



Second Quarter Fiscal 2023 Earnings Presentation

May 18, 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 **third** quarter of fiscal 2023 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 regional or global health epidemics, including COVID-19; 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.

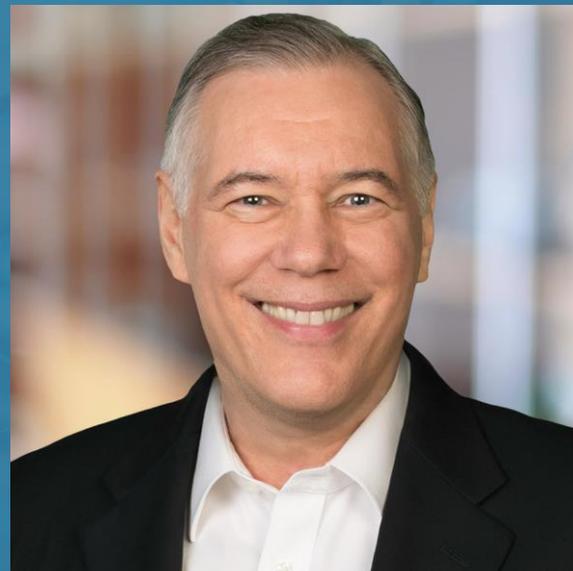


UPCOMING Events

- June 1, 2023** Bernstein Strategic Decisions Conference
- June 7, 2023** BofA Securities Global Technology Conference
- July 11, 2023** Applied Materials technology breakfast at SEMICON West

Gary Dickerson

President and Chief Executive Officer



Q2F23 Summary

Delivered strong results in high end of guidance range

Successfully managing a dynamic near-term environment

Introducing new products and solutions

2023 Applied Outlook

Outlook remains favorable based on

- » Balanced market exposure
- » Strong positions at key technology inflections driving demand for our differentiated products
- » Growing service business, increasingly subscription-based

2023 Market Outlook

Expect 2023 WFE down Y/Y

↓↓ Memory

↓ Leading-edge F/L

↑↑ ICAPS*

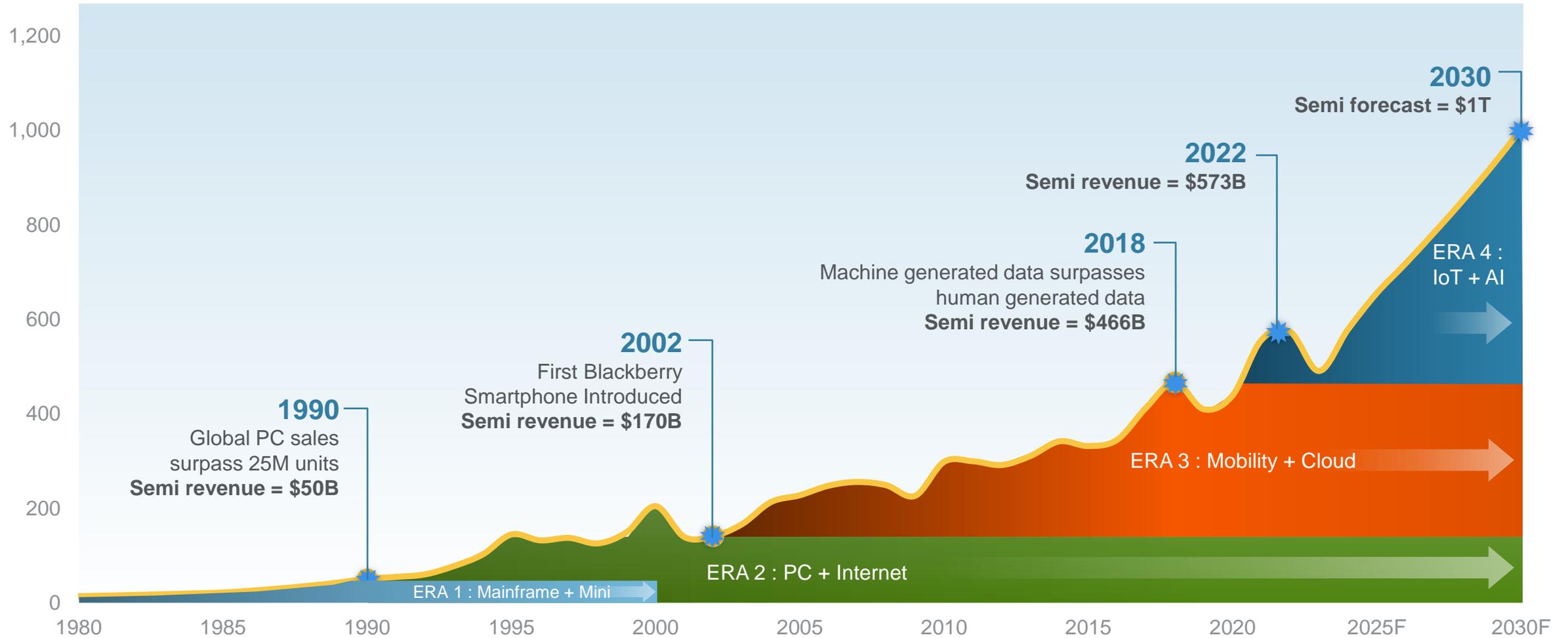
ICAPS two major long-term demand drivers

