

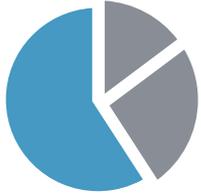
Fourth Quarter & Full-Year Fiscal 2020 Earnings Presentation

November 12, 2020

Forward-Looking Statements

This presentation contains forward-looking statements, including those regarding anticipated growth and trends in our businesses and markets, industry outlooks and demand drivers, technology transitions, our business and financial performance and market share positions, our capital allocation and cash deployment strategies, our investment and growth strategies, our development of new products and technologies, our business outlook for the first quarter of fiscal 2021 and beyond, the impact of the ongoing COVID-19 pandemic and responses thereto on our operations and financial results, strategic acquisitions and investments, including the proposed acquisition of Kokusai Electric Corporation, and other statements that are not historical facts. These statements and their underlying assumptions are subject to risks and uncertainties and are not guarantees of future performance. Factors that could cause actual results to differ materially from those expressed or implied by such statements include, without limitation: the level of demand for our products; global economic and industry conditions; the effects of regional or global health epidemics, including the severity and duration of the ongoing COVID-19 pandemic; global trade issues and changes in trade and export license policies, including the impact of the implementation and interpretation of the rules published by the U.S. Department of Commerce on April 28, 2020 and August 17, 2020 relating to certain export license requirements; consumer demand for electronic products; the demand for semiconductors; customers' technology and capacity requirements; the introduction of new and innovative technologies, and the timing of technology transitions; our ability to develop, deliver and support new products and technologies; the concentrated nature of our customer base; acquisitions, investments and divestitures; changes in income tax laws; our ability to expand our current markets, increase market share and develop new markets; market acceptance of existing and newly developed products; our ability to obtain and protect intellectual property rights in key technologies; our ability to achieve the objectives of operational and strategic initiatives, align our resources and cost structure with business conditions, and attract, motivate and retain key employees; the variability of operating expenses and results among products and segments, and our ability to accurately forecast future results, market conditions, customer requirements and business needs; and other risks and uncertainties described in our SEC filings, including our recent Forms 10-Q and 8-K. All forward-looking statements are based on management's current estimates, projections and assumptions, and we assume no obligation to update them.

APPLIED MATERIALS AT-A-GLANCE

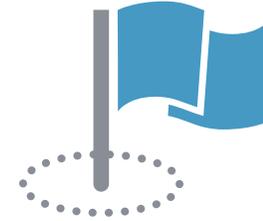


REPORTING SEGMENTS

Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



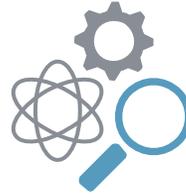
CURRENT FISCAL
YEAR ENDS
31 October 2021



FOUNDED
1967
FIRST PUBLIC
OFFERING
1974



\$17.2 billion
TTM REVENUE



\$2.2 billion
TTM R&D
INVESTMENTS



~24,000*
employees
in **19*** countries



~13,300**
active patents



*As of fiscal year ended 10/25/20. ** As of fiscal year-ended 10/27/19. TTM is trailing twelve months

4th Fiscal Quarter

Record quarterly revenue and non-GAAP earnings

Navigating unprecedented challenges of 2020 with strong execution and new ways of working

Q1F21 guidance reflects continued strength in semiconductor businesses

Near Term

Outperforming markets

- Semi systems revenue +26% in fiscal 2020

Strong demand outlook

- Foundry-logic: healthy spending continues
- Memory: NAND outgrowing DRAM in 2020, DRAM expected to outgrow NAND in 2021

Longer Term

Multi-year growth drivers for semi firmly in place

- Digital transformation of companies / economy accelerating
- AI megatrend remains on track and non-discretionary

Tracking leading indicators of Display recovery fueled by OLED and large-format TVs

