



Q2 FY2025 Earnings Call

GAAP to non-GAAP Reconciliations

May 15, 2025



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

<i>(In millions, except percentages)</i>	Three Months Ended		Six Months Ended	
	April 27, 2025	April 28, 2024	April 27, 2025	April 28, 2024
Non-GAAP Gross Profit				
GAAP reported gross profit	\$ 3,485	\$ 3,153	\$ 6,981	\$ 6,357
Certain items associated with acquisitions ¹	6	7	13	14
Non-GAAP gross profit	<u>\$ 3,491</u>	<u>\$ 3,160</u>	<u>\$ 6,994</u>	<u>\$ 6,371</u>
Non-GAAP gross margin	49.2 %	47.5 %	49.0 %	47.7 %
Non-GAAP Operating Income				
GAAP reported operating income	\$ 2,169	\$ 1,912	\$ 4,344	\$ 3,879
Certain items associated with acquisitions ¹	11	10	23	21
Acquisition integration and deal costs	—	5	3	8
Non-GAAP operating income	<u>\$ 2,180</u>	<u>\$ 1,927</u>	<u>\$ 4,370</u>	<u>\$ 3,908</u>
Non-GAAP operating margin	30.7 %	29.0 %	30.6 %	29.3 %
Non-GAAP Net Income				
GAAP reported net income	\$ 2,137	\$ 1,722	\$ 3,322	\$ 3,741
Certain items associated with acquisitions ¹	11	10	23	21
Acquisition integration and deal costs	—	5	3	8
Realized loss (gain), dividends and impairments on strategic investments, net	(18)	(3)	(27)	(4)
Unrealized loss (gain) on strategic investments, net	(80)	(20)	26	(300)
Foreign exchange loss (gain) related to purchase of strategic investment	23	—	23	—
Loss (gain) on asset sale	(44)	—	(44)	—
Income tax effect of share-based compensation ²	4	11	(6)	(15)
Income tax effects related to intra-entity intangible asset transfers ³	32	18	706	40
Resolution of prior years' income tax filings and other tax items	(124)	—	(140)	33
Income tax effect of non-GAAP adjustments ⁴	(1)	1	—	2
Non-GAAP net income	<u>\$ 1,940</u>	<u>\$ 1,744</u>	<u>\$ 3,886</u>	<u>\$ 3,526</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 six months ended April 27, 2025, included changes to income tax provision of \$62 million from amortization of intangibles and a \$644 million remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in the first quarter of 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		Six Months Ended	
	April 27, 2025	April 28, 2024	April 27, 2025	April 28, 2024
<i>(In millions, except per share amounts)</i>				
Non-GAAP Earnings Per Diluted Share				
GAAP reported earnings per diluted share	\$ 2.63	\$ 2.06	\$ 4.08	\$ 4.47
Certain items associated with acquisitions	0.01	0.01	0.02	0.02
Acquisition integration and deal costs	—	0.01	—	0.01
Realized loss (gain), dividends and impairments on strategic investments, net	(0.02)	—	(0.03)	—
Unrealized loss (gain) on strategic investments, net	(0.10)	(0.02)	0.03	(0.36)
Foreign exchange loss (gain) related to purchase of strategic investment	0.03	—	0.03	—
Loss (gain) on asset sale	(0.05)	—	(0.05)	—
Income tax effect of share-based compensation	—	0.01	(0.01)	(0.02)
Income tax effects related to intra-entity intangible asset transfers ¹	0.04	0.02	0.87	0.05
Resolution of prior years' income tax filings and other tax items	(0.15)	—	(0.17)	0.04
Non-GAAP earnings per diluted share	\$ 2.39	\$ 2.09	\$ 4.77	\$ 4.21
Weighted average number of diluted shares	812	836	815	837

¹ Amount for the six months ended April 27, 2025, included changes to income tax provision of \$0.08 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 the first quarter of fiscal 2025.

