KLA

Keep Looking Ahead

Letter to Shareholders

Q3 Fiscal 2024

QUARTER ENDED MARCH 31, 2024 | REPORTED APRIL 25, 2024

Dear KLA Shareholders,

This Shareholder Letter provides an update on our views of the current industry demand environment, summarizes the quarterly business and financial highlights for the March 2024 quarter, and presents our outlook for the June 2024 quarter.

March 2024 Quarter Results

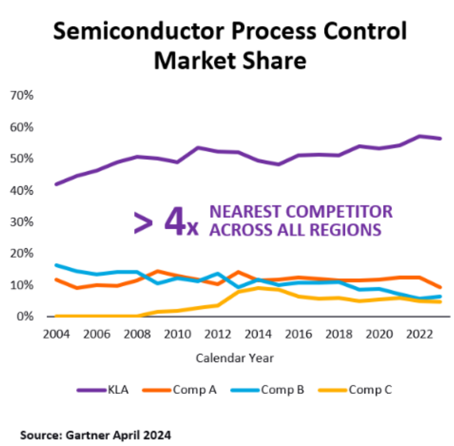
KLA's March quarter revenue of $2.36 billion was above the midpoint of our guidance, as customer demand and company execution tracked consistent with our expectations.

Non-GAAP diluted Earnings Per Share (EPS) was $5.26 and GAAP diluted EPS was $4.43, both ending above the midpoint of the adjusted guidance published on March 18th to reflect the Company's strategic decision to exit the flat panel display (FPD) business.

As we have highlighted over the past few quarters, market conditions have stabilized and we expect our business levels to improve as we progress through the year. We are encouraged by the improvement in our customers' businesses across multiple end-markets and this improvement is translating into constructive discussions with our customers about future opportunities for leading-edge capacity investments.

Sustained Process Control Market Leadership

At the start of each year, new market share reports are published by third parties that provide additional insights into the state of our industry. These reports show consistent, long-term KLA market leadership in process control and demonstrate the strength of our diverse portfolio that offers our customers unique capabilities to address their technology challenges while meeting their productivity demands. However, following a significant gain in 2022, KLA's 2023 global market share declined by nearly 1% driven primarily by a loss in access to approximately 10% of the China market as a result of U.S. government export controls. KLA's market leadership in Process Control and some of the most critical markets in WFE reflects the success of our customer-focused strategies and the power of our portfolio. KLA is seeing accelerated market share growth in rapidly growing Advanced Packaging markets as increasing complexity is driving higher adoption of advanced Process Control.



1. KLA's Process Control Market Share was > 56% in 2023, resulting in a > 4x market share lead over the nearest competitor despite market access impediments, demonstrating the strength of the portfolio
2. KLA's Process Control market share has grown more than 500bps since 2018, reflecting the critical nature of Process Control in enabling semiconductor market growth, and the successful execution of KLA's revenue diversification strategies
3. In 2023, KLA maintained > 85% market share in critical markets of Optical Inspection and Unpatterned Inspection and > 66% market share in Overlay Metrology
4. As Advanced Wafer Level Packaging (AWLP) becomes more complex, KLA solutions are in higher demand. KLA gained market share in the AWLP Process Control market for the 5th consecutive year and nearly doubled market share from 2022 to 2023

Top 5 Highlights - March 2024 Quarter

First, KLA's results demonstrate a stabilizing industry environment and consistent growth in market leadership. We are confident quarterly revenue levels for KLA bottomed in the March quarter as expressed in our prior earnings call. In Foundry/Logic, simultaneous investments across multiple nodes and slowly rising capital intensity continue to be a long-term tailwind. In Memory, our focus on technology development is a buffer against sharp reductions in overall memory capital investment.

Second, we are encouraged by our recent discussions with customers, further supported by public reports of an improving semiconductor industry end-market demand environment as a result of improving mobile and PC markets that consume large numbers of semiconductor devices, ongoing data center investments and the growing investment in high performance compute technologies and AI. For KLA, we see revenue growth resuming in the current quarter, and expect business levels to improve as we progress through the year.

Third, the increasing complexity in advanced packaging applications for AI and other advanced technologies is driving demand for both our process tool and process control products. Overall demand growth, along with increasing technology requirements will drive the need for more capability from inspection and metrology systems. Our advanced packaging business will generate approximately $400 million in annual run-rate in CY24, and we expect this business to achieve growth rates meaningfully above the growth rate of WFE going forward.

