



Lam Research Corporation

December Quarter 2019 Financial Results

January 29, 2020



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; and (4) 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: 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; 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”). 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

December 2019 Quarter Results



\$2.58B
Revenue



27.1%
Operating Margin*



45.7%
Gross Margin*



\$4.01
Earnings per Share*

Outstanding Execution in Our Product Organizations in 2019



Growing our revenue share of wafer fabrication equipment spend across Memory and Foundry/Logic



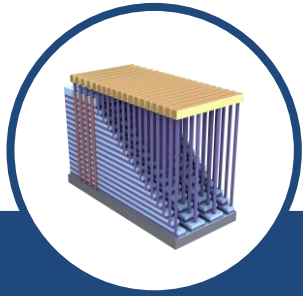
Winning in emerging inflections for new scaling architectures, new memory technologies, and new materials



Capitalizing on our installed base that enables some of the industry's most critical etch and deposition applications

Committed to Our Customers' Success

Technology and Productivity Leadership

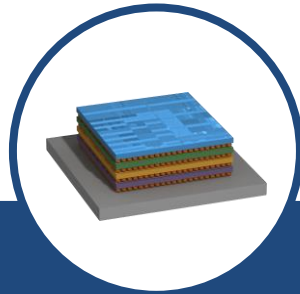


Productivity Enhancements

Corvus®



Reducing customer's cost of ownership

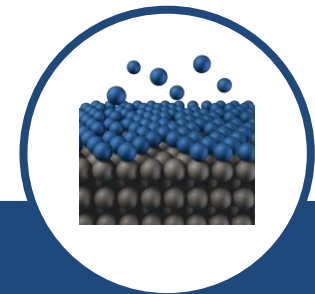


Heterogeneous Integration

SABRE® 3D



Leading in through-silicon via (TSV) technology



Process Innovation

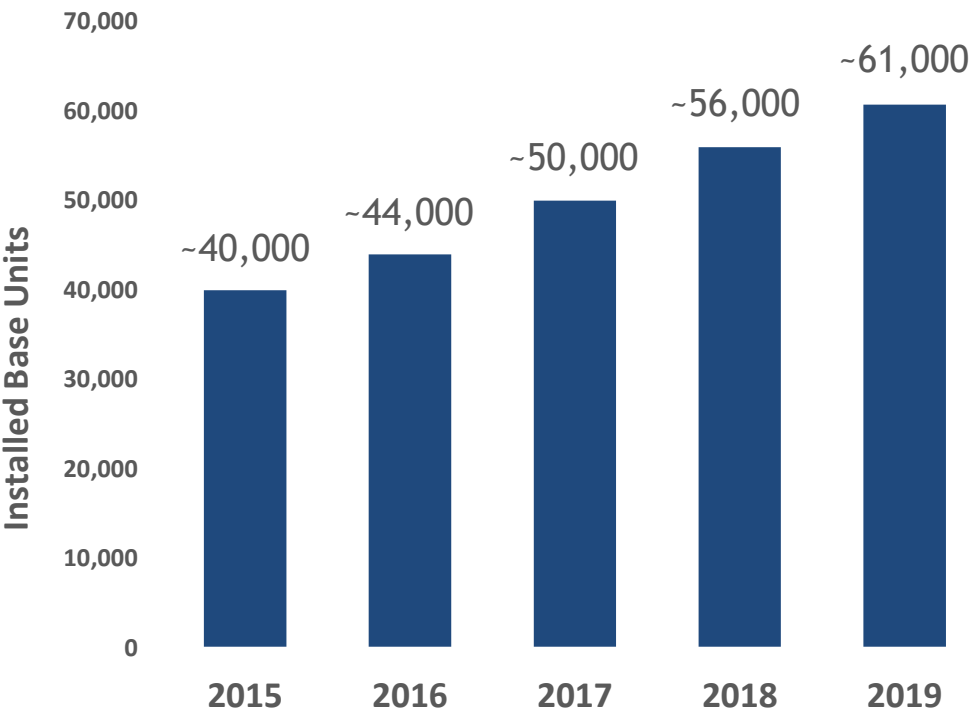
Striker® Oxide ALD
ALTUS®



Improving device performance and lowering cost

Innovative Installed Base Offerings

Growing Installed Base



Record installed base revenues

Reliant® systems business achieved record quarterly revenues

