

# Lam Research Corporation

*September quarter 2021 financial results*

October 20, 2021



# Cautionary statement regarding forward-looking statements

This presentation and the accompanying discussion contain “forward-looking statements” under U.S. securities laws. Forward-looking statements include any statements that are not statements of historical fact. Examples of forward-looking statements include, but are not limited to: (1) anticipated business, balance sheet, cash flow and financial measures and results, including guidance, whether on a GAAP or non-GAAP basis; (2) economic, market, industry and industry segment expectations; (3) product performance and changes in market share or customer demands; (4) our ability to successfully execute business, capital allocation, product and growth plans or strategies, or otherwise deliver value for customers and stockholders; (5) the impact of the COVID-19 pandemic on our operations and financial results, and our ability to mitigate operational and business impacts caused by it; and (6) the impact of trade regulations, export controls and trade disputes. Forward-looking statements speak only as of the date they are made and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed, including: supply chain disruptions or manufacturing capacity constraints may limit our ability to manufacture and sell our products; trade regulations, export controls, trade disputes and other geopolitical tensions may inhibit our ability to sell our products; business, political and/or regulatory conditions in the consumer electronics industry, the semiconductor industry and the overall economy may deteriorate or change; the actions of our customers and competitors may be inconsistent with our expectations; the severity, magnitude and duration of the COVID–19 pandemic (and the related governmental, public health, business and community responses to it), and their impacts on our business, results of operations and financial condition, are evolving and are highly uncertain and unpredictable; and widespread outbreaks of illness may impact our operations and revenue in affected areas; as well as the other factors discussed in our filings with the Securities and Exchange Commission (“SEC”), including specifically the Risk Factors described in our annual report on Form 10–K for the fiscal year ended June 27, 2021. You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to update any forward-looking statements.

# Business review & industry outlook

*Tim Archer*

*President and Chief Executive Officer*

# Delivering results, investing for long-term growth



Solid September quarter  
results: EPS above  
mid-point of guided range



6<sup>th</sup> consecutive  
quarter of revenue  
and EPS growth



Investing in capacity  
additions to meet  
strong WFE demand

# WFE spending remains strong



Calendar year 2021 WFE expected in mid-\$80 billion range

Second half of 2021 WFE trending higher than first half, led by DRAM and Foundry/Logic, with NAND more balanced

Broad-based demand strength expected to drive another year of spending growth in 2022

# CSBG – Strength in trailing-edge and installed-base



## Broad semi demand and high fab utilization enabling growth

Sectors including automotive, healthcare, and security increasingly dependent on semiconductors

Reliant<sup>®</sup> business posted 11<sup>th</sup> consecutive quarter of record revenues and is outperforming WFE spending in trailing-edge segment

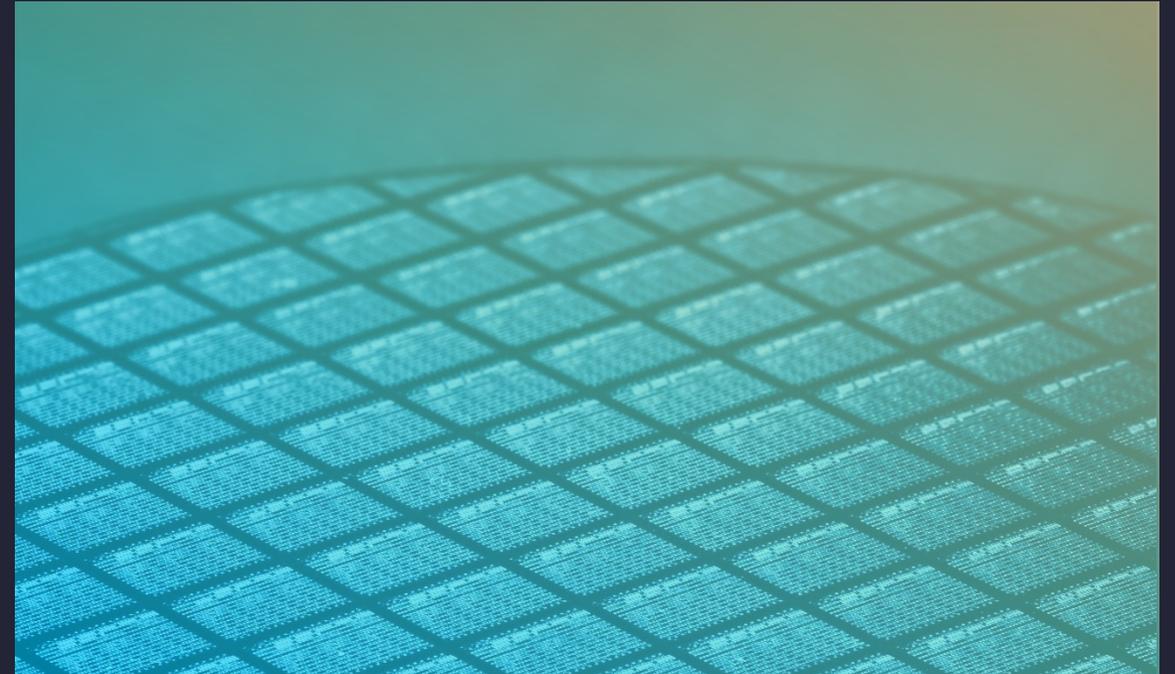
September quarter 2021 year-over-year revenues grew over 30%, with strong performance in all CSBG sub-segments