- » Global transition to clean energy and EVs
- » Regionalization of worldwide semiconductor supply chains

Applied is Well Positioned to Outperform our Markets in 2023

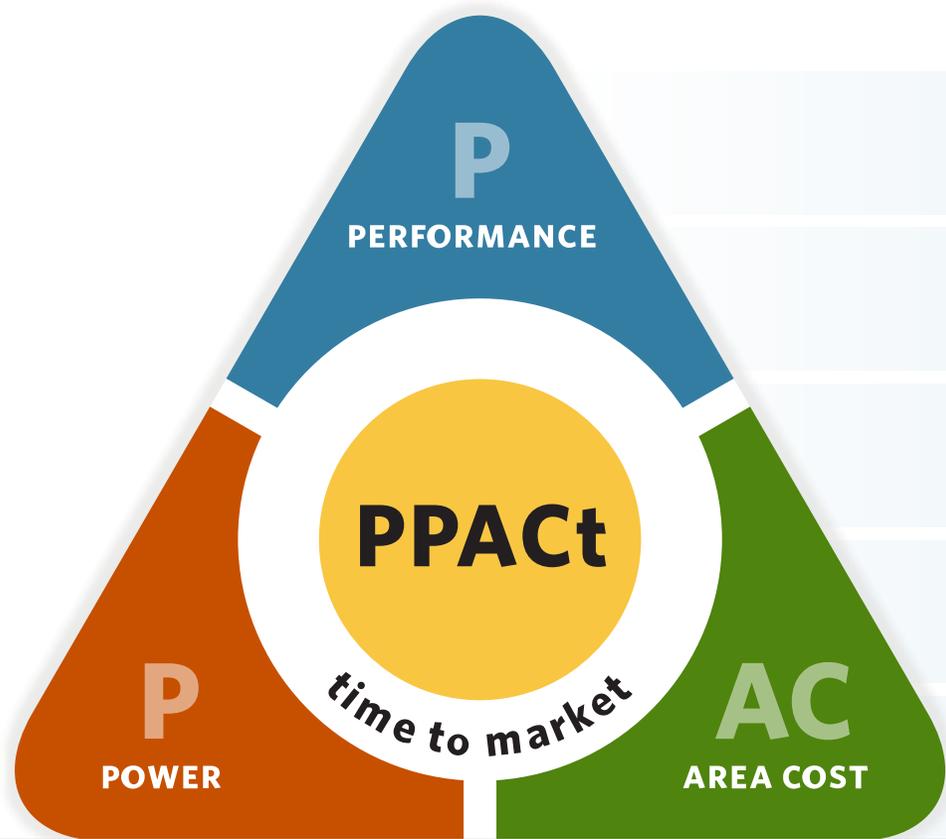
* ICAPS = IoT, Communications, Automotive, Power, Sensors; includes 10nm and above nodes

Semiconductor Industry Growing to \$1 Trillion by 2030



AI Era is the 4th and Biggest Age of Computing

Source: SIA, Applied Materials - SMI; 2030 Forecasts: TechInsights: \$1.0T; McKinsey & Company: \$1.1T; SEMI: \$1.3T



ENABLED BY

New architectures

New structures / 3D

New materials

New ways to shrink

Advanced packaging

KEY INFLECTIONS

- New ASICs and accelerators
- New memory / in-memory compute
- Specialty, CIS, power

