

Lam Research Corporation Reports Financial Results for the Quarter Ended September 29, 2013

FREMONT, CA -- (Marketwired) -- 10/23/13 -- Lam Research Corp. (NASDAQ: LRCX) today announced financial results for the quarter ended September 29, 2013.

Highlights for the September 2013 quarter were as follows:

- Shipments of \$987 million, down 9% from the prior quarter
- Revenue of \$1,015 million, up 3% from the prior quarter
- GAAP gross margin of 42.5%, GAAP operating margin of 10.4% and GAAP diluted EPS of \$0.50
- Non-GAAP gross margin of 45.0%, non-GAAP operating margin of 16.2%, and non-GAAP diluted EPS of \$0.81

Lam Research Corporation

Financial Highlights for the Quarters Ended September 29, 2013 and June 30, 2013

(in thousands, except per share data and percentages)

U.S. GAAP

		September 2013			June 2013			Change Q/Q	
Revenue	\$	1,015,059			\$	986,214		+3	%
Gross margin as percentage of revenue		42.5	%		42.0	%		+50 bps	
Operating margin as percentage of revenue		10.4	%		8.8	%		+160 bps	
Diluted EPS	\$	0.50			\$	0.50		-	

Non-GAAP

		September 2013			June 2013			Change Q/Q	
Revenue	\$	1,015,059			\$	986,214		+3	%
Gross margin as percentage of revenue		45.0	%		44.5	%		+50 bps	
Operating margin as percentage of revenue		16.2	%		14.4	%		+180 bps	
Diluted EPS	\$	0.81			\$	0.80		+1	%

GAAP Financial Results

Revenue for the period was \$1,015 million, gross margin was \$431.9 million, or 42.5% of revenue, operating expenses were \$326.5 million, and net income was \$85.5 million, or \$0.50 per diluted share on a GAAP basis. This compares to revenue of \$986.2 million, gross margin of \$413.9 million, or 42.0% of revenue, operating expenses of \$327.4 million, and net income of \$85.7 million, or \$0.50 per diluted share, for the June 2013 quarter.

Non-GAAP Financial Results

Non-GAAP gross margin was \$456.7 million, or 45.0% of revenue, non-GAAP operating expenses were \$291.9 million, and non-GAAP net income was \$139.2 million, or \$0.81 per diluted share. This compares to non-GAAP gross margin of \$438.8 million, or 44.5% of revenue, non-GAAP operating expenses of \$297.0 million, and non-GAAP net income of \$136.4 million, or \$0.80 per diluted share, for the June 2013 quarter.

"Lam Research posted financial results that met or exceeded our guidance ranges across all key metrics, including our second consecutive quarter of record revenue and solid profit growth," said Martin Anstice, Lam's president and chief executive officer. "Our performance reflects the substance of our vision and strong execution across the entire company. We continue to be excited about the opportunities for growth and remain confident in the depth of our strategies and support from our customers."

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investment balances decreased to \$2.6 billion at the end of the September 2013 quarter compared to \$2.7 billion at the end of the June 2013 quarter due to stock repurchases of approximately \$100 million. Cash flows from operating activities were approximately \$52 million during the September 2013 quarter, adding to our overall cash position.

Deferred revenue and deferred profit balances at the end of the September 2013 quarter decreased to \$334.0 million and \$188.4 million, respectively, as compared

to \$389.2 million and \$225.0 million, respectively, at the end of the June 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 \$84.2 million as of September 29, 2013.

Geographic Distribution

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

Region	Shipments		Revenue	
North America	17	%	14	%
Europe	8	%	9	%
Japan	17	%	13	%
Korea	18	%	23	%
Taiwan	21	%	24	%
Asia Pacific	19	%	17	%

Outlook

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

- Shipments of approximately \$1.125 billion plus or minus \$30 million
- Revenue of approximately \$1.1 billion plus or minus \$30 million
- Gross margin of approximately 46.0% plus or minus 1.0%
- Operating margin as a percent of revenue of approximately 18.5% plus or minus 1.0%
- Earnings per share of approximately \$1.02 plus or minus \$0.05, assuming a diluted share count of 174 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 September 2013 and June 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, restructuring charges, rationalization of certain product configurations, the amortization of convertible note discounts, the tax benefit on successful resolution of certain tax matters, and tax expense associated with legal-entity integration. Additionally, the September 2013 quarter non-GAAP results excluded the impairment of a long-lived asset.

