

Letter to Shareholders

Q1 Fiscal 2025

QUARTER ENDED SEPTEMBER 30, 2024 | REPORTED OCTOBER 30, 2024

Dear KLA Shareholders,

This letter summarizes the latest industry demand environment, the quarterly business and financial highlights for the September 2024 quarter, and provides KLA's outlook.

September 2024 Quarter Results

We are pleased that the September quarter results once again exceeded expectations, demonstrating continued relative outperformance that has become a hallmark of KLA's consistent performance and business execution.

KLA's September quarter revenue was $2.84 billion, finishing at the upper end of the guidance range. The quarter tracked mostly as expected with strong customer demand matched against solid company execution.

Non-GAAP diluted EPS was $7.33 and GAAP diluted EPS was $7.01, each ending at the upper end of their respective guidance ranges for the quarter.

As expected, we are encouraged by the signs of a strengthening leading-edge logic and memory market environment for our top customers and remain very confident in our plan for steady improvement and continued growth in calendar 2025.

Top 5 Highlights – September 2024 Quarter

First, KLA delivered strong double-digit sequential and year-over-year revenue growth demonstrating an improving industry environment as the company is well positioned for accelerated growth at the leading-edge. In Foundry/Logic, the continuation of scaling and incorporation of new technologies and slowly rising capital intensity continue to be a long-term secular tailwind. In Memory, technology development investments supporting AI and High Bandwidth Memory (HBM) and an improving supply/demand environment are positioning memory markets for a return to growth for the wafer fab equipment industry in CY25.

Second, this quarter marked a continuation of strong momentum for our advanced packaging portfolio. The growing demand for smaller, more intricate electronic devices is driving more complex heterogenous chip integration enabled by advanced packaging, and fueling our growth in this new market for KLA. The growing customer adoption of KLA's advanced packaging portfolio of products demonstrates the success of our market diversification and growth strategies. This bolsters the confidence that KLA's advanced packaging revenue will be more than $500 million in CY24 with continued strong growth expected in CY25.

Third, AI remains both an important driver and enabler of KLA's business. The semiconductor industry is experiencing higher value wafer volume, more complex designs, accelerating product cycles, larger die sizes, and growing advanced packaging demand that can all be traced back to AI. These trends are all supportive of rising process control intensity which benefits KLA in a meaningful way. From an enablement perspective, we were early pioneers in using and incorporating AI into our products and designing our compute architecture to leverage GPUs for capability and cost across our product portfolio. KLA's future product enhancements will leverage AI to improve the performance and customer cost of ownership of our leading-edge systems in a way that directly benefits our customers' time to results, yield entitlement, and ROI on fab investments.

Fourth, the KLA Services business grew to $644 million in the September quarter, up 5% sequentially and 15% year-over-year, just above the long-term annual revenue growth target for Services of 12% to 14%. As a sign of its predictability and resiliency, our Services business has grown for 49 consecutive quarters on a year-over-year basis. Our Service business remains well positioned to grow at the upper end of its long-term annual revenue growth target of 12% to 14%.

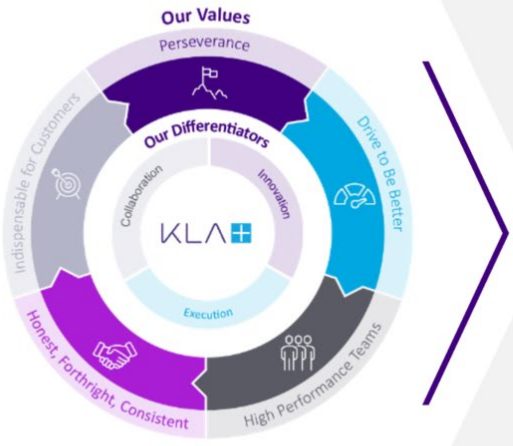
Finally, the September quarter was strong from a cash flow and capital return perspective. Quarterly free cash flow was $935 million. Over the last-twelve-months, free cash flow was $3.2 billion, with a free cash flow margin (free cash flow as a percentage of revenue) of 31% over the same period. This free cash flow margin ranks in the top quartile of the S&P 500 overall. Total capital return in the September quarter was $765 million, comprised of $567 million in share repurchases and $198 million in dividends. Total capital return over the past twelve months was $2.6 billion. In early September, KLA announced its 15th consecutive annual dividend increase, up 17% to $1.70 per share per quarter. KLA views consistent and healthy capital returns as fundamental to delivering value from shareholder capital and augmenting total shareholder returns.

Before transitioning to the financial highlights, we would like to highlight a few important points about our operating model that help enable our strategy and strong results.

