



Fourth Quarter Fiscal 2024 Earnings Presentation

November 14, 2024

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 first quarter of fiscal 2025 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; global economic, political and industry conditions, including changes in interest rates and prices for goods and services; the implementation of additional export regulations and license requirements and their interpretation, 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 and our ability to obtain licenses or authorizations on a timely basis, if at all; the effects of geopolitical turmoil or conflicts; demand for semiconductor chips and electronic devices; 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; our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; 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; cybersecurity incidents affecting our information systems or information contained in them, or affecting our operations, suppliers, customers or vendors; 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; 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.

Gary Dickerson

President and Chief Executive Officer



FY2024 Priorities

Driving R&D programs to further differentiate our portfolio

Investing in operational and supply chain improvements

Continuing to reduce our environmental impact as we scale the company



FY2024 Outcomes

Strengthened position at major inflections

Delivered double-digit growth in parts and services business

Operational improvements drove strong gross margin and cash flow

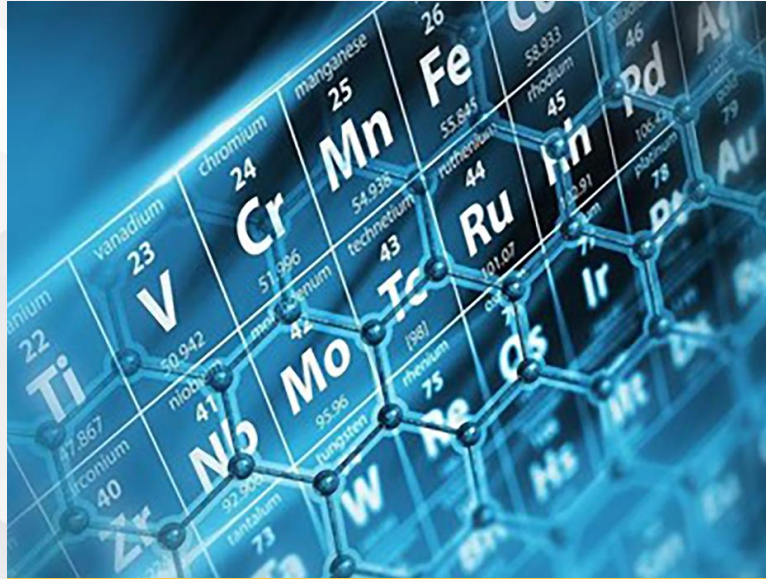
EPIC Platform and Net Zero Playbook on track

