



Q2 Fiscal 2025 Earnings

Quarter Ended December 31, 2024 • Reported January 30, 2025

Forward Looking Statements

Statements in this letter other than historical facts, such as statements pertaining to: (i) future industry demand for semiconductors and WFE; (ii) our market position for the future and future growth in demand for our products; (iii) our forecast of financial measures for the following quarter and 2025; (iv) our future revenues by customer segment; (v) our long-term financial targets and underlying assumptions; (vi) our future investment plan on R&D, technology, manufacturing capacity and infrastructure; and (vii) future shareholder returns, are forward-looking statements and subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on current information and expectations and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: our vulnerability to a weakening in the condition of the financial markets and the global economy; risks related to our international operations; evolving Bureau of Industry and Security of the U.S. Department of Commerce rules and regulations and their impact on our ability to sell products to and provide services to certain customers in China; costly intellectual property disputes that could result in our inability to sell or use the challenged technology; risks related to the legal, regulatory and tax environments in which we conduct our business; increasing attention to ESG matters and the resulting costs, risks and impact on our business; unexpected delays, difficulties and expenses in executing against our environmental, climate, diversity and inclusion or other ESG target, goals and commitments; our ability to attract, retain and motivate key personnel; our vulnerability to disruptions and delays at our third party service providers; cybersecurity threats, cyber incidents affecting our and our business partners' systems and networks; our inability to access critical information in a timely manner due to system failures; risks related to acquisitions, integrations, strategic alliances or collaborative arrangements, climate change, earthquake, flood or other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism and the adverse impact on our business operations; the wars between Israel and Hamas and Russia and Ukraine, and the significant military activity in that region; lack of insurance for losses and interruptions caused by terrorists and acts of war, and our self-insurance of certain risks including earthquake risk; risks related to fluctuations in foreign currency exchange rates; risks related to fluctuations in interest rates and the market values of our portfolio investments; risks related to tax and regulatory compliance audits; any change in taxation rules or practices and our effective tax rate; compliance costs with federal securities laws, rules, regulations, NASDAQ requirements, and evolving accounting standards and practices; ongoing changes in the technology industry, and the semiconductor industry in particular, including future growth rates, pricing trends in end-markets, or changes in customer capital spending patterns; our vulnerability to a highly concentrated customer base; the cyclicity of the industries in which we operate; our ability to timely develop new technologies and products that successfully address changes in the industry; risks related to artificial intelligence; our ability to maintain our technology advantage and protect proprietary rights; our ability to compete in the industry; availability and cost of the materials and parts used in the production of our products; our ability to operate our business in accordance with our business plan; risks related to our debt and leveraged capital structure; we may not be able to declare cash dividends at all or in any particular amount; liability to our customers under indemnification provisions if our products fail to operate properly or contain defects or our customers are sued by third parties due to our products; our government funding for R&D is subject to audit, and potential termination or penalties; we may incur significant restructuring charges or other asset impairment charges or inventory write offs; risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government; and risks related to the Court of Chancery of the State of Delaware being the sole and exclusive forum for certain actions and proceedings. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this press release, please refer to KLA's Annual Report on Form 10-K for the year ended June 30, 2024, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA assumes no obligation to, and does not currently intend to, update these forward-looking statements.

Calendar 2024 – A Record Year In Review

12%

Revenue Growth
Revenue \$10.85B

61.4%

Gross Profit Margin*
Gross Profit \$6.7B*

40.6%

Operating Profit Margin*
Operating Profit \$4.4B*



(Top) The 39xx Series “GEN 5” has played a critical role in defect discovery for advanced devices and in the transition to EUV lithography.

6%

FCF Growth*
FCF \$3.4B

34%

Net Income Margin*
EPS \$27.37***

\$2.9B

Capital Returns
Dividends + Buybacks

Strong Relative Performance Demonstrating Market Leadership

* Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP . Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. ** Diluted net income per share is computed independently for each of the quarters presented based on the weighted-average fully diluted shares outstanding for each quarter. Therefore, the sum of quarterly diluted net income per share information may not equal annual (or other multiple-quarter calculations of) diluted net income per share.

