



Q3 FY2023 Earnings Call

GAAP to non-GAAP Reconciliations

August 17, 2023



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

| <i>(In millions, except percentages)</i> | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | July 30, 2023 | July 31, 2022 | July 30, 2023 | July 31, 2022 |
| Non-GAAP Adjusted Gross Profit | | | | |
| Reported gross profit - GAAP basis | \$ 2,976 | \$ 3,006 | \$ 9,215 | \$ 8,892 |
| Certain items associated with acquisitions ¹ | 7 | 7 | 21 | 20 |
| Non-GAAP adjusted gross profit | <u>\$ 2,983</u> | <u>\$ 3,013</u> | <u>\$ 9,236</u> | <u>\$ 8,912</u> |
| Non-GAAP adjusted gross margin | 46.4 % | 46.2 % | 46.7 % | 46.8 % |
| Non-GAAP Adjusted Operating Income | | | | |
| Reported operating income - GAAP basis | \$ 1,802 | \$ 1,924 | \$ 5,683 | \$ 5,794 |
| Certain items associated with acquisitions ¹ | 10 | 10 | 32 | 29 |
| Acquisition integration and deal costs | 6 | 19 | 20 | 32 |
| Severance and related charges ² | — | — | — | (4) |
| Non-GAAP adjusted operating income | <u>\$ 1,818</u> | <u>\$ 1,953</u> | <u>\$ 5,735</u> | <u>\$ 5,851</u> |
| Non-GAAP adjusted operating margin | 28.3 % | 30.0 % | 29.0 % | 30.7 % |
| Non-GAAP Adjusted Net Income | | | | |
| Reported net income - GAAP basis | \$ 1,560 | \$ 1,606 | \$ 4,852 | \$ 4,934 |
| Certain items associated with acquisitions ¹ | 10 | 10 | 32 | 29 |
| Acquisition integration and deal costs | 6 | 12 | 20 | 28 |
| Severance and related charges ² | — | — | — | (4) |
| Realized loss (gain), dividends and impairments on strategic investments, net | (4) | (1) | 109 | (1) |
| Unrealized loss (gain) on strategic investments, net | 6 | 18 | 13 | (15) |
| Income tax effect of share-based compensation ³ | 5 | 22 | (6) | (22) |
| Income tax effects related to intra-entity intangible asset transfers | 9 | 21 | 25 | 120 |
| Resolution of prior years' income tax filings and other tax items | 10 | 1 | (22) | (54) |
| Income tax effect of non-GAAP adjustments ⁴ | (2) | (6) | (7) | — |
| Non-GAAP adjusted net income | <u>\$ 1,600</u> | <u>\$ 1,683</u> | <u>\$ 5,016</u> | <u>\$ 5,015</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 | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | July 30, 2023 | July 31, 2022 | July 30, 2023 | July 31, 2022 |
| <i>(In millions, except per share amounts)</i> | | | | |
| Non-GAAP Adjusted Earnings Per Diluted Share | | | | |
| Reported earnings per diluted share - GAAP basis | \$ 1.85 | \$ 1.85 | \$ 5.73 | \$ 5.59 |
| Certain items associated with acquisitions | 0.01 | 0.01 | 0.04 | 0.03 |
| Acquisition integration and deal costs | 0.01 | 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 | — | 0.02 | 0.01 | (0.02) |
| Income tax effect of share-based compensation | 0.01 | 0.03 | (0.01) | (0.03) |
| Income tax effects related to intra-entity intangible asset transfers | 0.01 | 0.02 | 0.03 | 0.14 |
| Resolution of prior years' income tax filings and other tax items | 0.01 | — | (0.02) | (0.06) |
| Non-GAAP adjusted earnings per diluted share | \$ 1.90 | \$ 1.94 | \$ 5.93 | \$ 5.68 |
| Weighted average number of diluted shares | 843 | 869 | 846 | 883 |

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

(In millions, except percentages)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | July 30, 2023 | July 31, 2022 | July 30, 2023 | July 31, 2022 |
| <u>Semiconductor Systems Non-GAAP Adjusted Operating Income</u> | | | | |
| Reported operating income - GAAP basis | \$ 1,618 | \$ 1,701 | \$ 5,299 | \$ 5,120 |
| Certain items associated with acquisitions ¹ | 10 | 7 | 29 | 22 |
| Non-GAAP adjusted operating income | <u>\$ 1,628</u> | <u>\$ 1,708</u> | <u>\$ 5,328</u> | <u>\$ 5,142</u> |
| Non-GAAP adjusted operating margin | 34.8 % | 36.1 % | 36.0 % | 37.4 % |

