



Keep Looking Ahead

Q3 Fiscal 2023 Earnings

Quarter Ended March 31, 2023 • Reported April 26, 2023

Forward Looking Statements

Statements in this presentation other than historical facts, such as statements pertaining to: (i) future industry demand for semiconductors and WFE; (ii) future development of regulatory landscape; (iii) our market position for the future; (iv) our forecast of financial measures for the following quarter and 2023; (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: 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, including existing and future bank failures; 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, 2022, 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

Long-Term Secular Drivers Demonstrate Strategic Value of Semiconductors

There are many fundamental drivers propelling long-term growth of the Semiconductor industry, underscoring the strategic importance of semiconductors and the semiconductor supply chain. Regionalization of semiconductor production is underway. The digital transformation of our lives is expanding beyond consumer to multiple end markets and technology-based services.

Semiconductor Device Manufacturers Reducing Near-Term Capex Plans in Response to Market Conditions

The Semiconductor industry has been facing a combination of factors, including inflation, a weakening global economy, and supply chain challenges. As a result, semiconductor demand (particularly in consumer markets) has been impacted, with memory device manufacturers and foundry/logic customers taking steps to adjust factory utilizations and reduce capex.

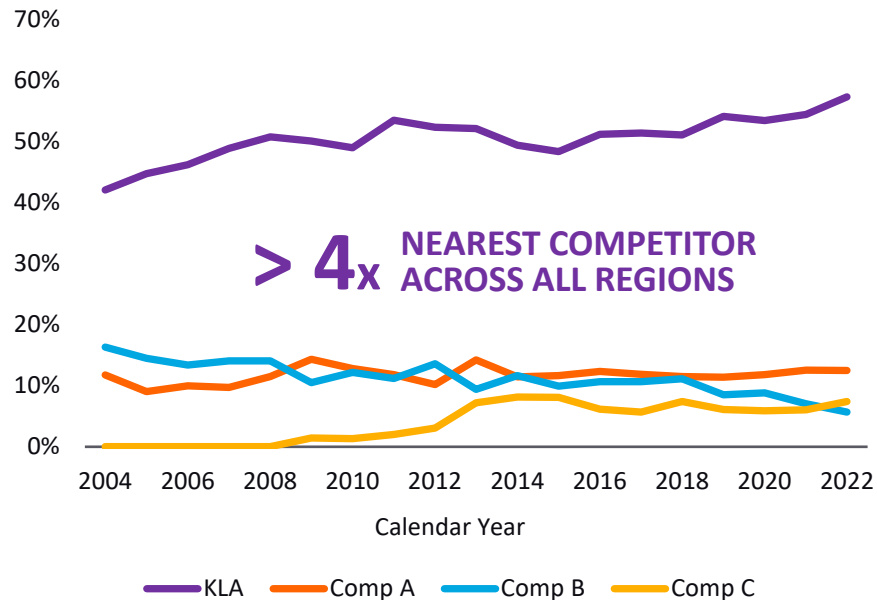
Customer R&D Investment Remains a Top Priority for Capex Investment

As the market leader in Process Control, KLA plays a critical role in enabling technology transitions in advanced semiconductor manufacturing. 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 advanced semiconductor device R&D, faster yield ramps and higher, more stable yields in production.

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

KLA's Steady Market Share Expansion Continued in 2022

Semiconductor Process Control Market Share



Source: Gartner April 2023

1

KLA's Process Control Market Share Eclipsed 57% in 2022, steady upward trajectory since 2004, demonstrating the power of the portfolio

2

Process Control was the fastest growing WFE market segment above \$5B in 2022, and KLA's market share is greater than 4x the nearest competitor

3

KLA's Process Control share has grown more than 600bps since 2018, reflecting the critical nature of Process Control in enabling semiconductor market growth, and the successful execution of KLA's revenue diversification strategies

4

The Reticle Inspection and Metrology market grew 45% to above \$1.6B in 2022, and KLA revenue in Reticle Inspection more than 80%. KLA's share grew to 55% in this critical market for enabling EUV Lithography

5

KLA revenue in Optical Metrology topped \$1B in 2022, with KLA share growing to 52%. The Optical Metrology market has doubled since 2018, driven by growth of 3D structures in Advanced Memory and Logic

March Quarter 2023 Business Highlights

1

KLA's Consistency Led By Execution and Market Leadership

KLA's market leadership in some of the most critical and fastest growing areas of WFE continues to fuel our growth, and we continue to execute at a high level to meet customer requirements and deliver on our financial targets. Quarterly revenue grew 6% year-over-year to \$2.4 billion.

