



2015 SEMICON West Analyst Briefing

Rick Wallace

President and Chief Executive Officer

Bren Higgins

Chief Financial Officer



Safe Harbor

This presentation contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Except as otherwise specifically indicated herein, the information included in this presentation is as of the date it is delivered.

These forward-looking statements (including references to preliminary financial results and/or data for the recently completed fiscal period, the company's ability to convert bookings into completed sales, potential market and revenue opportunities, expected company introductions of new products and entry into new markets, future uses of the company's cash resources and future trends in macroeconomic and industry conditions) are based on the company's estimates, assumptions and expectations of future events and are subject to a number of risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this presentation, please refer to the company's Annual Report on Form 10-K for the year ended June 30, 2014, subsequently filed Quarterly Reports on Form 10-Q and other 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.

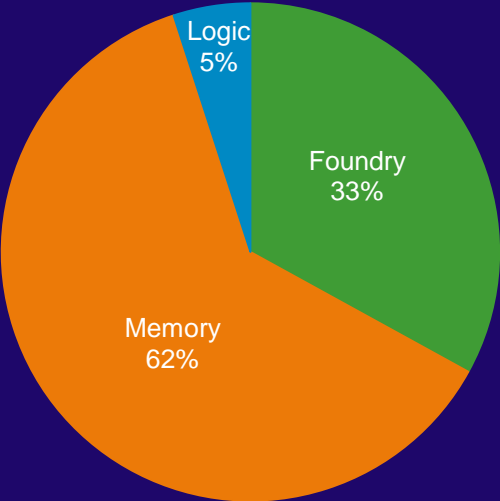
Q4 (June) Update

	Q4 FY15 GUIDANCE	PRELIMINARY RESULTS
BOOKINGS	\$550M – \$750M	In Range
REVENUE	\$710M – \$790M	In Range
EPS*	\$0.78 – \$1.02	In Range

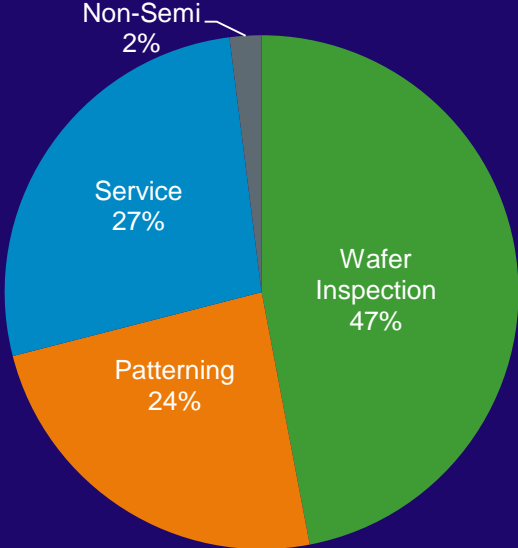
*Non-GAAP; including SBC, but excluding charges not indicative of core business. GAAP diluted EPS expected to be in the range of guidance of \$0.65 to \$0.91 previously provided in Form 8-K/A filed on June 26, 2015.

Distribution of Q4 FY15 System Orders

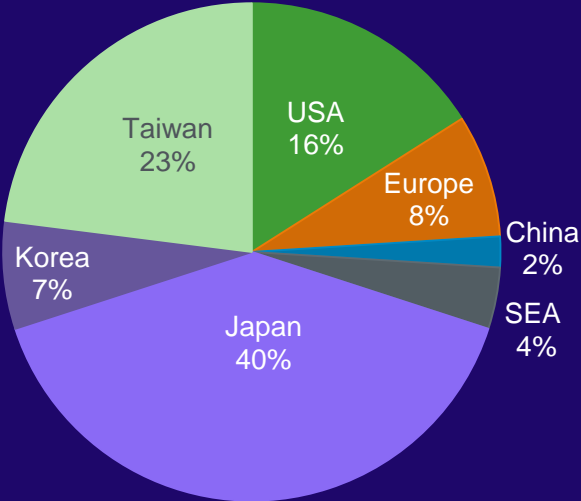
WAFER FRONT-END



SEGMENT



REGION



Mission, Strategy, and Objectives

MISSION

Improve customer yield, performance, and time-to-market, enabling the digital age

STRATEGY

Provide leading technologies, differentiated solutions, and superior customer experiences through collaboration, innovation, and execution

OBJECTIVES

Attract and inspire world-class talent that enables market leadership, industry leading growth, and a superior business model

Organizing for Success: Structure Follows Strategy

DIFFERENTIATED SOLUTIONS

Restructure to provide solutions, not just individual “Best-in-Class” tools

SUPERIOR CUSTOMER EXPERIENCE

Restructure to streamline “Go-to-Market” activities

SUPERIOR CUSTOMER EXPERIENCE

Elevate Service to executive staff level with an emphasis on growth and customer satisfaction

