

Lam Research Corporation Reports Financial Results for the Quarter Ended June 30, 2013

FREMONT, CA -- (Marketwired) -- 07/31/13 -- Lam Research Corp. (NASDAQ: LRCX) today announced financial results for the quarter ended June 30, 2013.

Highlights for the June 2013 quarter were as follows:

- Shipments of \$1,080 million, up 21% from the prior quarter
- Revenue of \$986 million, up 17% from the prior quarter
- GAAP gross margin of 42.0%, GAAP operating margin of 8.8% and GAAP diluted EPS of \$0.50
- Non-GAAP gross margin of 44.5%, non-GAAP operating margin of 14.4%, and non-GAAP diluted EPS of \$0.80

Financial Highlights for the Quarters Ended June 30, 2013 and March 31, 2013

(in thousands, except per-share data and percentages)

U.S. GAAP

	June 2013			March 2013			Change Q/Q	
Revenue	\$	986,214		\$	844,928		+17	%
Gross margin as percentage of revenue		42.0	%		40.2	%	+180 bps	
Operating margin as percentage of revenue		8.8	%		1.3	%	+750 bps	
Diluted EPS	\$	0.50		\$	0.11		+355	%

Non-GAAP

	June 2013			March 2013			Change Q/Q	
Revenue	\$	986,214		\$	844,928		+17	%
Gross margin as percentage of revenue		44.5	%		43.9	%	+60 bps	
Operating margin as percentage of revenue		14.4	%		8.8	%	+560 bps	
Diluted EPS	\$	0.80		\$	0.44		+82	%

GAAP Financial Results

Revenue for the period was \$986.2 million, gross margin was \$413.9 million, or 42.0% of revenue, operating expenses were \$327.4 million, and net income was \$85.7 million, or \$0.50 per diluted share on a GAAP basis. This compares to revenue of \$844.9 million, gross margin of \$339.8 million, or 40.2% of revenue, operating expenses of \$329.0 million, and net income of \$19.0 million, or \$0.11 per diluted share, for the March 2013 quarter.

Non-GAAP Financial Results

Non-GAAP gross margin was \$438.8 million, or 44.5% of revenue, non-GAAP operating expenses were \$297.0 million, and non-GAAP net income was \$136.4 million, or \$0.80 per diluted share. This compares to non-GAAP gross margin of \$370.7 million, or 43.9% of revenue, non-GAAP operating expenses of \$296.0 million, and non-GAAP net income of \$74.5 million, or \$0.44 per diluted share, for the March 2013 quarter.

"Lam Research had a very strong June 2013 quarter, achieving record shipments and revenue and delivering EPS performance that exceeded our guidance range," said Martin Anstice, Lam's president and chief executive officer. "Our results underscore our strong operational execution and commitment to invest strategically to address our customers' most critical problems and further strengthen our competitive positions. We believe we will benefit from market expansion opportunities and that our focus on technology and productivity innovation positions us well for next-generation technology inflections and investments planned by our customers."

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investment balances increased to \$2.7 billion at the end of the June 2013 quarter compared to \$2.5 billion at the end of the March 2013 quarter. Cash flows from operating activities were approximately \$175 million during the June 2013 quarter, adding to our overall cash position.

Deferred revenue and deferred profit balances at the end of the June 2013 quarter increased to \$389.2 million and \$225.0 million, respectively, as compared to \$326.6 million and \$193.3 million, respectively, at the end of the March 2013 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 \$69.9 million as of June 30, 2013.