2

KLA's Growth and Market Leadership Demonstrate the Power of the Portfolio

The recently published Gartner market report shows Process Control was the fastest growing major WFE market segment in 2022, increasing 30% in the year to \$13.5 billion. Within Process Control, KLA grew our market leadership in most major markets, resulting in share gain in Process Control of ~300 basis points in 2022 to over 57%. KLA's market position has grown to more than 4x the nearest competitor. KLA's strong growth and market leadership demonstrate success of our product and service strategy, or the power of the portfolio, to offer a broad range of advanced technologies that address our customers' most critical yield and technology development challenges.

3

Focus on Automotive Markets Driving Strong Growth in Compound Semiconductor Manufacturing

KLA is experiencing rapid growth in the Compound Semiconductor market targeting Automotive electronics. Total systems revenue for KLA in the Silicon Carbide (SiC) power semiconductor market has grown by 5x since 2019, topping \$300 million annual revenue in calendar 2022. This is an example of the ongoing successful execution of KLA's strategies for market diversification since 2019.

4

Service Demonstrates Resiliency in Contracting WFE Market

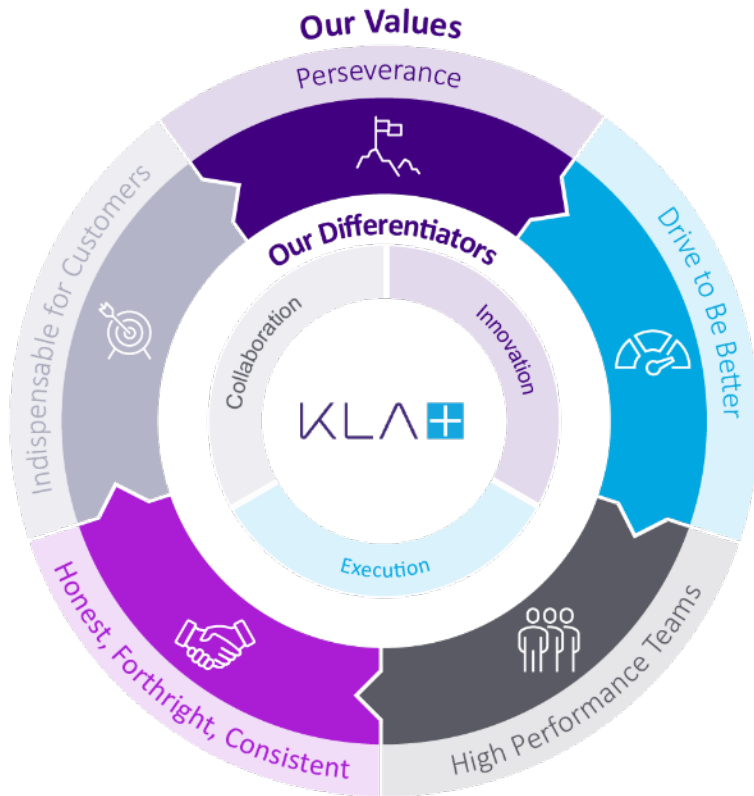
Service revenue was \$529 million, up 8% year-over-year. Services is driven by our growing installed base, increasing customer adoption of long-term service agreements, and expansion of Service opportunities in the legacy nodes. KLA's Services business is unique in our industry for having nearly all 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. This speaks to the durability and resiliency of Services revenue.

5

Company Delivered Strong Free Cash Flow Generation and Capital Returns

Quarterly free cash flow was \$926 million, which drove LTM free cash flow growth up 20% to \$3.2 billion. We have remained focused on returning capital to shareholders through both our quarterly dividend and stock repurchase program. Total capital returns over the past 12 months was \$5.11 billion, or 160% of free cash flow. Dividends and share repurchases in the March quarter were \$659 million, comprised of \$478 million in share repurchases and \$181 million in dividends.