STRONG MARKET AND BUSINESS OUTLOOK

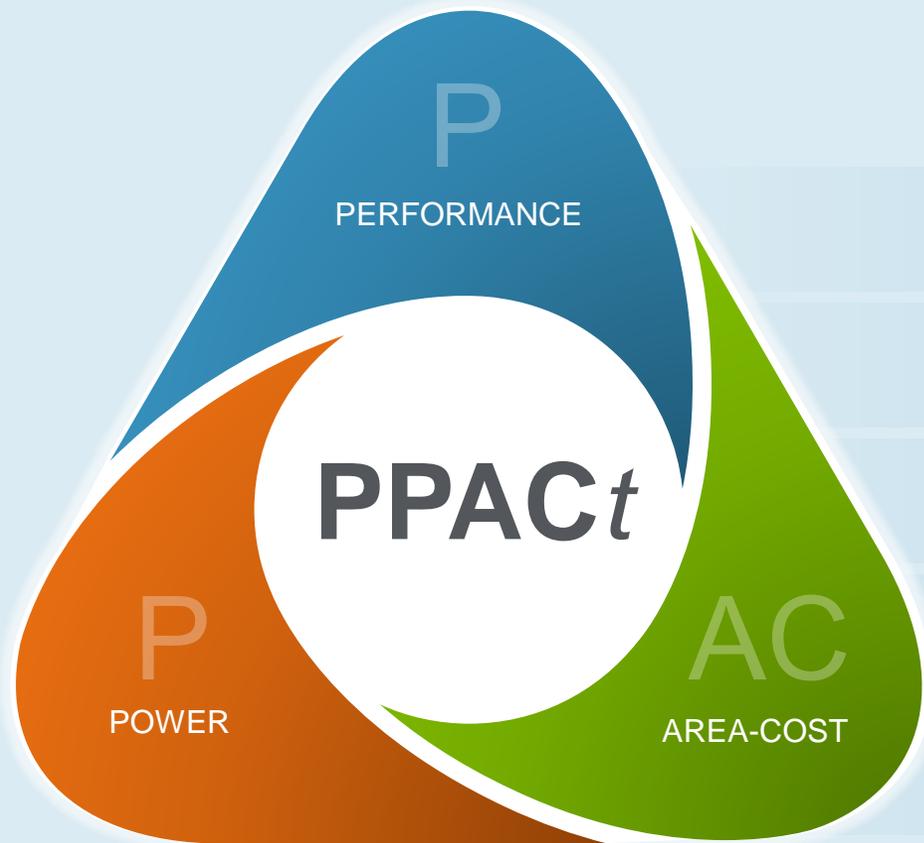
COVID-19 RESPONSE

GUIDING PRINCIPLES

1. Maintain trust of employees, customers, suppliers and partners
2. Drive actions that allow us to emerge stronger over the long term

Q4F20 STATUS

- Stringent protocols in place to keep workplaces safe and healthy
- Recovered pre-COVID productivity levels in R&D labs and manufacturing operations
- Actively managing logistics challenges
- Driving “innovate anywhere” vision and advanced remote support including video, AR, VR and Live Distance Learning



ENABLED BY

New architectures

New structures / 3D

New materials

New ways to shrink

Advanced packaging

Applied has broadest portfolio of products and technologies to accelerate new PPACt playbook

(PPACt = Power, Performance, Area-cost and Time-to-market)

Q4F20 Non-GAAP Financial Results

\$M, except EPS	Q4F19	Q3F20	Q4F20	Y / Y	Q / Q
Revenue	3,754	4,395	4,688	25%	7%
Gross Margin*	43.8%	45.0%	45.7%	190bps	70bps
Operating Income*	888	1,160	1,325	437	165
EPS*	\$0.80	\$1.06	\$1.25	\$0.45	\$0.19
Operating Cash Flow	826	867	1,315	489	448
Free Cash Flow**	729	780	1,153	424	373

