

Lam Research Corporation Announces Financial Results for the Quarter Ended December 27, 2009

FREMONT, Calif., Jan 27, 2010 (BUSINESS WIRE) -- Lam Research Corporation (NASDAQ: LRCX) highlights for the December 2009 quarter were:

(in thousands, except per share data and percentages)

Revenue:	\$	487,176		
			U.S. GAAP	Ongoing
Operating Margin:		18.8	%	15.6
				%
Net Income:	\$	69,574		\$ 60,714
Diluted EPS:	\$	0.54		\$ 0.47

Lam Research Corporation today announced financial results for the quarter ended December 27, 2009. Revenue for the period was \$487.2 million, gross margin was \$223.2 million and net income was \$69.6 million, or \$0.54 per diluted share, compared to revenue of \$318.5 million, gross margin of \$136.8 million and net income of \$16.8 million, or \$0.13 per diluted share, for the September 2009 quarter. Shipments for the December 2009 quarter were \$519 million compared to \$355 million during the September 2009 quarter.

The Company's ongoing results for the December 2009 quarter exclude certain costs for previously announced restructuring activities, the reversal of accrued liabilities due to final settlement of the remaining liabilities for Internal Revenue Code Section 409A related expenses, and the impairment of an investment. The Company's ongoing results for the September 2009 quarter excluded certain costs for previously announced restructuring activities and the reversal of accrued liabilities due to settlement of a portion of certain liabilities for Internal Revenue Code Section 409A related expenses. Management uses the presentation of ongoing gross margin, ongoing operating expenses, ongoing operating income, ongoing operating margin, ongoing net income, and ongoing net income per diluted share to evaluate the Company's operating and financial results. The Company believes the presentation of ongoing results is useful to investors for analyzing business trends and comparing performance to prior periods, along with enhancing the investor's ability to view the Company's results from management's perspective. A table presenting a reconciliation of ongoing results to results under U.S. GAAP is included at the end of this press release and on the Company's web site.

Ongoing net income was \$60.7 million, or \$0.47 per diluted share in the December 2009 quarter compared to ongoing net income of \$4.2 million, or \$0.03 per diluted share, for the September 2009 quarter. Ongoing gross margin for the December 2009 quarter was \$218.5 million or 44.8%, compared to ongoing gross margin of \$131.3 million, or 41.2%, for the September 2009 quarter. The sequential increase in gross margin was primarily due to improved factory utilization as a result of increased business volume and a more favorable product mix. Ongoing operating expenses for the December 2009 quarter increased to \$142.3 million compared with the September 2009 quarter of \$123.3 million. This increase was a function of higher variable compensation expense associated with our improvement in profitability, new product material spending to support additional market opportunities arising from an improved business outlook, and the restoration of employee salaries and accompanying benefits (excluding executive management) to levels prior to the actions to reduce base compensation in the March 2009 quarter.

The geographic distribution of shipments and revenue during the December 2009 quarter is shown in the following table:

Region	Shipments		Revenue	
North America	7	%	8	%
Europe	6	%	6	%
Japan	12	%	15	%
Korea	26	%	25	%
Taiwan	37	%	35	%
Asia Pacific	12	%	11	%

Cash and cash equivalents, short-term investments and restricted cash and investments balances were \$830.6 million at the end of the December 2009 quarter, compared to \$761.2 million at the end of the September 2009 quarter. Cash flows from operating activities were approximately \$73.3 million during the December 2009 quarter. Deferred revenue and deferred profit balances at the end of the December 2009 quarter were \$134.4 million and \$73.9 million, respectively. Lam's deferred revenue balance does not include shipments to Japanese customers, to whom title does not transfer until customer acceptance. Shipments to Japanese customers are classified as inventory at cost until the time of acceptance. The anticipated future revenue from shipments to Japanese customers was approximately \$11 million as of December 27, 2009.

"In the December 2009 quarter we saw significant growth in shipments, revenue and earnings for Lam Research. As we move into 2010 we will continue to focus on delivering market share gains in our etch and clean businesses to expand revenues, earnings per share and cash generation from cycle to cycle," said Steve Newberry, Lam's president and chief executive officer. "I would like to thank our employees, suppliers and shareholders for their continued commitment to our success," Newberry concluded.

Statements made in this press release that are not statements of historical fact are forward-looking statements and are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate, but are not limited, to the anticipated revenue from shipments to Japanese customers, and Lam's focus on delivering market share gains in its etch and clean businesses to expand revenues, earnings per share and cash generation from cycle to cycle. Some factors that may affect these forward-looking statements include: business conditions in the semiconductor industry and the overall economy, and the efficacy of Lam's plans for reacting to those conditions, changing customer demands, the actions of Lam's competitors, and the challenges presented by the development and marketing of new products. These forward-looking statements are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect as well as other risks detailed in documents filed with the Securities and Exchange Commission, including specifically the report on Form 10-K for the year ended June 28, 2009 and the report on Form 10-Q for the three months ended September 27, 2009. These uncertainties and changes could cause actual results to vary from expectations. The Company undertakes no obligation to update the information or statements made in this press release.