Geographic Distribution

The geographic distribution of shipments and revenue during the June 2013 quarter is shown in the following table:

Region	Shipments	Revenue
North America	13%	15%
Europe	7%	8%
Japan	13%	11%
Korea	20%	17%
Taiwan	32%	33%
Asia Pacific	15%	16%

Outlook

For the September 2013 quarter, Lam is providing the following guidance on a non-GAAP basis:

- Shipments of approximately \$1 billion plus or minus \$30 million
- Revenue of approximately \$1 billion plus or minus \$30 million
- Gross margin of approximately 44.0% plus or minus 1.0%
- Operating margin as a percent of revenue of approximately 14.0% plus or minus 1.5%
- Earnings per share of approximately \$0.68 plus or minus \$0.07, based on a diluted share count of 170 million

Use of Non-GAAP Financial Results

In addition to U.S. GAAP results, this commentary also contains non-GAAP financial results. The Company's non-GAAP results for both the June 2013 and March 2013 quarters exclude costs associated with the fair-value impact of acquisition-related inventory, amortization related to intangible assets acquired in the Novellus transaction, certain integration-related costs, the amortization of convertible note discounts, rationalization of certain product configurations, and tax expense associated with legal-entity integration. Additionally, the June 2013 quarter non-GAAP results exclude restructuring charges and tax benefits from the successful resolution of certain tax matters, and the March 2013 quarter non-GAAP results exclude the impairment of an investment and tax benefit on reinstatement of R&D tax credit.

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 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 to, but are not limited to, the anticipated revenue from shipments to Japanese customers, our future competitive positioning, our ability to benefit from market expansion opportunities and next generation technology investments, and our guidance for shipments, revenue, gross margin, operating margin, and earnings per share. 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 and Form 10-Qs for the three months ended September 23, 2012, December 23, 2012, and March 31, 2013. 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.

About Lam Research

Lam Research Corp. (NASDAQ: LRCX) is a trusted global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. Lam's broad portfolio of market-leading etch, deposition, strip, and wafer cleaning solutions help customers achieve success on the wafer by enabling device features that are 1,000 times smaller than a grain of sand, resulting in smaller, faster, and more power-efficient chips. Through collaboration, continuous innovation and delivering on commitments, Lam is transforming atomic-scale engineering and enabling our customers to shape the future of technology. Based in Fremont, Calif., Lam Research is an S&P 500® company whose common stock trades on the NASDAQ Global Select Market 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)											
	Three Months Ended						Twelve Months Ended				
	June 30,			March 31,			June 24,		June 30,		
	2013			2013			2012		2013		
	(unaudited)			(unaudited)			(unaudited)		(unaudited)		
Revenue	\$	986,214		\$	844,928		\$	741,814		\$	3,598,916

	Cost of goods sold		572,287			505,096			443,601			2,195,857	
	Cost of goods sold - restructuring and impairments		-			-			-			-	
	Total costs of goods sold		572,287			505,096			443,601			2,195,857	
	Gross margin		413,927			339,832			298,213			1,403,059	
	Gross margin as a percent of revenue		42.0 %			40.2 %			40.2 %			39.0 %	
	Research and development		180,220			174,206			124,528			683,688	
	Selling, general and administrative		146,417			154,807			141,015			599,487	
	Restructuring and impairments		792			-			-			1,813	
	Total operating expenses		327,429			329,013			265,543			1,284,988	
	Operating income		86,498			10,819			32,670			118,071	
	Operating margin as a percent of revenue		8.8 %			1.3 %			4.4 %			3.3 %	
	Other expense, net		(12,251)			(15,834)			(9,889)			(51,413)	
	Income (loss) before income taxes		74,247			(5,015)			22,781			66,658	
	Income tax expense (benefit)		(11,460)			(24,011)			4,712			(47,221)	
	Net income	\$	85,707			\$ 18,996			\$ 18,069			\$ 113,879	
	Net income per share:												
	Basic net income per share	\$	0.53			\$ 0.12			\$ 0.13			\$ 0.67	
	Diluted net income per share	\$	0.50			\$ 0.11			\$ 0.13			\$ 0.66	
	Number of shares used in per share calculations:												
	Basic		162,520			163,034			133,997			168,932	
	Diluted		169,722			168,504			135,842			173,430	

