



Lam Research Corporation

March Quarter 2017 Financial Results

April 18, 2017



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; and (3) our ability to successfully execute business, product and growth plans or strategies, or otherwise deliver value for customers and stockholders. 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 the factors discussed in our filings with the Securities and Exchange Commission (“SEC”). You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to publicly update any forward-looking statements.

Business Review and Industry Outlook

Martin Anstice

President & Chief Executive Officer

March Quarter Performance

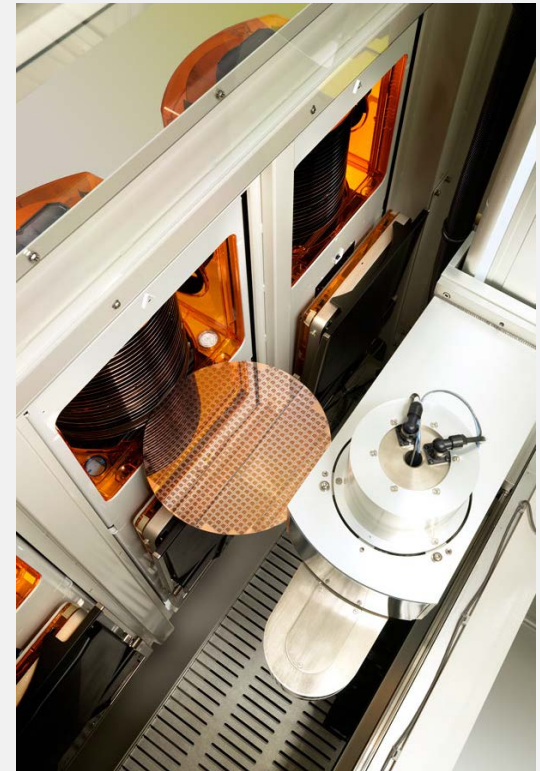
Continued opportunity for multi-year outperformance

- ▶ Successful scaling: \$2.4B in March quarter shipments, up >40% from the average CY'16 level
- ▶ Record financial results
 - Shipments and revenue above the mid-point of guidance
 - Non-GAAP EPS above the guidance range
- ▶ Positioned to facilitate innovations in semiconductor device manufacturing for many years to come



Strengthened outlook for CY'17

- ▶ Momentum of investment levels in the segments we participate is net positive
- ▶ Capacity additions and technology conversion trends rational and strategic
- ▶ 3D NAND: total shipped capacity at the end of CY'17 ~50% of the installed base
- ▶ DRAM: double-digit growth in equipment spending compared to CY'16
- ▶ Foundry/Logic: modest growth in investments in CY'17



Headlines for Lam Research in 2017

Expected to be best cash generation year yet this decade

- ▶ Investing in enabling technology, products, and services to support our customers
- ▶ Actively enhancing our competitive differentiation
- ▶ Confident in industry outperformance
- ▶ Committed to returning excess cash to stockholders
- ▶ Secular demand trends and outlook for the world of technology more compelling than ever