Fourth, the KLA Services business grew to $590 million in the March quarter, up 4% sequentially and 12% year-over-year, consistent with the 12-14% long-range revenue growth target. As a reminder, the increasing growth rate for Services is being driven by rising utilizations, increasing useful life, and the record number of new tools shipped over the past two years, which are exiting their warranty period and moving into service contracts. Contract revenue represents more than 75% of KLA's reported service revenue.

Finally, the March quarter was strong from a cash flow and capital return perspective. Quarterly free cash flow was $838 million, and last-twelve-month free cash flow was $3.1 billion, with free cash flow margin of 32% over the period. Total capital return in the March quarter was $569 million, comprised of $372 million in share repurchases and $197 million in dividends. Total capital return over the past twelve months was $2.4 billion. KLA views consistent and healthy capital returns as fundamental to augmenting total shareholder returns.

Before transitioning to the financial highlights, let's recap a few key points.

KLA's March quarter results continue to demonstrate our sustained process control leadership and the success of our broad portfolio and specific product strategies. This further highlights the critical nature of KLA's products and services in enabling the proliferation of semiconductors into more products, industries, and applications. Our consistent execution highlights the resiliency of the KLA Operating Model, the dedication of our global team, our commitment to assertive capital allocation, and maximizing long-term total shareholder value to all our stakeholders.

At our last Investor Day, we discussed how the company was advantageously positioned at the forefront of technology innovation with a comprehensive portfolio of products to meet demanding customer requirements. KLA remains a leading partner for enabling customer innovation and growth at the leading edge.

The KLA Operating Model positions the company well for sustainable outperformance relative to the industry over the long run.

The KLA Operating Model

Consistent Strategy and Execution
- Application of common processes and discipline
- Cascades throughout the organization
- Strong focus on talent development

Management By Metrics
- Culture of performance and accountability
- Expectation of continuous improvement
- Superior margins driven by market leadership and differentiation

Financial Discipline and Rigor
- Exert efficiency and operating discipline in our investments
- Strong track record of high returns
- Focused on enhancing shareholder value

Focused on driving sustainable profitability and growth

March 2024 Quarter Financial Highlights

KLA's March quarter results demonstrated the consistent execution of our global team. Despite the challenges and complexity of the current industry environment, KLA continues to show resourcefulness and the ability to adapt to meet customers' changing requirements.

$2.36B	59.8%	36.8%	$715M
Revenue	Gross Margin*	Operating Margin*	Net Income*

(Right) Surfscan® SP7XP is an advanced wafer defect inspection system developed by KLA Corporation to discover the smallest defects and imperfections on bare wafers and blanket films used in semiconductor manufacturing.

It helps semiconductor substrate, equipment, materials, and chip manufacturers achieve strict quality standards for producing the most advanced chips.

$5.26
Diluted EPS*

$4.43
GAAP Diluted EPS

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

Quarterly revenue was $2.36 billion, above the guidance midpoint of $2.3 billion. Non-GAAP diluted EPS was $5.26, above the guidance midpoint of $4.83. GAAP diluted EPS was $4.43, above the guidance midpoint of $4.06. March quarter non-GAAP and GAAP diluted EPS were both negatively impacted by a $62 million charge for excess and obsolete inventory related to the company's strategic decision to exit the flat panel display business announced on March 18. This charge had a $0.40 impact on EPS. Excluding this item, diluted non-GAAP EPS would have been $5.66.

Non-GAAP gross margin was 59.8%, above the top of the revised guidance range of 57.7% to 59.7%. Excluding the FPD charge, Non-GAAP gross margin would have been 62.4% and roughly flat sequentially.

Non-GAAP operating expenses were flat sequentially at $544 million. Non-GAAP operating expenses were comprised of $320 million in non-GAAP R&D and $224 million in non-GAAP SG&A. Non-GAAP EPS at the 13.5% guided tax rate woud have been $0.04 higher or $5.30.

Non-GAAP operating margin was 36.8%. Non-GAAP other income and expense, net, was a $34 million expense, and the quarterly non-GAAP effective tax rate was 14.2%.

