



Q2 FY2023 Earnings Call

GAAP to non-GAAP Reconciliations

May 18, 2023



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

<i>(In millions, except percentages)</i>	Three Months Ended		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Non-GAAP Adjusted Gross Profit				
Reported gross profit - GAAP basis	\$ 3,094	\$ 2,927	\$ 6,239	\$ 5,886
Certain items associated with acquisitions ¹	7	7	14	13
Non-GAAP adjusted gross profit	<u>\$ 3,101</u>	<u>\$ 2,934</u>	<u>\$ 6,253</u>	<u>\$ 5,899</u>
Non-GAAP adjusted gross margin	46.8 %	47.0 %	46.8 %	47.1 %
Non-GAAP Adjusted Operating Income				
Reported operating income - GAAP basis	\$ 1,911	\$ 1,894	\$ 3,881	\$ 3,870
Certain items associated with acquisitions ¹	11	10	22	19
Acquisition integration and deal costs	8	9	14	13
Severance and related charges ²	—	—	—	(4)
Non-GAAP adjusted operating income	<u>\$ 1,930</u>	<u>\$ 1,913</u>	<u>\$ 3,917</u>	<u>\$ 3,898</u>
Non-GAAP adjusted operating margin	29.1 %	30.6 %	29.3 %	31.1 %
Non-GAAP Adjusted Net Income				
Reported net income - GAAP basis	\$ 1,575	\$ 1,536	\$ 3,292	\$ 3,328
Certain items associated with acquisitions ¹	11	10	22	19
Acquisition integration and deal costs	8	12	14	16
Severance and related charges ²	—	—	—	(4)
Realized loss (gain) and impairment on strategic investments, net	117	(2)	113	—
Unrealized loss (gain) on strategic investments, net	11	(28)	7	(33)
Income tax effect of share-based compensation ³	3	14	(11)	(44)
Income tax effects related to intra-entity intangible asset transfers	(1)	81	16	99
Resolution of prior years' income tax filings and other tax items	(27)	7	(32)	(55)
Income tax effect of non-GAAP adjustments ⁴	(5)	6	(5)	6
Non-GAAP adjusted net income	<u>\$ 1,692</u>	<u>\$ 1,636</u>	<u>\$ 3,416</u>	<u>\$ 3,332</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		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<i>(In millions, except per share amounts)</i>				
Non-GAAP Adjusted Earnings Per Diluted Share				
Reported earnings per diluted share - GAAP basis	\$ 1.86	\$ 1.74	\$ 3.88	\$ 3.74
Certain items associated with acquisitions	0.01	0.01	0.03	0.02
Acquisition integration and deal costs	0.01	0.01	0.01	0.02
Realized loss (gain) and impairment on strategic investments, net	0.14	—	0.13	—
Unrealized loss (gain) on strategic investments, net	0.01	(0.03)	0.01	(0.04)
Income tax effect of share-based compensation	—	0.02	(0.01)	(0.05)
Income tax effects related to intra-entity intangible asset transfers	—	0.09	0.02	0.11
Resolution of prior years' income tax filings and other tax items	(0.03)	0.01	(0.04)	(0.06)
Non-GAAP adjusted earnings per diluted share	\$ 2.00	\$ 1.85	\$ 4.03	\$ 3.74
Weighted average number of diluted shares	847	883	848	890

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

(In millions, except percentages)

	Three Months Ended		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<u>Semiconductor Systems Non-GAAP Adjusted Operating Income</u>				
Reported operating income - GAAP basis	\$ 1,764	\$ 1,648	\$ 3,681	\$ 3,419
Certain items associated with acquisitions ¹	10	8	19	15
Non-GAAP adjusted operating income	<u>\$ 1,774</u>	<u>\$ 1,656</u>	<u>\$ 3,700</u>	<u>\$ 3,434</u>
Non-GAAP adjusted operating margin (% of net sales)	35.6 %	37.1 %	36.5 %	38.0 %

(In millions, except percentages)