Strategic Objectives

CUSTOMERS

Grow Share within Process Control

GROWTH

Long-term Revenue Growth Rate of 5–7%

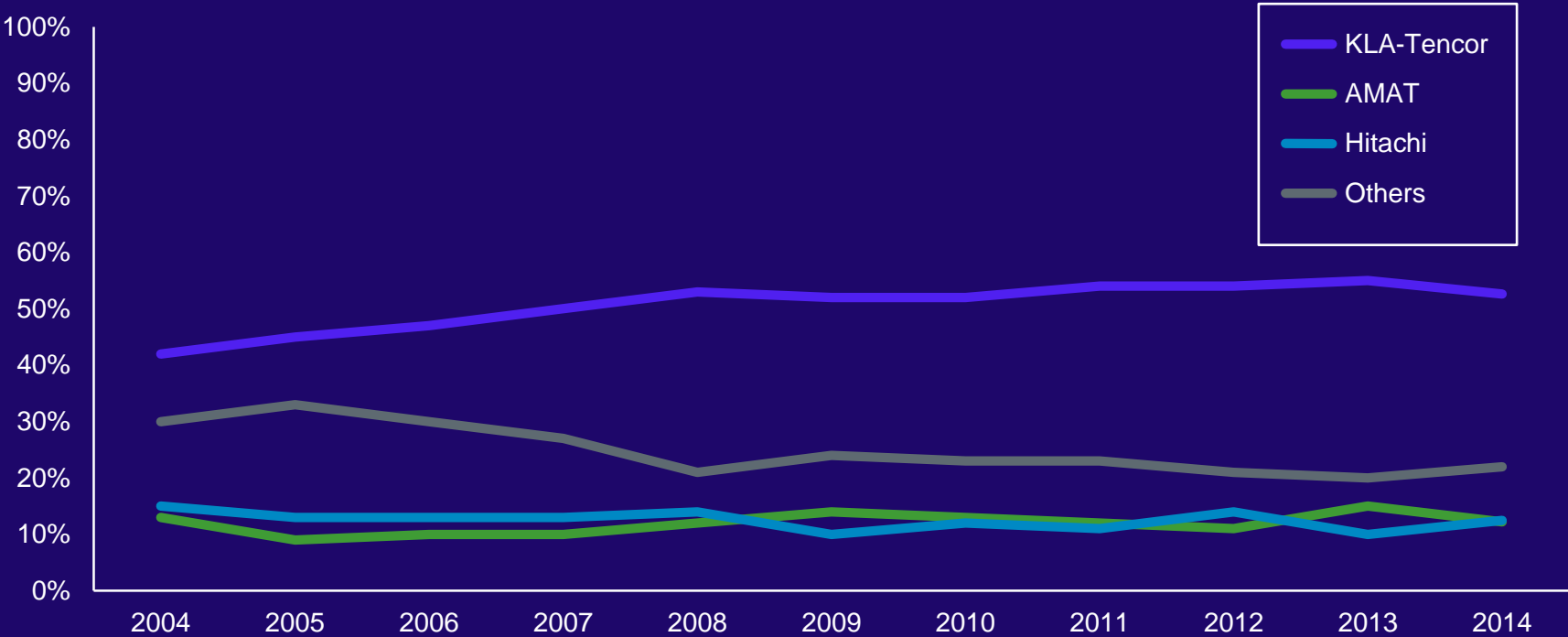
OPERATIONAL EXCELLENCE

Grow Operating Income 2x Revenue Growth Rate

TALENT

Attract, Develop, and Retain Talent

Process Control Market Share



Source: Gartner, April 2015



Redefining the Opportunity

Metric	Wafer Inspection	Patterning Control	Service	Total
Size	\$2.1B	\$1.9B	\$1.4B	\$5.4B
Share	62%	40%	50%	
KT Revenue	\$1.3B	\$0.8B	\$0.7B	\$2.8B
Opportunity	\$0.8B	\$1.1B	\$0.7B	\$2.6B

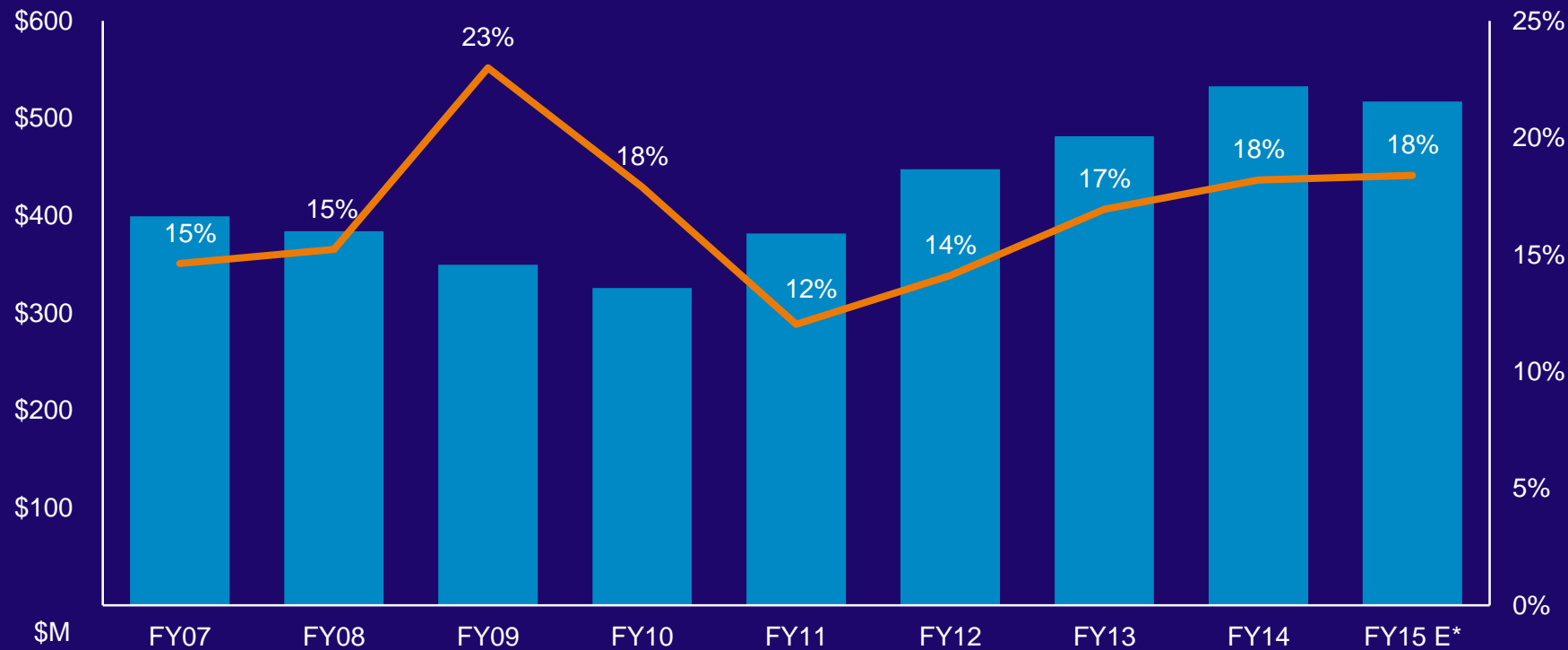
Source: Internal Estimates for FY15

Wafer Inspection Applications & KT Share

Application	Objective	Specs	Technology	FY15 SAM	KT Share
Engineering Analysis	Debug Failure Analysis	Find Critical Defects & Signatures	e-beam Inspection	\$250M	<10%
Critical Line Monitor	Most Critical Layer Monitor	Find Critical Defects @ 1-10 wph	BBP Laser Scan	\$900M	>80%
Line Monitor	Critical Layer Monitor	Find Critical Defects @ 10-100 wph	Laser Scan Macro Tools	\$500M	>80%
Tool Monitor	Qual/Requal Tools	@DR Bare Wafer 50 wph	Laser Scan	\$200M	>80%

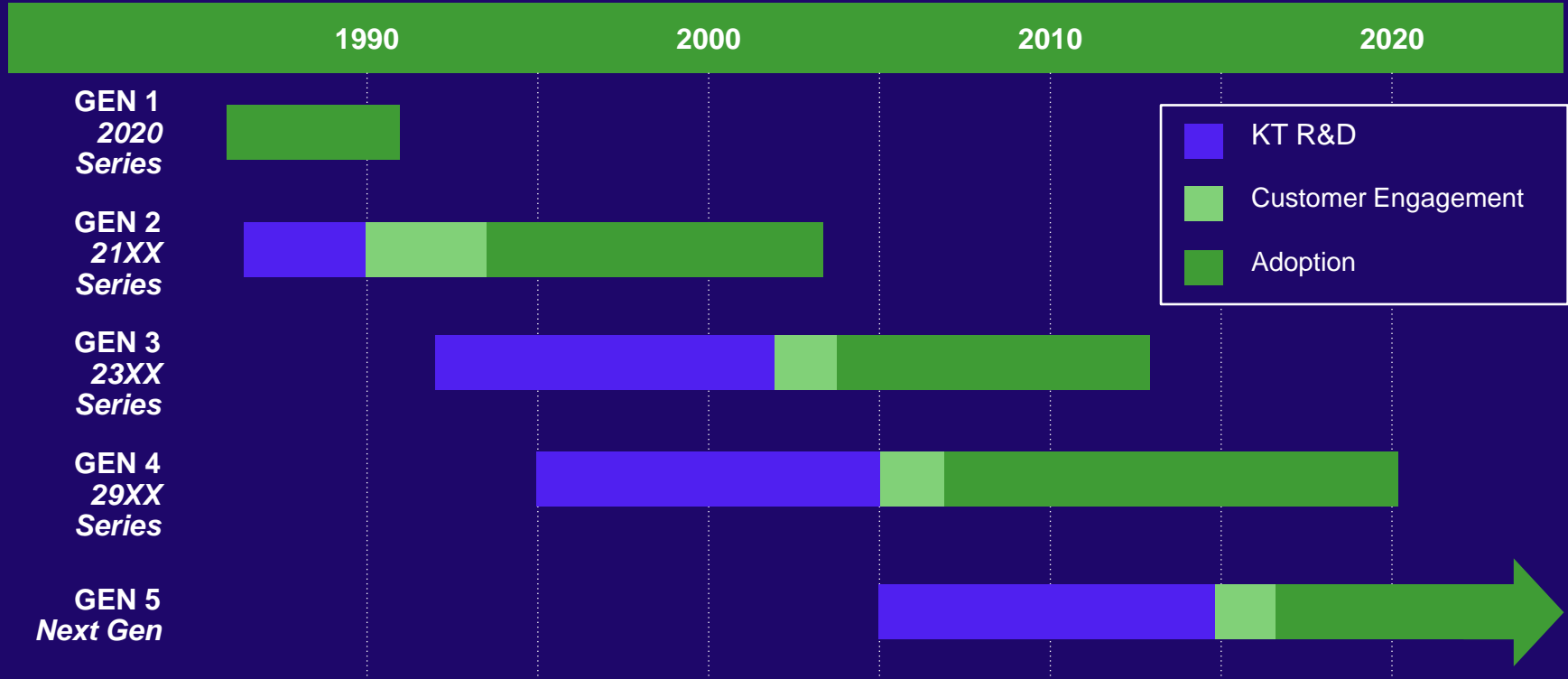
Source: Internal Estimates for FY15. BBP – Broadband Plasma Optical Inspector Laser Scan – Narrow band Optical Inspector

