KLA

Keep Looking Ahead

Q1 Fiscal 2024 Earnings

Quarter Ended September 30, 2023 • Reported October 25, 2023

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) future demand for our products and services; (iii) our market position for the future; (iv) our forecast of financial measures for the December 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 such as the war between Ukraine and Russia and the war between Israel and Hamas; 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 cyclicality 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

Longer-term, the semiconductor industry is expected to grow due to new enabling technologies such as Generative AI, 5G, IoT, Cloud Computing, Automotive Electronics, and Advanced Packaging. Industry regionalization is also just beginning. 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 forecasts.

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

Over the past several quarters semiconductor and semiconductor capital equipment industry demand has been impacted by the macro-driven slowdown in electronics markets and analysts continue to project semiconductor device revenues to decline low double digits percent in 2023.

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

We continue to monitor resulting adjustments to our customers' capacity, and while wafer fabrication equipment (WFE) investment is down in 2023, R&D investments continue to be prioritized by our largest customers. This is important for KLA as our portfolio of products are 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

September Quarter 2023 Business Highlights

1

KLA's Consistency Led By Execution and Market Leadership

Market leadership in some of the most critical and fastest-growing segments of WFE fuels our growth. Quarterly revenue was $2.4 billion, driven by strength in legacy node investment globally and industry infrastructure investments. The critical role KLA and Process Control play in our customers' technology development and R&D initiatives remains a buffer against near-term WFE volatility.

2

KLA's Market Leadership and Product Success in Optical Inspection Demonstrates the "Power of the Portfolio"

Strong customer acceptance of KLA's market-leading products across multiple optical inspection markets validates our market leadership and the "Power of the Portfolio." Specifically, this includes expected double-digit revenue growth for unpatterned wafer inspection, demand exceeding our ability to supply in broadband plasma (BBP) optical inspection, and relative strength in macro inspection, each of which are core markets for KLA and projected to meaningfully outperform WFE in 2023.

3

The Rapid Growth of AI both Enables KLA's Differentiation and Helps Drive Industry Growth

The rapid growth of AI both enables KLA's differentiation and helps drive industry growth. KLA is a pioneer in adopting AI to improve the performance of our systems and create differentiation, with a long track record of employing deep learning and physics-based algorithms in our core technologies. As the cost of compute has declined, we are now able to deploy this capability more broadly across our inspection and metrology product portfolio. Leveraging our AI expertise, KLA's inspection, metrology and data analytics systems help customers solve challenges associated with current process technologies and critical industry inflections, including gate all around (GAA), 3D memory, EUV lithography and advanced packaging. Using the combined portfolios of the Semi PC and EPC groups, KLA is intensifying efforts to develop a comprehensive suite of inspection systems and process tools serving next-generation Advanced Packaging applications.

4

KLA Services Grew Q/Q and Y/Y Demonstrating Resiliency in a Down WFE Market

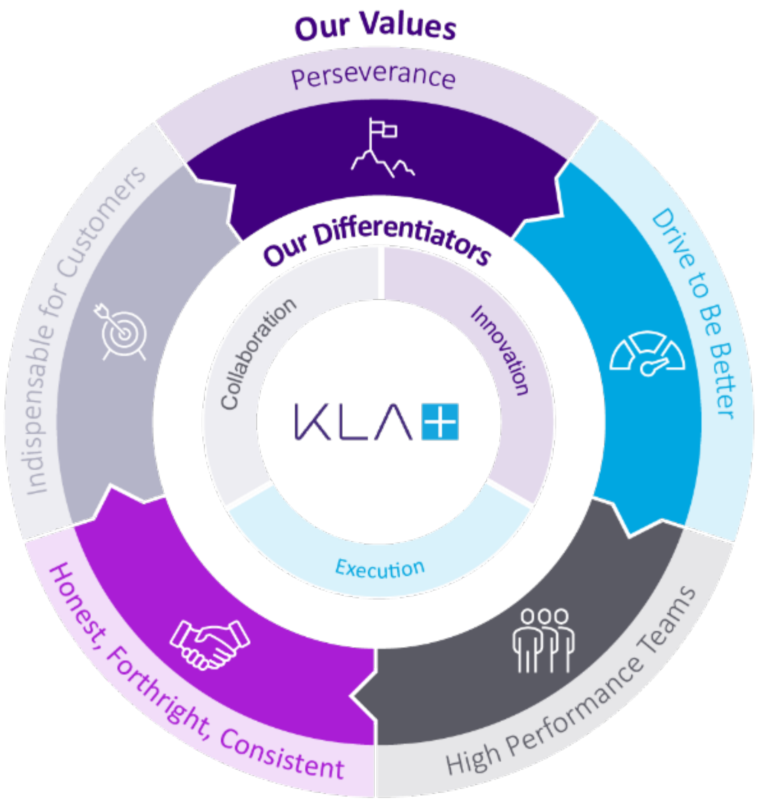
Services revenue of $560 million continues to grow both sequentially and year-over-year driven by our growing installed base, increasing customer adoption of long-term service agreements, and expansion of Service opportunities in the legacy nodes. KLA's Services business is unique in our industry for having almost all its revenue derived from "Pure Services," or service contracts and break-fix maintenance. KLA Services do not include other revenue sources such as equipment upgrades or sales of refurbished equipment.

