



# Lam Research Corporation

June Quarter 2018 Financial Results

July 26, 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 publicly update any forward-looking statements.

# Business Review and Industry Outlook

Martin Anstice  
Chief Executive Officer

# June Quarter and FY'18 Performance

## ▶ June quarter

- Milestone revenues of \$3.1 billion and approximately \$1 billion in operating income\*

## ▶ Fiscal year

- \$11.1 billion in revenues, \$3.4 billion in operating income\*, and \$2.7 billion in cash from operations



**Strongest fiscal year 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.

# Structurally Better Industry Today

- ▶ Customer spending indicates focus on their profitability and sustainability
- ▶ Diverse demand drivers propelled by the increasing role of data and silicon and higher aspirations by our customers
- ▶ Sustained opportunity for Lam driven by focus on technology and productivity leadership, operational execution, and model of collaboration



Discipline in customer spending and positive long-term outlook

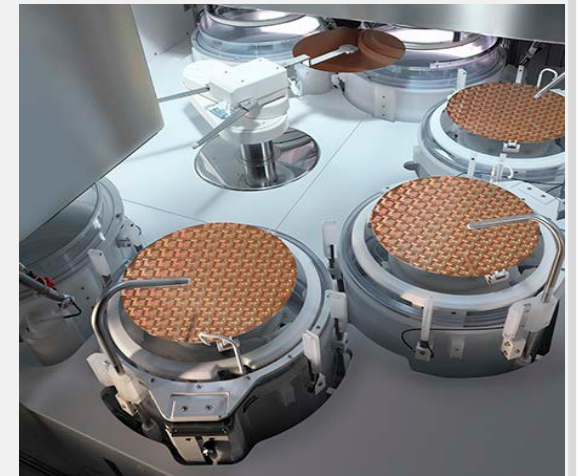
# Driving Sustainability through Our Multi-Product Capabilities

## ► Installed base

- Installed-base revenues for the year to date exceeded overall installed base growth by a factor of 2x
- Productivity solutions and advanced services create value for customers

## ► SAM expansion focus

- Realizing multi-patterning and 3D device scaling opportunities
- Broadening systems, applications, and films capabilities
- Increasing value creation from advanced productivity services



Leveraging multi-product capabilities and disruptive technologies

- ▶ Compelling long-term opportunity driven by data economy
- ▶ Rational, disciplined spending by our customers
- ▶ Expect a growth year for WFE in 2018



Unmatched outperformance opportunity for Lam to extend our leadership

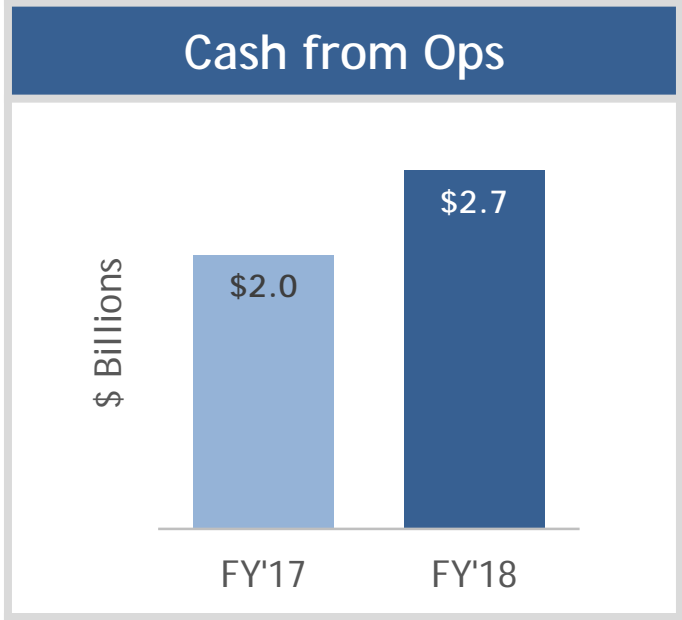
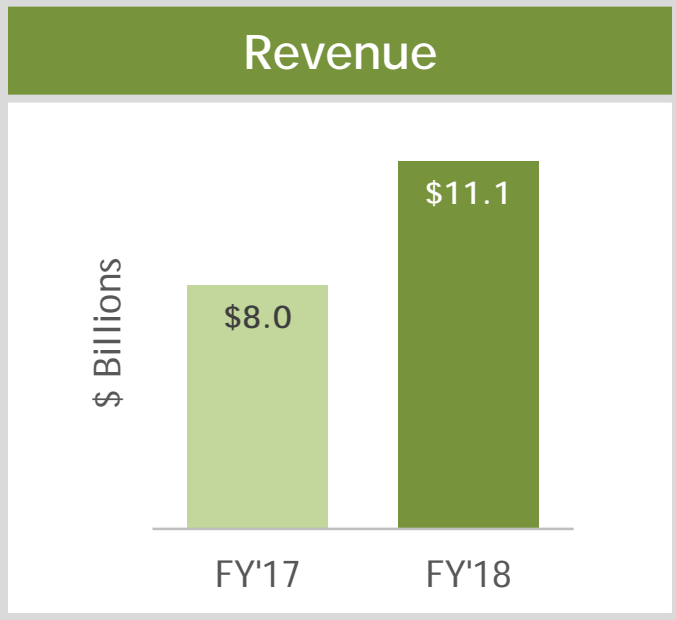
# June Quarter 2018 Financial Results and September Quarter 2018 Outlook

