



Letter to Shareholders

Q4 Fiscal 2024

QUARTER ENDED JUNE 30, 2024 | REPORTED JULY 24, 2024

Dear KLA Shareholders,

This letter provides our latest views of the industry demand environment, summarizes the quarterly business and financial highlights for the June 2024 quarter, and provides our outlook.

June 2024 Quarter Results

KLA's June quarter results exceeded expectations, including revenue, non-GAAP gross margin, and non-GAAP earnings per share (EPS) and GAAP EPS, which were all above their respective guidance midpoints. This demonstrates the enduring power and differentiation of the KLA portfolio.


KLA's June quarter revenue was \$2.57 billion, finishing at the upper end of the guidance range as the quarter played out mostly as expected with strong customer demand and solid company execution.

Non-GAAP diluted EPS was \$6.60 and GAAP diluted EPS was \$6.18, each ending at the upper end of their respective guidance ranges for the quarter.

We are encouraged by the continuing signs of a strengthening market environment for our customers at the leading edge and are increasingly confident in our plan for steady improvement throughout the remainder of this calendar year and into 2025.

Celebrating 40 Years of Broadband Plasma (BBP) Innovation

In June, KLA marked the 40th anniversary of our broadband plasma (BBP) patterned wafer inspectors which remain at the forefront of the semiconductor industry and an indispensable technology for our customers. Over the past 40 years, approximately 3,000 BBP systems have been installed worldwide and KLA has approximately 1,000 BBP-related patents filed.

Year	1984	1990s	early-2000s	late-2000s	2012 – Present	2016 - Present
Product	KLA 2020	21xx Series	23xx Series	28xx Series	29xx Series (Gen4)	39xx Series (Gen5)
Impact	Revolutionized Inspection The first automated patterned wafer inspection system, launching the yield management era	Moved Inspection In-line The sensitivity needed for R&D was complemented by the speed needed for inline defect monitoring	Elevated Yield Management Tackled the defect challenges associated with multiple industry inflections, including Cu interconnects and 300mm	Powered Up Broadband Supported integrated yield management with broad defect type capture and integrated defect binning	Dominates Defect Discovery As the industry's inspection workhorse, discovers systematic defects in R&D and critical HVM excursions	Illuminates the EUV Era Supports defect discovery for advanced devices, EUV stochastic detection and EUV reticle requalification
Innovations	<ul style="list-style-type: none"> Broadband visible Automated inspection 	<ul style="list-style-type: none"> Broadband visible First use of TDI sensors SAT algorithm 	<ul style="list-style-type: none"> Broadband UV/visible First broadband UV 0.9 NA objective 	<ul style="list-style-type: none"> Broadband DUV/UV/vis First laser-powered plasma light source 	<ul style="list-style-type: none"> Broadband DUV/UV/vis NanoPoint™ 	<ul style="list-style-type: none"> Broadband SR-DUV/DUV Print Check
 Visit bbp.kla.com for more information on BBP 40						
For 40 years our broadband plasma (BBP) patterned wafer inspectors have been at the forefront of defect discovery for the semiconductor industry. Introduced in 1984 and still going strong, BBP inspectors moved defect inspection in-line, transforming yield management for chip manufacturing.						

KLA's BBP systems are the flagship product of our market leading inspection portfolio and also go by the names Gen4 and Gen5. Our BBP systems use advanced optical and data processing technologies to discover critical defects on patterned wafers during chip manufacturing.

Capturing critical defects helps engineers characterize and debug new processes, patterning schemes, materials and device architectures during R&D, and helps accelerate semiconductor yield, reliability and performance during high-volume manufacturing.

With the continuing advancement of semiconductor technologies, we are developing physics-based AI algorithm innovations that will extend BBP's legacy of high-sensitivity inspection at optical inspection speed into the future.

Top 5 Highlights - June 2024 Quarter

First, as expected, KLA's results marked a return to sequential and year-over-year revenue growth demonstrating an improving industry environment as the company prepares for accelerated growth at the leading edge. In Foundry/Logic, the continuation of scaling and incorporation of new technologies and slowly rising capital intensity continue to be a long-term tailwind. In Memory, technology development investments supporting AI and HBM and an improving supply/demand environment are positioning memory markets for a return to growth in 2025.

