



Keep Looking Ahead

Q4 Fiscal 2023 Earnings

Quarter Ended June 30, 2023 • Reported July 27, 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: our vulnerability to a weakening in the condition of the financial markets and the global economy; risks related to our international operations; evolving BIS rules and regulations and their impact on our ability to serve certain customers in China; costly IP 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 targets, 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, other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism and the adverse impact on our business operations; 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 rate; 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 we operate in; our ability to timely develop new technologies and products that successfully address changes in the industry; our ability to maintain 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 we are subject to 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 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 just beginning. The digital transformation of our lives is expanding beyond consumers to multiple end markets and technology-based services.

Customers Adjusting Near-Term Capex Plans in Response to Market Conditions

Near-term semiconductor industry demand has been impacted by a combination of factors due to the global economic slowdown and excess inventories. As a result, near-term semiconductor demand remains under pressure, with global device manufacturers adjusting factory utilizations and pushing out or reducing capex. We are closely monitoring these developments, but do not expect growth of overall wafer fabrication equipment investment to resume in 2023.

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 prioritize investing in technology transitions. 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 remains high

June 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.

2 **Growth and Market Leadership in Critical Wafer and Reticle Infrastructure Fueling Relative Strength**

KLA is benefitting from demand drivers in markets including silicon wafer and photomask manufacturing, which is experiencing general capacity expansion. As an example, revenues from KLA's unpatterned wafer inspection products are expected to significantly outperform the overall WFE market, delivering strong growth in 2023 in a down year for the industry.

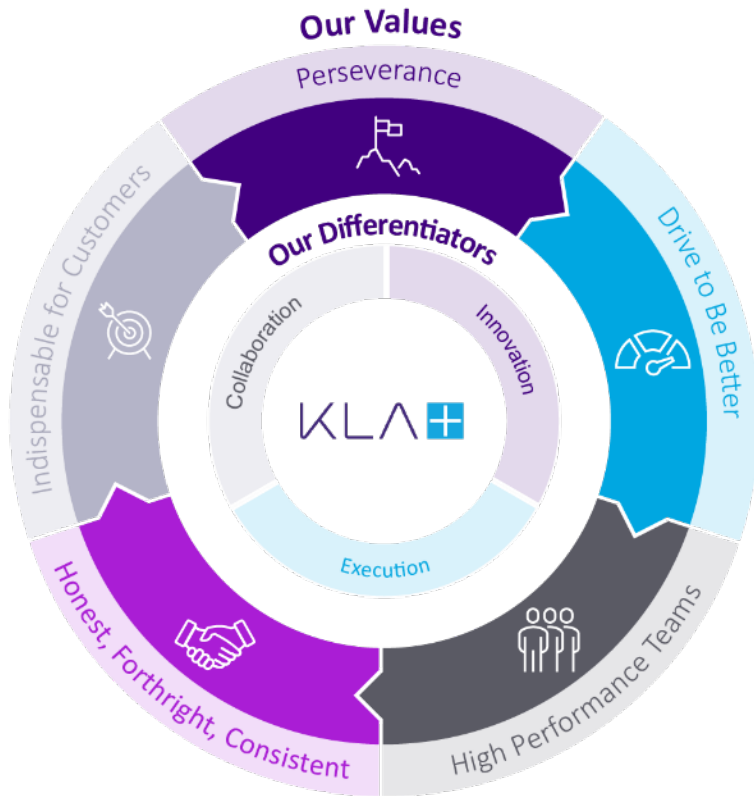
3 **Service Revenue Growth Demonstrates Resiliency Despite Declining Near-Term WFE Demand**

Service revenue was \$539 million, up 5% year-over-year and 2% sequentially. 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 Service revenue.

