

Lam Research Corporation Reports Financial Results for the Quarter Ended September 27, 2020

FREMONT, Calif., Oct. 21, 2020 (GLOBE NEWSWIRE) -- Lam Research Corporation (the "Company," "Lam," "Lam Research") today announced financial results for the quarter ended September 27, 2020 (the "September 2020 quarter").

Highlights for the September 2020 quarter were as follows:

- Revenue of \$3.18 billion.
- U.S. GAAP gross margin of 47.4%, U.S. GAAP operating income as a percentage of revenue of 30.2%, and U.S. GAAP diluted EPS of \$5.59.
- Non-GAAP gross margin of 47.5%, non-GAAP operating income as a percentage of revenue of 31.1%, and non-GAAP diluted EPS of \$5.67.

Key Financial Data for the Quarters Ended September 27, 2020 and June 28, 2020 (in thousands, except per-share data, percentages, and basis points)

| U.S. GAAP | | | | | | | | | | |
|---|----------------|-----------|---|--|-----------|-----------|---|--|------------|---|
| | September 2020 | | | | June 2020 | | | | Change Q/Q | |
| Revenue | \$ | 3,177,080 | | | \$ | 2,791,864 | | | + 14 | % |
| Gross margin as percentage of revenue | | 47.4 | % | | | 45.9 | % | | + 150 bps | |
| Operating income as percentage of revenue | | 30.2 | % | | | 27.1 | % | | + 310 bps | |
| Diluted EPS | \$ | 5.59 | | | \$ | 4.73 | | | + 18 | % |
| | | | | | | | | | | |
| Non-GAAP | | | | | | | | | | |
| | September 2020 | | | | June 2020 | | | | Change Q/Q | |
| Revenue | \$ | 3,177,080 | | | \$ | 2,791,864 | | | + 14 | % |
| Gross margin as percentage of revenue | | 47.5 | % | | | 46.1 | % | | + 140 bps | |
| Operating income as percentage of revenue | | 31.1 | % | | | 28.5 | % | | + 260 bps | |
| Diluted EPS | \$ | 5.67 | | | \$ | 4.78 | | | + 19 | % |

U.S. GAAP Financial Results

For the September 2020 quarter, revenue was \$3,177 million, gross margin was \$1,506 million, or 47.4% of revenue, operating expenses were \$545 million, operating income was 30.2% of revenue, and net income was \$823 million, or \$5.59 per diluted share on a U.S. GAAP basis. This compares to revenue of \$2,792 million, gross margin of \$1,280 million, or 45.9% of revenue, operating expenses of \$525 million, operating income of 27.1% of revenue, and net income of \$697 million, or \$4.73 per diluted share, for the quarter ended June 28, 2020 (the "June 2020 quarter").

Non-GAAP Financial Results

For the September 2020 quarter, non-GAAP gross margin was \$1,511 million, or 47.5% of revenue, non-GAAP operating expenses were \$523 million, non-GAAP operating income was 31.1% of revenue, and non-GAAP net income was \$835 million, or \$5.67 per diluted share. This compares to non-GAAP gross margin of \$1,288 million, or 46.1% of revenue, non-GAAP operating expenses of \$493 million, non-GAAP operating income of 28.5% of revenue, and non-GAAP net income of \$704 million, or \$4.78 per diluted share, for the June 2020 quarter.

"Lam generated outstanding results in the September quarter with record revenues and earnings per share," said Tim Archer, Lam Research's President and Chief Executive Officer. "Our strong operational execution is enabling the Company to meet our customers' critical needs, providing a solid foundation to deliver on our long-term growth objectives."

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investments balances decreased slightly to \$6.9 billion at the end of the September 2020 quarter compared to \$7.0 billion at the end of the June 2020 quarter. This decrease was primarily the result of \$448.6 million of share repurchases, including net share settlement on employee stock-based compensation; \$167.1 million of dividends paid to stockholders; and \$62.8 million of capital expenditures, partially offset by \$642.5 million of cash generated from operating activities.

Revenue

The geographic distribution of revenue during the September 2020 quarter is shown in the following table:

| Region | Revenue | |
|--------|---------|---|
| China | 37 | % |

| | | |
|----------------|----|---|
| Korea | 24 | % |
| Taiwan | 14 | % |
| Japan | 12 | % |
| Southeast Asia | 7 | % |
| United States | 4 | % |
| Europe | 2 | % |
| | | |

The following table presents revenue disaggregated between system and customer support-related revenue:

| | Three Months Ended | | | | | | | | | | |
|--|--------------------|-----------|--|--|---------------|-----------|--|--|--------------------|-----------|--|
| | September 27, 2020 | | | | June 28, 2020 | | | | September 29, 2019 | | |
| | (In thousands) | | | | | | | | | | |
| System revenue | \$ | 2,148,241 | | | \$ | 1,865,249 | | | \$ | 1,365,228 | |
| Customer support-related revenue and other | | 1,028,839 | | | | 926,615 | | | | 800,518 | |
| | \$ | 3,177,080 | | | \$ | 2,791,864 | | | \$ | 2,165,746 | |
| | | | | | | | | | | | |

System revenue includes sales of new leading-edge equipment in deposition, etch and clean markets.

