

Letter to Shareholders



Keep Looking Ahead

Q1 Fiscal 2024 Earnings

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

Dear KLA Shareholders,

Before we cover KLA's September quarter and the current industry demand environment, we want to mention Israel. With many KLA employees based in Israel, the entire KLA team is deeply saddened by the unspeakable acts of terrorism in the Middle East and the resulting war underway. Our heartfelt condolences are with all the victims and their families, friends and loved ones. At KLA, we are focused on employee safety and well-being and are making efforts to assist our teams through these terrible circumstances, including resources and support for our employees and broader humanitarian support through the KLA Foundation. We all hope for a peaceful end soon.

Now, moving to our results. KLA's September quarter exceeded expectations driven by the strength and relevance of KLA's Process Control portfolio. Focused operational execution enabled continued free cash flow generation and capital returns. We are proud of how our global KLA teams continue to outperform in the marketplace and deliver on customer commitments.

Specifically, revenue of \$2.4 billion finished at the upper end of the guidance range. GAAP diluted earnings per share (EPS) was \$5.41, and non-GAAP diluted EPS was \$5.74, both also finishing at the upper end of the respective guidance ranges.

While industry growth remains challenging, the overall business environment remains relatively stable for KLA and we continue to see strength in markets served by legacy nodes despite softness in memory and leading edge logic / foundry capacity investments. Customer investments in R&D for technology advancements and transitions have proven to be more resilient to macro and market pressures, helping KLA outperform the industry on a relative basis.

This Shareholder Letter provides an update on our views of the current industry demand environment, summarizes the quarterly business and financial highlights, and gives our outlook for the December quarter.

Semiconductor Industry Demand Environment

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 revenues to decline low double digits percent in calendar 2023.

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.

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 compounded annual growth rate (CAGR) of approximately 9% from 2023 forecasts.

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 2023 Quarterly 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. 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

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.

1. 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. 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 important markets for KLA and projected to significantly outperform WFE in 2023.

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 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. Featuring a portfolio of process control systems applying integrated AI, KLA's systems learn and adapt to identify, sort and classify defects at rapid speeds. 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 Semiconductor Process Control (Semi PC) and Electronics, Packaging and Components (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 was the only business to grow both sequentially and year-over-year, demonstrating its resiliency in a down WFE market. KLA Services grew to \$560 million in the September quarter, up 6% year-over-year and 4% sequentially. KLA Services remains on track for high single-digit percent year-over-year growth in 2023. In 2024 the business is expected to resume the targeted 12-14% annual revenue growth trajectory as a record number of new tools shipped over the past two years end the warranty period and move into service contracts. The resiliency of KLA Services revenue speaks to the critical nature of KLA products and services in enabling customer success.
5. Finally, the September quarter was another excellent period from a cash flow and capital returns perspective. Quarterly free cash flow was \$816 million, which drove the last 12 months free cash flow up 3% year over year to \$3.2 billion. Total capital returns over the past twelve 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 \$637 million, comprising \$455 million in share repurchases and \$182 million in dividends. KLA's business model is focused on driving consistent free cash flow performance, and we are committed to returning unallocated capital to shareholders via our dividend and stock repurchase programs, which we see as fundamental to augmenting total shareholder returns.

In summary, KLA's September quarter results demonstrate our continued process control leadership and the success of our portfolio strategy. Our consistent execution, despite challenges in the marketplace, highlights the resiliency of the KLA Operating Model, the dedication of our global teams, our commitment to capital returns, and maximizing long-term total shareholder value to all our stakeholders.

The KLA Operating Model



September 2023 Quarterly Financial Highlights

KLA delivered a strong September quarter demonstrating consistent execution despite a challenging marketplace. Revenue was \$2.4 billion, non-GAAP diluted EPS was \$5.74, and GAAP diluted EPS was \$5.41, with all three coming in at the upper end of the guided ranges.

We are committed to continuing our focus on meeting customer needs while expanding market leadership, sustaining industry-leading gross and operating margins, generating strong free cash flow, and maintaining our long-term strategy of assertive capital allocation.

\$2,397M

Revenue

62.4%

Gross Margin*

40.2%

Operating Margin*

\$786M

Net Income*

\$5.74

Diluted EPS*

\$5.41

GAAP Diluted EPS

(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



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

Non-GAAP gross margin was 62.4%, 40 basis points above the guidance range due to benefits from a richer product mix and better service cost performance than modeled at the beginning of the quarter.