Second, this marked another quarter of strong performance from our portfolio BBP products. As is evident from our 40 year anniversary of KLA's BBP patterned wafer inspectors business, the products continue to improve and evolve and remain at the forefront of defect discovery for the semiconductor industry. We expect this product family momentum to continue delivering strong relative growth performance in calendar year 2024.

Third, AI continues to be a driver and enabler of KLA's business. In terms of driving our business, we see higher value wafer volume, more complex designs, larger die and chip sizes, and growing advanced packaging demand that can all be traced back to AI. These trends are all supportive of rising process control intensity which is good for KLA. AI is also driving the need for complex heterogeneous chip integration enabled by advanced packaging. Last quarter we estimated that the KLA opportunity would reach approximately \$400 million in annualized revenue exiting calendar 2024. Today, we are raising that estimate to more than \$500 million in total advanced packaging revenue across the entire KLA portfolio based on the momentum we are experiencing. From an enablement perspective, we were early pioneers in using and incorporating AI into our products. We are excited about future product enhancements that will leverage AI to improve the performance and cost of our leading edge systems.

Fourth, the KLA Services business grew to \$614 million in the June quarter, up 4% sequentially and 14% year-over-year, at the upper end of the long-term annual revenue growth target for Services of 12% to 14%. Utilization rates of existing installed capacity are steadily rising across all business segments as end-market demand improves. We expect that our service business will continue to track at the upper end of our long-term revenue growth target over the foreseeable horizon.

Finally, the June quarter was strong from a cash flow and capital return perspective. Quarterly free cash flow was \$832 million, and last-twelve-month free cash flow was \$3 billion, with free cash flow margin of 31% over the same period. Total capital return in the June quarter was \$668 million, comprised of \$470 million in share repurchases and \$198 million in dividends. Total capital return over the past twelve months was \$2.5 billion. KLA views consistent and healthy capital returns as fundamental to delivering value from shareholder capital and augmenting total shareholder returns.

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

KLA’s June quarter results mark a return to sequential and year-over-year growth. They also 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.

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

The KLA Operating Model



June 2024 Quarter Financial Highlights

KLA's June quarter results demonstrated our market leadership combined with the consistent execution of our global team. KLA continues to show resourcefulness and the ability to adapt to meet customers' changing requirements.

\$2.57B

Revenue

62.5%

Gross Margin*

41.0%

Operating Margin*

\$893M

Net Income*

(Right) Super Resolution Broadband Plasma Patterned Wafer Defect Inspection System

The 3935 broadband plasma BBP defect inspection system supports wafer-level defect discovery, yield learning and inline monitoring for $\leq 5\text{nm}$ logic and leading-edge memory design nodes.



\$6.60

Diluted EPS*

\$6.18

GAAP Diluted EPS

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

Quarterly revenue was \$2.57 billion, above the guidance midpoint of \$2.5 billion. Non-GAAP diluted EPS was \$6.60 and GAAP diluted EPS was \$6.18, both above their respective guidance midpoints.

Non-GAAP gross margin was 62.5%, at the upper end of the guidance range as a richer product mix than modeled and higher revenue volume drove upside to guidance. Non-GAAP operating expenses were \$553 million. Non-GAAP operating expenses were comprised of \$324 million in non-GAAP R&D and \$229 million in non-GAAP SG&A. Non-GAAP operating margin was 41%. Non-GAAP other income and expense, net, was a \$32 million expense, and the quarterly non-GAAP effective tax rate was 12.6%.

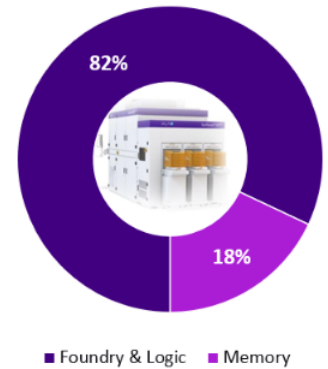
Quarterly Non-GAAP net income was \$893 million, GAAP net income was \$836 million, cash flow from operations was \$893 million, and free cash flow was \$832 million. The company had 135.3 million diluted weighted average shares outstanding at the end of the quarter.