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 opportunities for growth, the depth of our strategies, the support from our customers, 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 30, 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>.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data and percentages)

(unaudited)

Three Months Ended

		September 29,			June 30,			September 23,		
		2013			2013			2012		
Revenue		\$	1,015,059		\$	986,214		\$	906,888	
Cost of goods sold			583,201			572,287			573,002	
Gross margin			431,858			413,927			333,886	
Gross margin as a percent of revenue			42.5	%		42.0	%		36.8	%
Research and development			170,567			180,220			163,311	
Selling, general and administrative			155,883			147,209			153,863	
Total operating expenses			326,450			327,429			317,174	
Operating income			105,408			86,498			16,712	
Operating margin as a percent of revenue			10.4	%		8.8	%		1.8	%
Other expense, net			(14,262	)		(12,251	)		(9,938)
Income before income taxes			91,146			74,247			6,774	
Income tax expense (benefit)			5,640			(11,460	)		4,006	
Net income		\$	85,506		\$	85,707		\$	2,768	
Net income per share:										
Basic net income per share		\$	0.52		\$	0.53		\$	0.02	
Diluted net income per share		\$	0.50		\$	0.50		\$	0.02	
Number of shares used in per share calculations:										
Basic			162,896			162,520			179,928	
Diluted			171,363			169,722			181,926	

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

		September 29,			June 30,		
		2013			2013		
		(unaudited)			(1)		
ASSETS							
Cash and cash equivalents		\$	1,156,184		\$	1,162,473	
Short-term investments			1,300,031			1,334,745	
Accounts receivable, net			713,524			602,624	
Inventories			614,790			559,317	
Deferred income taxes			29,090			27,674	
Other current assets			110,633			106,996	
Total current assets			3,924,252			3,793,829	

Property and equipment, net			564,845			603,910
Restricted cash and investments			166,385			166,536
Goodwill and intangible assets			2,484,900			2,526,541
Other assets			149,963			159,499
Total assets		\$	7,290,345		\$	7,250,315

LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities		\$	1,402,890		\$	1,404,475
Long-term debt, convertible notes, and capital leases		\$	796,373		\$	789,256
Income taxes payable			248,462			246,479
Other long-term liabilities			129,306			134,313
Total liabilities			2,577,031			2,574,523

Senior convertible notes			186,042			186,920
Stockholders' equity (2)			4,527,272			4,488,872
Total liabilities and stockholders' equity		\$	7,290,345		\$	7,250,315

(1) Derived from audited financial statements

(2) Common shares issued and outstanding were 162,217 shares as of September 29, 2013 and 162,873 shares as of June 30, 2013.

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

		Three Months Ended	
	September 29,	June 30,	September 23,
	2013	2013	2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 85,506 \$ 85,707 \$ 2,768
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	74,331 76,051 74,816
Deferred income taxes	- (22,884) (12,017)
Impairment of long-lived asset	7,004 - -
Equity-based compensation	

	expense			23,235				25,241				24,414	
	Income tax benefit on equity-based compensation plans			-				364				-	
	Excess tax benefit on equity-based compensation plans			-				(364)			-	
	Amortization of convertible note discount			8,122				8,028				7,752	
	Other, net			4,115				5,342				8,406	
	Changes in operating assets and liabilities:			(150,388	)			(2,497	)			143,123	
	Net cash provided by operating activities			51,925				174,988				249,262	
	CASH FLOWS FROM INVESTING ACTIVITIES:												
	Capital expenditures and intangible assets			(23,778	)			(43,140	)			(43,965)
	Cash paid for business acquisition			-				(800)			-	
	Net sales/maturities (purchases) of available-for-sale securities			42,567				(6,442	)			(16,638)
	(Issuance) repayments of notes receivable			-				(10,000)			-	
	Transfer of restricted cash and investments			150				(328	)			146	
	Net cash provided by (used for) investing activities			18,939				(60,710	)			(60,457)
	CASH FLOWS FROM FINANCING ACTIVITIES:												
	Principal payments on long-term debt and capital lease obligations			(88	)			(698	)			(665)
	Excess tax benefit on equity-based compensation plans			-				364				-	
	Treasury stock purchases			(104,285	)			(2,275	)			(355,079)
	Reissuances of treasury stock related to employee stock purchase plan			15,154				12,846				9,925	
	Proceeds from issuance of common stock			12,574				16,713				951	
	Net cash provided by (used for) financing activities			(76,645	)			26,950				(344,868)
	Effect of exchange rate changes on cash			(508	)			2,136				2,777	
	Net decrease in cash and cash equivalents			(6,289	)			143,364				(153,286)
	Cash and cash equivalents at beginning of period			1,162,473				1,019,109				1,564,752	
	Cash and cash equivalents at end of period			\$ 1,156,184				\$ 1,162,473				\$ 1,411,466	

