
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 15, 2022

KLA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-09992
(Commission
File Number)

04-2564110
(IRS Employer
Identification No.)

One Technology Drive
Milpitas, California
(Address of principal executive offices)

95035
(Zip Code)

Registrant's telephone number, including area code: (408) 875-3000

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	KLAC	The Nasdaq Stock Market, LLC The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD Disclosure.

As previously announced, KLA Corporation (the “Company”) hosted an investor day on June 16, 2022. The investor day included formal presentations by Rick Wallace, President and Chief Executive Officer, Bren Higgins, Executive Vice President and Chief Financial Officer, and other members of executive management.

A replay of the webcast is available on the Investor Relations page of the Company’s website at <https://ir.kla.com>, and a copy of the presentation slides, which were discussed at the investor day, is attached hereto as Exhibit 99.1.

The press release issued on June 16, 2022 relating to the investor day, which also provided updated financial guidance with respect to the Company, is attached hereto as Exhibit 99.2 and the information set forth therein is incorporated herein by reference and constitutes a part of this Current Report on Form 8-K.

The information set forth in this Item 7.01, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

On June 15, 2022, the Board of Directors of the Company (the “Board”) established a quarterly dividend level of \$1.30 per share on the outstanding shares of the Company’s common stock, which represents the anticipated level at which dividends will be declared by the Board until the Board determines otherwise, beginning with the dividend expected to be declared in August 2022. This new dividend level represents a 24% increase over the Company’s most recent quarterly dividend of \$1.05 per share declared in May 2022. The declaration and payment of future dividends is subject to the Board’s discretion and will depend on financial and legal requirements and other considerations.

Also, on June 15, 2022, the Board approved a new share repurchase program that authorizes the repurchase of up to \$6 billion of shares of the Company’s common stock. This share repurchase program is in addition to the \$2 billion share repurchase program announced in July 2021, which as of March 31, 2022 had approximately \$698.8 million of repurchase authority remaining.

Under the repurchase programs, repurchases can be made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions, accelerated share repurchase programs, or otherwise, all in accordance with the requirements of the Securities and Exchange Commission and other applicable legal requirements. The specific timing, price and size of purchases will depend on prevailing stock prices, general economic and market conditions, and other considerations. The repurchase programs do not obligate the Company to acquire any particular amount of its common stock, and the repurchase programs may be suspended or discontinued at any time at the Company’s discretion.

Note Regarding Forward-Looking Statements:

Statements in this Current Report on Form 8-K other than historical facts, such as statements regarding the Company’s expected dividend level or timing of future dividends, 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: future Board decisions regarding the declaration of dividends, the impact of the COVID-19 pandemic on the global economy and on the Company’s business, financial condition and results of operations, including the supply chain constraints the Company is experiencing as a result of the pandemic; economic, political and social conditions in the countries in which the Company, its customers and its suppliers operate, including rising inflation and interest rates, Russia’s invasion of Ukraine and global trade policies; disruption to the Company’s manufacturing facilities or other operations, or the operations of its customers, due to natural catastrophic events, health epidemics or terrorism; 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; the Company’s ability to timely develop new technologies and products that successfully anticipate or address changes in the semiconductor industry; the Company’s ability to maintain its technology advantage and protect its proprietary rights; the Company’s ability to compete with new products introduced by its competitors; the Company’s ability to attract and retain key personnel; cybersecurity threats, cyber incidents affecting the Company’s

and its service providers' systems and networks and the Company's ability to access critical information systems for daily business operations; liability to the Company's customers under indemnification provisions if its products fail to operate properly or contain defects or its customers are sued by third parties due to its products; exposure to a highly concentrated customer base; availability and cost of the wide range of materials used in the production of the Company's products; the Company's ability to operate its business in accordance with its business plan; legal, regulatory and tax environments in which the Company performs its operations and conducts its business and its ability to comply with relevant laws and regulations; the Company's ability to pay interest and repay the principal of its current indebtedness is dependent upon its ability to manage its business operations, its credit rating and the ongoing interest rate environment, among other factors; instability in the global credit and financial markets; the Company's exposure to currency exchange rate fluctuations, or declining economic conditions in those countries where it conducts its business; changes in the Company's effective tax rate resulting from changes in the tax rates imposed by jurisdictions where its profits are determined to be earned and taxed, expiration of tax holidays in certain jurisdictions, resolution of issues arising from tax audits with various authorities or changes in tax laws or the interpretation of such tax laws; and the Company's ability to identify suitable acquisition targets and successfully integrate and manage acquired businesses. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this Current Report on Form 8-K, please refer to the Company's Annual Report on Form 10-K for the year ended June 30, 2021, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). The Company assumes no obligation to, and does not currently intend to, update these forward-looking statements.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	<u>Investor Day Presentation Slides, dated June 16, 2022</u>
99.2	<u>Press release, dated June 16, 2022</u>
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KLA CORPORATION

Date: June 16, 2022

By: /s/ Bren D. Higgins
Name: Bren D. Higgins
Title: Executive Vice President and Chief Financial Officer



2022 KLA Investor Day

New York City • June 16, 2022



Welcome and Opening Remarks



Kevin Kessel

VP, Investor Relations and Market Analytics



Today's Agenda – June 16, 2022

8:30 am	Welcome and Agenda Overview Kevin Kessel VP, Investor Relations and Market Analytics	10:05 am	Growing a Durable Revenue Stream Through Best-in-Class Services Business Brian Lorig EVP, Services
8:35 am	Sustainable Outperformance Rick Wallace President and CEO	10:30 am	10 Min Break
9:05 am	Semi PC – Outperformance Roadmap Ahmad Khan President, Semiconductor Process Control	10:40 am	Long-Term Target Model and Capital Return Strategy Bren Higgins EVP and CFO
9:30 am	10 Min Break	11:10 am	Closing Remarks Rick Wallace President and CEO
9:40 am	EPC Business Expansion Oreste Donzella EVP, Electronics, Packaging and Components	11:15 am	Q&A Session
		12:15 pm	End of Webcast, Lunch for In-Person Attendees

Disclaimer

Statements in this presentation other than historical facts, including but not limited to: (i) future trend of digitization, semiconductor and EPC industry growth and evolution; (ii) geographic breakdowns of future global semiconductor production; (iii) our results of operations and financial conditions for 2022; (iv) our 2026 target model and the underlying assumptions; (v) trajectory of results of operations and financial conditions by 2026; (vi) our plan for future shareholder returns; (vii) our future investment plan; (viii) future opportunities, 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: the impact of the COVID-19 pandemic on the global economy and on our business, financial condition and results of operations, including the supply chain constraints we are experiencing as a result of the pandemic; economic, political and social conditions in the countries in which we, our customers and our suppliers operate, including rising inflation and interest rates, Russia's invasion of Ukraine and global trade policies; disruption to our manufacturing facilities or other operations, or the operations of our customers, due to natural catastrophic events, health epidemics or terrorism; 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 ability to timely develop new technologies and products that successfully anticipate or address changes in the semiconductor industry; our ability to maintain our technology advantage and protect our proprietary rights; our ability to compete with new products introduced by our competitors; our ability to attract and retain key personnel; cybersecurity threats, cyber incidents affecting our and our service providers' systems and networks and our ability to access critical information systems for daily business operations; 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; exposure to a highly concentrated customer base; availability and cost of the wide range of materials used in the production of our products; our ability to operate our business in accordance with our business plan; legal, regulatory and tax environments in which we perform our operations and conduct our business and our ability to comply with relevant laws and regulations; our ability to pay interest and repay the principal of our current indebtedness is dependent upon our ability to manage our business operations, our credit rating and the ongoing interest rate environment, among other factors; instability in the global credit and financial markets; our exposure to currency exchange rate fluctuations, or declining economic conditions in those countries where we conduct our business; changes in our effective tax rate resulting from changes in the tax rates imposed by jurisdictions where our profits are determined to be earned and taxed, expiration of tax holidays in certain jurisdictions, resolution of issues arising from tax audits with various authorities or changes in tax laws or the interpretation of such tax laws; and our ability to identify suitable acquisition targets and successfully integrate and manage acquired businesses. 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, 2021, 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.

In addition, historical, current, and forward-looking ESG-related statements may be based on standards for measuring progress that are still developing, and internal controls and processes that continue to evolve. Forward-looking and other statements may also address our corporate responsibility and sustainability progress, plans, and goals, and the inclusion of such statements is not an indication that these contents are necessarily material for the purposes of complying with or reporting pursuant to the U.S. federal securities laws and regulations, even if we use the word "material" or "materiality."

This presentation also includes non-GAAP measures that our management consider are helpful to investors in understanding our current and future business. For reconciliation of non-GAAP measures to the most directly comparable GAAP measures, please see Appendix at the end of the presentation. 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. With respect to third-party data, we do not independently verify or audit, or commit to independently verifying or auditing, their information.

Reaffirming June Quarter 2022 Guidance (Originally published April 28, 2022)

June 2022 Quarter

Revenue	\$2,300M to \$2,550M
Non-GAAP Gross Margin*	61.50% to 63.50%
GAAP Diluted EPS	\$4.60 to \$5.70
Non-GAAP Diluted EPS*	\$4.93 to \$6.03

Macro Assumptions

- Semi PC Revenue By End Market
- Foundry/Logic: 56%
- Memory: 44%

Model Assumptions

- Non-GAAP Operating Expenses*: ~\$525M
- Other Income & Expense (OIE), Net: ~\$43M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~150M

Driving profitable growth and delivering shareholder value

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

Sustainable Outperformance



Rick Wallace
President and CEO



Today's Key Themes

- 1 The semiconductor industry has become essential to a large number of industries and geographies and is expected to grow and change in ways that benefit KLA
- 2 Our portfolio of innovative solutions positions the company for sustained outperformance as Process Control becomes more broadly adopted and critical
- 3 We have a history of enabling innovations and we continue to invest in leading-edge technology and new service products to further strengthen our market leadership
- 4 We demonstrated the strength of our Operating Model by successfully integrating new companies and driving collaboration, innovation, and execution across the entire electronics ecosystem
- 5 Our resilient business model powered by our portfolio strategy and diversified revenue streams, strong free cash flow generation, and assertive capital allocation continues to deliver best-in-class long-term total shareholder return



KLA 392x also known as "Gen5"

Exceptionally well positioned for sustainable outperformance and long-term total shareholder return

Reflecting on Our September 2019 Investor Day



What We Knew

Semi demand was accelerating across a broad base

- The introduction of EUV enables the resumption of scaling
- The Digital Era was emerging, with a broader range of end markets

Process control intensity was poised to grow

- Changes in technology drives more need for process control
- Process control would be more important for capacity growth

The KLA Operating Model positioned us for success

- Leveraged to integrate Orbotech acquisition and expand growth and diversification outside of WFE
- Would guide our collaboration, innovation, and execution



What's New

New design starts accelerated on diversified end markets

- Competitive dynamics are driving a Foundry/Logic "arms race"
- Scaling has returned and 7nm has rapidly become a "super node"
- Advanced design offers compelling economics and drive unprecedented capital investments

COVID-19 entered the picture

- Permanently accelerated the pace of digitization
- Elevated the importance of supply chain resiliency

Regionalization of semiconductors became a trend

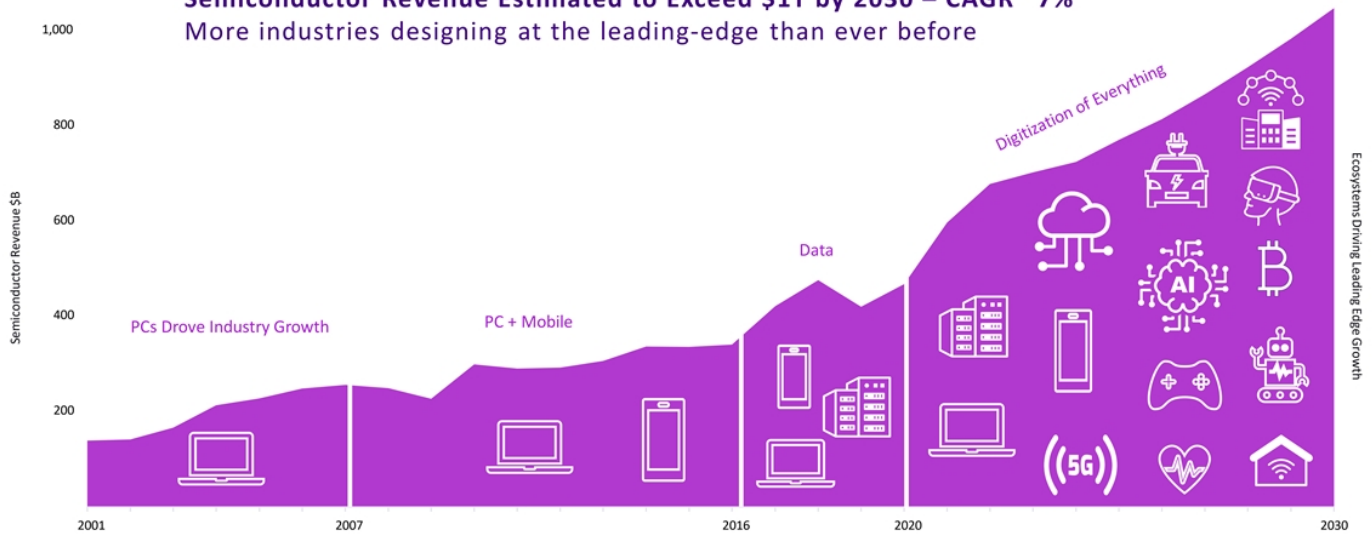
- Semiconductors suddenly had new geopolitical and national security importance

Resilient business model positions us well to capture expanding growth opportunities

Digitization of Everything Driving Strong Industry Revenue Growth

Semiconductor Revenue Estimated to Exceed \$1T by 2030 – CAGR ~7%

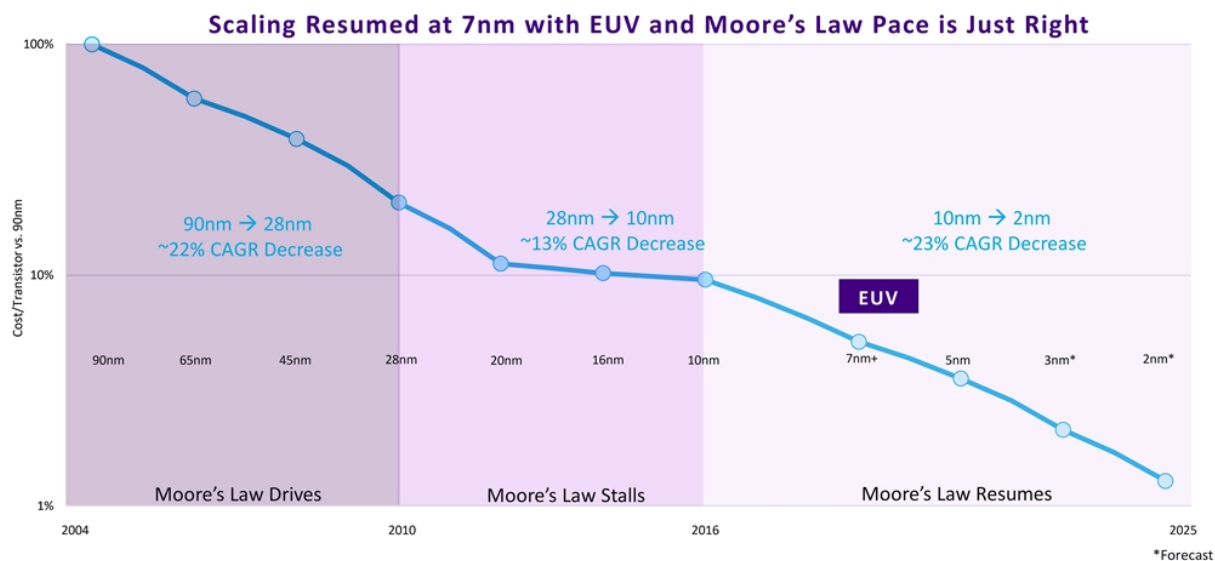
More industries designing at the leading-edge than ever before



Overall semiconductor demand driving both leading and legacy node¹ growth

Sources: KLA Analysis, TechInsights May 2022, Gartner April 2022
¹ 28nm and above design rules, ex-memory

Catalyst for Return to Growth

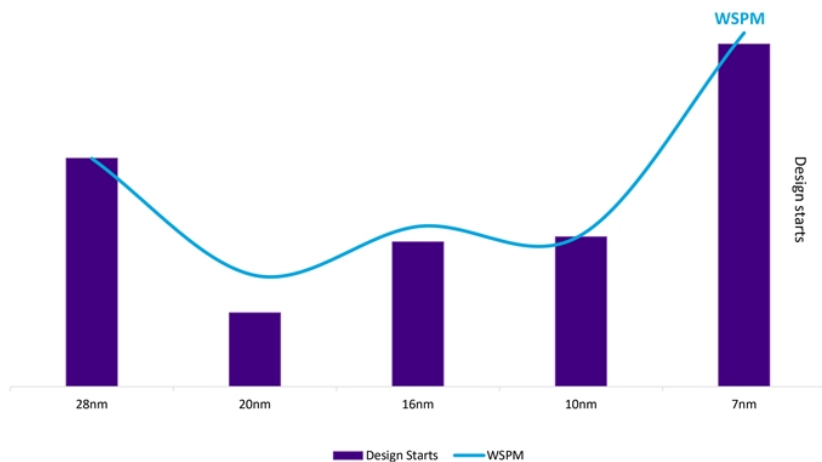


Pace of Moore's Law has slowed but still provides cost and performance benefits

Sources: KLA Analysis, Wikipedia June 2022, IC Knowledge Rev 3 2021, Company Reports

Rapid Growth of Design Starts is Fueling Growth

>50% Increase in Design Starts and WSPM¹ at 7nm²

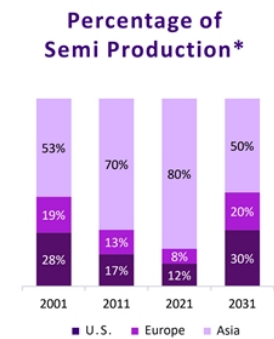


Design Starts have become more affordable driven by:

- Foundry ecosystem
- Massive design libraries
- AI driven design tools
- Incentive programs for startups

Sources: KLA Analysis, TechInsights May 2022, SEMI May 2022
¹ WSPM = wafer starts per month ² 7nm with EUV

Supply Chain Regionalization is Driving Significant Investments



Tracking >60 major fab projects announced or broken ground since last investor day

Sources: KLA Analysis, SEMI May 2022, Company Announcements
*Fab Projects = New Fabs + Major Fab Expansions

KLA is a Diversified Leader in the Electronics Value Chain

KLA at a Glance (NASDAQ: KLAC)



Founded in

1976



Headquarters in

Milpitas, CA



18

Countries



~13,200

Employees (CY21)



\$8.2B

CY21 Revenue



>65%

PhD/Master's among
professional roles

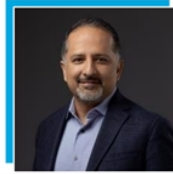
Proven Leadership Team Utilizing the KLA Operating Model to Drive Collaboration, Innovation, and Execution



Rick Wallace
CEO &
President
Joined: 1988



Bren Higgins
EVP, CFO &
Global Operations
1999



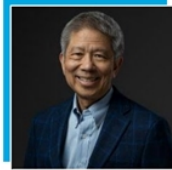
Ahmad Khan
President, Semiconductor
Process Control
2004



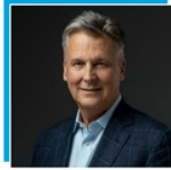
Oreste Donzella
EVP, Electronics, Packaging
and Components
1999



Brian Lorig
EVP,
Global Services
1998



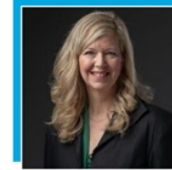
Ben Tsai
EVP, CTO &
Corporate Alliances
1984



Bobby Bell
EVP,
Chief Strategy Officer
1994



John Van Camp
EVP, Chief Human
Resources Officer
2006



MaryBeth Wilkinson
EVP, Chief Legal Officer &
Corporate Secretary
2020

ESG at KLA

Environmental

- Began annual reporting of global climate emissions in 2021
- 100% renewable electricity commitment by 2030
- \$1.5B sustainability-linked revolving credit facility

Social

- First inclusion and diversity (I&D) disclosure in 2020
- Driving cultural change to benefit from I&D
- KLA Foundation invests in all of our communities


Governance

- Broad & diverse independent board of directors
- Active, well-funded internal audit function
- Management compensation aligned with shareholder interests



Commitment to continuous innovation

KLA Strategic Planning Process Drives Targets to Meet Objectives

 Environment	<ul style="list-style-type: none">▪ Market size, trends, drivers▪ Opportunities
 Priorities	<ul style="list-style-type: none">▪ Corporate priorities and financial objectives
 Issues / opportunities	<ul style="list-style-type: none">▪ Red team – gaps to competition▪ Green team – gaps to market needs
 Plan	<ul style="list-style-type: none">▪ Definition of success▪ Product roadmap milestones
 Targets	<ul style="list-style-type: none">▪ Financial targets & objectives (penetration, share, adoption)

KLA Strategic Planning

- Governance of the annual plan
- Check in and update market drivers & environment
- Identify needs for success
- Process for funding the plan & talent
- Set targets to determine success

The KLA Operating Model Guides Our Strategy and Differentiation



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

The KLA Operating Model Guides Our Strategy and Differentiation



KLA Operating Model at Work

- Common language across multiple divisions
- BKMs implemented across acquired companies
- Operational rigor to prioritize performance
- Scorecard measurement against progress

Scorecard Example by Business Group

Metric	Semi PC 8 divisions								GSS 3 divisions			EPC 5 divisions				
Share																
GM%																
OM%																
Talent																

How We Approach Product Development with the KLA Operating Model



Collaboration

- Work closely with customers in early process technology development
- Work closely with suppliers' early technology development
- Work across KLA to reuse applicable technology



Innovation

- Invest heavily in core technology research
- Extensive investment in labs and R&D talent
- Blend experienced global talent with new talent to generate new products

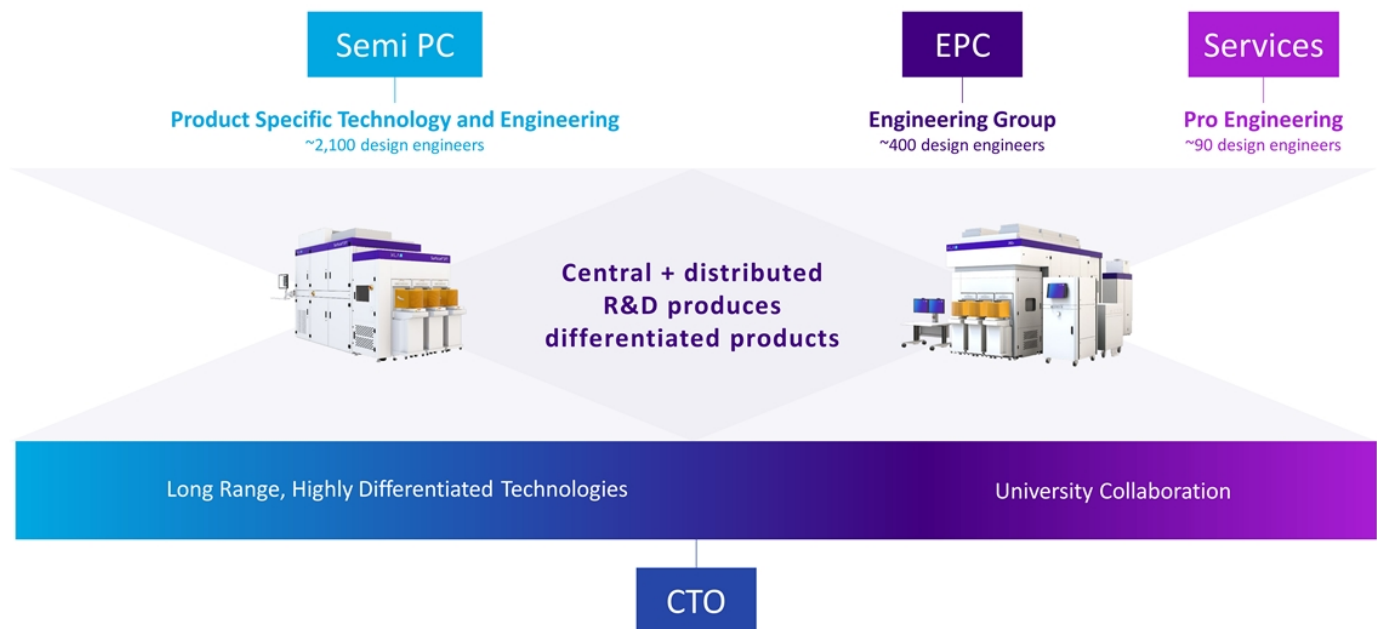


Execution

- Ongoing training on time-tested KLA Product Life Cycle Process
- Management oversight to all major PLC phase reviews
- Early engagement of Operations, Supply Chain and Service personnel