KLA's 2025 Priorities



The KLA Operating Model



Consistent Strategy and Execution

- Application of common processes and discipline
- Cascades throughout the organization
- Strong focus on talent development



Management By Metrics

- Culture of performance and accountability
- Expectation of continuous improvement
- Superior margins driven by market leadership and differentiation



Financial Discipline and Rigor

- Exert efficiency and operating discipline in our investments
- Strong track record of high returns
- Focused on enhancing shareholder value

Focused on driving sustainable profitability and growth

December Quarter 2024 Income Statement Highlights

\$3.1B

Revenue

61.7%

Gross Margin*

42.3%

Operating Margin*

\$1.1B

Net Income*

\$8.20

Non-GAAP Diluted EPS

\$6.16



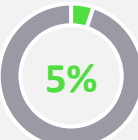
GAAP Diluted EPS

(Right) The KLA 295x Series or “GEN4” is the industry-standard for inline monitoring. It pairs sensitivity with optical wafer defect inspection speed, enabling Discovery at the Speed of Light – the combination of fast defect discovery and full characterization of defect issues at the optimal cost of ownership.

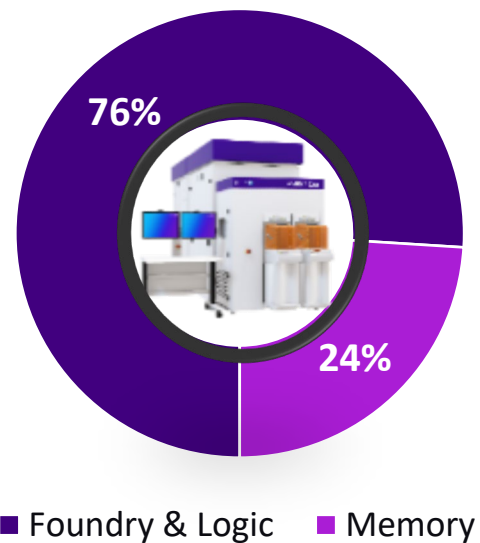


*Non-GAAP metric – please refer to the appendix for reconciliation to GAAP

Breakdown of Revenue by Reportable Segments and End Markets

	Revenue Q2-FY25	Y/Y Growth	Q/Q Growth	Quarterly Revenue %	Revenue CY24	CY24 Growth
Semiconductor Process Control (Systems + Services)	\$2,755	+26%	+7%	 90%	\$9,735	+13%
Specialty Semiconductor Process (Systems + Services)	\$160	+7%	+25%	 5%	\$541	+1%
PCB and Component Inspection (Systems + Services)	\$161	+13%	+17%	 5%	\$572	+6%
Total:	\$3,077 ¹	+24%	+8%		\$10,847 ¹	12%

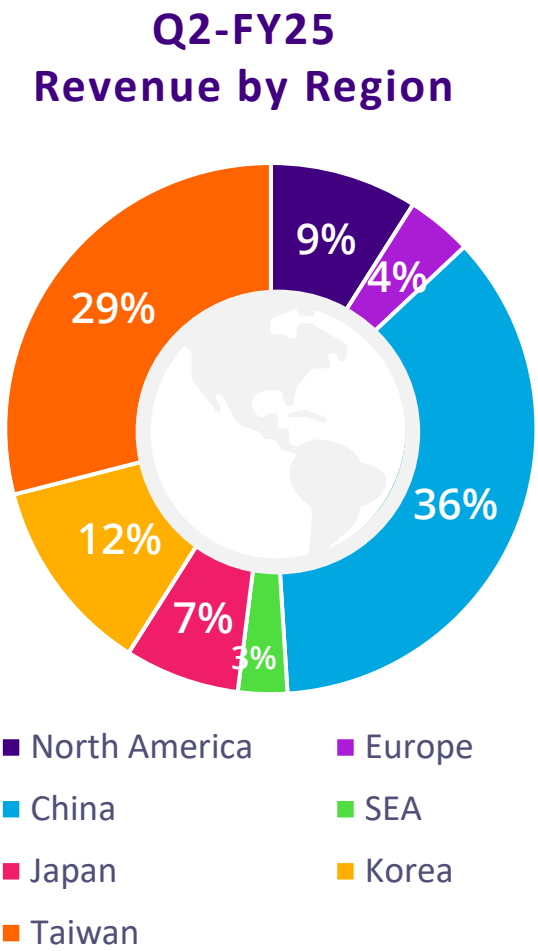
Q2-FY25:
Semi Process Control
End Market
System Revenue²



