



First Quarter Fiscal 2024 Earnings Presentation

February 15, 2024

Applied Materials External



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 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-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.



UPCOMING Events

FEBRUARY 26

Applied Materials Panel
SPIE Advanced Lithography + Patterning Conference

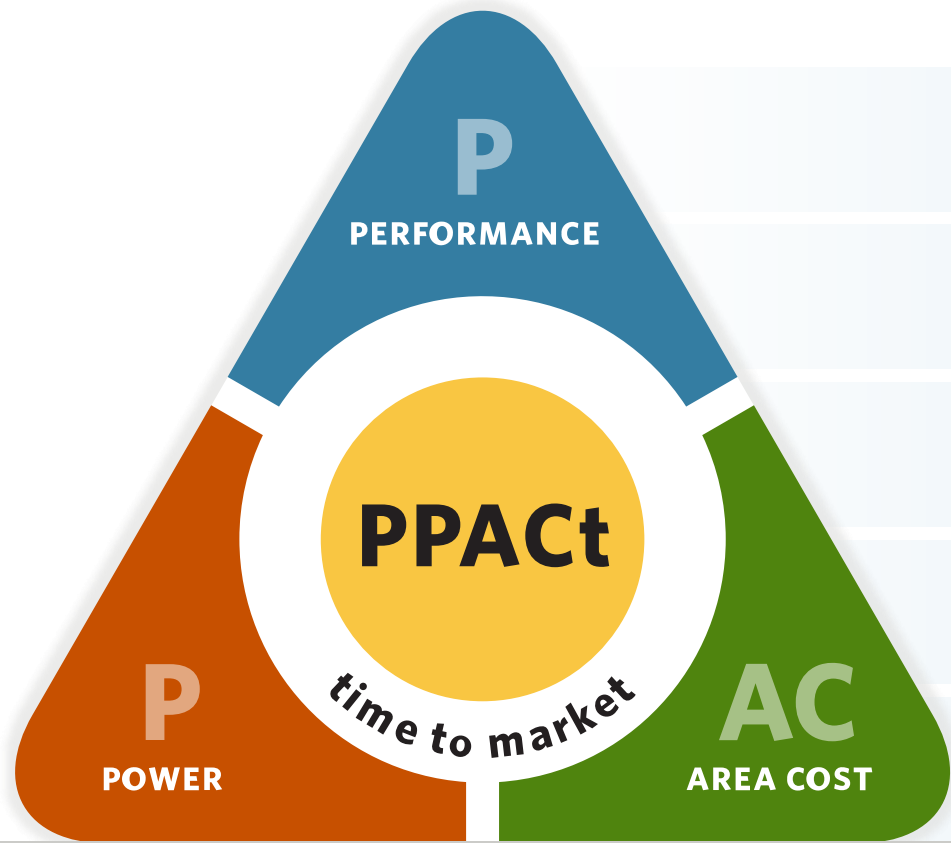
MARCH 4

Morgan Stanley Technology, Media & Telecom Conference

Gary Dickerson

President and Chief Executive Officer





ENABLED BY

KEY INFLECTIONS

New architectures

- New ASICs and accelerators
- High-performance compute memory
- Specialty, CIS, power

New structures / 3D

- GAA transistors
- Backside power delivery
- 3D NAND, 3D DRAM

New materials

- Transistor Gate
- Transistor Contact
- Interconnect Wiring

New ways to shrink

- EUV enablement
- Materials-enabled patterning
- 3D patterning control

Advanced packaging

- High-bandwidth memory
- Silicon interposer
- TSV, μbump, hybrid bonding

COVERING TODAY

Inflection-focused innovation strategy is delivering results
Outperformed our markets for five consecutive years

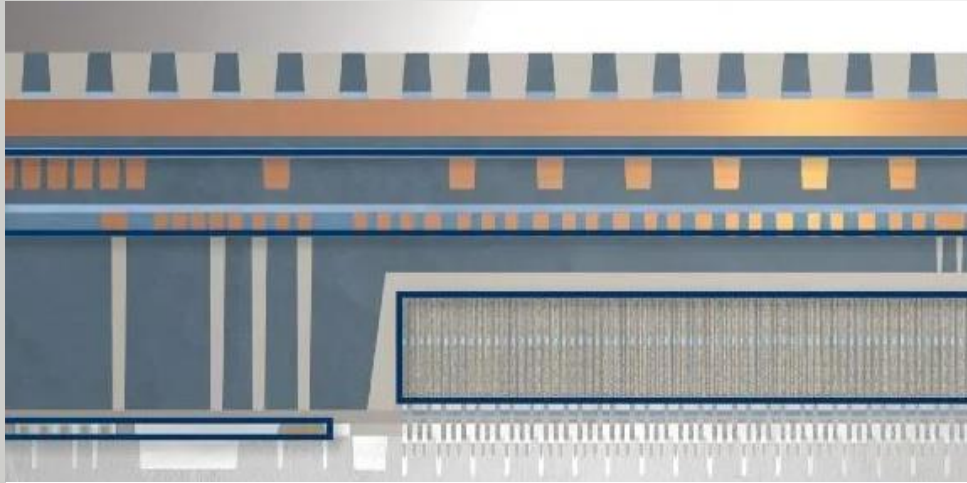
SEMICONDUCTOR MARKET OUTLOOK

- » Overall dynamics improving
- » Re-acceleration of capital investments by cloud companies
- » Increasing fab utilization across all device types
- » Normalization of memory inventory levels