5

Delivered Strong Free Cash Flow Generation and Capital Returns

Quarterly free cash flow was $816 million, which drove year-over-year LTM free cash flow growth up 3% to $3.2 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 were $2.4 billion. Since our June 2022 Investor Day, total capital returns have exceeded $5 billion, including the $3 billion accelerated share repurchase (ASR) announced in June 2022. Earlier this quarter, we announced our 14th consecutive annual dividend increase and an additional $2 billion share repurchase authorization. Capital returns in the September quarter were $636.9 million, comprised of $455.4 million in share repurchases and $181.5 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

September Quarter 2023 Income Statement Highlights

$2,397M	**62.4%**	**40.2%**	**$786M**
Revenue	Gross Margin*	Operating Margin*	Net Income*

(Right) As the industry-standard for inline monitoring, the 295x Series ("GEN4") pairs sensitivity with optical wafer defect inspection speed, enabling Discovery at the Speed of Light™ – the combination of fast defect discovery and full characterization of defect issues at the optimal cost of ownership

$5.74

Diluted EPS*

$5.41

GAAP Diluted EPS

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

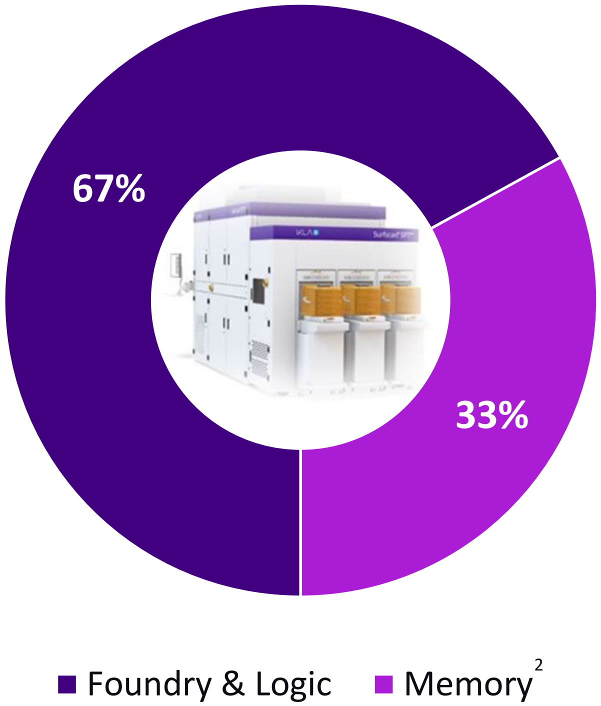
Breakdown of Revenue by Reportable Segments and End Markets

	Revenue Q1-FY24 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	$2,135	-11%	+2%	89%
Specialty Semiconductor Process (Systems + Services)	$126	-1%	-2%	5%
PCB, Display and Component Inspection (Systems + Services)	$136	-32%	+5%	6%
Total:	**$2,397**[1]	**-12%**	**+2%**	

[1] Amounts above include corporate allocations and effects of changes in currency exchange rates

