



2014 SEMICON West Analyst Briefing

Rick Wallace

President and Chief Executive Officer

Bren Higgins

Chief Financial Officer



Agenda

BUSINESS UPDATE

Rick Wallace
President and Chief Executive Officer

12:30 – 1:00

FINANCIAL REVIEW

Bren Higgins
Chief Financial Officer

1:00 – 1:20

Q&A

1:20 – 2:00

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. Please refer to the company's annual report on Form 10-K filed on August 8, 2013, its most recently filed quarterly report on Form 10-Q (filed on April 25, 2014) and other documents that KLA-Tencor files with the Securities and Exchange Commission for a complete description of the risks the company faces.

KLA-Tencor assumes no obligation to update the information in this presentation.

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BUSINESS UPDATE

Rick Wallace

President and Chief Executive Officer

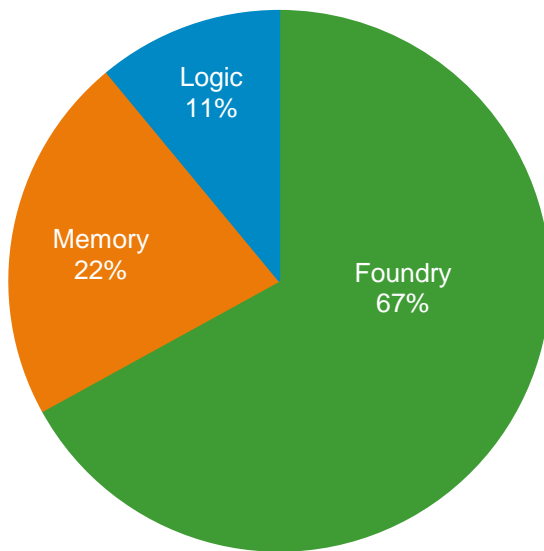
Q4 (June) Update

	Q4 FY14 GUIDANCE	PRELIMINARY RESULTS
BOOKINGS	\$625M – \$825M	Above Range
REVENUE	\$700M – \$760M	In Range
EPS*	\$0.75 – \$0.95	In Range

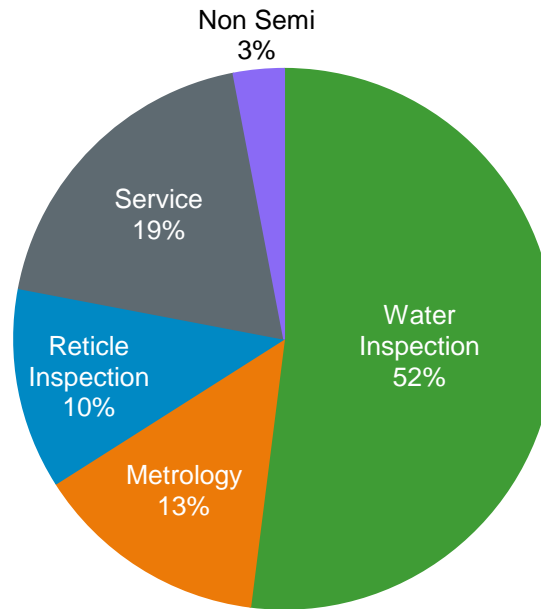
*Non-GAAP; including SBC, but excluding charges not indicative of core business

