

# Letter to Shareholders



Keep Looking Ahead

## Q2 Fiscal 2024 Earnings

Quarter Ended December 31, 2023 • Reported On January 25, 2024



Dear KLA Shareholders,

This letter summarizes KLA’s overall performance for calendar 2023 and the December quarter while also looking ahead. These results are a credit to the continued strength of the KLA global employees who demonstrate perseverance through dynamic and challenging conditions to deliver for our customers.

## Calendar 2023 Recap

We will briefly recap 2023 prior to reviewing the December quarter highlights. In 2023, KLA successfully navigated the persistently challenging market environment and continued to reinforce product and technology leadership in some of the most mission-critical markets within the Wafer Fab Equipment (WFE) industry. Through it all, our focus on meeting customer requirements, delivering on our financial model, and driving strong returns to shareholders was consistent with what our constituencies have come to expect from KLA.

For the calendar year, revenue was almost \$9.7 billion, down 8% versus the prior year. This was higher than our expectations coming into the year as strength from legacy node customers and semiconductor infrastructure offset weaker than expected leading edge investments in both logic and memory. Despite a down year in WFE, there was growth in segments of the KLA business which were bright spots in the challenging demand environment. 2023 was a growth year for the infrastructure business supporting wafer and reticle manufacturers, the automotive segment, and in the specialty semiconductor process business. In addition, KLA’s Services business grew 7% to almost \$2.2 billion for the year. After taking approximately 40 years to achieve \$1 billion in annual revenue, KLA’s Services revenue has more than doubled since 2018 and is expected to grow to over \$3 billion by 2026, per the target model.

## Calendar 2023 – A Year In Review



### Strong Relative Performance Demonstrating Market Leadership

\* Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP. Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. \*\* Diluted net income per share is computed independently for each of the quarters presented based on the weighted-average fully diluted shares outstanding for each quarter. Therefore, the sum of quarterly diluted net income per share information may not equal annual (or other multiple-quarter calculations of) diluted net income per share.

Despite the lower overall revenue in 2023, KLA continued to deliver strong industry-leading margins with a non-GAAP gross margin of 61.7% and a non-GAAP operating margin of 39.5%. Free cash flow grew 6% in 2023 to a record \$3.2 billion. KLA’s strong free cash flow generation consistently rank

among the best public companies including those within the semiconductor ecosystem for this metric. Aligned with our long-term strategic objectives, KLA delivered on the ongoing commitment to return value to shareholders, including a 14th consecutive dividend increase announced in September 2023. Also, in September, we announced an additional \$2 billion share repurchase program. Total returns to shareholders in 2023 (including dividends and share repurchases) were \$2.5 billion.

KLA's market-leading profitability and record free cash flow margins demonstrate consistent execution with a focus on driving KLA's market leadership across the business through customer adoption of KLA solutions in the critical markets we serve.

## December Quarter 2023 Highlights

KLA's December quarter results were ahead of our expectations as revenue grew 4% sequentially to \$2.49 billion. Quarterly Non-GAAP Net Income was \$839 million. GAAP diluted Earnings Per Share (EPS) was \$4.28, and non-GAAP diluted EPS was \$6.16.

All three business segments grew sequentially. Customer demand in Semiconductor Process Control, up 3% sequentially, and Specialty Semiconductor Process, up 18% sequentially, reflected KLA's strength in critical WFE markets enabling the development of advanced semiconductor device technologies in our customers' long-term product roadmaps. While headwinds related to the global macro economy have impacted semiconductor revenue growth in the near-term, semiconductors have become pervasive across the global economy, resulting in more balanced and diversified demand. Process Control plays a critical enabling role in our customers' ability to execute these node and technology transitions while enabling capital efficiency by optimizing yields in volume production.

KLA's strong results are the latest example of successfully meeting or exceeding commitments and creating value for customers, partners, and shareholders. The global KLA teams continue to benefit from leveraging the KLA Operating Model to meet the challenges and capture the opportunities in the marketplace.

## Semiconductor Industry Demand Environment

The Semiconductor industry has evolved to be more strategic, featuring a more balanced and diversified end-market mix, with growth coming from the increasingly critical nature of semiconductors to more and more industries worldwide. Factors such as the continuing advancement of technology spurred by the performance, power, and price benefits of being at the leading edge, increasing investment in legacy nodes as semiconductor content increases, and innovation and growth of new enabling technologies fuel long-term growth for the semiconductor equipment industry.

As we begin 2024, we are encouraged by recent reports from many of our customers of an improving demand environment that should continue gradually as we move through the calendar year. This outlook is reinforced by increasingly constructive customer engagement regarding investment plans to support a return to growth at the leading-edge as demand and business fundamentals continue to improve. Though visibility remains challenging, our business continues to

maintain this stabilizing revenue profile. Looking forward through 2024, we see our March quarter as the low point for the year and expect business levels to improve as we progress through the year.

## Semiconductor Industry Demand Environment

### Long-Term Secular Drivers Demonstrate Strategic Value of Semiconductors

The semiconductor industry is expected to grow over the long term due to new enabling technologies and the continued proliferation of semiconductors into more industries. Industry regionalization remains in the early stages. These technologies and trends underpin the broader semiconductor industry view that semiconductor revenue is on track to be \$1 trillion by 2030, representing a compound annual growth rate (CAGR) of approximately 9% from 2023 levels.