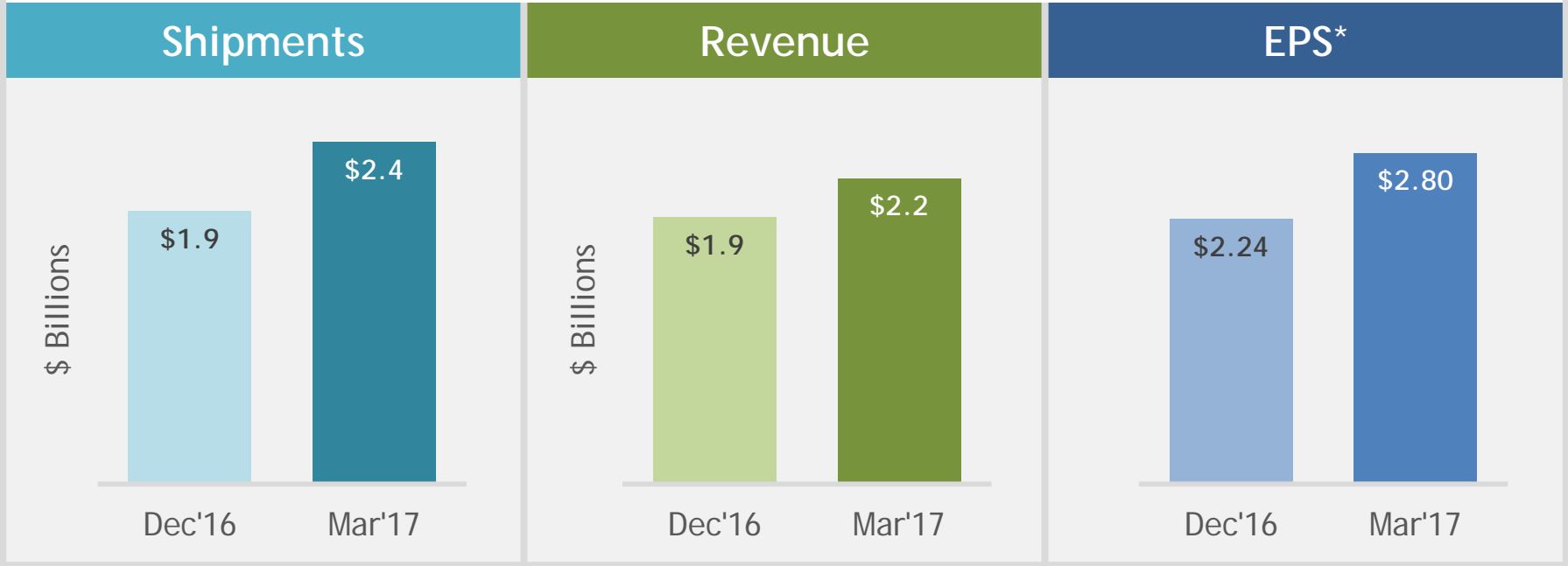
March Quarter 2017 Financial Results and June Quarter 2017 Outlook

Doug Bettinger
Executive Vice President & Chief Financial Officer

March Quarter Results

A solid start to CY'17

- ▶ Shipments, revenue, gross margin dollars*, operating income dollars*, and earnings per share* at record levels for QMar'17
- ▶ Operating margin* and earnings per share* above guidance range

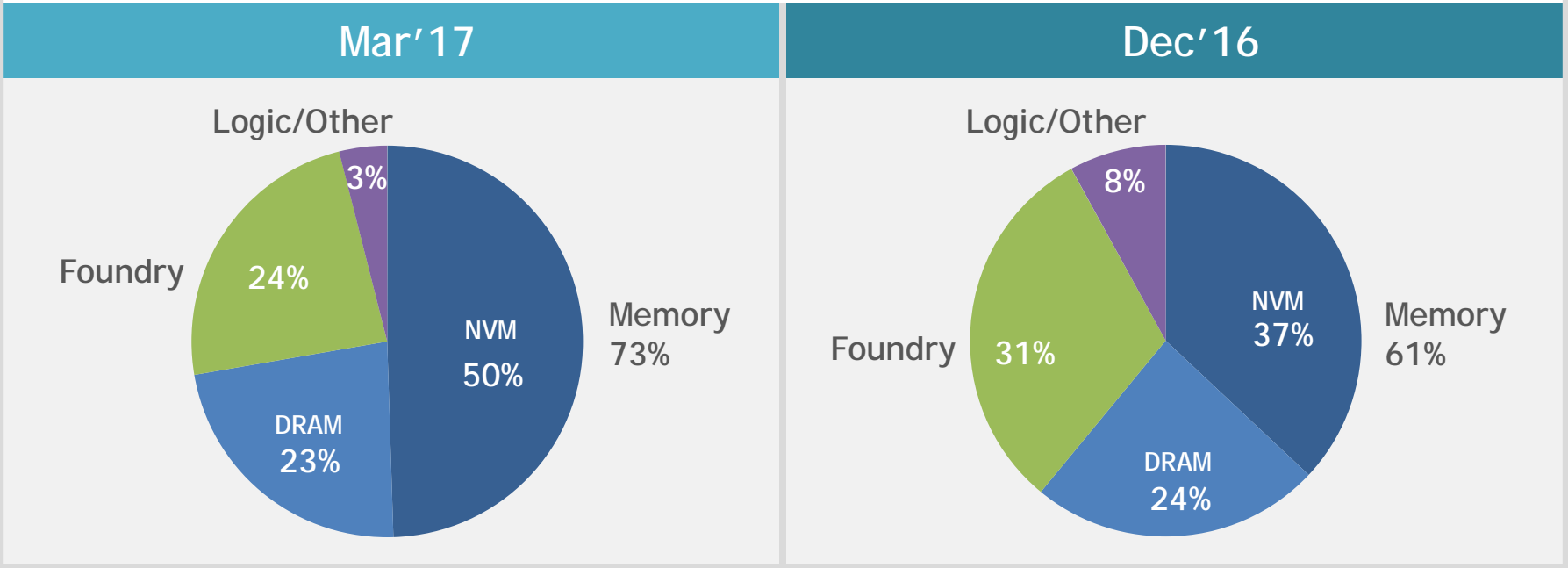


*Data are presented on a non-GAAP basis. Reconciliations of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.

