

# Lam Research Corporation Reports Financial Results for the Quarter Ended September 24, 2017

FREMONT, Calif., Oct. 17, 2017 (GLOBE NEWSWIRE) -- Lam Research Corp. (Nasdaq:LRCX) today announced financial results for the quarter ended September 24, 2017 (the "September 2017 quarter").

Highlights for the September 2017 quarter were as follows:

- Shipments of \$2.38 billion and revenue of \$2.48 billion.
- U.S. GAAP gross margin of 46.4%, U.S. GAAP operating margin of 28.0%, and U.S. GAAP diluted EPS of \$3.21.
- Non-GAAP gross margin of 47.2%, non-GAAP operating margin of 29.6%, and non-GAAP diluted EPS of \$3.46.

## Key Financial Data for the Quarters Ended September 24, 2017 and June 25, 2017 (in thousands, except per-share data, percentages, and basis points)

### U.S. GAAP

	September 2017				June 2017				Change Q/Q	
Shipments	\$	2,381,565			\$	2,542,664			- 6	%
Revenue	\$	2,478,140			\$	2,344,907			+ 6	%
Gross margin as percentage of revenue		46.4	%			45.6	%		+ 80 bps	
Operating margin as percentage of revenue		28.0	%			25.9	%		+ 210 bps	
Diluted EPS	\$	3.21			\$	2.82			+ 14	%

### Non-GAAP

	September 2017				June 2017				Change Q/Q	
Shipments	\$	2,381,565			\$	2,542,664			- 6	%
Revenue	\$	2,478,140			\$	2,344,907			+ 6	%
Gross margin as percentage of revenue		47.2	%			46.5	%		+ 70 bps	
Operating margin as percentage of revenue		29.6	%			27.7	%		+ 190 bps	
Diluted EPS	\$	3.46			\$	3.11			+ 11	%

### U.S. GAAP Financial Results

For the September 2017 quarter, revenue was \$2,478 million, gross margin was \$1,149 million, or 46.4% of revenue, operating expenses were \$456 million, operating margin was 28.0% of revenue, and net income was \$591 million, or \$3.21 per diluted share on a U.S. GAAP basis. This compares to revenue of \$2,345 million, gross margin of \$1,069 million, or 45.6% of revenue, operating expenses of \$461 million, operating margin of 25.9% of revenue, and net income of \$526 million, or \$2.82 per diluted share, for the quarter ended June 25, 2017 (the "June 2017 quarter").

### Non-GAAP Financial Results

For the September 2017 quarter, non-GAAP gross margin was \$1,171 million or 47.2% of revenue, non-GAAP operating expenses were \$438 million, non-GAAP operating margin was 29.6% of revenue, and non-GAAP net income was \$628 million, or \$3.46 per diluted share. This compares to non-GAAP gross margin of \$1,090 million or 46.5% of revenue, non-GAAP operating expenses of \$440 million, non-GAAP operating margin of 27.7% of revenue, and non-GAAP net income of \$566 million, or \$3.11 per diluted share for the June 2017 quarter.

"Lam delivered another record quarter for revenue and non-GAAP income in September and our positive momentum continues, with calendar year shipments on track to grow nearly double the rate of 2017 industry growth," said Martin Anstice, Lam Research's President and Chief Executive Officer. "The foundation of silicon in an economy that is increasingly data driven, combined with disciplined investment and more diversified demand drivers, points to sustainable semiconductor industry capital spending. Lam's differentiated products and services are increasingly relevant to the success of our customers, and that remains a core element of our strategic focus. For more than five years, we have consistently reported outperformance and this track record, combined with our commitment to invest in our future with a focus on disruptive technologies and enabling roadmaps, sets the stage for what we see as a very exciting future for the company."

### Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investments balances increased slightly to \$6.4 billion at the end of the September 2017 quarter compared to \$6.3 billion at the end of the June 2017 quarter. Cash flows from operating activities during the September 2017 quarter of \$858 million were primarily utilized for approximately \$155 million of share repurchases, including net share settlement on employee stock-based compensation; approximately \$302 million of principal payments on debt, primarily related to our convertible notes; approximately \$73 million of dividends paid to stockholders; approximately \$60 million of capital expenditures; and approximately \$116 million related to a business acquisition.

