



Applied Materials Announces Fourth Quarter and Fiscal Year 2023 Results

November 16, 2023

- Quarterly revenue \$6.72 billion, flat year over year
- Quarterly GAAP EPS \$2.38 and non-GAAP EPS \$2.12, up 29 percent and 4 percent year over year, respectively
- Annual revenue \$26.52 billion, up 3 percent year over year
- Annual GAAP EPS \$8.11 and non-GAAP EPS \$8.05, up 9 percent and 5 percent year over year, respectively

SANTA CLARA, Calif., Nov. 16, 2023 (GLOBE NEWSWIRE) -- Applied Materials, Inc. (NASDAQ: AMAT) today reported results for its fourth quarter and fiscal year ended Oct. 29, 2023.

Fourth Quarter Results

Applied generated revenue of \$6.72 billion. On a GAAP basis, the company reported gross margin of 47.1 percent, operating income of \$1.97 billion or 29.3 percent of net sales, and record earnings per share (EPS) of \$2.38.

On a non-GAAP adjusted basis, the company reported gross margin of 47.3 percent, operating income of \$1.98 billion or 29.5 percent of net sales, and record EPS of \$2.12.

The company generated \$1.56 billion in cash from operations and distributed \$968 million to shareholders including \$700 million in share repurchases and \$268 million in dividends.

Full Year Results

In fiscal 2023, Applied generated record revenue of \$26.52 billion. On a GAAP basis, the company recorded gross margin of 46.7 percent, operating income of \$7.65 billion or 28.9 percent of net sales, and record EPS of \$8.11.

On a non-GAAP adjusted basis, the company reported gross margin of 46.8 percent, operating income of \$7.72 billion or 29.1 percent of net sales, and record EPS of \$8.05.

The company generated a record \$8.70 billion in cash from operations and distributed \$3.16 billion to shareholders including \$2.19 billion in share repurchases and \$975 million in dividends.

"Applied Materials delivered record revenue, earnings and cash flow in fiscal 2023 and is outgrowing the wafer fabrication equipment market for the fifth year in a row," said Gary Dickerson, President and CEO. "Applied's broad product portfolio, strong customer relationships and leadership at major technology inflections put us in a great position to profitably grow the company as powerful trends fuel the semiconductor industry's expansion in the years ahead."

Results Summary

| | Q4 FY2023 | Q4 FY2022 | FY2023 | FY2022 | Change | |
|--|-----------|-----------|-----------|-----------|-------------------------|-------------------|
| | | | | | Q4 FY2023 vs. Q4 FY2022 | FY2023 vs. FY2022 |
| <i>(In millions, except per share amounts and percentages)</i> | | | | | | |
| Net sales | \$ 6,723 | \$ 6,749 | \$ 26,517 | \$ 25,785 | —% | 3% |
| Gross margin | 47.1% | 45.9% | 46.7% | 46.5% | 1.2 points | 0.2 points |
| Operating margin | 29.3% | 29.5% | 28.9% | 30.2% | (0.2) points | (1.3) points |
| Net income | \$ 2,004 | \$ 1,591 | \$ 6,856 | \$ 6,525 | 26% | 5% |
| Diluted earnings per share | \$ 2.38 | \$ 1.85 | \$ 8.11 | \$ 7.44 | 29% | 9% |
| Non-GAAP Adjusted Results | | | | | | |
| Non-GAAP adjusted gross margin | 47.3% | 46.0% | 46.8% | 46.6% | 1.3 points | 0.2 points |
| Non-GAAP adjusted operating margin | 29.5% | 29.8% | 29.1% | 30.5% | (0.3) points | (1.4) points |
| Non-GAAP adjusted net income | \$ 1,786 | \$ 1,741 | \$ 6,802 | \$ 6,756 | 3% | 1% |
| Non-GAAP adjusted diluted EPS | \$ 2.12 | \$ 2.03 | \$ 8.05 | \$ 7.70 | 4% | 5% |
| Non-GAAP free cash flow | \$ 1,246 | \$ 634 | \$ 7,594 | \$ 4,612 | 97% | 65% |

A reconciliation of the GAAP and non-GAAP adjusted results is provided in the financial tables included in this release. See also "Use of Non-GAAP Adjusted Financial Measures" section.