### Wafer Fabrication Equipment Market Continues to Stabilize at Current Levels

Visibility into the near-term timing of sustainable demand recovery in WFE remains uncertain. However, the WFE industry demand has stabilized, and we are encouraged by recent reports from our customers of an improving demand environment that should continue gradually as we move through the calendar year.

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

With overall WFE demand stabilizing, R&D investments remain a priority for our largest customers. This is important for KLA as our portfolio of products are heavily relied upon during the R&D process as well as the early ramp phase when faster time-to-yield is critical.

The strategic nature of semiconductors in the global economy drives long term secular growth

## Top 5 Highlights for the December Quarter and Calendar 2023

First, market leadership in some of the most critical and fastest-growing segments of WFE over the long-term drives KLA's business. KLA and Process Control's critical role in customers' technology development and R&D initiatives remains a buffer against near-term WFE volatility.

Second, strong customer acceptance of KLA's market-leading products across multiple optical inspection markets validates KLA's market leadership and the "Power of the Portfolio." This quarter highlights the growing adoption of the 8900 Series for high throughput macro inspection serving rising legacy node demand. First introduced in 2009, the 8900 platform was one of the best-performing product lines in KLA's Optical Inspection portfolio in CY23, experiencing strong growth with customers in legacy foundry/logic, specialty semiconductor and advanced packaging applications. The 8900 Series anchors KLA's macro inspection portfolio for front-end WFE which ranked #1 in market share last year according to Gartner.

Third, the rapid growth of AI both enables KLA's differentiation and helps drive industry growth. KLA is a pioneer in adopting AI to improve system performance and create differentiation, with a long track record of employing deep learning and physics-based algorithms in core technologies. As the cost of computing has declined, this capability has been deployed more broadly across KLA's inspection and metrology product portfolio improving signal-to-noise recognition and reducing process learning cycles as customers resolve critical yield challenges.

Fourth, KLA Services grew both on a sequential quarterly basis and in CY23, demonstrating resiliency in a declining WFE market. KLA Services grew 1% to \$565 million in the December quarter and was up 7% in CY23, finishing just below \$2.2 billion in revenue. KLA Services remains on track to resume the targeted 12% to 14% annual revenue growth trajectory in calendar 2024, as the record number of new tools shipped in 2021 and 2022 end the warranty period and move into service contracts. In

addition, it is expected that utilization rates of the installed base will steadily improve through the year providing an additional element of growth.

Finally, the December quarter was another excellent period from the perspective of cash flow and capital returns. Quarterly free cash flow was \$545 million, which contributed to 6% growth in free cash flow in CY23. KLA’s business model is focused on driving consistent free cash flow performance, and we are committed to returning capital to shareholders via our dividend and stock repurchase programs, which is fundamental to augmenting total shareholder returns.

- 1 KLA’s Consistency Led By Market Leadership and Execution**  
 Market leadership in some of the most critical and fastest-growing segments of WFE over the long-term drives KLA’s business. KLA and Process Control’s critical role in customers’ technology development and R&D initiatives remains a buffer against near-term WFE volatility.
- 2 KLA Exhibiting Strong Product Success in Legacy/Specialty Node Applications**  
 Strong customer acceptance of KLA’s market-leading products across multiple optical inspection markets validates KLA’s market leadership and the “Power of the Portfolio.” This quarter highlights the growing adoption of the 8900 Series for high throughput macro inspection serving rising legacy node demand. First introduced in 2009, the 8900 platform was one of the best-performing product lines in KLA’s Optical Inspection portfolio in CY23, experiencing strong adoption with customers in legacy foundry/logic, specialty semiconductor, and advanced packaging applications.
- 3 The Rapid Growth of AI both Enables KLA’s Differentiation and Helps Drive Industry Growth**  
 KLA is a pioneer in adopting AI to improve system performance and create differentiation, with a long track record of employing deep learning and physics-based algorithms in core technologies. As the cost of computing has declined, this capability can be deployed more broadly across KLA’s inspection and metrology product portfolio improving signal-to-noise recognition and reducing process learning cycles as customers resolve critical yield challenges.
- 4 KLA Services Grew 7% to ~\$2.2 Billion in CY23, Demonstrating Resiliency in a Down WFE Market**  
 KLA Services grew both on a sequential quarterly basis and in CY23, demonstrating resiliency in a declining WFE market. KLA Services grew 1% to \$565 million in the December quarter, and was up 7% year-over-year, finishing just below \$2.2 billion in revenue. KLA Services remains on track to resume the targeted 12-14% annual revenue growth trajectory in calendar 2024, as a record number of new tools shipped over the past two years end the warranty period and move into service contracts.
- 5 KLA Delivered Strong Free Cash Flow Generation and Capital Returns in CY23**  
 Quarterly free cash flow was \$545 million, which drove CY23 free cash flow growth up 6% to \$3.2 billion. Returning capital to shareholders through both quarterly dividends and a stock repurchase program remains a top priority. Total capital returns in CY23 were \$2.5 billion. Since the June 2022 Investor Day, total capital returns have totaled over \$6 billion, including the \$3 billion accelerated share repurchase (ASR) announced in June 2022. In September 2023, KLA announced the 14th consecutive annual dividend increase and an additional \$2 billion share repurchase authorization. Capital returns in the December quarter were \$635 million, comprised of \$438 million in share repurchases and \$197 million in dividends.

