

Lam Research Corporation Reports Financial Results for the Quarter Ended June 30, 2019

FREMONT, Calif., July 31, 2019 (GLOBE NEWSWIRE) -- Lam Research Corporation (the “Company,” “Lam,” “Lam Research”) today announced financial results for the quarter ended June 30, 2019 (the “June 2019 quarter”).

Highlights for the June 2019 quarter were as follows:

- Revenue of \$2.36 billion.
- U.S. GAAP gross margin of 45.8%, U.S. GAAP operating income as a percentage of revenue of 26.1%, and U.S. GAAP diluted EPS of \$3.51.
- Non-GAAP gross margin of 45.9%, non-GAAP operating income as a percentage of revenue of 26.9%, and non-GAAP diluted EPS of \$3.62.

Key Financial Data for the Quarters Ended June 30, 2019 and March 31, 2019 (in thousands, except per-share data, percentages, and basis points)

U.S. GAAP										
	June 2019				March 2019				Change Q/Q	
Revenue	\$	2,361,147			\$	2,439,048			-3	%
Gross margin as percentage of revenue		45.8	%			44.0	%		+ 180 bps	
Operating income as percentage of revenue		26.1	%			23.2	%		+ 290 bps	
Diluted EPS	\$	3.51			\$	3.47			+1	%
Non-GAAP										
	June 2019				March 2019				Change Q/Q	
Revenue	\$	2,361,147			\$	2,439,048			-3	%
Gross margin as percentage of revenue		45.9	%			45.1	%		+ 80 bps	
Operating income as percentage of revenue		26.9	%			25.1	%		+ 180 bps	
Diluted EPS	\$	3.62			\$	3.70			-2	%

U.S. GAAP Financial Results

For the June 2019 quarter, revenue was \$2,361 million, gross margin was \$1,081 million, or 45.8% of revenue, operating expenses were \$464 million, operating income was 26.1% of revenue, and net income was \$542 million, or \$3.51 per diluted share on a U.S. GAAP basis. This compares to revenue of \$2,439 million, gross margin of \$1,074 million, or 44.0% of revenue, operating expenses of \$509 million, operating income of 23.2% of revenue, and net income of \$547 million, or \$3.47 per diluted share, for the quarter ended March 31, 2019 (the “March 2019 quarter”). The June 2019 quarter includes 13 weeks; the March 2019 quarter includes 14 weeks.

Non-GAAP Financial Results

For the June 2019 quarter, non-GAAP gross margin was \$1,085 million or 45.9% of revenue, non-GAAP operating expenses were \$450 million, non-GAAP operating income was 26.9% of revenue, and non-GAAP net income was \$559 million, or \$3.62 per diluted share. This compares to non-GAAP gross margin of \$1,100 million or 45.1% of revenue, non-GAAP operating expenses of \$488 million, non-GAAP operating income of 25.1% of revenue, and non-GAAP net income of \$584 million, or \$3.70 per diluted share for the March 2019 quarter.

“Lam’s June quarter results reflect our strong track record of execution,” said Timothy Archer, Lam Research’s President and Chief Executive Officer. “We are making solid progress on our innovation roadmap, and with multiple technology inflections ahead of us, Lam is in an excellent position to win.”

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investments balances decreased to \$5.7 billion at the end of the June 2019 quarter compared to \$6.4 billion at the end of the March 2019 quarter. This decrease was primarily the result of \$1.1 billion of share repurchases, including net share settlement on employee stock-based compensation, combined with \$300 million of debt reductions and \$165 million of dividends paid to shareholders, partially offset by \$880 million of cash generated in operating activities.

Deferred revenue at the end of the June 2019 quarter increased to \$449 million as compared to \$441 million at the end of the March 2019 quarter. Deferred profit at the end of the June 2019 quarter increased slightly to \$381 million as compared to \$378 million at the end of the March 2019 quarter. Lam’s deferred revenue balance does not include shipments to customers in Japan, to whom title does not transfer until customer acceptance. Shipments to customers in Japan are classified as inventory at cost until the time of acceptance. The estimated future revenue from shipments to customers in Japan was approximately \$78 million as of June 30, 2019 and \$80 million as of March 31, 2019.

