

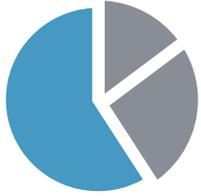
Third Quarter of Fiscal 2020 Earnings Presentation

AUGUST 13, 2020

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 fourth quarter of fiscal 2020 and beyond, the impact of the COVID-19 pandemic and responses thereto on our operations and financial results, strategic acquisitions and investments, including the proposed acquisition of Kokusai Electric Corporation, 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; global economic and industry conditions; the effects of regional or global health epidemics, including the severity and duration of the COVID-19 pandemic; global trade issues and changes in trade and export license policies, including the impact of the rules published by the U.S. Department of Commerce on April 28, 2020 and May 15, 2020 relating to certain export license requirements; 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; acquisitions, investments and divestitures; changes in income tax laws; 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 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; 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.

APPLIED MATERIALS AT-A-GLANCE

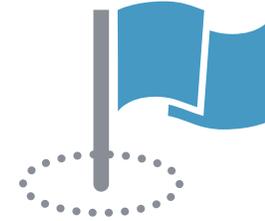


REPORTING SEGMENTS

Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



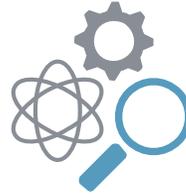
CURRENT FISCAL
YEAR ENDS
25 October 2020



FOUNDED
1967
FIRST PUBLIC
OFFERING
1974



\$16.3 billion
TTM REVENUE



\$2.2 billion
TTM R&D
INVESTMENTS



~23,600**
employees
in **18*** countries



~13,300*
active patents



* As of fiscal year-ended 10/27/19. **As of 7/26/20. TTM is trailing twelve months

3rd Fiscal Quarter

Operating at pre-COVID productivity levels in R&D and manufacturing

Double-digit Y/Y growth in all segments

Anticipate record fiscal year for semi and services revenue (at mid-point of 4QF20 guidance)

Near-term / Year

Semi demand is strengthening with customers committed to ramping fabs and driving R&D roadmaps

Outperforming WFE market overall and fastest growing company in Etch and Metrology / Inspection

Longer-term

Mindful of potential macro-economic headwinds

Digitization accelerating with WFH, SFH, on-line shopping and business continuity trends

