



Q3 FY2026 Earnings Call

GAAP to non-GAAP Reconciliations

August 13, 2026



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

	Three Months Ended		Nine Months Ended	
	July 26, 2026	July 27, 2025	July 26, 2026	July 27, 2025
<i>(In millions, except percentages)</i>				
Non-GAAP Gross Profit				
GAAP reported gross profit	\$ 4,586	\$ 3,562	\$ 11,968	\$ 10,543
Certain items associated with acquisitions ¹	11	7	24	20
Non-GAAP gross profit	<u>\$ 4,597</u>	<u>\$ 3,569</u>	<u>\$ 11,992</u>	<u>\$ 10,563</u>
Non-GAAP gross margin	50.4 %	48.9 %	49.9 %	49.0 %
Non-GAAP Operating Income				
GAAP reported operating income	\$ 3,075	\$ 2,233	\$ 7,429	\$ 6,577
Certain items associated with acquisitions ¹	16	11	37	34
Acquisition integration and deal costs	5	1	8	4
Legal settlement ²	—	—	253	—
Restructuring charges ³	—	—	12	—
Non-GAAP operating income	<u>\$ 3,096</u>	<u>\$ 2,245</u>	<u>\$ 7,739</u>	<u>\$ 6,615</u>
Non-GAAP operating margin	34.0 %	30.7 %	32.2 %	30.7 %
Non-GAAP Net Income				
GAAP reported net income	\$ 2,538	\$ 1,779	\$ 7,370	\$ 5,101
Certain items associated with acquisitions ¹	16	11	37	34
Acquisition integration and deal costs	5	1	8	4
Legal settlement ²	—	—	253	—
Restructuring charges ³	—	—	12	—
Realized loss (gain), dividends and impairments on strategic investments, net	(7)	16	22	(11)
Unrealized loss (gain) on strategic investments, net	220	(314)	(949)	(288)
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	10	7	(4)	1
Income tax effects related to intra-entity intangible asset transfers ⁵	33	32	96	738
Resolution of prior years' income tax filings and other tax items ⁶	(46)	460	3	320
Income tax effect of non-GAAP adjustments ⁷	26	(3)	132	(3)
Non-GAAP net income	<u>\$ 2,795</u>	<u>\$ 1,989</u>	<u>\$ 6,980</u>	<u>\$ 5,875</u>

- 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 nine months ended July 27, 2025, included changes to the income tax provision of \$94 million from amortization of intangibles and a \$644 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 three and nine months ended July 27, 2025 included the impact of the recognition of a \$410 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

	Three Months Ended		Nine Months Ended	
	July 26, 2026	July 27, 2025	July 26, 2026	July 27, 2025
<i>(In millions, except per share amounts)</i>				
Non-GAAP Earnings Per Diluted Share				
GAAP reported earnings per diluted share	\$ 3.17	\$ 2.22	\$ 9.22	\$ 6.29
Certain items associated with acquisitions	0.02	0.01	0.04	0.04
Acquisition integration and deal costs	0.01	—	0.01	—
Legal settlement	—	—	0.32	—
Restructuring charges	—	—	0.01	—
Realized loss (gain), dividends and impairments on strategic investments, net	(0.01)	0.02	0.02	(0.02)
Unrealized loss (gain) on strategic investments, net	0.31	(0.39)	(1.01)	(0.36)
Foreign exchange loss (gain) related to purchase of strategic investment	—	—	—	0.03
Loss (gain) on asset sale	—	—	—	(0.04)
Income tax effect of share-based compensation	0.02	0.01	—	—
Income tax effects related to intra-entity intangible asset transfers ¹	0.04	0.04	0.12	0.91
Resolution of prior years' income tax filings and other tax items ²	(0.06)	0.57	—	0.40
Non-GAAP earnings per diluted share	<u>\$ 3.50</u>	<u>\$ 2.48</u>	<u>\$ 8.73</u>	<u>\$ 7.25</u>
Weighted average number of diluted shares	800	802	799	811

1 Amount for the nine months ended July 27, 2025, included changes to the income tax provision of \$0.12 per diluted share from amortization of intangibles and \$0.79 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 three and nine months ended July 27, 2025 included a \$0.51 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		Nine Months Ended	
	July 26, 2026	July 27, 2025	July 26, 2026	July 27, 2025
<u>Semiconductor Systems Non-GAAP Gross Profit</u>				
GAAP reported gross profit	\$ 3,892	\$ 2,970	\$ 9,950	\$ 8,845
Certain items associated with acquisitions ¹	11	7	24	20
Non-GAAP gross profit	<u>\$ 3,903</u>	<u>\$ 2,977</u>	<u>\$ 9,974</u>	<u>\$ 8,865</u>
Non-GAAP gross margin	55.4 %	53.5 %	55.0 %	53.5 %