Geographic Distribution

The geographic distribution of revenue during the June 2019 quarter is shown in the following table:

Region	Revenue	
China	33	%
Korea	25	%
Taiwan	14	%
United States	11	%
Japan	9	%

Southeast Asia	5	%
Europe	3	%

Outlook

For the September 2019 quarter, Lam is providing the following guidance:

	U.S. GAAP			Reconciling	Non-GAAP		
	\$2.15 Billion	+/-	\$150 Million	Items	\$2.15 Billion	+/-	\$150 Million
Revenue				—			
Gross margin as a percentage of revenue	44.9%	+/-	1%	\$ 2 Million	45.0%	+/-	1%
Operating income as a percentage of revenue	23.8%	+/-	1%	\$ 14 Million	24.5%	+/-	1%
Net income per diluted share	\$2.91	+/-	\$0.20	\$ 13 Million	\$3.00	+/-	\$0.20
Diluted share count	150 Million			—	150 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, restructuring, balance sheet valuation adjustments, financing arrangements, other investments, or other significant arrangements 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 as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$2 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$14 million.
- Earnings per share - amortization related to intangible assets acquired through business combinations, \$14 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items \$(2) million; totaling \$13 million.

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 June 2019 and March 2019 quarters exclude amortization related to intangible assets acquired through business combinations, restructuring charges, amortization of note discounts, income tax benefit of non-GAAP items, and income tax benefit on the conclusion of tax matters related to a prior business combination. Additionally, the June 2019 quarter non-GAAP results exclude income tax impacts associated with U.S. tax reform.

Management uses non-GAAP gross margin, operating expense, operating income, operating income as a percentage of revenue, 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: our focus on customer needs; our investments to extend differentiation in our products and services; the estimated future revenue from shipments to customers in Japan; the timing and amount of revenue and profit earned from any booked deferred revenue and profit; market trends and semiconductor demand; technology inflections; our technology leadership; our installed base growth; our positioning as market conditions change; technology demand trends; the legal and business factors that may affect our future tax rate; our engineering capabilities; our commitment to customer success; our continued ability to achieve and accelerate innovation and enhance device performance; our positioning relative to future technology inflections and our probability of winning; and our guidance for revenue, gross margin (both as a dollar value and a percentage of revenue), operating income (both as a dollar value and a percentage of revenue), net income or earnings per diluted share, and diluted share count. Some factors that may affect these forward-looking statements include: business, political and/or regulatory 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 24, 2018 and our quarterly reports on Form 10-Q for the fiscal quarters ended September 23, 2018, December 23, 2018 and March 31, 2019. 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 Corporation 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. Lam Research (Nasdaq: LRCX) is a FORTUNE 500® company headquartered in Fremont, Calif., with operations around the globe. Learn more at 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)

	Three Months Ended						Twelve Months Ended					
	June 30,			March 31,			June 24,			June 30,		
	2019			2019			2018			2019		
	(unaudited)			(unaudited)			(unaudited)			(unaudited)		
Revenue	\$	2,361,147		\$	2,439,048		\$	3,125,928		\$	9,653,559	
Cost of goods sold		1,280,256			1,364,711			1,646,520			5,295,100	
Gross margin		1,080,891			1,074,337			1,479,408			4,358,459	

Gross margin as a percent of revenue	45.8	%		44.0	%		47.3	%		45.1	%		
Research and development	295,578			318,514			327,713			1,191,320			
Selling, general and administrative	168,228			190,306			196,500			702,407			
Total operating expenses	463,806			508,820			524,213			1,893,727			
Operating income	617,085			565,517			955,195			2,464,732			
Operating income as a percent of revenue	26.1	%		23.2	%		30.6	%		25.5	%		
Other (expense) income, net	(7,667	)		20,532			2,954			(18,161)		
Income before income taxes	609,418			586,049			958,149			2,446,571			
Income tax (expense) benefit	(67,593	)		(38,659	)		62,997			(255,141)		
Net income	\$	541,825		\$	547,390		\$	1,021,146		\$	2,191,430		
Net income per share:													
Basic	\$	3.66		\$	3.62		\$	6.35		\$	14.37		
Diluted	\$	3.51		\$	3.47		\$	5.82		\$	13.70		
Number of shares used in per share calculations:													
Basic	148,131			151,201			160,916			152,478			
Diluted	154,474			157,849			175,432			159,915			
Cash dividend declared per common share	\$	1.10		\$	1.10		\$	1.10		\$	4.40		

(1) Derived from audited financial statements.