Breakdown of Revenue by Reportable Segments and End Markets

Revenue for the Semiconductor Process Control segment for the June quarter, including its associated Services business, was \$2.3 billion, up 10% sequentially and 10% on a year-over-year basis. The approximate Semi Process Control system semiconductor customer mix for Foundry/Logic customers was 82% in the quarter. Memory was approximately 18% with DRAM accounting for 78% of Memory revenue.

	Revenue Q4-FY24 (\$M)	Y/Y Growth %	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	\$2,308	+10%	+10%	90%
Specialty Semiconductor Process (Systems + Services)	\$121	-6%	-7%	5%
PCB and Component Inspection (Systems + Services)	\$140	+9%	+5%	5%
Total:	\$2,569	+9%	+9%	

Q4-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 Specialty Semiconductor Process segment, which includes its associated Services business, was down 6% on a year-over-year basis to \$121 million, and was down 7% sequentially in June. PCB and Component Inspection revenue was \$140 million, up 9% year-over-year, and up 5% sequentially.

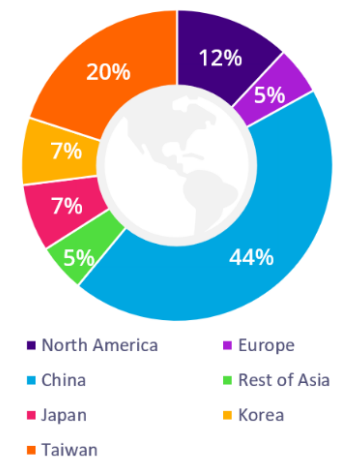
Breakdown of Revenue by Major Products and Regions

Driven by demand from Foundry/Logic customers, Wafer Inspection systems grew 18% sequentially and 23% year-over-year in the June quarter, totaling 46% of total revenue.

Patterning systems, which include metrology and reticle inspection, was up 1% sequentially and was down 7% year-over-year, for 21% of total revenue in the June quarter.

	Revenue Q4-FY24 (\$M)	Y/Y Growth %	Q/Q Growth %	Revenue %
Wafer Inspection	\$1,169	+23%	+18%	46%
Patterning	\$542	-7%	+1%	21%
Specialty Semi Process	\$106	-10%	-9%	4%
PCB and Component Inspection	\$74	+14%	+9%	3%
Services	\$614	+14%	+4%	24%
Other ¹	\$64	-36%	+10%	2%
Total:	\$2,569	+9%	+9%	

Q4-FY24 Revenue by Region



¹ Included in the Semiconductor Process Control Segment

Specialty Semiconductor Process systems were down 9% sequentially and were also down 10% year-over-year and finished at 4% of total quarterly revenue.

PCB and Component Inspection systems revenue was up 9% sequentially and 14% year-over-year to 3% of revenue.

Services revenue grew 14% year-over-year and 4% sequentially to \$614 million, totaling 24% of revenue.

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

The June quarter regional revenue split in descending order was: China at 44%, Taiwan at 20%, and North America at 12% of total revenue. Other regions that accounted for less than 10% of revenue were Japan at 7%, Korea at 7%, Europe at 5% and the rest of Asia at 5%.

Strong Investment Grade Balance Sheet

KLA ended the quarter with \$4.5 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 major rating agencies. 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 Summary¹ (\$M)

