KLA

Keep Looking Ahead

Q1 Fiscal 2023 Earnings

Quarter Ended September 30, 2022 • Reported On October 26, 2022

Forward Looking Statements

Statements in this presentation other than historical facts, such as statements pertaining to: (i) future industry demand for semiconductors; (ii) WFE for 2023; (iii) future shareholder returns as a percentage of free cash flows; (iv) dividend levels over the next twelve months; (v) future share repurchase activity; (vi) long-term growth of the semiconductor industry; and (vii) revenues, GAAP and non-GAAP gross margin, GAAP and non-GAAP diluted EPS, revenues across end markets, non-GAAP operating expenses, OIE, net, effective tax rate and diluted share count for the December quarter, are forward-looking statements and subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on current information and expectations and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: the impact of the COVID-19 pandemic on the global economy and on our business, financial condition and results of operations, including the supply chain constraints we are experiencing as a result of the pandemic; economic, political and social conditions in the countries in which we, our customers and our suppliers operate, including rising inflation and interest rates, Russia's invasion of Ukraine and global trade policies; disruption to our manufacturing facilities or other operations, or the operations of our customers, due to natural catastrophic events, health epidemics or terrorism; ongoing changes in the technology industry, and the semiconductor industry in particular, including future growth rates, pricing trends in end-markets, or changes in customer capital spending patterns; our ability to timely develop new technologies and products that successfully anticipate or address changes in the semiconductor industry; our ability to maintain our technology advantage and protect our proprietary rights; our ability to compete with new products introduced by our competitors; our ability to attract, onboard and retain key personnel; cybersecurity threats, cyber incidents affecting our and our customers, suppliers and other service providers' systems and networks and our and their ability to access critical information systems for daily business operations; liability to our customers under indemnification provisions if our products fail to operate properly or contain defects or our customers are sued by third parties due to our products; exposure to a highly concentrated customer base; availability and cost of the wide range of materials used in the production of our products; our ability to operate our business in accordance with our business plan; legal, regulatory and tax environments in which we perform our operations and conduct our business and our ability to comply with relevant laws and regulations; increasing attention to ESG Matters and the resulting costs, risks and impact on our business; our ability to pay interest and repay the principal of our current indebtedness is dependent upon our ability to manage our business operations, our credit rating and the ongoing interest rate environment, among other factors; our ability or the ability of our customers to obtain licenses for the sale of certain products or provision of certain services to customers in China, pursuant to regulations recently issued by the Bureau of Industry and Security of the U.S. Department of Commerce, which could impact our business, financial condition and results of operations; instability in the global credit and financial markets; our exposure to currency exchange rate fluctuations, or declining economic conditions in those countries where we conduct our business; changes in our effective tax rate resulting from changes in the tax rates imposed by jurisdictions where our profits are determined to be earned and taxed, expiration of tax holidays in certain jurisdictions, resolution of issues arising from tax audits with various authorities or changes in tax laws or the interpretation of such tax laws; our ability to identify suitable acquisition targets and successfully integrate and manage acquired businesses; and unexpected delays, difficulties and expenses in executing against our environmental, climate, inclusion and diversity or other ESG targets, goals and commitments. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this press release, please refer to KLA Corporation's Annual Report on Form 10-K for the year ended June 30, 2021, and other subsequent filings with the Securities and Exchange Commission. KLA Corporation assumes no obligation to, and does not currently intend to, update these forward-looking statements.

Semiconductor Industry Demand Environment

Slowing Consumer Electronics Markets and Supply Chain Challenges Impacting Semiconductor Demand

The Semiconductor industry is facing a combination of factors impacting demand growth, including inflation, COVID-related disruptions in China, and ongoing supply chain challenges. As a result, semiconductor demand (particularly in PC and consumer markets) has been impacted, with memory device manufacturers and foundry/logic customers beginning to take steps to adjust factory utilizations and capacity investments. Despite the near-term headwinds to capacity growth, semiconductor producers continue to prioritize investments in R&D of next generation technologies.

Customer R&D Investment Remains a Top Priority for Capex Spending

As the market leader in Process Control, KLA plays a critical role in enabling technology transitions in advanced semiconductor manufacturing. Calendar 2022 is forecasted to be another year of double-digit growth for the company and strong relative performance vs. the WFE industry. Despite the near-term demand and macroeconomic headwinds, customers continue to invest in technology transitions in every segment. KLA benefits from these investments as we are on the critical path to enabling faster R&D cycles, faster yield ramps and higher, more stable yields in production.