Deferred revenue at the end of the September 2017 quarter decreased to \$938 million as compared to \$966 million at the end of the June 2017 quarter. Deferred profit at the end of the September 2017 quarter decreased to \$598 million as compared to \$608 million at the end of the June 2017 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 estimated future revenue from shipments to Japanese customers was approximately \$344 million as of September 24, 2017 and \$397 million as of June 25, 2017.

## Geographic Distribution

The geographic distribution of shipments and revenue during the September 2017 quarter is shown in the following table:

Region	Shipments			Revenue	
Korea	38	%		38	%
Japan	19	%		20	%
Taiwan	15	%		14	%
China	10	%		14	%
United States	8	%		6	%
Southeast Asia	5	%		5	%
Europe	5	%		3	%

## Outlook

For the December 2017 quarter, Lam is providing the following guidance:

	U.S. GAAP				Reconciling Items				Non-GAAP		
Shipments	\$2.60 Billion	+/-	\$100 Million		—				\$2.60 Billion	+/-	\$100 Million
Revenue	\$2.55 Billion	+/-	\$100 Million		—				\$2.55 Billion	+/-	\$100 Million
Gross margin	46.6%	+/-	1%		\$	23	Million		47.5%	+/-	1%
Operating margin	28.4%	+/-	1%		\$	41	Million		30.0%	+/-	1%
Net income per diluted share	\$3.40	+/-	\$0.12		\$	38	Million		\$3.65	+/-	\$0.12
Diluted share count	184 Million				2		Million		182 Million		

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, balance sheet valuation adjustments, financing arrangements, other investments, or other significant transactions that may be completed after the date of this release. 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 - amortization related to intangible assets acquired through business combinations, \$22 million; business process reengineering, \$1 million; totaling \$23 million.
- Operating margin - amortization related to intangible assets acquired through business combinations, \$39 million; business process reengineering, \$2 million; totaling \$41 million.
- Earnings per share - amortization related to intangible assets acquired through business combinations, \$39 million; business process reengineering, \$2 million; amortization of note discounts, \$4 million; and associated tax benefit for non-GAAP items (\$7 million); totaling \$38 million.
- Diluted share count - impact of a note hedge issued contemporaneously with the convertible notes due 2018, 2 million shares.

## Use of Non-GAAP Financial Results

In addition to U.S. GAAP results, this press release also contains non-GAAP financial results. The Company's non-GAAP results for both the September 2017 and June 2017 quarters exclude amortization related to intangible assets acquired through business combinations, costs associated with business process reengineering, the amortization of note discounts, tax benefit of non-GAAP items, and income tax benefit on the conclusion of tax matters related to a prior business combination. Additionally, the September 2017 quarter non-GAAP results exclude acquisition costs associated with a business combination.

Management uses non-GAAP gross margin, operating expense, operating income, 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 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 website 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 created by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, but are not limited to; the estimated future revenue from shipments to Japanese customers; our revenue, industry, performance and general outlooks, and their drivers; our future strategic relevance to customers; our vision of the Company's future; technology demand trends; the legal and business factors that may affect our future tax rate; and our guidance for shipments, revenue, gross margin, operating margin, net income or earnings per diluted share, and diluted share count. Some factors that may affect these forward-looking statements include: business conditions in the consumer electronics industry, the semiconductor industry and the overall economy may deteriorate or change; and the actions of our customers and competitors may be inconsistent with our expectations, as well as the other risks and uncertainties that are described in the documents filed or furnished by us with the Securities and Exchange Commission, including specifically the Risk Factors described in our annual report on Form 10-K for the fiscal year ended June 25, 2017. These uncertainties and changes could materially affect the forward looking statements and cause actual results to vary from expectations in a material way. The Company undertakes no obligation to update the information or statements made in this release.