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com

** Free cash flow = operating cash flow – net capital expenditures

FY2020 Non-GAAP Financial Results

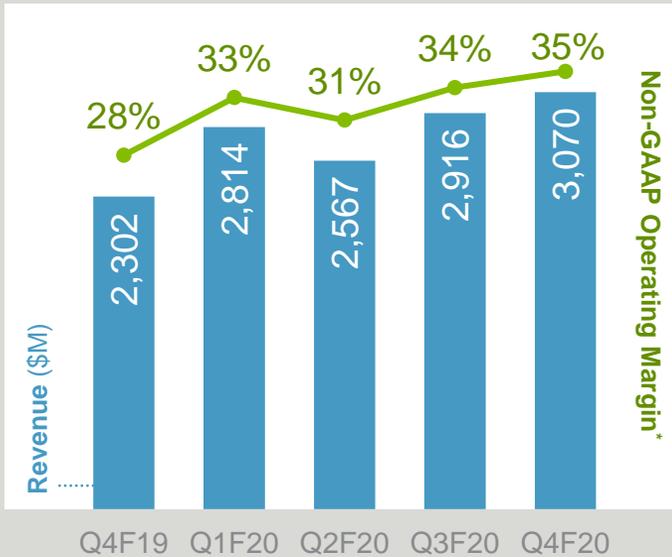
\$M, except EPS	FY2019	FY2020	Y / Y
Revenue	14,608	17,202	18%
Gross Margin*	44.0%	45.1%	110bps
Operating Income*	3,427	4,529	1,102
EPS*	\$3.04	\$4.17	\$1.13
Operating Cash Flow	3,247	3,804	557
Free Cash Flow**	2,806	3,382	576

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** Free cash flow = operating cash flow – net capital expenditures

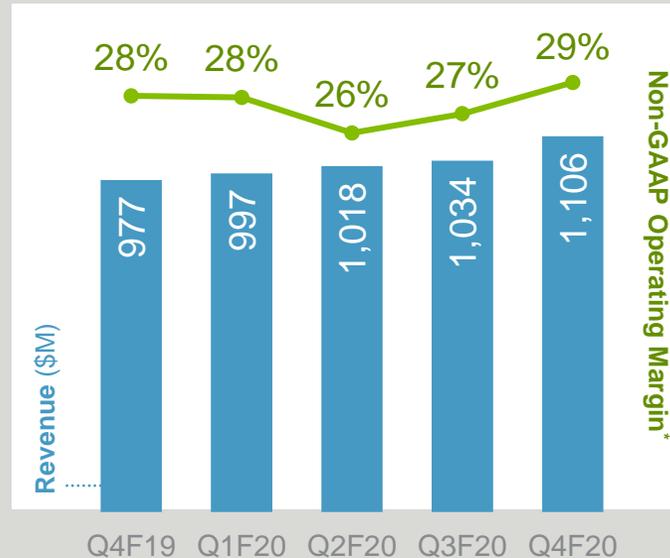
Q4F20 Segment Results

SEMICONDUCTOR SYSTEMS



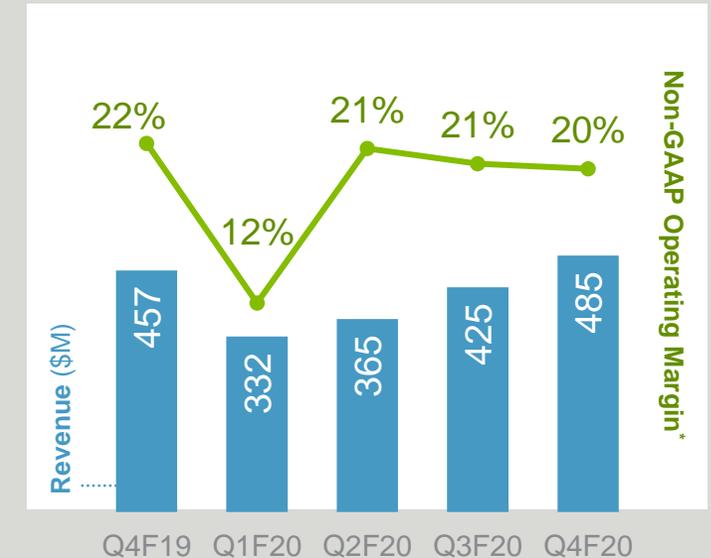
- Record revenue, +33% Y/Y
- Broad-based strength across products and device types
- 3rd consecutive quarter of record metal deposition systems

