



Lam Research Corporation

September Quarter 2020 Financial Results

October 21, 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; (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; and (6) 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: 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; trade regulations, export controls, and trade disputes may inhibit our ability to sell our products; 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 28, 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

Strong September Quarter Results

- Record September Quarter Revenue and EPS
- First \$1B Revenue Quarter for CSBG



\$3.18B

Revenue



47.5%

Gross Margin*



31.1%

Operating Margin*



\$5.67

Earnings per Share*

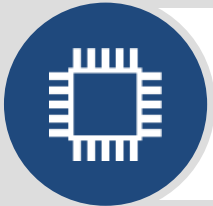
Industry Overview



2020 WFE spending estimated in mid to high \$50 billion range



Broad-based strength in Foundry-Logic spending, including leading-edge nodes



NAND spending growing at 9x layer and beyond
DRAM spending expected to increase as we progress into 2021



Accelerating secular drivers expected to result in WFE strength

Equipment Intelligence® Solutions and Technology Leadership

Sense.i™ Etch Platform



- ▶ Breakthrough productivity and speed-to-solution powered by Equipment Intelligence®

Corvus® R Automated Maintenance



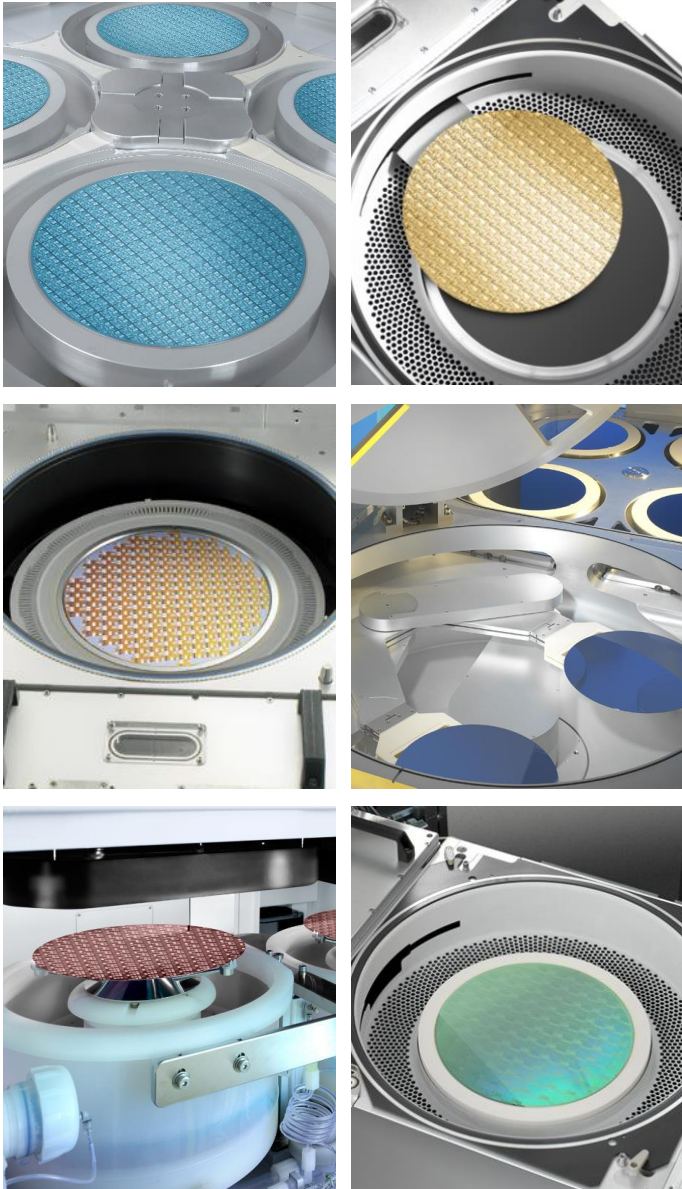
- ▶ Lowering operating expense in critical and semi-critical applications

Remote Support Services



- ▶ Connecting to experts for highest quality installations and service

Differentiated Solutions for 3D



3D NAND Leadership

- ▶ Increasing positions for enhanced ALD gapfill, advanced carbon patterning film, and high aspect ratio etch

Packaging Expertise

- ▶ Doubling of installed base since 2015 for SABRE® 3D ECD and Syndion® etch tools