R&D Investment



* Derived from consensus estimates

25 Years of R&D in Optical Inspection



Gen 5 Platform Nearing End of R&D Phase



Complexity of the Inspectors Comparable to that of Lithography Systems

- Premium grade optics and coatings
- Scanner grade stage control
- Multi level correction lens
- Integrated lens manipulators

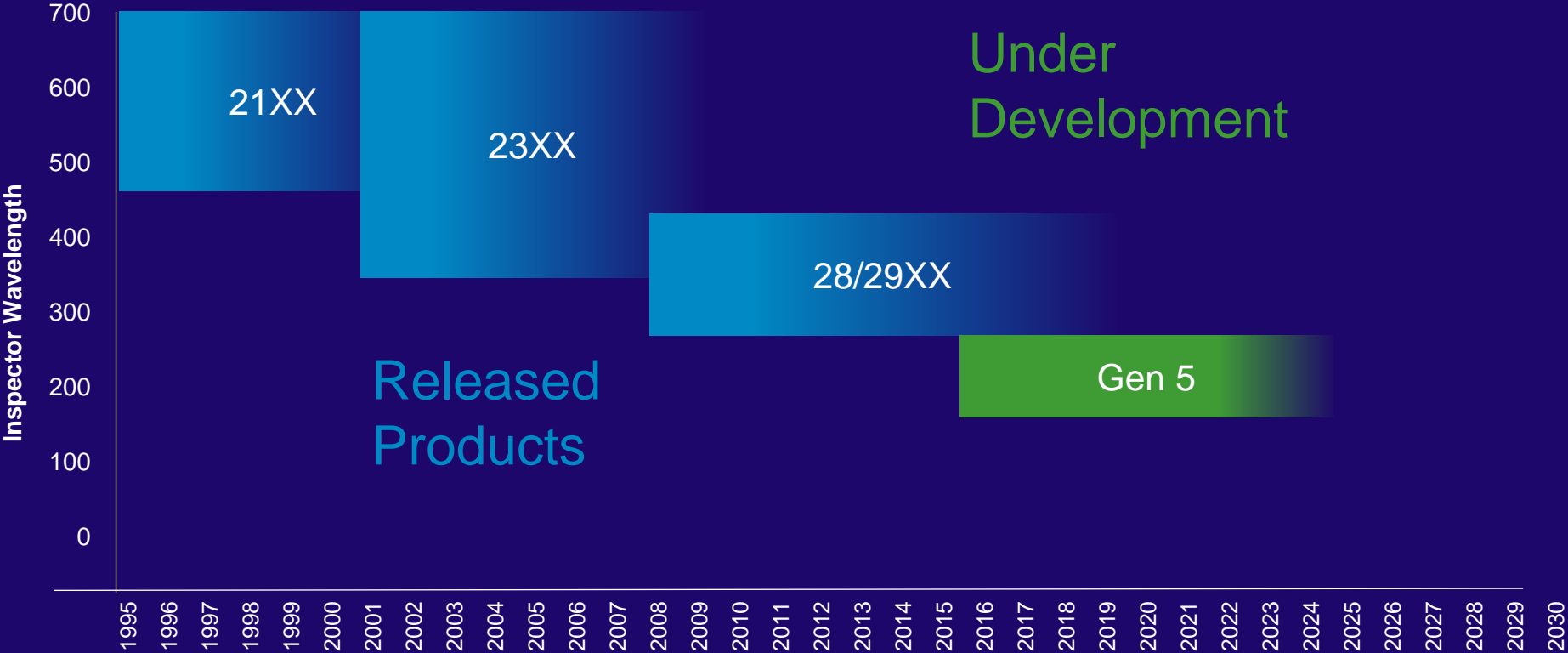


Current Optics

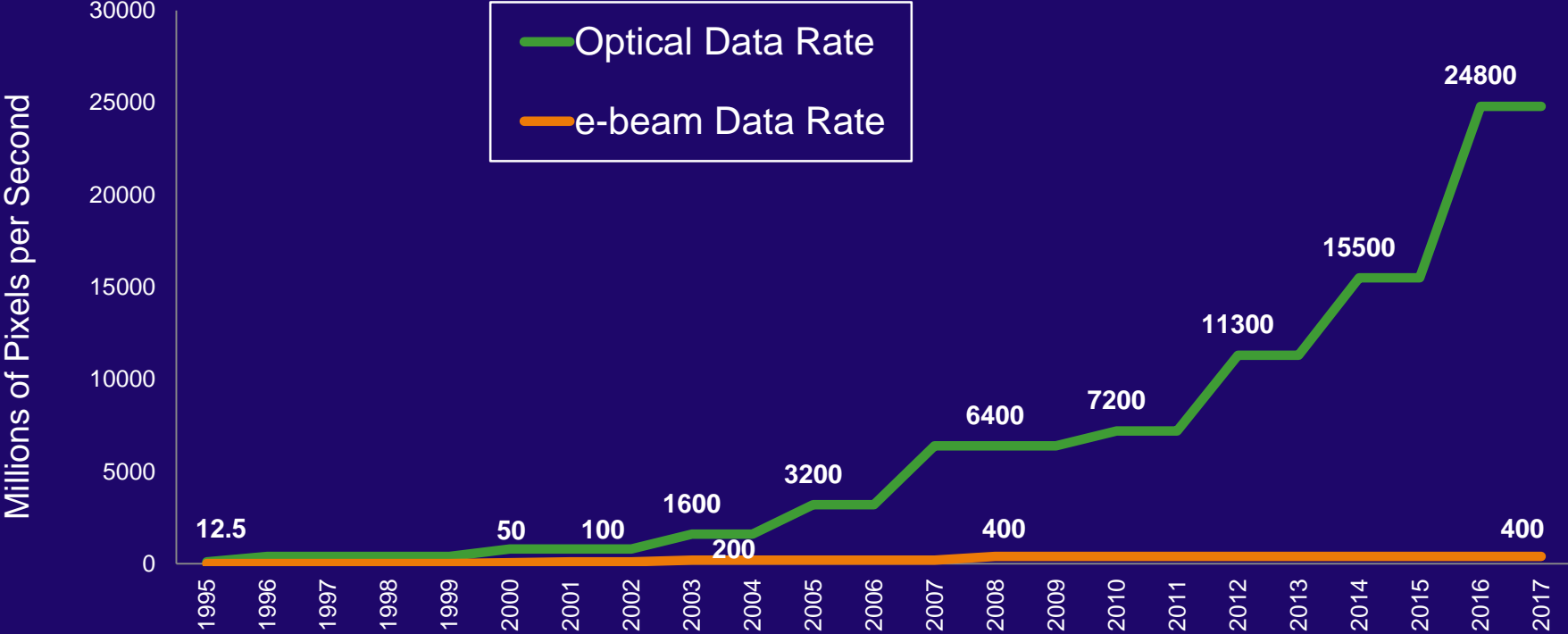