Non-GAAP operating expenses were \$534 million, in line with guidance. Total non-GAAP operating expenses comprised \$311 million in R&D and \$223 million in SG&A.

Non-GAAP operating margin was 40.2%. Non-GAAP Other income and expense, net, was \$47 million, and the quarterly effective tax rate was 14.0%. At the guided tax rate of 13.5%, non-GAAP EPS would have been \$0.03 higher or \$5.77.

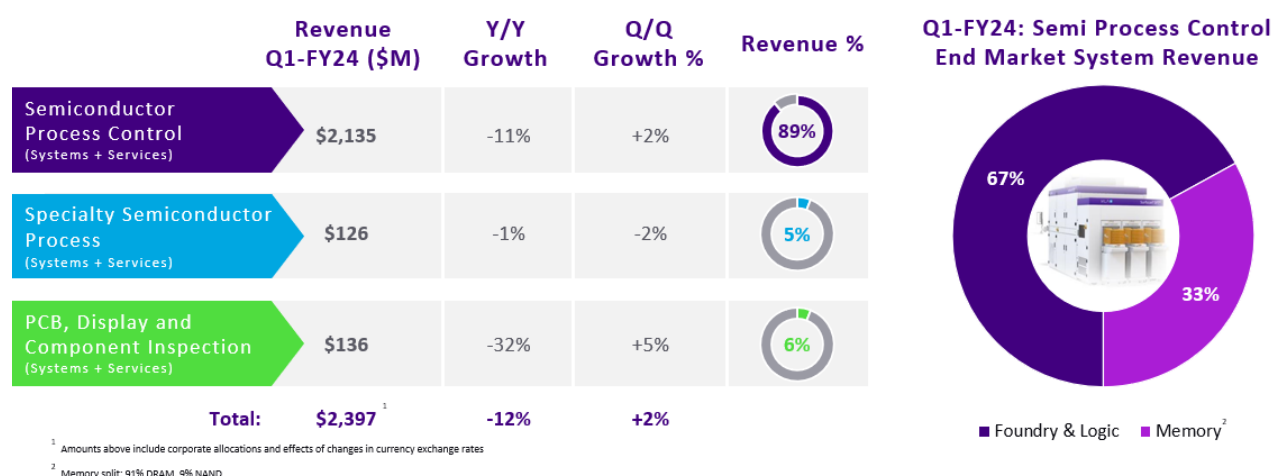
Quarterly non-GAAP net income was \$786 million, GAAP net income was \$741 million, cash flow from operations was \$884 million, and free cash flow was \$816 million. As a result, free cash flow conversion was a strong 104% and free cash flow margin was 34%. The company had approximately 137 million diluted weighted average shares outstanding at the end of the quarter.

Breakdown of Revenue by Reportable Segments and End Markets

Revenue for the Semiconductor Process Control segment, including its associated Services business, was \$2.135 billion, up 2% sequentially, but declining 11% on a year-over-year basis. The Semiconductor Process Control system semiconductor customer segment mix for foundry/logic customers was approximately 67%, and memory was approximately 33%. Within memory, approximately 91% was from DRAM and 9% was from NAND.

Revenue for our 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, generated quarterly revenue of \$126 million, down 1% over the prior year, and down 2% sequentially. PCB, Display and Component Inspection revenue was \$136 million, up 5% sequentially and down 32% on a year-over-year basis. Demand in KLA's PCB, Display and Component Inspection segment while not worsening, is expected to remain sluggish. This reflects the impact of continued weakness in consumer electronics markets and excess customer inventories.

Breakdown of Revenue by Reportable Segments and End Markets



Breakdown of Revenue by Major Products and Region

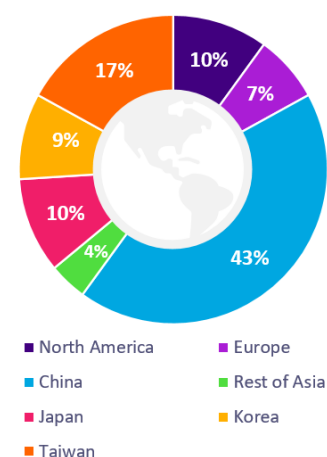
Wafer Inspection systems were down 8% year-over-year, but grew 6% sequentially, and was 42% of total revenue. Patterning systems, which include metrology and reticle inspection, was down 26% year-over-year and 7% on a sequential basis to 23% of total revenue. Specialty Semiconductor Process systems declined 2% year-over-year and 4% sequentially at 5% of total revenue. PCB, Display and

Component Inspection systems revenue fell 47% year-over-year, but grew 9% sequentially and remained at 3% of total revenue. Services grew 6% from a year ago levels, and 4% sequentially, and was 23% of revenue. Other, which is consolidated into the Semiconductor Process Control segment, was 4% of total revenue.

