



# Third Quarter Fiscal 2024 Earnings Presentation

August 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 fourth 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; global economic, political and industry conditions, including changes in interest rates and prices for goods and services; the implementation of additional export regulations and license requirements and their interpretation, 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; the effects of geopolitical turmoil or conflicts; 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; our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; 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; cybersecurity incidents affecting our information systems or information contained in them, or affecting our operations, suppliers, customers or vendors; 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 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.



# UPCOMING Events

**SEPT 4** Citi Global TMT Conference

**SEPT 11** Goldman Sachs Communicopia + Technology Conference

# Gary Dickerson

President and Chief Executive Officer



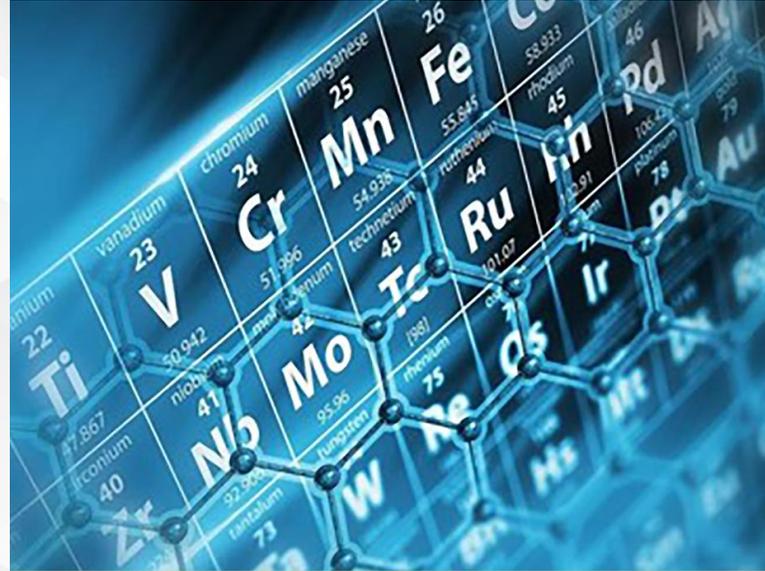
# FQ3'24: Continuing to Deliver Strong Results

- Record Q3 revenue, earnings toward high end of guided range
- Long-term secular trends grow Applied's available market
- Unique and connected portfolio positions us to outperform the industry

# Today's Key Themes



AI driving need for energy-efficient computing



Device architecture inflections increasingly enabled by materials engineering



Working in new ways to accelerate the roadmap

2024 SEMICON WEST TECHNOLOGY BREAKFAST

# Tectonic Shifts in Technology are Built on Semiconductors

DATA CENTER AI



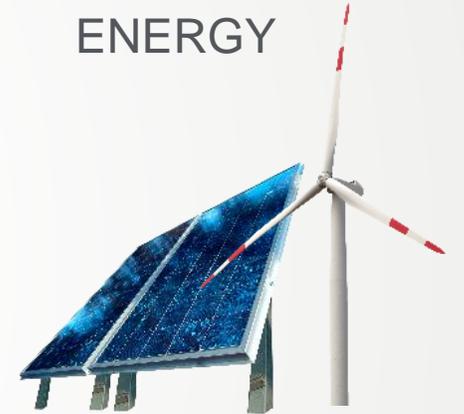
EDGE AI, IOT  
and ROBOTICS



EV and AV

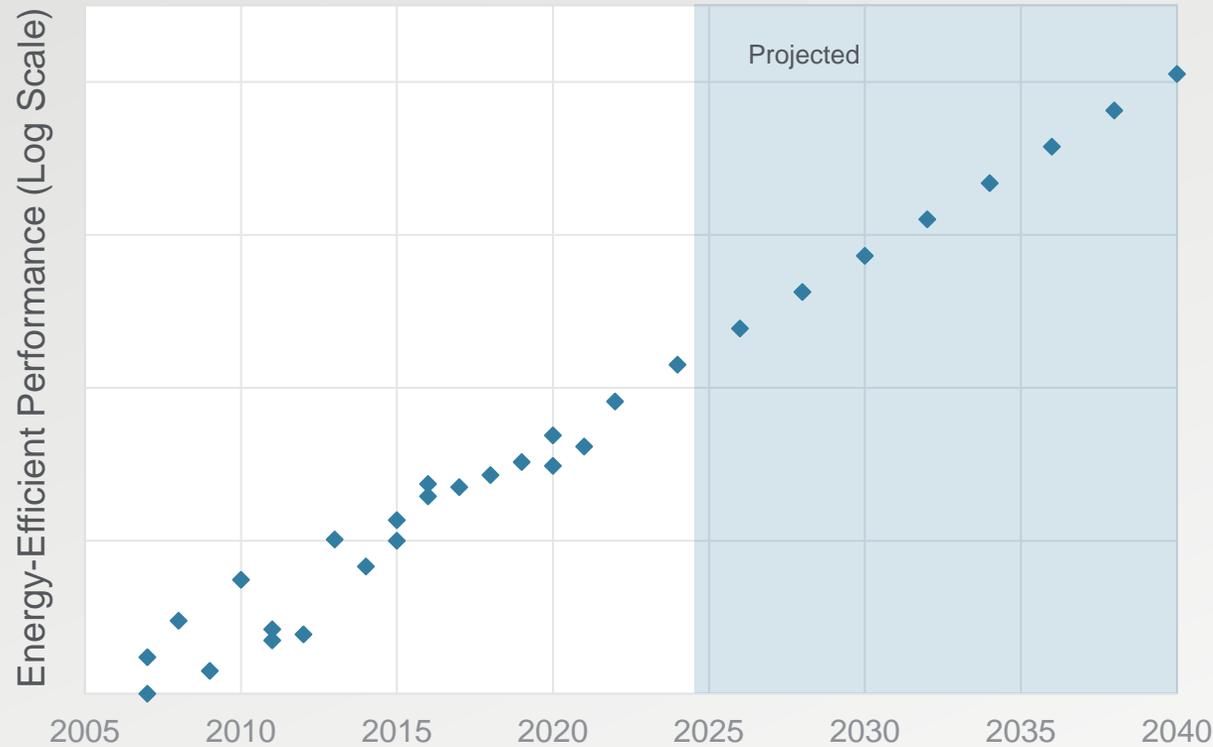


RENEWABLE  
ENERGY



AI is the Biggest Inflection of Our Lifetimes

# Industry Focused on Accelerating Energy-Efficient Performance

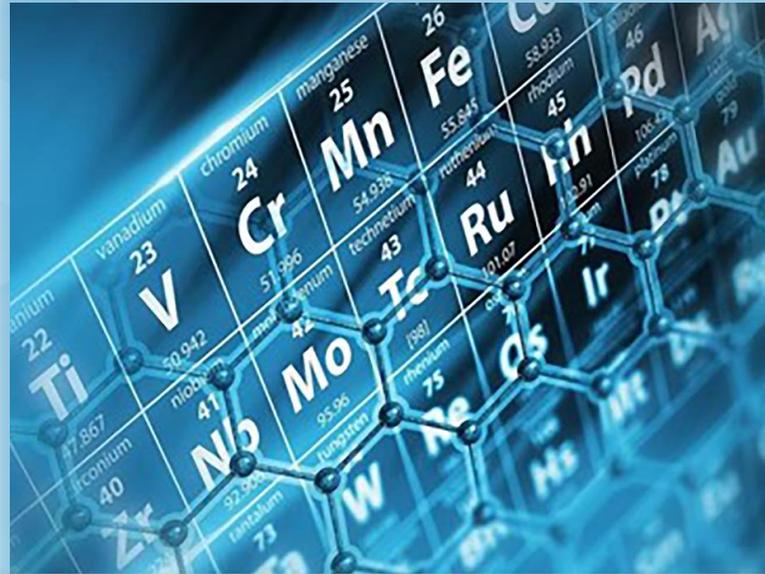


- AI companies increasingly focused on reducing power-per-operation
- Goal is to drive 10,000X improvement in performance-per-watt over next 15 years