Productivity upgrades and solutions up more than 30%

Signed several new multi-year customer support contracts

Estimating 2019 WFE in \$46-47 billion range

2019 WFE increase from our prior estimate driven predominantly by foundry / logic spending

Early view of 2020 WFE is in the mid-to-high \$50 billion range

Expecting memory and foundry / logic segments to be up year-on-year in 2020

Extending Our Leadership

Strong financial performance in 2019

Positioned to outperform in 2020 as memory spending improves

Powerful product pipeline with more innovation to come

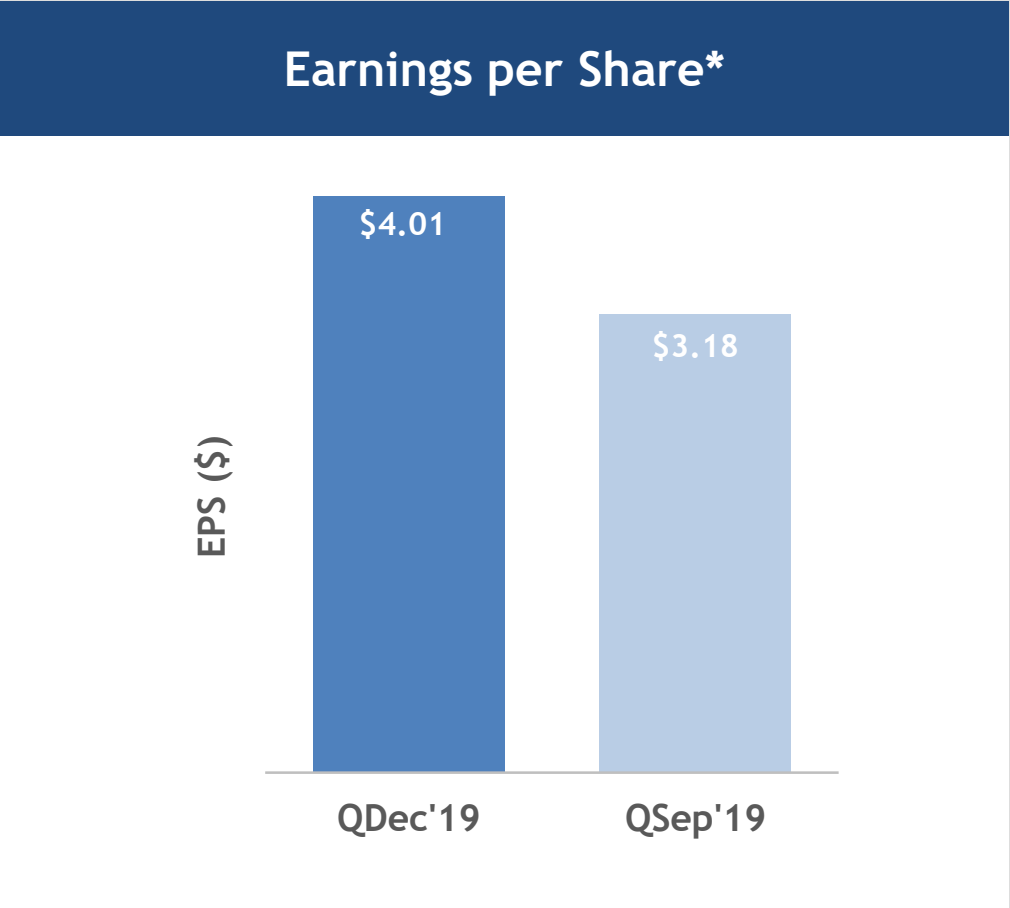
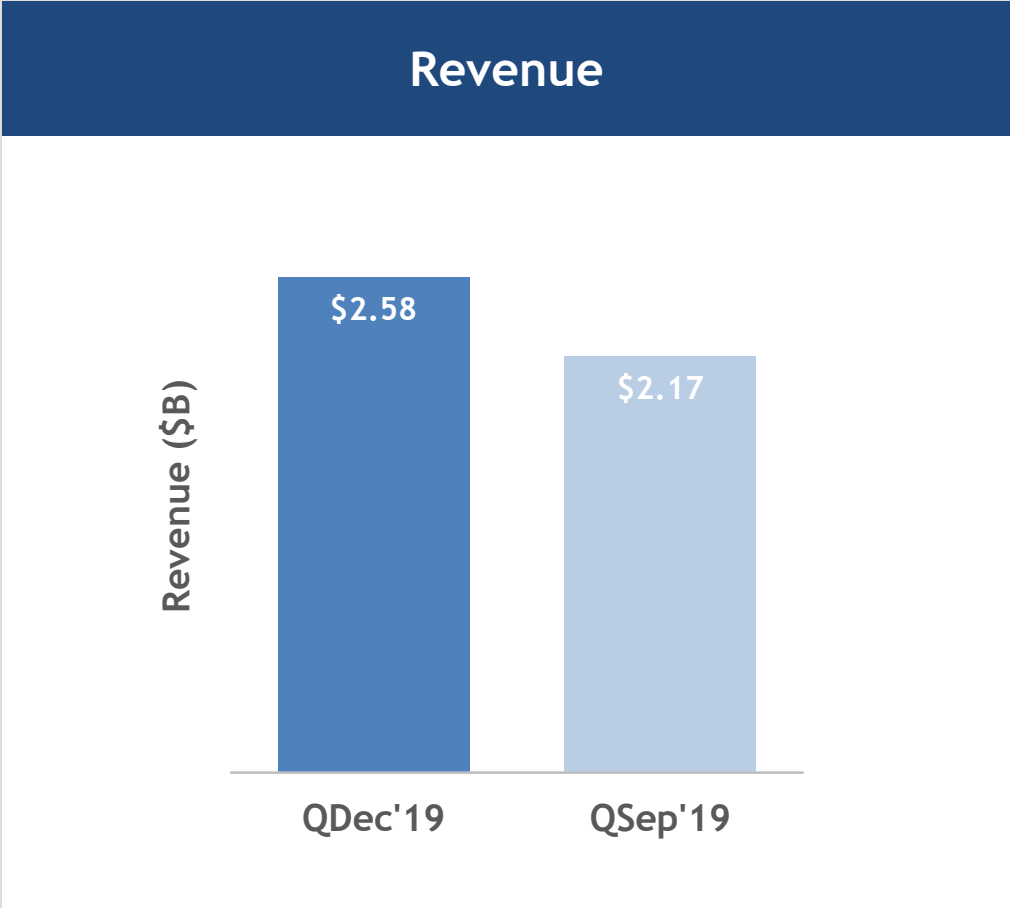
December Quarter 2019 Financial Results and March Quarter 2020 Outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