	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%	

¹ Included in the Semiconductor Process Control Segment

Q1-FY24
Revenue by Region



The September quarter regional revenue split was as follows: China was 43%, Taiwan was 17%, and North America and Japan each were 10% of revenue. Other regions that individually accounted for less than 10% of sales included Korea at 9%, Europe at 7%, and the rest of Asia at 4%.

Strong Investment Grade Balance Sheet with No Material Near-Term Maturities

KLA ended the quarter with \$3.35 billion in total cash, cash equivalents and marketable securities, debt principal outstanding of \$5.95 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies. Our balance sheet offers us the ability to fund our growth strategies, both organically and through M&A, while still providing ongoing attractive capital returns to shareholders.

Balance Sheet Summary¹ (\$M)

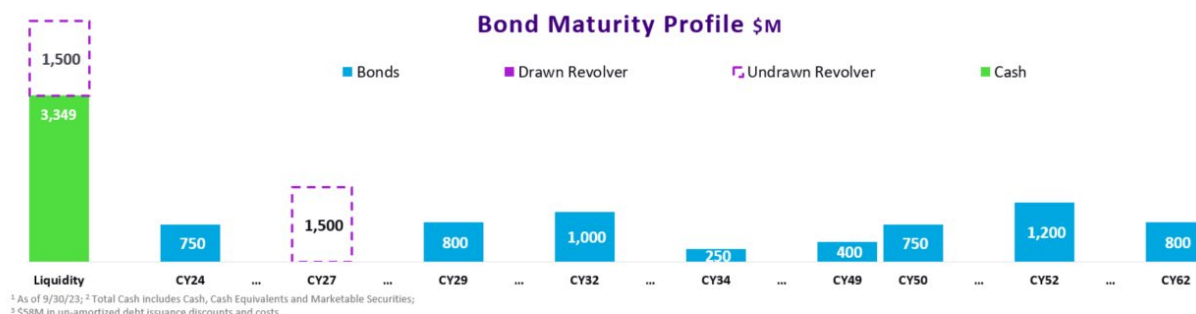
Total Cash ²	\$ 3,349
Working Capital	\$ 4,613
Total Assets	\$ 14,137
Debt ³	\$ 5,892
Total Shareholders' Equity	\$ 2,990

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-



FCF Generation Fuels Consistent Capital Return to Shareholders

Our long-term confidence in our business is what enables our commitment to a consistent strategy of capital returns that includes both dividend growth and increasing share repurchases leveraging the unallocated capital of the company.



Free Cash Flow¹ and FCF Margin²



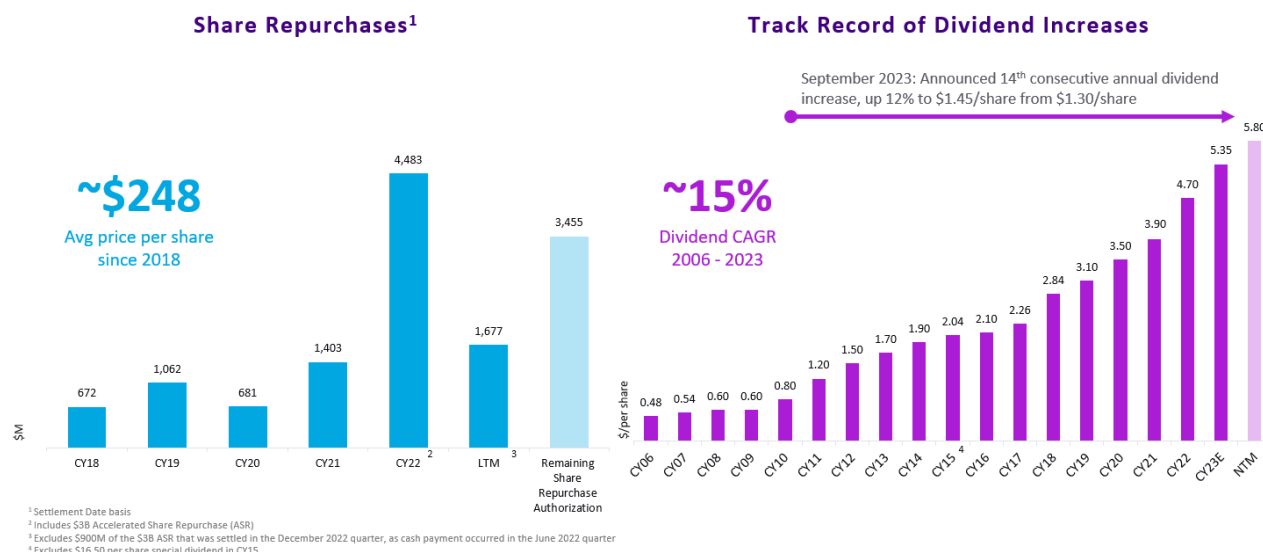
¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures

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

Over the last 12 months, KLA has returned \$2.4 billion to shareholders, including \$1.7 billion in share repurchases and \$726 million in dividends paid.

Return to Shareholders Across Both Share Repurchases & Dividends



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 phases of the business cycle and economic conditions.



On September 5th, KLA announced an increase in the quarterly dividend level to \$1.45 per share from \$1.30, the 14th consecutive annual dividend increase. Since its inception in 2006, KLA has grown the quarterly dividend level at an approximately 15% compounded annual growth rate. Additionally, on that date, 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 along the path to our 2026 financial targets.

Outlook

As we review the market and assess relative performance of our peers across the industry, we are adjusting our Wafer Fab Equipment (WFE) outlook for 2023 up to approximately \$80 billion, reflecting a decline of approximately 16% from the \$95 billion level in calendar 2022. While the timing of a meaningful and sustainable resumption in WFE investment growth remains unclear as most underlying end markets remain soft and therefore negatively impacting our customer's profitability and cash flow generation, we continue to see KLA's overall demand stabilizing around current business levels, and we expect this demand profile to continue into the first half of calendar 2024.

KLA's primary value proposition is focused on enabling innovation through technology advancements and transitions which our customers continue to prioritize across all business environments. While capacity plans are often adjusted due to changing demand expectations, technology roadmap investments are more resilient. This adds additional confidence to our business expectations as customers align shipment slots with their roadmaps. In this environment, we will continue to focus on meeting customer requirements, maintaining our high level of investment in R&D to advance our product roadmaps and KLA's market leadership, and delivering strong relative revenue growth and financial performance.

December Quarter Guidance

Our December quarter guidance is as follows: total revenue is expected to be \$2.45 billion, plus or minus \$125 million. Foundry/Logic is forecasted to be approximately 68%, and memory is expected to be around 32% of Semiconductor Process Control systems revenue to semiconductor customers. Within memory, DRAM is expected to be about 85% of the segment mix and NAND 15%.

We forecast non-GAAP gross margin to be 61.5% plus or minus one percentage point as product mix expectations are modestly weaker versus the September quarter and service period cost benefits realized in the September quarter normalize. Inclusive of this guidance, calendar 2023 gross margins are expected to end up in the mid-61 % range.

Non-GAAP operating expenses are expected to be approximately \$540 million.

Other model assumptions for the December quarter include: non-GAAP Other income and expense, net, of approximately \$45 million, and an effective tax rate of approximately 13.5%. Finally, GAAP diluted EPS is expected to be \$5.54 plus or minus \$0.60, and non-GAAP diluted EPS of \$5.86 plus or minus \$0.60. EPS guidance is based on a fully diluted share count of approximately 136 million shares.

December 2023 Quarter Guidance

Revenue	\$2.45B +/- \$125M	Macro Assumptions Semi PC Revenue By End Market <ul style="list-style-type: none"> Foundry/Logic: 68% Memory: 32% → DRAM 85% NAND 15% Model Assumptions <ul style="list-style-type: none"> Non-GAAP Operating Expenses*: ~\$540M Other Income & Expense (OIE)*, Net: ~\$45M Effective Tax Rate: ~13.5% Diluted Share Count: ~136M
Non-GAAP Gross Margin*	61.5% +/- 1%	
GAAP Diluted EPS	\$5.54 +/- \$0.60	
Non-GAAP Diluted EPS*	\$5.86 +/- \$0.60	