AI mega-trend remains on track and non-discretionary

STRONG MARKET AND BUSINESS OUTLOOK

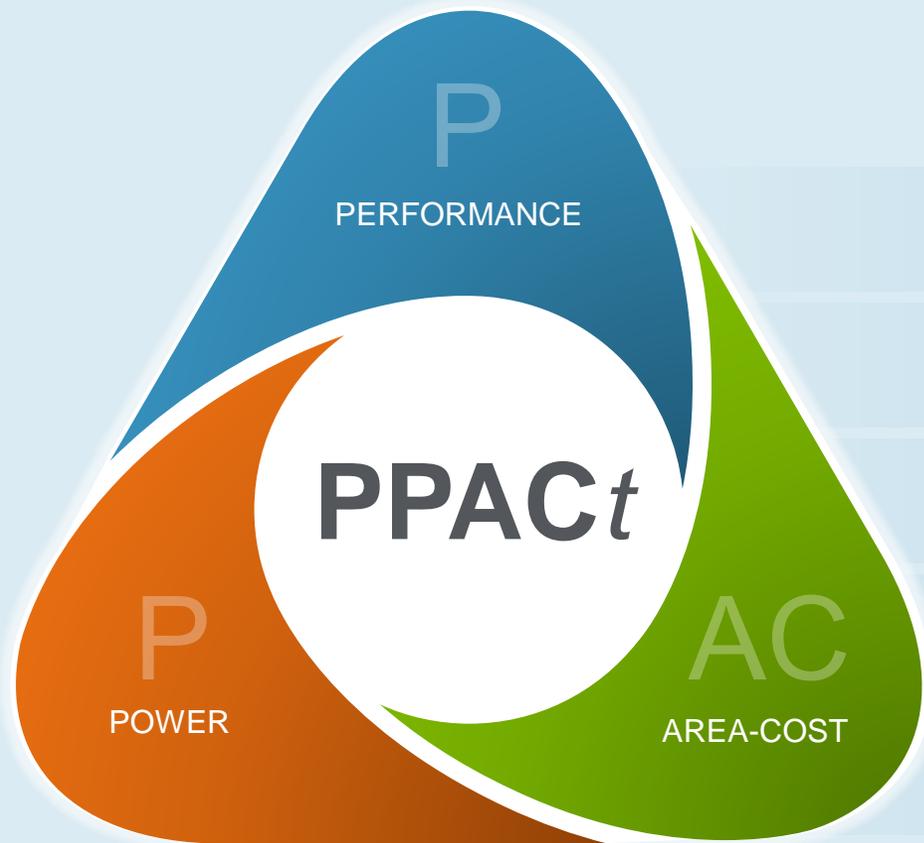
COVID-19 RESPONSE

GUIDING PRINCIPLES

1. Maintain trust of employees, customers, suppliers and partners
2. Drive actions that allow us to emerge stronger over the long term

Q3F20 STATUS

- Stringent protocols in place to keep workplaces safe and healthy
- Recovered pre-COVID productivity levels in R&D labs and manufacturing operations
- Actively managing logistics challenges
- Driving “innovate anywhere” vision and advanced remote support including video, AR, VR and Live Distance Learning



ENABLED BY

New architectures

New structures / 3D

New materials

New ways to shrink

Advanced packaging

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

(PPACt = Power, Performance, Area-cost and Time-to-market)

Q3F20 Non-GAAP Financial Results

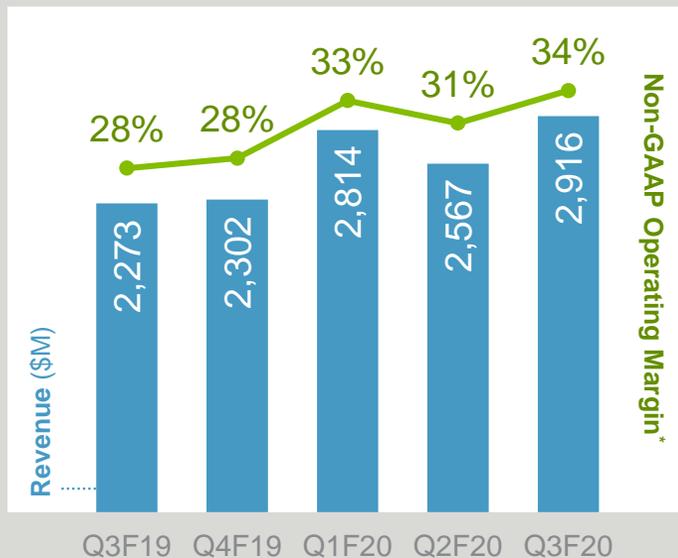
\$M, except EPS	Q3F19	Q2F20	Q3F20	Y / Y	Q / Q
Revenue	3,562	3,957	4,395	23%	11%
Gross Margin*	44.0%	44.6%	45.0%	100bps	40bps
Operating Income*	820	976	1,160	340	184
EPS*	\$0.74	\$0.89	\$1.06	\$0.32	\$0.17
Operating Cash Flow	787	635	867	80	232
Free Cash Flow**	694	564	780	86	216