Gen 5 Optics

Optical Inspection Resolution



Inspection Platforms Data Rate

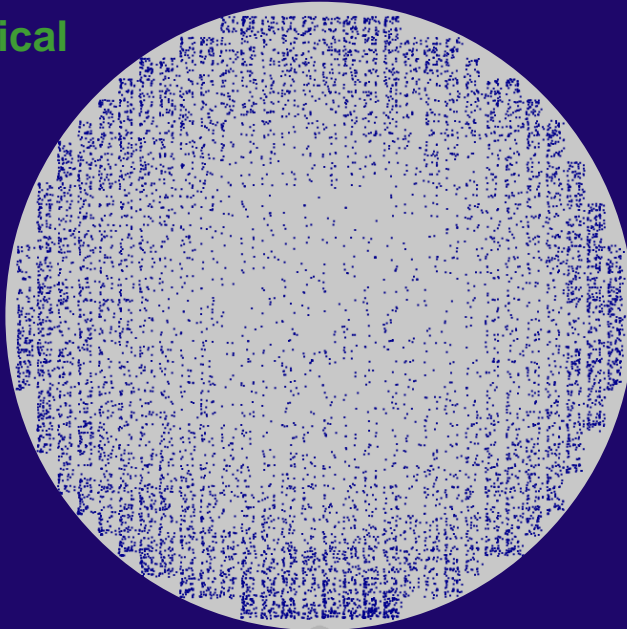


Source: KLA-Tencor

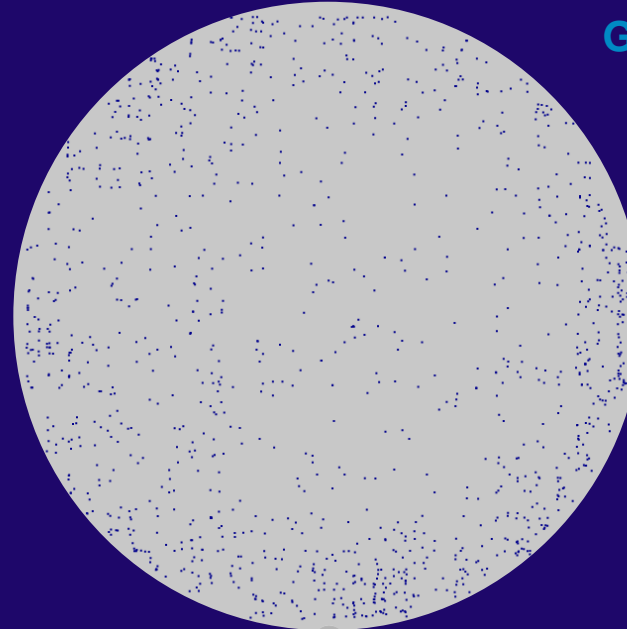


Gen 5 Sensitivity to Defects

Gen 5 Optical



Gen 4 Optical

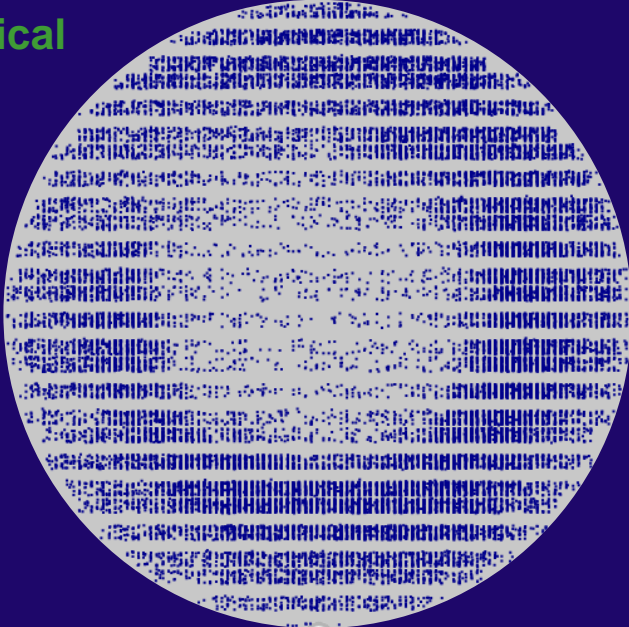


Defect Wafer Maps

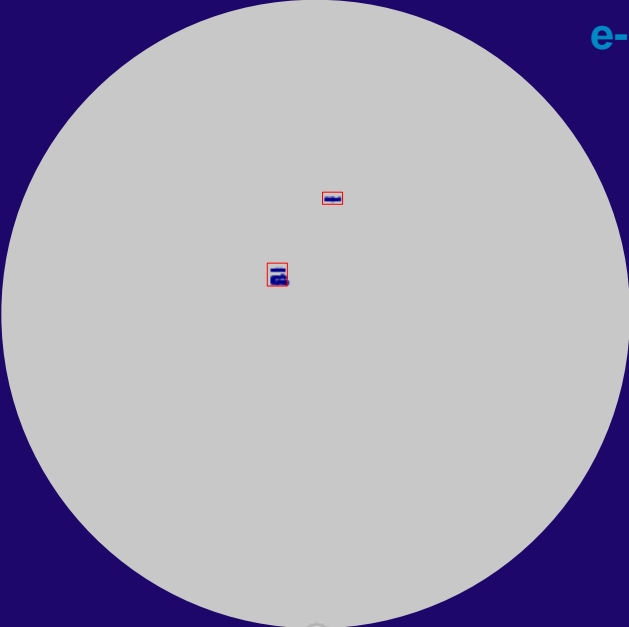
Blue dots signify an identified defect in the process