4 **KLA Continued to Deliver Strong Free Cash Flow Generation and Capital Returns**

Quarterly free cash flow was \$880 million, which drove year-over-year LTM free cash flow growth up 11% to \$3.3 billion. Returning capital to shareholders through both our quarterly dividend and stock repurchase program remains a top priority. Total capital returns over the past 12 months was \$2.04 billion. Quarterly dividends and share repurchases in the June quarter were \$568.3 million, comprised of \$388.8 million in share repurchases and \$179.5 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

June Quarter 2023 Income Statement Highlights

\$2,355M

Revenue

61.2%

Gross Margin*

38.1%

Operating Margin*

\$743M

Net Income*

\$5.40

Diluted EPS*

\$4.97

GAAP Diluted EPS

The Voyager 1035 inspector delivers higher throughput and better sensitivity for lower dose inspection of delicate photoresist layers in applications such as after develop inspection (ADI) and photocell monitoring (PCM) for EUV lithography



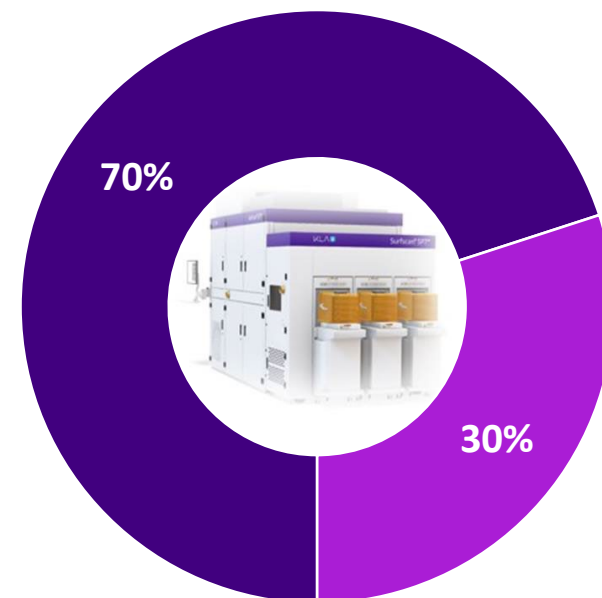
* Non-GAAP metric – please refer to the appendix for reconciliation to GAAP

Breakdown of Revenue by Reportable Segments and End Markets

	Revenue Q4-FY23 (\$M)	Y/Y Growth	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	\$2,097	-1%	-3%	88%
Specialty Semiconductor Process (Systems + Services)	\$129	+4%	0%	6%
PCB, Display and Component Inspection (Systems + Services)	\$129	-48%	-2%	6%
Total:	\$2,355¹	-5%	-3%	

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

Q4-FY23: Semi Process Control End Market System Revenue

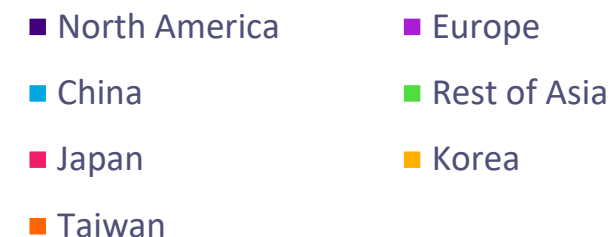
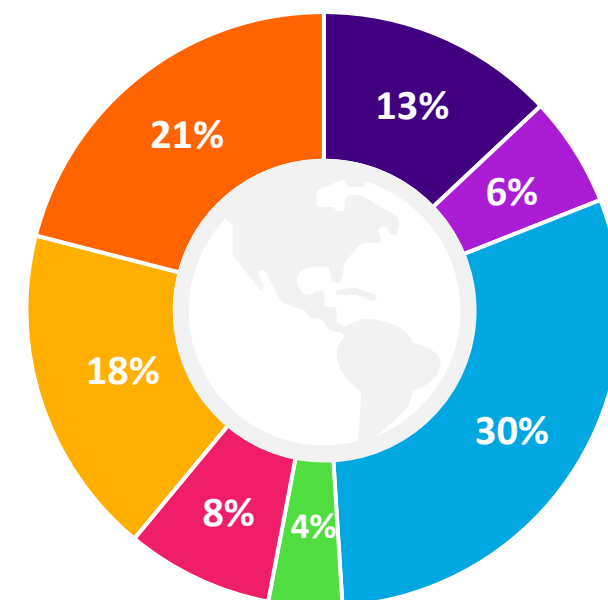