# Today's Key Themes



AI driving need for energy-efficient computing

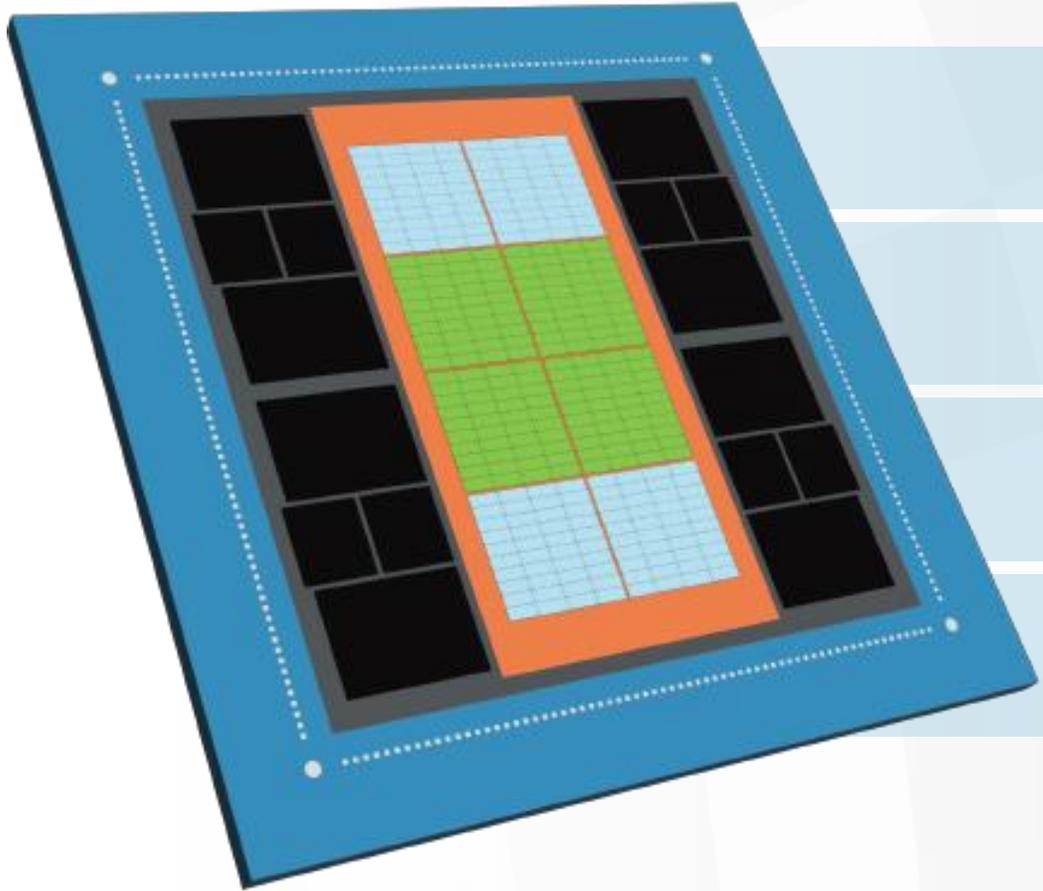


Device architecture inflections increasingly enabled by materials engineering



Working in new ways to accelerate the roadmap

# Key Architecture Inflections Fueling the AI Race



Leading-Edge Logic

High-Performance DRAM

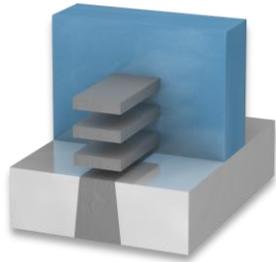
High-Bandwidth Memory

Advanced Packaging

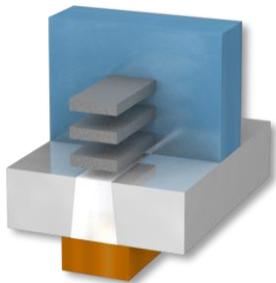
**Applied is #1 in Materials Engineering in Each Area**

# Leading-Edge Logic Inflections Benefit Applied

## LEADING-EDGE LOGIC



Gate-All-Around



Backside Power Delivery

## TRANSISTORS

- Transition from FinFET to Gate-All-Around (GAA) to grow Applied's transistor SAM from ~\$6B to ~\$7B\*
- On track for >50% SAM share

## WIRING

- Introduction of Backside Power Delivery (BPD) to grow Applied's wiring SAM from ~\$6B to ~\$7B\*
- On track for >50% SAM share

**Expect >\$2.5B in Revenue from GAA Nodes in CY2024, with Potential to More than Double in CY2025**

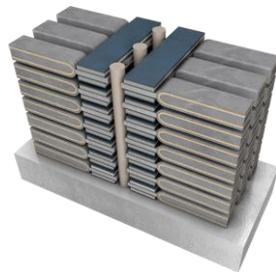
\* Per 100k wafer starts per month capacity. SAM = Served Addressable Market

# High-Performance DRAM Inflections Benefit Applied

## HIGH-PERFORMANCE DRAM



Planar DRAM Scaling



3D DRAM

### PLANAR SCALING

- Future transition from 6F2 to 4F2 (vertical transistor) to grow Applied's SAM from ~\$6B to ~\$6.5B\*
- Expect to increase SAM share to ~50%

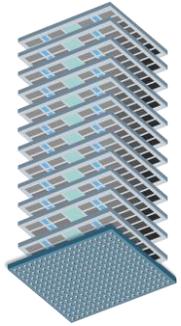
### 3D DRAM

- Subsequent transition to 3D DRAM to grow Applied's SAM from ~\$6.5B to ~\$7.5B\*
- Expect to achieve SAM share >50%

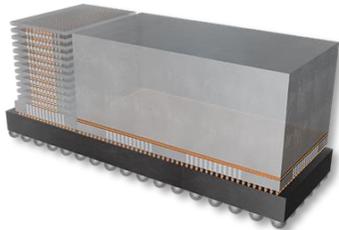
\* Per 100k wafer starts per month capacity. SAM = Served Addressable Market

