



Lam Research Corporation

March Quarter 2020 Financial Results

April 22, 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; (4) our ability to successfully execute business, capital allocation, product and growth plans or strategies, or otherwise deliver value for customers and stockholders; and (5) 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. 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 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; 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”), including specifically the Risk Factors described in our annual report on Form 10-K for the fiscal year ended June 30, 2019, our quarterly reports on Form 10-Q for the fiscal quarters ended September 29, 2019 and December 29, 2019, and our current report of Form 8-K dated April 22, 2020. 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

Areas of Focus



Ensure health and safety of our employees, partners, and their families



Implement business continuity plans in manufacturing and supply chain network



Increase the capability and expertise of regional teams to meet customers' installed-base and new system installation needs



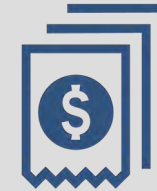
Created \$25 million COVID-19 Relief Fund for employees and communities

Supporting Critical Customer Needs

March 2020 Quarter Results



\$2.50B
Revenue



\$3.98
Earnings per Share*

Industry Overview



- ▶ Strong customer demand environment but equipment industry is supply constrained
- ▶ Exiting March quarter with record backlog
- ▶ Cloud and enterprise-related demand offset by weak consumer markets
- ▶ Underinvestment in supply in 2019 provides confidence in healthy memory market fundamentals
- ▶ Lam well-positioned to deliver on long-term strategy

Strategy for Outperformance



Installed Base

- Solid foundation with revenues (\$856M in March) growing faster than installed-base units
- Continued strong activity in Reliant[®]



Share

- Wins in Etch across DRAM, NAND, Foundry/Logic
- Customer pull for Sense.i[™], our etch platform with advanced equipment intelligence, data analysis and self-maintenance capabilities



