



Third Quarter Fiscal 2023 Earnings Presentation

August 17, 2023

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 **fourth** quarter of fiscal 2023 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, our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; global economic, political and industry conditions, including rising inflation and interest rates; the implementation and interpretation of new export regulations and license requirements, 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; our ability to obtain licenses or authorizations on a timely basis, if at all; consumer demand for electronic products; the demand for semiconductors; 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; 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; failure to complete our major infrastructure projects on schedule and on budget or failure to realize the anticipated benefits of those projects; 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, including COVID-19; 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



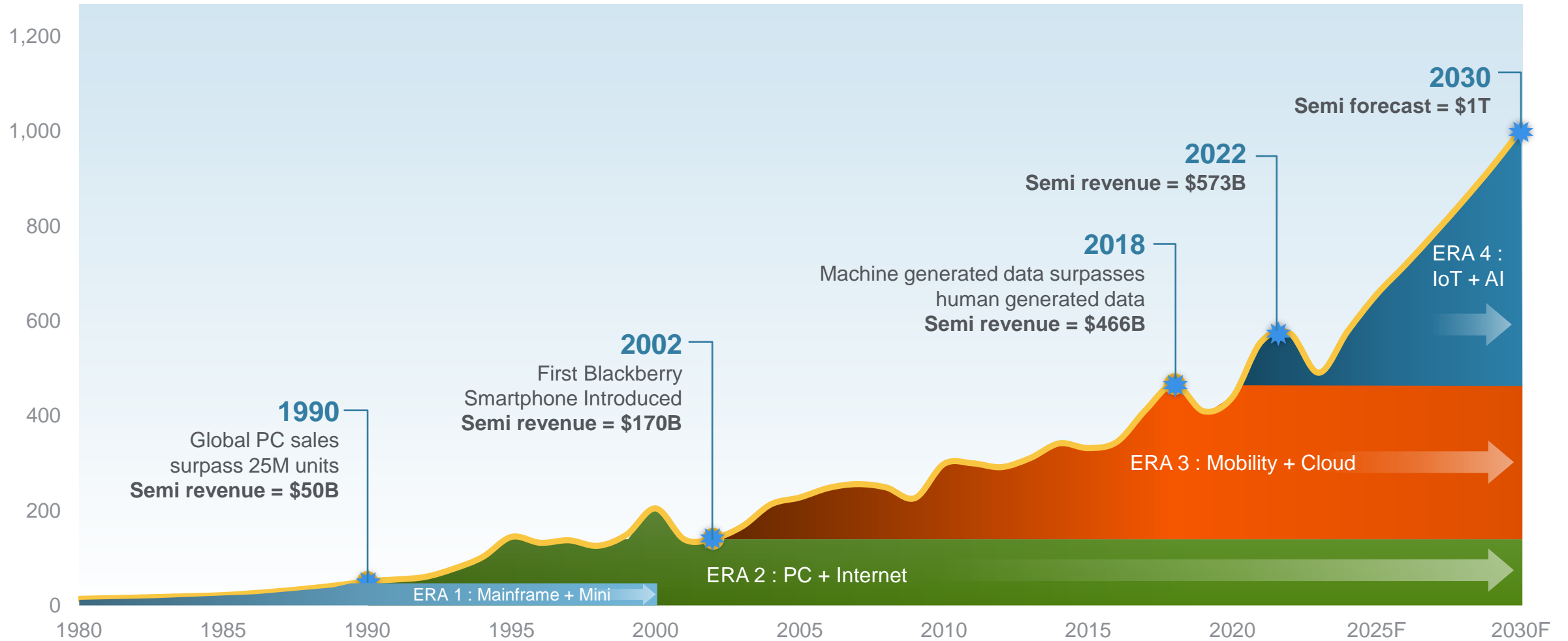
AGENDA

IoT + AI era driving growth and innovation

Applied's strategy for sustained outperformance

Near-term performance and outlook

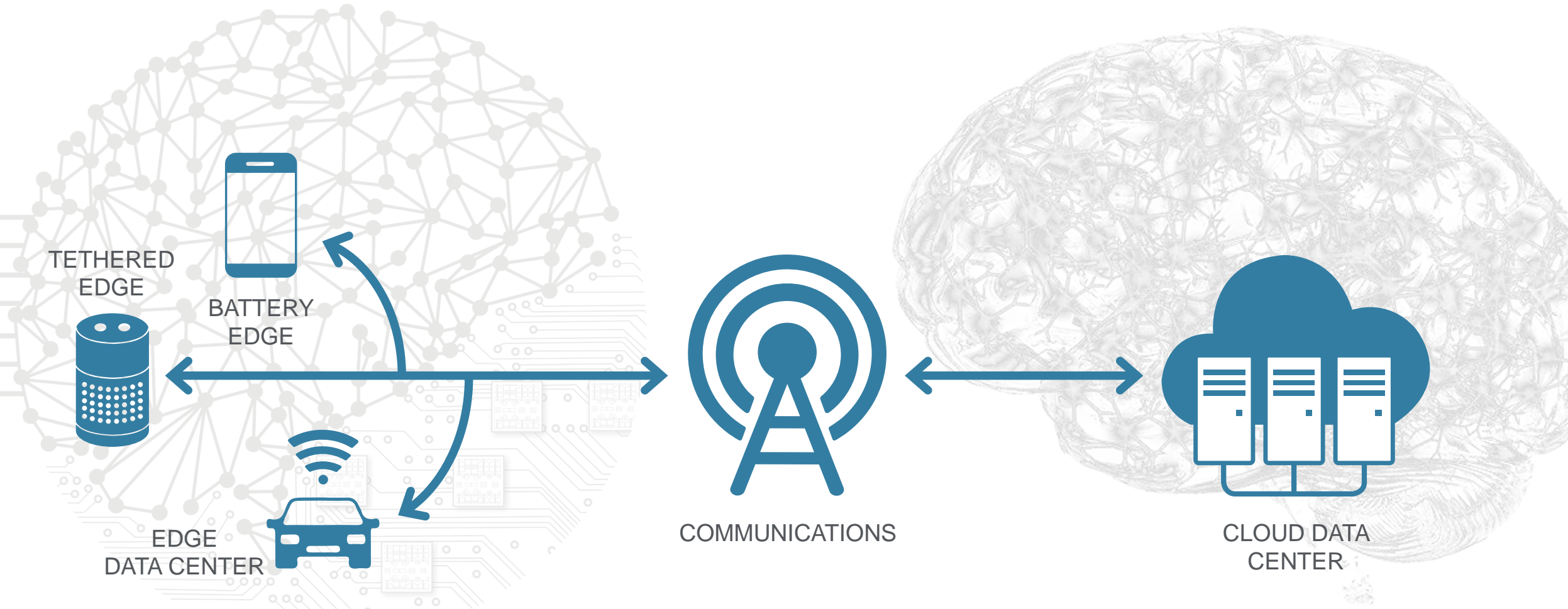
Semiconductor Industry Growing to \$1 Trillion by 2030