## About Lam Research

Lam Research Corp. is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. As a trusted, collaborative partner to the world's leading semiconductor companies, we combine superior systems engineering capability, technology leadership, and unwavering commitment to customer success to accelerate innovation through enhanced device performance. In fact, today, nearly every advanced chip is built with Lam technology. Lam Research (Nasdaq:LRCX) is a FORTUNE 500® company headquartered in Fremont, Calif., with operations around the globe. Learn more at [www.lamresearch.com](http://www.lamresearch.com). (LRCX-F)

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 24, 2017				June 25, 2017				September 25, 2016		
Revenue	\$	2,478,140			\$	2,344,907			\$	1,632,419	
Cost of goods sold		1,328,797				1,275,946				916,222	
Gross margin		1,149,343				1,068,961				716,197	
Gross margin as a percent of revenue		46.4		%		45.6		%		43.9	
Research and development		275,078				285,712				235,240	
Selling, general and administrative		181,043				175,310				165,010	
Total operating expenses		456,121				461,022				400,250	
Operating income		693,222				607,939				315,947	
Operating income as a percent of revenue		28.0		%		25.9		%		19.4	
Other expense, net		(5,502		)		(4,444		)		(23,154	
Income before income taxes		687,720				603,495				292,793	
Income tax expense		(97,030		)		(77,071		)		(28,958	
Net income	\$	590,690			\$	526,424			\$	263,835	
Net income per share:											
Basic	\$	3.64			\$	3.25			\$	1.64	
Diluted	\$	3.21			\$	2.82			\$	1.47	
Number of shares used in per share calculations:											
Basic		162,141				162,213				160,607	
Diluted		183,880				186,427				180,017	
Cash dividend declared per common share	\$	0.45			\$	0.45			\$	0.30	

**LAM RESEARCH CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	September 24, 2017				June 25, 2017				September 25, 2016		
	(unaudited)				(1)				(unaudited)		
ASSETS											
Cash and cash equivalents	\$	2,406,462			\$	2,377,534			\$	5,861,701	
Investments		3,775,925				3,663,628				1,352,775	
Accounts receivable, net		1,530,762				1,673,398				1,290,317	
Inventories		1,328,297				1,232,916				931,581	
Other current assets		187,334				195,022				162,628	
Total current assets		9,228,780				9,142,498				9,599,002	
Property and equipment, net		745,600				685,595				649,587	

Restricted cash and investments	256,045			256,205			255,640	
Goodwill and intangible assets	1,904,389			1,796,668			1,912,431	
Other assets	263,812			241,799			219,702	
Total assets	\$ 12,398,626			\$ 12,122,765			\$ 12,636,362	
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current portion of convertible notes and capital leases	\$ 639,907			\$ 908,439			\$ 952,999	
Other current liabilities	2,148,724			2,041,676			1,533,253	
Total current liabilities	2,788,631			2,950,115			2,486,252	
Long-term debt and capital leases	1,793,477			1,784,974			3,378,179	
Income taxes payable	129,611			120,178			241,671	
Other long-term liabilities	278,733			280,186			142,910	
Total liabilities	4,990,452			5,135,453			6,249,012	
Temporary equity, convertible notes	136,996			169,861			202,467	
Stockholders' equity (2)	7,271,178			6,817,451			6,184,883	
Total liabilities and stockholders' equity	\$ 12,398,626			\$ 12,122,765			\$ 12,636,362	

(1)	)	Derived from audited financial statements.
(2)	)	Common shares issued and outstanding were 162,144 as of September 24, 2017, 161,723 as of June 25, 2017, and 161,706 as of September 25, 2016.

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

	Three Months Ended							
	September 24, 2017			June 25, 2017			September 25, 2016	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net income	\$	590,690		\$	526,424		\$	263,835
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization		79,142			79,036			74,562
Deferred income taxes		43,204			35,069			7,633
Equity-based compensation expense		41,783			43,802			38,595
Amortization of note discounts and issuance costs		4,588			6,114			6,830
Other, net		6,569			8,151			16,807
Changes in operating assets and liabilities		92,330			30,676			64,962
Net cash provided by operating activities		858,306			729,272			473,224
CASH FLOWS FROM INVESTING ACTIVITIES:								
Capital expenditures and intangible assets		(60,064)	)		(34,811)	)		(41,979)
Business acquisitions, net of cash acquired		(115,613)	)		—			—
Net (purchase) sale of available-for-sale securities		(117,774)	)		93,858			431,750