Applied Global Services Non-GAAP Gross Profit

GAAP reported gross profit	\$ 634	\$ 494	\$ 1,748	\$ 1,407
Non-GAAP gross profit	<u>\$ 634</u>	<u>\$ 494</u>	<u>\$ 1,748</u>	<u>\$ 1,407</u>
Non-GAAP gross margin	35.6 %	33.8 %	34.9 %	33.2 %

Semiconductor Systems Non-GAAP Operating Income

GAAP reported operating income	\$ 2,657	\$ 1,837	\$ 6,176	\$ 5,479
Certain items associated with acquisitions ¹	16	11	37	34
Acquisition integration costs	—	1	—	3
Legal settlement ²	—	—	253	—
Non-GAAP operating income	<u>\$ 2,673</u>	<u>\$ 1,849</u>	<u>\$ 6,466</u>	<u>\$ 5,516</u>
Non-GAAP operating margin	38.0 %	33.2 %	35.6 %	33.3 %

Applied Global Services Non-GAAP Operating Income

GAAP reported operating income	\$ 536	\$ 400	\$ 1,461	\$ 1,114
Acquisition integration and deal costs	—	—	—	1
Non-GAAP operating income	<u>\$ 536</u>	<u>\$ 400</u>	<u>\$ 1,461</u>	<u>\$ 1,115</u>
Non-GAAP operating margin	30.1 %	27.3 %	29.2 %	26.3 %

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

	Three Months Ended		Nine Months Ended	
	July 26, 2026	July 27, 2025	July 26, 2026	July 27, 2025
<i>(In millions)</i>				
GAAP reported operating expenses	\$ 1,511	\$ 1,329	\$ 4,539	\$ 3,966
Certain items associated with acquisitions ¹	(5)	(4)	(13)	(14)
Acquisition integration and deal costs	(5)	(1)	(8)	(4)
Legal settlement ²	—	—	(253)	—
Restructuring charges ³	—	—	(12)	—
Non-GAAP operating expenses	<u>\$ 1,501</u>	<u>\$ 1,324</u>	<u>\$ 4,253</u>	<u>\$ 3,948</u>

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

	Three Months Ended	
	July 26, 2026	July 27, 2025
<i>(In millions)</i>		
GAAP provision for income taxes (a)	\$ 369	\$ 784
Income tax effect of share-based compensation	(10)	(7)
Income tax effect related to intra-entity intangible asset transfers	(33)	(32)
Resolution of prior years' income tax filings and other tax items	46	(460)
Income tax effect of non-GAAP adjustments	(26)	3
Non-GAAP provision for income taxes (b)	<u>\$ 346</u>	<u>\$ 288</u>

	Three Months Ended	
	July 26, 2026	July 27, 2025
<i>(In millions, except percentages)</i>		
GAAP income (loss) before income taxes (c)	\$ 2,907	\$ 2,563
Certain items associated with acquisitions	16	11
Acquisition integration and deal costs	5	1
Realized loss (gain), dividends and impairments on strategic investments, net	(7)	16
Unrealized loss (gain) on strategic investments, net	220	(314)
Non-GAAP income before income taxes (d)	<u>\$ 3,141</u>	<u>\$ 2,277</u>
GAAP effective income tax rate (a/c)	12.7 %	30.6 %
Non-GAAP effective income tax rate (b/d)	11.0 %	12.6 %

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

	Three Months Ended				
	July 26, 2026	April 26, 2026	January 25, 2026	October 26, 2025	July 27, 2025
<i>(In millions)</i>					
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 3,037	\$ 845	\$ 1,686	\$ 2,828	\$ 2,634
Capital expenditures	(707)	(635)	(646)	(785)	(584)
Non-GAAP free cash flow	<u>\$ 2,330</u>	<u>\$ 210</u>	<u>\$ 1,040</u>	<u>\$ 2,043</u>	<u>\$ 2,050</u>

	Twelve Months Ended				
	October 26, 2025	October 27, 2024	October 29, 2023	October 30, 2022	October 31, 2021
<i>(In millions)</i>					
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 7,958	\$ 8,677	\$ 8,700	\$ 5,399	\$ 5,442
Capital expenditures	(2,260)	(1,190)	(1,106)	(787)	(668)
Non-GAAP free cash flow	<u>\$ 5,698</u>	<u>\$ 7,487</u>	<u>\$ 7,594</u>	<u>\$ 4,612</u>	<u>\$ 4,774</u>

	Twelve Months Ended				
	October 25, 2020	October 27, 2019	October 28, 2018	October 29, 2017	October 30, 2016
<i>(In millions)</i>					
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 3,804	\$ 3,247	\$ 3,787	\$ 3,789	\$ 2,566
Capital expenditures	(442)	(441)	(622)	(345)	(253)
Non-GAAP free cash flow	<u>\$ 3,362</u>	<u>\$ 2,806</u>	<u>\$ 3,165</u>	<u>\$ 3,444</u>	<u>\$ 2,313</u>

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 fourth quarter of fiscal 2026 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$12 million, includes the normalized tax benefit of share-based compensation of approximately \$4 million and includes a net income tax benefit related to intra-entity intangible asset transfers of approximately \$38 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.