Business Outlook

In the first quarter of fiscal 2024, Applied expects net sales to be approximately \$6.47 billion, plus or minus \$400 million. Non-GAAP adjusted diluted EPS is expected to be in the range of \$1.72 to \$2.08.

This outlook for non-GAAP adjusted diluted EPS excludes known charges related to completed acquisitions of \$0.01 per share and includes a net income tax benefit related to intra-entity intangible asset transfers of \$0.02 per share, but does not reflect any items that are unknown at this time, such as any additional charges related to acquisitions or other non-operational or unusual items, as well as other tax-related items, which we are not able to predict without unreasonable efforts due to their inherent uncertainty.

Fourth Quarter and Fiscal Year Reportable Segment Information

| Semiconductor Systems | Q4 FY2023 | Q4 FY2022 | FY2023 | FY2022 |
|------------------------------------|--|------------------|---------------|---------------|
| | <i>(In millions, except percentages)</i> | | | |
| Net sales | \$ 4,883 | \$ 5,038 | \$ 19,698 | \$ 18,797 |
| Foundry, logic and other | 69% | 71% | 77% | 66% |
| DRAM | 27% | 16% | 17% | 19% |
| Flash memory | 4% | 13% | 6% | 15% |
| Operating income | \$ 1,791 | \$ 1,849 | \$ 7,090 | \$ 6,969 |
| Operating margin | 36.7% | 36.7% | 36.0% | 37.1% |
| Non-GAAP Adjusted Results | | | | |
| Non-GAAP adjusted operating income | \$ 1,801 | \$ 1,858 | \$ 7,129 | \$ 7,000 |
| Non-GAAP adjusted operating margin | 36.9% | 36.9% | 36.2% | 37.2% |

| Applied Global Services | Q4 FY2023 | Q4 FY2022 | FY2023 | FY2022 |
|------------------------------------|--|------------------|---------------|---------------|
| | <i>(In millions, except percentages)</i> | | | |
| Net sales | \$ 1,471 | \$ 1,420 | \$ 5,732 | \$ 5,543 |
| Operating income | \$ 431 | \$ 402 | \$ 1,657 | \$ 1,661 |
| Operating margin | 29.3% | 28.3% | 28.9% | 30.0% |
| Non-GAAP Adjusted Results | | | | |
| Non-GAAP adjusted operating income | \$ 431 | \$ 402 | \$ 1,657 | \$ 1,661 |
| Non-GAAP adjusted operating margin | 29.3% | 28.3% | 28.9% | 30.0% |

| Display and Adjacent Markets | Q4 FY2023 | Q4 FY2022 | FY2023 | FY2022 |
|-------------------------------------|--|------------------|---------------|---------------|
| | <i>(In millions, except percentages)</i> | | | |
| Net sales | \$ 298 | \$ 251 | \$ 868 | \$ 1,331 |
| Operating income | \$ 67 | \$ 34 | \$ 133 | \$ 260 |
| Operating margin | 22.5% | 13.5% | 15.3% | 19.5% |
| Non-GAAP Adjusted Results | | | | |
| Non-GAAP adjusted operating income | \$ 67 | \$ 34 | \$ 133 | \$ 263 |
| Non-GAAP adjusted operating margin | 22.5% | 13.5% | 15.3% | 19.8% |

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; impairments of assets; gain or loss, dividends and impairments on 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. 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.

Webcast Information

Applied Materials will discuss these results during an earnings call that begins at 1:30 p.m. Pacific Time today. A live webcast and related slide presentation will be available at www.appliedmaterials.com. A replay will be available on the website beginning at 5:00 p.m. Pacific Time today.

Forward-Looking Statement

This press release 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 2024 and beyond, 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, our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; global economic, political and industry conditions, including rising inflation and interest rates; the implementation and interpretation of new export regulations and license requirements, and their impact on our ability to export products and provide services to customers and on our results of operations; global trade issues and changes in trade and export license policies; our ability to obtain licenses or authorizations on a timely basis, if at all; 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; 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 effects of geopolitical turmoil or conflicts, and of regional or global health epidemics; acquisitions, investments and divestitures; changes in income tax laws; 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; our ability to ensure compliance with applicable law, rules and regulations 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.