* 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

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

Q3F20 Segment Results | Double-digit Y/Y revenue growth in all segments

SEMICONDUCTOR SYSTEMS



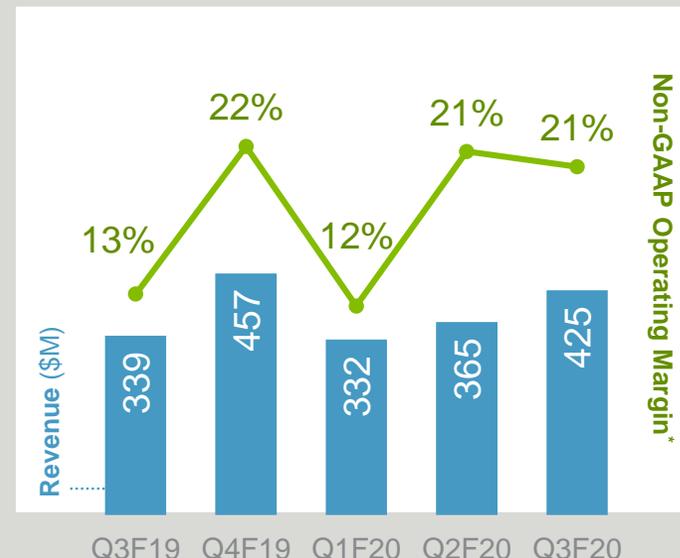
- Revenue up 18% on a TTM basis (Q4F19-Q3F20 vs. Q4F18-Q3F19)
- Since 2015 launch, cumulatively shipped >5K Sym3[®] Y etch chambers
- Significant traction for new optical and e-beam systems

APPLIED GLOBAL SERVICES



- 60% of services and spares revenue from subscription-like long-term agreements

DISPLAY & ADJACENT MARKETS



- Encouraging signs in high end of market: 8K screen demand, adoption of OLED in TVs
- Optimistic about long-term opportunities to address inflections, expand served addressable market

* 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
TTM is trailing twelve months

Liquidity and Uses of Capital

	Q3F19	Q4F19	Q1F20	Q2F20	Q3F20
CASH AND INVESTMENTS (\$M)					
Cash and cash equivalents*	3,014	3,129	3,424	5,281	4,350
Short-term investments	547	489	536	423	406
Long-term investments	1,650	1,703	1,713	1,678	1,538
Total cash and investments	5,211	5,321	5,673	7,382	6,294
Short-term and long-term debt*	5,312	5,313	5,314	6,815	5,447
Ratings (Moody's / S&P): A3 / A-					
CAPITAL RETURNS (\$M)					
Share repurchases	(528)	(500)	(200)	(199)	(200)
Cash dividends	(196)	(194)	(192)	(193)	(202)

* Q2F20 includes \$1.5 billion cash drawn under revolving credit facility

Business Outlook

FOURTH QUARTER Fiscal 2020

OUTLOOK

Total Revenue	~\$4.6 billion \pm \$0.2 billion
Non-GAAP EPS	~\$1.17 \pm \$0.06

SEGMENT REVENUE

Semiconductor Systems	~\$3.025 billion
Applied Global Services	~\$1.07 billion
Display and Adjacent Markets	~\$475 million

OTHER

Non-GAAP Gross Margin	~45.7%
Non-GAAP Operating Expense	~\$820 million

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 charges and any associated adjustments; certain incremental expenses related to COVID-19; impairments of assets, or investments; gain or loss on sale of strategic investments; loss on early extinguishment of debt; 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. Additionally, non-GAAP results exclude estimated discrete income tax expense items associated with U.S. tax legislation. 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.