Distribution of Q4 FY14 System Orders

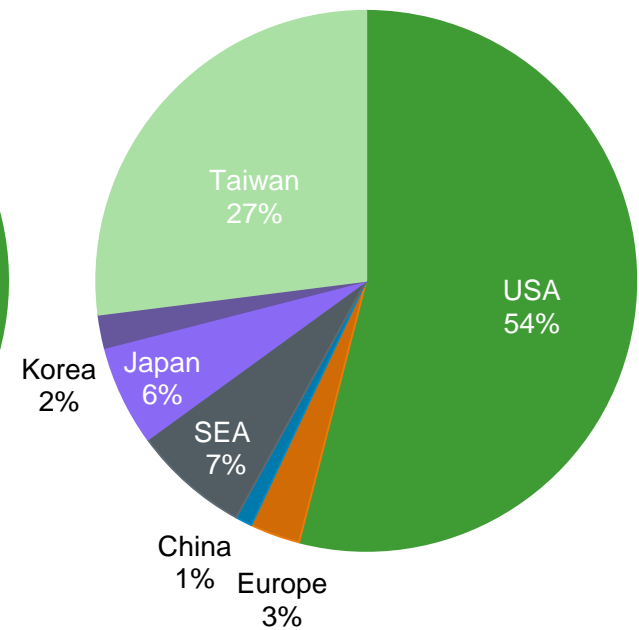
Wafer Front-End



Segment

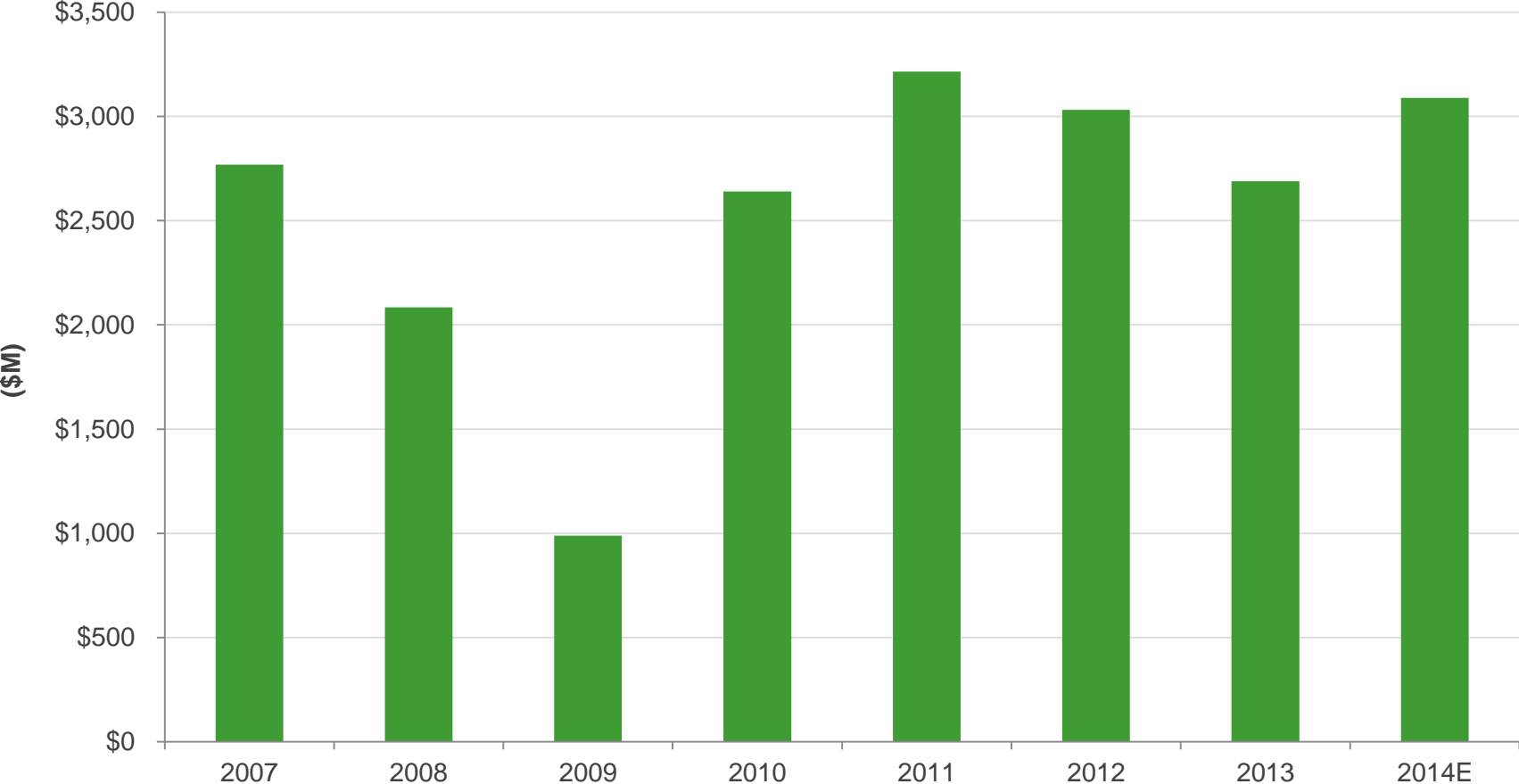


Region



Preliminary

Fiscal Year Net Bookings



Source: KLA-Tencor

Major Semiconductor Inflections

Inflection	2011 Perspective	2012 Perspective	2013 Perspective	2014 Perspective
EUV HVM	16/14nm (2013)	16/14nm (2014)	10nm (2016)	7nm (2018)
1 st 450mm HVM Fab	2014	2016	2018	2020?
3D HVM NAND	Early 2013	Late 2013	2014	2014/2015
3D HVM Logic FinFET	2012	2012	2012	2012
3D HVM Foundry FinFET	2013	Early 2014	Late 2014	Late 2015

Yield Becomes More Challenging When Process Steps Increase

	Litho Mode	# Process Steps	Yield at Same D0*
16/14nm	EUV	700	70%
	Multi-Pattern	1000	60%
10nm	EUV	800	66%
	Multi-Pattern	1600	44%