About Applied Materials

Applied Materials, Inc. (Nasdaq: AMAT) is the leader in materials engineering solutions used to produce virtually every new chip and advanced display in the world. Our expertise in modifying materials at atomic levels and on an industrial scale enables customers to transform possibilities into reality. At Applied Materials, our innovations make possible a better future. Learn more at www.appliedmaterials.com.

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APPLIED MATERIALS, INC. UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

| | Three Months Ended | | Twelve Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2023 | October 30, 2022 | October 29, 2023 | October 30, 2022 |
| <i>(In millions, except per share amounts)</i> | | | | |
| Net sales | \$ 6,723 | \$ 6,749 | \$ 26,517 | \$ 25,785 |
| Cost of products sold | 3,554 | 3,648 | 14,133 | 13,792 |
| Gross profit | 3,169 | 3,101 | 12,384 | 11,993 |
| Operating expenses: | | | | |
| Research, development and engineering | 789 | 726 | 3,102 | 2,771 |
| Marketing and selling | 192 | 183 | 776 | 703 |
| General and administrative | 217 | 198 | 852 | 735 |
| Severance and related charges | — | — | — | (4) |
| Total operating expenses | 1,198 | 1,107 | 4,730 | 4,205 |
| Income from operations | 1,971 | 1,994 | 7,654 | 7,788 |
| Interest expense | 58 | 57 | 238 | 228 |
| Interest and other income (expense), net | 259 | 12 | 300 | 39 |
| Income before income taxes | 2,172 | 1,949 | 7,716 | 7,599 |
| Provision for income taxes | 168 | 358 | 860 | 1,074 |
| Net income | <u>\$ 2,004</u> | <u>\$ 1,591</u> | <u>\$ 6,856</u> | <u>\$ 6,525</u> |
| Earnings per share: | | | | |
| Basic | \$ 2.40 | \$ 1.86 | \$ 8.16 | \$ 7.49 |
| Diluted | \$ 2.38 | \$ 1.85 | \$ 8.11 | \$ 7.44 |
| Weighted average number of shares: | | | | |
| Basic | 836 | 854 | 840 | 871 |
| Diluted | 842 | 859 | 845 | 877 |

| <i>(In millions)</i> | October 29, 2023 | October 30, 2022 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,132 | \$ 1,995 |
| Short-term investments | 737 | 586 |
| Accounts receivable, net | 5,165 | 6,068 |
| Inventories | 5,725 | 5,932 |
| Other current assets | 1,388 | 1,344 |
| Total current assets | 19,147 | 15,925 |
| Long-term investments | 2,281 | 1,980 |
| Property, plant and equipment, net | 2,723 | 2,307 |
| Goodwill | 3,732 | 3,700 |
| Purchased technology and other intangible assets, net | 294 | 339 |
| Deferred income taxes and other assets | 2,552 | 2,475 |
| Total assets | \$ 30,729 | \$ 26,726 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$ 100 | \$ — |
| Accounts payable and accrued expenses | 4,297 | 4,237 |
| Contract liabilities | 2,975 | 3,142 |
| Total current liabilities | 7,372 | 7,379 |
| Long-term debt | 5,461 | 5,457 |
| Income taxes payable | 833 | 964 |
| Other liabilities | 714 | 732 |
| Total liabilities | 14,380 | 14,532 |
| Total stockholders' equity | 16,349 | 12,194 |
| Total liabilities and stockholders' equity | \$ 30,729 | \$ 26,726 |

