



Lam Research Corporation

June Quarter 2019 Financial Results

July 31, 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

Strong Execution in June 2019 Quarter

June 2019 Quarter Results



\$2.36B
Revenue



26.9%
Operating Margin*



45.9%
Gross Margin*

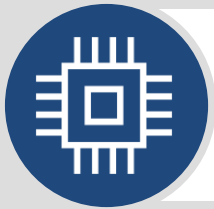


\$3.62
Earnings per Share*

Industry Overview



2019 WFE expected to be down in the mid to high teens percentage from 2018



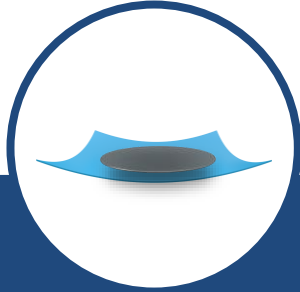
Foundry spending tracking higher, with Memory spending incrementally lower



Foundry strengthening with migration toward advanced nodes

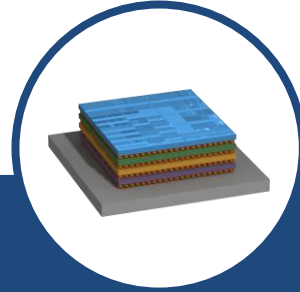
2019 WFE spending view directionally unchanged

Lam Leadership in Enabling 3D Scaling



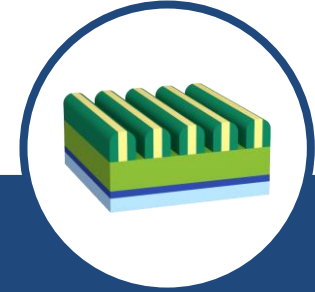
Stress Reduction

3D NAND layers scaling
Backside Deposition using innovative single step process



Heterogeneous Integration

New architecture for foundry and logic
Electroplating system for 3D chip stacking applications
Win at leading logic customer



RC Delay

DRAM 1z/1a node scaling
Ability to deposit highly conformal low-k films

Lam is uniquely positioned to deliver differentiated, customer-enabling technologies

