

KLA TENCOR CORP
Form 425
October 22, 2015

Lam Research + KLA-Tencor
Creating a New Capability Paradigm
October 21, 2015
Filed by KLA-Tencor Corporation
Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934
Subject Company: KLA-Tencor Corporation
Commission File No.: 000-09992

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The Right Combination at the Right Time

Cloud, mobility, and IoT

are driving performance and economic requirements

Technology scaling continues with escalating challenges

Customer roadmaps require

enhanced collaboration and innovation

Intersection of process and process control becoming more critical

Unmatched and complementary capability to enable atomic level processing

Accelerating our capability to address our customers

most difficult challenges

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Our Businesses at a Glance

Founded in 1980

Headquartered in Fremont, CA

FY 2015 Revenue of \$5.3B

~7,300 Employees

Leadership in:

Conductor and dielectric etch

Thin film deposition

Single-wafer clean

Locations in 16 countries

Founded in 1976

Headquartered in Milpitas, CA

FY 2015 Revenue of \$2.8B

~5,600 Employees

Leadership in:

Defect inspection

Lithography & thin film metrology

Yield management

Locations in 17 countries

Strong presence across customers and market segments

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Challenges:

Critical profile
control

Variability

Opportunities:

Increased use of
metrology information
and advanced analytics to
reduce variability and
accelerate yield

Multiple Patterning

Challenges:

Variability introduced from
multiple passes

Cost of advanced imaging
schemes

Opportunities:

Use metrology information

and unit process tuning capabilities to reduce variability and increase throughput

3D

NAND

Challenges:

Scaling stack height for higher bit density

Scaling process control capability

Opportunities:

Innovate together to develop process control capability for 3D NAND structures to help enable vertical scaling

Value-creating

innovation

opportunities

at

the

intersection

of

process

and

process

control

Delivering Differentiated Technology Solutions

Together

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FinFET/ Advanced Gate

Deposition
Etch
Clean
Inspection
Metrology
7%
9% of WFE
14%
16% of WFE
5%
6% of WFE
6% -
7% of WFE
6% -
7% of WFE
in
Conductor
in Dielectric

in Bevel Clean
in BEOL SW

Clean

in

Wafer

Inspection

in Mask Inspection

in Packaging

Inspection

in Metrology

Established Market Leadership

Combined company to serve ~42% of WFE market upon closing, increasing to ~45% by 2018

Source: Leadership positions based on Gartner and company data specific to 2014 shares. WFE percentages are for 2015 market based on Gartner and company data. ECD =

electrochemical

deposition,

CVD

=

chemical

vapor

deposition,

PECVD

=

plasma-enhanced

CVD,

HDP

=

high-density

plasma

(CVD),

ALD

=

atomic

layer

deposition,

BEOL

=

back-end-of-line,

SW = single-wafer. *Based on year-over-year absolute revenue growth. WFE = wafer fabrication equipment

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in

Copper

ECD

in

Tungsten

CVD

in

PECVD

&

HDP
in
ALD*

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Our Goal Is to Deliver More Value

This combination creates a company with unmatched capability in process and process control to help our customers in extending Moore's law and industry scaling

Together, we will have enhanced collaboration focused on reducing variability and accelerating yield

By taking this action, we have one singular focus: enable and contribute more to your success

It will be business as usual until we have shareholder and regulatory approval

We appreciate your feedback over the past several years, which helped us frame the strategic actions we are now pursuing

Thank you for your continued support and partnership

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Cautions Regarding Forward Looking Statements

All statements included or incorporated by reference in this document, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including Section 27A

of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

These forward-looking statements are based on Lam Research Corporation's (Lam) and KLA-Tencor Corporation's (KLA-Tencor) current expectations, estimates and projections about its respective business and industry, management's beliefs, and certain assumptions made by Lam and KLA-Tencor, all of which are subject to change.

Forward-looking statements can often be identified by words such as anticipates, expects, intends, plans, predicts, believes, seeks, estimates, may, will, should, would, could, potential, continue, and similar expressions, and variations or negatives of these words. Examples of such forward-looking statements include, but are not limited to: (1) references to the anticipated benefits of the proposed transaction; (2) the expected industry leadership, future technical capabilities and served markets of the individual and/or combined companies; (3) projections of pro forma revenue, cost synergies, revenue synergies, cash flow, market share and other metrics, whether by specific market segment, or as a whole, and whether for each individual company or the combined company; (4) market expansion opportunities and systems and products that may benefit from sales growth as a result of changes in market share or existing markets; (5) technological achievements that may be realized by the combined

company, (6) the allocation of merger consideration in the transactions; (7) the financing components of the proposed transaction; (8) potential financing opportunities, together with sources and uses of cash; (9) potential dividend growth rates; and (10) the companies' ability to achieve the closing conditions and the expected date of closing of the transaction.

