Lam Research Corporation Reports Financial Results for the Quarter Ended March 31, 2013

FREMONT, CA -- (Marketwired) -- 04/24/13 -- Lam Research Corp. (NASDAQ: LRCX) today announced financial results for the quarter ended March 31, 2013. Highlights for the quarter were as follows:

- Delivered shipments of $896 million during the March 2013 quarter, up 12% from the prior quarter
- Reported revenue of $844.9 million for the March 2013 quarter, down 2% from the prior quarter
- Reported GAAP gross margin of 40.2%, GAAP operating margin of 1.3% and GAAP diluted EPS of $0.11
- Delivered non-GAAP gross margin of 43.9%, non-GAAP operating margin of 8.8%, and non-GAAP EPS of $0.44
- Completed $1.6 billion stock buyback reducing share count by approximately 5 million shares this quarter

Lam Research Corporation

Financial Highlights for the Quarter Ended March 31, 2013

(in thousands, except per share data and percentages)

	U.S. GAAP									
	March 2013				December 2012				Change Q/Q	
Revenue	$	844,928			$	860,886			-2	%
Operating Margin		1.3	%			0.5	%		+80 bps	
Net Income	$	18,996			$	6,408			+196.4	%
Diluted EPS	$	0.11			$	0.04			+$0.07	

	Non-GAAP									
	March 2013				December 2012				Change Q/Q	
Revenue	$	844,928			$	860,886			-2	%
Operating Margin		8.8	%			11.5	%		-270 bps	
Net Income	$	74,474			$	77,278			-3.6	%
Diluted EPS	$	0.44			$	0.45			-$0.01	

GAAP Financial Results

Revenue for the period was $844.9 million, gross margin was $339.8 million, or 40.2% of revenue, operating expenses were $329.0 million, and net income was $19.0 million, or $0.11 per diluted share on a GAAP basis. This compares to revenue of $860.9 million, gross margin of $315.4 million, or 36.6% of revenue, operating expenses of $311.4 million, and net income of $6.4 million, or $0.04 per diluted share, for the December 2012 quarter.

Non-GAAP Financial Results

Non-GAAP gross margin was $370.7 million, or 43.9% of revenue, non-GAAP operating expenses were $296.0 million, and non-GAAP net income was $74.5 million, or $0.44 per diluted share. This compares to non-GAAP gross margin of $380.5 million, or 44.2% of revenue, non-GAAP operating expenses of $281.5 million, and non-GAAP net income of $77.3 million, or $0.45 per diluted share, for the December 2012 quarter.

"Lam delivered solid March quarter results, which underscore our ability to execute well as a newly integrated company," stated Martin Anstice, Lam's president and chief executive officer. "We are off to a great start this year and continue to make progress against our multi-year growth strategic plan by building upon our technology leadership in key product areas and further strengthening our competitive differentiation."

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments and restricted cash and investment balances decreased to $2.5 billion at the end of the March 2013 quarter, as planned, compared to $2.7 billion at the end of the December 2012 quarter. This decrease was primarily the result of approximately $243 million of stock repurchases, offset by approximately $102 million in cash flow from operating activities during the March 2013 quarter.

Deferred revenue and deferred profit balances at the end of the March 2013 quarter increased to $326.6 million and $193.3 million, respectively, as compared to $282.0 million and $169.0 million, respectively, at the end of the December 2012 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 anticipated future revenue from shipments to Japanese customers was approximately $49.9 million as of March 31, 2013.

Geographic Distribution

The geographic distribution of shipments and revenue during the March 2013 quarter is shown in the following table:

Region	Shipments	Revenue
North America	21%	26%
Europe	9%	10%
Japan	11%	11%
Korea	12%	14%
Taiwan	33%	26%
Asia Pacific	14%	13%

Use of Non-GAAP Financial Results

In addition to U.S. GAAP results, this commentary also contains non-GAAP financial results. The Company's non-GAAP results for both the March 2013 and December 2012 quarters exclude costs associated with the fair value impact of acquisition-related inventory, amortization related to intangible assets acquired in the Novellus transaction, certain integration-related costs, the amortization of convertible note discounts, and rationalization of certain product configurations. Additionally, the March 2013 quarter non-GAAP results exclude the impairment of an investment, tax benefit on reinstatement of R&D tax credit, and tax expense associated with legal entity integration, and the December 2012 quarter non-GAAP results exclude restructuring charges and tax benefits from the successful resolution of certain tax matters.