IoT + AI Era is the 4th and Biggest Age of Computing

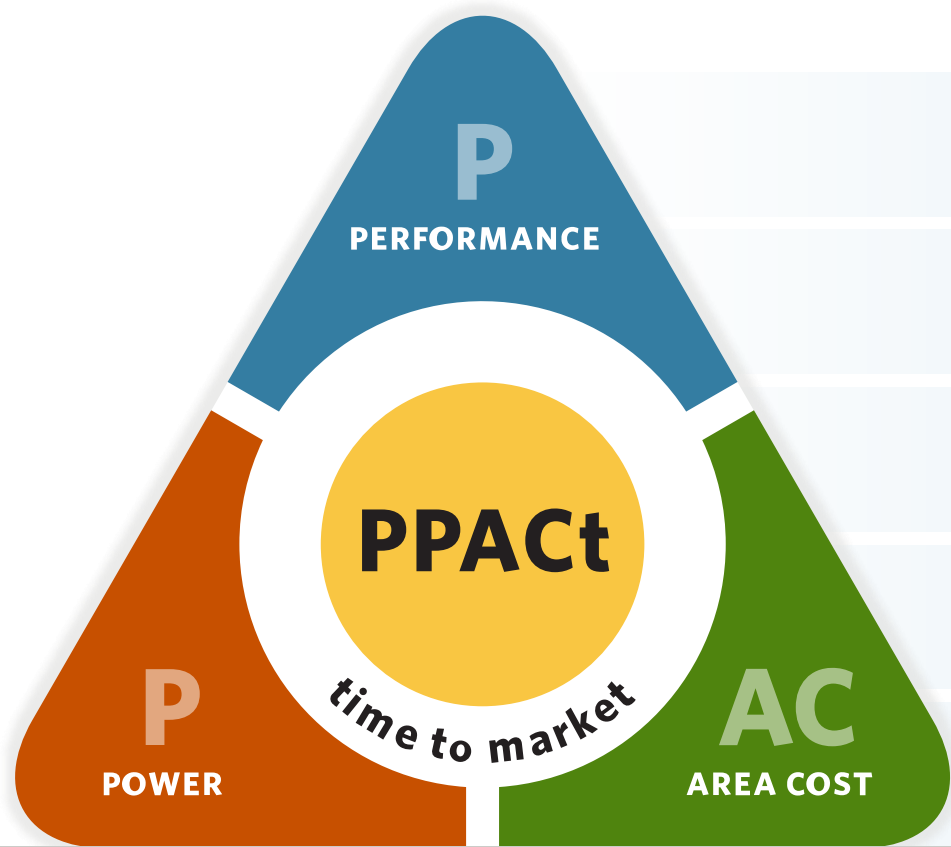
Source: SIA, Applied Materials - SMI; 2030 Forecasts: TechInsights: \$1.0T; McKinsey & Company: \$1.1T; SEMI: \$1.3T

IoT + AI: Two Sides of the Same Coin



Internet of Things

Artificial Intelligence



ENABLED BY

KEY INFLECTIONS

New architectures

- New ASICs and accelerators
- New memory / in-memory compute
- Specialty, CIS, power

New structures / 3D

- GAA transistors
- Backside power delivery
- 3D NAND, 3D DRAM

New materials

- Transistor Gate
- Transistor Contact
- Interconnect Wiring

New ways to shrink

- EUV enablement
- Materials-enabled patterning
- 3D patterning control

Heterogeneous Integration

- High-bandwidth memory
- Silicon interposer
- TSV, hybrid bonding

Applied has broadest portfolio of products and technologies to accelerate new PPACt playbook

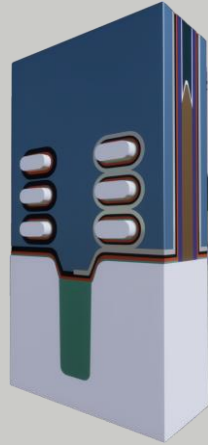
(PPACt = Power, Performance, Area-Cost and time-to-market)

Executing Our Strategy



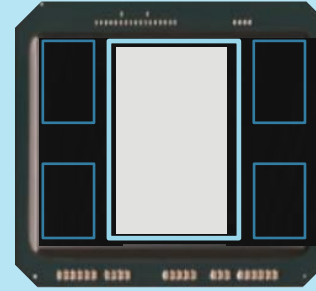
ICAPS

- Created dedicated internal organization
- Released >20 new products specifically designed for ICAPS applications



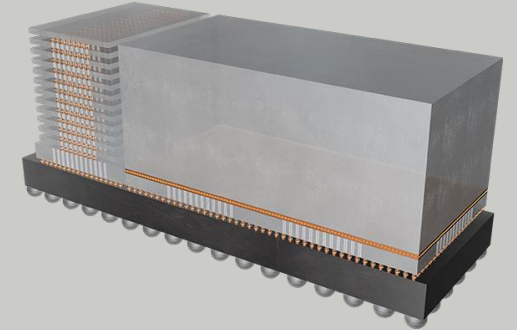
LEADING-EDGE F/L

- Formed IMS™* team to accelerate co-optimized and integrated solutions
- Strengthened strategic relationships with customers and increased market share