KLA's September quarter results delivered strong double-digit sequential and year-over-year revenue growth. They also continue to demonstrate our process control leadership and the success of our broad portfolio and specific product strategies. This further exemplifies the critical nature of KLA's products and services in enabling the proliferation of semiconductors into more products, industries, and applications. Our consistent execution is a testament to the resiliency of the KLA Operating Model, the dedication of our global team, our commitment to assertive capital allocation, and maximizing long-term total shareholder value.

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

The KLA Operating Model



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

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

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

Focused on driving sustainable profitability and growth

September 2024 Quarter Financial Highlights

KLA's September quarter results demonstrate market leadership combined with the consistent execution and dedication of our global team. KLA employees pride themselves on their resourcefulness and ability to adapt to customers' changing requirements.

$2.84B
Revenue

61.2%
Gross Margin*

41.5%
Operating Margin*

$988M
Net Income*

(Right) The KLA 295x Series or "GEN4" is the industry-standard for inline monitoring.

It pairs sensitivity with optical wafer defect inspection speed, enabling Discovery at the Speed of Light™ – the combination of fast defect discovery and full characterization of defect issues at the optimal cost of ownership



$7.33
Non-GAAP Diluted EPS

$7.01
GAAP Diluted EPS

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

Quarterly revenue was $2.84 billion, above the guidance midpoint of $2.75 billion. Non-GAAP diluted EPS was $7.33 and GAAP diluted EPS was $7.01, both above their respective guidance midpoints.

Non-GAAP gross margin was 61.2%, slightly below the midpoint of the guidance range as the systems product mix was modestly weaker than expected. Non-GAAP operating expenses were $560 million. Non-GAAP operating expenses were comprised of $322 million in non-GAAP R&D and $238 million in non-GAAP SG&A. Non-GAAP operating margin was 41.5%. Non-GAAP other income and expense, net, was a $41 million expense with the downside from guidance attributed to the mark-to-market effect of a strategic supply investment. The quarterly effective tax rate was 13.2%.

Quarterly Non-GAAP net income was $988 million, GAAP net income was $946 million, cash flow from operations was $995 million, and free cash flow was $935 million. The company had 134.9 million diluted weighted average shares outstanding at the end of the quarter.

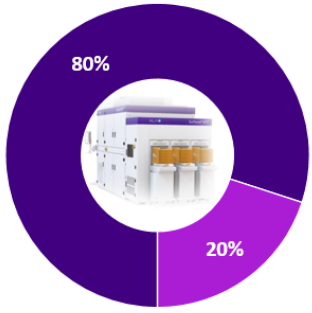
Breakdown of Revenue by Reportable Segments and End Markets

Revenue for the Semiconductor Process Control segment for the September quarter, including its associated Services business, was $2.6 billion, up 12% sequentially and 21% on a year-over-year basis. The approximate Semi Process Control system semiconductor customer mix for Foundry/Logic customers was approximately 80% in the quarter. Memory was approximately 20% with DRAM accounting for 85% of Memory revenue.

	Revenue Q1-FY25 ($M)	Y/Y Growth %	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	$2,575	+21%	+12%	90%
Specialty Semiconductor Process (Systems + Services)	$129	+1%	+6%	5%
PCB and Component Inspection (Systems + Services)	$138	+1%	-1%	5%
Total:	**$2,842**	**+19%**	**+11%**	

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

Q1-FY25: Semi Process Control End Market System Revenue [1]



Revenue for Specialty Semiconductor Process segment, which includes its associated Services business, was up 1% on a year-over-year basis to $129 million, and was up 6% sequentially in September. PCB and Component Inspection revenue was $138 million, up 1% year-over-year, and down 1% sequentially.

Breakdown of Revenue by Major Products and Regions

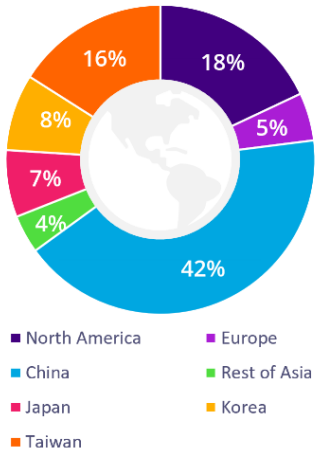
Driven by demand from Foundry/Logic customers, Wafer Inspection systems grew 17% sequentially and 36% year-over-year in the September quarter, totaling 48% of total revenue.

Patterning systems, which include metrology and reticle inspection, were up 6% sequentially and up 6% year-over-year, for 20% of revenue in the September quarter.

