

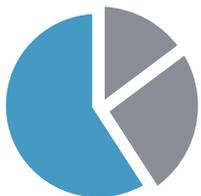
First Quarter Fiscal 2021 Earnings Presentation

February 18, 2021

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 second 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 recent rules and interpretations promulgated by the U.S. Department of Commerce expanding export license requirements for certain products sold to certain entities in China; 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-K 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

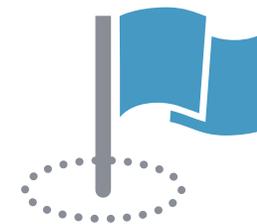


REPORTING SEGMENTS

Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



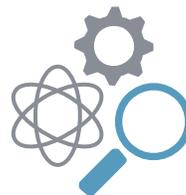
CURRENT FISCAL
YEAR ENDS
31 October 2021



FOUNDED
1967
FIRST PUBLIC
OFFERING
1974



\$18.2 billion
TTM REVENUE



\$2.3 billion
TTM R&D
INVESTMENTS



~24,200
employees
in **19*** countries



~14,300*
active patents



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

Q1 Fiscal 2021

Record quarterly revenue and non-GAAP earnings

Continued acceleration of demand for silicon across a wide range of markets and applications

Higher Y/Y revenue and operating margin in Semiconductor Systems, AGS and Display segments

2021 Outlook

Robust demand for semi equipment and services

Foundry-logic investment strong in leading-edge and specialty nodes

Memory: Spending increasing faster in DRAM than NAND

Continued strong Y/Y growth for parts and services

Longer Term

Multi-year growth drivers for semi firmly in place

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

In Display, demand for OLED expanding beyond smartphones into computing and TVs

STRONG MARKET AND BUSINESS OUTLOOK

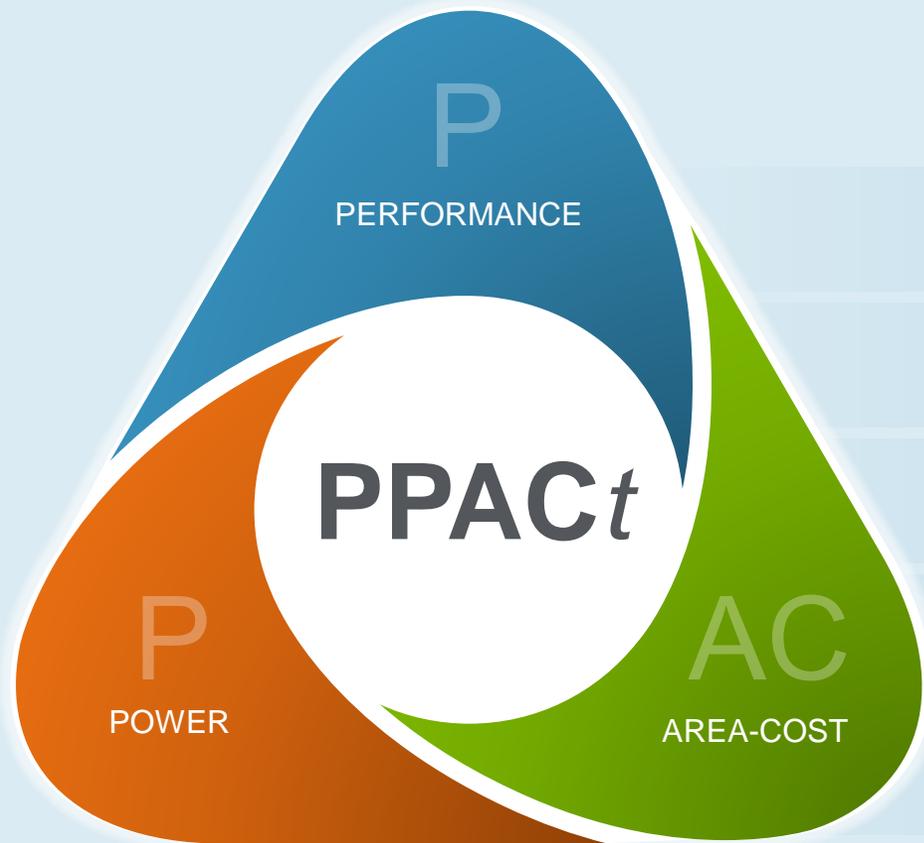
COVID-19 RESPONSE

GUIDING PRINCIPLES

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

Q1F21 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)