Powering our portfolio and driving sustainable outperformance

Hybrid R&D Structure for Strong Customer Focus



Innovation on Core Technologies Across Multiple Product Lines

Laser Illumination



DUV/UV, Visible, IR,
e-Beam, X-ray Optics



High-Speed Data Processing,
High-Performance Computing



AI, Algorithms,
Machine Learning,
Computational Physics

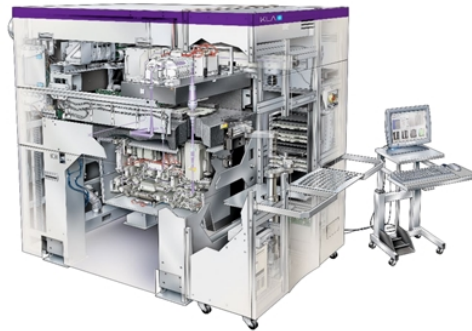
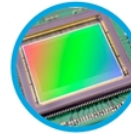


Image Sensors, Cameras



Precision Stages,
Motion Control, Robotics



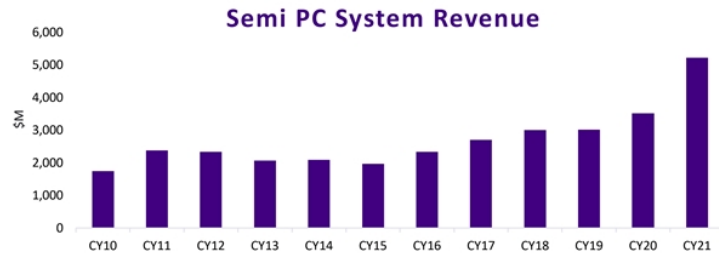
Broadband Plasma
Illumination



e-Beam, X-ray



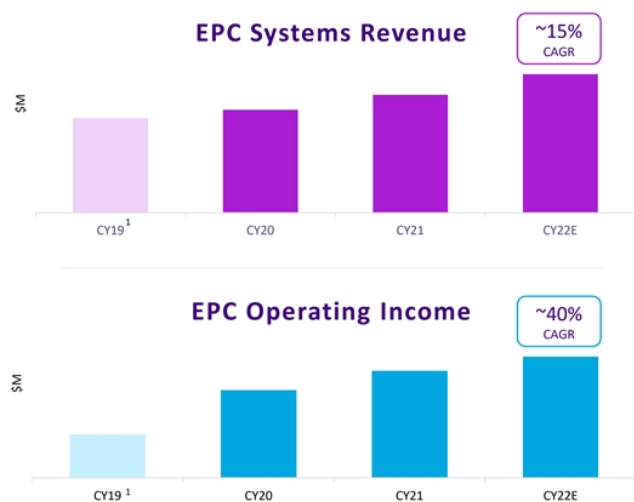
Semi PC Continues to Lead the Industry



- Innovative and differentiated process control portfolio
- Deep customer relationships to deliver right products at the right time
- Significant R&D investments and deep partnerships with key suppliers

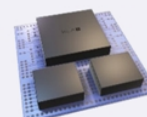
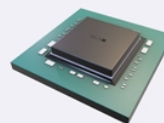
Semi PC well positioned for continued outperformance

EPC Represents an Attractive Growth Vector for KLA



6,000-10,000
semiconductors per vehicle

Automotive: zero defect, new materials



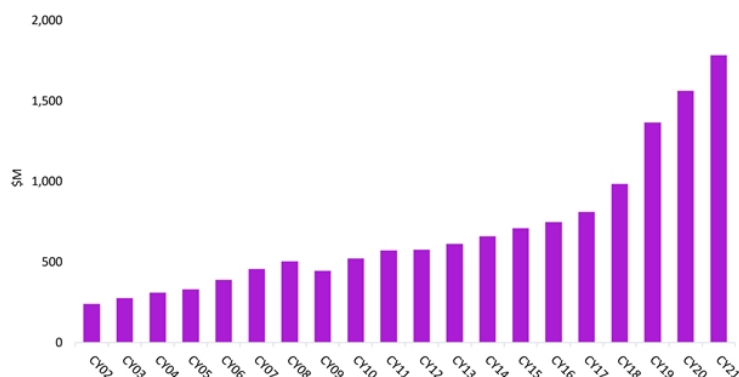
**Advanced packaging:
semi roadmap enabler**

Demonstrated the power of the KLA Operating Model while capitalizing on key industry inflections

¹ Pro Forma

Our Services Business Provides Visibility and Resiliency

KLA Services Revenue¹



Highest percentage
of pure service revenue
in the industry



Resilient and predictable
revenue stream



Funds **R&D, M&A, Dividends**

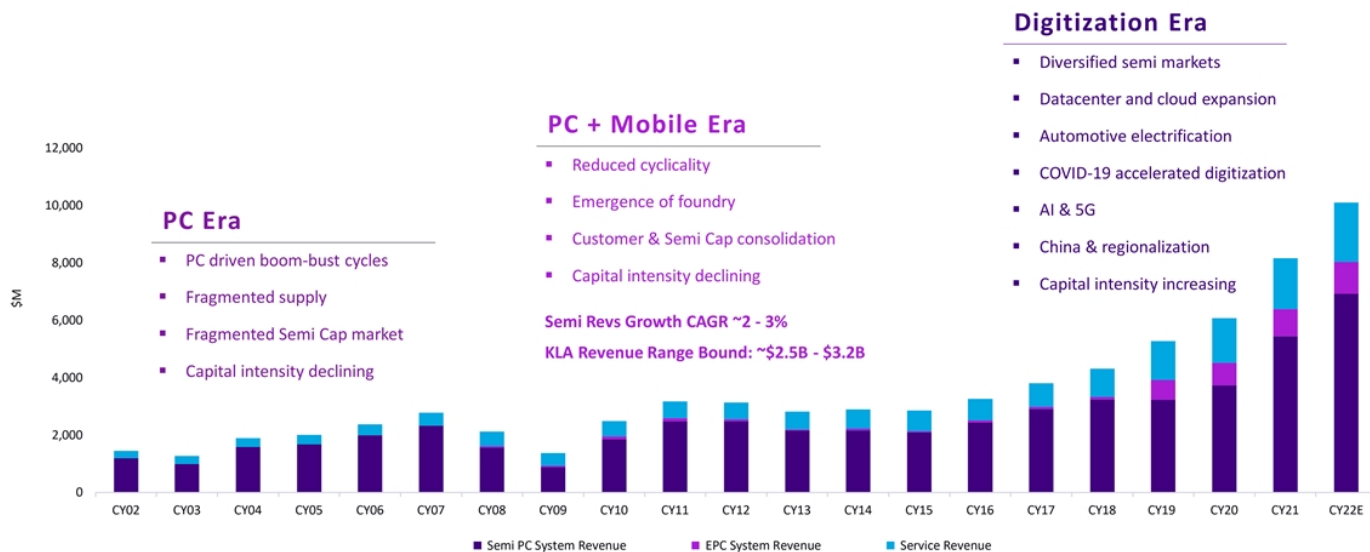


Exponential revenue growth:
\$1B in 40 years, \$2B in 4 years

Services delivers recurring revenue ~1.7x industry growth rate

Note: Calendar year figures; ¹Includes first year warranty in accordance with adoption of ASC606
Source: KLA filings and estimates

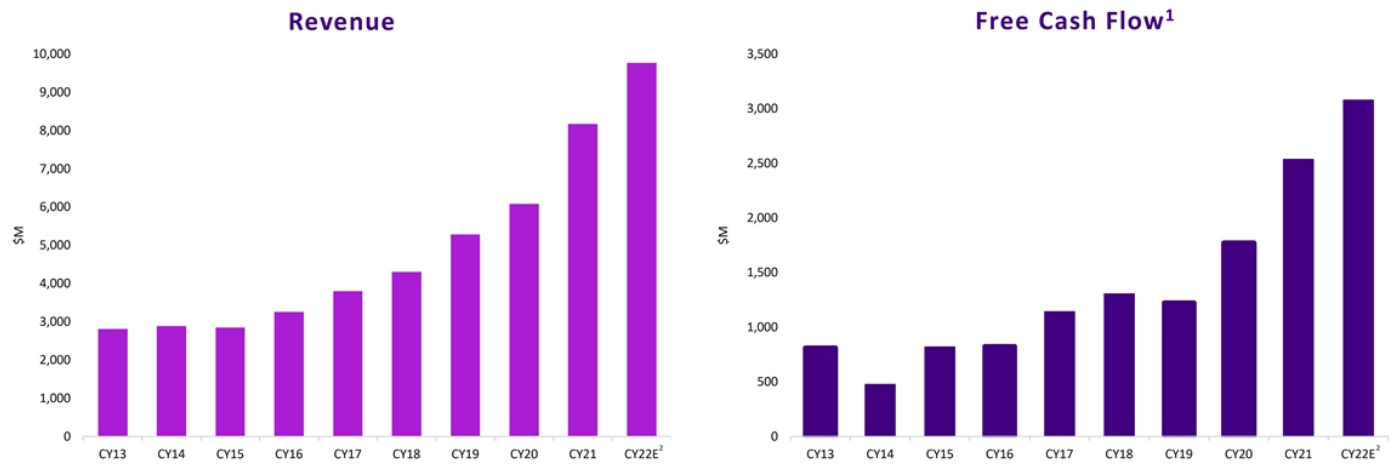
KLA's Revenue Growth is Accelerating into the Digitization Era



Revenue growth drivers are more diversified and have expanded significantly

Source: KLA filings and consensus estimate for CY22 as of 6/9/22

Track Record of Revenue Growth and Free Cash Flow Generation

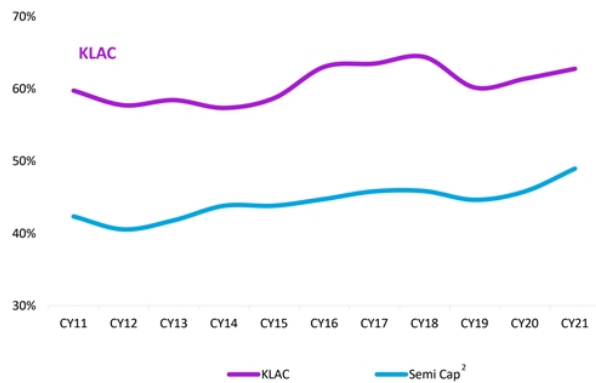


Improving revenue growth and resilient free cash flow generation

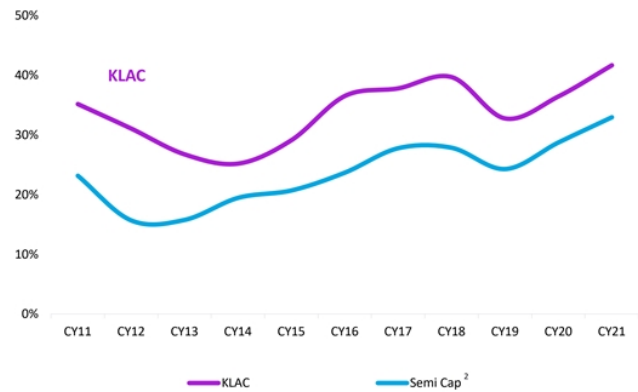
¹Free Cash Flow = Operating Cash Flow less Capital Expenditures
²CY22E is consensus estimate as of 6/9/22

Product Differentiation and Operational Excellence Drive Success

Product Differentiation
Measured by Gross Margin¹



Operational Excellence
Measured by Operating Margin¹



Source: Bloomberg; ¹Non-GAAP measure, please see Appendix for definition and GAAP to non-GAAP reconciliation.
² Peers include: AMAT, ASML, LRCX

Sustainable Outperformance Drives Strong Results & Achievements

Collaboration, Innovation and Execution are critical to our success

2019 Commitments for 2023E Targets

Results

New 2026E Targets Based on 2021

Growth 7-9% revenue growth

✓

9-11% revenue growth CAGR from 2021 – 2026E

Semi PC 6-7% revenue CAGR and 300+ bps market share and intensity gains

✓

10-11% revenue CAGR driven by market share and intensity gains

EPC ~10% revenue CAGR

✓

11-12% revenue CAGR

Services 9-11% recurring revenue CAGR

✓

12-14% recurring revenue CAGR

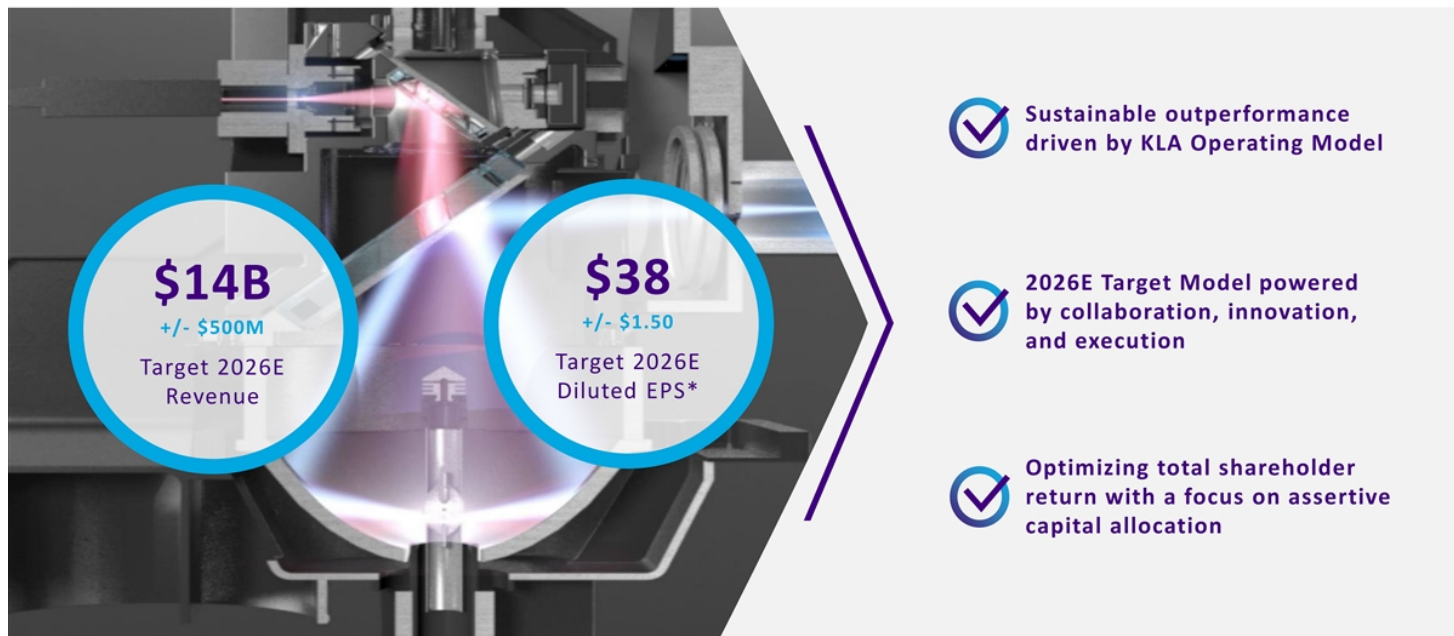
Capital Returns Greater than 70%

✓

Greater than 85%

Exceeded 2019 commitments and new targets all indicate sustainable improvement

The Future is Bright



(Above) KLA broadband plasma light source which is estimated to be 2x the brightness of the surface of the sun
*Non-GAAP financial metric

Key Takeaways

1

The semiconductor industry has become essential to a large number of industries and geographies and is expected to grow and change in ways that benefit KLA

2

Our portfolio of innovative solutions positions the company for sustained outperformance as Process Control becomes more broadly adopted and critical

3

We have a history of enabling innovations and we continue to invest in leading-edge technology and new service products to further strengthen our market leadership

4

We demonstrated the strength of our Operating Model by successfully integrating new companies and driving collaboration, innovation, and execution across the entire electronics ecosystem

5

Our resilient business model powered by our portfolio strategy and diversified revenue streams, strong free cash flow generation, and assertive capital allocation continues to deliver best-in-class long-term total shareholder return

Semi PC – Outperformance Roadmap



Ahmad Khan

President, Semiconductor Process Control



Key Messages | Semi PC

- 1 Semi PC enables chip manufacturing success with the broadest portfolio of highly differentiated inspection, metrology and software products
- 2 Our customers use our systems to solve technology inflections in R&D, and we also see increased adoption in HVM¹ as they strive to improve yield and reliability on ever increasingly complex devices
- 3 We create deep customer relationships to understand key challenges and deliver the required process control solutions at the right time; our customers have an insatiable demand for next generation products
- 4 We expect sustainable outperformance driven by Semi PC R&D investment, unique expert talent, deep partnerships with our key suppliers; all leveraged within the KLA Operating Model for continued repeatable product success

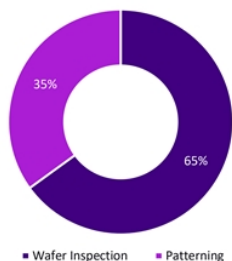


Achieving sustained outperformance with extensive process control portfolio

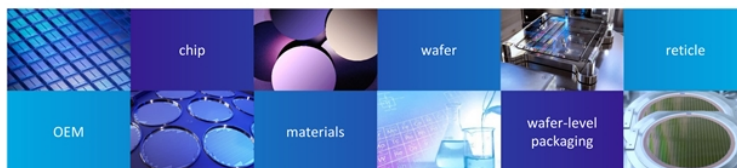
¹HVM: high volume manufacturing

Semi PC at a Glance

\$5.44B	19% WFE 15.8%	65%+ including Semi PC service ¹	54.4%² 4x nearest competitor	#1 in 7 out of 9 markets served ³	100%	~6,500 ~1.6x increase from CY19
Revenue (CY21)	Revenue CAGR (CY18 – CY21)	Gross Margin	Market Share	Breadth of Portfolio	% of Major Semiconductor Customers Served	Employees



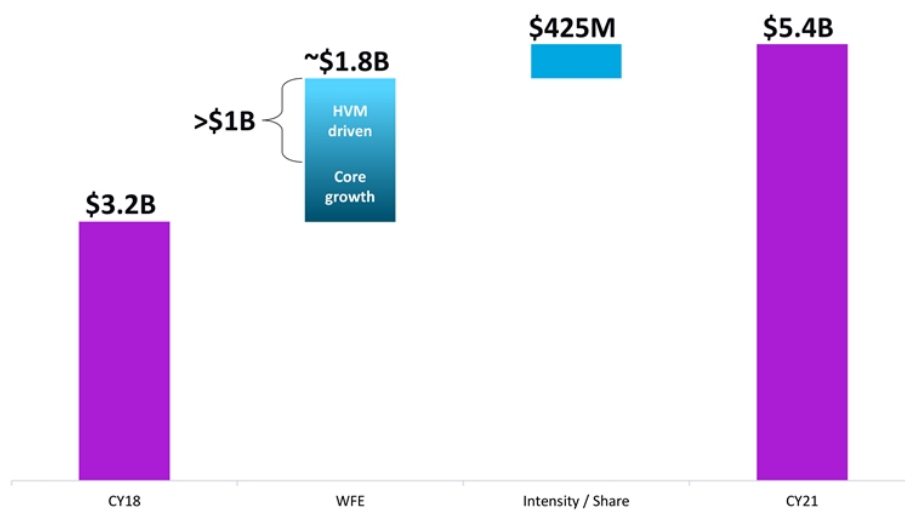
Comprehensive portfolio of advanced inspection, metrology and software solutions serve the semiconductor ecosystem



Uniquely solving our customers' critical challenges

¹KLA filings ^{2,3}Gartner April 2022, KLA Internal

Semi PC | CY18 – CY21 Revenue Bridge



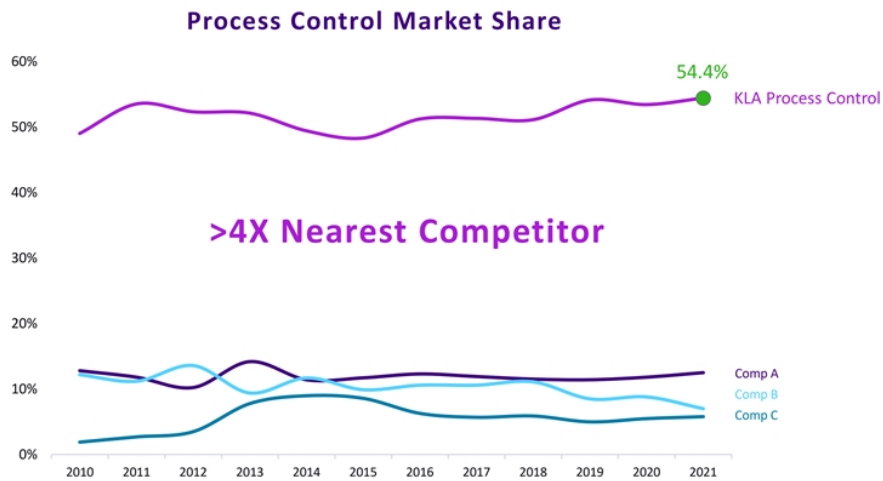
19%

**Semi PC CAGR
CY18 - CY21**

- 15.8% industry WFE CAGR
- Semi PC outperformed by 3.2%
- Gained share during the same period
- Grew from 5.7% of WFE to 6.2%
- Outperformance driven by HVM growth
- Outperformed 2023 plan as shown at 2019 Investor Day

Consistent outperformance due to strength of Semi PC product portfolio

Semi PC Continues to Lead the Industry



54.4%

KLA Share in 2021



Up 3.3% from 2018



Achieved target from 2019 Investor Day of 53.5% two years in advance



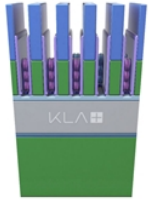
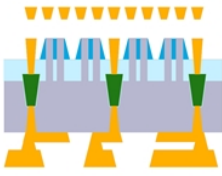
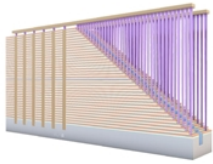

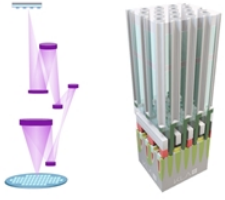
Key share gains in optical inspection and optical metrology

Significant technology differentiation enables market share and gross margin improvement

Source: Gartner April 2022

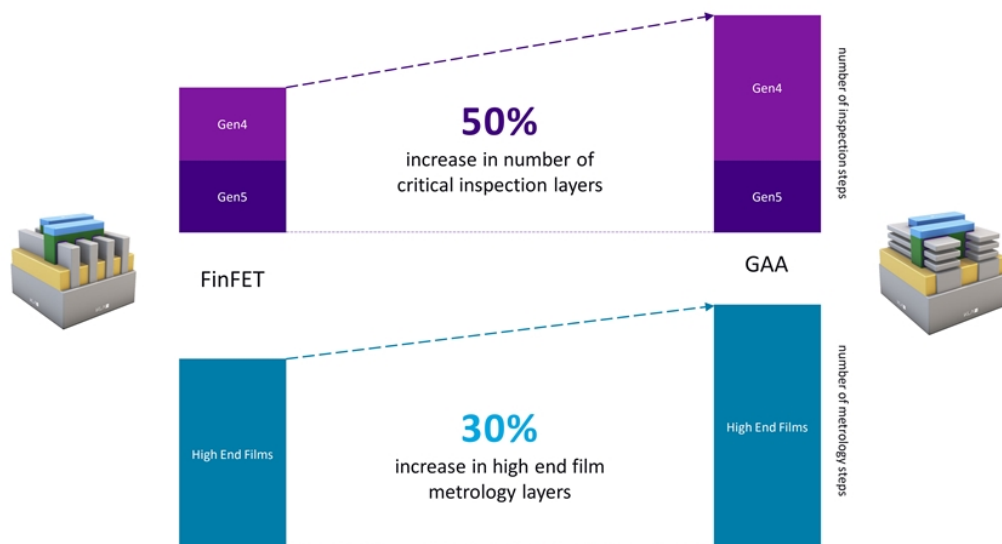
KLA Investor Day 35

Inflections in Every Segment Driven by Device Performance and Cost

GAA ¹ Transistor Architecture	Wafer Backside Power Distribution	Memory	Packaging	EUV
				