	Revenue Q1-FY25 ($M)	Y/Y Growth %	Q/Q Growth %	Revenue %
Wafer Inspection	$1,369	+36%	+17%	48%
Patterning	$577	+6%	+6%	20%
Specialty Semi Process	$113	+1%	+7%	4%
PCB and Component Inspection	$73	+2%	-2%	3%
Services	$644	+15%	+5%	23%
Other[1]	$66	-34%	+4%	2%
Total:	**$2,842**	**+19%**	**+11%**	

[1] Included in the Semiconductor Process Control Segment

Q1-FY25 Revenue by Region



Specialty Semiconductor Process systems were up 7% sequentially and were also up 1% year-over-year and finished at 4% of revenue.

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

Services revenue grew 15% year-over-year and 5% sequentially to $644 million and accounted for 23% of revenue.

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

The September quarter regional revenue split in descending order was: China at 42%, North America at 18%, and Taiwan at 16% of total revenue. Other regions that accounted for less than 10% of revenue were Korea at 8%, Japan at 7%, Europe at 5% and the rest of Asia at 4%.

Strong Investment Grade Balance Sheet

KLA ended the quarter with $4.6 billion in total cash, cash equivalents and marketable securities, debt of $6.7 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three major rating agencies. Our debt levels are expected to decline in the December quarter as the company retires its $750 million November 2024 bonds at maturity with cash on hand. KLA's balance sheet offers a unique capability to fund our growth strategies, organic and inorganic, and provide ongoing attractive capital returns to shareholders.

Balance Sheet Summary[1] ($M)

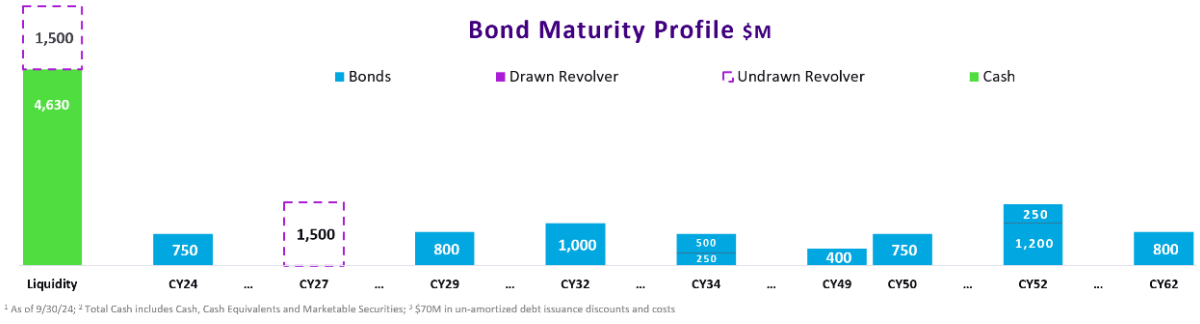
Total Cash[2]	$ 4,630
Working Capital	$ 5,430
Total Assets	$ 15,682
Debt[3]	$ 6,631
Total Shareholders' Equity	$ 3,560

Bond Maturity Profile

Bonds Outstanding	$6.70B
Weighted Average Interest Rate	4.67%
Weighted Average Maturity	17.6 years

Investment Grade Credit Ratings

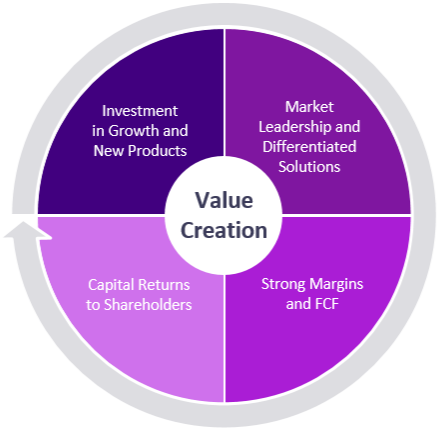
Moody's	A2
S&P	A-
Fitch	A



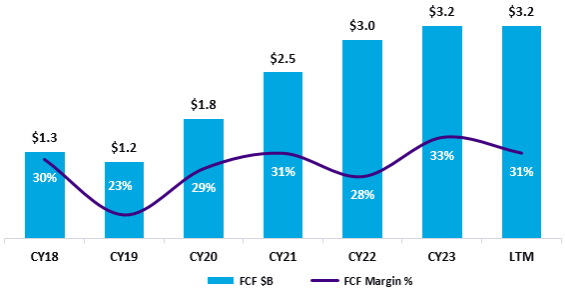
[1] As of 9/30/24; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities; [3] $70M in un-amortized debt issuance discounts and costs

FCF Generation Fuels Consistent Capital Return to Shareholders

KLA's business has consistently generated strong free cash flow over time which helps drive a strategy of cash returns that includes both dividend growth and increasing share repurchases over the long-term. This strategy underscores a strong track record of predictable and assertive capital deployment and remains an important differentiating element of the KLA investment thesis.



