

Lam Research

LRCX

• TECHNOLOGY •

INDEX CONSTITUENT

Lam Research builds the machines that pattern silicon wafers.
A third of its revenue keeps the installed ones running.

THIS ISSUE **LRCX**

Lam Research, a current Nasdaq-100® constituent at **~1.53% index weight**, builds the machines that etch circuit patterns into silicon wafers and deposit the thin films that form each layer of a chip. Its tools run inside the plants that make DRAM and flash memory, advanced logic and foundry chips. Once a tool is installed it stays in the plant for years, and Lam keeps selling the spare parts, service and process upgrades that go with it (per company filings). Lam has raised its outlook for what chipmakers will spend on equipment in calendar 2026 (per company disclosures and guidance).

\$23.2B REVENUE (FY2026)	36% SUPPORT SHARE OF REVENUE (FY2026)	52.0% GROSS MARGIN (Q4 FY26, NON-GAAP)	~28× FORWARD P/E (9/15/2026)	\$5.82 DILUTED EPS (FY2026, NON-GAAP)
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BUSINESS MODEL & REVENUE DRIVERS

Two Ways Lam Gets Paid

A chip is built up in layers. Deposition lays a thin film across the wafer; etch removes material to leave the circuit pattern behind. Lam makes the machines that do both, and they run in plants producing **DRAM and NAND flash memory, logic and foundry chips** (per company filings).

Systems, meaning the machines themselves, brought in **\$14.9B** of the \$23.2B reported for the twelve months ended June 28, 2026. The other **\$8.3B** came from customer support: spare parts, service and upgrades to tools already sitting in customers' plants (per company filings). New-system revenue tracks plant construction. The support line follows the installed base.

REVENUE BY SEGMENT (12 MONTHS ENDED 6/28/2026)		
NEW SYSTEMS		\$14.9B
PARTS & SERVICE		\$8.3B

COMPETITIVE MOAT

A Process Step, Qualified Once

A chipmaker qualifies an etch or deposition step once, then repeats it billions of times on the same tool. Lam is one of the leaders in conductor etch by share, and its atomic layer etching works at the scale of single atomic layers, which matters as features shrink (per Bloomberg research). Its main competitor in conductor etch and plasma chemical vapor deposition is Applied Materials (per Bloomberg research).

That qualified position may create barriers to entry for competitors. Lam describes itself as the conductor-etch leader with an installed base of **more than 40,000 chambers**, and expects the share of equipment spending it can address to reach the **high-30% range** (per company disclosures).

LAM REVENUE AS A SHARE OF EQUIPMENT SPENDING (BLOOMBERG ESTIMATES)		
2025 ACTUAL		~11.5%
2027 EXPECTED		>15%

OPERATING STRENGTHS

Three Structural Advantages

10.3%

R&D SHARE OF REVENUE (FY2026)

Lam spent **\$2.4B on research and development** in FY2026, up in dollars every year since FY2020 (per company disclosures).

\$5.6B

CASH & SHORT-TERM INVESTMENTS (6/28/26)

Up from **\$4.8B** a quarter earlier, with at least 85% of free cash flow earmarked for return over time (per company disclosures).

44%

FOUNDRY SHARE OF SYSTEMS REVENUE (Q4 FY2026)

June 2026 quarter new-system sales ran **44% foundry, 46% memory** and 10% logic and other (per company disclosures).

GROWTH CATALYSTS

Where the Next Tool Budget Goes

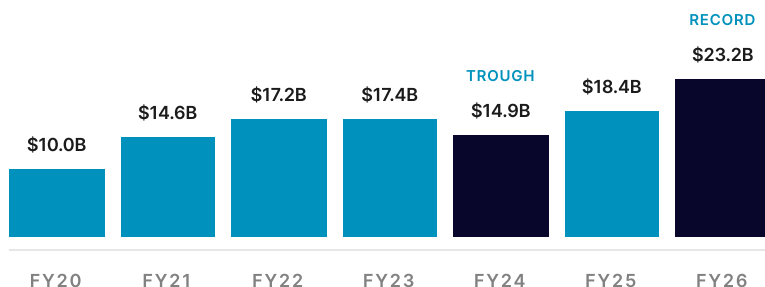
Lam raised its outlook for calendar 2026 spending on wafer fabrication equipment, the industry's annual tool budget, to the low-\$150 billion range from about \$140 billion with upside bias, and expects that market to keep growing into 2027 (per company disclosures and guidance). Management points to a shortage of cleanroom space as the constraint on how fast that money gets spent, which it expects to stretch the cycle (per company disclosures).

- **NAND flash upgrades.** Customers are converting installed tools to 200-plus-layer architectures, and Lam expects its served market per NAND wafer to double from 128 layers to 500-plus (per company disclosures)
- **Advanced packaging.** Revenue from advanced packaging, the step joining finished chips into one package, is expected to grow more than 70% year over year in 2026 (per company disclosures)
- **Memory for AI systems.** DRAM tool demand is expected to grow about 19% in 2026, driven by high-bandwidth memory sitting beside AI processors (per Bloomberg research estimates)

HISTORICAL CONTEXT

FY2020 – FY2026 Revenue Trajectory

~132% 6-YEAR REVENUE GROWTH (FY2020–FY2026)



Revenue rose from \$10.0B in FY2020 to \$23.2B in FY2026, about 132% higher. The path was not straight: FY2024 fell to \$14.9B as memory customers cut tool spending, then FY2025 and FY2026 each set records, FY2026 on a 50.6% gross margin and earnings per share of \$5.82, up 41% (per company disclosures).