DRAM

- Developed strong product portfolio to enable multiple generations of DRAM technology



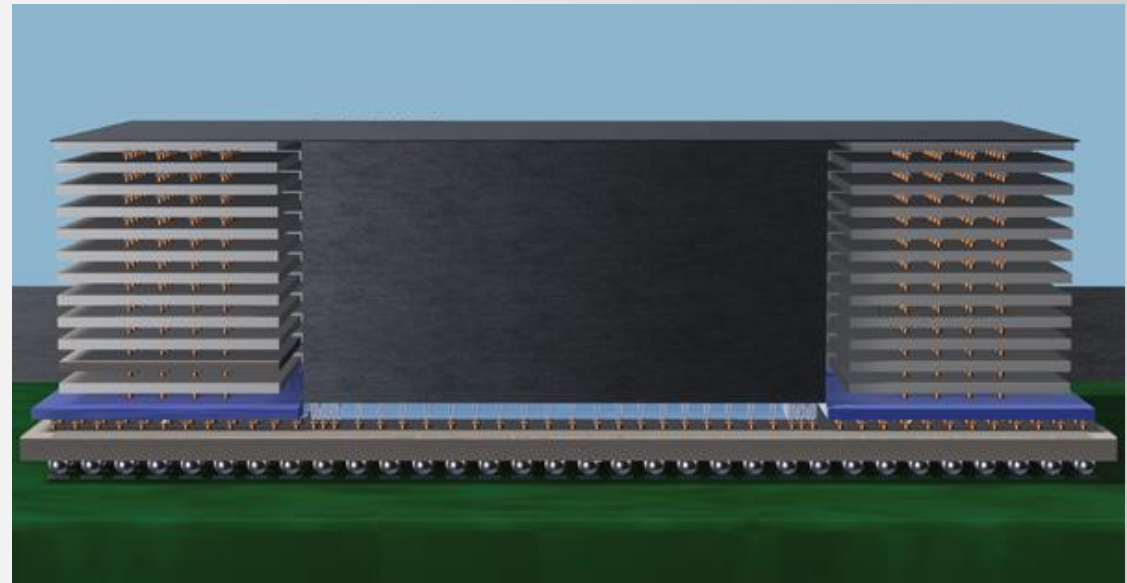
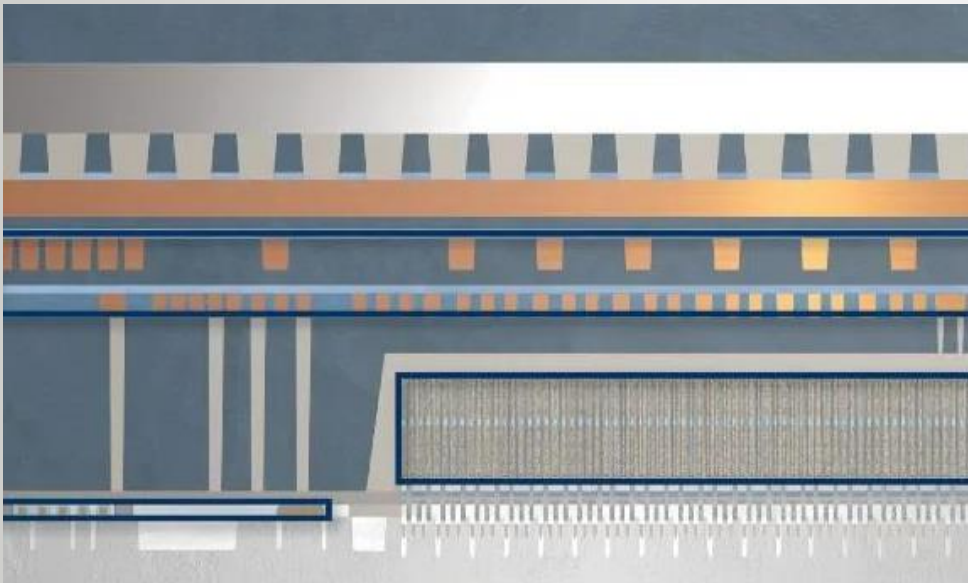
HETEROGENEOUS INTEGRATION

- Established clear leadership position in HI using advanced packaging
- Announced five new HI products for TSV and hybrid bonding

*Integrated Materials Solution®

DRAM Leadership

- #1 in DRAM process equipment
- Gained share in DRAM patterning with co-optimized Draco[®] CVD and Sym3[®] etch for capacitor scaling
- Ported logic technologies to increase DRAM I/O speed
- Largest supplier of advanced packaging solutions, enabling multiple generations of HBM



Positioned for Sustained Outperformance

ICAPS Demand Drivers

AUTOMATION



EVs + ADAS



CLEAN ENERGY



SMART GRID



REGIONALIZATION





APPLIED GLOBAL SERVICES

- Record quarterly revenue, on track to grow in 2023
- 16 consecutive quarters of Y/Y growth
- This year, >60% of recurring revenue generated from subscriptions
 - » 2.6 years average length
 - » >90% renewal rate
- Expect low-double-digit AGS growth rate in coming years

