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

FREMONT, CA -- (Marketwired) -- 01/29/14 -- Lam Research Corp. (NASDAQ: LRCX) today announced financial results for the quarter ended December 29, 2013.

Highlights for the December 2013 quarter were as follows:

- Shipments of $1,139 million, up 15% from the prior quarter
- Revenue of $1,116 million, up 10% from the prior quarter
- GAAP gross margin of 43.7%, GAAP operating margin of 14.7% and GAAP diluted EPS of $0.87
- Non-GAAP gross margin of 45.8%, non-GAAP operating margin of 18.7%, and non-GAAP diluted EPS of $1.10

Lam Research Corporation

Financial Highlights for the Quarters Ended December 29, 2013 and September 29, 2013

(in thousands, except per share data and percentages)

U.S. GAAP

	December 2013		September 2013		Change Q/Q	
Revenue	$ 1,116,061		$ 1,015,059		+10	%
Gross margin as percentage of revenue	43.7	%	42.5	%	+120	bps
Operating margin as percentage of revenue	14.7	%	10.4	%	+430	bps
Diluted EPS	$ 0.87		$ 0.50		+74	%

Non-GAAP

	December 2013		September 2013		Change Q/Q	
Revenue	$ 1,116,061		$ 1,015,059		+10	%
Gross margin as percentage of revenue	45.8	%	45.0	%	+80	bps
Operating margin as percentage of revenue	18.7	%	16.2	%	+250	bps
Diluted EPS	$ 1.10		$ 0.81		+36	%

GAAP Financial Results
Revenue for the period was $1,116 million, gross margin was $487.8 million, or 43.7% of revenue, operating expenses were $323.3 million, and net income was $149.0 million, or $0.87 per diluted share on a GAAP basis. This compares to revenue of $1,015 million, gross margin of $431.9 million, or 42.5% of revenue, operating expenses of $326.5 million, and net income of $85.5 million, or $0.50 per diluted share, for the September 2013 quarter.

Non-GAAP Financial Results
Non-GAAP gross margin was $510.8 million, or 45.8% of revenue, non-GAAP operating expenses were $302.1 million, and non-GAAP net income was $188.7 million, or $1.10 per diluted share. This compares to non-GAAP gross margin of $456.7 million, or 45.0% of revenue, non-GAAP operating expenses of $291.9 million, and non-GAAP net income of $139.2 million, or $0.81 per diluted share, for the September 2013 quarter.

"Calendar 2013 was an extraordinary year for Lam Research, highlighted by strong operating and financial performance. Our December quarter results closed the year with record shipments, record revenues and earnings that exceeded our expectations," stated Martin Anstice, Lam Research's president and chief executive officer. "Our outlook for continued healthy levels of wafer fab equipment spending in 2014 reflects our customers' planned investments in key technology inflections tempered by their focus on maintaining balanced supply and demand. Against this industry back drop, we are further strengthening our emphasis on customer trust and improving competitiveness to reinforce the opportunities for future growth and enhanced financial performance of Lam."

Balance Sheet and Cash Flow Results
Cash and cash equivalents, short-term investments, and restricted cash and investment balances increased to $2.7 billion at the end of the December 2013 quarter compared to $2.6 billion at the end of the September 2013 quarter. This increase was primarily the result of approximately $129 million in cash flows from operating activities during the December 2013 quarter, partially offset by $48 million of stock repurchases.

Deferred revenue and deferred profit balances at the end of the December 2013 quarter increased to $405.0 million and $224.4 million, respectively, as compared to $334.0 million and $188.4 million, respectively, at the end of the September 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 $53.5 million as of December 29, 2013.

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

Region	Shipments	Revenue
North America	9%	13%
Europe	7%	5%
Japan	13%	17%
Korea	24%	19%
Taiwan	22%	28%
Asia Pacific	25%	18%

Outlook

For the March 2014 quarter, Lam is providing the following guidance on a non-GAAP basis:

- Shipments of approximately $1.250 billion plus or minus $30 million
- Revenue of approximately $1.215 billion plus or minus $30 million
- Gross margin of approximately 45.0% plus or minus 1.0%
- Operating margin as a percent of revenue of approximately 19.5% plus or minus 1.0%
- Earnings per share of approximately $1.15 plus or minus $0.05, assuming a diluted share count of 173 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 December 2013 and September 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, rationalization of certain product configurations, the impairment of a long-lived asset, the amortization of convertible note discounts, and the tax benefit on successful resolution of certain tax matters. Additionally, the December 2013 quarter non-GAAP results exclude the gain on sale of an investment and theSeptember 2013 quarter non-GAAP results excluded certain restructuring charges and the tax expense associated with legal-entity integration.

