

Lam Research Corporation Reports Financial Results for the Quarter Ended March 28, 2021

FREMONT, Calif., April 21, 2021 (GLOBE NEWSWIRE) -- Lam Research Corporation (the "Company," "Lam," "Lam Research") today announced financial results for the quarter ended March 28, 2021 (the "March 2021 quarter").

Highlights for the March 2021 quarter were as follows:

- Revenue of \$3.85 billion.
- U.S. GAAP gross margin of 46.3%, U.S. GAAP operating income as a percentage of revenue of 31.1%, and U.S. GAAP diluted EPS of \$7.41.
- Non-GAAP gross margin of 46.3%, non-GAAP operating income as a percentage of revenue of 31.6%, and non-GAAP diluted EPS of \$7.49.

Key Financial Data for the Quarters Ended March 28, 2021 and December 27, 2020 (in thousands, except per-share data, percentages, and basis points)

U.S. GAAP

	March 2021		December 2020		Change Q/Q	
Revenue	\$	3,847,654	\$	3,456,237	+ 11	%
Gross margin as percentage of revenue		46.3	%	46.4	%	- 10 bps
Operating income as percentage of revenue		31.1	%	29.2	%	+ 190 bps
Diluted EPS	\$	7.41		\$ 5.96		+ 24 %

Non-GAAP

	March 2021		December 2020		Change Q/Q	
Revenue	\$	3,847,654	\$	3,456,237	+ 11	%
Gross margin as percentage of revenue		46.3	%	46.6	%	- 30 bps
Operating income as percentage of revenue		31.6	%	30.3	%	+ 130 bps
Diluted EPS	\$	7.49		\$ 6.03		+ 24 %

U.S. GAAP Financial Results

For the March 2021 quarter, revenue was \$3,848 million, gross margin was \$1,780 million, or 46.3% of revenue, operating expenses were \$585 million, operating income was 31.1% of revenue, and net income was \$1,071 million, or \$7.41 per diluted share on a U.S. GAAP basis. This compares to revenue of \$3,456 million, gross margin of \$1,604 million, or 46.4% of revenue, operating expenses of \$594 million, operating income of 29.2% of revenue, and net income of \$869 million, or \$5.96 per diluted share, for the quarter ended December 27, 2020 (the "December 2020 quarter").

Non-GAAP Financial Results

For the March 2021 quarter, non-GAAP gross margin was \$1,783 million, or 46.3% of revenue, non-GAAP operating expenses were \$567 million, non-GAAP operating income was 31.6% of revenue, and non-GAAP net income was \$1,084 million, or \$7.49 per diluted share. This compares to non-GAAP gross margin of \$1,611 million, or 46.6% of revenue, non-GAAP operating expenses of \$563 million, non-GAAP operating income of 30.3% of revenue, and non-GAAP net income of \$880 million, or \$6.03 per diluted share, for the December 2020 quarter.

"Lam's growth trajectory continues with record revenue and earnings per share delivered in the March quarter," said Tim Archer, Lam Research's President and Chief Executive Officer. "Semiconductors are reaching new heights of strategic relevance, and Lam's differentiated ability to meet our customers' scaling challenges positions us well amid a strong wafer fabrication spending environment."

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investments balances decreased to \$6.0 billion at the end of the March 2021 quarter compared to \$6.3 billion at the end of the December 2020 quarter. This decrease was primarily the result of \$1.1 billion of share repurchases, including net share settlement of employee stock-based compensation; \$186.6 million of dividends paid to stockholders; and \$89.6 million of capital expenditures, partially offset by \$1.2 billion of cash generated from operating activities.

Revenue

The geographic distribution of revenue during the March 2021 quarter is shown in the following table:

Region	Revenue
China	32%
Korea	31%
Taiwan	14%
Japan	7%
Southeast Asia	7%
United States	5%

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

	Three Months Ended						Nine Months Ended							
	March 28, 2021		December 27, 2020		March 29, 2020		March 28, 2021		March 28, 2020					
	(In thousands)													
System revenue	\$	2,545,306		\$	2,307,421		\$	1,647,560		\$	7,000,968		\$	6,480,000
Customer support-related revenue and other		1,302,348			1,148,816			856,065			3,480,003			2,492,965
	\$	3,847,654		\$	3,456,237		\$	2,503,625		\$	10,480,971		\$	8,972,965

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 June 27, 2021, Lam is providing the following guidance:

	U.S. GAAP			Reconciling Items			Non-GAAP		
Revenue	\$4.0 Billion	+/-	\$250 Million	—			\$4.0 Billion	+/-	\$250 Million
Gross margin as a percentage of revenue	46.5%	+/-	1%	\$1 Million			46.5%	+/-	1%
Operating income as a percentage of revenue	31.7%	+/-	1%	\$13 Million			32.0%	+/-	1%
Net income per diluted share	\$7.42	+/-	\$0.50	\$12 Million			\$7.50	+/-	\$0.50
Diluted share count	144 Million			—			144 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, gains or losses on equity investments, other investments, or other significant arrangements that may be completed or realized 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, \$13 million.
- Net income per diluted share - amortization related to intangible assets acquired through business combinations, \$13 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$2 million); totaling \$12 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 March 2021 and December 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 the income tax benefit of non-GAAP items.

