

# Applied Materials to Acquire Kokusai Electric

JULY 1, 2019

# Forward-Looking Statements

This presentation contains forward-looking statements, including those regarding Applied's proposed acquisition of Kokusai Electric; the impact on Applied's earnings, gross and operating margins, strategic position, product and service offerings in semiconductor and services markets, ability to serve customers' requirements, and delivery of long-term value to stockholders; benefits to Applied's and Kokusai Electric customers, employees and stockholders; financing activities and usage of cash in connection with and after the proposed acquisition; and all statements other than those of historical fact. Forward-looking statements may contain words such as "expect," "believe," "may," "can," "should," "will," "forecast," "anticipate" or similar expressions, and include the assumptions that underlie such statements. These statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Risks and uncertainties include but are not limited to: the ability of the parties to consummate the proposed acquisition in a timely manner or at all; satisfaction of the conditions precedent to consummation of the proposed acquisition, including the ability to secure regulatory approvals in a timely manner and upon terms anticipated by the parties or at all; the possibility of or an increase in litigation and other claims (including related to the transaction itself); successful completion of anticipated financing arrangements; Applied's ability to successfully integrate Kokusai Electric's operations, product and service lines, technology and employees and realize expected synergies from the proposed acquisition; disruptions of Applied's and Kokusai Electric's current plans, operations and relationships with customers, suppliers and employees caused by the announcement and pendency of the proposed acquisition; unknown, underestimated or undisclosed commitments or liabilities; the level of demand for the combined companies' products and services, which is subject to many factors, including uncertain global economic and industry conditions, demand for electronic products and semiconductors, and customers' new technology and capacity requirements; Applied's ability to (i) develop, deliver and support a broad range of products and services, expand its markets and develop new markets, (ii) timely align its cost structure with business conditions, and (iii) attract, motivate and retain key employees of Applied and Kokusai Electric; and other risks and uncertainties described in Applied's SEC filings, including its most recent Forms 10-Q and 8-K. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof. Neither Applied nor Kokusai Electric undertakes any obligation to update any forward-looking statements.

# Kokusai Electric | Transaction Summary

## DEAL SUMMARY

Applied Materials to acquire all outstanding shares of Kokusai Electric Corporation (“Kokusai Electric”), a portfolio company of KKR, for \$2.2 billion in cash  
Following closing, Kokusai Electric will operate as a business unit of Applied Materials’ Semiconductor Products Group (“SPG”)

## FINANCIAL IMPACT

Transaction to be financed with cash on the balance sheet and term loan facility  
Expected to be immediately accretive to non-GAAP EPS upon closing

## CAPITAL ALLOCATION

Committed to maintaining strong investment-grade credit rating  
Continued commitment to shareholder returns  
Prioritization of term loan paydown within 24 months after close

## CLOSING

Subject to regulatory approvals and other customary closing conditions  
Expected to close within approximately 12 months

# Strategic Rationale



Complementary leadership products and services

Increases exposure to growing batch processing applications

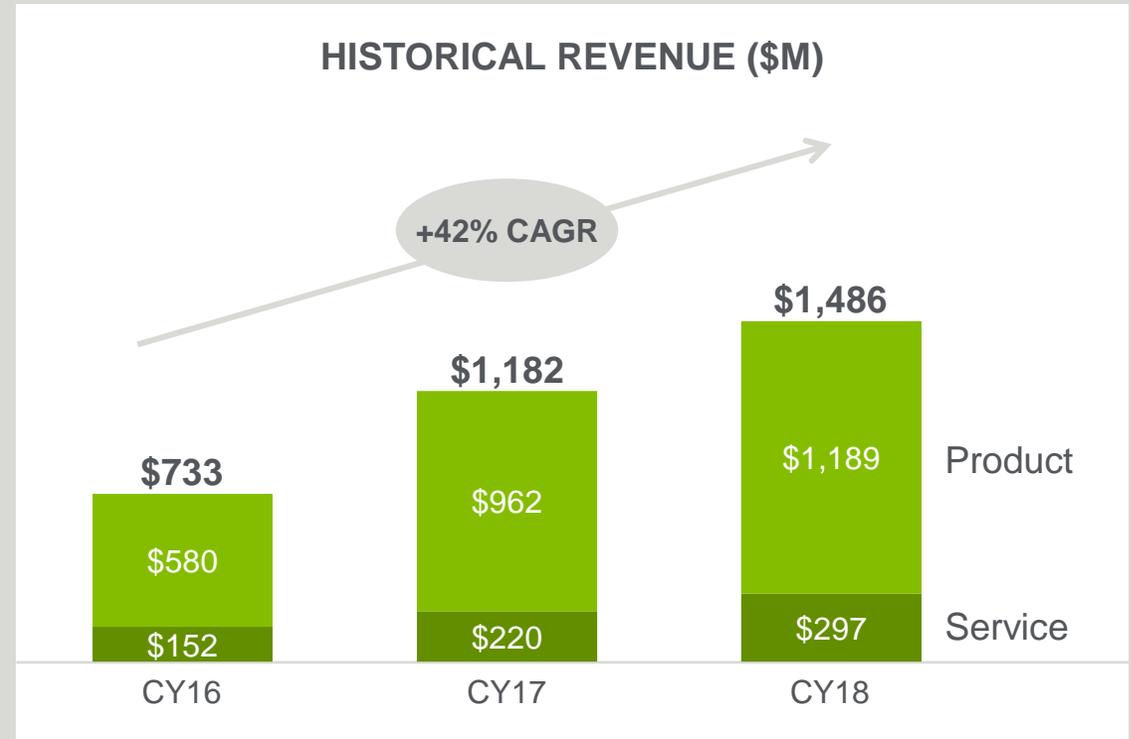
Expands offerings for strategically important memory market

