

Lam Research Corporation

March quarter 2023 financial results

April 19, 2023



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: 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; supply chain cost increases and other inflationary pressures have impacted and are expected to continue to impact our profitability; supply chain disruptions or manufacturing capacity constraints may limit our ability to manufacture and sell our products; 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 26, 2022 and our quarterly report on Form 10-Q for the quarter ended December 25, 2022. 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

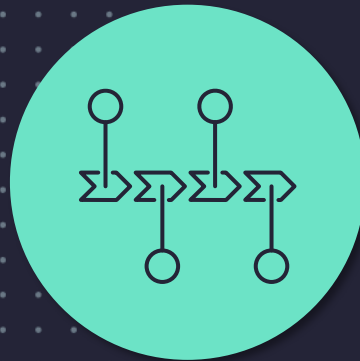
March quarter performance



Revenue of \$3.87B and EPS of \$6.99 exceed midpoint of guidance range

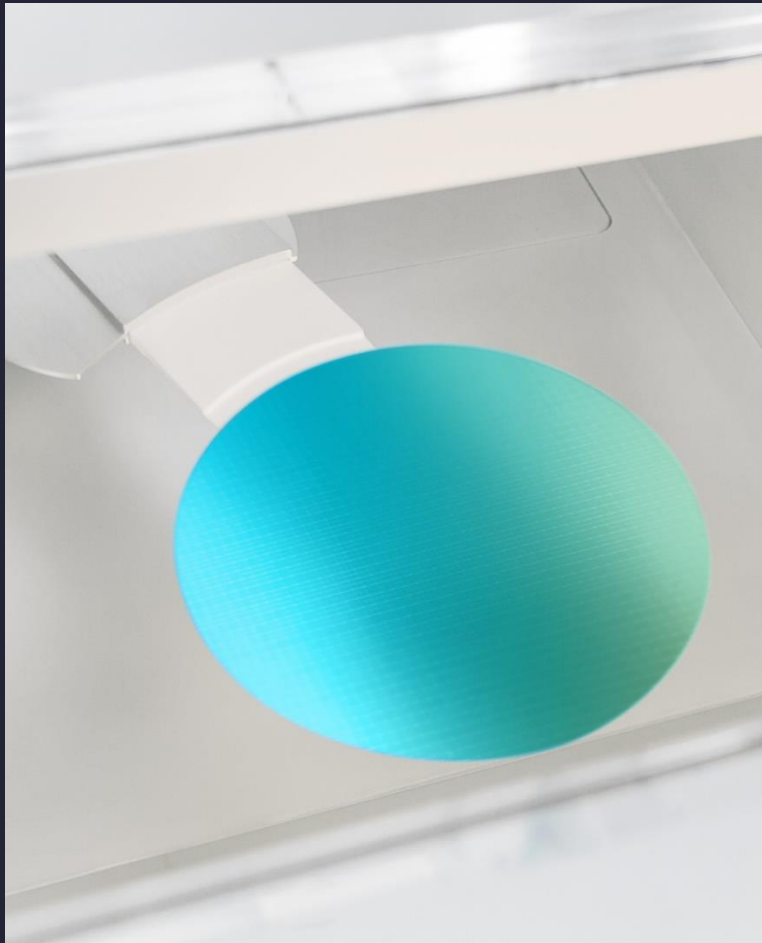


Record quarter of Foundry systems revenue with solid progress in leading-edge & specialty technology segments



Investing in long-term technology roadmaps while managing spending and strengthening operational processes

WFE outlook



CY 2023 WFE expected to be in the low to mid \$70B range

Additional weakness from memory customers, partially offset by domestic China-related demand across logic and memory

- Memory customers limiting bit output to drive down elevated inventory
- Expect memory spending down approximately 50% from 2022 led by NAND

Current memory spending unsustainable to support long-term NAND and DRAM bit demand growth

Memory leadership position and large installed base provide valuable platform for growth when customers ramp to normal levels