[2] Memory split: 91% DRAM, 9% NAND

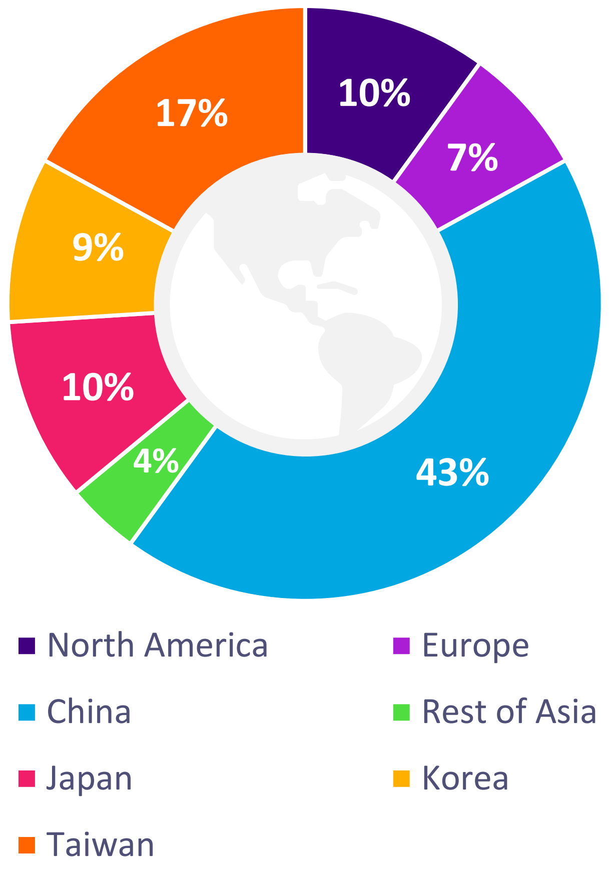
Q1-FY24: Semi Process Control End Market System Revenue



Breakdown of Revenue by Major Product and Region

	Revenue Q1-FY24 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Wafer Inspection	$1,010	-8%	+6%	42%
Patterning	$543	-26%	-7%	23%
Specialty Semi Process	$112	-2%	-4%	5%
PCB, Display and Comp. Inspection	$71	-47%	+9%	3%
Services	$560	+6%	+4%	23%
Other[1]	$101	-10%	+2%	4%
Total:	**$2,397**	**-12%**	**+2%**	

Q1-FY24 Revenue by Region



[1] Included in the Semiconductor Process Control Segment

Strong Balance Sheet With No Material Near-Term Maturities

Balance Sheet Summary[1] ($M)

Total Cash[2]	$	3,349
Working Capital	$	4,613
Total Assets	$	14,137
Debt[3]	$	5,892
Total Shareholders' Equity	$	2,990

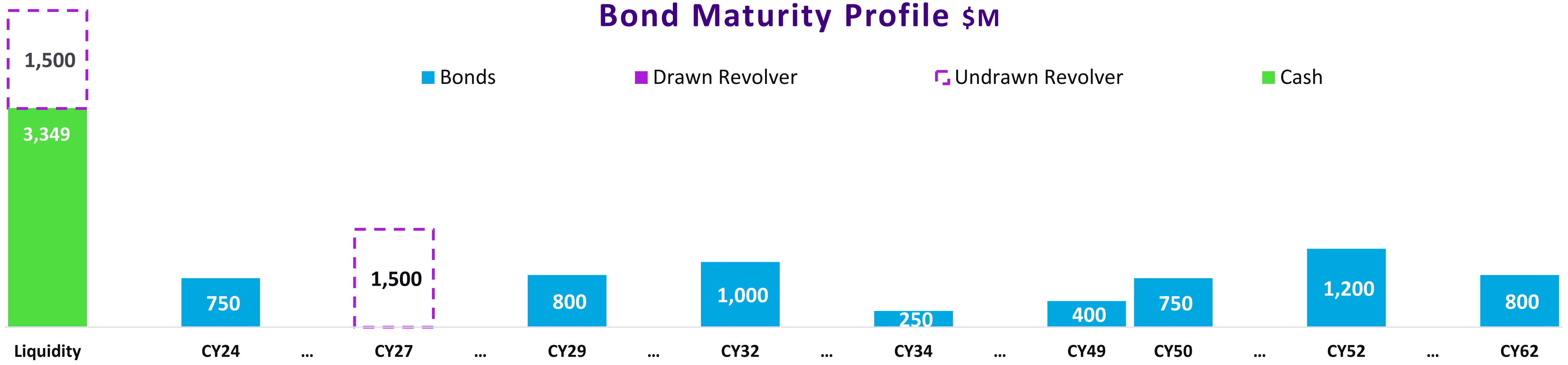
Bond Maturity Profile

Bonds Outstanding	$5.95B
Weighted Average Rate	4.64%
Weighted Average Maturity	18.9 years