(in thousands, except percentages and per share data)

(unaudited)

		Three Months Ended				Three Months Ended		
		September 29,				June 30,		
		2013				2013		
Revenue		\$	1,015,059			\$	986,214	
Gross margin		\$	456,709			\$	438,823	
Gross margin as percentage of revenue			45.0	%			44.5	%
Operating expenses		\$	291,887			\$	297,048	
Operating income		\$	164,822			\$	141,775	
Operating margin as a percentage of revenue			16.2	%			14.4	%
Net income		\$	139,227			\$	136,440	
Net income per diluted share		\$	0.81			\$	0.80	
Shares used in per share calculation - diluted			171,363				169,722	

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		
		September 29,				June 30,		
		2013				2013		
U.S. GAAP net income		\$	85,506			\$	85,707	
Pre-tax non-GAAP items:								
	Costs associated with rationalization of certain product configurations - cost of goods sold		-			(896)	
	Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold		21,480			20,748		
	Acquisition-related inventory fair value impact - cost of goods sold		2,047			4,266		
	Integration costs - cost of goods sold		1,324			778		
	Integration costs - operating expenses		8,063			9,579		
	Amortization related to intangible assets acquired in Novellus transaction - operating expenses		16,947			18,888		
	Restructuring charges - operating expenses		1,705			792		
	Costs associated with rationalization of certain product configurations - operating expenses		844			1,122		
	Impairment of long lived asset		7,004			-		
	Amortization of convertible note discount, Lam notes - other expense, net		7,243			7,159		

	Amortization of convertible note discount, Novellus assumed notes - other expense, net		859			781	
Net tax benefit on non-GAAP items			(11,646	)		(10,252)
Net tax benefit on successful resolution of certain tax matters			(2,286	)		(2,699)
Tax expense associated with legal-entity integration			137			467	
Non-GAAP net income		\$	139,227		\$	136,440	
Non-GAAP net income per diluted share		\$	0.81		\$	0.80	
Number of shares used for diluted per share calculation			171,363			169,722	

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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		
		September 29,				June 30,		
		2013				2013		
U.S. GAAP gross margin		\$	431,858		\$	413,927		
Pre-tax non-GAAP items:								
	Costs associated with rationalization of certain product configurations - cost of goods sold		-			(896)	
	Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold		21,480			20,748		
Acquisition-related inventory fair value impact - cost of goods sold			2,047			4,266		
	Integration costs - cost of goods sold		1,324			778		
Non-GAAP gross margin		\$	456,709		\$	438,823		
U.S. GAAP gross margin as a percentage of revenue			42.5	%		42.0	%	
Non-GAAP gross margin as a percentage of revenue			45.0	%		44.5	%	
U.S. GAAP operating expenses		\$	326,450		\$	327,429		
Pre-tax non-GAAP items:								
	Integration costs - operating expenses		(8,063	)		(9,579)	
	Amortization related to intangible assets acquired in Novellus transaction - operating expenses		(16,947	)		(18,888)	
	Restructuring charges - operating expenses		(1,705	)		(792)	
	Costs associated with rationalization of certain product configurations - operating expenses		(844	)		(1,122)	
	Impairment of long lived asset		(7,004)		-		
Non-GAAP operating expenses		\$	291,887		\$	297,048		
Non-GAAP operating income		\$	164,822		\$	141,775		
Non-GAAP operating margin as a percent of revenue			16.2	%		14.4	%	

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