

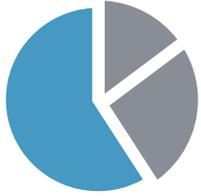
Second Quarter of Fiscal 2020 Earnings Presentation

MAY 14, 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, our investment and growth strategies, our development of new products and technologies, our business outlook for the third quarter of fiscal 2020 and beyond, the impact of the COVID-19 pandemic and responses thereto on our operations and financial results; 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; global trade issues and changes in trade and export license policies, including the impact of the rules published by the U.S. Department of Commerce on April 28, 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; 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

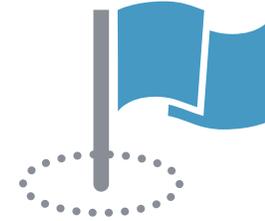


REPORTING SEGMENTS

Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



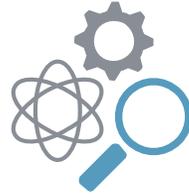
CURRENT FISCAL
YEAR ENDS
25 October 2020



FOUNDED
1967
FIRST PUBLIC
OFFERING
1974



\$14.6 billion
FY19 REVENUE



\$2.1 billion
FY19 R&D
INVESTMENTS



~22,000
employees
in **18** countries



~13,300
active patents



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

EMPLOYEES

- #1 priority = health and safety
- Strict safety protocols implemented across all sites
- Additional incentives and benefits

CUSTOMERS

- Laser-focus on keeping customers running smoothly and R&D on track
- Accelerating deployment of new digital tools

COMMUNITIES

- Donated masks and equipment to medical facilities
- Created global COVID fund
- Numerous employee-driven initiatives

2nd Fiscal Quarter

Q2 results negatively affected by our ability to ship systems as COVID-19 restrictions impacted some suppliers' operations

Enter Q3 with record orders and backlog for semi equipment and services combined

Near-term / Year

Foundry-Logic:
Leading-edge remains strong, some weakness in specialty markets

Memory: Inventory and pricing trends positive

Expect Applied's semi systems revenue to grow strong double-digits in FY20

Longer-term

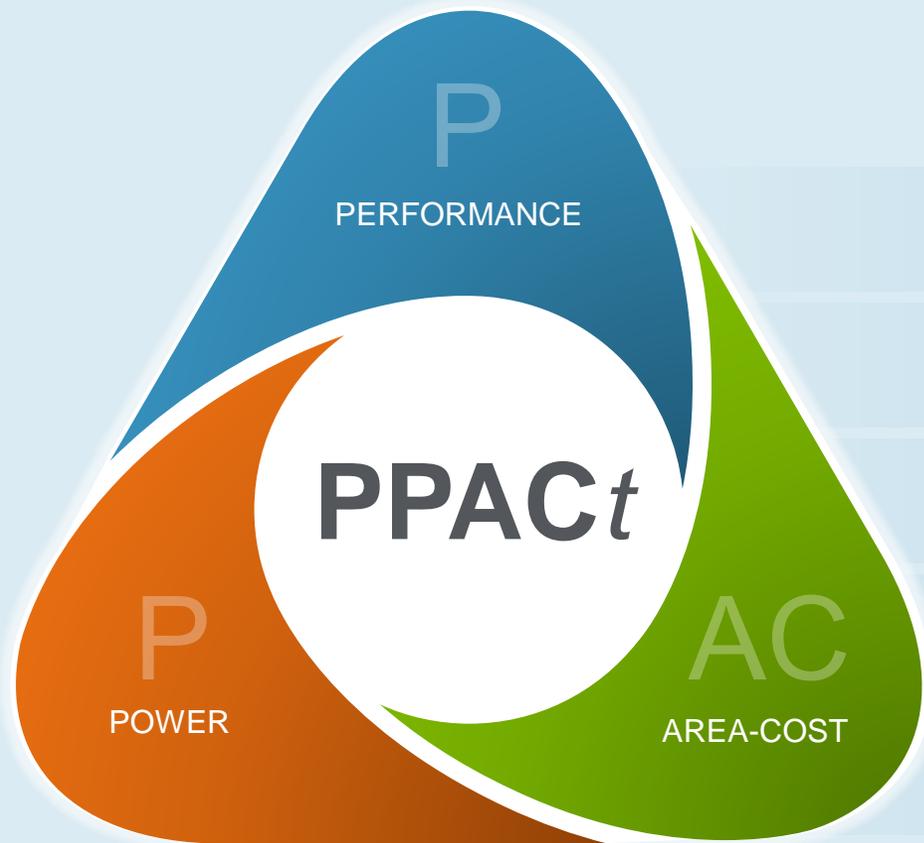
Mindful of potential macro-economic headwinds