Served Available Market

- Atomic layer deposition (ALD) for advanced logic nodes and 3D NAND gapfill

Summary



➤ Executing well in challenging environment

➤ Continued focus on mitigating operational impacts

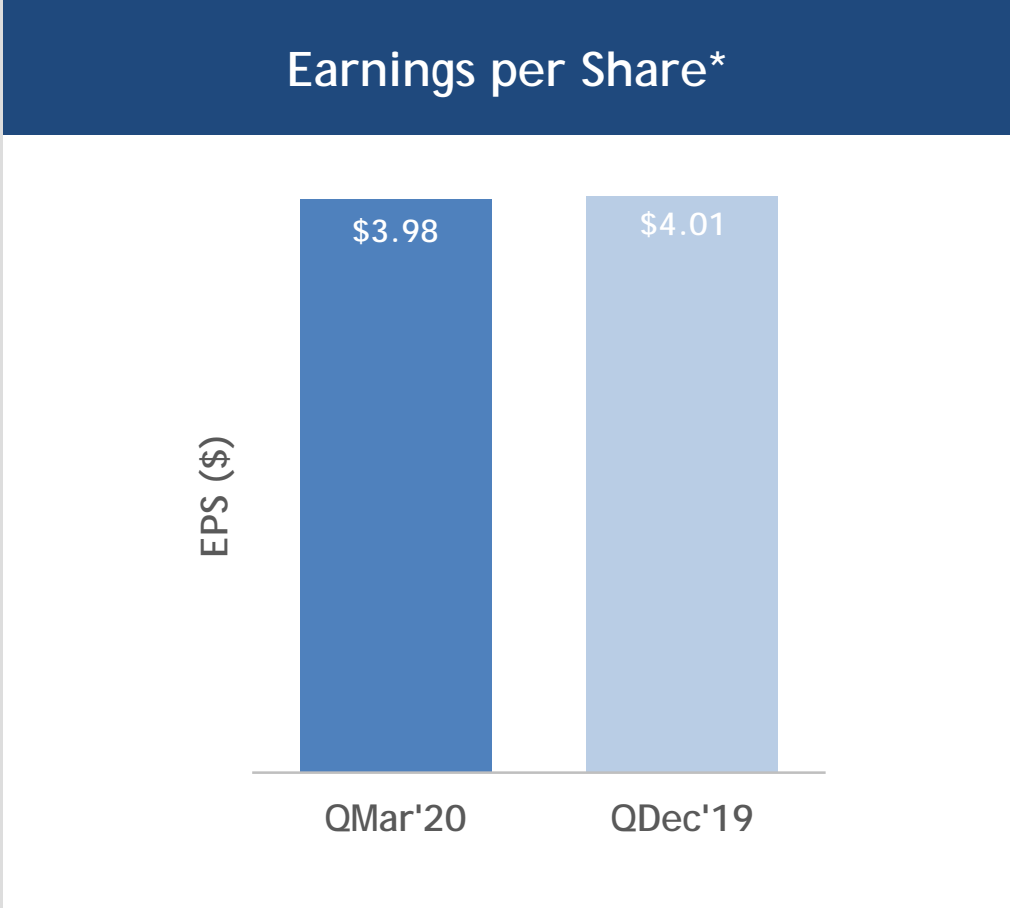
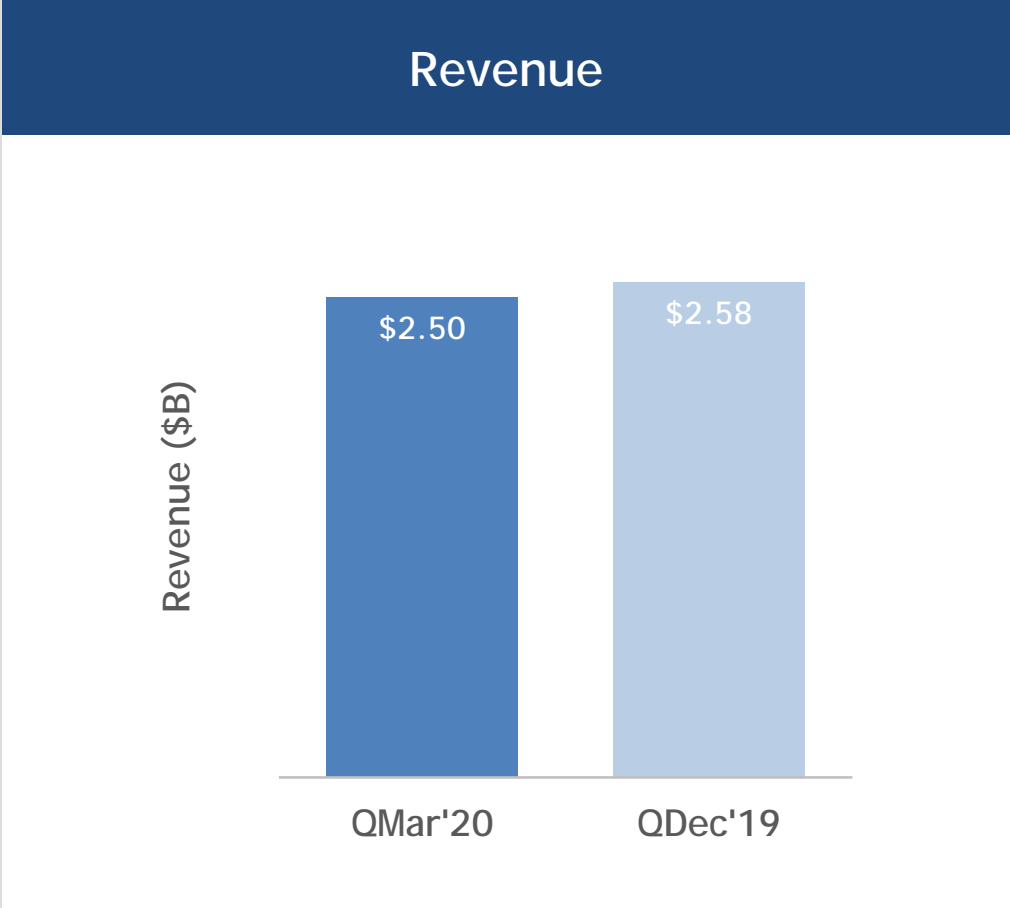
➤ Confident in long-term secular demand for semiconductors driving WFE growth

March Quarter 2020 Financial Results and June Quarter 2020 Outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