# Leading-edge: Semi content growth and rising capital intensity

**Foundry/Logic:** Next-gen processor chip >20% larger than predecessor

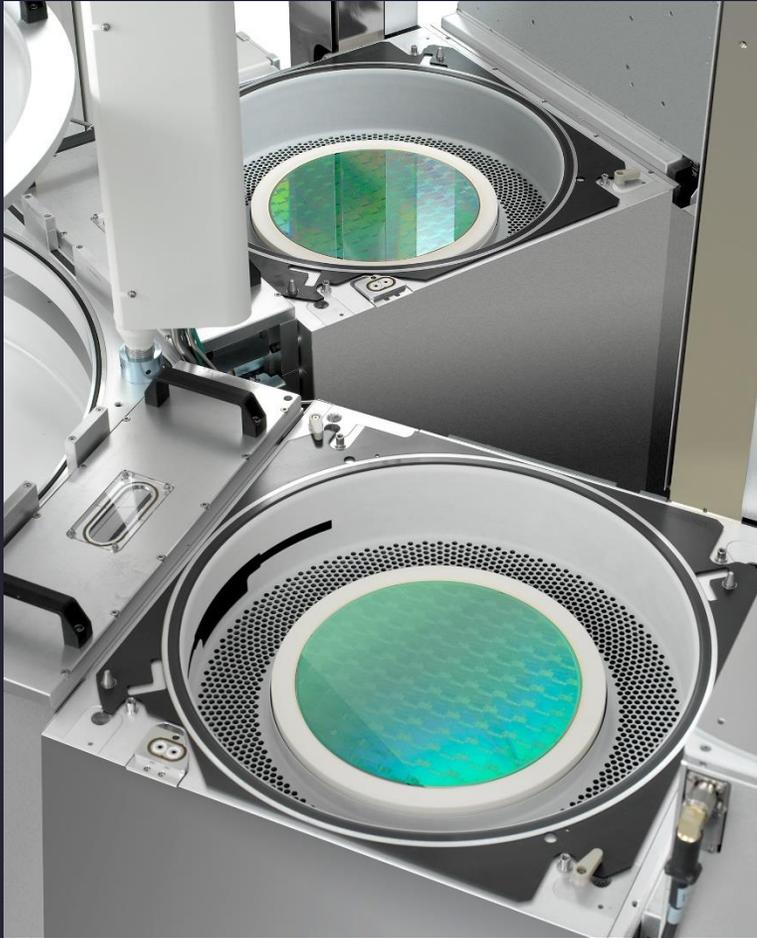
**DRAM:** Increasing need to correct single bit errors through an extra on-chip bit

**NAND:** Higher layer counts leading to greater degree of manufacturing difficulty



Overall resulting in strong WFE spending

# Extending Lam's 3D NAND leadership



Lam is investing in new and differentiated technologies to ensure layer scaling remains cost effective

New high productivity cryo etch solution increases etch rates in devices over 200 layers