Doug Bettinger  
Executive Vice President & Chief Financial Officer



# June Quarter and FY'18 Results

- ▶ QJun'18 above mid-point of guidance for all metrics
- ▶ Shipments, revenue, cash from operations, gross margin dollars\*, operating income dollars\*, and earnings per share\* at record levels in FY'18

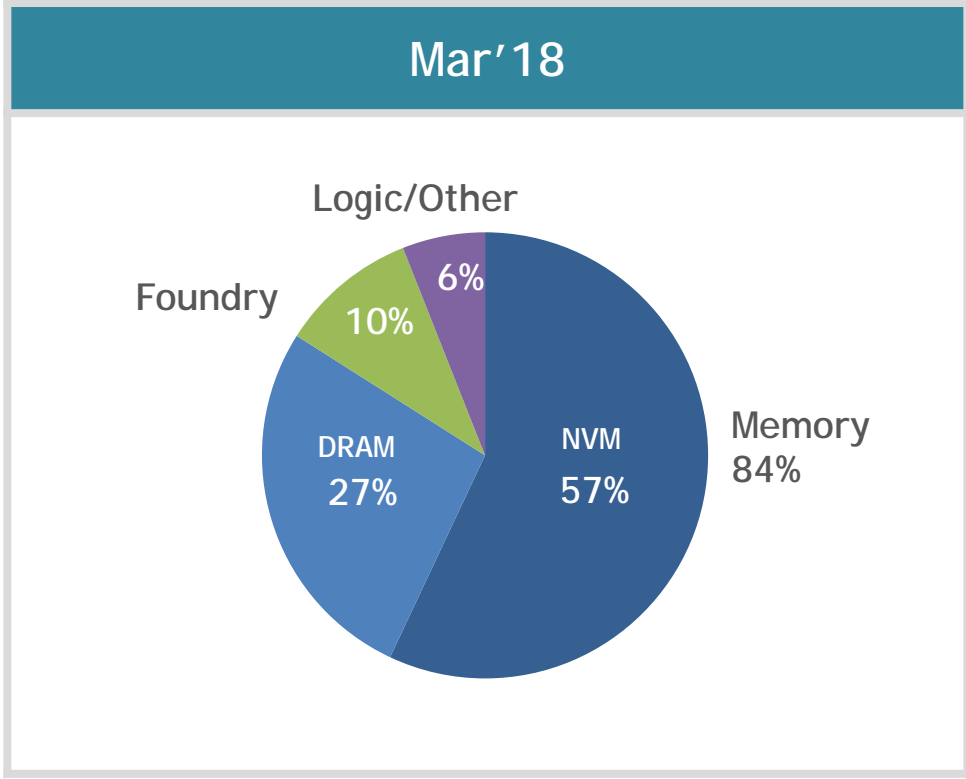
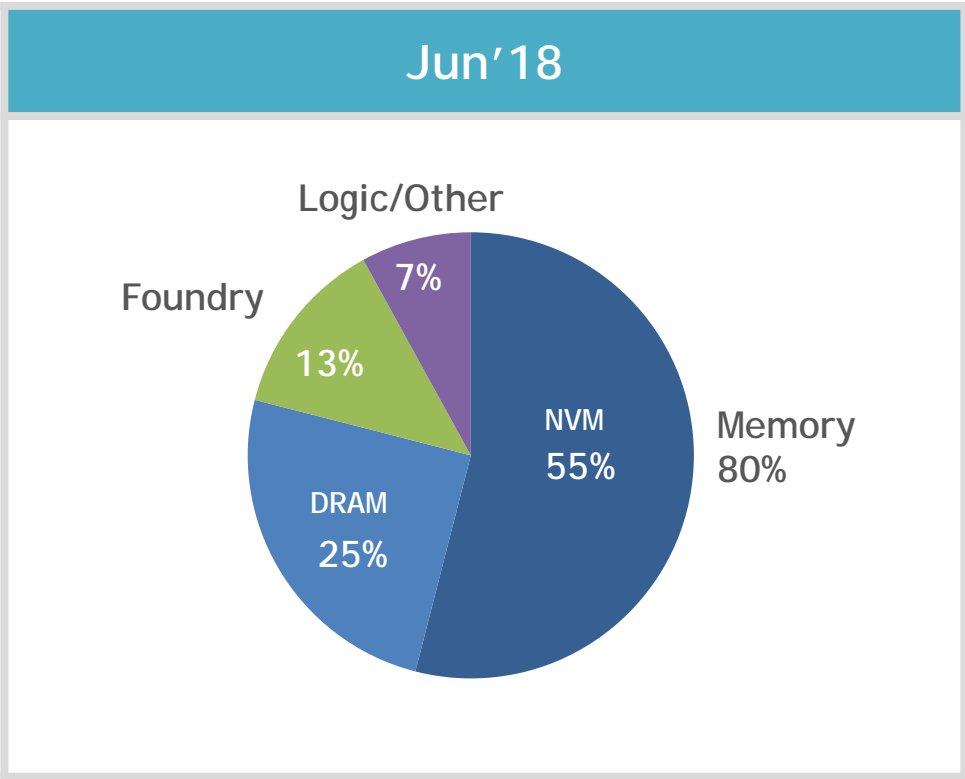


**Solid financial performance in QJun'18**

\*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.

# June Quarter Shipments

- ▶ QJun'18 shipments of \$3.028 billion
- ▶ System shipments segment mix:



# June Quarter Financial Results

	Jun'18	Mar'18
Revenue	\$3,126M	\$2,892M
Non-GAAP Gross Margin*	48.0%	46.8%
Non-GAAP Operating Expenses*	\$507M	\$486M
Non-GAAP Operating Income*	\$994M	\$867M
Non-GAAP Operating Margin*	31.8%	30.0%
Non-GAAP Other Income/(Expense)*	\$4.8M	(\$6.3M)
Non-GAAP Tax Rate*	6.7%	1%
GAAP Diluted EPS	\$5.82	\$4.33
Non-GAAP Diluted EPS*	\$5.31	\$4.79
Non-GAAP Diluted Share Count*	175M	178M

\*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

	Jun'18	Mar'18
Total Consolidated Gross Cash Balance	\$5,206M	\$6,742M
Account Receivables, Net	\$2,177M	\$2,083M
DSO	63 Days	66 Days
Inventory Turns	3.5	3.7
Deferred Revenue*	\$994M	\$1,114M
Capital Expenditures	\$80M	\$49M
Equity Compensation Expense	\$47M	\$41M
Amortization Expense	\$40M	\$41M
Depreciation Expense	\$45M	\$41M
Headcount	~10,900	~10,600