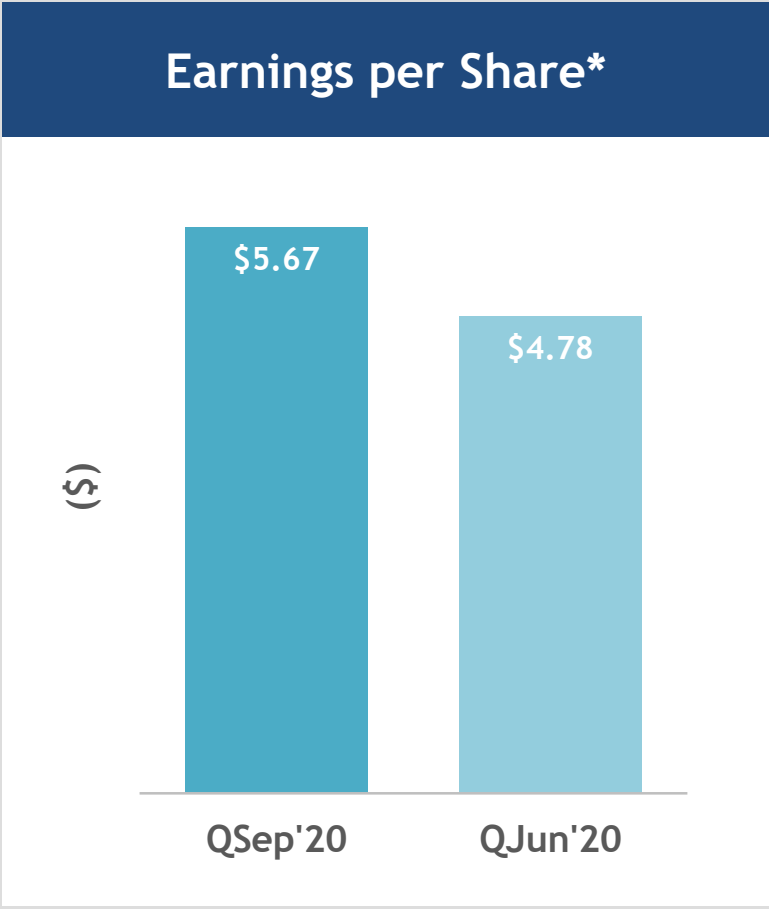
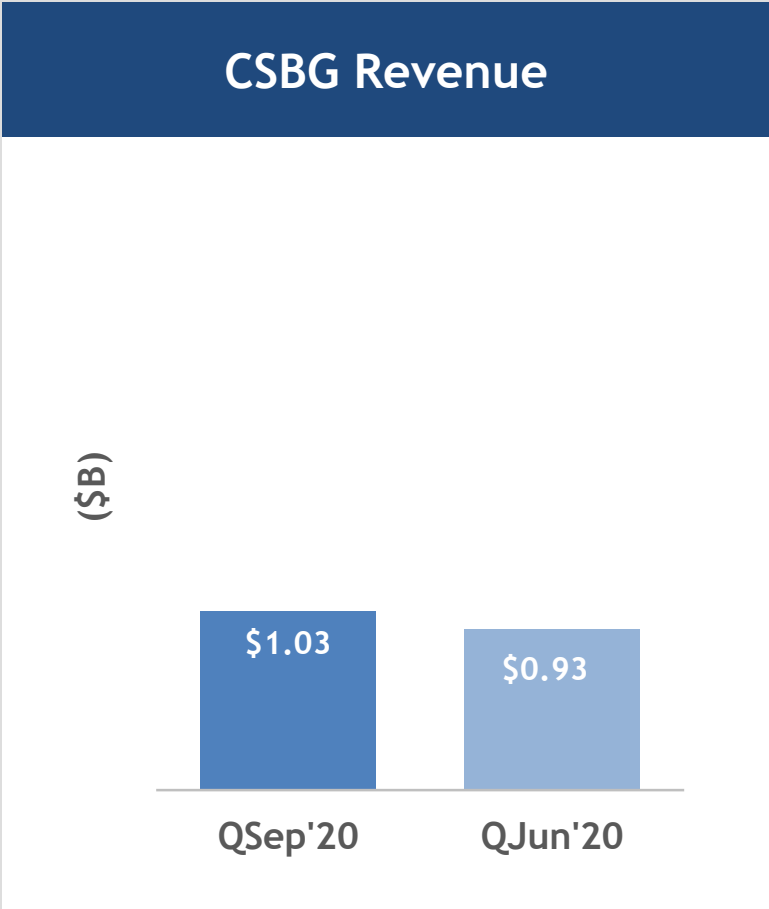
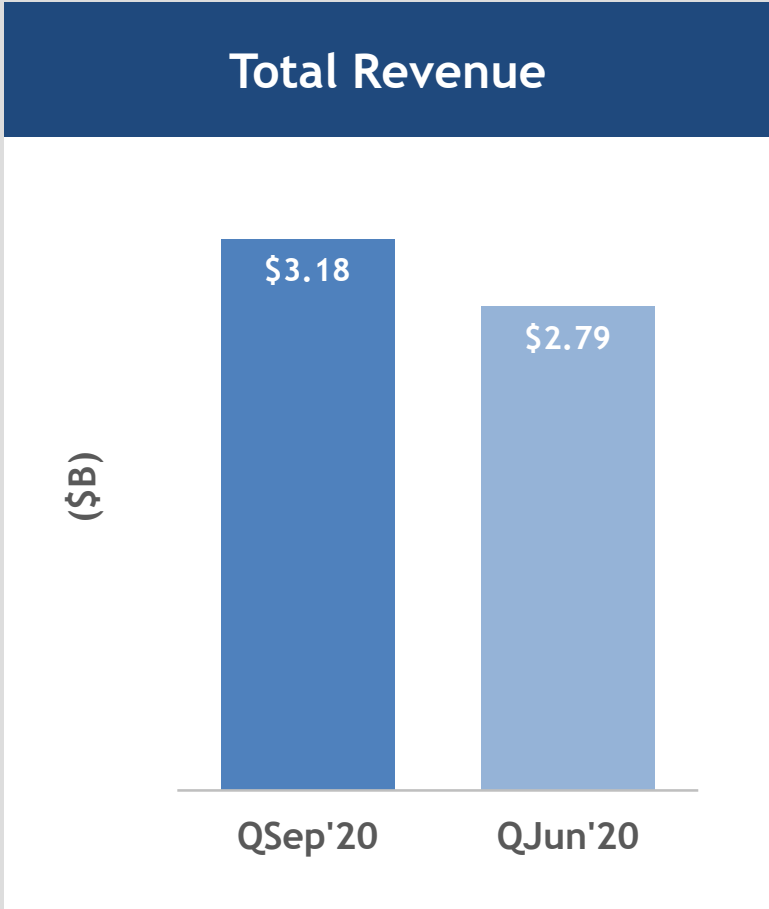
- Lam's capabilities and strategic investments aligned with the fundamental needs of our customers and our industry
- Innovative products and services that drive efficiencies from design through support and maintenance activities
- Execution on strategic growth objectives reflected in strong financial performance