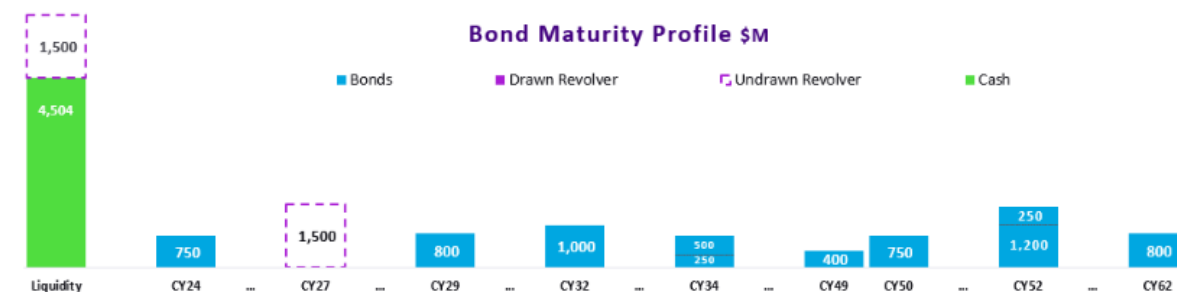
Total Cash ²	\$ 4,504
Working Capital	\$ 5,370
Total Assets	\$ 15,434
Debt ³	\$ 6,630
Total Shareholders' Equity	\$ 3,368

Bond Maturity Profile

Bonds Outstanding	\$6.70B
Weighted Average Interest Rate	4.67%
Weighted Average Maturity	17.9 years

Investment Grade Credit Ratings

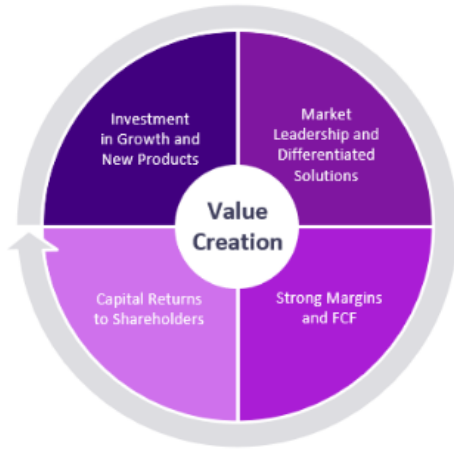
Moody's	A2
S&P	A-
Fitch	A



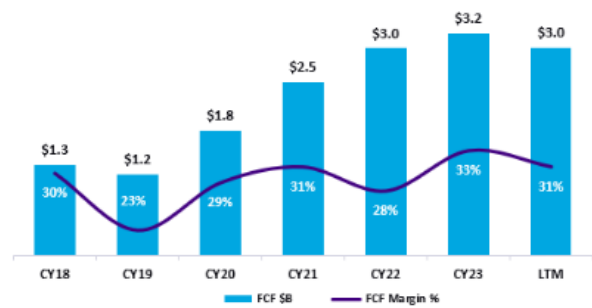
¹ As of 6/30/24; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities; ³ \$70M in un-amortized debt issuance discounts and costs

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.



Free Cash Flow¹ and FCF Margin²

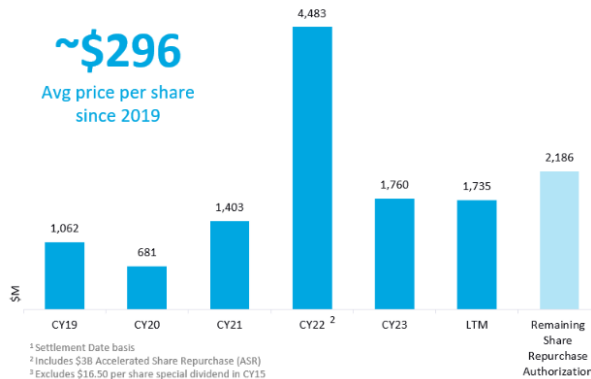


¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
² FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

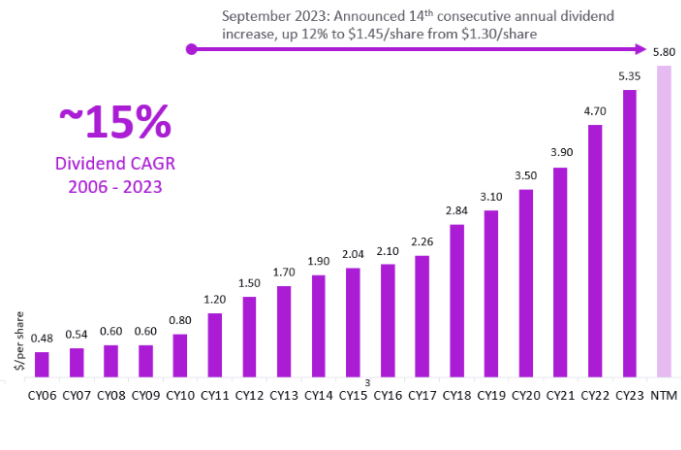
Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases¹

