



# Q2 FY2024 Earnings Call

GAAP to non-GAAP Reconciliations

May 16, 2024



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

<i>(In millions, except percentages)</i>	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<b>Non-GAAP Gross Profit</b>				
GAAP reported gross profit	\$ 3,153	\$ 3,094	\$ 6,357	\$ 6,239
Certain items associated with acquisitions <sup>1</sup>	7	7	14	14
Non-GAAP gross profit	<u>\$ 3,160</u>	<u>\$ 3,101</u>	<u>\$ 6,371</u>	<u>\$ 6,253</u>
Non-GAAP gross margin	47.5 %	46.8 %	47.7 %	46.8 %
<b>Non-GAAP Operating Income</b>				
GAAP reported operating income	\$ 1,912	\$ 1,911	\$ 3,879	\$ 3,881
Certain items associated with acquisitions <sup>1</sup>	10	11	21	22
Acquisition integration and deal costs	5	8	8	14
Non-GAAP operating income	<u>\$ 1,927</u>	<u>\$ 1,930</u>	<u>\$ 3,908</u>	<u>\$ 3,917</u>
Non-GAAP operating margin	29.0 %	29.1 %	29.3 %	29.3 %
<b>Non-GAAP Net Income</b>				
GAAP reported net income	\$ 1,722	\$ 1,575	\$ 3,741	\$ 3,292
Certain items associated with acquisitions <sup>1</sup>	10	11	21	22
Acquisition integration and deal costs	5	8	8	14
Realized loss (gain), dividends and impairments on strategic investments, net	(3)	117	(4)	113
Unrealized loss (gain) on strategic investments, net	(20)	11	(300)	7
Income tax effect of share-based compensation <sup>2</sup>	11	3	(15)	(11)
Income tax effects related to intra-entity intangible asset transfers	18	(1)	40	16
Resolution of prior years' income tax filings and other tax items	—	(27)	33	(32)
Income tax effect of non-GAAP adjustments <sup>3</sup>	1	(5)	2	(5)
Non-GAAP net income	<u>\$ 1,744</u>	<u>\$ 1,692</u>	<u>\$ 3,526</u>	<u>\$ 3,416</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		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<i>(In millions, except per share amounts)</i>				
<b>Non-GAAP Earnings Per Diluted Share</b>				
GAAP reported earnings per diluted share	\$ 2.06	\$ 1.86	\$ 4.47	\$ 3.88
Certain items associated with acquisitions	0.01	0.01	0.02	0.03
Acquisition integration and deal costs	0.01	0.01	0.01	0.01
Realized loss (gain), dividends and impairments on strategic investments, net	—	0.14	—	0.13
Unrealized loss (gain) on strategic investments, net	(0.02)	0.01	(0.36)	0.01
Income tax effect of share-based compensation	0.01	—	(0.02)	(0.01)
Income tax effects related to intra-entity intangible asset transfers	0.02	—	0.05	0.02
Resolution of prior years' income tax filings and other tax items	—	(0.03)	0.04	(0.04)
Non-GAAP earnings per diluted share	\$ 2.09	\$ 2.00	\$ 4.21	\$ 4.03
Weighted average number of diluted shares	836	847	837	848

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

*(In millions, except percentages)*

	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<b><u>Semiconductor Systems Non-GAAP Operating Income</u></b>				
<b>GAAP reported operating income</b>	\$ 1,701	\$ 1,715	\$ 3,445	\$ 3,570
Certain items associated with acquisitions <sup>1</sup>	10	10	20	19
<b>Non-GAAP operating income</b>	<u>\$ 1,711</u>	<u>\$ 1,725</u>	<u>\$ 3,465</u>	<u>\$ 3,589</u>
<b>Non-GAAP operating margin</b>	34.9 %	34.7 %	35.3 %	35.4 %