FY2024: Fifth Consecutive Year of Revenue and Earnings Growth

Today's Key Themes



AI driving need for energy-efficient computing



Device architecture inflections increasingly enabled by materials engineering



Complex industry roadmap creating incremental growth opportunities

Tectonic Shifts in Technology are Built on Semiconductors

DATA CENTER AI



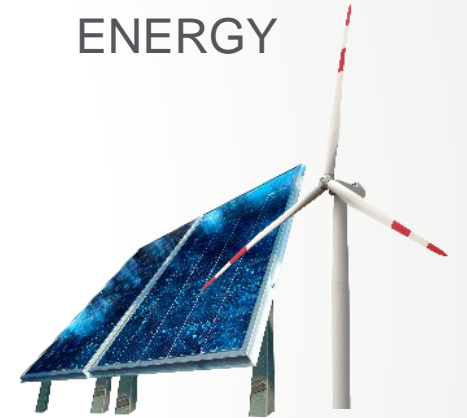
EDGE AI, IOT
and ROBOTICS



EV and AV

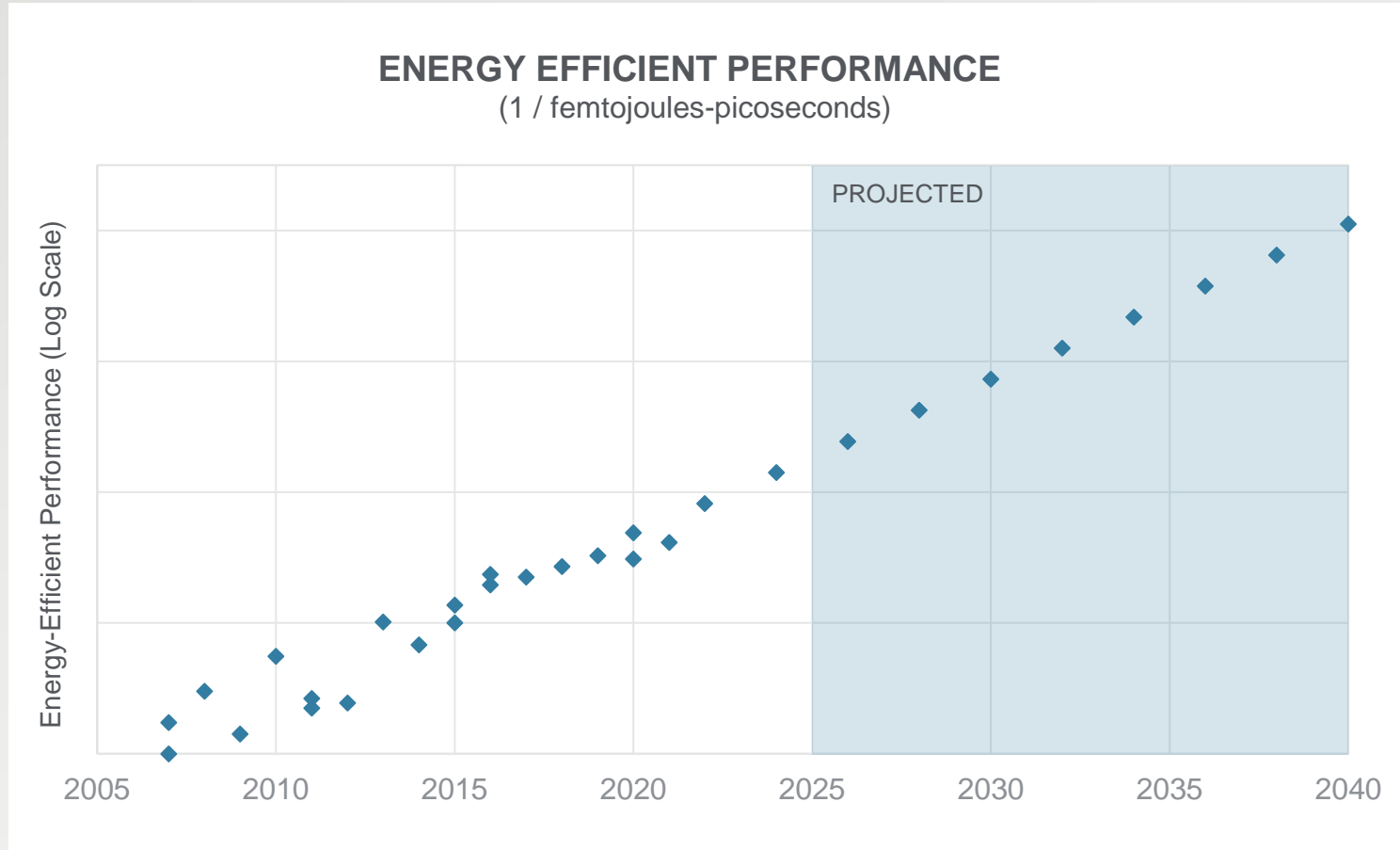


RENEWABLE
ENERGY



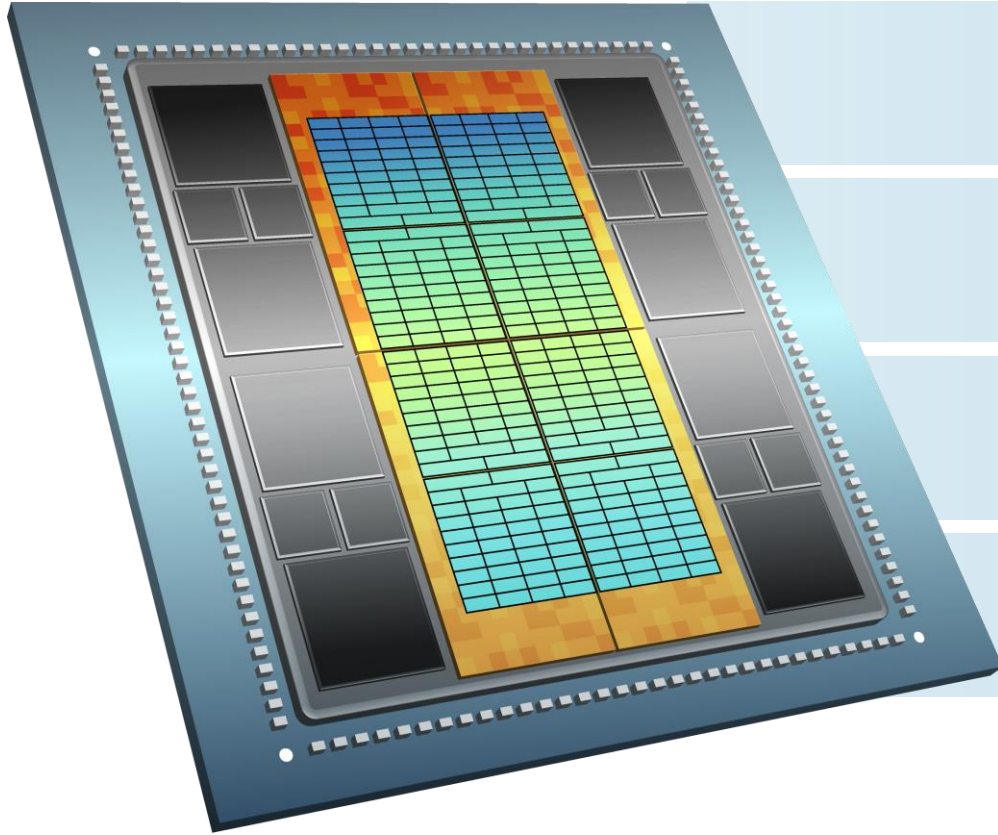
AI is the Biggest Inflection of Our Lifetimes

Industry Focused on Accelerating Energy-Efficient Performance



- AI companies increasingly focused on reducing power-per-operation
- Goal is to drive 10,000X improvement in performance-per-watt over next 15 years

Key Architecture Inflections Fueling the AI Race



Leading-Edge Logic

High-Performance DRAM

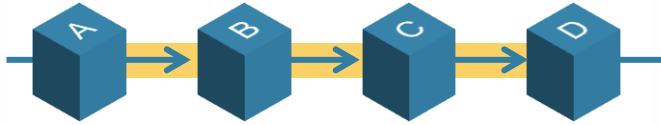
High-Bandwidth Memory

Advanced Packaging

Applied is #1 in Materials Engineering in Each Area

Opportunities to Deliver Value and Extend Differentiation

Co-optimized Solutions



Integrated Materials Solutions (IMS™)



CONNECTED PORTFOLIO

- » Broad, unique and connected portfolio of highly enabling technologies
- » Integrated solutions account for ~30% of semiconductor systems revenues