Long-Term Secular Drivers Demonstrate Strategic Value of Semiconductors

Although our industry demand forecast calls for a decline in WFE demand in calendar 2023, there are many fundamental drivers propelling long-term growth of the Semiconductor industry, underscoring the strategic importance of semiconductors and the semiconductor supply chain. The digital transformation of our lives is expanding beyond consumer to multiple end markets and technology-based services. The increasing investment and focus on regionalization of semiconductor production demonstrates the growing strategic nature of semiconductors in the global economy.

The strategic nature of semiconductors in the global economy continues to grow

September Quarter 2022 Business Highlights

1

KLA's Consistency Led by Execution and Market Leadership

KLA continues to deliver strong relative outperformance versus peers, as our market leadership in some of the largest and fastest-growing markets in WFE supports our growth. As a result, KLA is positioned to be one of the fastest growing Tier 1 WFE equipment suppliers in calendar 2022. KLA's market leadership and the critical role our products and services deliver in our customers' growth strategies, as well as KLA's consistent execution of our commitments are guided by the KLA Operating Model.

2

Broad Adoption of KLA's Reticle Inspection Portfolio Drives Strong Patterning Systems Growth

KLA's Patterning systems revenue grew 49% sequentially and 67% on a year-over-year basis, driven by strong EUV mask shop inspection growth in 5nm and below applications, as well as growth in mask shop and wafer fab applications in mature node applications. KLA's reticle inspection systems business play a critical role in quality control during manufacturing of optical and EUV reticle types.

3

Record Quarterly Revenue for SPTS Showcases Automotive Opportunity

KLA delivered record quarterly revenue in our SPTS business. As we discussed at our June 2022 Investor Day, KLA is intensifying our efforts in Advanced Packaging and Automotive electronics, leveraging the combined portfolios of both the Semiconductor Process Control and EPC groups. We are broadening our product portfolio and developing a comprehensive suite of products and technologies as part of a portfolio of inspection systems and process tools designed to help Automotive customers achieve their zero-defect goals.

4

Services Demonstrates Strong Growth, Consistency

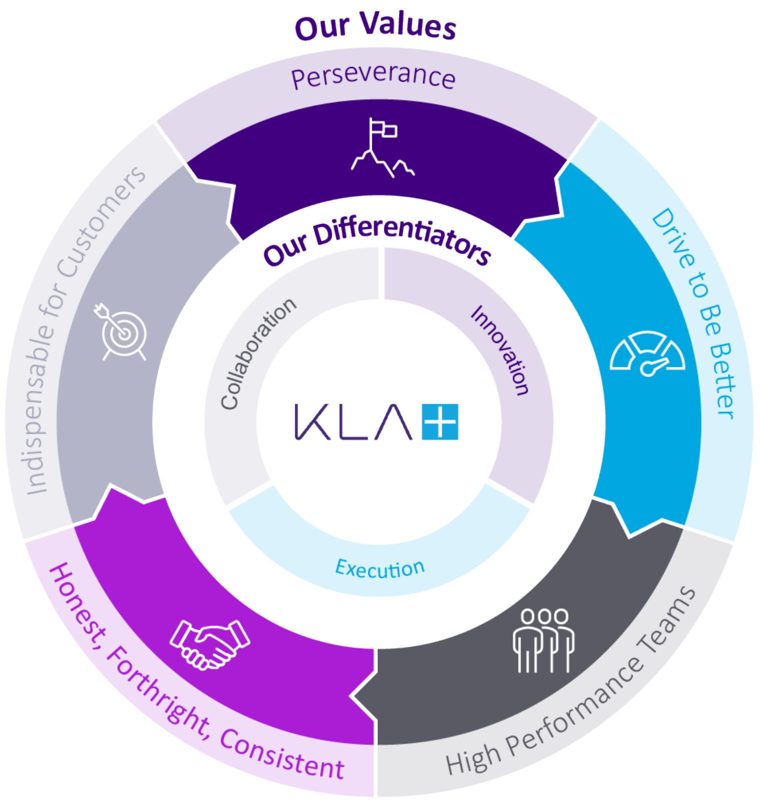
Services revenue was $529 million, up 16% year-over-year. Services growth is driven by the rapidly growing installed base, increasing customer adoption of long-term service agreements, and expansion of Service opportunities in legacy nodes. KLA's Services business stands out among our peers as having nearly all our Service revenue generated from "Pure Services," or service contracts and break-fix maintenance, and does not include other revenue sources such as equipment upgrades or sales of refurbished equipment.