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

March Quarter 2023 Income Statement Highlights

\$2,433M

Revenue

60.8%

Gross Margin*

38.8%

Operating Margin*

\$761M

Net Income*

KLA's new, high-performance Teron™ SL670e XP reticle inspection systems are used during chip manufacturing to identify yield-critical defects on EUV reticles in 5nm/3nm logic and advanced DRAM chip production



\$5.49

Diluted EPS*

\$5.03

GAAP Diluted EPS

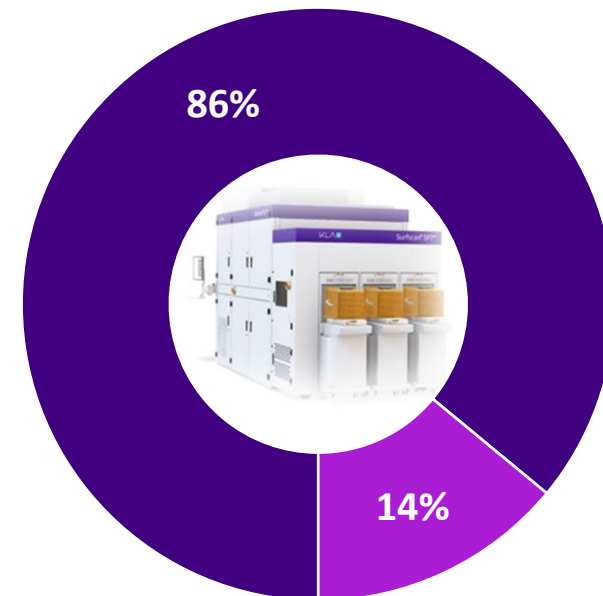
* Non-GAAP metric – please refer to the appendix for reconciliation to GAAP

Breakdown of Revenue by Reportable Segments and End Markets

	Revenue Q3-FY23 (\$M)	Y/Y Growth	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	\$2,172	+10%	-18%	90%
Specialty Semiconductor Process (Systems + Services)	\$129	+10%	-18%	5%
PCB, Display and Component Inspection (Systems + Services)	\$132	-32%	-22%	5%
Total:	\$2,433¹	+6%	-18%	

¹ Amounts above exclude corporate allocations and effects of changes in currency exchange rates