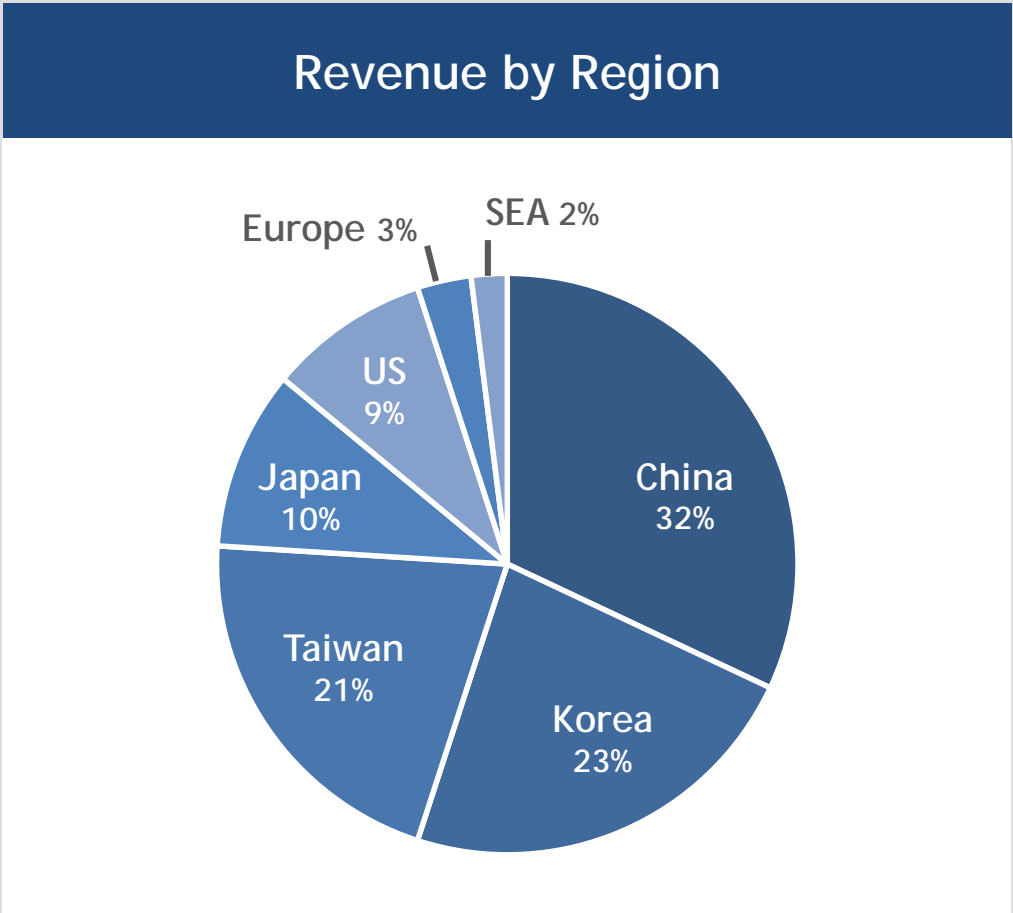
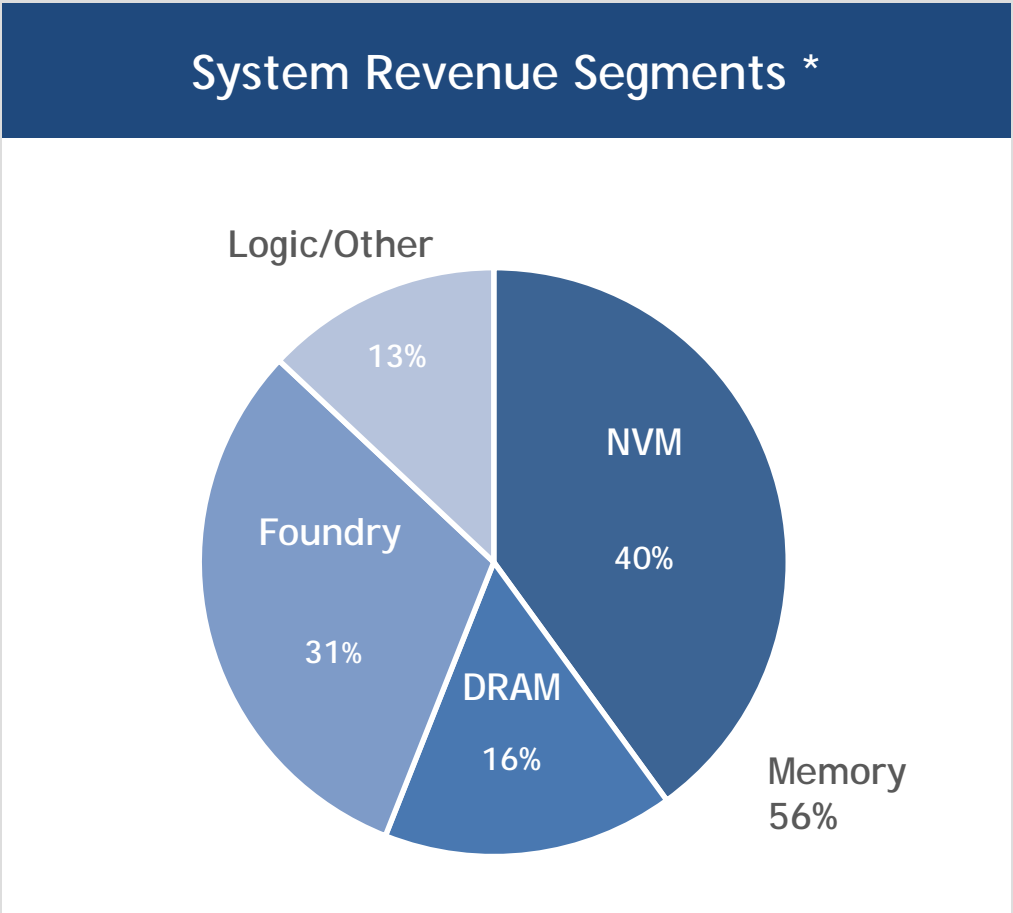
March Quarter Results