■ Foundry & Logic ■ Memory

Breakdown of Revenue by Major Product and Region

	Revenue Q4-FY23 (\$M)	Y/Y Growth	Q/Q Growth %	Revenue %
Wafer Inspection	\$950	-14%	-7%	40%
Patterning	\$585	+19%	-4%	25%
Specialty Semi Process	\$117	+6%	+2%	5%
PCB, Display and Comp. Inspection	\$65	-64%	-6%	3%
Services	\$539	+5%	+2%	23%
Other ¹	\$99	+10%	+23%	4%
Total:	\$2,355	-5%	-3%	

Q4-FY23
Revenue by Region



¹ Included in the Semiconductor Process Control Segment

Strong Balance Sheet With No Material Near-Term Maturities

Balance Sheet Summary¹ (\$M)

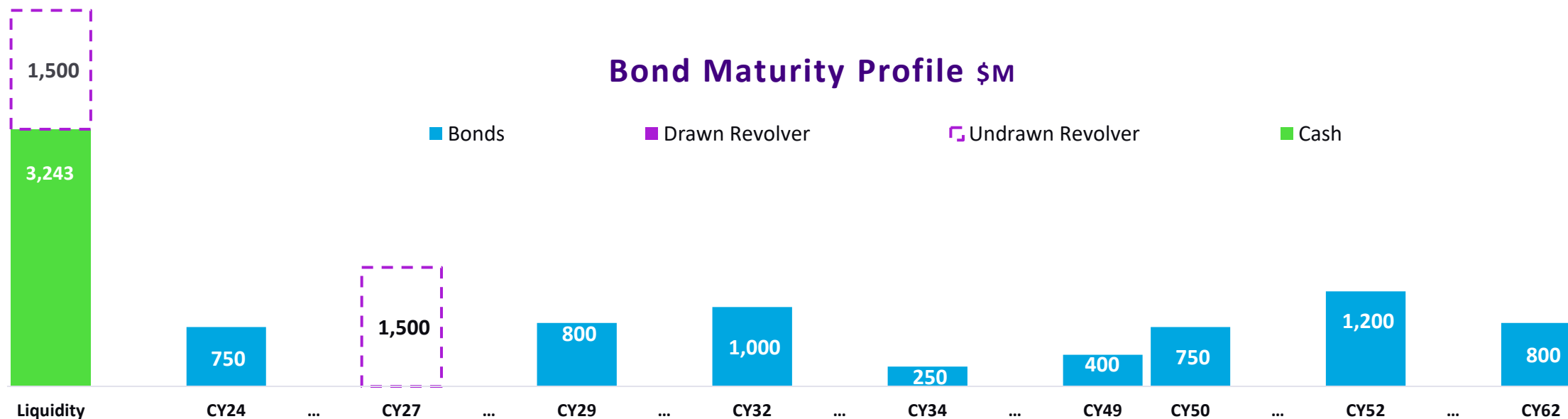
Total Cash ²	\$ 3,243
Working Capital	\$ 4,629
Total Assets	\$ 14,072
Debt ³	\$ 5,891
Total Shareholders' Equity	\$ 2,920

Bond Maturity Profile

Bonds Outstanding	\$5.95B
Weighted Average Rate	4.64%
Weighted Average Maturity	19.1 years