Q3-FY23: Semi Process Control End Market System Revenue

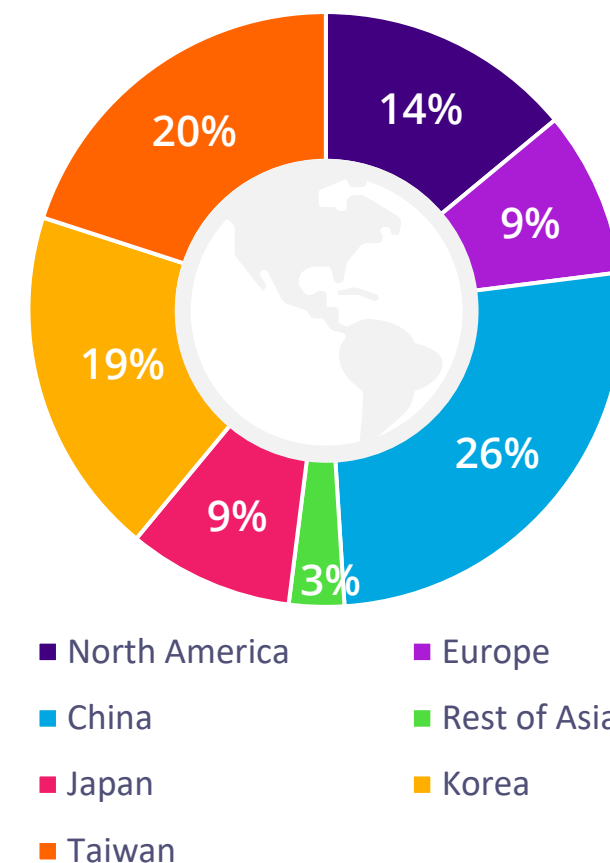


■ Foundry & Logic ■ Memory

Breakdown of Revenue by Major Product and Regions

	Revenue Q3-FY23 (\$M)	Y/Y Growth	Q/Q Growth %	Revenue %
Wafer Inspection	\$1,027	+12%	-18%	42%
Patterning	\$612	0%	-29%	25%
Specialty Semi Process	\$115	+9%	-21%	5%
PCB, Display and Comp. Inspection	\$69	-44%	-36%	3%
Services	\$529	+8%	+2%	22%
Other ¹	\$81	+93%	-12%	3%
Total:	\$2,433	+6%	-18%	

**Q3-FY23
Revenue by Region**



¹ Included in the Semiconductor Process Control Segment

Strong Balance Sheet With No Bond Maturities Until 2024

Balance Sheet Summary¹ (\$M)

Total Cash ²	\$ 2,890
Working Capital	\$ 4,600
Total Assets	\$ 13,684
Debt ³	\$ 5,890
Total Shareholders' Equity	\$ 2,683

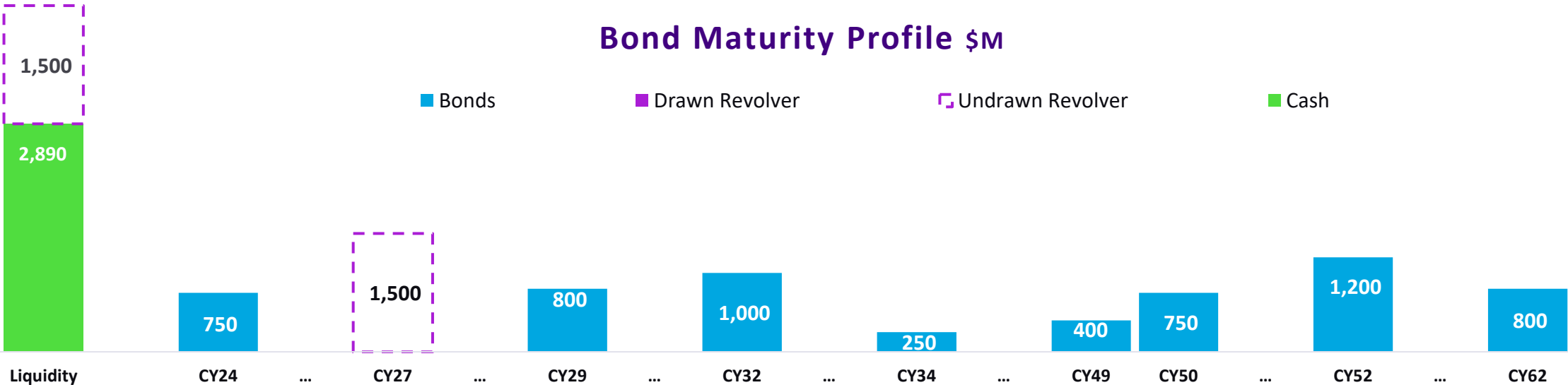
Bond Maturity Profile

Bonds Outstanding	\$5.95B
Weighted Average Rate	4.64%
Weighted Average Maturity	19.4 years

