



First Quarter Fiscal 2023 Earnings Presentation

February 16, 2023

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 estimate of the impact on our second quarter of fiscal 2023 of a cybersecurity incident recently announced by one of our major suppliers, our business outlook for the second quarter of fiscal 2023 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.

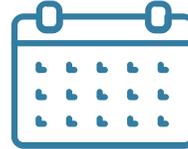
Factors that could cause actual results to differ materially from those expressed or implied by such statements include, without limitation: the level of demand for our products, our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; our ability to assess and mitigate the impact on our business of the recent cybersecurity incident at one of our major suppliers, and this supplier's ability to recover its manufacturing and operations to meet our requirements; financial, legal and reputational risks, and the risk of loss of intellectual property, resulting from this or other cybersecurity incidents affecting us or our suppliers; global economic, political and industry conditions, including rising inflation and interest rates; the interpretation and implementation 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; transportation interruptions and logistics constraints; the effects of regional or global health epidemics, including the severity and duration of the ongoing COVID-19 pandemic and government imposed lockdowns and other measures taken in response; 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; 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.

APPLIED MATERIALS AT-A-GLANCE

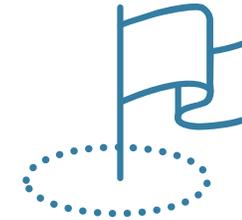


REPORTING SEGMENTS

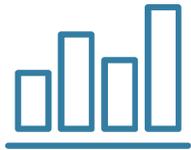
Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



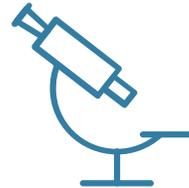
CURRENT FISCAL
YEAR ENDS
29 October 2023



FOUNDED
1967
FIRST PUBLIC
OFFERING
1972



\$26.3 billion
TTM REVENUE



\$2.9 billion
TTM R&D
INVESTMENTS



~33,000*
employees
in **24*** countries



~17,300*
active patents



FTSE4Good



TTM is trailing twelve months. *As of fiscal year-ended 10/30/2022.

Q1F23 Summary

Delivered strong first-quarter results

Made progress mitigating supply chain constraints to meet customer demand

Generated record revenue in Semi Systems

Grew revenue Y/Y in both Semi Systems and AGS

2023 Outlook

Expect 2023 WFE down Y/Y:

- ↓ Leading-edge F/L
- ↑ ICAPS*
- ↓↓ Memory

Applied is well positioned to outperform:

- » Large backlog of differentiated products
- » Growing service business
- » Strong positions with leading customers at key technology inflections

Longer Term

Semiconductors are the foundation of the digital economy; expect market to grow to \$1T by 2030

Semiconductor roadmap inflections are increasingly enabled by Applied Materials technology

Applied is investing in manufacturing, logistics and R&D capacity while increasing our focus on productivity