Investment Grade Credit Ratings

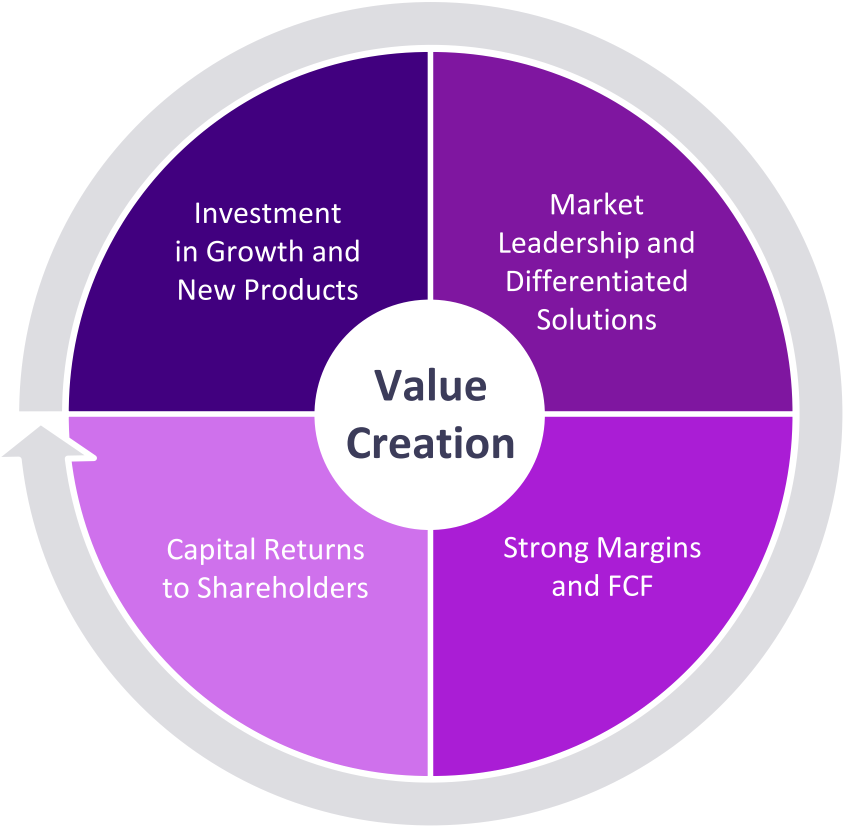
Moody's	A2
S&P	A-
Fitch	A-

Bond Maturity Profile $M

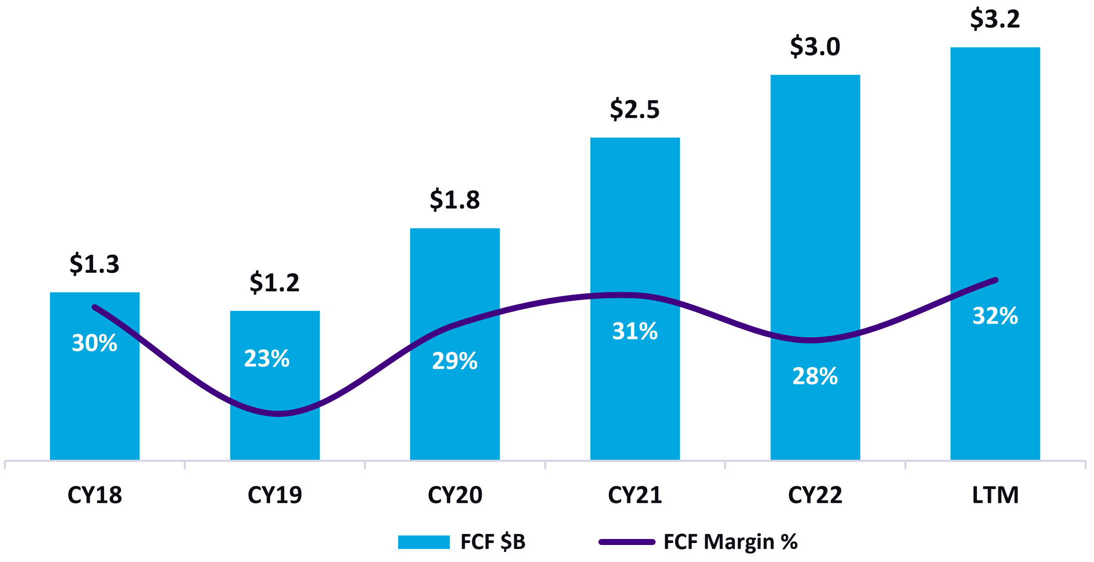


[1] As of 9/30/23; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities;
[3] $58M in un-amortized debt issuance discounts and costs.