¹ Amounts may not sum due to rounding and the effects of FX and corporate allocations are not allocated to segments
² Represents approximate Semi Process Control system-only sales to Foundry/Logic customers or Memory customers

Breakdown of Revenue by Major Product and Regions

	Revenue Q2-FY25	Y/Y Growth	Q/Q Growth	Quarterly Revenue %	Revenue CY24	CY24 Growth
Wafer Inspection	\$1,563	+34%	+14%	51%	\$5,088	+22%
Patterning	\$531	+23%	-8%	17%	\$2,189	+1%
Specialty Semi Process	\$143	+5%	+27%	5%	\$478	-1%
PCB and Comp. Inspection	\$93	+21%	+28%	3%	\$309	+9%
Services	\$667	+18%	+4%	22%	\$2,516	+15%
Other ¹	\$80	-28%	+20%	2%	\$267	-32%
Total:	\$3,077	+24%	+8%		\$10,847	+12%



¹ Included in the Semiconductor Process Control Segment

Strong Investment Grade Balance Sheet

Balance Sheet Summary¹ (\$M)

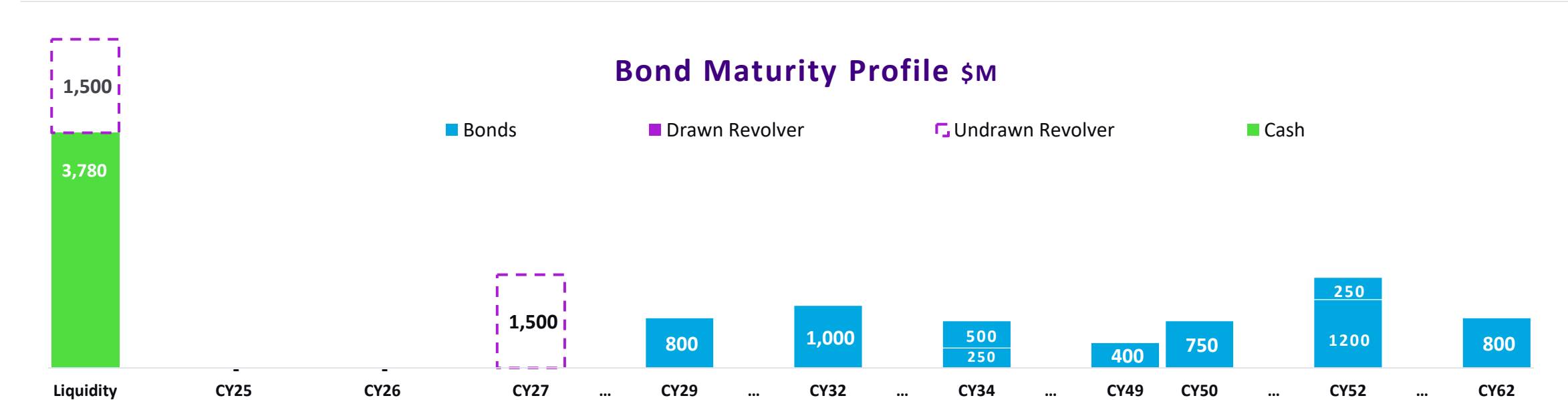
Total Cash ²	\$ 3,780
Working Capital	\$ 5,634
Total Assets	\$ 15,002
Debt ³	\$ 5,882
Total Shareholders' Equity	\$ 3,585

Bond Maturity Profile

Bonds Outstanding	\$5.95B
Weighted Average Interest Rate	4.67%
Weighted Average Maturity	19.6 years

