

Lam Research Corporation Reports Financial Results for the Quarter Ended December 29, 2019

FREMONT, Calif., Jan. 29, 2020 (GLOBE NEWSWIRE) -- Lam Research Corporation (the "Company," "Lam," "Lam Research") today announced financial results for the quarter ended December 29, 2019 (the "December 2019 quarter").

Highlights for the December 2019 quarter were as follows:

- Revenue of \$2.58 billion.
- U.S. GAAP gross margin of 45.7%, U.S. GAAP operating income as a percentage of revenue of 26.6%, and U.S. GAAP diluted EPS of \$3.43.
- Non-GAAP gross margin of 45.7%, non-GAAP operating income as a percentage of revenue of 27.1%, and non-GAAP diluted EPS of \$4.01.

Key Financial Data for the Quarters Ended December 29, 2019 and September 29, 2019 (in thousands, except per-share data, percentages, and basis points)

U.S. GAAP										
		December 2019				September 2019				Change Q/Q
Revenue		\$	2,583,501			\$	2,165,746			+ 19%
Gross margin as percentage of revenue			45.7		%		45.3		%	+ 40 bps
Operating income as percentage of revenue			26.6		%		24.8		%	+ 180 bps
Diluted EPS		\$	3.43			\$	3.09			+ 11%
Non-GAAP										
		December 2019				September 2019				Change Q/Q
Revenue		\$	2,583,501			\$	2,165,746			+ 19%
Gross margin as percentage of revenue			45.7		%		45.4		%	+ 30 bps
Operating income as percentage of revenue			27.1		%		25.5		%	+ 160 bps
Diluted EPS		\$	4.01			\$	3.18			+ 26%

U.S. GAAP Financial Results

For the December 2019 quarter, revenue was \$2,584 million, gross margin was \$1,180 million, or 45.7% of revenue, operating expenses were \$493 million, operating income was 26.6% of revenue, and net income was \$515 million, or \$3.43 per diluted share on a U.S. GAAP basis. This compares to revenue of \$2,166 million, gross margin of \$982 million, or 45.3% of revenue, operating expenses of \$444 million, operating income of 24.8% of revenue, and net income of \$466 million, or \$3.09 per diluted share, for the quarter ended September 29, 2019 (the "September 2019 quarter").

Non-GAAP Financial Results

For the December 2019 quarter, non-GAAP gross margin was \$1,181 million or 45.7% of revenue, non-GAAP operating expenses were \$481 million, non-GAAP operating income was 27.1% of revenue, and non-GAAP net income was \$602 million, or \$4.01 per diluted share. This compares to non-GAAP gross margin of \$983 million or 45.4% of revenue, non-GAAP operating expenses of \$431 million, non-GAAP operating income of 25.5% of revenue, and non-GAAP net income of \$480 million, or \$3.18 per diluted share for the September 2019 quarter.

"Lam closed out calendar 2019 with strong December quarter results," said Tim Archer, Lam Research's President and Chief Executive Officer. "We are executing at a high level in an improving wafer fabrication equipment environment and building a powerful pipeline of new products to fuel future growth."

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investments balances decreased to \$4.9 billion at the end of the December 2019 quarter compared to \$5.8 billion at the end of the September 2019 quarter. This decrease was primarily the result of \$1.0 billion of share repurchases, including net share settlement on employee stock-based compensation, \$166.7 million of dividends paid to stockholders, and \$62.1 million of capital expenditures, partially offset by \$307.9 million of cash generated from operating activities.

Deferred revenue and deferred profit at the end of the December 2019 quarter decreased to \$411 million and \$366 million, respectively, as compared to \$481 million and \$407 million, respectively, at the end of the September 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 \$91 million as of December 29, 2019 and \$47 million as of September 29, 2019.

