Lam Research Corporation Reports Financial Results for the Quarter Ended September 29, 2013

FREMONT, CA -- (Marketwired) -- 10/23/13 -- Lam Research Corp. (NASDAQ: LRCX) today announced financial results for the quarter ended September 29, 2013.

Highlights for the September 2013 quarter were as follows:

- Shipments of $987 million, down 9% from the prior quarter
- Revenue of $1,015 million, up 3% from the prior quarter
- GAAP gross margin of 42.5%, GAAP operating margin of 10.4% and GAAP diluted EPS of $0.50
- Non-GAAP gross margin of 45.0%, non-GAAP operating margin of 16.2%, and non-GAAP diluted EPS of $0.81

Lam Research Corporation

Financial Highlights for the Quarters Ended September 29, 2013 and June 30, 2013

(in thousands, except per share data and percentages)

U.S. GAAP

	September 2013	June 2013	Change Q/Q
Revenue	$ 1,015,059	$ 986,214	+3 %
Gross margin as percentage of revenue	42.5 %	42.0 %	+50 bps
Operating margin as percentage of revenue	10.4 %	8.8 %	+160 bps
Diluted EPS	$ 0.50	$ 0.50	-

Non-GAAP

	September 2013	June 2013	Change Q/Q
Revenue	$ 1,015,059	$ 986,214	+3 %
Gross margin as percentage of revenue	45.0 %	44.5 %	+50 bps
Operating margin as percentage of revenue	16.2 %	14.4 %	+180 bps
Diluted EPS	$ 0.81	$ 0.80	+1 %

GAAP Financial Results
Revenue for the period was $1,015 million, gross margin was $431.9 million, or 42.5% of revenue, operating expenses were $326.5 million, and net income was $85.5 million, or $0.50 per diluted share on a GAAP basis. This compares to revenue of $986.2 million, gross margin of $413.9 million, or 42.0% of revenue, operating expenses of $327.4 million, and net income of $85.7 million, or $0.50 per diluted share, for the June 2013 quarter.

Non-GAAP Financial Results
Non-GAAP gross margin was $456.7 million, or 45.0% of revenue, non-GAAP operating expenses were $291.9 million, and non-GAAP net income was $139.2 million, or $0.81 per diluted share. This compares to non-GAAP gross margin of $438.8 million, or 44.5% of revenue, non-GAAP operating expenses of $297.0 million, and non-GAAP net income of $136.4 million, or $0.80 per diluted share, for the June 2013 quarter.

"Lam Research posted financial results that met or exceeded our guidance ranges across all key metrics, including our second consecutive quarter of record revenue and solid profit growth," said Martin Anstice, Lam's president and chief executive officer. "Our performance reflects the substance of our vision and strong execution across the entire company. We continue to be excited about the opportunities for growth and remain confident in the depth of our strategies and support from our customers."

Balance Sheet and Cash Flow Results
Cash and cash equivalents, short-term investments, and restricted cash and investment balances decreased to $2.6 billion at the end of the September 2013 quarter compared to $2.7 billion at the end of the June 2013 quarter due to stock repurchases of approximately $100 million. Cash flows from operating activities were approximately $52 million during the September 2013 quarter, adding to our overall cash position.

Deferred revenue and deferred profit balances at the end of the September 2013 quarter decreased to $334.0 million and $188.4 million, respectively, as compared to $389.2 million and $225.0

million, respectively, at the end of theJune 2013 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 $84.2 million as of September 29, 2013.

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

Region	Shipments		Revenue	
North America	17	%	14	%
Europe	8	%	9	%
Japan	17	%	13	%
Korea	18	%	23	%
Taiwan	21	%	24	%
Asia Pacific	19	%	17	%

Outlook
For the December 2013 quarter, Lam is providing the following guidance on a non-GAAP basis:

- Shipments of approximately $1.125 billion plus or minus $30 million
- Revenue of approximately $1.1 billion plus or minus $30 million
- Gross margin of approximately 46.0% plus or minus 1.0%
- Operating margin as a percent of revenue of approximately 18.5% plus or minus 1.0%
- Earnings per share of approximately $1.02 plus or minus $0.05, assuming a diluted share count of 174 million

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 September 2013 and June 2013 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, restructuring charges, rationalization of certain product configurations, the amortization of convertible note discounts, the tax benefit on successful resolution of certain tax matters, and tax expense associated with legal-entity integration. Additionally, the September 2013 quarter non-GAAP results excluded the impairment of a long-lived asset.