Delivering Productivity Enhancements in Semi-Critical Applications



Mask Open

Mask Open applications with single step vs. multiple step approach



Metal Contact

Metal Contact applications with faster etch rates and superior profile control

Lam tools providing productivity and cost of ownership advantages

Anticipate solid installed-base business revenue growth in 2019

Reliant® systems business achieved another quarterly revenue record



Compelling Long-term Opportunities for Lam

Lam is in an excellent position to outperform in the long term

Strong execution on commitments

Extension of our product and services portfolio differentiation

Prioritization of innovation-focused investment in 3D scaling

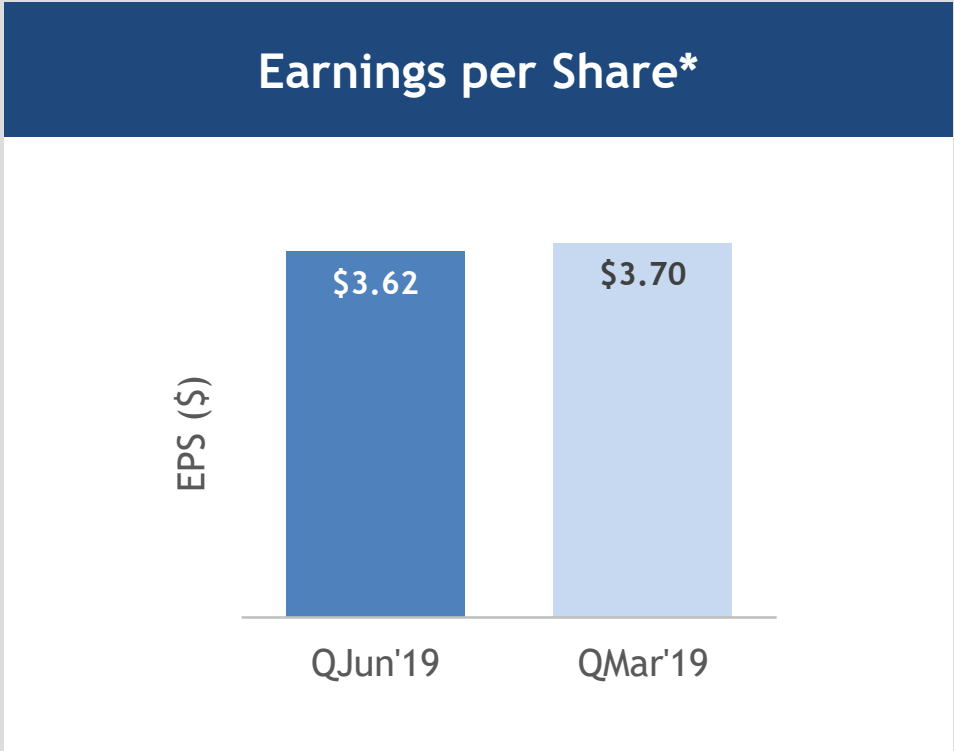
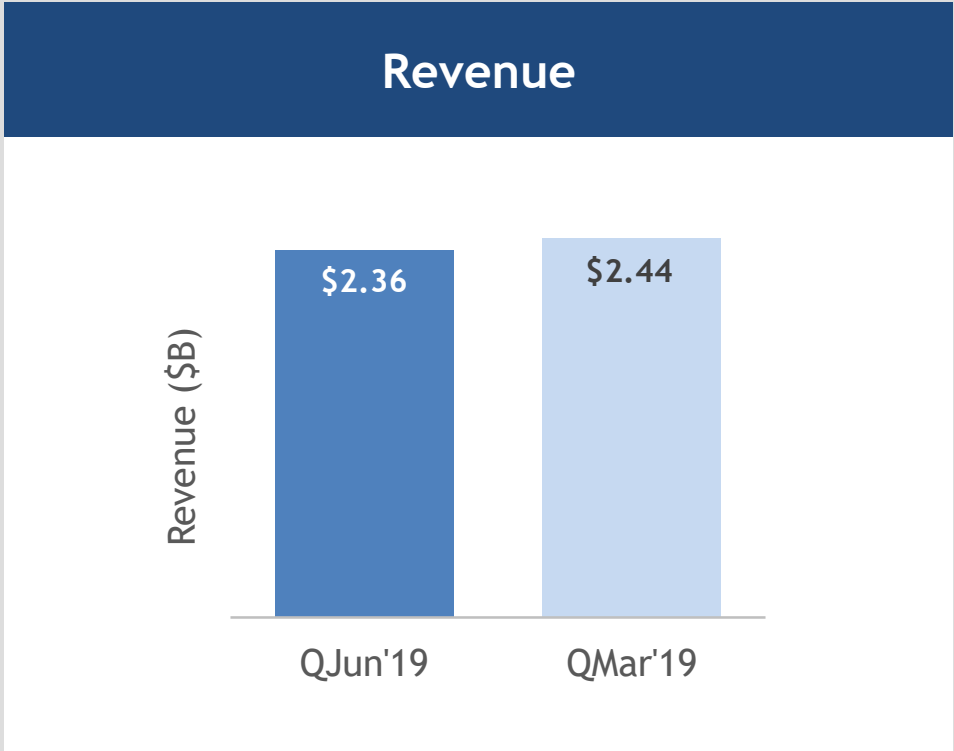
June Quarter 2019 Financial Results and September Quarter 2019 Outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