Geographic Distribution

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

Region	Revenue
China	29%
Taiwan	26%
Korea	18%
United States	9%
Japan	8%

Selling.

general and administrative	174,272			157,428			169,098			331,700			
Total operating expenses	493,133			444,255			454,654			937,388			
Operating income	686,511			537,455			690,379			1,223,966			
Operating income as a percent of revenue	26.6	%		24.8	%		27.4	%		25.8	%		
Other expense, net	(13,924	)		(12,728	)		(30,649	)		(26,652)		
Income before income taxes	672,587			524,727			659,730			1,197,314			
Income tax expense	(158,077	)		(58,938	)		(90,875	)		(217,015)		
Net income	\$	514,510		\$	465,789		\$	568,855		\$	980,299		
Net income per share:													
Basic	\$	3.57		\$	3.22		\$	3.67		\$	6.79		
Diluted	\$	3.43		\$	3.09		\$	3.51		\$	6.52		
Number of shares used in per share calculations:													
Basic	143,987			144,673			155,022			144,330			
Diluted	150,097			150,682			162,170			150,389			
Cash dividend declared per common share	\$	1.15		\$	1.15		\$	1.10		\$	2.30		

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 29, 2019		September 29, 2019		June 30, 2019
	(unaudited)		(unaudited)		(1)
ASSETS					
Cash and cash equivalents	\$ 3,035,887		\$ 4,607,182		\$ 3,658,219
Investments	1,647,867		983,650		1,772,984
Accounts receivable, net	2,030,490		1,635,643		1,455,522
Inventories	1,528,620		1,483,385		1,540,140
Prepaid expenses and other current assets	212,101		124,755		133,544
Total current assets	8,454,965		8,834,615		8,560,409
Property and equipment, net	1,047,254		1,030,168		1,059,077
Restricted cash and investments	253,907		254,654		255,177
Goodwill and intangible assets	1,677,940		1,690,648		1,701,547
Other assets	480,056		533,417		425,123
Total assets	\$ 11,914,122		\$ 12,343,502		\$ 12,001,333
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current portion of long-term debt and finance lease obligations	\$ 632,292		\$ 645,158		\$ 667,131
Other current liabilities	1,933,209		1,812,524		1,704,519

Total current liabilities	2,565,501			2,457,682			2,371,650	
Long-term debt and finance lease obligations	3,786,067			3,788,089			3,822,768	
Income taxes payable	872,778			856,895			892,790	
Other long-term liabilities	272,043			261,890			190,821	
Total liabilities	7,496,389			7,364,556			7,278,029	
Temporary equity, convertible notes	38,304			42,553			49,439	
Stockholders' equity (2)	4,379,429			4,936,393			4,673,865	
Total liabilities and stockholders' equity	\$ 11,914,122			\$ 12,343,502			\$ 12,001,333	

(1)	)	Derived from audited financial statements.
(2)	)	Common shares issued and outstanding were 142,462 as of December 29, 2019, 144,871 as of September 29, 2019, and 144,433 as of June 30, 2019.

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

	Three Months Ended						Six Months Ended			
	December 29, 2019		September 29, 2019		December 23, 2018		December 29, 2019		December 23, 2018	
CASH FLOWS FROM OPERATING ACTIVITIES:										
Net income	\$ 514,510		\$ 465,789		\$ 568,855		\$ 980,299		\$ 1,014,114	
Adjustments to reconcile net income to net cash provided by operating activities:										
Depreciation and amortization	65,530		64,664		81,794		130,194		161,114	
Deferred income taxes	77,508		(2,992)	)	20,797		74,516		(62,714)	
Equity-based compensation expense	45,725		42,905		38,806		88,630		89,114	
Amortization of note discounts and issuance costs	1,575		1,675		1,031		3,250		2,276	
Other, net	(327)	)	4,026		(1,343)	)	3,699		848	
Changes in operating assets and liabilities	(396,593)	)	(112,020)	)	(67,521)	)	(508,613)	)	69,311	
Net cash provided by operating activities	307,928		464,047		642,419		771,975		1,366,054	
CASH FLOWS FROM INVESTING ACTIVITIES:										
Capital expenditures and	(62,054)	)	(39,256)	)	(105,923)	)	(101,310)	)	(162,114)	