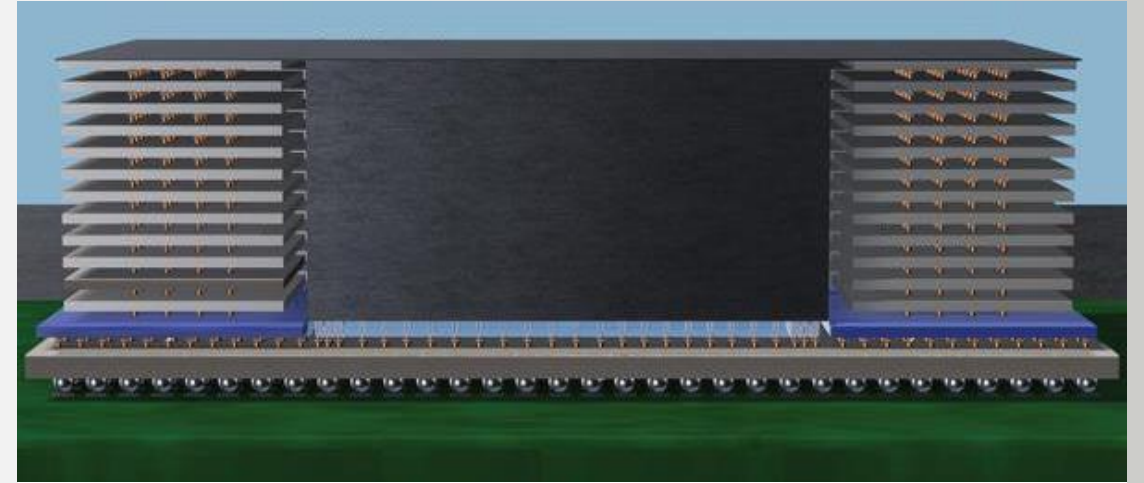
APPLIED 2024 OUTLOOK

- » Leading-edge foundry/logic stronger
- » ICAPS slightly lower
- » NAND up, <10% of WFE
- » DRAM strong, high-bandwidth memory growing



DRAM Leadership

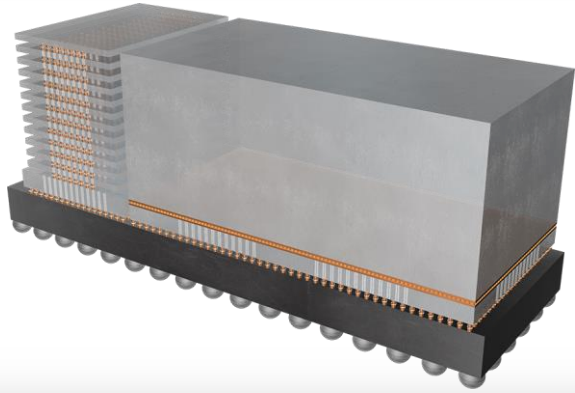
- #1 in DRAM process equipment
- Increased share >10pts in 10 years
- Positioned for future growth:
 - » DRAM adopting our logic technologies
 - » ~40% SAM share in DRAM patterning
 - » Co-optimized hardmask solutions



High-Bandwidth Memory Leadership

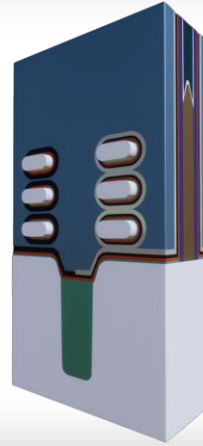
- #1 in HBM process equipment
- Our HBM packaging revenue to grow ~4X in FY24
- Positive market fundamentals
 - » HBM output to grow at 50% CAGR
 - » Larger dies require 2X fab capacity

Growing in Key Inflections



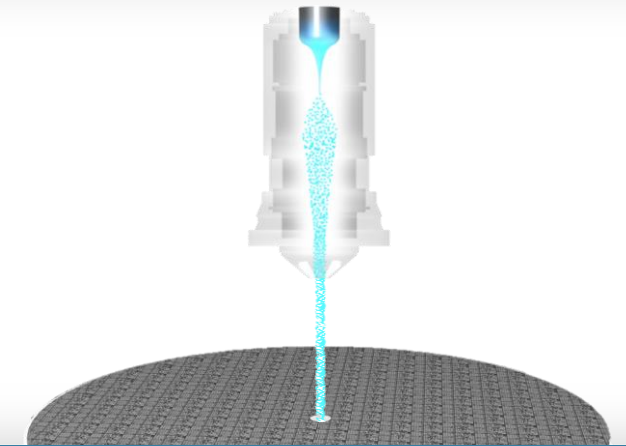
ADVANCED PACKAGING

- » Industry's broadest advanced packaging portfolio
- » Expect to grow to ~\$1.5B in FY24 with opportunity to double over next several years



GATE ALL AROUND

- » Grows Applied's available market by \$1B for every 100K wafer starts per month
- » On track to gain share and capture >50% of process equipment sales



eBEAM METROLOGY

- » Developed industry-leading Cold Field Emission (CFE) eBeam technology
- » CFE systems revenue expected to grow 4X in CY24 to ~50% of total eBeam sales

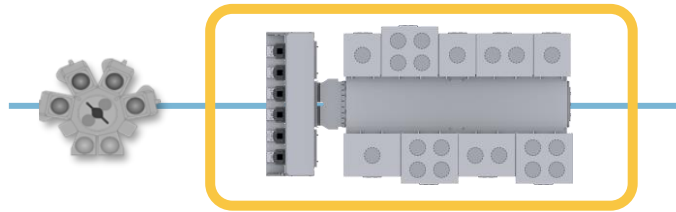
Growing Technology Complexity Increases Our Opportunity



INCREASING CO-OPTIMIZED AND IMS SOLUTIONS

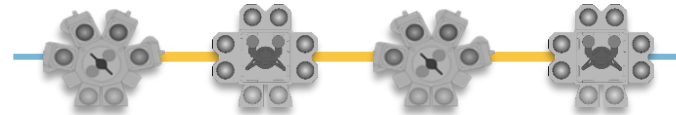
IMS™

>30% of FY23 Semi Systems revenue



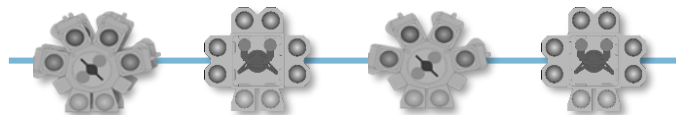
Multiple processes in one system, under vacuum