AI-Big Data mega-trends remain on track and non-discretionary

WFH, SFH, on-line shopping, and stronger Business Continuity Plans = Accelerators

MARKET AND BUSINESS OUTLOOK HEADLINES

Working through COVID-19 disruptions, long-term trends on-track



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)

Q2F20 Non-GAAP Financial Results

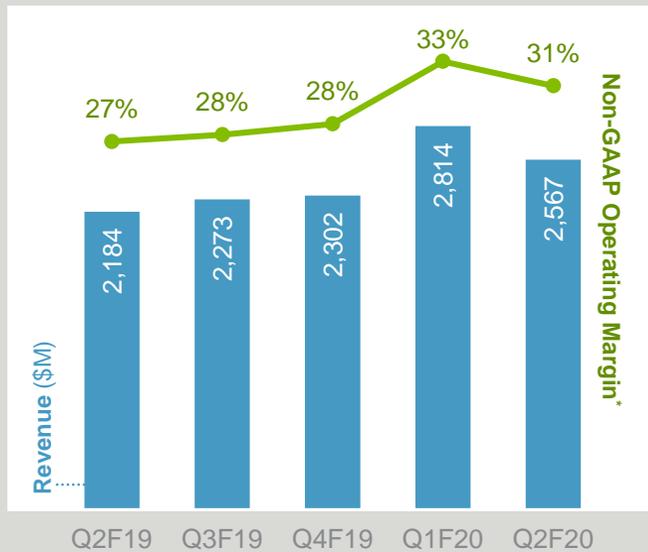
\$M, except EPS	Q2F19	Q1F20	Q2F20	Y / Y	Q / Q
Revenue	3,539	4,162	3,957	12%	(5%)
Gross Margin*	43.5%	44.9%	44.6%	110bps	(30bps)
Operating Income*	794	1,068	976	182	(92)
EPS*	\$0.70	\$0.98	\$0.89	\$0.19	(\$0.09)
Operating Cash Flow	800	987	635	(165)	(352)
Free Cash Flow**	682	885	564	(118)	(321)