Optical Coverage Advantage

Gen 5 Optical



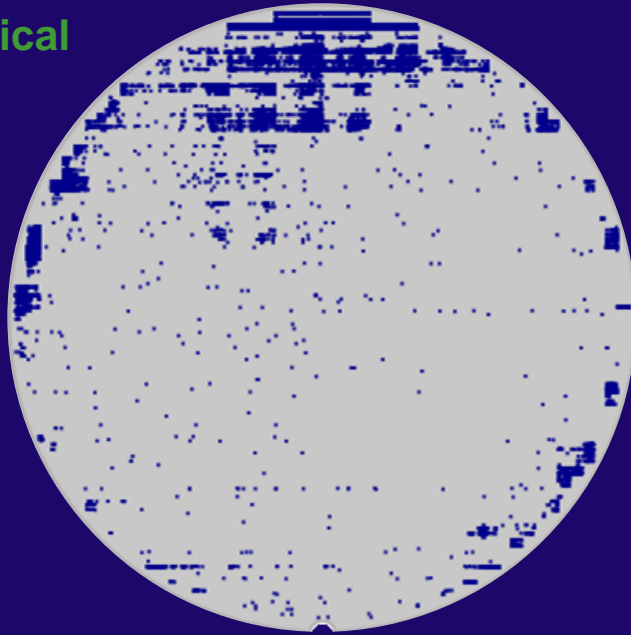
e-beam*



* For equivalent inspection duration

Optical Sensitivity to Process Defect Signatures

Gen 5 Optical



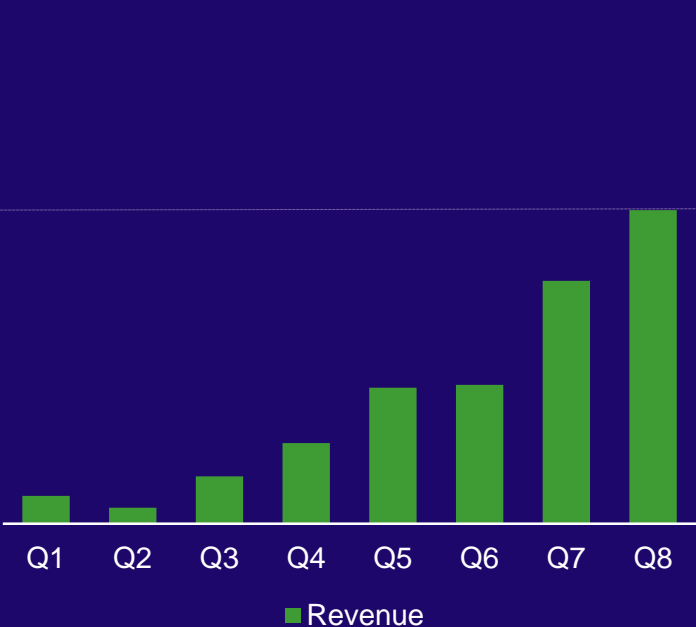
e-beam*



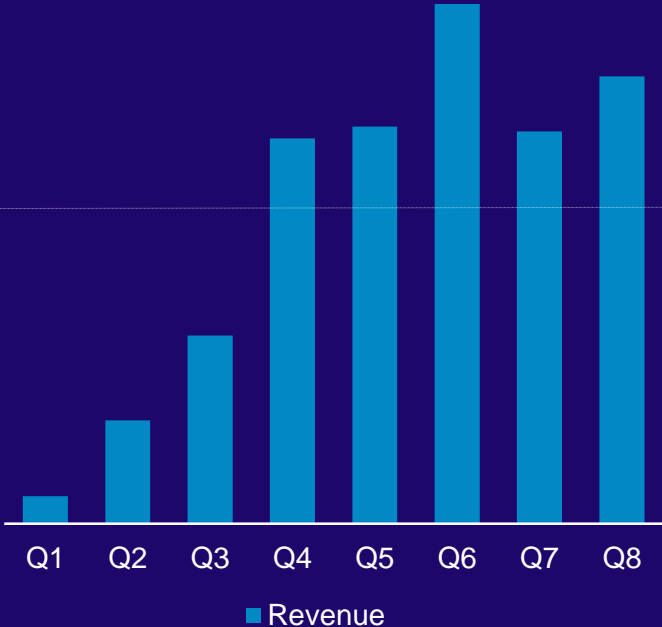
* For equivalent inspection duration

Historical Optical Inspection Launches

28XX Optical Inspector Launch



29XX Optical Inspector Launch



Strategic Objectives

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OPERATIONAL EXCELLENCE

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FINANCIAL UPDATE

Bren Higgins
Chief Financial Officer

Virtuous Cycle of Success

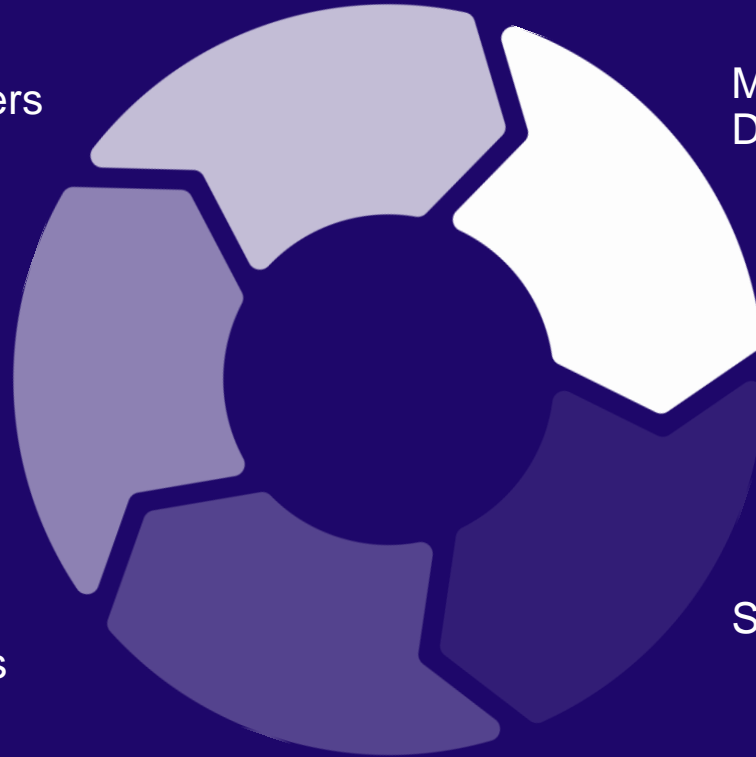
Investment in Growth and
Cash Returns to Stockholders

