



# Lam Research Corporation

June Quarter 2020 Financial Results

July 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; (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, December 29, 2019 and March 29, 2020, and our current report of Form 8-K dated April 30, 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

# Delivering Strong Performance During Unprecedented Uncertainty



## Demonstrated agility during COVID-19 pandemic

- ▶ Established safe and effective protocols for work in our facilities
- ▶ Ramped and stabilized supply and production capability
- ▶ Optimized our global manufacturing network
- ▶ Continue to further improve business resilience

# June 2020 Quarter Results



**\$2.79B**  
Revenue



**28.5%**  
Operating Margin\*



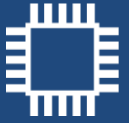
**\$813M**  
Cash Flows from  
Operations



**\$4.78**  
Earnings per Share\*

**Opportunity for growth remains robust**

# Industry Overview



Broad-based drivers of secular growth in data transport, analysis and storage



Increase in NAND demand with 5G migration, video, and new game consoles



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



Long-term WFE investments driven by accelerating digitization of the global economy and semiconductor manufacturing complexity



# Delivering on Growth Objectives

## Record Etch P&D Performance in June Quarter

- ▶ Key wins in High Aspect Ratio Mask Open and High Aspect Ratio Contact Etch in both DRAM and NAND
- ▶ Extending leadership across both conductor and dielectric etch

## Disruption of markets with ALD Products

- ▶ 2 new wins for 3D NAND Gapfill applications
- ▶ Multiple-layer application secured in Foundry/Logic
- ▶ Accelerated adoption of Atomic Layer Deposition (ALD) for critical spacer applications



# Delivering Innovative Services and Support



- ▶ Customer Support revenues grew 8% from the March quarter
- ▶ Reliant<sup>®</sup> systems business achieved eighth consecutive quarterly record revenues
- ▶ Accelerated demand for remote equipment support
- ▶ Increased adoption of machine learning-based analytics
- ▶ Results in value for customers and increased revenue opportunity per chamber