	Three Months Ended		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<u>AGS Non-GAAP Adjusted Operating Income</u>				
Reported operating income - GAAP basis	\$ 414	\$ 422	\$ 797	\$ 825
Non-GAAP adjusted operating income	\$ 414	\$ 422	\$ 797	\$ 825
Non-GAAP adjusted operating margin (% of net sales)	<u>29.0 %</u>	<u>30.5 %</u>	<u>28.5 %</u>	<u>30.5 %</u>

(In millions, except percentages)

	Three Months Ended		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<u>Display and Adjacent Markets Non-GAAP Adjusted Operating Income</u>				
Reported operating income - GAAP basis	\$ 21	\$ 81	\$ 29	\$ 157
Certain items associated with acquisitions ¹	—	1	—	2
Non-GAAP adjusted operating income	<u>\$ 21</u>	<u>\$ 82</u>	<u>\$ 29</u>	<u>\$ 159</u>
Non-GAAP adjusted operating margin (% of net sales)	12.5 %	21.5 %	8.7 %	21.3 %

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		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating expenses (GAAP basis)	\$ 1,183	\$ 1,033	\$ 2,358	\$ 2,016
Certain items associated with acquisitions	(4)	(3)	(8)	(6)
Acquisition integration and deal costs	(8)	(9)	(14)	(13)
Severance and related charges	—	—	—	4
Non-GAAP adjusted operating expenses	\$ 1,171	\$ 1,021	\$ 2,336	\$ 2,001

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

	Three Months Ended	
	April 30, 2023	May 1, 2022
<i>(In millions, except per share amounts)</i>		
Provision for income taxes (GAAP basis) (a)	\$ 202	\$ 328
Income tax effect of share-based compensation	(3)	(14)
Income tax effect related to intra-entity intangible asset transfers	1	(81)
Resolution of prior years' income tax filings and other tax items	27	(7)
Income tax effect of non-GAAP adjustments	5	(6)
Non-GAAP adjusted provision for income taxes (b)	<u>\$ 232</u>	<u>\$ 220</u>

	Three Months Ended	
	April 30, 2023	May 1, 2022
<i>(In millions, except percentages)</i>		
Income (loss) before income taxes (GAAP basis) (c)	\$ 1,777	\$ 1,864
Certain items associated with acquisitions	11	10
Acquisition integration and deal costs	8	12
Realized loss (gain) and impairment on strategic investments, net	117	(2)
Unrealized loss (gain) on strategic investments, net	11	(28)
Non-GAAP income before income taxes (d)	<u>\$ 1,924</u>	<u>\$ 1,856</u>
Effective income tax rate (GAAP basis) (a/c)	11.4 %	17.6 %
Non-GAAP adjusted effective income tax rate (b/d)	12.1 %	11.9 %

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

<i>(In millions)</i>	Three Months Ended				
	April 30, 2023	January 29, 2023	October 30, 2022	July 31, 2022	May 1, 2022
Free Cash Flow¹					
Cash provided by operating activities	\$ 2,292	\$ 2,270	\$ 857	\$ 1,469	\$ 415
Capital expenditures	(255)	(287)	(223)	(210)	(210)
Free Cash Flow	\$ 2,037	\$ 1,983	\$ 634	\$ 1,259	\$ 205

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 RETURNS TO STOCKHOLDERS

<i>(In millions)</i>	Three Months Ended				
	April 30, 2023	January 29, 2023	October 30, 2022	July 31, 2022	May 1, 2022
Returns to Stockholders					
Costs of stock repurchased	\$ 800	\$ 250	\$ 1,500	\$ 1,000	\$ 1,800
Payments of dividends to stockholders	219	220	223	225	211
Total returns to stockholders	\$ 1,019	\$ 470	\$ 1,723	\$ 1,225	\$ 2,011

APPLIED MATERIALS, INC.
RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the third 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 \$5 million, or \$0.01 and includes a net income tax benefit related to intra-entity intangible asset transfers of \$8 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.