



# Q4 FY2023 Earnings Call

GAAP to non-GAAP Reconciliations

November 16, 2023



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

<i>(In millions, except percentages)</i>	Three Months Ended		Twelve Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<b>Non-GAAP Adjusted Gross Profit</b>				
Reported gross profit - GAAP basis	\$ 3,169	\$ 3,101	\$ 12,384	\$ 11,993
Certain items associated with acquisitions <sup>1</sup>	8	6	29	26
Non-GAAP adjusted gross profit	<u>\$ 3,177</u>	<u>\$ 3,107</u>	<u>\$ 12,413</u>	<u>\$ 12,019</u>
Non-GAAP adjusted gross margin	47.3 %	46.0 %	46.8 %	46.6 %
<b>Non-GAAP Adjusted Operating Income</b>				
Reported operating income - GAAP basis	\$ 1,971	\$ 1,994	\$ 7,654	\$ 7,788
Certain items associated with acquisitions <sup>1</sup>	11	10	43	39
Acquisition integration and deal costs	2	6	22	38
Severance and related charges <sup>2</sup>	—	—	—	(4)
Non-GAAP adjusted operating income	<u>\$ 1,984</u>	<u>\$ 2,010</u>	<u>\$ 7,719</u>	<u>\$ 7,861</u>
Non-GAAP adjusted operating margin	29.5 %	29.8 %	29.1 %	30.5 %
<b>Non-GAAP Adjusted Net Income</b>				
Reported net income - GAAP basis	\$ 2,004	\$ 1,591	\$ 6,856	\$ 6,525
Certain items associated with acquisitions <sup>1</sup>	11	10	43	39
Acquisition integration and deal costs	2	6	22	34
Severance and related charges <sup>2</sup>	—	—	—	(4)
Realized loss (gain), dividends and impairments on strategic investments, net	(2)	(2)	107	(3)
Unrealized loss (gain) on strategic investments, net	(147)	11	(134)	(4)
Earn-out	(15)	—	(15)	—
Income tax effect of share-based compensation <sup>3</sup>	6	22	—	—
Income tax effects related to intra-entity intangible asset transfers	(65)	132	(40)	252
Resolution of prior years' income tax filings and other tax items	(9)	(26)	(31)	(80)
Income tax effect of non-GAAP adjustments <sup>4</sup>	1	(3)	(6)	(3)
Non-GAAP adjusted net income	<u>\$ 1,786</u>	<u>\$ 1,741</u>	<u>\$ 6,802</u>	<u>\$ 6,756</u>

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.
- 3 GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
- 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 ADJUSTED RESULTS**

	Three Months Ended		Twelve Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<i>(In millions, except per share amounts)</i>				
<b>Non-GAAP Adjusted Earnings Per Diluted Share</b>				
Reported earnings per diluted share - GAAP basis	\$ 2.38	\$ 1.85	\$ 8.11	\$ 7.44
Certain items associated with acquisitions	0.01	0.01	0.05	0.04
Acquisition integration and deal costs	—	0.01	0.02	0.03
Realized loss (gain), dividends and impairments on strategic investments, net	—	—	0.13	—
Unrealized loss (gain) on strategic investments, net	(0.18)	0.01	(0.16)	(0.01)
Earn-out	(0.01)	—	(0.01)	—
Income tax effect of share-based compensation	0.01	0.03	—	—
Income tax effects related to intra-entity intangible asset transfers	(0.08)	0.15	(0.05)	0.29
Resolution of prior years' income tax filings and other tax items	(0.01)	(0.03)	(0.04)	(0.09)
Non-GAAP adjusted earnings per diluted share	\$ 2.12	\$ 2.03	\$ 8.05	\$ 7.70
Weighted average number of diluted shares	842	859	845	877

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

*(In millions, except percentages)*

	Three Months Ended		Twelve Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<b><u>Semiconductor Systems Non-GAAP Adjusted Operating Income</u></b>				
<b>Reported operating income - GAAP basis</b>	\$ 1,791	\$ 1,849	\$ 7,090	\$ 6,969
Certain items associated with acquisitions <sup>1</sup>	10	9	39	31
<b>Non-GAAP adjusted operating income</b>	<u>\$ 1,801</u>	<u>\$ 1,858</u>	<u>\$ 7,129</u>	<u>\$ 7,000</u>
<b>Non-GAAP adjusted operating margin</b>	36.9 %	36.9 %	36.2 %	37.2 %