*D0: Defect Density kept constant for all scenarios

Source: KLA-Tencor, IC Cost Knowledge, Industry Reports

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

Strategic Objectives

CUSTOMERS

Leading Market Position Versus
Our Nearest Rival in Each Segment

GROWTH

5% Faster than Industry Growth Rate

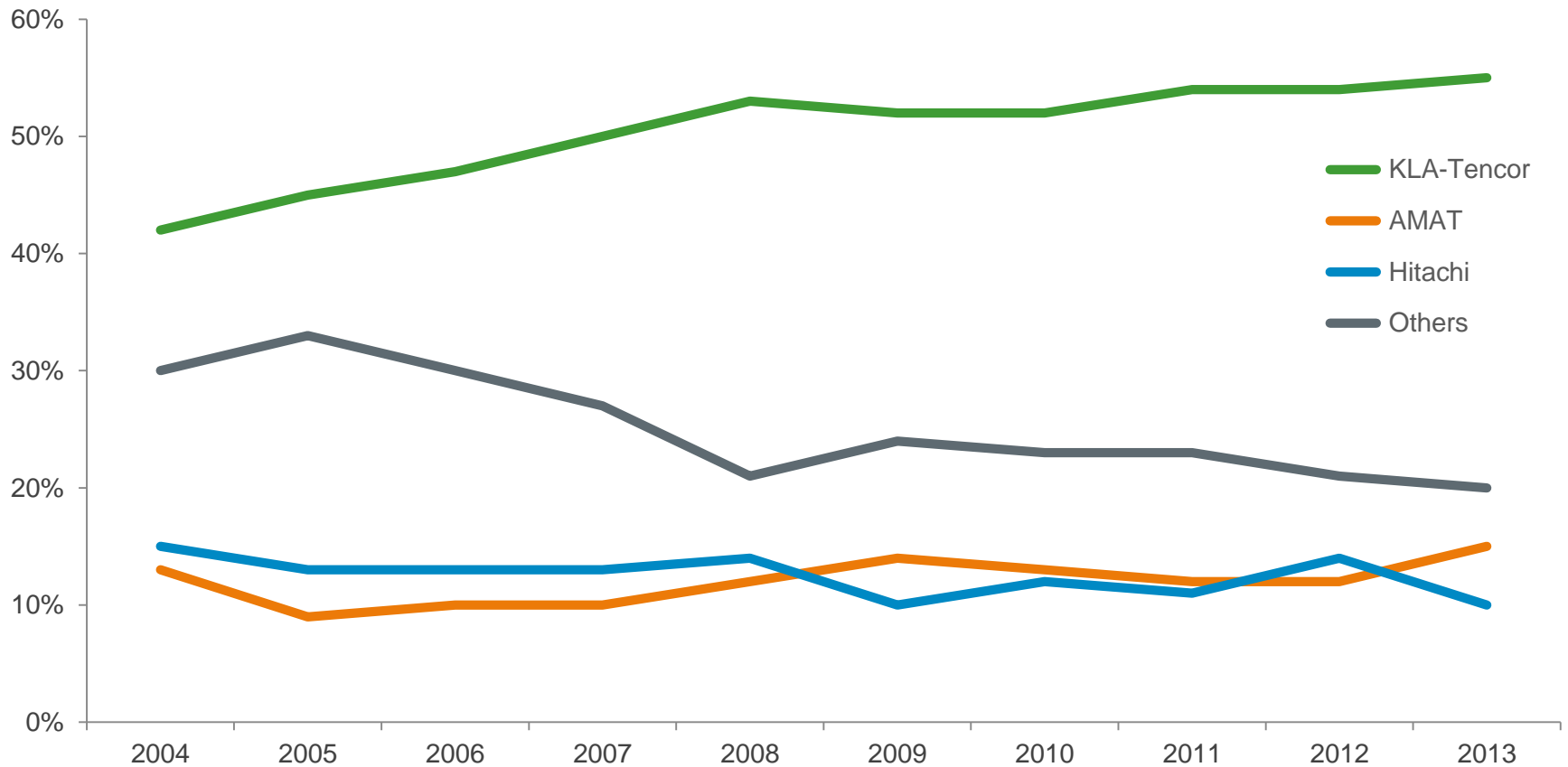
OPERATIONAL EXCELLENCE

Superior Industry Business Model

TALENT

Attract, Develop, and Retain Talent

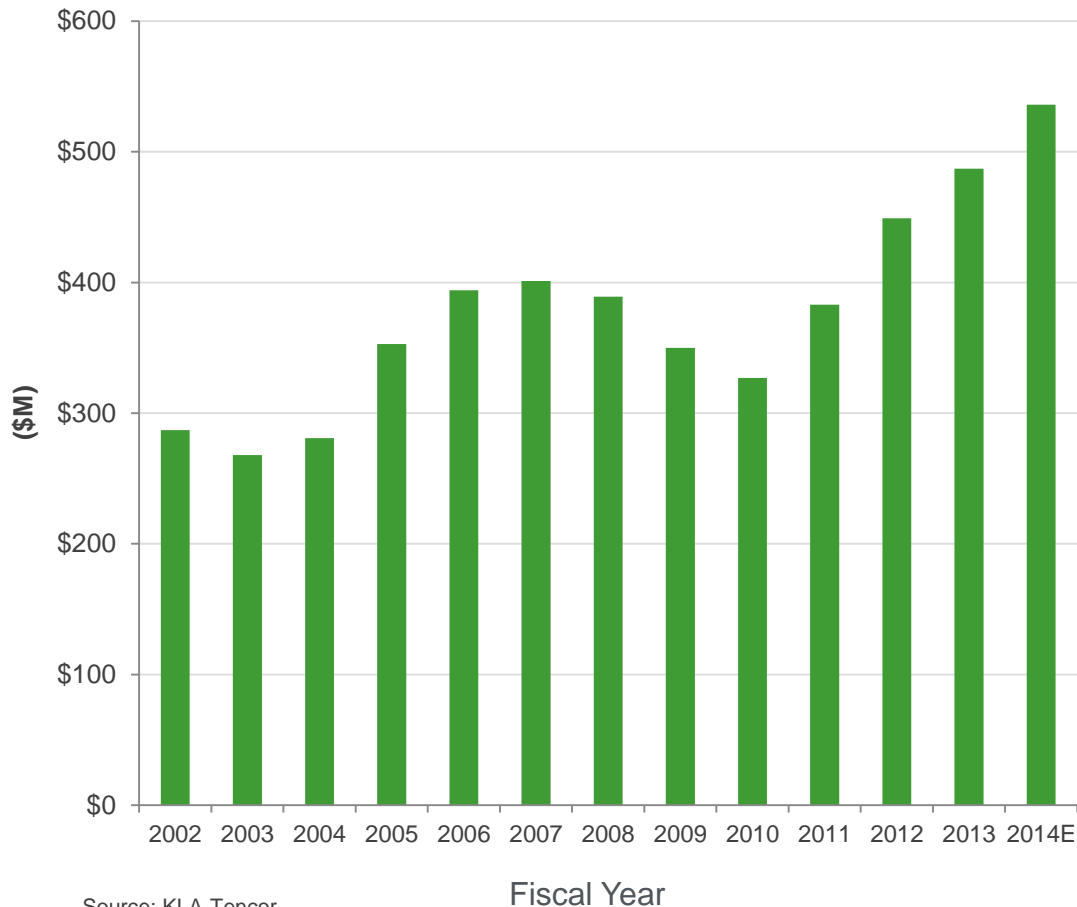
2013 Gartner Process Control Share



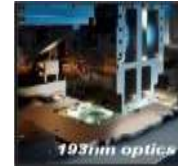
Source: Gartner 2014

KLA-Tencor R&D Spend

Total Annual R&D Spend (\$ Millions)