- **GAA transistors**
- Backside power delivery
- 3D NAND, 3D DRAM

- Transistor Gate
- **Transistor Contact**
- **Interconnect Wiring**

- EUV enablement
- **Materials-enabled patterning**
- 3D patterning control

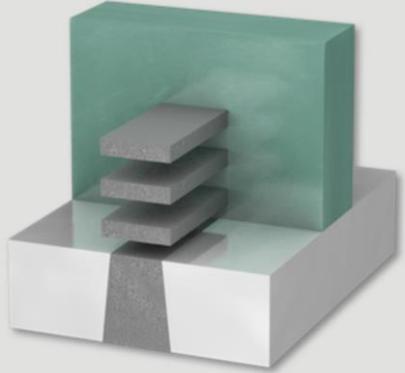
- High-bandwidth memory
- Silicon interposer
- **TSV, hybrid bonding**

COVERING TODAY

Applied has broadest portfolio of products and technologies to accelerate new PPACt playbook

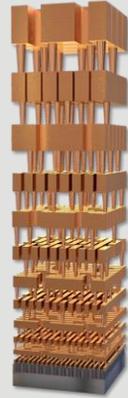
(PPACt = Power, Performance, Area-Cost and time-to-market)

Technology Inflections Enabled by Materials Engineering



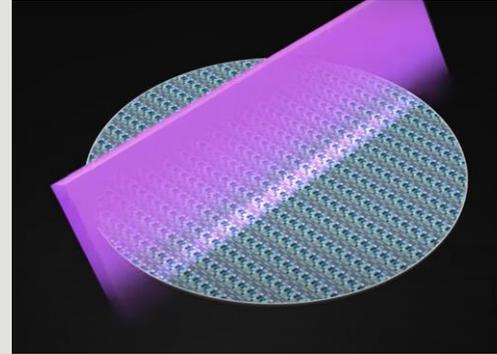
GATE-ALL-AROUND

- Enabled by Applied's epi, selective removal and conductor etch solutions
- Incremental \$1B opportunity per 100K WSPM



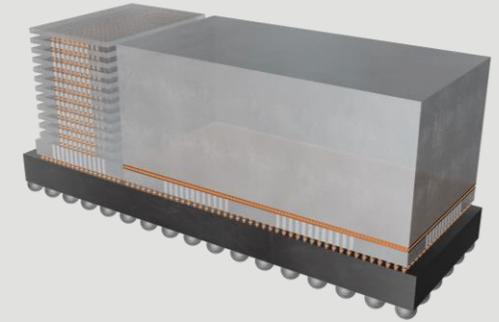
WIRING

- Significant innovation in new materials for contact and interconnect
- Transition to low-resistance wiring expands our PVD opportunity



PATTERNING

- Launched Sculpta[®] pattern-shaping technology breakthrough
- Alternative to EUV double patterning reduces capital cost by \$250M per layer*



ADVANCED PACKAGING

- Packaging revenue to double over next few years
- Leadership positions in TSV, micro-bumping and hybrid bonding

* Per 100k WSPM of capacity



Growing Service Business

- Record quarterly revenue
- 15 consecutive quarters of Y/Y growth
- >60% of recurring revenue generated from subscriptions
 - » 2.6 years average length
 - » >90% renewal rate

Investing for Growth

- Announcing a major strategic investment in a new, high-velocity innovation platform
- Changing the collaboration model with customers, universities and industry partners
- Details to be announced May 22



CEO SUMMARY

- Applied's performance remains resilient
 - » Broad exposure to secular growth trends
 - » Strong product positions at key technology inflections
 - » Growing service business
- Longer-term outlook is very positive
 - » Semiconductors becoming more strategically important globally
 - » Technology inflections create outsized opportunities for Applied
- Making strategic investments in R&D and infrastructure while driving improvements in productivity and speed

Brice Hill

SVP, Chief Financial Officer



CFO

KEY POINTS

- Semiconductor industry expected to grow to \$1T by 2030
- Materials engineering increasingly critical to customer roadmaps
- Applied's outperformance driven by
 - » Broad and differentiated portfolio
 - » Balanced market exposure
 - » Growing service business
- Efficient business model generates strong profitability and FCF
 - » Fuels growth investments and attractive shareholder returns