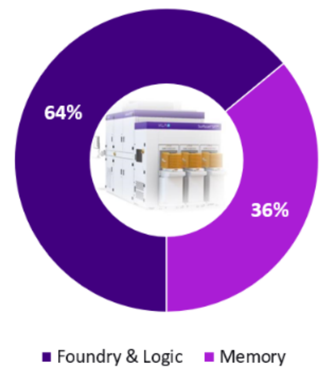
Quarterly Non-GAAP net income was $715 million, GAAP net income was $602 million, cash flow from operations was $910 million, and free cash flow was $838 million. The company had approximately 136 million diluted weighted average shares outstanding at the end of the quarter.

Breakdown of Revenue by Reportable Segments and End Markets

Revenue for the Semiconductor Process Control segment for the March quarter, including its associated Services business, was $2.1 billion, down 4% sequentially and 3% on a year-over-year basis. The approximate Semi Process Control system semiconductor customer mix for Foundry/Logic customers was 64% in the quarter. Memory was 36% with DRAM accounting for 88% of Memory revenue.

	Revenue Q3-FY24 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	$2,096	-3%	-4%	89%
Specialty Semiconductor Process (Systems + Services)	$131	+2%	-13%	5%
PCB, Display and Component Inspection (Systems + Services)	$133	+1%	-7%	6%
Total:	$2,360	-3%	-5%	

Q3-FY24: Semi Process Control End Market System Revenue [1]



[1] Represents approximate Semi Process Control system-only sales to Foundry/Logic customers or Memory customers

Revenue for the EPC group is driven principally by demand in specialty semiconductors and advanced packaging. Within EPC, the Specialty Semiconductor Process segment, which includes its associated Services business, grew 2% on a year-over-year basis to $131 million, but was down 13% sequentially in March. PCB, Display and Component Inspection revenue was $133 million, up 1% year-over-year, but down 7% sequentially.

Breakdown of Revenue by Major Products and Regions

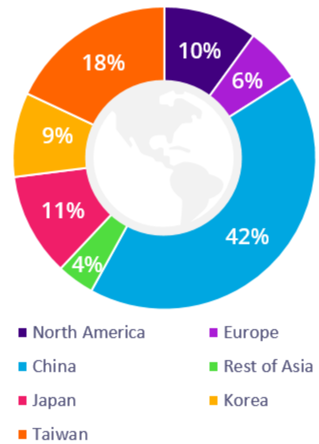
As expected, Wafer Inspection systems declined 15% sequentially and 4% year-over-year in the March quarter, totaling 42% of total revenue.

Patterning systems, which include metrology and reticle inspection, was up 25% sequentially and was down 12% year-over-year, and was 23% of total revenue in the March quarter.

	Revenue Q3-FY24 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Wafer Inspection	$988	-4%	-15%	42%
Patterning	$539	-12%	+25%	23%
Specialty Semi Process	$117	+1%	-15%	5%
PCB, Display and Comp. Inspection	$68	-2%	-12%	3%
Services	$590	+12%	+4%	25%
Other[1]	$58	-28%	-48%	2%
Total:	**$2,360**	**-3%**	**-5%**	

[1] Included in the Semiconductor Process Control Segment

Q3-FY24 Revenue by Region



Specialty Semiconductor Process systems were down 15% in the March quarter but were up 1% year-over-year and finished at 5% of total quarterly revenue.

PCB, Display and Component Inspection systems revenue was down 12% sequentially and 2% year-over-year to 3% of revenue.

Services revenue grew 12% year-over-year and 4% sequentially, totaling 25% of revenue in the quarter.

Other, which is included in the Semiconductor Process Control segment, was 2% of total revenue in the quarter.

The March quarter regional revenue split in descending order was: China at 42%, Taiwan at 18%, Japan at 11%, and North America at 10% of total revenue. Other regions that accounted for less than 10% of revenue were Korea at 9%, Europe at 6% and the rest of Asia at 4%.

Strong Investment Grade Balance Sheet

KLA ended the quarter with $4.3 billion in total cash, cash equivalents and marketable securities, debt of $6.7 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies. On February 1, 2024 KLA issued $500 million of 4.7% Senior Notes due in 2034 and $250 million of 4.950% Senior Notes due in 2052. The Company expects to use the net proceeds from the Notes offering for general corporate purposes, including the repayment of outstanding indebtedness at or prior to maturity. KLA's balance sheet offers a unique capability to fund our growth strategies, organic and inorganic, and provide ongoing attractive capital returns to shareholders.

