Lam Research Corporation

September quarter 2023 financial results

October 18, 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; and (5) 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; and natural and human caused disasters, disease outbreaks, war, terrorism, political or governmental unrest or instability, or other events beyond our control 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 25, 2023. You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to update any forward-looking statements.
A global leader in wafer fabrication equipment and services since 1980

\[ \text{Lam Research} \]

$17.4B \text{ REVENUE}^*$

$1.7B \text{ R&D}^*$

~17,200 \text{ EMPLOYEES}

14 PRIMARY LOCATIONS

- Fremont, CA
- Livermore, CA
- Sherwood, OR
- Tualatin, OR
- Springfield, OH
- Eaton, OH
- Villach, Austria
- Hwaseong-si, Korea
- Osan, Korea
- Yongin, Korea
- Hsinchu City, Taiwan
- Taoyuan City, Taiwan
- Bengaluru, India
- Batu Kawan, Malaysia

AWARDS AND RECOGNITION

- 100 Most Sustainable U.S. Companies
  Barron’s
- World’s Most Admired Companies
  Fortune
- World’s Most Ethical Companies
  Ethisphere
- Best Places to Work For LGBTQ+ Equality
  Human Rights Campaign
- America’s Best Employers for Diversity
  Forbes
- Dow Jones Sustainability Index
  North America
- S&P Global

All figures as of fiscal year 2023. *GAAP basis
Business review & industry outlook

Tim Archer
President and Chief Executive Officer
Strong September quarter performance

Revenue of $3.48B and EPS of $6.85; profitability metrics above guided ranges for second quarter in a row

Expect further revenue and EPS improvement in December quarter
WFE outlook

**CY 2023 WFE in the $80B range**

Changed from our prior view of mid-$70B based on updated checks on non-Lam related markets and restricted fab spending in China

No impact to Lam revenue assumptions

**NAND:** Customers reduced spending, lowered utilizations to drive faster path to supply/demand balance

**DRAM:** Spending up modestly relative to prior view driven by HBM-related demand and China upside

**Foundry/logic:** Down slightly versus prior baseline on weakness in leading edge and non-China mature node spending
Lam positioned to benefit from drivers of WFE demand

Expect benefits in both the short and long term

When memory investments recover, higher utilization drives need for spares, services, and upgrades

Etch and deposition are critical to enabling higher performance and increased device complexity

Customers continue to identify innovative use cases for vertical scaling
Addressing the limitations of scaling

Close to $1B incremental SAM opportunity for every 100K monthly wafer starts

Power interconnects increasingly compete for space in BEOL and at the transistor level

Technology enables separation of the signal and power delivery paths; new etch and deposition capabilities are needed

Have tool of record positions at a leading foundry/logic customer

SAM = served available market
BEOL = back end of the line
Expansion of our Equipment Intelligence® offerings

- First big data application of high-resolution optical emission spectroscopy
- Complexity in collecting and interpreting plasma spectra across large tool fleet
- Allows customers to resolve performance issues

Collaborative maintenance robot (Co-bot)

- Industry’s first collaborative maintenance robot
- Deployed into a production fab at a leading customer
- Helps execute complex maintenance tasks with precision and repeatability
- Important capability as semiconductor manufacturing expands and becomes more regionalized
Investing to capitalize on long-term opportunities

Tremendous vectors of growth ahead for the semiconductor industry and for Lam

- Scaling and complexity challenges are driving inflections toward 3D architectures leading to greater etch and deposition intensity
- Lam is committed to making strategic investments to position for outperformance as industry and markets grow
- Laying the groundwork for greater scale and efficiency in our global operations
- Increasing R&D efforts to extend differentiation and expand our product portfolio to capture new applications
September quarter 2023 financial results & December quarter 2023 outlook

Doug Bettinger
Executive Vice President and Chief Financial Officer
September quarter highlights

QSEP’23 REVENUE

$3.48B
QJun’23 revenue: $3.21B
QSep’22 revenue: $5.07B

QSEP’23 EARNINGS PER SHARE*

$6.85
QJun’23 earnings per share*: $5.98

*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

DRAM segment growth; increase in China revenue concentration

**SYSTEM REVENUE SEGMENTS**
- Logic/other: 26%
- NVM: 15%
- Memory: 38%
- DRAM: 23%

**REVENUE BY REGION**
- China: 48%
- Korea: 16%
- Southeast Asia: 5%
- Taiwan: 7%
- US: 8%
- Europe: 7%
- Japan: 9%

NVM = non-volatile memory
*System revenue includes equipment and equipment upgrade sales from etch, deposition, clean, and our Reliant® product line.
Customer Support Business Group