5

Another Strong Quarter of Free Cash Flow Generation; Operating Cash Flow Tops $1 Billion

The September quarter was another exceptional period from a free cash flow perspective. Quarterly operating cash flow topped $1 billion for the first time, and free cash flow grew 24% to $927 million in the quarter. Total capital returns for the quarter were $278 million, comprised of $90 million in share repurchases and $188 million in dividends. For the 12 months ended September 30, 2022, free cash flow grew 37% to $3.14 billion. For the twelve months ended Sept. 30, 2022, total capital returns were $5.2 billion, or 166% of free cash flow. In June, we increased our long-term targeted capital returns to greater than 85% of free cash flow, up from 70%.

The KLA Operating Model



Consistent Strategy and Execution

- Application of common processes and discipline
- Cascades throughout the organization
- Strong focus on talent development

Management By Metrics

- Culture of performance and accountability
- Expectation of continuous improvement
- Superior margins driven by market leadership and differentiation

Financial Discipline and Rigor

- Exert efficiency and operating discipline in our investments
- Strong track record of high returns
- Focused on enhancing shareholder value

Focused on driving sustainable profitability and growth

September Quarter 2022 Income Statement Highlights

$2,724M
Revenue

63.4%
Gross Margin*

44.1%
Operating Margin*

$1,007M
Net Income*

392x or "Gen5": The market leading broadband plasma (BBP) optical patterned wafer inspection system

$7.06
Non-GAAP Diluted EPS*

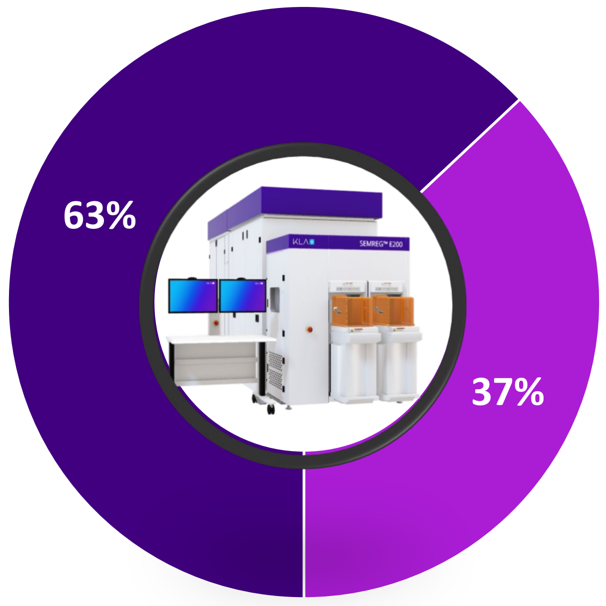
$7.20
GAAP Diluted EPS

* Non-GAAP metric – please refer to the appendix for reconciliation to GAAP

Breakdown of Revenue by Reportable Segments and End Markets

	Revenue Q1-FY23 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	$2,398	+35%	+13%	88%
Specialty Semiconductor Process (Systems + Services)	$128	+25%	+3%	5%
PCB, Display and Component Inspection (Systems + Services)	$201	-1%	-19%	7%
Total:	**$2,724**[1]	**+31%**	**+10%**	

Q1-FY23: Semi Process Control End Market System Revenue



■ Foundry & Logic ■ Memory

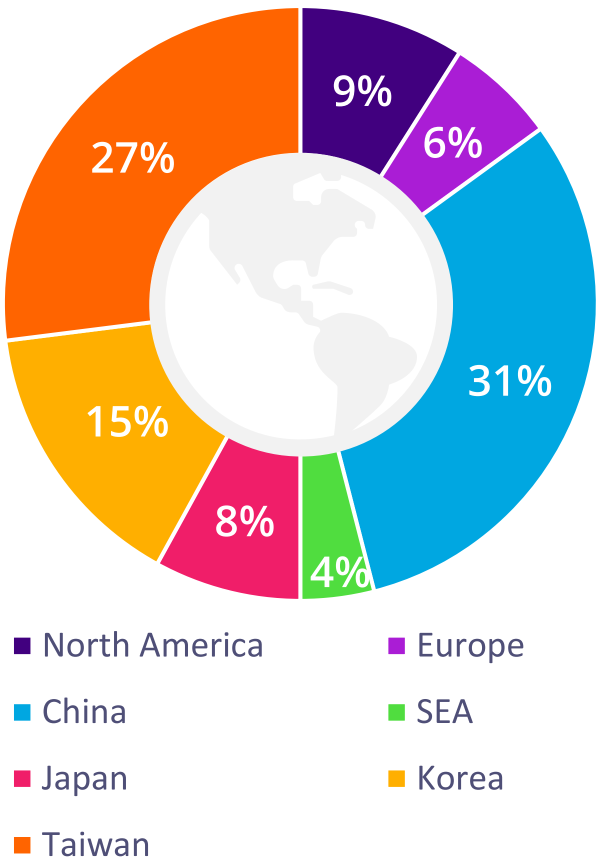
Amounts exclude corporate allocations and effects of changes in currency exchange rates