New capability installed for qualification at every major 3D NAND manufacturer ahead of planned HVM ramps in 2022

Cryo technology also could extend to Foundry/Logic and DRAM: engaged with customers on critical applications

# Lam is delivering differentiation in Foundry/Logic

## SUPPORTING EFFICIENT ADOPTION OF EUV PATTERNING

Critical Etch and Deposition technologies to help solve EUV implementation challenges

## ENABLING FORMATION OF CRITICAL TRANSISTOR FEATURES

Significant Conductor Etch wins for FinFET and GAA

Growing number of wins for Selective Etch applications

## SOLVING RC MANAGEMENT CHALLENGES

Increasing pull for Lam's ALD solutions – Striker<sup>®</sup> now tool of record at leading Foundry/Logic customers

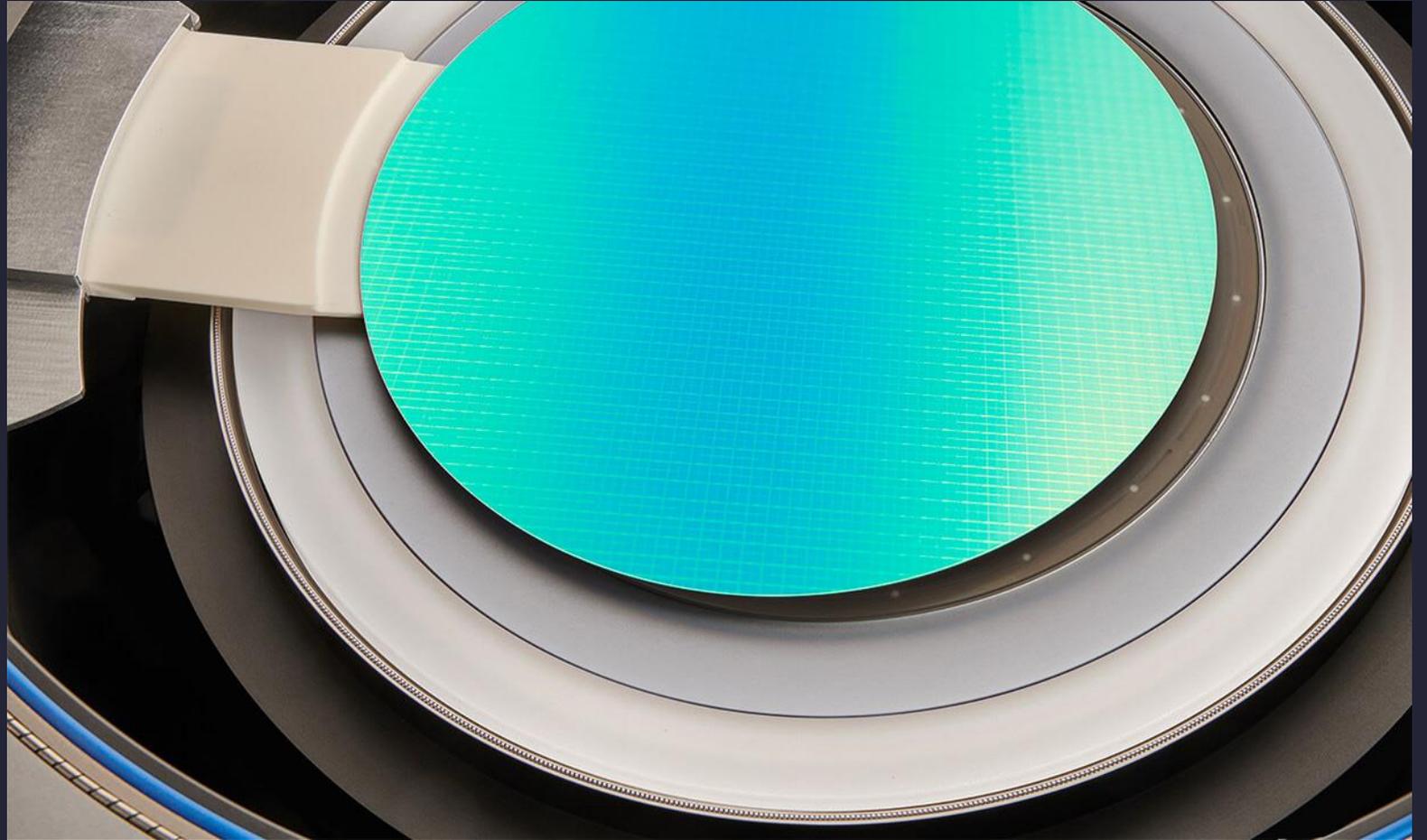
## PROVIDING DIFFERENTIATED ADVANCED PACKAGING CAPABILITIES

Production-proven TSV process with fast etch rates and smooth profiles

Void-free fill with SABRE<sup>®</sup> 3D for copper metallization

# Lam is exceptionally well-positioned as semiconductor technology continues to advance

- + Solid performance in September quarter
- + Healthy WFE spending outlook
- + Robust semiconductor demand across segments & industries
- + Rising capital intensity
- + With innovative product portfolio, Lam poised to capture new opportunities