Management uses non-GAAP gross margin, operating income, operating expenses, 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 the 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 web site 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 of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, but are not limited to, the anticipated revenue from shipments to Japanese customers, our expectations for growth and future demand for semiconductor equipment, our ability to execute as an integrated company, our ability to build on our technology leadership, our ability to strengthen our competitive differentiation, our ability to make progress against multi-year goals, and our plans pertaining to expense management, funding technology investments and positioning our products with customers as well as our ability to execute those plans. Some factors that may affect these forward-looking statements include: business conditions in the consumer electronics industry, the semiconductor industry and the overall economy; the strength of the financial performance of our existing and prospective customers; the introduction of new and innovative technologies; the occurrence and pace of technology transitions and conversions; the actions of our competitors, consumers, semiconductor companies and key suppliers and subcontractors; and the success of research and development and sales and marketing programs. These forward-looking statements are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect as well as other risks detailed in documents filed by us with the Securities and Exchange Commission, including specifically our report on Form 10-K for the year ended June 24, 2012 and Form 10-Qs for the three months ended September 23, 2012 and December 23, 2012. These uncertainties and changes could cause actual results to vary from expectations. The Company undertakes no obligation to update the information or statements made in this press release.

About Lam Research

Lam Research Corp. is a major supplier of innovative wafer fabrication equipment and services to the worldwide semiconductor industry. For more than 30 years, the Company has driven continuous improvements in chip performance, power consumption, and cost, contributing to the global proliferation of smartphones, computers, tablets, and other electronic products. Lam Research has been the leading supplier of high-throughput plasma etch equipment for more than a decade and expanded its product offerings in 2008 to include single-wafer clean systems. The Company added thin-film deposition and wafer surface preparation technologies to its product portfolio in 2012 with the acquisition of Novellus Systems, Inc. Headquartered in Fremont, Calif., Lam Research maintains a global network of service facilities throughout North America, Asia, and Europe to rapidly meet the needs of its global customer base. It is an S&P 500® company whose common stock trades on the NASDAQ Global Select Market(SM) under the symbol LRCX. For more information, please visit http://www.lamresearch.com.

Consolidated Financial Tables Follow.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data and percentages)

(unaudited)

	Three Months Ended			Nine Months Ended	
	March 31, 2013	December 23, 2012	March 25, 2012	March 31, 2013	March 25, 2012
Revenue	$ 844,928	$ 860,886	$ 658,961	$ 2,612,702	$ 1,923,378
Cost of goods sold	505,096	545,472	391,814	1,623,570	1,138,381
Cost of goods sold - restructuring and impairments	-	-	-		(859)
Total cost of goods sold	505,096	545,472	391,814	1,623,570	1,137,522
Gross margin	339,832	315,414	267,147	989,132	785,856

Gross margin as a percent of revenue			40.2	%		36.6	%		40.5	%		37.9	%		40.9	%
Research and development			174,206			165,951			113,448			503,468			320,031	
Selling, general and administrative			154,807			144,400			95,581			453,070			259,037	
Restructuring and impairments			-			1,021			-			1,021			1,725	
Total operating expenses			329,013			311,372			209,029			957,559			580,793	
	Operating income		10,819			4,042			58,118			31,573			205,063	
Operating margin as a percent of revenue			1.3	%		0.5	%		8.8	%		1.2	%		10.7	%
Other expense, net			(15,834	)		(13,390	)		(3,568	)		(39,162	)		(23,426	)
Income (loss) before income taxes			(5,015	)		(9,348	)		54,550			(7,589	)		181,637	
Income tax expense (benefit)			(24,011	)		(15,756	)		8,946			(35,761	)		30,983	
Net income		$	18,996		$	6,408		$	45,604		$	28,172		$	150,654	
Net income per share:																
Basic net income per share		$	0.12		$	0.04		$	0.38		$	0.16		$	1.25	
	Diluted net income per share	$	0.11		$	0.04		$	0.38		$	0.16		$	1.24	
Number of shares used in per share calculations:																
	Basic		163,034			170,699			119,841			171,016			120,904	
Diluted			168,504			173,027			120,956			174,306			121,830	