QSEP’23 CSBG REVENUE

$1.43B

QJun’23 CSBG revenue: $1.50B

QSep’22 CSBG revenue: $1.89B
## September quarter financial results

<table>
<thead>
<tr>
<th></th>
<th>QSEP’23</th>
<th>QJUN’23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$3,482M</td>
<td>$3,207M</td>
</tr>
<tr>
<td>Non-GAAP Gross Margin*</td>
<td>47.9%</td>
<td>45.7%</td>
</tr>
<tr>
<td>Non-GAAP Operating Expenses*</td>
<td>$622M</td>
<td>$590M</td>
</tr>
<tr>
<td>Non-GAAP Operating Income*</td>
<td>$1,047M</td>
<td>$875M</td>
</tr>
<tr>
<td>Non-GAAP Operating Income as a percentage of Revenue*</td>
<td>30.1%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Non-GAAP Other Income (Expense), Net*</td>
<td>$7M</td>
<td>$(7)M</td>
</tr>
<tr>
<td>U.S. GAAP Diluted EPS</td>
<td>$6.66</td>
<td>$5.97</td>
</tr>
<tr>
<td>Non-GAAP Diluted EPS*</td>
<td>$6.85</td>
<td>$5.98</td>
</tr>
<tr>
<td>Diluted Share Count</td>
<td>133M</td>
<td>134M</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th></th>
<th>QSEP’23</th>
<th>QJUN’23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Consolidated Gross Cash Balance</td>
<td>$5,157M</td>
<td>$5,625M</td>
</tr>
<tr>
<td>Account Receivables, Net</td>
<td>$2,811M</td>
<td>$2,823M</td>
</tr>
<tr>
<td>Days Sales Outstanding</td>
<td>73 Days</td>
<td>80 Days</td>
</tr>
<tr>
<td>Inventories</td>
<td>$4,748M</td>
<td>$4,816M</td>
</tr>
<tr>
<td>Inventory Turns</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Deferred Revenue*</td>
<td>$1,690M</td>
<td>$1,838M</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$77M</td>
<td>$79M</td>
</tr>
<tr>
<td>Equity Compensation Expense</td>
<td>$67M</td>
<td>$68M</td>
</tr>
<tr>
<td>Amortization Expense</td>
<td>$14M</td>
<td>$14M</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>$76M</td>
<td>$76M</td>
</tr>
<tr>
<td>Share Repurchases</td>
<td>$830M</td>
<td>$906M</td>
</tr>
<tr>
<td>Cash Dividends</td>
<td>$230M</td>
<td>$232M</td>
</tr>
<tr>
<td>Headcount</td>
<td>~17,200</td>
<td>~17,400</td>
</tr>
</tbody>
</table>

*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 $261M as of September 24, 2023 and $160M as of June 25, 2023.
December 2023 quarter guidance

- **Revenue**: $3.7B +/- $300M
- **Non-GAAP gross margin**: 47.0% +/- 1%
- **Non-GAAP operating margin**: 29.5% +/- 1%
- **Non-GAAP earnings per share***: $7.00 +/- $0.75

*Based on a diluted share count of approximately 132 million shares

A reconciliation of U.S. GAAP projected results can be found at the end of this presentation.
## Appendix – reconciliation

### Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income

(in thousands, except per share data)

(unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 24, 2023</td>
<td>June 25, 2023</td>
</tr>
<tr>
<td>U.S. GAAP net income</td>
<td>$ 887,398</td>
<td>$ 802,537</td>
</tr>
</tbody>
</table>

**Pre-tax non-GAAP items:**

- Amortization related to intangible assets acquired through certain business combinations - cost of goods sold: $3,149, $3,093
- Elective deferred compensation ("EDC") related liability valuation (decrease) increase - cost of goods sold: ($591), $4,288
- Restructuring charges, net - cost of goods sold: $7,940, $11,446
- Product rationalization - cost of goods sold: —, ($13,383)
- Transformational costs - cost of goods sold: $4,269, $1,634
- EDC related liability valuation (decrease) increase - research and development: ($1,064), $7,719
- Product rationalization - research and development: —, ($3,795)
- Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative: $1,186, $1,395
- EDC related liability valuation (decrease) increase - selling, general and administrative: ($709), $5,146
- Product rationalization - selling, general and administrative: —, ($2,891)
- Transformational costs - selling, general and administrative: $8,020, $4,294
- Restructuring charges, net - operating expenses: $2,021, $1,742
- Amortization of note discounts - other income (expense), net: $1,017, $724
- Loss (gain) on EDC related asset - other income (expense), net: $2,901, ($16,599)
- Net income tax benefit on non-GAAP items: ($3,098), ($1,146)
- Income tax benefit on the conclusion of certain tax matters: —, ($3,079)