Balance Sheet Summary[1] ($M)

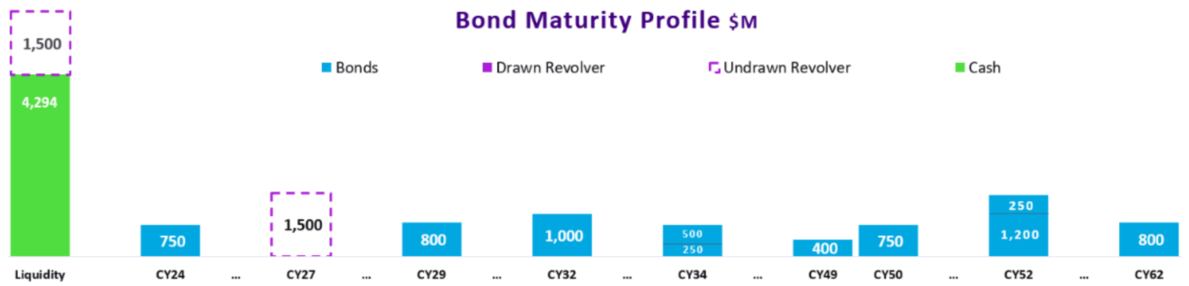
Total Cash[2]	$ 4,294
Working Capital	$ 5,070
Total Assets	$ 14,957
Debt[3]	$ 6,629
Total Shareholders' Equity	$ 3,095

Bond Maturity Profile

Bonds Outstanding	$6.70B
Weighted Average Interest Rate	4.67%
Weighted Average Maturity	18.1 years

Investment Grade Credit Ratings

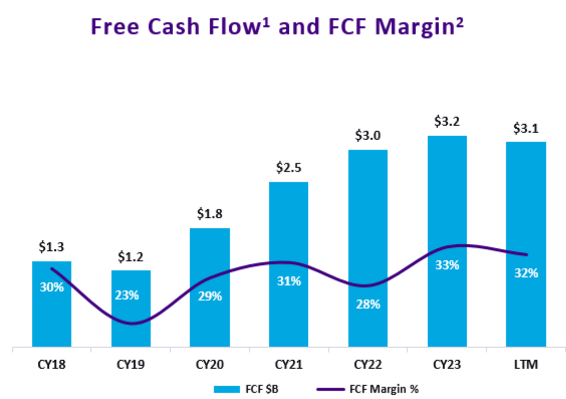
Moody's	A2
S&P	A-
Fitch	A



[1] As of 3/31/24; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities; [3] $71M in un-amortized debt issuance discounts and costs

FCF Generation Fuels Consistent Capital Return to Shareholders

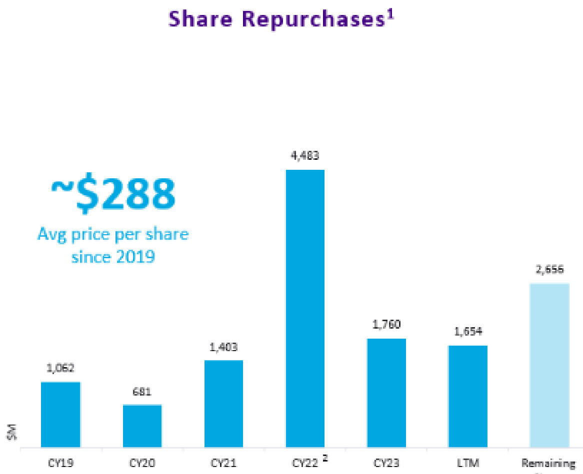
KLA has confidence in the long-term business performance and is committed to a consistent strategy of cash returns that includes both dividend growth and increasing share repurchases over the long-term. This strategy underscores a strong track record of predictable and assertive capital deployment and remains an important differentiating element of the KLA investment thesis.



