.23	\$5.82
Non-GAAP Diluted EPS*	\$3.36	\$5.31
Diluted Share Count	165M	175M

*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

	Sep'18	Jun'18
Total Consolidated Gross Cash Balance	\$3,875M	\$5,206M
Account Receivables, Net	\$1,847M	\$2,177M
DSO	72 Days	63 Days
Inventory Turns	2.7	3.5
Deferred Revenue*	\$626M	\$994M
Capital Expenditures	\$56M	\$80M
Equity Compensation Expense	\$50M	\$47M
Amortization Expense	\$36M	\$40M
Depreciation Expense	\$44M	\$45M
Headcount	~11,000	~10,900

*Does not include anticipated revenue from previous shipments to customers in Japan totaling \$454 million in Sep'18 and \$607 million in Jun'18.

December 2018 Quarter Non-GAAP Guidance

	Dec'18 Guidance
Revenue	\$2.5 billion \pm \$150 million
Non-GAAP Gross Margin	46% \pm 1%
Non-GAAP Operating Margin	27.5% \pm 1%
Non-GAAP Earnings per Share*	\$3.65 \pm \$0.20

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

*Based on a share count of 163 million shares.

Questions & 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	
	September 23, 2018	June 24, 2018
U.S. GAAP net income	\$ 533,360	\$ 1,021,146
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	22,342	22,342
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,490	16,069
Restructuring charges - selling, general and administrative	3,417	—
Business combination acquisition and integration related costs - selling, general and administrative	—	728
Amortization of note discounts - other expense, net	900	1,851
Net income tax benefit on non-GAAP items	(5,838)	(4,686)
Income tax benefit on the conclusion of certain tax matters	—	(9,656)
Income tax benefit associated with U.S. tax reform	(11,211)	(115,838)
Non-GAAP net income	\$ 555,460	\$ 931,956
Non-GAAP net income per diluted share	\$ 3.36	\$ 5.31
GAAP net income per diluted share	\$ 3.23	\$ 5.82
U.S. GAAP number of shares used for per diluted share calculation	165,327	175,432

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	
	September 23, 2018	June 24, 2018
U.S. GAAP gross margin	\$ 1,058,198	\$ 1,479,408
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	22,342	22,342
Non-GAAP gross margin	\$ 1,080,540	\$ 1,501,750
U.S. GAAP gross margin as a percentage of revenue	45.4%	47.3%
Non-GAAP gross margin as a percentage of revenue	46.4%	48.0%
U.S. GAAP operating expenses	\$ 466,447	\$ 524,213
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,490)	(16,069)
Restructuring charges	(3,417)	—
Business combination acquisition and integration related costs	—	(728)
Non-GAAP operating expenses	\$ 450,540	\$ 507,416
Non-GAAP operating income	\$ 630,000	\$ 994,334
U.S. GAAP operating income as percent of revenue	25.4%	30.6%
Non-GAAP operating income as a percent of revenue	27.0%	31.8%

Appendix - Reconciliation

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

	Three Months Ended	
	September 23, 2018	June 24, 2018
U.S. GAAP Other (expense) income, net	\$ (377)	\$ 2,954
Pre-tax non-GAAP items:		
Amortization of note discounts	900	1,851
Non-GAAP Other income, net	\$ 523	\$ 4,805

Appendix - Reconciliation

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

	Three Months Ended	
	September 23, 2018	June 24, 2018
U.S. GAAP income before income taxes	\$ 591,374	\$ 958,149
U.S. GAAP income tax expense (benefit)	\$ 58,014	\$ (62,997)
U.S. GAAP income tax rate	9.8%	(6.6)%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 22,342	\$ 22,342
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,490	16,069
Restructuring charges - selling, general and administrative	3,417	—
Business combination acquisition and integration related costs - selling, general and administrative	—	728
Amortization of note discounts - other expense, net	900	1,851
Non-GAAP income before taxes	\$ 630,523	\$ 999,139
Net income tax benefit on non-GAAP items	\$ 5,838	\$ 4,686
Income tax benefit on conclusion of certain tax matters	—	9,656
Income tax benefit associated with U.S. tax reform	11,211	115,838
Non-GAAP income tax expense	\$ 75,063	\$ 67,183
Non-GAAP income tax rate	11.9%	6.7%

Appendix - Reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the December 2018 quarter

	U.S. GAAP			Reconciling Items	Non-GAAP		
	\$2.5 Billion	+/-	\$150 Million		\$2.5 Billion	+/-	\$150 Million
Revenue				—			
Gross margin	45.1%	+/-	1%	\$ 22 Million	46.0%	+/-	1%
Operating margin	26.1%	+/-	1%	\$ 34 Million	27.5%	+/-	1%
Net income per diluted share	\$3.47	+/-	\$0.20	\$ 30 Million	\$3.65	+/-	\$0.20
Diluted share count	163 Million			—	163 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 associated with 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 as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$22 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$34 million.
- Earnings per share - amortization related to intangible assets acquired through business combinations, \$34 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$5 million); totaling \$30 million.

Appendix - Reconciliation

Reconciliation of U.S. GAAP Operating Expenses (in thousands) (unaudited)

	Twelve Months Ended
	December 23, 2018 (Projected)
U.S. GAAP operating expenses for nine months ended September 23, 2018	\$ 1,493,863
U.S. GAAP operating expense projected for three months ended December 23, 2018	475,000
Pre-tax non-GAAP items:	
Amortization related to intangible assets acquired through certain business combinations for nine months ended September 23, 2018	(45,633)
Amortization related to intangible assets acquired through certain business combinations projected for three months ended December 23, 2018	(12,000)
Restructuring charges	(3,417)
Business combination acquisition and integration related costs	(835)
Non-GAAP operating expenses	\$ 1,906,978
	December 24, 2017
U.S. GAAP operating expenses	\$ 1,818,325
Pre-tax non-GAAP items:	
Amortization related to intangible assets acquired through certain business combinations	(65,653)
Costs associated with business process reengineering	(9,565)
Business combination acquisition and integration related costs	(2,029)
Non-GAAP operating expenses	\$ 1,741,078

Appendix - Reconciliation

Reconciliation of U.S. GAAP Dilutive Shares Outstanding (in thousands, except percentages) (unaudited)

	Three Months Ended	
	December 23, 2018 (Projected)	December 24, 2017
U.S. GAAP number of shares used for per diluted share calculation	163,000	161,135
Effect of potential dilutive securities:		
Employee stock plans	—	2,757
Convertible notes	—	15,423
Warrants	—	4,721
Effect of convertible note hedge	—	(2,381)
Non-GAAP number of shares used for per diluted share calculation	163,000	181,655

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Trusted **Productivity**
Fast **Solutions**