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30,					March 31,					June 24,					
	2019					2019					2018					
	(unaudited)					(unaudited)					(1)					
ASSETS																
Cash and cash equivalents	\$	3,658,219					\$	4,931,611					\$	4,512,257		
Investments	1,772,984						1,209,315						437,338			
Accounts receivable, net	1,455,522						1,522,273						2,176,936			
Inventories	1,540,140						1,622,242						1,876,162			
Other current assets	133,544						156,800						147,218			
Total current assets	8,560,409						9,442,241						9,149,911			
Property and equipment, net	1,059,077						1,040,329						902,547			

Restricted cash and investments	255,177			255,774			256,301	
Goodwill and intangible assets	1,701,547			1,707,930			1,802,740	
Other assets	425,123			448,988			367,979	
Total assets	\$ 12,001,333			\$ 12,895,262			\$ 12,479,478	
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current portion of convertible debt and capital leases	\$ 667,131			\$ 964,107			\$ 610,030	
Other current liabilities	1,704,519			1,841,521			2,540,278	
Total current liabilities	2,371,650			2,805,628			3,150,308	
Long-term debt and capital leases	3,822,768			3,801,514			1,806,562	
Income taxes payable	892,790			863,155			851,936	
Other long-term liabilities	190,821			83,986			90,629	
Total liabilities	7,278,029			7,554,283			5,899,435	
Temporary equity, convertible notes	49,439			49,783			78,192	
Stockholders' equity (2)	4,673,865			5,291,196			6,501,851	
Total liabilities and stockholders' equity	\$ 12,001,333			\$ 12,895,262			\$ 12,479,478	

(1) Derived from audited financial statements.

(2) Common shares issued and outstanding were 144,433 as of June 30, 2019, 149,886 as of March 31, 2019 and 156,892 as of June 24, 2018.

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,		June
	2019		2019		2018		2019		2018
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(1)
CASH FLOWS FROM OPERATING ACTIVITIES:									
Net income	\$ 541,825		\$ 547,390		\$ 1,021,146		\$ 2,191,430		\$
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization	65,408		82,274		85,119		309,281		326,000
Deferred income taxes	70,125		(12,401)	)	212,260		(4,980)	)	3,040
Equity-based compensation expense	44,845		53,240		47,214		187,234		172,000
Impairment of investment	—		—		—		—		42,400
Amortization of note discounts and issuance costs	2,206		2,861		959		7,343		14,400
Other, net	(5,173)	)	(1,494)	)	10,391		(5,819)	)	33,700

Changes in operating assets and liabilities	161,251			260,951			(658,731	)		491,524		(317,000)
Net cash provided by operating activities	880,487			932,821			718,358			3,176,013		2,650,000
CASH FLOWS FROM INVESTING ACTIVITIES:												
Capital expenditures and intangible assets	(65,948	)		(75,522	)		(79,655	)		(303,491	)	(273,000)
Business acquisitions, net of cash acquired	—			—			—			—		(115,000)
Net (purchase) sale of available-for-sale securities	(555,468	)		(931,380	)		1,341,475			(1,326,208	)	3,150,000
Other, net	(2,067	)		(1,269	)		(826	)		(7,355	)	(15,000)
Net cash (used for) provided by investing activities	(623,483	)		(1,008,171	)		1,260,994			(1,637,054	)	2,740,000
CASH FLOWS FROM FINANCING ACTIVITIES:												
Principal payments on long-term debt and capital lease obligations and payments for debt issuance costs	(1,157	)		(30,225	)		(178,279	)		(117,653	)	(755,000)
Proceeds from issuance of long-term debt, net of issuance costs	—			2,476,720			—			2,476,720		—
Net (repayment) proceeds from commercial paper	(300,000	)		297,850			(638,367	)		(361,754	)	359,000
Proceeds from borrowings on revolving credit facility	—			—			—			—		750,000
Repayments of borrowings on revolving credit facility	—			—			—			—		(750,000)
Treasury stock purchases	(1,108,560	)		(934,637	)		(1,306,309	)		(3,780,611	)	(2,650,000)
Dividends paid	(164,874	)		(171,196	)		(82,005	)		(678,348	)	(307,000)
Re-issuance of treasury stock related to employee stock purchase	45,041			—			41,567			77,961		75,000