December Quarter Results

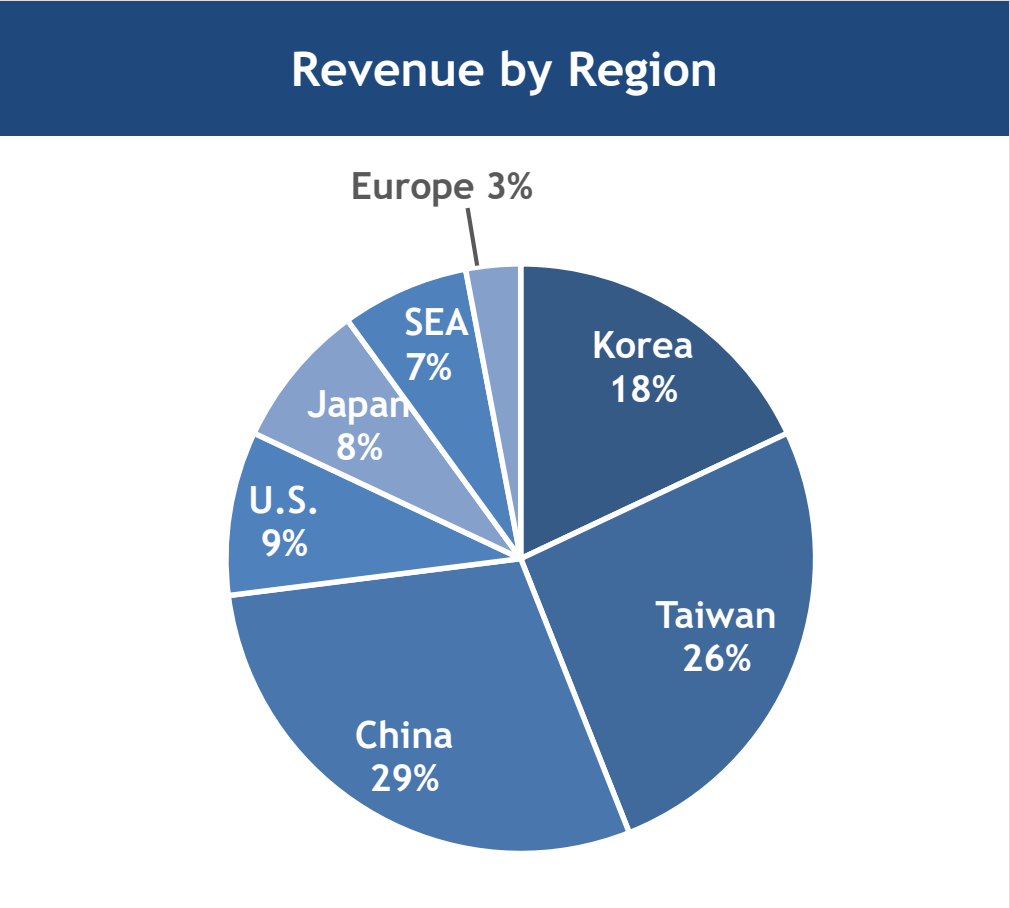
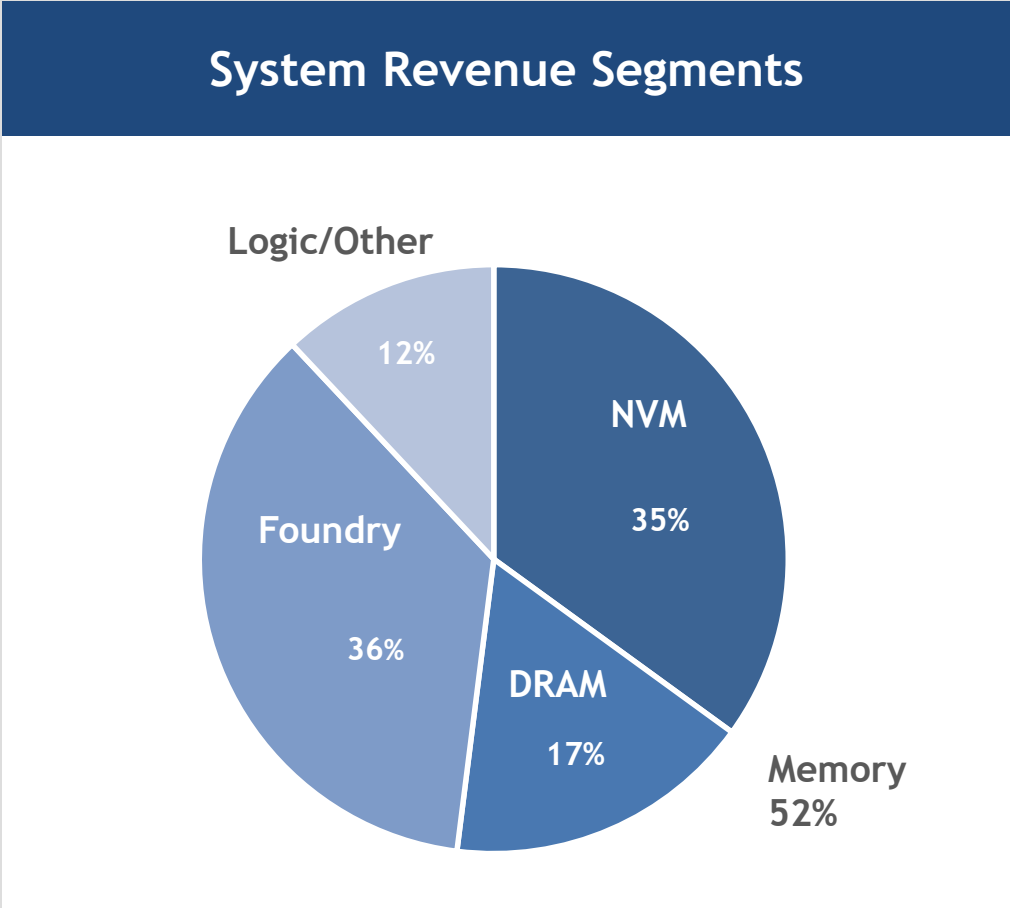
► Revenue and EPS were both above midpoint of guidance for the December quarter