Investment Grade Credit Ratings

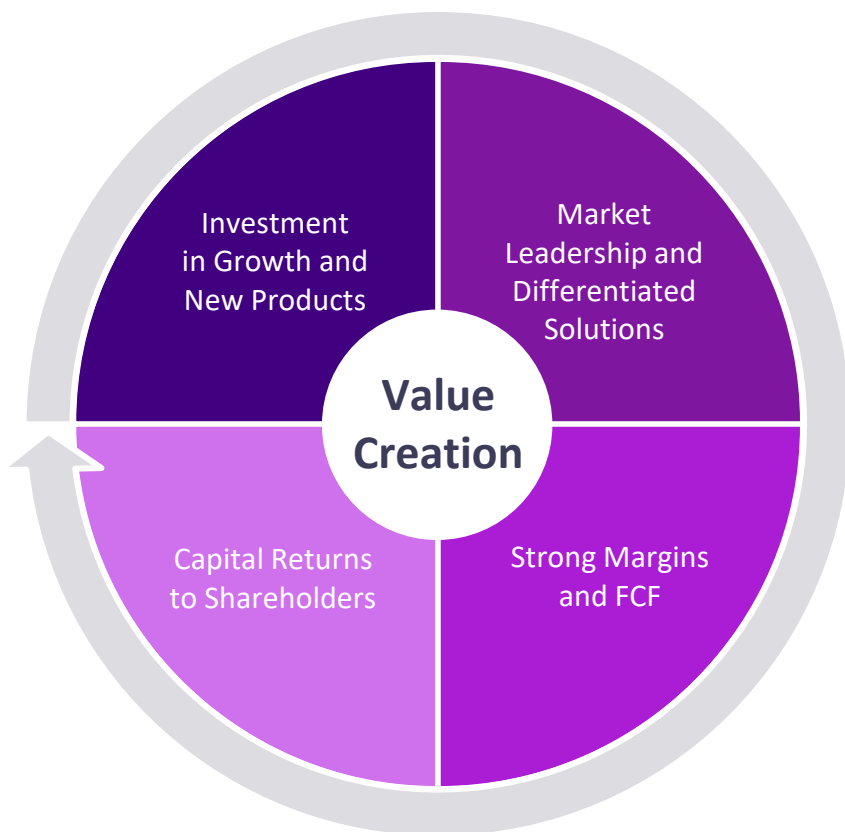
Moody's	A2
S&P	A-
Fitch	A-



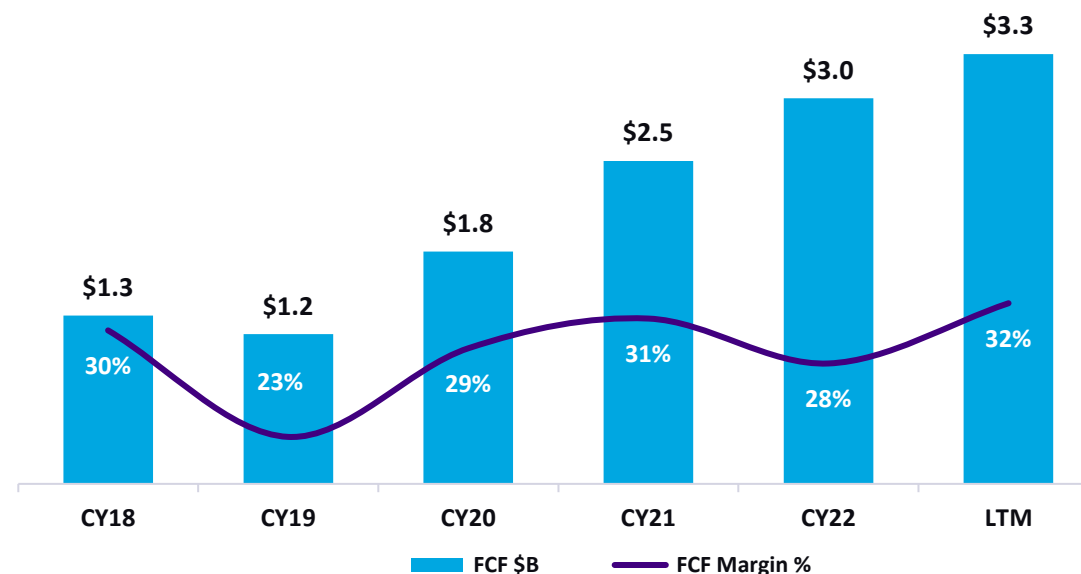
¹ As of 6/30/23; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities;

³ \$59M in un-amortized debt issuance discounts and costs.