FCF Generation Fuels Consistent Capital Return to Shareholders



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



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

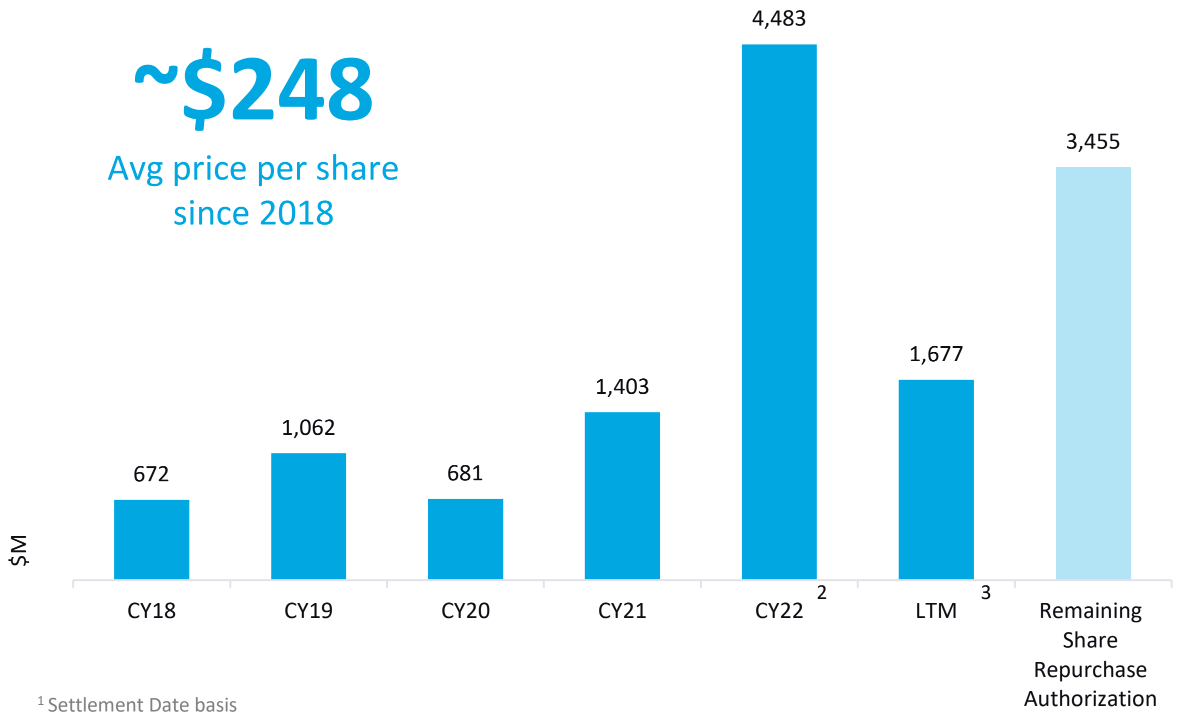
Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases[1]