Co-optimized



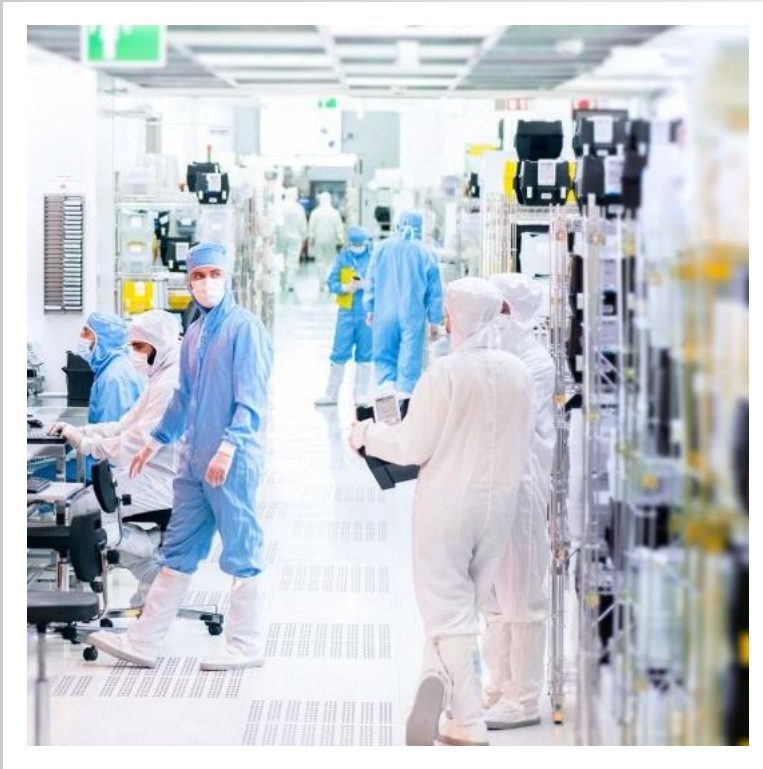
Adjacent processes

Unit Process



Single process

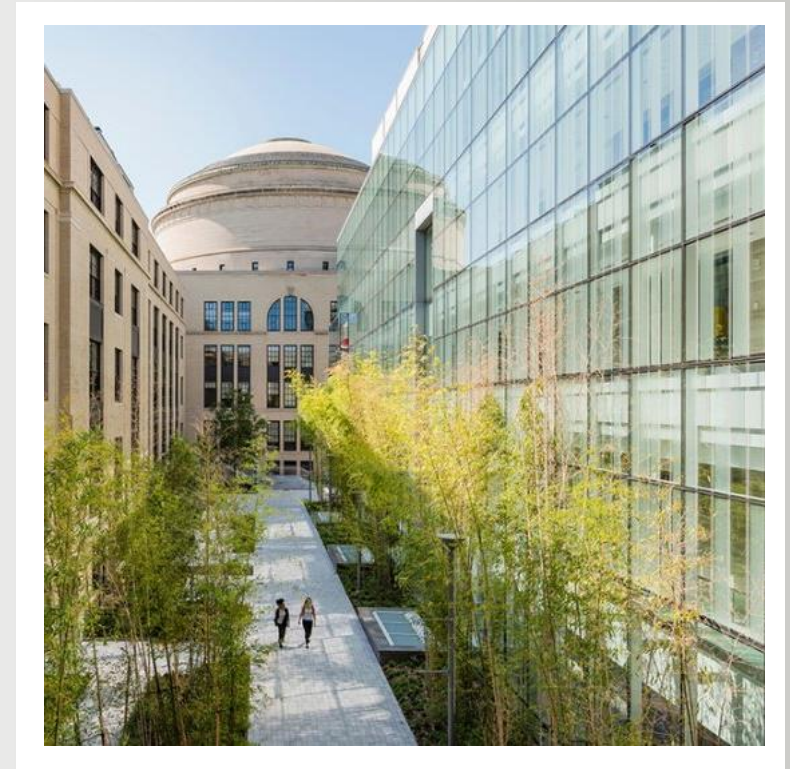
Expanding Our Innovation Network With R&D Collaboration



Expanding our long-term partnership with CEA-Leti focused on ICAPS innovation



New platform to accelerate innovation and commercialization of leading-edge technologies



Announced new collaboration with MIT centered around power electronics



APPLIED GLOBAL SERVICES

- Record revenue in Q1'24, 18 consecutive quarters of YoY growth
- >49k tools, ~200k chambers in installed base
- ~2/3 recurring revenue generated from subscriptions
 - » ~17k tools under service agreements, up 8% YoY
 - » >90% renewal rate

Enables customers to accelerate R&D and transfer technology into high-volume manufacturing faster

CEO SUMMARY

- Delivered strong results in Q1'24
- Outperformed markets in 2023 for fifth consecutive year
- Leadership positions at key industry inflections support continued outperformance
- Strengthening R&D collaboration to drive innovation and commercialization velocity
- Growing demand for our advanced services to manage increasing complexity

Brice Hill

SVP, Chief Financial Officer



Creating Value for Shareholders

STRATEGY

- » Harness industry's broadest and deepest process equipment portfolio and expertise
- » Invest ~\$3 billion in annual R&D in close collaboration with customers
- » Co-optimize and integrate technologies to solve most critical challenges
- » Innovate and collaborate to increase speed, probability of success, efficiency and financial returns



RECENT RESULTS

- » Record equipment sales: ~\$20.7B in CY23
- » Record DRAM sales: >\$4.3B in CY23
- » Gained >10pts of DRAM share and multiple pts of overall share in past 10 years
- » Delivered fifth straight year of WFE share gains

COMPOUND ANNUAL GROWTH RATE OVER 10 FISCAL YEARS

>13%

REVENUE

~30%

NON-GAAP EPS*

33%

FREE CASH FLOW**

~12%

DIVIDENDS / SHARE

**Over past 10 fiscal years, increased ROIC from 8% to 35%
and reduced net shares outstanding by over 30%**

*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

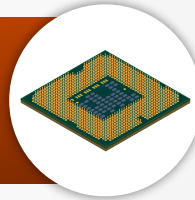
**Free cash flow = net cash provided by operating activities – capital expenditures

Growth Thesis

Global GDP



Semiconductors



Wafer Fab Equipment



Applied Semi Systems



Applied Global Services



1. **Semiconductors** significantly outgrow GDP
2. **Fab equipment** grows as fast or faster than semiconductors
3. **Applied Semi Systems** outgrows fab equipment market
4. **Applied Global Services** grows as fast or faster than Semi Systems

Applied Technologies Enable Growth in Artificial Intelligence, Internet of Things and Global Energy Transformation



DATA CENTER AI



EDGE AI AND
INTERNET OF THINGS



ELECTRIC VEHICLES



GLOBAL ENERGY
TRANSFORMATION

Process equipment leadership

- #1 in advanced foundry/logic
- #1 in compute memory
 - » Standard DRAM and HBM
- #1 in ICAPS

Positioned to continue to outperform

- Line of sight to 50%+ share:
 - » GAA, backside power delivery, advanced packaging
- New ICAPS products for global energy transformation
- New collaborations: CEA-Leti and MIT

Source: TechInsights and Applied Materials estimates. Materials engineering market segment share excludes lithography and track.

