



Q1 FY2024 Earnings Call

GAAP to non-GAAP Reconciliations

February 15, 2024



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

<i>(In millions, except percentages)</i>	Three Months Ended	
	January 28, 2024	January 29, 2023
Non-GAAP Gross Profit		
GAAP reported gross profit	\$ 3,204	\$ 3,145
Certain items associated with acquisitions ¹	7	7
Non-GAAP gross profit	<u>\$ 3,211</u>	<u>\$ 3,152</u>
Non-GAAP gross margin	47.9 %	46.8 %
Non-GAAP Operating Income		
GAAP reported operating income	\$ 1,967	\$ 1,970
Certain items associated with acquisitions ¹	11	11
Acquisition integration and deal costs	3	6
Non-GAAP operating income	<u>\$ 1,981</u>	<u>\$ 1,987</u>
Non-GAAP operating margin	29.5 %	29.5 %
Non-GAAP Net Income		
GAAP reported net income	\$ 2,019	\$ 1,717
Certain items associated with acquisitions ¹	11	11
Acquisition integration and deal costs	3	6
Realized loss (gain), dividends and impairments on strategic investments, net	(1)	(4)
Unrealized loss (gain) on strategic investments, net	(280)	(4)
Income tax effect of share-based compensation ²	(26)	(14)
Income tax effects related to intra-entity intangible asset transfers	22	17
Resolution of prior years' income tax filings and other tax items	33	(5)
Income tax effect of non-GAAP adjustments ³	1	—
Non-GAAP net income	<u>\$ 1,782</u>	<u>\$ 1,724</u>

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 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.

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

	Three Months Ended	
	January 28, 2024	January 29, 2023
<i>(In millions, except per share amounts)</i>		
Non-GAAP Earnings Per Diluted Share		
GAAP reported earnings per diluted share	\$ 2.41	\$ 2.02
Certain items associated with acquisitions	0.01	0.01
Acquisition integration and deal costs	—	0.01
Unrealized loss (gain) on strategic investments, net	(0.33)	—
Income tax effect of share-based compensation	(0.03)	(0.02)
Income tax effects related to intra-entity intangible asset transfers	0.03	0.02
Resolution of prior years' income tax filings and other tax items	0.04	(0.01)
Non-GAAP earnings per diluted share	<u>\$ 2.13</u>	<u>\$ 2.03</u>
Weighted average number of diluted shares	837	849

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

Three Months Ended

January 28, 2024 **January 29, 2023**

(In millions, except percentages)

Semiconductor Systems Non-GAAP Operating Income

GAAP reported operating income	\$ 1,744	\$ 1,855
Certain items associated with acquisitions ¹	10	9
Non-GAAP operating income	\$ 1,754	\$ 1,864
Non-GAAP operating margin	35.7 %	36.1 %

Three Months Ended

January 28, 2024 **January 29, 2023**

(In millions, except percentages)

Applied Global Services Non-GAAP Operating Income

GAAP reported operating income	\$ 417	\$ 345
Non-GAAP operating income	\$ 417	\$ 345
Non-GAAP operating margin	28.3 %	25.2 %

Three Months Ended

January 28, 2024 **January 29, 2023**

(In millions, except percentages)

Display and Adjacent Markets Non-GAAP Operating Income

GAAP reported operating income	\$ 25	\$ 3
Non-GAAP operating income	\$ 25	\$ 3
Non-GAAP operating margin	10.2 %	1.8 %

¹ These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

Note: Effective in the first quarter of fiscal 2024, management began including share-based compensation expense in the evaluation of reportable segments' performance. Prior year numbers have been recast to conform to the current year presentation.

The reconciliation of GAAP and non-GAAP 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 OPERATING EXPENSES

<i>(In millions)</i>	Three Months Ended	
	January 28, 2024	January 29, 2023
GAAP reported operating expenses	\$ 1,237	\$ 1,175
Certain items associated with acquisitions	(4)	(4)
Acquisition integration and deal costs	(3)	(6)
Non-GAAP operating expenses	\$ 1,230	\$ 1,165

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

<i>(In millions)</i>	Three Months Ended	
	January 28, 2024	January 29, 2023
GAAP provision for income taxes (a)	\$ 284	\$ 244
Income tax effect of share-based compensation	26	14
Income tax effect related to intra-entity intangible asset transfers	(22)	(17)
Resolution of prior years' income tax filings and other tax items	(33)	5
Income tax effect of non-GAAP adjustments	(1)	—
Non-GAAP provision for income taxes (b)	\$ 254	\$ 246

<i>(In millions, except percentages)</i>	Three Months Ended	
	January 28, 2024	January 29, 2023
GAAP income (loss) before income taxes (c)	\$ 2,303	\$ 1,961
Certain items associated with acquisitions	11	11
Acquisition integration and deal costs	3	6
Realized loss (gain), dividends and impairments on strategic investments, net	(1)	(4)
Unrealized loss (gain) on strategic investments, net	(280)	(4)
Non-GAAP income before income taxes (d)	\$ 2,036	\$ 1,970
GAAP effective income tax rate (a/c)	12.3 %	12.4 %
Non-GAAP effective income tax rate (b/d)	12.5 %	12.5 %

