



Lam Research Corporation

September Quarter 2019 Financial Results

October 23, 2019



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; and (4) 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 update any forward-looking statements.

Business Review and Industry Outlook

Tim Archer

President and Chief Executive Officer

September 2019 Quarter Results



\$2,166M
Revenue



25.5%
Operating Margin*



45.4%
Gross Margin*



\$3.18
Earnings per Share*



Improving supply-demand environment in memory exiting 2019



Continued foundry/logic strength driven by 5G, CPU and IoT

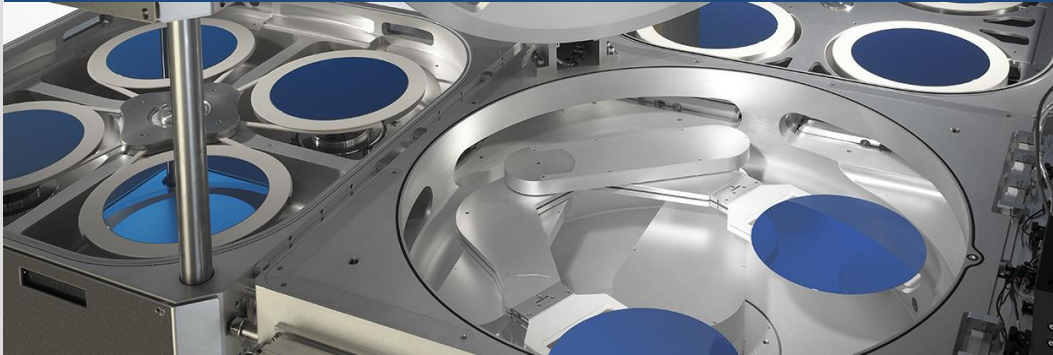


2019 WFE spending increased to mid-\$40 billion range

2020 is setting up to be a year of outperformance for Lam

Critical Enablers for 3D Scaling

Deposition



- VECTOR® DT tool deposits backside films to control stress
- Striker® ALD tool deposits high-quality liners and fill

Etch



- Sole supplier of memory hole dielectric capability
- Production-proven edge-yield solutions
- Enablement of new memory architectures to lower bit cost

Long-Term Revenue Opportunity for Customer Support Business Group

- Developing upgrades and advanced services that
 - Extend technical capability
 - Increase productivity