ICAPS = IoT, Communications, Automotive, Power, Sensors; includes 10nm and above nodes

GAA = Gate All Around

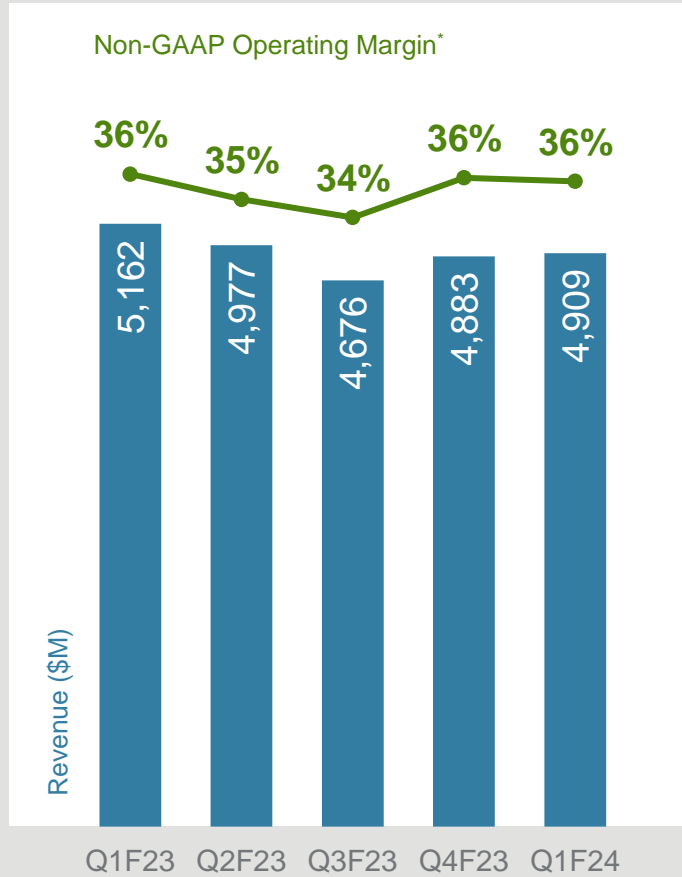
Q1F24 Non-GAAP Financial Results

\$M, except EPS	Q1F23	Q4F23	Q1F24	YoY	QoQ
	Revenue	6,739	6,723	6,707	-
Gross Margin*	46.8%	47.3%	47.9%	110bps	60bps
Operating Expenses*	1,165	1,193	1,230	6%	3%
Operating Income*	1,987	1,984	1,981	-	-
Operating Margin*	29.5%	29.5%	29.5%	-	-
EPS*	\$2.03	\$2.12	\$2.13	5%	-

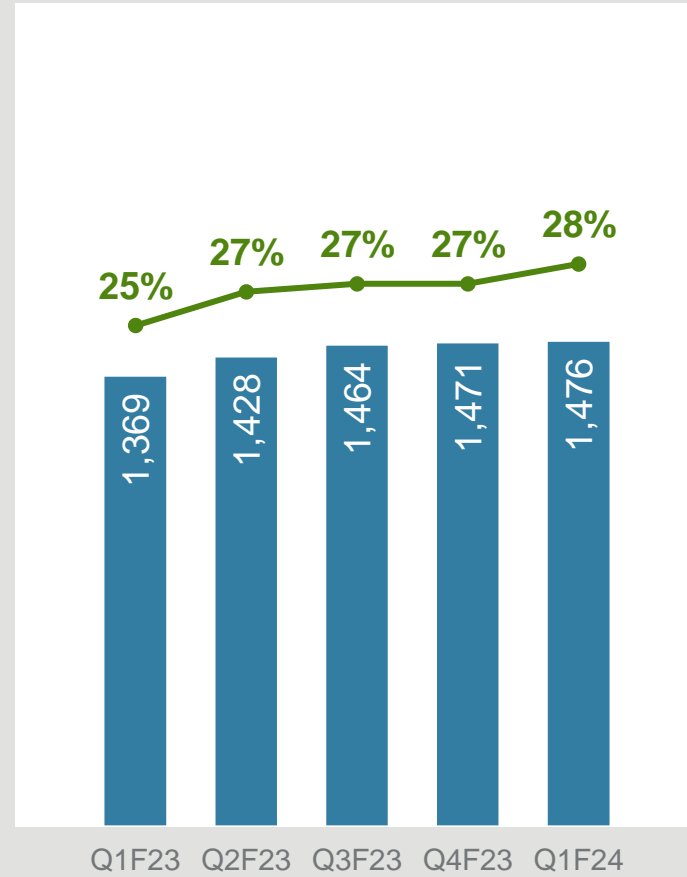
* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com
The recently disclosed change in useful lives of certain property, plant and equipment increased GAAP and non-GAAP EPS by \$0.03