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 opportunities for growth, the depth of our strategies, the support from our customers, and our guidance for shipments, revenue, gross margin, operating margin, and earnings per share. 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 endedJune 30, 2013. 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. (NASDAQ: LRCX) is a trusted global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. Lam's broad portfolio of market-leading etch, deposition, strip, and wafer cleaning solutions help customers achieve success on the wafer by enabling device features that are 1,000 times smaller than a grain of sand, resulting in smaller, faster, and more power-efficient chips. Through collaboration, continuous innovation and delivering on commitments, Lam is transforming atomic-scale engineering and enabling our customers to shape the future of technology. Based in Fremont, Calif., Lam Research is an S&P 500 ® company whose common stock trades on the NASDAQ Global Select Market under the symbol LRCX. For more information, please visit http://www.lamresearch.com.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data and percentages)

(unaudited)

	Three Months Ended		
	September 29, 2013	June 30, 2013	September 23, 2012

Revenue			$	1,015,059			$	986,214			$	906,888		
	Cost of goods sold			583,201				572,287				573,002		
		Gross margin		431,858				413,927				333,886		
		Gross margin as a percent of revenue		42.5	%			42.0	%			36.8	%	
Research and development				170,567				180,220				163,311		
Selling, general and administrative				155,883				147,209				153,863		
		Total operating expenses		326,450				327,429				317,174		
		Operating income		105,408				86,498				16,712		
		Operating margin as a percent of revenue		10.4	%			8.8	%			1.8	%	
Other expense, net				(14,262	)			(12,251	)			(9,938	)	
		Income before income taxes		91,146				74,247				6,774		
Income tax expense (benefit)				5,640				(11,460	)			4,006		
		Net income	$	85,506			$	85,707			$	2,768		
Net income per share:														
	Basic net income per share		$	0.52			$	0.53			$	0.02		
	Diluted net income per share		$	0.50			$	0.50			$	0.02		
Number of shares used in per share calculations:														
	Basic			162,896				162,520				179,928		
	Diluted			171,363				169,722				181,926		

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

		September 29,		June 30,
		2013		2013
		(unaudited)		(1)
ASSETS				
Cash and cash equivalents		$ 1,156,184		$ 1,162,473
Short-term investments		1,300,031		1,334,745
Accounts receivable, net		713,524		602,624
Inventories		614,790		559,317
Deferred income taxes		29,090		27,674
Other current assets		110,633		106,996
Total current assets		3,924,252		3,793,829
Property and equipment, net		564,845		603,910

Restricted cash and investments	166,385	166,536
Goodwill and intangible assets	2,484,900	2,526,541
Other assets	149,963	159,499
Total assets	$ 7,290,345	$ 7,250,315
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 1,402,890	$ 1,404,475
Long-term debt, convertible notes, and capital leases	$ 796,373	$ 789,256
Income taxes payable	248,462	246,479
Other long-term liabilities	129,306	134,313
Total liabilities	2,577,031	2,574,523
Senior convertible notes	186,042	186,920
Stockholders' equity (2)	4,527,272	4,488,872
Total liabilities and stockholders' equity	$ 7,290,345	$ 7,250,315

(1) Derived from audited financial statements

(2) Common shares issued and outstanding were 162,217 shares as of September 29, 2013 and 162,873 shares as of June 30, 2013.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended		
	September 29,	June 30,	September 23,
	2013	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 85,506	$ 85,707	$ 2,768
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	74,331	76,051	74,816
Deferred income taxes	-	(22,884)	(12,017)
Impairment of long-lived asset	7,004	-	-
Equity-based compensation expense	23,235	25,241	24,414

Income tax benefit on equity-based compensation plans			-				364				-	
Excess tax benefit on equity-based compensation plans			-				(364	)			-	
Amortization of convertible note discount			8,122				8,028				7,752	
Other, net			4,115				5,342				8,406	
Changes in operating assets and liabilities:			(150,388	)			(2,497	)			143,123	
Net cash provided by operating activities			51,925				174,988				249,262	
CASH FLOWS FROM INVESTING ACTIVITIES:												
Capital expenditures and intangible assets			(23,778	)			(43,140	)			(43,965	)
Cash paid for business acquisition			-				(800	)			-	
Net sales/maturities (purchases) of available-for-sale securities			42,567				(6,442	)			(16,638	)
(Issuance) repayments of notes receivable			-				(10,000	)			-	
Transfer of restricted cash and investments			150				(328	)			146	
Net cash provided by (used for) investing activities			18,939				(60,710	)			(60,457	)
CASH FLOWS FROM FINANCING ACTIVITIES:												
Principal payments on long-term debt and capital lease obligations			(88	)			(698	)			(665	)
Excess tax benefit on equity-based compensation plans			-				364				-	
Treasury stock purchases			(104,285	)			(2,275	)			(355,079	)
Reissuances of treasury stock related to employee stock purchase plan			15,154				12,846				9,925	
Proceeds from issuance of common stock			12,574				16,713				951	
Net cash provided by (used for) financing activities			(76,645	)			26,950				(344,868	)
Effect of exchange rate changes on cash			(508	)			2,136				2,777	
Net decrease in cash and cash equivalents			(6,289	)			143,364				(153,286	)
Cash and cash equivalents at beginning of period			1,162,473				1,019,109				1,564,752	
Cash and cash equivalents at end of period		$	1,156,184			$	1,162,473			$	1,411,466	