*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

► Increases in Memory investments; Foundry strength continued



NVM = Non-Volatile Memory

* Systems revenue includes equipment and equipment upgrade sales from etch, deposition, clean and our Reliant product line

March Quarter Financial Results

| | Q Mar'20 | Q Dec'19 |
|---|----------|----------|
| Revenue | \$2,504M | \$2,584M |
| Non-GAAP Gross Margin* | 46.3% | 45.7% |
| Non-GAAP Operating Expenses* | \$486M | \$481M |
| Non-GAAP Operating Income* | \$673M | \$700M |
| Non-GAAP Operating Income as a percentage of Revenue* | 26.9% | 27.1% |
| Non-GAAP Other Expense, Net* | \$30M | \$13M |
| Non-GAAP Tax Rate* | 8.3% | 12.5% |
| U.S. GAAP Diluted EPS | \$3.88 | \$3.43 |
| Non-GAAP Diluted EPS* | \$3.98 | \$4.01 |
| Diluted Share Count | 148M | 150M |

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

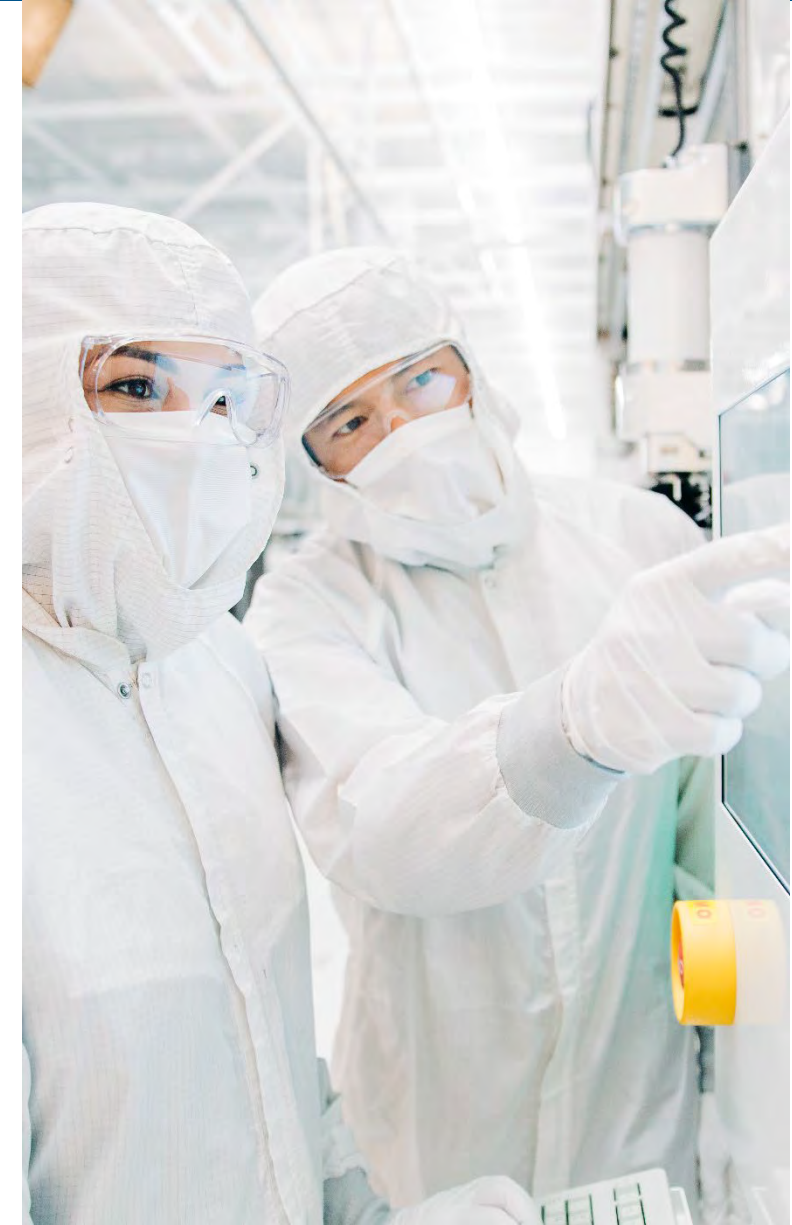
Key Balance Sheet and Financial Metrics

| | Q Mar'20 | Q Dec'19 |
|---------------------------------------|----------|----------|
| Total Consolidated Gross Cash Balance | \$5,647M | \$4,938M |
| Account Receivables, Net | \$2,191M | \$2,030M |
| DSO | 80 Days | 72 Days |
| Inventory Turns | 3.2 | 3.7 |
| Deferred Revenue* | \$726M | \$411M |
| Capital Expenditures | \$51M | \$62M |
| Equity Compensation Expense | \$47M | \$46M |
| Amortization Expense | \$17M | \$17M |
| Depreciation Expense | \$50M | \$49M |
| Headcount | ~11,000 | ~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. \$115M as of March 29, 2020 and \$91M as of December 29, 2019.

June 2020 Quarter Outlook

- ▶ Customer demand strong, but currently output constrained
- ▶ Expect June quarter revenues to be higher than March with current operational performance
- ▶ Capacity challenges negatively impact gross margin