Collaborating to Accelerate Innovation



EPIC Center | SILICON VALLEY

Collaborative Engineering Center | INDIA



Collaborating to Reduce Carbon Emissions

ecoUP™

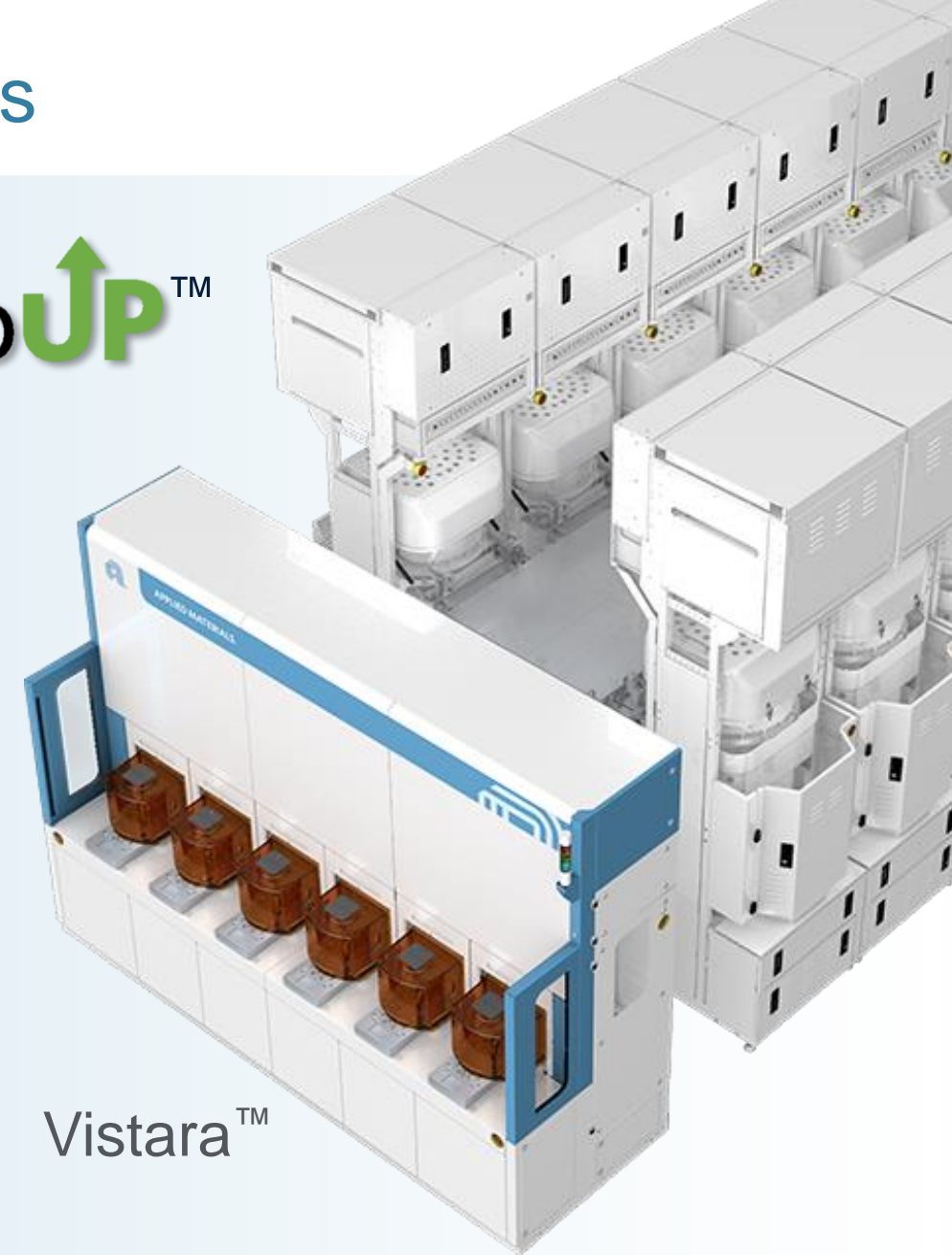


NEW: Net Zero
2040 Playbook

[LINK](#)



EcoTwin™



CEO SUMMARY

- Advanced chips are the foundation of major inflections
 - » IoT + AI era is driving new wave of growth and innovation
- Applied is focused on high-value, enabling technologies
 - » ICAPS
 - » Leading-edge foundry-logic
 - » DRAM
 - » Heterogenous Integration
- Delivering strong results in 2023
 - » Positioned for sustainable outperformance

Brice Hill

SVP, Chief Financial Officer



CFO

INVESTMENT THESIS

- Semiconductor industry expected to grow to \$1T by 2030
- Materials engineering increasingly critical to customer roadmaps
- Applied's performance driven by
 - » Broad and differentiated portfolio
 - » Balanced market exposure
 - » Growing services business
- Efficient business model generates strong profitability and FCF
 - » Fuels profitable growth and attractive shareholder returns

Q3 Business Environment

↑↑ ICAPS*

- » Record 200mm systems revenue
- » Record Europe revenue
- » U.S., Japan and Europe fastest growing regions this year

