

Lam Research Corporation

March quarter 2022 financial results

April 20, 2022



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; (5) the impact and expected duration of supply chain disruptions, and our ability to mitigate them; (6) 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; and (7) the impact of trade regulations, export controls and trade disputes. 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: supply chain disruptions have limited and are expected to continue to limit our ability to meet demand for our products; supply chain cost increases and other inflationary pressures have impacted and are expected to continue to impact our profitability; trade regulations, export controls, trade disputes and other geopolitical tensions may inhibit our ability to sell our products; 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; 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; 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 27, 2021 and our quarterly report on Form 10-Q for the quarter ended December 26, 2021. You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to update any forward-looking statements.

Business review & industry outlook

Tim Archer

President and Chief Executive Officer

March quarter takeaways



Revenue of \$4.06B
and EPS of \$7.40
within guidance ranges



Continued component
shortages and new issues
including those related to
COVID lockdowns



Lam committing
investment and resources
to address supply
chain challenges

Prioritizing supply chain resilience

NEAR-TERM FOCUS

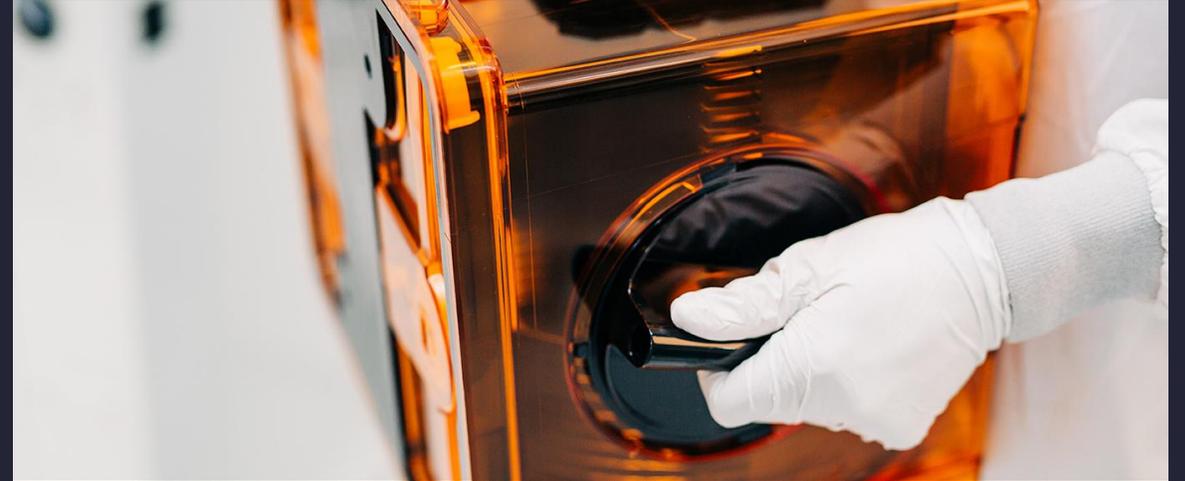
Accelerating procurement of parts

Increasing field resources to complete installs

Partnering with customers to qualify additional suppliers in most severely constrained areas