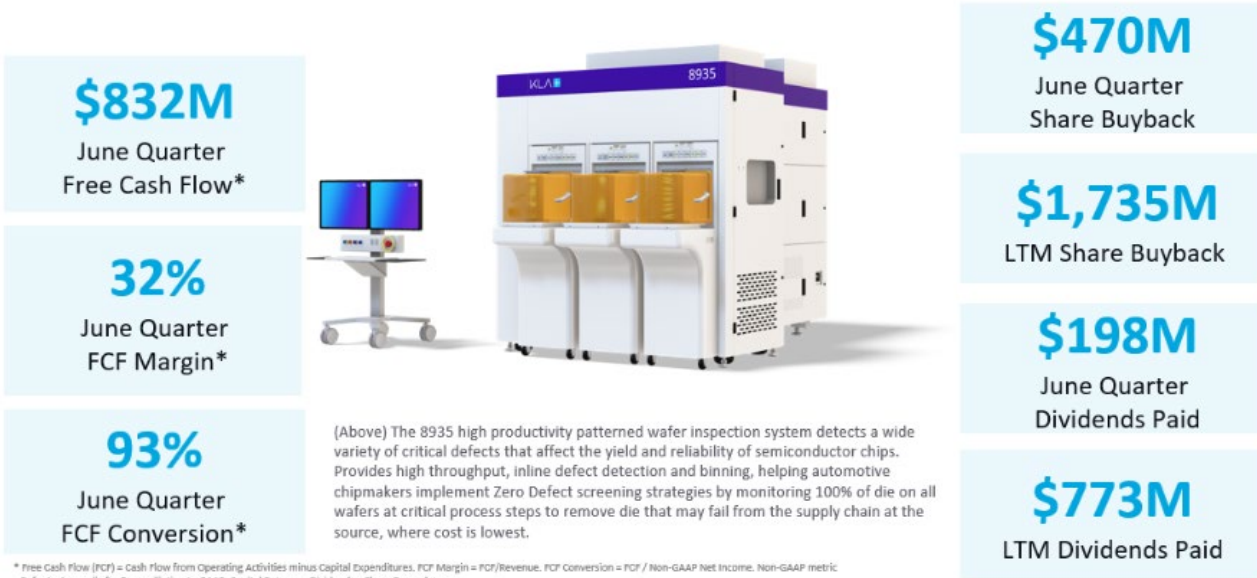


Track Record of Dividend Increases



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’s free cash flow as a percent of revenue performance also ranks in the top ten percent of the S&P 500. 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.



Semiconductor Industry Demand Environment

The Semiconductor industry has changed a lot over the past decade. What used to be an industry heavily dependent on one or two end-markets, typically PCs, and later mobile phones, has evolved to be more balanced and diversified from an end-market perspective. Semiconductors have become very strategic to a growing number of industries and governments worldwide. Factors including the emergence of disruptive technologies such as AI and the 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 dependable long-term growth for the semiconductor equipment industry. The average lifetime of tools in the installed base is also growing as customers utilize existing capacity to support growth across multiple industries.

Near Term Industry Outlook

Looking at the near-term, we believe our business is transitioning from a period of stabilization to a resumption of growth which began in our June quarter and we expect to continue through the remainder of calendar 2024 and into 2025.

For calendar 2024, we remain encouraged by the improvement in our customer’s revenue and profitability over the course of this year. This improvement will ultimately translate into new investment in capital equipment to support semiconductor growth over the medium term. Our high-level outlook for the industry remains largely unchanged. Our expectation is for the WFE market to be

in the mid \$90 billion range and that the second half of the calendar year will be stronger than the first half. While it is too early to be overly specific on expectations for calendar 2025, we do expect a year of growth, fueled principally by growth in leading edge investments in both Logic/Foundry and in Memory. Given KLA's business momentum, we are confident in our relative performance opportunities moving forward.