Strengthens customer support and supply chain capabilities in Asia Pacific Region

Leadership technology at an attractive valuation creates value for shareholders

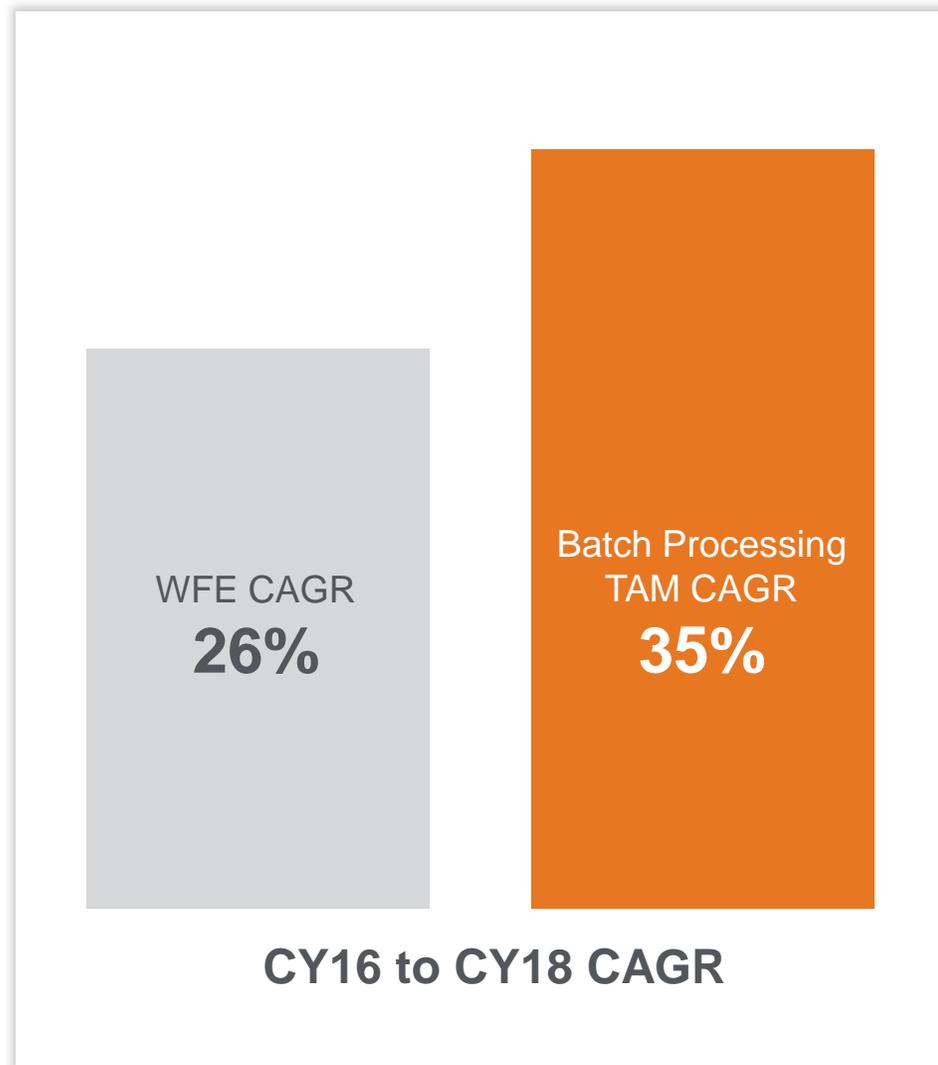
# Kokusai Electric | Overview

- Leading supplier of batch processing technology
- Established service business with >10,000 tools in installed base
- Strong presence in memory
- ~1,900 employees worldwide
- Headquartered in Tokyo, Japan
- Manufacturing locations in Japan and Korea
- Key customers include Samsung, TSMC, Intel and other leading memory, logic and foundry customers
- Strong IP position with 3,000 issued patents globally