Strong History of Shareholder Returns

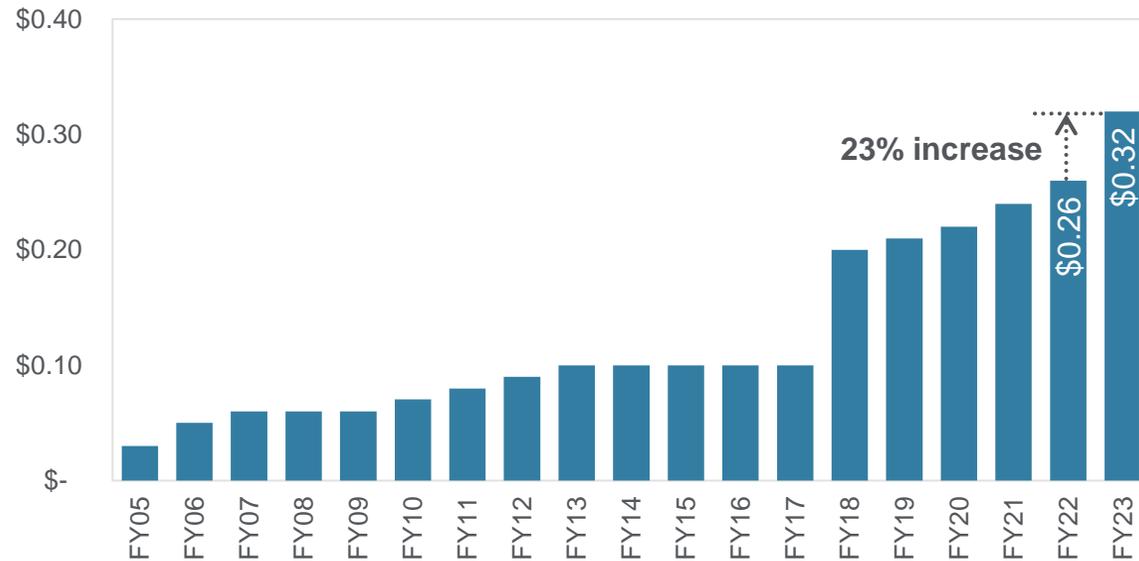
Over past 10 fiscal years (through FY22)

- » Grew dividend per share at 11% CAGR
- » Reduced shares outstanding by nearly 30%

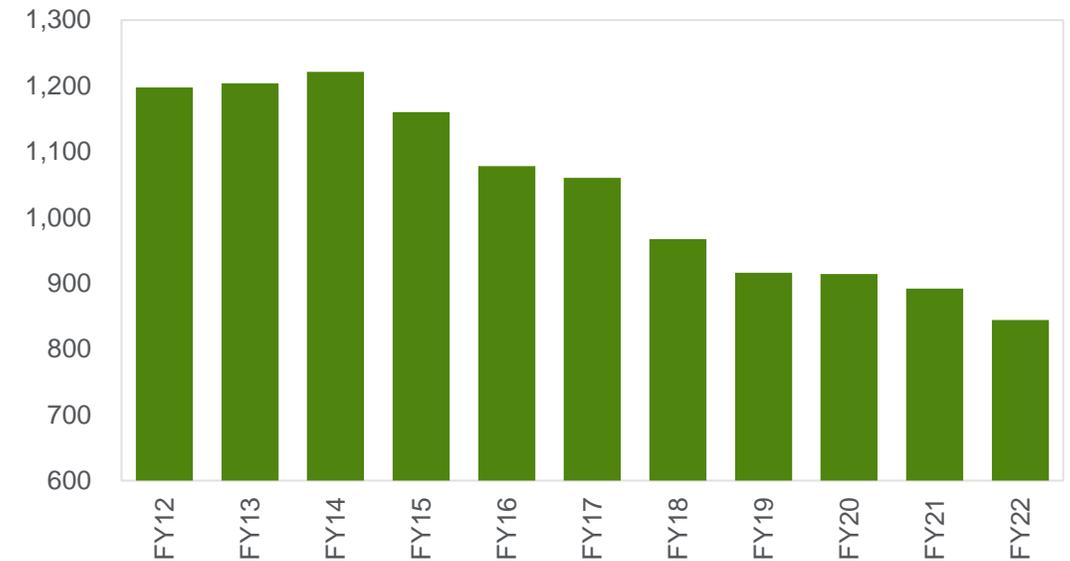
March 2023, Board of Directors approved

- » 23% dividend per share increase
- » \$10B supplemental share repurchase authorization (\$13.9B remaining at end of Q2)

