Q4 FY2026 Earnings Call

GAAP to non-GAAP Reconciliations

November 12, 2026



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

(In millions, except percentages)	Three Months Ended		Twelve Months Ended	
	October 25, 2026	October 26, 2025	October 25, 2026	October 26, 2025
Non-GAAP Gross Profit				
GAAP reported gross profit	$ 5,251	$ 3,265	$ 17,219	$ 13,808
Certain items associated with acquisitions[1]	12	7	36	27
Non-GAAP gross profit	$ 5,263	$ 3,272	$ 17,255	$ 13,835
Non-GAAP gross margin	50.6 %	48.1 %	50.1 %	48.8 %
Non-GAAP Operating Income				
GAAP reported operating income	$ 3,658	$ 1,712	$ 11,087	$ 8,289
Certain items associated with acquisitions[1]	14	11	51	45
Acquisition integration and deal costs	8	2	16	6
Impairment of goodwill and other long-lived assets	—	41	—	41
Legal settlement[2]	—	—	253	—
Restructuring charges[3]	(4)	181	8	181
Non-GAAP operating income	$ 3,676	$ 1,947	$ 11,415	$ 8,562
Non-GAAP operating margin	35.3 %	28.6 %	33.1 %	30.2 %
Non-GAAP Net Income				
GAAP reported net income	$ 2,718	$ 1,897	$ 10,088	$ 6,998
Certain items associated with acquisitions[1]	14	11	51	45
Acquisition integration and deal costs	8	2	16	6
Impairment of goodwill and other long-lived assets	—	41	—	41
Legal settlement[2]	—	—	253	—
Restructuring charges[3]	(4)	181	8	181
Realized loss (gain), dividends and impairments on strategic investments, net	(18)	(55)	4	(66)
Unrealized loss (gain) on strategic investments, net	653	(467)	(296)	(755)
Foreign exchange loss (gain) related to purchase of strategic investment	—	—	—	23
Loss (gain) on asset sale	—	—	—	(44)
Income tax effect of share-based compensation[4]	4	(1)	—	—
Income tax effects related to intra-entity intangible asset transfers[5]	49	39	145	777
Resolution of prior years' income tax filings and other tax items[6]	(27)	(7)	(24)	313
Income tax effect of non-GAAP adjustments[7]	(76)	91	56	88
Non-GAAP net income	$ 3,321	$ 1,732	$ 10,301	$ 7,607

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

2 Charge of $253 million for settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.

3 The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.

4 GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.

5 Amount for the twelve months ended October 26, 2025, included changes to the income tax provision of $118 million from amortization of intangibles and a $659 million remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in the first quarter of fiscal 2025.

6 Amounts for the twelve months ended October 26, 2025 included the impact of the recognition of a $403 million valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.

7 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

(In millions, except per share amounts)	Three Months Ended		Twelve Months Ended	
	October 25, 2026	October 26, 2025	October 25, 2026	October 26, 2025
Non-GAAP Earnings Per Diluted Share				
GAAP reported earnings per diluted share	$ 3.40	$ 2.38	$ 12.62	$ 8.66
Certain items associated with acquisitions	0.02	0.01	0.06	0.05
Acquisition integration and deal costs	0.01	—	0.02	0.01
Impairment of goodwill and other long-lived assets	—	0.05	—	0.05
Legal settlement	—	—	0.32	—
Restructuring charges	—	0.19	0.01	0.19
Realized loss (gain), dividends and impairments on strategic investments, net	0.02	(0.07)	0.13	(0.08)
Unrealized loss (gain) on strategic investments, net	0.68	(0.43)	(0.42)	(0.80)
Foreign exchange loss (gain) related to purchase of strategic investment	—	—	—	0.03
Loss (gain) on asset sale	—	—	—	(0.04)
Income tax effects related to intra-entity intangible asset transfers[1]	0.06	0.05	0.18	0.96
Resolution of prior years' income tax filings and other tax items[2]	(0.03)	(0.01)	(0.03)	0.39
Non-GAAP earnings per diluted share	$ 4.16	$ 2.17	$ 12.89	$ 9.42
Weighted average number of diluted shares	798	798	799	808

1 Amount for the twelve months ended October 26, 2025, included changes to the income tax provision of $0.14 per diluted share from amortization of intangibles and $0.82 per diluted share from a remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in the first quarter of fiscal 2025.

2 Amounts for the twelve months ended October 26, 2025 included a $0.50 per diluted share impact of the recognition of a valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.