September Quarter 2020 Financial Results and December Quarter 2020 Outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

September Quarter Results



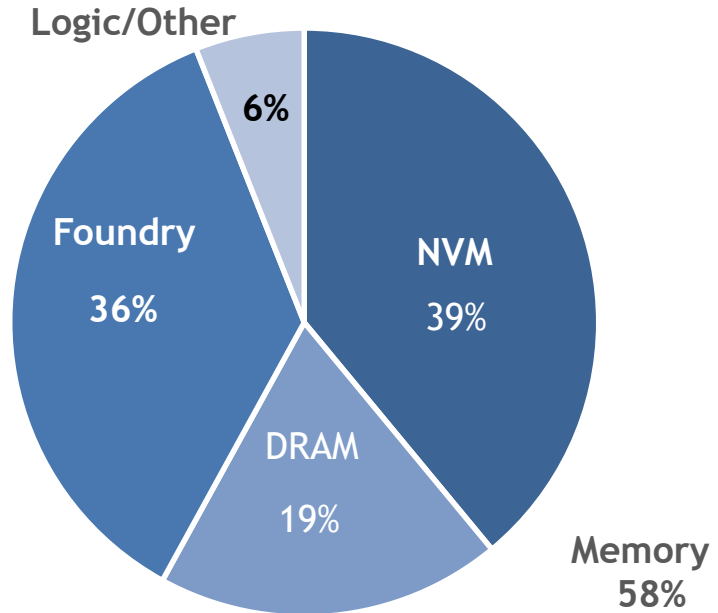
CSBG = Customer Support Business Group

*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.