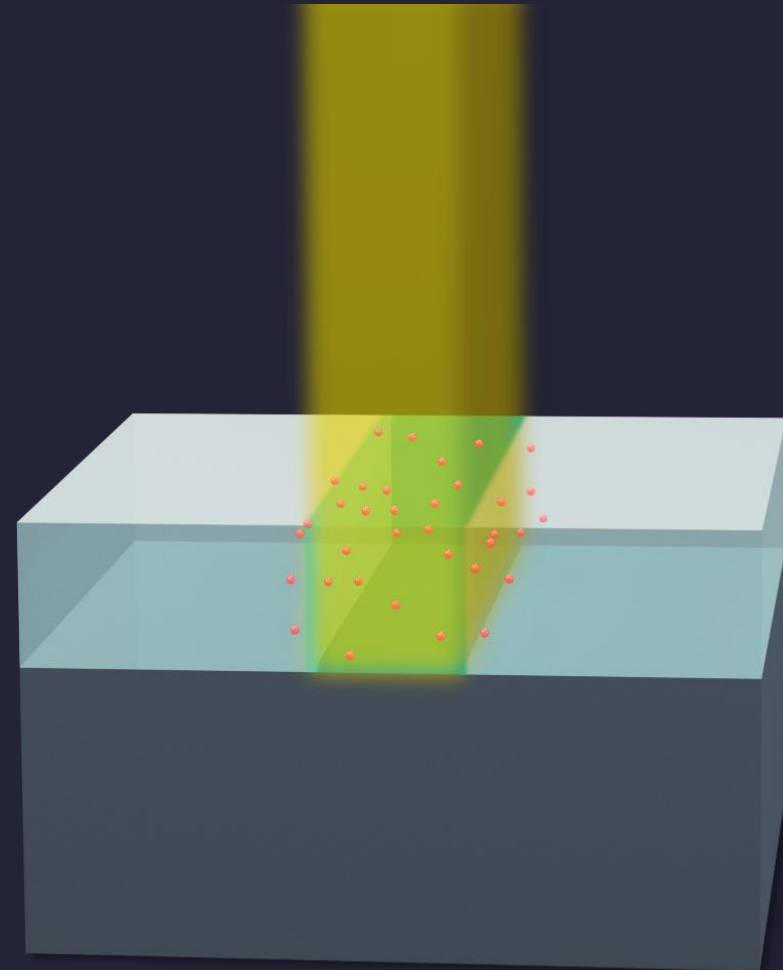
Rising complexity fundamental to Lam's opportunity

Patterning with EUV

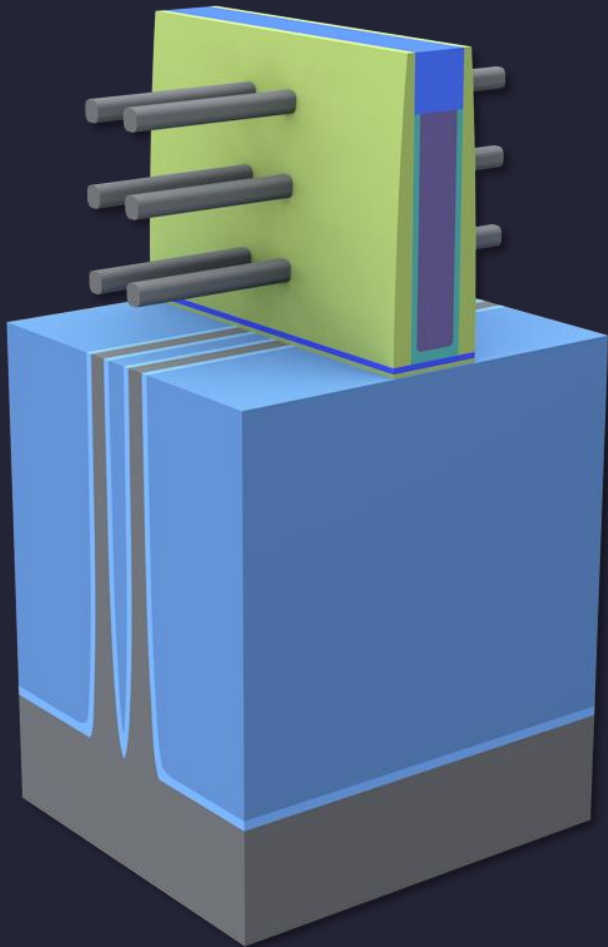
Lam has a leading share position with a broadening product footprint as EUV adoption scales

Our etch and deposition solutions enhance productivity by creating smooth patterns and reducing line width roughness

Lam's dry resist technologies gaining momentum with multiple customer adoptions



Rising complexity fundamental to Lam's opportunity



Gate-all-around

Complex 3D architecture plays to Lam's strengths

Close to one-billion-dollar incremental opportunity

Lam's ALD/ALE capabilities, including Argos[®], Prevos[®], and Selis[®] selective etch tools and ALD low k spacer and nitride films, are winning at multiple customers