Free Cash Flow[1] and FCF Margin[2]



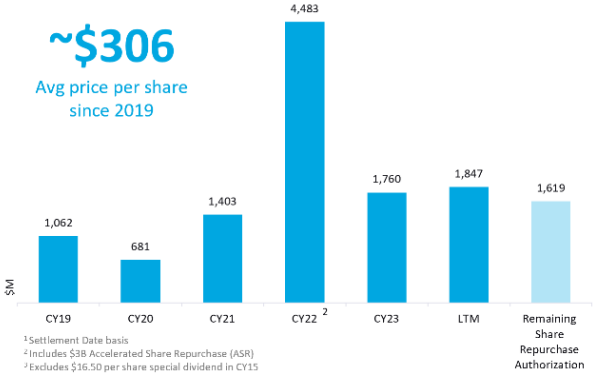
[1] Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
[2] FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

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

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases[1]

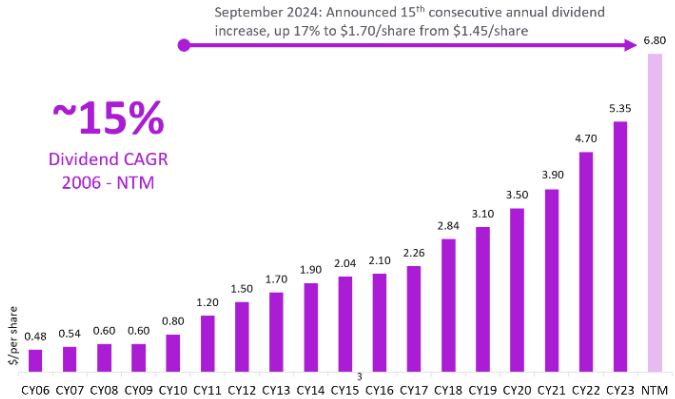
~$306
Avg price per share since 2019



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

Track Record of Dividend Increases

~15%
Dividend CAGR 2006 - NTM



Free Cash Flow and Capital Return Highlights

KLA has a history of strong free cash flow generation, free cash flow margins, and high free cash flow conversionacross all business cycles and economic conditions. KLA's free cash flow as a percent of revenue performance also consistently ranks in the top quartile of the S&P 500. KLA has grown the quarterly dividend level in line with an approximately 15% compounded annual growth rate target since its inception. The company has also consistently repurchased shares. These capital returns actions reflect our focus on assertive capital allocation and confidence in our business model and growth strategies as we progress toward the 2026 financial targets.

$935M
September Quarter
Free Cash Flow*

33%
September Quarter
FCF Margin*

95%
September Quarter
FCF Conversion*



(Above) The latest-generation Archer™ overlay metrology system provides accurate feedback of on-product overlay error for fast technology ramps and stable production of leading-edge memory and logic devices.

$567M
September Quarter
Share Buyback

$1,848M
LTM Share Buyback

$198M
September Quarter
Dividends Paid

$790M
LTM Dividends Paid

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

Semiconductor Industry Demand Environment

The past decade has brought significant positive changes to the Semiconductor industry. Over the last 20 years, the industry was heavily dependent on one or two end-markets, first PCs, and later mobile phones. It has now evolved to be more diversified. Semiconductors have become very strategic to a growing number of industries and countries worldwide. Factors including the emergence of disruptive technologies such as AI and the continuing advancement of innovation spurred by the performance, power, and price benefits of being at the leading edge are increasingly important drivers of the semiconductor industry demand environment. In addition, rising semiconductor content across more end-markets and strategic investments in legacy nodes, are another factor in providing dependable long-term growth for the semiconductor equipment industry. The average lifetime of tools in the installed base is also growing as customers utilize existing capacity to support this growth across multiple industries.

Near-Term Industry Outlook

In the near-term, the industry outlook remains positive for our business, as evidenced by delivering our second consecutive quarter of sequential revenue growth and guiding to a third consecutive quarter.

Our quarter-to-quarter performance is also consistent with the views we articulated at the beginning of the year.

Supported by recent customer announcements, our expectation is for the WFE market to increase modestly from the mid to the high $90 billion range for calendar 2024, based on our internal analysis of reported results and guidance across our peers and customers. Our perspective on calendar 2025 WFE expectations is mostly unchanged from what we articulated last quarter. While we will not be overly specific on expectations for next calendar year until we report in January, we continue to expect another growth year, fueled principally by increasing investment in both leading-edge Foundry/Logic and Memory, mostly DRAM, offset by lower China demand as customers absorb the equipment investments made over the past couple of years. Given KLA's business momentum, market share opportunities and higher expected process control intensity at the leading edge across all segments, we are confident we can maintain our relative WFE market outperformance in calendar 2025.