- Reliant® systems business achieved third consecutive quarterly revenue record



Solid Foundation for Outperformance

Enabling 3D Device Technologies

Executing on SAM & Share Growth

Building Installed Base Business

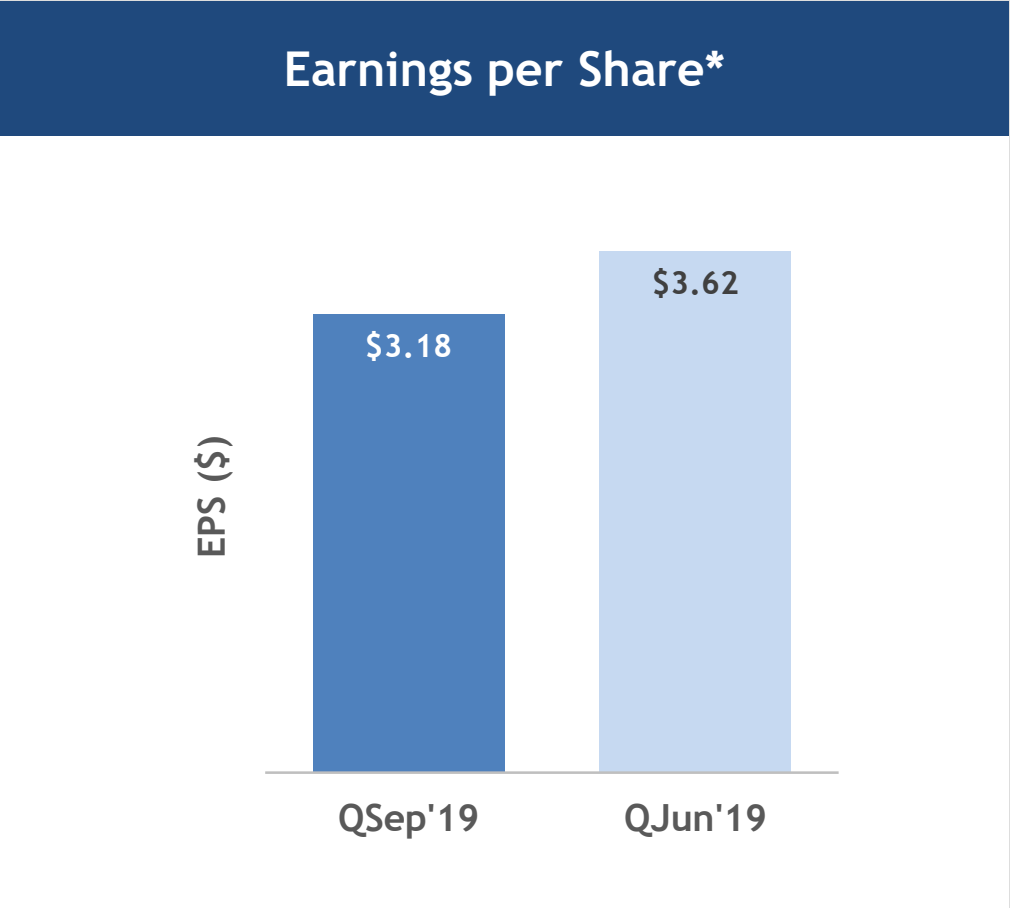
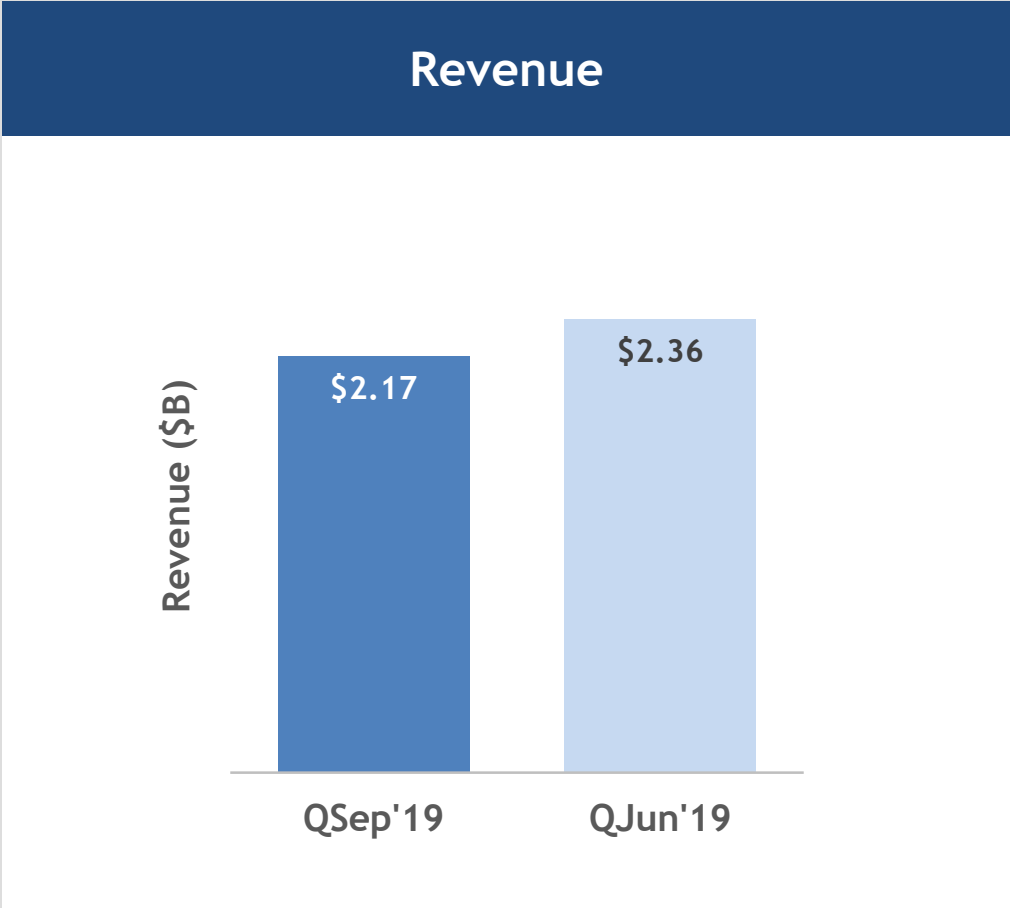
September Quarter 2019 Financial Results and December Quarter 2019 Outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