~$248

Avg price per share since 2018

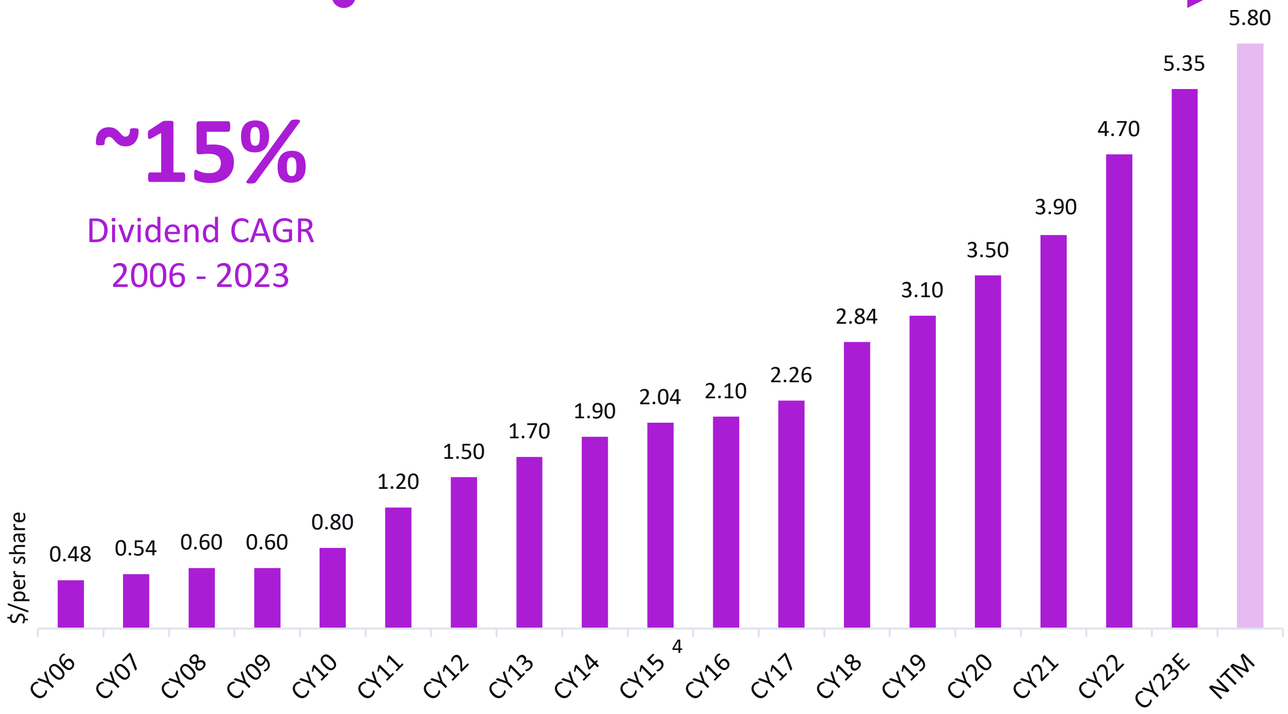


Track Record of Dividend Increases

September 2023: Announced 14th consecutive annual dividend increase, up 12% to $1.45/share from $1.30/share

~15%

Dividend CAGR 2006 - 2023



[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

Free Cash Flow and Capital Returns Highlights

$816M
September Quarter Free Cash Flow*

34%
September Quarter FCF Margin*

104%
September Quarter FCF Conversion*

(Above) 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 8930 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.

$455M
September Quarter Share Buyback

$1,677M
LTM Share Buyback[1]

$182M
September Quarter Dividends Paid

$726M
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 Q2 FY2024 – December 2023 Quarter

December 2023 Quarter Guidance

Revenue	$2.45B +/- $125M
Non-GAAP Gross Margin*	61.5% +/- 1%
GAAP Diluted EPS	$5.54 +/- $0.60
Non-GAAP Diluted EPS*	$5.86 +/- $0.60

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: 68%
- Memory: 32% → DRAM 85% | NAND 15%

Model Assumptions

- Non-GAAP Operating Expenses*: ~$540M
- Other Income & Expense (OIE)*, Net: ~$45M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~136M

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

Strong, resilient and delivering shareholder value

Appendix
Reconciliation of Financial Results

Reconciliation of Non-GAAP Financial Measures

(In millions, except EPS $ and percentages)			For the three months ended Sept. 30, 2023
GAAP net income		**$**	**741.4**
Adjustments to reconcile GAAP net income to non-GAAP net income*			
Acquisition-related charges	a		63.2
Income tax effect of non-GAAP adjustments	c		(20.4)
Discrete tax items	d		2.3
Non-GAAP net income		**$**	**786.5**
GAAP diluted EPS		**$**	**5.41**
Non-GAAP diluted EPS		**$**	**5.74**
Shares used in diluted shares calculation			137.1
GAAP Income tax expense		**$**	**110.3**
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*			
Income tax effect of non-GAAP adjustments	c		20.4
Discrete tax items	d		(2.3)
Non-GAAP income tax expense		**$**	**128.5**
GAAP income before income taxes		**$**	**851.7**
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*			
Acquisition-related charges	a		63.2
Non-GAAP income before income taxes		**$**	**915.0**
GAAP income tax rate			**13.0%**
Non-GAAP income tax rate			**14.0%**
GAAP Other expense (income), net		**$**	**47.5**
Non-GAAP Other expense (income), net		**$**	**47.5**