KLA's unique product portfolio differentiation and value proposition is focused on enabling technology transitions, accelerating process node capacity ramps, and ensuring yield entitlement in high-volume production. We are encouraged by recent customer discussions aligning shipment slots to expectations of demand. In this industry environment, KLA will continue to focus on supporting customer requirements, executing on product roadmaps, and preparing for what we expect will be strong growth at the leading edge.

December 2024 Quarterly Guidance

KLA's December quarter guidance is as follows: total revenue is expected to be $2.95 billion, plus or minus $150 million. Foundry/Logic revenue from semiconductor customers is forecasted to be approximately 76%, and Memory is expected to be approximately 24% of Semi Process Control systems revenue to semiconductor customers. Within Memory, DRAM is expected to be about 76% of the segment mix and NAND the remaining 24%.

Non-GAAP gross margin is forecasted to be 61.5% plus or minus one percentage point or up 30bps sequentially at the midpoint on slightly higher revenue and more favorable product mix expectations.

Non-GAAP operating expenses are forecasted in the December quarter to be approximately $580 million as we continue to make important R&D and scaling investments to support expected revenue growth. Looking ahead, we expect approximately $15 million in incremental quarterly spend in operating expenses over the next several quarters, supported by our product development roadmap requirements, revenue growth expectations and further balanced against our 40% to 50% incremental operating margin leverage business model over the long run.

Other model assumptions for the December quarter include: non-GAAP other income and expense, net, of approximately a $33 million expense. GAAP diluted EPS is expected to be $7.45 plus or minus $0.60, and non-GAAP diluted EPS of $7.75 plus or minus $0.60. EPS guidance is based on a fully diluted share count of approximately 134 million shares.

December 2024 Quarter Guidance

Revenue	$2.95B +/- $150M
Non-GAAP Gross Margin*	61.5% +/- 1%
GAAP Diluted EPS	$7.45 +/- $0.60
Non-GAAP Diluted EPS*	$7.75 +/- $0.60

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

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: 76%
- Memory: 24% → DRAM 76% | NAND 24%

Model Assumptions

- Non-GAAP Operating Expenses*: ~$580M
- Other Income & Expense (OIE)*, Net: ~$33M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~134M

Strong, resilient and delivering shareholder value

In Conclusion

We are guiding to our third consecutive quarter of sequential revenue growth on improving market demand at the leading-edge and expect annual growth to continue in calendar 2025. KLA remains focused on delivering a differentiated product portfolio that addresses customers' technology roadmap requirements and drives our longer-term relevancy and growth expectations. With the KLA Operating Model guiding our best-in-class execution, KLA is focused on implementing our strategic objectives that are geared to drive outperformance. KLA's focus on customer success, delivering innovative and differentiated solutions, and operational excellence, are what drives industry-leading financial and free cash flow performance and allows us to return capital consistently.

The return of semiconductor scaling leads to increasing complexity and new technologies that have strengthened our confidence in the rising importance of Process Control for enabling new technology advancements. This is not just in improving time-to-results in process integration and fab ramp, but also in optimizing yield across a high-volume manufacturing (HVM) environment with high semiconductor device design mix. In addition, our service business continues to increase its relevance as system lifetime increases and customer expectations for increased tool availability and performance is a growing long-term tailwind. This bodes well for KLA's long-term growth outlook and industry demand trends favoring KLA and are continuing to improve. In alignment with this, KLA's business is well positioned and the long-term secular trends driving semiconductor industry demand and investments in WFE are very promising.

Sincerely,



Rick Wallace, CEO



Bren Higgins, CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

(In millions, except EPS $ and percentages)		For the three months ended Sept. 30, 2024
GAAP net income		**$ 945.9**
Adjustments to reconcile GAAP net income to non-GAAP net income*		
Acquisition-related charges	a	56.7
Restructuring, severance and other charges	b	2.9
Income tax effect of non-GAAP adjustments	c	(19.5)
Discrete tax items	d	2.2
Non-GAAP net income		**$ 988.2**
GAAP diluted EPS		**$ 7.01**
Non-GAAP diluted EPS		**$ 7.33**
Shares used in diluted shares calculation		134.9
GAAP Income tax expense		**$ 132.8**
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*		
Income tax effect of non-GAAP adjustments	c	19.5
Discrete tax items	d	(2.2)
Non-GAAP income tax expense		**$ 150.1**
GAAP income before income taxes		**$ 1,078.7**
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*		
Acquisition-related charges	a	56.7
Restructuring, severance and other charges	b	2.9
Non-GAAP income before income taxes		**$ 1,138.2**
GAAP income tax rate		**12.3%**
Non-GAAP income tax rate		**13.2%**
GAAP Other expense (income), net		**$ 41.2**
Non-GAAP Other expense (income), net		**$ 41.2**

Amounts may not sum due to rounding

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP"), because the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The expense associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended September 30, 2024 was $18.0 million. The net gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended September 30, 2024 was $17.9 million.