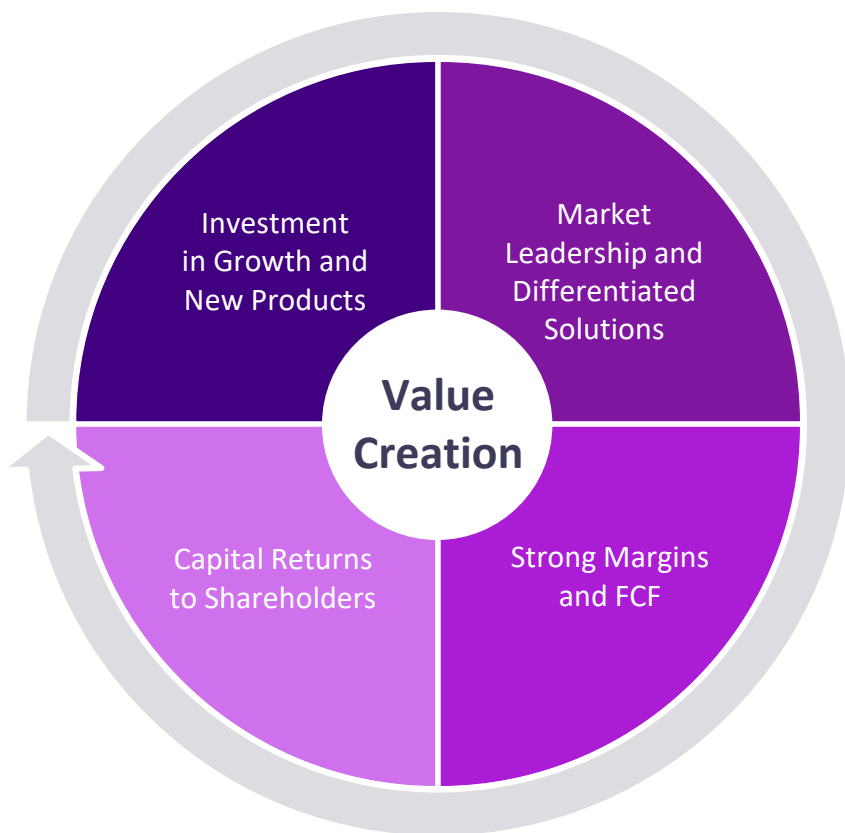
Investment Grade Credit Ratings

Moody's	A2
S&P	A-
Fitch	A

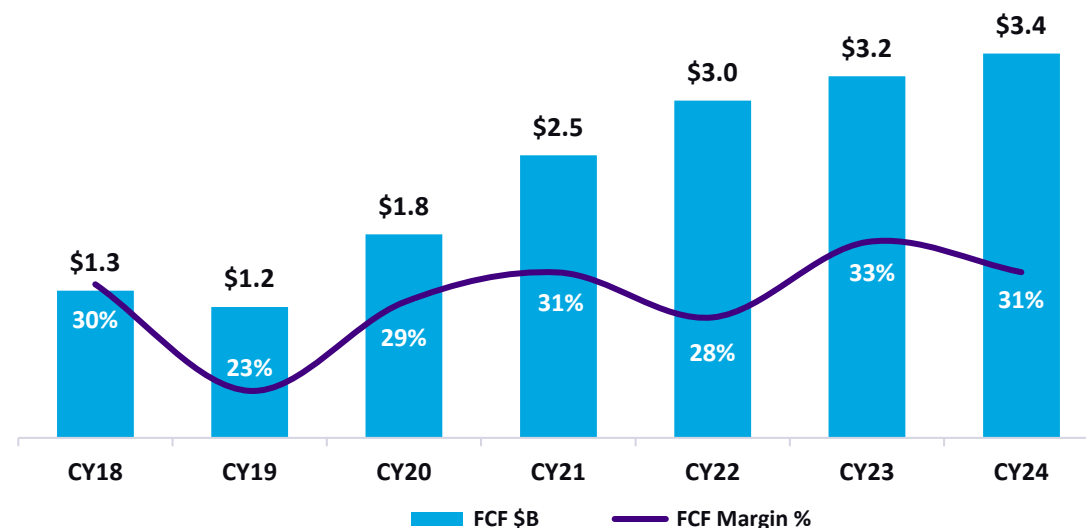


¹ As of 12/31/24; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities; ³ \$68M in un-amortized debt issuance discounts and costs

