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KLA Provides Updated Financial Guidance After Mid-Quarter Completion of Orbotech Acquisition

MILPITAS, Calif., March 5, 2019 /PRNewswire/ --[KLA-Tencor Corporation](#) (NASDAQ: KLAC) today provided updated guidance for revenue, GAAP and non-GAAP earnings per share for its fiscal third quarter ending March 31, 2019. The new guidance includes the contribution from Orbotech to combined company results for the 39 days remaining in the March quarter, following completion of the Orbotech acquisition on Feb. 20, 2019.

Logo - https://mma.prnewswire.com/media/806571/KLA_Corporation_Logo.jpg

On Jan. 29, 2019, KLA provided guidance for revenue for the third fiscal quarter of 2019 in the range of \$880 million to \$960 million. KLA now expects third-quarter revenue to be in the range of \$1.025 billion to \$1.115 billion, as a result of the expected revenue contribution of \$145 million to \$155 million from Orbotech for the stub period.

KLA's original guidance for GAAP earnings per share for the third fiscal quarter of 2019 was between \$1.35 and \$1.67 per share, based on an expected diluted weighted average share count of 151 million shares at the end of the quarter. The combined GAAP earnings per share for KLA and Orbotech is now expected to be in the range of \$0.94 to \$1.28 per share, as a result of the expected contribution from Orbotech for the stub period, the impact of charges related to the acquisition, and the incremental financing costs related to the transaction.

KLA's original guidance for non-GAAP earnings per share for the third fiscal quarter of 2019 was between \$1.39 to \$1.71 per share. The combined non-GAAP earnings per share for KLA and Orbotech is now expected to be in the range of \$1.45 to \$1.79 per share. The new earnings per share guidance is a result of the contribution from Orbotech for the stub period and the incremental financing costs related to the transaction. GAAP and non-GAAP earnings per share assume a diluted weighted average share count of 157 million shares, which includes the additional shares issued in the Orbotech acquisition.

"We are excited about the future for KLA. The new combination opens new opportunities to pursue our strategic objectives and create additional value for our customers, employees, and stockholders," said Rick Wallace, president and CEO at KLA.

About KLA:

KLA develops industry-leading equipment and services that enable innovation throughout the electronics industry. 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 <http://www.kla.com> (KLAC-F).

Use of Non-GAAP Financial Information:

The non-GAAP and supplemental information provided in this press release is a supplement to, and not a substitute for, KLA's financial results presented in accordance with United States GAAP. To supplement KLA's condensed, consolidated financial statements presented in accordance with GAAP, the company provides certain non-GAAP financial information, which is adjusted from results based on GAAP to exclude certain costs and expenses (benefits), as well as other supplemental information. The non-GAAP and supplemental information is provided to enhance the user's overall understanding of KLA's operating performance and its prospects in the future. Specifically, KLA believes that the non-GAAP information provides useful measures to both management and investors regarding financial and business trends relating to KLA's financial performance by excluding certain costs and expenses (benefits) that the company believes are not indicative of its core operating results. 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 (for example, determining which costs and expenses [benefits] to exclude when calculating such a metric) are inherently subject to significant discretion. 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.

Reconciliation of GAAP to Non-GAAP diluted net income per share for Q3 FY2019

(In millions, except per share amounts)

	<u>Low</u>	<u>High</u>
GAAP diluted net income per share	\$0.94	\$1.28
Acquisition-related charges	a 0.59	0.59
Income tax effect of acquisition-related charges	b (0.08)	(0.08)
Non-GAAP diluted net income per share	\$1.45	\$1.79
Shares used in net income per diluted share calculation	<u>157</u>	<u>157</u>

- a. Acquisition-related charges primarily include amortization of intangible assets and other acquisition-related adjustments including adjustments for the fair valuation of inventory and backlog, acceleration of certain employee compensation arrangements, and transaction costs associated primarily with the acquisition of Orbotech. Management believes that the expense associated with the amortization of acquisition-related intangible assets is appropriate to be excluded because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have short lives, and exclusion of these expenses allows comparisons of operating results that are consistent over time for both KLA's newly acquired and long-held businesses. Management believes that the other acquisition-related expenses are appropriate to be excluded because we would not have otherwise incurred such costs in the period presented. Management believes excluding these items helps investors compare our operating performances with our results in prior periods as well as with the performance of other companies.
- b. Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above. Management believes that it is appropriate to exclude the tax effects of the items noted above in order to present a more meaningful measure of non-GAAP net income.

Forward Looking Statements:

Statements in this press release other than historical facts, such as statements regarding revenue and EPS and diluted weighted average shares outstanding guidance for the third quarter of fiscal year 2019, are 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 the timing of shipment to customers, the completion of our accounting for the acquisition of Orbotech, and other risks and uncertainties including those set forth in our reports on Forms 10-K, 10-Q and 8-K and those included in our registration statement on Form S-4 filed with the Securities and Exchange Commission on May 19, 2019, as amended.

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