# Advanced Packaging Inflections Benefit Applied

## ADVANCED PACKAGING



High-Bandwidth Memory



Heterogeneous Integration

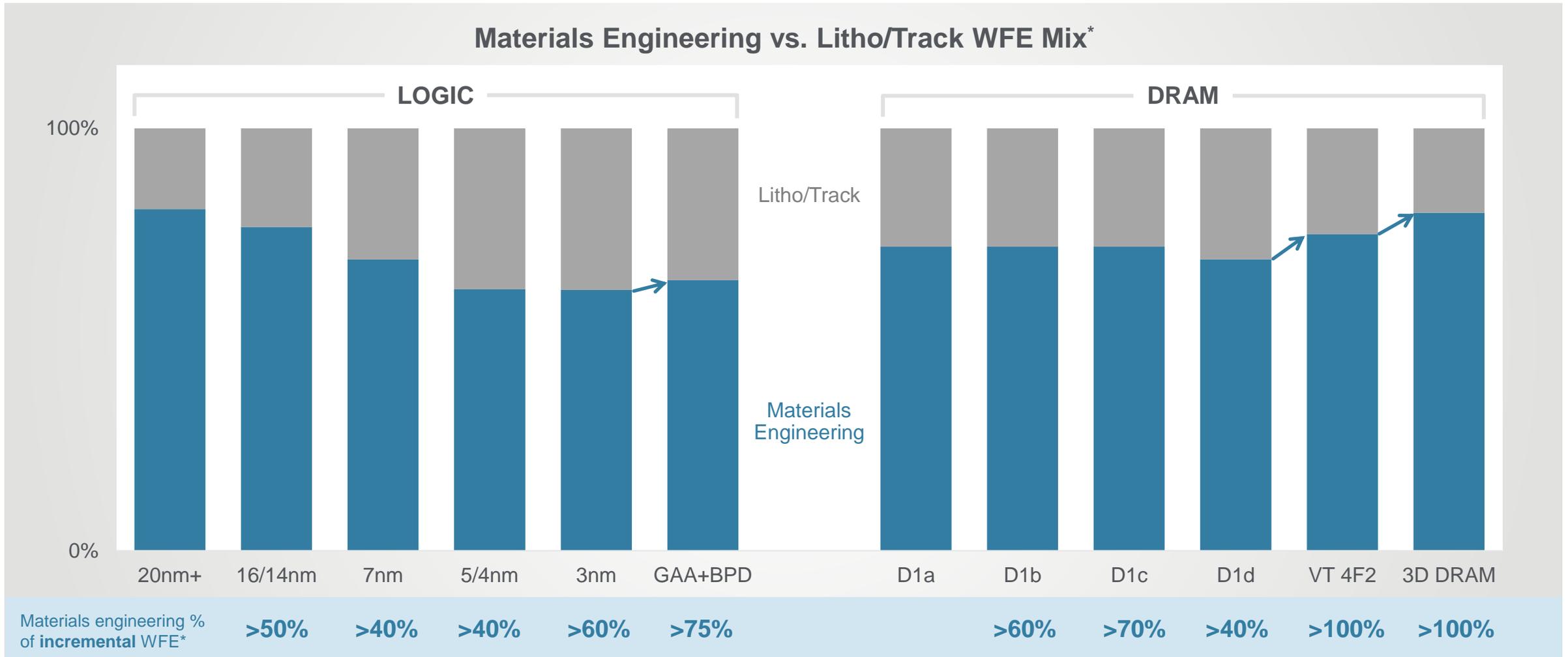
## HIGH-BANDWIDTH MEMORY (HBM) DIE STACKING

- Applied has strong leadership in key technologies including microbump and through-silicon via (TSV)
- Expect to generate >\$600M of HBM packaging revenue in FY24, ~6X FY23 revenue

## ADVANCED PACKAGING

- Overall, revenue from advanced packaging expected to grow to ~\$1.7B in FY24, inclusive of HBM
- Potential to double over next several years

# Expect Materials Engineering to Increase within WFE Mix



Source: Applied Materials analysis

\* Materials engineering vs litho/track WFE mix & ME as % of incremental WFE exclude cleans and process control

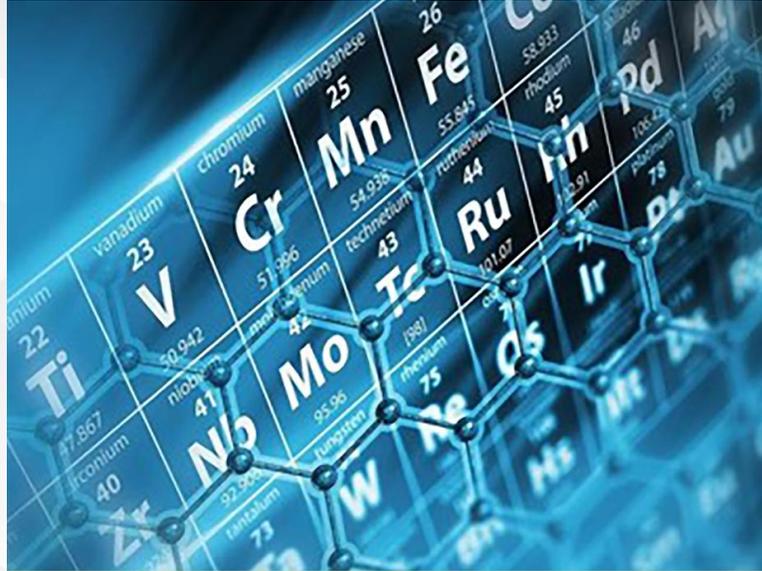
Materials engineering (ME) % of incremental WFE = (ME WFE spend on new node – ME WFE spend on prior node) / (WFE spend on new node – WFE spend on prior node)

Materials Engineering is creating and depositing materials; shaping and removing materials; modifying materials; and connecting chips with advanced packaging. The related equipment categories are deposition (MOCVD, ECD/other, CVD, Epi PVD), modification (Implant, Thermal) and removal (CMP, etch). Materials Engineering excludes litho/track/mask, process control and cleans.

# Today's Key Themes



AI driving need for energy-efficient computing

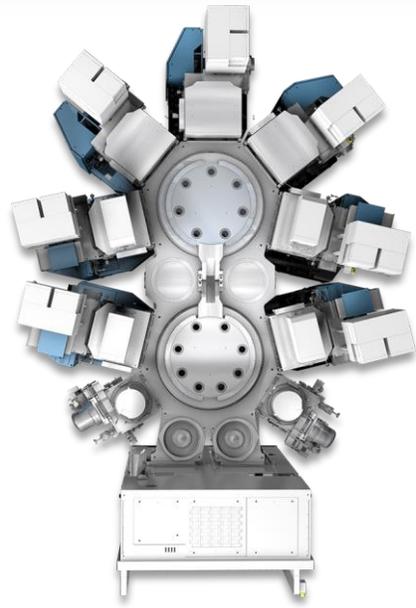


Device architecture inflections increasingly enabled by materials engineering



Working in new ways to accelerate the roadmap

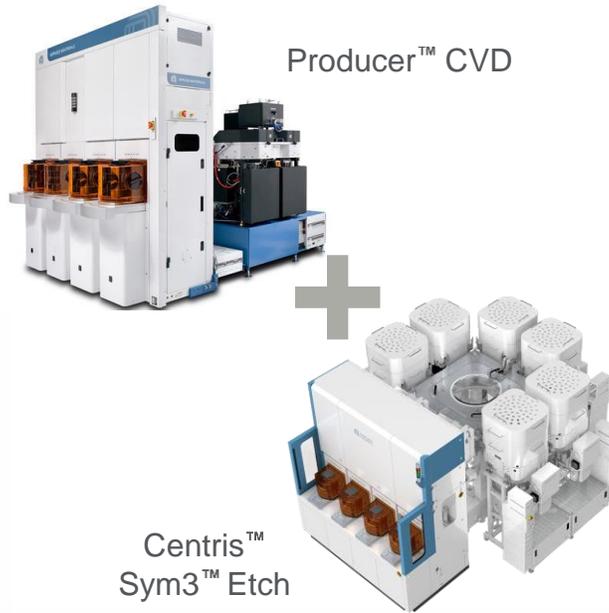
# Connecting Applied's Unique Materials Engineering Portfolio