Applied is Well Positioned to Outperform our Markets in 2023

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

Investment Thesis

Market Outlook = Innovation and Secular Growth

Applied = PPAcT Enablement Company

Unit process leadership and broadest portfolio

+

Co-optimized and integrated solutions

+

Actionable insight / time to market acceleration

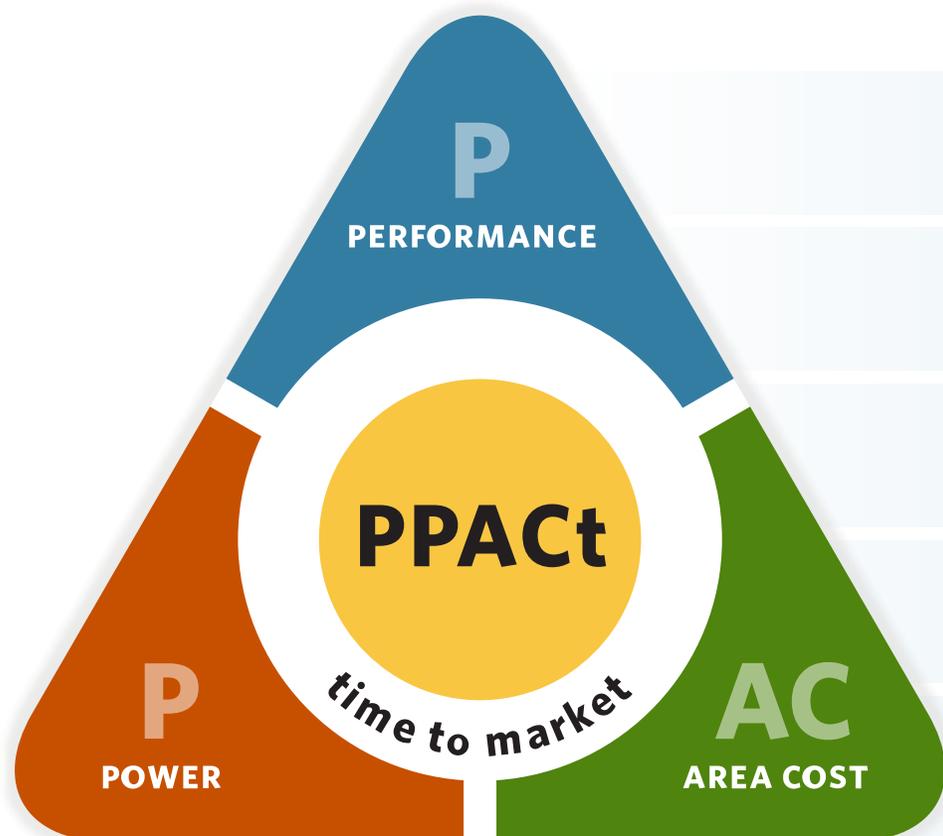
+

Growth in subscriptions and services

+

New and adjacent materials engineering businesses

High ROI Financial Model + Attractive Shareholder Returns



ENABLED BY

KEY INFLECTIONS

New architectures

- New ASICs and accelerators
- New memory / in-memory compute
- Specialty, CIS, power

New structures / 3D

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

New materials

- Gate
- Contact
- Interconnect

New ways to shrink

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

Advanced packaging

- High-bandwidth memory
- 2.5D silicon interposer
- 3D TSV, hybrid bonding

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

(PPACt = Power, Performance, Area-Cost and time-to-market)

Q1F23 Non-GAAP Financial Results

\$M, except EPS	Q1F22	Q4F22	Q1F23	Y / Y	Q / Q
Revenue	6,271	6,749	6,739	7%	0%
Gross Margin*	47.3%	46.0%	46.8%	(50bps)	80bps
Operating Income*	1,985	2,010	1,987	0%	(1%)
EPS*	\$1.89	\$2.03	\$2.03	7%	0%
Operating Cash Flow	2,658	857	2,270	(15%)	165%
Free Cash Flow**	2,514	634	1,983	(21%)	213%

* 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

Q1F23 Segment Results

SEMICONDUCTOR SYSTEMS



- Record revenue +13% Y/Y
- On track to grow faster than our markets in 2023
- Introduced two new eBeam systems based on Cold Field Emission technology

APPLIED GLOBAL SERVICES



- Revenue +4% Y/Y
- On track to grow in FY23
- >60% of services and parts revenue from subscription agreements: average tenure 2.6 years; renewal rate >90%

DISPLAY & ADJACENT MARKETS



- Revenue -54% Y/Y
- Contributed \$8M in operating profit

* 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)	Q1F22	Q2F22	Q3F22	Q4F22	Q1F23
Cash and cash equivalents	5,264	3,331	2,956	1,995	3,547
Short-term investments	473	591	592	586	500
Long-term investments	2,026	2,102	2,047	1,980	2,088
Total cash and investments	7,763	6,024	5,595	4,561	6,135
Commercial paper Current ratings (Moody's / S&P): P-1 / A-1	-	-	-	-	199
Long-term debt Current ratings (Moody's / S&P): A2 / A	5,454	5,455	5,456	5,457	5,458
CAPITAL RETURNS (\$M)					
Share repurchases	(1,803)	(1,800)	(1,000)	(1,500)	(250)
Cash dividends	(214)	(211)	(225)	(223)	(220)