FCF Generation Fuels Consistent Capital Return to Shareholders



Free Cash Flow¹ and FCF Margin²



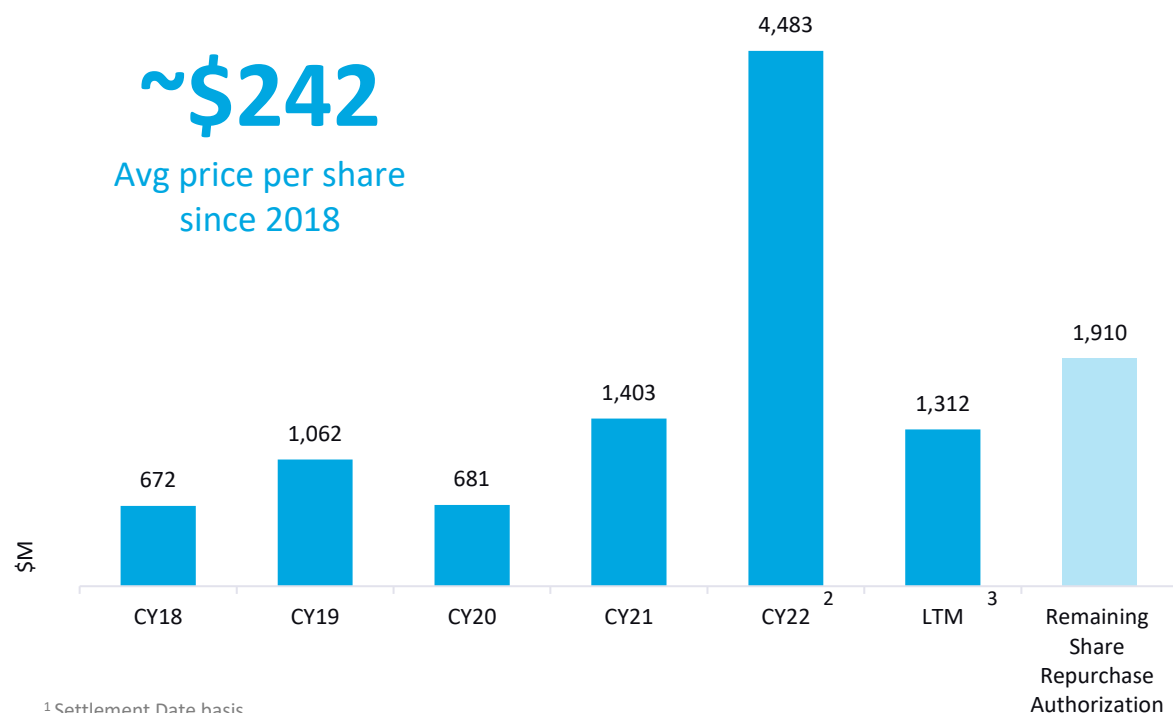
¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures

