Lam Research Corporation Reports Financial Results for the Quarter Ended June 29, 2014

FREMONT, CA -- (Marketwired) -- 07/30/14 -- Lam Research Corp.(NASDAQ: LRCX) today announced financial results for the quarter ended June 29, 2014.

Highlights for the June 2014 quarter were as follows:

- Revenue of $1,249 million, up 2% from the prior quarter
- GAAP gross margin of 44.6%, GAAP operating margin of 17.3% and GAAP diluted EPS of $1.35
- Non-GAAP gross margin of 46.4%, non-GAAP operating margin of 20.6%, and non-GAAP diluted EPS of $1.25

Financial Highlights for the Quarters Ended June 29, 2014 and March 30, 2014

(in thousands, except per-share data and percentages)

U.S. GAAP

	June 2014		March 2014		Change Q/Q	
Revenue	$ 1,248,797		$ 1,227,392		+2	%
Gross margin as percentage of revenue	44.6	%	43.2	%	+140bps	
Operating margin as percentage of revenue	17.3	%	15.6	%	+170 bps	
Diluted EPS	$ 1.35		$ 0.96		+41	%

Non-GAAP

	June 2014		March 2014		Change Q/Q	
Revenue	$ 1,248,797		$ 1,227,392		+2	%
Gross margin as percentage of revenue	46.4	%	45.5	%	+90 bps	
Operating margin as percentage of revenue	20.6	%	20.2	%	+40 bps	
Diluted EPS	$ 1.25		$ 1.26		-1	%

GAAP Financial Results
Revenue for the period was $1,249 million, gross margin was $557.0 million, or 44.6% of revenue, operating expenses were $341.2 million, operating margin was 17.3% of revenue, and net income was $233.4 million, or $1.35 per diluted share on a GAAP basis. This compares to revenue of $1,227 million, gross margin of $530.8 million, or 43.2% of revenue, operating expenses of $338.9 million, operating margin of 15.6% of revenue, and net income of $164.4 million, or $0.96 per diluted share, for the March 2014 quarter. Our June 2014 results benefited from an $83 million gain on sale of non-essential real estate.

Non-GAAP Financial Results
Non-GAAP gross margin was $579.9 million or 46.4% of revenue, non-GAAP operating expenses were $322.2 million, non-GAAP operating margin was 20.6% of revenue, and non-GAAP net income was $217.2 million, or $1.25 per diluted share. This compares to non-GAAP gross margin of $558.9 million or 45.5% of revenue, non-GAAP operating expenses of $311.0 million, non-GAAP operating margin of 20.2% of revenue, and non-GAAP net income of $216.4 million, or $1.26 per diluted share for the March 2014 quarter.

"Lam's June quarter and fiscal year results demonstrate strong execution of our growth strategy during a transformative period for the Company," stated Martin Anstice, Lam Research's president and chief executive officer. "Fiscal year results included record revenues in each successive quarter and operating income more than doubled year-over-year. Central to our financial and operational outperformance is our close collaboration with our customers in addressing the technical and economic challenges of scaling. We believe these efforts provide opportunities to build upon this foundation with market growth and share gains at the key inflections that will drive wafer fab equipment investment for the foreseeable future."

Balance Sheet and Cash Flow Results
Cash and cash equivalents, short-term investments, and restricted cash and investment balances increased to $3.2 billion at the end of the June 2014 quarter compared to $2.9 billion at the end of the March 2014 quarter. This increase was primarily the result of approximately $246 million in cash flows from operating activities and approximately $135 million of cash proceeds on sale of assets during the June 2014 quarter and was partially offset by approximately $42 million of capital expenditures and approximately $40 million of stock repurchases.

Deferred revenue and deferred profit balances at the end of the June 2014 quarter decreased to $361.6 million and $235.9 million, respectively, as compared to $431.5 million and $257.3 million, respectively, at the end of the March 2014 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 $34.0 million as of June 29, 2014.

