



# Fourth Quarter Fiscal 2023 Earnings Presentation

November 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 business outlook for the first 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, our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; global economic, political and industry conditions, including rising inflation and interest rates; the implementation and interpretation 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; 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; 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 effects of geopolitical turmoil or conflicts, and 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.



# Gary Dickerson

President and Chief Executive Officer



# FISCAL YEAR 2023

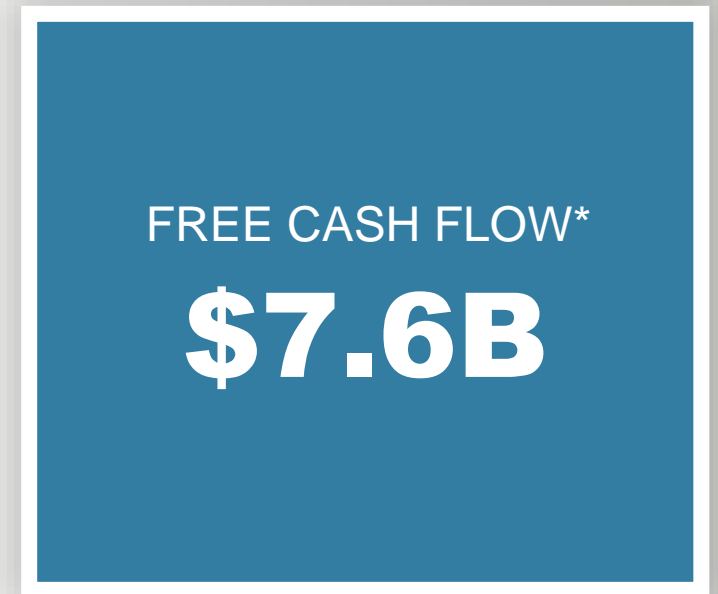
## Record Revenue, Earnings and Cash Flow



↑3% YoY



↑5% YoY



↑65% YoY

\* 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](http://www.appliedmaterials.com)

# AGENDA

FY2023 Performance and Key Accomplishments

Longer-Term Growth Thesis

FY 2024 Outlook and Priorities

# Strength in Semiconductor Systems

- Delivered growth during a down year for semiconductor and WFE spending
- On track to outgrow the WFE market for the fifth consecutive year
- Positioned for sustained outperformance over the coming years





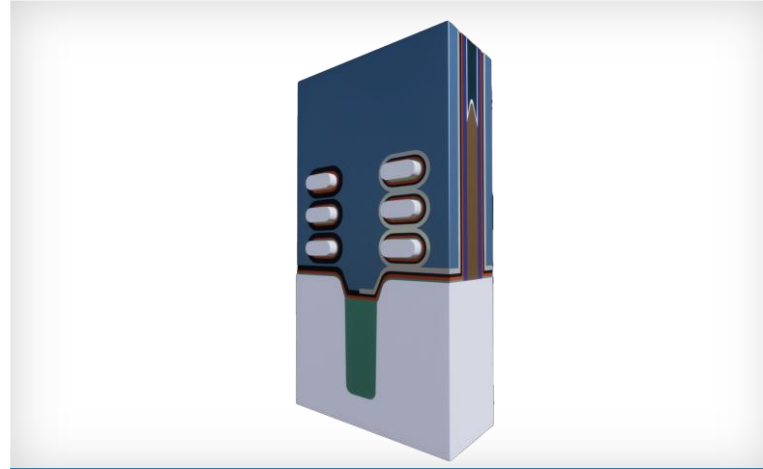
# Enabling Customer Roadmaps



## MILESTONES

Delivered new records and major milestones with existing systems

- » Passed 10K shipments of Sym3 etch chambers



## INFLECTIONS

Secured incremental production tool positions in key inflections

- » GAA, backside power, heterogeneous integration, patterning, DRAM, HBM



## ICAPS

Strengthened ICAPS business with new products and application wins

- » Etch, epitaxy, implant, metrology and inspection

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



## APPLIED GLOBAL SERVICES

- Record revenue in Q4 and FY2023
- 17 consecutive quarters of YoY growth
- Positive leading indicators of future growth
  - » Increased industry's biggest installed base by 5%
  - » Grew long-term subscription service agreements to 63% of recurring revenue
  - » Maintained subscription renewal rate at approximately 90%

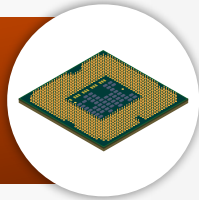


# Applied's Growth Thesis

Global GDP



Semiconductors



Wafer Fab Equipment



Applied Semi Systems



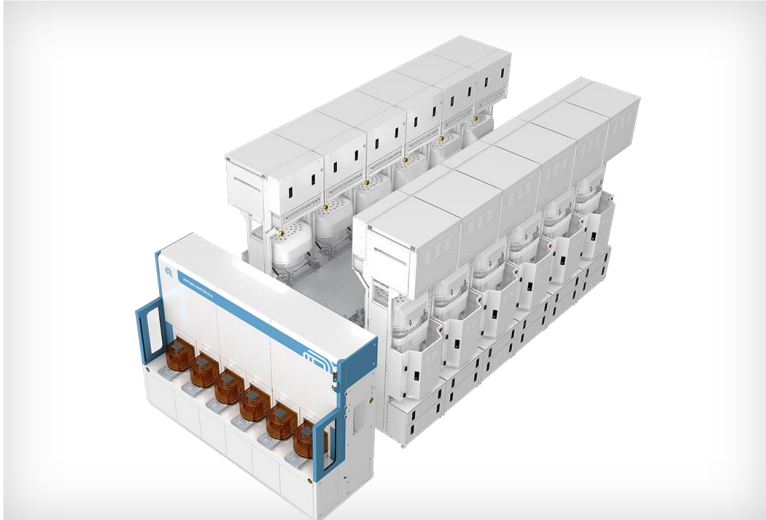
Applied Global Services



- Semiconductors outgrow GDP
- Equipment grows as fast or faster than semiconductors
- Applied Semi Systems outgrows equipment market
- AGS grows as fast or faster than Semi Systems