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 outlook and guidance for future financial results, including revenue, gross margins, operating income and net income; our growth trajectory; the strategic relevance of semiconductors; our ability to meet our customers' scaling challenges and the extent to which that ability is differentiated; and the wafer fabrication spending environment and our positioning within that environment. 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; supply chain disruptions or manufacturing capacity constraints may limit our ability to manufacture and sell our products; the actions of our customers and competitors may be inconsistent with our expectations; trade regulations, export controls, trade disputes, and other geopolitical tensions 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 and our quarterly reports on Form 10-Q for the fiscal quarters ended September 27, 2020 and December 27, 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)

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data and percentages)
(unaudited)

	Three Months Ended				Nine Months Ended			
	March 28, 2021		December 27, 2020		March 29, 2020		March 28, 2021	
Revenue	\$	3,847,654	\$	3,456,237	\$	2,503,625	\$	10,480,971
Cost of goods sold		2,067,523		1,852,442		1,336,618		5,590,866
Gross margin		1,780,131		1,603,795		1,167,007		4,890,105
Gross margin as a percent of revenue		46.3 %		46.4 %		46.6 %		46.7 %
Research and development		381,120		375,172		307,914		1,111,659
Selling, general and administrative		203,703		218,899		164,979		612,350
Total operating expenses		584,823		594,071		472,893		1,724,009
Operating income		1,195,308		1,009,724		694,114		3,166,096
Operating income as a percent of revenue		31.1 %		29.2 %		27.7 %		30.2 %
Other expense, net		(35,320)		(29,941)		(64,619)		(104,053)
Income before income taxes		1,159,988		979,783		629,495		3,062,043
Income tax expense		(88,867)		(110,554)		(54,714)		(298,242)
Net income	\$	1,071,121	\$	869,229	\$	574,781	\$	2,763,801
Net income per share:								
Basic	\$	7.51	\$	6.04	\$	3.96	\$	19.20
Diluted	\$	7.41	\$	5.96	\$	3.88	\$	18.94
Number of shares used in per share calculations:								
Basic		142,676		143,830		145,301		143,925
Diluted		144,609		145,910		148,165		145,923
Cash dividend declared per common share	\$	1.30	\$	1.30	\$	1.15	\$	3.90

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

March 28,

December 27,

June 28,

	2021			2020			2020		
	(unaudited)			(unaudited)			(1)		
ASSETS									
Cash and cash equivalents	\$	3,673,366		\$	3,687,165		\$	4,915,172	
Investments		2,116,101			2,355,067			1,795,080	
Accounts receivable, net		2,809,068			2,900,362			2,097,099	
Inventories		2,552,032			2,348,955			1,900,024	
Prepaid expenses and other current assets		171,703			176,403			146,160	
Total current assets		11,322,270			11,467,952			10,853,535	
Property and equipment, net		1,279,836			1,208,285			1,071,499	
Restricted cash and investments		253,460			252,807			253,911	
Goodwill and intangible assets		1,633,254			1,641,168			1,652,968	
Other assets		796,093			800,162			727,134	
Total assets	\$	15,284,913		\$	15,370,374		\$	14,559,047	
LIABILITIES AND STOCKHOLDERS' EQUITY									
Current portion of long-term debt and finance lease obligations	\$	825,434		\$	832,847		\$	839,877	
Other current liabilities		2,786,899			2,758,206			2,322,565	
Total current liabilities		3,612,333			3,591,053			3,162,442	
Long-term debt and finance lease obligations		4,991,613			4,992,496			4,970,848	
Income taxes payable		924,629			902,047			909,709	
Other long-term liabilities		381,505			376,230			332,559	
Total liabilities		9,910,080			9,861,826			9,375,558	
Temporary equity, convertible notes		3,217			5,515			10,995	
Stockholders' equity (2)		5,371,616			5,503,033			5,172,494	
Total liabilities and stockholders' equity	\$	15,284,913		\$	15,370,374		\$	14,559,047	

(1) Derived from audited financial statements.

(2) Common shares issued and outstanding were 142,607 as of March 28, 2021, 143,205 as of December 27, 2020, and 145,331 as of June 28, 2020.