Geographic Distribution
The geographic distribution of shipments and revenue during the June 2014 quarter is shown in the following table:

Region	Shipments		Revenue	
United States	23	%	18	%
Europe	7	%	6	%

Japan	14	%	14	%
Korea	25	%	28	%
Taiwan	18	%	20	%
Southeast Asia	4	%	3	%
China	9	%	11	%

Outlook
For the September 2014 quarter, Lam is providing the following guidance:

	GAAP			Reconciling Items	Non-GAAP		
Shipments	$1.11 Billion	+/-	$50 Million	-	$1.11 Billion	+/-	$50 Million
Revenue	$1.15 Billion	+/-	$50 Million	-	$1.15 Billion	+/-	$50 Million
Gross margin	43.7%	+/-	1%	$21 Million	45.5%	+/-	1%
Operating margin	14.3%	+/-	1%	$37 Million	17.5%	+/-	1%
Earnings per share	$0.71	+/-	$0.07	$38 Million	$0.92	+/-	$0.07
Diluted share count	177 Million				177 Million		

The information provided above is only an estimate of what the Company believes is realizable as of the date of this release. 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 - amortization related to intangible assets acquired in the Novellus transaction, $21 million.
- Operating margin - amortization related to intangible assets acquired in the Novellus transaction, $37 million.
- Earnings per share - amortization related to intangible assets acquired in the Novellus transaction, $37 million; the amortization of convertible note discounts, $8 million; and the associated tax benefit for non-GAAP items ($7) million, totaling $38 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 June 2014 and March 2014 quarters exclude rationalization of certain product configurations, amortization related to intangible assets acquired in the Novellus transaction, the amortization of convertible note discounts, and tax expense (benefit) of non-GAAP items. Additionally, the June 2014 quarter non-GAAP results exclude the release of acquisition-related inventory fair value impacts, restructuring charges, cost associated with the disposition of business, gain on sale of real estate, and tax benefit on successful resolution of certain tax matters. The March 2014 quarter non-GAAP results also exclude the impairment of a long-lived asset and expenses associated with the synthetic lease impairment.

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 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 ability to continue to successfully execute our growth strategy during transformative periods, our ability to continue to successfully collaborate closely with customers, our ability to address the technical and economic challenges of scaling, our ability to achieve market growth and share gains at key inflections, our ability to obtain and maintain market share in wafer fab equipment investment, our ability to deliver growth and value for our customers and our shareholders, 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 ended June 30, 2013 and Forms 10-Q for the three months ended September 29, 2013, December 29, 2013 and March 30, 2014. 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)

	Three Months Ended			Twelve Months Ended
	June 29,	March 30,	June 30,	June 29,
	2014	2014	2013	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)

Revenue	$	1,248,797		$	1,227,392		$	986,214		$	4,607,309				
Cost of goods sold		691,761			696,594			572,287			2,599,828				
Gross margin		557,036			530,798			413,927			2,007,481				
Gross margin as a percent of revenue		44.6	%		43.2	%		42.0	%		43.6	%			
Research and development		185,449			185,978			180,220			716,471				
Selling, general and administrative		155,737			152,883			147,209			613,341				
Total operating expenses		341,186			338,861			327,429			1,329,812				
Operating income		215,850			191,937			86,498			677,669				
Operating margin as a percent of revenue		17.3	%		15.6	%		8.8	%		14.7	%			
Gain on sale of real estate		83,090			-			-			83,090				
Other expense, net		(9,442	)		(9,855	)		(12,251	)		(37,396	)			
Income (loss) before income taxes		289,498			182,082			74,247			723,363				
Income tax expense (benefit)		56,103			17,686			(11,460	)		91,074				
Net income	$	233,395		$	164,396		$	85,707		$	632,289				
Net income per share:															
Basic net income per share	$	1.44		$	1.01		$	0.53		$	3.84				
Diluted net income per share	$	1.35		$	0.96		$	0.50		$	3.62				
Number of shares used in per share calculations:															
Basic		162,215			162,238			162,520			164,741				
Diluted		173,345			171,636			169,722			174,503				
Cash dividend declared per share	$	0.18		$	-		$	-		$	0.18				