**Positioned for Profitable Growth as the Industry Expands**

# Solving Customers' Highest-Value Problems



## TECHNOLOGIES

- Broadest portfolio of unit process technologies
- Ability to combine technologies to create co-optimized and integrated solutions



## RELATIONSHIPS

- Deep relationships with customers
- Unique platform for collaborative innovation and commercialization



## SERVICES

- Advanced service offerings are increasingly valuable during transfer and ramp
- Provide growing subscription revenue

## 2024 Outlook

Demand remains robust,  
with some mix changes

- » Leading-edge F/L stronger
- » ICAPS lower
- » DRAM strong
- » NAND <10% of WFE

## 2024 Priorities

Driving R&D programs  
to further differentiate  
our portfolio

Investing in operational and  
supply chain improvements

Continuing to reduce our  
environmental impact as  
we scale the company

**Applied Has the Right Capabilities, Strategy and Partnerships**



# CEO SUMMARY

- Record revenue, earnings and cash flow in FY2023
- On track to outgrow WFE for the fifth year in a row
- Outperformance is sustainable due to:
  - » Strong positions at all key industry inflections
  - » Strength of our customer collaborations
  - » Pull for our advanced services
- We remain positive about long-term growth for semiconductors, WFE and Applied

# Brice Hill

SVP, Chief Financial Officer



# CFO

## PERSPECTIVE

~\$3B of annualized R&D invested in semiconductor industry

- Invited to identify and solve customers' most valuable challenges using broadest and deepest equipment portfolio and expertise
- Unique insights into market and technology roadmap trends
- Spending focused on projects with a high probability of commercial adoption and strong financial returns
- Line of sight to market share leadership and growth across inflections
  - » GAA, backside power, heterogeneous integration, HBM and 3D DRAM
- Strategy produces strong shareholder returns



# Compound Annual Growth Rates Over 10 Years

**13%**

REVENUE

**~30%**

NON-GAAP EPS

**33%**

FREE  
CASH FLOW

**>12%**

QUARTERLY  
DIVIDEND /  
SHARE

# FY2023 Non-GAAP Financial Results

	FY2022	FY2023	YoY
\$M, except EPS			
Revenue	25,785	26,517	3%
Gross Margin*	46.6%	46.8%	20bps
Operating Income*	7,861	7,719	(2%)
EPS*	\$7.70	\$8.05	5%
Operating Cash Flow	5,399	8,700	61%
Free Cash Flow**	4,612	7,594	65%

\* 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](http://www.appliedmaterials.com)

\*\* Free cash flow = net cash provided by operating activities – capital expenditures

# Cash Flows and Shareholder Distributions

<b>CASH FLOWS (\$M)</b>	<b>Q4F22</b>	<b>Q1F23</b>	<b>Q2F23</b>	<b>Q3F23</b>	<b>Q4F23</b>	<b>FY23</b>
Operating Cash Flow	857	2,270	2,292	2,583	1,555	8,700
Free Cash Flow*	634	1,983	2,037	2,328	1,246	7,594
<b>SHAREHOLDER DISTRIBUTIONS (\$M)</b>						
Total Shareholder Distributions	(1,723)	(470)	(1,019)	(707)	(968)	(3,164)
Share Repurchases	(1,500)	(250)	(800)	(439)	(700)	(2,189)
Dividends	(223)	(220)	(219)	(268)	(268)	(975)

**Committed to Distribute 80-100% of FCF to Shareholders over Time**

\* Free cash flow = net cash provided by operating activities – capital expenditures



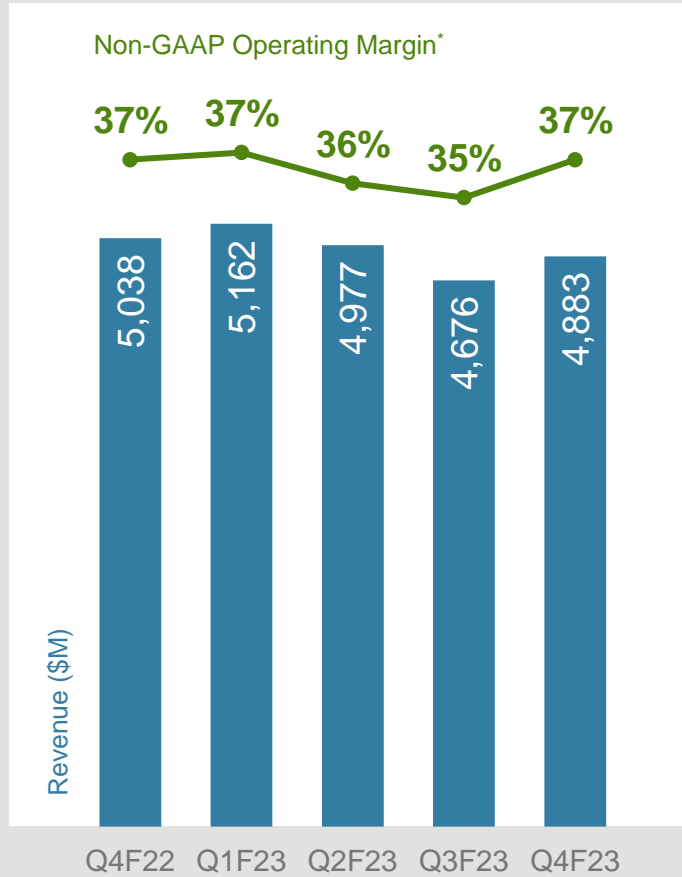
# Q4F23 Non-GAAP Financial Results

	Q4F22	Q3F23	Q4F23	YoY	QoQ
<small>\$M, except EPS</small>					
Revenue	6,749	6,425	6,723	-	5%
Gross Margin*	46.0%	46.4%	47.3%	130bps	90bps
Operating Expenses*	1,097	1,165	1,193	9%	2%
Operating Income*	2,010	1,818	1,984	(1%)	9%
Operating Margin*	29.8%	28.3%	29.5%	(30bps)	120bps
EPS*	\$2.03	\$1.90	\$2.12	4%	12%