DEEPER COLLABORATION

- » Global EPIC Platform can accelerate learning, increase success rates, and improve efficiencies
- » EPIC Center in Silicon Valley is under construction and on track to come online in 2026

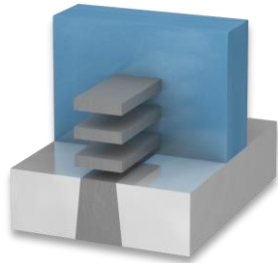


ADVANCED SERVICES

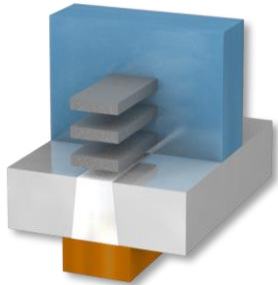
- » AGS delivered record quarterly and annual revenue; 21st consecutive quarter of YoY revenue growth
- » Signed first five-year service agreements with multiple customers in FY24

Leading-Edge Logic Inflections Benefit Applied

LEADING-EDGE LOGIC



Gate-All-Around



Backside Power Delivery

TRANSISTORS

- Transition from FinFET to Gate-All-Around (GAA) to grow Applied's transistor SAM from ~\$6B to ~\$7B*
- On track for >50% SAM share

WIRING

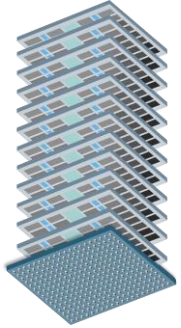
- Introduction of Backside Power Delivery (BPD) to grow Applied's wiring SAM from ~\$6B to ~\$7B*
- On track for >50% SAM share

Generated >\$2.5B in Revenue from GAA Nodes in FY24, with Potential to Approximately Double in FY25

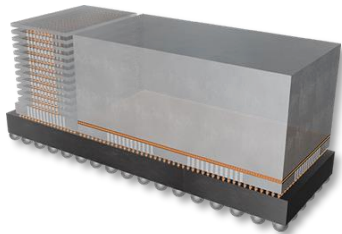
* Per 100k wafer starts per month capacity. SAM = Served Addressable Market

Advanced Packaging Inflections Benefit Applied

ADVANCED PACKAGING



High-Bandwidth Memory



Heterogeneous Integration

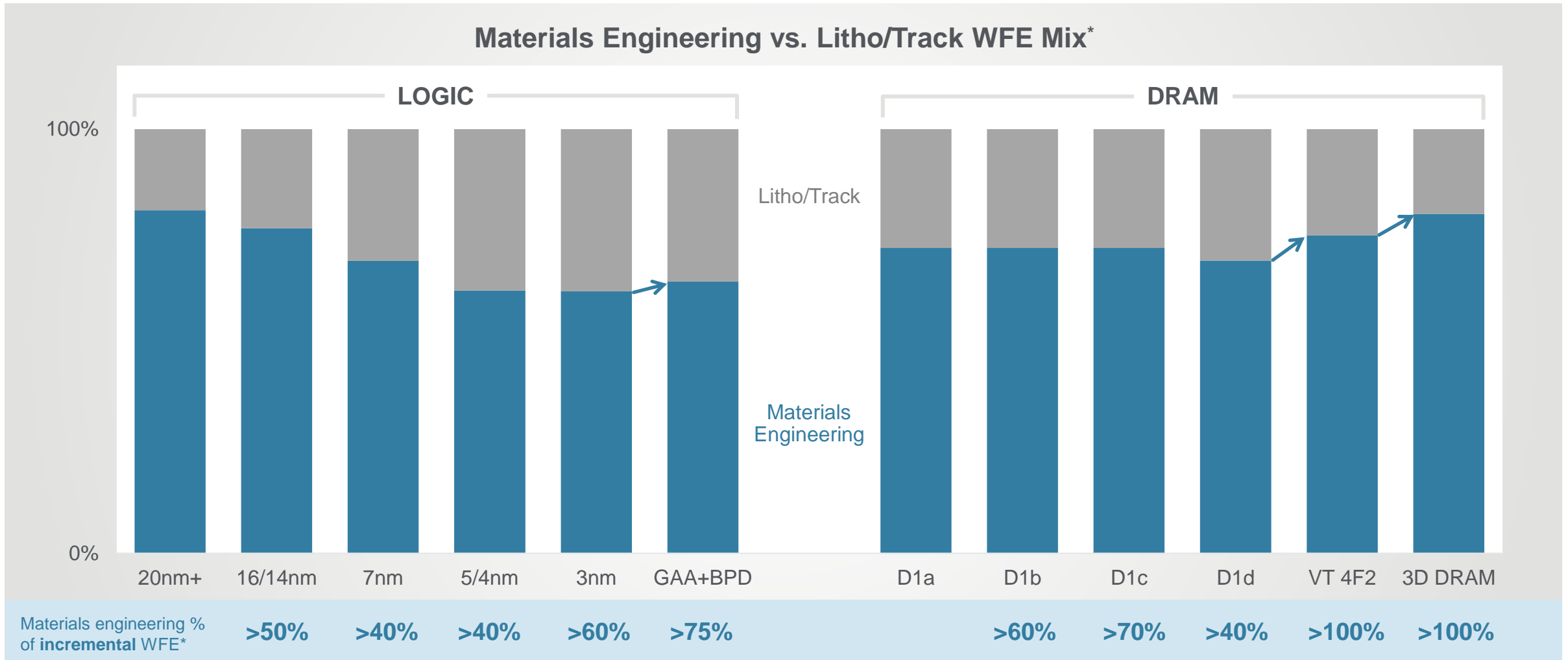
HBM PACKAGING

- Applied has strong leadership in key technologies including microbump and through-silicon via (TSV)
- Generated >\$700M of HBM packaging revenue in FY24