June Quarter Results

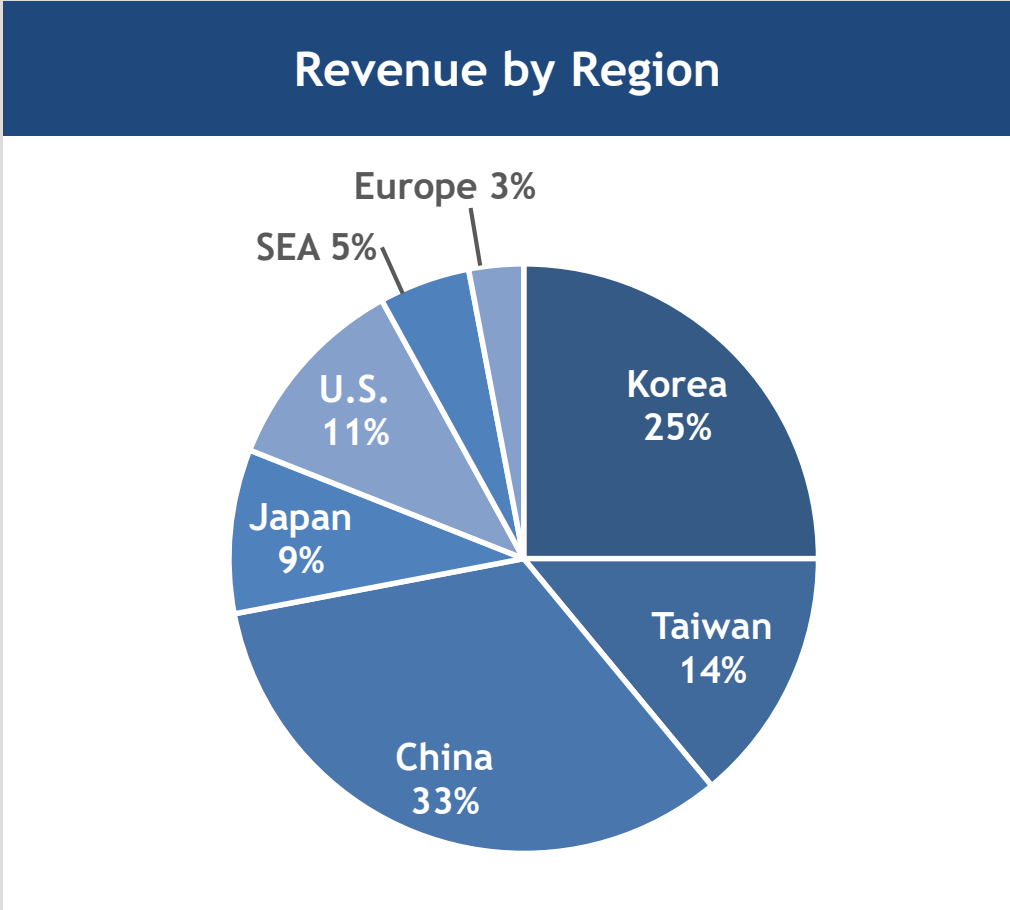
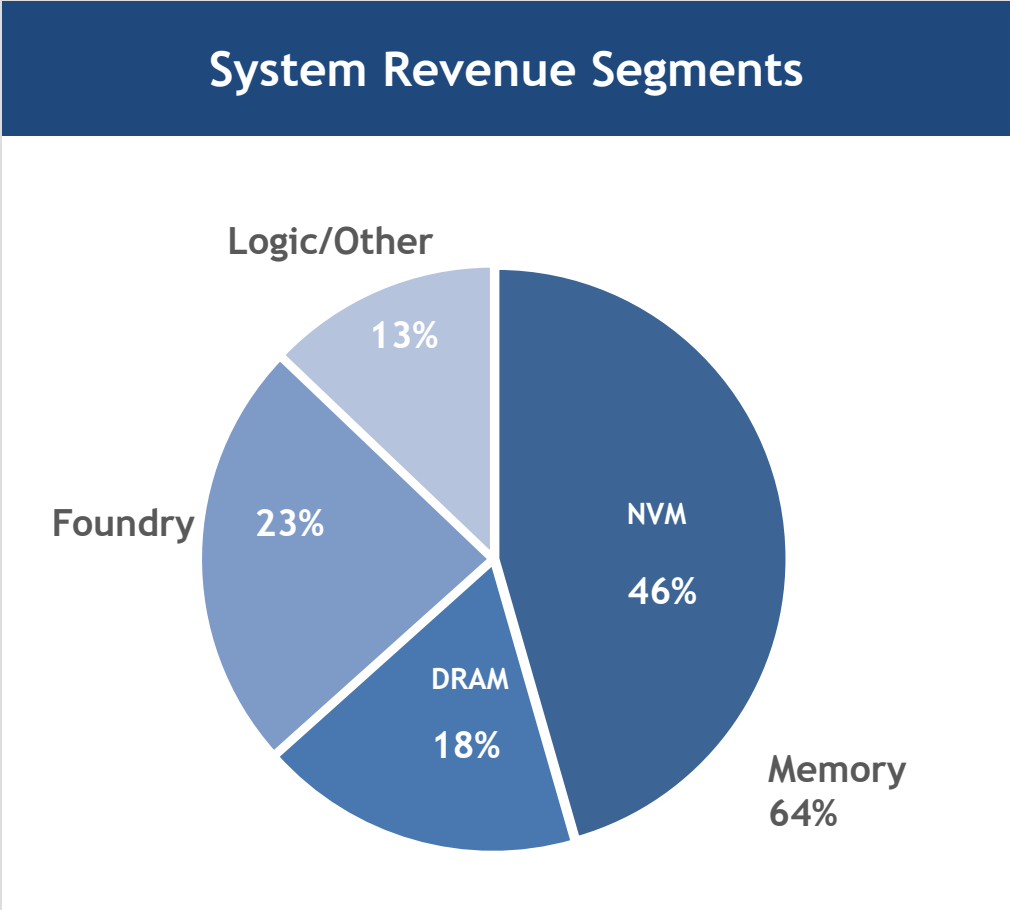
► Non-GAAP EPS was over the guidance range for the June Quarter