Transfers of restricted cash and investments	160			(48	)		(5,219	)
Other, net	(10,600	)		103			(7,800	)
Net cash (used for) provided by investing activities	(303,891	)		59,102			376,752	
CASH FLOWS FROM FINANCING ACTIVITIES:								
Principal payments on long-term debt and capital lease obligations and payments for debt issuance costs	(301,727	)		(2,445	)		(371	)
Excess tax benefit on equity-based compensation plans	—			38,635			—	
Treasury stock purchases	(155,385	)		(525,778	)		(1,854	)
Dividends paid	(72,738	)		(73,709	)		(48,052	)
Reissuance of treasury stock related to employee stock purchase plan	—			23,120			19,320	
Proceeds from issuance of common stock	1,042			369			1,459	
Other, net	4			(1	)		(10	)
Net cash used for financing activities	(528,804	)		(539,809	)		(29,508	)
Effect of exchange rate changes on cash and cash equivalents	3,317			399			1,911	
Net increase in cash and cash equivalents	28,928			248,964			822,379	
Cash and cash equivalents at beginning of period	2,377,534			2,128,570			5,039,322	
Cash and cash equivalents at end of period	\$ 2,406,462			\$ 2,377,534			\$ 5,861,701	

**Non-GAAP Financial Summary**  
(in thousands, except percentages and per share data)  
(unaudited)

	Three Months Ended						
	September 24, 2017			June 25, 2017			
Revenue	\$	2,478,140		\$	2,344,907		
Gross margin	\$	1,170,905		\$	1,090,211		
Gross margin as percentage of revenue	47.2		%	46.5		%	
Operating expenses	\$	438,056		\$	440,126		
Operating income	\$	732,849		\$	650,085		
Operating margin as a percentage of revenue	29.6		%	27.7		%	
Net income	\$	627,754		\$	565,518		
Net income per diluted share	\$	3.46		\$	3.11		
Shares used in per share calculation - diluted	181,412			182,093			

**Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income and U.S. GAAP number of dilutive shares to Non-GAAP number of dilutive shares**  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended						
	September 24, 2017			June 25, 2017			
U.S. GAAP net income	\$	590,690		\$	526,424		

Pre-tax non-GAAP items:

Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	21,562			21,250	
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	16,413			16,083	
Costs associated with business process reengineering - selling, general and administrative	716			4,813	
Business combination acquisition-related costs - selling, general and administrative	936			—	
Amortization of note discounts - other expense, net	4,104			5,631	
Net income tax benefit on non-GAAP items	(6,114	)		(5,697	)
Income tax benefit on conclusion of certain tax matters	(553	)		(2,986	)
Non-GAAP net income	\$	627,754		\$	565,518
Non-GAAP net income per diluted share	\$	3.46		\$	3.11
U.S. GAAP number of shares used for per diluted share calculation	183,880			186,427	
Effect of convertible note hedge	(2,468	)		(4,334	)
Non-GAAP number of shares used for per diluted share calculation	181,412			182,093	

**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					
	September 24, 2017			June 25, 2017		
U.S. GAAP gross margin	\$	1,149,343		\$	1,068,961	
Pre-tax non-GAAP items:						
Amortization related to intangible assets acquired through certain business combinations	21,562			21,250		
Non-GAAP gross margin	\$	1,170,905		\$	1,090,211	
U.S. GAAP gross margin as a percentage of revenue	46.4	%		45.6	%	
Non-GAAP gross margin as a percentage of revenue	47.2	%		46.5	%	
U.S. GAAP operating expenses	\$	456,121		\$	461,022	
Pre-tax non-GAAP items:						
Amortization related to intangible assets acquired through certain business combinations	(16,413	)		(16,083	)	
Costs associated with business process reengineering	(716	)		(4,813	)	
Business combination acquisition-related costs	(936	)		—		
Non-GAAP operating expenses	\$	438,056		\$	440,126	
Non-GAAP operating income	\$	732,849		\$	650,085	
U.S. GAAP operating margin as percent of revenue	28.0	%		25.9	%	
Non-GAAP operating margin as a percent of revenue	29.6	%		27.7	%	

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