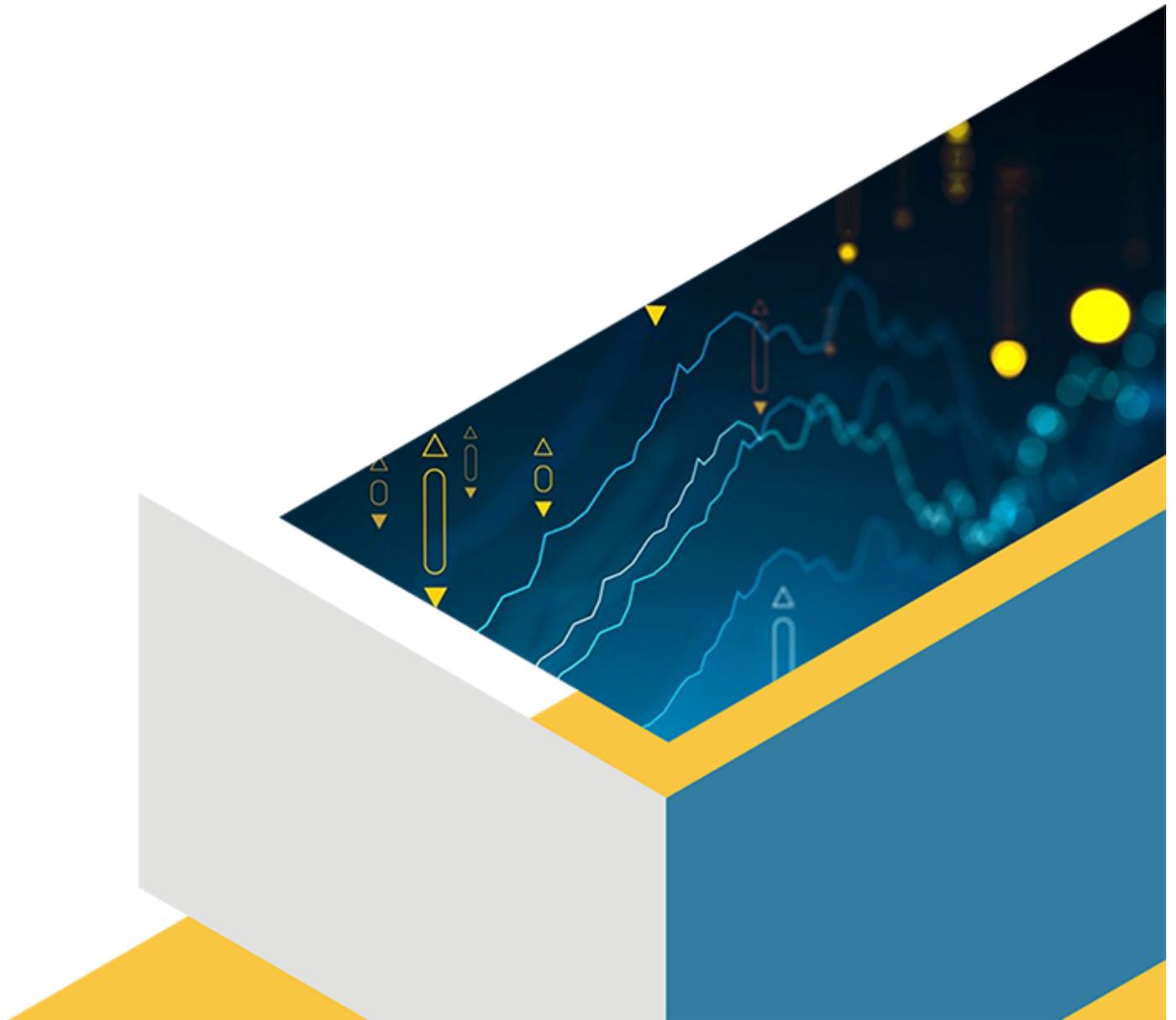




# Q1 FY2025 Earnings Call

GAAP to non-GAAP Reconciliations

February 13, 2025



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

<i>(In millions, except percentages)</i>	Three Months Ended	
	January 26, 2025	January 28, 2024
<b>Non-GAAP Gross Profit</b>		
GAAP reported gross profit	\$ 3,496	\$ 3,204
Certain items associated with acquisitions <sup>1</sup>	7	7
Non-GAAP gross profit	<u>\$ 3,503</u>	<u>\$ 3,211</u>
Non-GAAP gross margin	48.9 %	47.9 %
<b>Non-GAAP Operating Income</b>		
GAAP reported operating income	\$ 2,175	\$ 1,967
Certain items associated with acquisitions <sup>1</sup>	12	11
Acquisition integration and deal costs	3	3
Non-GAAP operating income	<u>\$ 2,190</u>	<u>\$ 1,981</u>
Non-GAAP operating margin	30.6 %	29.5 %
<b>Non-GAAP Net Income</b>		
GAAP reported net income	\$ 1,185	\$ 2,019
Certain items associated with acquisitions <sup>1</sup>	12	11
Acquisition integration and deal costs	3	3
Realized loss (gain), dividends and impairments on strategic investments, net	(9)	(1)
Unrealized loss (gain) on strategic investments, net	106	(280)
Income tax effect of share-based compensation <sup>2</sup>	(10)	(26)
Income tax effects related to intra-entity intangible asset transfers <sup>3</sup>	674	22
Resolution of prior years' income tax filings and other tax items	(16)	33
Income tax effect of non-GAAP adjustments <sup>4</sup>	1	1
Non-GAAP net income	<u>\$ 1,946</u>	<u>\$ 1,782</u>

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 Amount for the three months ended January 26, 2025, included changes to income tax provision of \$30 million from amortization of intangibles and a \$644 million remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in fiscal 2025.

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 RESULTS**

	Three Months Ended	
	January 26, 2025	January 28, 2024
<i>(In millions, except per share amounts)</i>		
<b>Non-GAAP Earnings Per Diluted Share</b>		
GAAP reported earnings per diluted share	\$ 1.45	\$ 2.41
Certain items associated with acquisitions	0.01	0.01