Positioned for long-term outperformance

Near-term focus on expenses
and operations

Prioritization of R&D investments tied
to critical manufacturing inflections

Installed base has grown ~40%
since last downturn

Strong position to outperform
when WFE growth resumes



March quarter 2023 financial results & June quarter 2023 outlook

Doug Bettinger

Executive Vice President and Chief Financial Officer

March quarter highlights



QMAR'23 REVENUE

\$3.87B

QDec'22 revenue: \$5.28B

QMAR'23 DEFERRED REVENUE*

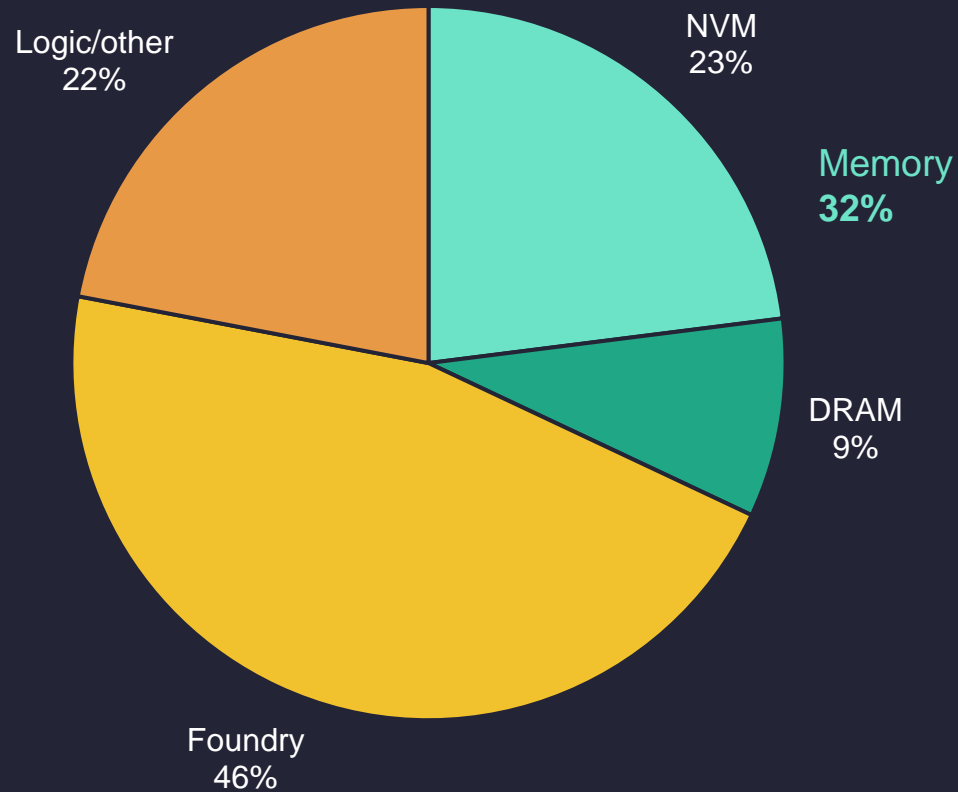
\$2.0B

QDec'22 deferred revenue: \$2.0B

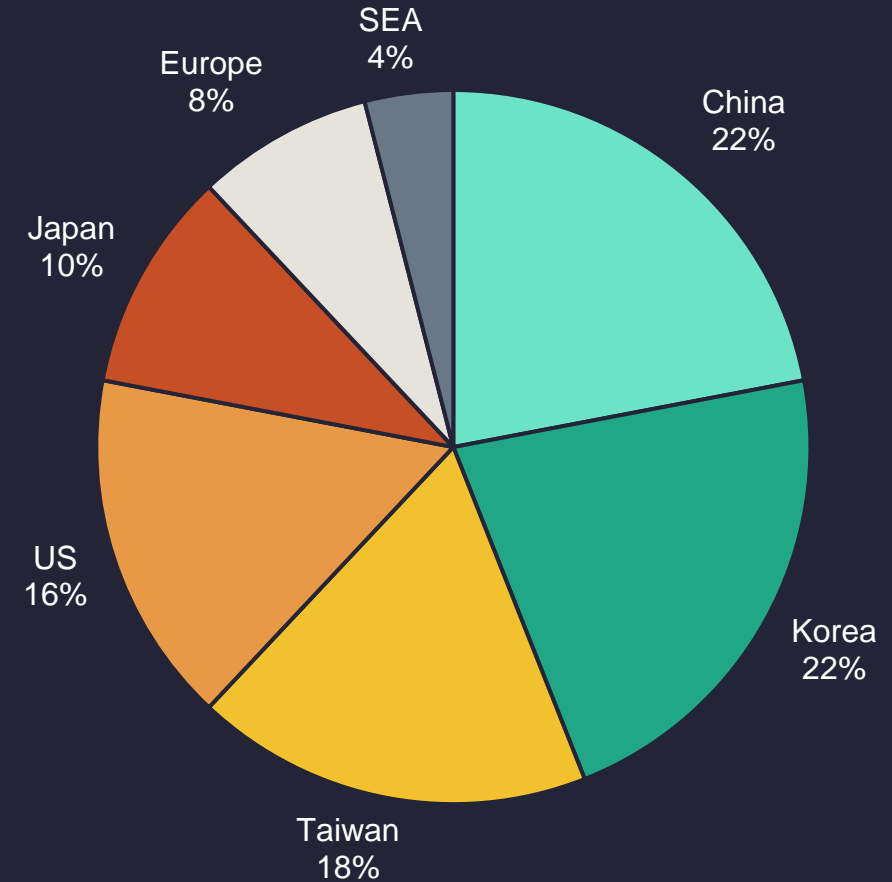
March quarter revenue mix

Record level of Foundry revenue dollars

System revenue segments*



REVENUE BY REGION



Customer Support Business Group



QMAR'23 CSBG REVENUE

\$1.61B

QDec'22 CSBG revenue: \$1.73B

QMar'22 CSBG revenue: \$1.41B

March quarter financial results

	QMAR'23	QDEC'22
Revenue	\$3,870M	\$5,278M
Non-GAAP gross margin*	44.0%	45.1%
Non-GAAP operating expenses*	\$608M	\$686M
Non-GAAP operating income*	\$1,097M	\$1,695M
Non-GAAP operating income as a percentage of revenue*	28.3%	32.1%
Non-GAAP other expense, net*	\$8M	\$38M
U.S. GAAP diluted EPS	\$6.01	\$10.77
Non-GAAP diluted EPS*	\$6.99	\$10.71
Diluted share count	135M	136M

Key balance sheet and financial metrics

	QMAR'23	QDEC'22
Total consolidated gross cash balance	\$5,620M	\$4,839M
Account receivables, net	\$3,262M	\$4,070M
DSO	77 days	70 days
Inventories	\$4,882M	\$4,820M
Inventory turns	1.9	2.4
Deferred revenue*	\$2,003M	\$1,984M
Capital expenditures	\$119M	\$163M
Equity compensation expense	\$74M	\$73M
Amortization expense	\$14M	\$12M