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31,		December 23,		June 24,
	2013		2012		2012
	(unaudited)		(unaudited)		(1)
ASSETS					
Cash and cash equivalents	$ 1,019,109		$ 1,190,189		$ 1,564,752
Short-term investments	1,337,819		1,330,498		1,297,931
Accounts receivable, net	544,070		590,925		765,818

Inventories	545,036		530,272		632,853	
Deferred income taxes	137,729		139,300		47,782	
Other current assets	86,156		65,224		105,973	
Total current assets	3,669,919		3,846,408		4,415,109	
Property and equipment, net	594,916		590,547		584,596	
Restricted cash and investments	166,196		166,166		166,335	
Goodwill and intangible assets	2,562,986		2,608,221		2,686,730	
Other assets	152,285		151,822		151,882	
Total assets	$ 7,146,302		$ 7,363,164		$ 8,004,652	
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities	$ 801,013		$ 825,482		$ 1,426,928	
Long-term debt, convertible notes, and capital leases	$ 1,294,599		$ 1,286,729		$ 761,783	
Income taxes payable	250,339		260,063		274,240	
Other long-term liabilities	258,151		294,300		219,577	
Total liabilities	2,604,102		2,666,574		2,682,528	
Senior convertible notes	-		-		190,343	
Stockholders' equity (2)	4,542,200		4,696,590		5,131,781	
Total liabilities and stockholders' equity	$ 7,146,302		$ 7,363,164		$ 8,004,652	

(1)	Derived from audited financial statements

(2)	Common shares issued and outstanding were 161,802 shares as of March 31, 2013, 165,846 shares as of December 23, 2012, and 186,656 shares as of June 24, 2012.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended			Nine Months Ended	
	March 31, 2013	December 23, 2012	March 25, 2012	March 31, 2013	March 25, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 18,996	$ 6,408	$ 45,604	$ 28,172	$ 150,654

Adjustments to reconcile net income to net cash provided by operating activities:														
Depreciation and amortization		74,861			78,388			22,517			228,065			66,249	
Deferred income taxes		(27,934	)		(7,320	)		3,723			(47,271	)		3,090	
Restructuring and impairment charges, net		-			1,021			-			1,021			866	
Equity-based compensation expense		25,648			24,027			16,417			74,089			52,385	
Income tax benefit on equity-based compensation plans		(847	)		-			(1,048	)		(847	)		81	
Excess tax benefit on equity-based compensation plans		903			-			(137	)		903			(2,292	)
Amortization of convertible note discount		7,935			7,843			6,750			23,530			20,014	
Impairment of investment, net of foreign exchange effect		3,711			-			-			3,711			1,724	
Other, net		6,115			13,673			1,165			30,838			3,671	
Changes in operating assets and liabilities:		(6,931	)		69,186			51,406			202,734			105,871	
Net cash provided by operating activities		102,457			193,226			146,397			544,945			402,313	
CASH FLOWS FROM INVESTING ACTIVITIES:															
Capital expenditures and intangible assets		(34,766	)		(38,924	)		(27,978	)		(117,655	)		(70,392	)
Cash paid for business acquisition		(400	)		(8,716	)		-			(9,116	)		-	
Net purchases of available-for-sale securities		(12,075	)		(23,250	)		(282,225	)		(51,963	)		(371,678	)
Purchase of equity method investment		-			-			-			-			(10,740	)
Receipt of loan payment		-			-			-			-			8,375	
Proceeds from sale of assets		-			660			-			660			2,677	
Transfer of restricted cash and investments		(32	)		33			3			147			23	
Net cash used for investing activities		(47,273	)		(70,197	)		(310,200	)		(177,927	)		(441,735	)
CASH FLOWS FROM FINANCING ACTIVITIES:															