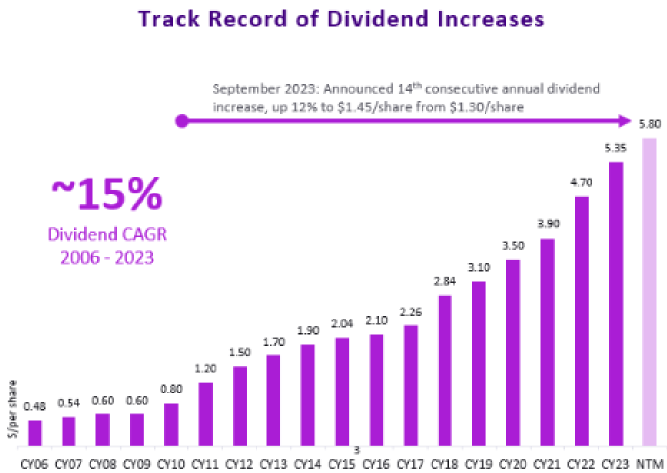
[1] Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
[2] FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

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

Return to Shareholders Across Both Share Repurchases & Dividends



¹ Settlement Date basis
² Includes $3B Accelerated Share Repurchase (ASR)
³ Excludes $16.50 per share special dividend in CY15



Free Cash Flow and Capital Return Highlights

KLA has a history of consistent free cash flow generation, high free cash flow conversion, and strong free cash flow margins across all business cycle phases and economic conditions. KLA has grown the quarterly dividend level at an approximately 15% compounded annual growth rate since inception. The company has also consistently repurchased shares. These capital returns actions reflect confidence in our business model and growth strategies as we progress toward the 2026 financial targets.

$838M
March Quarter Free Cash Flow*

36%
March Quarter FCF Margin*

117%
March Quarter FCF Conversion*

(Above) Utilizing enhanced 150nm Broadband Spectroscopic Ellipsometry technology, the Aleris 8510 film thickness measurement system provides engineers with the film metrology data required for development and inline monitoring of DPN layers and all HKMG layers – from gate through poly, including Hf and N dose and film thickness

$372M
March Quarter Share Buyback

$1,654M
LTM Share Buyback

$197M
March Quarter Dividends Paid

$755M
LTM Dividends Paid

* Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. FCF Margin = FCF/Revenue. FCF Conversion = FCF / Non-GAAP Net Income. Non-GAAP metric Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Semiconductor Industry Demand Environment

The Semiconductor industry has evolved to be increasingly strategic, featuring a more balanced and diversified end-market mix, with growth coming from the highly critical nature of semiconductors to a growing number of industries worldwide. Factors such as the emergence of disruptive technologies such as AI and continuing advancement of innovation spurred by the performance, power, and price benefits of being at the leading edge, as well as rising semiconductor content across end-markets and strategic investments in legacy nodes are fueling long-term growth for the semiconductor equipment industry.

We remain encouraged by constructive customer discussions around their future investment plans which are further supported by recent reports of an improving end-market demand environment and customer profitability.

Near Term Industry Outlook

Consistent with these industry trends, and as we indicated last quarter, we believe our business bottomed from a revenue perspective in the March quarter and looking ahead through the balance of calendar 2024, growth is resuming in the June quarter, and we expect business levels to improve as we progress through the year.

For calendar 2024, our high-level outlook remains unchanged. We still expect WFE demand to be roughly flat to modestly up from 2023 and that the second half of the calendar year will be stronger than the first half.

KLA's unique portfolio differentiation and primary value proposition is focused on enabling technology transitions, which customers continue to prioritize and invest in. While capacity plans can fluctuate, technology roadmap investment tends to be more consistent and aligns with KLA's highest value product offerings. This demand adds additional confidence in business expectations as customers align shipment slots with roadmap requirements. In this industry environment, KLA will continue to focus on supporting customer requirements, executing on product roadmaps, and preparing for growth at the leading-edge.

June 2024 Quarterly Guidance

KLA's June quarter guidance is as follows: total revenue is expected to be $2.5 billion, plus or minus $125 million. Foundry/Logic revenue from semiconductor customers is forecasted to be approximately 82%, and Memory is expected to be 18% of Semi Process Control systems revenue. Within Memory, DRAM is expected to be about 78% of the segment mix and NAND the remaining 22%.

Non-GAAP gross margin is forecasted to be in a range of 61.5% plus or minus one percentage point based on product mix expectations.

For calendar 2024, based on current industry outlook, top-line growth expectations, higher forecasted growth in Services and expected systems product mix we are modeling non-GAAP gross margins to be relatively stable around the mid 61 percent range. Variability quarter-to-quarter is typically driven by product mix fluctuations.