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.

September 2024 Quarterly Guidance

KLA's September quarter guidance is as follows: total revenue is expected to be \$2.75 billion, plus or minus \$150 million. Foundry/Logic revenue from semiconductor customers is forecasted to be approximately 80%, and Memory is expected to be approximately 20% of Semi Process Control systems revenue. Within Memory, DRAM is expected to be about 83% of the segment mix and NAND the remaining 17%.

Non-GAAP gross margin is forecasted to be in a range of 61.5% plus or minus one percentage point as higher revenue volume is offset by a weaker anticipated product mix.

Consistent with our comments last quarter, based on the current industry outlook, top-line growth expectations for calendar 2024, higher forecasted growth in Services and expected systems product mix we are still modeling non-GAAP gross margins to remain 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 September quarter to be approximately \$565 million as we continue to make important R&D and scaling investments to support expected revenue growth. Looking ahead, we expect approximately ~\$10 - \$15 million incremental growth in quarterly operating expenses for the remainder of calendar 2024 and into 2025, supported by our revenue growth expectations and in line with our 40% to 50% incremental operating margin leverage business model.

Other model assumptions for the September quarter include: non-GAAP other income and expense, net, of approximately a \$34 million expense. GAAP diluted EPS is expected to be \$6.69 plus or minus \$0.60, and non-GAAP diluted EPS of \$7.00 plus or minus \$0.60. EPS guidance is based on a fully diluted share count of approximately 135 million shares.

September 2024 Quarter Guidance

Revenue	\$2.75B +/- \$150M	Macro Assumptions Semi PC Revenue By End Market <ul style="list-style-type: none"> ▪ Foundry/Logic: 80% ▪ Memory: 20% → DRAM 83% NAND 17% Model Assumptions <ul style="list-style-type: none"> ▪ Non-GAAP Operating Expenses*: ~\$565M ▪ Other Income & Expense (OIE)*, Net: ~\$34M ▪ Effective Tax Rate: ~13.5% ▪ Diluted Share Count: ~135M
Non-GAAP Gross Margin*	61.5% +/- 1%	
GAAP Diluted EPS	\$6.69 +/- \$0.60	
Non-GAAP Diluted EPS*	\$7.00 +/- \$0.60	

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

Strong, resilient and delivering shareholder value

In Conclusion

Our business has transitioned from a period of stabilization to one of growth. We remain optimistic that the indicators of improvement we have seen will continue throughout the remainder of calendar 2024 and into 2025. KLA is 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. KLA's focus on customer success, delivering innovative and differentiated solutions, and operational excellence, is what drives industry-leading financial and free cash flow performance and allows us to return capital consistently.

The return of scaling and increasing complexity have solidified our confidence in the increasing importance of Process Control in enabling technology advancements. This is not just in improving time to results in process integration and fab ramp, but also in optimizing yield across a volume production environment with high semiconductor device design mix. 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 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	
	June 30, 2024	
GAAP net income	\$	836.4
Adjustments to reconcile GAAP net income to non-GAAP net income*		
Acquisition-related charges	a	58.8
Restructuring, severance and other charges	b	17.7
Income tax effect of non-GAAP adjustments	c	(23.2)
Discrete tax items	d	3.1
Non-GAAP net income	\$	892.8
GAAP diluted EPS	\$	6.18
Non-GAAP diluted EPS	\$	6.60
Shares used in diluted shares calculation		135.3
GAAP income tax expense	\$	108.6
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*		
Income tax effect of non-GAAP adjustments	c	23.2
Discrete tax items	d	(3.1)
Non-GAAP income tax expense	\$	128.7
GAAP income before income taxes	\$	945.0
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*		
Acquisition-related charges	a	58.8
Restructuring, severance and other charges	b	17.7
Non-GAAP income before income taxes	\$	1,021.5
GAAP income tax rate		11.5%
Non-GAAP income tax rate		12.6%
GAAP Other expense (income), net	\$	32.3
Non-GAAP Other expense (income), net	\$	32.3

Amounts may not sum due to rounding

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP"), because the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The expense associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended June 30, 2024 was \$3.3 million. The net gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended June 30, 2024 was \$3.3 million.