Breakdown of Revenue by Major Product and Regions

	Revenue Q1-FY23 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Wafer Inspection	$1,103	+24%	+0%	41%
Patterning	$733	+67%	+49%	27%
Specialty Semi Process	$114	+23%	+3%	4%
PCB, Display and Comp. Inspection	$134	-2%	-25%	5%
Services	$529	+16%	+3%	19%
Other[1]	$111	+54%	+23%	4%
Total:	**$2,724**	**+31%**	**+10%**	

[1] Included in the Semiconductor Process Control Segment

Q1-FY23 Revenue by Region



Strong Balance Sheet With No Bond Maturities Until 2024

Balance Sheet Summary[1] ($M)

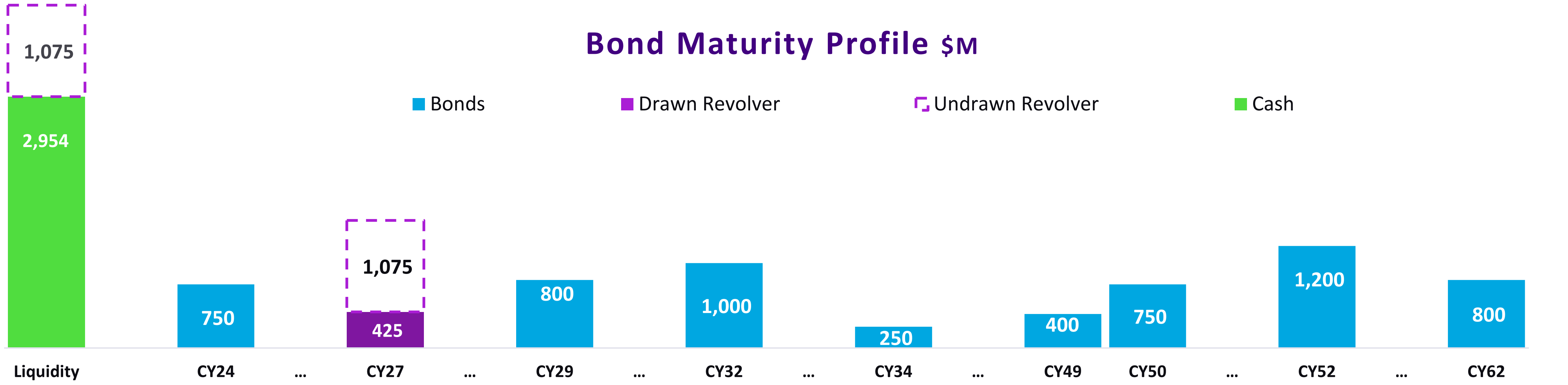
Total Cash[2]	$	2,954
Working Capital	$	4,505
Total Assets	$	13,124
Debt[3]	$	6,313
Total Shareholders' Equity	$	2,102

Bond Maturity Profile

Bonds Outstanding	$5.95B
Weighted Average Rate	4.64%
Weighted Average Maturity	19.9 years