Non-GAAP Financial Summary

(in thousands, except percentages and per share data)

(unaudited)

			Three Months Ended							Three Months Ended		

		September 29,				June 30,		
		2013				2013		
Revenue		$	1,015,059			$	986,214	
Gross margin		$	456,709			$	438,823	
Gross margin as percentage of revenue			45.0	%			44.5	%
Operating expenses		$	291,887			$	297,048	
Operating income		$	164,822			$	141,775	
Operating margin as a percentage of revenue			16.2	%			14.4	%
Net income		$	139,227			$	136,440	
Net income per diluted share		$	0.81			$	0.80	
Shares used in per share calculation - diluted			171,363				169,722	

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income								
(in thousands, except per share data)								
(unaudited)								
		Three Months Ended				Three Months Ended		
		September 29,				June 30,		
		2013				2013		
U.S. GAAP net income		$	85,506			$	85,707	
Pre-tax non-GAAP items:								
Costs associated with rationalization of certain product configurations - cost of goods sold			-				(896	)
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold			21,480				20,748	
Acquisition-related inventory fair value impact - cost of goods sold			2,047				4,266	
Integration costs - cost of goods sold			1,324				778	
Integration costs - operating expenses			8,063				9,579	
Amortization related to intangible assets acquired in Novellus transaction - operating expenses			16,947				18,888	
Restructuring charges - operating expenses			1,705				792	
Costs associated with rationalization of certain product configurations - operating expenses			844				1,122	
Impairment of long lived asset			7,004				-	
Amortization of convertible note discount, Lam notes - other expense, net			7,243				7,159	
Amortization of convertible note discount, Novellus assumed notes - other expense, net			859				781	
Net tax benefit on non-GAAP items			(11,646	)			(10,252	)
Net tax benefit on successful resolution of certain tax matters			(2,286	)			(2,699	)

Tax expense associated with legal-entity integration			137				467	
Non-GAAP net income		$	139,227			$	136,440	
Non-GAAP net income per diluted share		$	0.81			$	0.80	
Number of shares used for diluted per share calculation			171,363				169,722	

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	
		September 29,			June 30,	
		2013			2013	
U.S. GAAP gross margin		$ 431,858			$ 413,927	
Pre-tax non-GAAP items:						
Costs associated with rationalization of certain product configurations - cost of goods sold		-			(896	)
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold		21,480			20,748	
Acquisition-related inventory fair value impact - cost of goods sold		2,047			4,266	
Integration costs - cost of goods sold		1,324			778	
Non-GAAP gross margin		$ 456,709			$ 438,823	
U.S. GAAP gross margin as a percentage of revenue		42.5	%		42.0	%
Non-GAAP gross margin as a percentage of revenue		45.0	%		44.5	%
U.S. GAAP operating expenses		$ 326,450			$ 327,429	
Pre-tax non-GAAP items:						
Integration costs - operating expenses		(8,063	)		(9,579	)
Amortization related to intangible assets acquired in Novellus transaction - operating expenses		(16,947	)		(18,888	)
Restructuring charges - operating expenses		(1,705	)		(792	)
Costs associated with rationalization of certain product configurations - operating expenses		(844	)		(1,122	)
Impairment of long lived asset		(7,004	)		-	
Non-GAAP operating expenses		$ 291,887			$ 297,048	
Non-GAAP operating income		$ 164,822			$ 141,775	
Non-GAAP operating margin as a percent of revenue		16.2	%		14.4	%

Lam Research Corporation Contacts:
Shanye Hudson
Investor Relations
phone: 510-572-4589
e-mail: shanye.hudson@lamresearch.com

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