*(In millions, except percentages)*

	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<b><u>Applied Global Services Non-GAAP Operating Income</u></b>				
<b>GAAP reported operating income</b>	\$ 436	\$ 384	\$ 853	\$ 729
Non-GAAP operating income	<u>\$ 436</u>	<u>\$ 384</u>	<u>\$ 853</u>	<u>\$ 729</u>
<b>Non-GAAP operating margin</b>	28.5 %	26.9 %	28.4 %	26.1 %

*(In millions, except percentages)*

	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<b><u>Display and Adjacent Markets Non-GAAP Operating Income</u></b>				
<b>GAAP reported operating income</b>	\$ 5	\$ 16	\$ 30	\$ 19
Non-GAAP operating income	<u>\$ 5</u>	<u>\$ 16</u>	<u>\$ 30</u>	<u>\$ 19</u>
<b>Non-GAAP operating margin</b>	2.8 %	9.5 %	7.1 %	5.7 %

<sup>1</sup> 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		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<b>GAAP reported operating expenses</b>	\$ 1,241	\$ 1,183	\$ 2,478	\$ 2,358
Certain items associated with acquisitions	(3)	(4)	(7)	(8)
Acquisition integration and deal costs	(5)	(8)	(8)	(14)
<b>Non-GAAP operating expenses</b>	\$ 1,233	\$ 1,171	\$ 2,463	\$ 2,336

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

<i>(In millions)</i>	Three Months Ended	
	April 28, 2024	April 30, 2023
<b>GAAP provision for income taxes (a)</b>	\$ 272	\$ 202
Income tax effect of share-based compensation	(11)	(3)
Income tax effect related to intra-entity intangible asset transfers	(18)	1
Resolution of prior years' income tax filings and other tax items	—	27
Income tax effect of non-GAAP adjustments	(1)	5
<b>Non-GAAP provision for income taxes (b)</b>	\$ 242	\$ 232

<i>(In millions, except percentages)</i>	Three Months Ended	
	April 28, 2024	April 30, 2023
<b>GAAP income (loss) before income taxes (c)</b>	\$ 1,994	\$ 1,777
Certain items associated with acquisitions	10	11
Acquisition integration and deal costs	5	8
Realized loss (gain), dividends and impairments on strategic investments, net	(3)	117
Unrealized loss (gain) on strategic investments, net	(20)	11
<b>Non-GAAP income before income taxes (d)</b>	\$ 1,986	\$ 1,924
<b>GAAP effective income tax rate (a/c)</b>	13.6 %	11.4 %
<b>Non-GAAP effective income tax rate (b/d)</b>	12.2 %	12.1 %

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

<i>(In millions)</i>	Three Months Ended				
	April 28, 2024	January 28, 2024	October 29, 2023	July 30, 2023	April 30, 2023
<b>Non-GAAP Free Cash Flow<sup>1</sup></b>					
Cash provided by operating activities	\$ 1,392	\$ 2,325	\$ 1,555	\$ 2,583	\$ 2,292
Capital expenditures	(257)	(229)	(309)	(255)	(255)
<b>Non-GAAP free cash flow</b>	<b>\$ 1,135</b>	<b>\$ 2,096</b>	<b>\$ 1,246</b>	<b>\$ 2,328</b>	<b>\$ 2,037</b>

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 RECONCILIATION OF GAAP TO NON-GAAP RESULTS**

<i>(In millions, except per share amounts)</i>	Twelve Months Ended	
	October 29, 2023	October 27, 2013
<b>Non-GAAP Earnings Per Diluted Share</b>		
GAAP reported earnings per diluted share	\$ 8.11	\$ 0.21
Certain items associated with acquisitions <sup>1</sup>	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 <sup>2</sup>	—	0.01
Restructuring charges and assets impairments <sup>3</sup>	—	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
<b>Free Cash Flow<sup>1</sup></b>		
Cash provided by operating activities	\$ 8,700	\$ 623
Capital expenditures	(1,106)	(197)
<b>Free Cash Flow</b>	\$ 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>				
<b>Non-GAAP operating income after tax</b>				
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	
<b>Invested Capital</b>				
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.**  
**RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK**

Non-GAAP outlook for the third 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 \$8 million, or \$0.01 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.