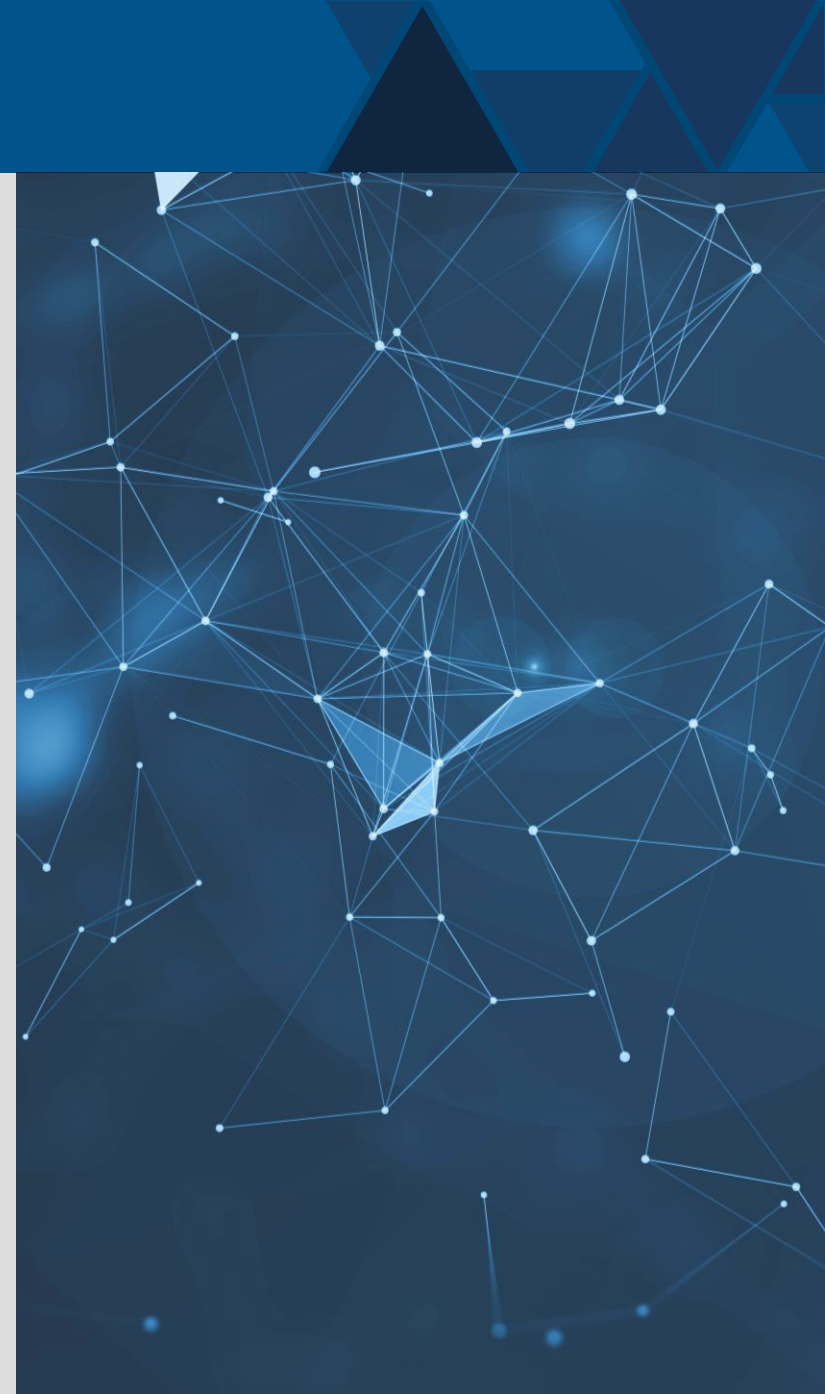


# Summary

Delivered a strong June quarter and see continued strength ahead

Positive momentum in growth objectives for installed base, served markets, and market share

