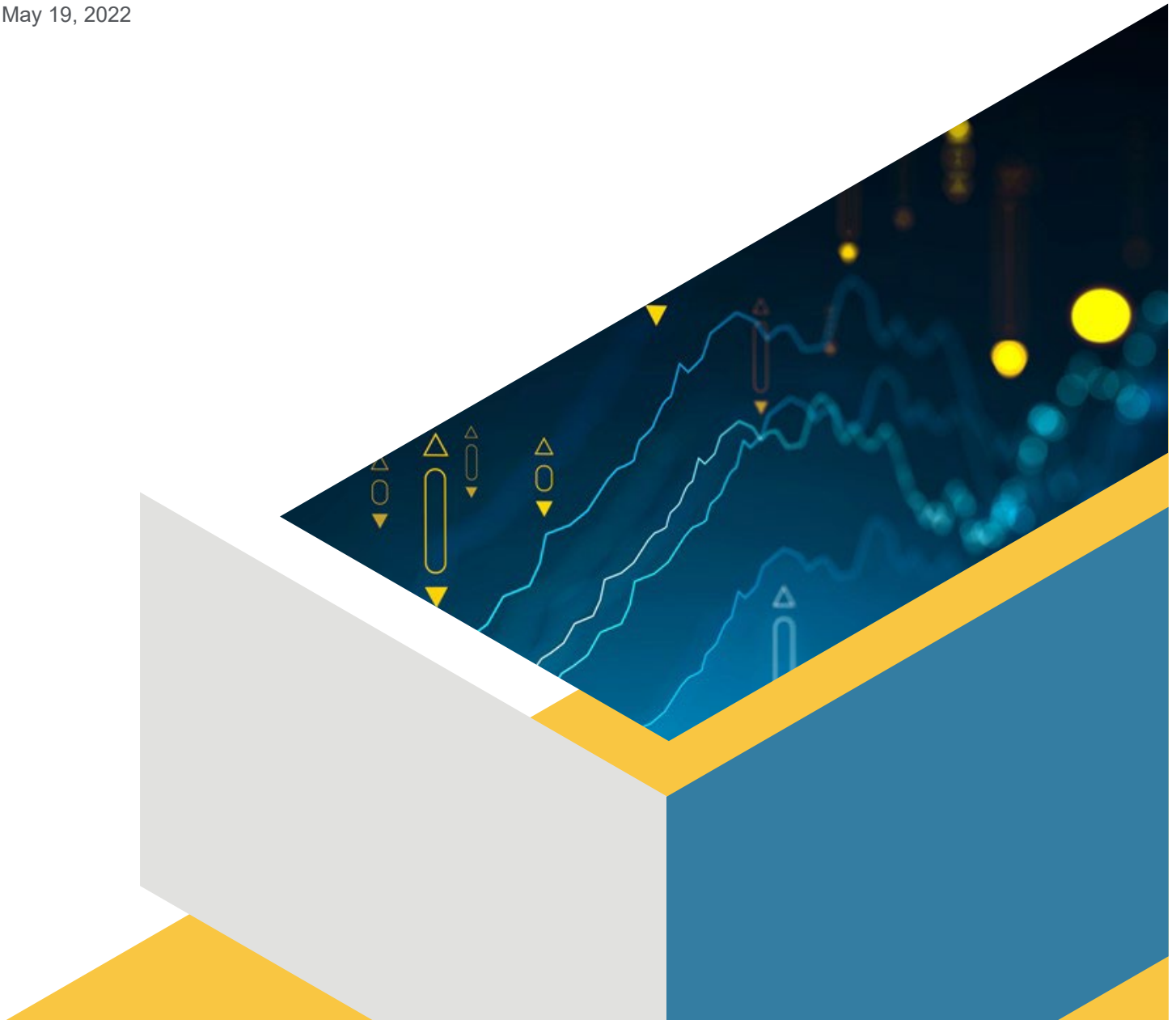


Q2 FY2022 Earnings Call

GAAP to non-GAAP Reconciliations

May 19, 2022



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

	Three Months Ended		Six Months Ended	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
<i>(In millions, except percentages)</i>				
Non-GAAP Adjusted Gross Profit				
Reported gross profit - GAAP basis	\$ 2,927	\$ 2,653	\$ 5,886	\$ 5,002
Certain items associated with acquisitions ¹	7	7	13	15
Certain incremental expenses related to COVID-19 ²	—	—	—	12
Other charges	—	2	—	2
Non-GAAP adjusted gross profit	\$ 2,934	\$ 2,662	\$ 5,899	\$ 5,031
Non-GAAP adjusted gross margin	47.0%	47.7%	47.1%	46.8%
Non-GAAP Adjusted Operating Income				
Reported operating income - GAAP basis	\$ 1,894	\$ 1,579	\$ 3,870	\$ 2,862
Certain items associated with acquisitions ¹	10	12	19	25
Acquisition integration and deal costs	9	11	13	35
Certain incremental expenses related to COVID-19 ²	—	—	—	24
Severance and related charges ³	—	6	(4)	158
Deal termination fee	—	154	—	154
Other charges	—	6	—	6
Non-GAAP adjusted operating income	\$ 1,913	\$ 1,768	\$ 3,898	\$ 3,264
Non-GAAP adjusted operating margin	30.6%	31.7%	31.1%	30.4%
Non-GAAP Adjusted Net Income				
Reported net income - GAAP basis	\$ 1,536	\$ 1,330	\$ 3,328	\$ 2,460
Certain items associated with acquisitions ¹	10	12	19	25
Acquisition integration and deal costs	12	12	16	36
Certain incremental expenses related to COVID-19 ²	—	—	—	24
Severance and related charges ³	—	6	(4)	158
Deal termination fee	—	154	—	154
Realized loss (gain) on strategic investments, net	(2)	6	—	4
Unrealized loss (gain) on strategic investments, net	(28)	(26)	(33)	(32)
Other charges	—	6	—	6
Income tax effect of share-based compensation ⁴	14	6	(44)	(23)
Income tax effects related to intra-entity intangible asset transfers	81	17	99	37
Resolution of prior years' income tax filings and other tax items	7	(10)	(55)	(13)
Income tax effect of non-GAAP adjustments ⁵	6	(4)	6	(45)
Non-GAAP adjusted net income	\$ 1,636	\$ 1,509	\$ 3,332	\$ 2,791