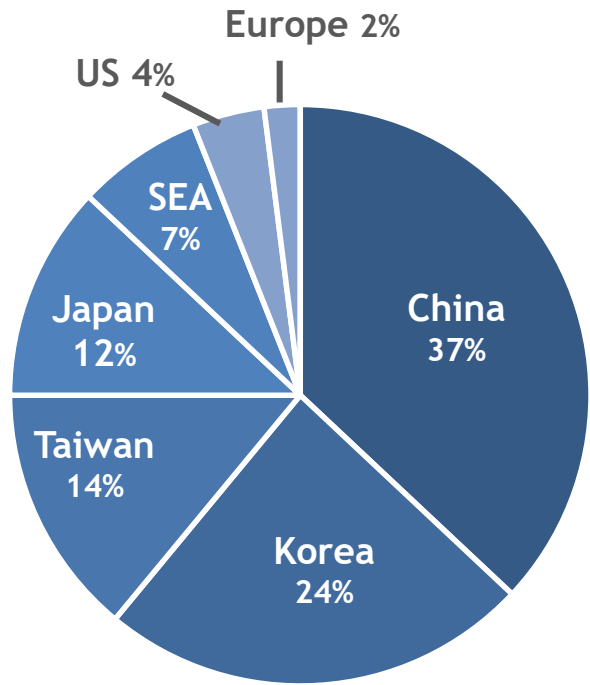
September Quarter Revenue Mix

► Record level of Foundry revenue dollars

System Revenue Segments *



Revenue by Region



NVM = Non-Volatile Memory

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

September Quarter Financial Results

	Q Sep'20	Q Jun'20
Revenue	\$3,177M	\$2,792M
Non-GAAP Gross Margin*	47.5%	46.1%
Non-GAAP Operating Expenses*	\$523M	\$493M
Non-GAAP Operating Income*	\$988M	\$795M
Non-GAAP Operating Income as a percentage of Revenue*	31.1%	28.5%
Non-GAAP Other Expense, Net*	\$51M	\$33M
U.S. GAAP Diluted EPS	\$5.59	\$4.73
Non-GAAP Diluted EPS*	\$5.67	\$4.78
Diluted Share Count	147M	147M

*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 Sep'20	Q Jun'20
Total Consolidated Gross Cash Balance	\$6,911M	\$6,964M
Account Receivables, Net	\$2,318M	\$2,097M
DSO	66 Days	68 Days
Inventory Turns	3.1	3.2
Deferred Revenue*	\$680M	\$537M
Capital Expenditures	\$63M	\$51M
Equity Compensation Expense	\$56M	\$53M
Amortization Expense	\$17M	\$17M
Depreciation Expense	\$56M	\$54M
Headcount	~11,700	~11,300

* 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 approximately \$201M as of September 27, 2020 and \$183M as of June 28, 2020.

December 2020 Quarter Guidance



\$3.3B ± \$200M

Revenue



46.0% ± 1%

Non-GAAP
Gross Margin



29.5% ± 1%

Non-GAAP
Operating Margin



\$5.60 ± \$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 146M 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	
	September 27, 2020	June 28, 2020
U.S. GAAP net income	\$ 823,451	\$ 696,673
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,270	1,627
Loss on elective deferred compensation ("EDC") related liability - cost of goods sold	3,224	6,380
Loss on EDC related liability - research and development	5,803	11,483
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
Loss on EDC related liability - selling, general and administrative	3,869	7,655
Amortization of note discounts - other expense, net	1,011	935
Gain on EDC related asset - other expense, net	(12,927)	(26,135)
Net income tax benefit on non-GAAP items	(2,992)	(5,698)
Adjustment to cumulative income tax benefit reversal due to a court ruling	—	(821)
Non-GAAP net income	\$ 835,066	\$ 704,456
Non-GAAP net income per diluted share	\$ 5.67	\$ 4.78
U.S. GAAP net income per diluted share	\$ 5.59	\$ 4.73
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	147,248	147,416

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 27, 2020	June 28, 2020
U.S. GAAP gross margin	\$ 1,506,179	\$ 1,280,332
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	1,270	1,627
Loss on EDC related liability	3,224	6,380
Non-GAAP gross margin	\$ 1,510,673	\$ 1,288,339
U.S. GAAP gross margin as a percentage of revenue	47.4 %	45.9 %
Non-GAAP gross margin as a percentage of revenue	47.5 %	46.1 %
U.S. GAAP operating expenses	\$ 545,115	\$ 524,610
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,357)	(12,357)
Loss on EDC related liability	(9,672)	(19,138)
Non-GAAP operating expenses	\$ 523,086	\$ 493,115
U.S. GAAP operating income	\$ 961,064	\$ 755,722
Non-GAAP operating income	\$ 987,587	\$ 795,224
U.S. GAAP operating income as percent of revenue	30.2 %	27.1 %
Non-GAAP operating income as a percent of revenue	31.1 %	28.5 %

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

	Three Months Ended	
	September 27, 2020	June 28, 2020
U.S. GAAP Other expense, net	\$ (38,792)	\$ (7,553)
Pre-tax non-GAAP items:		
Amortization of note discounts	1,011	935
Gain on EDC related asset - other expense, net	(12,927)	(26,135)
Non-GAAP Other expense, net	\$ (50,708)	\$ (32,753)