Well-positioned to benefit from long-term secular growth drivers

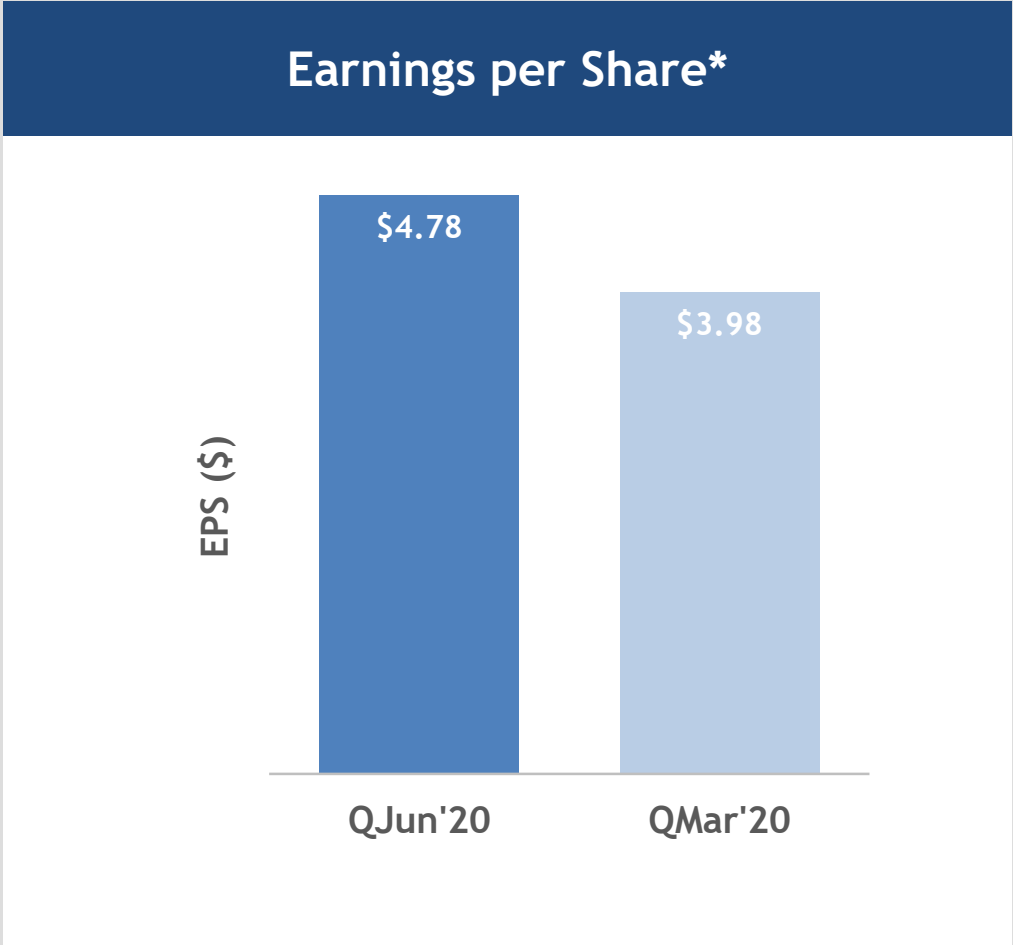
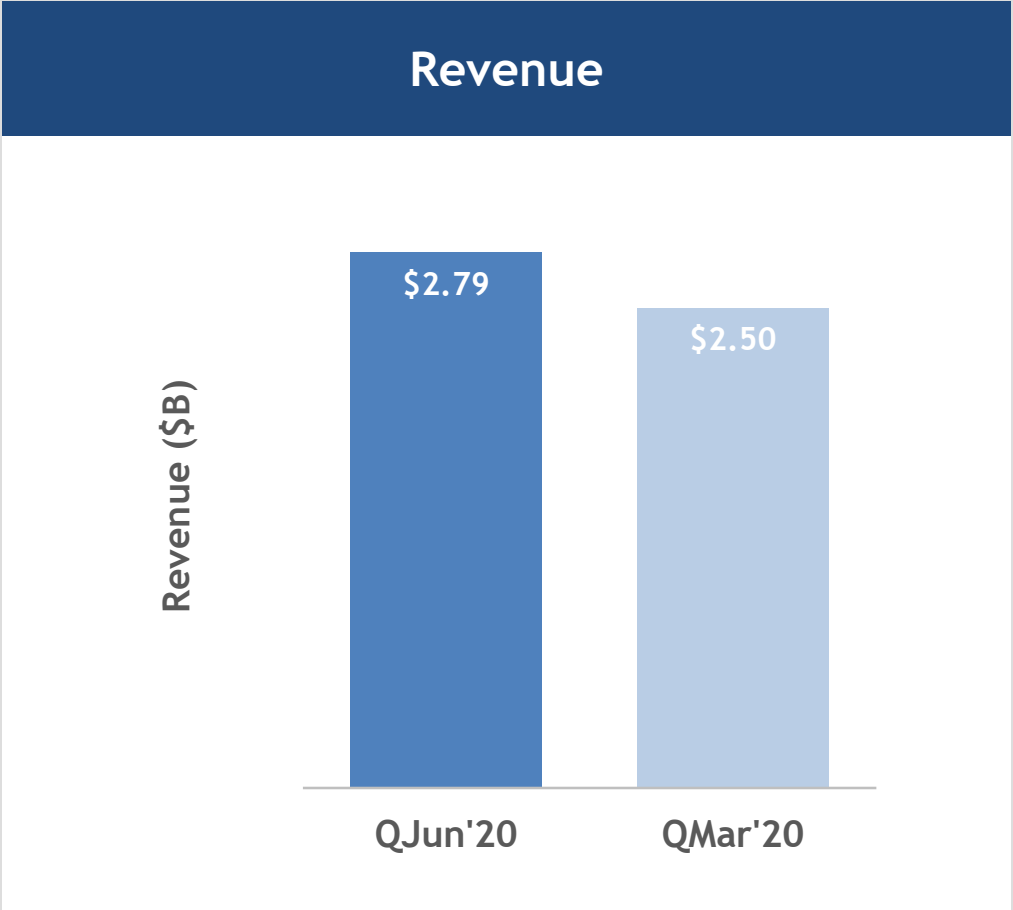