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, our financial performance, our wafer fab equipment spending outlook, the expected rate of investment in key technology inflections, the success of our strategies for maintaining customer trust and improving competitiveness, 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 and Form 10-Q for the three months endedSeptember 29, 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 .

Consolidated Financial Tables Follow.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data and percentages)

(unaudited)

	Three Months Ended			Six Months Ended
	December 29, 2013	September 29, 2013	December 23, 2012	December 29, 2013
Revenue	$ 1,116,061	$ 1,015,059	$ 860,886	$ 2,131,120
Cost of goods sold	628,272	583,201	545,472	1,211,473
Gross margin	487,789	431,858	315,414	919,647

Gross margin as a percent of revenue			43.7	%			42.5	%			36.6	%			43.2	%			
Research and development			174,477				170,567				165,951				345,044				
Selling, general and administrative			148,838				155,883				145,421				304,721				
Total operating expenses			323,315				326,450				311,372				649,765				
Operating income			164,474				105,408				4,042				269,882				
Operating margin as a percent of revenue			14.7	%			10.4	%			0.5	%			12.7	%			
Other expense, net			(3,837	)			(14,262	)			(13,390	)			(18,099	)			
Income before income taxes			160,637				91,146				(9,348	)			251,783				
Income tax expense (benefit)			11,645				5,640				(15,756	)			17,285				
Net income		$	148,992			$	85,506			$	6,408			$	234,498				
Net income per share:																			
Basic net income per share		$	0.92			$	0.52			$	0.04			$	1.44				
Diluted net income per share		$	0.87			$	0.50			$	0.04			$	1.37				
Number of shares used in per share calculations:																			
Basic			162,305				162,896				170,699				162,603				
Diluted			171,757				171,363				173,027				171,592				

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

		December 29,		September 29,		June 30,
		2013		2013		2013
		(unaudited)		(unaudited)		(1)
ASSETS						
Cash and cash equivalents		$ 1,132,555		$ 1,156,184		$ 1,162,473
Short-term investments		1,389,735		1,300,031		1,334,745
Accounts receivable, net		909,720		713,524		602,624
Inventories		661,572		614,790		559,317
Deferred income taxes		17,095		29,090		27,674
Other current assets		138,359		110,633		106,996
Total current assets		4,249,036		3,924,252		3,793,829

Property and equipment, net	546,193	564,845	603,910
Restricted cash and investments	166,395	166,385	166,536
Goodwill and intangible assets	2,453,066	2,484,900	2,526,541
Other assets	141,108	149,963	159,499
Total assets	$ 7,555,798	$ 7,290,345	$ 7,250,315
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities	$ 1,522,572	$ 1,402,890	$ 1,404,475
Long-term debt, convertible notes, and capital leases	$ 803,276	$ 796,373	$ 789,256
Income taxes payable	248,996	248,462	246,479
Other long-term liabilities	129,710	129,306	134,313
Total liabilities	2,704,554	2,577,031	2,574,523
Senior convertible notes	185,154	186,042	186,920
Stockholders' equity (2)	4,666,090	4,527,272	4,488,872
Total liabilities and stockholders' equity	$ 7,555,798	$ 7,290,345	$ 7,250,315

(1) Derived from audited financial statements

(2) Common shares issued and outstanding were 162,169 shares as of December 29, 2013, 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			Six Months Ended	
	December 29, 2013	September 29, 2013	December 23, 2012	December 29, 2013	Dec 201
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 148,992	$ 85,506	$ 6,408	$ 234,498	$
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	73,552	74,331	78,388	147,883	
Deferred income taxes	12,457	-	(7,320)	12,457	