Transistor density	Scalable power routing	Vertical scaling	High speed data communication	Logic in HVM Ramping in DRAM
Process Control Challenges				
<ul style="list-style-type: none"> Buried defects Complex stacks 	<ul style="list-style-type: none"> New inspection & metrology requirements on stacked wafers 	<ul style="list-style-type: none"> High aspect ratio structures Shape variation 	<ul style="list-style-type: none"> Interconnect quality Latent defects 	<ul style="list-style-type: none"> Smaller defects Reticle infrastructure
Process Control Requirements				
<ul style="list-style-type: none"> Optical inspection Multi-stack film measurements 	<ul style="list-style-type: none"> Overlay Wafer shape Optical inspection 	<ul style="list-style-type: none"> X-ray metrology Wafer shape Overlay 	<ul style="list-style-type: none"> Optical inspection Traceability (software) Overlay 	<ul style="list-style-type: none"> Optical inspection (Gen5 Print Check) Reticle portfolio
Customer R&D intensity increasing due to complexity Customer HVM intensity increasing due to smaller process margins Key growth drivers for Semi PC enabling outperformance				

¹GAA: Gate All Around

Transition to GAA Architecture Brings Additional Process Complexity



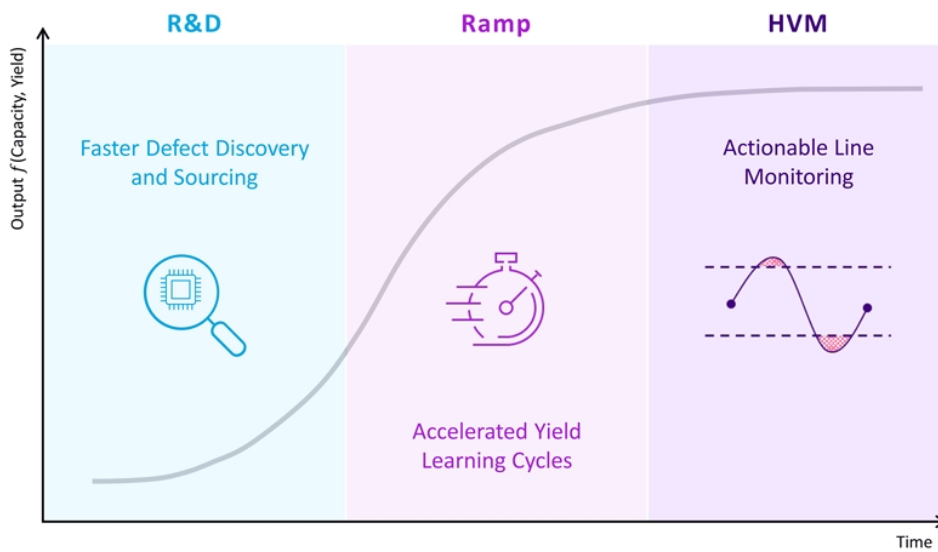
Process Control Portfolio Refresh Driven by Industry Technology Inflections

- Gen4 refresh leveraging Gen5 technology
- Metrology refresh leveraging advanced algorithms and AI

R&D inflections continue to drive Semi PC growth

Note: KLA internal estimates based on representative inspection and metrology run cards for advanced logic nodes

Process Control Now Required in All Chip Manufacturing Stages

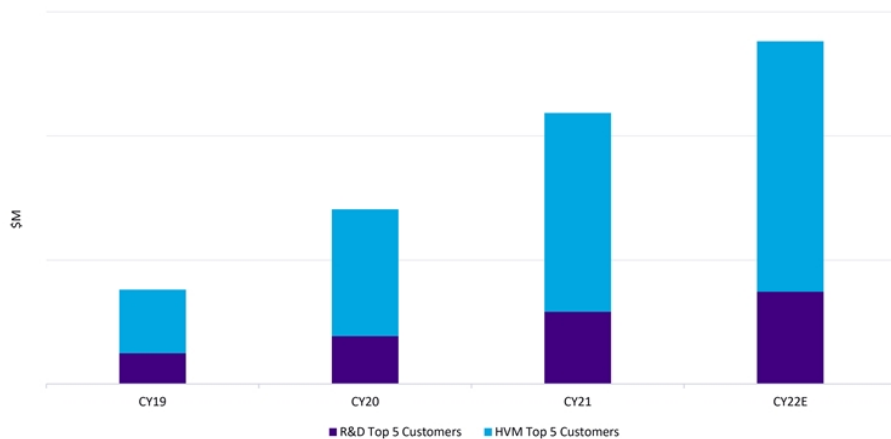


- Traditionally, most investments were made in R&D; as customers ramped into HVM, process control did not scale
- Customer HVM intensity increasing due to smaller process margins
- Reuse reducing, backporting increasing due to increased design starts
- Same trend occurring in automotive

HVM investment increase is a key growth vector for Semi PC

Consistent R&D and Increasing HVM Investment

Revenue Spend¹ by Top 5 Customers for R&D and HVM

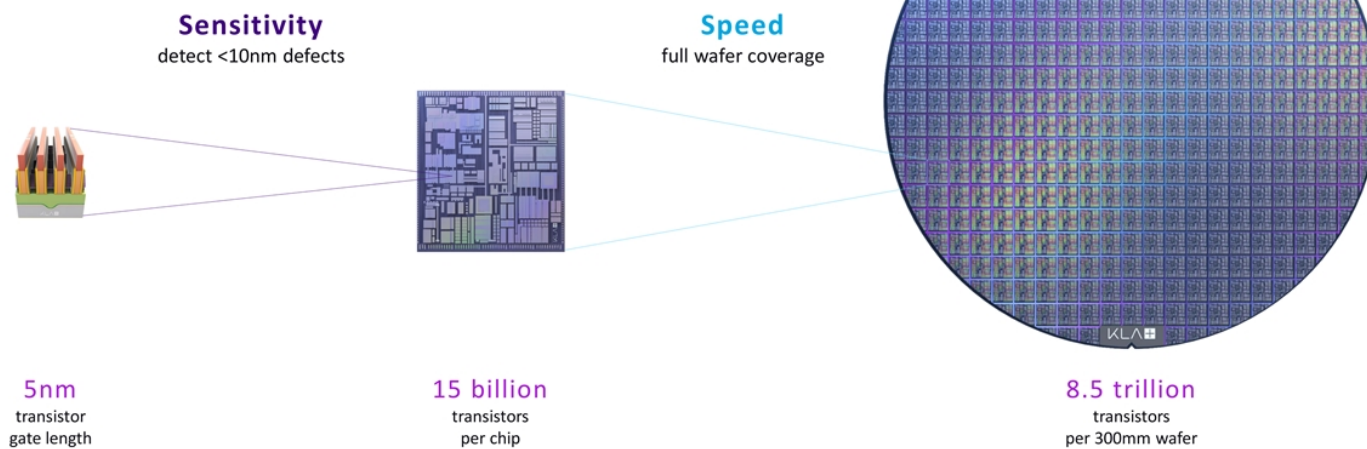


- Customers investing more in R&D and even more in HVM
- Customer R&D intensity increasing due to complexity
- Customer HVM intensity increasing due to smaller process margins and growing design starts

HVM adoption will continue to be a significant growth driver going forward

¹KLA representative data shown for Gen4/Gen5 optical inspection

Customer Challenges in R&D and HVM

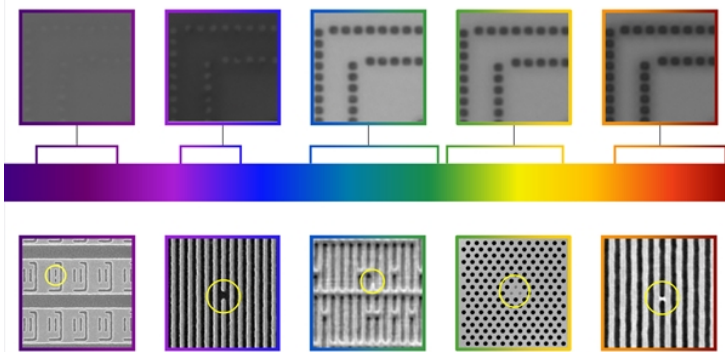


Semi PC collaborates closely with customers to meet their sensitivity and speed requirements

Note: Transistor count estimates based on Apple A15 Bionic processor

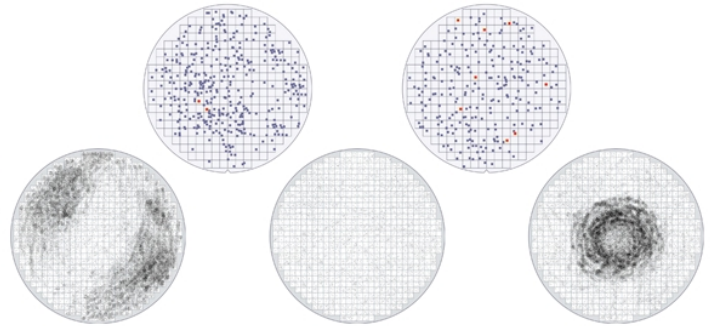
Optical Inspection Delivers Unique Value

Sensitivity



- Gen4/Gen5 provides the widest wavelength range to find all defect types and sizes

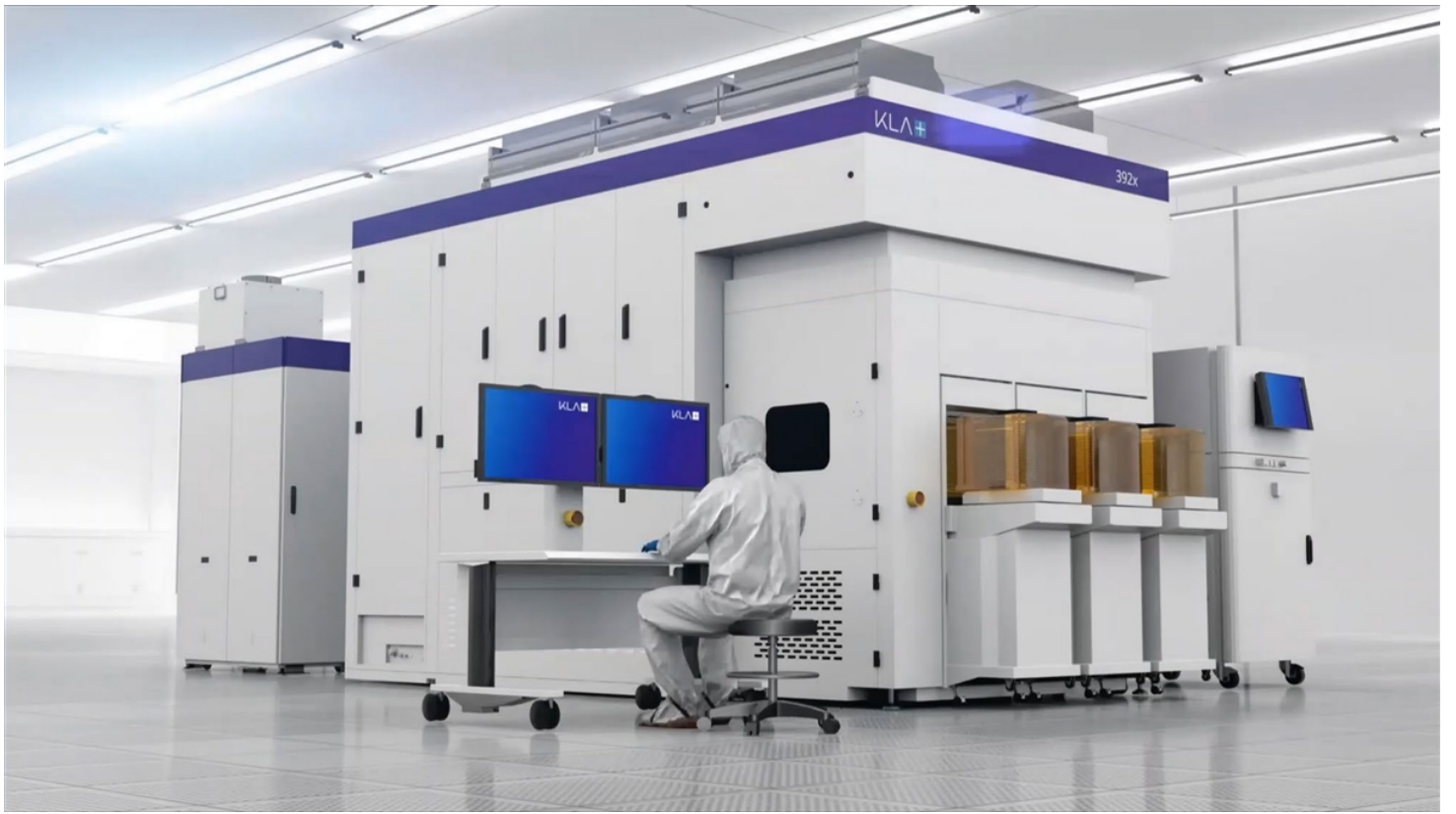
Coverage



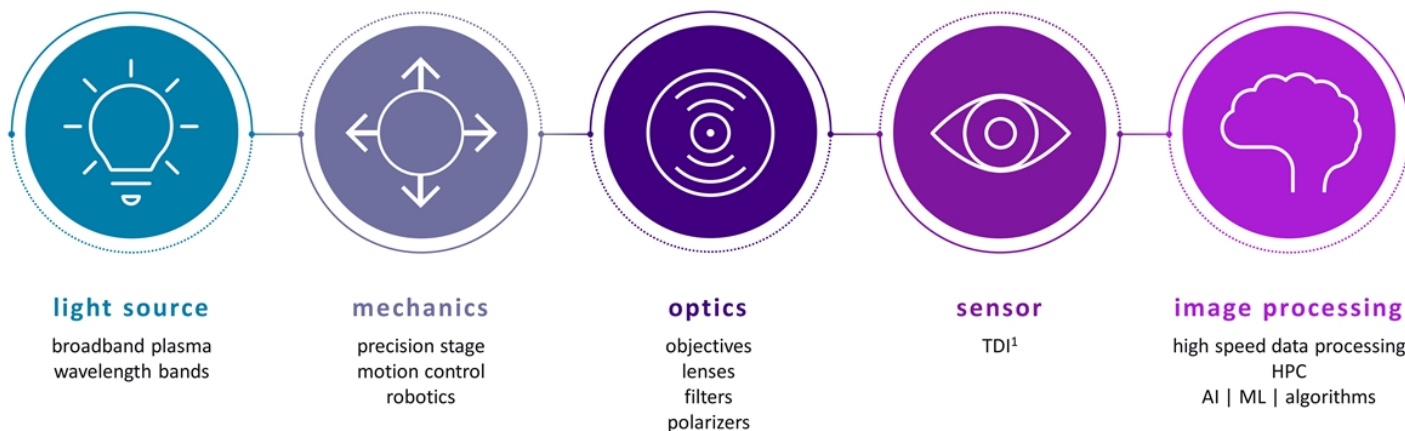
- Yield enhancement requires wafer level signature analysis
- Full wafer inspection is critically important as defects can occur anywhere

Broadband platform finds critical defects with full wafer coverage enabling customer success in R&D and HVM

Note: Defect image sources are SEMICON West 2021, SPIE 104510L, SPIE 1080909 and SPIE 115170U.



Highly Extendible Optical Inspection Platform



10+ year roadmap for all key components and strategic relationships with critical suppliers
further extends our technology leadership

¹TDI: time delay integration, CCD sensor acquires images while scanning continuously

Optical Inspection Success Summary

>\$5B

Optical inspection revenue
since 2019 Investor Day

>400

Gen4 systems shipped since
release (end of CY22)

>100

Gen5 systems shipped since
release (end of CY22)

10

New optical inspection products
introduced since 2019

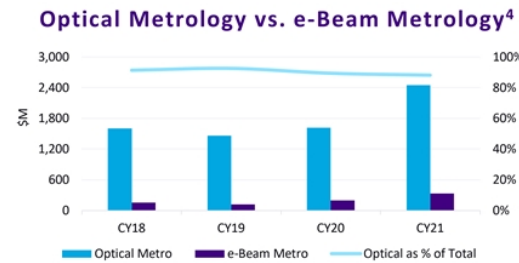
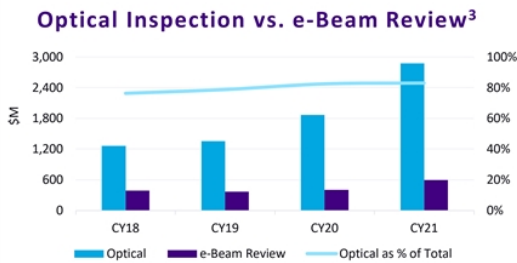
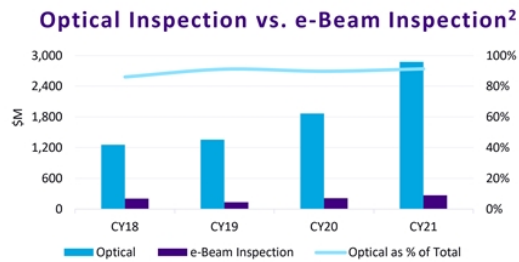
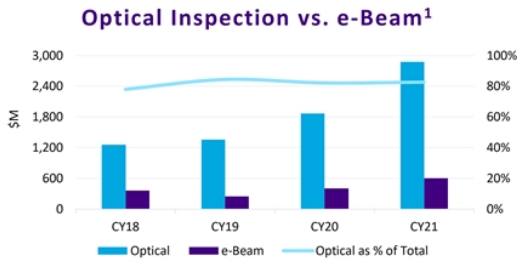
31%

Optical Inspection CAGR
CY18 – CY21



Enabling the semiconductor industry

e-Beam Market Overview



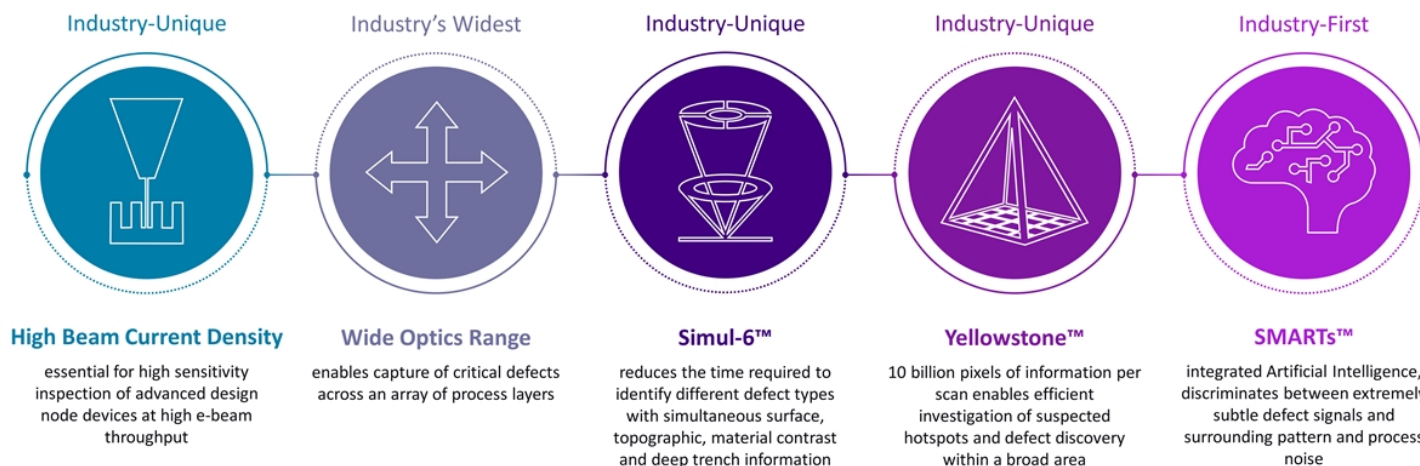
- Three e-beam segments – inspection, metrology and review – all targeted towards optical assist
- e-Beam review scales with optical inspection (complementary)
- e-Beam metrology <15% of total market
- e-Beam inspection not scaling
- KLA customers requesting stronger coupling between optical inspection and e-beam products

All e-beam applications targeted towards optical assist

¹e-Beam as defined by Gartner, April 2022. ²KLA analysis with e-beam metrology removed from e-beam inspection. ³Gartner, April 2022. ⁴e-Beam metrology as defined by KLA.

KLA e-Beam Platform Innovation

e-Beam Platform with Unique Architectural Elements
Multiple e-beam systems support inspection, review and metrology applications



Case Study: Optical Inspection + e-Beam Assist

Gen5
BBP optical inspection



high capture of critical defects
at full wafer coverage

eDRX1™
e-beam review

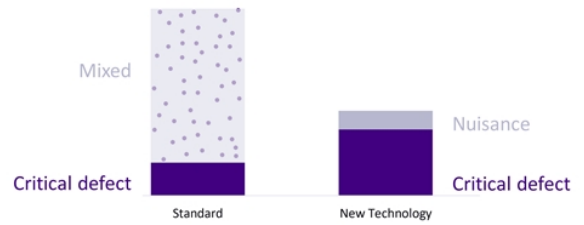


accurate nuisance filtering
at high review speed

1010
1010

- Concept introduced at 2019 Investor Day
- Critical Gen5 information is shared with the e-beam system for defect of interest detection through nuisance filtering

Critical Metal Layer
defect results

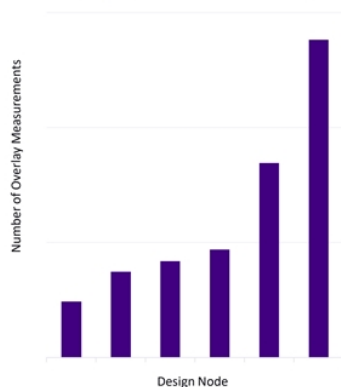


- 2x improvement in critical defect detection
- All defects classified with nuisance reduced

Semi PC unique optical to e-beam connectivity enables R&D and HVM success

Case Study: Optical Overlay Metrology + e-Beam Assist

Overlay Measurements through the Life of One Lot



Archer™ imaging-based overlay



high throughput overlay measurements

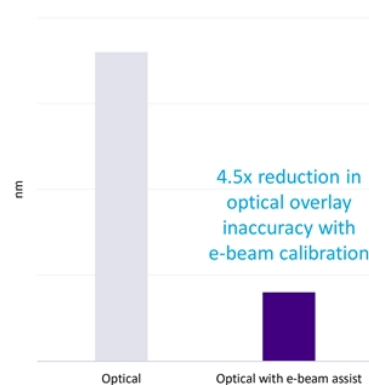
SEMREG™ E200 e-beam overlay



ultra precise overlay measurements

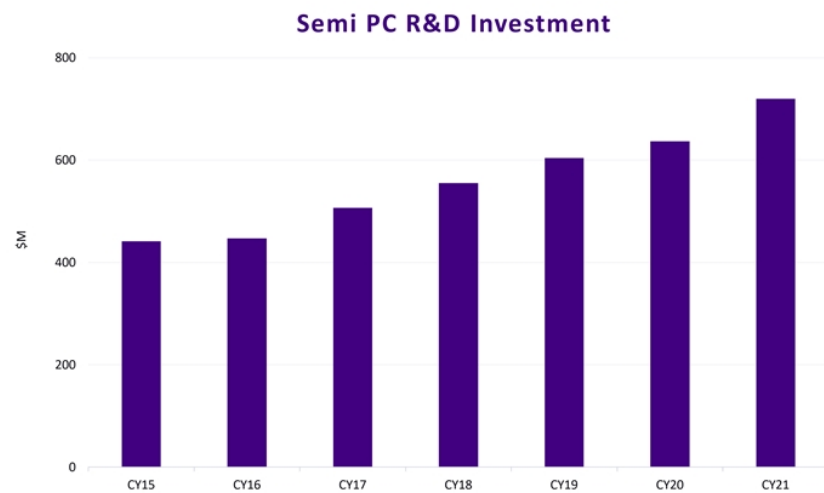
- e-Beam overlay is used as a calibration input for improved optical overlay accuracy

Overlay Inaccuracy



Semi PC unique optical to e-beam connectivity enables R&D and HVM success

R&D Investment Results in Differentiated Products



Innovation In Core Technologies



light
sources



optics



sensors



image processing
AI, DL, ML



software
data
analytics

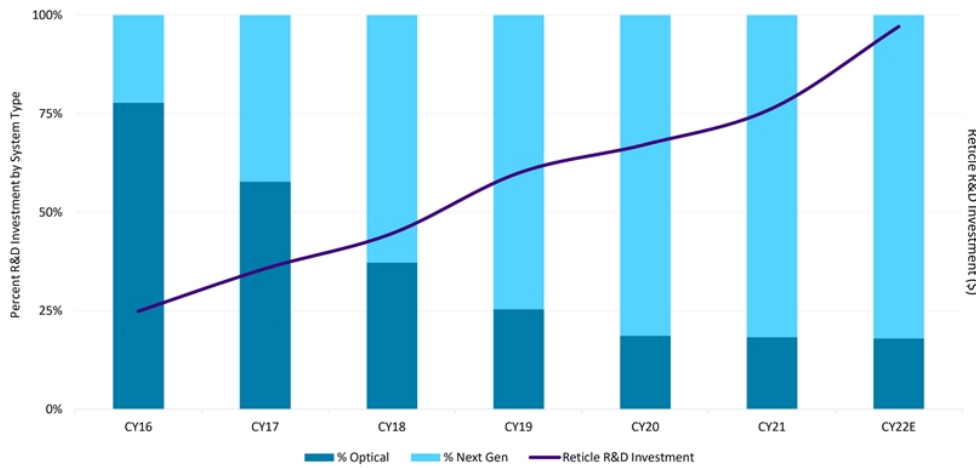


mechanics

Continued investment in innovative technologies ensures the right products are available at the right time