Customer support-related revenue includes sales of customer service, spares, upgrades, and non-leading-edge equipment from our Reliant product line.

Outlook

For the quarter ended December 27, 2020, Lam is providing the following guidance:

| | U.S. GAAP | | | | | | | | | Reconciling Items | | | | | Non-GAAP | | | | |
|---|---------------|------|-----|-----|---------------|------|---|--|----|-------------------|--|--|--|--|---------------|------|-----|-----|---------------|
| Revenue | \$3.3 Billion | | +/- | | \$200 Million | | | | — | | | | | | \$3.3 Billion | | +/- | | \$200 Million |
| Gross margin as a percentage of revenue | | 46.0 | % | +/- | | 1 | % | | \$ | 1 Million | | | | | | 46.0 | % | +/- | 1 |
| Operating income as a percentage of revenue | | 29.1 | % | +/- | | 1 | % | | \$ | 14 Million | | | | | | 29.5 | % | +/- | 1 |
| Net income per diluted share | \$ | 5.51 | | +/- | \$ | 0.40 | | | \$ | 13 Million | | | | | \$ | 5.60 | | +/- | \$ 0.40 |
| Diluted share count | 146 Million | | | | | | | | — | | | | | | 146 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, \$1 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$14 million.
- Net income per diluted 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 September 2020 and June 2020 quarters exclude amortization related to intangible assets acquired through business combinations, the effects of elective deferred compensation-related assets and liabilities, amortization of note discounts, and income tax expense (benefit) of non-GAAP items. Additionally, the June 2020 quarter non-GAAP results exclude an adjustment to the previously recognized cumulative income tax benefit reversal associated with the Ninth Circuit decision to deny a rehearing of the Altera stock-based compensation case.

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 operational execution; our ability to meet our customers' critical needs; and our ability to deliver on our long term growth objectives. Some factors that may affect these forward-looking statements include: the severity, magnitude and duration of the COVID-19 pandemic (and the related governmental, public health, business and community responses to it), and their impacts on our business, results of operations and financial condition, are evolving and are highly uncertain and unpredictable; business, political and/or regulatory conditions in the consumer electronics industry, the semiconductor industry and the overall economy may deteriorate or change; the actions of our customers and competitors may be inconsistent with our expectations; trade regulations, export controls, and trade disputes may inhibit our ability to sell our products; and widespread outbreaks of illness may impact our operations and revenue in affected areas; 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 28, 2020. 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.

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. 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. (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 27, 2020 | | | | June 28, 2020 | | | | September 29, 2019 | |
| Revenue | \$ | 3,177,080 | | | \$ | 2,791,864 | | | \$ | 2,165,746 |
| Cost of goods sold | | 1,670,901 | | | | 1,511,532 | | | | 1,184,036 |
| Gross margin | | 1,506,179 | | | | 1,280,332 | | | | 981,710 |
| Gross margin as a percent of revenue | | 47.4 | | % | | 45.9 | | % | | 45.3 |
| Research and development | | 355,367 | | | | 338,810 | | | | 286,827 |
| Selling, general and administrative | | 189,748 | | | | 185,800 | | | | 157,428 |
| Total operating expenses | | 545,115 | | | | 524,610 | | | | 444,255 |
| Operating income | | 961,064 | | | | 755,722 | | | | 537,455 |
| Operating income as a percent of revenue | | 30.2 | | % | | 27.1 | | % | | 24.8 |
| Other expense, net | | (38,792) | |) | | (7,553) | |) | | (12,728) |
| Income before income taxes | | 922,272 | | | | 748,169 | | | | 524,727 |
| Income tax expense | | (98,821) | |) | | (51,496) | |) | | (58,938) |
| Net income | \$ | 823,451 | | | \$ | 696,673 | | | \$ | 465,789 |
| Net income per share: | | | | | | | | | | |
| Basic | \$ | 5.67 | | | \$ | 4.79 | | | \$ | 3.22 |
| Diluted | \$ | 5.59 | | | \$ | 4.73 | | | \$ | 3.09 |
| Number of shares used in per share calculations: | | | | | | | | | | |
| Basic | | 145,267 | | | | 145,295 | | | | 144,673 |
| Diluted | | 147,248 | | | | 147,416 | | | | 150,682 |
| Cash dividend declared per common share | \$ | 1.30 | | | \$ | 1.15 | | | \$ | 1.15 |