# September Quarter 2021 financial results & December Quarter 2021 outlook

*Doug Bettinger*

*Executive Vice President and Chief Financial Officer*

# September quarter highlights



## Q SEP'21 REVENUE

**\$4.30B**

Q Jun'21 revenue: \$4.15B

## Q SEP'21 EARNING PER SHARE\*

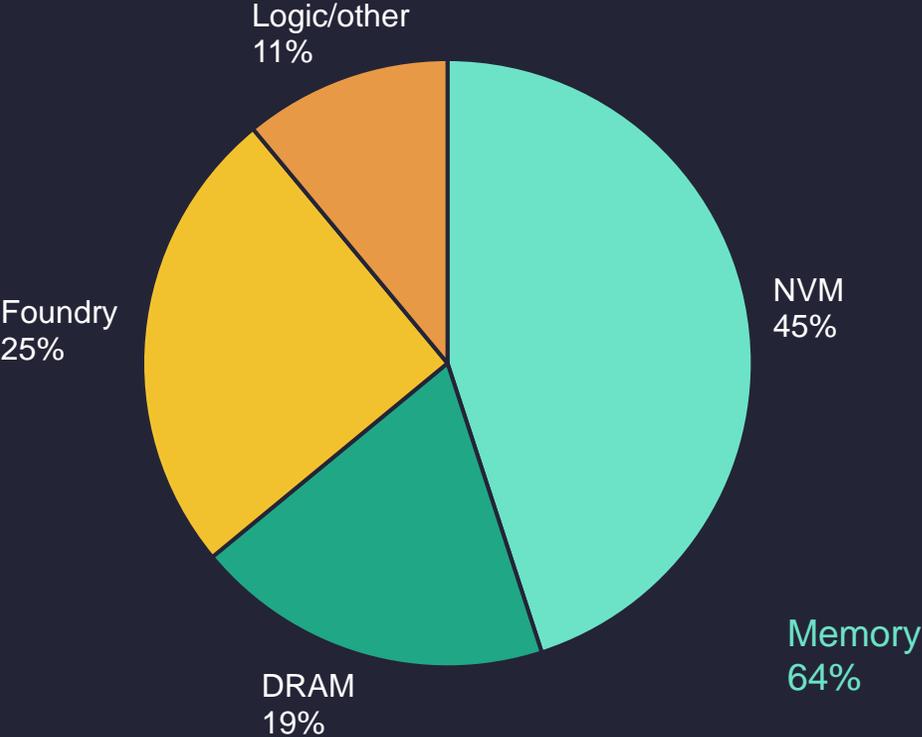
**\$8.36**

Q Jun'21 EPS\*: \$8.09

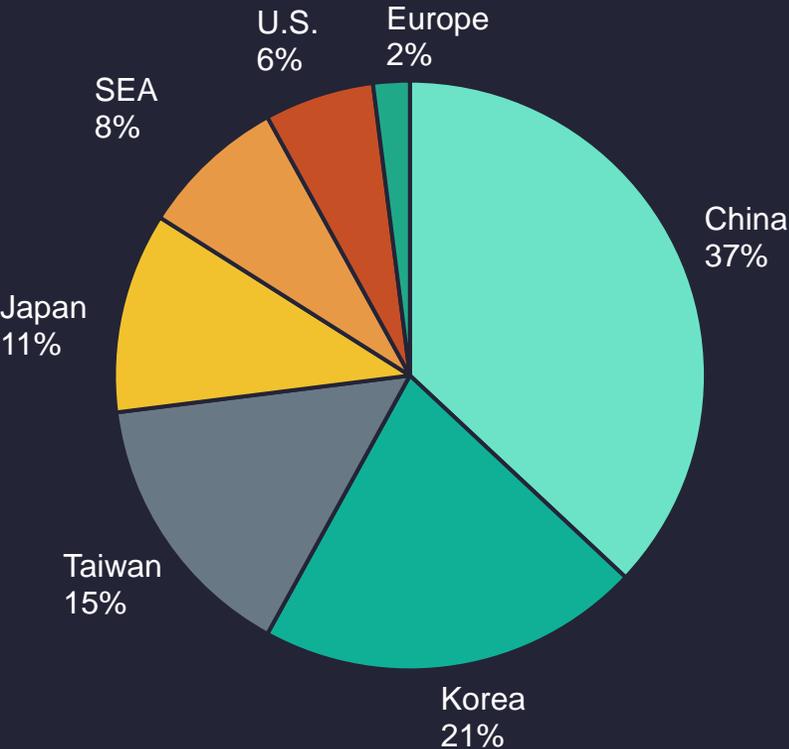
# September quarter revenue mix

*Record level of Logic/Other revenue dollars*

System revenue segments\*



Revenue by region



# Customer Support Business Group



Q SEP'21 CSBG REVENUE

**\$1.38B**

Q JUN'21 CSBG REVENUE

**\$1.38B**

Q SEP'20 CSBG REVENUE

**\$1.03B**

# September quarter financial results

	Q SEP'21	Q JUN'21
Revenue	<b>\$4,304M</b>	\$4,145M
Non-GAAP Gross Margin*	<b>46.0%</b>	46.5%
Non-GAAP Operating Expenses*	<b>\$586M</b>	\$574M
Non-GAAP Operating Income*	<b>\$1,393M</b>	\$1,353M
Non-GAAP Operating Income as a percentage of Revenue*	<b>32.4%</b>	32.6%
Non-GAAP Other Expense, Net*	<b>\$36M</b>	\$23M
U.S. GAAP Diluted EPS	<b>\$8.27</b>	\$7.98
Non-GAAP Diluted EPS*	<b>\$8.36</b>	\$8.09
Diluted Share Count	<b>143M</b>	144M

# Key balance sheet and financial metrics

	Q SEP'21	Q JUN'21
Total Consolidated Gross Cash Balance	\$4,863M	\$5,982M
Account Receivables, Net	\$3,397M	\$3,026M
DSO	72 Days	66 Days
Inventories	\$2,872M	\$2,689M
Inventory Turns	3.2	3.3
Deferred Revenue*	\$1,110M	\$1,119M
Capital Expenditures	\$136M	\$105M
Equity Compensation Expense	\$58M	\$56M
