



Lam Research Corporation (LRCX)

Updated April 29th, 2023 by Felix Martinez

Key Metrics

Current Price:	\$524	5 Year CAGR Estimate:	5.3%	Market Cap:	\$70.4 B
Fair Value Price:	\$432	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	06/14/23 ¹
% Fair Value:	121%	5 Year Valuation Multiple Estimate:	-3.8%	Dividend Payment Date:	07/06/23
Dividend Yield:	1.3%	5 Year Price Target	\$634	Years Of Dividend Growth:	9
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Lam Research Corporation (LRCX) was founded in 1980 and headquartered in Fremont, California. The company designs, manufactures, markets, refurbishes, and services semiconductor processing equipment used to fabricate integrated circuits worldwide. Lam is a major supplier of wafer fabrication equipment and services to the semiconductor industry. Its products address various applications, including thin film deposition, single-wafer cleaning, and plasma tech. The company has a market capitalization of approximately \$70.4 billion, over 10,700 employees, and produced roughly \$17.23 billion in revenue in 2022.

On April 19, 2023, Lam Research reported the third quarter results for Fiscal Year (FY)2023, ending on March 26, 2023. Lam Research Corporation ends its fiscal year at the end of June. The company revenue decreased by (26.7)% compared to 3Q22 from \$5.3 billion to \$3.9 billion. Diluted earnings per share was down (26.7)% year-over-year. For the quarter, EPS was \$6.01 per share compared to \$10.77 per share in 3Q2022. Revenue by region shows that China and Korea represent 22% and 22% of total revenue for the quarter. The next closest region is Taiwan, with 18%. Net income was also down by (44.6)%, from \$1.4 billion to \$0.81 billion year-over-year.

Overall, the company management was happy with the results. In the press release, CEO Tim Archer said, "Lam delivered solid March quarter performance, including record foundry-related revenues" and "With lower wafer fabrication equipment spending in 2023, we are focused on managing costs while making strategic investments for critical manufacturing inflections. Our differentiated solutions and strong installed base business place Lam in an excellent position to outperform when WFE growth resumes."

For FY2023, we expect the company to make \$33.20 per share in earnings. This is an increase of 1.4% compared to FY2022.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$2.21	\$4.39	\$5.01	\$6.36	\$9.98	\$17.87	\$14.54	\$15.95	\$27.22	\$32.75	\$33.20	\$48.78
DPS	\$0.00	\$0.18	\$0.84	\$1.20	\$1.65	\$2.55	\$4.40	\$4.60	\$5.20	\$6.00	\$6.90	\$10.14
Shares²	173.0	175.0	177.0	175.0	184.0	181.0	160.0	149.0	145.0	140.0	140.0	140.0

Lam Research has grown its earnings by an impressive 34.9% growth rate over the past ten years and 13.2% over the past five years. We expect annual earnings growth to be 8% for the next five years, and we expect dividend growth of 8% going forward. Also, the company has had a tremendous dividend growth record over the past five years, with an average of 22.0%. The company's most recent dividend increase was 15.0%, announced on August 25, 2022.

¹ Ex-Dividend and Dividend Payment Dates are estimates.

² Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Lam Research Corporation (LRCX)

Updated April 29th, 2023 by Felix Martinez

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	16.5	16.9	14.0	12.9	13.2	8.4	19.2	20.3	23.9	11.9	15.8	13.0
Avg. Yld.	0.0%	0.3%	1.1%	1.6%	1.4%	1.4%	2.6%	1.4%	0.8%	1.4%	1.3%	1.6%

Over the past decade, Lam Research has averaged a 15.7x P/E. During trough periods in the semiconductor industry, the company occasionally reported low or negative earnings. We estimate a forward P/E of 13.0x for the company should be a fair value, although it naturally varies through the highly cyclical semiconductor business cycle. However, the company has a higher PE at the current price than our reasonable price estimate. The company has a current PE of 15.8x. The current PE would provide a (3.8)% annual headwind if the company reverted back to its fair PE ratio of 13.0x.

Safety, Quality, Competitive Advantage, & Recession Resiliency

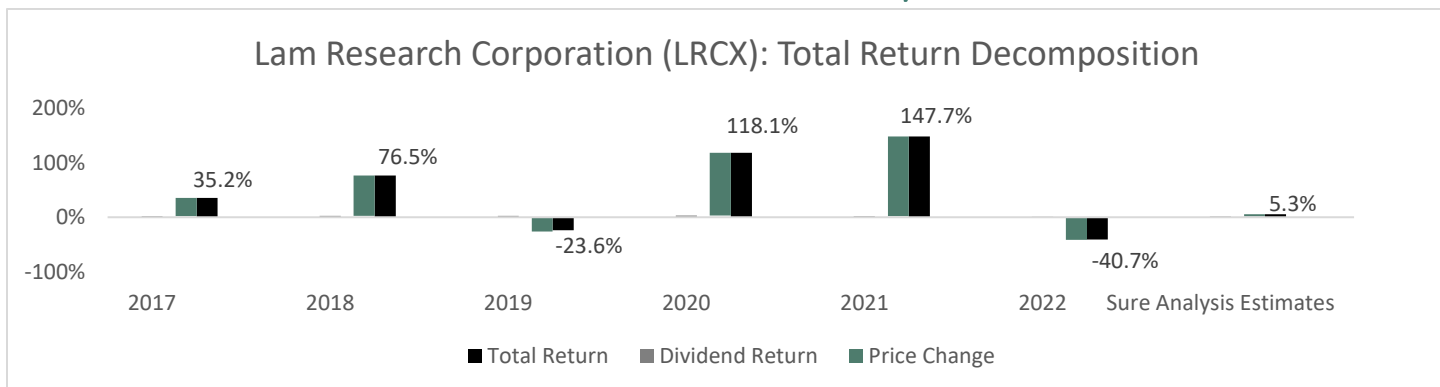
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	0.0%	4.1%	16.8%	18.9%	16.5%	14.3%	30.3%	28.8%	19.1%	18.1%	21%	21%