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

	Three Months Ended				Nine Months Ended				
	March 28, 2021		December 27, 2020		March 29, 2020		March 28, 2021		Mar 202
CASH FLOWS FROM OPERATING ACTIVITIES:									
Net income	\$	1,071,121	\$	869,229	\$	574,781	\$	2,763,801	\$

Adjustments to reconcile net income to net cash provided by operating

activities:

Depreciation and amortization	79,453			76,389			67,248			228,754			197
Deferred income taxes	(1,136)	)		(2,462)	)		—			(5,448)	)		74,5
Equity-based compensation expense	55,746			52,109			47,414			163,843			136
Amortization of note discounts and issuance costs	1,412			1,417			1,361			4,251			4,61
Other, net	(2,047)	)		5,273			7,811			6,143			11,5
Changes in operating assets and liabilities	(39,469)	)		(657,318)	)		(157,187)	)		(1,009,116)	)		(665
Net cash provided by operating activities	1,165,080			344,637			541,428			2,152,228			1,31

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures and intangible assets	(89,596)	)		(92,072)	)		(51,375)	)		(244,474)	)		(152
Net sale (purchase) of available-for-sale securities	233,529			168,102			211,159			(335,443)	)		339
Other, net	(27,997)	)		(6,090)	)		9,988			(35,873)	)		(540
Net cash provided by (used for) investing activities	115,936			69,940			169,772			(615,790)	)		186

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on debt	(16,245)	)		(4,596)	)		(617,637)	)		(40,014)	)		(664
Proceeds from borrowings on revolving credit facility	—			—			1,250,000			—			1,25
Treasury stock purchases	(1,094,571)	)		(723,297)	)		(245,433)	)		(2,266,449)	)		(1,3
Dividends paid	(186,551)	)		(187,927)	)		(163,510)	)		(541,607)	)		(489
Reissuance of treasury stock related to employee stock purchase plan	—			41,434			—			41,434			38,4
Proceeds from issuance of common stock	9,626			8,108			1,714			23,272			6,21
Other, net	(665)	)		961			328			(1,844)	)		328
Net cash (used for) provided by financing activities	(1,288,406)	)		(865,317)	)		225,462			(2,785,208)	)		(1,1

Effect of exchange rate changes on

cash, cash equivalents, and restricted cash	(5,756)	)	8,187	(10,715)	)	6,513	(9,8	
Net (decrease) increase in cash, cash equivalents, and restricted cash	(13,146)	)	(442,553)	)	925,947	(1,242,257)	)	302
Cash, cash equivalents, and restricted cash at beginning of period	3,939,972		4,382,525	3,289,794		5,169,083		3,91
Cash, cash equivalents, and restricted cash at end of period	\$ 3,926,826		\$ 3,939,972	\$ 4,215,741		\$ 3,926,826		\$

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

Three Months Ended

	March 28, 2021		December 27, 2020	
Revenue	\$	3,847,654	\$	3,456,237
Gross margin	\$	1,783,209	\$	1,611,154
Gross margin as percentage of revenue		46.3 %		46.6 %
Operating expenses	\$	566,507	\$	563,446
Operating income	\$	1,216,702	\$	1,047,708
Operating income as a percentage of revenue		31.6 %		30.3 %
Net income	\$	1,083,532	\$	880,211
Net income per diluted share	\$	7.49	\$	6.03
Shares used in per share calculation - diluted		144,609		145,910

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

Three Months Ended

	March 28, 2021		December 27, 2020	
U.S. GAAP net income	\$	1,071,121	\$	869,229
Pre-tax non-GAAP items:				
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold		1,092		1,270
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold		1,986		6,089
EDC related liability valuation increase - research and development		3,575		10,961
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative		12,357		12,357

EDC related liability valuation increase - selling, general and administrative	2,384			7,307	
Amortization of note discounts - other expense, net	998			1,001	
Gain on EDC related asset - other expense, net	(7,520	)		(24,207)
Net income tax benefit on non-GAAP items	(2,461	)		(3,796)
Non-GAAP net income	\$	1,083,532		\$	880,211
Non-GAAP net income per diluted share	\$	7.49		\$	6.03
U.S. GAAP net income per diluted share	\$	7.41		\$	5.96
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	144,609			145,910	

**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				
	March 28, 2021			December 27, 2020	
U.S. GAAP gross margin	\$	1,780,131		\$	1,603,795
Pre-tax non-GAAP items:					
Amortization related to intangible assets acquired through certain business combinations		1,092			1,270
EDC related liability valuation increase		1,986			6,089
Non-GAAP gross margin	\$	1,783,209		\$	1,611,154
U.S. GAAP gross margin as a percentage of revenue		46.3	%		46.4
Non-GAAP gross margin as a percentage of revenue		46.3	%		46.6
U.S. GAAP operating expenses	\$	584,823		\$	594,071
Pre-tax non-GAAP items:					
Amortization related to intangible assets acquired through certain business combinations		(12,357	)		(12,357
EDC related liability valuation increase		(5,959	)		(18,268
Non-GAAP operating expenses	\$	566,507		\$	563,446
U.S. GAAP operating income	\$	1,195,308		\$	1,009,724
Non-GAAP operating income	\$	1,216,702		\$	1,047,708
U.S. GAAP operating income as percent of revenue		31.1	%		29.2
Non-GAAP operating income as a percent of revenue		31.6	%		30.3

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