*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.

December Quarter Revenue Mix

► Foundry segment highest system revenue dollars in Company’s history



NVM = Non-Volatile Memory

December Quarter Financial Results

	Q Dec'19	Q Sep'19
Revenue	\$2,584M	\$2,166M
Non-GAAP Gross Margin*	45.7%	45.4%
Non-GAAP Operating Expenses*	\$481M	\$431M
Non-GAAP Operating Income*	\$700M	\$552M
Non-GAAP Operating Income as a percentage of Revenue*	27.1%	25.5%
Non-GAAP Other Expense, Net*	\$(13M)	\$(11M)
Non-GAAP Tax Rate*	12.5%	11.4%
GAAP Diluted EPS	\$3.43	\$3.09
Non-GAAP Diluted EPS*	\$4.01	\$3.18
Diluted Share Count	150M	151M

*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

	Q Dec'19	Q Sep'19
Total Consolidated Gross Cash Balance	\$4,938M	\$5,845M
Account Receivables, Net	\$2,030M	\$1,636M
DSO	72 Days	69 Days
Inventory Turns	3.7	3.2
Deferred Revenue*	\$411M	\$481M
Capital Expenditures	\$62M	\$39M
Equity Compensation Expense	\$46M	\$43M
Amortization Expense	\$17M	\$16M
Depreciation Expense	\$49M	\$49M
Headcount	~10,700	~10,700

* 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. \$91M as of December 29, 2019 and \$47M as of September 29, 2019.

March 2020 Quarter Guidance



\$2.80B ± \$200M

Revenue



28.0% ± 1%

Non-GAAP
Operating Margin



46.5% ± 1%

Non-GAAP
Gross Margin



\$4.55 ± \$0.40

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 149M 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				Twelve Months Ended
	December 29, 2019	September 29, 2019	June 30, 2019	March 31, 2019	December 29, 2019
U.S. GAAP net income	\$ 514,510	\$ 465,789	\$ 541,825	\$ 547,390	\$ 2,069,514
Pre-tax non-GAAP items:					
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,627	1,628	3,389	22,342	28,986
Restructuring charges - cost of goods sold	—	—	601	2,871	3,472
Restructuring charges - research and development	—	—	206	4,698	4,904
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357	12,357	12,446	49,517
Restructuring charges - selling, general and administrative	—	1,045	1,082	3,287	5,414
Amortization of note discounts - other expense, net	1,158	1,234	1,195	956	4,543
Net income tax benefit on non-GAAP items	(2,358)	(2,498)	(3,104)	(6,718)	(14,678)
Income tax benefit on the conclusion of certain tax matters	—	—	(172)	(2,922)	(3,094)
Cumulative income tax benefit reversal due to a court ruling	74,516	—	—	—	74,516
Income tax expense associated with U.S. tax reform	—	—	1,453	—	1,453
Non-GAAP net income	\$ 601,810	\$ 479,555	\$ 558,832	\$ 584,350	\$ 2,224,547
Non-GAAP net income per diluted share	\$ 4.01	\$ 3.18	\$ 3.62	\$ 3.70	\$ 14.51
U.S. GAAP net income per diluted share	\$ 3.43	\$ 3.09	\$ 3.51	\$ 3.47	\$ 13.49
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	150,097	150,682	154,474	157,849	153,362