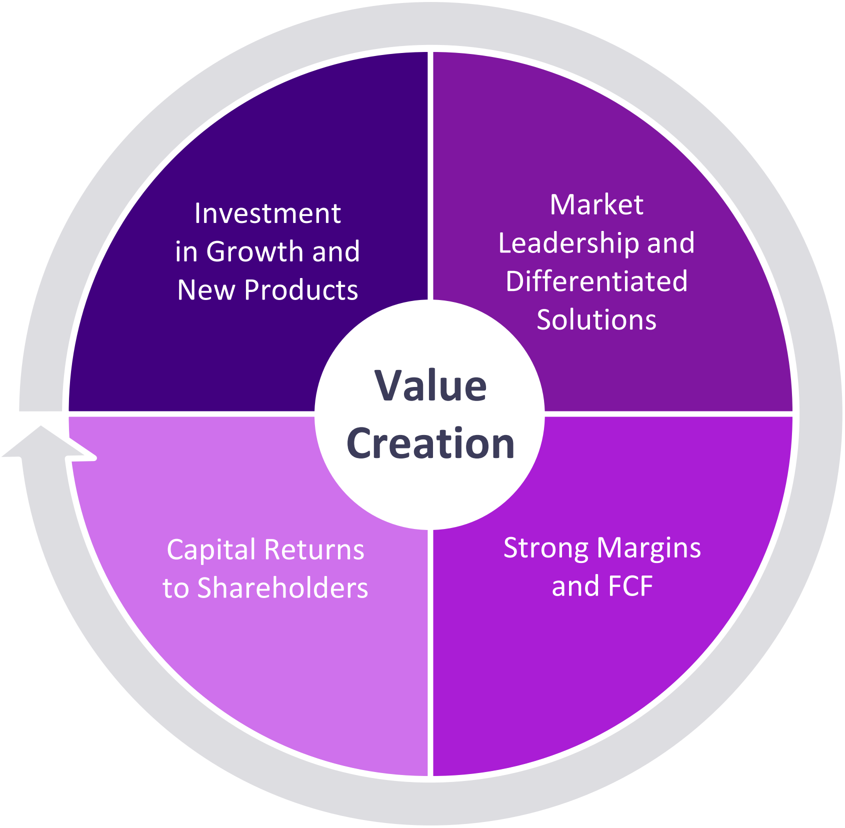
Investment Grade Credit Ratings

Moody's	A2
S&P	A-
Fitch	A-

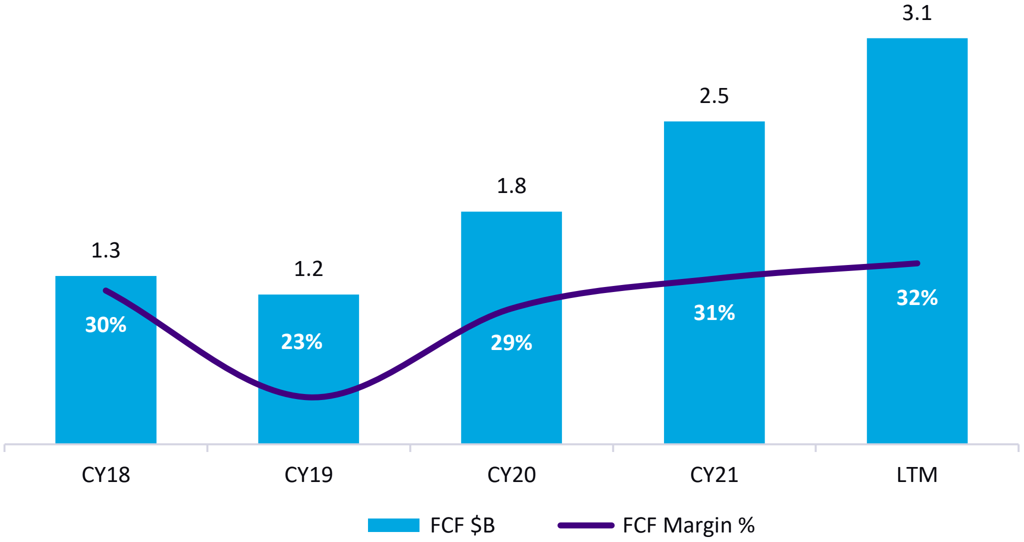


[1] As of 9/30/22; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities;
[3] Includes $425M in revolving credit facility (Revolver) drawings less $62M in un-amortized debt issuance discounts and costs.

FCF Generation Fuels Consistent Capital Return to Shareholders



Free Cash Flow[1] and FCF Margin[2]



[1] Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
[2] FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases[1]