- ▶ CSBG business remains resilient
- ▶ Actively managing costs with increased spending focused on health and safety of employees and partners and critical customer needs
- ▶ Higher interest expense related to revolver draw
- ▶ Flat share count



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 29, 2020 | December 29, 2019 | December 29, 2019 |
| | | (As Previously Presented) | (As Adjusted) |
| U.S. GAAP net income | \$ 574,781 | \$ 514,510 | \$ 514,510 |
| Pre-tax non-GAAP items: | | | |
| Amortization related to intangible assets acquired through certain business combinations - cost of goods sold | 1,627 | 1,627 | 1,627 |
| (Gain) loss on elective deferred compensation ("EDC") - related liability - cost of goods sold | (8,653) | — | 3,587 |
| (Gain) loss on EDC - related liability - research and development | (15,575) | — | 6,456 |
| Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative | 12,357 | 12,357 | 12,357 |
| (Gain) loss on EDC - related liability - selling, general and administrative | (10,383) | — | 4,304 |
| Amortization of note discounts - other expense, net | 953 | 1,158 | 1,158 |
| Loss (gain) on EDC - related asset - other expense, net | 33,828 | — | (14,129) |
| Net income tax expense (benefit) on non-GAAP items | 1,700 | (2,358) | (4,029) |
| Income tax benefit on the conclusion of certain tax matters | (276) | — | — |
| Cumulative income tax benefit reversal due to a court ruling | — | 74,516 | 74,516 |
| Non-GAAP net income | \$ 590,359 | \$ 601,810 | \$ 600,357 |
| Non-GAAP net income per diluted share | \$ 3.98 | \$ 4.01 | \$ 4.00 |
| U.S. GAAP net income per diluted share | \$ 3.88 | \$ 3.43 | \$ 3.43 |
| U.S. GAAP and non-GAAP number of shares used for per diluted share calculation | 148,165 | 150,097 | 150,097 |