Depreciation expense	\$78M	\$73M
Share repurchases	\$483M	\$483M
Cash dividends	\$234M	\$236M
Headcount	~18,700	~19,200

June 2023 quarter guidance



\$3.1B +/- \$300M

Revenue



44.0% +/- 1%

Non-GAAP gross margin*



25.5% +/- 1%

Non-GAAP operating margin*



\$5.00 +/- \$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 26, 2023	December 25, 2022
U.S. GAAP net income	\$ 814,008	\$ 1,468,507
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	3,093	2,521
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	1,498	2,853
Restructuring charges, net - cost of goods sold	66,720	—
Product rationalization - cost of goods sold	26,842	—
Transformational costs - cost of goods sold	558	—
EDC related liability valuation increase - research and development	2,697	5,136
Product rationalization - research and development	3,858	—
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	1,395	1,279
EDC related liability valuation increase - selling, general and administrative	1,798	3,424
Product rationalization - selling, general and administrative	2,891	—
Transformational costs - selling, general and administrative	2,692	—
Restructuring charges, net – operating expenses	40,408	—
Amortization of note discounts - other income (expense), net	718	712
Gain on EDC related asset - other income (expense), net	(5,443)	(10,871)
Net income tax benefit on non-GAAP items	(17,250)	(1,213)
Net income tax benefit associated with legal entity restructuring	—	(11,773)
Non-GAAP net income	\$ 946,483	\$ 1,460,575
Non-GAAP net income per diluted share	\$ 6.99	\$ 10.71
U.S. GAAP net income per diluted share	\$ 6.01	\$ 10.77
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	135,395	136,339