Amortization Expense	\$19M	\$18M
Depreciation Expense	\$61M	\$60M
Share Repurchases	\$1,210M	\$440M
Cash Dividends	\$185M	\$185M
Headcount	~15,400	~14,100

# December 2021 quarter guidance



**\$4.4B +/- \$250M**

Revenue



**46.0% +/- 1%**

Non-GAAP gross margin\*



**32.0% +/- 1%**

Non-GAAP operating margin\*



**\$8.45 +/- \$0.50**

Non-GAAP earnings per share\*

# Q&A

# Appendix – reconciliation

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

	Three Months Ended	
	September 26, 2021	June 27, 2021
U.S. GAAP net income	\$ 1,179,744	\$ 1,144,657
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	1,092	1,092
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	1,896	4,256
Product rationalization - cost of goods sold	—	5,774
EDC related liability valuation increase - research and development	3,412	7,661
Product rationalization - research and development	—	426
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
EDC related liability valuation increase - selling, general and administrative	2,275	5,123
Amortization of note discounts - other expense, net	683	923
Gain on EDC related asset - other expense, net	(7,437)	(17,184)
Net income tax benefit on non-GAAP items	(2,461)	(3,874)
Non-GAAP net income	\$ 1,191,561	\$ 1,161,211
Non-GAAP net income per diluted share	\$ 8.36	\$ 8.09
U.S. GAAP net income per diluted share	\$ 8.27	\$ 7.98
U.S. GAAP and non-GAAP number of shares used for per diluted share calculation	142,612	143,514