Impairment of long-lived asset			628				7,004				-				7,632				
Equity-based compensation expense			23,046				23,235				24,027				46,281				
Amortization of convertible note discount			8,217				8,122				7,843				16,339				
Other, net			(2,428	)			4,115				14,694				1,687				
Changes in operating assets and liabilities:			(135,441	)			(150,388	)			69,186				(285,829	)			
Net cash provided by operating activities			129,023				51,925				193,226				180,948				
CASH FLOWS FROM INVESTING ACTIVITIES:																			
Capital expenditures and intangible assets			(38,323	)			(23,778	)			(38,924	)			(62,101	)			
Cash paid for business acquisition			(18,388	)			-				(8,716	)			(18,388	)			
Net sales/maturities (purchases) of available-for-sale securities			(88,754	)			42,567				(23,250	)			(46,187	)			
(Issuance) repayments of notes receivable			10,000				-				-				10,000				
Proceeds from sale of assets			21,635				-				660				21,635				
Transfer of restricted cash and investments			-				150				33				150				
Net cash provided by (used for) investing activities			(113,830	)			18,939				(70,197	)			(94,891	)			
CASH FLOWS FROM FINANCING ACTIVITIES:																			
Principal payments on long-term debt and capital lease obligations			(719	)			(88	)			(115	)			(807	)			
Treasury stock purchases			(47,910	)			(104,285	)			(355,010	)			(152,195	)			
Reissuances of treasury stock related to employee stock purchase plan			(35	)			15,154				-				15,119				
Proceeds from issuance of common stock			8,449				12,574				6,583				21,023				
Net cash used for financing activities			(40,215	)			(76,645	)			(348,542	)			(116,860	)			
Effect of exchange rate changes on cash			1,393				(508	)			4,236				885				
Net decrease in cash and cash equivalents			(23,629	)			(6,289	)			(221,277	)			(29,918	)			
Cash and cash equivalents at beginning of period			1,156,184				1,162,473				1,411,466				1,162,473				

Cash and cash equivalents at end of period	$	1,132,555			$	1,156,184			$	1,190,189			$	1,132,555			$

Non-GAAP Financial Summary

(in thousands, except percentages and per share data)

(unaudited)

		Three Months Ended December 29, 2013			Three Months Ended September 29, 2013	
Revenue		$ 1,116,061			$ 1,015,059	
Gross margin		$ 510,769			$ 456,709	
Gross margin as percentage of revenue		45.8	%		45.0	%
Operating expenses		$ 302,103			$ 291,887	
Operating income		$ 208,666			$ 164,882	
Operating margin as a percentage of revenue		18.7	%		16.2	%
Net income		$ 188,745			$ 139,227	
Net income per diluted share		$ 1.10			$ 0.81	
Shares used in per share calculation - diluted		171,757			171,363	

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

(in thousands, except per share data)

(unaudited)

	Three Months Ended December 29, 2013	Three Months Ended September 29, 2013
U.S. GAAP net income	$ 148,992	$ 85,506
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	21,491	21,480
Acquisition-related inventory fair value impact - cost of goods sold	1,225	2,047
Integration costs - cost of goods sold	264	1,324
Integration costs - operating expenses	2,785	8,063
Amortization related to intangible assets acquired in Novellus transaction - operating expenses	16,953	16,947
Restructuring charges - operating expenses	-	1,705

Costs associated with rationalization of certain product configurations - operating expenses			846				844	
Impairment of long lived asset - operating expenses			628				7,004	
Amortization of convertible note discount, Lam notes - other expense, net			7,329				7,243	
Amortization of convertible note discount, Novellus assumed notes - other expense, net			762				859	
Gain on sale of investment - other expense, net			(4,813	)			-	
Net tax benefit on non-GAAP items			(6,404	)			(11,646	)
Net tax benefit on successful resolution of certain tax matters			(1,313	)			(2,286	)
Tax expense associated with legal-entity integration			-				137	
Non-GAAP net income		$	188,745			$	139,227	
Non-GAAP net income per diluted share		$	1.10			$	0.81	
Number of shares used for diluted per share calculation			171,757				171,363	

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		
		December 29,				September 29,		
		2013				2013		
U.S. GAAP gross margin		$	487,789			$	431,858	
Pre-tax non-GAAP items:								
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold			21,491				21,480	
Acquisition-related inventory fair value impact - cost of goods sold			1,225				2,047	
Integration costs - cost of goods sold			264				1,324	
Non-GAAP gross margin		$	510,769			$	456,709	
U.S. GAAP gross margin as a percentage of revenue			43.7	%			42.5	%
Non-GAAP gross margin as a percentage of revenue			45.8	%			45.0	%
U.S. GAAP operating expenses		$	323,315			$	326,450	
Pre-tax non-GAAP items:								
Integration costs - operating expenses			(2,785	)			(8,063	)
Amortization related to intangible assets acquired in Novellus transaction - operating expenses			(16,953	)			(16,947	)
Restructuring charges - operating expenses			-				(1,705	)
Costs associated with rationalization of certain product configurations - operating expenses			(846	)			(844	)
Impairment of long lived asset - operating expenses			(628	)			(7,004	)
Non-GAAP operating expenses		$	302,103			$	291,887	
Non-GAAP operating income		$	208,666			$	164,822	
Non-GAAP operating margin as a percent of revenue			18.7	%			16.2	%

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

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