Market Leadership &
Differentiated Solutions

Strong Operating Margins
and Free Cash Flow

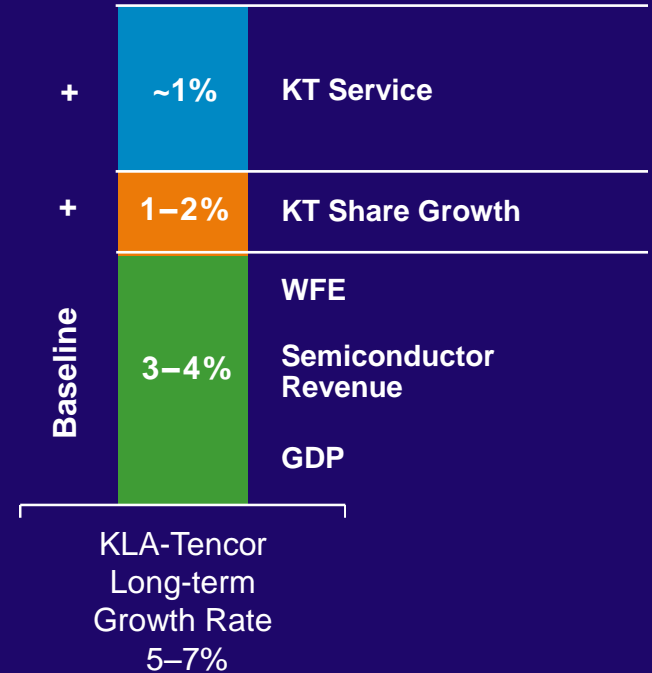
Investment in New Products

Strong Gross Margins

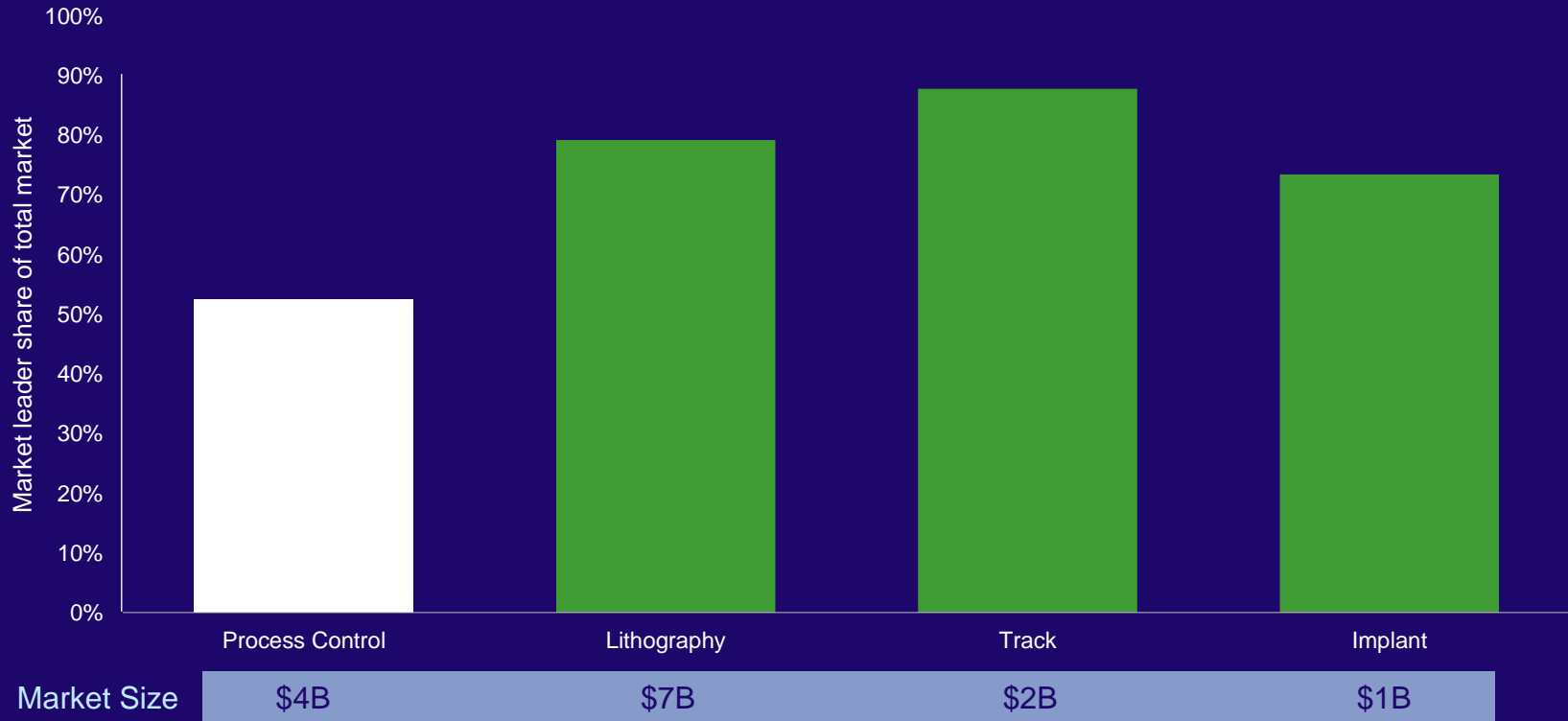


Long-Term Financial Objectives

- Deliver revenue growth objective
- Maintain industry-leading gross margins
- Invest in new products and market leadership
- Grow operating income 2x revenue growth rate
- Maintain optimal capital structure
- Assertively deploy unallocated capital

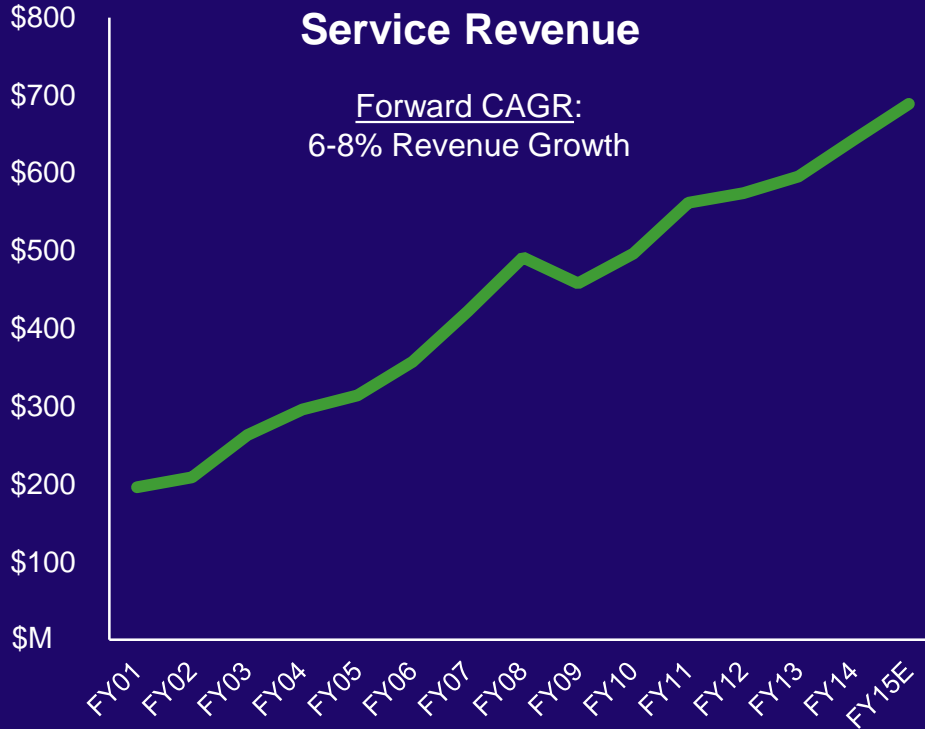


Share Growth Opportunity



Source: Gartner, April 2015

Service Growth Opportunity



- Enhance customer productivity
- Upgrade tool capability
- Extend life of KLA-Tencor equipment
- Growth opportunity from IoT market for n-1 and earlier tools

