



# Lam Research Corporation (LRCX)

Updated September 2<sup>nd</sup>, 2025 by Felix Martinez

## Key Metrics

|                             |      |                                             |       |                                  |          |
|-----------------------------|------|---------------------------------------------|-------|----------------------------------|----------|
| <b>Current Price:</b>       | \$97 | <b>5 Year Annual Expected Total Return:</b> | 3.7%  | <b>Market Cap:</b>               | \$126 B  |
| <b>Fair Value Price:</b>    | \$75 | <b>5 Year Growth Estimate:</b>              | 8.0%  | <b>Ex-Dividend Date:</b>         | 09/24/25 |
| <b>% Fair Value:</b>        | 130% | <b>5 Year Valuation Multiple Estimate:</b>  | -5.1% | <b>Dividend Payment Date:</b>    | 10/15/25 |
| <b>Dividend Yield:</b>      | 1.0% | <b>5 Year Price Target</b>                  | \$110 | <b>Years Of Dividend Growth:</b> | 12       |
| <b>Dividend Risk Score:</b> | A    | <b>Sector:</b>                              | X     | <b>Rating:</b>                   | 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 \$126 billion, over 10,700 employees, and produced roughly \$18.4 billion in revenue in 2025.

On July 30<sup>th</sup>, 2025, Lam Research reported the fourth quarter results for Fiscal Year (FY)2025. Lam Research Corporation ends its fiscal year at the end of June. The company reported strong financial results for the quarter ending June 29, 2025, with revenue rising 9.6% quarter-over-quarter to \$5.17 billion. On a U.S. GAAP basis, the company achieved a gross margin of 50.1% and operating income equal to 33.7% of revenue, while diluted earnings per share (EPS) increased 31% to \$1.35. Non-GAAP results were similar, with gross margin at 50.3%, operating income at 34.4% of revenue, and diluted EPS at \$1.33. Both GAAP and non-GAAP measures reflected margin expansion and strong earnings growth compared to the prior quarter. The company's financial strength was further demonstrated through its balance sheet and cash flow performance. Cash, cash equivalents, and restricted cash grew to \$6.4 billion, up from \$5.5 billion in the prior quarter, supported by \$2.6 billion in operating cash flow. Deferred revenue also increased significantly to \$2.7 billion, while shipments to customers in Japan awaiting acceptance accounted for an additional \$342 million in potential future revenue. Regionally, China remained the largest contributor at 35% of sales, followed by Korea (22%), Taiwan (19%), and Japan (14%). Systems revenue reached \$3.44 billion, while customer support and related services contributed \$1.73 billion.

Looking ahead, Lam projects September 2025 quarter revenue of \$5.2 billion, plus or minus \$300 million, with gross margins around 50% and EPS of \$1.20, plus or minus \$0.10. Management highlighted the company's strong competitive positioning in deposition and etch technologies, which are increasingly critical in the AI-driven semiconductor market. CEO Tim Archer emphasized that Lam's differentiated product portfolio and long-term strategies place the company in a strong position for continued growth and industry outperformance.

## Growth on a Per-Share Basis

| Year                      | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   | 2026          | 2031          |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| <b>EPS</b>                | \$0.64 | \$1.00 | \$1.79 | \$1.45 | \$1.60 | \$2.73 | \$3.31 | \$3.41 | \$3.03 | \$4.14 | <b>\$4.39</b> | <b>\$6.45</b> |
| <b>DPS</b>                | \$0.12 | \$0.16 | \$0.26 | \$0.44 | \$0.46 | \$0.52 | \$0.60 | \$0.69 | \$0.80 | \$0.92 | <b>\$1.01</b> | <b>\$1.48</b> |
| <b>Shares<sup>1</sup></b> | 1.8    | 1.8    | 1.8    | 1.6    | 1.5    | 1.5    | 1.4    | 1.4    | 1.3    | 1.3    | <b>1.3</b>    | <b>1.2</b>    |

Lam Research has grown its earnings by an impressive 23.1% growth rate over the past ten years and 10% 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 14.2%. The company's most recent dividend increase was 13%, announced on August 28, 2025.