LAM RESEARCH CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)

| | September 27, 2020 | | | | June 28, 2020 | | | | September 29, 2019 | |
|---------------------------|-----------------------|-----------|--|--|------------------|-----------|--|--|-----------------------|-----------|
| | (unaudited) | | | | (1) | | | | (unaudited) | |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ | 4,129,067 | | | \$ | 4,915,172 | | | \$ | 4,607,182 |
| Investments | | 2,528,841 | | | | 1,795,080 | | | | 983,650 |

| | | | | | | | | |
|---|---------------|--|--|---------------|--|--|---------------|--|
| Accounts receivable, net | 2,317,922 | | | 2,097,099 | | | 1,635,643 | |
| Inventories | 2,138,050 | | | 1,900,024 | | | 1,483,385 | |
| Prepaid expenses and other current assets | 161,003 | | | 146,160 | | | 124,755 | |
| Total current assets | 11,274,883 | | | 10,853,535 | | | 8,834,615 | |
| Property and equipment, net | 1,133,529 | | | 1,071,499 | | | 1,030,168 | |
| Restricted cash and investments | 253,458 | | | 253,911 | | | 254,654 | |
| Goodwill and intangible assets | 1,646,343 | | | 1,652,968 | | | 1,690,648 | |
| Other assets | 748,795 | | | 727,134 | | | 533,417 | |
| Total assets | \$ 15,057,008 | | | \$ 14,559,047 | | | \$ 12,343,502 | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | |
| Current portion of long-term debt and finance lease obligations | \$ 834,138 | | | \$ 839,877 | | | \$ 645,158 | |
| Other current liabilities | 2,572,730 | | | 2,322,565 | | | 1,812,524 | |
| Total current liabilities | 3,406,868 | | | 3,162,442 | | | 2,457,682 | |
| Long-term debt and finance lease obligations | 4,993,495 | | | 4,970,848 | | | 3,788,089 | |
| Income taxes payable | 879,870 | | | 909,709 | | | 856,895 | |
| Other long-term liabilities | 351,283 | | | 332,559 | | | 261,890 | |
| Total liabilities | 9,631,516 | | | 9,375,558 | | | 7,364,556 | |
| Temporary equity, convertible notes | 6,307 | | | 10,995 | | | 42,553 | |
| Stockholders' equity (2) | 5,419,185 | | | 5,172,494 | | | 4,936,393 | |
| Total liabilities and stockholders' equity | \$ 15,057,008 | | | \$ 14,559,047 | | | \$ 12,343,502 | |

(1) Derived from audited financial statements.

(2) Common shares issued and outstanding were 144,593 as of September 27,2020, 145,331 as of June 28, 2020, and 144,871 as of September 29,2019.

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

| | Three Months Ended | | | | | | | |
|---|-----------------------|-----------|---|------------------|-----------|---|-----------------------|-----------|
| | September 27, 2020 | | | June 28, 2020 | | | September 29, 2019 | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | |
| Net income | \$ | 823,451 | | \$ | 696,673 | | \$ | 465,789 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | | | |
| Depreciation and amortization | | 72,912 | | | 71,083 | | | 64,664 |
| Deferred income taxes | | (1,850) |) | | (92,293) |) | | (2,992) |
| Equity-based compensation expense | | 55,988 | | | 53,153 | | | 42,905 |
| Amortization of note discounts and issuance costs | | 1,422 | | | 1,329 | | | 1,675 |
| Other, net | | 2,917 | | | (10,822) |) | | 4,026 |
| Changes in operating assets and liabilities | | (312,329) |) | | 93,925 | | | (112,020) |
| Net cash provided by operating activities | | 642,511 | | | 813,048 | | | 464,047 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | | |
| Capital expenditures and intangible assets | | (62,806) |) | | (50,554) |) | | (39,256) |
| Net (purchase) sale of available-for-sale securities | | (737,074) |) | | (354,350) |) | | 790,478 |
| Other, net | | (1,786) |) | | (25,305) |) | | (540) |
| Net cash (used for) provided by investing activities | | (801,666) |) | | (430,209) |) | | 750,682 |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | | | | | | | |
|--|--------------|---|--|--------------|---|--|--------------|---|
| Proceeds from issuance of long-term debt, net of issuance costs | — | | | 1,974,651 | | | — | |
| Principal payments on debt | (19,173 |) | | (2,948 |) | | (28,965 |) |
| Repayments of borrowings on revolving credit facility | — | | | (1,250,000 |) | | — | |
| Treasury stock purchases | (448,581 |) | | (41,017 |) | | (78,132 |) |
| Dividends paid | (167,129 |) | | (167,739 |) | | (158,868 |) |
| Reissuance of treasury stock related to employee stock purchase plan | — | | | 46,992 | | | — | |
| Proceeds from issuance of common stock | 5,538 | | | 1,869 | | | 3,869 | |
| Other, net | (2,140 |) | | 1,592 | | | — | |
| Net cash (used for) provided by financing activities | (631,485 |) | | 563,400 | | | (262,096 |) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 4,082 | | | 7,103 | | | (4,193 |) |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (786,558 |) | | 953,342 | | | 948,440 | |
| Cash, cash equivalents, and restricted cash at beginning of period | 5,169,083 | | | 4,215,741 | | | 3,913,396 | |
| Cash, cash equivalents, and restricted cash at end of period | \$ 4,382,525 | | | \$ 5,169,083 | | | \$ 4,861,836 | |