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

| <i>(In millions)</i> | Three Months Ended | | Twelve Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2023 | October 30, 2022 | October 29, 2023 | October 30, 2022 |
| Cash flows from operating activities: | | | | |
| Net income | \$ 2,004 | \$ 1,591 | \$ 6,856 | \$ 6,525 |
| Adjustments required to reconcile net income to cash provided by operating activities: | | | | |
| Depreciation and amortization | 130 | 123 | 515 | 444 |
| Severance and related charges | — | — | — | (4) |
| Share-based compensation | 115 | 99 | 490 | 413 |
| Deferred income taxes | 198 | (14) | 24 | (223) |
| Other | (149) | 22 | 40 | 36 |
| Net change in operating assets and liabilities | (743) | (964) | 775 | (1,792) |
| Cash provided by operating activities | 1,555 | 857 | 8,700 | 5,399 |
| Cash flows from investing activities: | | | | |
| Capital expenditures | (309) | (223) | (1,106) | (787) |
| Cash paid for acquisitions, net of cash acquired | — | — | (25) | (441) |
| Proceeds from sales and maturities of investments | 297 | 350 | 1,268 | 1,363 |
| Purchases of investments | (477) | (317) | (1,672) | (1,492) |
| Cash used in investing activities | (489) | (190) | (1,535) | (1,357) |
| Cash flows from financing activities: | | | | |
| Proceeds from commercial paper | 99 | — | 991 | — |
| Repayments of commercial paper | (200) | — | (900) | — |
| Proceeds from common stock issuances | 116 | 103 | 227 | 199 |
| Common stock repurchases | (700) | (1,500) | (2,189) | (6,103) |
| Tax withholding payments for vested equity awards | (14) | (7) | (179) | (266) |

| | | | | |
|---|----------|----------|----------|----------|
| Payments of dividends to stockholders | (268) | (223) | (975) | (873) |
| Repayments of principal on finance leases | 1 | — | (7) | — |
| Cash used in financing activities | (966) | (1,627) | (3,032) | (7,043) |
| Increase (decrease) in cash, cash equivalents and restricted cash equivalents | 100 | (960) | 4,133 | (3,001) |
| Cash, cash equivalents and restricted cash equivalents—beginning of period | 6,133 | 3,060 | 2,100 | 5,101 |
| Cash, cash equivalents and restricted cash equivalents — end of period | \$ 6,233 | \$ 2,100 | \$ 6,233 | \$ 2,100 |

| | | | | |
|--|----------|----------|----------|----------|
| Reconciliation of cash, cash equivalents, and restricted cash equivalents | | | | |
| Cash and cash equivalents | \$ 6,132 | \$ 1,995 | \$ 6,132 | \$ 1,995 |
| Restricted cash equivalents included in deferred income taxes and other assets | 101 | 105 | 101 | 105 |
| Total cash, cash equivalents, and restricted cash equivalents | \$ 6,233 | \$ 2,100 | \$ 6,233 | \$ 2,100 |

Supplemental cash flow information:

| | | | | |
|--------------------------------|--------|--------|----------|----------|
| Cash payments for income taxes | \$ 588 | \$ 246 | \$ 1,006 | \$ 1,869 |
| Cash refunds from income taxes | \$ 2 | \$ 23 | \$ 53 | \$ 156 |
| Cash payments for interest | \$ 68 | \$ 68 | \$ 205 | \$ 205 |

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Corporate and Other

(In millions)

| | Q4 FY2023 | Q4 FY2022 | FY2023 | FY2022 |
|--|-----------|-----------|------------|------------|
| Unallocated net sales | \$ 71 | \$ 40 | \$ 219 | \$ 114 |
| Unallocated cost of products sold and expenses | (274) | (232) | (955) | (807) |
| Share-based compensation | (115) | (99) | (490) | (413) |
| Severance and related charges | — | — | — | 4 |
| Total | \$ (318) | \$ (291) | \$ (1,226) | \$ (1,102) |

Additional Information

| | Q4 FY2023 | Q4 FY2022 | FY2023 | FY2022 |
|--------------------------------------|-----------|-----------|----------|----------|
| Net Sales by Geography (In millions) | | | | |
| United States | \$ 803 | \$ 830 | \$ 4,006 | \$ 3,104 |
| % of Total | 12% | 12% | 15% | 12% |
| Europe | \$ 441 | \$ 375 | \$ 2,152 | \$ 1,674 |
| % of Total | 7% | 5% | 8% | 7% |
| Japan | \$ 681 | \$ 606 | \$ 2,075 | \$ 2,012 |
| % of Total | 10% | 9% | 8% | 8% |
| Korea | \$ 745 | \$ 1,082 | \$ 4,609 | \$ 4,395 |
| % of Total | 11% | 16% | 18% | 17% |
| Taiwan | \$ 922 | \$ 2,068 | \$ 5,670 | \$ 6,262 |
| % of Total | 14% | 31% | 21% | 24% |
| Southeast Asia | \$ 168 | \$ 451 | \$ 758 | \$ 1,084 |
| % of Total | 2% | 7% | 3% | 4% |
| China | \$ 2,963 | \$ 1,337 | \$ 7,247 | \$ 7,254 |
| % of Total | 44% | 20% | 27% | 28% |