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

(In millions, except percentages)

	Three Months Ended		Six Months Ended	
	April 27, 2025	April 28, 2024	April 27, 2025	April 28, 2024
Semiconductor Systems Non-GAAP Operating Income				
GAAP reported operating income	\$ 1,900	\$ 1,701	\$ 3,886	\$ 3,445
Certain items associated with acquisitions ¹	11	10	23	20
Non-GAAP operating income	<u>\$ 1,911</u>	<u>\$ 1,711</u>	<u>\$ 3,909</u>	<u>\$ 3,465</u>
Non-GAAP operating margin	36.4 %	34.9 %	36.8 %	35.3 %

(In millions, except percentages)

	Three Months Ended		Six Months Ended	
	April 27, 2025	April 28, 2024	April 27, 2025	April 28, 2024
Applied Global Services Non-GAAP Operating Income				
GAAP reported operating income	\$ 446	\$ 436	\$ 893	\$ 853
Non-GAAP operating income	<u>\$ 446</u>	<u>\$ 436</u>	<u>\$ 893</u>	<u>\$ 853</u>
Non-GAAP operating margin	28.5 %	28.5 %	28.3 %	28.4 %

(In millions, except percentages)

	Three Months Ended		Six Months Ended	
	April 27, 2025	April 28, 2024	April 27, 2025	April 28, 2024
Display Non-GAAP Operating Income				
GAAP reported operating income	\$ 68	\$ 5	\$ 82	\$ 30
Non-GAAP operating income	<u>\$ 68</u>	<u>\$ 5</u>	<u>\$ 82</u>	<u>\$ 30</u>
Non-GAAP operating margin	26.3 %	2.8 %	18.6 %	7.1 %

¹ 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

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	April 27, 2025	April 28, 2024	April 27, 2025	April 28, 2024
GAAP reported operating expenses	\$ 1,316	\$ 1,241	\$ 2,637	\$ 2,478
Certain items associated with acquisitions ¹	(5)	(3)	(10)	(7)
Acquisition integration and deal costs	—	(5)	(3)	(8)
Non-GAAP operating expenses	\$ 1,311	\$ 1,233	\$ 2,624	\$ 2,463

¹ 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	
	April 27, 2025	April 28, 2024
GAAP provision for income taxes (a)	\$ 185	\$ 272
Income tax effect of share-based compensation	(4)	(11)
Income tax effect related to intra-entity intangible asset transfers	(32)	(18)
Resolution of prior years' income tax filings and other tax items	124	—
Income tax effect of non-GAAP adjustments	1	(1)
Non-GAAP provision for income taxes (b)	\$ 274	\$ 242

<i>(In millions, except percentages)</i>	Three Months Ended	
	April 27, 2025	April 28, 2024
GAAP income (loss) before income taxes (c)	\$ 2,322	\$ 1,994
Certain items associated with acquisitions	11	10
Acquisition integration and deal costs	—	5
Realized loss (gain), dividends and impairments on strategic investments, net	(18)	(3)
Unrealized loss (gain) on strategic investments, net	(80)	(20)
Foreign exchange loss (gain) related to purchase of strategic investment	23	—
Loss (gain) on asset sale	(44)	—
Non-GAAP income before income taxes (d)	\$ 2,214	\$ 1,986
GAAP effective income tax rate (a/c)	8.0 %	13.6 %
Non-GAAP effective income tax rate (b/d)	12.4 %	12.2 %

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

<i>(In millions)</i>	Three Months Ended				
	April 27, 2025	January 26, 2025	October 27, 2024	July 28, 2024	April 28, 2024
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 1,571	\$ 925	\$ 2,575	\$ 2,385	\$ 1,392
Capital expenditures	(510)	(381)	(407)	(297)	(257)
Non-GAAP free cash flow	\$ 1,061	\$ 544	\$ 2,168	\$ 2,088	\$ 1,135

<i>(In millions)</i>	Twelve Months Ended				
	October 27, 2024	October 29, 2023	October 30, 2022	October 31, 2021	October 25, 2020
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 8,677	\$ 8,700	\$ 5,399	\$ 5,442	\$ 3,804
Capital expenditures	(1,190)	(1,106)	(787)	(668)	(422)
Non-GAAP free cash flow	\$ 7,487	\$ 7,594	\$ 4,612	\$ 4,774	\$ 3,382

<i>(In millions)</i>	Twelve Months Ended				
	October 27, 2019	October 28, 2018	October 29, 2017	October 30, 2016	October 25, 2015
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 3,247	\$ 3,787	\$ 3,789	\$ 2,566	\$ 1,163
Capital expenditures	(441)	(622)	(345)	(253)	(215)
Non-GAAP free cash flow	\$ 2,806	\$ 3,165	\$ 3,444	\$ 2,313	\$ 948

¹ 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 third 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 includes a net income tax benefit related to intra-entity intangible asset transfers of approximately \$30 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.