Q1F24 Segment Results

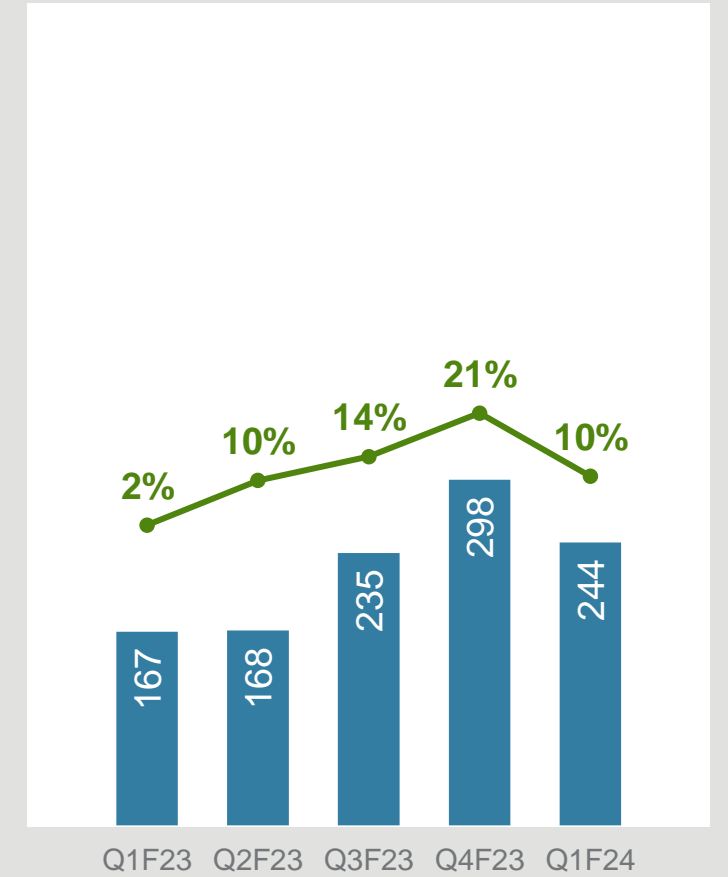
SEMICONDUCTOR SYSTEMS



APPLIED GLOBAL SERVICES



DISPLAY & ADJACENT MARKETS



* 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
 Effective in the first quarter of fiscal 2024, management began including share-based compensation expense in the evaluation of reportable segments' performance. Prior-year numbers have been recast to conform to the current-year presentation

Cash Flows and Shareholder Distributions

CASH FLOWS (\$M)	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
Operating Cash Flow	2,270	2,292	2,583	1,555	2,325
Free Cash Flow*	1,983	2,037	2,328	1,246	2,096
SHAREHOLDER DISTRIBUTIONS (\$M)					
Total Shareholder Distributions	(470)	(1,019)	(707)	(968)	(966)
Share Repurchases	(250)	(800)	(439)	(700)	(700)
Dividends	(220)	(219)	(268)	(268)	(266)

Committed to Distribute 80-100% of FCF to Shareholders over Time

*Free cash flow = net cash provided by operating activities – capital expenditures

Business Outlook

Second QUARTER FISCAL 2024

OUTLOOK	Total Revenue	~\$6.50B ± \$400M
	Non-GAAP EPS	~\$1.97 ± \$0.18
SEGMENT REVENUE	Semiconductor Systems	~\$4.80B
	Applied Global Services	~\$1.50B
	Display and Adjacent Markets	~\$150M
OTHER	Non-GAAP Gross Margin	~47.3%
	Non-GAAP Operating Expenses	~\$1,235M
	Non-GAAP Tax Rate	~12.5%

Q&A

SEGMENT FINANCIAL TABLE

IN MILLIONS, EXCEPT PERCENTAGES	RECAST					PREVIOUSLY REPORTED				
	FY22	Q1F23	Q2F23	Q3F23	Q4F23	FY22	Q1F23	Q2F23	Q3F23	Q4F23
SEMICONDUCTOR SYSTEMS										
Net revenue	\$ 18,797	\$ 5,162	\$ 4,977	\$ 4,676	\$ 4,883	\$ 18,797	\$ 5,162	\$ 4,977	\$ 4,676	\$ 4,883
Operating income	\$ 6,790	\$ 1,855	\$ 1,715	\$ 1,568	\$ 1,741	\$ 6,969	\$ 1,917	\$ 1,764	\$ 1,618	\$ 1,791
Operating margin	36.1%	35.9%	34.5%	33.5%	35.7%	37.1%	37.1%	35.4%	34.6%	36.7%
Non-GAAP results										
Non-GAAP operating income	\$ 6,821	\$ 1,864	\$ 1,725	\$ 1,578	\$ 1,751	\$ 7,000	\$ 1,926	\$ 1,774	\$ 1,628	\$ 1,801
Non-GAAP operating margin	36.3%	36.1%	34.7%	33.7%	35.9%	37.2%	37.3%	35.6%	34.8%	36.9%
APPLIED GLOBAL SERVICES										
Net revenue	\$ 5,543	\$ 1,369	\$ 1,428	\$ 1,464	\$ 1,471	\$ 5,543	\$ 1,369	\$ 1,428	\$ 1,464	\$ 1,471
Operating income	\$ 1,555	\$ 345	\$ 384	\$ 399	\$ 401	\$ 1,661	\$ 383	\$ 414	\$ 429	\$ 431
Operating margin	28.1%	25.2%	26.9%	27.3%	27.3%	30.0%	28.0%	29.0%	29.3%	29.3%
Non-GAAP results										
Non-GAAP operating income	\$ 1,555	\$ 345	\$ 384	\$ 399	\$ 401	\$ 1,661	\$ 383	\$ 414	\$ 429	\$ 431
Non-GAAP operating margin	28.1%	25.2%	26.9%	27.3%	27.3%	30.0%	28.0%	29.0%	29.3%	29.3%
DISPLAY AND ADJACENT MARKETS										
Net revenue	\$ 1,331	\$ 167	\$ 168	\$ 235	\$ 298	\$ 1,331	\$ 167	\$ 168	\$ 235	\$ 298
Operating income	\$ 243	\$ 3	\$ 16	\$ 32	\$ 63	\$ 260	\$ 8	\$ 21	\$ 37	\$ 67
Operating margin	18.3%	1.8%	9.5%	13.6%	21.1%	19.5%	4.8%	12.5%	15.7%	22.5%
Non-GAAP results										
Non-GAAP operating income	\$ 246	\$ 3	\$ 16	\$ 32	\$ 63	\$ 263	\$ 8	\$ 21	\$ 37	\$ 67
Non-GAAP operating margin	18.5%	1.8%	9.5%	13.6%	21.1%	19.8%	4.8%	12.5%	15.7%	22.5%
TOTAL CORPORATE UNALLOCATED	\$ (800)	\$ (233)	\$ (204)	\$ (197)	\$ (234)	\$ (1,102)	\$ (338)	\$ (288)	\$ (282)	\$ (318)

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

Effective in the first quarter of fiscal 2024, management began including share-based compensation expense in the evaluation of reportable segments' performance. Prior-year numbers have been recast to conform to the current-year presentation