(Dollars in millions)		For the three months ended Sept. 30, 2024
GAAP gross profit		**$ 1,694.1**
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*		
Acquisition-related charges	a	44.1
Restructuring, severance and other charges	b	0.9
Non-GAAP gross profit		**$ 1,739.1**
GAAP gross margin		**59.6%**
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*		
Acquisition-related charges	a	1.6%
Non-GAAP gross margin		**61.2%**
GAAP research and development ("R&D") expenses		**$ 323.1**
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*		
Restructuring, severance and other charges	b	$ (1.1)
Non-GAAP R&D expenses		**$ 322.1**
GAAP selling, general and administrative ("SG&A") expenses (1)		**$ 251.0**
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*		
Acquisition-related charges	a	(12.6)
Restructuring, severance and other charges	b	(0.9)
Non-GAAP SG&A expenses (1)		**$ 237.6**
GAAP operating expense (1)		**$ 574.2**
Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*		
Acquisition-related charges	a	(12.6)
Restructuring, severance and other charges	b	(2.0)
Non-GAAP operating expense (1)		**$ 559.6**
GAAP operating income (1)		**$ 1,119.9**
Adjustments to reconcile GAAP operating income to non-GAAP operating income*		
Acquisition-related charges	a	56.7
Restructuring, severance and other charges	b	2.9
Non-GAAP operating income (1)		**$ 1,179.5**
GAAP operating margin		**39.4%**
Non-GAAP operating margin		**41.5%**

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

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures

(Dollars in millions)	For the three months ended Sept. 30, 2024	For the twelve months ended Sept. 30, 2024	Dec. 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	$ 995.2	$ 3,420.1	$ 3,476.0	$ 3,337.9	$ 2,786.4	$ 1,968.1	$ 1,373.0	$ 1,389.7
Less Capital expenditures	(60.4)	(269.7)	(308.4)	(351.5)	(250.4)	(200.3)	(149.2)	(86.5)
Free cash flow	**$ 934.8**	**$ 3,150.3**	**$ 3,167.5**	**$ 2,986.5**	**$ 2,536.0**	**$ 1,767.8**	**$ 1,223.8**	**$ 1,303.2**
Free cash flow	$ 934.8	$ 3,150.3	$ 3,167.5	$ 2,986.5	$ 2,536.0	$ 1,767.8	$ 1,223.8	$ 1,303.2
Revenue	$ 2,841.5	$ 10,256.8	$ 9,671.4	$ 10,483.7	$ 8,165.7	$ 6,073.0	$ 5,278.6	$ 4,304.5
Free cash flow margin	**32.9%**	**30.7%**	**32.8%**	**28.5%**	**31.1%**	**29.1%**	**23.2%**	**30.3%**
Free cash flow	$ 934.8							
Non-GAAP net income	$ 988.2							
Free cash flow conversion	**94.6%**							
Net cash provided by operating activities	$ 995.2							
GAAP net income	$ 945.9							
GAAP metric comparable to free cash flow conversion	**105.2%**							

	For the three months ended Sept. 30, 2024	For the twelve months ended Sept. 30, 2024
Cash paid for dividends	$ 198.1	$ 789.6
Cash paid for share repurchases	567.4	1,847.7
Capital returns	**$ 765.5**	**$ 2,637.3**

Amounts may not sum due to rounding

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

Reconciliation of Guidance

Q2 FY2025 Guidance Range:

(Dollars in millions, except per share amounts)		Low	High
GAAP diluted net income per share		**$ 6.85**	**$ 8.05**
Acquisition-related charges	a	0.42	0.42
Restructuring, severance and other charges	b	0.02	0.02
Income tax effect of non-GAAP adjustments	d	(0.14)	(0.14)
Non-GAAP diluted net income per share		**$ 7.15**	**$ 8.35**
Shares used in diluted shares calculation		134.1	134.1
GAAP gross margin		**59.0%**	**61.0%**
Acquisition-related charges	a	1.5%	1.5%
Non-GAAP gross margin		**60.5%**	**62.5%**
GAAP operating expenses		**$ 589**	**$ 601**
Acquisition-related charges	a	(12)	(12)
Restructuring, severance and other charges	b	(3)	(3)
Non-GAAP operating expenses		**$ 574**	**$ 586**

Note: The guidance as of October 30, 2024 represents our best estimate considering the information known as of the date of issuing the guidance. We undertake no responsibility to update the above in light of new information or future events. Refer to forward looking statements for important information. Also refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information about each reconciling item.