↓ Leading-edge F/L

↓↓ NAND

*Internet of Things, Communications, Automotive, Power, Sensors

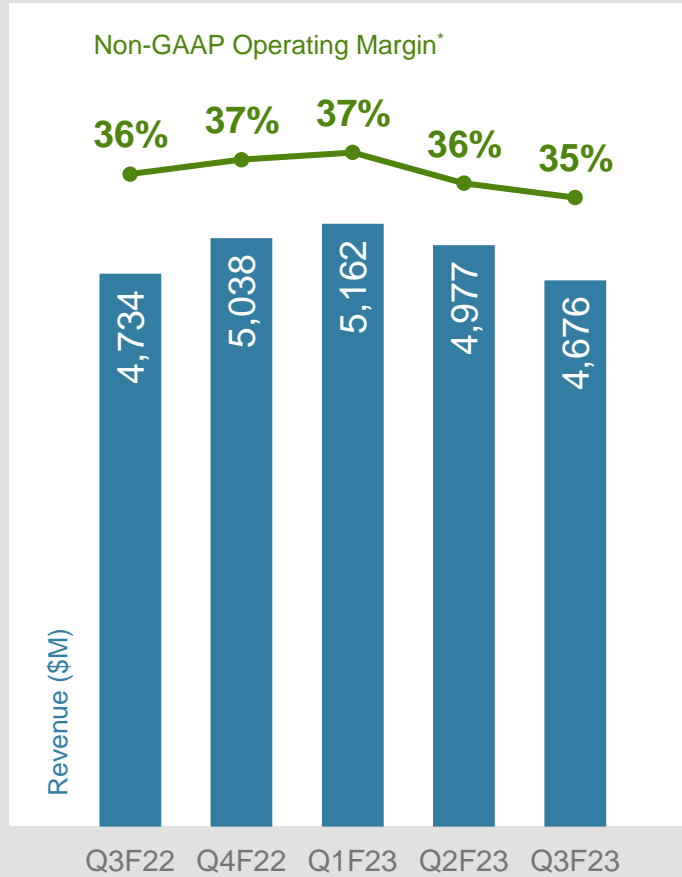
Q3F23 Non-GAAP Financial Results

	Q3F22	Q2F23	Q3F23	Y / Y	Q / Q
\$M, except EPS					
Revenue	6,520	6,630	6,425	(1%)	(3%)
Gross Margin*	46.2%	46.8%	46.4%	20bps	(40bps)
Operating Expenses*	1,060	1,171	1,165	10%	(1%)
Operating Income*	1,953	1,930	1,818	(7%)	(6%)
Operating Margin*	30.0%	29.1%	28.3%	(170bps)	(80bps)
EPS*	\$1.94	\$2.00	\$1.90	(2%)	(5%)

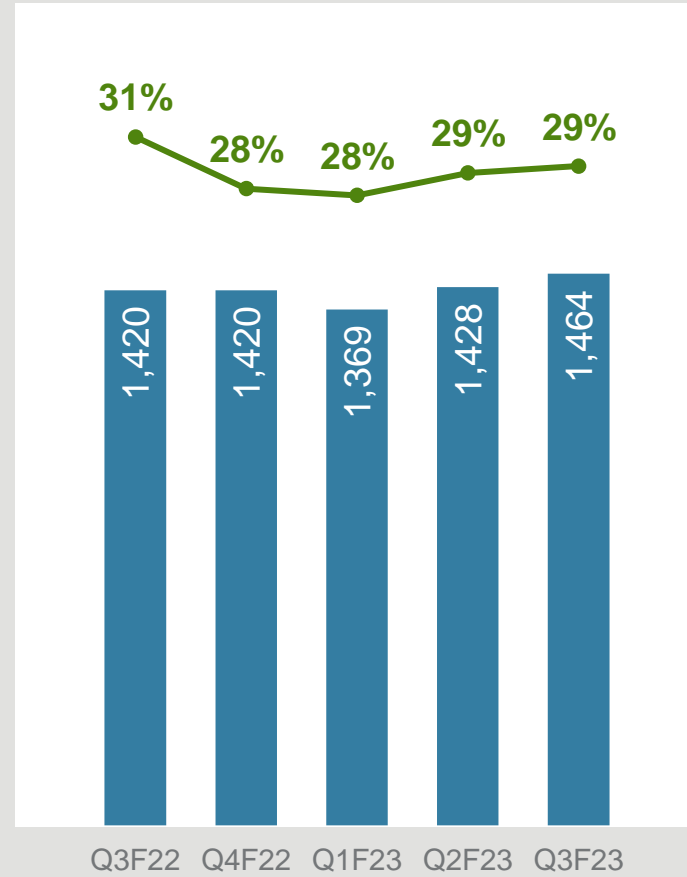
* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com

Q3F23 Segment Results

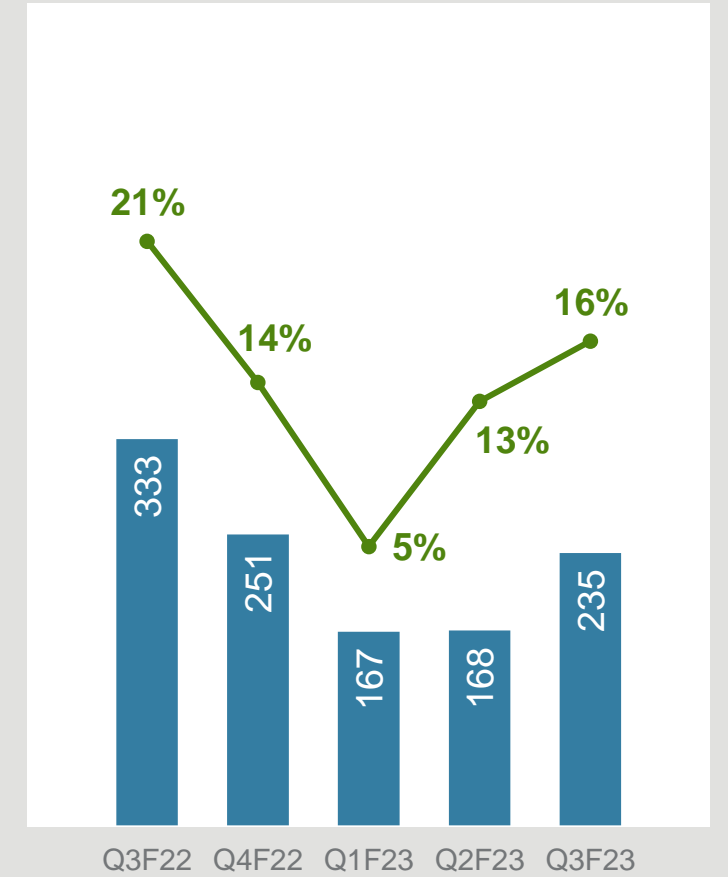
SEMICONDUCTOR SYSTEMS



APPLIED GLOBAL SERVICES



DISPLAY & ADJACENT MARKETS



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

Cash Flows and Shareholder Distributions

	Q3F22	Q4F22	Q1F23	Q2F23	Q3F23
CASH FLOWS (\$M)					
Operating Cash Flow	1,469	857	2,270	2,292	2,583
Free Cash Flow*	1,259	634	1,983	2,037	2,328
SHAREHOLDER DISTRIBUTIONS (\$M)					
Total Shareholder Distributions	(1,225)	(1,723)	(470)	(1,019)	(707)
Share Repurchases	(1,000)	(1,500)	(250)	(800)	(439)
Dividends	(225)	(223)	(220)	(219)	(268)