Lam Research Corporation is a major provider of wafer fabrication equipment and services to the world's semiconductor industry. Lam's common stock trades on The NASDAQ Global Select Market SM under the symbol LRCX. Lam is a NASDAQ-100® company. For more information, visit www.lamresearch.com.

in per share calculations:				
Basic	127,296	126,774	125,084	127,035
Diluted	128,829	127,890	125,084	128,389

See Notes to Condensed Consolidated Financial Statements

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 27, 2009 (unaudited)	September 27, 2009 (unaudited)	June 28, 2009 (1)
ASSETS			
Cash and cash equivalents	\$ 430,166	\$ 361,163	\$ 374,167
Short-term investments	215,567	215,031	205,221
Accounts receivable, net	420,486	325,756	253,585
Inventories	241,296	220,083	233,410
Deferred income taxes	47,984	57,293	69,043
Other current assets	79,482	61,128	60,401
Total current assets	1,434,981	1,240,454	1,195,827
Property and equipment, net	205,089	211,348	215,666
Restricted cash and investments	184,913	185,010	178,439
Deferred income taxes	16,399	16,298	17,007
Goodwill and intangible assets	248,838	254,816	260,787
Other assets	94,622	87,179	84,145
Total assets	\$ 2,184,842	\$ 1,995,105	\$ 1,951,871

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	\$ 445,243	\$ 336,911	\$ 340,763
Long-term debt and capital leases	\$ 35,145	\$ 35,787	\$ 40,886
Income taxes payable	107,273	105,925	102,999
Other long-term liabilities	12,397	12,722	14,134
Stockholders' equity	1,584,784	1,503,760	1,453,089
Total liabilities and stockholders' equity	\$ 2,184,842	\$ 1,995,105	\$ 1,951,871

1 Derived from audited financial statements

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended		September 27,		December 28,		Six Months Ended	
	December 27,		September 27,		December 28,		December 27,	
	2009		2009		2008		2009	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net income (loss)	\$	69,574	\$	16,797	\$	(24,172)	\$	86,371
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:								
Depreciation and amortization		18,184		17,681		17,177		35,865
Deferred income taxes		9,229		12,482		10,110		21,711
Restructuring charges, net		5,919		2,093		17,849		8,012
Equity-based compensation expense		13,259		13,958		14,049		27,217
Income tax benefit on equity-based compensation plans		303		(89)		(7,045)		214
Excess tax benefit on equity-based compensation plans		(235)		(368)		3,752		(603)
Other, net		173		1,159		3,200		1,332
Changes in operating asset and liabilities:		(43,096)		(61,009)		(73,909)		(104,105)
Net cash provided by (used for) operating activities		73,310		2,704		(38,989)		76,014
CASH FLOWS FROM INVESTING ACTIVITIES:								
Capital expenditures and intangible assets		(6,893)		(5,832)		(12,417)		(12,725)
Acquisitions of businesses, net of cash acquired		-		-		(8,763)		-
Net sales/maturities (purchases) of available-for-sale securities		(1,016)		(9,775)		39,767		(10,791)
Purchase of other investments		-		(961)		-		(961)
Transfer of restricted cash and investments		97		(6,571)		(32,178)		(6,474)
Other		-		-		(2,000)		-
Net cash used for investing		(7,812)		(23,139)		(15,591)		(30,951)

activities

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on long-term debt and capital lease obligations	(689)	(1,915)	(13,060)	(2,604)
Net proceeds from issuance of long-term debt	52	284	515	336
Excess tax benefit on equity-based compensation plans	235	368	(3,752)	603
Treasury stock purchases	(576)	(2,356)	(24,448)	(2,932)
Reissuances of treasury stock	-	5,761	-	5,761
Proceeds from issuance of common stock	4,126	2,256	1,294	6,382
Net cash provided by (used for) financing activities	3,148	4,398	(39,451)	7,546
Effect of exchange rate changes on cash	357	3,033	1,512	3,390
Net increase (decrease) in cash and cash equivalents	69,003	(13,004)	(92,519)	55,999
Cash and cash equivalents at beginning of period	361,163	374,167	745,432	374,167
Cash and cash equivalents at end of period	\$ 430,166	\$ 361,163	\$ 652,913	\$ 430,166

See Notes to Condensed Consolidated Financial Statements

Reconciliation of U.S. GAAP Net Income to Ongoing Net Income

(in thousands, except per share data)

(unaudited)

	Three Months Ended December 27, 2009	Three Months Ended September 27, 2009
U.S. GAAP net income	\$ 69,574	\$ 16,797
Pre-tax non-ongoing items:		
Restructuring and asset impairments - operating expenses	5,919	2,093
409A expense - cost of goods sold	(4,713)	(5,455)
409A expense - operating expenses	(16,345)	(17,893)

Impairment of investment - other income (expense), net	927	-
Net tax expense on non-ongoing items	5,352	8,639
Ongoing net income	\$ 60,714	\$ 4,181
Ongoing net income per diluted share	\$ 0.47	\$ 0.03
Number of shares used for diluted per share calculation	128,829	127,890

Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating Income to Ongoing Gross Margin, Operating Expenses and Operating Income

(in thousands, except percentages)

(unaudited)

	Three Months Ended		Three Months Ended	
	December 27,		September 27,	
	2009		2009	
U.S. GAAP gross margin	\$	223,204	\$	136,770
Pre-tax non-ongoing items:				
Pre-tax 409A expense - cost of goods sold		(4,713)		(5,455)
Ongoing gross margin	\$	218,491	\$	131,315
U.S. GAAP gross margin as a percent of revenue		45.8 %		42.9 %
Ongoing gross margin as a percent of revenue		44.8 %		41.2 %
U.S. GAAP operating expenses	\$	131,856	\$	107,518
Pre-tax non-ongoing items:				
Restructuring and asset impairments - operating expenses		(5,919)		(2,093)
409A expense - operating expenses		16,345		17,893
Ongoing operating expenses	\$	142,282	\$	123,318
Ongoing operating income	\$	76,209	\$	7,997
Ongoing operating margin as a percent of revenue		15.6 %		2.5 %

SOURCE: Lam Research Corporation

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