Strong History of Shareholder Distributions

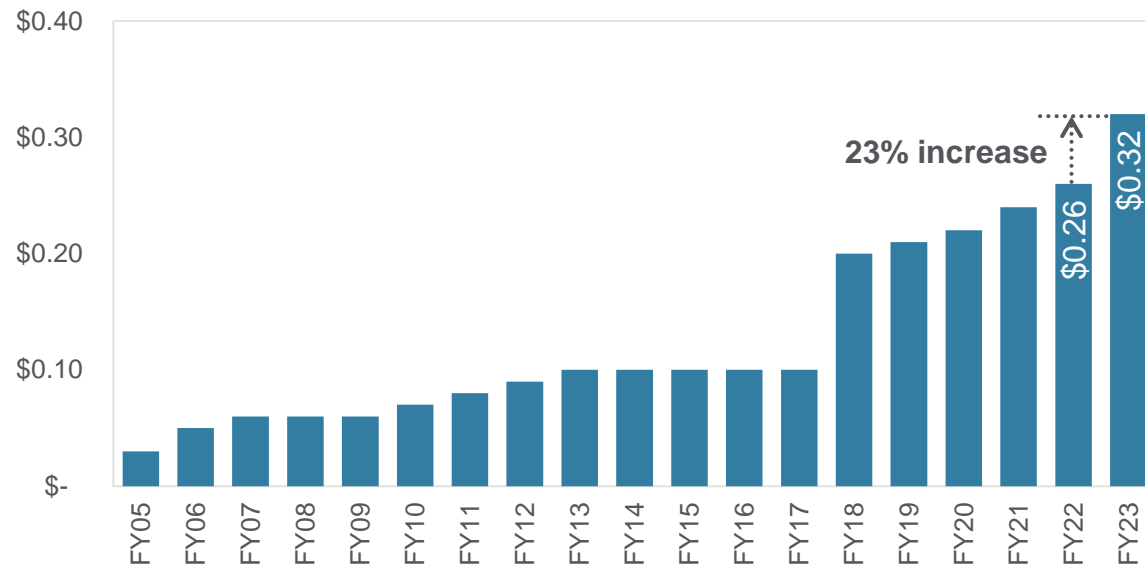
Over past 10 fiscal years (through FY23)

- » Grew dividend per share at ~12% CAGR
- » Reduced net shares outstanding by over 30%
- » Distributed 91% of FCF

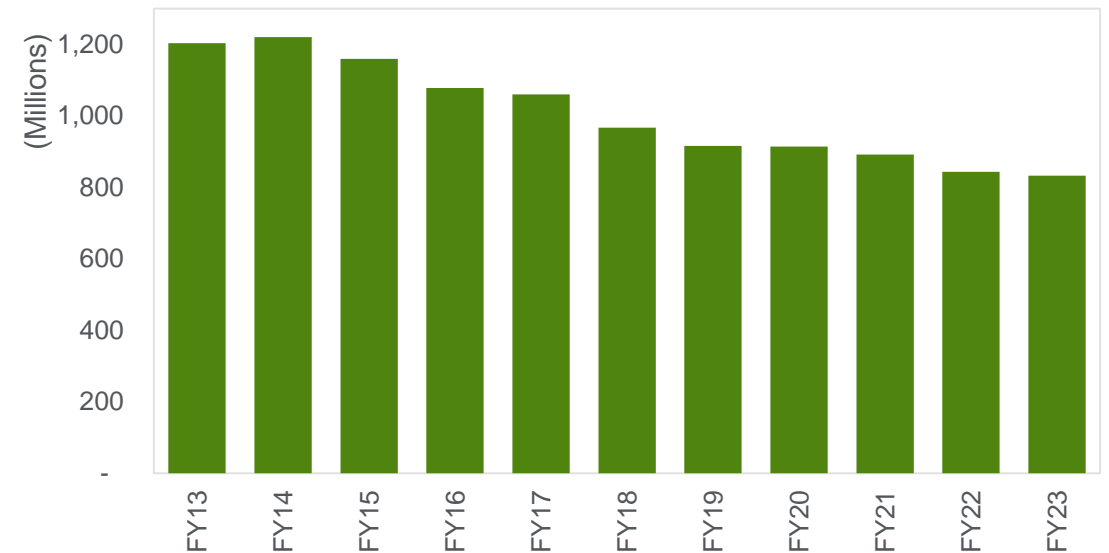
In March 2023 Board of Directors approved

- » 23% dividend per share increase
- » \$10B supplemental share repurchase authorization (\$12.0B total remaining at end of Q1'24)

Quarterly Dividend per Share (declared in Q2)



Shares Outstanding at FY End



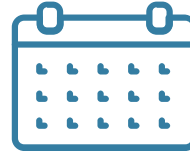
Committed to Distribute 80-100% of FCF to Shareholders over Time

APPLIED MATERIALS AT-A-GLANCE

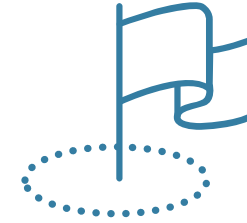


REPORTING SEGMENTS

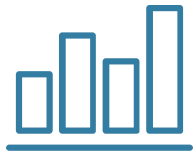
Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



CURRENT FISCAL
YEAR ENDS
27 October 2024



FOUNDED
1967
FIRST PUBLIC
OFFERING
1972



\$26.5 billion
TTM REVENUE



\$3.1 billion
TTM R&D
INVESTMENTS



~34,500*
employees
in **24**** countries



~19,600**
active patents



FTSE4Good



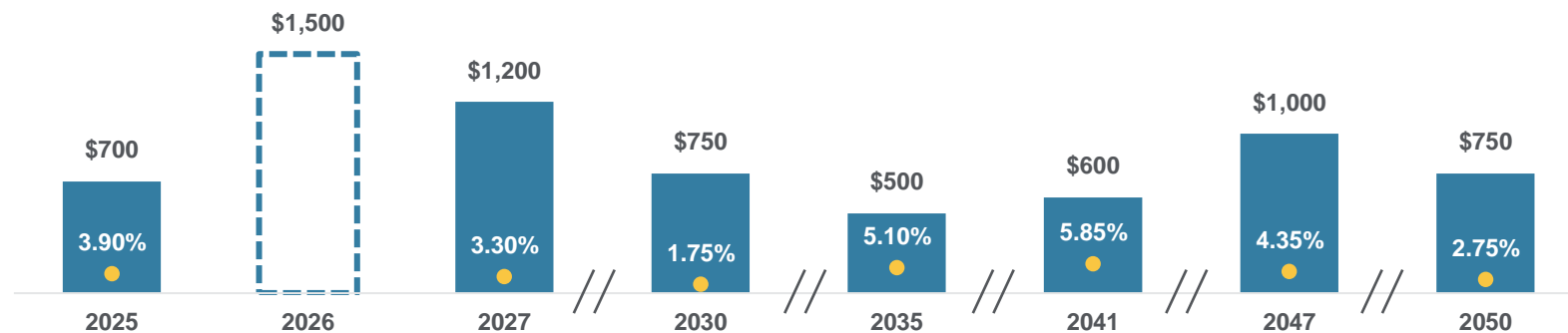
TTM is trailing twelve months. *As of fiscal Q1'24 ended 1/28/2024 **As of fiscal year-ended 10/29/2023.