Quarterly Dividend per Share (Declared in Q2)



Shares Outstanding (in Millions)



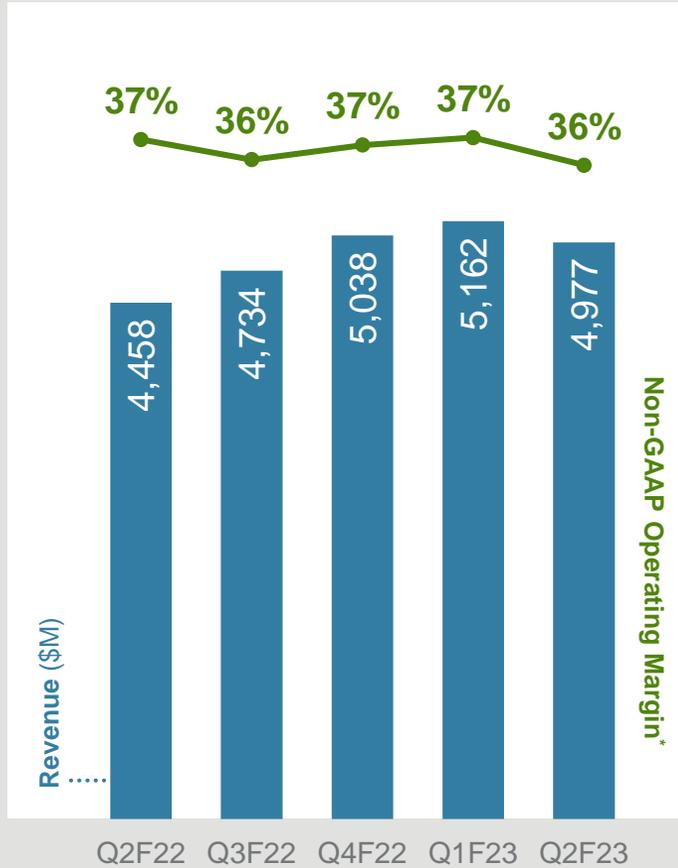
Q2F23 Non-GAAP Financial Results

	Q2F22	Q1F23	Q2F23	Y / Y	Q / Q
\$M, except EPS					
Revenue	6,245	6,739	6,630	6%	(2%)
Gross Margin*	47.0%	46.8%	46.8%	(20bps)	flat
Operating Expenses*	1,021	1,165	1,171	15%	1%
Operating Income*	1,913	1,987	1,930	1%	(3%)
Operating Margin*	30.6%	29.5%	29.1%	(150bps)	(40bps)
EPS*	\$1.85	\$2.03	\$2.00	8%	(1%)

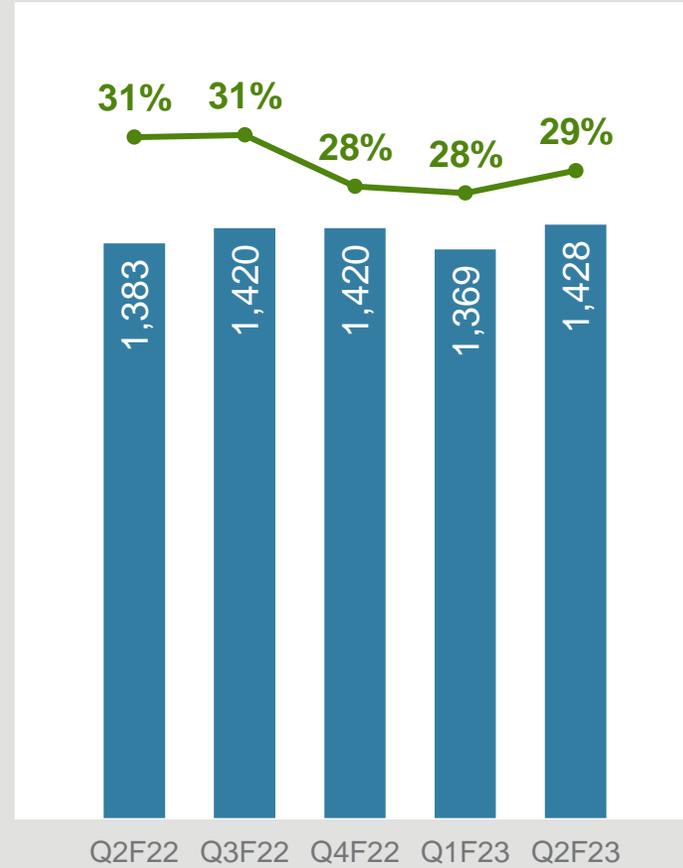
* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com