~$188

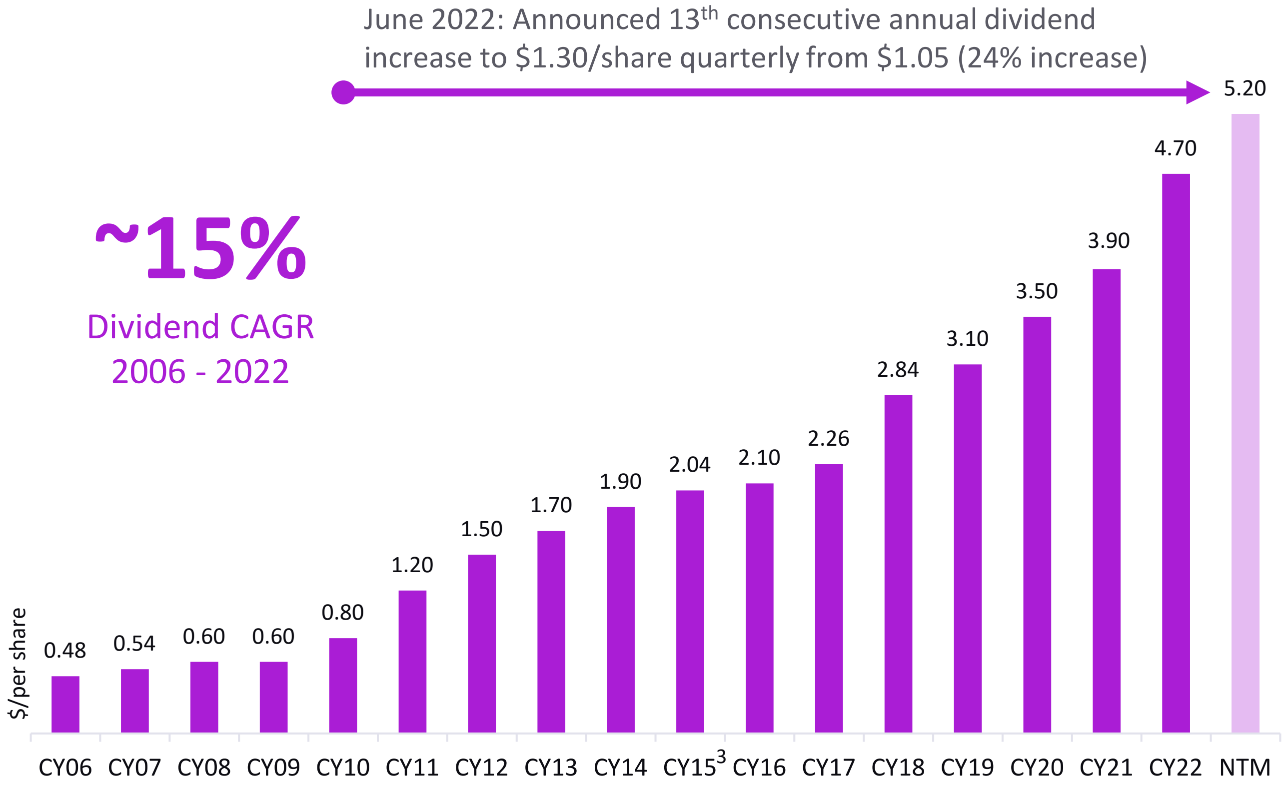
Avg price per share since 2017

[1]Settlement Date basis | [2] Executed in June 2022, to be completed in December 2022 quarter, subject to market conditions
[3] Excludes $16.50 per share special dividend in CY15 | [4] Excludes ASR

Track Record of Dividend Increases

~15%

Dividend CAGR 2006 - 2022



Free Cash Flow and Capital Returns Highlights

$927M
Free Cash Flow*

34%
FCF Margin*

92%
FCF Conversion*

Surfscan SP-7: The latest generation in KLA's market-leading unpatterned wafer inspection portfolio

$90M
Sept Quarter Share Buyback

$4,558M
LTM Share Buyback [1]

$188M
Sept Quarter Dividends Paid

$664M
LTM Dividends Paid

* Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. FCF Margin = FCF/Revenue. FCF Conversion = FCF / Non-GAAP Net Income. Non-GAAP metric
[1] Includes $900 million pursuant to Forward Contract for Accelerated Share Repurchases – Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Guidance for Q2 FY2023 – December 2022 Quarter

December 2022 Quarter Guidance

Revenue	$2,650M to $2,950M
Non-GAAP Gross Margin*	61.5% to 63.5%
GAAP Diluted EPS	$5.94 to $7.34
Non-GAAP Diluted EPS*	$6.30 to $7.70

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: 76%
- Memory: 24%

Model Assumptions

- Non-GAAP Operating Expenses*: ~$550M
- Other Income & Expense (OIE)*, Net: ~$66M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~140M