Investment Grade Credit Ratings

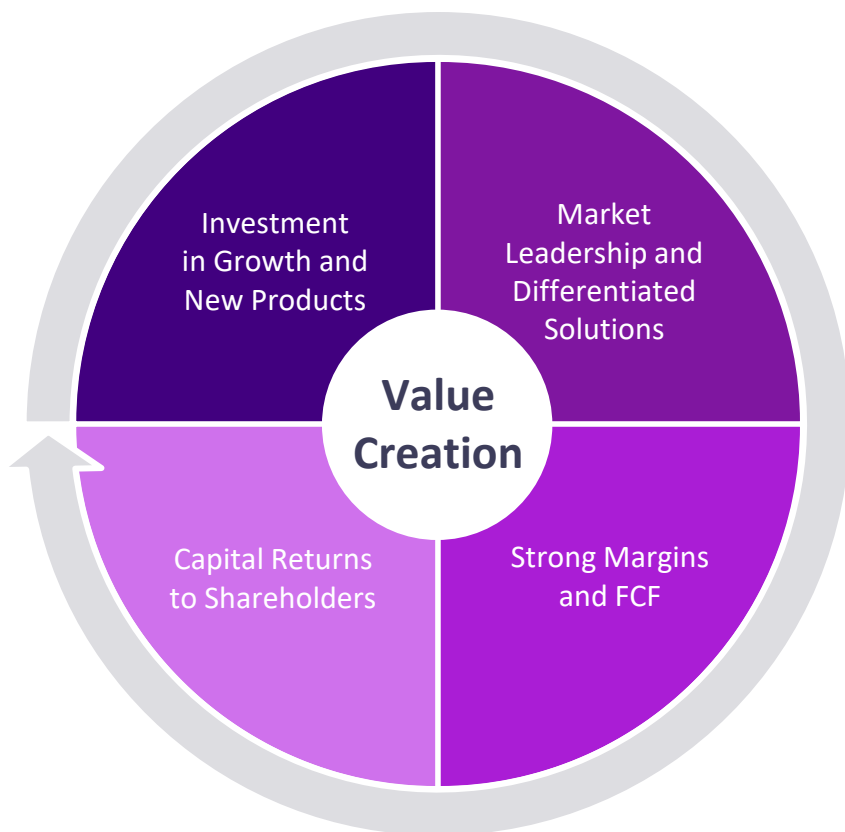
Moody's	A2
S&P	A-
Fitch	A-

Bond Maturity Profile \$m

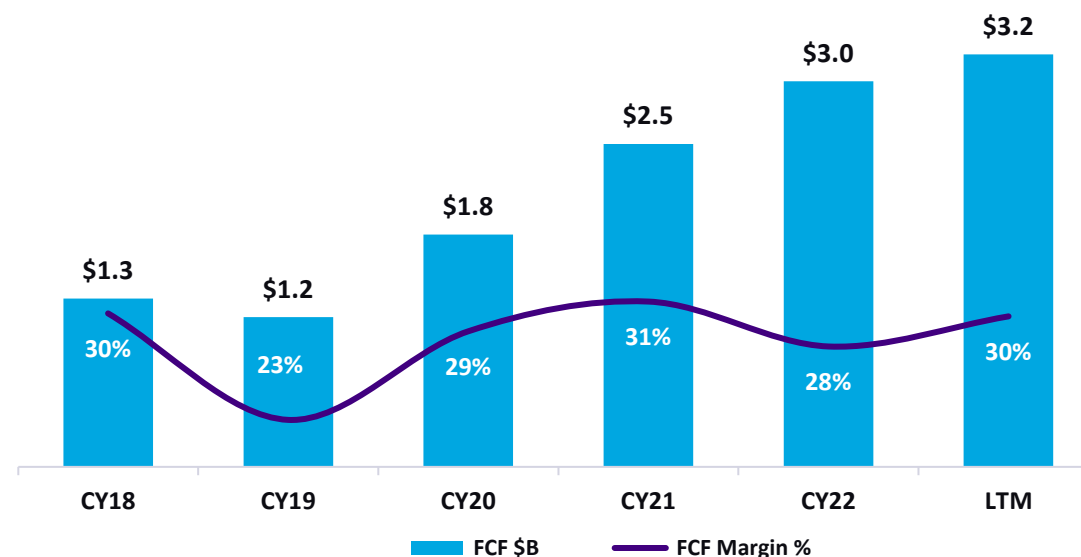


¹ As of 3/31/23; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities;
³ \$60M in un-amortized debt issuance discounts and costs.