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



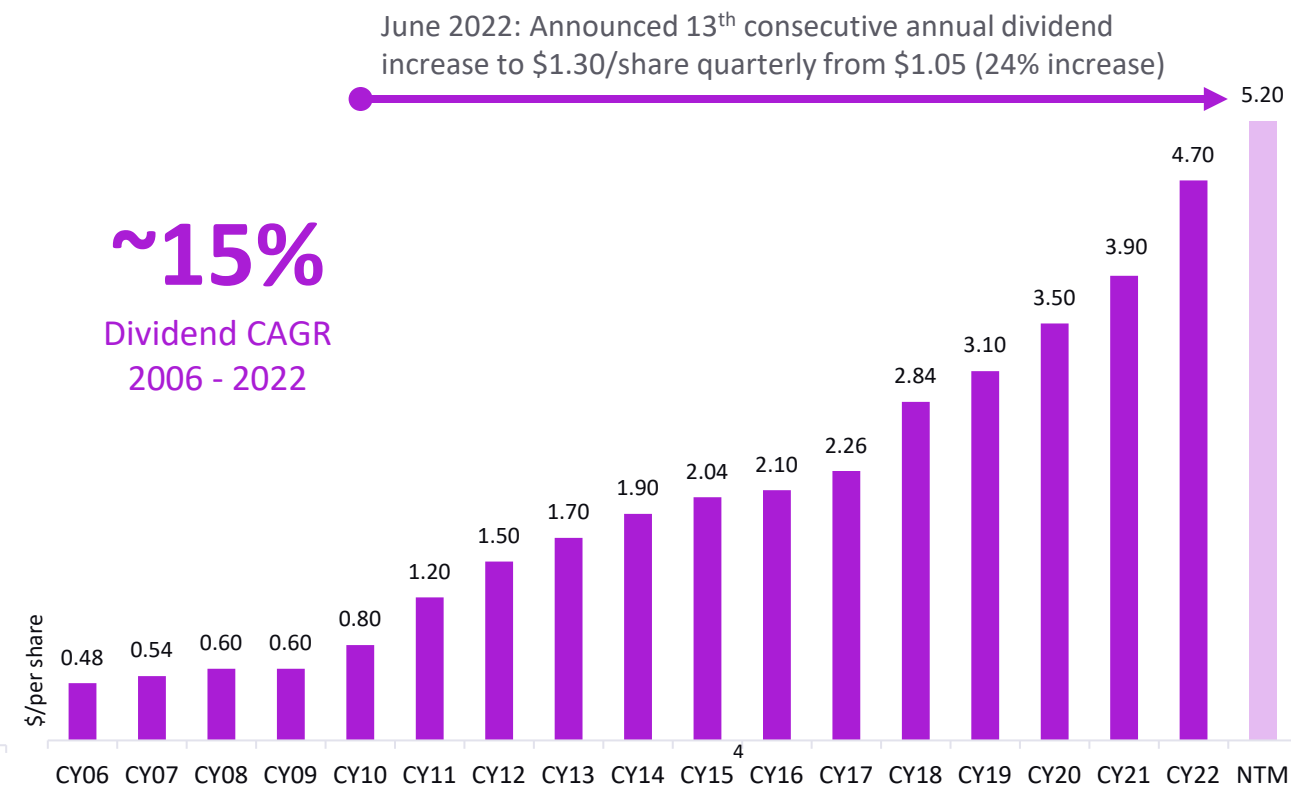
¹ Settlement Date basis

² Includes \$3B Accelerated Share Repurchase (ASR)

³ Excludes \$900M of the \$3B ASR that was settled in the December 2022 quarter, as cash payment occurred in the June 2022 quarter

⁴ Excludes \$16.50 per share special dividend in CY15

Track Record of Dividend Increases



Free Cash Flow and Capital Returns Highlights

\$880M

June Quarter
Free Cash Flow*

37%

June Quarter
FCF Margin*

119%

June Quarter
FCF Conversion*



The 8 Series patterned wafer inspection systems detect a wide variety of defect types at very high throughput for fast identification and resolution of production process issues. The 89XX high productivity patterned wafer inspection system detects a wide variety of critical defects that affect the yield and reliability of wide bandgap (WBG) semiconductors, such as SiC and GaN and in Advanced Packaging applications.

\$389M

June Quarter
Share Buyback

\$1,312M

LTM Share Buyback¹

\$180M

June Quarter
Dividends Paid

\$733M

LTM Dividends Paid

¹ Excludes \$900M of the \$3B ASR that was settled in the December 2022 quarter, as cash payment occurred in the June 2022 quarter

* 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 Q1 FY2024 – September 2023 Quarter

September 2023 Quarter Guidance

Revenue	\$2.35B +/- \$125M
Non-GAAP Gross Margin*	61% +/- 1%
GAAP Diluted EPS	\$5.02 +/- \$0.60
Non-GAAP Diluted EPS*	\$5.35 +/- \$0.60

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

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: 70%
- Memory: 30%

Model Assumptions

- Non-GAAP Operating Expenses*: ~\$535M
- Other Income & Expense (OIE)*, Net: ~\$48M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~137M

Driving profitable growth and delivering shareholder value

Appendix

Reconciliation of Financial Results

Reconciliation of Non-GAAP Financial Measures

		For the three months ended Jun. 30, 2023
<i>(In millions, except EPS \$ and percentages)</i>		
GAAP net income		\$ 684.7
<u>Adjustments to reconcile GAAP net income to non-GAAP net income*</u>		
Acquisition-related charges	a	64.6
Restructuring, severance and other charges	b	8.1
Income tax effect of non-GAAP adjustments	c	(20.9)
Discrete tax items	d	6.2
Non-GAAP net income		\$ 742.7
GAAP diluted EPS		\$ 4.97
Non-GAAP diluted EPS		\$ 5.40
Shares used in diluted shares calculation		137.7
GAAP income tax expense		\$ 90.9
<u>Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*</u>		
Income tax effect of non-GAAP adjustments	c	20.9
Discrete tax items	d	(6.2)
Non-GAAP income tax expense		\$ 105.5
GAAP income before income taxes		\$ 775.5
<u>Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*</u>		
Acquisition-related charges	a	64.6
Restructuring, severance and other charges	b	8.1
Non-GAAP income before income taxes		\$ 848.2
GAAP income tax rate		11.7%
Non-GAAP income tax rate		12.4%
GAAP Other expense (income), net		\$ 48.7
Non-GAAP Other expense (income), net		\$ 48.7

