# Lam Research Corporation Reports Financial Results for the Quarter Ended September 29, 2019

FREMONT, Calif., Oct. 23, 2019 (GLOBE NEWSWIRE) -- Lam Research Corporation (the "Company," "Lam," "Lam Research") today announced financial results for the quarter ended September 29, 2019 (the “September 2019 quarter”).

Highlights for the September 2019 quarter were as follows:

- Revenue of $2.17 billion.
- U.S. GAAP gross margin of 45.3%, U.S. GAAP operating income as a percentage of revenue of 24.8%, and U.S. GAAP diluted EPS of $3.09.
- Non-GAAP gross margin of 45.4%, non-GAAP operating income as a percentage of revenue of 25.5%, and non-GAAP diluted EPS of $3.18.

**Key Financial Data for the Quarters Ended**
**September 29, 2019 and June 30, 2019**
**(in thousands, except per-share data, percentages, and basis points)**

| **U.S. GAAP** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **September 2019** | | **June 2019** | | | | **Change Q/Q** |
| Revenue | $ | 2,165,746 | | $ | 2,361,147 | | - 8% |
| Gross margin as percentage of revenue | 45.3 | % | | 45.8 | % | | - 50 bps |
| Operating income as percentage of revenue | 24.8 | % | | 26.1 | % | | - 130 bps |
| Diluted EPS | $ | 3.09 | | $ | 3.51 | | - 12% |

| **Non-GAAP** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **September 2019** | | **June 2019** | | | | **Change Q/Q** |
| Revenue | $ | 2,165,746 | | $ | 2,361,147 | | - 8% |
| Gross margin as percentage of revenue | 45.4 | % | | 45.9 | % | | - 50 bps |
| Operating income as percentage of revenue | 25.5 | % | | 26.9 | % | | - 140 bps |
| Diluted EPS | $ | 3.18 | | $ | 3.62 | | - 12% |

**U.S. GAAP Financial Results**

For the September 2019 quarter, revenue was $2,166 million, gross margin was $982 million, or 45.3% of revenue, operating expenses were $444 million, operating income was 24.8% of revenue, and net income was $466 million, or $3.09 per diluted share on a U.S. GAAP basis. This compares to revenue of $2,361 million, gross margin of $1,081 million, or 45.8% of revenue, operating expenses of $464 million, operating income of 26.1% of revenue, and net income of $542 million, or $3.51 per diluted share, for the quarter ended June 30, 2019 (the “June 2019 quarter”).

**Non-GAAP Financial Results**

For the September 2019 quarter, non-GAAP gross margin was $983 million or 45.4% of revenue, non-GAAP operating expenses were $431 million, non-GAAP operating income was 25.5% of revenue, and non-GAAP net income was $480 million, or $3.18 per diluted share. This compares to non-GAAP gross margin of $1,085 million or 45.9% of revenue, non-GAAP operating expenses of $450 million, non-GAAP operating income of 26.9% of revenue, and non-GAAP net income of $559 million, or $3.62 per diluted share for the June 2019 quarter.

“Lam delivered solid results in the September quarter, highlighted by strong profitability,” said Tim Archer, Lam Research’s President and Chief Executive Officer. “Through our unwavering commitment to customer collaboration and technology innovation, Lam has laid a foundation for long-term growth and outperformance.”

**Balance Sheet and Cash Flow Results**

Cash and cash equivalents, short-term investments, and restricted cash and investments balances increased slightly to $5.8 billion at the end of the September 2019 quarter compared to $5.7 billion at the end of the June 2019 quarter. This increase was primarily the result of $464.0 million of cash generated from operating activities, partially offset by approximately $158.9 million of dividends paid to shareholders, $78.1 million of share repurchases, including net share settlement on employee stock-based compensation, $39.3 million of capital expenditures, and $29.0 million of debt reductions.

Deferred revenue and deferred profit at the end of the September 2019 quarter increased to $481 million and $407 million, respectively, as compared to $449 million and $381 million, respectively, at the end of the June 2019 quarter. Lam’s deferred revenue balance does not include shipments to customers in Japan, to whom title does not transfer until customer acceptance. Shipments to customers in Japan are classified as inventory at cost until the time of acceptance. The estimated future revenue from shipments to customers in Japan was approximately $47 million as of September 29, 2019 and $78 million as of June 30, 2019.

