

Lam Research Corporation Reports Financial Results for the Quarter Ended September 23, 2012

FREMONT, CA -- (Marketwire) -- 10/17/12 -- Lam Research Corporation (NASDAQ: LRCX)

- Achieved revenue of \$906.9 million, up 22.3% from prior quarter, in first full quarter of consolidated results with Novellus
- Reported GAAP gross margin of 36.8%, GAAP operating margin of 1.8% and GAAP EPS of \$0.02
- Exceeded earnings guidance across multiple non-GAAP metrics: gross margin of 44.4%, operating margin of 13.0%, EPS of \$0.53
- Delivered targeted progress toward integration and synergies

Lam Research Corporation's (NASDAQ: LRCX) highlights for the September 2012 quarter were:

Lam Research Corporation

Financial Highlights for the Quarter Ended September 23, 2012

(in thousands, except per share data and percentages)

	U.S. GAAP	Non-GAAP
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Revenue:	\$ 906,888	\$ 906,888
Operating Margin:	1.8%	13.0%
Net Income:	\$ 2,768	\$ 97,013
Diluted EPS:	\$ 0.02	\$ 0.53

Lam Research Corporation today announced financial results for the quarter ended September 23, 2012. Revenue for the period was \$906.9 million, gross margin was \$333.9 million, or 36.8%, operating expenses were \$317.2 million, and net income was \$2.8 million, or \$0.02 per diluted share, compared to revenue of \$741.8 million, gross margin of \$298.2 million, or 40.2%, operating expenses of \$265.5 million, and net income of \$18.1 million, or \$0.13 per diluted share, for the June 2012 quarter. Shipments for the September 2012 quarter were \$935 million compared to \$816 million during the June 2012 quarter.

In addition to U.S. Generally Accepted Accounting Principles (GAAP) results, this commentary contains non-GAAP financial measures. The Company's non-GAAP results for both the September 2012 and June 2012 quarters exclude costs associated with acquisition-related inventory fair value impact, amortization related to intangible assets acquired in the Novellus transaction, certain acquisition and integration-related

costs, the amortization of convertible note discounts, and rationalization of certain product configurations. See "Use of Non-GAAP Financial Measures" below for additional information.

Non-GAAP net income was \$97.0 million, or \$0.53 per diluted share, in the September 2012 quarter compared to non-GAAP net income of \$80.9 million, or \$0.60 per diluted share, for the June 2012 quarter. Non-GAAP gross margin for the September 2012 quarter was \$402.3 million, or 44.4%, compared to non-GAAP gross margin of \$312.7 million, or 42.1%, for the June 2012 quarter. Gross margin performance reflected solid execution combined with more favorable customer and product mix. Non-GAAP operating expenses for the September 2012 quarter increased to \$284.3 million compared with the June quarter of \$214.8 million primarily reflecting a full quarter of post-acquisition activity as a combined company.

"Despite a more uncertain industry environment, Lam Research achieved strong financial performance in the September quarter, delivering gross margin and operating profits above the high end of our guidance," said Martin Anstice, Lam's president and chief executive officer. "Our results reflect strong operational execution and solid progress towards the synergy targets that we've outlined. While the near-term outlook for semiconductor equipment demand has softened, we are committed to achieving the appropriate balance between cost management and continued investment in next-generation solutions for our customers. We believe that these activities will drive profitable growth for Lam when industry conditions improve," Anstice concluded.

Cash and cash equivalents, short-term investments and restricted cash and investments balances decreased to \$2.9 billion at the end of the September 2012 quarter, compared to \$3.0 billion at the end of the June 2012 quarter. This decrease was primarily the result of stock repurchases during the quarter, offset by cash flows from operating activities, which were approximately \$249 million during the September 2012 quarter. Deferred revenue and deferred profit balances at the end of the September 2012 quarter increased to \$363.5 million and \$208.1 million, respectively, as compared to \$335.4 million and \$164.8 million, respectively, at the end of the June 2012 quarter. 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 \$20.7 million as of September 23, 2012.

The geographic distribution of shipments and revenue during the September 2012 quarter is shown in the following table:

Region	Shipments	Revenue
	-----	-----
North America	18%	18%
Europe	7%	7%
Japan	8%	8%
Korea	16%	24%
Taiwan	29%	28%
Asia Pacific	22%	15%

Use of Non-GAAP Financial Measures

Management uses non-GAAP gross margin, operating income, operating expenses, operating margin, net income, and net income per diluted share to evaluate the Company's operating and financial results. The Company believes the presentation of non-GAAP results is useful to investors for analyzing business trends and comparing performance to prior periods, along with enhancing the investors' ability to view the Company's results from management's perspective. Tables presenting reconciliations of non-GAAP results to U.S. GAAP results are included at the end of this press release and on the Company's web site at <http://investor.lamresearch.com>.