# June Quarter 2020 Financial Results and September Quarter 2020 Outlook

**Doug Bettinger**

Executive Vice President and Chief Financial Officer

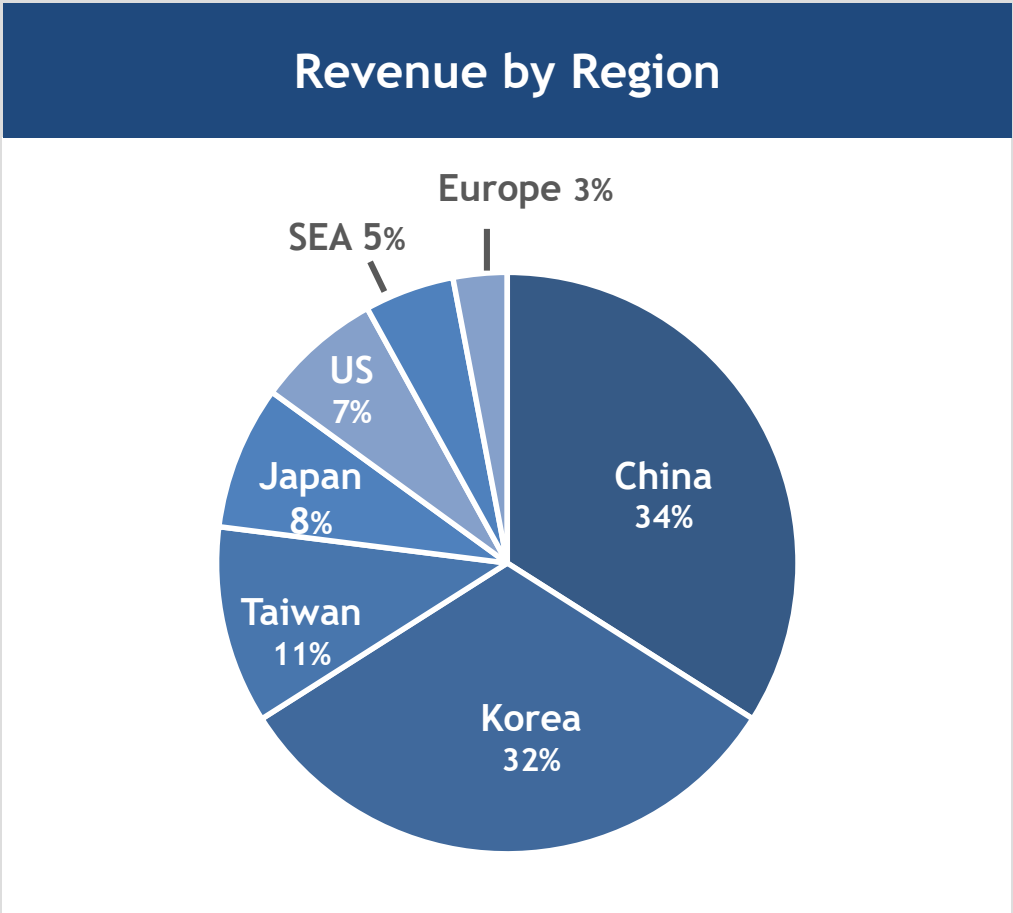
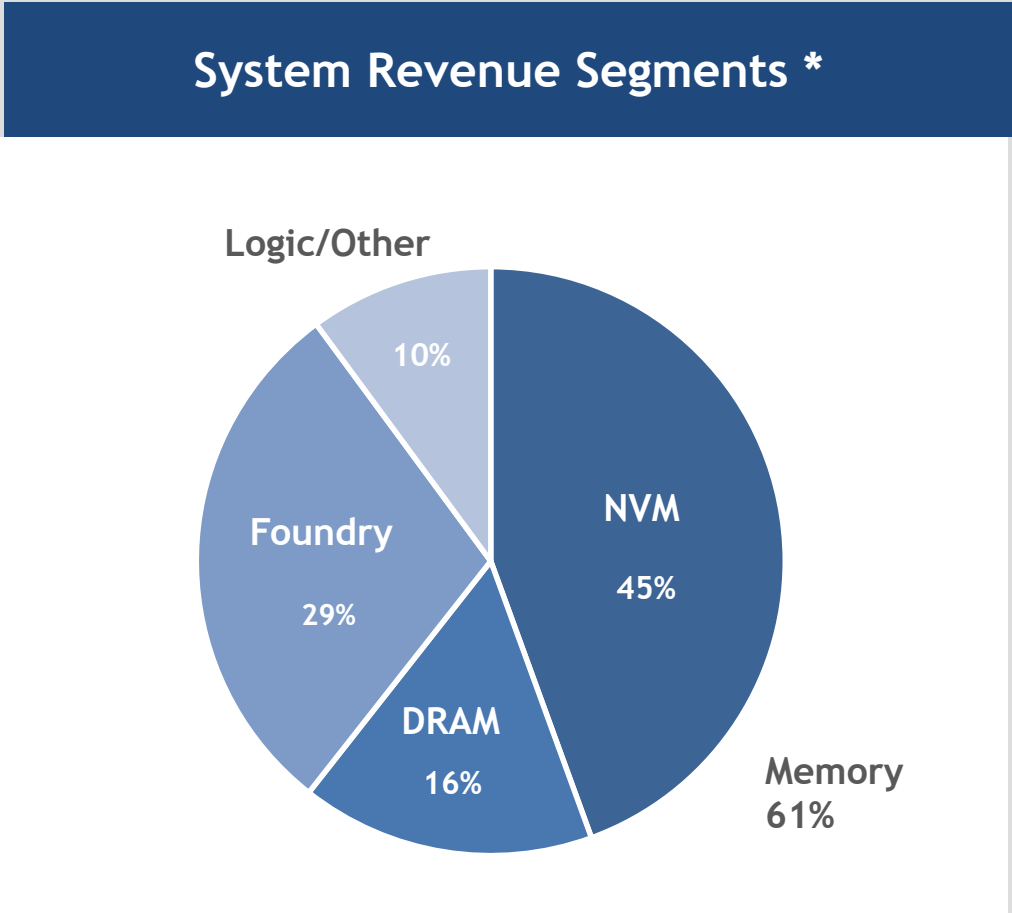
# June Quarter Results