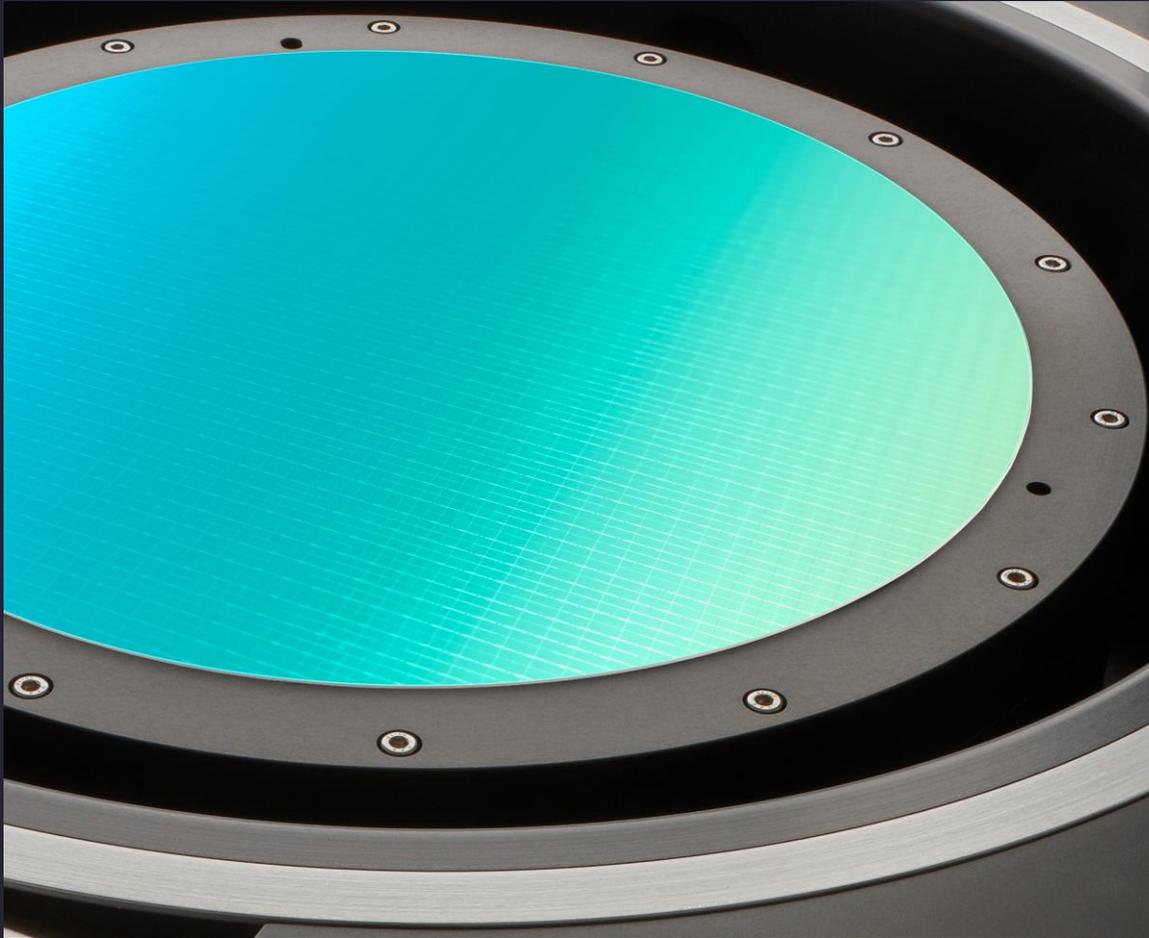
LONG-TERM FOCUS

Assigning engineering resources to improve supply chain flexibility



Confident of progressive improvements, supported by \$2B in deferred revenue

WFE investment remains robust



2022 WFE view still in the \$100B range, potentially limited by continued supply-related delays

Unconstrained demand at over \$100B

Powerful long-term secular growth drivers including rising semiconductor content and increasing device complexity remain intact

Lam-specific long-term growth drivers remain strong

- + Differentiated etch and deposition equipment for manufacturing higher performance and more scalable 3D device architectures
- + Innovative installed base products and services
- + Continuing investment in an exceptional pipeline of new products and services



Growing Lam's technology leadership across device segments

FOUNDRY-LOGIC

Selective etch win at a large customer

New conductor etch wins, set to double node-to-node share at key customer, leveraging Equipment Intelligence[®] platform capabilities

Significant momentum for both ALD metals and dielectrics deposition solutions for leading-edge foundry/logic nodes

DRAM

Etch: Leveraged foundry-logic success to drive share growth at key customer as devices adopt High K Metal Gate transistors

Deposition: Two wins at leading node for critical spacer applications

NAND

Highly contested ALD win at key customer for critical wordline application

CSBG expected to show strong growth in 2022



March quarter results down modestly due to supply chain impact on Reliant® and upgrades businesses

Expanding installed base over a longer period offers stable platform for revenue growth

Secured spares contracts at two of the world's largest IDMs – cumulative contract value >\$1B

Lam's 2022 focus

Expect to post a solid year of revenue and EPS growth in CY 2022



Making progress on addressing the extraordinary industry supply challenges



Committing **financial resources and workforce** to meet critical needs of our customers



Seeing continued **strong demand for our equipment** in a robust WFE spending environment

March quarter 2022 financial results & June quarter 2022 outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