March Quarter Shipments

▶ QMar'17 shipments of \$2.413 billion

- ▶ 25% increase compared to December quarter
- ▶ System shipments segment mix:



March Quarter Financial Results

	Mar'17	Dec'16
Revenue	\$2,154M	\$1,882M
Non-GAAP Gross Margin*	46.1%	46.4%
Non-GAAP Operating Expenses*	\$414M	\$384M
Non-GAAP Operating Income*	\$578M	\$490M
Non-GAAP Operating Margin*	26.9%	26.0%
Non-GAAP Other Expense*	(\$2.2M)	(\$12.2M)
Non-GAAP Tax Rate*	12%	15%
GAAP Diluted EPS	\$3.10	\$1.81
Non-GAAP Diluted EPS*	\$2.80	\$2.24
Non-GAAP Diluted Share Count*	182M	181M

*A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.

Key Balance Sheet and Financial Metrics

	Mar'17	Dec'16
Total Consolidated Gross Cash Balance	\$6,140M	\$6,089M
Account Receivables, Net	\$1,636M	\$1,426M
DSO	69 Days	69 Days
Inventory Turns	4.2	4.1
Deferred Revenue*	\$842M	\$673M
Capital Expenditures	\$44M	\$37M
Equity Compensation Expense	\$35M	\$32M
Amortization Expense	\$38M	\$39M
Depreciation Expense	\$38M	\$38M
Headcount	~8,600	~8,200

*Does not include anticipated revenues from previous shipments to Japanese customers.
A reconciliation of deferred revenue can be found at the end of this presentation.

June 2017 Quarter Non-GAAP Guidance

	Jun'17 Guidance
Shipments	\$2.500 billion \pm \$100 million
Revenue	\$2.300 billion \pm \$100 million
Non-GAAP Gross Margin	46.0% \pm 1%
Non-GAAP Operating Margin	27.0% \pm 1%
Non-GAAP Earnings per Share*	\$3.00 \pm \$0.12

*Based on a share count of ~180 million shares.

Questions & Answers

Appendix - Reconciliation

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

	Three Months Ended	
	March 26, 2017	December 25, 2016
U.S. GAAP net income	\$ 574,713	\$ 332,791
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	21,250	21,250
Product rationalization - cost of goods sold	—	6,127
Costs associated with campus consolidation - research and development	—	995
Product rationalization - research and development	—	1,650
Amortization related to intangible assets acquired in Novellus transaction - selling, general and administrative	16,083	16,083
Costs associated with business process reengineering - selling, general and administrative	2,674	—
Litigation settlement - selling general and administrative	—	4,000
KLA-Tencor acquisition funding interest expense, net - other expense, net	—	2,682
Amortization of note discounts - other expense, net	5,654	5,671
Costs related to early termination of KLA-Tencor acquisition funding - other expense, net	—	34,518
Net income tax benefit on non-GAAP items	(6,418)	(20,577)
Income tax benefit on conclusion of certain tax matters	(106,205)	—
Non-GAAP net income	\$ 507,751	\$ 405,190
Non-GAAP net income per diluted share	\$ 2.80	\$ 2.24
U.S. GAAP number of shares used for per diluted share calculation	185,094	183,543
Effect of convertible note hedge	(3,555)	(2,930)
Non-GAAP number of shares used for per diluted share calculation	181,539	180,613

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	
	March 26, 2017	December 25, 2016
U.S. GAAP gross margin	\$ 971,404	\$ 846,797
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction	21,250	21,250
Product rationalization	—	6,127
Non-GAAP gross margin	\$ 992,654	\$ 874,174
U.S. GAAP gross margin as a percentage of revenue	45.1%	45.0%
Non-GAAP gross margin as a percentage of revenue	46.1%	46.4%
U.S. GAAP operating expenses	\$ 432,986	\$ 406,969
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction	(16,083)	(16,083)
Costs associated with business process reengineering	(2,674)	—
Costs associated with campus consolidation	—	(995)
Product rationalization	—	(1,650)
Litigation settlement	—	(4,000)
Non-GAAP operating expenses	\$ 414,229	\$ 384,241
Non-GAAP operating income	\$ 578,425	\$ 489,933
U.S. GAAP operating margin as percent of revenue	25.0%	23.4%
Non-GAAP operating margin as a percent of revenue	26.9%	26.0%