R&D Investment to Optimize Reticle Inspection Product Portfolio

R&D Investment for Current and Next Generation Reticle Products

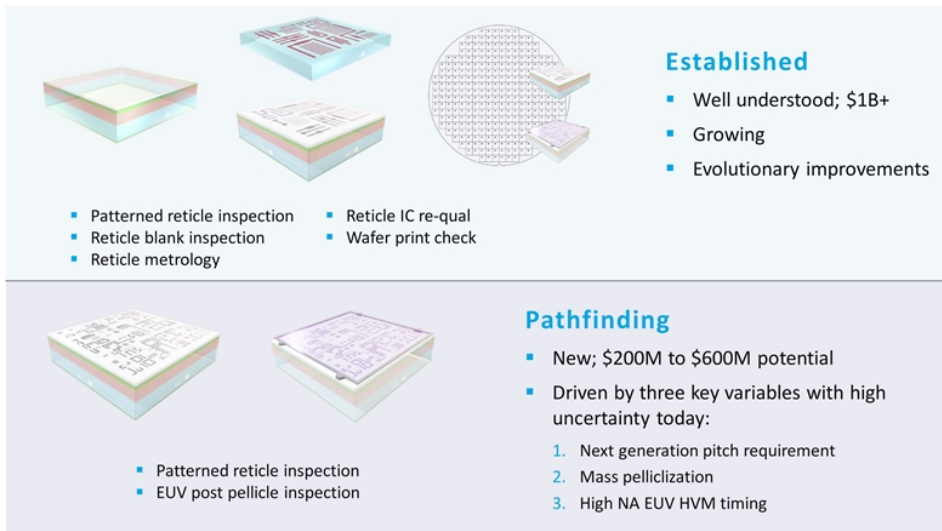


- Optical technology continues to be the workhorse for all advanced reticle inspection applications
- Majority of advanced reticles can be inspected using Semi PC optical inspection technology
- R&D spending focused on next generation technologies
- Extensive roadmap for optical, e-beam and actinic EUV inspectors

Semi PC reticle inspection strategy utilizes multiple technologies to deliver the best CoO¹ solution for customers

¹CoO: Cost of Ownership

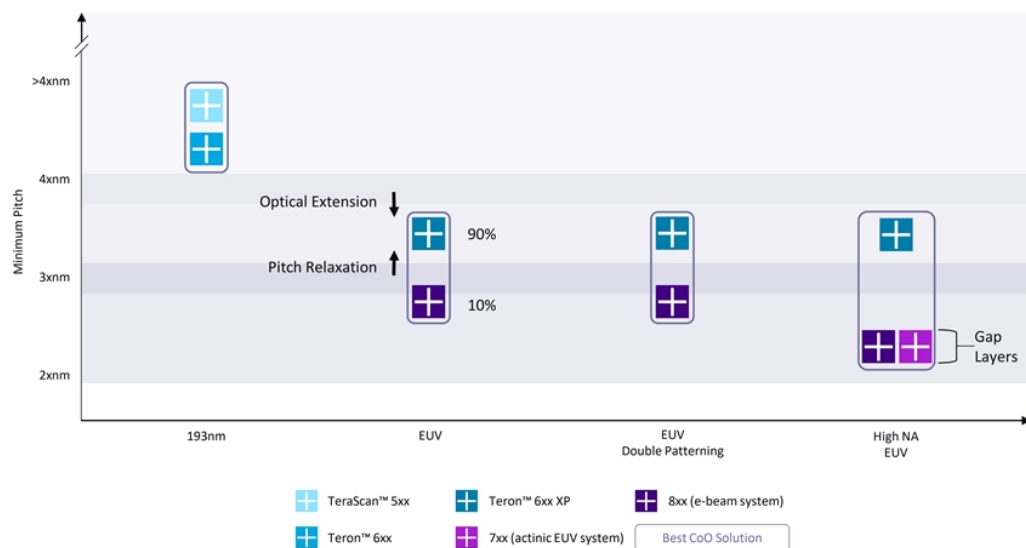
Reticle Quality Control Market Overview



- Reticle inspection market has two segments
- Established segment: 25 years based on optical inspection workhorse
- Pathfinding segment: New technologies being evaluated for future tightened pitch requirements
- KLA participates in both segments

KLA leads in established segment | Deep customer collaboration on new technologies in pathfinding segment

EUV and Reticle Inspection Landscape



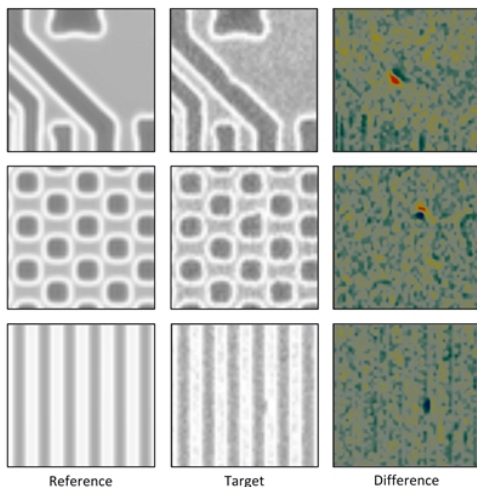
- Semi PC mission: release the best cost of ownership solution by leveraging the portfolio
- Optical reticle inspection is the workhorse of today's EUV in HVM
- Multiple 8xx e-beam systems shipped to address gap layers
- Actinic EUV tool in development, intersecting with High NA EUV

Semi PC reticle inspection strategy utilizes multiple technologies to deliver best CoO solution for customers

Advanced Reticle Inspection Tools: Progress to Date

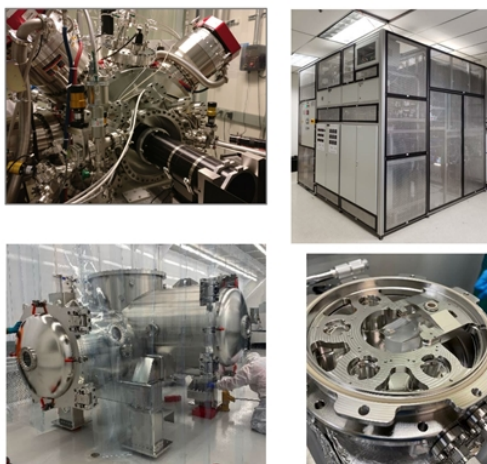
8xx

Unique Die-to-Database Inspection



7xx

On Schedule for High NA EUV

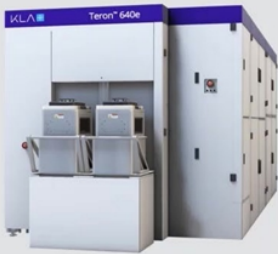


- Multiple 8xx e-beam systems shipped to address gap layers
- Actinic EUV tool in development, intersecting with High NA EUV
- All reticle inspectors come with KLA's industry-standard die-to-database technology

Semi PC R&D strategic investments ensure HVM capable products are available for customers at the right time



Complete EUV Reticle Quality Solution



optical reticle



e-beam reticle



optical reticle



optical wafer

mask shop

IC fab

Semi PC EUV Reticle Inspection Summary

>\$2.2B

Cumulative KLA EUV reticle
qualification revenue

>30

Teron™ 640e systems shipped
(mask shop)

>50

Teron™ SL670e systems + Gen5
Print Check systems shipped
(IC fab)

>85%

Percent of EUV reticles
inspected by KLA in HVM

>300

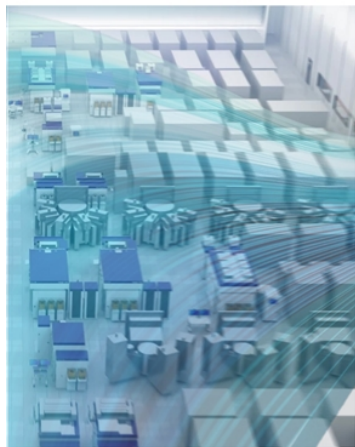
Die-to-database systems
installed worldwide with >90%
market share



Semi PC enables EUV in HVM

Process Control Software Solutions Is a Significant Growth Area

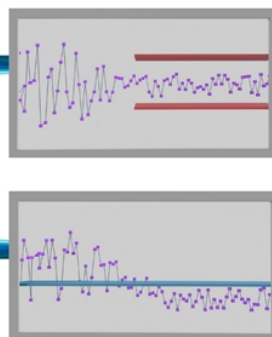
**Petabytes of
Fab Data**



**Data Analytics | AI
Solutions**



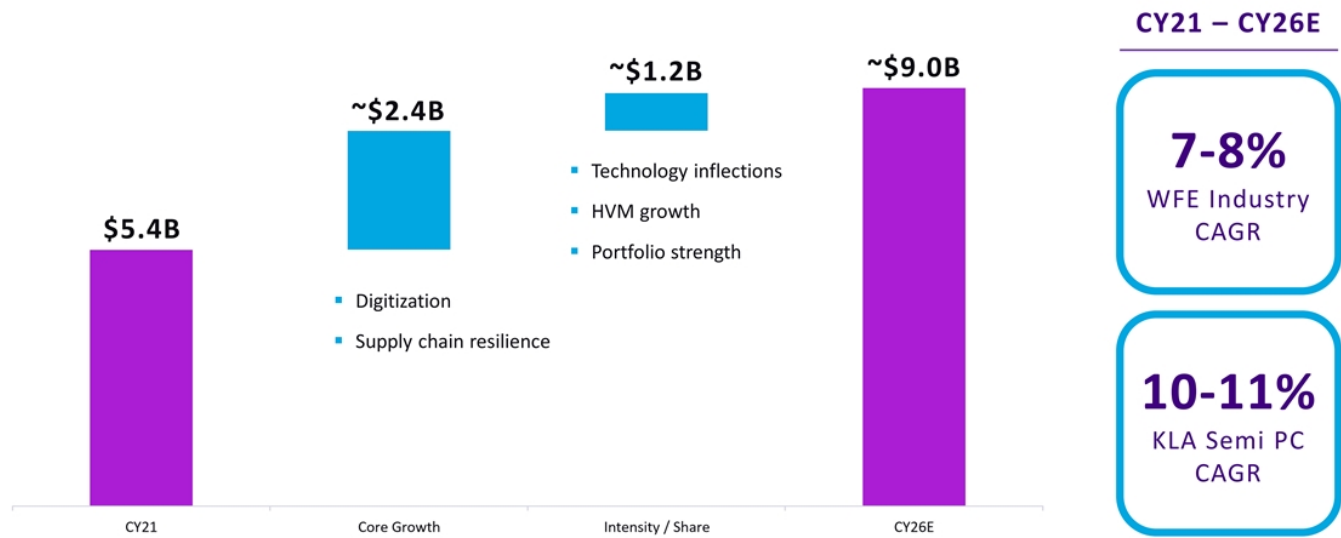
**Actionable Information
for Accurate
Process Control**



- Petabytes of data generated
- Semi PC collects, organizes and leverages all data types
- Experts developing algorithms to develop connections
- Seamless integration into customers existing infrastructure
- Combination of long-term internal development with several acquisitions
- Established ~\$200M business serving all semiconductor segments

Semi PC software solutions enable customers to make decisions from data, enabling HVM

Semi PC | Driving Sustainable Outperformance



Achieving our CY26 targets through continued HVM adoption

Semi PC | Key Takeaways

1

Semi PC enables chip manufacturing success with the broadest portfolio of highly differentiated inspection, metrology and software products

2

Our customers use our systems to solve technology inflections in R&D, and now we also see increased adoption in HVM as they strive to improve yield and reliability on ever increasingly complex devices

3

We create deep customer relationships to understand key challenges and deliver the required process control solutions at the right time; our customers have an insatiable demand for next generation products

4

We expect sustainable outperformance driven by Semi PC R&D investment, unique expert talent, deep partnerships with our key suppliers; all leveraged within the KLA Operating Model for continued repeatable product success

Semi PC Summary



¹Gartner April 2022

EPC Business Expansion



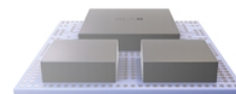
Oreste Donzella

EVP, Electronics, Packaging and Components



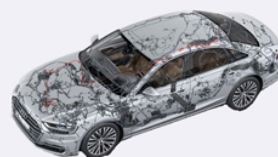
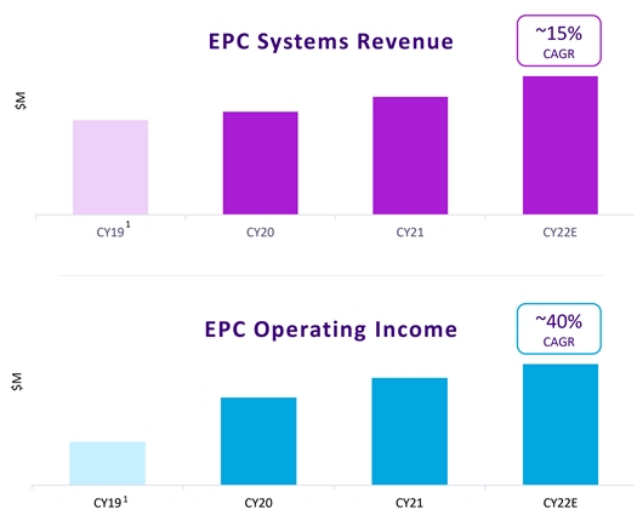
Key Messages | EPC Business Expansion

- 1 Successful implementation of KLA's Operating Model to expand presence in the electronic ecosystem, strengthen market leadership and improve operation efficiency
- 2 Continued focus on customer success within all the served markets, collaborating with our customers to provide unique solutions to their priority problems
- 3 Differentiated product portfolio developed for the unique needs of our customers, leveraging KLA's R&D funding and breadth of technologies and innovation
- 4 Sustainable profitable growth at double-digit top line revenue growth built on collaboration, innovation and execution



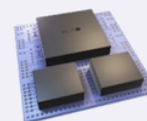
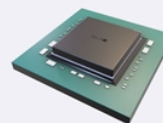
Driving sustained outperformance with the power of our portfolio and KLA Operating Model

EPC Represents an Attractive Growth Vector for KLA



6,000-10,000
semiconductors per vehicle

Automotive: zero defect, new materials

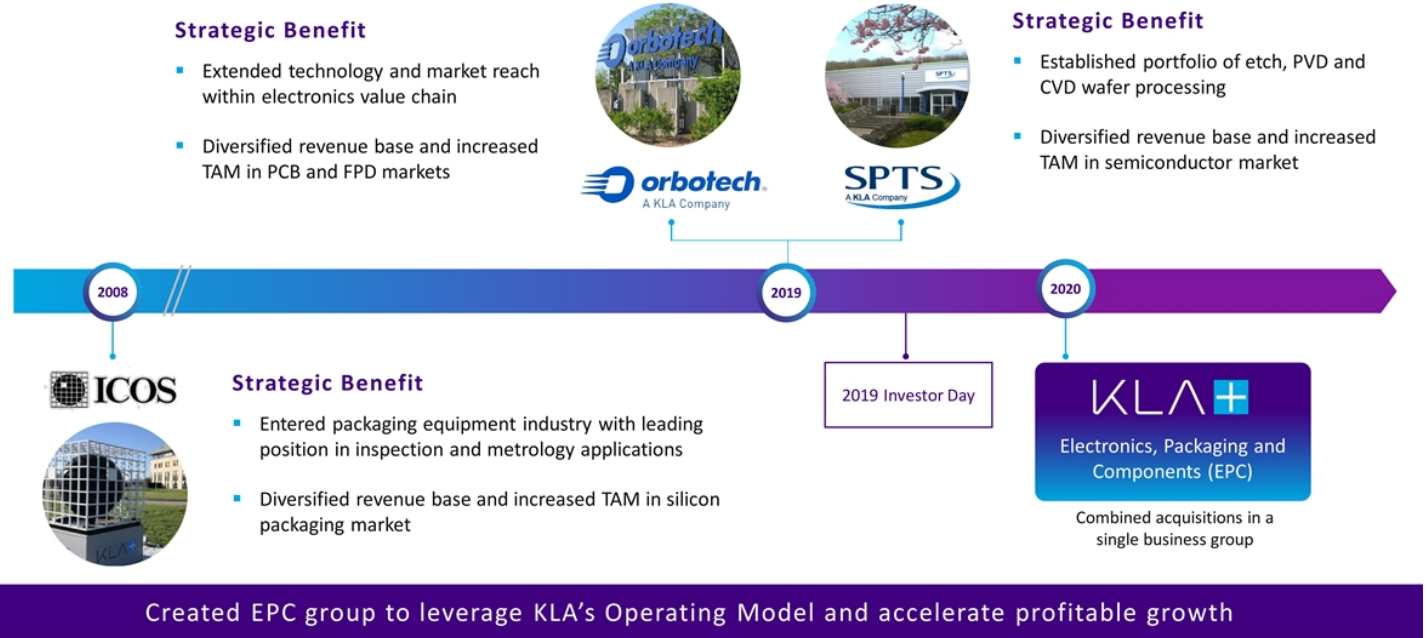


**Advanced packaging:
semiconductor roadmap enabler**

Demonstrated the power of the KLA Operating Model while capitalizing on key industry inflections

¹ Pro Forma

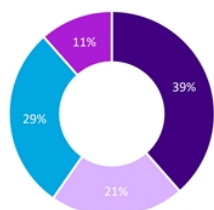
The EPC Journey



EPC at a Glance

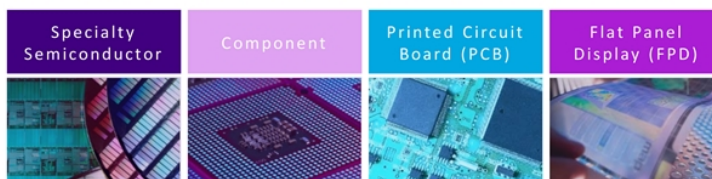
\$0.95B Revenue ¹ (CY21)	15% Revenue CAGR (CY19 ² – CY22E)	+400 bps Gross Margin Expansion (CY19 – CY22E)	40% Operating Margin CAGR (CY19 – CY22E)	~2,500 Employees
--------------------------------------------------	-----------------------------------------------------------	-------------------------------------------------------------	-------------------------------------------------------	----------------------------

2021 Revenue¹ Mix



■ Specialty Semi ■ Component ■ PCB ■ FPD

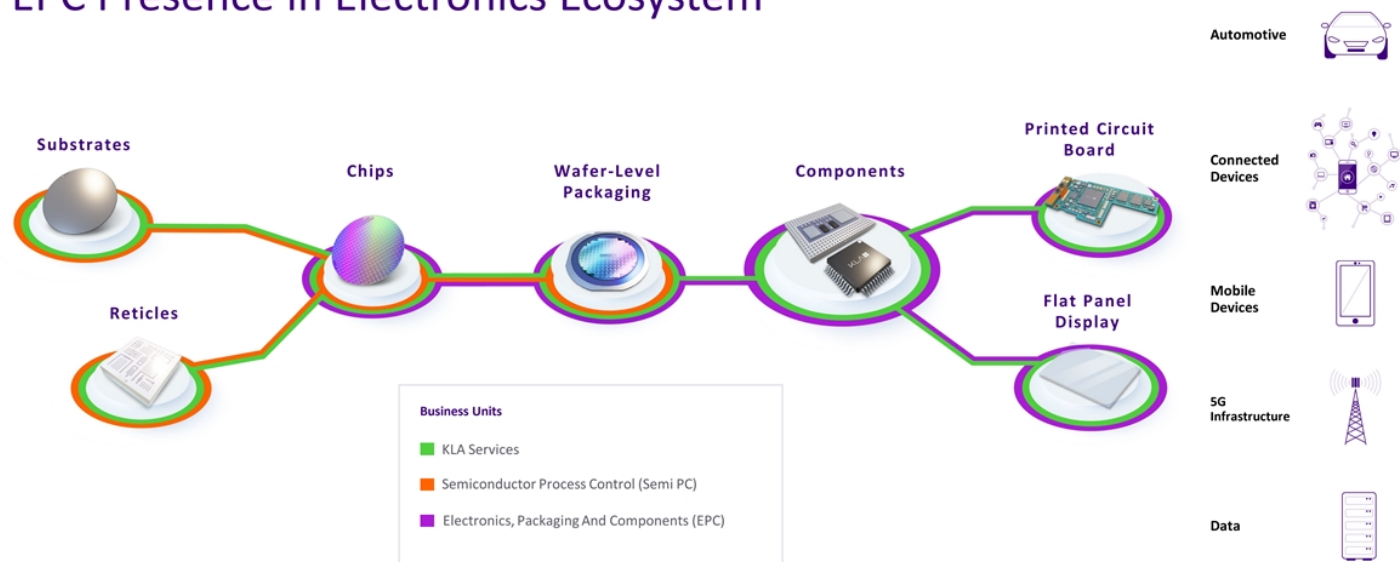
Comprehensive portfolio of process and process control solutions for specialty semiconductor, packaging, printed circuit board and flat panel display



Leading solutions provider across multiple markets with diversified drivers

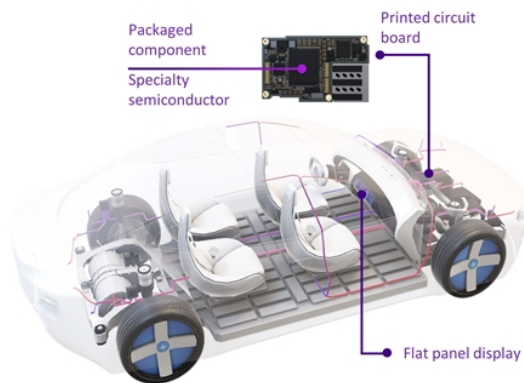
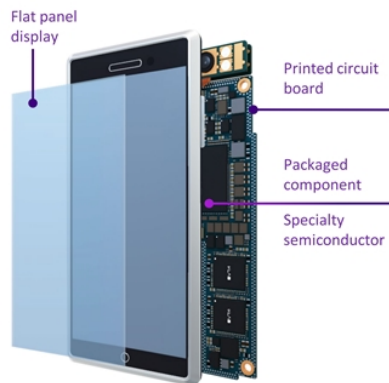
¹ Systems only ² CY19 is Pro-Forma

EPC Presence in Electronics Ecosystem



EPC brings KLA closer to end customers

EPC Touches Every Component in Smartphones and Smart Vehicles



Auto Electronics



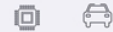
>100
connected electronics
control units (ECU)



6,000-10,000
semiconductors
per vehicle



Qualification
2 years vs 7 years



Innovations
>80% enabled by
semiconductors

Embedded in automotive and mobile electronics supply chain

EPC Revenue Breakdown by End Markets



Artificial Intelligence



5G Connectivity



Virtual Interaction



Mobile



Data Center

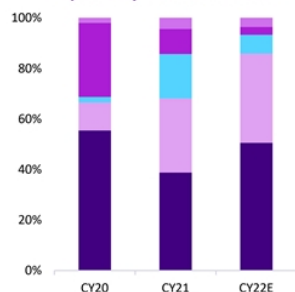


Automotive

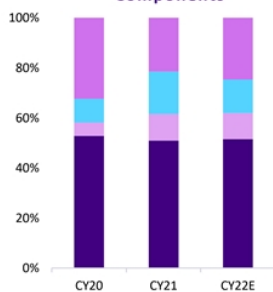


High Performance Computing

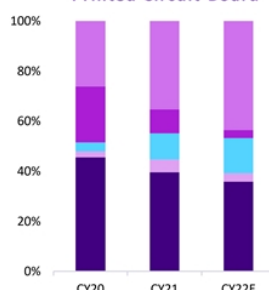
Specialty Semiconductor¹



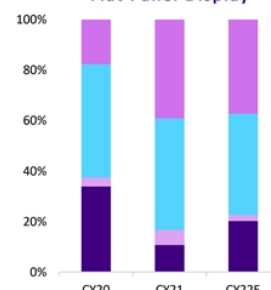
Components¹



Printed Circuit Board¹



Flat Panel Display¹



■ Smartphones ■ Automotive ■ Consumer / IoT ■ 5G Infra ■ Data

Our diversified business is driven by secular trends

¹ KLA analysis

Successfully Implementing the KLA Operating Model Across EPC



Collaboration

- Extending key customer collaboration to newly acquired companies
- Engaging earlier with the entire ecosystem, anticipating market's needs
- Collaborating with our customers to provide differentiated solutions



Innovation

- Prioritizing R&D investments to target key markets and applications
- Leveraging KLA's long history of technology innovations
- Developing a broad product portfolio driven by tech advancements