*Free cash flow = operating cash flow – net capital expenditures

Business Outlook

Fourth QUARTER FISCAL 2023

OUTLOOK	Total Revenue	~\$6.51B ± \$400M
	Non-GAAP EPS	~\$2.00 ± \$0.18
SEGMENT REVENUE	Semiconductor Systems	~\$4.75B
	Applied Global Services	~\$1.42B
	Display and Adjacent Markets	~\$290M
OTHER	Non-GAAP Gross Margin	~47.0%
	Non-GAAP Operating Expenses	~\$1.17B
	Non-GAAP Tax Rate	~12.3%

CFO

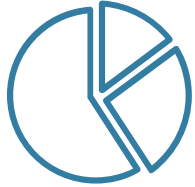
SUMMARY

- Executing well and outperforming our markets
- Semi Systems YTD* revenue trending up Y/Y
- AGS on track for Y/Y growth
- Aligned business with fastest-growing end markets
 - » Winning across leading-edge foundry-logic, DRAM, ICAPS and Heterogeneous Integration/Advanced Packaging
- Investing for technology leadership and growth, generating strong FCF, increasing shareholder returns

*FQ2 + FQ3 + FQ4 guidance

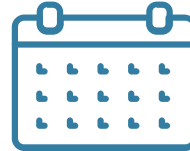
Q&A

APPLIED MATERIALS AT-A-GLANCE

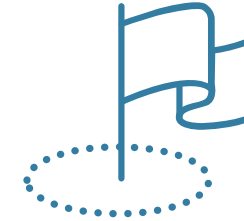


REPORTING SEGMENTS

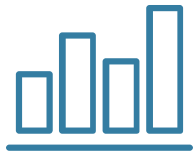
Semiconductor Systems
Applied Global Services
Display and Adjacent Markets



CURRENT FISCAL
YEAR ENDS
29 October 2023



FOUNDED
1967
FIRST PUBLIC
OFFERING
1972



\$26.5 billion
TTM REVENUE



\$3.0 billion
TTM R&D
INVESTMENTS



~34,000*
employees
in **24**** countries



~17,300**
active patents



FTSE4Good



TTM is trailing twelve months. *As of fiscal Q3'23 ended 7/30/2023 **As of fiscal year-ended 10/30/2022.

Strong History of Shareholder Distributions

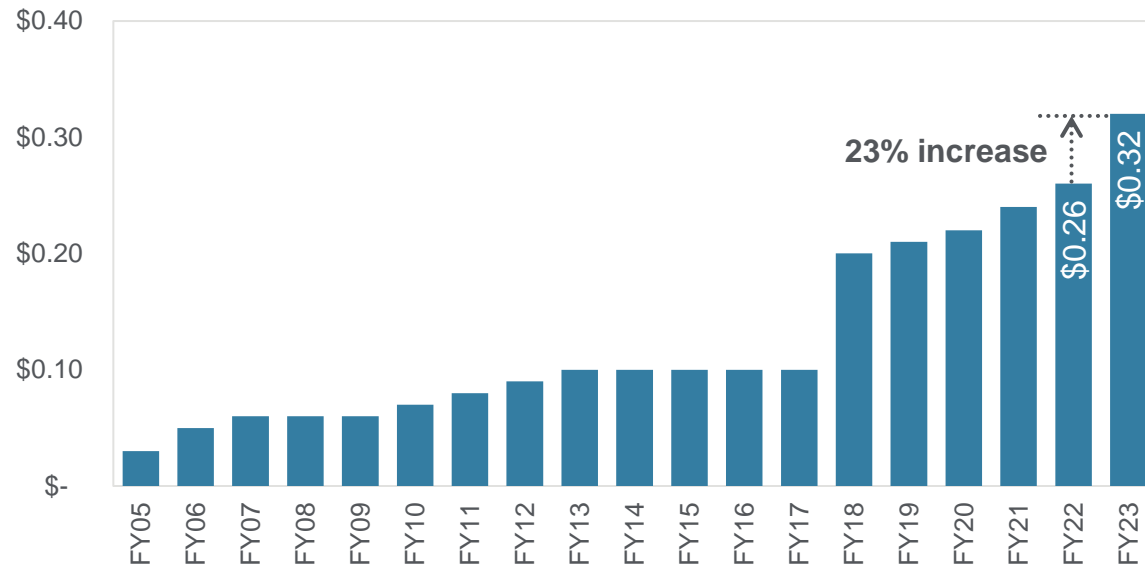
Over past 10 fiscal years (through FY22)

- » Grew dividend per share at 11% CAGR
- » Reduced shares outstanding by nearly 30%
- » Distributed 106% of FCF