Q2F23 Segment Results

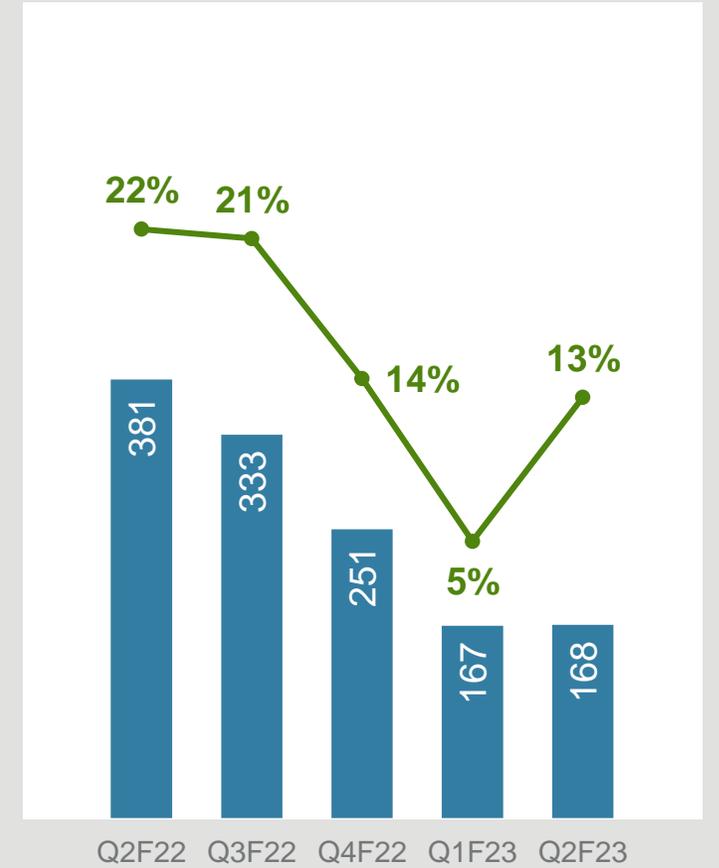
SEMICONDUCTOR SYSTEMS



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

Cash Flows and Shareholder Returns

	Q2F22	Q3F22	Q4F22	Q1F23	Q2F23
CASH FLOWS (\$M)					
Operating Cash Flow	415	1,469	857	2,270	2,292
Free Cash Flow*	205	1,259	634	1,983	2,037
SHAREHOLDER RETURNS (\$M)					
Total Shareholder Returns	(2,011)	(1,225)	(1,723)	(470)	(1,019)
Share Repurchases	(1,800)	(1,000)	(1,500)	(250)	(800)
Dividends	(211)	(225)	(223)	(220)	(219)

*Free cash flow = operating cash flow – net capital expenditures

Business Outlook

Third QUARTER Fiscal 2023

OUTLOOK	Total Revenue	~\$6.15B ± \$400M
	Non-GAAP EPS	~\$1.74 ± \$0.18
SEGMENT REVENUE	Semiconductor Systems	~\$4.50B
	Applied Global Services	~\$1.43B
	Display and Adjacent Markets	~\$170M
OTHER	Non-GAAP Gross Margin	~46.3%
	Non-GAAP Operating Expenses	~\$1.17B
	Non-GAAP Tax Rate	~12.3%

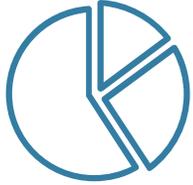
CFO

SUMMARY

- Planning multibillion dollar investment in new infrastructure over next several years; no change to longer-term financial model
- Executing well in FY23; benefiting from diverse portfolio, market exposure and customer base
- Applied's business has become less volatile and more resilient
- Growing Y/Y in Semi Systems and AGS
- In a great position to
 - » Invest for technology leadership and growth
 - » Generate strong free cash flow
 - » Increase shareholder returns