* 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

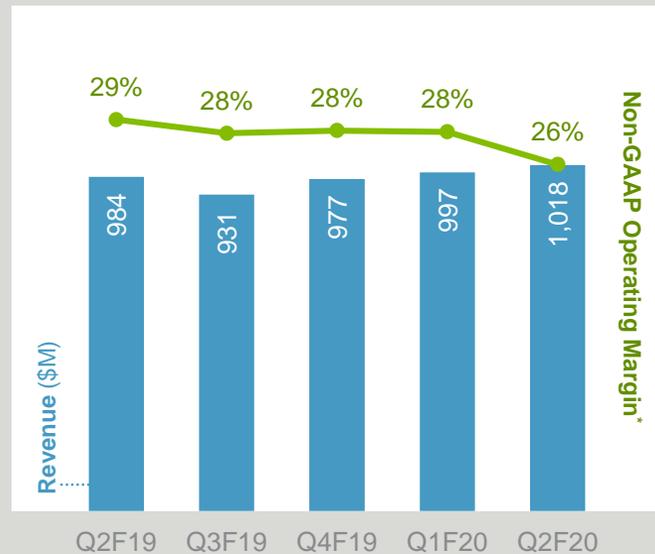
Q2F20 Segment Results

SEMICONDUCTOR SYSTEMS



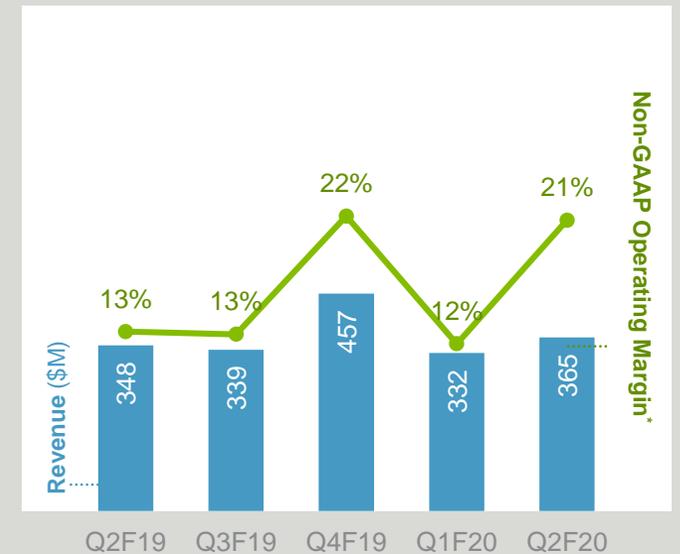
- Q2 revenue below Feb-20 expectations due to COVID-19 related constraints
- Second highest backlog in our history

APPLIED GLOBAL SERVICES



- Q2 revenue better than expectations despite COVID-19 related constraints
- Total semi installed base business** grew to 38% of semi-related revenue

DISPLAY & ADJACENT MARKETS



- Q2 revenue better than expectations despite COVID-19 related constraints

* 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

** Includes 200-millimeter systems and 300-millimeter upgrades and refurbishes

Liquidity and Uses of Capital

	Q2F19	Q3F19	Q4F19	Q1F20	Q2F20
CASH AND INVESTMENTS (\$M)					
Cash and cash equivalents*	3,116	3,014	3,129	3,424	5,281
Short-term investments	507	547	489	536	423
Long-term investments	1,609	1,650	1,703	1,713	1,678
Total cash and investments	5,232	5,211	5,321	5,673	7,382
Short-term and long-term debt*	5,311	5,312	5,313	5,314	6,815
Ratings (Moody's / S&P): A3 / A-					
CAPITAL RETURN (\$M)					
Share repurchases	(625)	(528)	(500)	(200)	(199)
Cash dividends	(189)	(196)	(194)	(192)	(193)

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

Business Outlook

Not providing revenue and earnings guidance for Q3F20 due to potential for COVID-19 related disruptions

DEMAND INDICATIONS

IF CURRENT* CUSTOMER DEMAND INDICATIONS HOLD

Semiconductor Systems

Revenue could be up Q/Q by high-single digits in Q3F20 and higher again Q/Q in Q4F20

Applied Global Services

Revenue could be flat to slightly higher Q/Q in Q3F20, higher again Q/Q in Q4F20

Display and Adjacent Markets

Revenue could be flat to slightly higher Q/Q in Q3F20, higher again Q/Q in Q4F20

* As of May 14, 2020

Appendix

Non-GAAP to GAAP Reconciliations

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; 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 financial tables included in this release.

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.