FCF Generation Fuels Consistent Capital Return to Shareholders



Free Cash Flow¹ and FCF Margin²



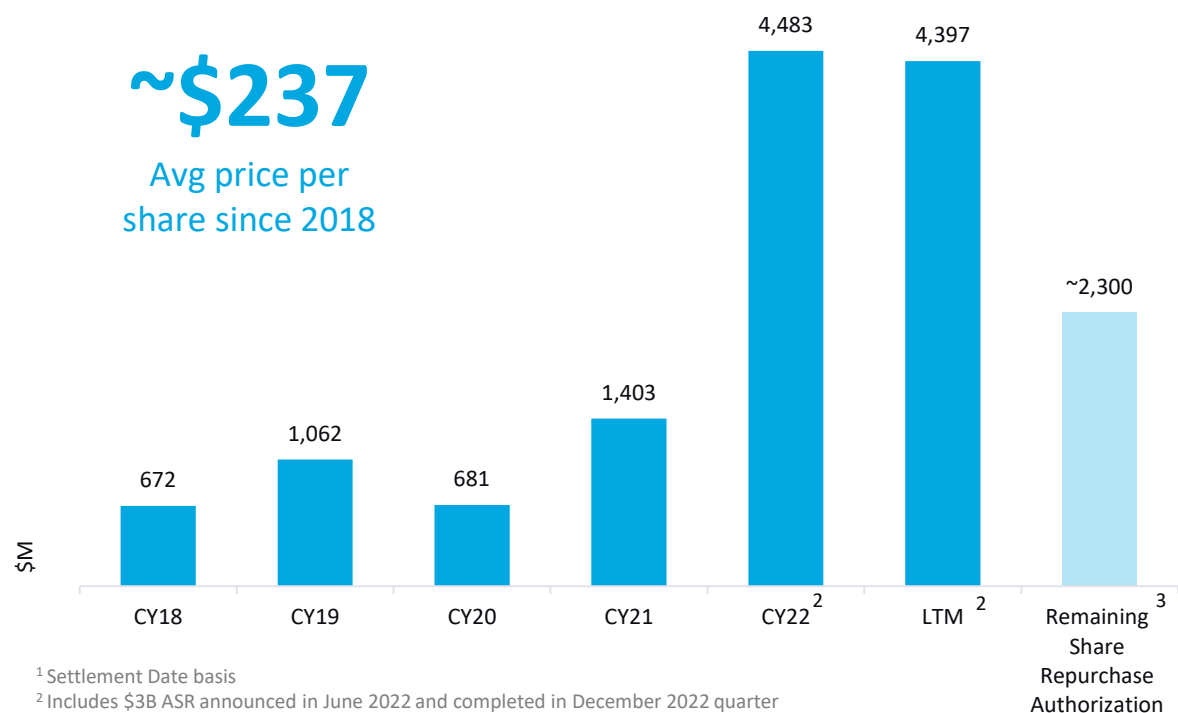
¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures

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

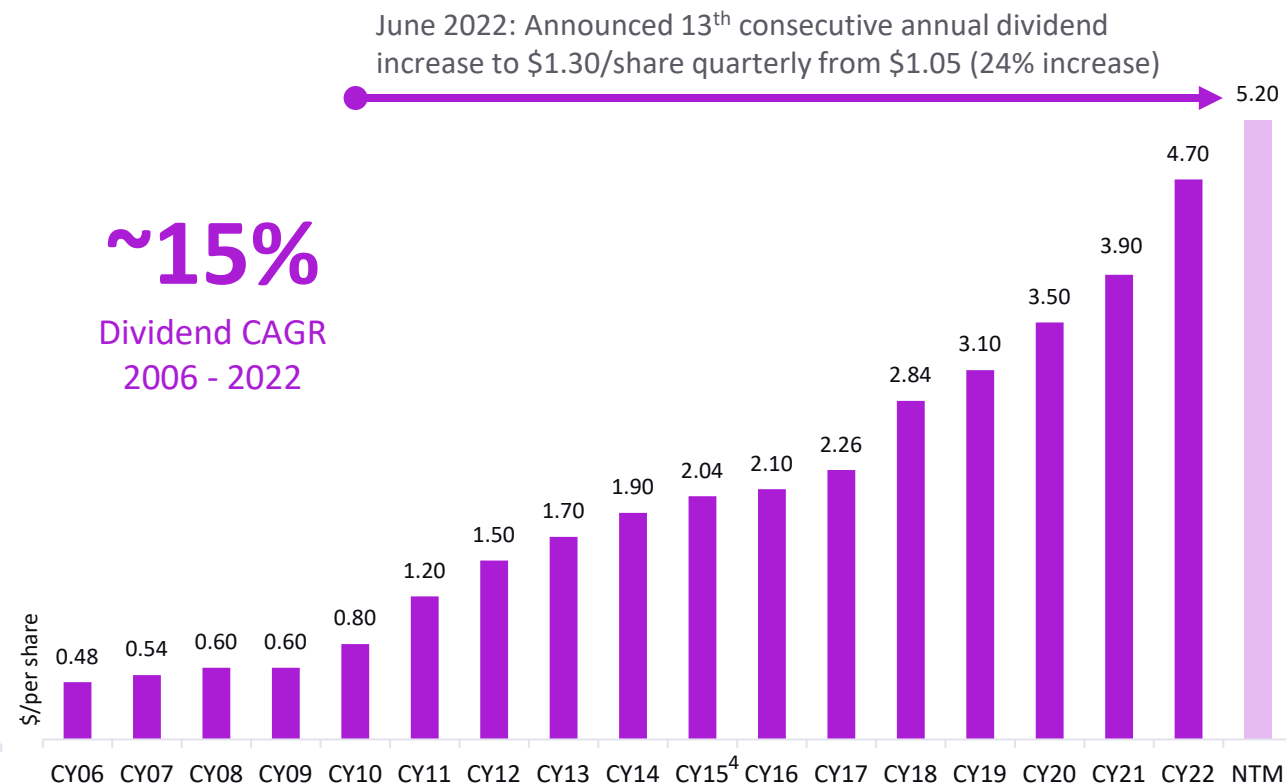
Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases¹