Caution Regarding Forward-Looking Statements

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 of 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, industry conditions, our ability to make progress towards our synergy targets for the Novellus transaction, our ability to achieve the appropriate balance between cost management and continued investment in next-generation solutions for our customers, and our ability to realize profitable growth for Lam. Some factors that may affect these forward-looking statements include: business conditions in the consumer electronics industry, the semiconductor industry and the overall economy; the strength of the financial performance of our existing and prospective customers; the introduction of new and innovative technologies; the occurrence and pace of technology transitions and conversions; the actions of our competitors, consumers, semiconductor companies and key suppliers and subcontractors; and the success of research and development and sales and marketing programs. 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 by us with the Securities and Exchange Commission, including specifically our report on Form 10-K for the year ended June 24, 2012. 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 supplier of innovative wafer fabrication equipment and services to the worldwide semiconductor industry. For more than 30 years, the Company has driven continuous improvements in chip performance, power consumption, and cost, contributing to the global proliferation of smartphones, computers, tablets, and other electronic products. Lam Research has been the leading supplier of high-throughput plasma etch equipment for more than a decade and expanded its product offerings in 2008 to include single-wafer clean systems. The Company added thin-film deposition and wafer surface preparation technologies to its product portfolio in 2012 with the acquisition of Novellus Systems, Inc. Headquartered in Fremont, Calif., Lam Research maintains a global network of service facilities throughout North America, Asia, and Europe to rapidly meet the needs of its global customer base. It is an S&P 500[®] company and NASDAQ-100[®] company whose common stock trades on the NASDAQ Global Select Market SM under the symbol LRCX. For more information, please visit <http://www.lamresearch.com>.

Consolidated Financial Tables Follow

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data and percentages)

(unaudited)

Three Months Ended

September 23, June 24, September 25,

2012 2012 2011

Revenue	\$ 906,888	\$ 741,814	\$ 680,436
Cost of goods sold	573,002	443,601	396,553
Gross margin	333,886	298,213	283,883
Gross margin as a percent of			
revenue	36.8%	40.2%	41.7%

Research and development	163,311	124,528	102,559
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Selling, general and

administrative	153,863	141,015	80,200
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Restructuring and impairments	-	-	1,725
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Total operating expenses	317,174	265,543	184,484
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Operating income	16,712	32,670	99,399
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Operating margin as a percent

of revenue	1.8%	4.4%	14.6%
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Other income (expense), net	(9,938)	(9,889)	(12,073)
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Income before income taxes	6,774	22,781	87,326
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Income tax expense	4,006	4,712	15,488
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Net income	\$ 2,768	\$ 18,069	\$ 71,838
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Net income per share:

Basic net income per share	\$ 0.02	\$ 0.13	\$ 0.58
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Diluted net income per share	\$ 0.02	\$ 0.13	\$ 0.58
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Number of shares used in per share

calculations:

Basic	179,928	133,997	123,130
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Diluted	181,926	135,842	124,049
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LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

September 23, June 24,

	2012	2012
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	(unaudited)	(1)
ASSETS		
Cash and cash equivalents	\$ 1,411,466	\$ 1,564,752
Short-term investments	1,312,767	1,297,931
Accounts receivable, net	640,217	765,818
Inventories	567,920	632,853
Deferred income taxes	136,556	47,782
Other current assets	100,490	105,973
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Total current assets	4,169,416	4,415,109
Property and equipment, net	593,202	584,596
Restricted cash and investments	166,196	166,335
Goodwill and intangible assets	2,642,770	2,686,730
Other assets	152,762	151,882
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Total assets	\$ 7,724,346	\$ 8,004,652
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	\$ 854,257	\$ 1,426,928
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Long-term debt, convertible notes, and capital leases	\$ 1,278,792	\$ 761,783
Income taxes payable	282,844	274,240
Other long-term liabilities	296,807	219,577
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Total liabilities	2,712,700	2,682,528
	=====	=====
Senior convertible notes	-	190,343
Stockholders' equity	5,011,646	5,131,781
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Total liabilities and stockholders' equity	\$ 7,724,346	\$ 8,004,652

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(1) Derived from audited financial statements

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

Three Months Ended

September 23, June 24, September 25,
2012 2012 2011

CASH FLOWS FROM OPERATING

ACTIVITIES:

Net income \$ 2,768 \$ 18,069 \$ 71,838

Adjustments to reconcile net

income to net cash provided by

operating activities:

Depreciation and amortization 74,816 34,576 21,360

Deferred income taxes (12,017) 39,356 -

Restructuring and impairment

charges, net - - 1,725

Equity-based compensation

expense 24,414 29,174 17,744

Income tax benefit on equity-

based compensation plans - 1,429 659

Excess tax benefit on equity-

based compensation plans - (394) (1,951)

