



Q4 FY2024 Earnings Call

GAAP to non-GAAP Reconciliations

November 14, 2024



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

<i>(In millions, except percentages)</i>	Three Months Ended		Twelve Months Ended	
	October 27, 2024	October 29, 2023	October 27, 2024	October 29, 2023
Non-GAAP Gross Profit				
GAAP reported gross profit	\$ 3,335	\$ 3,169	\$ 12,897	\$ 12,384
Certain items associated with acquisitions ¹	6	8	26	29
Impairment of long-lived assets	3	—	3	—
Non-GAAP gross profit	\$ 3,344	\$ 3,177	\$ 12,926	\$ 12,413
Non-GAAP gross margin	47.5 %	47.3 %	47.6 %	46.8 %
Non-GAAP Operating Income				
GAAP reported operating income	\$ 2,046	\$ 1,971	\$ 7,867	\$ 7,654
Certain items associated with acquisitions ¹	11	11	42	43
Acquisition integration and deal costs	3	2	12	22
Impairment of long-lived assets	3	—	3	—
Non-GAAP operating income	\$ 2,063	\$ 1,984	\$ 7,924	\$ 7,719
Non-GAAP operating margin	29.3 %	29.5 %	29.2 %	29.1 %
Non-GAAP Net Income				
GAAP reported net income	\$ 1,731	\$ 2,004	\$ 7,177	\$ 6,856
Certain items associated with acquisitions ¹	11	11	42	43
Acquisition integration and deal costs	3	2	12	22
Impairment of long-lived assets	3	—	3	—
Realized loss (gain), dividends and impairments on strategic investments, net	(1)	(2)	11	107
Unrealized loss (gain) on strategic investments, net	244	(147)	(31)	(134)
Earn-out	—	(15)	—	(15)
Income tax effect of share-based compensation ²	7	6	—	—
Income tax effects related to intra-entity intangible asset transfers	(33)	(65)	24	(40)
Resolution of prior years' income tax filings and other tax items	(47)	(9)	(25)	(31)
Income tax effect of non-GAAP adjustments ³	(1)	1	(3)	(6)
Non-GAAP net income	\$ 1,917	\$ 1,786	\$ 7,210	\$ 6,802

- 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.

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

	Three Months Ended		Twelve Months Ended	
	October 27, 2024	October 29, 2023	October 27, 2024	October 29, 2023
<i>(In millions, except per share amounts)</i>				
Non-GAAP Earnings Per Diluted Share				
GAAP reported earnings per diluted share	\$ 2.09	\$ 2.38	\$ 8.61	\$ 8.11
Certain items associated with acquisitions	0.01	0.01	0.05	0.05
Acquisition integration and deal costs	—	—	0.01	0.02
Realized loss (gain), dividends and impairments on strategic investments, net	—	—	0.01	0.13
Unrealized loss (gain) on strategic investments, net	0.30	(0.18)	(0.03)	(0.16)
Earn-out	—	(0.01)	—	(0.01)
Income tax effect of share-based compensation	0.01	0.01	—	—
Income tax effects related to intra-entity intangible asset transfers	(0.04)	(0.08)	0.03	(0.05)
Resolution of prior years' income tax filings and other tax items	(0.05)	(0.01)	(0.03)	(0.04)
Non-GAAP earnings per diluted share	\$ 2.32	\$ 2.12	\$ 8.65	\$ 8.05
Weighted average number of diluted shares	828	842	834	845

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

(In millions, except percentages)

	Three Months Ended		Twelve Months Ended	
	October 27, 2024	October 29, 2023	October 27, 2024	October 29, 2023
Semiconductor Systems Non-GAAP Operating Income				
GAAP reported operating income	\$ 1,824	\$ 1,741	\$ 6,981	\$ 6,879
Certain items associated with acquisitions ¹	10	10	40	39
Non-GAAP operating income	<u>\$ 1,834</u>	<u>\$ 1,751</u>	<u>\$ 7,021</u>	<u>\$ 6,918</u>
Non-GAAP operating margin	35.4 %	35.9 %	35.3 %	35.1 %

(In millions, except percentages)

	Three Months Ended		Twelve Months Ended	
	October 27, 2024	October 29, 2023	October 27, 2024	October 29, 2023
Applied Global Services Non-GAAP Operating Income				
GAAP reported operating income	\$ 492	\$ 401	\$ 1,812	\$ 1,529
Non-GAAP operating income	\$ 492	\$ 401	\$ 1,812	\$ 1,529
Non-GAAP operating margin	30.0 %	27.3 %	29.1 %	26.7 %

(In millions, except percentages)

	Three Months Ended		Twelve Months Ended	
	October 27, 2024	October 29, 2023	October 27, 2024	October 29, 2023
Display Non-GAAP Operating Income				
GAAP reported operating income	\$ 5	\$ 63	\$ 51	\$ 114
Non-GAAP operating income	\$ 5	\$ 63	\$ 51	\$ 114
Non-GAAP operating margin	2.4 %	21.1 %	5.8 %	13.1 %

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 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		Twelve Months Ended	
	October 27, 2024	October 29, 2023	October 27, 2024	October 29, 2023
GAAP reported operating expenses	\$ 1,289	\$ 1,198	\$ 5,030	\$ 4,730
Certain items associated with acquisitions ¹	(5)	(3)	(16)	(14)
Acquisition integration and deal costs	(3)	(2)	(12)	(22)
Non-GAAP operating expenses	<u>\$ 1,281</u>	<u>\$ 1,193</u>	<u>\$ 5,002</u>	<u>\$ 4,694</u>

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	
	October 27, 2024	October 29, 2023
GAAP provision for income taxes (a)	\$ 164	\$ 168
Income tax effect of share-based compensation	(7)	(6)
Income tax effect related to intra-entity intangible asset transfers	33	65
Resolution of prior years' income tax filings and other tax items	47	9
Income tax effect of non-GAAP adjustments	1	(1)
Non-GAAP provision for income taxes (b)	\$ 238	\$ 235

<i>(In millions, except percentages)</i>	Three Months Ended	
	October 27, 2024	October 29, 2023
GAAP income (loss) before income taxes (c)	\$ 1,895	\$ 2,172
Certain items associated with acquisitions	11	11
Acquisition integration and deal costs	3	2
Impairment of long-lived assets	3	—
Realized loss (gain), dividends and impairments on strategic investments, net	(1)	(2)
Unrealized loss (gain) on strategic investments, net	244	(147)
Earn-out	—	(15)
Non-GAAP income before income taxes (d)	\$ 2,155	\$ 2,021
GAAP effective income tax rate (a/c)	8.7 %	7.7 %
Non-GAAP effective income tax rate (b/d)	11.0 %	11.6 %

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

<i>(In millions)</i>	Three Months Ended				
	October 27, 2024	July 28, 2024	April 28, 2024	January 28, 2024	October 29, 2023
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 2,575	\$ 2,385	\$ 1,392	\$ 2,325	\$ 1,555
Capital expenditures	(407)	(297)	(257)	(229)	(309)
Non-GAAP free cash flow	\$ 2,168	\$ 2,088	\$ 1,135	\$ 2,096	\$ 1,246

<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 first quarter of fiscal 2025 excludes known charges related to completed acquisitions of approximately \$10 million, or \$0.01 per share and includes a net income tax benefit related to intra-entity intangible asset transfers of approximately \$72 million, or \$0.09 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.