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Cautions Regarding Forward Looking

Statements (cont.)

These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that actual results to differ materially and adversely from those expressed in any forward-looking statement. Important risk factors such

a

difference

in

connection

with

the

proposed

transaction

include,

but

are

not
limited
to,
the
following
factors:

(1)
the
risk
that
the
conditions

to the closing of the transaction are not satisfied, including the risk that required approvals for the transaction from government
the stockholders of KLA-Tencor or Lam are not obtained; (2) litigation relating to the transaction; (3) uncertainties as to the timing
consummation of the transaction and the ability of each party to consummate the transaction; (4) risks that the proposed transaction
current plans and operations of KLA-Tencor or Lam; (5) the ability of KLA-Tencor and Lam to retain and hire key personnel;
responses to the proposed transaction and the impact of competitive products; (7) unexpected costs, charges or expenses resulting from the
transaction; (8) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the
transaction;

(9)
the
combined
companies
ability
to
achieve
the
growth
prospects
and
synergies
expected
from
the
transaction,

as
well
as
delays, challenges and expenses associated with integrating the combined companies' existing businesses; (10) the terms and conditions
the indebtedness planned to be incurred in connection with the transaction; and (11) legislative, regulatory and economic developments
including
changing
business
conditions
in
the
semiconductor
industry
and
overall

economy

as

well

as

the

financial

performance

and

expectations of Lam s and KLA-Tencor s existing and prospective customers. These risks, as well as other risks associated with the transaction, will be more fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement.

that

Lam

will

file

with

the

Securities

and

Exchange

Commission

(SEC)

in

connection

with

the

proposed

transaction.

Investors

and

potential

investors are urged not to place undue reliance on forward-looking statements in this document, which speak only as of this date. KLA-Tencor nor KLA-Tencor undertakes any obligation to revise or update publicly any forward-looking statement to reflect future events.

Nothing contained herein constitutes or will be deemed to constitute a forecast, projection or estimate of the future financial performance of Lam, KLA-Tencor, or the merged company, whether following the implementation of the proposed transaction or otherwise.

In addition, actual results are subject to other risks and uncertainties that relate more broadly to Lam s overall business, including those more fully described in Lam s filings with the SEC including its annual report on Form 10-K for the fiscal year ended June 28, 2015.

overall business and financial condition, including those more fully described in KLA-Tencor s filings with the SEC including its annual report on Form 10-K for the fiscal year ended June 30, 2015.

Additional Information and Where to Find It

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The proposed transaction will be submitted to the stockholders of each of Lam Research Corporation (Lam) and KLA-Tencor Corporation (KLA-Tencor) for their consideration. Lam intends to file with the SEC a Registration Statement on Form S-4 that will include a joint proxy statement/prospectus of Lam and KLA-Tencor. Each of Lam and KLA-Tencor will provide the joint proxy statement/prospectus to their respective stockholders. Lam and KLA-Tencor also plan to file other documents with the SEC regarding the proposed transaction.

This document is not a substitute for any prospectus, proxy statement or any other document that Lam or KLA-Tencor may file with the SEC in

connection with the proposed transaction. Investors and security holders of Lam and KLA-Tencor are urged

to read the joint proxy statement/prospectus and any other relevant documents that will be filed with the SEC carefully and in their entirety when they become available because they will contain important information about the proposed transaction.

You may obtain copies of all documents filed with the SEC regarding this

transaction, free of charge, at the SEC's website (www.sec.gov). In addition, investors and stockholders will be able to obtain free copies of the joint proxy statement/prospectus and other documents filed with the SEC by Lam on Lam's Investor Relations website (investor.lamresearch.com) or by writing to Lam Research Corporation, Investor Relations, 4650 Cushing Parkway, Fremont, CA 94538-6401 (for documents filed with the SEC by Lam), or by KLA-Tencor on KLA-Tencor's Investor Relations website (ir.kla-tencor.com) or by writing to KLA-Tencor Corporation, Investor Relations, One Technology Drive, Milpitas, California 95035 (for documents filed with the SEC by KLA-Tencor).

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Participants in the Solicitation

Lam, KLA-Tencor, their respective directors, and certain of their respective executive officers, other members of management and employees, may, under SEC rules, be deemed to be participants in the solicitation of proxies from Lam and KLA-Tencor stockholders in connection with the proposed transaction. Information regarding the persons who, under SEC rules, are or may be deemed to be participants in the solicitation of Lam and KLA-Tencor stockholders in connection with the proposed transaction will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find more detailed information about Lam's executive officers and directors in its definitive proxy statement filed with the SEC on September 21, 2015. You can find more detailed information about KLA-Tencor's executive officers and directors in its definitive proxy statement filed with the SEC on September 24, 2015. Additional information about Lam's executive officers and directors and KLA-Tencor's executive officers and directors will be provided in the above-referenced Registration Statement on Form S-4 when it becomes available.