Employees (In thousands)

| | | |
|-------------------|------|------|
| Regular Full Time | 34.3 | 33.3 |
|-------------------|------|------|

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

| | Three Months Ended | | Twelve Months Ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2023 | October 30, 2022 | October 29, 2023 | October 30, 2022 |
| <i>(In millions, except percentages)</i> | | | | |
| Non-GAAP Adjusted Gross Profit | | | | |
| Reported gross profit - GAAP basis | \$ 3,169 | \$ 3,101 | \$ 12,384 | \$ 11,993 |
| Certain items associated with acquisitions ¹ | 8 | 6 | 29 | 26 |
| Non-GAAP adjusted gross profit | \$ 3,177 | \$ 3,107 | \$ 12,413 | \$ 12,019 |
| Non-GAAP adjusted gross margin | 47.3% | 46.0% | 46.8% | 46.6% |
| Non-GAAP Adjusted Operating Income | | | | |
| Reported operating income - GAAP basis | \$ 1,971 | \$ 1,994 | \$ 7,654 | \$ 7,788 |
| Certain items associated with acquisitions ¹ | 11 | 10 | 43 | 39 |
| Acquisition integration and deal costs | 2 | 6 | 22 | 38 |
| Severance and related charges ² | — | — | — | (4) |
| Non-GAAP adjusted operating income | \$ 1,984 | \$ 2,010 | \$ 7,719 | \$ 7,861 |
| Non-GAAP adjusted operating margin | 29.5% | 29.8% | 29.1% | 30.5% |
| Non-GAAP Adjusted Net Income | | | | |
| Reported net income - GAAP basis | \$ 2,004 | \$ 1,591 | \$ 6,856 | \$ 6,525 |
| Certain items associated with acquisitions ¹ | 11 | 10 | 43 | 39 |
| Acquisition integration and deal costs | 2 | 6 | 22 | 34 |
| Severance and related charges ² | — | — | — | (4) |
| Realized loss (gain), dividends and impairments on strategic investments, net | (2) | (2) | 107 | (3) |
| Unrealized loss (gain) on strategic investments, net | (147) | 11 | (134) | (4) |
| Earn-out | (15) | — | (15) | — |
| Income tax effect of share-based compensation ³ | 6 | 22 | — | — |
| Income tax effects related to intra-entity intangible asset transfers | (65) | 132 | (40) | 252 |
| Resolution of prior years' income tax filings and other tax items | (9) | (26) | (31) | (80) |
| Income tax effect of non-GAAP adjustments ⁴ | 1 | (3) | (6) | (3) |
| Non-GAAP adjusted net income | \$ 1,786 | \$ 1,741 | \$ 6,802 | \$ 6,756 |

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.
- 3 GAAP basis tax benefit related to share-based compensation is 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.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

| | Three Months Ended | | Twelve Months Ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2023 | October 30, 2022 | October 29, 2023 | October 30, 2022 |
| <i>(In millions, except per share amounts)</i> | | | | |
| Non-GAAP Adjusted Earnings Per Diluted Share | | | | |
| Reported earnings per diluted share - GAAP basis | \$ 2.38 | \$ 1.85 | \$ 8.11 | \$ 7.44 |
| Certain items associated with acquisitions | 0.01 | 0.01 | 0.05 | 0.04 |
| Acquisition integration and deal costs | — | 0.01 | 0.02 | 0.03 |
| Realized loss (gain), dividends and impairments on strategic investments, net | — | — | 0.13 | — |
| Unrealized loss (gain) on strategic investments, net | (0.18) | 0.01 | (0.16) | (0.01) |
| Earn-out | (0.01) | — | (0.01) | — |
| Income tax effect of share-based compensation | 0.01 | 0.03 | — | — |
| Income tax effects related to intra-entity intangible asset transfers | (0.08) | 0.15 | (0.05) | 0.29 |
| Resolution of prior years' income tax filings and other tax items | (0.01) | (0.03) | (0.04) | (0.09) |
| Non-GAAP adjusted earnings per diluted share | \$ 2.12 | \$ 2.03 | \$ 8.05 | \$ 7.70 |
| Weighted average number of diluted shares | 842 | 859 | 845 | 877 |