Core Technologies



DUV/UV & Visible Optics



Advanced Algorithms



High Speed Data Processing



Electron Optics



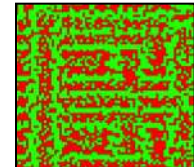
Precision Motion Control



Image Sensors

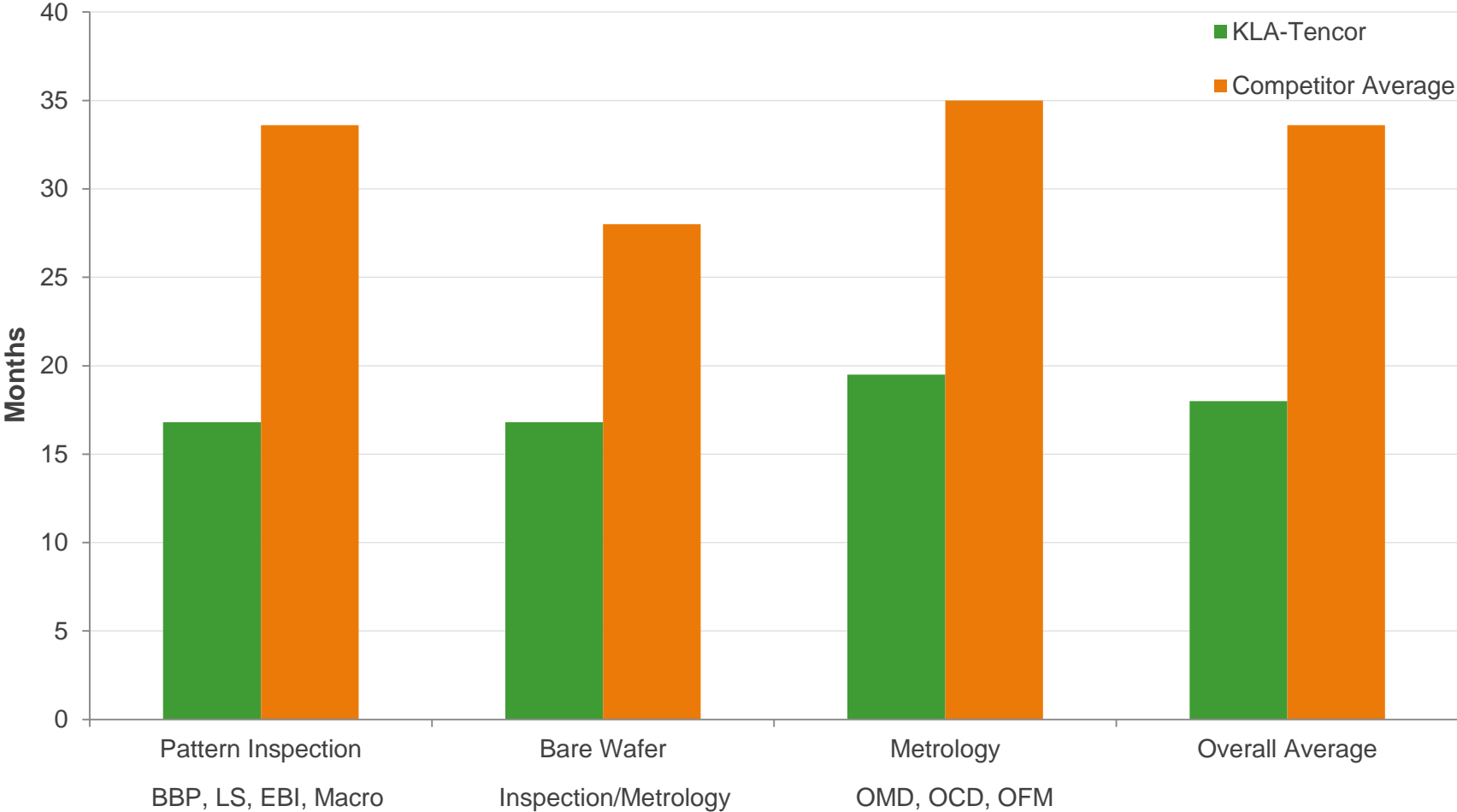


Illumination Systems



Computational Lithography

Product Introduction Cadence: 2007 – 2014



Four New Systems for $\leq 16\text{nm}$ IC Devices



2920



Puma 9850



Surfscan SP5



eDR-7110

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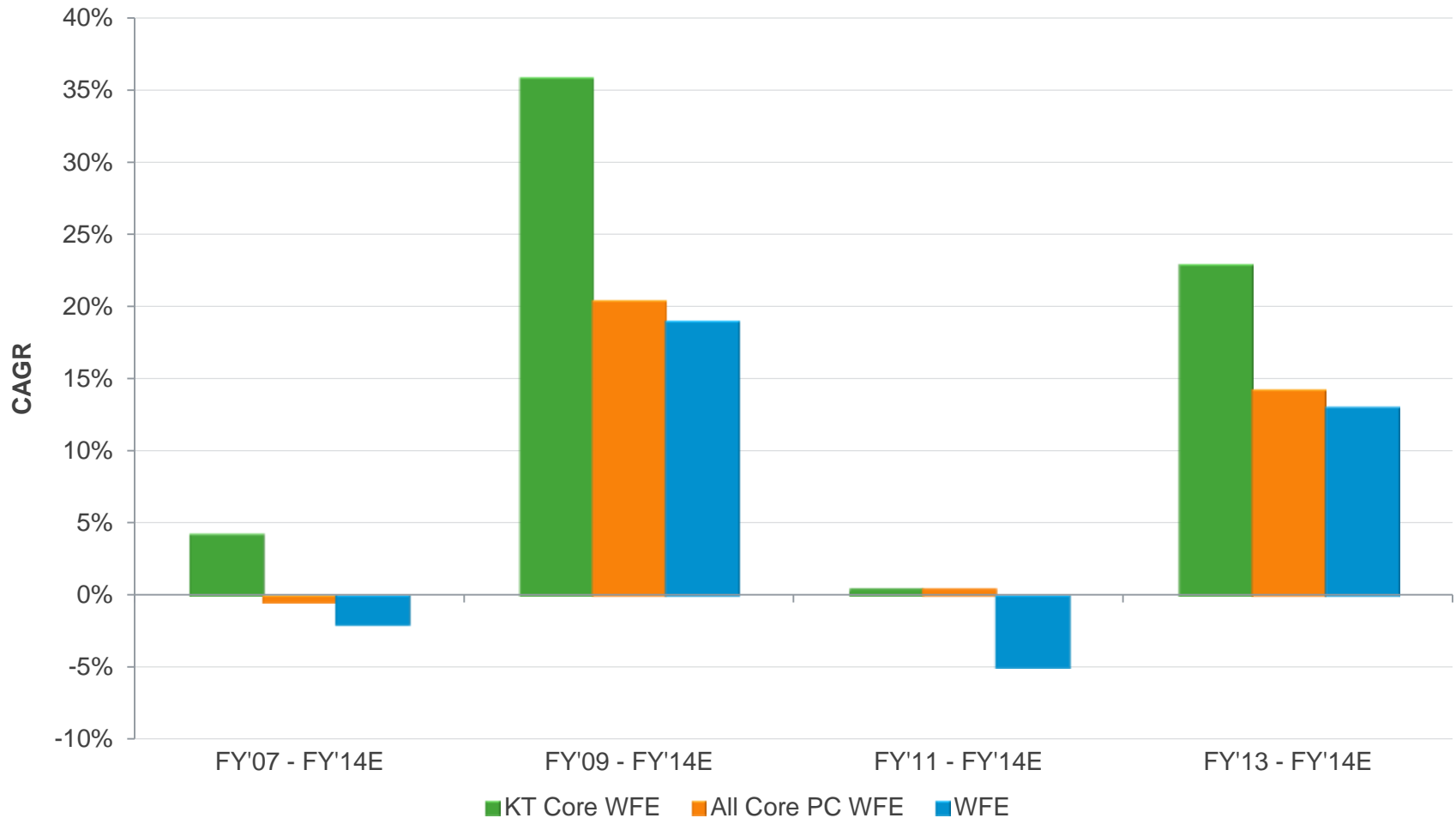
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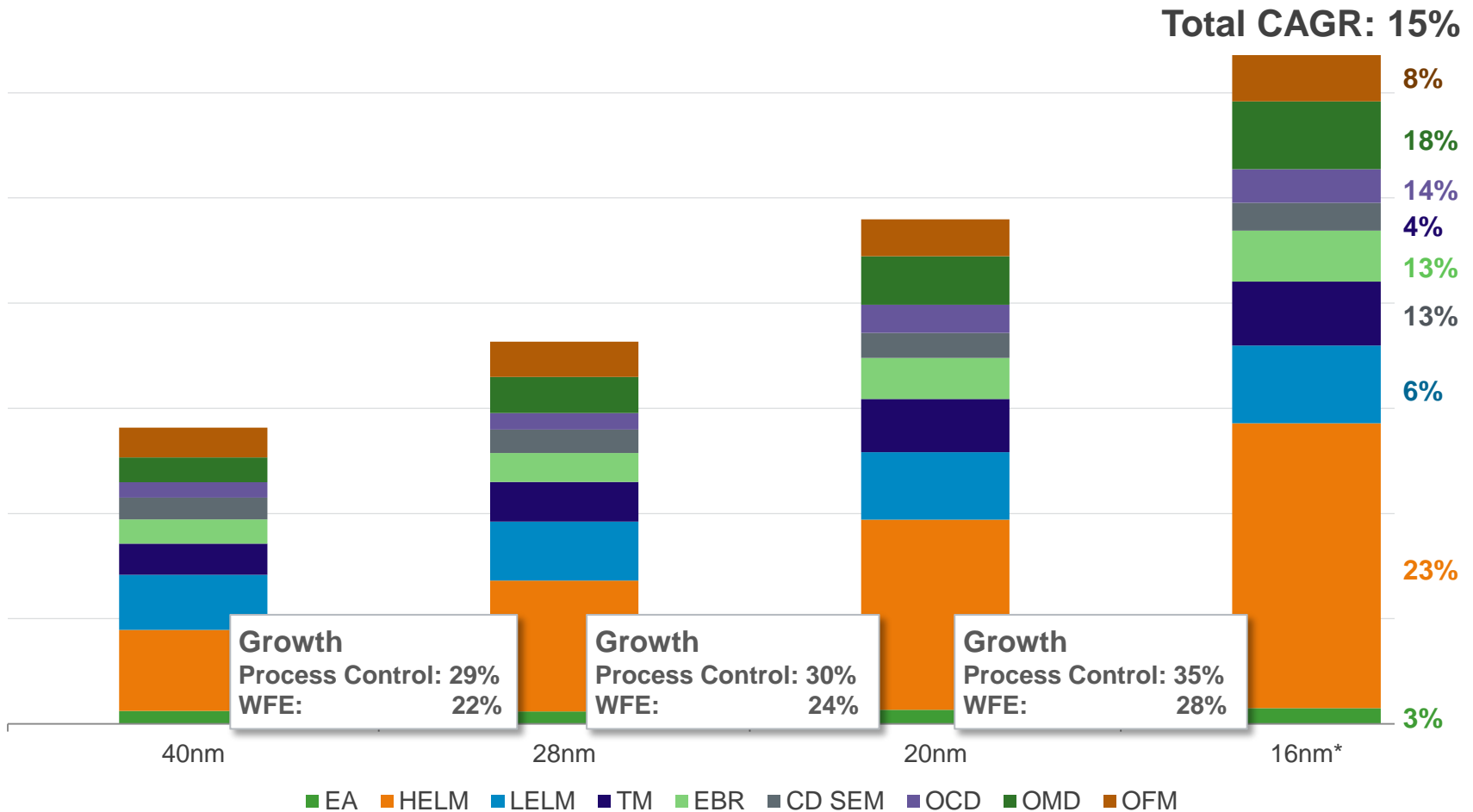
Core Business Continues to Outpace Industry Fiscal Year Compound Annual Growth Rates



Source: KLA-Tencor, Gartner 2014 (All and PC WFE)

Process Control Adoption

Foundry Fab: Normalized to \$'s per 10k Wafer Starts per Month



*16nm Forecast

Source: KLA-Tencor, IC Cost Knowledge Database

Process Control Intensity % Wafer Front-End (WFE)

Customer Segment	4Xnm	2Xnm	1Xnm
Memory	8.8%	9.3%	10.2%
Logic / Foundry	15.8%	17.2%	18.4%
% Total WFE 60% – 40% Split	13.0%	14.0%	15.1%
% Total WFE 70% – 30% Split	13.7%	14.8%	15.9%