\* 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](http://www.appliedmaterials.com)

# Q4F23 Segment Results

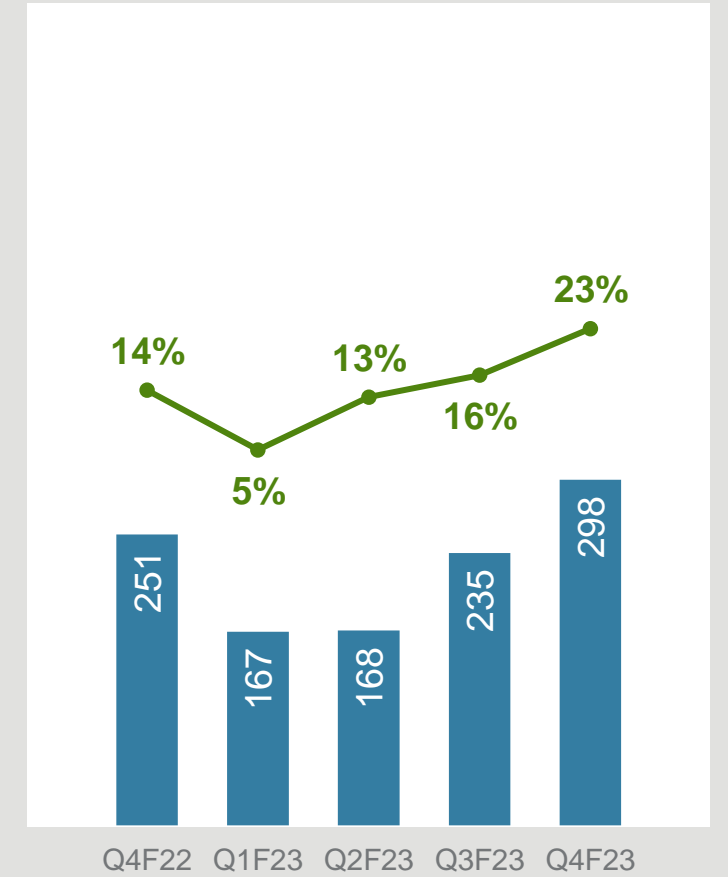
## SEMICONDUCTOR SYSTEMS



## 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 page at [www.appliedmaterials.com](http://www.appliedmaterials.com)

# AGS Highlights

- AGS growth is a function of increasing
  1. Installed base
  2. Service intensity
  3. Subscription agreements
- FY23 milestones
  - » Grew installed base to 48.3K tools
  - » Increased tools under service agreement to 16.6K
  - » Added new sensor and AI-based service capabilities
  - » Delivered eco-efficiency hardware and software products as a service
- Recently signed largest global comprehensive services agreement
- AGS produces more than enough Operating Profit to cover company's dividend





# Business Outlook

## First QUARTER FISCAL 2024

<b>OUTLOOK</b>	Total Revenue	~\$6.47B ± \$400M
	Non-GAAP EPS	~\$1.90 ± \$0.18
<b>SEGMENT REVENUE</b>	Semiconductor Systems	~\$4.70B
	Applied Global Services	~\$1.46B
	Display and Adjacent Markets	~\$235M
<b>OTHER</b>	Non-GAAP Gross Margin	~47.0%
	Non-GAAP Operating Expenses	~\$1.23B
	Non-GAAP Tax Rate	~13.0%

Q&A

# Strong History of Shareholder Distributions

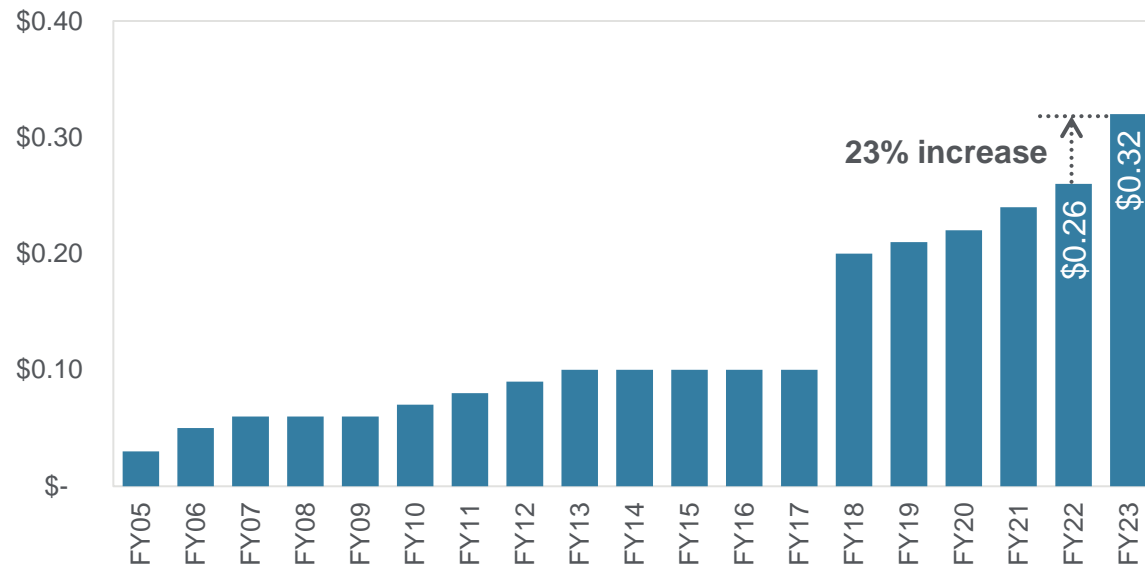
## Over past 10 fiscal years (through FY23)