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 26, 2023	December 25, 2022
U.S. GAAP gross margin	\$ 1,605,612	\$ 2,376,349
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	3,093	2,521
EDC related liability valuation increase	1,498	2,853
Restructuring charges, net	66,720	—
Product rationalization	26,842	—
Transformational costs	558	—
Non-GAAP gross margin	\$ 1,704,323	\$ 2,381,723
U.S. GAAP gross margin as a percentage of revenue	41.5 %	45.0 %
Non-GAAP gross margin as a percentage of revenue	44.0 %	45.1 %
U.S. GAAP operating expenses	\$ 663,359	\$ 696,187
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(1,395)	(1,279)
EDC related liability valuation increase	(4,495)	(8,560)
Restructuring charges, net	(40,408)	—
Product rationalization	(6,749)	—
Transformational costs	(2,692)	—
Non-GAAP operating expenses	\$ 607,620	\$ 686,348
U.S. GAAP operating income	\$ 942,253	\$ 1,680,162
Non-GAAP operating income	\$ 1,096,703	\$ 1,695,375
U.S. GAAP operating income as percent of revenue	24.4 %	31.8 %
Non-GAAP operating income as a percent of revenue	28.3 %	32.1 %

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 26, 2023	December 25, 2022
U.S. GAAP Other income (expense), net	\$ (3,331)	\$ (28,234)
Pre-tax non-GAAP items:		
Amortization of note discounts	718	712
Gain on EDC related asset	(5,443)	(10,871)
Non-GAAP Other income (expense), net	<u>\$ (8,056)</u>	<u>\$ (38,393)</u>

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 26, 2023	December 25, 2022
U.S. GAAP income before income taxes	\$ 938,922	\$ 1,651,928
U.S. GAAP income tax expense	\$ 124,914	\$ 183,421
U.S. GAAP income tax rate	13.3 %	11.1 %
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 3,093	\$ 2,521
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	1,498	2,853
Restructuring charges, net - cost of goods sold	66,720	—
Product rationalization - cost of goods sold	26,842	—
Transformational costs - cost of goods sold	558	—
EDC related liability valuation increase - research and development	2,697	5,136
Product rationalization - research and development	3,858	—
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	1,395	1,279
EDC related liability valuation increase - selling, general and administrative	1,798	3,424
Product rationalization - selling, general and administrative	2,891	—
Transformational costs - selling, general and administrative	2,692	—
Restructuring charges, net – operating expenses	40,408	—
Amortization of note discounts - other income (expense), net	718	712
Gain on EDC related asset - other income (expense), net	(5,443)	(10,871)
Non-GAAP income before taxes	\$ 1,088,647	\$ 1,656,982
Net income tax benefit on non-GAAP items	\$ 17,250	\$ 1,213
Net income tax benefit associated with legal entity restructuring	\$ —	\$ 11,773
Non-GAAP income tax expense	\$ 142,164	\$ 196,407
Non-GAAP income tax rate	13.1 %	11.9 %

Appendix – reconciliation

Calculation of Free Cash Flows
(in thousands)
(unaudited)

	Three Months Ended
	March 26, 2023
U.S. GAAP net cash provided by operating activities	\$ 1,726,438
U.S. GAAP cash used for capital expenditures and intangible assets	\$ (119,457)
Total free cash flow	<u>\$ 1,606,981</u>

Appendix – reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the
quarter ended June 25, 2023

	U.S. GAAP			Reconciling Items	Non-GAAP		
Revenue	\$3.1 Billion	+/-	\$300 Million	—	\$3.1 Billion	+/-	\$300 Million
Gross margin as a percentage of revenue	43.2%	+/-	1%	\$ 26 Million	44.0%	+/-	1%
Operating income as a percentage of revenue	24.3%	+/-	1%	\$ 36 Million	25.5%	+/-	1%
Net income per diluted share	\$4.75	+/-	\$0.75	\$ 33 Million	\$5.00	+/-	\$0.75
Diluted share count	134 million			—	134 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, except as described below. 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, \$3 million; restructuring charges, \$20 million; product rationalization charges, \$2 million; and transformational costs, \$1 million, totaling \$26 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$4 million; restructuring charges, \$21 million; transformational costs, \$9 million; and product rationalization charges, \$2 million; totaling \$36 million.
- Net income per diluted share - amortization related to intangible assets acquired through business combinations, \$4 million; amortization of note discounts, restructuring charges, \$21 million; transformational costs, \$9 million; product rationalization charges, \$2 million; amortization of debt discounts, \$1 million; and associated tax benefit for non-GAAP items (\$4 million); totaling \$33 million.