APPLIED GLOBAL SERVICES



- Record revenue, +13% Y/Y
- Record % of tools covered by long-term service agreements
- Strong execution resulting in higher operating margin

DISPLAY & ADJACENT MARKETS

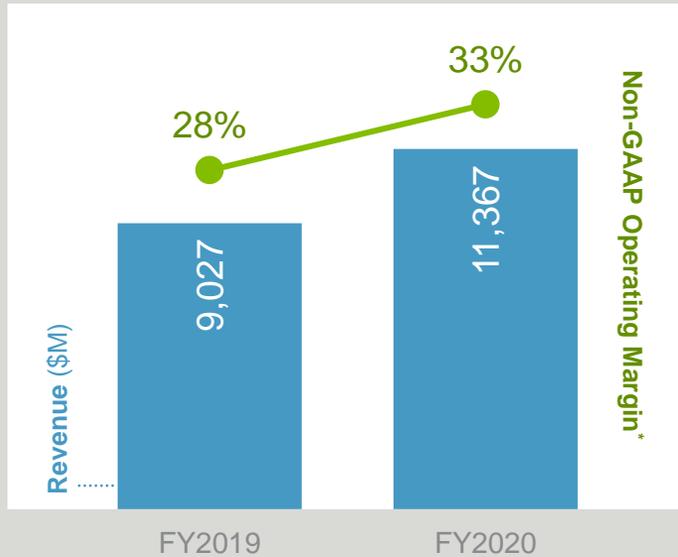


- Revenue +6% Y/Y
- Tracking positive leading indicators of a recovery
- OLED technology proliferating across smartphones, notebooks and TVs

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com

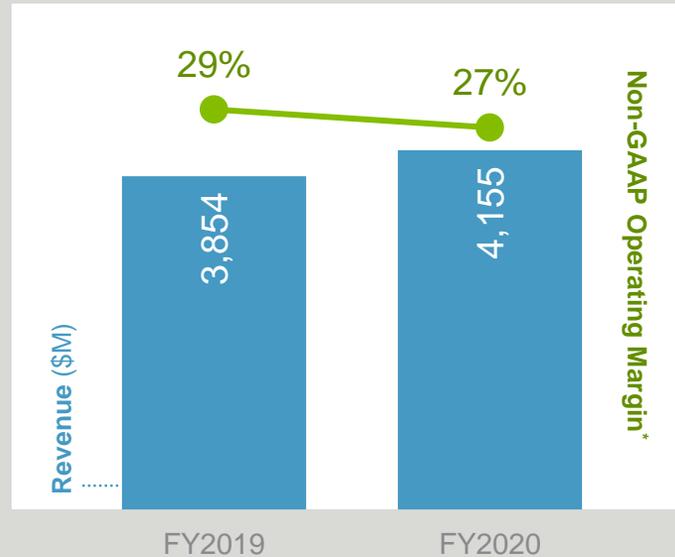
FY2020 Segment Results

SEMICONDUCTOR SYSTEMS



- Revenue +26% Y/Y
- Metal deposition revenue +42% Y/Y
- Etch revenue up nearly 30% Y/Y
- Inspection systems revenue +46% Y/Y
- Patterning revenue nearly \$1.1B

APPLIED GLOBAL SERVICES



- Revenue +8% Y/Y
- Number of tools under long-term service agreements +13% Y/Y
- Generated 60% of parts and services revenue from subscription like agreements

DISPLAY & ADJACENT MARKETS



- Achieved revenue target in a challenging market, cyclical low
- Focused on addressing OLED inflection and developing new products

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com

Liquidity and Uses of Capital

	Q4F19	Q1F20	Q2F20	Q3F20	Q4F20
CASH AND INVESTMENTS (\$M)					
Cash and cash equivalents*	3,129	3,424	5,281	4,350	5,351
Short-term investments	489	536	423	406	387
Long-term investments	1,703	1,713	1,678	1,538	1,538
Total cash and investments	5,321	5,673	7,382	6,294	7,276
Short-term and long-term debt*	5,313	5,314	6,815	5,447	5,448
Ratings (Moody's / S&P): A3 / A-					
CAPITAL RETURNS (\$M)					
Share repurchases	(500)	(200)	(199)	(200)	(50)
Cash dividends	(194)	(192)	(193)	(202)	(200)