Source: KLA-Tencor

Strategic Objectives

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**OPERATIONAL
EXCELLENCE**

Superior Industry Business Model

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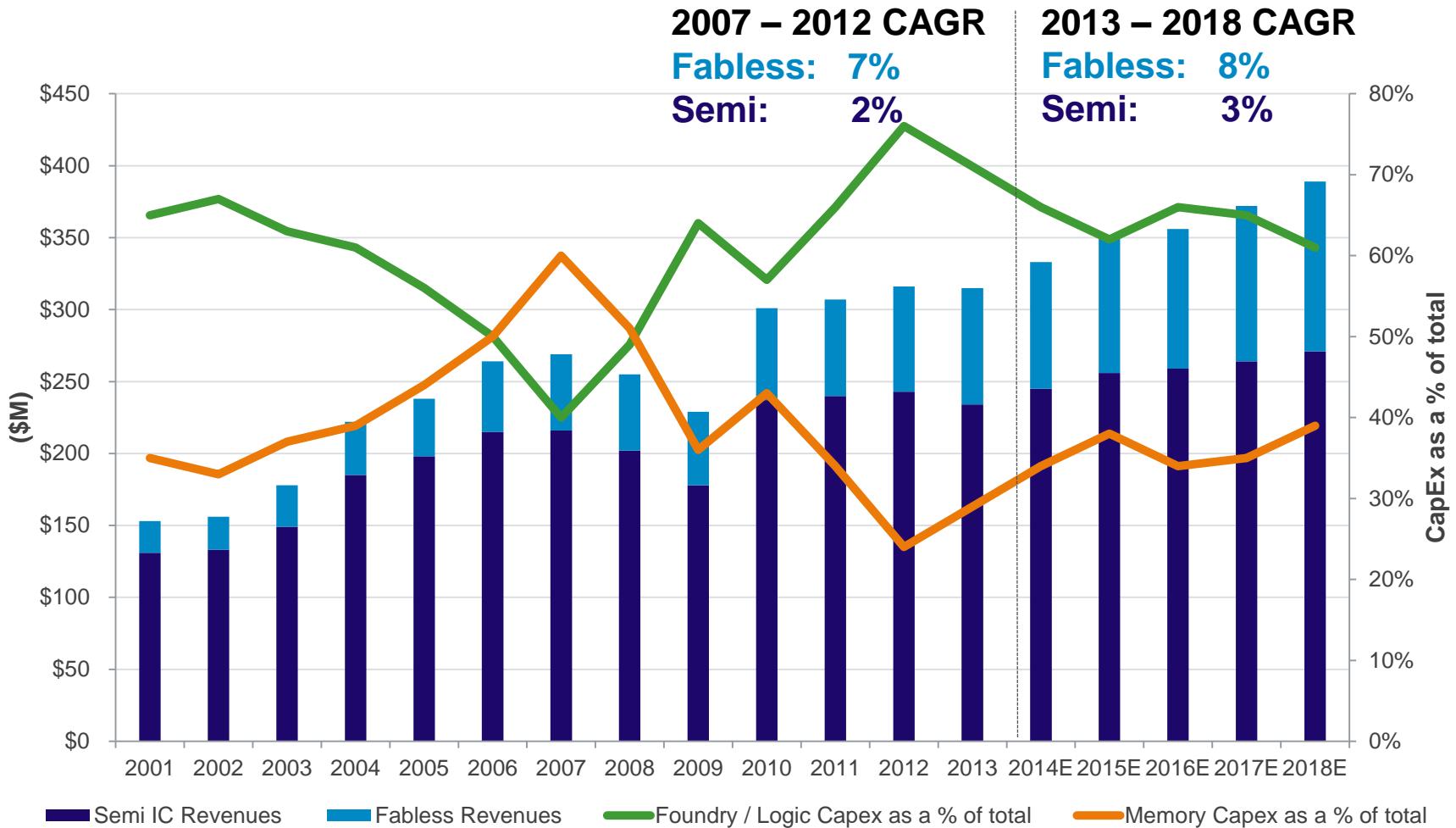
Attract, Develop, and Retain Talent