Reconciliation of Non-GAAP Financial Measures

Explanation of Non-GAAP Financial Measures:

To supplement our Condensed Consolidated Financial Statements presented in accordance with GAAP, we provide certain non-GAAP financial information, which is adjusted from results based on GAAP to exclude certain gains, costs and expenses, as well as other supplemental information. The non-GAAP and supplemental information is provided to enhance the user's overall understanding of our operating performance and our prospects in the future. Specifically, we believe that the non-GAAP information, including non-GAAP net income, non-GAAP net income per diluted share, non-GAAP gross margin and free cash flow, provides useful measures to both management and investors regarding financial and business trends relating to our financial performance by excluding certain costs and expenses that we believe are not indicative of our core operating results to help investors compare our operating performances with our results in prior periods as well as with the performance of other companies. The non-GAAP information is among the budgeting and planning tools that management uses for future forecasting. However, because there are no standardized or generally accepted definitions for most non-GAAP financial metrics, definitions of non-GAAP financial metrics are inherently subject to significant discretion (for example, determining which costs and expenses to exclude when calculating such a metric). As a result, non-GAAP financial metrics may be defined very differently from company to company, or even from period to period within the same company, which can potentially limit the usefulness of such information to an investor. The presentation of non-GAAP and supplemental information is not meant to be considered in isolation or as a substitute for results prepared and presented in accordance with United States GAAP.

The following are descriptions of the adjustments made to reconcile GAAP net income to non-GAAP net income:

a) Acquisition-related charges primarily include amortization of intangible assets. Although we exclude the effect of amortization of all acquired intangible assets from these non-GAAP financial measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase price accounting arising from acquisitions, and such amortization of intangible assets related to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Investors should note that the use of these intangible assets contributed to our revenues earned during the periods presented and are expected to contribute to our future period revenues as well.

b) Restructuring, severance and other charges primarily include costs associated with employee severance and other exit costs.

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

d) Discrete tax items consist of certain income tax expenses/benefits that, by excluding, help investors compare our operating performance with our results in prior periods as well as with the performance of other companies.

About KLA Corporation

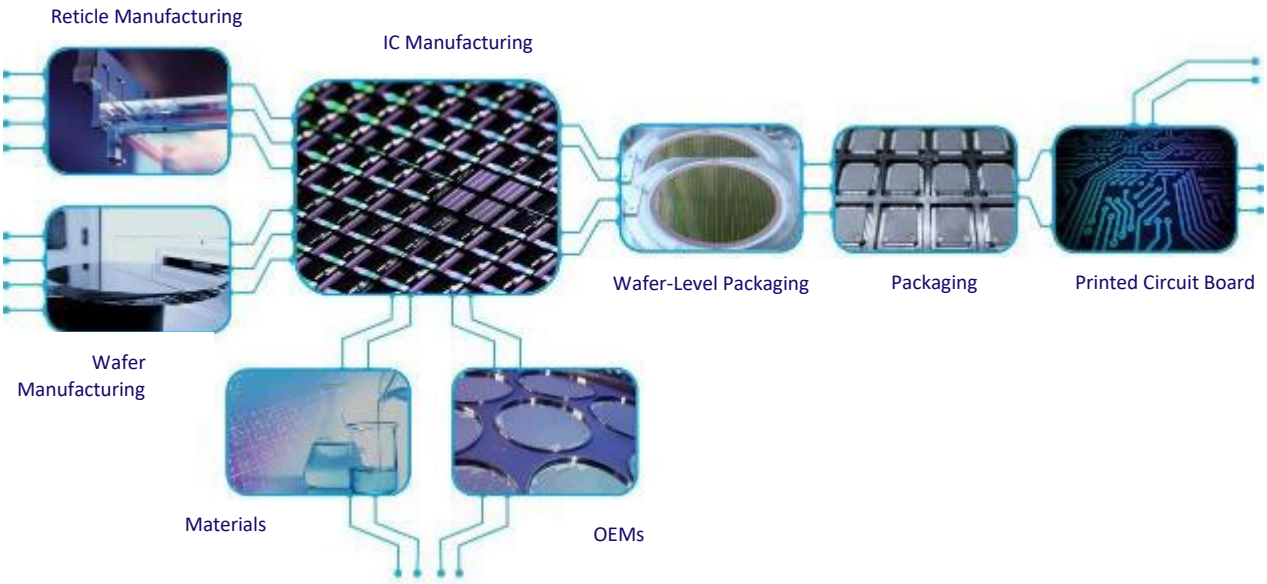
KLA Corporation (KLA) is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help Integrated Circuit (IC) manufacturers manage yield throughout the entire wafer fabrication process-from Research & Development to final yield analysis. KLA offers a broad spectrum of products and services that are used by every major semiconductor manufacturer in the world. We provide advanced process control and process-enabling solutions for manufacturing wafers and reticles, integrated circuits, Packaging, and printed circuit boards. In close collaboration with leading customers across the globe, our expert teams of physicists, engineers, data scientists and problem-solvers design solutions that move the world forward. Additional information may be found at: www.kla.com.