Strong and Flexible Balance Sheet

CASH AND INVESTMENTS (\$M)	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
Cash and cash equivalents	3,547	4,588	6,025	6,132	6,854
Short-term investments	500	510	510	737	638
Long-term investments	2,088	2,024	2,177	2,281	2,910
Total cash and investments	6,135	7,122	8,712	9,150	10,402
Commercial paper Current ratings (Moody's / S&P): P-1 / A-1	199	199	199	100	100
Long-term debt Current ratings (Moody's / S&P): A2 / A	5,458	5,459	5,460	5,461	5,462

Long-term debt maturity profile

- Undrawn Revolver
- Outstanding Notes





NET ZERO 2040 PLAYBOOK™

LATEST 3rd PARTY ESG RATINGS

CDP Climate	A-
CDP Water	B
MSCI	AAA
Sustainalytics Risk Rating	Low
ISS (E/S/G)	1/2/1

Links: [Net Zero 2040 Playbook](#) | [2022 Sustainability Report](#) | [2022 Sustainability Report Data Annex](#)

Additional Resources

Investor Relations Home Page

[LINK](#)

Latest News

[LINK](#)

Blog: Ideas, Actions & Technologies

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2021 Memory Master Class

[LINK](#)

2021 Logic Master Class

[LINK](#)

2021 ICAPS and Packaging Master Class

[LINK](#)

2021 Process Control and AppliedPRO Master Class

[LINK](#)

2022 New Ways to Shrink Master Class

[LINK](#)

2022 New Ways to Wire and Integrate Chips

[LINK](#)

2022 Services Master Class

[LINK](#)

2022 eBeam Technology and Product Launch

[LINK](#)

2023 New Ways to Shrink: Advanced Patterning Products Launch

[LINK](#)

2023 SEMICON West Technology Breakfast

[LINK](#)

2023 Panel Discussion during IEDM 2023

[LINK](#)

Appendix GAAP to Non-GAAP Reconciliations

Use of Non-GAAP Adjusted Financial Measures

Applied provides investors with certain non-GAAP 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 appendix to this presentation and on Applied's website, <https://ir.appliedmaterials.com/>.

Management uses these non-GAAP 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 QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES

Non-GAAP Gross Profit

	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
GAAP reported gross profit	\$ 3,145	\$ 3,094	\$ 2,976	\$ 3,169	\$ 3,204
Certain items associated with acquisitions ¹	7	7	7	8	7
Non-GAAP gross profit	<u>\$ 3,152</u>	<u>\$ 3,101</u>	<u>\$ 2,983</u>	<u>\$ 3,177</u>	<u>\$ 3,211</u>
Non-GAAP gross margin	46.8%	46.8%	46.4%	47.3%	47.9%

Non-GAAP Operating Income

GAAP reported operating income	\$ 1,970	\$ 1,911	\$ 1,802	\$ 1,971	\$ 1,967
Certain items associated with acquisitions ¹	11	11	10	11	11
Acquisition integration and deal costs	6	8	6	2	3
Non-GAAP operating income	<u>\$ 1,987</u>	<u>\$ 1,930</u>	<u>\$ 1,818</u>	<u>\$ 1,984</u>	<u>\$ 1,981</u>
Non-GAAP operating margin	29.5%	29.1%	28.3%	29.5%	29.5%

Non-GAAP Net Income

GAAP reported net income	\$ 1,717	\$ 1,575	\$ 1,560	\$ 2,004	\$ 2,019
Certain items associated with acquisitions ¹	11	11	10	11	11
Acquisition integration and deal costs	6	8	6	2	3
Realized loss (gain), dividends and impairments on strategic investments, net	(4)	117	(4)	(2)	(1)
Unrealized loss (gain) on strategic investments, net	(4)	11	6	(147)	(280)
Earn-out	-	-	-	(15)	-
Income tax effects related to intra-entity intangible asset transfers	17	(1)	9	(65)	22
Resolution of prior years' income tax filings and other tax items	(5)	(27)	10	(9)	33
Income tax effect of share-based compensation ²	(14)	3	5	6	(26)
Income tax effect of non-GAAP adjustments ³	-	(5)	(2)	1	1
Non-GAAP net income	<u>\$ 1,724</u>	<u>\$ 1,692</u>	<u>\$ 1,600</u>	<u>\$ 1,786</u>	<u>\$ 1,782</u>

Non-GAAP Earnings Per Diluted Share

GAAP reported earnings per diluted share	\$ 2.02	\$ 1.86	\$ 1.85	\$ 2.38	\$ 2.41
Certain items associated with acquisitions ¹	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	0.01	0.01	0.01	-	-
Realized loss (gain), dividends and impairments on strategic investments, net	-	0.14	-	-	-
Unrealized loss (gain) on strategic investments, net	-	0.01	-	(0.18)	(0.33)
Earn-out	-	-	-	(0.01)	-
Income tax effects related to intra-entity intangible asset transfers	0.02	-	0.01	(0.08)	0.03
Income tax effect of share-based compensation ²	(0.02)	-	0.01	0.01	(0.03)
Resolution of prior years' income tax filings and other tax items	(0.01)	(0.03)	0.01	(0.01)	0.04
Non-GAAP earnings per diluted share	<u>\$ 2.03</u>	<u>\$ 2.00</u>	<u>\$ 1.90</u>	<u>\$ 2.12</u>	<u>\$ 2.13</u>
Weighted average number of diluted shares	849	847	843	842	837

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 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.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
GAAP Reported Operating Expenses	\$ 1,175	\$ 1,183	\$ 1,174	\$ 1,198	\$ 1,237
Certain items associated with acquisitions	(4)	(4)	(3)	(3)	(4)
Acquisition integration and deal costs	(6)	(8)	(6)	(2)	(3)
Non-GAAP operating expenses	<u>\$ 1,165</u>	<u>\$ 1,171</u>	<u>\$ 1,165</u>	<u>\$ 1,193</u>	<u>\$ 1,230</u>