- » Grew dividend per share at >12% CAGR
- » Reduced shares outstanding by more than 30%
- » Distributed 91% of FCF

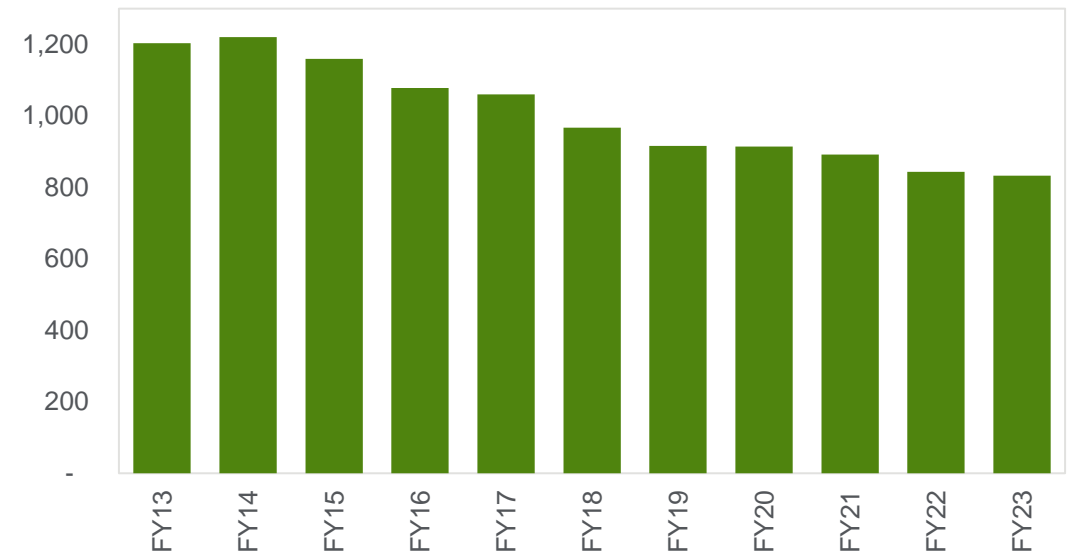
## March 2023, Board of Directors approved

- » 23% dividend per share increase
- » \$10B supplemental share repurchase authorization (\$12.7B total remaining at end of Q4'23)

Quarterly Dividend per Share (Paid in Q4)



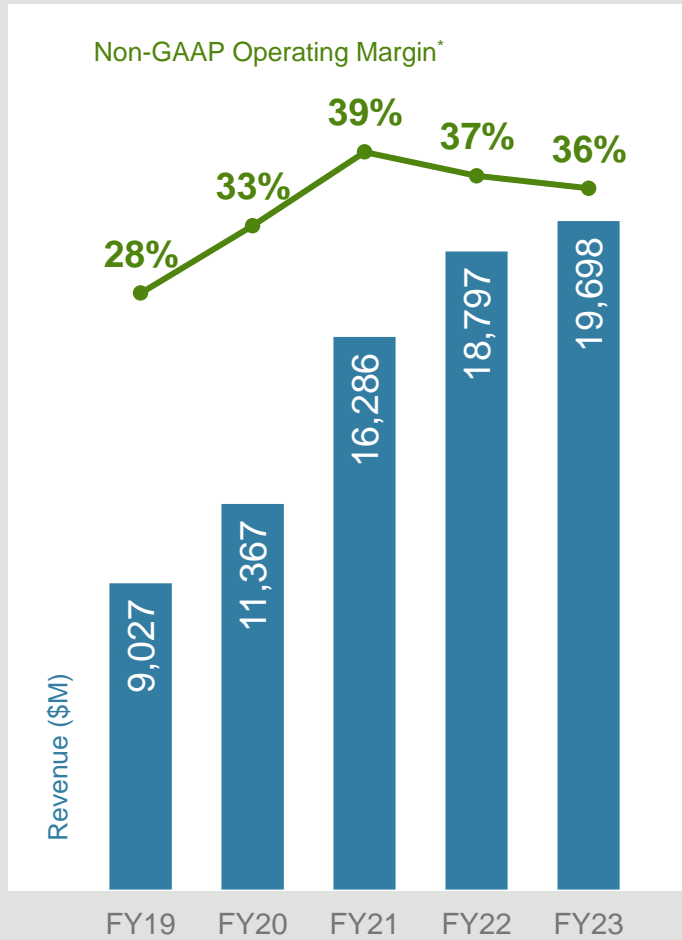
Shares Outstanding (in Millions)