September Quarter Results

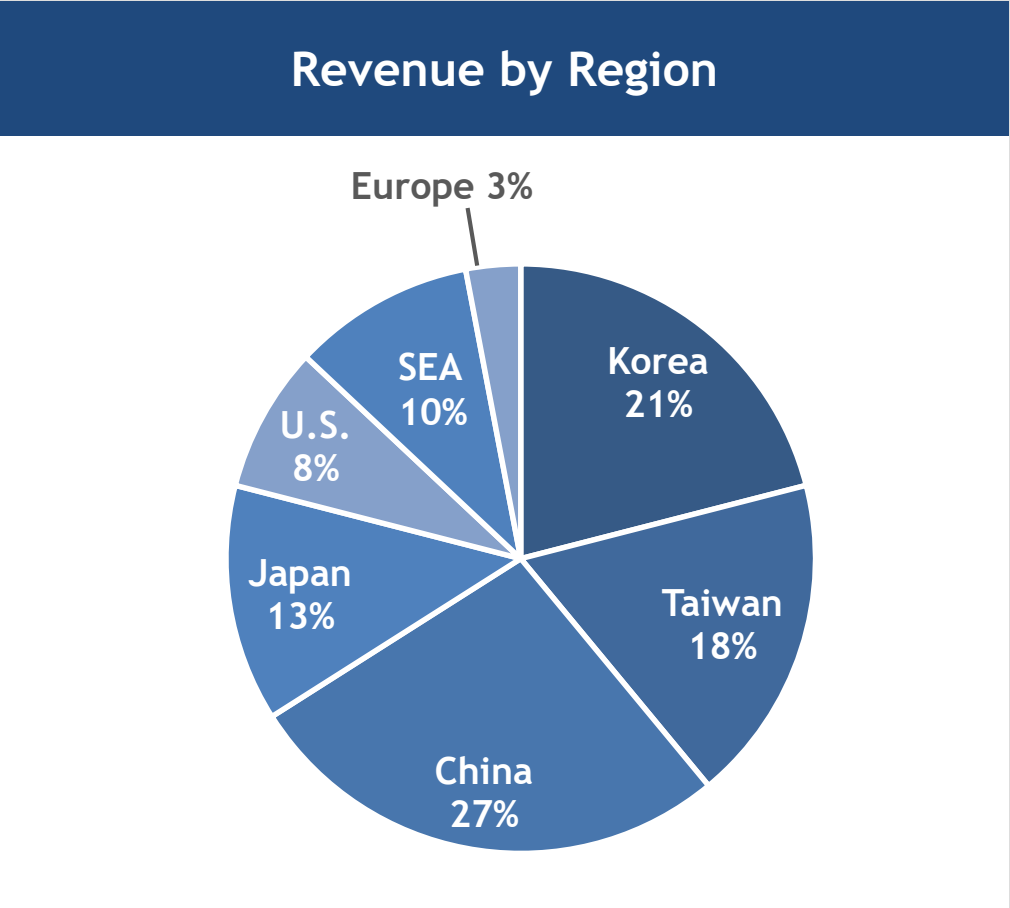
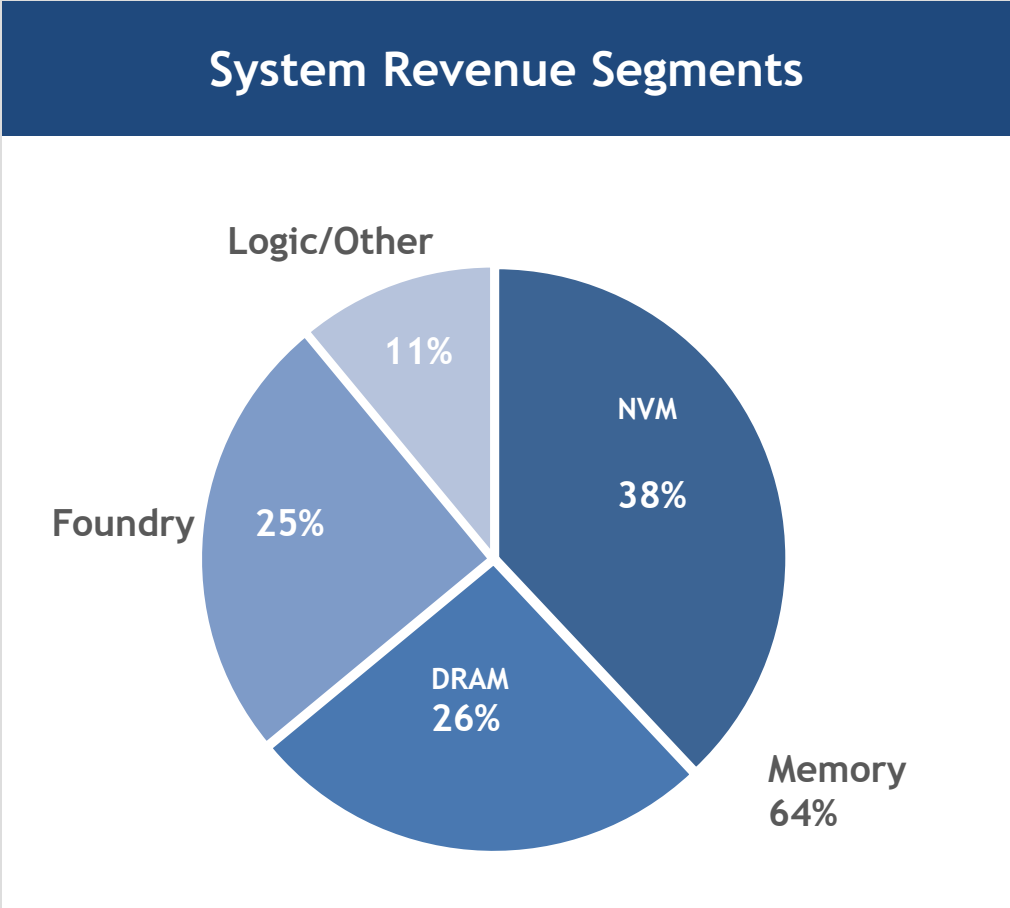
► Revenue and EPS were both above midpoint of guidance for the September quarter



*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

► Foundry segment strong at 25% of systems revenue



NVM = Non-Volatile Memory

September Quarter Financial Results

| | Sep'19 | Jun'19 |
|---|----------|----------|
| Revenue | \$2,166M | \$2,361M |
| Non-GAAP Gross Margin* | 45.4% | 45.9% |
| Non-GAAP Operating Expenses* | \$431M | \$450M |
| Non-GAAP Operating Income* | \$552M | \$635M |
| Non-GAAP Operating Income as a percentage of Revenue* | 25.5% | 26.9% |
| Non-GAAP Other Expense, Net* | \$(11M) | \$(6M) |
| Non-GAAP Tax Rate* | 11.4% | 11.0% |
| GAAP Diluted EPS | \$3.09 | \$3.51 |
| Non-GAAP Diluted EPS* | \$3.18 | \$3.62 |
| Diluted Share Count | 151M | 154M |