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT EPS AND PERCENTAGE

Non-GAAP Adjusted Gross Profit

	Q2F19	Q3F19	Q4F19	Q1F20	Q2F20
Reported gross profit - GAAP basis	\$ 1,530	\$ 1,557	\$ 1,634	\$ 1,858	\$ 1,749
Certain items associated with acquisitions ¹	9	9	9	9	8
Certain incremental expenses related to COVID-19 ⁴	-	-	-	-	8
Non-GAAP adjusted gross profit	<u>\$ 1,539</u>	<u>\$ 1,566</u>	<u>\$ 1,643</u>	<u>\$ 1,867</u>	<u>\$ 1,765</u>
Non-GAAP adjusted gross margin	43.5%	44.0%	43.8%	44.9%	44.6%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 776	\$ 802	\$ 864	\$ 1,042	\$ 932
Certain items associated with acquisitions ¹	14	13	14	13	13
Acquisition integration and deal costs	4	5	10	13	21
Certain incremental expenses related to COVID-19 ⁴	-	-	-	-	10
Non-GAAP adjusted operating income	<u>\$ 794</u>	<u>\$ 820</u>	<u>\$ 888</u>	<u>\$ 1,068</u>	<u>\$ 976</u>
Non-GAAP adjusted operating margin	22.4%	23.0%	23.7%	25.7%	24.7%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 666	\$ 571	\$ 698	\$ 892	\$ 755
Certain items associated with acquisitions ¹	14	13	14	13	13
Acquisition integration and deal costs	4	5	10	13	21
Certain incremental expenses related to COVID-19 ⁴	-	-	-	-	10
Realized loss (gain) on strategic investments, net	(4)	-	-	2	5
Unrealized loss (gain) on strategic investments, net	(7)	(8)	(5)	2	2
Income tax effects related to amortization of intra-entity intangible asset transfers	(31)	115	6	21	16
Resolution of prior years' income tax filings, restatement of federal R&D tax credit and other tax items	17	(1)	20	(1)	(3)
Income tax effect of share-based compensation ²	1	-	4	(33)	8
Income tax effect of non-GAAP adjustments ³	-	(3)	(3)	(5)	(10)
Non-GAAP adjusted net income	<u>\$ 660</u>	<u>\$ 692</u>	<u>\$ 744</u>	<u>\$ 904</u>	<u>\$ 817</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$0.70	\$0.61	\$0.75	\$0.96	\$0.82
Certain items associated with acquisitions	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	-	0.01	0.01	0.01	0.02
Certain incremental expenses related to COVID-19	-	-	-	-	0.01
Realized loss (gain) on strategic investments, net	-	-	-	-	0.01
Unrealized loss (gain) on strategic investments, net	-	(0.01)	-	-	-
Income tax effects related to amortization of intra-entity intangible asset transfers	(0.03)	0.12	0.01	0.03	0.02
Income tax effect of share-based compensation	-	-	-	(0.03)	0.01
Resolution of prior years' income tax filings, restatement of federal R&D tax credit and other tax items	0.02	-	0.02	-	(0.01)
Non-GAAP adjusted earnings per diluted share	<u>\$ 0.70</u>	<u>\$ 0.74</u>	<u>\$ 0.80</u>	<u>\$ 0.98</u>	<u>\$ 0.89</u>
Weighted average number of diluted shares	948	937	931	927	923

FOOTNOTES:

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

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGE

Semiconductor Systems Non-GAAP Adjusted Operating Income

	Q2F19	Q3F19	Q4F19	Q1F20	Q2F20
Reported operating income - GAAP basis	\$ 579	\$ 613	\$ 641	\$ 915	\$ 782
Certain items associated with acquisitions ¹	10	11	11	10	10
Certain incremental expenses related to COVID-19 ²	-	-	-	-	6
Non-GAAP adjusted operating income	<u>\$ 589</u>	<u>\$ 624</u>	<u>\$ 652</u>	<u>\$ 925</u>	<u>\$ 798</u>
Non-GAAP adjusted operating margin	27.0%	27.5%	28.3%	32.9%	31.1%

AGS Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 283	\$ 259	\$ 274	\$ 278	\$ 256
Certain incremental expenses related to COVID-19 ²	-	-	-	-	4
Non-GAAP adjusted operating income	<u>\$ 283</u>	<u>\$ 259</u>	<u>\$ 274</u>	<u>\$ 278</u>	<u>\$ 260</u>
Non-GAAP adjusted operating margin	28.8%	27.8%	28.0%	27.9%	25.5%

Display and Adjacent Markets Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 42	\$ 41	\$ 96	\$ 38	\$ 75
Certain items associated with acquisitions ¹	4	2	3	3	3
Acquisition integration costs	-	1	-	-	-
Non-GAAP adjusted operating income	<u>\$ 46</u>	<u>\$ 44</u>	<u>\$ 99</u>	<u>\$ 41</u>	<u>\$ 78</u>
Non-GAAP adjusted operating margin	13.2%	13.0%	21.7%	12.3%	21.4%

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.



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