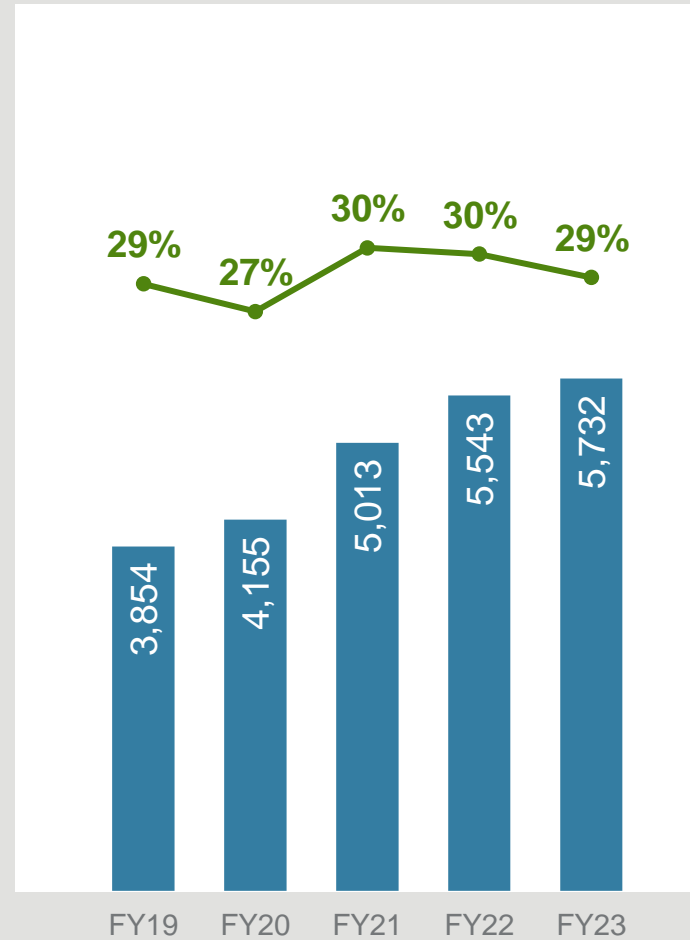
Committed to Distribute 80-100% of FCF to Shareholders over Time

# FY2019 – FY2023 Segment Results

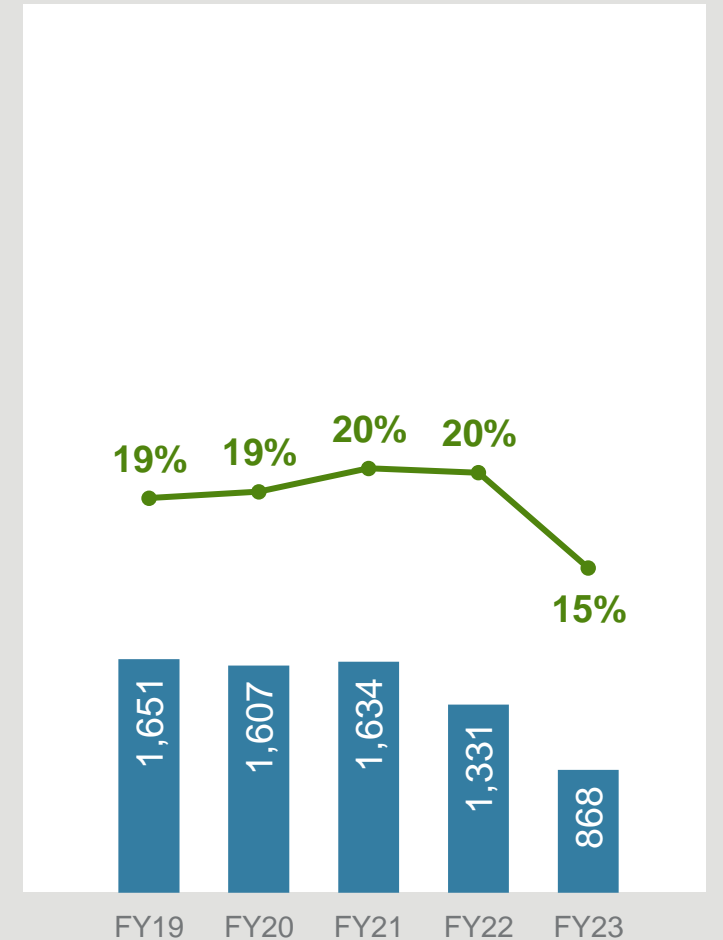
## SEMICONDUCTOR SYSTEMS



## APPLIED GLOBAL SERVICES



## DISPLAY & ADJACENT MARKETS



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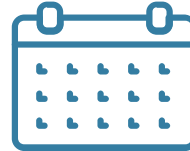


# APPLIED MATERIALS AT-A-GLANCE

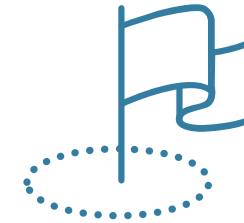


REPORTING SEGMENTS

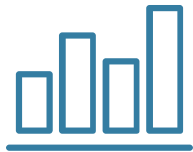
**Semiconductor Systems**  
**Applied Global Services**  
**Display and Adjacent Markets**