# Appendix – reconciliation

## 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 26, 2021	June 27, 2021
U.S. GAAP gross margin	\$ 1,976,754	\$ 1,915,201
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	1,092	1,092
EDC related liability valuation increase	1,896	4,256
Product rationalization	—	5,774
Non-GAAP gross margin	\$ 1,979,742	\$ 1,926,323
U.S. GAAP gross margin as a percentage of revenue	45.9 %	46.2 %
Non-GAAP gross margin as a percentage of revenue	46.0 %	46.5 %
U.S. GAAP operating expenses	\$ 604,521	\$ 599,274
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations	(12,357)	(12,357)
EDC related liability valuation increase	(5,687)	(12,784)
Product rationalization	—	(426)
Non-GAAP operating expenses	\$ 586,477	\$ 573,707
U.S. GAAP operating income	\$ 1,372,233	\$ 1,315,927
Non-GAAP operating income	\$ 1,393,265	\$ 1,352,616
U.S. GAAP operating income as percent of revenue	31.9 %	31.7 %
Non-GAAP operating income as a percent of revenue	32.4 %	32.6 %

# Appendix – reconciliation

Reconciliation of U.S. GAAP Other Expense, Net to Non-GAAP Other Expense, Net  
(in thousands)  
(unaudited)

	Three Months Ended	
	September 26, 2021	June 27, 2021
U.S. GAAP Other expense, net	\$ (28,857)	\$ (7,166)
Pre-tax non-GAAP items:		
Amortization of note discounts	683	923
Gain on EDC related asset	(7,437)	(17,184)
Non-GAAP Other expense, net	\$ (35,611)	\$ (23,427)

# Appendix – reconciliation

## Reconciliation of U.S. GAAP Income Tax Rate to Non-GAAP Income Tax Rate (in thousands, except percentages)

(unaudited)

	Three Months Ended	
	September 26, 2021	June 27, 2021
U.S. GAAP income before income taxes	\$ 1,343,376	\$ 1,308,761
U.S. GAAP income tax expense	\$ 163,632	\$ 164,104
U.S. GAAP income tax rate	12.2 %	12.5 %
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	\$ 1,092	\$ 1,092
Elective deferred compensation ("EDC") related liability valuation increase - cost of goods sold	1,896	4,256
Product rationalization - cost of goods sold	—	5,774
EDC related liability valuation increase - research and development	3,412	7,661
Product rationalization - research and development	—	426
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,357	12,357
EDC related liability valuation increase - selling, general and administrative	2,275	5,123
Amortization of note discounts - other expense, net	683	923
Gain on EDC related asset - other expense, net	(7,437)	(17,184)
Non-GAAP income before taxes	\$ 1,357,654	\$ 1,329,189
Net income tax benefit on non-GAAP items	\$ 2,461	\$ 3,874
Non-GAAP income tax expense	\$ 166,093	\$ 167,978
Non-GAAP income tax rate	12.2 %	12.6 %

# Appendix – reconciliation

## Reconciliation of U.S. GAAP to Non-GAAP Guidance for the quarter ended December 26, 2021

	U.S. GAAP			Reconciling Items	Non-GAAP		
	\$4.4 Billion	+/-	\$250 Million	—	\$4.4 Billion	+/-	\$250 Million
Revenue							
Gross margin as a percentage of revenue	46.0%	+/-	1%	\$ 1 Million	46.0%	+/-	1%
Operating income as a percentage of revenue	31.7%	+/-	1%	\$ 13 Million	32.0%	+/-	1%
Net income per diluted share	\$8.37	+/-	\$0.50	\$ 12 Million	\$8.45	+/-	\$0.50
Diluted share count			142 Million	—			142 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, gains or losses on equity investments, other investments, or other significant arrangements that may be completed or recognized 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, \$1 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$13 million.
- Net income per diluted share - amortization related to intangible assets acquired through business combinations, \$13 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$2 million); totaling \$12 million.