(1) Derived from audited financial statements

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 29, 2014	March 30, 2014	June 30, 2013

	(unaudited)	(unaudited)	(1)
ASSETS			
Cash and cash equivalents	$ 1,452,677	$ 1,292,301	$ 1,162,473
Short-term investments	1,612,967	1,462,171	1,334,745
Accounts receivable, net	800,616	818,390	602,624
Inventories	740,503	717,356	559,317
Other current assets	176,899	157,131	134,670
Total current assets	4,783,662	4,447,349	3,793,829
Property and equipment, net	543,496	552,591	603,910
Restricted cash and investments	146,492	143,914	166,536
Goodwill and intangible assets	2,360,303	2,408,913	2,526,541
Other assets	159,353	154,600	159,499
Total assets	$ 7,993,306	$ 7,707,367	$ 7,250,315
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities	$ 1,582,001	$ 1,542,705	$ 1,404,475
Long-term debt and capital leases	$ 817,202	$ 810,688	$ 789,256
Income taxes payable	258,357	251,080	246,479
Other long-term liabilities	122,662	111,346	134,313
Total liabilities	$ 2,780,222	$ 2,715,819	$ 2,574,523
Senior convertible notes	183,349	184,256	186,920
Stockholders' equity [2]	5,029,735	4,807,292	4,488,872
Total liabilities and stockholders' equity	$ 7,993,306	$ 7,707,367	$ 7,250,315

(1) Derived from audited financial statements

(2) Common shares issued and outstanding were 162,350 as of June 29, 2014, 161,988 shares as of March 30, 2014, and 162,873 shares as of June 30, 2013.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended			Twelve Months Ended	
	June 29,	March 30,	June 30,	June 29,	J
	2014	2014	2013	2014	2
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 233,395	$ 164,396	$ 85,707	$ 632,289	$
Adjustments to reconcile net income to net cash providedby operating activities:					

Depreciation and amortization	71,115	73,256	76,051	292,254
Deferred income taxes	(4,104)	(816)	(22,884)	7,537
Impairment of long-lived assets	-	4,000	-	11,632
Equity-based compensation expense	33,085	24,334	25,241	103,700
Impairment of investment	-	-	-	-
Income tax benefit on equity-based compensation plans	6,269	(296)	364	5,973
Excess tax benefit on equity-based compensation plans	(6,361)	296	(364)	(6,065)
Amortization of convertible note discount	8,411	8,313	8,028	33,063
Gain on sale of real estate	(83,090)	-	-	(83,090)
Other, net	8,241	2,741	5,342	12,669
Changes in operating asset and liabilities:	(21,070)	13,986	(2,497)	(292,913)
Net cash provided by operating activities	245,891	290,210	174,988	717,049
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures and intangible assets	(41,764)	(41,638)	(43,140)	(145,503)
Cash paid for business acquisition	(11,839)	-	(800)	(30,227)
Net purchases of available-for-sale securities	(155,035)	(82,744)	(6,442)	(283,966)
(Issuance) repayments of notes receivable	-	-	(10,000)	10,000
Proceeds from sale of assets	134,762	-	-	156,397
Transfer of restricted cash and investments	(637)	28,572	(328)	28,085
Net cash used for investing activities	(74,513)	(95,810)	(60,710)	(265,214)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term debt and capital lease obligations	(739)	(112)	(698)	(1,658)
Excess tax benefit on equity-based compensation plans	6,361	(296)	364	6,065
Treasury stock purchases	(40,249)	(52,415)	(2,275)	(244,859)