<sup>1</sup> 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 September 2<sup>nd</sup>, 2025 by Felix Martinez

## Valuation Analysis

| Year      | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031  |
|-----------|------|------|------|------|------|------|------|------|------|------|------|-------|
| Avg. P/E  | 12.9 | 13.2 | 8.4  | 19.2 | 20.3 | 23.9 | 11.9 | 18.9 | 35.1 | 23.9 | 22.0 | 17.00 |
| Avg. Yld. | 1.6% | 1.4% | 1.4% | 2.6% | 1.4% | 0.8% | 1.4% | 1.1% | 0.8% | 1.0% | 1.0% | 1.4%  |

Over the past decade, Lam Research has averaged a 17.8x P/E. During trough periods in the semiconductor industry, the company occasionally reported low or negative earnings. We estimate a forward P/E of 17.0x 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 22x. The current PE would provide a (5.1% annual headwind if the company reverted back to its fair PE ratio of 17.0x.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

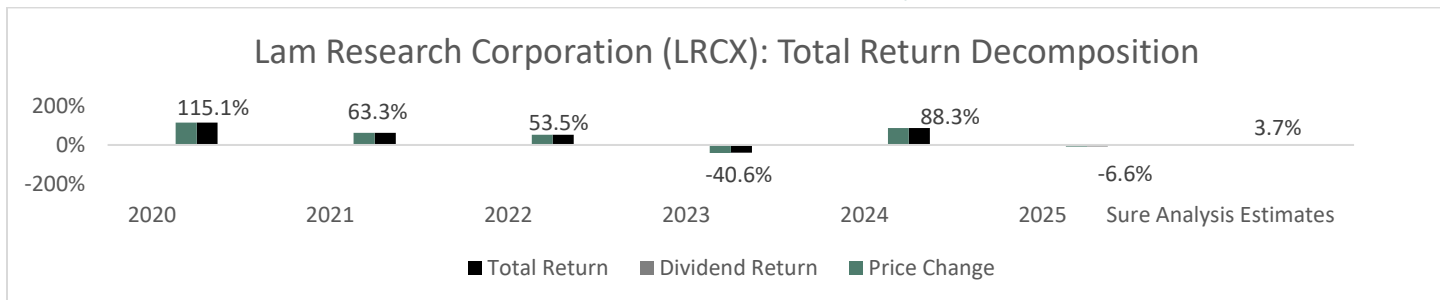
| Year   | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 19%  | 16%  | 15%  | 30%  | 29%  | 19%  | 18%  | 20%  | 26%  | 22%  | 23%  | 23%  |

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 0.4, decreasing from a previous report of 0.5.

## 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 3.7%, 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



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 September 2<sup>nd</sup>, 2025 by Felix Martinez

## Income Statement Metrics

| Year             | 2016  | 2017  | 2018   | 2019  | 2020   | 2021   | 2022  | 2023   | 2024  | 2025  |
|------------------|-------|-------|--------|-------|--------|--------|-------|--------|-------|-------|
| Revenue          | 5,886 | 8,014 | 11,077 | 9,654 | 10,045 | 14,626 | 17227 | 17,430 | 14910 | 18440 |
| Gross Profit     | 2,619 | 3,603 | 5,165  | 4,358 | 4,609  | 6,805  | 7872  | 7,777  | 7053  | 8979  |
| Gross Margin     | 44.5% | 45.0% | 46.6%  | 45.1% | 45.9%  | 46.5%  | 45.7% | 44.6%  | 47.3% | 48.7% |
| SG&A Exp.        | 631   | 667   | 762    | 702   | 682    | 830    | 886   | 833    | 868   | 0     |
| D&A Exp.         | 291   | 307   | 326    | 309   | 269    | 307    | 334   | 342    | 360   | 386   |
| Operating Profit | 1,074 | 1,902 | 3,213  | 2,465 | 2,674  | 4,482  | 5382  | 5217   | 4282  | 5901  |
| Operating Margin | 18.3% | 23.7% | 29.0%  | 25.5% | 26.6%  | 30.6%  | 31.2% | 29.9%  | 28.7% | 32.0% |
| Net Profit       | 914   | 1,698 | 2,381  | 2,191 | 2,252  | 3,908  | 4605  | 4511   | 3828  | 5358  |
| Net Margin       | 15.5% | 21.2% | 21.5%  | 22.7% | 22.4%  | 26.7%  | 26.7% | 25.9%  | 25.7% | 29.1% |
| Free Cash Flow   | 1,175 | 1,872 | 2,382  | 2,873 | 1,923  | 3239   | 2554  | 4677   | 4256  | 5414  |
| Income Tax       | 46    | 114   | 771    | 255   | 323    | 462    | 588   | 598    | 532   | 600   |