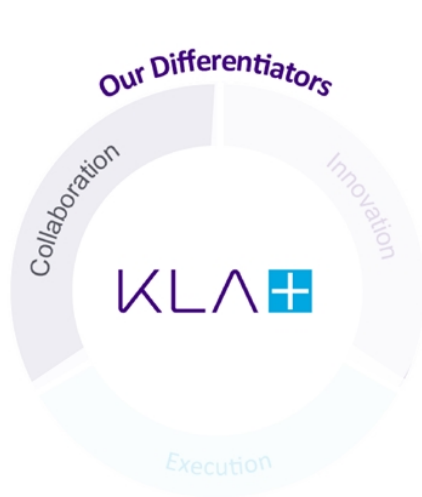


Execution

- Implementing KLA Operating Model best practices
- Realizing ~2x cost synergies vs. deal thesis (\$92M vs. \$50M)
- Adopting more rigorous product life cycle and financial planning processes

Expanding presence in electronic ecosystem, strengthening market leadership, improving efficiency

Successfully Implementing the KLA Operating Model Across EPC



Collaboration

- Extending key customer collaboration to newly acquired companies
- Engaging earlier with the entire ecosystem, anticipating market's needs
- Collaborating with our customers to provide differentiated solutions



Innovation

- Prioritizing R&D investments to target key markets and applications
- Leveraging KLA's long history of technology innovations
- Developing a broad product portfolio driven by tech advancements



Execution

- Implementing KLA Operating Model best practices
- Realizing ~2x cost synergies vs. deal thesis (\$92M vs. \$50M)
- Adopting more rigorous product life cycle and financial planning processes

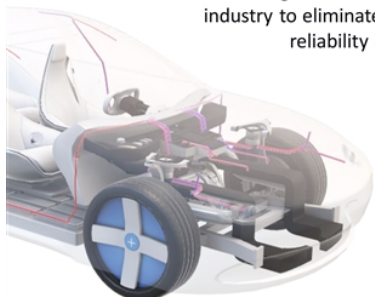
Expanding presence in electronic ecosystem, strengthening market leadership, improving efficiency

Multi-Year Collaborations Drive Significant Opportunities in Auto



Automotive Zero-Defect Policy

Partnering with automotive industry to eliminate latent reliability defects



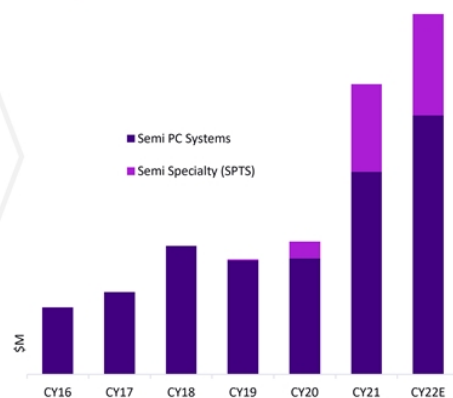
Silicon Carbide

SPTS SiC etching for EV power inverters



Extending market leadership in compound semiconductor power solutions

KLA Systems Revenue in Automotive¹



Reliability and performance are critical for automotive electronics; driving growth for KLA

¹Additional \$100M revenue estimated in service in 2022 from automotive

Advanced Packaging: Crucial to Semiconductor Technology Roadmap



Improved
bandwidth



Boost in power
performance



New high-end
applications



Custom form
factors



Increased overall
Si area

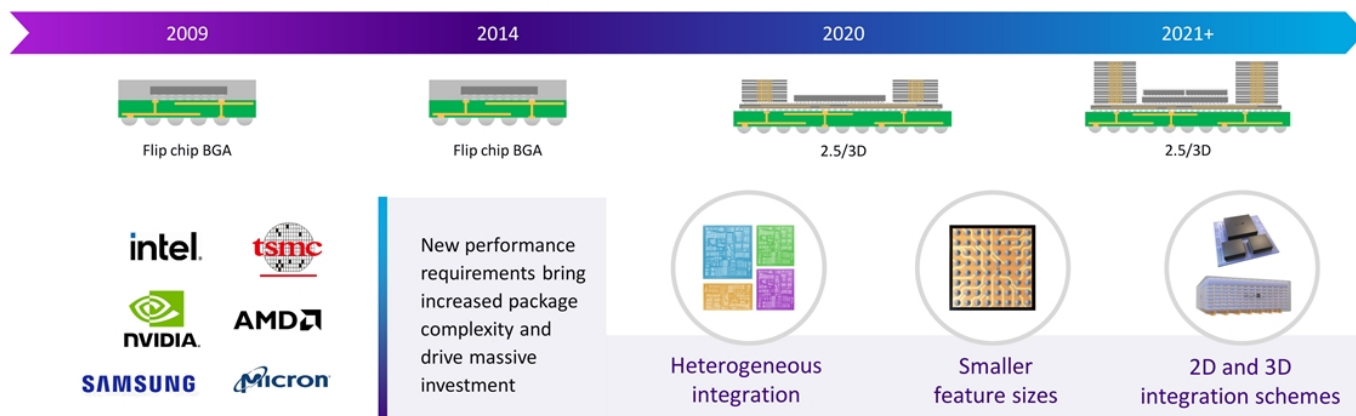


From device protection to performance differentiation

High Performance Computing Drives Package Complexity



HPC (High Performance Compute) Package Evolution CPU / GPU / FPGA

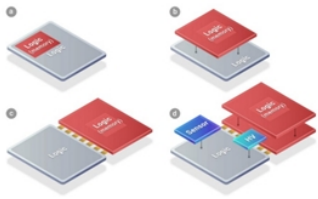


Packaging is experiencing lateral scaling and vertical stacking at the same time

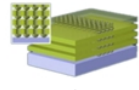
Hybrid Bonding Exposes Packaging to Front End-Like Challenges



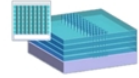
Integration Schemes



Thermo-Compression (Bump)



Hybrid (Bumpless)



Hybrid bonding provides increased interconnect density

Faster
speed

Higher
bandwidth

Power
efficiency

Key for AI logic chips and high bandwidth memory

Bonding Void Sources

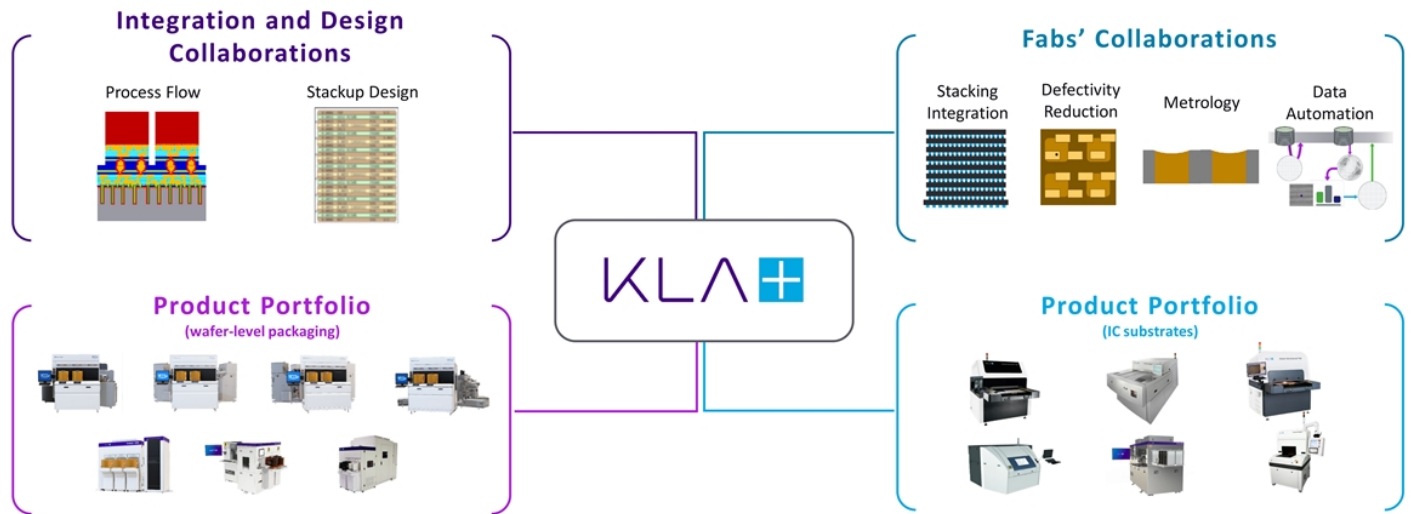
- Surface defectivity
- Bonding film deposition
- Dicing profile defectivity
- Edge profile and defectivity

Bonding Non-Uniformity Sources

- CMP profile and surface topography
- Wafer shape
- Cu pad misalignment
- Bonding temperature variations

Unprecedented inspection, metrology and process integration challenges in packaging industry

Developing Strong Collaborations to Enable Packaging Roadmap

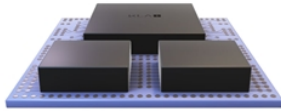


30+ joint projects initiated in packaging and substrates in the last 18-24 months



Case Study: ICOS Component (Final Package) Inspection

Problem



Multi-die components have higher quality requirements

- Complexity and cost driving 100% inspection of final multi-die components
- Large form factor, complex architecture and shrinking geometry require advanced inspection and metrology

Solution

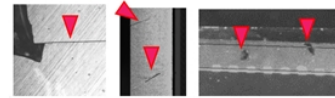
- Developed new inspection platform for large form factor components at very fast throughput
- Designed new optics to optimize focus on every surface to improve defect detection
- Created new top 3D metrology capability to accurately measure height of each die



ICOS™ T390
component inspection

Results

Increased defect sensitivity and accurate 3D metrology



Top 3D - Die height & capacitor height

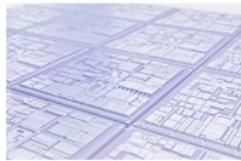
ICOS component inspection
(2.5D/3D) revenue



Complex packages require more advanced inspection and metrology capability



Case Study: SPTS Plasma Dicing for Advanced Packaging



Wafers are cut into single die in a singulation process before final assembly

Problem

- Wafer singulation is usually done with blade and/or laser, which creates particles and cracks
- Defects can lead to failures of entire multi-die package, causing huge economic losses
- Plasma etch based singulation provides superior cleanliness, but integration is complex

Solution

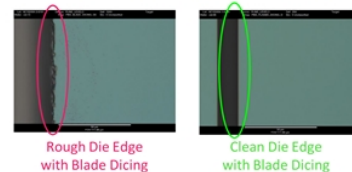
- Developed differentiated plasma dicing solution
- State-of-the-art demo lab created to develop full integration process around wafer singulation
- Validated process performance via multiple advanced customer collaborations



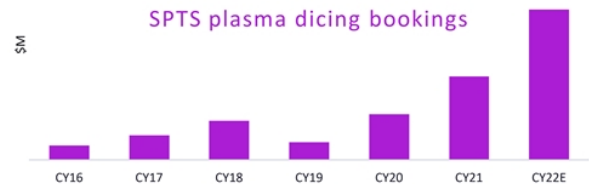
SPTS Mosaic™ plasma dicing

Results

Plasma dicing results in smooth profile and low defectivity



SPTS plasma dicing bookings



Heterogenous integration requires new standard of cleanliness in wafer dicing

Innovation Does Not Happen Without Collaboration



Mosaic™ system
for plasma dicing of framed
300mm wafers



Presented by Lord Lieutenant of Gwent on behalf of the Queen 24th May 2022

Successfully Implementing the KLA Operating Model Across EPC



Collaboration

- Extending key customer collaboration to newly acquired companies
- Engaging earlier with the entire ecosystem, anticipating market's needs
- Collaborating with our customers to provide differentiated solutions



Innovation

- Prioritizing R&D investments to target key markets and applications
- Leveraging KLA's long history of technology innovations
- Developing a broad product portfolio driven by tech advancements



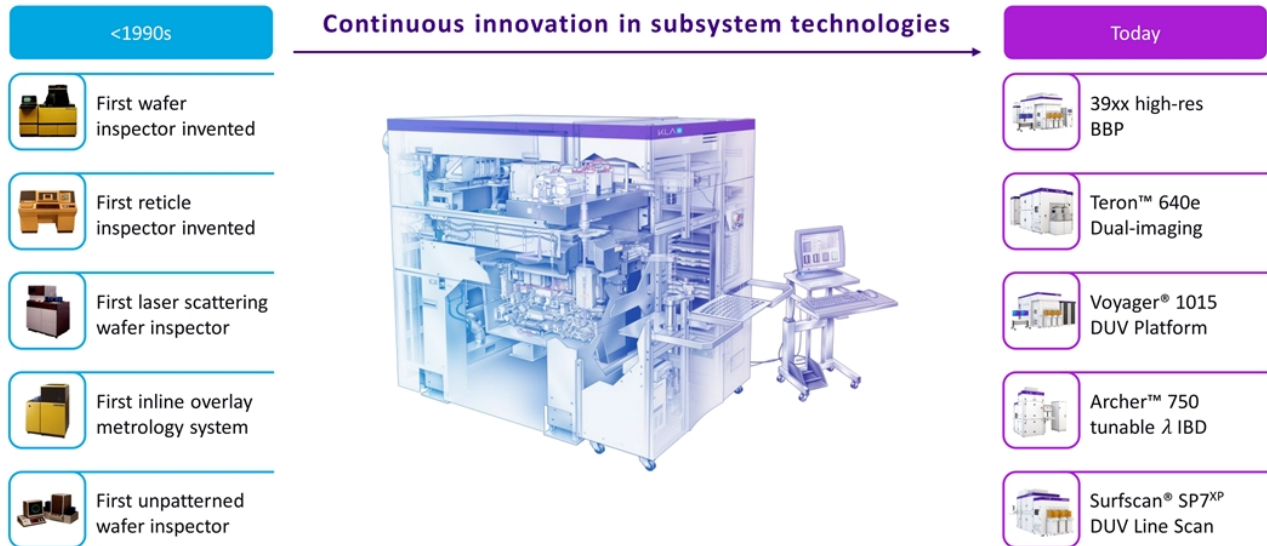
Execution

- Implementing KLA Operating Model best practices
- Realizing ~2x cost synergies vs. deal thesis (\$92M vs. \$50M)
- Adopting more rigorous product life cycle and financial planning processes

Expanding presence in electronic ecosystem, strengthening market leadership, improving efficiency



Long History of KLA Technology Innovation

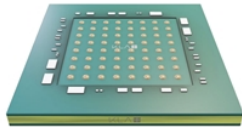


Leveraging KLA's portfolio of product and technology innovations



Case Study: PCB AOI¹ Fine for Advanced IC Substrates

Problem

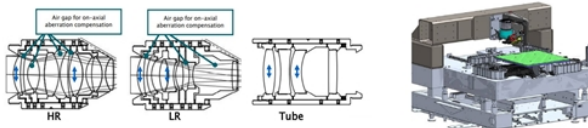


IC substrates are key enablers of advanced packaging technology roadmap

- Suppliers facing challenges to scale capability, capacity and yield
- Smaller feature sizes driving more advanced panel-based inspection capability
- Current inspection products do not meet market requirements

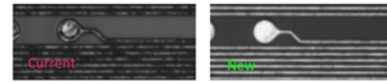
Solution

- Developed new inspection platform with advanced integrated optics jointly with KLA central engineering and CTO group

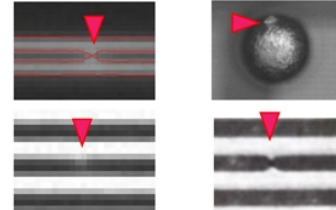


Results

Improved contrast and resolution



Unique defects detected

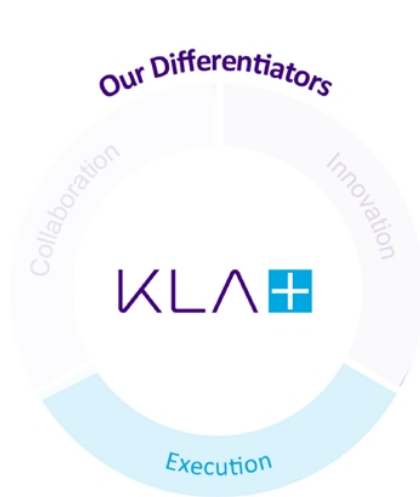


\$200-250M cumulative systems revenue in next 5 years

EPC – KLA joint development effort to enable aggressive IC substrate technology roadmap

¹AOI = Automated Optical Inspection

Successfully Implementing the KLA Operating Model Across EPC



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Execution

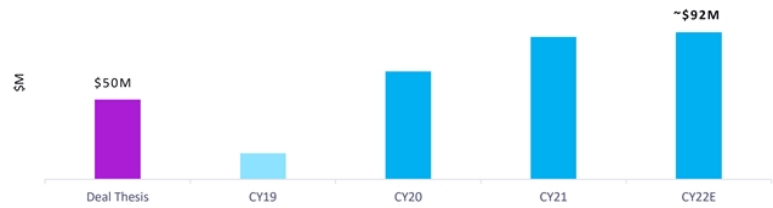
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Expanding presence in electronic ecosystem, strengthening market leadership, improving efficiency



Case Study: KLA Operating Model Implementation

Cumulative Synergies Achieved



Synergies focus area	Cumulative synergies achieved
Public company costs	~\$16M
Corporate overhead	~\$24M
Direct supply chain and procurement	~\$25M
Global footprint	~\$6M
Business rationalization	~\$21M
Total	~\$92M

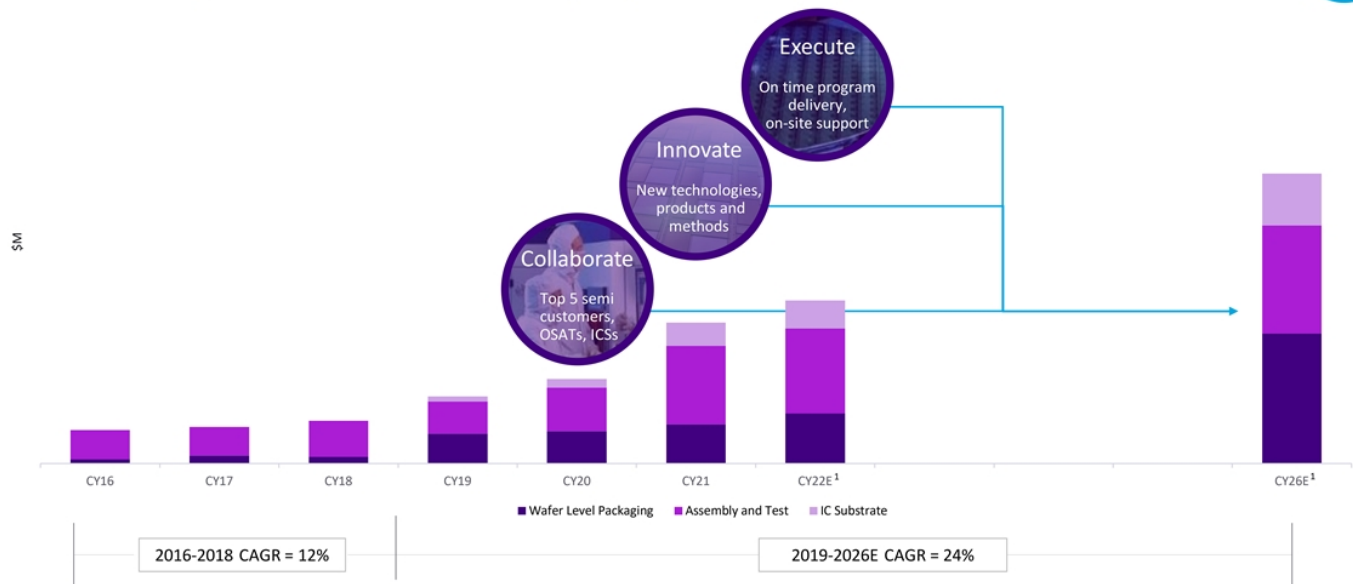
Highlights

- Extended key customer collaboration to new divisions
- Widened KLA brand awareness outside core semi
- Developed a new organization to reflect KLA's values
- Realized 1.9x cost synergies vs. deal thesis
- Target to improve operating income by ~3x from 2019 to 2022E (~40% CAGR)

Successfully integrated different businesses and streamlined organizations while reducing costs



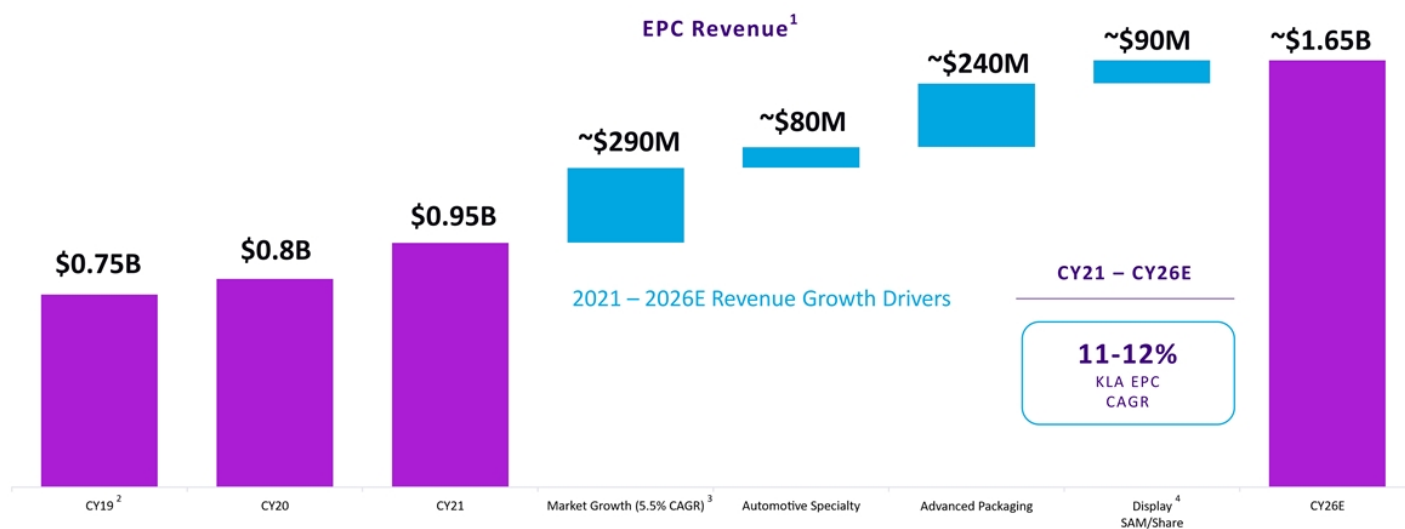
Case Study: Advanced Packaging Revenue Growth



Achieving revenue targets ahead of 2023 plan – growth will continue through 2026E

¹ KLA analysis

EPC | Driving Sustainable Outperformance



Double digit revenue growth; 40-50% incremental operating income from CY21

¹ Systems only ² Pro Forma ³ Company Data ⁴ Display MicroLED introduction and OLED Share Gain

EPC | Key Takeaways

1

Successful implementation of KLA's Operating Model to expand presence in the electronic ecosystem, strengthen market leadership and improve operation efficiency

2

Continued focus on customer success within all the served markets, collaborating with our customers to provide unique solutions to their priority problems

3

Differentiated product portfolio developed for the unique needs of our customers, leveraging KLA's R&D funding and breadth of technologies and innovation

4

Sustainable profitable growth at double digit top line revenue growth built on collaboration, innovation and execution

EPC Summary



¹ Systems only ² CY19 is Pro-Forma

Growing a Durable Revenue Stream Through Best-in-Class Services Business

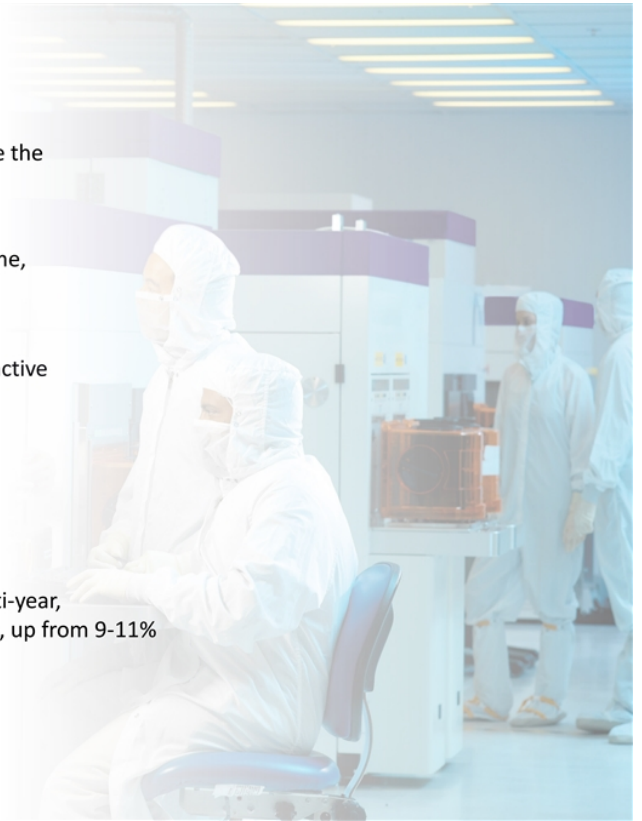


Brian Lorig
EVP, Global Services

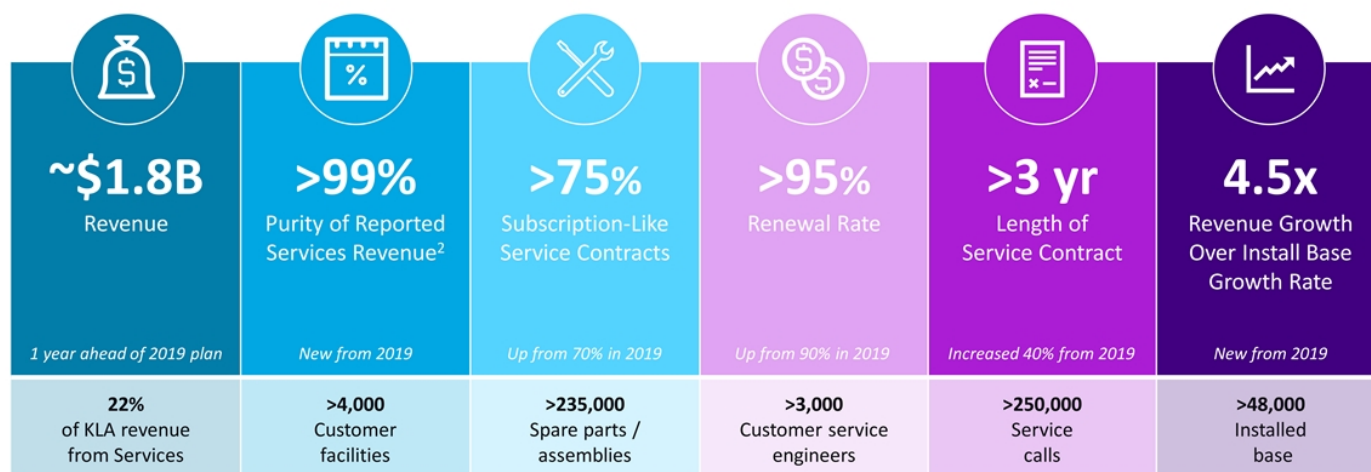


Key Messages | Services

- 1 Strong customer value proposition: partner with customers to maximize the value of their Fab
- 2 Uniquely positioned to support High Complexity, High Mix, Lower Volume, Long-Lived installed base
- 3 Evolving data and analytics platform: moving Services' delivery from reactive to predictive
- 4 Proven Operating Model powers scale, efficiency and durability - underpinning a culture of collaboration, innovation, and execution
- 5 Industry-leading service model with >75% of revenue coming from multi-year, subscription-like service contracts; driving new long-term 12-14% CAGR, up from 9-11%



KLA Services at a Glance¹



12 – 14% CAGR (through 2026E) up from 9 – 11%

¹KLA Services at a Glance numbers reflect CY21 actuals

²As of 4/2022 – Purity defined as revenue only derived from installed base support, such as service contracts and break/fix service offerings; does not include upgrades, refurb tools, etc.