Business Outlook

SECOND QUARTER

Fiscal 2023

OUTLOOK*	Total Revenue	~\$6.40B ± \$400M
	Non-GAAP EPS	~\$1.84 ± \$0.18
	<i>Includes negative estimated impact of \$250M</i>	
SEGMENT REVENUE	Semiconductor Systems	~\$4.84B
	Applied Global Services	~\$1.34B
	Display and Adjacent Markets	~\$160M
OTHER	Non-GAAP Gross Margin	~46.5%
	Non-GAAP Operating Expenses	~\$1.16B
	Non-GAAP Tax Rate	~12.5%

*Includes ongoing supply chain challenges and a negative estimated impact of \$250 million dollars related to a cybersecurity event recently announced by one of our suppliers

10-Yr Roadmap | Environmental and Social Responsibility

APPLIED'S OPERATIONS

1x

Achieved **100% renewable energy** in US in 2022 and on-track globally for 2030

RE100 member as of November 2022

TCFD Index included in most recent sustainability report

Embedding '**Culture of Inclusion**' across the company

SEMI INDUSTRY'S OPERATIONS

100x

Strong collaboration with leading customers on **3x30 sustainability upgrades** and new product features

Broad engagement with **SUCCESS2030** supply chain initiative

2030 Scope 1/2/3 **science-based targets** submitted to SBTi; approval expected by mid-2023

GLOBAL ELECTRONICS

10,000x

PPACt engagements with customers' customers focus on energy-efficient devices and computing

LATEST 3rd PARTY RATINGS

CDP Climate	B
CDP Water	B
CDP Supplier Engagement	B
MSCI	AA
Sustainalytics Risk Rating	Low
ISS (E/S/G)	2/1/1

Make Possible[®] a Better Future

For more details, please refer to our 2021 Sustainability Report [here](#) and data annex [here](#)

Additional Resources

Investor Relations Home Page

[LINK](#)

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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](#)

Appendix GAAP to Non-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 and severance charges and any associated adjustments; impairments of assets; gain or loss 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 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 QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT EPS AND PERCENTAGE

Non-GAAP Adjusted Gross Profit

	Q1F22	Q2F22	Q3F22	Q4F22	Q1F23
Reported gross profit - GAAP basis	\$ 2,959	\$ 2,927	\$ 3,006	\$ 3,101	\$ 3,145
Certain items associated with acquisitions ¹	6	7	7	6	7
Non-GAAP adjusted gross profit	<u>\$ 2,965</u>	<u>\$ 2,934</u>	<u>\$ 3,013</u>	<u>\$ 3,107</u>	<u>\$ 3,152</u>
Non-GAAP adjusted gross margin	47.3%	47.0%	46.2%	46.0%	46.8%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 1,976	\$ 1,894	\$ 1,924	\$ 1,994	\$ 1,970
Certain items associated with acquisitions ¹	9	10	10	10	11
Acquisition integration and deal costs	4	9	19	6	6
Severance and related charges ²	(4)	-	-	-	-
Non-GAAP adjusted operating income	<u>\$ 1,985</u>	<u>\$ 1,913</u>	<u>\$ 1,953</u>	<u>\$ 2,010</u>	<u>\$ 1,987</u>
Non-GAAP adjusted operating margin	31.7%	30.6%	30.0%	29.8%	29.5%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 1,792	\$ 1,536	\$ 1,606	\$ 1,591	\$ 1,717
Certain items associated with acquisitions ¹	9	10	10	10	11
Acquisition integration and deal costs	4	12	12	6	6
Severance and related charges ²	(4)	-	-	-	-
Realized loss (gain) on strategic investments, net	2	(2)	(1)	(2)	(4)
Unrealized loss (gain) on strategic investments, net	(5)	(28)	18	11	(4)
Income tax effects related to intra-entity intangible asset transfers	18	81	21	132	17
Resolution of prior years' income tax filings and other tax items	(62)	7	1	(26)	(5)
Income tax effect of share-based compensation ³	(58)	14	22	22	(14)
Income tax effect of non-GAAP adjustments ⁴	-	6	(6)	(3)	-
Non-GAAP adjusted net income	<u>\$ 1,696</u>	<u>\$ 1,636</u>	<u>\$ 1,683</u>	<u>\$ 1,741</u>	<u>\$ 1,724</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$ 2.00	\$ 1.74	\$ 1.85	\$ 1.85	\$ 2.02
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	0.01
Unrealized loss (gain) on strategic investments, net	(0.01)	(0.03)	0.02	0.01	-
Income tax effects related to intra-entity intangible asset transfers	0.02	0.09	0.02	0.15	0.02
Income tax effect of share-based compensation ³	(0.06)	0.02	0.03	0.03	(0.02)
Resolution of prior years' income tax filings and other tax items	(0.07)	0.01	-	(0.03)	(0.01)
Non-GAAP adjusted earnings per diluted share	<u>\$ 1.89</u>	<u>\$ 1.85</u>	<u>\$ 1.94</u>	<u>\$ 2.03</u>	<u>\$ 2.03</u>
Weighted average number of diluted shares	897	883	869	859	849