*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

| | Sep' 19 | Jun' 19 |
|---------------------------------------|----------|----------|
| Total Consolidated Gross Cash Balance | \$5,845M | \$5,686M |
| Account Receivables, Net | \$1,636M | \$1,456M |
| DSO | 69 Days | 56 Days |
| Inventory Turns | 3.2 | 3.3 |
| Deferred Revenue* | \$481M | \$449M |
| Capital Expenditures | \$39M | \$66M |
| Equity Compensation Expense | \$43M | \$45M |
| Amortization Expense | \$16M | \$18M |
| Depreciation Expense | \$49M | \$47M |
| Headcount | ~10,700 | ~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. \$47M as of September 29, 2019 and \$78M as of June 30, 2019.

December 2019 Quarter Guidance



\$2.50B ± \$150M

Revenue



27.0% ± 1%

Non-GAAP
Operating Margin



45.0% ± 1%

Non-GAAP
Gross Margin



\$3.80 ± \$0.20

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 150M 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 29, 2019 | June 30, 2019 |
| U.S. GAAP net income | \$ 465,789 | \$ 541,825 |
| Pre-tax non-GAAP items: | | |
| Amortization related to intangible assets acquired through certain business combinations - cost of goods sold | 1,628 | 3,389 |
| Restructuring charges - cost of goods sold | — | 601 |
| Restructuring charges - research and development | — | 206 |
| Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative | 12,357 | 12,357 |
| Restructuring charges - selling, general and administrative | 1,045 | 1,082 |
| Amortization of note discounts - other expense, net | 1,234 | 1,195 |
| Net income tax benefit on non-GAAP items | (2,498) | (3,104) |
| Income tax benefit on the conclusion of certain tax matters | — | (172) |
| Income tax expense associated with U.S. tax reform | — | 1,453 |
| Non-GAAP net income | \$ 479,555 | \$ 558,832 |
| Non-GAAP net income per diluted share | \$ 3.18 | \$ 3.62 |
| U.S. GAAP net income per diluted share | \$ 3.09 | \$ 3.51 |
| U.S. GAAP and non-GAAP number of shares used for per diluted share calculation | 150,682 | 154,474 |

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 (Projected) |
|--|--|
| U.S. GAAP net income for the nine months ended September 29, 2019 | \$ 1,555,004 |
| Pre-tax non-GAAP items: | |
| Amortization related to intangible assets acquired through certain business combinations - cost of goods sold | 27,359 |
| Restructuring charges - cost of goods sold | 3,472 |
| Restructuring charges - research and development | 4,904 |
| Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative | 37,160 |
| Restructuring charges - selling, general and administrative | 5,414 |
| Amortization of note discounts - other expense, net | 3,385 |
| Net income tax benefit on non-GAAP items | (12,320) |
| Income tax benefit on the conclusion of certain tax matters | (3,094) |
| Income tax expense associated with U.S. tax reform | 1,453 |
| Non-GAAP net income for the nine months ended September 29, 2019 | \$ 1,622,737 |
| Non-GAAP net income mid-point of guidance for the three months ended December 29, 2019 (implied) | 570,000 |
| Non-GAAP net income for the twelve months ended December 29, 2019 | \$ 2,192,737 |
| Non-GAAP net income per diluted share | \$ 14.31 |
| U.S. GAAP net income mid-point of guidance for three months ended December 29, 2019 (implied) | 557,000 |
| U.S. GAAP net income for the twelve months ended December 29, 2019 | \$ 2,112,004 |
| U.S. GAAP net income per diluted share | \$ 13.78 |
| U.S. GAAP and non-GAAP number of shares used for per diluted share calculation (estimated) | 153,251 |