FCF Generation Fuels Consistent Capital Return to Shareholders



Free Cash Flow¹ and FCF Margin²



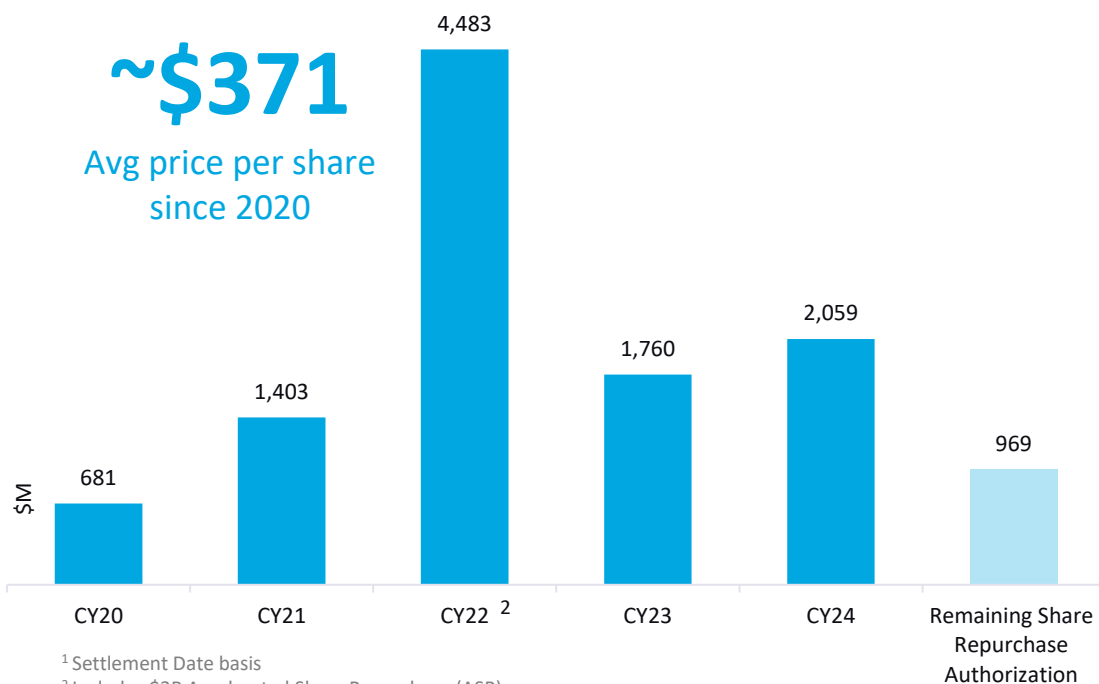
¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures

² FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

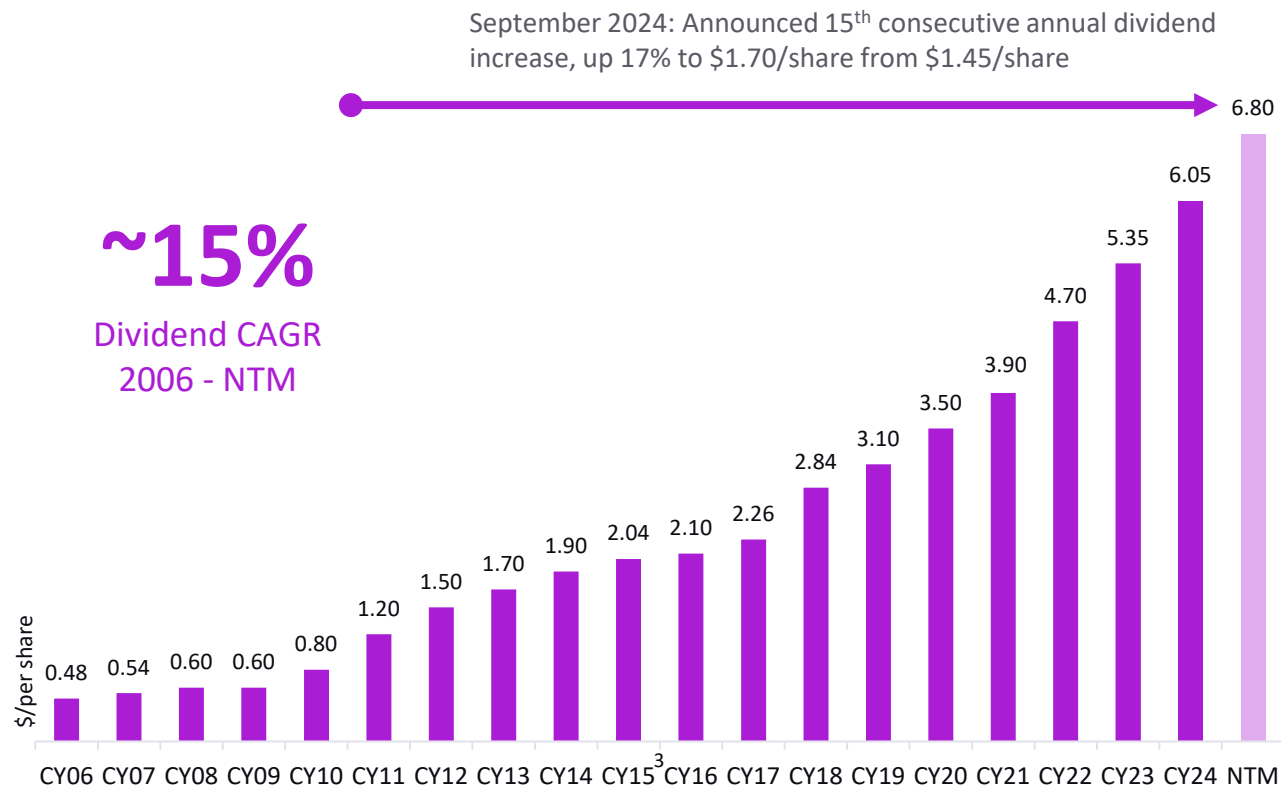
Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases - Last 5 Years¹