March quarter results



Q MAR'22 REVENUE

\$4.06B

Q Dec'21 revenue: \$4.23B

Q MAR'22 DEFERRED REVENUE

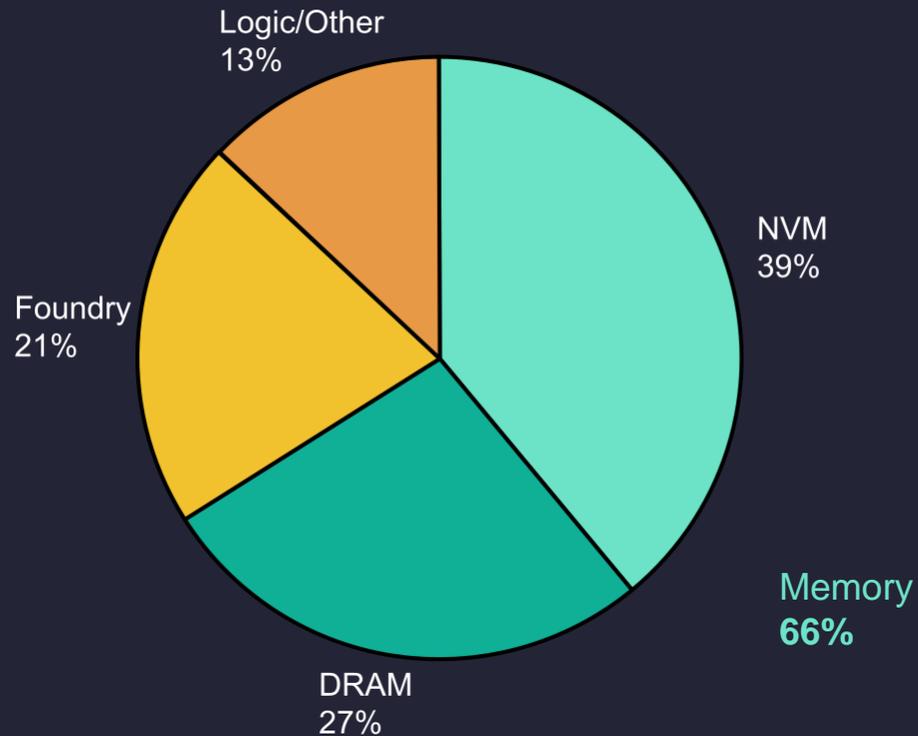
\$2.07B

Q Dec'21 deferred revenue: \$1.46B

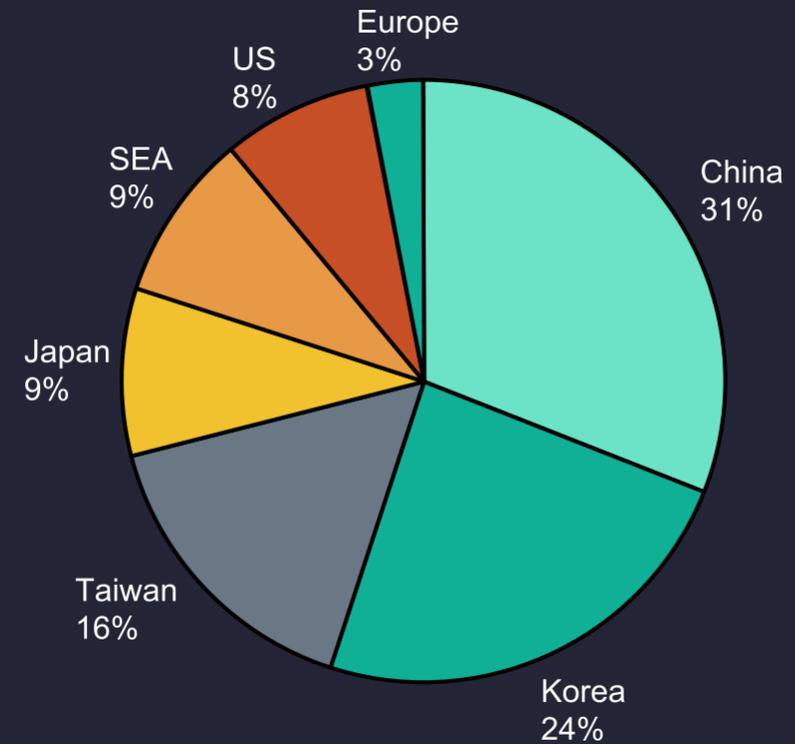
March quarter revenue mix

Record level of DRAM and Logic/Other revenue dollars

System revenue segments*



Revenue by region



Customer Support Business Group



Q MAR'22 CSBG REVENUE

\$1.41B

Q Dec'21 CSBG revenue: \$1.49B

Q Mar'21 CSBG revenue: \$1.30B

March quarter financial results

	Q MAR'22	Q DEC'21
Revenue	\$4,060M	\$4,227M
Non-GAAP Gross Margin*	44.7%	46.8%
Non-GAAP Operating Expenses*	\$621M	\$627M
Non-GAAP Operating Income*	\$1,194M	\$1,352M
Non-GAAP Operating Income as a percentage of Revenue*	29.4%	32.0%
Non-GAAP Other (Expense) Income, Net*	\$(44)M	\$19M
U.S. GAAP Diluted EPS	\$7.30	\$8.44
Non-GAAP Diluted EPS*	\$7.40	\$8.53
Diluted Share Count	140M	142M