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

| | Three Months Ended | | Twelve Months Ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2023 | October 30, 2022 | October 29, 2023 | October 30, 2022 |
| <i>(In millions, except percentages)</i> | | | | |
| Semiconductor Systems Non-GAAP Adjusted Operating Income | | | | |
| Reported operating income - GAAP basis | \$ 1,791 | \$ 1,849 | \$ 7,090 | \$ 6,969 |
| Certain items associated with acquisitions ¹ | 10 | 9 | 39 | 31 |
| Non-GAAP adjusted operating income | \$ 1,801 | \$ 1,858 | \$ 7,129 | \$ 7,000 |
| Non-GAAP adjusted operating margin | 36.9% | 36.9% | 36.2% | 37.2% |
| AGS Non-GAAP Adjusted Operating Income | | | | |
| Reported operating income - GAAP basis | \$ 431 | \$ 402 | \$ 1,657 | \$ 1,661 |
| Non-GAAP adjusted operating income | \$ 431 | \$ 402 | \$ 1,657 | \$ 1,661 |
| Non-GAAP adjusted operating margin | 29.3% | 28.3% | 28.9% | 30.0% |
| Display and Adjacent Markets Non-GAAP Adjusted Operating Income | | | | |
| Reported operating income - GAAP basis | \$ 67 | \$ 34 | \$ 133 | \$ 260 |
| Certain items associated with acquisitions ¹ | — | — | — | 3 |
| Non-GAAP adjusted operating income | \$ 67 | \$ 34 | \$ 133 | \$ 263 |
| Non-GAAP adjusted operating margin | 22.5% | 13.5% | 15.3% | 19.8% |

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

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, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED EFFECTIVE INCOME TAX RATE

| | Three Months Ended October 29, 2023 |
|---|--|
| <i>(In millions, except percentages)</i> | |
| Provision for income taxes - GAAP basis (a) | \$ 168 |
| Income tax effect of share-based compensation | (6) |
| Income tax effects related to intra-entity intangible asset transfers | 65 |
| Resolutions of prior years' income tax filings and other tax items | 9 |
| Income tax effect of non-GAAP adjustments | (1) |
| Non-GAAP adjusted provision for income taxes (b) | \$ 235 |
| Income before income taxes - GAAP basis (c) | \$ 2,172 |
| Certain items associated with acquisitions | 11 |
| Acquisition integration and deal costs | 2 |
| Realized loss (gain), dividends and impairments on strategic investments, net | (2) |
| Unrealized loss (gain) on strategic investments, net | (147) |
| Earn-out | (15) |
| Non-GAAP adjusted income before income taxes (d) | \$ 2,021 |
| Effective income tax rate - GAAP basis (a/c) | 7.7% |
| Non-GAAP adjusted effective income tax rate (b/d) | 11.6% |

UNAUDITED RECONCILIATION OF NON-GAAP FREE CASH FLOW

| | Three Months Ended | | Twelve Months Ended | |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2023 | October 30, 2022 | October 29, 2023 | October 30, 2022 |
| <i>(In millions)</i> | | | | |

| | | | | | | | | |
|---------------------------------------|----|-------|----|-------|----|---------|----|-------|
| Cash provided by operating activities | \$ | 1,555 | \$ | 857 | \$ | 8,700 | \$ | 5,399 |
| Capital expenditures | | (309) | | (223) | | (1,106) | | (787) |
| Non-GAAP free cash flow | \$ | 1,246 | \$ | 634 | \$ | 7,594 | \$ | 4,612 |



Source: Applied Materials, Inc.