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 primarily related to a one-time voluntary retirement program offered to certain eligible employees.

4 GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.

5 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		Six Months Ended	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
<i>(In millions, except per share amounts)</i>				
Non-GAAP Adjusted Earnings Per Diluted Share				
Reported earnings per diluted share - GAAP basis	\$ 1.74	\$ 1.43	\$ 3.74	\$ 2.66
Certain items associated with acquisitions	0.01	0.01	0.02	0.02
Acquisition integration and deal costs	0.01	0.01	0.02	0.03
Certain incremental expenses related to COVID-19	—	—	—	0.02
Severance and related charges	—	0.01	—	0.13
Deal termination fee	—	0.17	—	0.17
Realized loss (gain) on strategic investments, net	—	0.01	—	—
Unrealized loss (gain) on strategic investments, net	(0.03)	(0.03)	(0.04)	(0.02)
Income tax effect of share-based compensation	0.02	0.01	(0.05)	(0.02)
Income tax effects related to intra-entity intangible asset transfers	0.09	0.02	0.11	0.04
Resolution of prior year's income tax filings and other tax items	0.01	(0.01)	(0.06)	(0.01)
Non-GAAP adjusted earnings per diluted share	\$ 1.85	\$ 1.63	\$ 3.74	\$ 3.02
Weighted average number of diluted shares	883	927	890	926

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED
SEMICONDUCTOR SYSTEMS OPERATING RESULTS

	Three Months Ended		Six Months Ended	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
<i>(In millions, except percentages)</i>				
Reported operating income (GAAP basis)	\$ 1,648	\$ 1,542	\$ 3,419	\$ 2,803
Certain items associated with acquisitions ¹	8	10	15	20
Acquisition integration costs	—	—	—	(2)
Certain incremental expenses related to COVID-19 ²	—	—	—	12
Other charges	—	3	—	3
Non-GAAP adjusted operating income	<u>\$ 1,656</u>	<u>\$ 1,555</u>	<u>\$ 3,434</u>	<u>\$ 2,836</u>
Non-GAAP adjusted operating margin (% of net sales)	37.1%	39.1%	38.0%	37.7%