* Non-GAAP metric – Refer to Appendix for Reconciliation to GAAP

Driving profitable growth and delivering shareholder value

Appendix

Reconciliation of Financial Results

Reconciliation of Non-GAAP Financial Measures

(Dollars in millions, excepter per share amounts)			For the three months ended Sep 30, 2022
GAAP net income attributable to KLA		$	**1,026.0**
Adjustments to reconcile GAAP net income to non-GAAP net income*			
Acquisition-related charges	a		75.3
Restructuring, severance and other charges	b		(5.2)
Debt extinguishment loss	c		13.3
Income tax effect of non-GAAP adjustments	d		(27.3)
Discrete tax items	e		(75.5)
Non-GAAP net income attributable to KLA		$	**1,006.6**
GAAP diluted EPS		$	**7.20**
Non-GAAP diluted EPS		$	**7.06**
Shares used in diluted shares calculation			142.6
GAAP gross profit		$	**1,683.2**
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*			
Acquisition-related charges	a	$	45.1
Non-GAAP gross profit		$	**1,728.3**
GAAP gross margin			**61.8%**
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*			
Acquisition-related charges	a		1.6%
Non-GAAP gross margin			**63.4%**

			For the three months ended Sep 30, 2022	
GAAP operating income (1)		$	**1,110.7**	
Adjustments to reconcile GAAP operating income to non-GAAP operating income*				
Acquisition-related charges	a	$	75.3	
Restructuring, severance and other charges	b	$	16.2	
Non-GAAP operating income (1)		$	**1,202.2**	
GAAP operating margin			**40.8%**	
Non-GAAP operating margin			**44.1%**	
GAAP research and development ("R&D") expenses		$	**318.5**	
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*				
Acquisition-related charges	a	$	(9.1)	
Non-GAAP R&D expenses		$	**309.4**	^
GAAP selling, general and administrative ("SG&A") expenses (1)		$	**254.0**	
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*				
Acquisition-related charges	a	$	(21.0)	
Restructuring, severance and other charges	b	$	(16.2)	
Non-GAAP SG&A expenses (1)		$	**216.7**	^
GAAP Other expense (income), net		$	**40.7**	
Adjustments to reconcile GAAP other expenses (income), net to non-GAAP other expenses*				
Restructuring, severance and other charges	b	$	11.8	
Non-GAAP Other expense (income), net		$	**52.5**	

(1) **Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP), because the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The benefit associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended September 30, 2022 was $10.3 million. The loss associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended September 30, 2022 was $10.3 million.**

^ Amounts may not sum due to rounding

* Refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information for each reconciling item

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures								
(Dollars in millions)	For the three months ended		For the twelve months ended					
	Sep 30, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	$ 1,011.5	$ 819.2	$ 3,460.5	$ 2,786.4	$ 2,536.7	$ 1,968.1	$ 1,373.0	$ 1,389.7
Less Capital expenditures	$ (84.4)	$ (73.2)	$ (322.7)	$ (250.4)	$ (244.7)	$ (200.3)	$ (149.2)	$ (86.5)
Free cash flow	**$ 927.2** ^	**$ 746.1** ^	**$ 3,137.7** ^	**$ 2,536.0**	**$ 2,292.0**	**$ 1,767.8**	**$ 1,223.8**	**$ 1,303.2**
Free cash flow	$ 927.2		$ 3,137.7	$ 2,536.0		$ 1,767.8	$ 1,223.8	$ 1,303.2
Revenue	$ 2,724.4		$ 9,852.5	$ 8,165.7		$ 6,073.0	$ 5,278.6	$ 4,304.5
Free cash flow margin	**34.0%**		**31.8%**	**31.1%**		**29.1%**	**23.2%**	**30.3%**
Free Cash Flow Conversion calculation								
Free cash flow	$ 927.2							
Non-GAAP net income attributable to KLA	$ 1,006.6							
Free cash flow conversion	**92.1%**							
GAAP metric comparable to Free Cash Flow Conversion								
Net cash provided by operating activities	$ 1,011.5							
GAAP net income attributable to KLA	$ 1,026.0							
GAAP metric comparable to free cash flow conversion	**98.6%**							
Cash paid for dividends	$ 188.0		$ 663.7					
Cash paid for share repurchases	$ 89.8		$ 3,658.0					
Cash paid for forward contract	$ -		$ 900.0					
Capital returns	**$ 277.8**		**$ 5,221.7**					
Capital returns as a percentage of free cash flow			**166.4%**					

The Company presents free cash flow and certain related metrics as supplemental non-GAAP measures of its performance. Free cash flow is determined by adjusting GAAP net cash provided by operating activities for capital expenditures. Free cash flow conversion is defined as free cash flow divided by non-GAAP net income, and free cash flow margin is defined as free cash flow divided by revenue.