Endura™ PVD

## Unit Processes

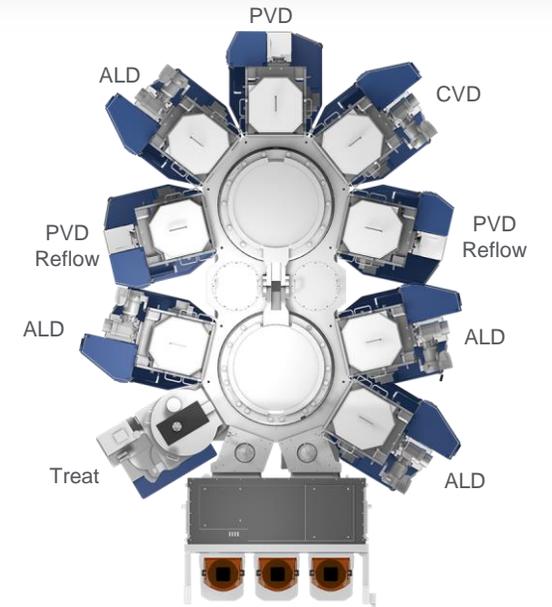
One technology  
in one system



Centris™  
Sym3™ Etch

## Co-optimized Processes

Two or more co-optimized  
technologies in adjacent systems



Example: Endura™ IMS™  
Integrated Materials Solution

## Integrated Processes

Two or more co-optimized  
technologies in one system

**Integrated Systems Represent ~30% of  
Semi Systems Revenue in FY23 (vs ~20% in FY19)**

# Changing the Way We Work to Accelerate the Roadmap

## NEW ORGANIZATIONS

Integrated Materials Solutions (IMS™)

ICAPS

Heterogenous Integration (HI)

Actionable Insight Accelerator (AI<sup>x</sup>™)

Systems-to-Materials



## GLOBAL EPIC PLATFORM

Maydan  
Technology Center



Materials Engineering  
Technology Accelerator



Advanced Packaging  
Development Center



EPIC Center  
(Forthcoming)



ICAPS = Internet of Things, Communications, Automotive, Power, Sensors; includes F/L spending at 10nm and above nodes.

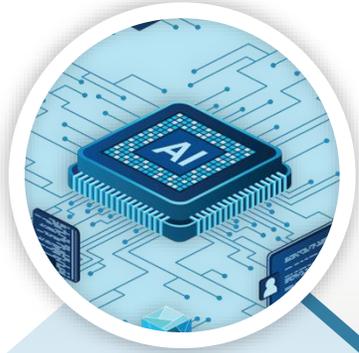


## APPLIED GLOBAL SERVICES

- Record revenue of \$1.58B in FQ3'24
- 20 consecutive quarters of YoY growth

**Enables Customers to Accelerate Technology Transfer  
and Optimize Factory Performance**

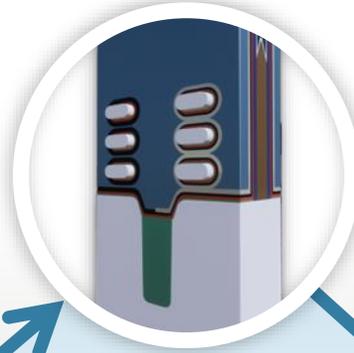
# Fueling the Race for AI Leadership



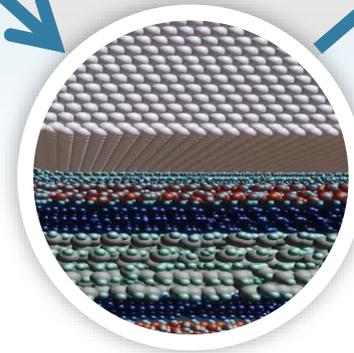
AI is the biggest inflection of our lifetimes



Limited by compute energy efficiency



Addressed by major architecture inflections



Enabled by Applied's unique and connected materials engineering portfolio



New collaboration playbook will accelerate new AI architectures

# Brice Hill

SVP, Chief Financial Officer

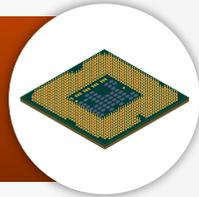


# Growth Thesis

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

# Business Environment

- Strong pull related to AI and data center computing
- DRAM shipments remain strong
- Growth in adoption of high-bandwidth memory and other forms of advanced packaging
- Leading-edge foundry-logic investment growing each quarter, becoming a larger percentage of our mix
- ICAPS demand remains strong overall

ICAPS = Internet of Things, Communications, Automotive, Power, Sensors; includes F/L spending at 10nm and above nodes.

# Q3F24 Non-GAAP Financial Results

\$M, except EPS	Q3F23	Q2F24	Q3F24	YoY	QoQ
	Revenue	6,425	6,646	6,778	5%
Gross Margin*	46.4%	47.5%	47.4%	100bps	(10bps)
Operating Expenses*	1,165	1,233	1,258	8%	2%
Operating Income*	1,818	1,927	1,953	7%	1%
Operating Margin*	28.3%	29.0%	28.8%	50bps	(20bps)
EPS*	\$1.90	\$2.09	\$2.12	12%	1%

\* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at [ir.appliedmaterials.com](http://ir.appliedmaterials.com)

# Cash Flows and Shareholder Distributions

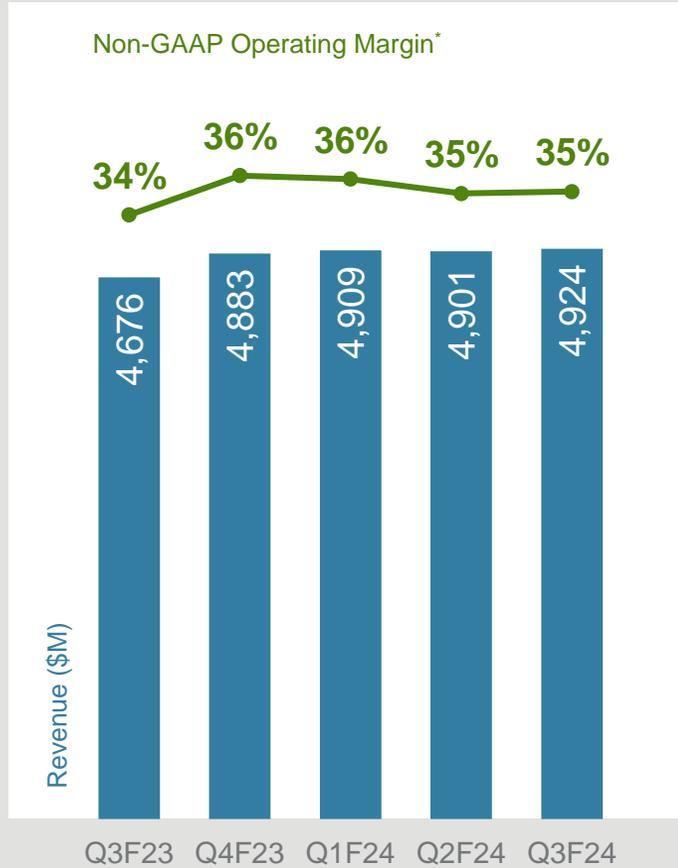
CASH FLOWS (\$M)	Q3F23	Q4F23	Q1F24	Q2F24	Q3F24
Operating Cash Flow	2,583	1,555	2,325	1,392	2,385
Free Cash Flow*	2,328	1,246	2,096	1,135	2,088
<b>SHAREHOLDER DISTRIBUTIONS (\$M)</b>					
Total Shareholder Distributions	(707)	(968)	(966)	(1,086)	(1,192)
Share Repurchases	(439)	(700)	(700)	(820)	(861)
Dividends	(268)	(268)	(266)	(266)	(331)