Amortization of convertible note

discount 7,752 7,014 6,593

Impairment of investment - - 1,724

Other, net 8,406 7,206 1,423

Changes in operating assets and liabilities:	143,123	(39,715)	(34,215)
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Net cash provided by operating

activities	249,262	96,715	86,900
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CASH FLOWS FROM INVESTING

ACTIVITIES:

Capital expenditures and

intangible assets	(43,965)	(36,880)	(15,732)
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Cash acquired in business

acquisition	-	418,681	-
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Net sales/maturities (purchases)

of available-for-sale securities	(16,638)	329,689	(85,259)
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Transfer of restricted cash and

investments	146	(29)	17
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Net cash provided by (used

for) investing activities	(60,457)	711,461	(100,974)
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CASH FLOWS FROM FINANCING

ACTIVITIES:

Principal payments on long-term

debt and capital lease

obligations	(665)	(1,101)	(1,564)
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Excess tax benefit on equity-based

compensation plans	-	394	1,951
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Net cash received in settlement

(paid in advance for) stock

repurchase contracts	-	-	(75,000)
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Treasury stock purchases	(355,079)	(661,059)	(72,053)
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Reissuances of treasury stock

related to employee stock

purchase plan	9,925	8,765	8,858
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Proceeds from issuance of common

stock	951	-	164
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Net cash used for financing

activities	(344,868)	(653,001)	(137,644)
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Effect of exchange rate changes on

cash	2,777	(690)	(1,096)
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Net increase (decrease) in cash

and cash equivalents	(153,286)	154,485	(152,814)
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Cash and cash equivalents at

beginning of period	1,564,752	1,410,267	1,492,132
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Cash and cash equivalents at end

of period	\$ 1,411,466	\$ 1,564,752	\$ 1,339,318
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Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income

(in thousands, except per share data)

(unaudited)

	Three Months	Three Months
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	Ended	Ended
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	September 23,	June 24,
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	2012	2012
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U.S. GAAP net income	\$	2,768	\$	18,069
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Pre-tax non-GAAP items:

Costs associated with rationalization of

certain product configurations - cost of

goods sold	3,210	4,045
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Amortization related to intangible assets

acquired in Novellus transaction - cost of

goods sold	20,715	4,540
Acquisition-related inventory fair value		
impact - cost of goods sold	43,842	5,864
Integration costs - cost of goods sold	694	-
Acquisition-related costs - operating		
expenses	-	37,374
Integration costs - operating expenses	13,500	7,293
Amortization related to intangible assets		
acquired in Novellus transaction -		
operating expenses	19,418	4,256
Costs associated with rationalization of		
certain product configurations - operating		
expenses	-	1,850
Amortization of convertible note discount,		
Lam notes - other income (expense), net	6,910	6,830
Amortization of convertible note discount,		
Novellus assumed notes - other income		
(expense), net	842	184
Acquisition-related costs - other income		
(expense), net	-	2,300
Net tax benefit on non-GAAP items	(14,886)	(11,732)
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Non-GAAP net income	\$ 97,013	\$ 80,873
	=====	=====
Non-GAAP net income per diluted share	\$ 0.53	\$ 0.60
	=====	=====
Number of shares used for diluted per share		
calculation	181,926	135,842

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	Three Months
	Ended	Ended
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	September 23,	June 24,
	2012	2012
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U.S. GAAP gross margin	\$	333,886	\$	298,213
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Pre-tax non-GAAP items:

Costs associated with rationalization of certain product configurations - cost of goods sold	3,210	4,045
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Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	20,715	4,540
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Acquisition-related inventory fair value impact - cost of goods sold	43,842	5,864
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Integration costs - cost of goods sold	694	-
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Non-GAAP gross margin	\$	402,347	\$	312,662

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U.S. GAAP gross margin as a percentage of revenue	36.8%	40.2%
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Non-GAAP gross margin as a percentage of revenue	44.4%	42.1%
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U.S. GAAP operating expenses	\$	317,174	\$	265,543
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Pre-tax non-GAAP items:

Acquisition-related costs - operating expenses	-	(37,374)
Integration costs - operating expenses	(13,500)	(7,293)

Amortization related to intangible assets acquired in Novellus transaction - operating expenses	(19,418)	(4,256)
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Costs associated with rationalization of certain product configurations - operating expenses	-	(1,850)
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Non-GAAP operating expenses \$ 284,256 \$ 214,770

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Non-GAAP operating income \$ 118,091 \$ 97,892

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Non-GAAP operating margin as a percent of

revenue 13.0% 13.2%

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