Key balance sheet and financial metrics

	Q MAR'22	Q DEC'21
Total Consolidated Gross Cash Balance	\$4,606M	\$5,580M
Accounts Receivable, Net	\$3,702M	\$3,403M
DSO	83 Days	73 Days
Inventories	\$3,479M	\$3,074M
Inventory Turns	2.6	2.9
Deferred Revenue*	\$2,069M	\$1,458M
Capital Expenditures	\$145M	\$138M
Equity Compensation Expense	\$69M	\$63M
Amortization Expense	\$20M	\$20M
Depreciation Expense	\$64M	\$62M
Share Repurchases	\$1,200M	\$430M
Cash Dividends	\$211M	\$211M
Headcount	~16,900	~16,300

June 2022 quarter guidance



\$4.20B +/- \$300M

Revenue



44.5% +/- 1%

Non-GAAP gross margin



29.5% +/- 1%

Non-GAAP operating margin



\$7.25 +/- \$0.75

Non-GAAP earnings per share*

Q&A

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 27, 2022	December 26, 2021
U.S. GAAP net income	\$ 1,021,778	\$ 1,194,830
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,153	1,092
Elective deferred compensation ("EDC") related liability valuation decrease - cost of goods sold	(2,868)	(8)
EDC related liability valuation decrease - research and development	(5,161)	(15)
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,494	12,357
EDC related liability valuation decrease - selling, general and administrative	(3,441)	(10)
Amortization of note discounts - other income (expense), net	695	689
Loss on EDC related asset - other income (expense), net	13,118	56
Net income tax benefit on non-GAAP items	(1,409)	(1,651)
Non-GAAP net income	\$ 1,036,359	\$ 1,207,340
Non-GAAP net income per diluted share	\$ 7.40	\$ 8.53
U.S. GAAP net income per diluted share	\$ 7.30	\$ 8.44
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	140,057	141,530

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 27, 2022	December 26, 2021
U.S. GAAP gross margin	\$ 1,816,625	\$ 1,977,916
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	1,153	1,092
EDC related liability valuation decrease	(2,868)	(8)
Non-GAAP gross margin	\$ 1,814,910	\$ 1,979,000
U.S. GAAP gross margin as a percentage of revenue	44.7 %	46.8 %
Non-GAAP gross margin as a percentage of revenue	44.7 %	46.8 %
U.S. GAAP operating expenses	\$ 624,528	\$ 639,777
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,494)	(12,357)
EDC related liability valuation decrease	8,602	25
Non-GAAP operating expenses	\$ 620,636	\$ 627,445
U.S. GAAP operating income	\$ 1,192,097	\$ 1,338,139
Non-GAAP operating income	\$ 1,194,274	\$ 1,351,555
U.S. GAAP operating income as percent of revenue	29.4 %	31.7 %
Non-GAAP operating income as a percent of revenue	29.4 %	32.0 %

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 27, 2022	December 26, 2021
U.S. GAAP Other income (expense), net	\$ (57,402)	\$ 17,999
Pre-tax non-GAAP items:		
Amortization of note discounts	695	689
Loss on EDC related asset	13,118	56
Non-GAAP Other income (expense), net	\$ (43,589)	\$ 18,744

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 27, 2022	December 26, 2021
U.S. GAAP income before income taxes	\$ 1,134,695	\$ 1,356,138
U.S. GAAP income tax expense	\$ 112,917	\$ 161,308
U.S. GAAP income tax rate	10.0 %	11.9 %
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 1,153	\$ 1,092
Elective deferred compensation ("EDC") related liability valuation decrease - cost of goods sold	(2,868)	(8)
EDC related liability valuation decrease - research and development	(5,161)	(15)
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,494	12,357
EDC related liability valuation decrease - selling, general and administrative	(3,441)	(10)
Amortization of note discounts - other income (expense), net	695	689
Loss on EDC related asset - other income (expense), net	13,118	56
Non-GAAP income before taxes	\$ 1,150,685	\$ 1,370,299
Net income tax benefit on non-GAAP items	\$ 1,409	\$ 1,651
Non-GAAP income tax expense	\$ 114,326	\$ 162,959
Non-GAAP income tax rate	9.9 %	11.9 %

Appendix – reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the quarter ended June 26, 2022

	U.S. GAAP			Reconciling Items	Non-GAAP		
	\$4.20 Billion	+/-	\$300 Million	—	\$4.20 Billion	+/-	\$300 Million
Revenue							
Gross margin as a percentage of revenue	44.5%	+/-	1%	\$ 1 Million	44.5%	+/-	1%
Operating income as a percentage of revenue	29.2%	+/-	1%	\$ 11 Million	29.5%	+/-	1%
Net income per diluted share	\$7.18	+/-	\$0.75	\$ 10 Million	\$7.25	+/-	\$0.75
Diluted share count			139 Million	—			139 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 or recognized 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, \$1 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$11 million.
- Net income per diluted share - amortization related to intangible assets acquired through business combinations, \$11 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$2 million); totaling \$10 million.