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 29, 2019	September 29, 2019
U.S. GAAP gross margin	\$ 1,179,644	\$ 981,710
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	1,627	1,628
Non-GAAP gross margin	\$ 1,181,271	\$ 983,338
U.S. GAAP gross margin as a percentage of revenue	45.7%	45.3%
Non-GAAP gross margin as a percentage of revenue	45.7%	45.4%
U.S. GAAP operating expenses	\$ 493,133	\$ 444,255
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,357)	(12,357)
Restructuring charges	—	(1,045)
Non-GAAP operating expenses	\$ 480,776	\$ 430,853
U.S. GAAP operating income	\$ 686,511	\$ 537,455
Non-GAAP operating income	\$ 700,495	\$ 552,485
U.S. GAAP operating income as percent of revenue	26.6%	24.8%
Non-GAAP operating income as a percent of revenue	27.1%	25.5%

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

	Three Months Ended	
	December 29, 2019	September 29, 2019
U.S. GAAP Other expense, net	\$ (13,924)	\$ (12,728)
Pre-tax non-GAAP items:		
Amortization of note discounts	1,158	1,234
Non-GAAP Other expense, net	\$ (12,766)	\$ (11,494)

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

	Three Months Ended	
	December 29, 2019	September 29, 2019
U.S. GAAP income before income taxes	\$ 672,587	\$ 524,727
U.S. GAAP income tax expense	\$ 158,077	\$ 58,938
U.S. GAAP income tax rate	23.5%	11.2%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 1,627	\$ 1,628
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
Restructuring charges - selling, general and administrative	—	1,045
Amortization of note discounts - other expense, net	1,158	1,234
Non-GAAP income before taxes	\$ 687,729	\$ 540,991
Net income tax benefit on non-GAAP items	\$ 2,358	\$ 2,498
Cumulative income tax benefit reversal due to a court ruling	(74,516)	—
Non-GAAP income tax expense	\$ 85,919	\$ 61,436
Non-GAAP income tax rate	12.5%	11.4%

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the quarter ended March 29, 2020

	U.S. GAAP			Reconciling Items		Non-GAAP		
		+/-					+/-	
Revenue	\$2.8 Billion		\$200 Million	—		\$2.8 Billion		\$200 Million
Gross margin as a percentage of revenue	46.4%	+/-	1%	\$	2 Million	46.5%	+/-	1%
Operating income as a percentage of revenue	27.5%	+/-	1%	\$	14 Million	28.0%	+/-	1%
Net income per diluted share	\$4.46	+/-	\$0.40	\$	13 Million	\$4.55	+/-	\$0.40
Diluted share count	149 Million			—		149 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 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, \$2 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$14 million.
- Net income per diluted share - amortization related to intangible assets acquired through business combinations, \$14 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$2 million); totaling \$13 million.

Calculation of Free Cash flows
(in thousands)
(unaudited)

U.S. GAAP net cash provided by operating activities for the quarter ended:	
March 31, 2019	\$ 932,821
June 30, 2019	880,487
September 29, 2019	464,047
December 29, 2019	307,928
U.S. GAAP cash used for capital expenditures and intangible assets for the quarter ended:	
March 31, 2019	(75,522)
June 30, 2019	(65,948)
September 29, 2019	(39,256)
December 29, 2019	(62,054)
Total free cash flows for calendar year ending December 29, 2019	<u>\$ 2,342,503</u>

Innovative **Technology**
Trusted **Productivity**
Fast **Solutions**