Well Aligned to Benefit from Industry Megatrends



Market Type		Customer Goal	KLA Strategy	Results
Leading-Edge Development	~20%	Develop, ramp & transfer new technology to high volume manufacturing	New product introduction & service solutions maximize uptime of KLA tools	Customers accelerate transitions to high volume manufacturing
High-Volume Leading-Edge Manufacturing	~45%	Maximize good wafers out at lowest possible cost	Optimized production monitoring while reducing customer cost of ownership	Customers achieve higher yield, at lower costs, through predictable system availability
High-Volume Legacy Node Manufacturing	~35%	Maximize good wafers out at lowest possible cost	Lifecycle management through fab optimization, enhancements & services	Customers extend the useful life of their KLA assets

 Percentage of KLA Services Business in CY21

Power of KLA Portfolio: High Mix, High Complexity, Lower Volume

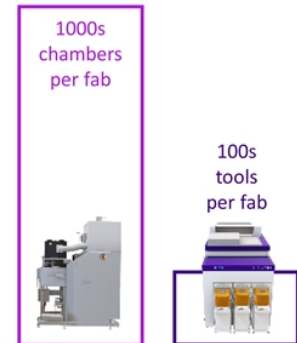
High Mix



High Complexity



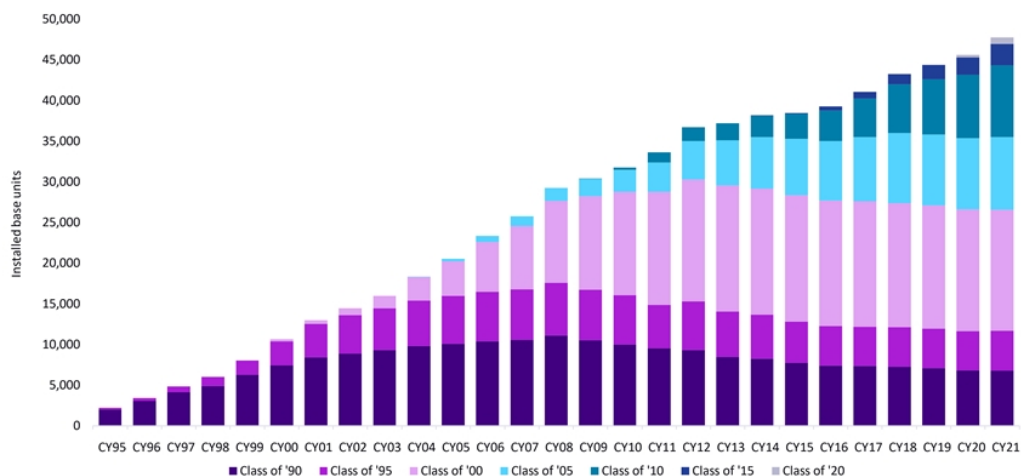
Lower Volume



Creates high barrier to entry for service

Longevity of Installed Base Enhances Customer Productivity

Semi PC and EPC Installed Base



Highlights

- >50% of our installed base is older than 18 years old
- Average peak installed base per class year is achieved in ~12 years
- >80% of tools shipped in KLA history remain in production
- Customers continue to utilize tools in production long after full depreciation (2-3 times)
- Class represents the year the product was introduced

Over the life of a tool, service revenue exceeds initial tool sale price

Successfully Implementing the KLA Operating Model Across Services



Collaboration

- KLA Services teams embedded with customers, supporting achievement of customer goals
- Deep supplier relationships ensure supply continuity and higher quality
- Closely coordinated with KLA design and manufacturing operations to ensure seamless customer experience



Innovation

- Deploying leading edge AR/VR technology to support remote service, collaboration and advanced training
- Powerful data and analytics drive predictive maintenance strategies and business insights
- Significant investments to train and upskill employees on increasingly complex assets in hi-ramp production environments



Execution

- Consistent strategy focused on results
- Management by metrics built on strong continuous improvement culture
- Disciplined organization and unique systems to manage complex global supply chain

Rigor and performance that improves customer experience

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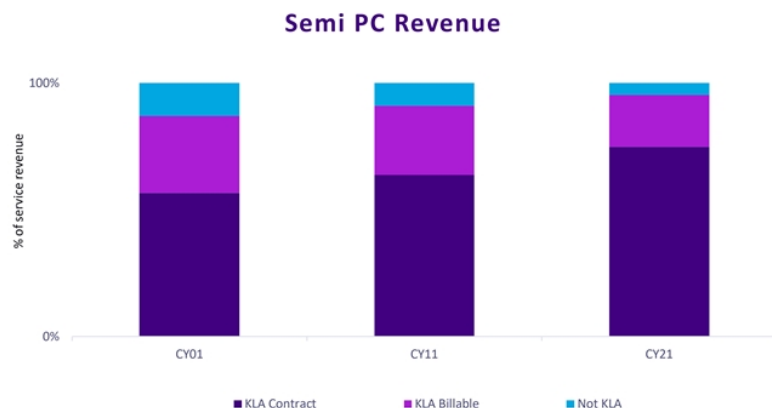


Execution

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Rigor and performance that improves customer experience

Contract Services Adoption Rate Continues Increasing



Highlights

- Increasing complexity of manufacturing process and KLA equipment
- Record-level factory utilization
- Customers geographic footprint expanding
- Inter-Fab technology transfers
- Renewed emphasis on reliable supply chains
- Growing importance of specialized talent

Increased complexity, usage and customer urgency drives greater service contract penetration

Case Study: Legacy Node¹ Customer Spend With KLA Services



Environment

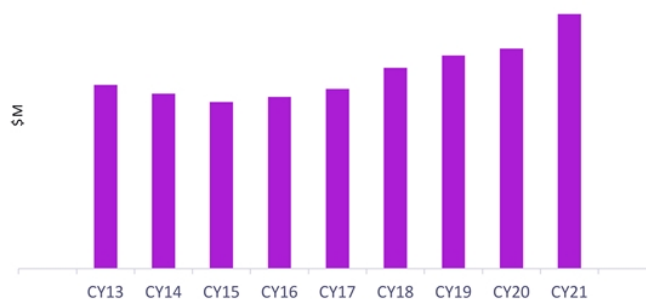
- **2013 – 2018:** Factory utilization 70-80%, stable manufacturing processes, and less stringent end-customer requirements
- **Customer Approach:** Harvesting parts from older tools, leveraging secondary tool market, utilizing experienced internal and/or 3rd party resources
- **2019 – 2021:** Factory utilization >95%, customers demanding better performance and throughput per square foot, more stringent end-customer requirements: reliability, quality, delivery, performance

KLA Response

- Collaborated with customers to improve fab optimization, data and analytics, and tool security
- Created a dedicated team to focus on legacy node customers
- Invested in engineering resources to solve obsolescence challenges
- Hired and trained resources and increased inventory investment

Results

Legacy node customer spend with KLA Services*



Continued customer demand drives legacy node service revenue growth

¹28nm and above design rules, ex-memory * Chart represents single tool set

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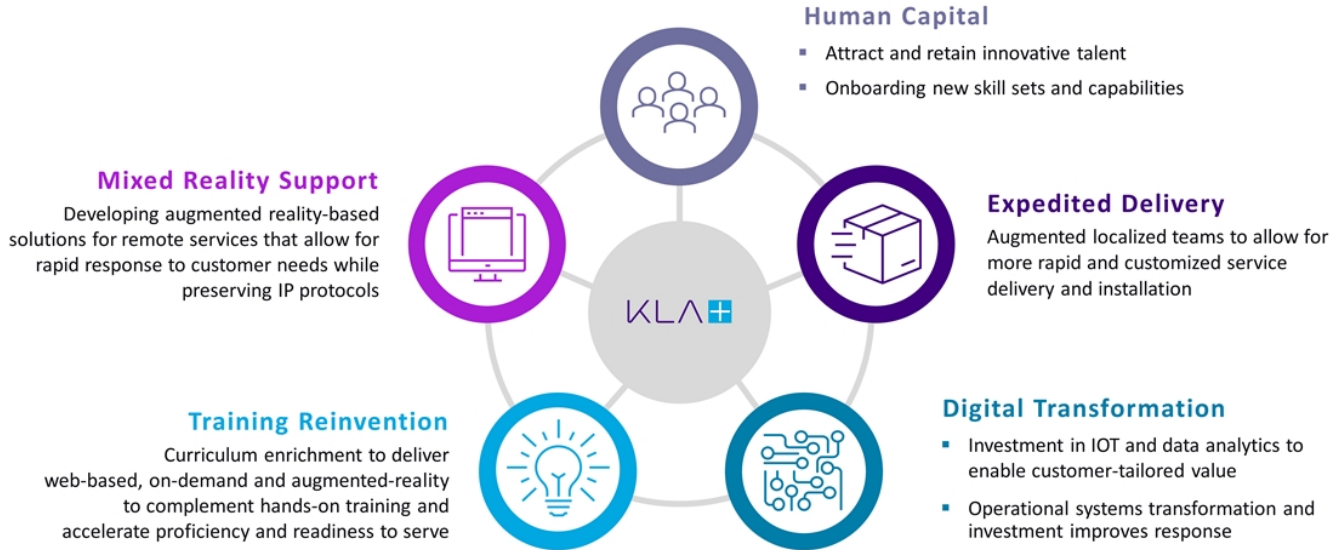


Execution

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- Disciplined organization and unique systems to manage complex global supply chain

Rigor and performance that improves customer experience

Multi-Faceted Services Innovation Strategy



Transformation improving customer experience



Service Innovation Drives Customer Value

Evolution of KLA Digital Twin

- Third generation of complex parametric and configuration data gathering
- Analyze parameters for install validation, customer matching requirements, and recipe development, driving faster time-to-scale and frictionless integration with existing customer footprint

Smart Equipment

- Monitoring performance of critical sub-assembly characteristics and compliance from tool-to-spec, tool-to-tool, and tool-to-fleet
- Thousands of tools connected, broad repository of equipment health data for trending and control, and continuing development of actionable insights

Digital Services

- Modernization of traditional service delivery using data and analytics to reduce variability and improve efficiency of service tasks
- 7x increase in use of AR/VR supported training, certification and remote service, reducing technical onboarding time and improving service efficiency and accuracy

Virtual Process Development

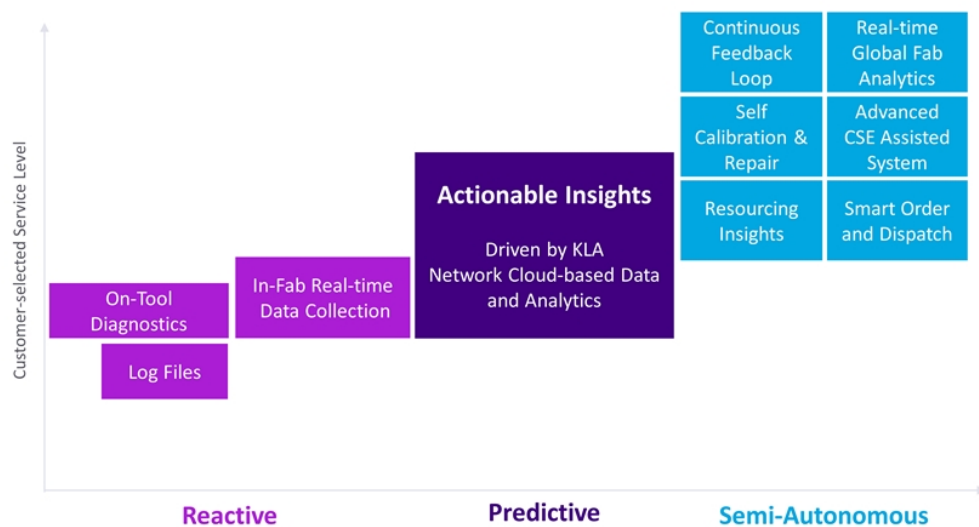
- Bespoke customer process and internal service criteria – matched to physical customer product – modeled and maintained for consistent customer results
- Leveraging dedicated KLA software solutions products to acquire over a trillion GB of data, run analysis on tools, and maximize fleet performance

Global Support – KLA Knowledge Network

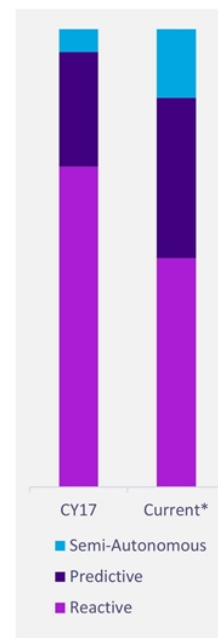


Modernized toolbox for maximum tool life and performance

KLA Services Roadmap Improving Customer Value



*KLA estimates



Successfully Implementing the KLA Operating Model Across Services



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Rigor and performance that improves customer experience

Talent & Culture Underpin KLA Services Execution



Install & Support



Technical Training
Services



Regionalized
Customer Experience



Parts and
Logistics



Engineering



Customized Service
Outcome

Services Foundation

Depth

>3,000

Services employees

>8 yrs

Average tenure of KLA
Services employees

>4M

Labor hours in 2021

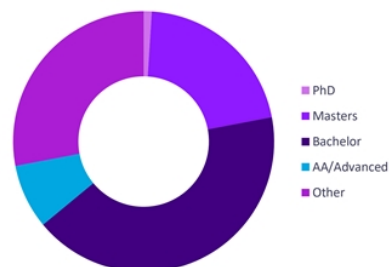
Experience

Comprehensive 9-18 month training
process per tool to develop expertise

Quick access to global network of
235,000+ spare parts

Customer Service Engineers (CSEs)
access to KLA global network of experts

Education





Case Study: Integrating Services from Acquired Businesses

Environment Pre-Acquisition

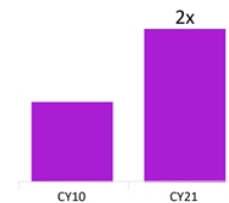
- Primary focus is on new tool penetration and adoption
- Limited investment in inventory to support just-in-time delivery of spare parts
- Significant incremental investment required to provide service at new customer sites
- Encourage customers to self-service, providing documentation and training

Deploy KLA Operating Model

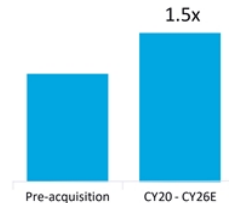
- **Design for Service:** Service is an important consideration from product inception
- **Systems and Metrics:** Common CRM systems and metrics to enable insights and drive improvements
- **KLA Services Infrastructure:** Leveraging existing KLA footprint reduces incremental investment and lead-time to support new and existing customer sites
- **Go-To-Market:** Synergies with KLA channel to drive both product and service

Results

Services revenue per tool on acquired business (ADE)

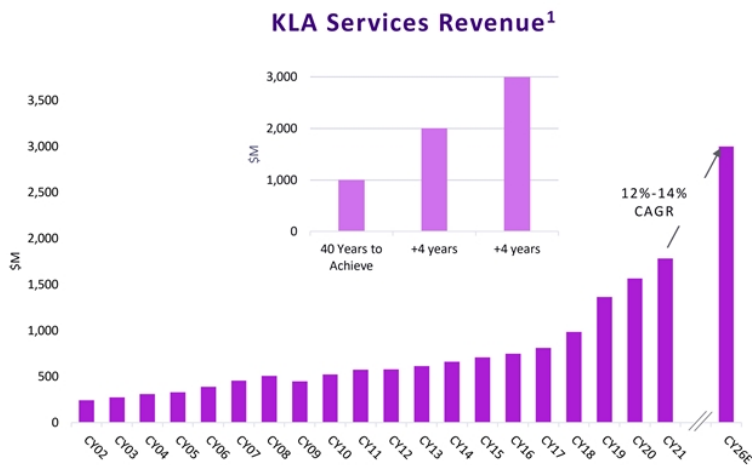


EPC service revenue growth rate



Deploying KLA Operating Model in Services drives improved customer experience

Revenue Increasing at Faster Pace: Exceeding \$3B by 2026



Highest percentage of pure service revenue in the industry



Resilient and predictable



Strong generator of **Free Cash Flow**



Exponential revenue growth: \$1B in KLA's first 40 years, \$2B in 2022, climbing above \$3B by 2026

Services delivers recurring revenue ~1.7x industry growth rate

Note: Calendar year figures; ¹Includes first year warranty in accordance with adoption of ASC606
Source: KLA filings and estimates

Services | Driving Sustainable Outperformance



Services | Key Takeaways

1

Strong customer value proposition: partner with customers to maximize the value of their Fab

2

Uniquely positioned to support High Complexity, High Mix, Lower Volume, Long-Lived installed base

3

Evolving data and analytics program: moving Services' delivery from reactive to predictive

4

Proven Operating Model powers scale, efficiency, and durability – underpinning a culture of collaboration, innovation, and execution

5

Industry-leading service model with >75% of revenue coming from multi-year, subscription-like service contracts; driving new long-term 12-14% CAGR, up from 9-11%

Long-Term Target Model & Capital Return Strategy



Bren Higgins
EVP and CFO



Key Messages | Long-Term Target Model & Capital Return Strategy

- 1 Delivering sustainable market outperformance guided by the KLA Operating Model which supports collaboration, innovation, and execution
- 2 Portfolio strategy drives differentiation and competitive advantage, leading to strong operating leverage, resilient free cash flow generation and consistent capital returns
- 3 Collaborative supply chain strategy helps drive execution, meet customer commitments and deliver on financial targets
- 4 Pace of Moore's Law and trends of end market demand enable KLA to continue to innovate to drive product longevity and optimize the financial model
- 5 Leveraging our strong investment-grade balance sheet to support growth, enhance scalability of the business, and fuel assertive capital allocation initiatives



KLA Surfscan® SP700

Targeting 9-11% revenue CAGR and 1.5x earnings leverage with strong FCF generation and capital return > 85%

Significant Progress Since 2019 Investor Day

Where We Were 2019 Investor Day

- Targeted 7-9% revenue growth CAGR from 2019 – 2023E
- Continued high levels of investment in R&D to broaden portfolio and expand market leadership
- Focused on integrating recent acquisitions and driving synergies
- Codified KLA Operating Model
- Capital Returns >70%

Where We Are 2022 Investor Day

- Achieved 300+bps of market share and intensity gains
- Delivered strong relative growth with a more diversified revenue stream. Semi PC growth CAGR +3% vs. WFE (from '18-'21)
- Grew recurring revenue from Services (14% revenue CAGR from '19-'21)
- Exceeded synergy targets by ~2x and improved margins in acquired businesses
- Invested in talent, global infrastructure and scale to support structural growth
- Capital Returns > 80% since 2019 Investor Day

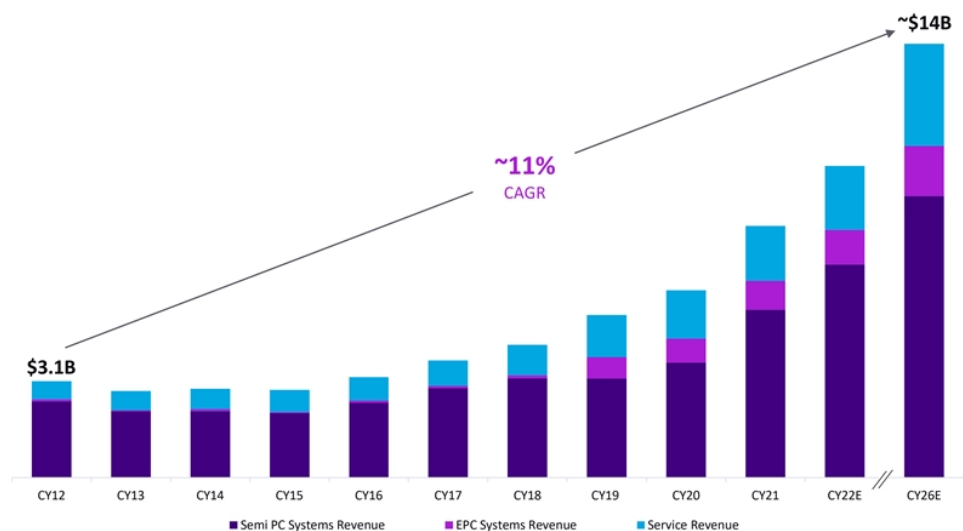
Where We Are Going 2026 Target Model

- Optimizing business through technology leadership + portfolio leverage
- Targeting 9-11% revenue growth CAGR from 2021 – 2026E
- Continuing to grow KLA's share of WFE from low 6% to ~7.25%+
- Sustaining 40-50% incremental operating margins and delivering 1.5x EPS leverage
- Capital Returns > 85%

Continued focus on growth drivers, operating leverage, and deploying capital

Source: KLA filings and estimates, Gartner April 2022

Sustainable Revenue Growth and Diversification



Key Characteristics of Target Revenue Mix

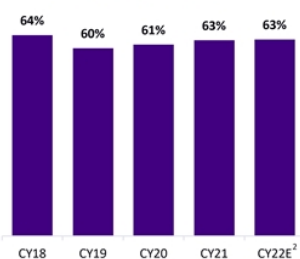
- Leading edge investment driving continued foundry/logic node progression & increased design starts
- EUV adoption in DRAM & higher layer counts in NAND drive increasing process control requirements
- Legacy node investments to support the digitization of everything is accelerating
- EPC drives diversified process & process control revenue streams & expands our exposure beyond WFE
- Growing recurring revenue streams from Services

Multiple vectors accelerating KLA's long term revenue growth

Source: KLA filings and estimates

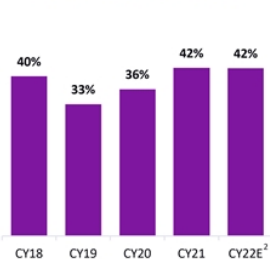
Track Record of Strong Profitability

Gross Margin¹



- GM% ranked among leaders in Semi industry
- Improvement since 2019 driven by differentiation, higher revenue volume
- Absorbed ~\$1B of acquired revenue while improving GM% performance of acquired businesses

Operating Margin¹



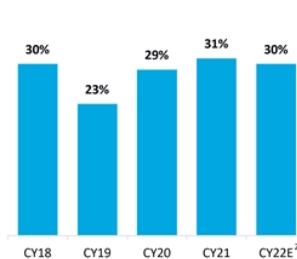
- Superior margin profile vs. peer group³
- Extendibility of product platforms reduces R&D intensity, driving higher ROI across the portfolio
- Delivering 40%-50% incremental operating leverage

Diluted EPS¹



- Strong earnings leverage
- Targeting long-term earnings growth of 1.5x revenue
- Consistent share repurchases
- 27% Diluted EPS¹ CAGR from CY '18-'21

FCF Margin¹



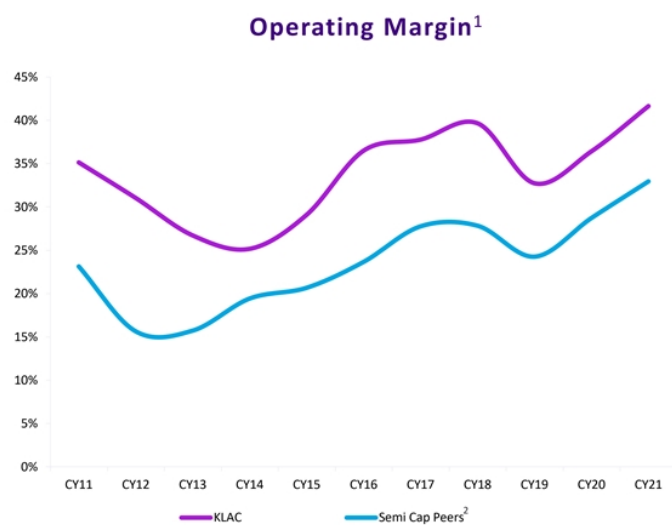
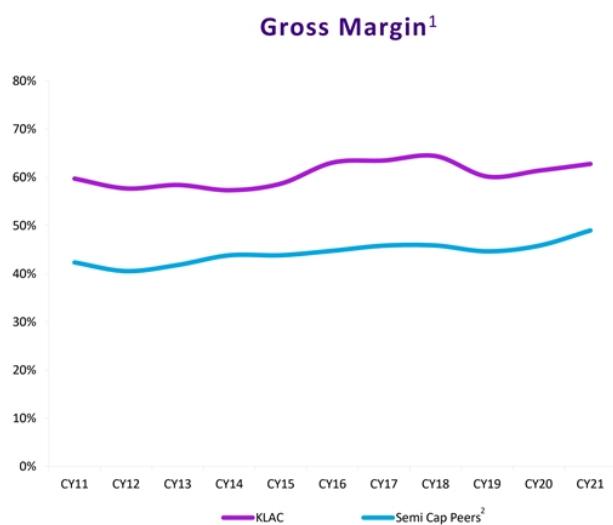
- History of strong FCF margin across all phases of business cycle and economic conditions
- Investing in working capital to support growth
- Capital expenditures of 2-4% of revenue

Consistent growth and improvement in key profitability metrics

¹Non-GAAP measure, please see Appendix for reconciliation.