(1) Derived from audited financial statements

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30,		March 31,		June 24,	
	2013		2013		2012	
	(unaudited)		(unaudited)		(1)	
ASSETS						
Cash and cash equivalents	\$	1,162,473	\$	1,019,109	\$	1,564,752
Short-term investments		1,334,745		1,337,819		1,297,931
Accounts receivable, net		602,624		544,070		765,818
Inventories		559,317		545,036		632,853
Deferred income taxes		27,674		137,729		47,782
Other current assets		106,996		86,156		105,973
Total current assets		3,793,829		3,669,919		4,415,109
Property and equipment, net		603,910		594,916		584,596
Restricted cash and investments		166,536		166,196		166,335
Goodwill and intangible assets		2,526,541		2,562,986		2,686,730
Other assets		159,499		152,285		151,882
Total assets	\$	7,250,315	\$	7,146,302	\$	8,004,652
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities	\$	1,404,475	\$	801,013	\$	1,426,928
Long-term debt and capital leases	\$	789,256	\$	1,294,599	\$	761,783
Income taxes payable		246,479		250,339		274,240
Other long-term liabilities		134,313		258,151		219,577
Total liabilities	\$	2,574,523	\$	2,604,102	\$	2,682,528
Senior convertible notes		186,920		-		190,343
Stockholders' equity (2)		4,488,872		4,542,200		5,131,781
Total liabilities and stockholders' equity	\$	7,250,315	\$	7,146,302	\$	8,004,652

(1) Derived from audited financial statements

(2) Common shares issued and outstanding were 162,873 as of June 30, 2013, 161,802 shares as of March 31, 2013, and 186,656 shares as of June 24, 2012.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended												Twelve Months Ended		
	June 30,				March 31,				June 24,				June 30,		
	2013				2013				2012				2013		
	(unaudited)				(unaudited)				(unaudited)				(unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES:															
Net income	\$	85,707			\$	18,996			\$	18,069			\$	113,879	
Adjustments to reconcile net income to net cash provided by operating activities:															
Depreciation and amortization		76,051			74,861			34,576					304,116		
Deferred income taxes		(22,884)	)		(27,934)	)		39,356					(70,155))	
Restructuring charges, net		792			-			-					1,813		
Equity-based compensation expense		25,241			25,648			29,174					99,330		
Income tax benefit on equity-based compensation plans		364			(847)	)		1,429					(483))	
Excess tax benefit on equity-based compensation plans		(364)	)		903			(394)	)				539	
Impairment of investment		-			3,711			-					3,711		
Amortization of convertible note discount		8,028			7,935			7,014					31,558		
Other, net		4,550			6,115			7,206					35,388		
Changes in operating asset and liabilities:		(2,497)	)		(6,931)	)		(39,715)	)				200,237	
Net cash provided by operating activities		174,988			102,457			96,715					719,933		
CASH FLOWS FROM INVESTING ACTIVITIES:															
Capital expenditures and intangible assets		(43,140)	)		(34,766)	)		(36,880)	)				(160,795))	
Cash acquired in (paid for) business acquisition		(800)	)		(400)	)		418,681					(9,916))	
Net sales/maturities (purchases) of available-for-sale securities		(6,442)	)		(12,075)	)		329,689					(58,405))	
Purchase of equity method investment		-			-			-					-		
(Issuance) repayments of notes receivable		(10,000)	)		-			-					(10,000))	
Proceeds from sale of assets		-			-			-					660		
Transfer of restricted cash and investments		(328)	)		(32)	)		(29)	)				(181))	

Net cash provided by (used for) investing activities

(60,710) (47,273) 711,461 (238,637)

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on long-term debt and capital lease obligations (698) (756) (1,101) (2,234)

Excess tax benefit on equity-based compensation plans 364 (903) 394 (539)

Treasury stock purchases (2,275) (243,297) (661,059) (955,661)

Net cash received in settlement of stock repurchase contracts - - - -

Reissuances of treasury stock related to employee stock purchase plan 12,846 8,494 8,765 31,265

Proceeds from issuance of common stock 16,713 15,132 - 39,379

Net cash provided by (used for) financing activities 26,950 (221,330) (653,001) (887,790)