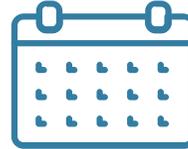
Q&A

APPLIED MATERIALS AT-A-GLANCE

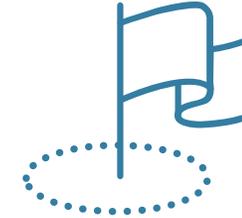


REPORTING SEGMENTS

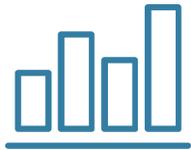
Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



CURRENT FISCAL
YEAR ENDS
29 October 2023



FOUNDED
1967
FIRST PUBLIC
OFFERING
1972



\$26.6 billion
TTM REVENUE



\$3.0 billion
TTM R&D
INVESTMENTS



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



~17,300**
active patents



FTSE4Good



TTM is trailing twelve months. *As of fiscal Q2'23 ended 4/30/2023 **As of fiscal year-ended 10/30/2022.

Strong and Flexible Balance Sheet

CASH AND INVESTMENTS (\$M)	Q2F22	Q3F22	Q4F22	Q1F23	Q2F23
Cash and cash equivalents	3,331	2,956	1,995	3,547	4,588
Short-term investments	591	592	586	500	510
Long-term investments	2,102	2,047	1,980	2,088	2,024
Total cash and investments	6,024	5,595	4,561	6,135	7,122
Commercial paper Current ratings (Moody's / S&P): P-1 / A-1	-	-	-	199	199
Long-term debt Current ratings (Moody's / S&P): A2 / A	5,455	5,456	5,457	5,458	5,459

Long-term debt maturity profile

- Undrawn Revolver
- Outstanding Notes



10-Yr Roadmap | Environmental and Social Responsibility

APPLIED'S
OPERATIONS

1x

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

RE100 member as of
November 2022

TCFD Index included in most
recent sustainability report

Embedding
'Culture of Inclusion'
across the company

SEMI INDUSTRY'S
OPERATIONS

100x

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

Broad engagement with
SUCCESS2030 supply
chain initiative

2030 Scope 1/2/3 **science-based**
targets submitted to SBTi;
approval expected by mid-2023

GLOBAL
ELECTRONICS

10,000x

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

LATEST 3rd PARTY RATINGS

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

Make Possible[®] a Better Future

For more details, please refer to our 2021 Sustainability Report [here](#) and data annex [here](#)

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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](#)

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 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 EPS AND PERCENTAGE

Non-GAAP Adjusted Gross Profit

	Q2F22	Q3F22	Q4F22	Q1F23	Q2F23
Reported gross profit - GAAP basis	\$ 2,927	\$ 3,006	\$ 3,101	\$ 3,145	\$ 3,094
Certain items associated with acquisitions ¹	7	7	6	7	7
Non-GAAP adjusted gross profit	<u>\$ 2,934</u>	<u>\$ 3,013</u>	<u>\$ 3,107</u>	<u>\$ 3,152</u>	<u>\$ 3,101</u>
Non-GAAP adjusted gross margin	47.0%	46.2%	46.0%	46.8%	46.8%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 1,894	\$ 1,924	\$ 1,994	\$ 1,970	\$ 1,911
Certain items associated with acquisitions ¹	10	10	10	11	11
Acquisition integration and deal costs	9	19	6	6	8
Non-GAAP adjusted operating income	<u>\$ 1,913</u>	<u>\$ 1,953</u>	<u>\$ 2,010</u>	<u>\$ 1,987</u>	<u>\$ 1,930</u>
Non-GAAP adjusted operating margin	30.6%	30.0%	29.8%	29.5%	29.1%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 1,536	\$ 1,606	\$ 1,591	\$ 1,717	\$ 1,575
Certain items associated with acquisitions ¹	10	10	10	11	11
Acquisition integration and deal costs	12	12	6	6	8
Realized loss (gain) and impairment on strategic investments, net	(2)	(1)	(2)	(4)	117
Unrealized loss (gain) on strategic investments, net	(28)	18	11	(4)	11
Income tax effects related to intra-entity intangible asset transfers	81	21	132	17	(1)
Resolution of prior years' income tax filings and other tax items	7	1	(26)	(5)	(27)
Income tax effect of share-based compensation ²	14	22	22	(14)	3
Income tax effect of non-GAAP adjustments ³	6	(6)	(3)	-	(5)
Non-GAAP adjusted net income	<u>\$ 1,636</u>	<u>\$ 1,683</u>	<u>\$ 1,741</u>	<u>\$ 1,724</u>	<u>\$ 1,692</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$ 1.74	\$ 1.85	\$ 1.85	\$ 2.02	\$ 1.86
Certain items associated with acquisitions ¹	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	0.01	0.01	0.01	0.01	0.01
Realized loss (gain) and impairment on strategic investments, net	-	-	-	-	0.14
Unrealized loss (gain) on strategic investments, net	(0.03)	0.02	0.01	-	0.01
Income tax effects related to intra-entity intangible asset transfers	0.09	0.02	0.15	0.02	-
Income tax effect of share-based compensation ²	0.02	0.03	0.03	(0.02)	-
Resolution of prior years' income tax filings and other tax items	0.01	-	(0.03)	(0.01)	(0.03)
Non-GAAP adjusted earnings per diluted share	<u>\$ 1.85</u>	<u>\$ 1.94</u>	<u>\$ 2.03</u>	<u>\$ 2.03</u>	<u>\$ 2.00</u>
Weighted average number of diluted shares	883	869	859	849	847