CURRENT FISCAL  
YEAR ENDS  
**29 October 2023**



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



**\$26.5 billion**  
TTM REVENUE



**\$3.1 billion**  
TTM R&D  
INVESTMENTS



**~34,000\***  
employees  
in **24\*\*** countries



**~17,300\*\***  
active patents



FTSE4Good



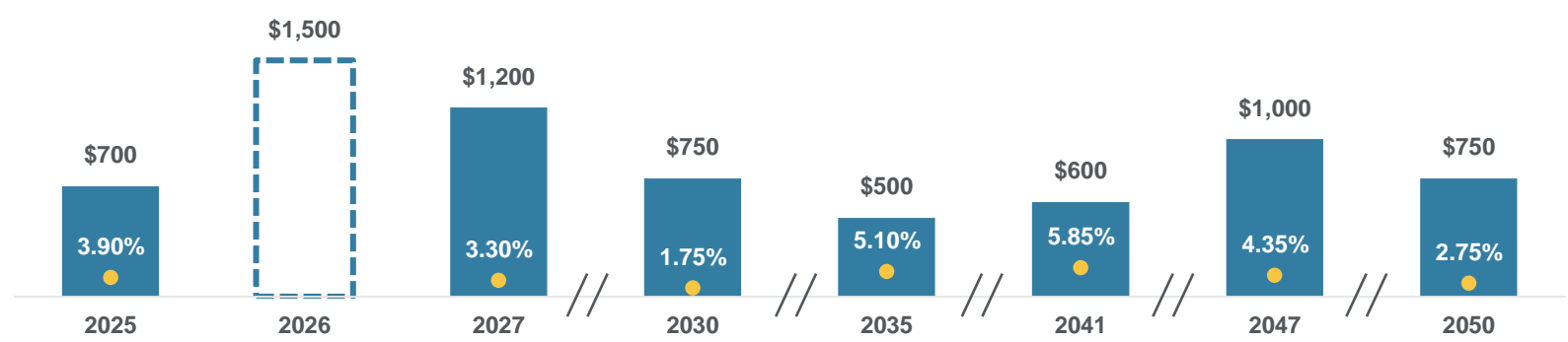
TTM is trailing twelve months. \*As of fiscal Q4'23 ended 10/29/2023 \*\*As of fiscal year-ended 10/29/2023.

# Strong and Flexible Balance Sheet

CASH AND INVESTMENTS (\$M)	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
Cash and cash equivalents	1,995	3,547	4,588	6,025	6,132
Short-term investments	586	500	510	510	737
Long-term investments	1,980	2,088	2,024	2,177	2,281
<b>Total cash and investments</b>	<b>4,561</b>	<b>6,135</b>	<b>7,122</b>	<b>8,712</b>	<b>9,150</b>
Commercial paper Current ratings (Moody's / S&P): P-1 / A-1	-	199	199	199	100
Long-term debt Current ratings (Moody's / S&P): A2 / A	5,457	5,458	5,459	5,460	5,461

## Long-term debt maturity profile

- Undrawn Revolver
- Outstanding Notes



# ESG Roadmap | 2030 Goals & Net Zero 2040 Playbook

APPLIED'S  
OPERATIONS

**1x**

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

**RE100** member as of November 2022

Announced **2030 DEI goals** for women, globally and URM's in the US

**NEW:** [Net Zero 2040 Playbook](#)

SEMI INDUSTRY'S  
OPERATIONS

**100x**

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

Broad engagement with **SUCCESS2030** supply chain initiative

2030 Scope 1/2/3 **science-based targets** submitted to SBTi

GLOBAL  
ELECTRONICS

**10,000x**

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

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

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

## Make Possible<sup>®</sup> a Better Future

For more details, please refer to our 2022 Sustainability Report [here](#) and data annex [here](#)

# Additional Resources

Investor Relations Home Page

[LINK](#)

Latest News

[LINK](#)

Blog: Ideas, Actions & Technologies

[LINK](#)

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](#)

2023 New Ways to Shrink: Advanced Patterning Products Launch

[LINK](#)

2023 SEMICON West Technology Breakfast

[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, 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 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 PER SHARE AMOUNTS AND PERCENTAGES

## Non-GAAP Adjusted Gross Profit

	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
Reported gross profit - GAAP basis	\$ 3,101	\$ 3,145	\$ 3,094	\$ 2,976	\$ 3,169
Certain items associated with acquisitions <sup>1</sup>	6	7	7	7	8
Non-GAAP adjusted gross profit	<u>\$ 3,107</u>	<u>\$ 3,152</u>	<u>\$ 3,101</u>	<u>\$ 2,983</u>	<u>\$ 3,177</u>
Non-GAAP adjusted gross margin	46.0%	46.8%	46.8%	46.4%	47.3%

## Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 1,994	\$ 1,970	\$ 1,911	\$ 1,802	\$ 1,971
Certain items associated with acquisitions <sup>1</sup>	10	11	11	10	11
Acquisition integration and deal costs	6	6	8	6	2
Non-GAAP adjusted operating income	<u>\$ 2,010</u>	<u>\$ 1,987</u>	<u>\$ 1,930</u>	<u>\$ 1,818</u>	<u>\$ 1,984</u>
Non-GAAP adjusted operating margin	29.8%	29.5%	29.1%	28.3%	29.5%

## Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 1,591	\$ 1,717	\$ 1,575	\$ 1,560	\$ 2,004
Certain items associated with acquisitions <sup>1</sup>	10	11	11	10	11
Acquisition integration and deal costs	6	6	8	6	2
Realized loss (gain), dividends and impairments on strategic investments, net	(2)	(4)	117	(4)	(2)
Unrealized loss (gain) on strategic investments, net	11	(4)	11	6	(147)
Earn-out	-	-	-	-	(15)
Income tax effects related to intra-entity intangible asset transfers	132	17	(1)	9	(65)
Resolution of prior years' income tax filings and other tax items	(26)	(5)	(27)	10	(9)
Income tax effect of share-based compensation <sup>2</sup>	22	(14)	3	5	6
Income tax effect of non-GAAP adjustments <sup>3</sup>	(3)	-	(5)	(2)	1
Non-GAAP adjusted net income	<u>\$ 1,741</u>	<u>\$ 1,724</u>	<u>\$ 1,692</u>	<u>\$ 1,600</u>	<u>\$ 1,786</u>

## Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$ 1.85	\$ 2.02	\$ 1.86	\$ 1.85	\$ 2.38
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	0.01	0.01	-
Realized loss (gain), dividends and impairments on strategic investments, net	-	-	0.14	-	-
Unrealized loss (gain) on strategic investments, net	0.01	-	0.01	-	(0.18)
Earn-out	-	-	-	-	(0.01)
Income tax effects related to intra-entity intangible asset transfers	0.15	0.02	-	0.01	(0.08)
Income tax effect of share-based compensation <sup>2</sup>	0.03	(0.02)	-	0.01	0.01
Resolution of prior years' income tax filings and other tax items	(0.03)	(0.01)	(0.03)	0.01	(0.01)
Non-GAAP adjusted earnings per diluted share	<u>\$ 2.03</u>	<u>\$ 2.03</u>	<u>\$ 2.00</u>	<u>\$ 1.90</u>	<u>\$ 2.12</u>
Weighted average number of diluted shares	859	849	847	843	842

## 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	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
<b>Operating Expenses – GAAP Basis</b>	\$ 1,107	\$ 1,175	\$ 1,183	\$ 1,174	\$ 1,198
Certain items associated with acquisitions	(4)	(4)	(4)	(3)	(3)
Acquisition integration and deal costs	(6)	(6)	(8)	(6)	(2)
Non-GAAP adjusted operating expenses	<u>\$ 1,097</u>	<u>\$ 1,165</u>	<u>\$ 1,171</u>	<u>\$ 1,165</u>	<u>\$ 1,193</u>

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

IN MILLIONS, EXCEPT PERCENTAGES

	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
<b>Semiconductor Systems Non-GAAP Adjusted Operating Income</b>					
Reported operating income - GAAP basis	\$ 1,849	\$ 1,917	\$ 1,764	\$ 1,618	\$ 1,791
Certain items associated with acquisitions <sup>1</sup>	9	9	10	10	10
Non-GAAP adjusted operating income	<u>\$ 1,858</u>	<u>\$ 1,926</u>	<u>\$ 1,774</u>	<u>\$ 1,628</u>	<u>\$ 1,801</u>
Non-GAAP adjusted operating margin	36.9%	37.3%	35.6%	34.8%	36.9%
<b>AGS Non-GAAP Adjusted Operating Income</b>					
Reported operating income - GAAP basis	\$ 402	\$ 383	\$ 414	\$ 429	\$ 431
Non-GAAP adjusted operating income	<u>\$ 402</u>	<u>\$ 383</u>	<u>\$ 414</u>	<u>\$ 429</u>	<u>\$ 431</u>
Non-GAAP adjusted operating margin	28.3%	28.0%	29.0%	29.3%	29.3%
<b>Display and Adjacent Markets Non-GAAP Adjusted Operating Income</b>					
Reported operating income - GAAP basis	\$ 34	\$ 8	\$ 21	\$ 37	\$ 67
Non-GAAP adjusted operating income	<u>\$ 34</u>	<u>\$ 8</u>	<u>\$ 21</u>	<u>\$ 37</u>	<u>\$ 67</u>
Non-GAAP adjusted operating margin	13.5%	4.8%	12.5%	15.7%	22.5%

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.

# UNAUDITED QUARTERLY RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
<b>Non-GAAP Free Cash Flows<sup>1</sup></b>					
Cash provided by operating activities	\$ 857	\$ 2,270	\$ 2,292	\$ 2,583	\$ 1,555
Capital expenditures	(223)	(287)	(255)	(255)	(309)
Non-GAAP free cash flow	<u>\$ 634</u>	<u>\$ 1,983</u>	<u>\$ 2,037</u>	<u>\$ 2,328</u>	<u>\$ 1,246</u>

FOOTNOTE:

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



# UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

## Non-GAAP Adjusted Gross Profit

	FY2013	FY2022	FY2023
Reported gross profit - GAAP basis	\$ 2,991	\$ 11,993	\$ 12,384
Certain items associated with acquisitions <sup>1</sup>	166	26	29
Acquisition integration and deal costs	3	-	-
Non-GAAP adjusted gross profit	<u>\$ 3,160</u>	<u>\$ 12,019</u>	<u>\$ 12,413</u>
Non-GAAP adjusted gross margin	42.1%	46.6%	46.8%

## Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 432	\$ 7,788	\$ 7,654
Certain items associated with acquisitions <sup>1</sup>	201	39	43
Acquisition integration and deal costs	38	38	22
Loss on derivatives associated with terminated business combination, net	7	-	-
Certain items associated with terminated business combination <sup>2</sup>	17	-	-
Restructuring, inventory charges and assets impairments <sup>3</sup>	63	-	-
Impairment of goodwill and intangible assets	278	-	-
Severance and related charges <sup>4</sup>	-	(4)	-
Other charges <sup>5</sup>	(4)	-	-
Non-GAAP adjusted operating income	<u>\$ 1,032</u>	<u>\$ 7,861</u>	<u>\$ 7,719</u>
Non-GAAP adjusted operating margin	13.7%	30.5%	29.1%

## Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 256	\$ 6,525	\$ 6,856
Certain items associated with acquisitions <sup>1</sup>	201	39	43
Acquisition integration and deal costs	38	34	22
Loss on derivatives associated with terminated business combination, net	7	-	-
Certain items associated with terminated business combination <sup>2</sup>	17	-	-
Restructuring, inventory charges and assets impairments <sup>3</sup>	63	-	-
Impairment of goodwill and intangible assets	278	-	-
Severance and related charges <sup>4</sup>	-	(4)	-
Realized loss (gain) on strategic investments, net	1	(3)	107
Unrealized loss (gain) on strategic investments, net	-	(4)	(134)
Earn-out	-	-	(15)
Other charges <sup>5</sup>	(4)	-	-
Income tax effects related to intra-entity intangible asset transfers	-	252	(40)
Resolution of prior years' income tax filings and other tax items	(37)	(80)	(31)
Income tax effect of non-GAAP adjustments <sup>6</sup>	(102)	(3)	(6)
Non-GAAP adjusted net income	<u>\$ 718</u>	<u>\$ 6,756</u>	<u>\$ 6,802</u>

## FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Amount for fiscal 2013 is incremental charges related to the terminated business combination agreement with Tokyo Electron Limited, consisting of acquisition-related and integration planning costs.
3. Results for fiscal 2013 included \$39 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, and restructuring and asset impairment charges of \$26 million related to the restructuring program announced on May 10, 2012, partially offset by a favorable adjustment of \$2 million related to other restructuring plans.
4. The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.
5. Amount for fiscal 2013 is charges that are the result of isolated events or transactions which have not occurred frequently in the past and are not expected to occur regularly or be repeated in the future.
6. Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

# UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

	FY2013	FY2022	FY2023
<b>Non-GAAP Adjusted Earnings Per Diluted Share</b>			
Reported earnings per diluted share - GAAP basis	\$ 0.21	\$ 7.44	\$ 8.11
Certain items associated with acquisitions <sup>1</sup>	0.14	0.04	0.05
Acquisition integration and deal costs	0.02	0.03	0.02
Certain items associated with terminated business combination <sup>2</sup>	0.01	-	-
Restructuring, inventory charges and assets impairments <sup>3</sup>	0.03	-	-
Impairment of goodwill and intangible assets	0.21	-	-
Realized loss (gain), dividends and impairments on strategic investments, net	-	-	0.13
Unrealized loss (gain) on strategic investments, net	-	(0.01)	(0.16)
Earn-out	-	-	(0.01)
Income tax effects related to intra-entity intangible asset transfers	-	0.29	(0.05)
Resolution of prior years' income tax filings and other tax items	(0.03)	(0.09)	(0.04)
Non-GAAP adjusted earnings per diluted share	<u>\$ 0.59</u>	<u>\$ 7.70</u>	<u>\$ 8.05</u>
Weighted average number of diluted shares	1,219	877	845

## FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Amount for fiscal 2013 is incremental charges related to the terminated business combination agreement with Tokyo Electron Limited, consisting of acquisition-related and integration planning costs.
3. Results for fiscal 2013 included \$39 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, and restructuring and asset impairment charges of \$26 million related to the restructuring program announced on May 10, 2012, partially offset by a favorable adjustment of \$2 million related to other restructuring plans.

# UNAUDITED FULL YEAR RECONCILAITON OF NON-GAAP FREE CASH FLOW

IN MILLIONS	FY2013	FY2022	FY2023
<b>Non-GAAP Free Cash Flows<sup>1</sup></b>			
Cash provided by operating activities	\$ 623	\$ 5,399	\$ 8,700
Capital expenditures	<u>(197)</u>	<u>(787)</u>	<u>(1,106)</u>
Non-GAAP free cash flow	<u>\$ 426</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.

# UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

	FY19	FY20	FY21	FY22	FY23
<b>Semiconductor Systems Non-GAAP Adjusted Operating Income</b>					
Reported operating income - GAAP basis	\$ 2,464	\$ 3,714	\$ 6,311	\$ 6,969	\$ 7,090
Certain items associated with acquisitions <sup>1</sup>	43	41	38	31	39
Acquisition integration costs	-	3	(2)	-	-
Certain incremental expenses related to COVID-19 <sup>2</sup>	-	20	12	-	-
Other charges	-	-	3	-	-
Non-GAAP adjusted operating income	<u>\$ 2,507</u>	<u>\$ 3,778</u>	<u>\$ 6,362</u>	<u>\$ 7,000</u>	<u>\$ 7,129</u>
Non-GAAP adjusted operating margin	27.8%	33.2%	39.1%	37.2%	36.2%
<b>AGS Non-GAAP Adjusted Operating Income</b>					
Reported operating income - GAAP basis	\$ 1,101	\$ 1,127	\$ 1,508	\$ 1,661	\$ 1,657
Certain incremental expenses related to COVID-19 <sup>2</sup>	-	8	8	-	-
Other charges	-	-	1	-	-
Non-GAAP adjusted operating income	<u>\$ 1,101</u>	<u>\$ 1,135</u>	<u>\$ 1,517</u>	<u>\$ 1,661</u>	<u>\$ 1,657</u>
Non-GAAP adjusted operating margin	28.6%	27.3%	30.3%	30.0%	28.9%
<b>Display and Adjacent Markets Non-GAAP Adjusted Operating Income</b>					
Reported operating income - GAAP basis	\$ 294	\$ 291	\$ 314	\$ 260	\$ 133
Certain items associated with acquisitions <sup>1</sup>	12	12	4	3	-
Acquisition integration costs	1	-	-	-	-
Certain incremental expenses related to COVID-19 <sup>2</sup>	-	1	1	-	-
Severance and related charges <sup>3</sup>	-	-	8	-	-
Non-GAAP adjusted operating income	<u>\$ 307</u>	<u>\$ 304</u>	<u>\$ 327</u>	<u>\$ 263</u>	<u>\$ 133</u>
Non-GAAP adjusted operating margin	18.6%	18.9%	20.0%	19.8%	15.3%

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

2. Temporary incremental employee compensation during the COVID-19 pandemic.

3. The severance and related charges related to workforce reduction actions globally across the Display and Adjacent Markets business.

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.



# UNAUDITED FULL YEAR RECONCILAITON OF NON-GAAP FREE CASH FLOW

IN MILLIONS

## Non-GAAP Free Cash Flows<sup>1</sup>

Cash provided by operating activities

\$ 5,399

\$ 8,700

Capital expenditures

(787)

(1,106)

Non-GAAP free cash flow

\$ 4,612

\$ 7,594

### 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 first quarter of fiscal 2024 (including non-GAAP gross margin, operating margin, operating expenses and EPS) 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 \$18 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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