Effect of exchange rate changes on cash 2,136 (4,934) (690) 4,215

Net increase (decrease) in cash and cash equivalents 143,364 (171,080) 154,485 (402,279)

Cash and cash equivalents at beginning of period 1,019,109 1,190,189 1,410,267 1,564,752

Cash and cash equivalents at end of period \$ 1,162,473 \$ 1,019,109 \$ 1,564,752 \$ 1,162,473

(1) Derived from audited financial statements

Non-GAAP Financial Summary

(in thousands, except percentages and per share data)

(unaudited)

Three Months Ended

Three Months Ended

June 30,

March 31,

2013

2013

Revenue \$ 986,214 \$ 844,928

Gross margin \$ 438,823 \$ 370,658

Gross margin as percentage of revenue 44.5 % 43.9 %

Operating expenses		\$	297,048			\$	296,002	
Operating income		\$	141,775			\$	74,656	
Operating margin as a percentage of revenue			14.4	%			8.8	%
Net income		\$	136,440			\$	74,474	
Net income per diluted share		\$	0.80			\$	0.44	
Shares used in per share calculation - diluted			169,722				168,504	

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

(in thousands, except per share data)

(unaudited)

			Three Months Ended			Three Months Ended		
			June 30,			March 31,		
			2013			2013		
U.S. GAAP net income		\$	85,707			\$	18,996	
Pre-tax non-GAAP items:								
Costs associated with rationalization of certain product configurations - cost of goods sold			(896	)			207	
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold			20,748				20,763	
Acquisition-related inventory fair-value impact - cost of goods sold			4,266				7,448	
Integration costs - cost of goods sold			778				2,408	
Integration costs - operating expenses			9,579				13,123	
Amortization related to intangible assets acquired in Novellus transaction - operating expenses			18,888				19,445	
Restructuring charges - operating expenses			792				-	
Costs associated with rationalization of certain product configurations - operating expenses			1,122				443	
Amortization of convertible note discount, Lam notes - other expense, net			7,159				7,075	
Amortization of convertible note discount, Novellus assumed notes - other expense, net			781				893	
Impairment of investment - other expense, net			-				3,711	
Net tax benefit on non-GAAP items			(10,252	)			(11,700)
Net tax benefit on successful resolution of certain tax matters			(2,699)			-	
Tax benefit on reinstatement of R&D tax credit			-				(11,493)
Tax expense associated with legal-entity integration			467				3,155	
Non-GAAP net income		\$	136,440			\$	74,474	
Non-GAAP net income per diluted share		\$	0.80			\$	0.44	
Number of shares used for diluted per share calculation			169,722				168,504	

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			Three Months Ended		
	June 30,			March 31,		
	2013			2013		
U.S. GAAP gross margin	\$	413,927		\$	339,832	
Pre-tax non-GAAP items:						
Costs associated with rationalization of certain product configurations - cost of goods sold		(896)	)		207	
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold		20,748			20,763	
Acquisition-related inventory fair-value impact - cost of goods sold		4,266			7,448	
Integration costs - cost of goods sold		778			2,408	
Non-GAAP gross margin	\$	438,823		\$	370,658	
U.S. GAAP gross margin as a percentage of revenue		42.0	%		40.2	%
Non-GAAP gross margin as a percentage of revenue		44.5	%		43.9	%
U.S. GAAP operating expenses	\$	327,429		\$	329,013	
Pre-tax non-GAAP items:						
Integration costs - operating expenses		(9,579)	)		(13,123))
Amortization related to intangible assets acquired in Novellus transaction - operating expenses		(18,888)	)		(19,445))
Restructuring charges - operating expenses		(792))		-	
Costs associated with rationalization of certain product configurations - operating expenses		(1,122)	)		(443))
Non-GAAP operating expenses	\$	297,048		\$	296,002	
Non-GAAP operating income	\$	141,775		\$	74,656	
Non-GAAP operating margin as a percent of revenue		14.4	%		8.8	%

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