Gross Margin Reflects KLA-Tencor's Market Leadership



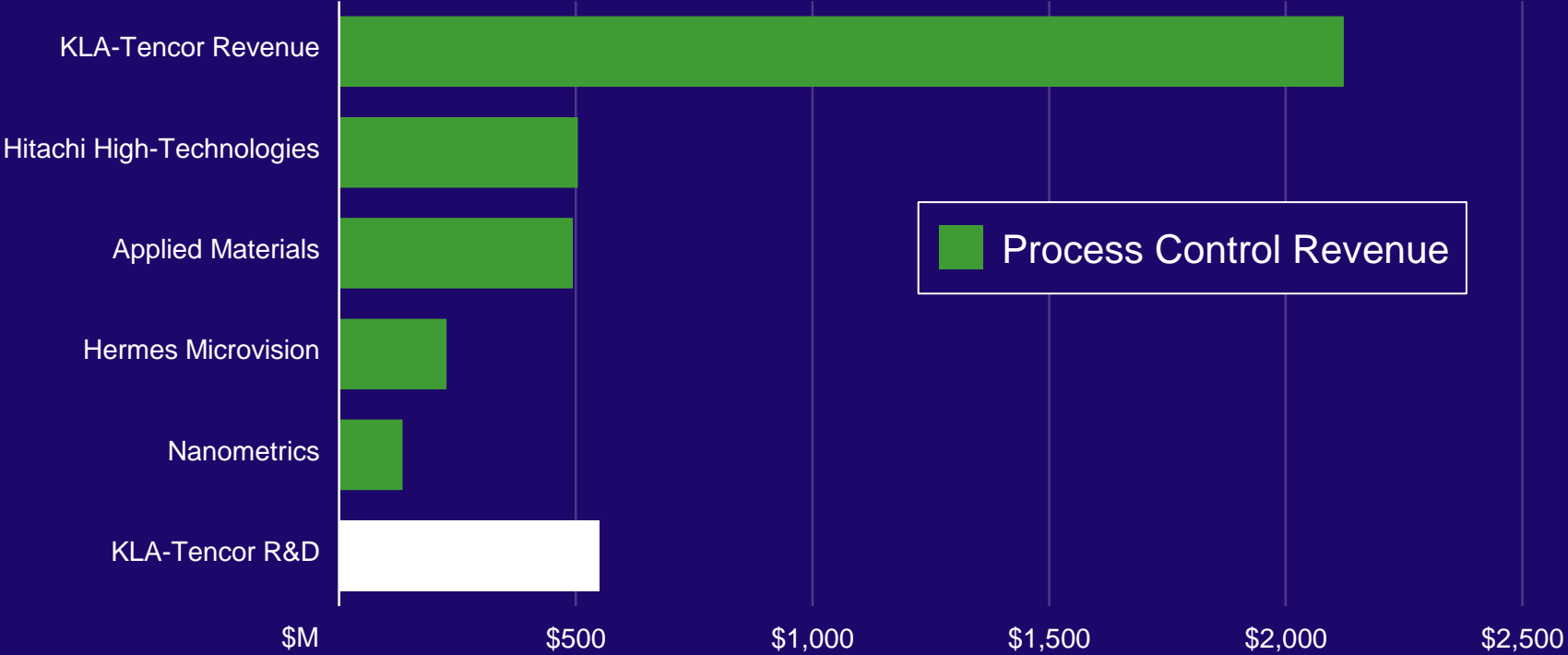
(1) Includes: AMAT, ASML, LRCX

Source: Bloomberg

** Estimates based on mid point of consensus



Investment in New Products



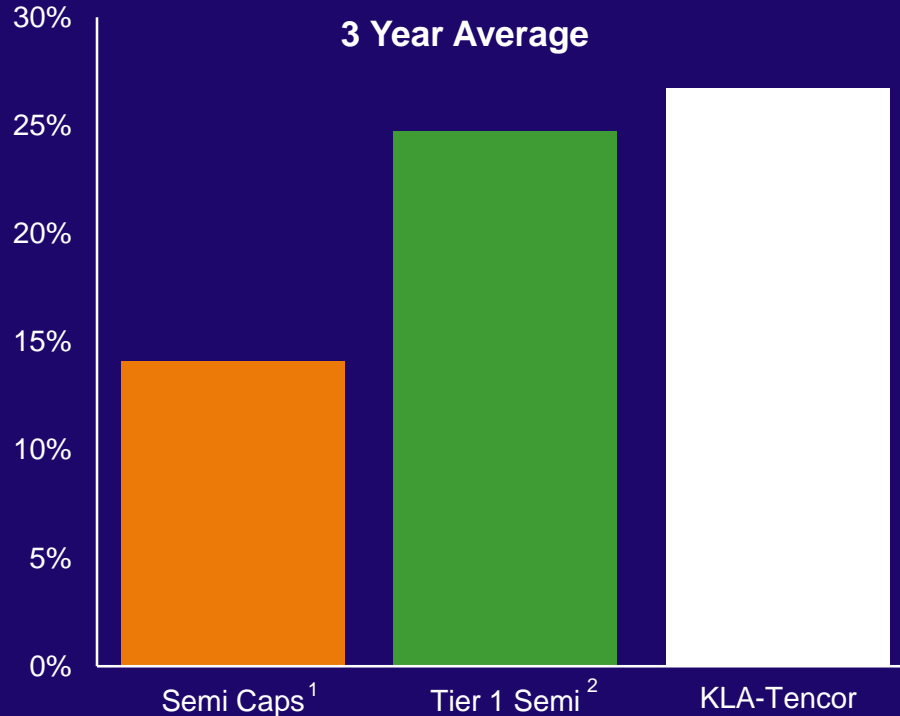
Source: Gartner, April 2015



Continuously Introducing New Products

	Product	2010	2011	2012	2013	2014	2015	2016E
Defect Inspection	Broadband Plasma	2830		2900 / 2905	2910 / 2915	2920 / 2925		Gen 5
	Laser Scanning	Puma 9500		Puma 9650		Puma 9850		✓
	e-beam Review	eDR-5210	eDR-7000		eDR-7100	eDR-7110		✓
	Unpatterned		Surfscan SP3	Surfscan SP3 450		Surfscan SP5 WaferSight PWG		✓
Patterning	Overlay	Archer 300 LCM		Archer 500			Archer 500 LCM	
	Optical Films	Aleris 8330		Aleris 8510			SpectraFilm LD10	✓
	Optical CD		SpectraShape 8860		SpectraShape 9000		SpectraShape 10k	
	Reticle	Terascan HT Teron 610		X5.2 Teron 611		Teron 650	X5.3	✓

Through Cycle Operating Margin Performance



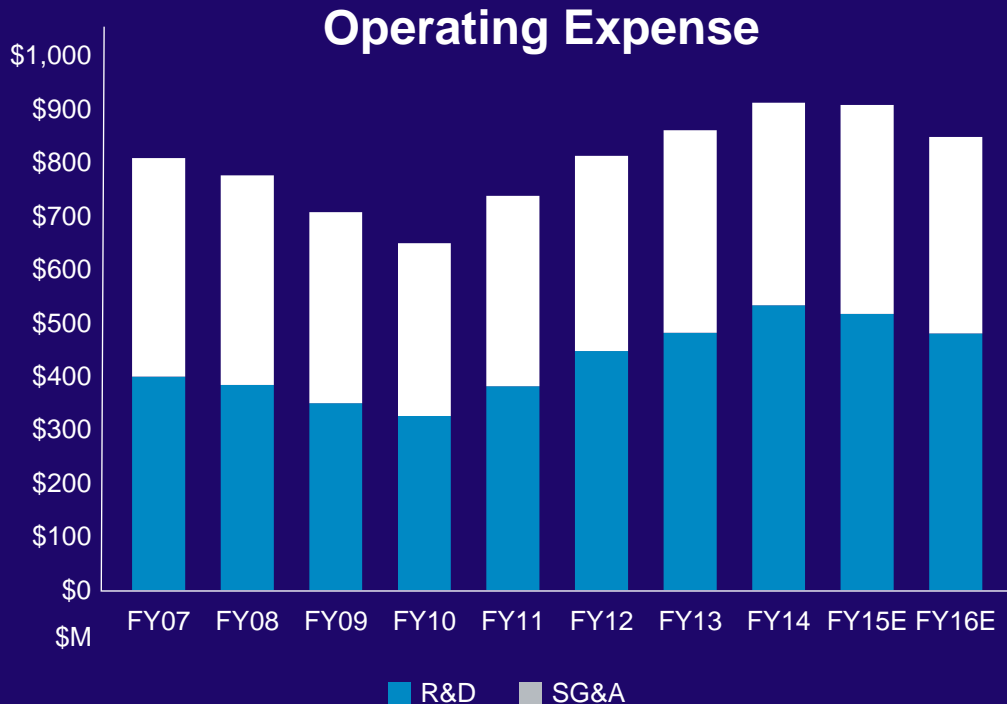
- Operational excellence
- Market leadership
- Differentiated solutions
- Superior profitability and returns to stockholders