Lam Research is one of the top 3 semiconductor manufacturing equipment vendors globally, along with Applied Materials and Tokyo Electron. The company supplies equipment to chipmakers and provides service and maintenance support. Due to propriety technologies and a highly concentrated industry, Lam Research maintains high returns on invested capital in most years and has a small economic moat. However, the semiconductor industry is highly volatile due to commodity-like supply and demand characteristics. The sector halts new supply capacity every several years and negatively impacts equipment suppliers' revenues like Lam Research. The company has encountered periods of very low or negative earnings during these occasions. However, it appears to be more profitable during each down cycle as its service revenue continues to smooth out its overall results and the company matures. Lam Research's customer base is narrow, with Intel, Micron, Samsung, SK Hynix, Toshiba, and Taiwan Semiconductor Manufacturing Company making up at least 10% of Lam Research's revenue in recent years. The company has a strong balance sheet with more assets than debt and a total debt/equal ratio of 0.6, decreasing from a previous report of 0.7.

Final Thoughts & Recommendation

Lam Research is a leader in a growing industry with a strong balance sheet. The company has the potential for an estimated forward return of 5.3%, and we consider it to be a hold at the current price. The semiconductor industry is cyclical but expected to grow strongly over the next decade. Cloud computing, machine learning, autonomous driving, and the internet of things continue to grow in scale and relevance. With a low dividend payout ratio, the company pays a modest but fast-growing dividend and appears to be maturing into a solid dividend stock.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Lam Research Corporation (LRCX)

Updated April 29th, 2023 by Felix Martinez

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	3,599	4,607	5,259	5,886	8,014	11,077	9,654	10,045	14,626	17227
Gross Profit	1,403	2,007	2,284	2,619	3,603	5,165	4,358	4,609	6,805	7872
Gross Margin	39.0%	43.6%	43.4%	44.5%	45.0%	46.6%	45.1%	45.9%	46.5%	45.7%
SG&A Exp.	601	613	592	631	667	762	702	682	830	886
D&A Exp.	304	292	278	291	307	326	309	269	307	334
Operating Profit	118	678	867	1,074	1,902	3,213	2,465	2,674	4,482	5382
Operating Margin	3.3%	14.7%	16.5%	18.3%	23.7%	29.0%	25.5%	26.6%	30.6%	31.2%
Net Profit	114	632	656	914	1,698	2,381	2,191	2,252	3,908	4605
Net Margin	3.2%	13.7%	12.5%	15.5%	21.2%	21.5%	22.7%	22.4%	26.7%	26.7%
Free Cash Flow	559	572	587	1,175	1,872	2,382	2,873	1,923	3239	2554
Income Tax	(47)	91	85	46	114	771	255	323	462	588

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	7,250	7,993	9,365	12,264	12,123	12,479	12,001	14,559	15,892	17196
Cash & Equivalents	1,162	1,453	1,502	5,039	2,378	4,512	3,658	4,915	4,418	3522
Accounts Receivable	603	801	1,094	1,262	1,673	2,177	1,456	2,097	3,026	4314
Inventories	559	741	943	972	1,233	1,876	1,540	1,900	2,689	3966
Goodwill & Int. Ass.	2,527	2,360	2,116	1,951	1,797	1,803	1,702	1,653	1,622	1617
Total Liabilities	2,575	2,780	4,020	6,162	5,135	5,899	7,278	9,376	9,865	10917
Accounts Payable	200	224	300	348	465	511	377	592	830	1011
Long-Term Debt	1,304	1,335	2,361	4,326	2,693	2,417	4,490	5,795	4,954	4958
Shareholder's Equity	4,676	5,213	5,345	6,102	6,987	6,580	4,723	5,183	6,027	6278
D/E Ratio	0.28	0.26	0.44	0.71	0.39	0.37	0.95	1.12	0.82	0.79

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	1.5%	8.3%	7.6%	8.5%	13.9%	19.4%	17.9%	17.0%	25.7%	27.8%
Return on Equity	2.3%	12.8%	12.4%	16.0%	25.9%	35.1%	38.8%	45.5%	69.7%	74.8%
ROIC	1.8%	10.1%	9.2%	10.1%	16.9%	25.5%	24.1%	22.3%	35.6%	41.5%
Shares Out.	173.0	175.0	177.0	175.0	184.0	181.0	160.0	149.0	145.00	140.63
Revenue/Share	20.75	26.40	29.70	33.60	43.61	61.27	60.37	67.37	100.65	122.50
FCF/Share	3.22	3.28	3.32	6.71	10.19	13.18	17.96	12.90	22.29	18.16

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.