²Based on consensus CY22 as of 6/8/22 Nasdaq IR Insight. ³Peers include: ASML, AMAT and LRCX.

History of Best-in-Class Margins Versus Leading Peers



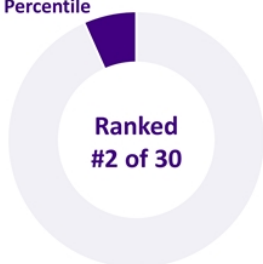
Market leadership, product differentiation, and operational excellence drive industry leading margins

Source: Bloomberg, June 2022 | ¹Non-GAAP measure, please see Appendix for definition and GAAP to non-GAAP reconciliation.
²Semi Cap Peers include: AMAT, ASML, LRCX

A Pattern of Excellence – 10 Year View Versus the SOX Index

Gross Margin¹: 61%

97th
Percentile



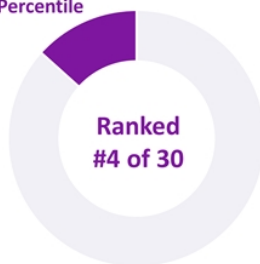
**Ranked
#2 of 30**

Non-GAAP Gross Margin %

Captures a company's differentiation and competitive advantage

Operating Margin¹: 34%

90th
Percentile



**Ranked
#4 of 30**

Non-GAAP Operating Margin %

Captures a company's operating excellence and discipline

FCF Margin¹: 27%

86th
Percentile



**Ranked
#5 of 30**

Free Cash Flow Margin %

Captures a company's profitability and ability to return capital

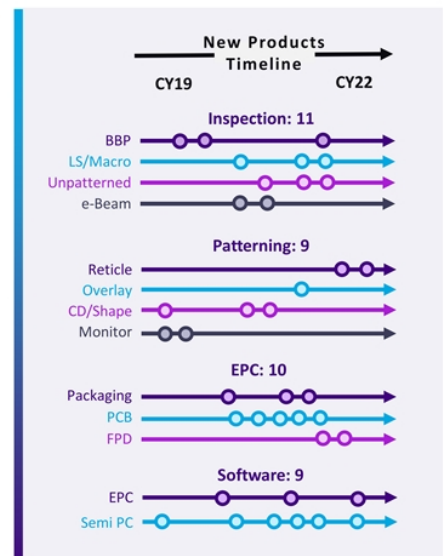
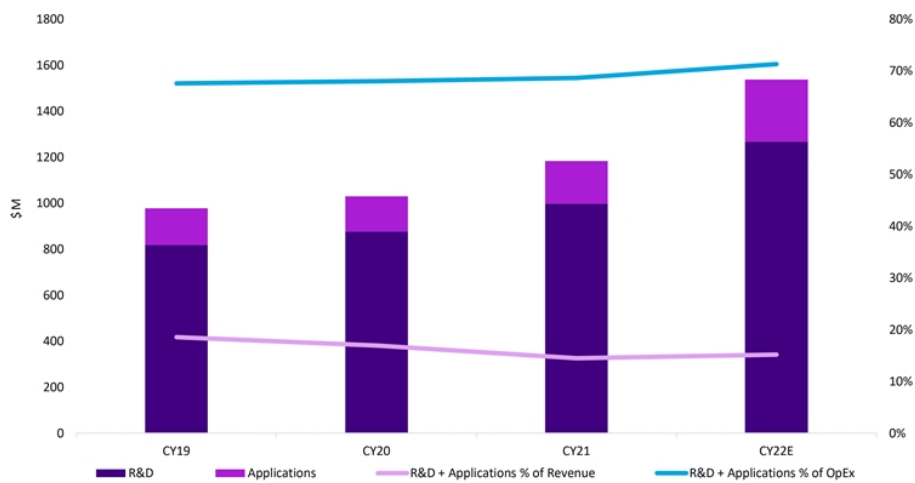
#1 ranked semi-cap and top 5 overall in SOX for most important profitability metrics

¹ Non-GAAP
Source: Bloomberg, June 2022

KLA  Investor Day 113

Technical Investments are Essential to Our Portfolio Strategy

R&D and Applications¹ Support Investment



Investing in R&D and technical resources to drive our differentiated portfolio strategy

¹ Customer-facing technical and engineering resources

The KLA Operating Model Guides Our Strategy and Differentiation



Collaboration

- Work closely with customers in early process technology development
- Work closely with suppliers' early technology development
- Work across KLA to reuse applicable technology



Innovation

- Invest heavily in core technology research
- Extensive investment in labs and R&D talent
- Blend experienced global talent with new talent to generate new products



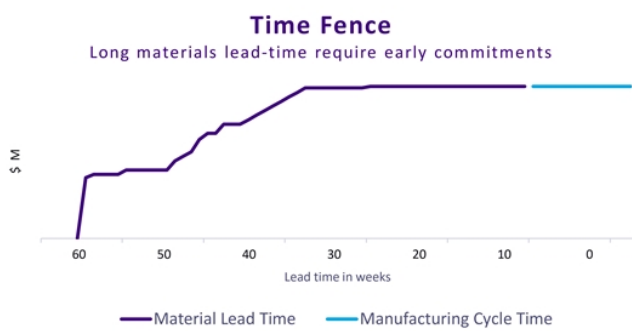
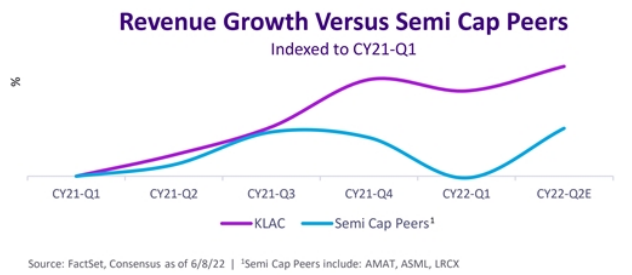
Execution

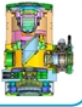


- Consistently meet or exceed financial targets
- Exert efficiency and operating discipline in our investments
- Deliver a strong track record of outperformance

We power our industry leading results through collaboration, innovation, and execution



Case Study: Strategic Supply Chain Sourcing



Component Types	Parts Category
 Low volume, sole sourced highly complex components	Optics Sensors Lasers
 High volume, mostly sole sourced critical components	Volume Optics Stages Motion Control
 Tier 2, 3, 4 Component Suppliers	Semiconductors Electronic components



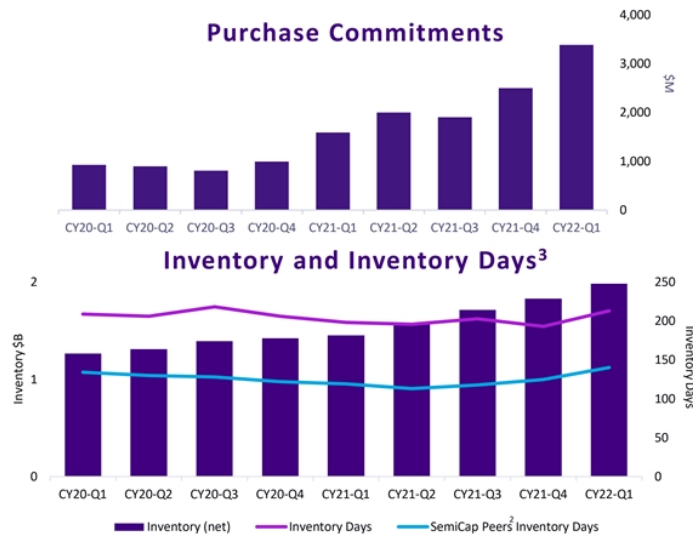
Case Study: Supply Chain Management

Visibility

- Long term forecast commitments drive supplier investment & availability

Inventory

- Optimizing for customer lead times vs. KLA intrinsic lead times
- Will carry suppliers long lead materials
- Highly custom parts fundamental to product differentiation
- Ensures availability for long term service



Long-term, strategic partnership with the supply chain

- Decades-long relationships with 96%+ of key suppliers under contract¹
- Engineering and supply chain closely integrated throughout product lifecycle across product portfolio
- Long-term, multi-million dollar commitments
- Executive-level engagement
- \$150M+ in new investment in supplier capacity over last ~2 years

Navigating supply chain challenges through strategic supplier management, selection and partnership

¹ Top performing trusted partner that helps differentiate KLA's products and is aligned with KLA's roadmap – KLA is actively growing investments and engagement of time and resources with key suppliers | ² AMAT, LRCX ³ Inventory Days = (Net Inventory / Annualized COGS) * 365



Case Study: Measured Pace of Moore's Law Enables Platform Extendability and Lower R&D Intensity



~20% decrease in R&D intensity contributes to ~40% increase in Return on Investment



Case Study: Gen4 Extendibility Enables Gross Margin Improvements and Platform Scalability

GM % Improvement

+180bps

+620bps

+630bps

+980bps

Patterned Optical Inspection Market¹

2019 TAM: \$1.35B
2021 TAM: \$2.88B
CAGR: 46%



Gen4 Product Introductions

291x

292x

293x

295x

296x

Greater than 15-to-1 Return on Investment

¹Source: Gartner, April 2022

KLA  Investor Day 119



Case Study: SpectraShape™ Extendibility Enables Gross Margin Improvements and Platform Scalability

GM % Improvement

+540bps

+690bps

+750bps



Optical Metrology Market¹

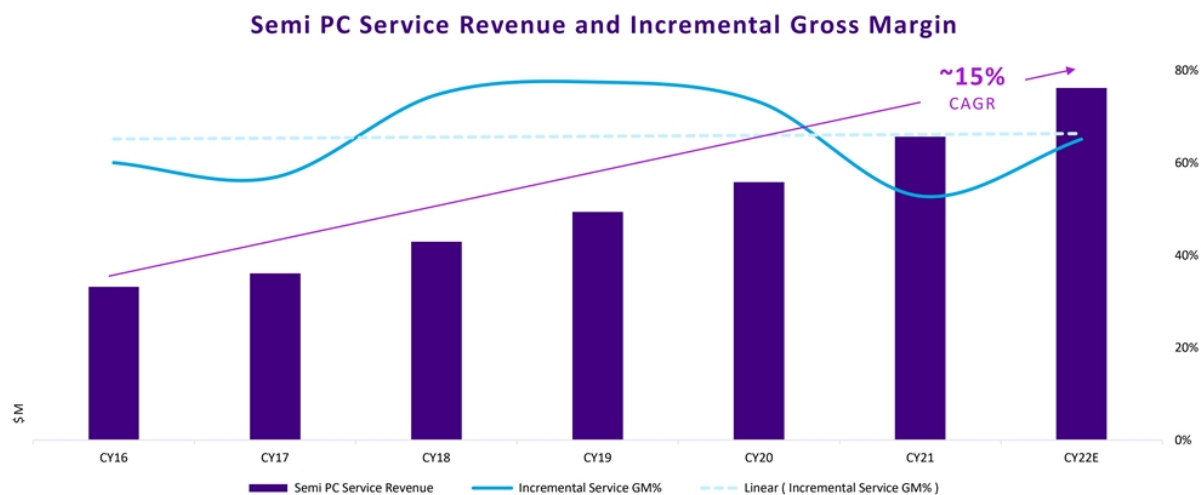
2019 TAM: \$0.8B
2021 TAM: \$1.5B
CAGR: 37%



Greater than 10-to-1 Return on Investment

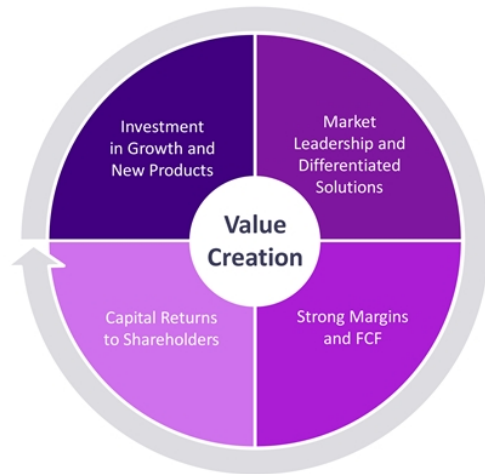
¹Source: Gartner, April 2022

Case Study: Semi PC Service Incremental Margin

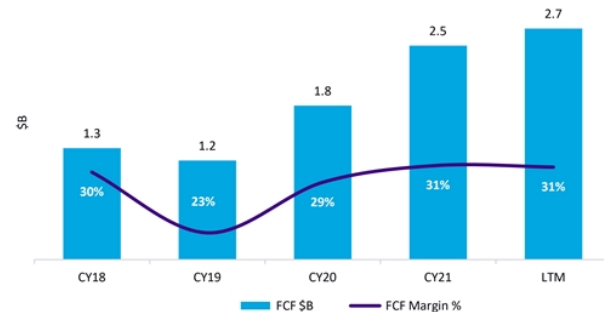


Service optimization and customer consolidation enable operating leverage

FCF Generation Fuels Consistent Capital Returns to Shareholders



Free Cash Flow¹ and FCF Margin²



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

¹Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
²FCF Margin defined as FCF/Revenue

Investment Grade Balance Sheet Supports Capital Structure

Balance Sheet Summary ¹ (\$B)		Target
Total Cash ²	\$2.6	\$2.5B - \$3B
Revolver ¹	\$1.0	\$1.5B
Working Capital	\$3.8	
Total Assets	\$12.0	
Debt ³	\$3.7	
Total Shareholders' Equity	\$4.1	
Leverage Ratio ⁴	1.0x	1.5 - 2.0x
Debt Ratings		
Moody's	A2	
S&P	BBB+	
Fitch	A-	

Today's Capital Structure Announcements

Share Repurchases

- **\$6B** Share Repurchase Authorization
- **\$3B** Accelerated Share Repurchase (ASR) over next 3 - 6 months*
- **\$3B** Share Repurchase to be completed over following 12-18 months*

*subject to market conditions

Dividend

- **24% increase** in quarterly dividend level to \$1.30 from \$1.05

New Debt

- Net New Debt plan of **~\$3B** with floating / prepayable flexibility
- Gross leverage ratio **in-line** with public target range

Optimizing capital structure to augment shareholder returns

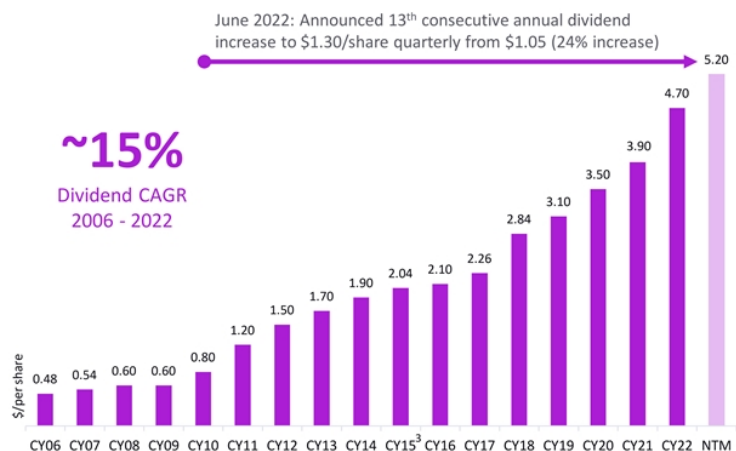
¹ As of 3/31/22, Revolver was increased to \$1.5B on 6/8/22 | ² Total Cash includes Cash, Cash Equivalents and Marketable Securities | ³ Includes \$275M in revolving credit facility drawings less \$25M in un-amortized debt issuance discounts and costs | ⁴ Leverage Ratio = Total debt/Adjusted Consolidated EBITDA (trailing four quarters)

Returns to Shareholders Across Share Repurchases and Dividends

Share Repurchases¹



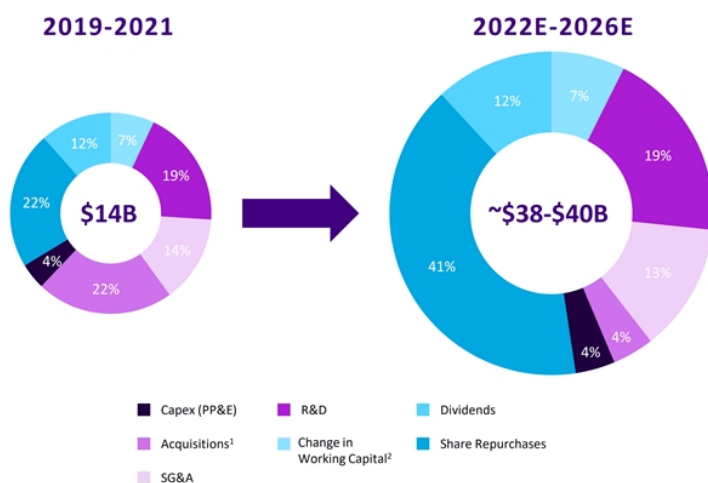
Track Record of Dividend Increases



Hybrid approach with long-term dividend increases tied to growth in FCF and consistent share repurchases

¹Settlement Date basis | ²Subject to market conditions
³Excludes \$16.50 per share special dividend in CY15

Consistent and Disciplined Capital Allocation Priorities



Primary Capital Priorities

- Fund significant R&D investments for innovation
- Invest in working capital to support customers and enable business model
- Enable inorganic strategic growth opportunities
- Capex to support scaling and growth

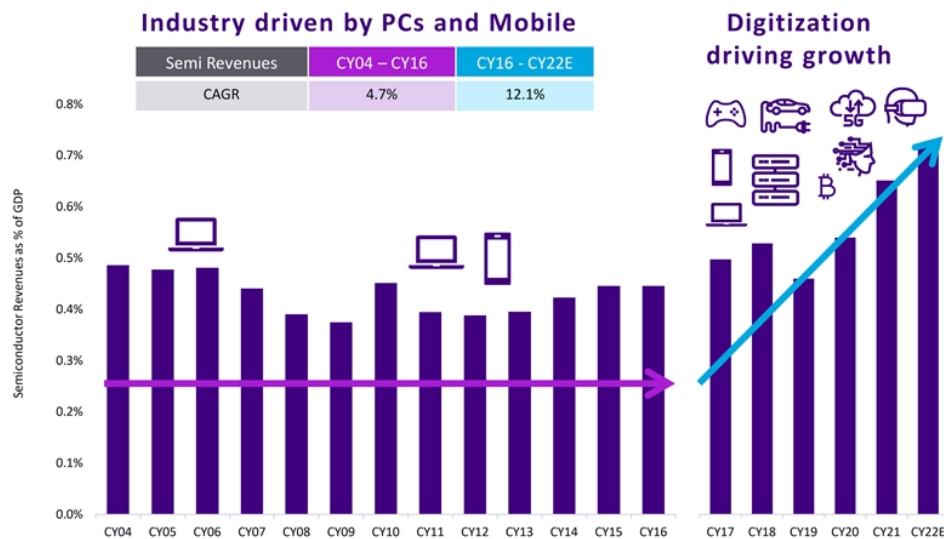
Secondary Capital Priorities

- Capital returns (with long term goal to return > 85% of FCF to shareholders)
 - Annual dividend raises
 - Share repurchases
- De-levering (when necessary)

Strategic capital allocation to support growth initiatives

¹ Acquisitions includes \$1.3B equity issued for Orbotech share exchange
² Working Capital = Current Assets – Current Liabilities

2026E Target Model: Semiconductors Now Growing Faster Than GDP



What Has Changed?