The company is well positioned at the forefront of technology innovation with a comprehensive portfolio of products to meet demanding customer requirements. The semiconductor and electronics industry landscapes are constantly changing, and there is more customer interest driven by technology change than ever before at the leading edge. Simultaneously, the need for increased performance and reliability requirements for legacy nodes to support evolving markets where semiconductor content is steadily rising is essential to help deliver new capabilities.

## KLA’s 2024 Priorities

As always, our first priority is to continue to support customers and meet commitments for product delivery and support. It is also critical to execute on product roadmaps to ensure we continue to deliver the innovation that customers expect and need to solve next generation process challenges and to enable the continued differentiation that drives KLA’s business model. And finally, the third priority in calendar 2024 is to ensure our global teams are prepared for the expected return to growth at the leading-edge as the industry and KLA expand to support new process technology innovations to drive the compelling long-term growth outlook of semiconductor markets.





The KLA Operating Model positions the company well for sustainable outperformance relative to the industry over the long run. It also guides critical strategic objectives and will inform our decision making and accountability processes in our return to growth. These objectives fuel growth, reliable operational excellence, and differentiation across our diverse products and services offerings.

## The KLA Operating Model



## December Quarter Financial Highlights

KLA's December quarter results demonstrated the consistent execution of our global team. Despite the challenges and complexity of the current industry environment, KLA continues to show resourcefulness and the ability to adapt to meet customers' changing and fluid requirements.



Quarterly revenue was \$2.49 billion, slightly above the guidance midpoint of \$2.45 billion. Non-GAAP diluted EPS was \$6.16, above the midpoint of the guided range of \$5.26 to \$6.46. GAAP diluted EPS was \$4.28. GAAP EPS was negatively impacted by \$1.59 for a goodwill and purchased intangible asset impairment charge. Non-GAAP gross margin was 62.6%, just above the high-end of the guidance range of 60.5% to 62.5%.

Non-GAAP operating expenses were \$544 million, slightly above the estimated \$540 million for the quarter. Non-GAAP operating expenses were comprised of \$320 million in R&D and \$224 million in SG&A.

Non-GAAP operating margin was 40.7%. Non-GAAP other income and expense, net, was \$42 million, and the quarterly effective tax rate was 13.6%.

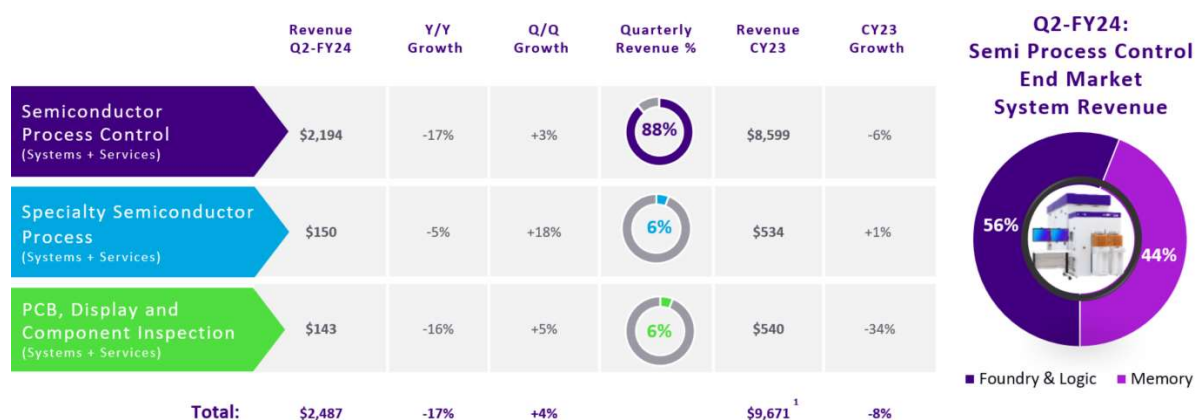
Quarterly Non-GAAP net income was \$839 million, GAAP net income was \$583 million, cash flow from operations was \$622 million, and free cash flow was \$545 million. The company had approximately 136 million diluted weighted average shares outstanding at the end of the quarter.

During the quarter, KLA recognized a goodwill and purchased intangible asset impairment charge of \$219 million for the PCB and Display reporting unit attributed to a weaker long-term outlook, primarily for the flat panel display (FPD) business. We have begun investigating strategic alternatives for the FPD business which accounted for 1.4% of total revenue in calendar 2023.

## Breakdown of Revenue by Reportable Segments and End Markets

All three reportable revenue segments (including Systems and Service revenue) grew sequentially in the December quarter. Revenue for the Semiconductor Process Control segment for the December quarter, including its associated Services business, was \$2.2 billion, up 3% sequentially but down

17% on a year-over-year basis. For calendar 2023, the Semiconductor Process Control Systems segment and related Services declined 6%. The Semiconductor Process Control system semiconductor customer mix for Foundry/Logic customers was approximately 56% in the quarter. Memory was approximately 44%, with DRAM accounting for 89% of Memory revenue.