**Committed to Distribute 80–100% of FCF to Shareholders Over Time**

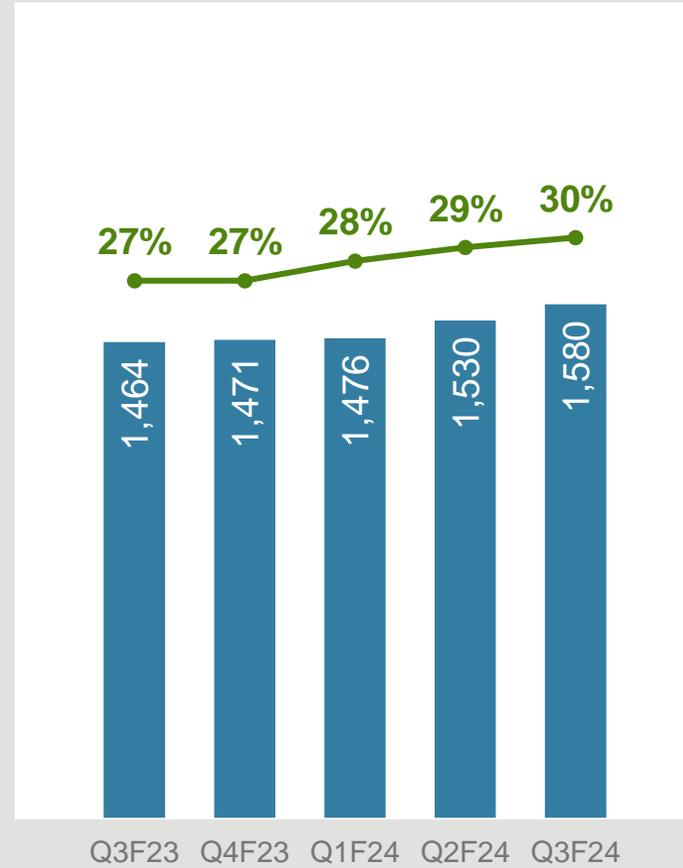
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# Q3F24 Segment Results

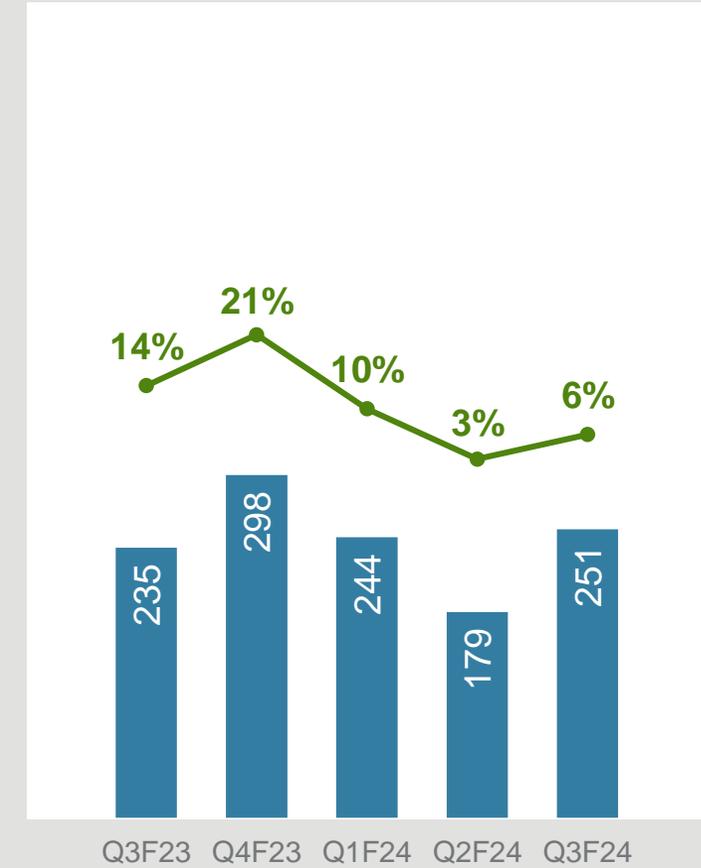
## SEMICONDUCTOR SYSTEMS



## 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 website at [ir.appliedmaterials.com](http://ir.appliedmaterials.com)



## SEMICONDUCTOR SYSTEMS

- DRAM: revenue grew nearly 50% YoY
- NAND: revenue grew 10% YoY
- Leading-edge foundry-logic: demand continued to strengthen
  - » Expect >\$2.5B in revenue from GAA nodes in CY2024, with potential to more than double in CY2025
- ICAPS: remained strong, with pockets of weakness in auto and industrial end markets

ICAPS = Internet of Things, Communications, Automotive, Power, Sensors; includes F/L spending at 10nm and above nodes.