Track Record of Dividend Increases



Free Cash Flow and Capital Returns Highlights

\$926M

Mar Quarter
Free Cash Flow*

38%

Mar Quarter
Free FCF Margin*

122%

Mar Quarter
FCF Conversion*



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

\$478M

Mar Quarter
Share Buyback

\$4,397M

LTM Share Buyback

\$181M

Mar Quarter
Dividends Paid

\$711M

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

Guidance for Q4 FY2023 – June 2023 Quarter

June 2023 Quarter Guidance

Revenue	\$2.250B +/- \$125M
Non-GAAP Gross Margin*	60.75% +/- 1%
GAAP Diluted EPS	\$4.47 +/- \$0.60
Non-GAAP Diluted EPS*	\$4.83 +/- \$0.60

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

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: 77%
- Memory: 23%

Model Assumptions

- Non-GAAP Operating Expenses*: ~\$540M
- Other Income & Expense (OIE)*, Net: ~\$58M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~137.5M

Driving profitable growth and delivering shareholder value

Appendix

Reconciliation of Financial Results

Reconciliation of Non-GAAP Financial Measures

<i>(In millions, except EPS \$ and percentages)</i>		For the three months ended Mar. 31, 2023
GAAP net income attributable to KLA		\$ 697.8
<u>Adjustments to reconcile GAAP net income to non-GAAP net income*</u>		
Acquisition-related charges	a	65.1
Restructuring, severance and other charges	b	19.1
Income tax effect of non-GAAP adjustments	c	(22.9)
Discrete tax items	d	1.7
Non-GAAP net income attributable to KLA		\$ 760.7
GAAP diluted EPS		\$ 5.03
Non-GAAP diluted EPS		\$ 5.49
Shares used in diluted shares calculation		138.6
GAAP Income tax expense		\$ 102.8
<u>Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*</u>		
Income tax effect of non-GAAP adjustments	c	22.9
Discrete tax items	d	(1.7)
Non-GAAP income tax expense		\$ 124.1
GAAP Income tax rate		12.8%
Non-GAAP income tax rate		14.0%
GAAP gross profit		\$ 1,427.3
<u>Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*</u>		
Acquisition-related charges	a	45.4
Restructuring, severance and other charges	b	6.0
Non-GAAP gross profit		\$ 1,478.7
GAAP gross margin		58.7%
<u>Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*</u>		
Acquisition-related charges	a	1.9%
Restructuring, severance and other charges	b	0.2%
Non-GAAP gross margin		60.8%