Non-GAAP operating expenses are forecasted in the June quarter to be approximately $550 million as our merit adjustment process occured in the March quarter. Looking ahead, we continue to expect $5 to $10 million incremental growth in quarterly operating expenses for the remainder of calendar 2024, supported by expected revenue growth.

Other model assumptions for the June quarter include: non-GAAP other income and expense, net, of approximately a $38 million expense. GAAP diluted EPS is expected to be $5.66 plus or minus $0.60, and non-GAAP diluted EPS of $6.07 plus or minus $0.60. EPS guidance is based on a fully diluted share count of approximately 135.4 million shares.

June 2024 Quarter Guidance

Revenue	$2.5B +/- $125M
Non-GAAP Gross Margin*	61.5% +/- 1%
GAAP Diluted EPS	$5.66 +/- $0.60
Non-GAAP Diluted EPS*	$6.07 +/- $0.60

Macro Assumptions

Semi PC Revenue By End Market
- Foundry/Logic: 82%
- Memory: 18% → DRAM 78% | NAND 22%

Model Assumptions
- Non-GAAP Operating Expenses*: ~$550M
- Other Income & Expense (OIE)*, Net: ~$38M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~135.4M

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

Strong, resilient and delivering shareholder value

In Conclusion

As we articulated 12 weeks ago, we are encouraged with the indicators of improvement ranging from our customer conversations to the public reports over the past few months. KLA remains focused on delivering a differentiated product portfolio that anticipates customers' technology roadmap requirements and drives our longer-term growth expectations. With the KLA Operating Model guiding best-in-class execution, KLA continues to implement strategic objectives, which are geared to drive outperformance. With a focus on customer success, delivering innovative and differentiated solutions, and operational excellence, KLA is able to deliver industry-leading financial and free cash flow performance and return capital consistently.

The past few years have solidified our confidence in the increasing importance of Process Control in enabling technology advancements and optimizing yield across a high semiconductor device design mix volume production environment. This bodes well for KLA’s long-term growth outlook as near-term industry demand trends are continuing to improve. In alignment with this, KLA’s business is improving and the long-term secular trends driving semiconductor industry demand and investments in WFE remain intact in both legacy and leading-edge markets.

Sincerely,

Rick Wallace
CEO

Bren Higgins
CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

(In millions, except EPS $ and percentages)		For the three months ended Mar. 31, 2024
GAAP net income		**$ 601.5**
Adjustments to reconcile GAAP net income to non-GAAP net income*		
Acquisition-related charges	a	58.6
Restructuring, severance and other charges	b	2.0
Impairment of goodwill	c	70.5
Income tax effect of non-GAAP adjustments	d	(19.9)
Discrete tax items	e	2.4
Non-GAAP net income		**$ 715.1**
GAAP diluted EPS		**$ 4.43**
Non-GAAP diluted EPS		**$ 5.26**
Shares used in diluted shares calculation		135.9
GAAP income tax expense		**$ 100.5**
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*		
Income tax effect of non-GAAP adjustments	d	19.9
Discrete tax items	e	(2.4)
Non-GAAP income tax expense		**$ 118.0**
GAAP income before income taxes		**$ 702.0**
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*		
Acquisition-related charges	a	58.6
Restructuring, severance and other charges	b	2.0
Impairment of goodwill	c	70.5
Non-GAAP income before income taxes		**$ 833.1**
GAAP income tax rate		**14.3%**
Non-GAAP income tax rate		**14.2%**
GAAP Other expense (income), net		**$ 34.4**
Non-GAAP Other expense (income), net		**$ 34.4**

Amounts may not sum due to rounding

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP), because the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The expense associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended March 31, 2024 was $17.4 million. The net gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended March 31, 2024 was $17.1 million.

* Refer to "Reconciliation of Non-GAAP Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information for each reconciling item.