\*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.

# June Quarter Revenue Mix

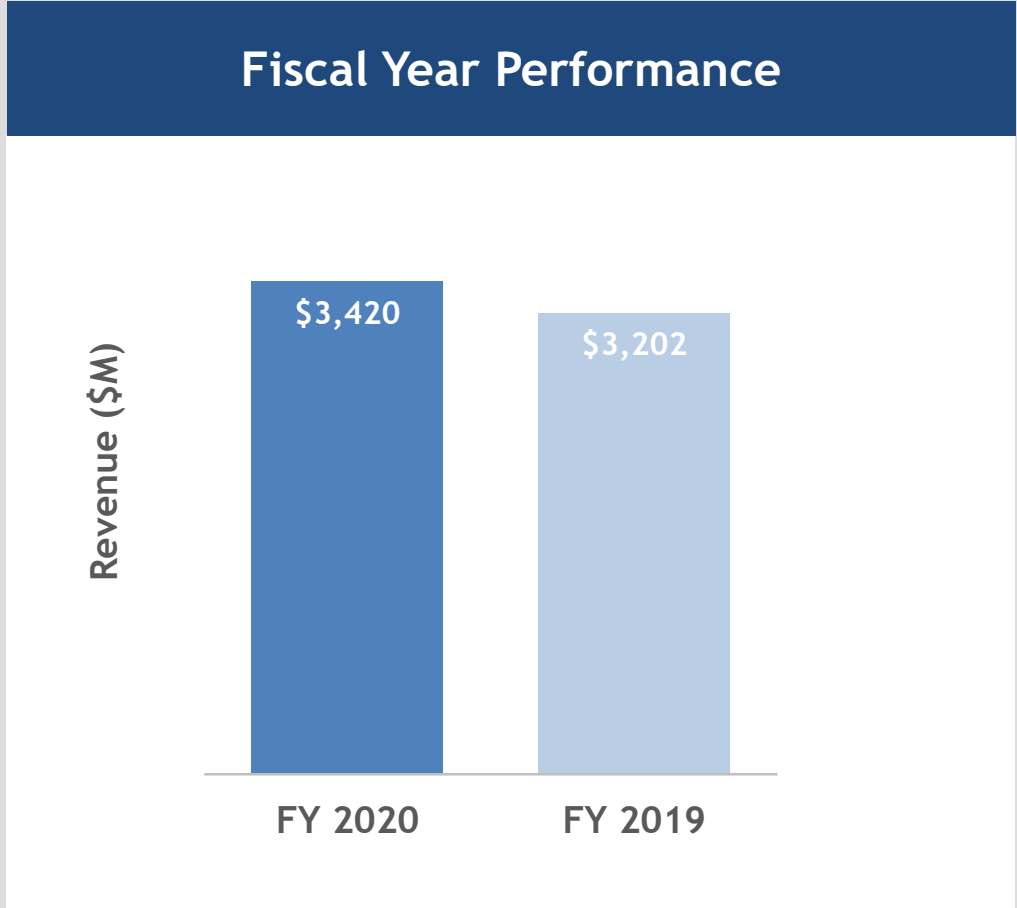
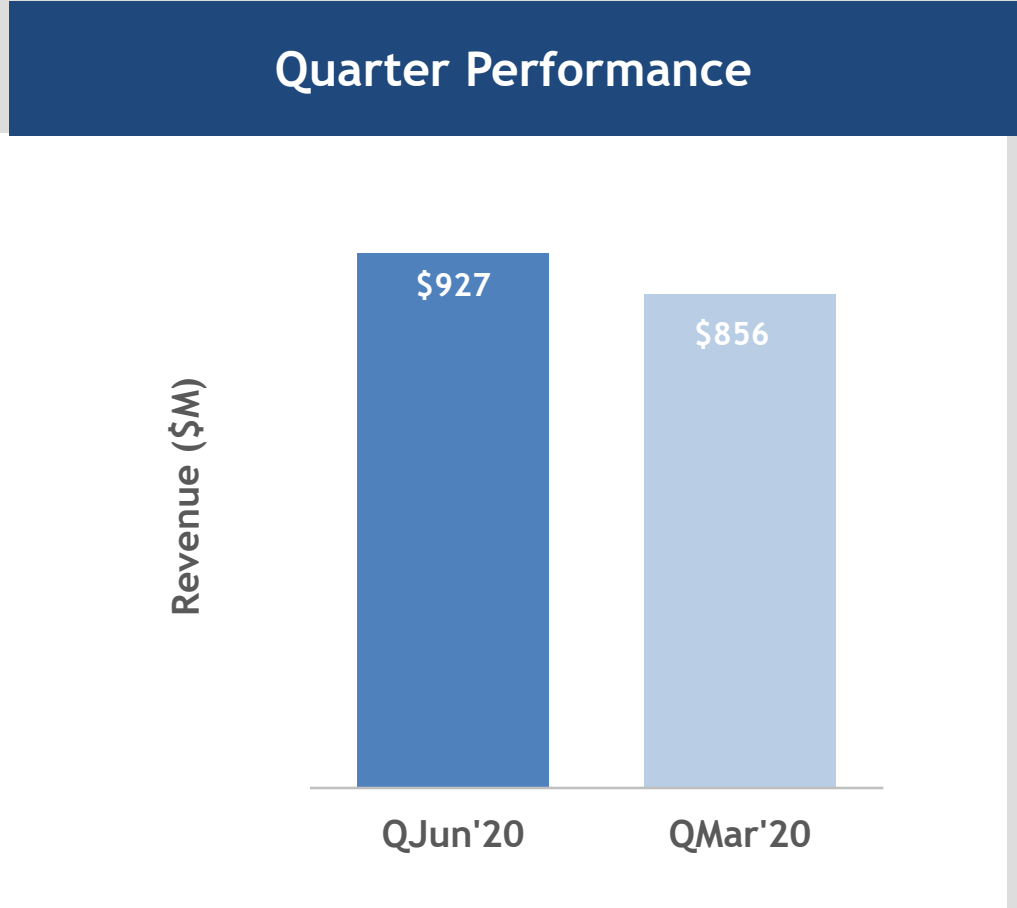
► Increases in Memory investments; Foundry strength continued