Appendix - Reconciliation

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

	Three Months Ended	
	March 26, 2017	December 25, 2016
U.S. GAAP Other expense, net	\$ (7,838)	\$ (55,023)
Pre-tax non-GAAP items:		
KLA-Tencor acquisition funding interest expense, net - other expense, net	—	2,682
Amortization of note discounts - other expense, net	5,654	5,671
Costs related to early termination of KLA-Tencor acquisition funding - other expense, net	—	34,518
Non-GAAP Other expense, net	<u>\$ (2,184)</u>	<u>\$ (12,152)</u>

Appendix - Reconciliation

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

	Three Months Ended	
	March 26, 2017	December 25, 2016
U.S. GAAP income before income taxes	530,580	\$ 384,805
U.S. GAAP income tax expense (benefit)	(44,133)	\$ 52,014
U.S. GAAP income tax rate	(8.3)%	13.5%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	\$ 21,250	\$ 21,250
Product rationalization - cost of goods sold	—	6,127
Costs associated with campus consolidation - research and development	—	995
Product rationalization - research and development	—	1,650
Amortization related to intangible assets acquired in Novellus transaction - selling, general and administrative	16,083	16,083
Costs associated with business process reengineering - selling, general and administrative	2,674	—
Litigation settlement - selling general and administrative	—	4,000
KLA-Tencor acquisition funding interest expense, net - other expense, net	—	2,682
Amortization of note discounts - other expense, net	5,654	5,671
Costs related to early termination of KLA-Tencor acquisition funding - other expense, net	—	34,518
Non-GAAP income before taxes	\$ 576,241	\$ 477,781
Net income tax benefit on non-GAAP items	\$ 6,418	\$ 20,577
Income tax benefit on conclusion of certain tax matters	106,205	—
Non-GAAP income tax expense	\$ 68,490	\$ 72,591
Non-GAAP income tax rate	11.9%	15.2%

Appendix - Reconciliation

Reconciliation of U.S. GAAP to Non-GAAP Guidance for the June 2017 quarter (unaudited)

	U.S. GAAP			Reconciling Items	Non-GAAP		
Shipments	\$2.5 Billion	+/-	\$100 Million	—	\$2.5 Billion	+/-	\$100 Million
Revenue	\$2.3 Billion	+/-	\$100 Million	—	\$2.3 Billion	+/-	\$100 Million
Gross margin	45.1%	+/-	1%	\$ 21 Million	46.0%	+/-	1%
Operating margin	25.3%	+/-	1%	\$ 39 Million	27.0%	+/-	1%
Net income per diluted share	\$2.73	+/-	\$0.12	\$ 38 Million	\$3.00	+/-	\$0.12
Diluted share count	184 Million			4 Million	180 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, balance sheet valuation adjustments, financing arrangements, other investments, or other significant transactions that may be completed or determined 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 - 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; costs associated with business process reengineering, \$2 million; totaling \$39 million.
- Earnings per share - amortization related to intangible assets acquired in the Novellus transaction, \$37 million; amortization of note discounts, \$6 million; costs associated with business process reengineering, \$2 million; and associated tax benefit for non-GAAP items (\$7) million; totaling \$38 million.
- Diluted share count - impact of a note hedge issued contemporaneously with the convertible notes due 2018, 4 million shares.

Appendix - Reconciliation

Reconciliation of Deferred Revenue (in millions) (unaudited)

	Three Months Ended	
	March 26, 2017	December 25, 2016
Beginning Balance	\$ 672.6	\$ 704.3
Shipments	2,412.7	1,922.5
Revenue	(2,154.0)	(1,882.3)
Net Change in Japan (1)	(131.2)	(63.7)
Services & Other	42.0	(8.2)
Ending Balance	\$ 842.1	\$ 672.6

Value of shipments to Japanese customers not recorded as deferred revenue (2)	\$ 260.2	\$ 129.0
--	----------	----------

- (1) Net change in the value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers.
- (2) The value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers.

Innovative **Technology**
Trusted **Productivity**
Fast **Solutions**