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

| | Three Months Ended | | | | | | |
|--|--------------------|-----------|---|--|---------------|-----------|---|
| | September 27, 2020 | | | | June 28, 2020 | | |
| Revenue | \$ | 3,177,080 | | | \$ | 2,791,864 | |
| Gross margin | \$ | 1,510,673 | | | \$ | 1,288,339 | |
| Gross margin as percentage of revenue | 47.5 | | % | | 46.1 | | % |
| Operating expenses | \$ | 523,086 | | | \$ | 493,115 | |
| Operating income | \$ | 987,587 | | | \$ | 795,224 | |
| Operating income as a percentage of revenue | 31.1 | | % | | 28.5 | | % |
| Net income | \$ | 835,066 | | | \$ | 704,456 | |
| Net income per diluted share | \$ | 5.67 | | | \$ | 4.78 | |
| Shares used in per share calculation - diluted | 147,248 | | | | 147,416 | | |

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

| | Three Months Ended | | | | | | |
|---|--------------------|---------|--|--|---------------|---------|--|
| | September 27, 2020 | | | | June 28, 2020 | | |
| U.S. GAAP net income | \$ | 823,451 | | | \$ | 696,673 | |
| Pre-tax non-GAAP items: | | | | | | | |
| Amortization related to intangible assets acquired through certain business combinations - cost of goods sold | 1,270 | | | | 1,627 | | |
| Loss on elective deferred compensation ("EDC") related liability - cost of goods sold | 3,224 | | | | 6,380 | | |
| Loss on EDC related liability - research and development | 5,803 | | | | 11,483 | | |

| | | | | | |
|--|---------|---------|--|---------|---------|
| Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative | 12,357 | | | 12,357 | |
| Loss on EDC related liability - selling, general and administrative | 3,869 | | | 7,655 | |
| Amortization of note discounts - other expense, net | 1,011 | | | 935 | |
| Gain on EDC related asset - other expense, net | (12,927 |) | | (26,135 |) |
| Net income tax benefit on non-GAAP items | (2,992 |) | | (5,698 |) |
| Adjustment to cumulative income tax benefit reversal due to a court ruling | — | | | (821 |) |
| Non-GAAP net income | \$ | 835,066 | | \$ | 704,456 |
| Non-GAAP net income per diluted share | \$ | 5.67 | | \$ | 4.78 |
| U.S. GAAP net income per diluted share | \$ | 5.59 | | \$ | 4.73 |
| U.S. GAAP and non-GAAP number of shares used for per diluted share calculation | 147,248 | | | 147,416 | |

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 27, 2020 | | | June 28, 2020 | | |
| U.S. GAAP gross margin | \$ | 1,506,179 | | \$ | 1,280,332 | |
| Pre-tax non-GAAP items: | | | | | | |
| Amortization related to intangible assets acquired through certain business combinations | 1,270 | | | 1,627 | | |
| Loss on EDC related liability | 3,224 | | | 6,380 | | |
| Non-GAAP gross margin | \$ | 1,510,673 | | \$ | 1,288,339 | |
| U.S. GAAP gross margin as a percentage of revenue | 47.4 | | % | 45.9 | | % |
| Non-GAAP gross margin as a percentage of revenue | 47.5 | | % | 46.1 | | % |
| U.S. GAAP operating expenses | \$ | 545,115 | | \$ | 524,610 | |
| Pre-tax non-GAAP items: | | | | | | |
| Amortization related to intangible assets acquired through certain business combinations | (12,357 |) | | (12,357 |) | |
| Loss on EDC related liability | (9,672 |) | | (19,138 |) | |
| Non-GAAP operating expenses | \$ | 523,086 | | \$ | 493,115 | |
| U.S. GAAP operating income | \$ | 961,064 | | \$ | 755,722 | |
| Non-GAAP operating income | \$ | 987,587 | | \$ | 795,224 | |
| U.S. GAAP operating income as percent of revenue | 30.2 | | % | 27.1 | | % |
| Non-GAAP operating income as a percent of revenue | 31.1 | | % | 28.5 | | % |
| | | | | | | |

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