		For the three months ended Jun. 30, 2023
<i>(Dollars in millions)</i>		
GAAP gross profit		\$ 1,392.2
<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	2.6
Non-GAAP gross profit		\$ 1,440.2
GAAP gross margin		59.1%
<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	0.1%
Non-GAAP gross margin		61.2%
GAAP research and development ("R&D") expenses		\$ 317.1
<u>Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*</u>		
Restructuring, severance and other charges	b	\$ (2.7)
Non-GAAP R&D expenses		\$ 314.4
GAAP selling, general and administrative ("SG&A") expenses (1)		\$ 250.9
<u>Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*</u>		
Acquisition-related charges	a	(19.1)
Restructuring, severance and other charges	b	(2.8)
Non-GAAP SG&A expenses (1)		\$ 228.9
GAAP operating expense (1)		\$ 568.0
<u>Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*</u>		
Acquisition-related charges	a	(19.1)
Restructuring, severance and other charges	b	(5.6)
Non-GAAP operating expense (1)		\$ 543.3
GAAP operating income (1)		\$ 824.2
<u>Adjustments to reconcile GAAP operating income to non-GAAP operating income*</u>		
Acquisition-related charges	a	64.6
Restructuring, severance and other charges	b	8.1
Non-GAAP operating income (1)		\$ 896.9
GAAP operating margin		35.0%
Non-GAAP operating margin		38.1%

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 June 30, 2023 was \$12.9 million. The gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended June 30, 2023 was \$12.9 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				
	Jun. 30, 2023	Jun. 30, 2023	Dec 31, 2022	Jun. 30, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	\$ 959.1	\$ 3,669.8	\$ 3,337.9	\$ 3,312.7	\$ 2,786.4	\$ 1,968.1	\$ 1,373.0	\$ 1,389.7
Less Capital expenditures	\$ (78.7)	\$ (341.6)	\$ (351.5)	\$ (307.3)	\$ (250.4)	\$ (200.3)	\$ (149.2)	\$ (86.5)
Free cash flow	\$ 880.4	\$ 3,328.2	\$ 2,986.5	\$ 3,005.4	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2
Free cash flow	\$ 880.4	\$ 3,328.2	\$ 2,986.5	\$ 3,005.4	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2
Revenue	\$ 2,355.1	\$ 10,496.1	\$ 10,483.7	\$ 9,212.0	\$ 8,165.7	\$ 6,073.0	\$ 5,278.6	\$ 4,304.5
Free cash flow margin	37.4%	31.7%	28.5%	32.6%	31.1%	29.1%	23.2%	30.3%
Free cash flow	\$ 880.4							
Non-GAAP net income	\$ 742.7							
Free cash flow conversion	118.6%							
Net cash provided by operating activities	\$ 959.1							
GAAP net income	\$ 684.7							
GAAP metric comparable to free cash flow conversion	140.1%							

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

Q1 FY2024 Guidance Range:

<i>(In millions, except per share \$ and percentages)</i>		Low	High
GAAP diluted net income per share		\$ 4.42	\$ 5.62
Acquisition-related charges	a	0.45	0.45
Restructuring, severance and other charges	b	0.01	0.01
Income tax effect of non-GAAP adjustments	c	(0.13)	(0.13)
Non-GAAP diluted net income per share		\$ 4.75	\$ 5.95
Shares used in diluted shares calculation		137.3	137.3
GAAP gross margin		58.0%	60.0%
Acquisition-related charges	a	2.0%	2.0%
Non-GAAP gross margin		60.0%	62.0%
GAAP operating expenses		\$ 548	\$ 560
Acquisition-related charges	a	(17)	(17)
Restructuring, severance and other charges	b	(2)	(2)
Non-GAAP operating expenses		\$ 529	\$ 541

Note: The guidance as of July 27, 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.



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