*(In millions, except percentages)*

	Three Months Ended		Twelve Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<b><u>AGS Non-GAAP Adjusted Operating Income</u></b>				
<b>Reported operating income - GAAP basis</b>	\$ 431	\$ 402	\$ 1,657	\$ 1,661
Non-GAAP adjusted operating income	\$ 431	\$ 402	\$ 1,657	\$ 1,661
<b>Non-GAAP adjusted operating margin</b>	29.3 %	28.3 %	28.9 %	30.0 %

*(In millions, except percentages)*

	Three Months Ended		Twelve Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<b><u>Display and Adjacent Markets Non-GAAP Adjusted Operating Income</u></b>				
<b>Reported operating income - GAAP basis</b>	\$ 67	\$ 34	\$ 133	\$ 260
Certain items associated with acquisitions <sup>1</sup>	—	—	—	3
<b>Non-GAAP adjusted operating income</b>	<u>\$ 67</u>	<u>\$ 34</u>	<u>\$ 133</u>	<u>\$ 263</u>
<b>Non-GAAP adjusted operating margin</b>	22.5 %	13.5 %	15.3 %	19.8 %

<sup>1</sup> 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.

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP**  
**ADJUSTED OPERATING EXPENSES**

<i>(In millions)</i>	Three Months Ended		Twelve Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<b>Operating expenses - GAAP basis</b>	\$ 1,198	\$ 1,107	\$ 4,730	\$ 4,205
Certain items associated with acquisitions	(3)	(4)	(14)	(13)
Acquisition integration and deal costs	(2)	(6)	(22)	(38)
Severance and related charges	—	—	—	4
<b>Non-GAAP adjusted operating expenses</b>	<b>\$ 1,193</b>	<b>\$ 1,097</b>	<b>\$ 4,694</b>	<b>\$ 4,158</b>

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

<i>(In millions)</i>	Three Months Ended	
	October 29, 2023	October 30, 2022
<b>Provision for income taxes - GAAP basis (a)</b>	\$ 168	\$ 358
Income tax effect of share-based compensation	(6)	(22)
Income tax effect related to intra-entity intangible asset transfers	65	(132)
Resolution of prior years' income tax filings and other tax items	9	26
Income tax effect of non-GAAP adjustments	(1)	3
<b>Non-GAAP adjusted provision for income taxes (b)</b>	<b>\$ 235</b>	<b>\$ 233</b>

<i>(In millions, except percentages)</i>	Three Months Ended	
	October 29, 2023	October 30, 2022
<b>Income (loss) before income taxes - GAAP basis (c)</b>	\$ 2,172	\$ 1,949
Certain items associated with acquisitions	11	10
Acquisition integration and deal costs	2	6
Realized loss (gain), dividends and impairments on strategic investments, net	(2)	(2)
Unrealized loss (gain) on strategic investments, net	(147)	11
Earn-out	(15)	—
<b>Non-GAAP income before income taxes (d)</b>	<b>\$ 2,021</b>	<b>\$ 1,974</b>
<b>Effective income tax rate (GAAP basis) (a/c)</b>	7.7 %	18.4 %
<b>Non-GAAP adjusted effective income tax rate (b/d)</b>	11.6 %	11.8 %

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

<i>(In millions)</i>	Three Months Ended				
	October 29, 2023	July 30, 2023	April 30, 2023	January 29, 2023	October 30, 2022
<b>Non-GAAP Free Cash Flow<sup>1</sup></b>					
Cash provided by operating activities	\$ 1,555	\$ 2,583	\$ 2,292	\$ 2,270	\$ 857
Capital expenditures	(309)	(255)	(255)	(287)	(223)
<b>Non-GAAP free cash flow</b>	<b>\$ 1,246</b>	<b>\$ 2,328</b>	<b>\$ 2,037</b>	<b>\$ 1,983</b>	<b>\$ 634</b>

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.**  
**UNAUDITED CALCULATION OF DISTRIBUTIONS TO STOCKHOLDERS**

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<i>(In millions)</i>	Three Months Ended				
	October 29, 2023	July 30, 2023	April 30, 2023	January 29, 2023	October 30, 2022
<b>Distributions to Stockholders</b>					
Costs of stock repurchased*	\$ 700	\$ 439	\$ 800	\$ 250	\$ 1,500
Payments of dividends to stockholders	268	268	219	220	223
<b>Total distributions to stockholders</b>	<b>\$ 968</b>	<b>\$ 707</b>	<b>\$ 1,019</b>	<b>\$ 470</b>	<b>\$ 1,723</b>

\* Excludes a surcharge on stock repurchases applicable under the Inflation Reduction Act.

**APPLIED MATERIALS, INC.**  
**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.