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

	Three Months Ended		Six Months Ended	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
<i>(In millions, except percentages)</i>				
Reported operating income (GAAP basis)	\$ 422	\$ 358	\$ 825	\$ 690
Certain incremental expenses related to COVID-19 ²	—	—	—	8
Other charges	—	1	—	1
Non-GAAP adjusted operating income	<u>\$ 422</u>	<u>\$ 359</u>	<u>\$ 825</u>	<u>\$ 699</u>
Non-GAAP adjusted operating margin (% of net sales)	30.5%	29.8%	30.5%	29.6%

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED
DISPLAY AND ADJACENT MARKETS OPERATING RESULTS

	Three Months Ended		Six Months Ended	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
<i>(In millions, except percentages)</i>				
Reported operating income (GAAP basis)	\$ 81	\$ 65	\$ 157	\$ 130
Certain items associated with acquisitions ¹	1	1	2	2
Certain incremental expenses related to COVID-19 ²	—	—	—	1
Severance and related charges ³	—	—	—	8
Non-GAAP adjusted operating income	<u>\$ 82</u>	<u>\$ 66</u>	<u>\$ 159</u>	<u>\$ 141</u>
Non-GAAP adjusted operating margin (% of net sales)	21.5%	17.6%	21.3%	17.9%

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.

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

	Three Months Ended		Six Months Ended	
	May 1, 2022	May 2, 2021	May 1, 2022	May 2, 2021
<i>(In millions)</i>				
Operating expenses (GAAP basis)	\$ 1,033	\$ 1,074	\$ 2,016	\$ 2,140
Certain items associated with acquisitions	(3)	(5)	(6)	(10)
Acquisition integration and deal costs	(9)	(11)	(13)	(35)
Certain incremental expenses related to COVID-19	—	—	—	(12)
Severance and related charges	—	(6)	4	(158)
Deal termination fee	—	(154)	—	(154)
Other charges	—	(4)	—	(4)
Non-GAAP adjusted operating expenses	\$ 1,021	\$ 894	\$ 2,001	\$ 1,767

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

(In millions)

	Three Months Ended	
	May 1, 2022	May 2, 2021
Provision for income taxes (GAAP basis) (a)	\$ 328	\$ 215
Income tax effect of share-based compensation	(14)	(6)
Income tax effects related to intra-entity intangible asset transfers	(81)	(17)
Resolution of prior years' income tax filings and other tax items	(7)	10
Income tax effect of non-GAAP adjustments	(6)	4
Non-GAAP adjusted provision for income taxes (b)	<u>\$ 220</u>	<u>\$ 206</u>

(In millions, except percentages)

	Three Months Ended	
	May 1, 2022	May 2, 2021
Income before income taxes (GAAP basis) (c)	\$ 1,864	\$ 1,545
Certain items associated with acquisitions	10	12
Acquisition integration and deal costs	12	12
Severance and related charges	—	6
Deal termination fee	—	154
Realized loss (gain) on strategic investments, net	(2)	6
Unrealized loss (gain) on strategic investments, net	(28)	(26)
Other charges	—	6
Non-GAAP adjusted income before income taxes (d)	<u>\$ 1,856</u>	<u>\$ 1,715</u>

Effective income tax rate (GAAP basis) (a/c)	17.6%	13.9%
Non-GAAP adjusted effective income tax rate (b/d)	11.9%	12.0%

APPLIED MATERIALS, INC.
UNAUDITED CALCULATION OF NON-GAAP MEASURES

	Three Months Ended				
	May 1, 2022	January 30, 2022	October 31, 2021	August 1, 2021	May 2, 2021
<i>(In millions)</i>					
Free Cash Flow¹					
Cash provided by operating activities	\$ 415	\$ 2,658	\$ 1,148	\$ 1,686	\$ 1,187
Capital expenditures	(210)	(144)	(206)	(137)	(204)
Free cash flow	<u>\$ 205</u>	<u>\$ 2,514</u>	<u>\$ 942</u>	<u>\$ 1,549</u>	<u>\$ 983</u>

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 NON-GAAP MEASURES

	<u>May 1,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
<i>(In millions)</i>		
Cash, cash equivalents and investments		
Cash and cash equivalents	\$ 3,331	\$ 4,995
Short-term investments	591	464
Long-term investments	2,102	2,055
Cash, cash equivalents, and investments	<u>\$ 6,024</u>	<u>\$ 7,514</u>

APPLIED MATERIALS, INC.
RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the third quarter of fiscal 2022 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$8 million, or \$0.01 per share, includes the normalized tax benefit of share-based compensation of approximately \$20 million, or \$0.02 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.