Reissuances of treasury stock related to employee stock purchase plan	14,597	13,210	12,846	42,926
Proceeds from issuance of common stock	8,657	5,111	16,713	34,791
Net cash provided by (used for) financing activities	(11,373)	(34,502)	26,950	(162,735)
Effect of exchange rate changes on cash	371	(152)	2,136	1,104
Net increase (decrease) in cash and cash equivalents	160,376	159,746	143,364	290,204
Cash and cash equivalents at beginning of period	1,292,301	1,132,555	1,019,109	1,162,473
Cash and cash equivalents at end of period	$ 1,452,677	$ 1,292,301	$ 1,162,473	$ 1,452,677	$

(1) Derived from audited financial statements

Non-GAAP Financial Summary

(in thousands, except percentages and per share data)

(unaudited)

	Three Months Ended June 29, 2014	Three Months Ended March 30, 2014
Revenue	$ 1,248,797	$ 1,227,392
Gross margin	$ 579,888	$ 558,881
Gross margin as percentage of revenue	46.4 %	45.5 %
Operating expenses	$ 322,155	$ 311,046
Operating income	$ 257,733	$ 247,835
Operating margin as a percentage of revenue	20.6 %	20.2 %
Net income	$ 217,228	$ 216,384
Net income per diluted share	$ 1.25	$ 1.26
Shares used in per share calculation - diluted	173,345	171,636

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

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 29,	Three Months Ended March 30,

	2014	2014
U.S. GAAP net income	$ 233,395	$ 164,396
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	21,685	21,670
Costs associated with rationalization of certain product configurations - cost of goods sold	-	4,855
Acquisition-related inventory fair value impact - cost of goods sold	1,167	-
Synthetic lease impairment - cost of goods sold	-	1,558
Amortization related to intangible assets acquired in Novellus transaction - operating expenses	16,547	16,537
Restructuring charges - operating expenses	295	-
Costs associated with rationalization of certain product configurations - operating expenses	1,086	1,922
Cost associated with disposition of business - operating expense	1,103	-
Impairment of long lived asset - operating expense	-	4,000
Synthetic lease impairment - operating expense	-	5,356
Amortization of convertible note discount, Lam notes - other expense, net	7,504	7,416
Amortization of convertible note discount, Novellus assumed notes - other expense, net	763	999
Gain on sale of real estate	(83,090)	-
Net tax expense (benefit) on non-GAAP items	17,075	(12,325)
Net income tax benefit on sucessful resolution of certain tax matters	(302)	-
Non-GAAP net income	$ 217,228	$ 216,384
Non-GAAP net income per diluted share	$ 1.25	$ 1.26
Number of shares used for diluted per share calculation	173,345	171,636

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 June 29, 2014	Three Months Ended March 30, 2014
U.S. GAAP gross margin	$ 557,036	$ 530,798
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	21,685	21,670
Costs associated with rationalization of certain product configurations - cost of goods sold	-	4,855
Acquisition-related inventory fair value impact - cost of goods sold	1,167	-
Synthetic lease impairment - cost of goods sold	-	1,558
Non-GAAP gross margin	$ 579,888	$ 558,881
U.S. GAAP gross margin as a percentage of revenue	44.6 %	43.2 %
Non-GAAP gross margin as a percentage of revenue	46.4 %	45.5 %
U.S. GAAP operating expenses	$ 341,186	$ 338,861

Pre-tax non-GAAP items:							
Amortization related to intangible assets acquired in Novellus transaction - operating expenses		(16,547	)		(16,537	)
Restructuring charges - operating expenses		(295	)		-	
Costs associated with rationalization of certain product configurations - operating expenses		(1,086	)		(1,922	)
Cost associated with disposition of business - operating expense		(1,103	)		-	
Impairment of long lived asset - operating expense		-			(4,000	)
Synthetic lease impairment - operating expense		-			(5,356	)
Non-GAAP operating expenses	$	322,155		$	311,046	
Non-GAAP operating income	$	257,733		$	247,835	
Non-GAAP operating margin as a percent of revenue		20.6	%		20.2	%

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