*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.

June Quarter Revenue Mix

► Combined memory segment increased to 64% of systems revenue



NVM = Non-Volatile Memory

June Quarter Financial Results

	Jun' 19	Mar' 19
Revenue	\$2,361M	\$2,439M
Non-GAAP Gross Margin*	45.9%	45.1%
Non-GAAP Operating Expenses*	\$450M	\$488M
Non-GAAP Operating Income*	\$635M	\$611M
Non-GAAP Operating Income as a percentage of Revenue*	26.9%	25.1%
Non-GAAP Other (Expense)/Income*	\$(6M)	\$21M
Non-GAAP Tax Rate*	11.0%	7.6%
GAAP Diluted EPS	\$3.51	\$3.47
Non-GAAP Diluted EPS*	\$3.62	\$3.70
Diluted Share Count	154M	158M

*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

	Jun'19	Mar'19
Total Consolidated Gross Cash Balance	\$5,686M	\$6,397M
Account Receivables, Net	\$1,456M	\$1,522M
DSO	56 Days	61 Days
Inventory Turns	3.3	3.4
Deferred Revenue*	\$449M	\$441M
Capital Expenditures	\$66M	\$76M
Equity Compensation Expense	\$45M	\$53M
Amortization Expense	\$18M	\$36M
Depreciation Expense	\$47M	\$46M
Headcount	~10,700	~10,800

* 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. \$78M as of June 30, 2019 and \$80M as of March 31, 2019.