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FINANCIAL UPDATE

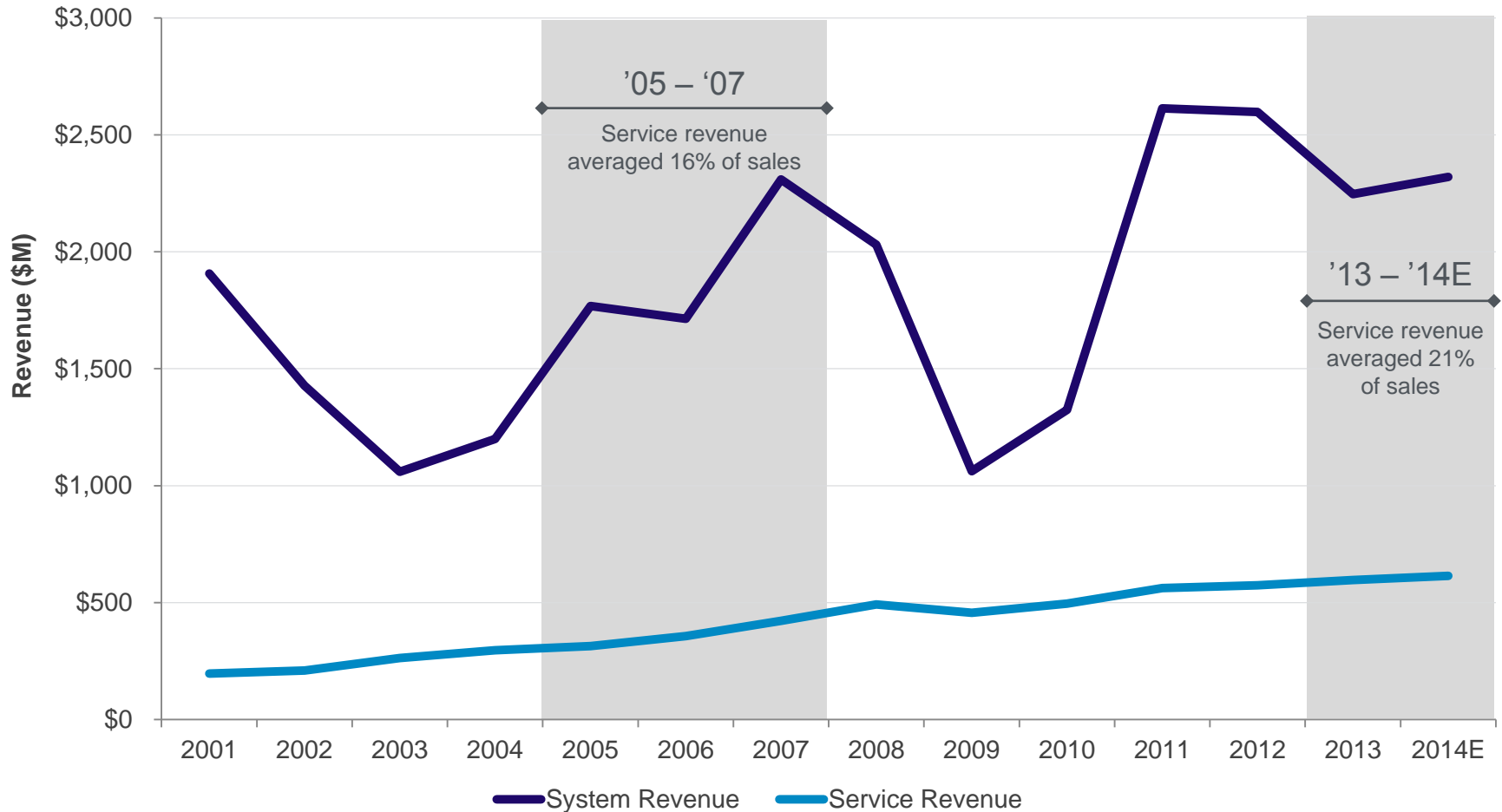
Bren Higgins
Chief Financial Officer

Market Environment



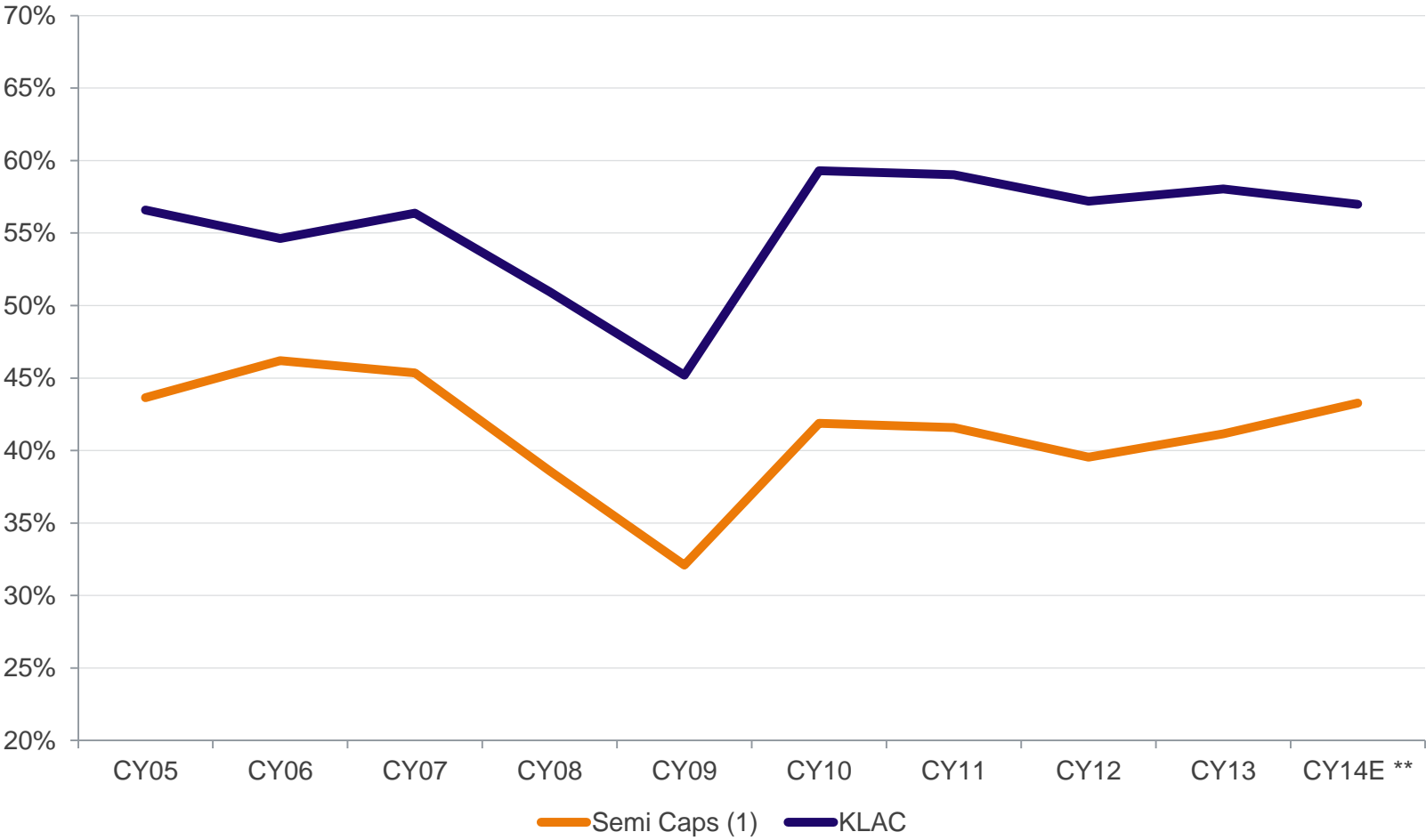
Sources: Gartner, Internal Estimates

Market Leadership Drives Growth and Long Term Residual Revenue Streams



Source: Company Filings and Estimates

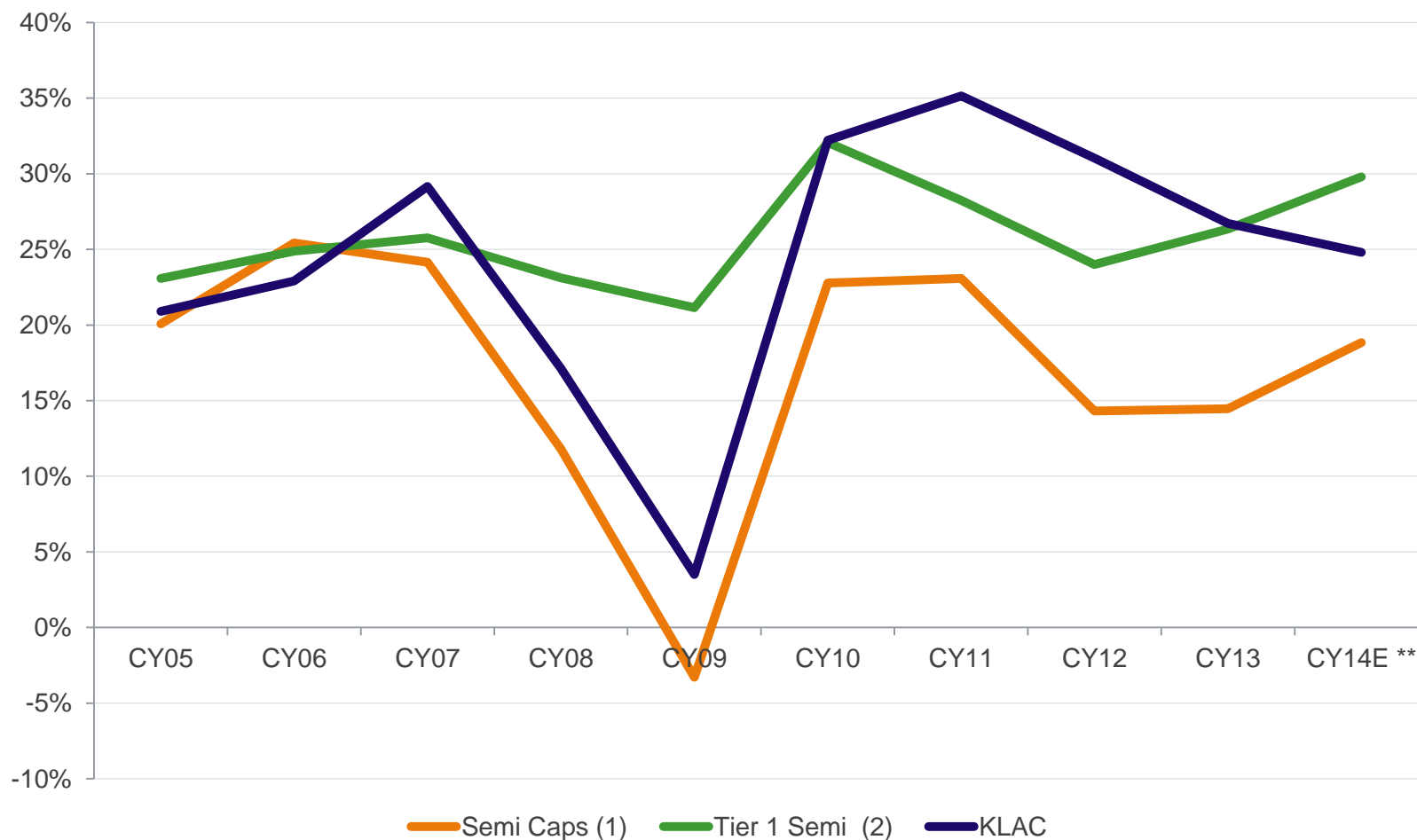
Gross Margin Reflects KLA-Tencor Market Leadership



(1) Includes: AMAT, ASML, LRCX
Source: Bloomberg and Internal Estimates
** Estimates based on mid point of consensus