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

<i>(In millions)</i>	Three Months Ended				
	January 28, 2024	October 29, 2023	July 30, 2023	April 30, 2023	January 29, 2023
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 2,325	\$ 1,555	\$ 2,583	\$ 2,292	\$ 2,270
Capital expenditures	(229)	(309)	(255)	(255)	(287)
Non-GAAP free cash flow	\$ 2,096	\$ 1,246	\$ 2,328	\$ 2,037	\$ 1,983

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				
	January 28, 2024	October 29, 2023	July 30, 2023	April 30, 2023	January 29, 2023
Distributions to Stockholders					
Costs of stock repurchased*	\$ 700	\$ 700	\$ 439	\$ 800	\$ 250
Payments of dividends to stockholders	266	268	268	219	220
Total distributions to stockholders	\$ 966	\$ 968	\$ 707	\$ 1,019	\$ 470

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

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

<i>(In millions, except per share amounts)</i>	Twelve Months Ended	
	October 29, 2023	October 27, 2013
Non-GAAP Earnings Per Diluted Share		
GAAP reported earnings per diluted share	\$ 8.11	\$ 0.21
Certain items associated with acquisitions ¹	0.05	0.14
Acquisition integration and deal costs	0.02	0.02
Impairment of goodwill and intangible assets	—	0.21
Certain items associated with announced business combination ²	—	0.01
Restructuring charges and assets impairments ³	—	0.03
Realized loss (gain), dividends and impairments on strategic investments, net	0.13	—
Unrealized loss (gain) on strategic investments, net	(0.16)	—
Earn-out	(0.01)	—
Income tax effects related to intra-entity intangible asset transfers	(0.05)	—
Resolution of prior years' income tax filings and other tax items	(0.04)	(0.03)
Non-GAAP adjusted earnings per diluted share	\$ 8.05	\$ 0.59
Weighted average number of diluted shares	845	1,219

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 These items are incremental charges related to the announced business combination agreement with Tokyo Electron Limited, consisting of acquisition-related costs and other charges
- 3 Results for fiscal 2013 included \$39 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, and restructuring and asset impairment charges of \$26 million related to the restructuring program announced on May 10, 2012, partially offset by a favorable adjustment of \$2 million related to other restructuring plans.

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

<i>(In millions)</i>	Twelve Months Ended	
	October 29, 2023	October 27, 2013
Free Cash Flow¹		
Cash provided by operating activities	\$ 8,700	\$ 623
Capital expenditures	(1,106)	(197)
Free Cash Flow	\$ 7,594	\$ 426

- 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 RETURN ON INVESTED CAPITAL

	Twelve Months Ended			
	October 29, 2023	October 30, 2022	October 27, 2013	October 28, 2012
<i>(In millions, except percentages)</i>				
Non-GAAP operating income after tax				
Non-GAAP operating income before tax	\$ 7,719		\$ 1,032	
Non-GAAP effective income tax rate	12.1 %		24.5 %	
Non-GAAP operating income after tax (a)	\$ 6,785		\$ 779	
Invested Capital				
Total assets		\$ 26,726		\$ 12,102
Current liabilities		(7,379)		(2,265)
Invested capital (b)		<u>\$ 19,347</u>		<u>\$ 9,837</u>
Return on invested capital (a/b)	35 %		8 %	

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

<i>(In millions)</i>	Twelve Months Ended			
	October 29, 2023	October 30, 2022	October 27, 2013	October 28, 2012
Non-GAAP Operating Income				
GAAP reported operating income	\$ 7,654	\$ 7,788	\$ 432	\$ 411
Certain items associated with acquisitions ¹	43	39	201	298
Acquisition integration and deal costs	22	38	38	81
Impairment of goodwill and intangible assets	—	—	278	421
Certain items associated with announced business combination ²	—	—	24	—
Restructuring charges and assets impairments ^{3,4}	—	—	63	168
Severance and related charges ⁵	—	(4)	—	—
Gain on sale of facility	—	—	(4)	—
Non-GAAP operating income	\$ 7,719	\$ 7,861	\$ 1,032	\$ 1,379

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 These items are incremental charges related to the announced business combination agreement with Tokyo Electron Limited, consisting of acquisition-related costs and other charges
- 3 Results for fiscal 2013 included \$39 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, and restructuring and asset impairment charges of \$26 million related to the restructuring program announced on May 10, 2012, partially offset by a favorable adjustment of \$2 million related to other restructuring plans.
- 4 Results for the twelve months ended October 28, 2012, included employee-related costs of \$106 million related to the restructuring program announced on October 3, 2012, restructuring and asset impairment charges of \$48 million related to the restructuring program announced on May 10, 2012, and severance charges of \$14 million related to the integration of Varian.
- 5 The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.

APPLIED MATERIALS, INC.
RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the second 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, includes the normalized tax benefit of share-based compensation of approximately \$10 million, or \$0.01 per share, and includes a net income tax benefit related to intra-entity intangible asset transfers of \$19 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.