(1) Includes: AMAT, ASML, LRCX

(2) Includes: ADI, LLTC, MCHP, MXIM, TXN, XLNX

Source: Bloomberg

Strategic Restructuring Overview



- Focus investments on our best opportunities
- Target R&D investment at 60% of total Opex
- Target 30% operating margin at \$3B revenue run rate
- Preserve 50-60% incremental operating margin

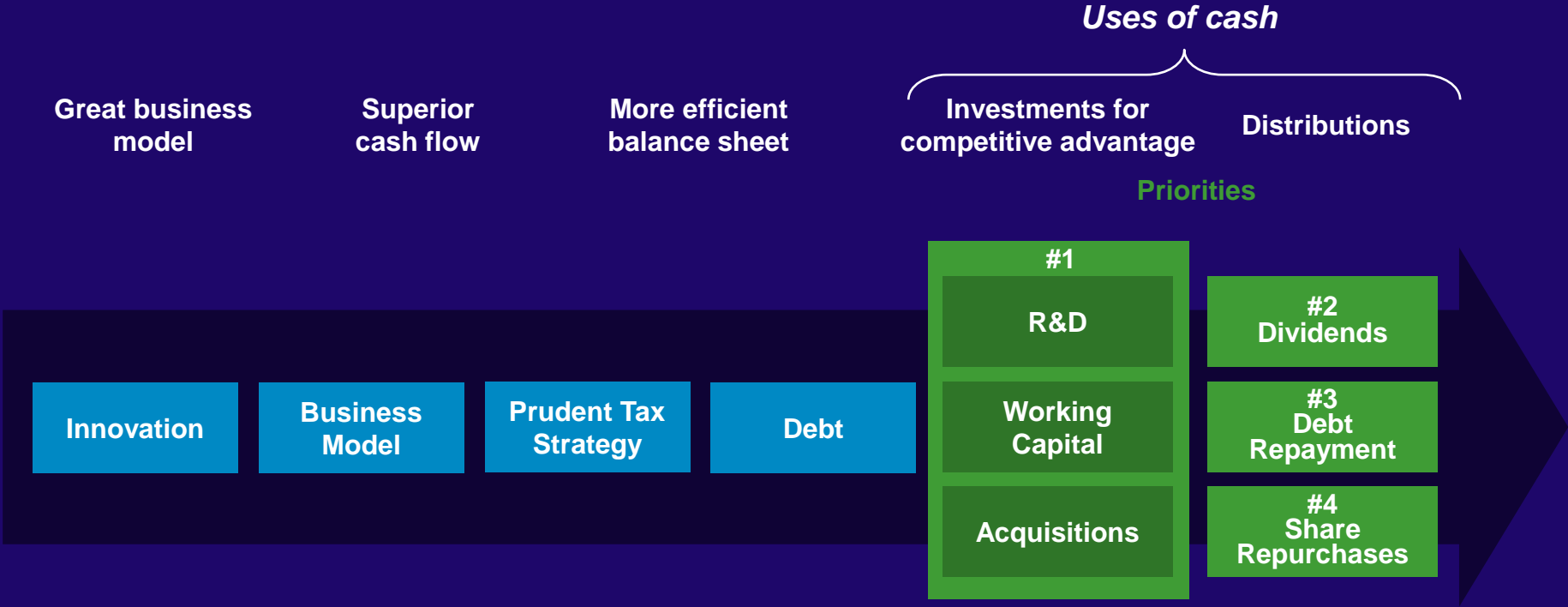
*Non-GAAP

Business Model Update

Revenue	\$2.7B-\$3.0B	\$3.0B-\$3.3B	\$3.3B-\$3.6B	\$3.6B-\$3.9B
Gross Margin	57%-58%	58%-59%	59%-60%	60% +
R&D	15%-17%	15%-16%	14%-15%	13%-14%
SG&A	12%-13%	11%-12%	11%-12%	10%-11%
Operating Margin	27%-30%	30%-32%	32%-34%	34%-36%

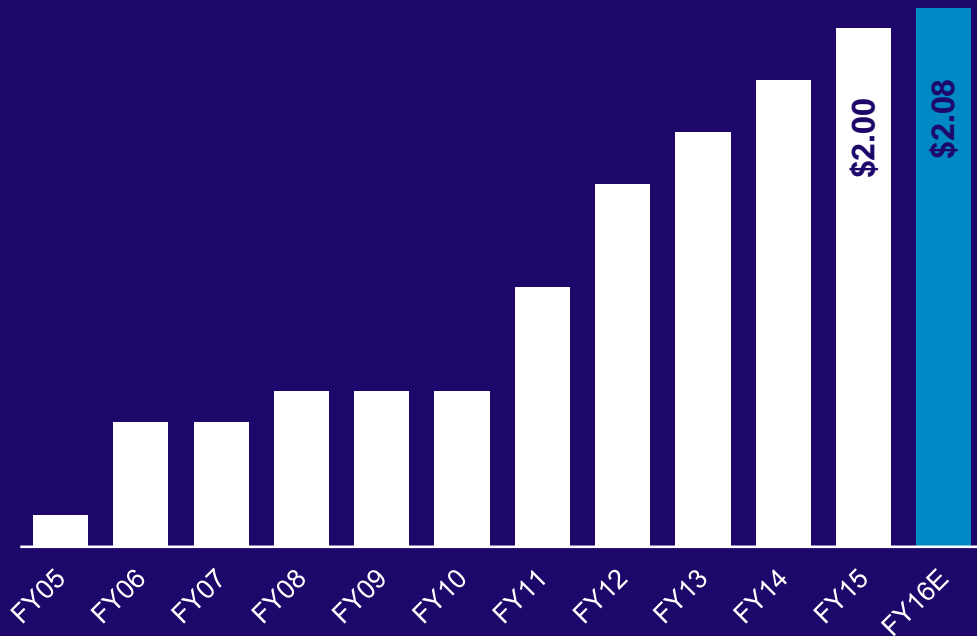
Grow Operating Income 2x Revenue Growth Rate

Capital Structure Strategy



Announcing Dividend Increase

FY 16 Dividend Per Share Increase¹



- Strong economic moat and sustainable business model
- Track record of consistent, regular increases in the dividend payout
- Dividend growth governed by long term growth in Free Cash Flow
- Payout ratio of ~45–50%

(1) Projected full year dividend increase forecast for FY16 based on current expectations. Subject to change without notice.

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