NVM = Non-Volatile Memory

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

# Customer Support Business Group Revenues



# June Quarter Financial Results

	Q Jun'20	Q Mar'20
Revenue	\$2,792M	\$2,504M
Non-GAAP Gross Margin*	46.1%	46.3%
Non-GAAP Operating Expenses*	\$493M	\$486M
Non-GAAP Operating Income*	\$795M	\$673M
Non-GAAP Operating Income as a percentage of Revenue*	28.5%	26.9%
Non-GAAP Other Expense, Net*	\$33M	\$30M
U.S. GAAP Diluted EPS	\$4.73	\$3.88
Non-GAAP Diluted EPS*	\$4.78	\$3.98
Diluted Share Count	147M	148M

\*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 Jun'20	Q Mar'20
Total Consolidated Gross Cash Balance	\$6,964M	\$5,647M
Account Receivables, Net	\$2,097M	\$2,191M
DSO	68 Days	80 Days
Inventory Turns	3.2	3.2
Deferred Revenue*	\$537M	\$726M
Capital Expenditures	\$51M	\$51M
Equity Compensation Expense	\$53M	\$47M
Amortization Expense	\$17M	\$17M
Depreciation Expense	\$54M	\$50M
Headcount	~11,300	~11,000

\* 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 \$183M as of June 28, 2020 and \$115M as of March 29, 2020.

# September 2020 Quarter Guidance



**\$3.1B ± \$200M**

Revenue



**29.5% ± 1%**

Non-GAAP  
Operating Margin



**46.5% ± 1%**

Non-GAAP  
Gross Margin



**\$5.15 ± \$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 147M shares

# Questions and Answers

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

	<b>Three Months Ended</b>	
	<b>June 28, 2020</b>	<b>March 29, 2020</b>
U.S. GAAP net income	\$ 696,673	\$ 574,781
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,627	1,627
Loss (gain) on elective deferred compensation ("EDC") - related liability - cost of goods sold	6,380	(8,653)
Loss (gain) on EDC - related liability - research and development	11,483	(15,575)
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
Loss (gain) on EDC - related liability - selling, general and administrative	7,655	(10,383)
Amortization of note discounts - other expense, net	935	953
(Gain) loss on EDC - related asset - other expense, net	(26,135)	33,828
Net income tax (benefit) expense on non-GAAP items	(5,698)	1,700
Adjustment to cumulative income tax benefit reversal due to a court ruling	(821)	—
Income tax benefit on the conclusion of certain tax matters	—	(276)
Non-GAAP net income	\$ 704,456	\$ 590,359
Non-GAAP net income per diluted share	\$ 4.78	\$ 3.98
U.S. GAAP net income per diluted share	\$ 4.73	\$ 3.88
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	147,416	148,165