September 2019 Quarter Guidance



\$2.15B ± \$150M

Revenue



24.5% ± 1%

Non-GAAP
Operating Margin



45.0% ± 1%

Non-GAAP
Gross Margin



\$3.00 ± \$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	
	June 30, 2019	March 31, 2019
U.S. GAAP net income	\$ 541,825	\$ 547,390
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	3,389	22,342
Restructuring charges - cost of goods sold	601	2,871
Restructuring charges - research and development	206	4,698
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,446
Restructuring charges - selling, general and administrative	1,082	3,287
Amortization of note discounts - other expense, net	1,195	956
Net income tax benefit on non-GAAP items	(3,104)	(6,718)
Income tax benefit on conclusion of certain tax matters	(172)	(2,922)
Income tax expense associated with U.S. tax reform	1,453	—
Non-GAAP net income	\$ 558,832	\$ 584,350
Non-GAAP net income per diluted share	\$ 3.62	\$ 3.70
U.S. GAAP net income per diluted share	\$ 3.51	\$ 3.47
U.S. GAAP number of shares used for per diluted share calculation	154,474	157,849

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	
	June 30, 2019	March 31, 2019
U.S. GAAP gross margin	\$ 1,080,891	\$ 1,074,337
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	3,389	22,342
Restructuring charges	601	2,871
Non-GAAP gross margin	\$ 1,084,881	\$ 1,099,550
U.S. GAAP gross margin as a percentage of revenue	45.8%	44.0%
Non-GAAP gross margin as a percentage of revenue	45.9%	45.1%
U.S. GAAP operating expenses	\$ 463,806	\$ 508,820
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,357)	(12,446)
Restructuring charges	(1,288)	(7,985)
Non-GAAP operating expenses	\$ 450,161	\$ 488,389
U.S. GAAP operating income	\$ 617,085	\$ 565,517
Non-GAAP operating income	\$ 634,720	\$ 611,161
U.S. GAAP operating income as percent of revenue	26.1%	23.2%
Non-GAAP operating income as a percent of revenue	26.9%	25.1%

Appendix - Reconciliation

Reconciliation of U.S. GAAP Other (Expense) Income, Net to Non-GAAP Other (Expense) Income, Net

(in thousands)
(unaudited)

	Three Months Ended	
	June 30, 2019	March 31, 2019
U.S. GAAP Other (expense) income, net	\$ (7,667)	\$ 20,532
Pre-tax non-GAAP items:		
Amortization of note discounts	1,195	956
Non-GAAP Other (expense) income, net	\$ (6,472)	\$ 21,488

Appendix - Reconciliation

Reconciliation of U.S. GAAP Income Tax Rate to Non-GAAP Income Tax Rate
(in thousands)
(unaudited)

	Three Months Ended	
	June 30, 2019	March 31, 2019
U.S. GAAP income before income taxes	\$ 609,418	\$ 586,049
U.S. GAAP income tax benefit	\$ 67,593	\$ 38,659
U.S. GAAP income tax rate	11.1%	6.6%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 3,389	\$ 22,342
Restructuring charges - cost of goods sold	601	2,871
Restructuring charges - research and development	206	4,698
Amortization related to intangible assets acquired through certain business combinations -selling, general and administrative	12,357	12,446
Restructuring charges - selling, general and administrative	1,082	3,287
Amortization of note discounts - other expense, net	1,195	956
Non-GAAP income before taxes	\$ 628,248	\$ 632,649
Net income tax benefit on non-GAAP items	\$ 3,104	\$ 6,718
Income tax benefit on conclusion of certain tax matters	172	2,922
Income tax expense associated with U.S. tax reform	(1,453)	—
Non-GAAP income tax expense	\$ 69,416	\$ 48,299
Non-GAAP income tax rate	11.0%	7.6%

Appendix - Reconciliation

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

	U.S. GAAP			Reconciling Items		Non-GAAP		
	\$2.15 Billion	+/-	\$150 Million			\$2.15 Billion	+/-	\$150 Million
Revenue				—				
Gross margin as a percentage of revenue	44.9%	+/-	1%	\$ 2 Million		45.0%	+/-	1%
Operating income as a percentage of revenue	23.8%	+/-	1%	\$ 14 Million		24.5%	+/-	1%
Net income per diluted share	\$2.91	+/-	\$0.20	\$ 13 Million		\$3.00	+/-	\$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 - 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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