FOOTNOTES:

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 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 QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS

	Q1F22	Q2F22	Q3F22	Q4F22	Q1F23
Operating Expenses (GAAP Basis)	\$ 983	\$ 1,033	\$ 1,082	\$ 1,107	\$ 1,175
Certain items associated with acquisitions	(3)	(3)	(3)	(4)	(4)
Acquisition integration and deal costs	(4)	(9)	(19)	(6)	(6)
Severance and related charges	4	-	-	-	-
Non-GAAP adjusted operating expenses	<u>\$ 980</u>	<u>\$ 1,021</u>	<u>\$ 1,060</u>	<u>\$ 1,097</u>	<u>\$ 1,165</u>

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

IN MILLIONS, EXCEPT PERCENTAGE

	Q1F22	Q2F22	Q3F22	Q4F22	Q1F23
Semiconductor Systems Non-GAAP Adjusted Operating Income					
Reported operating income - GAAP basis	\$ 1,771	\$ 1,648	\$ 1,701	\$ 1,849	\$ 1,917
Certain items associated with acquisitions ¹	7	8	7	9	9
Non-GAAP adjusted operating income	<u>\$ 1,778</u>	<u>\$ 1,656</u>	<u>\$ 1,708</u>	<u>\$ 1,858</u>	<u>\$ 1,926</u>
Non-GAAP adjusted operating margin	38.9%	37.1%	36.1%	36.9%	37.3%
AGS Non-GAAP Adjusted Operating Income					
Reported operating income - GAAP basis	\$ 403	\$ 422	\$ 434	\$ 402	\$ 383
Non-GAAP adjusted operating income	<u>\$ 403</u>	<u>\$ 422</u>	<u>\$ 434</u>	<u>\$ 402</u>	<u>\$ 383</u>
Non-GAAP adjusted operating margin	30.5%	30.5%	30.6%	28.3%	28.0%
Display and Adjacent Markets Non-GAAP Adjusted Operating Income					
Reported operating income - GAAP basis	\$ 76	\$ 81	\$ 69	\$ 34	\$ 8
Certain items associated with acquisitions ¹	1	1	1	-	-
Non-GAAP adjusted operating income	<u>\$ 77</u>	<u>\$ 82</u>	<u>\$ 70</u>	<u>\$ 34</u>	<u>\$ 8</u>
Non-GAAP adjusted operating margin	21.0%	21.5%	21.0%	13.5%	4.8%

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.



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