(Dollars in millions)		For the three months ended Mar. 31, 2024
GAAP gross profit		**$ 1,365.9**
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*		
Acquisition-related charges	a	44.8
Restructuring, severance and other charges	b	0.8
Non-GAAP gross profit		**$ 1,411.6**
GAAP gross margin		**57.9%**
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*		
Acquisition-related charges	a	1.9%
Restructuring, severance and other charges	b	0.0%
Non-GAAP gross margin		**59.8%**
GAAP research and development ("R&D") expenses		**$ 321.6**
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*		
Acquisition-related charges	a	$ (0.9)
Restructuring, severance and other charges	b	$ (0.9)
Non-GAAP R&D expenses		**$ 319.8**
GAAP selling, general and administrative ("SG&A") expenses (1)		**$ 237.5**
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*		
Acquisition-related charges	a	(12.9)
Restructuring, severance and other charges	b	(0.3)
Non-GAAP SG&A expenses (1)		**$ 224.3**
GAAP operating expense (1)		**$ 629.6**
Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*		
Acquisition-related charges	a	(13.7)
Restructuring, severance and other charges	b	(1.2)
Impairment of goodwill	c	(70.5)
Non-GAAP operating expense (1)		**$ 544.1**
GAAP operating income (1)		**$ 736.4**
Adjustments to reconcile GAAP operating income to non-GAAP operating income*		
Acquisition-related charges	a	58.6
Restructuring, severance and other charges	b	2.0
Impairment of goodwill	c	70.5
Non-GAAP operating income (1)		**$ 867.5**
GAAP operating margin		**31.2%**
Non-GAAP operating margin		**36.8%**

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						
	Mar. 31, 2024	**Mar. 31, 2024**	**Dec. 31, 2023**	**Dec 31, 2022**	**Dec 31, 2021**	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2018**
Net cash provided by operating activities	$ 910.0	$ 3,375.1	$ 3,476.0	$ 3,337.9	$ 2,786.4	$ 1,968.1	$ 1,373.0	$ 1,389.7
Less Capital expenditures	(71.8)	(295.3)	(308.4)	(351.5)	(250.4)	(200.3)	(149.2)	(86.5)
Free cash flow	**$ 838.2**	**$ 3,079.8**	**$ 3,167.5**	**$ 2,986.5**	**$ 2,536.0**	**$ 1,767.8**	**$ 1,223.8**	**$ 1,303.2**
Free cash flow	$ 838.2	$ 3,079.8	$ 3,167.5	$ 2,986.5	$ 2,536.0	$ 1,767.8	$ 1,223.8	$ 1,303.2
Revenue	$ 2,359.8	$ 9,598.6	$ 9,671.4	$ 10,483.7	$ 8,165.7	$ 6,073.0	$ 5,278.6	$ 4,304.5
Free cash flow margin	**35.5%**	**32.1%**	**32.8%**	**28.5%**	**31.1%**	**29.1%**	**23.2%**	**30.3%**
Free cash flow	$ 838.2							
Non-GAAP net income	$ 715.1							
Free cash flow conversion	**117.2%**							
Net cash provided by operating activities	$ 910.0							
GAAP net income	$ 601.5							
GAAP metric comparable to free cash flow conversion	**151.3%**							

	For the three months ended Mar. 31, 2024	For the twelve months ended Mar. 31, 2024
Cash paid for dividends	$ 197.2	$ 755.0
Cash paid for share repurchases	372.3	1,654.3
Capital returns	**$ 569.4**	**$ 2,409.3**

Amounts may not sum due to rounding

The Company presents free cash flow and certain related metrics as supplemental non-GAAP measures of its performance. Free cash flow is determined by adjusting GAAP net cash provided by operating activities for capital expenditures. Free cash flow conversion is defined as free cash flow divided by non-GAAP net income, and free cash flow margin is defined as free cash flow divided by revenue.

Reconciliation of Guidance

Q4 FY2024 Guidance Range:

(Dollars in millions, except per share amounts)		Low	High
GAAP diluted net income per share		**$ 5.06**	**$ 6.26**
Acquisition-related charges	a	0.44	0.44
Restructuring, severance and other charges	b	0.14	0.14
Income tax effect of non-GAAP adjustments	d	(0.17)	(0.17)
Non-GAAP diluted net income per share		**$ 5.47**	**$ 6.67**
Shares used in diluted shares calculation		135.4	135.4
GAAP gross margin		**58.5%**	**60.5%**
Acquisition-related charges	a	1.9%	1.9%
Restructuring, severance and other charges	b	0.1%	0.1%
Non-GAAP gross margin		**60.5%**	**62.5%**
GAAP operating expenses		**$ 573**	**$ 585**
Acquisition-related charges	a	(13)	(13)
Restructuring, severance and other charges	b	(16)	(16)
Non-GAAP operating expenses		**$ 544**	**$ 556**

Note: The guidance as of April 25, 2024 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 as well as intangible asset impairment charges. 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 and other exit costs.

c) Impairment of goodwill and purchased intangible assets included non-cash expense recognized in the three months ended March 31, 2024, following the downward revision of financial outlook for the PCB and Display reporting units in the second quarter of fiscal 2024 and the subsequent decision to exit the Company's Display business that was based on many factors, including the cancellation of a significant new technology project by a major customer, in the third quarter of fiscal 2024. Management believes that it is appropriate to exclude these impairment charges as they are not indicative of ongoing operating results and therefore limit comparability. Management also believes excluding this item helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.