OVERALL ADVANCED PACKAGING

- Revenue grew to ~\$1.7B in FY24, inclusive of HBM packaging
- Potential to double over next several years

Expect Materials Engineering to Increase within WFE Mix



Source: Applied Materials analysis

* Materials engineering vs litho/track WFE mix & ME as % of incremental WFE exclude cleans and process control

Materials engineering (ME) % of incremental WFE = (ME WFE spend on new node – ME WFE spend on prior node) / (WFE spend on new node – WFE spend on prior node)

Materials Engineering is creating and depositing materials; shaping and removing materials; modifying materials; and connecting chips with advanced packaging. The related equipment categories are deposition (MOCVD, ECD/other, CVD, Epi PVD), modification (Implant, Thermal) and removal (CMP, etch). Materials Engineering excludes litho/track/mask, process control and cleans.

CEO SUMMARY

FY24 performance:

- » Grew revenue and earnings for the fifth consecutive year
- » Strengthened position at key technology inflections
- » Delivered double-digit growth in parts and services
- » Drove operational improvements across Applied and supply chain

Looking ahead:

- » Industry's roadmap becoming increasingly dependent on materials engineering
- » Applied delivering differentiated solutions to help customers win key inflections
- » Strengthening R&D collaboration to drive innovation and commercialization velocity
- » Growing service business by helping customers manage increasing complexity

Brice Hill

SVP, Chief Financial Officer



FISCAL YEAR 2024

Record Performance

Revenue

\$27.2B

↑2% YoY

Semiconductor Systems
Group Revenue

\$19.9B

↑1% YoY

Applied Global
Services Revenue

\$6.2B

↑9% YoY

Gross Profit*

\$12.9B

↑4% YoY

Operating Income*

\$7.9B

↑3% YoY

Earnings Per Share*

\$8.65

↑7% YoY

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

FY2024 Non-GAAP Financial Results

	FY2023	FY2024	YoY
\$M, except EPS			
Revenue	26,517	27,176	2%
Gross Margin*	46.8%	47.6%	80bps
Operating Expenses*	4,694	5,002	7%
Operating Income*	7,719	7,924	3%
Operating Margin*	29.1%	29.2%	10bps
EPS*	\$8.05	\$8.65	7%

- Growth in all three business segments
- Strengthened position at major inflections in logic, DRAM and advanced packaging
- Highest annual gross margin rate since fiscal 2000
- Optimized our operations and made progress on valued-based pricing, supporting strong cash flow and margin performance

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

Q4F24 Non-GAAP Financial Results

\$M, except EPS	Q4F23	Q3F24	Q4F24	YoY	QoQ
Revenue	6,723	6,778	7,045	5%	4%
Gross Margin*	47.3%	47.4%	47.5%	20bps	10bps
Operating Expenses*	1,193	1,258	1,281	7%	2%
Operating Income*	1,984	1,953	2,063	4%	6%
Operating Margin*	29.5%	28.8%	29.3%	(20bps)	50bps
EPS*	\$2.12	\$2.12	\$2.32	9%	9%

Year-over-year highlights:

- Solid revenue growth in semiconductor systems and services
- China declined to 30% of revenue, in line with expectations
- Gross margin benefitted from favorable mix and operational improvements
- Prioritized funding long-term strategic programs
- Non-GAAP EPS benefitted from higher gross margin, higher interest income, lower effective tax rate, and share repurchases

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



SEMICONDUCTOR SYSTEMS

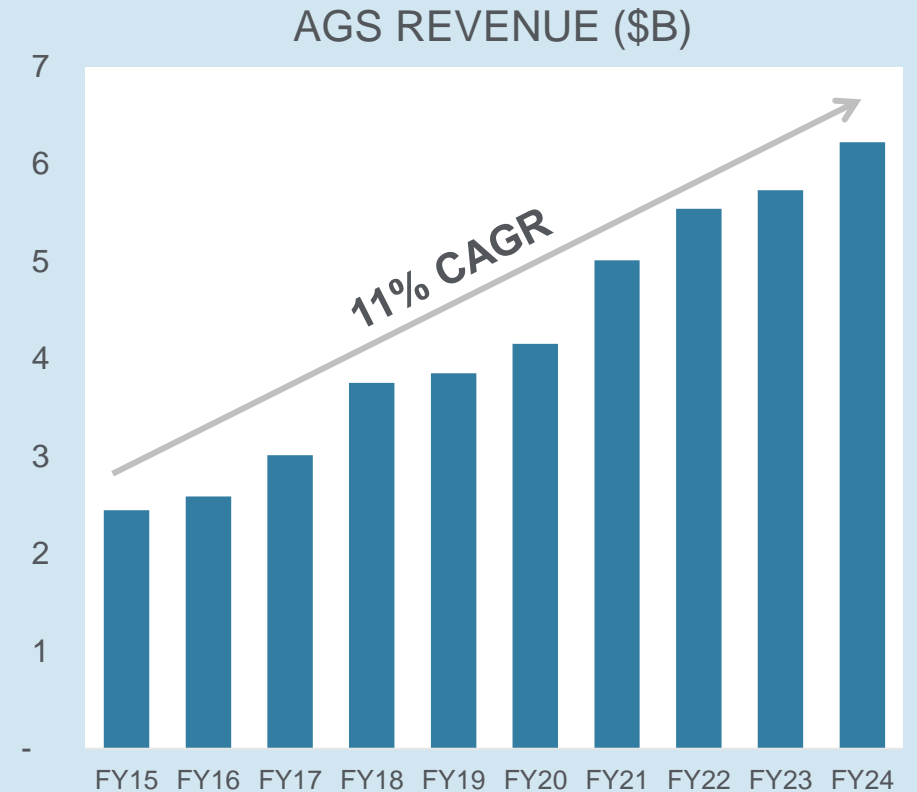
Revenue of \$5.18B in Q4FY24, up 6% YoY, driven by leading-edge foundry-logic demand