GROSS MARGIN (FY20 → FY26)

45.9% → 50.6%

+470 bps

DILUTED EPS (FY25 → FY26)

\$4.13 → \$5.82

+41%

RESEARCH SPEND (FY20 → FY26)

\$1.3B → \$2.4B

Up yearly

SOURCE LAM RESEARCH FORM 10-K FILINGS, Q4 FY2026 RESULTS PRESENTATION

*Two thirds of the revenue is new machines.
The rest is the ones already installed.*

VALUATION & INVESTMENT THESIS

Earnings Expected to Step Up

Consensus has Lam's earnings per share rising from **\$5.82 in FY2026 to \$9.43 in FY2027** (FY2026 non-GAAP actual per company disclosures; FY2027 per Bloomberg consensus estimates). That is why the multiple on trailing earnings, about 46×, falls to **approximately 28× on the next twelve months**.

Management intends to drive gross margin to the mid-50% level and operating margin to the mid-40% level over the next several years (per company disclosures). At approximately 28× forward earnings, investors may consider whether the expected step-up in equipment spending supports current valuation levels.

KEY RISKS

What Could Change the Story

- **China and export rules.** China was 26% of revenue in the June 2026 quarter, down from 34% in March, and export limits cost an estimated \$700M in 2025 (per company disclosures and Bloomberg research)
- **Memory cycles.** DRAM and NAND flash were 46% of systems revenue in the June 2026 quarter, up from 39% as NAND doubled, tying results to memory cycles that have swung sharply (per company disclosures)
- **Lithography shifts.** Faster adoption of EUV (extreme ultraviolet lithography, a finer patterning method) could cut demand for some etch and deposition steps (per Bloomberg research)
- **Customer concentration.** A small number of large chipmakers account for a disproportionate share of revenue (per Bloomberg research)
- **Cycle sensitivity.** Equipment spending is cyclical, and an adjusted beta of 2.01 means the shares have moved roughly twice the S&P 500 (2-year weekly, per Bloomberg)

WHAT THIS MEANS FOR YOU

The Index Angle, in Plain Terms

IN YOUR INDEX FUND

If you hold a fund that tracks the Nasdaq-100 Index®, you already own this.

- Index composition follows transparent eligibility criteria, and LRCX is a current constituent at ~1.53% index weight: about \$1.53 of every \$100 tracking the Nasdaq-100 sits in Lam
- Etch and deposition, the two steps Lam's machines perform, patterned the memory in your phone (per company filings)
- Tools installed years ago keep paying Lam through parts, service and upgrades: about a third of revenue

DECODING THE JARGON

Two terms doing the heavy lifting in this issue.

- Etch and deposition. Deposition adds a thin film to the wafer; etch removes material to leave the circuit pattern behind
- Wafer fabrication equipment. The industry's annual spend on chipmaking tools, expected in the low-\$150 billion range in 2026 (per company disclosures)

BOTTOM LINE

Inside the Nasdaq-100®, Lam is paid when a tool ships. **Then it is paid to keep it running.**

ABOUT THE SERIES

The **Nasdaq-100®** is a globally recognized index of 100 of the most innovative large cap companies listed on the Nasdaq Stock Market®. The **Inside the Index** series profiles one constituent each issue, from software to soft drinks and computer chips to potato chips, exploring what makes each business distinctive and the metrics investors should know.

SOURCES NASDAQ GLOBAL INDEXES. LAM RESEARCH CORPORATION, JUNE QUARTER 2026 FINANCIAL RESULTS PRESENTATION AND Q4 FY2026 EARNINGS CALL TRANSCRIPT, JULY 29, 2026. LAM RESEARCH CORPORATION SEC FILINGS VIA SEC EDGAR: FORM 10-K FILINGS, FORM 10-Q FILINGS, REVENUE AND SEGMENT DETAIL, END-MARKET AND GEOGRAPHIC MIX, GROSS AND OPERATING MARGINS, CASH, DEBT, FREE CASH FLOW, RESEARCH-AND-DEVELOPMENT SPEND, CAPITAL EXPENDITURE, Q4 FY2026 RESULTS, SYSTEMS END-MARKET MIX AND Q1 FY2027 GUIDANCE, THE CALENDAR 2026 WAFER FABRICATION EQUIPMENT OUTLOOK, NAND UPGRADE AND ADVANCED-PACKAGING EXPECTATIONS, LONG-TERM MARGIN TARGETS, THE R&D LABORATORY INVESTMENT AND THE DIVIDEND INCREASE PER LAM RESEARCH COMPANY DISCLOSURES. WAFER FABRICATION EQUIPMENT MARKET SHARE AND OUTLOOK, COMPETITIVE POSITIONING, DRAM TOOL DEMAND GROWTH, EXPORT-RESTRICTION REVENUE IMPACT, CUSTOMER CONCENTRATION, ADJUSTED BETA, VALUATION MULTIPLES AND FORWARD ESTIMATES PER BLOOMBERG RESEARCH AND BLOOMBERG CONSENSUS ESTIMATES. DATA AS OF 9/15/2026.

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