# Tectonic Shifts in Technology Are Built on Semiconductors

DATA CENTER AI



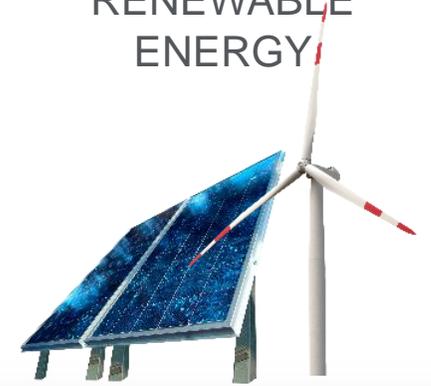
EDGE AI, IOT  
and ROBOTICS



EV and AV



RENEWABLE  
ENERGY



**Long-term, expect ICAPS to remain ~half of foundry-logic equipment market**

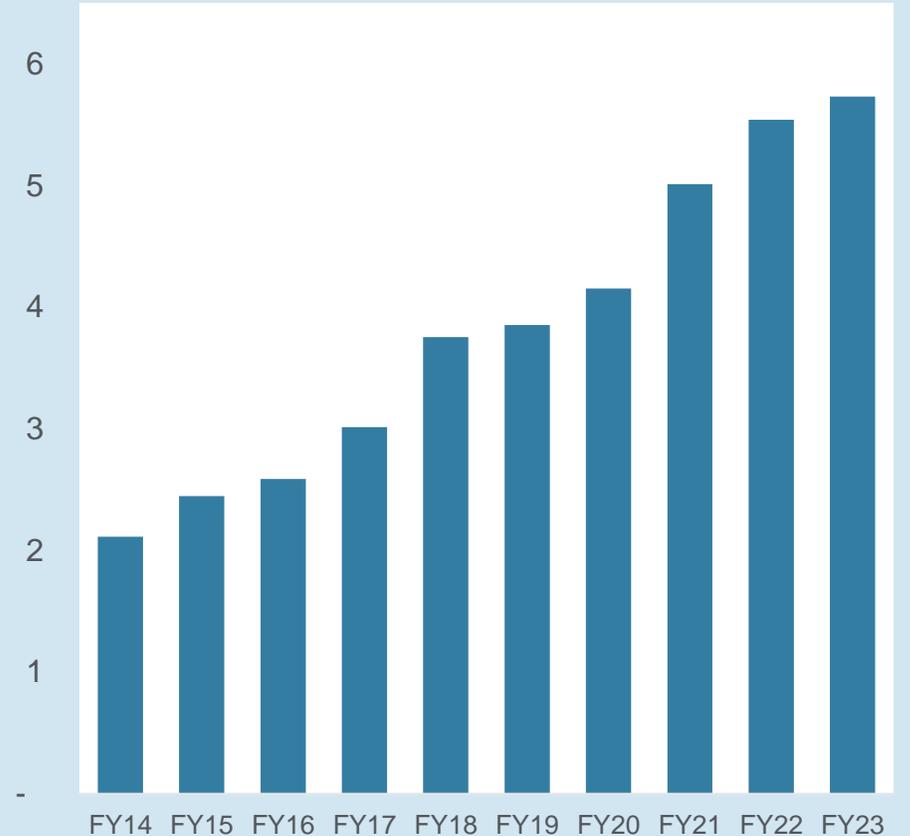
- » Expect mid- to high-single-digit, through-cycle demand for ICAPS semiconductors
- » Applied is innovating in ICAPS to develop new unit process, co-optimized and integrated systems that enable new power and sensor device architecture inflections
- » Expanding into new areas of the ICAPS semiconductor and packaging ecosystem

ICAPS = Internet of Things, Communications, Automotive, Power, Sensors; includes F/L spending at 10nm and above nodes.

# AGS Delivering Stable Growth

- Every tool we ship grows our installed base and service opportunity:
  - » 7% YoY increase in installed base of systems and chambers
- Customer factory utilization continued to strengthen in the quarter
- Leading indicators of AGS growth remain positive:
  - » 2.8 years average subscription agreement length
  - » >90% subscription renewal rate
- AGS produces more than enough operating profit to fund company's growing dividend

AGS Revenue (\$B)



**Continue to Expect AGS to Grow at a Low-Double-Digit CAGR Over the Long Term**

# Business Outlook

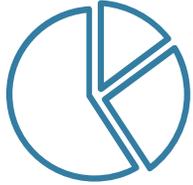
## FOURTH QUARTER FISCAL 2024

<b>OUTLOOK</b>	Total Revenue*	~\$6.93B ± \$400M
	Non-GAAP EPS	~\$2.18 ± \$0.18
<b>SEGMENT REVENUE</b>	Semiconductor Systems	~\$5.10B
	Applied Global Services	~\$1.61B
	Display and Adjacent Markets	~\$200M
<b>OTHER</b>	Non-GAAP Gross Margin	~47.4%
	Non-GAAP Operating Expenses	~\$1,275M
	Non-GAAP Tax Rate	~12.5%

\* Includes segment revenue, plus Corporate and Other

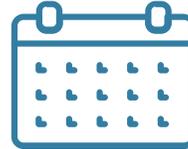
Q&A

# APPLIED MATERIALS AT-A-GLANCE

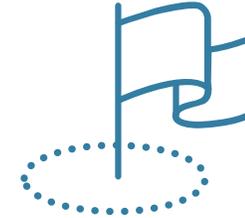


REPORTING SEGMENTS

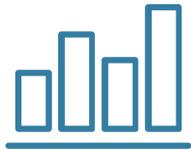
**Semiconductor Systems**  
**Applied Global Services**  
**Display and Adjacent Markets**



CURRENT FISCAL  
YEAR ENDS  
**27 October 2024**



FOUNDED  
**1967**  
FIRST PUBLIC  
OFFERING  
**1972**



**\$26.9 billion**  
TTM REVENUE



**\$3.2 billion**  
TTM R&D  
INVESTMENTS



**~35,200\***  
employees  
in **24\*\*** countries



**~19,600\*\***  
active patents



TTM is trailing twelve months. \*As of fiscal Q3'24 ended 7/28/2024 \*\*As of fiscal year-ended 10/29/2023.

# Applied Materials Technology Portfolio

## Materials Engineering

Create and deposit	 Epitaxy	 Metal deposition	 Dielectric deposition	 Plating	 ALD	 Selective deposition
Shape and remove	 Etch	 Planarization	 Selective removal	 Pattern shaping		
Modify	 Implant	 Thermal	 Treatments			

## Process Control

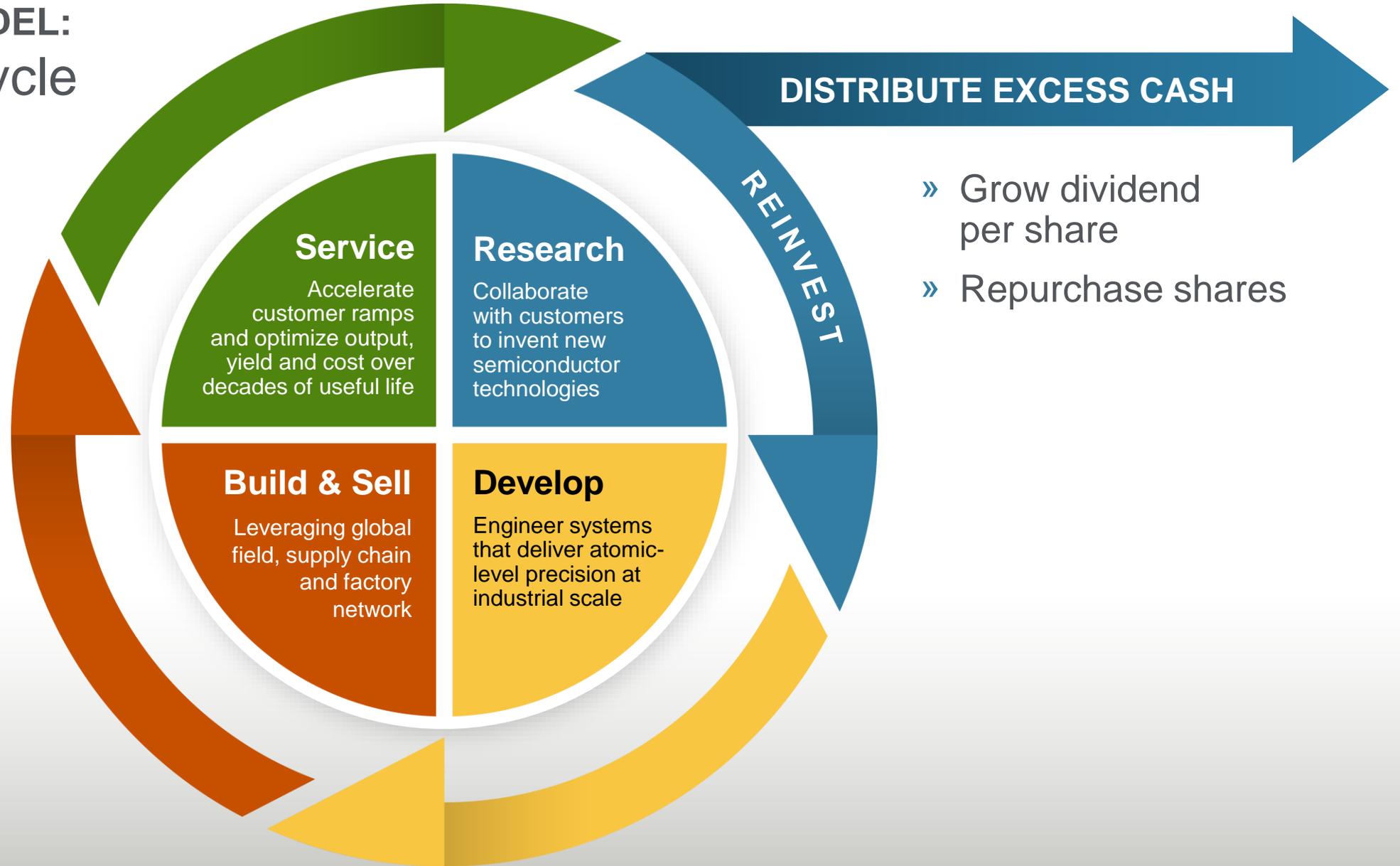
Analyze	 Optical inspection	 Defect review	 eBeam metrology and inspection	 CD-SEM
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## Heterogeneous Integration