Track Record of Dividend Increases



Free Cash Flow and Capital Return Highlights

\$757M

December Quarter
Free Cash Flow*

25%

December Quarter
FCF Margin*

69%

December Quarter
FCF Conversion*



(Above) Surfscan® SP7XP is an advanced wafer defect inspection system developed to discover the smallest defects and imperfections on bare wafers and blanket films used in semiconductor manufacturing. It helps semiconductor substrate, equipment, materials, and chip manufacturers achieve strict quality standards for producing the most advanced chips.

\$650M

December Quarter
Share Buyback

\$2.06B

CY24 Share Buyback

\$227M

December Quarter
Dividends Paid

\$820M

CY24 Dividends Paid

* Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. FCF Margin = FCF/Revenue. FCF Conversion = FCF / Non-GAAP Net Income. Non-GAAP metric
Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Guidance for Q3 FY2025 – March 2025 Quarter

March 2025 Quarter Guidance

Revenue	\$3.0B +/- \$150M	Macro Assumptions Semi PC Revenue By End Market <ul style="list-style-type: none">Foundry/Logic: ~73%Memory: ~27% → DRAM ~75% NAND ~25% Model Assumptions <ul style="list-style-type: none">Non-GAAP Operating Expenses*: ~\$585MOther Income & Expense (OIE)*, Net: ~\$36MEffective Tax Rate: ~13.5%Diluted Share Count: ~133.3M
Non-GAAP Gross Margin*	62% +/- 1%	
GAAP Diluted EPS	\$7.77 +/- \$0.60	
Non-GAAP Diluted EPS*	\$8.05 +/- \$0.60	

* Non-GAAP metric – Refer to Appendix for Reconciliation to GAAP

Strong, resilient and delivering shareholder value

Appendix

Reconciliation of Financial Results

Reconciliation of Non-GAAP Financial Measures

<i>(In millions, except EPS \$ and percentages)</i>	For the three months ended Dec. 31, 2024	For the twelve months ended Dec. 31, 2024
GAAP net income	\$ 824.5	\$ 3,208.4
<u>Adjustments to reconcile GAAP net income to non-GAAP net income*</u>		
Acquisition-related charges	a 58.7	232.7
Restructuring, severance and other charges	b 2.1	24.8
Impairment of goodwill and purchased intangible assets	c 239.1	309.6
Income tax effect of non-GAAP adjustments	d (23.2)	(85.8)
Discrete tax items	e (2.8)	4.9
Non-GAAP net income	\$ 1,098.4	\$ 3,694.5
GAAP net income margin		29.6%
Non-GAAP net income margin		34.1%
GAAP diluted EPS	\$ 6.16	\$ 23.77
Non-GAAP diluted EPS	\$ 8.20	\$ 27.37
Shares used in diluted shares calculation	133.9	135.0
GAAP income tax expense	\$ 148.0	
<u>Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*</u>		
Income tax effect of non-GAAP adjustments	d 23.2	
Discrete tax items	e 2.8	
Non-GAAP income tax expense	\$ 174.0	
GAAP income before income taxes	\$ 972.5	
<u>Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*</u>		
Acquisition-related charges	a 58.7	
Restructuring, severance and other charges	b 2.1	
Impairment of goodwill and purchased intangible assets	c 239.1	
Non-GAAP income before income taxes	\$ 1,272.4	
GAAP income tax rate	15.2%	
Non-GAAP income tax rate	13.7%	
GAAP Other expense (income), net	\$ 30.5	
Non-GAAP Other expense (income), net	\$ 30.5	

Amounts may not sum due to rounding

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP"), because the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The expense associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter and the twelve months ended December 31, 2024 was \$3.3 million and \$42.0 million, respectively. The gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter and the twelve months ended December 31, 2024 was \$3.5 million and \$41.8 million, respectively.