* Q2F20 includes \$1.5 billion cash drawn under revolving credit facility

Business Outlook

FIRST QUARTER Fiscal 2021

OUTLOOK	Total Revenue	~\$4.95 billion ± \$200 million
	Non-GAAP EPS	~\$1.26 ± \$0.06
SEGMENT REVENUE	Semiconductor Systems	~\$3.45 billion
	Applied Global Services	~\$1.07 billion
	Display and Adjacent Markets	~\$400 million
OTHER	Non-GAAP Gross Margin	~45.3%
	Non-GAAP Operating Expenses	~\$860 million

10-Yr Roadmap | Environmental and Social Responsibility



1x

Our direct impact and how we run our business



100x

Our industry's impact, including that of our customers and suppliers



10,000x

How our technology can be designed and used to advance sustainability on a global scale

Make Possible a Better Future

For more details, please refer to our 2019 Sustainability Report [here](#)

Use of Non-GAAP Adjusted Financial Measures

Applied provides investors with certain non-GAAP adjusted financial measures, which are adjusted for the impact of certain costs, expenses, gains and losses, including certain items related to mergers and acquisitions; restructuring charges and any associated adjustments; certain incremental expenses related to COVID-19; impairments of assets, or investments; gain or loss on sale of strategic investments; loss on early extinguishment of debt; certain income tax items and other discrete adjustments. On a non-GAAP basis, the tax effect related to share-based compensation is recognized ratably over the fiscal year. Additionally, non-GAAP results exclude estimated discrete income tax expense items associated with U.S. tax legislation. Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are provided in the appendix to this presentation and on Applied's website, <https://ir.appliedmaterials.com/>.

Management uses these non-GAAP adjusted financial measures to evaluate the company's operating and financial performance and for planning purposes, and as performance measures in its executive compensation program. Applied believes these measures enhance an overall understanding of its performance and investors' ability to review the company's business from the same perspective as the company's management and facilitate comparisons of this period's results with prior periods on a consistent basis by excluding items that management does not believe are indicative of Applied's ongoing operating performance. There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles, may be different from non-GAAP financial measures used by other companies, and may exclude certain items that may have a material impact upon our reported financial results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP.

Appendix

Non-GAAP to GAAP Reconciliations

UNAUDITED QTD RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT EPS AND PERCENTAGE