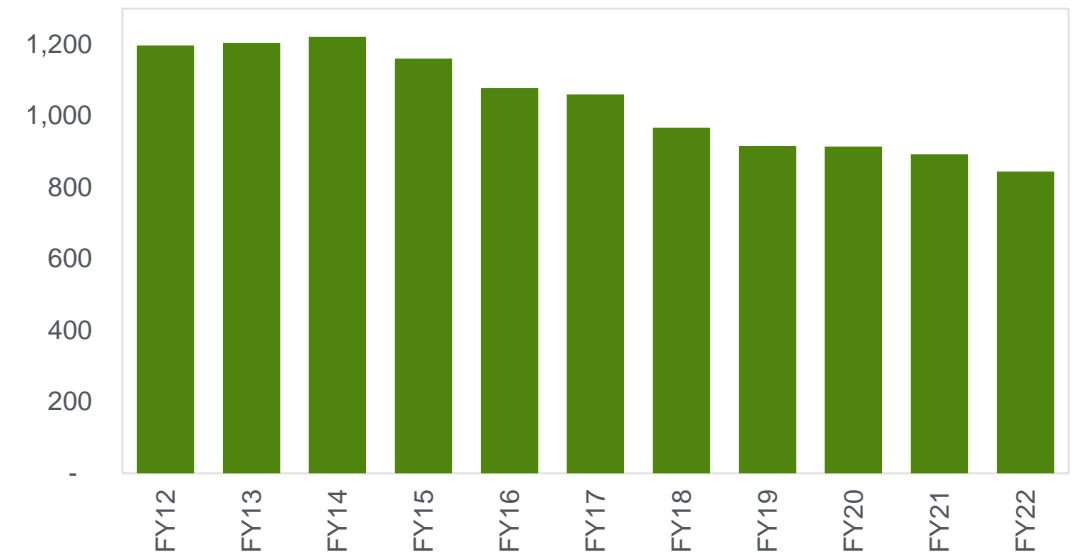
March 2023, Board of Directors approved

- » 23% dividend per share increase
- » \$10B supplemental share repurchase authorization (\$13.4B total remaining at end of Q3'23)

Quarterly Dividend per Share (Paid in Q3)



Shares Outstanding (in Millions)



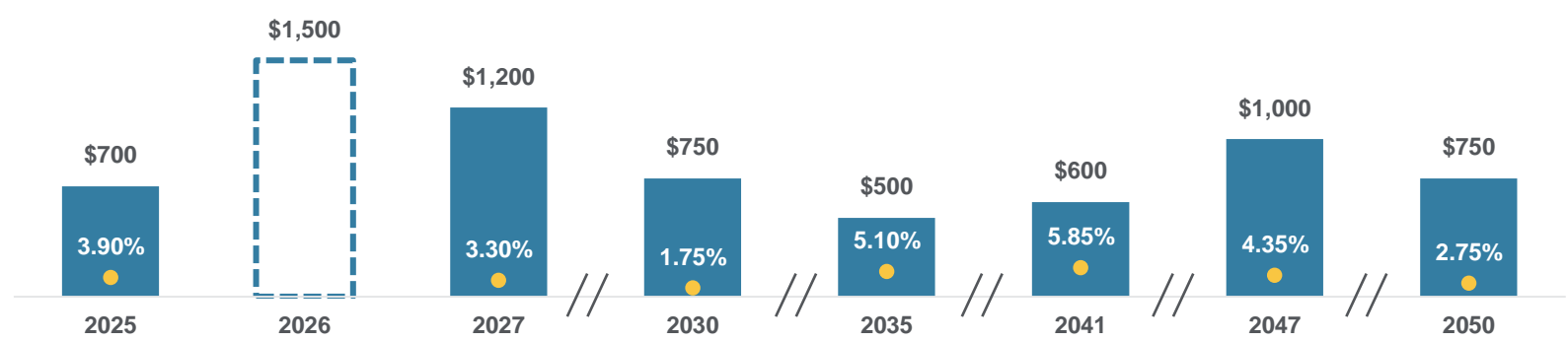
Committed to Distribute 80-100% of FCF to Shareholders

Strong and Flexible Balance Sheet

CASH AND INVESTMENTS (\$M)	Q3F22	Q4F22	Q1F23	Q2F23	Q3F23
Cash and cash equivalents	2,956	1,995	3,547	4,588	6,025
Short-term investments	592	586	500	510	510
Long-term investments	2,047	1,980	2,088	2,024	2,177
Total cash and investments	5,595	4,561	6,135	7,122	8,712
Commercial paper Current ratings (Moody's / S&P): P-1 / A-1	-	-	199	199	199
Long-term debt Current ratings (Moody's / S&P): A2 / A	5,456	5,457	5,458	5,459	5,460

Long-term debt maturity profile

- Undrawn Revolver
- Outstanding Notes



ESG Roadmap | 2030 Goals & Net Zero 2040 Playbook

APPLIED'S
OPERATIONS

1x

Achieved
100% renewable energy
in US in 2022 and on-track
globally for 2030

RE100 member as of
November 2022

Announced
2030 DEI goals
for women, globally and
URMs in the US

NEW: [Net Zero 2040 Playbook](#)

SEMI INDUSTRY'S
OPERATIONS

100x

Strong collaboration with
leading customers on
3x30 sustainability upgrades
and new product launches

Broad engagement with
SuCCCESS2030 supply
chain initiative

2030 Scope 1/2/3
science-based targets
submitted to SBTi

GLOBAL
ELECTRONICS

10,000x

PPACt engagements with customers'
customers focus on energy-efficient
devices and computing

LATEST 3rd PARTY RATINGS

CDP Climate	B
CDP Water	B
CDP Supplier Engagement	B
MSCI	AA
Sustainalytics Risk Rating	Low
ISS (E/S/G)	2/2/1

Make Possible[®] a Better Future

For more details, please refer to our 2022 Sustainability Report [here](#) and data annex [here](#)

Additional Resources

Investor Relations Home Page

[LINK](#)

Latest News

[LINK](#)

Blog: Ideas, Actions & Technologies

[LINK](#)

2021 Memory Master Class

[LINK](#)

2021 Logic Master Class

[LINK](#)

2021 ICAPS and Packaging Master Class

[LINK](#)

2021 Process Control and AppliedPRO Master Class

[LINK](#)

2022 New Ways to Shrink Master Class

[LINK](#)

2022 New Ways to Wire and Integrate Chips

[LINK](#)

2022 Services Master Class

[LINK](#)

2022 eBeam Technology and Product Launch

[LINK](#)

2023 New Ways to Shrink: Advanced Patterning Products Launch

[LINK](#)

2023 SEMICON West Technology Breakfast

[LINK](#)

Appendix GAAP to Non-GAAP Reconciliations

Use of Non-GAAP Adjusted Financial Measures

Applied provides investors with certain non-GAAP adjusted 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, <https://ir.appliedmaterials.com/>.