plan																	
Proceeds from issuance of common stock	1,694			5,010			2,626			6,813			9,254				
Other, net	—			—			(2	)		(13,208	)		9				
Net cash (used for) provided by financing activities	(1,527,856	)		1,643,522			(2,160,769	)		(2,390,080	)		(3,27				
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(3,137	)		4,128			(5,607	)		(4,041	)		2,59				
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,273,989	)		1,572,300			(187,024	)		(855,162	)		2,13				
Cash, cash equivalents, and restricted cash at beginning of period	5,187,385			3,615,085			4,955,582			4,768,558			2,63				
Cash, cash equivalents, and restricted cash at end of period	\$	3,913,396		\$	5,187,385		\$	4,768,558		\$	3,913,396		\$				
(1) Derived from audited financial statements.																	

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

	Three Months Ended						
	June 30,				March 31,		
	2019				2019		
Revenue	\$	2,361,147			\$	2,439,048	
Gross margin	\$	1,084,881			\$	1,099,550	
Gross margin as percentage of revenue	45.9		%		45.1		%
Operating expenses	\$	450,161			\$	488,389	
Operating income	\$	634,720			\$	611,161	
Operating income as a percentage of revenue	26.9		%		25.1		%
Net income	\$	558,832			\$	584,350	
Net income per diluted share	\$	3.62			\$	3.70	
Shares used in per share calculation - diluted	154,474				157,849		

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

	Three Months Ended
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	June 30,			March 31,		
	2019			2019		
U.S. GAAP net income	\$	541,825		\$	547,390	
Pre-tax non-GAAP items:						
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold		3,389			22,342	
Restructuring charges - cost of goods sold		601			2,871	
Restructuring charges - research and development		206			4,698	
Amortization related to intangible assets acquired through certain business combinations -selling, general and administrative		12,357			12,446	
Restructuring charges - selling, general and administrative		1,082			3,287	
Amortization of note discounts - other expense, net		1,195			956	
Net income tax benefit on non-GAAP items		(3,104	)		(6,718)
Income tax benefit on conclusion of certain tax matters		(172	)		(2,922)
Income tax expense associated with U.S. tax reform		1,453			—	
Non-GAAP net income	\$	558,832		\$	584,350	
Non-GAAP net income per diluted share	\$	3.62		\$	3.70	
U.S. GAAP net income per diluted share	\$	3.51		\$	3.47	
U.S. GAAP number of shares used for per diluted share calculation		154,474			157,849	

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					
	June 30,			March 31,		
	2019			2019		
U.S. GAAP gross margin	\$	1,080,891		\$	1,074,337	
Pre-tax non-GAAP items:						
Amortization related to intangible assets acquired through certain business combinations		3,389			22,342	
Restructuring charges		601			2,871	
Non-GAAP gross margin	\$	1,084,881		\$	1,099,550	
U.S. GAAP gross margin as a percentage of revenue	45.8		%	44.0		%
Non-GAAP gross margin as a percentage of revenue	45.9		%	45.1		%
U.S. GAAP operating expenses	\$	463,806		\$	508,820	
Pre-tax non-GAAP items:						
Amortization related to intangible assets acquired through certain business combinations	(12,357	)		(12,446)	
Restructuring charges	(1,288	)		(7,985)	
Non-GAAP operating expenses	\$	450,161		\$	488,389	
U.S. GAAP operating income	\$	617,085		\$	565,517	
Non-GAAP operating income	\$	634,720		\$	611,161	
U.S. GAAP operating income as percent of revenue	26.1		%	23.2		%
Non-GAAP operating income as a percent of revenue	26.9		%	25.1		%

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