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 27, 2020	June 28, 2020
U.S. GAAP income before income taxes	\$ 922,272	\$ 748,169
U.S. GAAP income tax expense	\$ 98,821	\$ 51,496
U.S. GAAP income tax rate	10.7 %	6.9 %
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 1,270	\$ 1,627
Loss on elective deferred compensation ("EDC") related liability - cost of goods sold	3,224	6,380
Loss on EDC related liability - research and development	5,803	11,483
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
Loss on EDC related liability - selling, general and administrative	3,869	7,655
Amortization of note discounts - other expense, net	1,011	935
Gain on EDC related asset - other expense, net	(12,927)	(26,135)
Non-GAAP income before taxes	\$ 936,879	\$ 762,471
Net income tax benefit on non-GAAP items	\$ 2,992	\$ 5,698
Adjustment to cumulative income tax benefit reversal due to a court ruling	—	821
Non-GAAP income tax expense	\$ 101,813	\$ 58,015
Non-GAAP income tax rate	10.9 %	7.6 %

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the quarter ended December 27, 2020

	U.S. GAAP			Reconciling Items	Non-GAAP		
Revenue	\$3.3 Billion	+/-	\$200 Million	—	\$3.3 Billion	+/-	\$200 Million
Gross margin as a percentage of revenue	46.0%	+/-	1%	\$ 1 Million	46.0%	+/-	1%
Operating income as a percentage of revenue	29.1%	+/-	1%	\$ 14 Million	29.5%	+/-	1%
Net income per diluted share	\$5.51	+/-	\$0.40	\$ 13 Million	\$5.60	+/-	\$0.40
Diluted share count	146 Million			—	146 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, \$1 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.

Appendix - Reconciliation

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income (in thousands, except per share data) (unaudited)

	Twelve Months Ended	
	December 29, 2019	December 29, 2019
	(as originally disclosed)	(as adjusted for comparability)
U.S. GAAP net income	\$ 2,069,514	\$ 2,069,514
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	28,986	28,986
Loss on elective deferred compensation ("EDC") related liability - cost of goods sold	—	10,383
Restructuring charges - cost of goods sold	3,472	3,472
Restructuring charges - research and development	4,904	4,904
Loss on EDC related liability - research and development	—	18,690
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	49,517	49,517
Restructuring charges - selling, general and administrative	5,414	5,414
Loss on EDC related liability - selling, general and administrative	—	12,460
Amortization of note discounts - other expense, net	4,543	4,543
Gain on EDC related asset - other expense, net	—	(41,318)
Net income tax benefit on non-GAAP items	(14,678)	(16,541)
Income tax benefit on the conclusion of certain tax matters	(3,094)	(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	\$ 2,224,547	\$ 2,222,899
Non-GAAP net income per diluted share	\$ 14.51	\$ 14.49
U.S. GAAP net income per diluted share	\$ 13.49	\$ 13.49
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	153,362	153,362

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income
(in thousands, except per share data)
(unaudited)

	Twelve Months Ended
	December 27, 2020
	(Projected)
U.S. GAAP net income for the nine months ended September 27, 2020	\$ 2,094,905
Projected U.S. GAAP net income for the three months ended December 27, 2020, at midpoint	804,460
Projected U.S. GAAP net income for the twelve months ended December 27, 2020	2,899,365
Pre-tax non-GAAP items for the nine months ended September 27, 2020:	
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	4,524
Loss on elective deferred compensation ("EDC") related liability - cost of goods sold	951
Loss on EDC related liability - research and development	1,711
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	37,071
Loss on EDC related liability - selling, general and administrative	1,141
Amortization of note discounts - other expense, net	2,899
Gain on EDC related asset - other expense, net	(5,234)
Net income tax benefit on non-GAAP items	(6,990)
Income tax benefit on the conclusion of certain tax matters	(276)
Adjustment to cumulative income tax benefit reversal due to a court ruling	(821)
Non-GAAP net income for the nine months ended September 27, 2020	\$ 2,129,881
Projected non-GAAP net income for the three months ended December 27, 2020, at midpoint	\$ 817,600
Projected non-GAAP net income for the twelve months ended December 27, 2020	\$ 2,947,481
Projected non-GAAP net income per diluted share for the twelve months ended December 27, 2020	\$ 20.02
Projected U.S. GAAP net income per diluted share for the twelve months ended December 27, 2020	\$ 19.70
U.S. GAAP and non-GAAP number of shares used for the diluted share calculation for the projected twelve months ended December 27, 2020	147,207

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