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 being 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

	Q2F22	Q3F22	Q4F22	Q1F23	Q2F23
Operating Expenses (GAAP Basis)	\$ 1,033	\$ 1,082	\$ 1,107	\$ 1,175	\$ 1,183
Certain items associated with acquisitions	(3)	(3)	(4)	(4)	(4)
Acquisition integration and deal costs	(9)	(19)	(6)	(6)	(8)
Non-GAAP adjusted operating expenses	<u>\$ 1,021</u>	<u>\$ 1,060</u>	<u>\$ 1,097</u>	<u>\$ 1,165</u>	<u>\$ 1,171</u>

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

IN MILLIONS, EXCEPT PERCENTAGE

	Q2F22	Q3F22	Q4F22	Q1F23	Q2F23
Semiconductor Systems Non-GAAP Adjusted Operating Income					
Reported operating income - GAAP basis	\$ 1,648	\$ 1,701	\$ 1,849	\$ 1,917	\$ 1,764
Certain items associated with acquisitions ¹	8	7	9	9	10
Non-GAAP adjusted operating income	<u>\$ 1,656</u>	<u>\$ 1,708</u>	<u>\$ 1,858</u>	<u>\$ 1,926</u>	<u>\$ 1,774</u>
Non-GAAP adjusted operating margin	37.1%	36.1%	36.9%	37.3%	35.6%
AGS Non-GAAP Adjusted Operating Income					
Reported operating income - GAAP basis	\$ 422	\$ 434	\$ 402	\$ 383	\$ 414
Non-GAAP adjusted operating income	<u>\$ 422</u>	<u>\$ 434</u>	<u>\$ 402</u>	<u>\$ 383</u>	<u>\$ 414</u>
Non-GAAP adjusted operating margin	30.5%	30.6%	28.3%	28.0%	29.0%
Display and Adjacent Markets Non-GAAP Adjusted Operating Income					
Reported operating income - GAAP basis	\$ 81	\$ 69	\$ 34	\$ 8	\$ 21
Certain items associated with acquisitions ¹	1	1	-	-	-
Non-GAAP adjusted operating income	<u>\$ 82</u>	<u>\$ 70</u>	<u>\$ 34</u>	<u>\$ 8</u>	<u>\$ 21</u>
Non-GAAP adjusted operating margin	21.5%	21.0%	13.5%	4.8%	12.5%

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 CALCULATIONS OF NON-GAAP MEASURES

IN MILLIONS

	Q2F22	Q3F22	Q4F22	Q1F23	Q2F23
Free Cash Flows¹					
Cash provided by operating activities	\$ 415	\$ 1,469	\$ 857	\$ 2,270	\$ 2,292
Capital expenditures	<u>(210)</u>	<u>(210)</u>	<u>(223)</u>	<u>(287)</u>	<u>(255)</u>
Free Cash Flow	<u>\$ 205</u>	<u>\$ 1,259</u>	<u>\$ 634</u>	<u>\$ 1,983</u>	<u>\$ 2,037</u>

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 third quarter of fiscal 2023 (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, includes the normalized tax benefit of share-based compensation of approximately \$5 million, or \$0.01 and includes a net income tax benefit related to intra-entity intangible asset transfers of \$8 million, or \$0.01 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.



APPLIED
MATERIALS®

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