**Geographic Distribution**

The geographic distribution of revenue during the September 2019 quarter is shown in the following table:

| **Region** | **Revenue** |
|---|---|
| China | 27% |
| Korea | 21% |

| | |
|---|---|
| Taiwan | 18% |
| Japan | 13% |
| Southeast Asia | 10% |
| United States | 8% |
| Europe | 3% |

**Outlook**

For the December 2019 quarter, Lam is providing the following guidance:

| | U.S. GAAP | | | | Reconciling Items | | | | Non-GAAP | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | $2.5 Billion | +/- | $150 Million | | — | | | | $2.5 Billion | +/- | $150 Million |
| Gross margin as a percentage of revenue | 44.9% | +/- | 1% | | $ | 2 | | Million | 45.0% | +/- | 1% |
| Operating income as a percentage of revenue | 26.4% | +/- | 1% | | $ | 14 | | Million | 27.0% | +/- | 1% |
| Net income per diluted share | $3.71 | +/- | $0.20 | | $ | 13 | | Million | $3.80 | +/- | $0.20 |
| Diluted share count | 150 Million | | | | — | | | | 150 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, other investments, or other significant arrangements that may be completed 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, $2 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, $14 million.
- Net income per diluted share - amortization related to intangible assets acquired though business combinations, $14 million; amortization of note discounts, $1 million; and associated tax benefit for non-GAAP items ($2 million); totaling $13 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 September 2019 and June 2019 quarters exclude amortization related to intangible assets acquired through business combinations, restructuring charges, amortization of note discounts, and income tax benefit of non-GAAP items. Additionally, the June 2019 quarter non-GAAP results exclude income tax impacts associated with U.S. tax reform and income tax benefit on the conclusion of tax matters related to a prior business combination.

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: the estimated future revenue from shipments to customers in Japan; the timing and amount of revenue and profit earned from any booked deferred revenue and profit; the success or outcome of our collaboration and innovation efforts; our long term growth and performance, including outperformance of the market, the industry or our competitors; the legal and business factors that may affect our future tax rate; and our guidance for revenue, gross margin (both as a dollar value and a percentage of revenue), operating income (both as a dollar value and a percentage of revenue), net income or earnings per diluted share, on either a GAAP or non-GAAP basis and diluted share count. Some factors that may affect these forward-looking statements include: business, political and/or regulatory conditions in the consumer electronics industry, the semiconductor industry and the overall economy may deteriorate or change; and the actions of our customers and competitors may be inconsistent with our expectations, 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 30, 2019. 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.

**About Lam Research**

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. 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)

Consolidated Financial Tables Follow.

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

| | Three Months Ended | | |
|---|---|---|---|
| | September 29, 2019 | June 30, 2019 | September 23, 2018 |
| Revenue | $ 2,165,746 | $ 2,361,147 | $ 2,330,691 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost of goods sold | 1,184,036 | | | 1,280,256 | | | 1,272,493 | | | |
| Gross margin | 981,710 | | | 1,080,891 | | | 1,058,198 | | | |
| Gross margin as a percent of revenue | 45.3 | % | | 45.8 | % | | 45.4 | % | | |
| Research and development | 286,827 | | | 295,578 | | | 291,672 | | | |
| Selling, general and administrative | 157,428 | | | 168,228 | | | 174,775 | | | |
| Total operating expenses | 444,255 | | | 463,806 | | | 466,447 | | | |
| Operating income | 537,455 | | | 617,085 | | | 591,751 | | | |
| Operating income as a percent of revenue | 24.8 | % | | 26.1 | % | | 25.4 | % | | |
| Other expense, net | (12,728 | ) | | (7,667 | ) | | (377 | ) | | |
| Income before income taxes | 524,727 | | | 609,418 | | | 591,374 | | | |
| Income tax expense | (58,938 | ) | | (67,593 | ) | | (58,014 | ) | | |
| Net income | $ 465,789 | | | $ 541,825 | | | $ 533,360 | | | |
| Net income per share: | | | | | | | | | | |
| Basic | $ 3.22 | | | $ 3.66 | | | $ 3.43 | | | |
| Diluted | $ 3.09 | | | $ 3.51 | | | $ 3.23 | | | |
| Number of shares used in per share calculations: | | | | | | | | | | |
| Basic | 144,673 | | | 148,131 | | | 155,658 | | | |
| Diluted | 150,682 | | | 154,474 | | | 165,327 | | | |
| Cash dividend declared per common share | $ 1.15 | | | $ 1.10 | | | $ 1.10 | | | |
| | | | | | | | | | | |