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

Strong, resilient and delivering shareholder value

In Conclusion

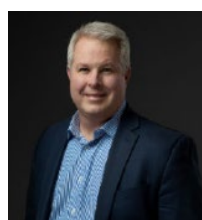
We remain focused on driving differentiation through innovation as we execute our successful portfolio strategy that supports our customers' technology roadmaps. Though the industry is correcting in 2023 and sustainable demand recovery still remains unclear, we are sizing our business to ensure that we deliver a differentiated product portfolio that meets our customers technology roadmap requirements and that we have the capacity to execute our business in line with our longer-term growth expectations. With the KLA Operating Model guiding our best-in-class execution, we continue to implement our strategic objectives which are geared to drive outperformance. Our focus on customer success, delivering innovative and differentiated solutions and operational excellence is what enables us to deliver industry-leading financial and free cash flow performance and return capital on a consistent basis.

We are confident that Process Control's importance to enabling technology advancements bodes well for KLA's long-term growth outlook despite challenging near-term demand trends. KLA is well-positioned to deliver strong near-term relative financial performance, driven by the better-than-market performance of our Semiconductor Process Control and Specialty Semiconductor businesses and continued growth in Services. KLA is also uniquely exposed to wafer and reticle infrastructure investments that are contributing to our relative outperformance in calendar 2023. Our business continues to stabilize, and the long-term secular trends driving semiconductor industry demand and investments in WFE remain intact and are compelling.

Sincerely,



Rick Wallace
CEO



Bren Higgins
CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

<i>(In millions, except EPS \$ and percentages)</i>		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

<i>(Dollars in millions)</i>		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									
<i>(Dollars in millions)</i>		For the three months ended		For the twelve months ended					
		Sept. 30, 2023	Sept. 30, 2023	Sept. 30, 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

Note: 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:

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

Investors and others should note that KLA announces material financial information to investors using an investor relations website (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.



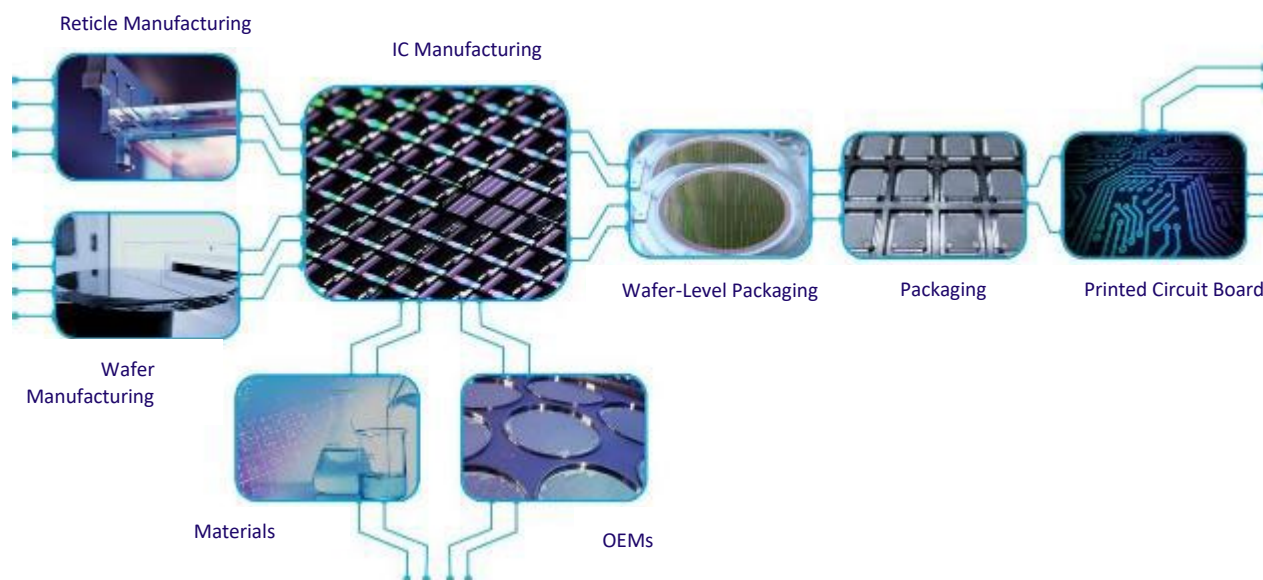
KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

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
408-875-6627

Media Contact:

Randi Polanich
SVP, Chief Communications Officer
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) 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 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.