- Scaling resumed
- Increased performance & cost benefits
- Broader end-markets
- New products drove increased demand
- Pandemic induced digitization & automation
- Disciplined pricing

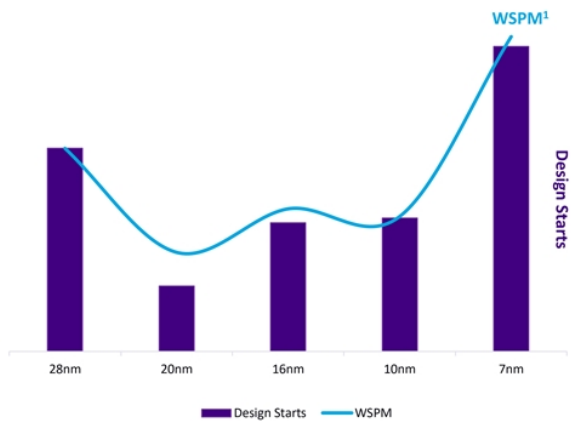
Accelerated digitization and strong demand drivers

Sources: KLA Analysis, WorldBank June 2022, Gartner April 2022

2026E Target Model: Scaling Resumed at 7nm EUV and Drove Significant Investments

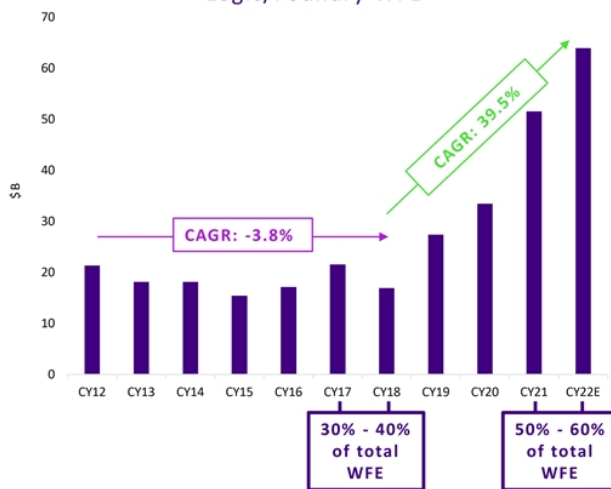
Design Starts Have Become More Affordable

>50% increase in design starts and WSPM¹ at 7nm



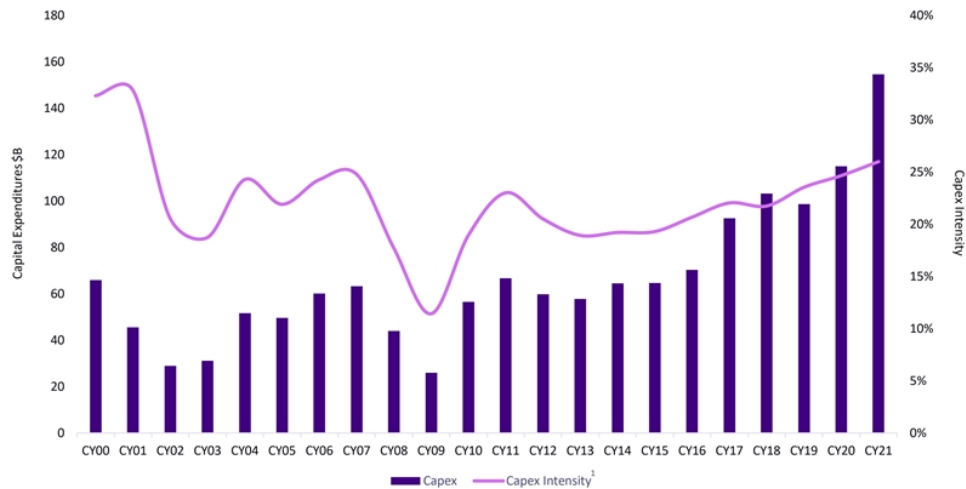
Resumption of Scaling Drove Increased Investments

Logic/Foundry WFE



Sources: KLA Analysis, VLSI TechnInsights May 2022, Gartner April 2022, SEMI May 2022
¹ WSPM = wafer starts per month

2026E Target Model: Capex Intensity Rising as Market Opportunities, Technology Complexity and Competition Increase



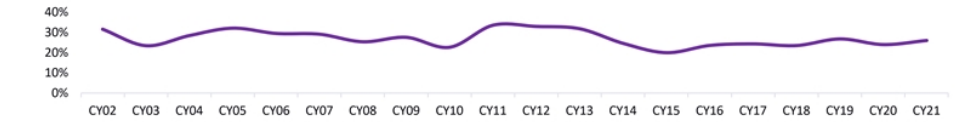
Drivers of Capex Intensity Decline (from 2000-2013)

- 200 mm to 300 mm wafer transition
- Industry consolidation
- Transition from Integrated Device Manufacturer (IDM) to hyper-scale foundries
- Lack of timely scaling

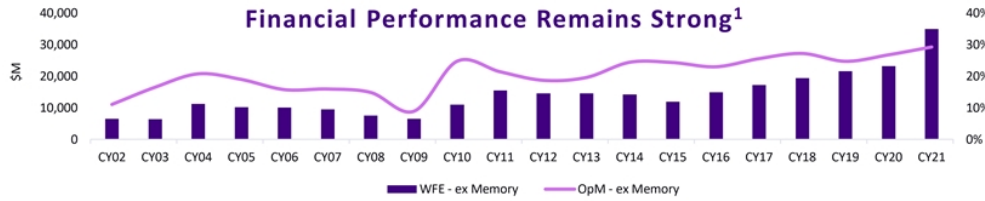
¹ Capex Intensity = semiconductor capex / semiconductor revenue
Sources: KLA Analysis, Gartner April 2022, FactSet May 2022

Making the Case for Increased Foundry/Logic WFE Intensity

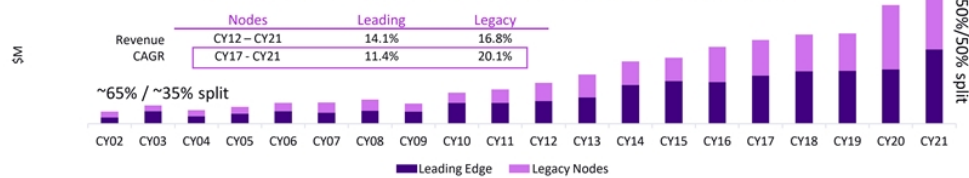
WFE/EBITDA Ratio Provides Perspective into Spend¹



Financial Performance Remains Strong¹



Legacy Node Revenues Help Pay for Investments²



Highlights

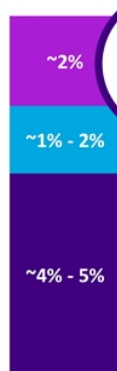
- Record revenues and profits
- Strong long-term industry growth drivers
- Utilization rates rising to near 100%
- Increased competition
- Evolving supply chains

Sources: KLA Analysis, Gartner April 2022, Company Reports 2002–2022, FactSet June 2022

¹17 advanced and legacy node foundry and logic manufacturers | ²Legacy nodes definition: 6th year and greater of generated revenue

Long-Term Target Revenue Growth Model Update

2023E Model
(presented 9/17/19)



Growth Drivers

Industry Growth

- Diversification of end markets
- Modestly rising capital intensity
- New markets and applications

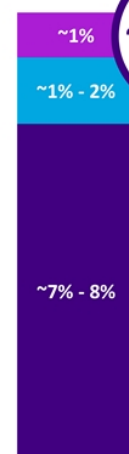
Intensity Improvement / Share Gain

- New Semi PC product pipeline
- ~55-60% Foundry/Logic mix in WFE
- Higher Process Control intensity
- EPC systems growth from specialty semi/packaging

Services Growth

- Growth in installed base
- High fab utilization
- Service opportunities in acquired businesses

2026E Model
(from 2021)



Through-Cycle Revenue Growth Targets

■ Industry Growth ■ Intensity Improvement / Share Gain ■ Services Growth

KLA 2026 Target Model | Driving Sustainable Outperformance



Double-digit revenue growth across Semi PC, EPC, and Services drive a ~9-11% CAGR from 2021 to 2026E

Introducing 2026E Target Model

	Prior 2023E Target Model	New 2026E Target Model	Ongoing Financial Framework	Macro Assumptions
Revenue	\$7.0B - \$7.5B	\$14B +/- \$500M	~9% - 11% CAGR	<ul style="list-style-type: none">■ CY21-CY26E semiconductor industry CAGR of ~6-7%■ WFE grows faster than Semi revs■ ~55-60% foundry/logic, ~40-45% memory mix■ Process Control market grows > WFE
Gross Margin% ¹	61%+	~63%		
R&D% ¹	~14%	~13%		
SG&A% ¹	~11%	~8%		
Operating Margin% ¹	36%+	41% - 43%	40% - 50% (Incremental)	Business Assumptions <ul style="list-style-type: none">■ Intensity/market share gain at leading edge■ Increasing exposure to legacy markets■ New market penetration
Diluted EPS ¹	\$14.50 - \$15.50	\$38.00 +/- \$1.50	~1.5x Revenue Growth Rate	
Capital Allocation	Target > 70% of FCF	Target > 85% of FCF	Hybrid Approach: Dividend + Repurchases	
Focused on driving consistent, profitable growth and delivering shareholder value				

¹Non-GAAP measure

Key Takeaways

1

Delivering sustainable market outperformance guided by the KLA Operating Model which supports innovation, collaboration, and execution

2

Portfolio strategy drives differentiation and competitive advantage, leading to strong operating leverage, resilient free cash flow generation and consistent capital returns

3

Collaborative supply chain strategy helps drive execution, meet customer commitments and deliver on financial targets

4

Pace of Moore's Law and trends of end market demand enable KLA to continue to innovate to drive product longevity and optimize the financial model

5

Leveraging our strong investment-grade balance sheet to support growth, enhance scalability of the business, and fuel assertive capital allocation initiatives

Closing Remarks



Rick Wallace
President and CEO

Closing Remarks



- 1 The semiconductor industry has become essential to large number of industries and geographies and is expected to grow and change in ways that benefit KLA
- 2 Our portfolio of innovative solutions positions the company for sustained outperformance as Process Control becomes more broadly adopted and critical
- 3 We have history of enabling innovations and we continue to invest in leading-edge technology and new service products to further strengthen our market leadership
- 4 We demonstrated the strength of our Operating Model to successfully integrate new companies and drive collaboration, innovation, and execution across the entire electronic ecosystem
- 5 Our resilient business model powered by our portfolio strategy and diversified revenue streams, strong free cash flow generation, and assertive capital allocation continues to deliver best-in-class long-term total shareholder return

KLA+ Investor Day

Thank You



Appendix

Reconciliation of Non-GAAP Financial Measures



Reconciliation of Non-GAAP Financial Measures

		For the twelve months ended			
<i>(In thousands, except per share amounts and percentages)</i>		Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
GAAP net income attributable to KLA		\$ 2,986,335	\$ 1,367,523	\$ 1,137,653	\$ 1,420,692
<u>Adjustments to reconcile GAAP net income to non-GAAP net income*</u>					
Acquisition-related charges	a	220,488	214,533	340,318	21,218
Restructuring, severance and other charges	b	(51)	16,885	2,786	-
Debt extinguishment loss	c	-	22,538	-	-
Goodwill and intangible asset impairment	d	-	256,649	-	-
Income tax effect of non-GAAP adjustments	g	(71,218)	(74,196)	(97,828)	(1,229)
Discrete tax items	h	(290,331)	(10,047)	8,465	(18,089)
Non-GAAP net income attributable to KLA		\$ 2,845,223	\$ 1,793,885	\$ 1,391,394	\$ 1,422,592
GAAP diluted EPS +		\$ 19.42	\$ 8.75	\$ 7.13	\$ 9.13
Non-GAAP diluted EPS +		\$ 18.50	\$ 11.47	\$ 8.73	\$ 9.14
Shares used in diluted shares calculation +		153,796	156,339	159,468	155,689

* In multiple-quarter calculations of diluted net income per share, the shares used are an average of the weighted average fully diluted shares outstanding for the relevant quarters. Therefore, the sum of the individual quarterly diluted net income per share amounts for the quarters may not equal the calendar year or multiple-quarter diluted net income per share presented.

* 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 Non-GAAP Financial Measures

		For the twelve months ended										
(Dollars in thousands)		Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
GAAP gross profit		\$ 4,962,056	\$ 3,571,050	\$ 2,961,024	\$ 2,768,223	\$ 2,405,872	\$ 2,050,652	\$ 1,652,907	\$ 1,644,029	\$ 1,632,744	\$ 1,788,754	\$ 1,868,376
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*												
Acquisition-related charges	a	163,038	154,074	214,053	3,708	4,268	2,471	7,737	9,698	7,684	15,649	20,830
Restructuring, severance and other charges	b	230	2,418	831	-	-	121	10,909	600	2,783	-	1,625
Merger-related charges	e	-	-	-	-	776	1,192	67	-	-	-	-
Non-GAAP gross profit		\$ 5,125,324	\$ 3,727,542	\$ 3,175,908	\$ 2,771,931	\$ 2,410,916	\$ 2,054,436	\$ 1,671,620	\$ 1,654,327	\$ 1,643,211	\$ 1,804,403	\$ 1,890,831
GAAP gross margin		60.8%	58.8%	56.1%	64.3%	63.3%	62.9%	58.0%	57.0%	58.1%	57.2%	59.0%
Non-GAAP gross margin		62.8%	61.4%	60.2%	64.4%	63.5%	63.0%	58.7%	57.3%	58.4%	57.7%	59.7%
GAAP operating income (1)		\$ 3,176,685	\$ 1,725,675	\$ 1,385,274	\$ 1,686,488	\$ 1,420,995	\$ 1,168,340	\$ 772,728	\$ 698,044	\$ 727,774	\$ 942,377	\$ 1,069,600
Adjustments to reconcile GAAP operating income to non-GAAP operating income*												
Acquisition-related charges	a	220,488	214,533	340,318	21,218	4,737	4,383	12,396	15,874	16,117	25,066	30,382
Restructuring, severance and other charges	b	4,281	15,869	2,786	-	-	137	34,861	9,815	7,502	3,134	5,947
Debt extinguishment loss and recapitalization charges	c	-	-	-	-	-	-	-	2,478	-	-	-
Goodwill and intangible asset impairment	d	-	256,649	-	-	-	-	-	-	-	-	-
Merger-related charges	e	-	-	-	-	9,308	17,051	8,820	-	-	-	-
Restatement-related charges	f	-	-	-	-	-	-	-	-	-	-	6,769
Non-GAAP Operating Income (1)		\$ 3,401,454	\$ 2,212,726	\$ 1,728,378	\$ 1,707,706	\$ 1,435,040	\$ 1,189,911	\$ 828,805	\$ 726,211	\$ 751,393	\$ 970,577	\$ 1,112,698
GAAP operating margin		38.9%	28.4%	26.2%	39.2%	37.4%	35.8%	27.1%	24.2%	25.9%	30.1%	33.8%
Non-GAAP operating margin		41.7%	36.4%	32.7%	39.7%	37.8%	36.5%	29.1%	25.2%	26.7%	31.0%	35.2%

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

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP") and the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The expenses (benefits) associated with changes in the liability included in selling, general and administrative expense for the calendar years ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 were \$32.2 million, \$34.7 million, \$39.8 million, \$(6.3) million, \$27.8 million, \$9.5 million, \$2.8 million, \$12.3 million, \$23.8 million, \$13.6 million and \$(1.8) million, respectively. The gains (losses) associated with changes in the EDSP assets included in selling, general and administrative expense for the calendar years ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 were \$32.0 million, \$35.2 million, \$40.8 million, \$(6.5) million, \$27.9 million, \$9.9 million, \$2.9 million, \$12.8 million, \$23.6 million, \$14.1 million and \$(0.4) million, respectively.

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures											
<i>(Dollars in thousands)</i>											
	For the twelve months ended										
	Mar 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Net cash provided by operating activities	\$ 2,959,095	\$ 2,786,367	\$ 1,968,126	\$ 1,373,031	\$ 1,389,697	\$ 1,190,475	\$ 857,780	\$ 854,002	\$ 532,377	\$ 882,871	\$ 859,396
Less Capital expenditures	(289,535)	(250,414)	(200,304)	(149,242)	(86,518)	(49,207)	(34,974)	(34,842)	(57,514)	(73,426)	(67,913)
Free cash flow	\$ 2,669,560	\$ 2,535,953	\$ 1,767,822	\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806	\$ 819,160	\$ 474,863	\$ 809,445	\$ 791,483
Free cash flow	\$ 2,669,560	\$ 2,535,953	\$ 1,767,822	\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806	\$ 819,160	\$ 474,863	\$ 809,445	\$ 791,483
Revenue	\$ 8,650,615	\$ 8,165,712	\$ 6,073,047	\$ 5,278,613	\$ 4,304,456	\$ 3,797,859	\$ 3,259,162	\$ 2,847,680	\$ 2,885,200	\$ 2,812,527	\$ 3,126,706
Free cash flow margin	30.9%	31.1%	29.1%	23.2%	30.3%	30.1%	25.2%	28.8%	16.5%	28.8%	25.3%

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 margin is defined as free cash flow divided by revenue.

Reconciliation of Guidance

Q4 FY2022 Guidance Range:

<i>(In millions, except per share amounts and percentages)</i>		Low	High
GAAP diluted net income per share		\$ 4.60	\$ 5.70
Acquisition-related charges	a	0.46	0.46
Income tax effect of non-GAAP adjustments	g	(0.13)	(0.13)
Non-GAAP diluted net income per share		\$ 4.93	\$ 6.03
Shares used in diluted shares calculation		149.6	149.6
GAAP gross margin		59.5%	61.7%
Acquisition-related charges	a	2.0%	1.8%
Non-GAAP gross margin		61.5%	63.5%
GAAP operating expenses		\$ 543	\$ 555
Acquisition-related charges	a	(23)	(23)
Restructuring, severance and other charges	b	(1)	(1)
Non-GAAP operating expenses		\$ 519	\$ 531

Note: The guidance as of June 16, 2022 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.

Note Regarding Reconciliations of Long-term Forecasts:

This presentation includes certain forward-looking non-GAAP financial measures, including gross margin, R&D as a percent of sales, SG&A as a percent of sales, operating margin and diluted EPS, in forecasts for calendar year 2023 and calendar year 2026. The reconciliations for these non-GAAP measures to the most directly comparable GAAP measures are not presented because of the inherent difficulty in predicting, with a reasonable degree of certainty, the occurrence, financial impact and timing of items that would be expected to impact GAAP results but would not impact non-GAAP adjusted results, such as acquisition costs, restructuring costs and discrete taxable events, without unreasonable efforts. These reconciling items could significantly impact, either individually or in the aggregate, the corresponding GAAP measures.

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 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 attributable to KLA, non-GAAP net income per diluted share attributable to KLA, non-GAAP R&D expenses, non-GAAP gross margin, non-GAAP operating margin, non-GAAP operating expenses, Free Cash Flow, FCF Conversion and FCF Margin, 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 attributable to KLA to non-GAAP net income attributable to KLA:

- 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, and transaction costs associated with our acquisitions.
- b) Restructuring, severance and other charges primarily include costs associated with employee severance, acceleration of certain stock-based compensation arrangements, charges related to liquidation of legal entities and other exit costs.
- c) Debt extinguishment loss in the twelve months ended December 31, 2020 includes a pre-tax loss on early extinguishment of the \$500 million 4.125% Senior Notes due in November 2021. Debt extinguishment loss and recapitalization charges in the twelve months ended December 31, 2014 includes a pre-tax loss on early extinguishment of debt related to the 6.900% Senior Notes due in 2018, net and certain other expenses incurred in connection with the leveraged recapitalization plan which was completed in the quarter ended December 31, 2014.
- d) Goodwill impairment includes non-cash expense recognized as a result of the company's annual testing for goodwill impairment performed in the third quarter of the fiscal year. The impairment charge resulted from the downward revision of financial outlook for the acquired Orbotech business as well as the impact of elevated risk and macroeconomic slowdown driven by the COVID-19 pandemic.
- e) Merger-related charges associated with the terminated merger agreement between KLA-Tencor and Lam Research Corporation ("Lam") primarily include employee retention-related expenses, legal expenses and other costs.
- f) Restatement related charges include legal and other expenses related to the investigation regarding the company's historical stock option granting process and related stockholder litigation and other matters. KLA has paid or reimbursed legal expenses incurred by a number of its current and former directors, officers and employees in connection with the investigation of the company's historical stock option practices and the related litigation and government inquiries.
- g) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.
- h) 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.

KLA Corporation Hosts Investor Day; Announces \$6 Billion Share Repurchase Program and 24% Increase to Quarterly Dividend; Affirms June 2022 Guidance

- Announces new \$6 billion Share Repurchase Authorization, including approximately \$3 billion Accelerated Share Repurchase (ASR) to be completed over the next 3-6 months, with the remaining amount to be repurchased over the next 12-18 months, subject to market conditions.
- Announces a 24% increase in the quarterly dividend level to \$1.30 per share from \$1.05, the 13th consecutive annual dividend increase for KLA. Since inception in 2006, KLA has grown the quarterly dividend level at an approximately 15% compounded annual growth rate.
- Affirms current June 2022 quarter guidance, including revenue of \$2.3 billion to \$2.55 billion, and non-GAAP diluted earnings per share attributable to KLA of \$4.93 to \$6.03.

MILPITAS, Calif., June 16, 2022 /PRNewswire/ -- [KLA Corporation](https://mma.prnewswire.com/media/806571/KLA_Corporation_Logo.jpg) (NASDAQ: KLAC), will hold its 2022 Investor Day today in New York City with presentations by Rick Wallace, president and chief executive officer, Bren Higgins, executive vice president and chief financial officer, and other senior executives of the Company. A live stream of the event will begin at 8:30 a.m. ET, and conclude at approximately 12:30 p.m. ET. A link to the live stream and presentation materials can be found at [ir.kla.com](https://mma.prnewswire.com/media/806571/KLA_Corporation_Logo.jpg).

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

Management will present KLA's strategies to deliver sustainable outperformance guided by the KLA Operating Model, including in-depth reviews of the Semi Process Control, Electronics, Packaging and Components (EPC), and Services businesses. The Company will also introduce its new 2026 Target Model.

In addition, the Company is announcing authorization from the Board of Directors to repurchase up to \$6 billion of the Company's common stock. Management expects to transact this share repurchase authorization in the form of an Accelerated Share Repurchase of approximately \$3 billion to be completed over the next 3-6 months, with the remaining amount to be repurchased over the next 12-18 months. This is in addition to the existing share repurchase authorization, which had \$699 million remaining as of March 31, 2022. Share repurchases are expected to be funded by a combination of new debt and cash on the Company's balance sheet. Repurchases can be made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions, accelerated share repurchase programs, or otherwise, all in accordance with the requirements of the Securities and Exchange Commission and other applicable legal requirements. The specific timing, price and size of purchases will depend on prevailing stock prices, general economic and market conditions, and other considerations. The repurchase programs do not obligate the Company to acquire any particular amount of its common stock, and the repurchase programs may be suspended or discontinued at any time at the Company's discretion.

The Company is also announcing an increase in the quarterly dividend level to \$1.30 per share from \$1.05 per share, the thirteenth consecutive annual increase in the quarterly dividend level for KLA. The declaration and payment of future dividends is subject to the Board's discretion and will depend on financial and legal requirements and other considerations.

"We are excited to host KLA Corporation's 2022 Investor Day to provide the investment community with a deeper understanding of our company, our financial performance, and the opportunities that lie before us as we execute our strategic objectives," said Rick Wallace, president and chief executive officer. "The semiconductor industry has become even more essential to an increased number of industries and geographies and is expected to grow and change in ways that benefit KLA," added Wallace. "Today's

announcements of a new share repurchase authorization and increase in the quarterly dividend level reflect our long standing focus on productive capital allocation and confidence in our business strategies."

Event Video Webcast Details

The presentations, which include question and answer sessions, will begin at 8:30 a.m. ET and are expected to conclude at approximately 12:30 p.m. ET. The public may access the event through a [live webcast](#) available at ir.kla.com. Presentation materials will be posted to the Investor Relations section of the Company's website today immediately following the presentations. A replay of the webcast will be available following the presentations at the same link listed above.

About KLA

KLA Corporation 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. Investors and others should note that KLA announces material financial information including SEC filings, press releases, public earnings calls and conference webcasts using an investor relations website (ir.kla.com). Additional information may be found at: ir.kla.com.

Note Regarding Forward-Looking Statements:

Statements in this press release other than historical facts, such as statements regarding the Company's expected dividend level and share repurchases or timing of such actions, 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: future Board decisions regarding the declaration of dividends, the impact of the COVID-19 pandemic on the global economy and on the Company's business, financial condition and results of operations, including the supply chain constraints the Company is experiencing as a result of the pandemic; economic, political and social conditions in the countries in which the Company, its customers and its suppliers operate, including rising inflation and interest rates, Russia's invasion of Ukraine and global trade policies; disruption to the Company's manufacturing facilities or other operations, or the operations of its customers, due to natural catastrophic events, health epidemics or terrorism; 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; the Company's ability to timely develop new technologies and products that successfully anticipate or address changes in the semiconductor industry; the Company's ability to maintain its technology advantage and protect its proprietary rights; the Company's ability to compete with new products introduced by its competitors; the Company's ability to attract and retain key personnel; cybersecurity threats, cyber incidents affecting the Company's and its service providers' systems and networks and the Company's ability to access critical information systems for daily business operations; liability to the Company's customers under indemnification provisions if its products fail to operate properly or contain defects or its customers are sued by third parties due to its products; exposure to a highly concentrated customer base; availability and cost of the wide range of materials used in the production of the Company's products; the Company's ability to operate its business in accordance with its business plan; legal, regulatory and tax environments in which the Company performs its operations and conducts its business and its ability to comply with relevant laws and regulations; the Company's ability to pay interest and repay the principal of its current indebtedness is dependent upon its ability to manage its business operations, its credit rating and the ongoing interest rate environment, among other factors; instability in the global credit and financial markets; the Company's exposure to currency exchange rate fluctuations, or declining economic conditions in those countries where it

conducts its business; changes in the Company's effective tax rate resulting from changes in the tax rates imposed by jurisdictions where its profits are determined to be earned and taxed, expiration of tax holidays in certain jurisdictions, resolution of issues arising from tax audits with various authorities or changes in tax laws or the interpretation of such tax laws; and the Company's ability to identify suitable acquisition targets and successfully integrate and manage acquired businesses. 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 the Company's Annual Report on Form 10-K for the year ended June 30, 2021, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). The Company assumes no obligation to, and does not currently intend to, update these forward-looking statements.

Reconciliation of GAAP Diluted EPS to Non-GAAP Diluted EPS

		Three Months Ending June 30, 2022	
		Low	High
<u>(In \$millions, except per share amounts)</u>			
GAAP net income per diluted share attributable to KLA		\$4.60	\$5.70
Acquisition-related charges	a	0.46	0.46
Income tax effect of non-GAAP adjustments	b	(0.13)	(0.13)
Non-GAAP net income per diluted share attributable to KLA		\$4.93	\$6.03
Shares used in net income per diluted share calculation		149.6	149.6

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, and transaction costs associated with our acquisitions.

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