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

IN MILLIONS, EXCEPT PERCENTAGES

Semiconductor Systems Non-GAAP Operating Income

	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
GAAP reported operating income	\$ 1,855	\$ 1,715	\$ 1,568	\$ 1,741	\$ 1,744
Certain items associated with acquisitions ¹	9	10	10	10	10
Non-GAAP operating income	<u>\$ 1,864</u>	<u>\$ 1,725</u>	<u>\$ 1,578</u>	<u>\$ 1,751</u>	<u>\$ 1,754</u>
Non-GAAP operating margin	36.1%	34.5%	33.7%	35.9%	35.7%

AGS Non-GAAP Operating Income

GAAP reported operating income	\$ 345	\$ 384	\$ 399	\$ 401	\$ 417
Non-GAAP operating income	<u>\$ 345</u>	<u>\$ 384</u>	<u>\$ 399</u>	<u>\$ 401</u>	<u>\$ 417</u>
Non-GAAP operating margin	25.2%	26.9%	27.3%	27.3%	28.3%

Display and Adjacent Markets Non-GAAP Operating Income

GAAP reported operating income	\$ 3	\$ 16	\$ 32	\$ 63	\$ 25
Non-GAAP operating income	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 32</u>	<u>\$ 63</u>	<u>\$ 25</u>
Non-GAAP operating margin	1.8%	9.5%	13.6%	21.1%	10.2%

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

Note: Effective in the first quarter of fiscal 2024, management began including share-based compensation expense in the evaluation of reportable segments' performance. Prior year numbers have been recast to conform to the current year presentation.

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 QUARTERLY RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 2,270	\$ 2,292	\$ 2,583	\$ 1,555	\$ 2,325
Capital expenditures	(287)	(255)	(255)	(309)	(229)
Non-GAAP free cash flow	<u>\$ 1,983</u>	<u>\$ 2,037</u>	<u>\$ 2,328</u>	<u>\$ 1,246</u>	<u>\$ 2,096</u>

FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP RESULTS

IN MILLIONS, EXCEPT PER SHARE AMOUNTS

	FY2023	FY2013
Non-GAAP Earnings Per Diluted Share		
GAAP reported earnings per diluted share	\$ 8.11	\$ 0.21
Certain items associated with acquisitions ¹	0.05	0.14
Acquisition integration and deal costs	0.02	0.02
Impairment of goodwill and intangible assets	–	0.21
Certain items associated with announced business combination ²	–	0.01
Restructuring charges and assets impairments ³	–	0.03
Realized loss (gain), dividends and impairments on strategic investments, net	0.13	–
Unrealized loss (gain) on strategic investments, net	(0.16)	–
Earn-out	(0.01)	–
Income tax effects related to intra-entity intangible asset transfers	(0.05)	–
Resolution of prior years' income tax filings and other tax items	(0.04)	(0.03)
Non-GAAP adjusted earnings per diluted share	<u>\$ 8.05</u>	<u>\$ 0.59</u>
Weighted average number of diluted shares	845	1,219

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. These items are incremental charges related to the announced business combination agreement with Tokyo Electron Limited, consisting of acquisition-related costs and other charges.
3. Results for fiscal 2013 included \$39 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, and restructuring and asset impairment charges of \$26 million related to the restructuring program announced on May 10, 2012, partially offset by a favorable adjustment of \$2 million related to other restructuring plans.

UNAUDITED CALCULATION OF NON-GAAP MEASURES

IN MILLIONS	FY2023	FY2013
Free Cash Flow¹		
Cash provided by operating activities	\$ 8,700	\$ 623
Capital expenditures	<u>(1,106)</u>	<u>(197)</u>
Free cash flow	<u>\$ 7,594</u>	<u>\$ 426</u>

FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

UNAUDITED CALCULATION OF RETURN ON INVESTED CAPITAL

IN MILLIONS, EXCEPT PERCENTAGES

	FY2023	FY2022	FY2013	FY2012
Non-GAAP operating income after tax				
Non-GAAP operating income before tax	\$ 7,719		\$ 1,032	
Non-GAAP effective income tax rate	12.1%		24.5%	
Non-GAAP operating income after tax (a)	\$ 6,785		\$ 779	
Invested Capital				
Total assets		\$ 26,726		\$ 12,102
Current liabilities		(7,379)		(2,265)
Invested capital (b)		<u>\$ 19,347</u>		<u>\$ 9,837</u>
Return on invested capital (a/b)	35%		8%	

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP RESULTS

IN MILLIONS	FY2023	FY2022	FY2013	FY2012
Non-GAAP Operating Income				
GAAP reported operating income	\$ 7,654	\$ 7,788	\$ 432	\$ 411
Certain items associated with acquisitions ¹	43	39	201	298
Acquisition integration and deal costs	22	38	38	81
Impairment of goodwill and intangible assets	–	–	278	421
Certain items associated with announced business combination ²	–	–	24	–
Restructuring charges and assets impairments ^{3,4}	–	–	63	168
Severance and related charges ⁵	–	(4)	–	–
Gain on sale of facility	–	–	(4)	–
Non-GAAP operating income	<u>\$ 7,719</u>	<u>\$ 7,861</u>	<u>\$ 1,032</u>	<u>\$ 1,379</u>

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. These items are incremental charges related to the announced business combination agreement with Tokyo Electron Limited, consisting of acquisition-related costs and other charges.
3. Results for fiscal 2013 included \$39 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, and restructuring and asset impairment charges of \$26 million related to the restructuring program announced on May 10, 2012, partially offset by a favorable adjustment of \$2 million related to other restructuring plans.
4. Results for the twelve months ended October 28, 2012, included employee-related costs of \$106 million related to the restructuring program announced on October 3, 2012, restructuring and asset impairment charges of \$48 million related to the restructuring program announced on May 10, 2012, and severance charges of \$14 million related to the integration of Varian.
5. The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.

RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the second quarter of fiscal 2024 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$10 million, or \$0.01 per share, includes the normalized tax benefit of share-based compensation of approximately \$10 million, or \$0.01 per share, and includes a net income tax benefit related to intra-entity intangible asset transfers of \$19 million, or \$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.



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