- » DRAM: sales declined 10% YoY
- » NAND: sales flat YoY
- » Foundry-logic: sales increased 12% YoY
 - Robust growth at the leading-edge, including increasing investments for gate-all-around nodes
 - Sales for the ICAPS nodes were down YoY, given higher demand in the year-ago period

ICAPS = Internet of Things, Communications, Automotive, Power, Sensors; includes F/L spending at 10nm and above nodes.

Applied Global Services

- Record revenue of \$1.6B in Q4FY24, up 11% YoY
 - » Driven by robust growth in services, partially offset by a decline in 200mm equipment sales
- Strong subscription operational metrics
 - » 7% YoY increase in installed base
 - » 10% YoY increase in tools under service agreements
 - » 2.9 year average contract length
 - » >90% renewal rate



**AGS Produces More Than Enough Operating Profit
to Fund the Company's Growing Dividend**

DISPLAY

- Revenue of \$211M in Q4FY24
- Industry experiencing lower investment levels amidst ongoing weakness in end market demand
- Over time, we expect an increase in capital investments to support the adoption of OLED technology in IT devices like notebooks, PCs, and tablets
- Applied is well-positioned to enable customers for the coming OLED IT inflection with our technology



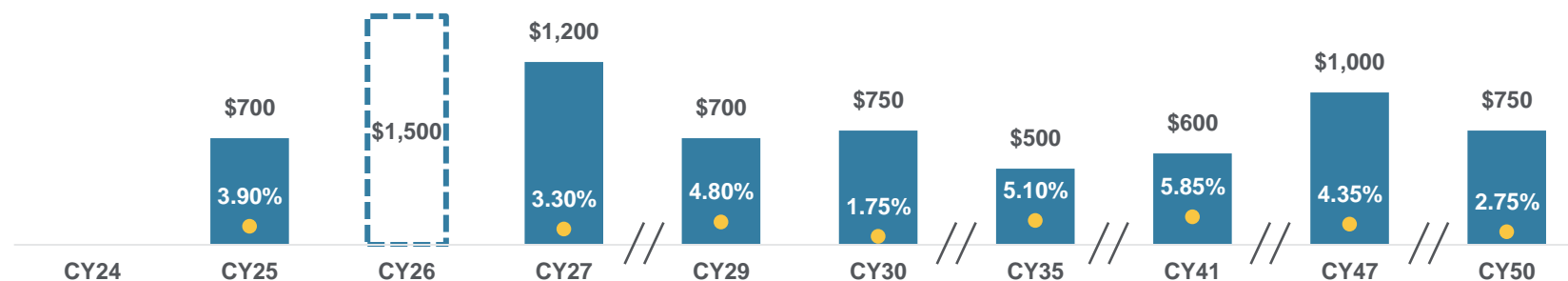
Strong Investment-Grade Balance Sheet

CASH AND INVESTMENTS (\$M)	Q4F23	Q1F24	Q2F24	Q3F24	Q4F24
Cash and cash equivalents	6,132	6,854	7,085	8,288	8,022
Short-term investments	737	638	472	815	1,449
Long-term investments	2,281	2,910	2,983	2,981	2,787
Total cash and investments	9,150	10,402	10,540	12,084	12,258
Short-term debt*	100	100	99	99	799
Current ratings (Moody's / S&P): P-1 / A-1					
Long-term debt	5,461	5,462	5,463	6,158	5,460
Current ratings (Moody's / S&P): A2 / A					

* Includes commercial paper and current portion of long-term debt

Bond maturity profile (\$M)

- Undrawn Revolver
- Outstanding Notes



Cash Flows and Shareholder Distributions

CASH FLOWS (\$M)	Q4F23	Q1F24	Q2F24	Q3F24	Q4F24	FY24
Operating Cash Flow	1,555	2,325	1,392	2,385	2,575	8,677
Free Cash Flow*	1,246	2,096	1,135	2,088	2,168	7,487
SHAREHOLDER DISTRIBUTIONS (\$M)						
Total Shareholder Distributions	(968)	(966)	(1,086)	(1,192)	(1,771)	(5,015)
Share Repurchases	(700)	(700)	(820)	(861)	(1,442)	(3,823)
Dividends	(268)	(266)	(266)	(331)	(329)	(1,192)

Committed to Distribute 80-100% of FCF to Shareholders over Time

\$8.9B remaining on share repurchase authorization at end of Q4FY24

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

Business Outlook

FIRST QUARTER FISCAL 2025

OUTLOOK	Total Revenue*	~\$7.15B ± \$400M
	Non-GAAP EPS	~\$2.29 ± \$0.18
SEGMENT REVENUE	Semiconductor Systems	~\$5.30B
	Applied Global Services	~\$1.65B
	Display	~\$175M
OTHER	Non-GAAP Gross Margin	~48.4%
	Non-GAAP Operating Expenses	~\$1.33B
	Non-GAAP Tax Rate	~14.0%

* Includes segment revenue, plus Corporate and Other

CFO

SUMMARY

Achieved record revenue and EPS in FY2024 with momentum across the majority of our markets

Portfolio positions us to capitalize on the secular megatrends shaping the technology landscape