<sup>1</sup> Amounts may not sum due to rounding and the effects of FX and corporate allocations are not allocated to segments

Revenue for the EPC group is driven by demand in automotive, 5G, and advanced packaging. Within EPC, the Specialty Semiconductor Process segment, which includes its associated Services business, grew 18% sequentially to \$150 million, but was down 5% year-over-year in December. Specialty Semiconductor Process Systems and Services delivered 1% growth in CY23, meaningfully outpacing the overall WFE industry as diversification of served markets and adoption gains from new products contributed to top-line relative performance. PCB, Display and Component Inspection revenue was \$143 million, up 5% sequentially, but down 16% year-over-year, reflecting limited capacity investments in consumer electronics end markets.

## Breakdown of Revenue by Major Products and Regions

Wafer Inspection systems grew 15% sequentially but declined 7% year-over-year in the December quarter, totaling 47% of total revenue. For calendar 2023, Wafer Inspection systems declined by 5%.

Patterning systems, which include metrology and reticle inspection, was down 21% sequentially and down 50% year-over-year, and was 17% of total revenue in the December quarter. In calendar 2023, patterning systems declined 20% consistent with the reduction in capacity investments by semiconductor customers.

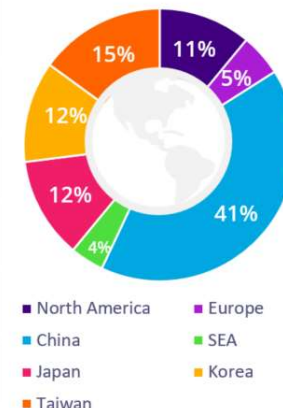


	Revenue Q2-FY24	Y/Y Growth	Q/Q Growth	Quarterly Revenue %	Revenue CY23	CY23 Growth
Wafer Inspection	\$1,167	-7%	+15%	47%	\$4,154	-5%
Patterning	\$430	-50%	-21%	17%	\$2,169	-20%
Specialty Semi Process	\$136	-6%	+22%	6%	\$481	+1%
PCB, Display and Comp. Inspection	\$77	-29%	+9%	3%	\$283	-48%
Services	\$565	+9%	+1%	23%	\$2,193	+7%
Other <sup>1</sup>	\$111	+22%	+11%	4%	\$391	+17%
<b>Total:</b>	<b>\$2,487<sup>2</sup></b>	<b>-17%</b>	<b>+4%</b>		<b>\$9,671</b>	<b>-8%</b>

<sup>1</sup> Included in the Semiconductor Process Control Segment

<sup>2</sup> Amounts may not sum due to rounding and the effects of FX and corporate allocations are not allocated to segments

Q2-FY24  
Revenue by Region



Specialty Semiconductor Process grew 22% in the December quarter, but was down 6% year-over-year to finish at 6% of total quarterly revenue.

PCB, Display and Component Inspection systems revenue was down 48% for calendar 2023, and also down 29% year-over-year. However, it rose 9% sequentially to 3% of revenue.

Services grew 7% in calendar 2023 and was up 9% from a year ago levels on a quarterly basis. Service revenue was also up 1% sequentially, and was 23% of total revenue in the quarter. Other, which is included in the Semiconductor Process Control segment, was 4% of total revenue in the December quarter.

The December quarter regional revenue split was as follows: China was 41%, Taiwan was 15% and Korea and Japan were each 12% of total revenue. North America was 11%. Other regions that accounted for less than 10% of revenue were Europe at 5%, and the rest of Asia at 4%.

## Strong Investment Grade Balance Sheet

KLA ended the quarter with \$3.3 billion in total cash, cash equivalents and marketable securities, debt of \$5.95 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies. In December 2023, Fitch Ratings upgraded KLA's Long-Term Issuer Default Rating (IDR) and senior unsecured ratings to "A" from "A-" with a stable outlook. KLA's balance sheet offers a unique capability to fund our growth strategies, organic and inorganic, and provide ongoing attractive capital returns to shareholders.

### Balance Sheet Summary<sup>1</sup> (\$M)

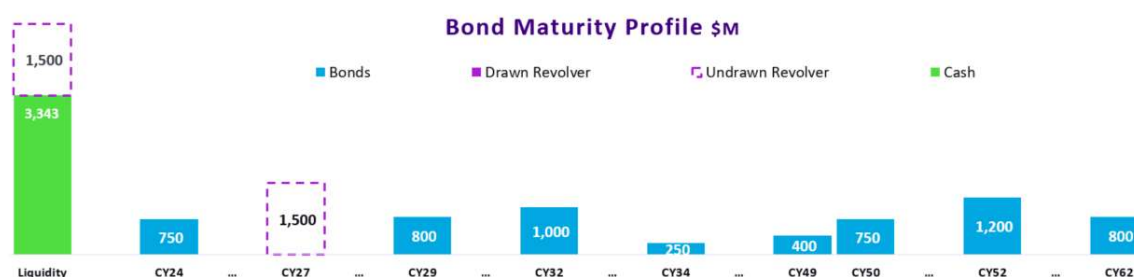
Total Cash <sup>2</sup>	\$ 3,343
Working Capital	\$ 4,178
Total Assets	\$ 14,281
Debt <sup>3</sup>	\$ 5,893
Total Shareholders' Equity	\$ 3,044