Connect	 Digital lithography
	 Panel-level PVD
	 Hybrid bonding
	 eBeam Test

Learn more: ["How do you make a chip" video](#)

# OPERATING MODEL: A Virtuous Cycle



# Capital Allocation Strategy

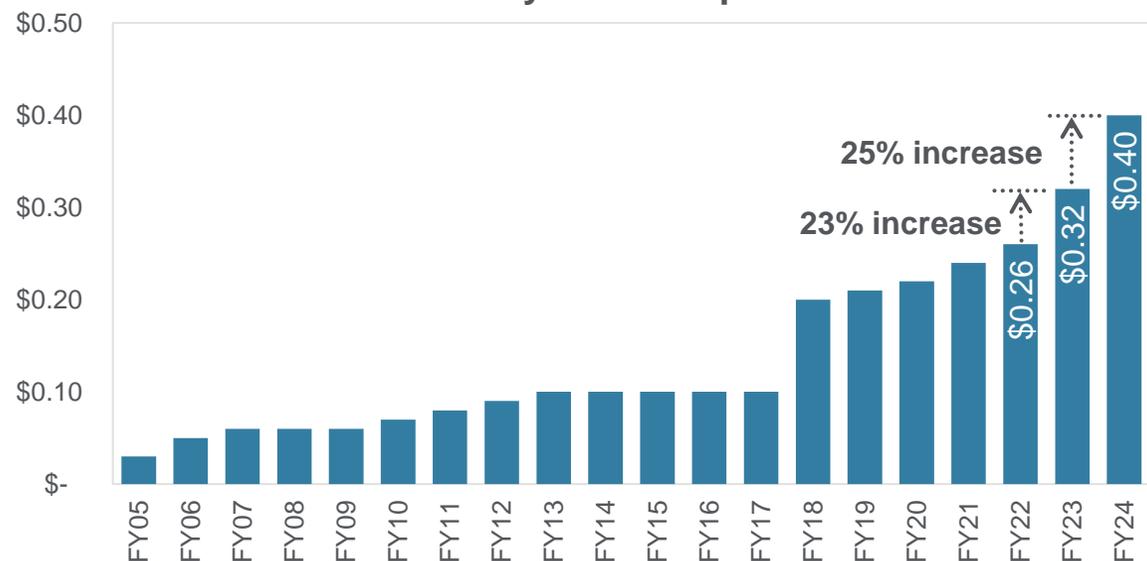
1. Invest in R&D and infrastructure to enable profitable growth

2. Grow dividend per share and use buybacks to distribute excess FCF

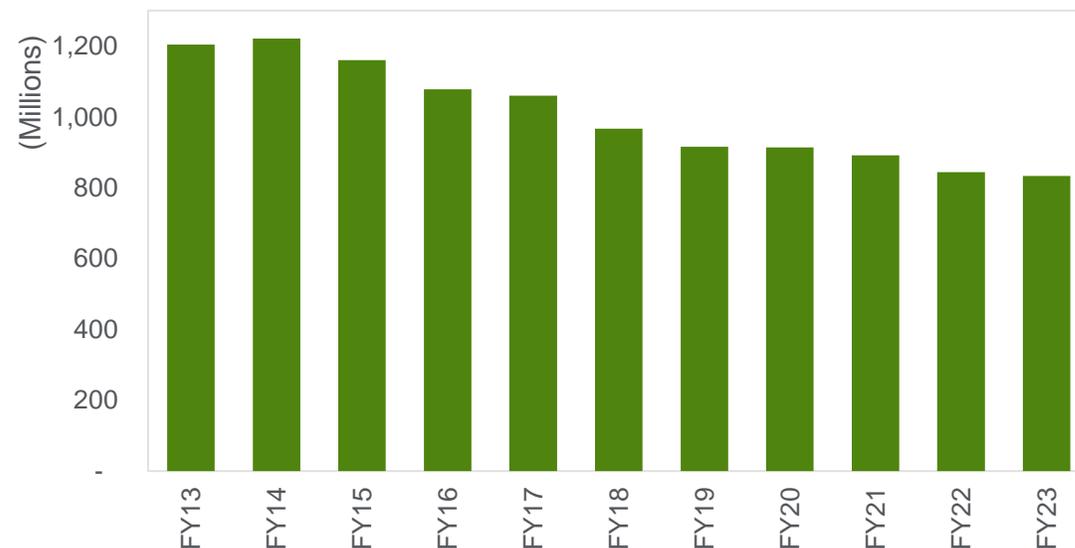
## OVER PAST 10 FISCAL YEARS (through FY23)

- » Reinvested >\$20B in R&D and >\$5B in capital additions
- » Distributed >90% of FCF\*
- » Grew dividend per share at ~12% CAGR
- » Reduced net shares outstanding by >30%

Quarterly Dividend per Share



Shares Outstanding at FY End



**Committed to Distribute 80–100% of FCF to Shareholders Over Time**

\$10.3B remaining on share repurchase authorization at end of Q3'24.

\* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at [ir.appliedmaterials.com](http://ir.appliedmaterials.com)

# Strong and Flexible Balance Sheet

CASH AND INVESTMENTS (\$M)	Q3F23	Q4F23	Q1F24	Q2F24	Q3F24
Cash and cash equivalents	6,025	6,132	6,854	7,085	8,288
Short-term investments	510	737	638	472	815
Long-term investments	2,177	2,281	2,910	2,983	2,981
<b>Total cash and investments</b>	<b>8,712</b>	<b>9,150</b>	<b>10,402</b>	<b>10,540</b>	<b>12,084</b>
Commercial paper Current ratings (Moody's / S&P): P-1 / A-1	199	100	100	99	99
Long-term debt Current ratings (Moody's / S&P): A2 / A	5,460	5,461	5,462	5,463	6,158

## Debt maturity profile (\$M)

- Undrawn Revolver
- Outstanding Notes





# NET ZERO 2040 PLAYBOOK™

## LATEST 3<sup>rd</sup> PARTY ESG RATINGS

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

Links: [2023 Sustainability Report](#) | [2023 Sustainability Highlights](#)

# Additional Resources

Investor Relations Home Page

[LINK](#)

Latest News

[LINK](#)

Blog: Ideas, Actions & Technologies

[LINK](#)

2024: Semicon West Technology Breakfast

[LINK](#)

2024: 2023 WFE Market Summary

[LINK](#)

2024: Applied Materials Panel Discussion during SPIE Conference

[LINK](#)