(Dollars in millions)			For the three months ended Sept. 30, 2023
GAAP gross profit		**$**	**1,450.1**
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*			
Acquisition-related charges	a		46.1
Non-GAAP gross profit		**$**	**1,496.1**
GAAP gross margin			**60.5%**
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*			
Acquisition-related charges	a		1.9%
Non-GAAP gross margin			**62.4%**
GAAP research and development ("R&D") expenses		**$**	**311.2**
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*			
Non-GAAP R&D expenses		**$**	**311.2**
GAAP selling, general and administrative ("SG&A") expenses (1)		**$**	**239.6**
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*			
Acquisition-related charges	a		(17.2)
Non-GAAP SG&A expenses (1)		**$**	**222.5**
GAAP operating expense (1)		**$**	**550.9**
Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*			
Acquisition-related charges	a		(17.2)
Non-GAAP operating expense (1)		**$**	**533.7**
GAAP operating income (1)		**$**	**899.2**
Adjustments to reconcile GAAP operating income to non-GAAP operating income*			
Acquisition-related charges	a		63.2
Non-GAAP operating income (1)		**$**	**962.4**
GAAP operating margin			**37.5%**
Non-GAAP operating margin			**40.2%**

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 benefit associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended September 30, 2023 was $9.3 million. The loss associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended September 30, 2023 was $9.5 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

(Dollars in millions)	For the three months ended	For the twelve months ended						
	Sept. 30, 2023	Sept. 30, 2023	Dec 31, 2022	Sept. 30, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	$ 883.7	$ 3,542.0	$ 3,337.9	$ 3,460.5	$ 2,786.4	$ 1,968.1	$ 1,373.0	$ 1,389.7
Less Capital expenditures	$ (68.0)	$ (325.3)	$ (351.5)	$ (322.7)	$ (250.4)	$ (200.3)	$ (149.2)	$ (86.5)
Free cash flow	**$ 815.7**	**$ 3,216.7**	**$ 2,986.5**	**$ 3,137.7**	**$ 2,536.0**	**$ 1,767.8**	**$ 1,223.8**	**$ 1,303.2**
Free cash flow	$ 815.7	$ 3,216.7	$ 2,986.5	$ 3,137.7	$ 2,536.0	$ 1,767.8	$ 1,223.8	$ 1,303.2
Revenue	$ 2,397.0	$ 10,168.6	$ 10,483.7	$ 9,852.5	$ 8,165.7	$ 6,073.0	$ 5,278.6	$ 4,304.5
Free cash flow margin	**34.0%**	**31.6%**	**28.5%**	**31.8%**	**31.1%**	**29.1%**	**23.2%**	**30.3%**
Free cash flow	$ 815.7							
Non-GAAP net income	$ 786.5							
Free cash flow conversion	**103.7%**							
Net cash provided by operating activities	$ 883.7							
GAAP net income	$ 741.4							
GAAP metric comparable to free cash flow conversion	**119.2%**							
Cash paid for dividends	$ 181.5	$ 726.1						
Cash paid for share repurchases	$ 455.4	$ 1,677.4						
Capital returns	**$ 636.9**	**$ 2,403.5**						

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

Q2 FY2024 Guidance Range:

(In millions, except per share $ and percentages)		Low	High
GAAP diluted net income per share		**$ 4.94**	**$ 6.14**
Acquisition-related charges	a	0.44	0.44
Restructuring, severance and other charges	b	0.03	0.03
Income tax effect of non-GAAP adjustments	c	(0.15)	(0.15)
Non-GAAP diluted net income per share		**$ 5.26**	**$ 6.46**
Shares used in diluted shares calculation		136.1	136.1
GAAP gross margin		**58.6%**	**60.6%**
Acquisition-related charges	a	1.8%	1.8%
Restructuring, severance and other charges	b	0.1%	0.1%
Non-GAAP gross margin		**60.5%**	**62.5%**
GAAP operating expenses		**$ 550**	**$ 562**
Acquisition-related charges	a	(13)	(13)
Restructuring, severance and other charges	b	(3)	(3)
Non-GAAP operating expenses		**$ 534**	**$ 546**

<u>**Note:**</u> The guidance as of October 25, 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. 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) 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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