## Balance Sheet Metrics

| Year                 | 2016  | 2017  | 2018   | 2019   | 2020   | 2021   | 2022  | 2023  | 2024  | 2025  |
|----------------------|-------|-------|--------|--------|--------|--------|-------|-------|-------|-------|
| Total Assets         | 12264 | 12123 | 12,479 | 12,001 | 14,559 | 15,892 | 17196 | 18780 | 18740 | 21350 |
| Cash & Equivalents   | 5,039 | 2,378 | 4,512  | 3,658  | 4,915  | 4,418  | 3522  | 5337  | 5848  | 6391  |
| Accounts Receivable  | 1,262 | 1,673 | 2,177  | 1,456  | 2,097  | 3,026  | 4314  | 2823  | 2519  | 3378  |
| Inventories          | 972   | 1,233 | 1,876  | 1,540  | 1,900  | 2,689  | 3966  | 4816  | 4218  | 4308  |
| Goodwill & Int. Ass. | 1,951 | 1,797 | 1,803  | 1,702  | 1,653  | 1,622  | 1617  | 1791  | 1765  | 1809  |
| Total Liabilities    | 6,162 | 5,135 | 5,899  | 7,278  | 9,376  | 9,865  | 10917 | 10570 | 10210 | 11480 |
| Accounts Payable     | 348   | 465   | 511    | 377    | 592    | 830    | 1011  |       | 614   | 854   |
| Long-Term Debt       | 4,326 | 2,693 | 2,417  | 4,490  | 5,795  | 4,954  | 4958  | 5012  | 4967  | 4757  |
| Shareholder's Equity | 6,102 | 6,987 | 6,580  | 4,723  | 5,183  | 6,027  | 6,278 | 8,210 | 8539  | 9862  |
| D/E Ratio            | 0.71  | 0.39  | 0.37   | 0.95   | 1.12   | 0.82   | 0.79  | 0.61  | 0.58  | 0.48  |

## Profitability & Per Share Metrics

| Year             | 2016  | 2017  | 2018  | 2019  | 2020  | 2021   | 2022   | 2023   | 2024  | 2025  |
|------------------|-------|-------|-------|-------|-------|--------|--------|--------|-------|-------|
| Return on Assets | 8.5%  | 13.9% | 19.4% | 17.9% | 17.0% | 25.7%  | 27.8%  | 25.1%  | 20.4% | 26.7% |
| Return on Equity | 16.0% | 25.9% | 35.1% | 38.8% | 45.5% | 69.7%  | 74.8%  | 62.3%  | 45.7% | 58.2% |
| ROIC             | 10.1% | 16.9% | 25.5% | 24.1% | 22.3% | 35.6%  | 41.5%  | 36.9%  | 28.7% | 37.7% |
| Shares Out.      | 175.0 | 184.0 | 181.0 | 160.0 | 149.0 | 145.00 | 140.63 | 135.83 | 1320  | 1290  |
| Revenue/Share    | 33.60 | 43.61 | 61.27 | 60.37 | 67.37 | 100.65 | 122.50 | 128.31 | 11.29 | 14.29 |
| FCF/Share        | 6.71  | 10.19 | 13.18 | 17.96 | 12.90 | 22.29  | 18.16  | 34.43  | 3.22  | 4.20  |

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.