### Bond Maturity Profile

Bonds Outstanding	\$5.95B
Weighted Average Interest Rate	4.64%
Weighted Average Maturity	18.6 years

### Investment Grade Credit Ratings

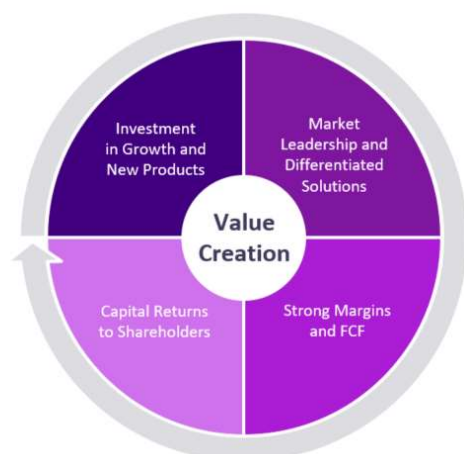
Moody's	A2
S&P	A-
Fitch <sup>4</sup>	A



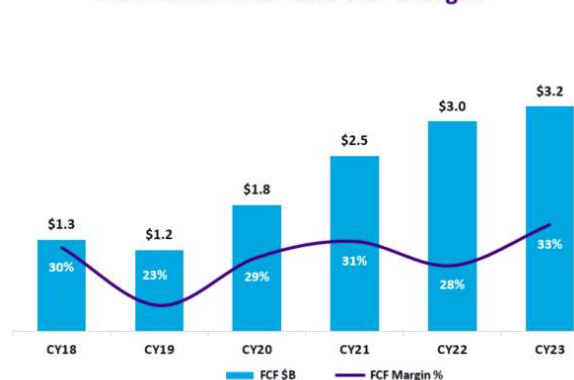
<sup>1</sup> As of 12/31/23; <sup>2</sup> Total Cash includes Cash, Cash Equivalents and Marketable Securities; <sup>3</sup> \$57M in un-amortized debt issuance discounts and costs; <sup>4</sup> Upgraded from A- December 20, 2023

## FCF Generation Fuels Consistent Capital Return to Shareholders

As demonstrated by the calendar 2026 financial targets, KLA has confidence in the business over the long term and is committed to a consistent strategy of cash returns that includes both dividend growth and increasing share repurchases over the long-term. This strategy underscores a strong track record of predictable and assertive capital deployment and remains an important differentiating element of the KLA investment thesis.



### Free Cash Flow<sup>1</sup> and FCF Margin<sup>2</sup>

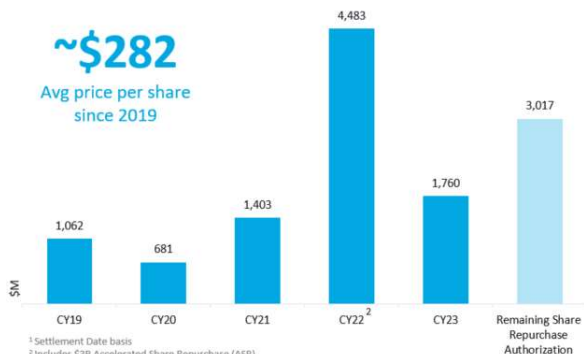


<sup>1</sup> Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures

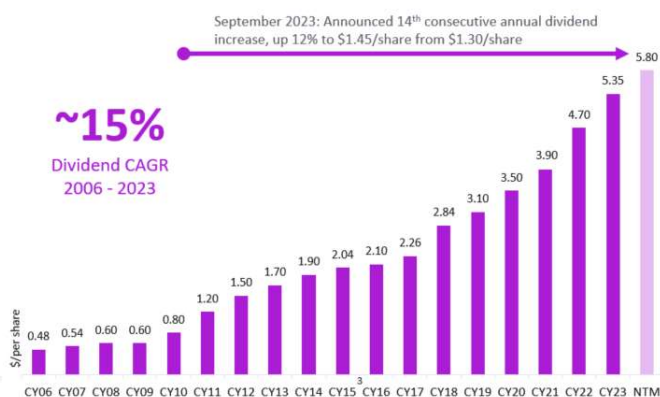
<sup>2</sup> FCF Margin defined as FCF/Revenue; Non-GAAP metric - Please refer to Appendix for reconciliation to GAAP

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

### Share Repurchases<sup>1</sup>



### Track Record of Dividend Increases



## Free Cash Flow and Capital Returns Highlights

KLA has an impressive history of consistent free cash flow generation, high free cash flow conversion, and strong free cash flow margins across all business cycle phases and economic conditions. In September 2023, KLA announced the increase of the quarterly dividend level to \$1.45 per share. Since its inception in 2006, KLA has grown the quarterly dividend level at an approximately 15% compounded annual growth rate. Also in September, KLA announced an incremental \$2 billion share repurchase authorization. These capital returns actions reflect confidence in our business model and growth strategies as we progress toward the 2026 financial targets.