2023: Panel Discussion during IEDM 2023

[LINK](#)

2022: Services Master Class

[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

	Q3F23	Q4F23	Q1F24	Q2F24	Q3F24
GAAP reported gross profit	\$ 2,976	\$ 3,169	\$ 3,204	\$ 3,153	\$ 3,205
Certain items associated with acquisitions <sup>1</sup>	7	8	7	7	6
Non-GAAP gross profit	<u>\$ 2,983</u>	<u>\$ 3,177</u>	<u>\$ 3,211</u>	<u>\$ 3,160</u>	<u>\$ 3,211</u>
Non-GAAP gross margin	46.4%	47.3%	47.9%	47.5%	47.4%

## Non-GAAP Operating Income

GAAP reported operating income	\$ 1,802	\$ 1,971	\$ 1,967	\$ 1,912	\$ 1,942
Certain items associated with acquisitions <sup>1</sup>	10	11	11	10	10
Acquisition integration and deal costs	6	2	3	5	1
Non-GAAP operating income	<u>\$ 1,818</u>	<u>\$ 1,984</u>	<u>\$ 1,981</u>	<u>\$ 1,927</u>	<u>\$ 1,953</u>
Non-GAAP operating margin	28.3%	29.5%	29.5%	29.0%	28.8%

## Non-GAAP Net Income

GAAP reported net income	\$ 1,560	\$ 2,004	\$ 2,019	\$ 1,722	\$ 1,705
Certain items associated with acquisitions <sup>1</sup>	10	11	11	10	10
Acquisition integration and deal costs	6	2	3	5	1
Realized loss (gain), dividends and impairments on strategic investments, net	(4)	(2)	(1)	(3)	16
Unrealized loss (gain) on strategic investments, net	6	(147)	(280)	(20)	25
Earn-out	-	(15)	-	-	-
Income tax effects related to intra-entity intangible asset transfers	9	(65)	22	18	17
Resolution of prior years' income tax filings and other tax items	10	(9)	33	-	(11)
Income tax effect of share-based compensation <sup>2</sup>	5	6	(26)	11	8
Income tax effect of non-GAAP adjustments <sup>3</sup>	(2)	1	1	1	(4)
Non-GAAP net income	<u>\$ 1,600</u>	<u>\$ 1,786</u>	<u>\$ 1,782</u>	<u>\$ 1,744</u>	<u>\$ 1,767</u>

## Non-GAAP Earnings Per Diluted Share

GAAP reported earnings per diluted share	\$ 1.85	\$ 2.38	\$ 2.41	\$ 2.06	\$ 2.05
Certain items associated with acquisitions <sup>1</sup>	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	0.01	-	-	0.01	-
Realized loss (gain), dividends and impairments on strategic investments, net	-	-	-	-	0.01
Unrealized loss (gain) on strategic investments, net	-	(0.18)	(0.33)	(0.02)	0.03
Earn-out	-	(0.01)	-	-	-
Income tax effects related to intra-entity intangible asset transfers	0.01	(0.08)	0.03	0.02	0.02
Income tax effect of share-based compensation <sup>2</sup>	0.01	0.01	(0.03)	0.01	0.01
Resolution of prior years' income tax filings and other tax items	0.01	(0.01)	0.04	-	(0.01)
Non-GAAP earnings per diluted share	<u>\$ 1.90</u>	<u>\$ 2.12</u>	<u>\$ 2.13</u>	<u>\$ 2.09</u>	<u>\$ 2.12</u>
Weighted average number of diluted shares	843	842	837	836	833

## 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	Q3F23	Q4F23	Q1F24	Q2F24	Q3F24
GAAP Reported Operating Expenses	\$ 1,174	\$ 1,198	\$ 1,237	\$ 1,241	\$ 1,263
Certain items associated with acquisitions	(3)	(3)	(4)	(3)	(4)
Acquisition integration and deal costs	(6)	(2)	(3)	(5)	(1)
Non-GAAP operating expenses	<u>\$ 1,165</u>	<u>\$ 1,193</u>	<u>\$ 1,230</u>	<u>\$ 1,233</u>	<u>\$ 1,258</u>

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

IN MILLIONS, EXCEPT PERCENTAGES

## Semiconductor Systems Non-GAAP Operating Income

	Q3F23	Q4F23	Q1F24	Q2F24	Q3F24
GAAP reported operating income	\$ 1,568	\$ 1,741	\$ 1,744	\$ 1,701	\$ 1,712
Certain items associated with acquisitions <sup>1</sup>	10	10	10	10	10
Non-GAAP operating income	<u>\$ 1,578</u>	<u>\$ 1,751</u>	<u>\$ 1,754</u>	<u>\$ 1,711</u>	<u>\$ 1,722</u>
Non-GAAP operating margin	33.7%	35.9%	35.7%	34.9%	35.0%

## AGS Non-GAAP Operating Income

GAAP reported operating income	\$ 399	\$ 401	\$ 417	\$ 436	\$ 467
Non-GAAP operating income	<u>\$ 399</u>	<u>\$ 401</u>	<u>\$ 417</u>	<u>\$ 436</u>	<u>\$ 467</u>
Non-GAAP operating margin	27.3%	27.3%	28.3%	28.5%	29.6%

## Display and Adjacent Markets Non-GAAP Operating Income

GAAP reported operating income	\$ 32	\$ 63	\$ 25	\$ 5	\$ 16
Non-GAAP operating income	<u>\$ 32</u>	<u>\$ 63</u>	<u>\$ 25</u>	<u>\$ 5</u>	<u>\$ 16</u>
Non-GAAP operating margin	13.6%	21.1%	10.2%	2.8%	6.4%

### FOOTNOTE:

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	Q3F23	Q4F23	Q1F24	Q2F24	Q3F24
<b>Non-GAAP Free Cash Flows<sup>1</sup></b>					
Cash provided by operating activities	\$ 2,583	\$ 1,555	\$ 2,325	\$ 1,392	\$ 2,385
Capital expenditures	(255)	(309)	(229)	(257)	(297)
Non-GAAP free cash flow	<u>\$ 2,328</u>	<u>\$ 1,246</u>	<u>\$ 2,096</u>	<u>\$ 1,135</u>	<u>\$ 2,088</u>

IN MILLIONS	FY2014	FY2015	FY2016	FY2017	FY2018
<b>Non-GAAP Free Cash Flows<sup>1</sup></b>					
Cash provided by operating activities	\$ 1,800	\$ 1,163	\$ 2,566	\$ 3,789	\$ 3,787
Capital expenditures	(241)	(215)	(253)	(345)	(622)
Non-GAAP free cash flow	<u>\$ 1,559</u>	<u>\$ 948</u>	<u>\$ 2,313</u>	<u>\$ 3,444</u>	<u>\$ 3,165</u>

IN MILLIONS	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Non-GAAP Free Cash Flows<sup>1</sup></b>					
Cash provided by operating activities	\$ 3,247	\$ 3,804	\$ 5,442	\$ 5,399	\$ 8,700
Capital expenditures	(441)	(422)	(668)	(787)	(1,106)
Non-GAAP free cash flow	<u>\$ 2,806</u>	<u>\$ 3,382</u>	<u>\$ 4,774</u>	<u>\$ 4,612</u>	<u>\$ 7,594</u>

FOOTNOTE:

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

## RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the fourth quarter of fiscal 2024 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 \$7 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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