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

e) Discrete tax items in the three months ended March 31, 2024 included the amortization of previously recorded one-time tax benefits resulting from changes made to our international structure to better align ownership of certain intellectual property rights with how our business operates.

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, and printed circuit boards. 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.

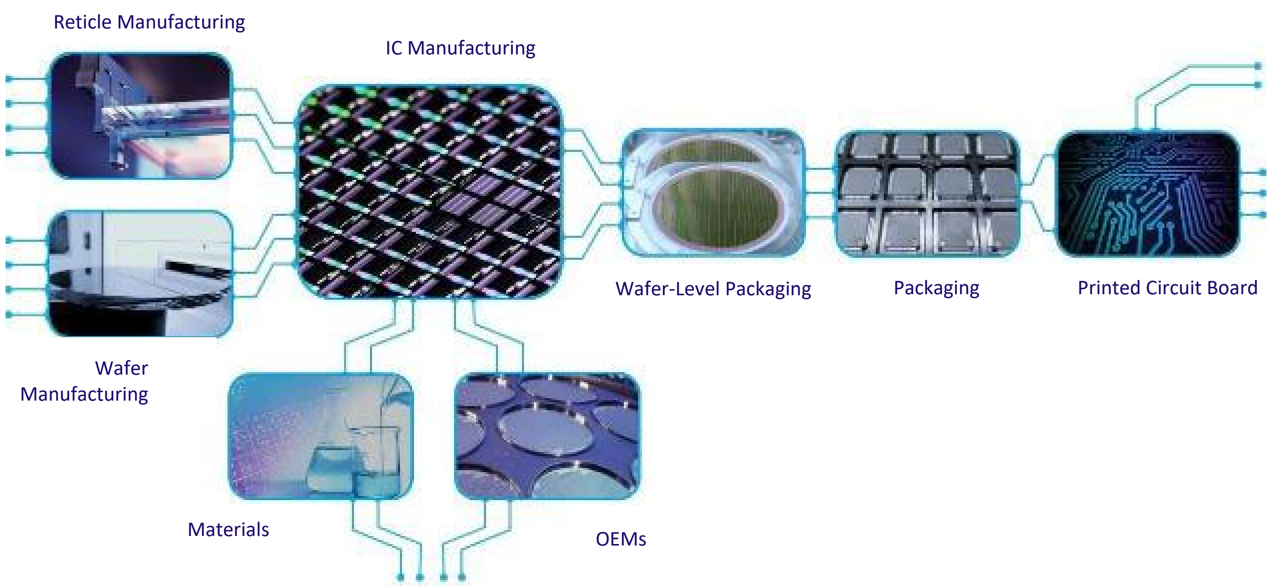
KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

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
- General Purpose/Labs



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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) use of proceeds from our senior notes offering in February 2024; (iii) our market position for the future and timing for the resumption of growth in demand for our products; (iv) our forecast of financial measures for the following quarter and 2024; (v) our future revenues by customer segment for our Semi Process Control systems; (vi) our long-term financial targets and underlying assumptions; (vii) our future investment plan on R&D, technology, manufacturing capacity and infrastructure; and (viii) 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 Bureau of Industry and Security of the U.S. Department of Commerce rules and regulations and their impact on our ability to sell products to and provide services to certain customers in China; costly intellectual property 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 target, 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 or other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism and the adverse impact on our business operations; the wars between Israel and Hamas and Russia and Ukraine, and the significant military activity in that region; 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 rates; 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 in which we operate; our ability to timely develop new technologies and products that successfully address changes in the industry; our ability to maintain our 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 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's Annual Report on Form 10-K for the year ended June 30, 2023, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA assumes no obligation to, and does not currently intend to, update these forward-looking statements.