Q1F21 Non-GAAP Financial Results

\$M, except EPS	Q1F20	Q4F20	Q1F21	Y / Y	Q / Q
Revenue	4,162	4,688	5,162	24%	10%
Gross Margin*	44.9%	45.7%	45.9%	100bps	20bps
Operating Income*	1,068	1,325	1,496	428	171
EPS*	\$0.98	\$1.25	\$1.39	\$0.41	\$0.14
Operating Cash Flow	987	1,315	1,421	434	106
Free Cash Flow**	885	1,153	1,300	415	147

* 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

Q1F21 Segment Results

SEMICONDUCTOR SYSTEMS



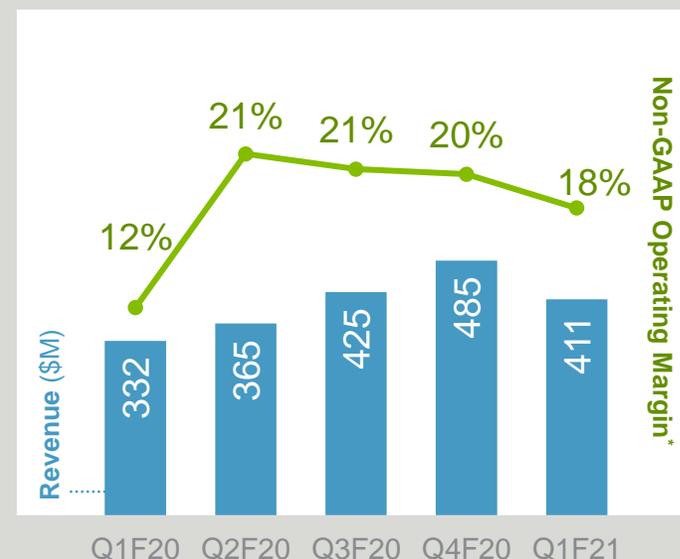
- Record revenue, +26% Y/Y
- Non-GAAP OM +320bps Y/Y
- New quarterly revenue records in etch, metal deposition and CMP

APPLIED GLOBAL SERVICES



- Record revenue, +16% Y/Y
- In last 5 years:
 - Services revenue grew 12% CAGR, twice the rate of installed base growth
 - Services and parts revenue from long-term agreements at >60%

DISPLAY & ADJACENT MARKETS



- Revenue +24% Y/Y
- Non-GAAP OM +590bps Y/Y
- OLED technology proliferating across smartphones, computers 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

Liquidity and Uses of Capital

CASH AND INVESTMENTS (\$M)	Q1F20	Q2F20	Q3F20	Q4F20	Q1F21
Cash and cash equivalents*	3,424	5,281	4,350	5,351	6,213
Short-term investments	536	423	406	387	410
Long-term investments	1,713	1,678	1,538	1,538	1,601
Total cash and investments	5,673	7,382	6,294	7,276	8,224
Short-term and long-term debt* Ratings (Moody's / S&P): A3 / A-	5,314	6,815	5,447	5,448	5,449
CAPITAL RETURNS (\$M)					
Share repurchases	(200)	(199)	(200)	(50)	—
Cash dividends	(192)	(193)	(202)	(200)	(201)

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

Business Outlook

SECOND QUARTER Fiscal 2021

OUTLOOK	Total Revenue	~\$5.39 billion ± \$200 million
	Non-GAAP EPS	~\$1.50 ± \$0.06
SEGMENT REVENUE	Semiconductor Systems	~\$3.85 billion
	Applied Global Services	~\$1.14 billion
	Display and Adjacent Markets	~\$370 million
OTHER	Non-GAAP Gross Margin	~47.0%
	Non-GAAP Operating Expenses	~\$890 million
	Non-GAAP Tax Rate	12% – 13%
	Weighted Average Share Count	~929 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 and severance 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