<i>(Dollars in millions)</i>		For the three months ended Mar. 31, 2023
GAAP operating income (1)		\$ 860.6
<u>Adjustments to reconcile GAAP operating income to non-GAAP operating income*</u>		
Acquisition-related charges	a	65.1
Restructuring, severance and other charges	b	19.1
Non-GAAP operating income (1)		\$ 944.7
GAAP operating margin		35.4%
Non-GAAP operating margin		38.8%
GAAP research and development ("R&D") expenses		\$ 328.3
<u>Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*</u>		
Restructuring, severance and other charges	b	(6.7)
Non-GAAP R&D expenses		\$ 321.6
GAAP selling, general and administrative ("SG&A") expenses (1)		\$ 238.4
<u>Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*</u>		
Acquisition-related charges	a	(19.6)
Restructuring, severance and other charges	b	(6.4)
Non-GAAP SG&A expenses (1)		\$ 212.4
GAAP Other expense (income), net		\$ 59.9
Non-GAAP Other expense (income), net		\$ 59.9

Amounts may not sum due to rounding

(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 expense associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended March 31, 2023 was \$13.1 million. The gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended March 31, 2023 was \$13.1 million.

* 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								
<i>(Dollars in millions)</i>								
	For the three months ended	For the twelve months ended						
	Mar. 31, 2023	Mar. 31, 2023	Dec 31, 2022	Mar. 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	\$ 1,010.9	\$ 3,529.9	\$ 3,337.9	\$ 2,959.1	\$ 2,786.4	\$ 1,968.1	\$ 1,373.0	\$ 1,389.7
Less Capital expenditures	\$ (84.9)	\$ (336.1)	\$ (351.5)	\$ (289.5)	\$ (250.4)	\$ (200.3)	\$ (149.2)	\$ (86.5)
Free cash flow	\$ 925.9	\$ 3,193.9	\$ 2,986.5	\$ 2,669.6	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2
Free cash flow	\$ 925.9	\$ 3,193.9	\$ 2,986.5	\$ 2,669.6	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2
Revenue	\$ 2,432.6	\$ 10,627.7	\$ 10,483.7	\$ 8,650.6	\$ 8,165.7	\$ 6,073.0	\$ 5,278.6	\$ 4,304.5
Free cash flow margin	38.1%	30.1%	28.5%	30.9%	31.1%	29.1%	23.2%	30.3%
Free Cash Flow Conversion calculation								
Free cash flow	\$ 925.9							
Non-GAAP net income attributable to KLA	\$ 760.7							
Free cash flow conversion	121.7%							
GAAP metric comparable to Free Cash Flow Conversion								
Net cash provided by operating activities	\$ 1,010.9							
GAAP net income attributable to KLA	\$ 697.8							
GAAP metric comparable to free cash flow conversion	144.9%							
Cash paid for dividends	\$ 180.9	\$ 710.6						
Cash paid for share repurchases	\$ 478.2	\$ 3,496.6						
Cash paid for forward contract	\$ -	\$ 900.0						
Capital returns	\$ 659.0	\$ 5,107.3						
Capital returns as a percentage of free cash flow		159.9%						

Amounts may not sum due to rounding

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.

Reconciliation of Guidance

Q4 FY2023 Guidance Range:

<i>(In millions, except per share \$ and percentages)</i>		Low	High
GAAP diluted net income per share		\$ 3.87	\$ 5.07
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	c	(0.14)	(0.14)
Non-GAAP diluted net income per share		<u>\$ 4.23</u>	<u>\$ 5.43</u>
Shares used in diluted shares calculation		137.5	137.5
GAAP gross margin		57.58%	59.85%
Acquisition-related charges	a	2.14%	1.87%
Restructuring, severance and other charges	b	0.03%	0.03%
Non-GAAP gross margin		<u>59.75%</u>	<u>61.75%</u>
GAAP operating expenses		\$ 557	\$ 569
Acquisition-related charges	a	(22)	(22)
Restructuring, severance and other charges	b	(1)	(1)
Non-GAAP operating expenses		<u>\$ 534</u>	<u>\$ 546</u>

Note: The guidance as of April 26, 2023 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 and dispositions.
- 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) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.
- d) 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.



Keep Looking Ahead