Strong investment-grade balance sheet, solid cash generation and healthy shareholder distributions

Q&A

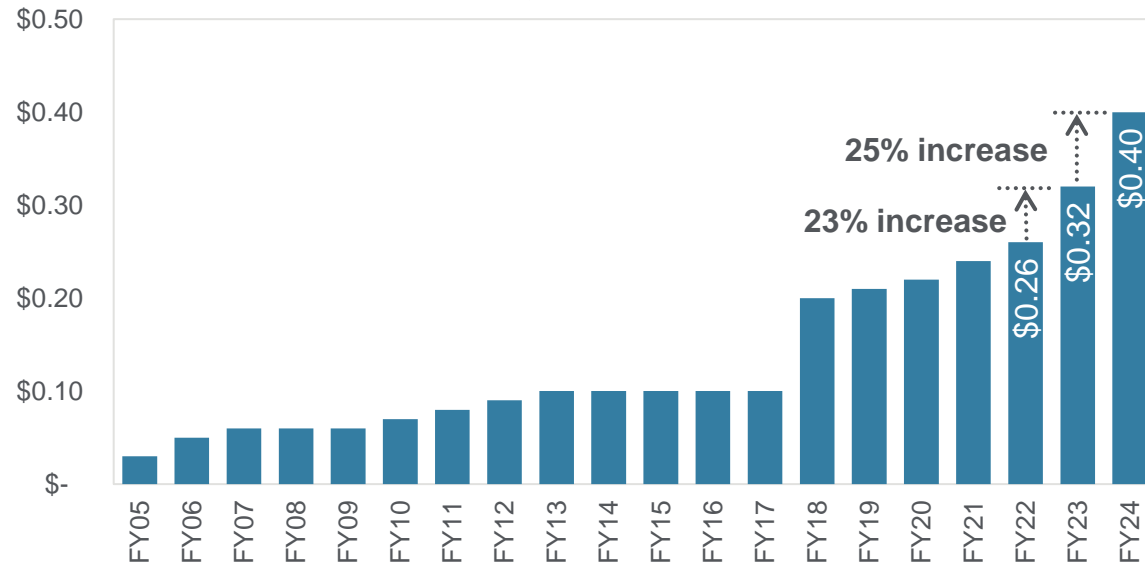
Capital Allocation Strategy

1. Invest in R&D and infrastructure to enable profitable growth
2. Grow dividend per share and use buybacks to distribute excess FCF

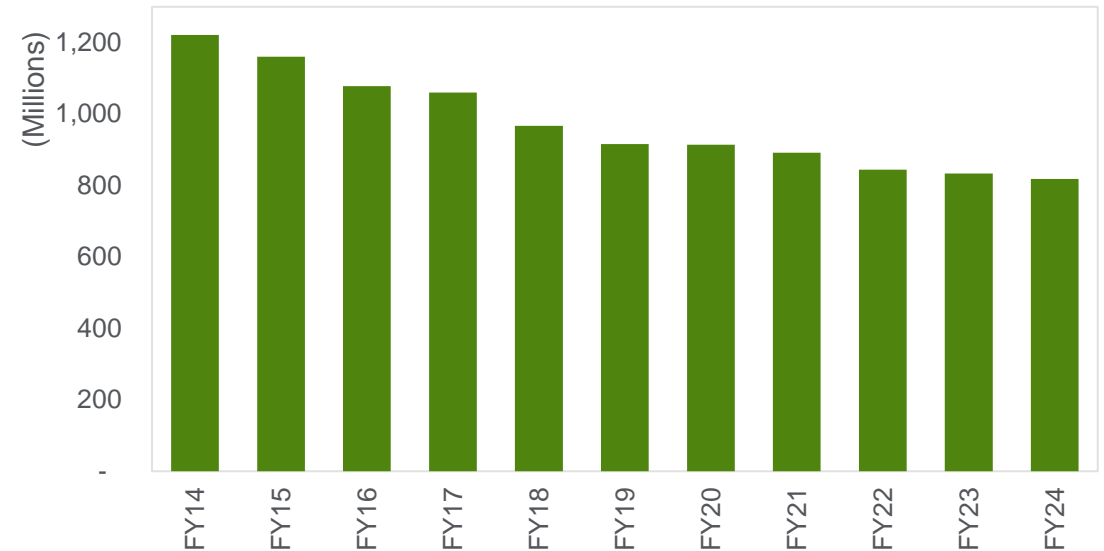
OVER PAST 10 FISCAL YEARS (through FY24)

- » Reinvested >\$22B in R&D and >\$6B in capital additions
- » Distributed nearly 90% of FCF*
- » Grew dividend per share at ~15% CAGR
- » Reduced shares outstanding by 33%

Quarterly Dividend per Share



Shares Outstanding at FY End



Committed to Distribute 80–100% of FCF to Shareholders Over Time

\$8.9B remaining on share repurchase authorization at end of Q4FY24

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



NET ZERO 2040 PLAYBOOK™

LATEST 3rd PARTY ESG RATINGS

CDP Climate	A-
CDP Water	B
MSCI	AAA
Sustainalytics Risk Rating	Low
ISS (E/S/G)	2/2/1

Links: [2023 Sustainability Report](#) | [2023 Sustainability Highlights](#)

Additional Resources

Investor Relations Home Page

[LINK](#)

Latest News

[LINK](#)

Blog: Ideas, Actions & Technologies

[LINK](#)

2024: Semicon West Technology Breakfast

[LINK](#)

2024: 2023 WFE Market Summary

[LINK](#)

2024: Applied Materials Panel Discussion during SPIE Conference

[LINK](#)

2022: Services Master Class

[LINK](#)

Appendix GAAP to Non-GAAP Reconciliations

Use of Non-GAAP Adjusted Financial Measures

Applied provides investors with certain non-GAAP 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, dividends and impairments 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, ir.appliedmaterials.com.