Market Leadership Delivers Superior Through Cycle Operating Margin Performance



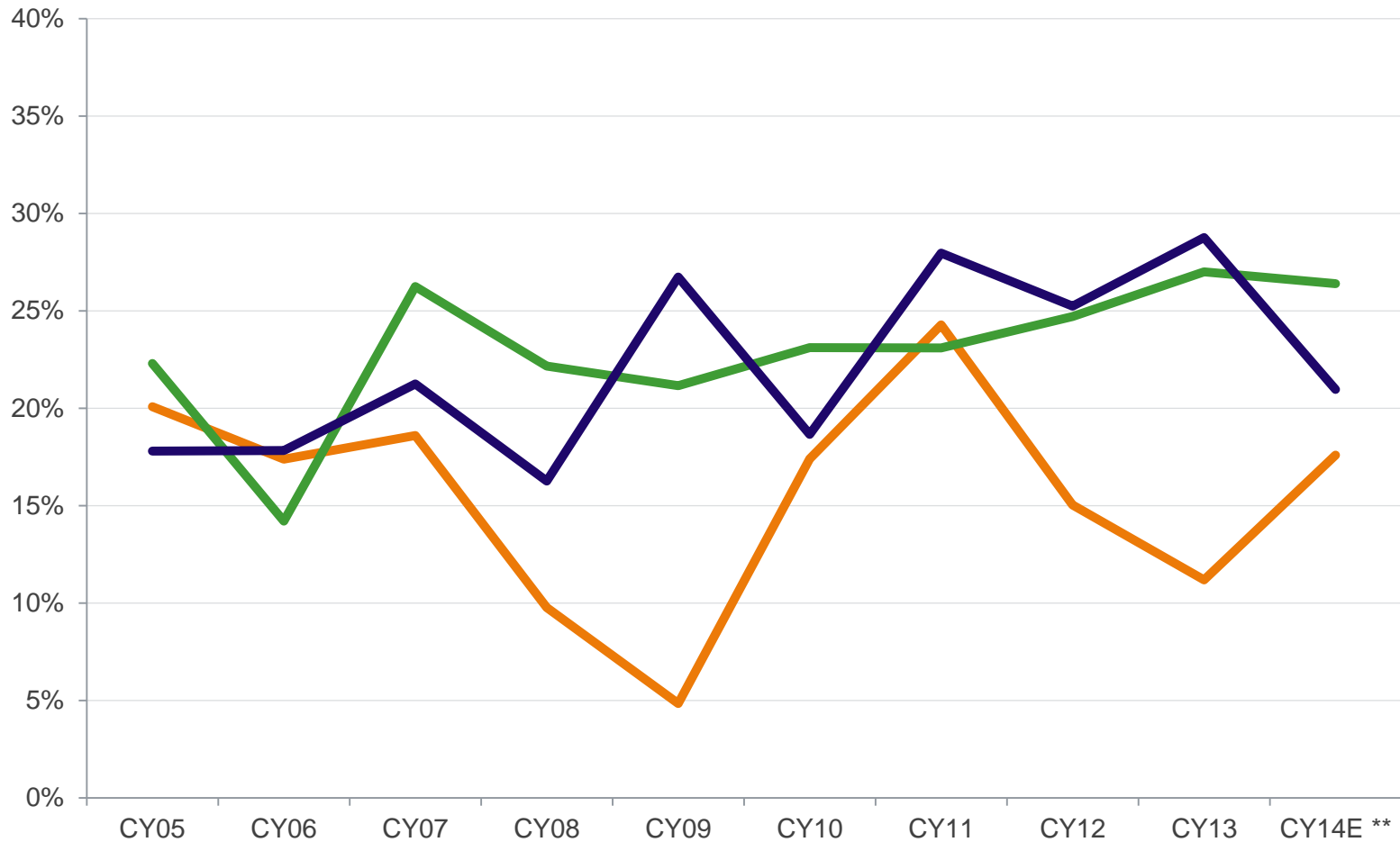
(1) Includes: AMAT, ASML, LRCX

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

Source: Bloomberg and Internal Estimates

** Estimates based on midpoint of consensus

Strong and Consistent Free Cash Flow Margin



(1) Includes: AMAT, ASML, LRCX

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

Source: Bloomberg and Internal Estimates

** Estimates based on midpoint of consensus

FCF margin: Free cash flow / revenue

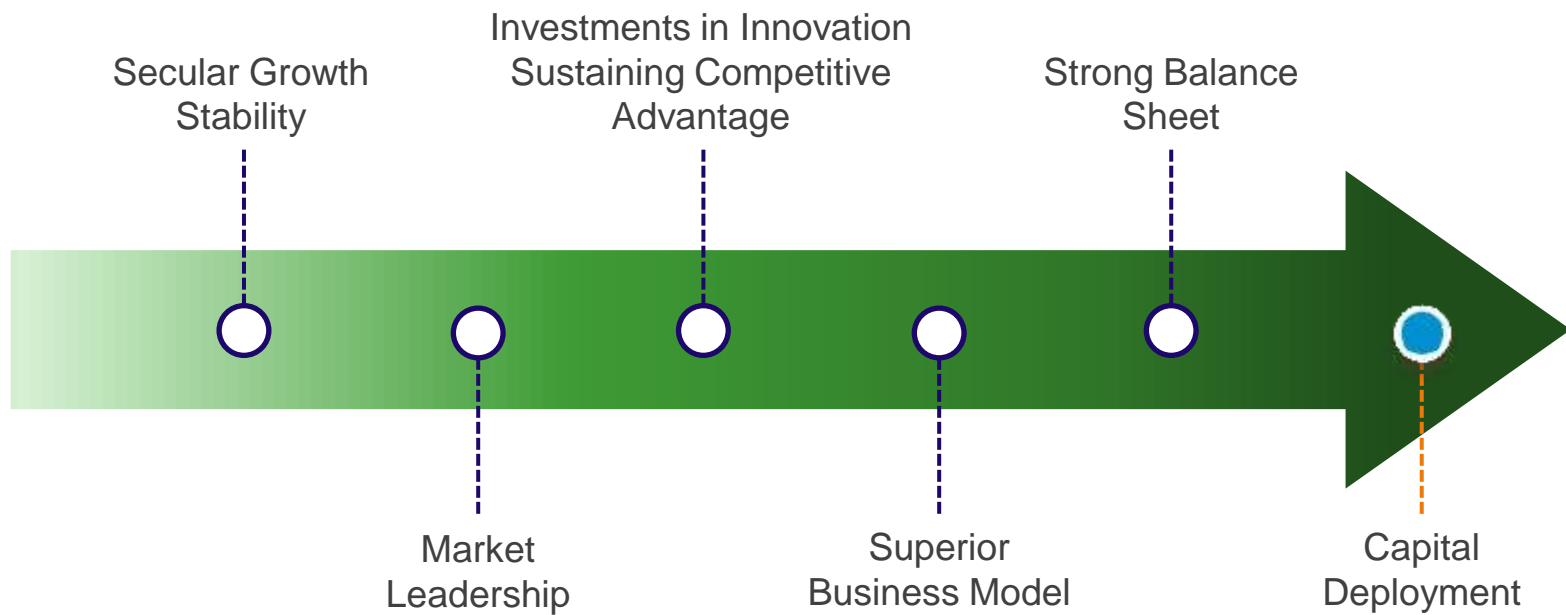
Target Financial Model Delivers Strong Performance

WFE (\$B) ⁽¹⁾	\$32 – \$34	\$34 – \$36	\$36 – \$38
PC Intensity	15% – 16%	15% – 16%	15% – 16%
Revenue (\$B)	\$3.4 – \$3.8	\$3.6 – \$3.9	\$3.7 – \$4.1
Non-GAAP EPS	\$4.65 – \$5.70	\$5.05 – \$6.15	\$5.60 – \$6.65
Post-Buyback EPS ⁽²⁾	\$5.00 – \$6.15	\$5.45 – \$6.65	\$6.10 – \$7.20