Non-GAAP Adjusted Gross Profit

	Q4F19	Q1F20	Q2F20	Q3F20	Q4F20
Reported gross profit - GAAP basis	\$ 1,634	\$ 1,858	\$ 1,749	\$ 1,955	\$ 2,130
Certain items associated with acquisitions ¹	9	9	8	8	12
Certain incremental expenses related to COVID-19 ²	-	-	8	15	-
Non-GAAP adjusted gross profit	<u>\$ 1,643</u>	<u>\$ 1,867</u>	<u>\$ 1,765</u>	<u>\$ 1,978</u>	<u>\$ 2,142</u>
Non-GAAP adjusted gross margin	43.8%	44.9%	44.6%	45.0%	45.7%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 864	\$ 1,042	\$ 932	\$ 1,108	\$ 1,283
Certain items associated with acquisitions ¹	14	13	13	12	16
Acquisition integration and deal costs	10	13	21	20	26
Certain incremental expenses related to COVID-19 ²	-	-	10	20	-
Non-GAAP adjusted operating income	<u>\$ 888</u>	<u>\$ 1,068</u>	<u>\$ 976</u>	<u>\$ 1,160</u>	<u>\$ 1,325</u>
Non-GAAP adjusted operating margin	23.7%	25.7%	24.7%	26.4%	28.3%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 698	\$ 892	\$ 755	\$ 841	\$ 1,131
Certain items associated with acquisitions ¹	14	13	13	12	16
Acquisition integration and deal costs	10	13	21	20	26
Certain incremental expenses related to COVID-19 ²	-	-	10	20	-
Realized loss (gain) on strategic investments, net	-	2	5	(8)	-
Unrealized loss (gain) on strategic investments, net	(5)	2	2	(5)	(7)
Loss on early extinguishment of debt	-	-	-	33	-
Income tax effects related to intra-entity intangible asset transfers	6	21	16	67	10
Resolution of prior years' income tax filings and other tax items	20	(1)	(3)	(1)	(36)
Income tax effect of share-based compensation ³	4	(33)	8	12	13
Income tax effect of non-GAAP adjustments ⁴	(3)	(5)	(10)	(15)	(5)
Non-GAAP adjusted net income	<u>\$ 744</u>	<u>\$ 904</u>	<u>\$ 817</u>	<u>\$ 976</u>	<u>\$ 1,148</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$0.75	\$0.96	\$0.82	\$0.91	\$1.23
Certain items associated with acquisitions	0.01	0.01	0.01	0.01	0.02
Acquisition integration and deal costs	0.01	0.01	0.02	0.02	0.02
Certain incremental expenses related to COVID-19	-	-	0.01	0.02	-
Realized loss (gain) on strategic investments, net	-	-	0.01	(0.01)	-
Unrealized loss (gain) on strategic investments, net	-	-	-	-	(0.01)
Loss on early extinguishment of debt	-	-	-	0.03	-
Income tax effects related to intra-entity intangible asset transfers	0.01	0.03	0.02	0.07	0.01
Income tax effect of share-based compensation	-	(0.03)	0.01	0.01	0.02
Resolution of prior years' income tax filings and other tax items	0.02	-	(0.01)	-	(0.04)
Non-GAAP adjusted earnings per diluted share	<u>\$ 0.80</u>	<u>\$ 0.98</u>	<u>\$ 0.89</u>	<u>\$ 1.06</u>	<u>\$ 1.25</u>
Weighted average number of diluted shares	931	927	923	922	921

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Temporary incremental employee compensation during the COVID-19 pandemic.
3. GAAP basis tax benefit related to share-based compensation is being recognized ratably over the fiscal year on a non-GAAP basis.
4. Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

UNAUDITED QTD RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGE

Semiconductor Systems Non-GAAP Adjusted Operating Income

	Q4F19	Q1F20	Q2F20	Q3F20	Q4F20
Reported operating income - GAAP basis	\$ 641	\$ 915	\$ 782	\$ 958	\$ 1059
Certain items associated with acquisitions ¹	11	10	10	9	12
Acquisition integration costs	-	-	-	1	2
Certain incremental expenses related to COVID-19 ²	-	-	6	14	-
Non-GAAP adjusted operating income	<u>\$ 652</u>	<u>\$ 925</u>	<u>\$ 798</u>	<u>\$ 982</u>	<u>\$ 1,073</u>
Non-GAAP adjusted operating margin	28.3%	32.9%	31.1%	33.7%	35.0%

AGS Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 274	\$ 278	\$ 256	\$ 273	\$ 320
Certain incremental expenses related to COVID-19 ²	-	-	4	4	-
Non-GAAP adjusted operating income	<u>\$ 274</u>	<u>\$ 278</u>	<u>\$ 260</u>	<u>\$ 277</u>	<u>\$ 320</u>
Non-GAAP adjusted operating margin	28.0%	27.9%	25.5%	26.8%	28.9%

Display and Adjacent Markets Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 96	\$ 38	\$ 75	\$ 83	\$ 95
Certain items associated with acquisitions ¹	3	3	3	3	3
Certain incremental expenses related to COVID-19 ²	-	-	-	1	-
Non-GAAP adjusted operating income	<u>\$ 99</u>	<u>\$ 41</u>	<u>\$ 78</u>	<u>\$ 87</u>	<u>\$ 98</u>
Non-GAAP adjusted operating margin	21.7%	12.3%	21.4%	20.5%	20.2%

¹ These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

² Temporary incremental employee compensation during the COVID-19 pandemic.