Principal payments on long-term debt and capital lease obligations		(756	)		(115	)		(1,024	)		(1,536	)		(4,164	)
Excess tax benefit on equity-based compensation plans		(903	)		-			137			(903	)		2,292	
Net cash received in settlement (paid in advance for) stock repurchase contracts		-			-			79,189			-			55,194	
Treasury stock purchases		(243,297	)		(355,010	)		(18,909	)		(953,386	)		(111,604	)
Reissuances of treasury stock related to employee stock purchase plan		8,494			-			7,902			18,419			16,760	
Proceeds from issuance of common stock		15,132			6,583			301			22,666			1,776	
Net cash provided by (used for) financing activities		(221,330	)		(348,542	)		67,596			(914,740	)		(39,746	)
Effect of exchange rate changes on cash		(4,934	)		4,236			(454	)		2,079			(2,697	)
Net decrease in cash and cash equivalents		(171,080	)		(221,277	)		(96,661	)		(545,643	)		(81,865	)
Cash and cash equivalents at beginning of period		1,190,189			1,411,466			1,506,928			1,564,752			1,492,132	
Cash and cash equivalents at end of period	$	1,019,109		$	1,190,189		$	1,410,267		$	1,019,109		$	1,410,267	

Non-GAAP Financial Summary

(in thousands, except percentages and per share data)

(unaudited)

	Three Months Ended		Three Months Ended	
	March 31,		December 23,	
	2013		2012	
Revenue	$ 844,928		$ 860,886	
Gross margin	$ 370,658		$ 380,475	
Gross margin as percentage of revenue	43.9	%	44.2	%
Operating expenses	$ 296,002		$ 281,499	
Operating income	$ 74,656		$ 98,976	
Operating margin as a percentage of revenue	8.8	%	11.5	%
Net income	$ 74,474		$ 77,278	
Net income per diluted share	$ 0.44		$ 0.45	
Shares used in per share calculation - diluted	168,504		173,027	

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31, 2013	Three Months Ended December 23, 2012
U.S. GAAP net income	$ 18,996	$ 6,408
Pre-tax non-GAAP items:		
Costs associated with rationalization of certain product configurations - cost of goods sold	207	17,434
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	20,763	20,745
Acquisition-related inventory fair value impact - cost of goods sold	7,448	26,882
Integration costs - cost of goods sold	2,408	-
Integration costs - operating expenses	13,123	8,971
Amortization related to intangible assets acquired in Novellus transaction - operating expenses	19,445	19,438
Restructuring charges - operating expenses	-	1,021
Costs associated with rationalization of certain product configurations - operating expenses	443	443
Amortization of convertible note discount, Lam notes - other expense, net	7,075	6,992
Amortization of convertible note discount, Novellus assumed notes - other expense, net	893	821
Impairment of investment - other expense, net	3,711	-
Net tax benefit on non-GAAP items	(11,700)	(14,883)
Tax benefit on reinstatement of R&D tax credit	(11,493)	-
Tax expense associated with legal entity integration	3,155	-
Net tax benefit on successful resolution of certain tax matters	-	(16,994)
Non-GAAP net income	$ 74,474	$ 77,278
Non-GAAP net income per diluted share	$ 0.44	$ 0.45
Number of shares used for diluted per share calculation	168,504	173,027

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	Three Months Ended

		March 31,			December 23,	
		2013			2012	
U.S. GAAP gross margin	$	339,832		$	315,414	
Pre-tax non-GAAP items:						
Costs associated with rationalization of certain product configurations - cost of goods sold		207			17,434	
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold		20,763			20,745	
Acquisition-related inventory fair value impact - cost of goods sold		7,448			26,882	
Integration costs - cost of goods sold		2,408			-	
Non-GAAP gross margin	$	370,658		$	380,475	
U.S. GAAP gross margin as a percentage of revenue		40.2	%		36.6	%
Non-GAAP gross margin as a percentage of revenue		43.9	%		44.2	%
U.S. GAAP operating expenses	$	329,013		$	311,372	
Pre-tax non-GAAP items:						
Integration costs - operating expenses		(13,123	)		(8,971	)
Amortization related to intangible assets acquired in Novellus transaction - operating expenses		(19,445	)		(19,438	)
Restructuring charges - operating expenses		-			(1,021	)
Costs associated with rationalization of certain product configurations - operating expenses		(443	)		(443	)
Non-GAAP operating expenses	$	296,002		$	281,499	
Non-GAAP operating income	$	74,656		$	98,976	
Non-GAAP operating margin as a percent of revenue		8.8	%		11.5	%

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