**\$545M**

December Quarter Free Cash Flow\*

**22%**

December Quarter FCF Margin\*

**65%**

December Quarter FCF Conversion\*

(Above) The latest-generation Archer™ overlay metrology system provides accurate feedback of on-product overlay error for fast technology ramps and stable production of leading-edge memory and logic devices.

**\$438M**

December Quarter Share Buyback

**\$1,760M**

CY23 Share Buyback

**\$197M**

December Quarter Dividends Paid

**\$739M**

CY23 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. Refer to Appendix for Reconciliation to GAAP, Capital Returns = Dividends + Share Repurchases

## Calendar 2024 Outlook

Looking ahead to calendar 2024, the exact timing of a meaningful and sustainable resumption in WFE investment growth continues to remain uncertain. Though there are signs of improvement in

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some end-markets, this improvement is off low levels, impacting our customer's profitability and cash flow generation in the near-term. KLA's overall demand is stabilizing around current business levels plus or minus the guidance ranges. As of now, this translates into KLA's revenue bottoming in the March quarter driven mostly by a customer project delay occurring in the last couple of months. Based on current fab schedules and our June quarter shipment plans, we expect sequential growth to return in the June quarter and continue for the remainder of the calendar year.

For calendar 2024, we currently expect WFE demand to be in the mid to high \$80 billion's, roughly flat to modestly up from the anticipated level in calendar year 2023. We expect that the second half of the calendar year will be stronger than the first half for WFE investment. This WFE estimate reflects our current tops-down assessment of industry demand as follows: in memory, we expect WFE investment to be slightly up from low levels with investments focused on High Bandwidth Memory (HBM) capacity and leading-edge node development. Both NAND and DRAM fabs are still at low utilization levels as consumer markets have not yet returned to the growth levels needed to bring factory utilization back to the high levels seen in past years. Once customers consume this excess capacity and focus on node migration, we would expect to see new investments. Foundry/logic is expected to be slightly up with leading-edge investment returning to modest growth levels, legacy investment declining versus 2023 and China legacy node investments remaining flattish to current levels.

KLA's unique broad portfolio differentiation and primary value proposition are focused on enabling technology transitions, which customers continue to prioritize and invest in despite an uncertain business environment. While capacity plans remain fluid, technology roadmap investment tends to be more resilient and aligns with KLA's highest value product offerings. This demand adds additional confidence in business expectations as customers align shipment slots with roadmap requirements. In this industry environment, KLA will continue to focus on supporting customer requirements, executing on product roadmaps, and preparing for growth at the leading-edge.

## March 2024 Quarterly Guidance

KLA's March quarter guidance is as follows: total revenue is expected to be \$2.3 billion, plus or minus \$125 million. Foundry/Logic is forecasted to be approximately 60%, and Memory is expected to be 40% of Semi Process Control systems revenue. Within Memory, DRAM is expected to be about 85% of the segment mix and NAND the remaining 15%.

Non-GAAP gross margin is forecasted to be in a range of 61.5% plus or minus one percentage point as product mix weakens quarter to quarter due to lower overall semiconductor process control systems revenue.

For calendar 2024, based on current industry outlook, top-line growth expectations, higher forecasted growth in Services and expected systems product mix we are modeling gross margins to be relatively stable around the mid 61 percent range. Variability quarter-to-quarter is typically driven by product mix fluctuations.

Operating expenses are forecasted in the March quarter to be approximately \$545 million, relatively flat with the December quarter.

For calendar 2024 operating expenses, we expect \$5 to \$10 million incremental growth per quarter, beyond the March quarter, in line with expected sequential growth in revenue. Prototype material purchases can drive variability quarter-to-quarter.

For our calendar 2024 tax rate, based on current forecasts, we do not expect material changes and you should continue using the 13.5% effective rate for modeling purposes.

Other model assumptions for the March quarter include: other income and expense, net, of approximately \$45 million. GAAP diluted EPS is expected to be \$4.93 plus or minus \$0.60, and non-GAAP diluted EPS of \$5.26 plus or minus \$0.60. EPS guidance is based on a fully diluted share count of approximately 135.6 million shares.

## Guidance for Q3 FY2024 – March 2024 Quarter

March 2024 Quarter Guidance		
Revenue	\$2.3B +/- \$125M	<b>Macro Assumptions</b> Semi PC Revenue By End Market <ul style="list-style-type: none"> <li>▪ Foundry/Logic: 60%</li> <li>▪ Memory: 40% → DRAM 85%   NAND 15%</li> </ul> <b>Model Assumptions</b> <ul style="list-style-type: none"> <li>▪ Non-GAAP Operating Expenses*: ~\$545M</li> <li>▪ Other Income &amp; Expense (OIE)*, Net: ~\$45M</li> <li>▪ Effective Tax Rate: ~13.5%</li> <li>▪ Diluted Share Count: ~135.6M</li> </ul>
Non-GAAP Gross Margin*	61.5% +/- 1%	
GAAP Diluted EPS	\$4.93 +/- \$0.60	
Non-GAAP Diluted EPS*	\$5.26 +/- \$0.60	
<small>* Non-GAAP metric – Refer to Appendix for Reconciliation to GAAP</small>		
<p style="text-align: center;"><b>Strong, resilient and delivering shareholder value</b></p>		

## In Conclusion

We are optimistic that most end markets are showing signs of improvement. KLA will remain focused on supporting customers, executing on our product roadmaps, and positioning the company for a return of growth at the leading edge. Though visibility into the precise timing of a sustainable demand recovery is still unclear, KLA is running the business to ensure delivery of a differentiated product portfolio that meets customers' technology roadmap requirements and to execute our business in line with our longer-term growth expectations. With the KLA Operating Model guiding best-in-class execution, KLA continues to implement strategic objectives, which are geared to drive outperformance. With a focus on customer success, delivering innovative and differentiated solutions, and operational excellence, KLA is able to deliver industry-leading financial and free cash flow performance and return capital consistently.