<i>(Dollars in millions)</i>	For the three months ended Dec. 31, 2024	For the twelve months ended Dec. 31, 2024
GAAP gross profit	\$ 1,855.4	\$ 6,473.6
<u>Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*</u>		
Acquisition-related charges	a 43.3	178.2
Restructuring, severance and other charges	b 0.4	4.4
Non-GAAP gross profit	\$ 1,899.2	\$ 6,656.2
GAAP gross margin	60.3%	59.7%
<u>Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*</u>		
Acquisition-related charges	a 1.4%	1.6%
Non-GAAP gross margin	61.7%	61.4%
GAAP research and development ("R&D") expenses	\$ 346.2	
<u>Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*</u>		
Acquisition-related charges	a (3.0)	
Restructuring, severance and other charges	b (1.2)	
Non-GAAP R&D expenses	\$ 342.0	
GAAP selling, general and administrative ("SG&A") expenses (1)	\$ 267.1	
<u>Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*</u>		
Acquisition-related charges	a (12.3)	
Restructuring, severance and other charges	b (0.5)	
Non-GAAP SG&A expenses (1)	\$ 254.2	
GAAP operating expense (1)	\$ 852.3	
<u>Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*</u>		
Acquisition-related charges	a (15.3)	
Restructuring, severance and other charges	b (1.7)	
Impairment of goodwill and purchased intangible assets	c (239.1)	
Non-GAAP operating expense (1)	\$ 596.2	
GAAP operating income (1)	\$ 1,003.1	\$ 3,836.7
<u>Adjustments to reconcile GAAP operating income to non-GAAP operating income*</u>		
Acquisition-related charges	a 58.7	232.7
Restructuring, severance and other charges	b 2.1	24.8
Impairment of goodwill and purchased intangible assets	c 239.1	309.6
Non-GAAP operating income (1)	\$ 1,302.9	\$ 4,403.7
GAAP operating margin	32.6%	35.4%
Non-GAAP operating margin	42.3%	40.6%

* Refer to "Reconciliation of Non-GAAP Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information for each reconciling item.

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures								
(Dollars in millions)	For the three months ended	For the twelve months ended						
	Dec. 31, 2024	Dec. 31, 2024	Dec. 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	\$ 849.5	\$ 3,647.3	\$ 3,476.0	\$ 3,337.9	\$ 2,786.4	\$ 1,968.1	\$ 1,373.0	\$ 1,389.7
Less Capital expenditures	(92.3)	(285.3)	(308.4)	(351.5)	(250.4)	(200.3)	(149.2)	(86.5)
Free cash flow	\$ 757.2	\$ 3,362.1	\$ 3,167.5	\$ 2,986.5	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2
Free cash flow	\$ 757.2	\$ 3,362.1	\$ 3,167.5	\$ 2,986.5	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2
Revenue	\$ 3,076.9	\$ 10,847.0	\$ 9,671.4	\$ 10,483.7	\$ 8,165.7	\$ 6,073.0	\$ 5,278.6	\$ 4,304.5
Free cash flow margin	24.6%	31.0%	32.8%	28.5%	31.1%	29.1%	23.2%	30.3%
Free cash flow	\$ 757.2							
Non-GAAP net income	\$ 1,098.4							
Free cash flow conversion	68.9%							
Net cash provided by operating activities	\$ 849.5							
GAAP net income	\$ 824.5							
GAAP metric comparable to free cash flow conversion	103.0%							
	For the three months ended	For the twelve months ended						
	Dec. 31, 2024	Dec. 31, 2024						
Cash paid for dividends	\$ 226.8	\$ 819.5						
Cash paid for share repurchases	650.1	2,060.0						
Capital returns	\$ 876.9	\$ 2,879.6						

Amounts may not sum due to rounding

The Company presents free cash flow and certain related metrics as supplemental non-GAAP measures of its performance. Free cash flow is determined by adjusting GAAP net cash provided by operating activities for capital expenditures. Free cash flow conversion is defined as free cash flow divided by non-GAAP net income, and free cash flow margin is defined as free cash flow divided by revenue.