**LAM RESEARCH CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(in thousands)**

| | **September 29, 2019** | | | **June 30, 2019** | | | **September 23, 2018** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **(unaudited)** | | | **(1)** | | | **(unaudited)** | | |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | $ 4,607,182 | | | $ 3,658,219 | | | $ 2,568,085 | | |
| Investments | 983,650 | | | 1,772,984 | | | 1,050,863 | | |
| Accounts receivable, net | 1,635,643 | | | 1,455,522 | | | 1,846,845 | | |
| Inventories | 1,483,385 | | | 1,540,140 | | | 1,874,194 | | |
| Prepaid expenses and other current assets | 124,755 | | | 133,544 | | | 175,886 | | |
| Total current assets | 8,834,615 | | | 8,560,409 | | | 7,515,873 | | |
| Property and equipment, net | 1,030,168 | | | 1,059,077 | | | 951,376 | | |
| Restricted cash and investments | 254,654 | | | 255,177 | | | 255,924 | | |
| Goodwill and intangible assets | 1,690,648 | | | 1,701,547 | | | 1,767,562 | | |
| Other assets | 533,417 | | | 425,123 | | | 466,842 | | |
| Total assets | $ 12,343,502 | | | $ 12,001,333 | | | $ 10,957,577 | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | |
| Current portion of long-term debt, finance lease obligations, and commercial paper | $ 645,158 | | | $ 667,131 | | | $ 550,369 | | |
| Other current liabilities | 1,812,524 | | | 1,704,519 | | | 2,274,596 | | |

| | | | |
|---|---|---|---|
| Total current liabilities | 2,457,682 | 2,371,650 | 2,824,965 |
| Long-term debt and finance lease obligations | 3,788,089 | 3,822,768 | 1,805,091 |
| Income taxes payable | 856,895 | 892,790 | 845,740 |
| Other long-term liabilities | 261,890 | 190,821 | 100,144 |
| Total liabilities | 7,364,556 | 7,278,029 | 5,575,940 |
| Temporary equity, convertible notes | 42,553 | 49,439 | 58,812 |
| Stockholders' equity (2) | 4,936,393 | 4,673,865 | 5,322,825 |
| Total liabilities and stockholders' equity | $ 12,343,502 | $ 12,001,333 | $ 10,957,577 |

(1) Derived from audited financial statements.

(2) Common shares issued and outstanding were 144,871 as of September 29, 2019, 144,433 as of June 30, 2019, and 153,384 as of September 23, 2018.

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

| | Three Months Ended | | |
|---|---|---|---|
| | **September 29, 2019** | **June 30, 2019** | **September 23, 2018** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 465,789 | $ 541,825 | $ 533,360 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 64,664 | 65,408 | 79,805 |
| Deferred income taxes | (2,992) | 70,125 | (83,501) |
| Equity-based compensation expense | 42,905 | 44,845 | 50,343 |
| Amortization of note discounts and issuance costs | 1,675 | 2,206 | 1,245 |
| Other, net | 4,026 | (5,173) | 2,191 |
| Changes in operating assets and liabilities | (112,020) | 161,251 | 136,843 |
| Net cash provided by operating activities | 464,047 | 880,487 | 720,286 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures and intangible assets | (39,256) | (65,948) | (56,098) |
| Net sale (purchase) of available-for-sale securities | 790,478 | (555,468) | (612,583) |
| Other, net | (540) | (2,067) | (3,650) |
| Net cash provided by (used for) investing activities | 750,682 | (623,483) | (672,331) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Principal payments on debt | (28,965) | (1,157) | (79,831) |
| Net repayments of commercial paper | — | (300,000) | (86) |
| Treasury stock purchases | (78,132) | (1,108,560) | (1,735,895) |
| Dividends paid | (158,868) | (164,874) | (174,372) |
| Reissuance of treasury stock related to employee stock purchase plan | — | 45,041 | — |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Proceeds from issuance of common stock | 3,869 | | | 1,694 | | | — | | | | | |
| Other, net | — | | | — | | | (9 | ) | | | | |
| Net cash used for financing activities | (262,096 | ) | | (1,527,856 | ) | | (1,990,193 | ) | | | | |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (4,193 | ) | | (3,137 | ) | | (2,311 | ) | | | | |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 948,440 | | | (1,273,989 | ) | | (1,944,549 | ) | | | | |
| Cash, cash equivalents, and restricted cash at beginning of period | 3,913,396 | | | 5,187,385 | | | 4,768,558 | | | | | |
| Cash, cash equivalents, and restricted cash at end of period | $ | 4,861,836 | | $ | 3,913,396 | | $ | 2,824,009 | | | | |