Appendix - Reconciliation

| | Three Months Ended | |
|---|-----------------------|------------------|
| | September 29, 2019 | June 30, 2019 |
| 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) | | |
| U.S. GAAP gross margin | \$ 981,710 | \$ 1,080,891 |
| Pre-tax non-GAAP items: | | |
| Amortization related to intangible assets acquired through certain business combinations | 1,628 | 3,389 |
| Restructuring charges | — | 601 |
| Non-GAAP gross margin | \$ 983,338 | \$ 1,084,881 |
| U.S. GAAP gross margin as a percentage of revenue | 45.3% | 45.8% |
| Non-GAAP gross margin as a percentage of revenue | 45.4% | 45.9% |
| U.S. GAAP operating expenses | \$ 444,255 | \$ 463,806 |
| Pre-tax non-GAAP items: | | |
| Amortization related to intangible assets acquired through certain business combinations | (12,357) | (12,357) |
| Restructuring charges | (1,045) | (1,288) |
| Non-GAAP operating expenses | \$ 430,853 | \$ 450,161 |
| U.S. GAAP operating income | \$ 537,455 | \$ 617,085 |
| Non-GAAP operating income | \$ 552,485 | \$ 634,720 |
| U.S. GAAP operating income as percent of revenue | 24.8% | 26.1% |
| Non-GAAP operating income as a percent of revenue | 25.5% | 26.9% |

Appendix - Reconciliation

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

| | Three Months Ended | |
|--------------------------------|-------------------------------|--------------------------|
| | September 29, 2019 | June 30, 2019 |
| U.S. GAAP Other expense, net | \$ (12,728) | \$ (7,667) |
| Pre-tax non-GAAP items: | | |
| Amortization of note discounts | 1,234 | 1,195 |
| Non-GAAP Other expense, net | \$ (11,494) | \$ (6,472) |

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 29, 2019 | June 30, 2019 |
| U.S. GAAP income before income taxes | \$ 524,727 | \$ 609,418 |
| U.S. GAAP income tax expense | \$ 58,938 | \$ 67,593 |
| U.S. GAAP income tax rate | 11.2% | 11.1% |
| Pre-tax non-GAAP items: | | |
| Amortization related to intangible assets acquired through certain business combinations - cost of goods sold | \$ 1,628 | \$ 3,389 |
| Restructuring charges - cost of goods sold | — | 601 |
| Restructuring charges - research and development | — | 206 |
| Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative | 12,357 | 12,357 |
| Restructuring charges - selling, general and administrative | 1,045 | 1,082 |
| Amortization of note discounts - other expense, net | 1,234 | 1,195 |
| Non-GAAP income before taxes | \$ 540,991 | \$ 628,248 |
| Net income tax benefit on non-GAAP items | \$ 2,498 | \$ 3,104 |
| Income tax benefit on conclusion of certain tax matters | — | 172 |
| Income tax expense associated with U.S. tax reform | — | (1,453) |
| Non-GAAP income tax expense | \$ 61,436 | \$ 69,416 |
| Non-GAAP income tax rate | 11.4% | 11.0% |

Appendix - Reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the December 2019 quarter

| | U.S. GAAP | | | Reconciling Items | Non-GAAP | | |
|---|---------------|-----|---------------|-------------------|---------------|-----|---------------|
| | \$2.5 Billion | +/- | \$150 Million | | \$2.5 Billion | +/- | \$150 Million |
| Revenue | \$2.5 Billion | +/- | \$150 Million | — | \$2.5 Billion | +/- | \$150 Million |
| Gross margin as a percentage of revenue | 44.9% | +/- | 1% | \$ 2 Million | 45.0% | +/- | 1% |
| Operating income as a percentage of revenue | 26.4% | +/- | 1% | \$ 14 Million | 27.0% | +/- | 1% |
| Net income per diluted share | \$3.71 | +/- | \$0.20 | \$ 13 Million | \$3.80 | +/- | \$0.20 |
| Diluted share count | 150 Million | | | — | 150 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, \$2 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.

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