**Non-GAAP net income**

- $912,439
- $803,125

**Non-GAAP net income per diluted share**

- $6.85
- $5.98

**U.S. GAAP net income per diluted share**

- $6.66
- $5.97

**U.S. GAAP and non-GAAP number of shares used for per diluted share calculation**

- 133,166
- 134,392
## 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)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 24, 2023</td>
</tr>
<tr>
<td>U.S. GAAP gross margin</td>
<td>$1,654,702</td>
</tr>
<tr>
<td>Pre-tax non-GAAP items:</td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations</td>
<td>3,149</td>
</tr>
<tr>
<td>EDC related liability valuation (decrease) increase</td>
<td>(591)</td>
</tr>
<tr>
<td>Restructuring charges, net</td>
<td>7,940</td>
</tr>
<tr>
<td>Product rationalization</td>
<td>—</td>
</tr>
<tr>
<td>Transformational costs</td>
<td>4,269</td>
</tr>
<tr>
<td>Non-GAAP gross margin</td>
<td>$1,669,469</td>
</tr>
<tr>
<td>U.S. GAAP gross margin as a percentage of revenue</td>
<td>47.5 %</td>
</tr>
<tr>
<td>Non-GAAP gross margin as a percentage of revenue</td>
<td>47.9 %</td>
</tr>
<tr>
<td>U.S. GAAP operating expenses</td>
<td>$631,673</td>
</tr>
<tr>
<td>Pre-tax non-GAAP items:</td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations</td>
<td>(1,186)</td>
</tr>
<tr>
<td>EDC related liability valuation decrease (increase)</td>
<td>1,773</td>
</tr>
<tr>
<td>Restructuring charges, net</td>
<td>(2,021)</td>
</tr>
<tr>
<td>Product rationalization</td>
<td>—</td>
</tr>
<tr>
<td>Transformational costs</td>
<td>(8,020)</td>
</tr>
<tr>
<td>Non-GAAP operating expenses</td>
<td>$622,219</td>
</tr>
<tr>
<td>U.S. GAAP operating income</td>
<td>$1,023,029</td>
</tr>
<tr>
<td>Non-GAAP operating income</td>
<td>$1,047,250</td>
</tr>
<tr>
<td>U.S. GAAP operating income as percent of revenue</td>
<td>29.4 %</td>
</tr>
<tr>
<td>Non-GAAP operating income as a percent of revenue</td>
<td>30.1 %</td>
</tr>
</tbody>
</table>
## Appendix – reconciliation

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

<table>
<thead>
<tr>
<th>Description</th>
<th>September 24, 2023</th>
<th>June 25, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. GAAP Other income (expense), net</td>
<td>$2,601</td>
<td>$9,010</td>
</tr>
<tr>
<td>Pre-tax non-GAAP items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of note discounts</td>
<td>1,017</td>
<td>724</td>
</tr>
<tr>
<td>Loss (gain) on EDC related asset</td>
<td>2,901</td>
<td>(16,599)</td>
</tr>
<tr>
<td>Non-GAAP Other income (expense), net</td>
<td>$6,519</td>
<td>$(6,865)</td>
</tr>
</tbody>
</table>

*Note: The table above includes the reconciliation of U.S. GAAP Other Income (Expense), Net to Non-GAAP Other Income (Expense), Net for the three months ended September 24, 2023 and June 25, 2023*
Appendix – reconciliation

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

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 24, 2023</td>
</tr>
<tr>
<td>U.S. GAAP net cash provided by operating activities</td>
<td>$951,163</td>
</tr>
<tr>
<td>U.S. GAAP cash used for capital expenditures and intangible assets</td>
<td>(76,992)</td>
</tr>
<tr>
<td>Total free cash flow</td>
<td>$874,171</td>
</tr>
</tbody>
</table>

U.S. GAAP net cash provided by operating activities
U.S. GAAP cash used for capital expenditures and intangible assets
Total free cash flow
## Appendix – reconciliation

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

<table>
<thead>
<tr>
<th></th>
<th>September 24, 2023</th>
<th>June 25, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. GAAP income before income taxes</td>
<td>$1,025,630</td>
<td>$863,615</td>
</tr>
<tr>
<td>U.S. GAAP income tax expense</td>
<td>$138,232</td>
<td>$61,078</td>
</tr>
<tr>
<td><strong>U.S. GAAP income tax rate</strong></td>
<td><strong>13.5 %</strong></td>
<td><strong>7.1 %</strong></td>
</tr>
</tbody>
</table>