The past few years have strengthened our confidence in the increasing importance of Process Control in enabling technology advancements and optimizing yield, in a high design mix volume production environment. This bodes well for KLA's long-term growth outlook despite still challenging near-term demand trends. In the meantime, KLA's business continues to stabilize, and

the long-term secular trends driving semiconductor industry demand and investments in WFE remain very compelling.

Sincerely,



**Rick Wallace**  
CEO



**Bren Higgins**  
CFO





# Reconciliation of Guidance

## Q3 FY2024 Guidance Range:

<i>(Dollars in millions except per share amounts)</i>	Low	High
<b>GAAP diluted net income per share</b>	<b>\$ 4.33</b>	<b>\$ 5.53</b>
Acquisition-related charges	a 0.42	0.42
Restructuring, severance and other charges	b 0.06	0.06
Income tax effect of non-GAAP adjustments	d (0.15)	(0.15)
<b>Non-GAAP diluted net income per share</b>	<b>\$ 4.66</b>	<b>\$ 5.86</b>
Shares used in net income per diluted shares calculation	135.6	135.6
<b>GAAP gross margin</b>	<b>58.4%</b>	<b>60.4%</b>
Acquisition-related charges	a 1.9%	1.9%
Restructuring, severance and other charges	b 0.2%	0.2%
<b>Non-GAAP gross margin</b>	<b>60.5%</b>	<b>62.5%</b>
<b>GAAP operating expenses</b>	<b>\$ 556</b>	<b>\$ 568</b>
Acquisition-related charges	a (13)	(13)
Restructuring, severance and other charges	b (4)	(4)
<b>Non-GAAP operating expenses</b>	<b>\$ 539</b>	<b>\$ 551</b>

**Note:** The guidance as of January 25, 2024 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.

# 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 gains, 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, non-GAAP net income per diluted share, non-GAAP gross margin and free cash flow, 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 to non-GAAP net income:

- a) Acquisition-related charges primarily include amortization of intangible assets and transaction costs associated with our acquisitions. Although we exclude the effect of amortization of all acquired intangible assets from these non-GAAP financial measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase price accounting arising from acquisitions, and such amortization of intangible assets related to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Investors should note that the use of these intangible assets contributed to our revenues earned during the periods presented and are expected to contribute to our future period revenues as well.
- b) Restructuring, severance and other charges primarily include costs associated with employee severance, acceleration of recognition of certain stock-based compensation arrangements and other compensation expenses, and other exit costs.
- c) Impairment of goodwill and purchased intangible assets includes non-cash expense recognized as a result of the company's testing for goodwill impairment and long-lived asset impairment performed in the three months ended December 31, 2023. The impairment charge resulted from the downward revision of financial outlook for the PCB and Display reporting units. Management believes that it is appropriate to exclude these impairment charges as they are not indicative of ongoing operating results and therefore limit comparability. Management also believes excluding this item helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.
- 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 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.



## About KLA Corporation

KLA Corporation (KLA) is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help Integrated Circuit (IC) manufacturers manage yield throughout the entire wafer fabrication process—from Research & Development to final yield analysis. KLA offers a broad spectrum of products and services that are used by every major semiconductor manufacturer in the world. We provide advanced process control and process-enabling solutions for manufacturing wafers and reticles, integrated circuits, Packaging, printed circuit boards and flat panel displays. In close collaboration with leading customers across the globe, our expert teams of physicists, engineers, data scientists and problem-solvers design solutions that move the world forward. Additional information may be found at: [www.kla.com](http://www.kla.com).

Investors and others should note that KLA announces material financial information to investors using an investor relations website ([ir.kla.com](http://ir.kla.com)), including SEC filings, press releases, public earnings calls, and conference webcasts. These channels are used to communicate with the public about the company, products, services, and other matters.