Management uses these non-GAAP 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 PER SHARE AMOUNTS AND PERCENTAGES

Non-GAAP Gross Profit

	Q4F23	Q1F24	Q2F24	Q3F24	Q4F24
GAAP reported gross profit	\$ 3,169	\$ 3,204	\$ 3,153	\$ 3,205	\$ 3,335
Certain items associated with acquisitions ¹	8	7	7	6	6
Impairment of long-lived assets	-	-	-	-	3
Non-GAAP gross profit	<u>\$ 3,177</u>	<u>\$ 3,211</u>	<u>\$ 3,160</u>	<u>\$ 3,211</u>	<u>\$ 3,344</u>
Non-GAAP gross margin	47.3%	47.9%	47.5%	47.4%	47.5%

Non-GAAP Operating Income

GAAP reported operating income	\$ 1,971	\$ 1,967	\$ 1,912	\$ 1,942	\$ 2,046
Certain items associated with acquisitions ¹	11	11	10	10	11
Acquisition integration and deal costs	2	3	5	1	3
Impairment of long-lived assets	-	-	-	-	3
Non-GAAP operating income	<u>\$ 1,984</u>	<u>\$ 1,981</u>	<u>\$ 1,927</u>	<u>\$ 1,953</u>	<u>\$ 2,063</u>
Non-GAAP operating margin	29.5%	29.5%	29.0%	28.8%	29.3%

Non-GAAP Net Income

GAAP reported net income	\$ 2,004	\$ 2,019	\$ 1,722	\$ 1,705	\$ 1,731
Certain items associated with acquisitions ¹	11	11	10	10	11
Acquisition integration and deal costs	2	3	5	1	3
Impairment of long-lived assets	-	-	-	-	3
Realized loss (gain), dividends and impairments on strategic investments, net	(2)	(1)	(3)	16	(1)
Unrealized loss (gain) on strategic investments, net	(147)	(280)	(20)	25	244
Earn-out	(15)	-	-	-	-
Income tax effects related to intra-entity intangible asset transfers	(65)	22	18	17	(33)
Resolution of prior years' income tax filings and other tax items	(9)	33	-	(11)	(47)
Income tax effect of share-based compensation ²	6	(26)	11	8	7
Income tax effect of non-GAAP adjustments ³	1	1	1	(4)	(1)
Non-GAAP net income	<u>\$ 1,786</u>	<u>\$ 1,782</u>	<u>\$ 1,744</u>	<u>\$ 1,767</u>	<u>\$ 1,917</u>

Non-GAAP Earnings Per Diluted Share

GAAP reported earnings per diluted share	\$ 2.38	\$ 2.41	\$ 2.06	\$ 2.05	\$ 2.09
Certain items associated with acquisitions	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	-	-	0.01	-	-
Realized loss (gain), dividends and impairments on strategic investments, net	-	-	-	0.01	-
Unrealized loss (gain) on strategic investments, net	(0.18)	(0.33)	(0.02)	0.03	0.30
Earn-out	(0.01)	-	-	-	-
Income tax effects related to intra-entity intangible asset transfers	(0.08)	0.03	0.02	0.02	(0.04)
Income tax effect of share-based compensation ²	0.01	(0.03)	0.01	0.01	0.01
Resolution of prior years' income tax filings and other tax items	(0.01)	0.04	-	(0.01)	(0.05)
Non-GAAP earnings per diluted share	<u>\$ 2.12</u>	<u>\$ 2.13</u>	<u>\$ 2.09</u>	<u>\$ 2.12</u>	<u>\$ 2.32</u>
Weighted average number of diluted shares	842	837	836	833	828

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 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	Q4F23	Q1F24	Q2F24	Q3F24	Q4F24
GAAP reported Operating Expenses	\$ 1,198	\$ 1,237	\$ 1,241	\$ 1,263	\$ 1,289
Certain items associated with acquisitions ¹	(3)	(4)	(3)	(4)	(5)
Acquisition integration and deal costs	(2)	(3)	(5)	(1)	(3)
Non-GAAP operating expenses	<u>\$ 1,193</u>	<u>\$ 1,230</u>	<u>\$ 1,233</u>	<u>\$ 1,258</u>	<u>\$ 1,281</u>

FOOTNOTE:

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

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

IN MILLIONS, EXCEPT PERCENTAGES

Semiconductor Systems Non-GAAP Operating Income

	Q4F23	Q1F24	Q2F24	Q3F24	Q4F24
GAAP reported operating income	\$ 1,741	\$ 1,744	\$ 1,701	\$ 1,712	\$ 1,824
Certain items associated with acquisitions ¹	10	10	10	10	10
Non-GAAP operating income	<u>\$ 1,751</u>	<u>\$ 1,754</u>	<u>\$ 1,711</u>	<u>\$ 1,722</u>	<u>\$ 1,834</u>
Non-GAAP operating margin	35.9%	35.7%	34.9%	35.0%	35.4%

AGS Non-GAAP Operating Income

GAAP reported operating income	\$ 401	\$ 417	\$ 436	\$ 467	\$ 492
Non-GAAP operating income	<u>\$ 401</u>	<u>\$ 417</u>	<u>\$ 436</u>	<u>\$ 467</u>	<u>\$ 492</u>
Non-GAAP operating margin	27.3%	28.3%	28.5%	29.6%	30.0%