**Pre-tax non-GAAP items:**

- Amortization related to intangible assets acquired through certain business combinations - cost of goods sold  
  - Three Months Ended  
    - September 24, 2023: $3,149  
    - June 25, 2023: $3,093

- Elective deferred compensation related liability valuation (decrease) increase - cost of goods sold  
  - Three Months Ended  
    - September 24, 2023: $(591)  
    - June 25, 2023: $4,288

- Restructuring charges, net - cost of goods sold  
  - Three Months Ended  
    - September 24, 2023: 7,940  
    - June 25, 2023: 11,446

- Product rationalization - cost of goods sold  
  - Three Months Ended  
    - September 24, 2023: 4,269  
    - June 25, 2023: (13,383)

- Transformational costs - cost of goods sold  
  - Three Months Ended  
    - September 24, 2023: 7,940  
    - June 25, 2023: 11,446

- EDC related liability valuation (decrease) increase - research and development  
  - Three Months Ended  
    - September 24, 2023: (1,064)  
    - June 25, 2023: 7,719

- Product rationalization - research and development  
  - Three Months Ended  
    - September 24, 2023: 4,269  
    - June 25, 2023: 1,634

- Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative  
  - Three Months Ended  
    - September 24, 2023: 1,186  
    - June 25, 2023: 1,395

- EDC related liability valuation (decrease) increase - selling, general and administrative  
  - Three Months Ended  
    - September 24, 2023: (709)  
    - June 25, 2023: 5,146

- Product rationalization - selling, general and administrative  
  - Three Months Ended  
    - September 24, 2023: 2,021  
    - June 25, 2023: 1,742

- Restructuring charges, net - operating expenses  
  - Three Months Ended  
    - September 24, 2023: 1,017  
    - June 25, 2023: 724

- Amortization of note discounts - other income (expense), net  
  - Three Months Ended  
    - September 24, 2023: $1,186  
    - June 25, 2023: $1,395

- Loss (gain) on EDC related asset - other income (expense), net  
  - Three Months Ended  
    - September 24, 2023: $(2,891)  
    - June 25, 2023: 16,599

**Non-GAAP income before taxes**  
- Three Months Ended  
  - September 24, 2023: $1,053,769  
  - June 25, 2023: $868,428

**Net income tax benefit on non-GAAP items**  
- Three Months Ended  
  - September 24, 2023: $3,098  
  - June 25, 2023: $1,146

**Income tax benefit on conclusion of certain tax matters**  
- Three Months Ended  
  - September 24, 2023: $—  
  - June 25, 2023: $3,079

**Non-GAAP income tax expense**  
- Three Months Ended  
  - September 24, 2023: $141,330  
  - June 25, 2023: $65,303

**Non-GAAP income tax rate**  
- Three Months Ended  
  - September 24, 2023: **13.4 %**  
  - June 25, 2023: 7.5 %
Appendix – reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the quarter ended December 24, 2023

<table>
<thead>
<tr>
<th></th>
<th>U.S. GAAP</th>
<th>Reconciling Items</th>
<th>Non-GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$3.7 Billion</td>
<td>+/- $300 Million</td>
<td>$3.7 Billion</td>
</tr>
<tr>
<td>Gross margin as a % of</td>
<td>46.5%</td>
<td>+/- 1%</td>
<td>47.0%</td>
</tr>
<tr>
<td>revenue</td>
<td></td>
<td>$17 Million</td>
<td>+/- 1%</td>
</tr>
<tr>
<td>Operating income as a</td>
<td>28.6%</td>
<td>+/- 1%</td>
<td>29.5%</td>
</tr>
<tr>
<td>% of revenue</td>
<td></td>
<td>$32 Million</td>
<td>+/- 1%</td>
</tr>
<tr>
<td>Net income per diluted</td>
<td>$6.78</td>
<td>+/- $0.75</td>
<td>$7.00</td>
</tr>
<tr>
<td>share</td>
<td>132 Million</td>
<td></td>
<td>132 million</td>
</tr>
</tbody>
</table>

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 realized 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 - restructuring charges, $7 million; transformational costs, $7 million; and amortization related to intangible assets acquired through business combinations, $3 million; totaling $17 million.
- Operating income as a percentage of revenue - transformational costs, $22 million; restructuring charges, $7 million; and amortization related to intangible assets acquired through business combinations, $3 million; totaling $32 million.
- Net income per diluted share - transformational costs, $22 million; restructuring charges, $7 million; amortization related to intangible assets acquired through business combinations, $3 million; amortization of debt discounts, $1 million; and associated tax benefit for non-GAAP items ($4 million); totaling $29 million.