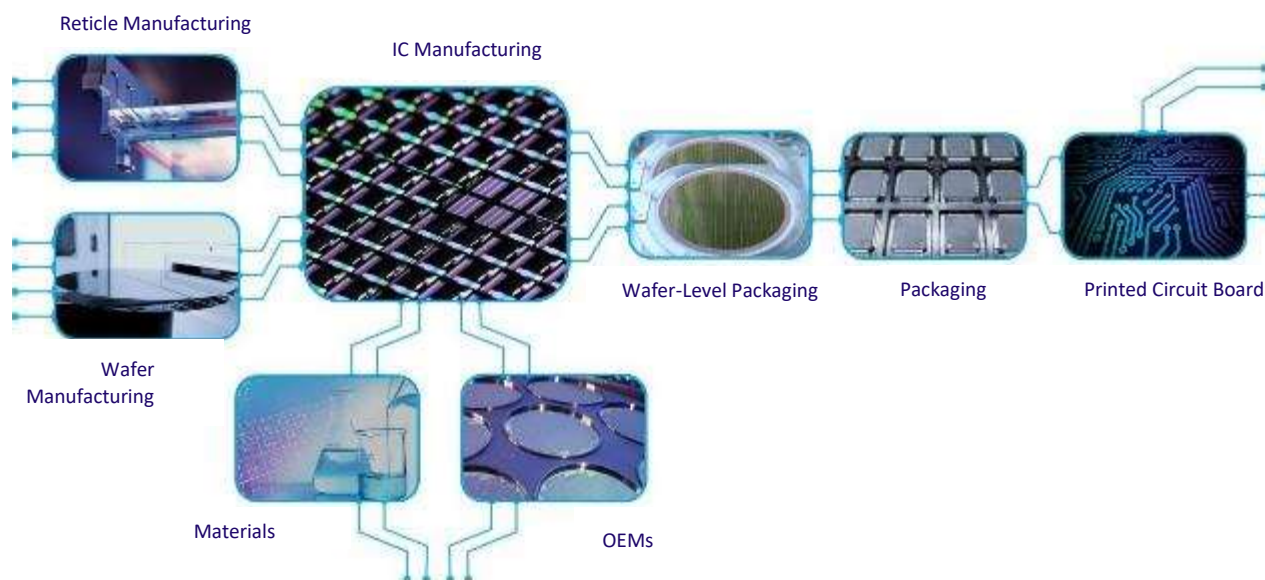
## KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

### Semiconductor Manufacturing

- IC Manufacturing
- Wafer Manufacturing
- Reticle Manufacturing
- IC Packaging
- Printed Circuit Board

### Related Electronics Industries

- Compound Semiconductor
- Power Device
- LED
- MEMS
- Data Storage/Media Head
- Flat Panel Display
- General Purpose/Labs



### Investor Contact:

Kevin Kessel, CFA  
 VP, Investor Relations & Market Analytics  
[kevin.kessel@kla.com](mailto:kevin.kessel@kla.com)  
 408-875-6627

### Media Contact:

Randi Polanich  
 SVP, Chief Communications Officer  
[randi.polanich@kla.com](mailto:randi.polanich@kla.com)  
 408-875-6633

## Note on Forward-Looking Statements

Statements in this letter other than historical facts, such as statements pertaining to: (i) future industry demand for semiconductors and WFE; (ii) utilization rates of the installed base; (iii) our market position for the future and timing for the resumption of growth in demand for our products; (iv) our forecast of financial measures for the following quarter and 2024; (v) our long-term financial targets and underlying assumptions; (vi) our future investment plan on R&D, technology and infrastructure; and (vii) future shareholder returns, 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: our vulnerability to a weakening in the condition of the financial markets and the global economy; risks related to our international operations; evolving Bureau of Industry and Security of the U.S. Department of Commerce rules and regulations and their impact on our ability to sell products to and provide services to certain customers in China; costly intellectual property disputes that could result in our inability to sell or use the challenged technology; risks related to the legal, regulatory and tax environments in which we conduct our business; increasing attention to ESG matters and the resulting costs, risks and impact on our business; unexpected delays, difficulties and expenses in executing against our environmental, climate, diversity and inclusion or other ESG target, goals and commitments; our ability to attract, retain and motivate key personnel; our vulnerability to disruptions and delays at our third party service providers; cybersecurity threats, cyber incidents affecting our and our business partners' systems and networks; our inability to access critical information in a timely manner due to system failures; our ability to identify suitable acquisition targets and successfully integrate and manage acquired businesses; climate change, earthquake, flood or other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism and the adverse impact on our business operations; the wars between Israel and Hamas and Russia and Ukraine, and the significant military activity in that region; lack of insurance for losses and interruptions caused by terrorists and acts of war, and our self-insurance of certain risks including earthquake risk; risks related to fluctuations in foreign currency exchange rates; risks related to fluctuations in interest rates and the market values of our portfolio investments; risks related to tax and regulatory compliance audits; any change in taxation rules or practices and our effective tax rate; compliance costs with federal securities laws, rules, regulations, NASDAQ requirements, and evolving accounting standards and practices; 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 vulnerability to a highly concentrated customer base; the cyclicity of the industries in which we operate; our ability to timely develop new technologies and products that successfully address changes in the industry; our ability to maintain our technology advantage and protect proprietary rights; our ability to compete in the industry; availability and cost of the materials and parts used in the production of our products; our ability to operate our business in accordance with our business plan; risks related to our debt and leveraged capital structure; we may not be able to declare cash dividends at all or in any particular amount; 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; our government funding for R&D is subject to audit, and potential termination or penalties; we may incur significant restructuring charges or other asset impairment charges or inventory write offs; and risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government. 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's Annual Report on Form 10-K for the year ended June 30, 2023, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA assumes no obligation to, and does not currently intend to, update these forward-looking statements.