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

# September 2018 Quarter Non-GAAP Guidance

	Sep'18 Guidance
Revenue	\$2.3 billion $\pm$ \$150 million
Non-GAAP Gross Margin	46% $\pm$ 1%
Non-GAAP Operating Margin	26% $\pm$ 1%
Non-GAAP Earnings per Share*	\$3.20 $\pm$ \$0.20

\*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 and U.S. GAAP number of dilutive shares to Non-GAAP number of dilutive shares**  
(in thousands, except per share data)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>June 24, 2018</b>	<b>March 25, 2018</b>
U.S. GAAP net income	\$ 1,021,146	\$ 778,800
<b>Pre-tax non-GAAP items:</b>		
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	16,069	17,074
Business combination acquisition and integration related costs - selling, general and administrative	728	107
Amortization of note discounts - other expense, net	1,851	2,860
Realized loss on sale or impairment of investments - other expense, net	—	46,641
Net income tax benefit on non-GAAP items	(4,686)	(11,518)
Income tax benefit on conclusion of certain tax matters	(9,656)	(4,511)
Income tax benefit associated with U.S. tax reform	(115,838)	—
Non-GAAP net income	\$ 931,956	\$ 851,795
Non-GAAP net income per diluted share	\$ 5.31	\$ 4.79
GAAP net income per diluted share	\$ 5.82	\$ 4.33
U.S. GAAP number of shares used for per diluted share calculation	175,432	179,779
Effect of convertible note hedge	—	(1,993)
Non-GAAP number of shares used for per diluted share calculation	175,432	177,786

# Appendix - Reconciliation

**Reconciliation of U.S. GAAP Net 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)

	Twelve Months Ended	
	June 24, 2018	June 25, 2017
U.S. GAAP net income	\$ 2,380,681	\$ 1,697,763
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	88,640	85,000
Product rationalization - cost of goods sold	—	6,127
Product rationalization - research and development	—	1,650
Cost associated with campus consolidation - research and development	—	3,556
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	66,630	64,332
Costs associated with business process reengineering - selling, general and administrative	2,078	7,487
Business combination acquisition and integration related costs - selling, general and administrative	2,864	9,972
Litigation settlement - selling, general and administrative	—	4,000
Amortization of note discounts - other expense, net	12,225	22,869
Realized loss on sale or impairment of investments - other expense, net	46,641	—
Costs related to early termination of KLA-Tencor acquisition funding - other expense, net	—	34,518
KLA-Tencor pre-acquisition funding interest expense, net - other expense, net	—	20,391
Net income tax benefit on non-GAAP items	(26,722)	(47,941)
Income tax benefit on conclusion of certain tax matters	(14,720)	(109,191)
Income tax expense associated with U.S. tax reform	641,051	—
Non-GAAP net income	\$ 3,199,368	\$ 1,800,533
U.S. GAAP net income per diluted share	\$ 13.17	\$ 9.24
Non-GAAP net income per diluted share	\$ 17.87	\$ 9.98
U.S. GAAP number of shares used for per diluted share calculation	180,782	183,770
Effect of convertible note hedge	(1,711)	(3,302)
Non-GAAP number of shares used for per diluted share calculation	179,071	180,468



# Appendix - Reconciliation

## Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating Income to Non-GAAP Gross Margin, Operating Expenses and Operating Income (unaudited)