Source: VLSI Research 2019 April

# Batch Processing | Historical Growth



## Kokusai Electric Batch Processing Portfolio



Quixace



AdvancedAce



TSURUGI-C2

- Strong market demand for batch processing technology
- Kokusai Electric has leadership technology
- High productivity platform for high quality films

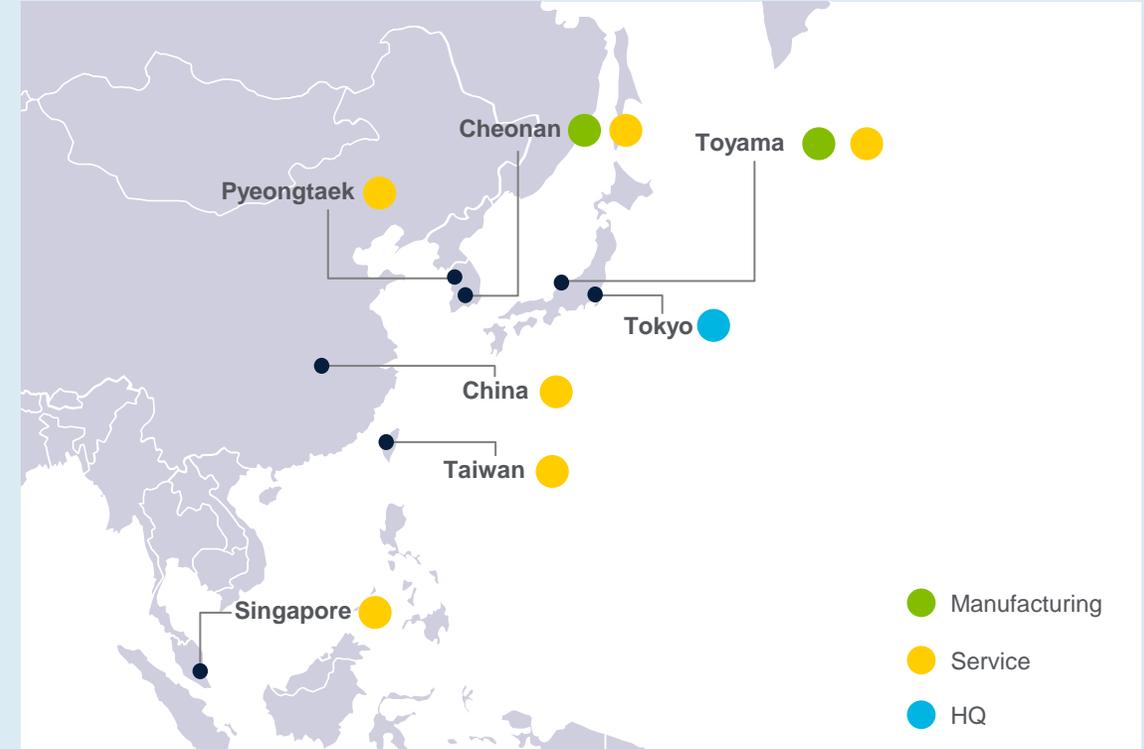
Source: Gartner Market Share reports. Batch processing includes Tube CVD, Batch ALD, and Oxidation/Diffusion Furnace

# Strengthens Customer Support Capabilities in Asia Pacific Region

## Toyama Technology and Manufacturing Center



## Major Manufacturing and Service Locations



Note: Additional Distribution and Service locations in San Jose, Germany, Israel, and Ireland

## TRANSACTION CONSIDERATION

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Total purchase price  
of \$2.2 billion

- Attractive valuation compared to precedent deals in the sector
- Acquisition at run-rate synergized FY2019E adjusted EBITDA multiple of ~7.3x

## FINANCIAL IMPACT

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Expected to be immediately accretive to non-GAAP EPS upon closing

Expect to finance using a combination of cash from our balance sheet and a term loan facility

## CAPITAL STRUCTURE

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No change to overall capital return philosophy

Committed to maintaining strong investment-grade credit rating

Expect to prioritize paydown of term loan balance within 24 months after close

# Strategic Rationale



Complementary leadership products and services

Increases exposure to growing batch processing applications

Expands offerings for strategically important memory market

Strengthens customer support and supply chain capabilities in Asia Pacific Region

Leadership technology at an attractive valuation creates value for shareholders



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