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

(In millions, except percentages)	Three Months Ended		Twelve Months Ended	
	October 25, 2026	October 26, 2025	October 25, 2026	October 26, 2025
Semiconductor Systems Non-GAAP Gross Profit				
GAAP reported gross profit	$ 4,400	$ 2,569	$ 14,350	$ 11,414
Certain items associated with acquisitions[1]	12	7	36	27
Non-GAAP gross profit	$ 4,412	$ 2,576	$ 14,386	$ 11,441
Non-GAAP gross margin	55.2 %	52.8 %	55.0 %	53.4 %
Applied Global Services Non-GAAP Gross Profit				
GAAP reported gross profit	$ 665	$ 514	$ 2,413	$ 1,921
Non-GAAP gross profit	$ 665	$ 514	$ 2,413	$ 1,921
Non-GAAP gross margin	35.1 %	34.1 %	35.0 %	33.5 %
Semiconductor Systems Non-GAAP Operating Income				
GAAP reported operating income	$ 3,101	$ 1,430	$ 9,277	$ 6,909
Certain items associated with acquisitions[1]	14	11	51	45
Acquisition integration costs	—	1	—	4
Legal settlement[2]	—	—	253	—
Non-GAAP operating income	$ 3,115	$ 1,442	$ 9,581	$ 6,958
Non-GAAP operating margin	39.0 %	29.6 %	36.6 %	32.5 %
Applied Global Services Non-GAAP Operating Income				
GAAP reported operating income	$ 578	$ 433	$ 2,039	$ 1,547
Acquisition integration and deal costs	—	1	—	2
Non-GAAP operating income	$ 578	$ 434	$ 2,039	$ 1,549
Non-GAAP operating margin	30.5 %	28.8 %	29.5 %	27.0 %

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

2 Charge of $253 million for settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.

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

(In millions)	Three Months Ended		Twelve Months Ended	
	October 25, 2026	October 26, 2025	October 25, 2026	October 26, 2025
GAAP reported operating expenses	$ 1,593	$ 1,553	$ 6,132	$ 5,519
Certain items associated with acquisitions[1]	(2)	(4)	(15)	(18)
Acquisition integration and deal costs	(8)	(2)	(16)	(6)
Impairment of goodwill and other long-lived assets	—	(41)	—	(41)
Legal settlement[2]	—	—	(253)	—
Restructuring charges[3]	4	(181)	(8)	(181)
Non-GAAP operating expenses	$ 1,587	$ 1,325	$ 5,840	$ 5,273

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

2 Charge of $253 million for settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.

3 The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.

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

(In millions)	Three Months Ended October 25, 2026	Three Months Ended October 26, 2025
GAAP provision for income taxes *(a)*	$ 359	$ 370
Income tax effect of share-based compensation	(4)	1
Income tax effect related to intra-entity intangible asset transfers	(49)	(39)
Resolution of prior years' income tax filings and other tax items	27	7
Income tax effect of non-GAAP adjustments	76	(91)
Non-GAAP provision for income taxes *(b)*	$ 409	$ 248

(In millions, except percentages)	Three Months Ended October 25, 2026	Three Months Ended October 26, 2025
GAAP income (loss) before income taxes *(c)*	$ 3,077	$ 2,267
Certain items associated with acquisitions	14	11
Acquisition integration and deal costs	8	2
Impairment of goodwill and other long-lived assets	—	41
Restructuring charges	(4)	181
Realized loss (gain), dividends and impairments on strategic investments, net	(18)	(55)
Unrealized loss (gain) on strategic investments, net	653	(467)
Non-GAAP income before income taxes *(d)*	$ 3,730	$ 1,980
GAAP effective income tax rate *(a/c)*	11.7 %	16.3 %
Non-GAAP effective income tax rate *(b/d)*	11.0 %	12.5 %

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

(In millions)	Three Months Ended				
	October 25, 2026	July 26, 2026	April 26, 2026	January 25, 2026	October 26, 2025
Non-GAAP Free Cash Flow[1]					
Cash provided by operating activities	$ 3,300	$ 3,037	$ 845	$ 1,686	$ 2,828
Capital expenditures	(684)	(707)	(635)	(646)	(785)
Non-GAAP free cash flow	$ 2,616	$ 2,330	$ 210	$ 1,040	$ 2,043

(In millions)	Twelve Months Ended				
	October 26, 2025	October 26, 2025	October 27, 2024	October 29, 2023	October 30, 2022
Non-GAAP Free Cash Flow[1]					
Cash provided by operating activities	$ 8,868	$ 7,958	$ 8,677	$ 8,700	$ 5,399
Capital expenditures	(2,672)	(2,260)	(1,190)	(1,106)	(787)
Non-GAAP free cash flow	$ 6,196	$ 5,698	$ 7,487	$ 7,594	$ 4,612

(In millions)	Twelve Months Ended				
	October 31, 2021	October 25, 2020	October 27, 2019	October 28, 2018	October 29, 2017
Non-GAAP Free Cash Flow[1]					
Cash provided by operating activities	$ 5,442	$ 3,804	$ 3,247	$ 3,787	$ 3,789
Capital expenditures	(668)	(422)	(441)	(622)	(345)
Non-GAAP free cash flow	$ 4,774	$ 3,382	$ 2,806	$ 3,165	$ 3,444

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.
RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the first quarter of fiscal 2027 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately $11 million and includes a net income tax benefit related to intra-entity intangible asset transfers of approximately $28 million, 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.