Note: The reconciliation of GAAP and non-GAAP adjusted segment results above does not include certain revenues, costs of products sold and operating expenses that are reported within corporate and other and included in consolidated operating income

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT EPS AND PERCENTAGE

Non-GAAP Adjusted Gross Profit

	FY2019	FY2020
Reported gross profit - GAAP basis	\$ 6,386	\$ 7,692
Certain items associated with acquisitions ¹	37	37
Certain incremental expenses related to COVID-19 ²	-	23
Non-GAAP adjusted gross profit	<u>\$ 6,423</u>	<u>\$ 7,752</u>
Non-GAAP adjusted gross margin	44.0%	45.1%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 3,350	\$ 4,365
Certain items associated with acquisitions ¹	55	54
Acquisition integration and deal costs	22	80
Certain incremental expenses related to COVID-19 ²	-	30
Non-GAAP adjusted operating income	<u>\$ 3,427</u>	<u>\$ 4,529</u>
Non-GAAP adjusted operating margin	23.5%	26.3%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 2,706	\$ 3,619
Certain items associated with acquisitions ¹	55	54
Acquisition integration and deal costs	22	80
Certain incremental expenses related to COVID-19 ²	-	30
Realized loss (gain) on strategic investments, net	(6)	(1)
Unrealized loss (gain) on strategic investments, net	(30)	(8)
Loss on early extinguishment of debt	-	33
Income tax effects related to intra-entity intangible asset transfers	62	114
Resolution of prior years' income tax filings and other tax items	95	(41)
Income tax effect of changes in applicable U.S. tax laws ³	(24)	-
Income tax effect of non-GAAP adjustments ⁴	(5)	(35)
Non-GAAP adjusted net income	<u>\$ 2,875</u>	<u>\$ 3,845</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$2.86	\$3.92
Certain items associated with acquisitions	0.05	0.05
Acquisition integration and deal costs	0.02	0.07
Certain incremental expenses related to COVID-19	-	0.03
Unrealized loss (gain) on strategic investments, net	(0.03)	(0.01)
Loss on early extinguishment of debt	-	0.03
Income tax effects related to intra-entity intangible asset transfers	0.07	0.12
Income tax effect of changes in applicable U.S. tax laws	(0.03)	-
Resolution of prior years' income tax filings and other tax items	0.10	(0.04)
Non-GAAP adjusted earnings per diluted share	<u>\$ 3.04</u>	<u>\$ 4.17</u>
Weighted average number of diluted shares	945	923

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Temporary incremental employee compensation during the COVID-19 pandemic.
3. Charges to income tax provision related to a one-time transition tax and a decrease in U.S. deferred tax assets as a result of the recent U.S. tax legislation.
4. Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGE

Semiconductor Systems Non-GAAP Adjusted Operating Income

	FY2019	FY12020
Reported operating income - GAAP basis	\$ 2,464	\$ 3,714
Certain items associated with acquisitions ¹	43	41
Acquisition integration costs	-	3
Certain incremental expenses related to COVID-19 ²	-	20
Non-GAAP adjusted operating income	<u>\$ 2,507</u>	<u>\$ 3,778</u>
Non-GAAP adjusted operating margin	27.8%	33.2%

AGS Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 1,101	\$ 1,127
Certain incremental expenses related to COVID-19 ²	-	8
Non-GAAP adjusted operating income	<u>\$ 1,101</u>	<u>\$ 1,135</u>
Non-GAAP adjusted operating margin	28.6%	27.3%

Display and Adjacent Markets Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 294	\$ 291
Certain items associated with acquisitions ¹	12	12
Acquisition integration costs	1	-
Certain incremental expenses related to COVID-19 ²	-	1
Non-GAAP adjusted operating income	<u>\$ 307</u>	<u>\$ 304</u>
Non-GAAP adjusted operating margin	18.6%	18.9%

¹ These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

² Temporary incremental employee compensation during the COVID-19 pandemic.

Note: The reconciliation of GAAP and non-GAAP adjusted segment results above does not include certain revenues, costs of products sold and operating expenses that are reported within corporate and other and included in consolidated operating income



APPLIED
MATERIALS®

make possible