(In millions, except percentages)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | July 30, 2023 | July 31, 2022 | July 30, 2023 | July 31, 2022 |
| <u>AGS Non-GAAP Adjusted Operating Income</u> | | | | |
| Reported operating income - GAAP basis | \$ 429 | \$ 434 | \$ 1,226 | \$ 1,259 |
| Non-GAAP adjusted operating income | \$ 429 | \$ 434 | \$ 1,226 | \$ 1,259 |
| Non-GAAP adjusted operating margin | <u>29.3 %</u> | <u>30.6 %</u> | <u>28.8 %</u> | <u>30.5 %</u> |

(In millions, except percentages)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | July 30, 2023 | July 31, 2022 | July 30, 2023 | July 31, 2022 |
| <u>Display and Adjacent Markets Non-GAAP Adjusted Operating Income</u> | | | | |
| Reported operating income - GAAP basis | \$ 37 | \$ 69 | \$ 66 | \$ 226 |
| Certain items associated with acquisitions ¹ | — | 1 | — | 3 |
| Non-GAAP adjusted operating income | <u>\$ 37</u> | <u>\$ 70</u> | <u>\$ 66</u> | <u>\$ 229</u> |
| Non-GAAP adjusted operating margin | 15.7 % | 21.0 % | 11.6 % | 21.2 % |

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.

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

| <i>(In millions)</i> | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | July 30, 2023 | July 31, 2022 | July 30, 2023 | July 31, 2022 |
| Operating expenses (GAAP basis) | \$ 1,174 | \$ 1,082 | \$ 3,532 | \$ 3,098 |
| Certain items associated with acquisitions | (3) | (3) | (11) | (9) |
| Acquisition integration and deal costs | (6) | (19) | (20) | (32) |
| Severance and related charges | — | — | — | 4 |
| Non-GAAP adjusted operating expenses | \$ 1,165 | \$ 1,060 | \$ 3,501 | \$ 3,061 |

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

| | Three Months Ended | |
|--|--------------------|------------------|
| | July 30, 2023 | July 31, 2022 |
| <i>(In millions, except per share amounts)</i> | | |
| Provision for income taxes (GAAP basis) (a) | \$ 246 | \$ 255 |
| Income tax effect of share-based compensation | (5) | (22) |
| Income tax effect related to intra-entity intangible asset transfers | (9) | (21) |
| Resolution of prior years' income tax filings and other tax items | (10) | (1) |
| Income tax effect of non-GAAP adjustments | 2 | 6 |
| Non-GAAP adjusted provision for income taxes (b) | <u>\$ 224</u> | <u>\$ 217</u> |

| | Three Months Ended | |
|---|--------------------|------------------|
| | July 30, 2023 | July 31, 2022 |
| <i>(In millions, except percentages)</i> | | |
| Income (loss) before income taxes (GAAP basis) (c) | \$ 1,806 | \$ 1,861 |
| Certain items associated with acquisitions | 10 | 10 |
| Acquisition integration and deal costs | 6 | 12 |
| Realized loss (gain), dividends and impairments on strategic investments, net | (4) | (1) |
| Unrealized loss (gain) on strategic investments, net | 6 | 18 |
| Non-GAAP income before income taxes (d) | <u>\$ 1,824</u> | <u>\$ 1,900</u> |
| Effective income tax rate (GAAP basis) (a/c) | 13.6 % | 13.7 % |
| Non-GAAP adjusted effective income tax rate (b/d) | 12.3 % | 11.4 % |

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

| <i>(In millions)</i> | Three Months Ended | | | | |
|---------------------------------------|--------------------|-------------------|---------------------|---------------------|------------------|
| | July 30, 2023 | April 30, 2023 | January 29, 2023 | October 30, 2022 | July 31, 2022 |
| Free Cash Flow¹ | | | | | |
| Cash provided by operating activities | \$ 2,583 | \$ 2,292 | \$ 2,270 | \$ 857 | \$ 1,469 |
| Capital expenditures | (255) | (255) | (287) | (223) | (210) |
| Free Cash Flow | \$ 2,328 | \$ 2,037 | \$ 1,983 | \$ 634 | \$ 1,259 |

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

| <i>(In millions)</i> | Three Months Ended | | | | |
|--|--------------------|-------------------|---------------------|---------------------|------------------|
| | July 30, 2023 | April 30, 2023 | January 29, 2023 | October 30, 2022 | July 31, 2022 |
| Distributions to Stockholders | | | | | |
| Costs of stock repurchased* | \$ 439 | \$ 800 | \$ 250 | \$ 1,500 | \$ 1,000 |
| Payments of dividends to stockholders | 268 | 219 | 220 | 223 | 225 |
| Total distributions to stockholders | \$ 707 | \$ 1,019 | \$ 470 | \$ 1,723 | \$ 1,225 |

* 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 fourth 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 \$6 million, or \$0.01 and includes a net income tax benefit related to intra-entity intangible asset transfers of \$9 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.