Appendix

Non-GAAP to GAAP Reconciliations

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT EPS AND PERCENTAGE

Non-GAAP Adjusted Gross Profit

	Q3F19	Q4F19	Q1F20	Q2F20	Q3F20
Reported gross profit - GAAP basis	\$ 1,557	\$ 1,634	\$ 1,858	\$ 1,749	\$ 1,955
Certain items associated with acquisitions ¹	9	9	9	8	8
Certain incremental expenses related to COVID-19 ⁴	-	-	-	8	15
Non-GAAP adjusted gross profit	<u>\$ 1,566</u>	<u>\$ 1,643</u>	<u>\$ 1,867</u>	<u>\$ 1,765</u>	<u>\$ 1,978</u>
Non-GAAP adjusted gross margin	44.0%	43.8%	44.9%	44.6%	45.0%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 802	\$ 864	\$ 1,042	\$ 932	\$ 1,108
Certain items associated with acquisitions ¹	13	14	13	13	12
Acquisition integration and deal costs	5	10	13	21	20
Certain incremental expenses related to COVID-19 ⁴	-	-	-	10	20
Non-GAAP adjusted operating income	<u>\$ 820</u>	<u>\$ 888</u>	<u>\$ 1,068</u>	<u>\$ 976</u>	<u>\$ 1,160</u>
Non-GAAP adjusted operating margin	23.0%	23.7%	25.7%	24.7%	26.4%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 571	\$ 698	\$ 892	\$ 755	\$ 841
Certain items associated with acquisitions ¹	13	14	13	13	12
Acquisition integration and deal costs	5	10	13	21	20
Certain incremental expenses related to COVID-19 ⁴	-	-	-	10	20
Realized loss (gain) on strategic investments, net	1	-	2	5	(8)
Unrealized loss (gain) on strategic investments, net	(9)	(5)	2	2	(5)
Loss on early extinguishment of debt	-	-	-	-	33
Income tax effects related to intra-entity intangible asset transfers	115	6	21	16	67
Resolution of prior years' income tax filings and other tax items	(1)	20	(1)	(3)	(1)
Income tax effect of share-based compensation ²	-	4	(33)	8	12
Income tax effect of non-GAAP adjustments ³	(3)	(3)	(5)	(10)	(15)
Non-GAAP adjusted net income	<u>\$ 692</u>	<u>\$ 744</u>	<u>\$ 904</u>	<u>\$ 817</u>	<u>\$ 976</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$0.61	\$0.75	\$0.96	\$0.82	\$0.91
Certain items associated with acquisitions	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	0.01	0.01	0.01	0.02	0.02
Certain incremental expenses related to COVID-19	-	-	-	0.01	0.02
Realized loss (gain) on strategic investments, net	-	-	-	0.01	(0.01)
Unrealized loss (gain) on strategic investments, net	(0.01)	-	-	-	-
Loss on early extinguishment of debt	-	-	-	-	0.03
Income tax effects related to intra-entity intangible asset transfers	0.12	0.01	0.03	0.02	0.07
Income tax effect of share-based compensation	-	-	(0.03)	0.01	0.01
Resolution of prior years' income tax filings and other tax items	-	0.02	-	(0.01)	-
Non-GAAP adjusted earnings per diluted share	<u>\$ 0.74</u>	<u>\$ 0.80</u>	<u>\$ 0.98</u>	<u>\$ 0.89</u>	<u>\$ 1.06</u>
Weighted average number of diluted shares	937	931	927	923	922

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. Charges to income tax provision related to a one-time transition tax and a decrease in U.S. deferred tax assets as a result of the recent U.S. tax legislation.
4. Temporary incremental employee compensation during the COVID-19 pandemic.

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGE

Semiconductor Systems Non-GAAP Adjusted Operating Income

	Q3F19	Q4F19	Q1F20	Q2F20	Q3F20
Reported operating income - GAAP basis	\$ 613	\$ 641	\$ 915	\$ 782	\$ 958
Certain items associated with acquisitions ¹	11	11	10	10	9
Acquisition integration costs	-	-	-	-	1
Certain incremental expenses related to COVID-19 ²	-	-	-	6	14
Non-GAAP adjusted operating income	<u>\$ 624</u>	<u>\$ 652</u>	<u>\$ 925</u>	<u>\$ 798</u>	<u>\$ 982</u>
Non-GAAP adjusted operating margin	27.5%	28.3%	32.9%	31.1%	33.7%

AGS Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 259	\$ 274	\$ 278	\$ 256	\$ 273
Certain incremental expenses related to COVID-19 ²	-	-	-	4	4
Non-GAAP adjusted operating income	<u>\$ 259</u>	<u>\$ 274</u>	<u>\$ 278</u>	<u>\$ 260</u>	<u>\$ 277</u>
Non-GAAP adjusted operating margin	27.8%	28.0%	27.9%	25.5%	26.8%

Display and Adjacent Markets Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 41	\$ 96	\$ 38	\$ 75	\$ 83
Certain items associated with acquisitions ¹	2	3	3	3	3
Acquisition integration costs	1	-	-	-	-
Certain incremental expenses related to COVID-19 ²	-	-	-	-	1
Non-GAAP adjusted operating income	<u>\$ 44</u>	<u>\$ 99</u>	<u>\$ 41</u>	<u>\$ 78</u>	<u>\$ 87</u>
Non-GAAP adjusted operating margin	13.0%	21.7%	12.3%	21.4%	20.5%

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.

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®

make possible