<i>(Dollars in millions)</i>	For the three months ended	
	June 30, 2024	
GAAP gross profit	\$	1,558.2
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*		
Acquisition-related charges	a	45.9
Restructuring, severance and other charges	b	2.2
Non-GAAP gross profit	\$	1,606.4
GAAP gross margin		60.7%
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*		
Acquisition-related charges	a	1.8%
Restructuring, severance and other charges	b	0.0%
Non-GAAP gross margin		62.5%
GAAP research and development ("R&D") expenses	\$	325.8
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*		
Restructuring, severance and other charges	b	(2.2)
Non-GAAP R&D expenses	\$	323.5
GAAP selling, general and administrative ("SG&A") expenses (1)	\$	255.1
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*		
Acquisition-related charges	a	(12.8)
Restructuring, severance and other charges	b	(13.3)
Non-GAAP SG&A expenses (1)	\$	229.0
GAAP operating expense (1)	\$	580.9
Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*		
Acquisition-related charges	a	(12.8)
Restructuring, severance and other charges	b	(15.5)
Non-GAAP operating expense (1)	\$	552.5
GAAP operating income (1)	\$	977.3
Adjustments to reconcile GAAP operating income to non-GAAP operating income*		
Acquisition-related charges	a	58.8
Restructuring, severance and other charges	b	17.7
Non-GAAP operating income (1)	\$	1,053.8
GAAP operating margin		38.0%
Non-GAAP operating margin		41.0%

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

Reconciliation of Free Cash Flow and Related Metrics

<i>(Dollars in millions)</i>	For the three months ended		For the twelve months ended													
	June 30, 2024		Dec. 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018								
	June 30, 2024	June 30, 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	\$	892.6	\$	3,308.6	\$	3,476.0	\$	3,337.9	\$	2,786.4	\$	1,968.1	\$	1,373.0	\$	1,389.7
Less Capital expenditures		(60.7)		(277.4)		(308.4)		(351.5)		(250.4)		(200.3)		(149.2)		(86.5)
Free cash flow	\$	831.9	\$	3,031.2	\$	3,167.5	\$	2,986.5	\$	2,536.0	\$	1,767.8	\$	1,223.8	\$	1,303.2
Free cash flow	\$	831.9	\$	3,031.2	\$	3,167.5	\$	2,986.5	\$	2,536.0	\$	1,767.8	\$	1,223.8	\$	1,303.2
Revenue	\$	2,568.7	\$	9,812.2	\$	9,671.4	\$	10,483.7	\$	8,165.7	\$	6,073.0	\$	5,278.6	\$	4,304.5
Free cash flow margin		32.4%		30.9%		32.8%		28.5%		31.1%		29.1%		23.2%		30.3%
Free cash flow	\$	831.9														
Non-GAAP net income	\$	892.8														
Free cash flow conversion		93.2%														
Net cash provided by operating activities	\$	892.6														
GAAP net income	\$	836.4														
GAAP metric comparable to free cash flow conversion		106.7%														
			For the three months ended	For the twelve months ended												
			June 30, 2024	June 30, 2024												
Cash paid for dividends	\$	197.5	\$	773.0												
Cash paid for share repurchases	\$	470.3	\$	1,735.7												
Capital returns	\$	667.8	\$	2,508.8												

Amounts may not sum due to rounding

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

Reconciliation of Guidance

Q1 FY2025 Guidance Range:

<i>(Dollars in millions, except per share amounts)</i>	Low	High
GAAP diluted net income per share	\$ 6.09	\$ 7.29
Acquisition-related charges	a 0.40	0.40
Restructuring, severance and other charges	b 0.05	0.05
Income tax effect of non-GAAP adjustments	d (0.14)	(0.14)
Non-GAAP diluted net income per share	\$ 6.40	\$ 7.60
Shares used in diluted shares calculation	135.0	135.0
GAAP gross margin	58.9%	60.9%
Acquisition-related charges	a 1.5%	1.5%
Restructuring, severance and other charges	b 0.1%	0.1%
Non-GAAP gross margin	60.5%	62.5%
GAAP operating expenses	\$ 576	\$ 588
Acquisition-related charges	a (12)	(12)
Restructuring, severance and other charges	b (5)	(5)
Non-GAAP operating expenses	\$ 559	\$ 571