Management uses these non-GAAP adjusted 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 EPS AND PERCENTAGE

Non-GAAP Adjusted Gross Profit

	Q3F22	Q4F22	Q1F23	Q2F23	Q3F23
Reported gross profit - GAAP basis	\$ 3,006	\$ 3,101	\$ 3,145	\$ 3,094	\$ 2,976
Certain items associated with acquisitions ¹	7	6	7	7	7
Non-GAAP adjusted gross profit	<u>\$ 3,013</u>	<u>\$ 3,107</u>	<u>\$ 3,152</u>	<u>\$ 3,101</u>	<u>\$ 2,983</u>
Non-GAAP adjusted gross margin	46.2%	46.0%	46.8%	46.8%	46.4%

Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 1,924	\$ 1,994	\$ 1,970	\$ 1,911	\$ 1,802
Certain items associated with acquisitions ¹	10	10	11	11	10
Acquisition integration and deal costs	19	6	6	8	6
Non-GAAP adjusted operating income	<u>\$ 1,953</u>	<u>\$ 2,010</u>	<u>\$ 1,987</u>	<u>\$ 1,930</u>	<u>\$ 1,818</u>
Non-GAAP adjusted operating margin	30.0%	29.8%	29.5%	29.1%	28.3%

Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 1,606	\$ 1,591	\$ 1,717	\$ 1,575	\$ 1,560
Certain items associated with acquisitions ¹	10	10	11	11	10
Acquisition integration and deal costs	12	6	6	8	6
Realized loss (gain), dividends and impairments on strategic investments, net	(1)	(2)	(4)	117	(4)
Unrealized loss (gain) on strategic investments, net	18	11	(4)	11	6
Income tax effects related to intra-entity intangible asset transfers	21	132	17	(1)	9
Resolution of prior years' income tax filings and other tax items	1	(26)	(5)	(27)	10
Income tax effect of share-based compensation ²	22	22	(14)	3	5
Income tax effect of non-GAAP adjustments ³	(6)	(3)	-	(5)	(2)
Non-GAAP adjusted net income	<u>\$ 1,683</u>	<u>\$ 1,741</u>	<u>\$ 1,724</u>	<u>\$ 1,692</u>	<u>\$ 1,600</u>

Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings per diluted share - GAAP basis	\$ 1.85	\$ 1.85	\$ 2.02	\$ 1.86	\$ 1.85
Certain items associated with acquisitions ¹	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	0.01	0.01	0.01	0.01	0.01
Realized loss (gain), dividends and impairments on strategic investments, net	-	-	-	0.14	-
Unrealized loss (gain) on strategic investments, net	0.02	0.01	-	0.01	-
Income tax effects related to intra-entity intangible asset transfers	0.02	0.15	0.02	-	0.01
Income tax effect of share-based compensation ²	0.03	0.03	(0.02)	-	0.01
Resolution of prior years' income tax filings and other tax items	-	(0.03)	(0.01)	(0.03)	0.01
Non-GAAP adjusted earnings per diluted share	<u>\$ 1.94</u>	<u>\$ 2.03</u>	<u>\$ 2.03</u>	<u>\$ 2.00</u>	<u>\$ 1.90</u>
Weighted average number of diluted shares	869	859	849	847	843

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	Q3F22	Q4F22	Q1F23	Q2F23	Q3F23
Operating Expenses (GAAP Basis)	\$ 1,082	\$ 1,107	\$ 1,175	\$ 1,183	\$ 1,174
Certain items associated with acquisitions	(3)	(4)	(4)	(4)	(3)
Acquisition integration and deal costs	(19)	(6)	(6)	(8)	(6)
Non-GAAP adjusted operating expenses	<u>\$ 1,060</u>	<u>\$ 1,097</u>	<u>\$ 1,165</u>	<u>\$ 1,171</u>	<u>\$ 1,165</u>

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

IN MILLIONS, EXCEPT PERCENTAGE

Semiconductor Systems Non-GAAP Adjusted Operating Income

	Q3F22	Q4F22	Q1F23	Q2F23	Q3F23
Reported operating income - GAAP basis	\$ 1,701	\$ 1,849	\$ 1,917	\$ 1,764	\$ 1,618
Certain items associated with acquisitions ¹	7	9	9	10	10
Non-GAAP adjusted operating income	<u>\$ 1,708</u>	<u>\$ 1,858</u>	<u>\$ 1,926</u>	<u>\$ 1,774</u>	<u>\$ 1,628</u>
Non-GAAP adjusted operating margin	36.1%	36.9%	37.3%	35.6%	34.8%

AGS Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 434	\$ 402	\$ 383	\$ 414	\$ 429
Non-GAAP adjusted operating income	<u>\$ 434</u>	<u>\$ 402</u>	<u>\$ 383</u>	<u>\$ 414</u>	<u>\$ 429</u>
Non-GAAP adjusted operating margin	30.6%	28.3%	28.0%	29.0%	29.3%

Display and Adjacent Markets Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 69	\$ 34	\$ 8	\$ 21	\$ 37
Certain items associated with acquisitions ¹	1	-	-	-	-
Non-GAAP adjusted operating income	<u>\$ 70</u>	<u>\$ 34</u>	<u>\$ 8</u>	<u>\$ 21</u>	<u>\$ 37</u>
Non-GAAP adjusted operating margin	21.0%	13.5%	4.8%	12.5%	15.7%

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.

UNAUDITED CALCULATIONS OF NON-GAAP MEASURES

IN MILLIONS	Q3F22	Q4F22	Q1F23	Q2F23	Q3F23
Free Cash Flows¹					
Cash provided by operating activities	\$ 1,469	\$ 857	\$ 2,270	\$ 2,292	\$ 2,583
Capital expenditures	(210)	(223)	(287)	(255)	(255)
Free Cash Flow	<u>\$ 1,259</u>	<u>\$ 634</u>	<u>\$ 1,983</u>	<u>\$ 2,037</u>	<u>\$ 2,328</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 fourth 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 \$6 million, or \$0.01 and includes a net income tax benefit related to intra-entity intangible asset transfers of \$9 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.



APPLIED
MATERIALS®

make possible