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

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 29, 2019 | | | | June 30, 2019 | | | |
| Revenue | $ | 2,165,746 | | | $ | 2,361,147 | | |
| Gross margin | $ | 983,338 | | | $ | 1,084,881 | | |
| Gross margin as percentage of revenue | 45.4 | | % | | 45.9 | | % | |
| Operating expenses | $ | 430,853 | | | $ | 450,161 | | |
| Operating income | $ | 552,485 | | | $ | 634,720 | | |
| Operating income as a percentage of revenue | 25.5 | | % | | 26.9 | | % | |
| Net income | $ | 479,555 | | | $ | 558,832 | | |
| Net income per diluted share | $ | 3.18 | | | $ | 3.62 | | |
| Shares used in per share calculation - diluted | 150,682 | | | | 154,474 | | | |

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

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 29, 2019 | | | | June 30, 2019 | | | |
| U.S. GAAP net income | $ | 465,789 | | | $ | 541,825 | | |
| Pre-tax non-GAAP items: | | | | | | | | |
| Amortization related to intangible assets acquired through certain business combinations - cost of goods sold | 1,628 | | | | 3,389 | | | |
| Restructuring charges - cost of goods sold | — | | | | 601 | | | |
| Restructuring charges - research and development | — | | | | 206 | | | |
| Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative | 12,357 | | | | 12,357 | | | |
| Restructuring charges - selling, general and administrative | 1,045 | | | | 1,082 | | | |
| Amortization of note discounts - other expense, net | 1,234 | | | | 1,195 | | | |
| Net income tax benefit on non-GAAP items | (2,498 | ) | | | (3,104 | ) | | |
| Income tax benefit on the conclusion of certain tax matters | — | | | | (172 | ) | | |
| Income tax expense associated with U.S. tax reform | — | | | | 1,453 | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Non-GAAP net income | $ | 479,555 | | | $ | 558,832 | | |
| Non-GAAP net income per diluted share | $ | 3.18 | | | $ | 3.62 | | |
| U.S. GAAP net income per diluted share | $ | 3.09 | | | $ | 3.51 | | |
| U.S. GAAP and non-GAAP number of shares used for per diluted share calculation | 150,682 | | | | 154,474 | | | |

**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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 29, 2019 | | | | June 30, 2019 | | | |
| U.S. GAAP gross margin | $ | 981,710 | | | $ | 1,080,891 | | |
| Pre-tax non-GAAP items: | | | | | | | | |
| Amortization related to intangible assets acquired through certain business combinations | 1,628 | | | | 3,389 | | | |
| Restructuring charges | — | | | | 601 | | | |
| Non-GAAP gross margin | $ | 983,338 | | | $ | 1,084,881 | | |
| U.S. GAAP gross margin as a percentage of revenue | 45.3 | | % | | 45.8 | | % | |
| Non-GAAP gross margin as a percentage of revenue | 45.4 | | % | | 45.9 | | % | |
| U.S. GAAP operating expenses | $ | 444,255 | | | $ | 463,806 | | |
| Pre-tax non-GAAP items: | | | | | | | | |
| Amortization related to intangible assets acquired through certain business combinations | (12,357 | | ) | | (12,357 | | ) | |
| Restructuring charges | (1,045 | | ) | | (1,288 | | ) | |
| Non-GAAP operating expenses | $ | 430,853 | | | $ | 450,161 | | |
| U.S. GAAP operating income | $ | 537,455 | | | $ | 617,085 | | |
| Non-GAAP operating income | $ | 552,485 | | | $ | 634,720 | | |
| U.S. GAAP operating income as percent of revenue | 24.8 | | % | | 26.1 | | % | |
| Non-GAAP operating income as a percent of revenue | 25.5 | | % | | 26.9 | | % | |

**Lam Research Corporation Contact:**

Tina Correia, Investor Relations, phone: 510-572-1615, e-mail:investor.relations@lamresearch.com




Source: Lam Research Corporation

https://newsroom.lamresearch.com/2019-10-23-Lam-Research-Corporation-Reports-Financial-Results-for-the-Quarter-Ended-September-29,-2019