	Q1F20	Q2F20	Q3F20	Q4F20	Q1F21
Reported gross profit - GAAP basis	\$ 1,858	\$ 1,749	\$ 1,955	\$ 2,130	\$ 2,349
Certain items associated with acquisitions ¹	9	8	8	12	8
Certain incremental expenses related to COVID-19 ²	-	8	15	-	12
Non-GAAP adjusted gross profit	<u>\$ 1,867</u>	<u>\$ 1,765</u>	<u>\$ 1,978</u>	<u>\$ 2,142</u>	<u>\$ 2,369</u>
Non-GAAP adjusted gross margin	44.9%	44.6%	45.0%	45.7%	45.9%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 1,042	\$ 932	\$ 1,108	\$ 1,283	\$ 1,283
Certain items associated with acquisitions ¹	13	13	12	16	13
Acquisition integration and deal costs	13	21	20	26	24
Certain incremental expenses related to COVID-19 ²	-	10	20	-	24
Severance and related charges ³	-	-	-	-	152
Non-GAAP adjusted operating income	<u>\$ 1,068</u>	<u>\$ 976</u>	<u>\$ 1,160</u>	<u>\$ 1,325</u>	<u>\$ 1,496</u>
Non-GAAP adjusted operating margin	25.7%	24.7%	26.4%	28.3%	29.0%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 892	\$ 755	\$ 841	\$ 1,131	\$ 1,130
Certain items associated with acquisitions ¹	13	13	12	16	13
Acquisition integration and deal costs	13	21	20	26	24
Certain incremental expenses related to COVID-19 ²	-	10	20	-	24
Severance and related charges ³	-	-	-	-	152
Realized loss (gain) on strategic investments, net	2	5	(8)	-	(2)
Unrealized loss (gain) on strategic investments, net	2	2	(5)	(7)	(6)
Loss on early extinguishment of debt	-	-	33	-	-
Income tax effects related to intra-entity intangible asset transfers	21	16	67	10	20
Resolution of prior years' income tax filings and other tax items	(1)	(3)	(1)	(36)	(3)
Income tax effect of share-based compensation ⁴	(33)	8	12	13	(29)
Income tax effect of non-GAAP adjustments ⁵	(5)	(10)	(15)	(5)	(41)
Non-GAAP adjusted net income	<u>\$ 904</u>	<u>\$ 817</u>	<u>\$ 976</u>	<u>\$ 1,148</u>	<u>\$ 1,282</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$0.96	\$0.82	\$0.91	\$1.23	\$1.22
Certain items associated with acquisitions	0.01	0.01	0.01	0.02	0.01
Acquisition integration and deal costs	0.01	0.02	0.02	0.02	0.02
Certain incremental expenses related to COVID-19	-	0.01	0.02	-	0.02
Severance and related charges	-	-	-	-	0.13
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	0.03	0.02	0.07	0.01	0.02
Income tax effect of share-based compensation	(0.03)	0.01	0.01	0.02	(0.03)
Resolution of prior years' income tax filings and other tax items	-	(0.01)	-	(0.04)	-
Non-GAAP adjusted earnings per diluted share	<u>\$ 0.98</u>	<u>\$ 0.89</u>	<u>\$ 1.06</u>	<u>\$ 1.25</u>	<u>\$ 1.39</u>
Weighted average number of diluted shares	927	923	922	921	925

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. The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.
4. GAAP basis tax benefit related to share-based compensation is being recognized ratably over the fiscal year on a non-GAAP basis.
5. 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

	Q1F20	Q2F20	Q3F20	Q4F20	Q1F21
Reported operating income - GAAP basis	\$ 915	\$ 782	\$ 958	\$ 1,059	\$ 1,261
Certain items associated with acquisitions ¹	10	10	9	12	10
Acquisition integration costs	-	-	1	2	(2)
Certain incremental expenses related to COVID-19 ²	-	6	14	-	12
Non-GAAP adjusted operating income	<u>\$ 925</u>	<u>\$ 798</u>	<u>\$ 982</u>	<u>\$ 1,073</u>	<u>\$ 1,281</u>
Non-GAAP adjusted operating margin	32.9%	31.1%	33.7%	35.0%	36.1%

AGS Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 278	\$ 256	\$ 273	\$ 320	\$ 332
Certain incremental expenses related to COVID-19 ²	-	4	4	-	8
Non-GAAP adjusted operating income	<u>\$ 278</u>	<u>\$ 260</u>	<u>\$ 277</u>	<u>\$ 320</u>	<u>\$ 340</u>
Non-GAAP adjusted operating margin	27.9%	25.5%	26.8%	28.9%	29.4%

Display and Adjacent Markets Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 38	\$ 75	\$ 83	\$ 95	\$ 65
Certain items associated with acquisitions ¹	3	3	3	3	1
Certain incremental expenses related to COVID-19 ²	-	-	1	-	1
Severance and related charges ³	-	-	-	-	8
Non-GAAP adjusted operating income	<u>\$ 41</u>	<u>\$ 78</u>	<u>\$ 87</u>	<u>\$ 98</u>	<u>\$ 75</u>
Non-GAAP adjusted operating margin	12.3%	21.4%	20.5%	20.2%	18.2%

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.

3. The severance and related charges related to workforce reduction actions globally across the Display and Adjacent Markets business.

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