^ Amounts may not sum due to rounding

Reconciliation of Guidance

Q2 FY2023 Guidance Range:

(In millions, except per share amounts and percentages)		Low	High
GAAP diluted net income per share		$ 5.94	$ 7.34
Acquisition-related charges	a	0.49	0.49
Restructuring, severance and other charges	b	0.01	0.01
Income tax effect of non-GAAP adjustments	d	(0.14)	(0.14)
Non-GAAP diluted net income per share		$ 6.30	$ 7.70
Shares used in diluted shares calculation		140.3	140.3
GAAP gross margin		59.8%	62.0%
Acquisition-related charges	a	1.7%	1.5%
Non-GAAP gross margin		61.5%	63.5%
GAAP operating expenses		$ 568	$ 580
Acquisition-related charges	a	(23)	(23)
Restructuring, severance and other charges	b	(1)	(1)
Non-GAAP operating expenses		$ 544	$ 556

Note: The guidance as of October 26, 2022 represents our best estimate considering the information known as of the date of issuing the guidance. We undertake no responsibility to update the above in light of new information or future events. Refer to forward looking statements for important information. Also refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information about each reconciling item.

Note Regarding Reconciliations of Long-term Forecasts:

This presentation/shareholder letter includes certain forward-looking non-GAAP financial measures, including gross margin, R&D as a percent of sales, SG&A as a percent of sales, operating margin and diluted EPS, in forecasts for calendar year 2023 and calendar year 2026. The reconciliations for these non-GAAP measures to the most directly comparable GAAP measures are not presented because of the inherent difficulty in predicting, with a reasonable degree of certainty, the occurrence, financial impact and timing of items that would be expected to impact GAAP results but would not impact non-GAAP adjusted results, such as acquisition costs, restructuring costs and discrete taxable events, without unreasonable efforts. These reconciling items could significantly impact, either individually or in the aggregate, the corresponding GAAP measures.

Reconciliation of Non-GAAP Financial Measures

Explanation of Non-GAAP Financial Measures:

To supplement our Condensed Consolidated Financial Statements presented in accordance with GAAP, we provide certain non-GAAP financial information, which is adjusted from results based on GAAP to exclude certain costs and expenses, as well as other supplemental information. The non-GAAP and supplemental information is provided to enhance the user's overall understanding of our operating performance and our prospects in the future. Specifically, we believe that the non-GAAP information, including non-GAAP net income attributable to KLA, non-GAAP net income per diluted share attributable to KLA, non-GAAP R&D expenses, non-GAAP gross margin, non-GAAP operating margin, non-GAAP operating expenses, Free Cash Flow, FCF Conversion and FCF Margin, provides useful measures to both management and investors regarding financial and business trends relating to our financial performance by excluding certain costs and expenses that we believe are not indicative of our core operating results to help investors compare our operating performances with our results in prior periods as well as with the performance of other companies. The non-GAAP information is among the budgeting and planning tools that management uses for future forecasting. However, because there are no standardized or generally accepted definitions for most non-GAAP financial metrics, definitions of non-GAAP financial metrics are inherently subject to significant discretion (for example, determining which costs and expenses to exclude when calculating such a metric). As a result, non-GAAP financial metrics may be defined very differently from company to company, or even from period to period within the same company, which can potentially limit the usefulness of such information to an investor. The presentation of non-GAAP and supplemental information is not meant to be considered in isolation or as a substitute for results prepared and presented in accordance with United States GAAP. The following are descriptions of the adjustments made to reconcile GAAP net income attributable to KLA to non-GAAP net income attributable to KLA:

a) Acquisition-related charges primarily include amortization of intangible assets and other acquisition-related adjustments including adjustments for the fair valuation of inventory and backlog, and transaction costs associated with our acquisitions.

b) Restructuring, severance and other charges primarily include costs associated with employee severance, acceleration of certain stock-based compensation arrangements, interest expense on unrecognized tax benefits, charges related to liquidation of legal entities, gains and losses from exiting non-core businesses, adjustments related to non-controlling interest and other exit costs.

c) Loss on extinguishment of debt includes a pre-tax loss on early extinguishment of the $500 million 4.650% Senior Notes due in November 2024.

d) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.

e) Discrete tax items consist of consist of certain income tax expenses/benefits that, by excluding, help investors compare our operating performance with our results in prior periods as well as with the performance of other companies.

KLA

Keep Looking Ahead