Note: The guidance as of July 24, 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, including writedowns of certain right of use assets and fixed assets.
- c) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.
- d) Discrete tax items in the three months ended June 30, 2024 included the amortization of and adjustment to 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

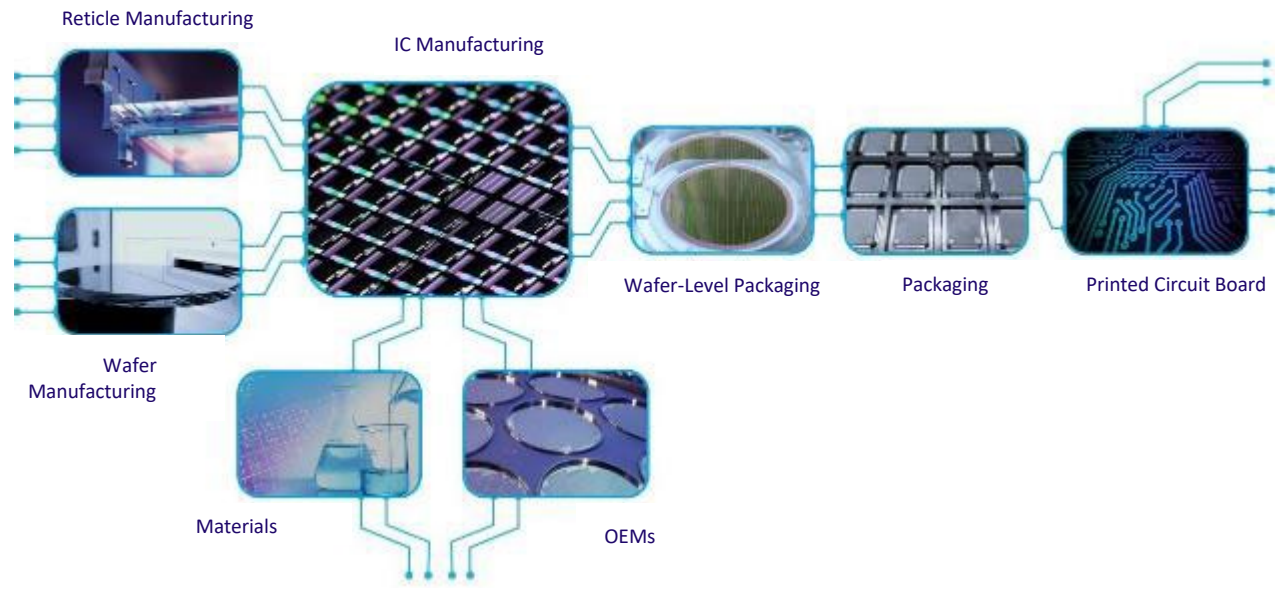
KLA Corporation (KLA) is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help Integrated Circuit (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	Related Electronics Industries
<ul style="list-style-type: none"> • IC Manufacturing • Wafer Manufacturing • Reticle Manufacturing • IC Packaging • Printed Circuit Board 	<ul style="list-style-type: none"> • 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) our market position for the future and timing for the resumption of growth in demand for our products; (iii) our forecast of financial measures for the following quarter and 2024; (iv) our future revenues by customer segment for our Semi Process Control systems; (v) our long-term financial targets and underlying assumptions; (vi) our future investment plan on R&D, technology, manufacturing capacity and infrastructure; and (vii) future shareholder returns, are forward-looking statements and subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on current information and expectations and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: our vulnerability to a weakening in the condition of the financial markets and the global economy; risks related to our international operations; evolving 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 cyclical nature of the industries in which we operate; our ability to timely develop new technologies and products that successfully address changes in the industry; risks related to artificial intelligence; 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; risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government; and risks related to the Court of Chancery of the State of Delaware being the sole and exclusive forum for certain actions and proceedings. 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.