Realized loss (gain), dividends and impairments on strategic investments, net	(0.01)	—
Unrealized loss (gain) on strategic investments, net	0.13	(0.33)
Income tax effect of share-based compensation	(0.01)	(0.03)
Income tax effects related to intra-entity intangible asset transfers <sup>1</sup>	0.83	0.03
Resolution of prior years' income tax filings and other tax items	(0.02)	0.04
Non-GAAP earnings per diluted share	<u>\$ 2.38</u>	<u>\$ 2.13</u>
Weighted average number of diluted shares	819	837

- <sup>1</sup> Amount for the three months ended January 26, 2025, included changes to income tax provision of \$0.04 per diluted share from amortization of intangibles and \$0.79 per diluted share from a remeasurement of deferred tax assets resulting from a new tax incentive agreement in Singapore in fiscal 2025.

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

	Three Months Ended	
	January 26, 2025	January 28, 2024
<i>(In millions, except percentages)</i>		
<b><u>Semiconductor Systems Non-GAAP Operating Income</u></b>		
<b>GAAP reported operating income</b>	\$ 1,986	\$ 1,744
Certain items associated with acquisitions <sup>1</sup>	12	10
<b>Non-GAAP operating income</b>	<u>\$ 1,998</u>	<u>\$ 1,754</u>
<b>Non-GAAP operating margin</b>	37.3 %	35.7 %

	Three Months Ended	
	January 26, 2025	January 28, 2024
<i>(In millions, except percentages)</i>		
<b><u>Applied Global Services Non-GAAP Operating Income</u></b>		
<b>GAAP reported operating income</b>	\$ 447	\$ 417
Non-GAAP operating income	\$ 447	\$ 417
<b>Non-GAAP operating margin</b>	28.0 %	28.3 %

	Three Months Ended	
	January 26, 2025	January 28, 2024
<i>(In millions, except percentages)</i>		
<b><u>Display Non-GAAP Operating Income</u></b>		
<b>GAAP reported operating income</b>	\$ 14	\$ 25
Non-GAAP operating income	\$ 14	\$ 25
<b>Non-GAAP operating margin</b>	7.7 %	10.2 %

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

The reconciliation of GAAP and non-GAAP 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 OPERATING EXPENSES**