Reconciliation of Guidance

Q3 FY2025 Guidance Range:

<i>(Dollars in millions, except per share amounts)</i>		Low	High
GAAP diluted net income per share		\$ 7.17	\$ 8.37
Acquisition-related charges	a	0.40	0.40
Restructuring, severance and other charges	b	0.02	0.02
Income tax effect of non-GAAP adjustments	d	(0.14)	(0.14)
Non-GAAP diluted net income per share		\$ 7.45	\$ 8.65
Shares used in diluted shares calculation		133.3	133.3
GAAP gross margin		59.6%	61.6%
Acquisition-related charges	a	1.4%	1.4%
Non-GAAP gross margin		61.0%	63.0%
GAAP operating expenses		\$ 592	\$ 604
Acquisition-related charges	a	(11)	(11)
Restructuring, severance and other charges	b	(2)	(2)
Non-GAAP operating expenses		\$ 579	\$ 591

Note: The guidance as of January 30, 2025 represents our best estimate considering the information known as of the date of issuing the guidance. We undertake no responsibility to update the above in light of new information or future events. Refer to forward looking statements for important information. Also refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information about each reconciling item.

Reconciliation of Non-GAAP Financial Measures

Explanation of Non-GAAP Financial Measures:

To supplement our Condensed Consolidated Financial Statements presented in accordance with GAAP, we provide certain non-GAAP financial information, which is adjusted from results based on GAAP to exclude certain gains, costs and expenses, as well as other supplemental information. The non-GAAP and supplemental information is provided to enhance the user's overall understanding of our operating performance and our prospects in the future. Specifically, we believe that the non-GAAP information, including non-GAAP net income, non-GAAP net income per diluted share, non-GAAP gross margin and free cash flow, provides useful measures to both management and investors regarding financial and business trends relating to our financial performance by excluding certain costs and expenses that we believe are not indicative of our core operating results to help investors compare our operating performances with our results in prior periods as well as with the performance of other companies. The non-GAAP information is among the budgeting and planning tools that management uses for future forecasting. However, because there are no standardized or generally accepted definitions for most non-GAAP financial metrics, definitions of non-GAAP financial metrics are inherently subject to significant discretion (for example, determining which costs and expenses to exclude when calculating such a metric). As a result, non-GAAP financial metrics may be defined very differently from company to company, or even from period to period within the same company, which can potentially limit the usefulness of such information to an investor. The presentation of non-GAAP and supplemental information is not meant to be considered in isolation or as a substitute for results prepared and presented in accordance with United States GAAP.

The following are descriptions of the adjustments made to reconcile GAAP net income to non-GAAP net income:

- a) Acquisition-related charges primarily include amortization of intangible assets and write-offs due to abandonment of in-process research and development projects. Although we exclude the effect of amortization of all acquired intangible assets from these non-GAAP financial measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase price accounting arising from acquisitions, and such amortization of intangible assets related to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Investors should note that the use of these intangible assets contributed to our revenues earned during the periods presented and are expected to contribute to our future period revenues as well.
- b) Restructuring, severance and other charges primarily include costs associated with employee severance and other exit costs.
- c) Impairment of goodwill and purchased intangible assets in the three and six months ended December 31, 2024 as well as the three and six months ended December 31, 2023 included non-cash expense recognized as a result of the company's testing for goodwill impairment and long-lived assets impairment. The impairment charge in fiscal 2024 resulted from the downward revision of financial outlook for our PCB and Display reporting units. The impairment charge in fiscal 2025 resulted from the continued deterioration of the long-term forecast for our PCB business. Management believes that it is appropriate to exclude these impairment charges as they are not indicative of ongoing operating results and therefore limit comparability. Management also believes excluding this item helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.
- d) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.
- e) Discrete tax items consist of certain income tax expenses/benefits that, by excluding, help investors compare our operating performance with our results in prior periods as well as with the performance of other companies.



Keep Looking Ahead