## 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)

	<b>Three Months Ended</b>	
	<b>June 28, 2020</b>	<b>March 29, 2020</b>
U.S. GAAP gross margin	\$ 1,280,332	\$ 1,167,007
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	1,627	1,627
Loss (gain) on EDC-related liability	6,380	(8,653)
Non-GAAP gross margin	\$ 1,288,339	\$ 1,159,981
U.S. GAAP gross margin as a percentage of revenue	45.9%	46.6%
Non-GAAP gross margin as a percentage of revenue	46.1%	46.3%
U.S. GAAP operating expenses	\$ 524,610	\$ 472,893
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,357)	(12,357)
(Loss) gain on EDC-related liability	(19,138)	25,958
Non-GAAP operating expenses	\$ 493,115	\$ 486,494
U.S. GAAP operating income	\$ 755,722	\$ 694,114
Non-GAAP operating income	\$ 795,224	\$ 673,487
U.S. GAAP operating income as percent of revenue	27.1%	27.7%
Non-GAAP operating income as a percent of revenue	28.5%	26.9%

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

	<b>Three Months Ended</b>	
	<b>June 28, 2020</b>	<b>March 29, 2020</b>
U.S. GAAP Other expense, net	\$ (7,553)	\$ (64,619)
Pre-tax non-GAAP items:		
Amortization of note discounts	935	953
(Gain) loss on EDC - related asset - other expense, net	(26,135)	33,828
Non-GAAP Other expense, net	\$ (32,753)	\$ (29,838)



## 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 28, 2020</b>	<b>March 29, 2020</b>
U.S. GAAP income before income taxes	\$ 748,169	\$ 629,495
U.S. GAAP income tax benefit	\$ 51,496	\$ 54,714
U.S. GAAP income tax rate	6.9%	8.7%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 1,627	\$ 1,627
Loss (gain) on elective deferred compensation ("EDC") - related liability - cost of goods sold	6,380	(8,653)
Loss (gain) on EDC - related liability - research and development	11,483	(15,575)
Amortization related to intangible assets acquired through certain business combinations -selling, general and administrative	12,357	12,357
Loss (gain) on EDC - related liability - selling, general and administrative	7,655	(10,383)
Amortization of note discounts - other expense, net	935	953
(Gain) loss on EDC - related asset - other expense, net	(26,135)	33,828
Non-GAAP income before taxes	\$ 762,471	\$ 643,649
Net income tax benefit (expense) on non-GAAP items	\$ 5,698	\$ (1,700)
Adjustment to cumulative income tax benefit reversal due to a court ruling	821	—
Income tax benefit on the conclusion of certain tax matters	—	276
Non-GAAP income tax expense	\$ 58,015	\$ 53,290
Non-GAAP income tax rate	7.6%	8.3%

## Reconciliation of U.S. GAAP to Non-GAAP Guidance for the quarter ending September 27, 2020

	U.S. GAAP			Reconciling Items	Non-GAAP		
	\$3.1 Billion	+/-	\$200 Million		\$3.1 Billion	+/-	\$200 Million
Revenue				—			
Gross margin as a percentage of revenue	46.4%	+/-	1%	\$ 2 Million	46.5%	+/-	1%
Operating income as a percentage of revenue	29.0%	+/-	1%	\$ 14 Million	29.5%	+/-	1%
Net income per diluted share	\$5.06	+/-	\$0.40	\$ 13 Million	\$5.15	+/-	\$0.40
Diluted share count	147 Million			—	147 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 - amortization related to intangible assets acquired through business combinations, \$2 million.
- Operating margin - amortization related to intangible assets acquired through business combinations, \$14 million.
- Earnings per 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.

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