Display Non-GAAP Operating Income

GAAP reported operating income	\$ 63	\$ 25	\$ 5	\$ 16	\$ 5
Non-GAAP operating income	<u>\$ 63</u>	<u>\$ 25</u>	<u>\$ 5</u>	<u>\$ 16</u>	<u>\$ 5</u>
Non-GAAP operating margin	21.1%	10.2%	2.8%	6.4%	2.4%

FOOTNOTE:

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 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 QUARTERLY RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	Q4F23	Q1F24	Q2F24	Q3F24	Q4F24
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 1,555	\$ 2,325	\$ 1,392	\$ 2,385	\$ 2,575
Capital expenditures	(309)	(229)	(257)	(297)	(407)
Non-GAAP free cash flow	<u>\$ 1,246</u>	<u>\$ 2,096</u>	<u>\$ 1,135</u>	<u>\$ 2,088</u>	<u>\$ 2,168</u>

FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES

Non-GAAP Gross Profit

	FY2023	FY2024
GAAP reported gross profit	\$ 12,384	\$ 12,897
Certain items associated with acquisitions ¹	29	26
Impairment of long-lived assets	-	3
Non-GAAP gross profit	<u>\$ 12,413</u>	<u>\$ 12,926</u>
Non-GAAP gross margin	46.8%	47.6%

Non-GAAP Operating Income

GAAP reported operating income	\$ 7,654	\$ 7,867
Certain items associated with acquisitions ¹	43	42
Acquisition integration and deal costs	22	12
Impairment of long-lived assets	-	3
Non-GAAP operating income	<u>\$ 7,719</u>	<u>\$ 7,924</u>
Non-GAAP operating margin	29.1%	29.2%

Non-GAAP Net Income

GAAP reported net income	\$ 6,856	\$ 7,177
Certain items associated with acquisitions ¹	43	42
Acquisition integration and deal costs	22	12
Impairment of long-lived assets	-	3
Realized loss (gain), dividends and impairment on strategic investments, net	107	11
Unrealized loss (gain) on strategic investments, net	(134)	(31)
Earn-out	(15)	-
Income tax effects related to intra-entity intangible asset transfers	(40)	24
Resolution of prior years' income tax filings and other tax items	(31)	(25)
Income tax effect of non-GAAP adjustments ²	(6)	(3)
Non-GAAP net income	<u>\$ 6,802</u>	<u>\$ 7,210</u>

Non-GAAP Earnings Per Diluted Share

GAAP reported earnings per diluted share	\$ 8.11	\$ 8.61
Certain items associated with acquisitions	0.05	0.05
Acquisition integration and deal costs	0.02	0.01
Realized loss (gain), dividends and impairments on strategic investments, net	0.13	0.01
Unrealized loss (gain) on strategic investments, net	(0.16)	(0.03)
Earn-out	(0.01)	-
Income tax effects related to intra-entity intangible asset transfers	(0.05)	0.03
Resolution of prior years' income tax filings and other tax items	(0.04)	(0.03)
Non-GAAP earnings per diluted share	<u>\$ 8.05</u>	<u>\$ 8.65</u>
Weighted average number of diluted shares	845	834

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS

	FY2023	FY2024
GAAP reported Operating Expenses	\$ 4,730	\$ 5,030
Certain items associated with acquisitions ¹	(14)	(16)
Acquisition integration and deal costs	<u>(22)</u>	<u>(12)</u>
Non-GAAP operating expenses	<u>\$ 4,694</u>	<u>\$ 5,002</u>

FOOTNOTE:

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

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

Semiconductor Systems Non-GAAP Operating Income

	FY2023	FY2024
GAAP reported operating income	\$ 6,879	\$ 6,981
Certain items associated with acquisitions ¹	39	40
Non-GAAP adjusted operating income	<u>\$ 6,918</u>	<u>\$ 7,021</u>
Non-GAAP adjusted operating margin	35.1%	35.3%

AGS Non-GAAP Operating Income

GAAP reported operating income	\$ 1,529	\$ 1,812
Non-GAAP adjusted operating income	<u>\$ 1,529</u>	<u>\$ 1,812</u>
Non-GAAP adjusted operating margin	26.7%	29.1%

Display Non-GAAP Operating Income

GAAP reported operating income	\$ 114	\$ 51
Non-GAAP adjusted operating income	<u>\$ 114</u>	<u>\$ 51</u>
Non-GAAP adjusted operating margin	13.1%	5.8%

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 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 FULL YEAR RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	FY2015	FY2016	FY2017	FY2018	FY2019
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 1,163	\$ 2,566	\$ 3,789	\$ 3,787	\$ 3,247
Capital expenditures	(215)	(253)	(345)	(622)	(441)
Non-GAAP free cash flow	<u>\$ 948</u>	<u>\$ 2,313</u>	<u>\$ 3,444</u>	<u>\$ 3,165</u>	<u>\$ 2,806</u>

IN MILLIONS	FY2020	FY2021	FY2022	FY2023	FY2024
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 3,804	\$ 5,442	\$ 5,399	\$ 8,700	\$ 8,677
Capital expenditures	(422)	(668)	(787)	(1,106)	(1,190)
Non-GAAP free cash flow	<u>\$ 3,382</u>	<u>\$ 4,774</u>	<u>\$ 4,612</u>	<u>\$ 7,594</u>	<u>\$ 7,487</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 first quarter of fiscal 2025 excludes known charges related to completed acquisitions of approximately \$10 million, or \$0.01 per share and includes a net income tax benefit related to intra-entity intangible asset transfers of approximately \$72 million, or \$0.09 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.



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