Investors and others should note that KLA announces material financial information to investors using an investor relations website (ir.kla.com), including SEC filings, press releases, public earnings calls, and conference webcasts. These channels are used to communicate with the public about the company, products, services, and other matters.



KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

Semiconductor Manufacturing	Related Electronics Industries
• IC Manufacturing • Wafer Manufacturing • Reticle Manufacturing • IC Packaging • Printed Circuit Board	• Compound Semiconductor • Power Device • LED • MEMS • Data Storage/Media Head • General Purpose/Labs



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Note on Forward-Looking Statements

Statements in this letter other than historical facts, such as statements pertaining to: (i) future industry demand for semiconductors and WFE; (ii) our market position for the future and future growth in demand for our products; (iii) our forecast of financial measures for the following quarter and 2024; (iv) our future revenues by customer segment for our Semi Process Control systems; (v) our long-term financial targets and underlying assumptions; (vi) our future investment plan on R&D, technology, manufacturing capacity and infrastructure; and (vii) future shareholder returns, are forward-looking statements and subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on current information and expectations and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: our vulnerability to a weakening in the condition of the financial markets and the global economy; risks related to our international operations; evolving Bureau of Industry and Security of the U.S. Department of Commerce rules and regulations and their impact on our ability to sell products to and provide services to certain customers in China; costly intellectual property disputes that could result in our inability to sell or use the challenged technology; risks related to the legal, regulatory and tax environments in which we conduct our business; increasing attention to ESG matters and the resulting costs, risks and impact on our business; unexpected delays, difficulties and expenses in executing against our environmental, climate, diversity and inclusion or other ESG target, goals and commitments; our ability to attract, retain and motivate key personnel; our vulnerability to disruptions and delays at our third party service providers; cybersecurity threats, cyber incidents affecting our and our business partners' systems and networks; our inability to access critical information in a timely manner due to system failures; risks related to acquisitions, integration, strategic alliances or collaborative arrangements; climate change, earthquake, flood or other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism and the adverse impact on our business operations; the wars between Israel and Hamas and Russia and Ukraine, and the significant military activity in that region; lack of insurance for losses and interruptions caused by terrorists and acts of war, and our self-insurance of certain risks including earthquake risk; risks related to fluctuations in foreign currency exchange rates; risks related to fluctuations in interest rates and the market values of our portfolio investments; risks related to tax and regulatory compliance audits; any change in taxation rules or practices and our effective tax rate; compliance costs with federal securities laws, rules, regulations, NASDAQ requirements, and evolving accounting standards and practices; ongoing changes in the technology industry, and the semiconductor industry in particular, including future growth rates, pricing trends in end-markets, or changes in customer capital spending patterns; our vulnerability to a highly concentrated customer base; the cyclicality of the industries in which we operate; our ability to timely develop new technologies and products that successfully address changes in the industry; risks related to artificial intelligence; our ability to maintain our technology advantage and protect proprietary rights; our ability to compete in the industry; availability and cost of the materials and parts used in the production of our products; our ability to operate our business in accordance with our business plan; risks related to our debt and leveraged capital structure; we may not be able to declare cash dividends at all or in any particular amount; liability to our customers under indemnification provisions if our products fail to operate properly or contain defects or our customers are sued by third parties due to our products; our government funding for R&D is subject to audit, and potential termination or penalties; we may incur significant restructuring charges or other asset impairment charges or inventory write offs; risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government; and risks related to the Court of Chancery of the State of Delaware being the sole and exclusive forum for certain actions and proceedings. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this press release, please refer to KLA's Annual Report on Form 10-K for the year ended June 30, 2024, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA assumes no obligation to, and does not currently intend to, update these forward-looking statements.