intangible assets													
Net (purchase) sale of available-for-sale securities	(662,287	)		790,478			773,223			128,191			160,000
Other, net	(9,988	)		(540	)		(369	)		(10,528	)		(4,000)
Net cash (used for) provided by investing activities	(734,329	)		750,682			666,931			16,353			(5,400)
CASH FLOWS FROM FINANCING ACTIVITIES:													
Principal payments on debt	(17,987	)		(28,965	)		(6,440	)		(46,952	)		(86,200)
Net repayments of commercial paper	—			—			(359,518	)		—			(359,518)
Treasury stock purchases	(1,005,067	)		(78,132	)		(1,519	)		(1,083,199	)		(1,735,000)
Dividends paid	(166,721	)		(158,868	)		(167,907	)		(325,589	)		(342,000)
Reissuance of treasury stock related to employee stock purchase plan	38,447			—			32,920			38,447			32,900
Proceeds from issuance of common stock	632			3,869			109			4,501			109
Other, net	—			—			(13,198	)		—			(13,200)
Net cash used for financing activities	(1,150,696	)		(262,096	)		(515,553	)		(1,412,792	)		(2,500,000)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	5,055			(4,193	)		(2,721	)		862			(5,000)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,572,042	)		948,440			791,076			(623,602	)		(1,150,000)
Cash, cash equivalents, and restricted cash at beginning of period	4,861,836			3,913,396			2,824,009			3,913,396			4,760,000
Cash, cash equivalents, and restricted cash at end of period	\$ 3,289,794			\$ 4,861,836			\$ 3,615,085			\$ 3,289,794			\$ 3,615,000

(unaudited)

	Three Months Ended					
	December 29, 2019			September 29, 2019		
Revenue	\$	2,583,501		\$	2,165,746	
Gross margin	\$	1,181,271		\$	983,338	
Gross margin as percentage of revenue	45.7		%	45.4		%
Operating expenses	\$	480,776		\$	430,853	
Operating income	\$	700,495		\$	552,485	
Operating income as a percentage of revenue	27.1		%	25.5		%
Net income	\$	601,810		\$	479,555	
Net income per diluted share	\$	4.01		\$	3.18	
Shares used in per share calculation - diluted	150,097			150,682		

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

	Three Months Ended					
	December 29, 2019			September 29, 2019		
U.S. GAAP net income	\$	514,510		\$	465,789	
Pre-tax non-GAAP items:						
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,627			1,628		
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357			12,357		
Restructuring charges - selling, general and administrative	—			1,045		
Amortization of note discounts - other expense, net	1,158			1,234		
Net income tax benefit on non-GAAP items	(2,358)		)	(2,498))
Cumulative income tax benefit reversal due to a court ruling	74,516			—		
Non-GAAP net income	\$	601,810		\$	479,555	
Non-GAAP net income per diluted share	\$	4.01		\$	3.18	
U.S. GAAP net income per diluted share	\$	3.43		\$	3.09	
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	150,097			150,682		

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					
	December 29, 2019			September 29, 2019		
U.S. GAAP gross margin	\$	1,179,644		\$	981,710	
Pre-tax non-GAAP items:						
Amortization related to intangible assets acquired through certain business combinations	1,627			1,628		
Non-GAAP gross margin	\$	1,181,271		\$	983,338	
U.S. GAAP gross margin as a percentage of revenue	45.7		%	45.3		%
Non-GAAP gross margin as a percentage of revenue	45.7		%	45.4		%

U.S. GAAP operating expenses	\$	493,133			\$	444,255	
Pre-tax non-GAAP items:							
Amortization related to intangible assets acquired through certain business combinations		(12,357	)		(12,357)	
Restructuring charges		—			(1,045)	
Non-GAAP operating expenses	\$	480,776			\$	430,853	
U.S. GAAP operating income	\$	686,511			\$	537,455	
Non-GAAP operating income	\$	700,495			\$	552,485	
U.S. GAAP operating income as percent of revenue		26.6	%		24.8	%	
Non-GAAP operating income as a percent of revenue		27.1	%		25.5	%	

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Source: Lam Research Corporation

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