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 29, 2020 | December 29, 2019 | December 29, 2019 |
| | | (As Previously Presented) | (As Adjusted) |
| U.S. GAAP gross margin | \$ 1,167,007 | \$ 1,179,644 | \$ 1,179,644 |
| Pre-tax non-GAAP items: | | | |
| Amortization related to intangible assets acquired through certain business combinations | 1,627 | 1,627 | 1,627 |
| (Gain) loss on EDC-related liability | (8,653) | — | 3,587 |
| Non-GAAP gross margin | \$ 1,159,981 | \$ 1,181,271 | \$ 1,184,858 |
| U.S. GAAP gross margin as a percentage of revenue | 46.6% | 45.7% | 45.7% |
| Non-GAAP gross margin as a percentage of revenue | 46.3% | 45.7% | 45.9% |
| U.S. GAAP operating expenses | \$ 472,893 | \$ 493,133 | \$ 493,133 |
| Pre-tax non-GAAP items: | | | |
| Amortization related to intangible assets acquired through certain business combinations | (12,357) | (12,357) | (12,357) |
| Gain (loss) on EDC-related liability | 25,958 | — | (10,760) |
| Non-GAAP operating expenses | \$ 486,494 | \$ 480,776 | \$ 470,016 |
| U.S. GAAP operating income | \$ 694,114 | \$ 686,511 | \$ 686,511 |
| Non-GAAP operating income | \$ 673,487 | \$ 700,495 | \$ 714,842 |
| U.S. GAAP operating income as percent of revenue | 27.7% | 26.6% | 26.6% |
| Non-GAAP operating income as a percent of revenue | 26.9% | 27.1% | 27.7% |

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

| | Three Months Ended | | |
|---|---------------------------|------------------------------|------------------------------|
| | March 29, 2020 | December 29, 2019 | December 29, 2019 |
| | | (As Previously Presented) | (As Adjusted) |
| U.S. GAAP Other expense, net | \$ (64,619) | \$ (13,924) | \$ (13,924) |
| Pre-tax non-GAAP items: | | | |
| Amortization of note discounts | 953 | 1,158 | 1,158 |
| Loss (gain) on EDC - related asset - other expense, net | 33,828 | — | (14,129) |
| Non-GAAP Other expense, net | <u>\$ (29,838)</u> | <u>\$ (12,766)</u> | <u>\$ (26,895)</u> |

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 29, 2020 | December 29, 2019 | December 29, 2019 |
| | | (As Previously Presented) | (As Adjusted) |
| U.S. GAAP income before income taxes | \$ 629,495 | \$ 672,587 | \$ 672,587 |
| U.S. GAAP income tax expense | \$ 54,714 | \$ 158,077 | \$ 158,077 |
| U.S. GAAP income tax rate | 8.7% | 23.5% | 23.5% |
| Pre-tax non-GAAP items: | | | |
| Amortization related to intangible assets acquired through certain business combinations - cost of goods sold | \$ 1,627 | \$ 1,627 | \$ 1,627 |
| (Gain) loss on elective deferred compensation ("EDC") - related liability - cost of goods sold | (8,653) | — | 3,587 |
| (Gain) loss on EDC - related liability - research and development | (15,575) | — | 6,456 |
| Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative | 12,357 | 12,357 | 12,357 |
| (Gain) loss on EDC - related liability - selling, general and administrative | (10,383) | — | 4,304 |
| Amortization of note discounts - other expense, net | 953 | 1,158 | 1,158 |
| Loss (gain) on EDC - related asset - other expense, net | 33,828 | — | (14,129) |
| Non-GAAP income before taxes | \$ 643,649 | \$ 687,729 | \$ 687,947 |
| Net income tax (expense) benefit on non-GAAP items | \$ (1,700) | \$ 2,358 | \$ 4,029 |
| Income tax benefit on conclusion of certain tax matters | 276 | — | — |
| Cumulative income tax benefit reversal due to a court ruling | — | (74,516) | (74,516) |
| Non-GAAP income tax expense | \$ 53,290 | \$ 85,919 | \$ 87,590 |
| Non-GAAP income tax rate | 8.3% | 12.5% | 12.7% |

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