	Three Months Ended			
	June 24, 2018	March 25, 2018	December 24, 2017	September 24, 2017
U.S. GAAP gross margin	\$ 1,479,408	\$ 1,330,714	\$ 1,205,567	\$ 1,149,343
Pre-tax non-GAAP items:				
Amortization related to intangible assets acquired through certain business combinations	22,342	22,342	22,394	21,562
Non-GAAP gross margin	\$ 1,501,750	\$ 1,353,056	\$ 1,227,961	\$ 1,170,905
U.S. GAAP gross margin as a percentage of revenue	47.3%	46.0%	46.7%	46.4%
Non-GAAP gross margin as a percentage of revenue	48.0%	46.8%	47.6%	47.2%
U.S. GAAP operating expenses	\$ 524,213	\$ 503,203	\$ 468,196	\$ 456,121
Pre-tax non-GAAP items:				
Amortization related to intangible assets acquired through certain business combinations	(16,069)	(17,074)	(17,074)	(16,413)
Costs associated with business process reengineering	—	—	(1,362)	(716)
Business combination acquisition and integration related costs - selling, general and administrative	(728)	(107)	(1,093)	(936)
Non-GAAP operating expenses	\$ 507,416	\$ 486,022	\$ 448,667	\$ 438,056
Non-GAAP operating income	\$ 994,334	\$ 867,034	\$ 779,294	\$ 732,849
GAAP operating margin as percent of revenue	30.6%	28.6%	28.6%	28.0%
Non-GAAP operating margin as a percent of revenue	31.8%	30.0%	30.2%	29.6%

# Appendix - Reconciliation

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

(in thousands)  
(unaudited)

	Three Months Ended	
	June 24, 2018	March 25, 2018
U.S. GAAP Other expense, net	\$ 2,954	\$ (55,810)
Pre-tax non-GAAP items:		
Amortization of note discounts	1,851	2,860
Realized loss on sale or impairment of investments	\$ —	\$ 46,641
Non-GAAP Other income (expense), net	\$ 4,805	\$ (6,309)

# Appendix - Reconciliation

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

	<b>Three Months Ended</b>	
	<b>June 24, 2018</b>	<b>March 25, 2018</b>
U.S. GAAP income before income taxes	\$ 958,149	\$ 771,701
U.S. GAAP income tax benefit	\$ (62,997)	\$ (7,099)
U.S. GAAP income tax rate	(6.6)%	(0.9)%
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	16,069	17,074
Business combination acquisition and integration related costs - selling, general and administrative	728	107
Amortization of note discounts - other expense, net	1,851	2,860
Realized loss on sale or impairment of investments - other expense, net	—	46,641
Non-GAAP income before taxes	\$ 999,139	\$ 860,725
Net income tax benefit on non-GAAP items	\$ 4,686	\$ 11,518
Income tax benefit on conclusion of certain tax matters	9,656	4,511
Income tax benefit associated with U.S. tax reform	115,838	—
Non-GAAP income tax expense	\$ 67,183	\$ 8,930
Non-GAAP income tax rate	6.7%	1.0%

# Appendix - Reconciliation

For the September 2018 quarter, Lam is providing the following guidance:

	U.S. GAAP			Reconciling Items		Non-GAAP		
	\$2.3 Billion	+/-	\$150 Million	—		\$2.3 Billion	+/-	\$150 Million
Revenue								
Gross margin	45.0%	+/-	1%	\$	22 Million	46.0%	+/-	1%
Operating margin	24.3%	+/-	1%	\$	38 Million	26.0%	+/-	1%
Net income per diluted share	\$2.98	+/-	\$0.20	\$	36 Million	\$3.20	+/-	\$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 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 - amortization related to intangible assets acquired through business combinations, \$22 million.
- Operating margin - amortization related to intangible assets acquired through business combinations, \$38 million.
- Earnings per share - amortization related to intangible assets acquired through business combinations, \$38 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$3) million; totaling \$36 million.

# Appendix - Reconciliation

## RECONCILIATION OF DEFERRED REVENUE

(in millions)

(unaudited)

	Three Months Ended	
	June 24, 2018	March 25, 2018
Beginning Balance	\$ 1,113.9	\$ 1,114.3
Shipments	3,028.4	3,134.7
Revenue	(3,125.9)	(2,892.1)
Net Change in Japan (1)	(81.7)	(236.6)
Services & Other	59.0	(6.4)
Ending Balance	\$ 993.7	\$ 1,113.9
Value of shipments to customers in Japan not recorded as deferred revenue (2)	\$ 607.5	\$ 525.8

- (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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