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<i>(In millions)</i>	<b>Three Months Ended</b>	
	<b>January 26, 2025</b>	<b>January 28, 2024</b>
<b>GAAP reported operating expenses</b>	\$ 1,321	\$ 1,237
Certain items associated with acquisitions <sup>1</sup>	(5)	(4)
Acquisition integration and deal costs	(3)	(3)
<b>Non-GAAP operating expenses</b>	<b>\$ 1,313</b>	<b>\$ 1,230</b>

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

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP**  
**EFFECTIVE INCOME TAX RATE**

<i>(In millions)</i>	Three Months Ended	
	January 26, 2025	January 28, 2024
<b>GAAP provision for income taxes (a)</b>	\$ 934	\$ 284
Income tax effect of share-based compensation	10	26
Income tax effect related to intra-entity intangible asset transfers	(674)	(22)
Resolution of prior years' income tax filings and other tax items	16	(33)
Income tax effect of non-GAAP adjustments	(1)	(1)
<b>Non-GAAP provision for income taxes (b)</b>	\$ 285	\$ 254

<i>(In millions, except percentages)</i>	Three Months Ended	
	January 26, 2025	January 28, 2024
<b>GAAP income (loss) before income taxes (c)</b>	\$ 2,119	\$ 2,303
Certain items associated with acquisitions	12	11
Acquisition integration and deal costs	3	3
Realized loss (gain), dividends and impairments on strategic investments, net	(9)	(1)
Unrealized loss (gain) on strategic investments, net	106	(280)
<b>Non-GAAP income before income taxes (d)</b>	\$ 2,231	\$ 2,036
<b>GAAP effective income tax rate (a/c)</b>	44.1 %	12.3 %
<b>Non-GAAP effective income tax rate (b/d)</b>	12.8 %	12.5 %

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF NON-GAAP FREE CASH FLOW**

<i>(In millions)</i>	Three Months Ended				
	January 26, 2025	October 27, 2024	July 28, 2024	April 28, 2024	January 28, 2024
<b>Non-GAAP Free Cash Flow<sup>1</sup></b>					
Cash provided by operating activities	\$ 925	\$ 2,575	\$ 2,385	\$ 1,392	\$ 2,325
Capital expenditures	(381)	(407)	(297)	(257)	(229)
<b>Non-GAAP free cash flow</b>	<u>\$ 544</u>	<u>\$ 2,168</u>	<u>\$ 2,088</u>	<u>\$ 1,135</u>	<u>\$ 2,096</u>

<i>(In millions)</i>	Twelve Months Ended				
	October 27, 2024	October 29, 2023	October 30, 2022	October 31, 2021	October 25, 2020
<b>Non-GAAP Free Cash Flow<sup>1</sup></b>					
Cash provided by operating activities	\$ 8,677	\$ 8,700	\$ 5,399	\$ 5,442	\$ 3,804
Capital expenditures	(1,190)	(1,106)	(787)	(668)	(422)
<b>Non-GAAP free cash flow</b>	<u>\$ 7,487</u>	<u>\$ 7,594</u>	<u>\$ 4,612</u>	<u>\$ 4,774</u>	<u>\$ 3,382</u>

<i>(In millions)</i>	Twelve Months Ended				
	October 27, 2019	October 28, 2018	October 29, 2017	October 30, 2016	October 25, 2015
<b>Non-GAAP Free Cash Flow<sup>1</sup></b>					
Cash provided by operating activities	\$ 3,247	\$ 3,787	\$ 3,789	\$ 2,566	\$ 1,163
Capital expenditures	(441)	(622)	(345)	(253)	(215)
<b>Non-GAAP free cash flow</b>	<u>\$ 2,806</u>	<u>\$ 3,165</u>	<u>\$ 3,444</u>	<u>\$ 2,313</u>	<u>\$ 948</u>

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

**APPLIED MATERIALS, INC.**  
**RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK**

Non-GAAP outlook for the second quarter of fiscal 2025 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$11 million, or \$0.01 per share and a gain on asset sale of approximately \$43 million or \$0.05 per share, and includes a net income tax benefit related to intra-entity intangible asset transfers of approximately \$31 million, or \$0.04 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.