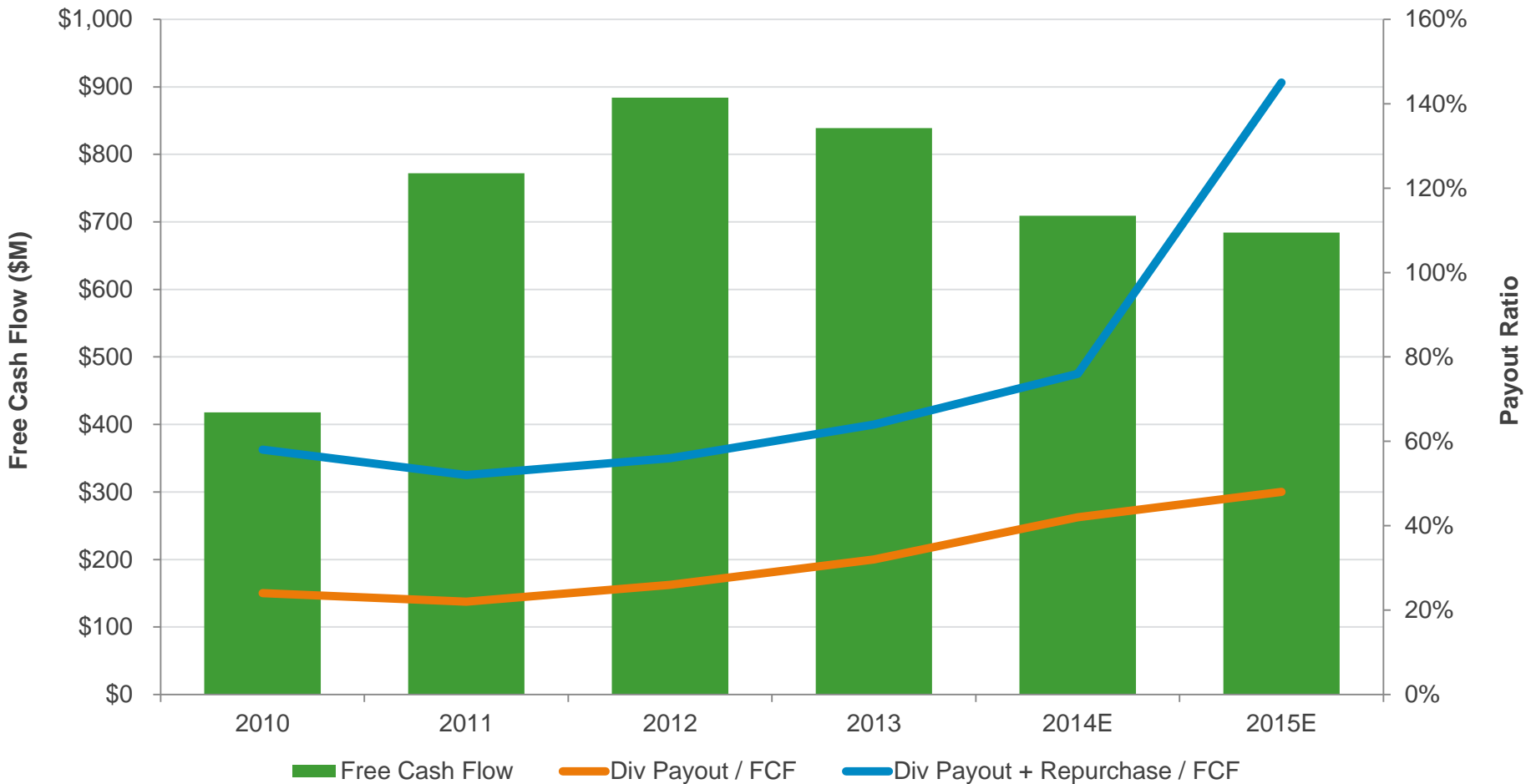
(1) Assumes Foundry/Logic 65% of total capex

(2) Assumes ~ \$1 Billion share repurchase at an average price of \$75 per share, net of dilution from equity comp

Capital Allocation Framework

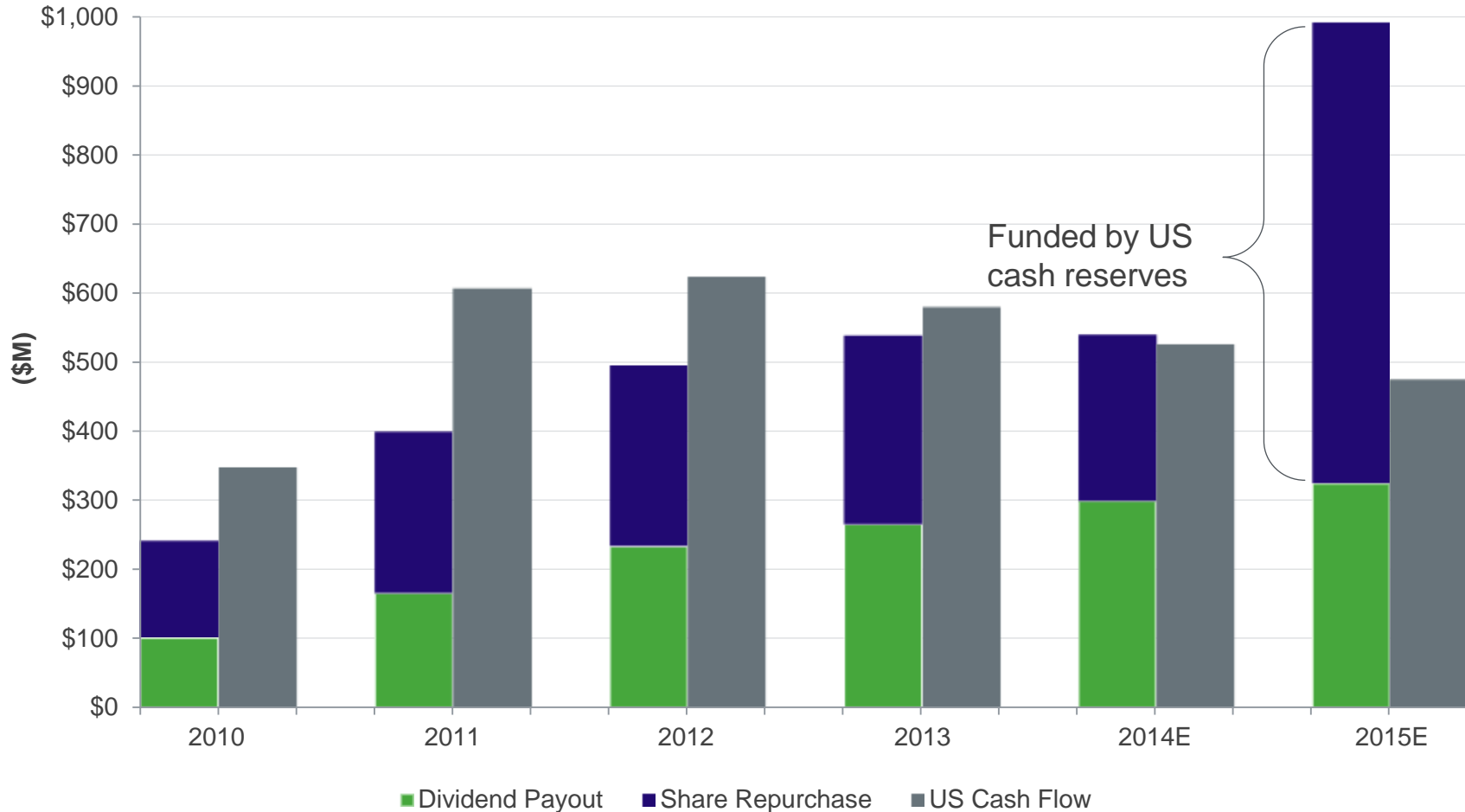


Track Record of Consistent Returns to Stockholders

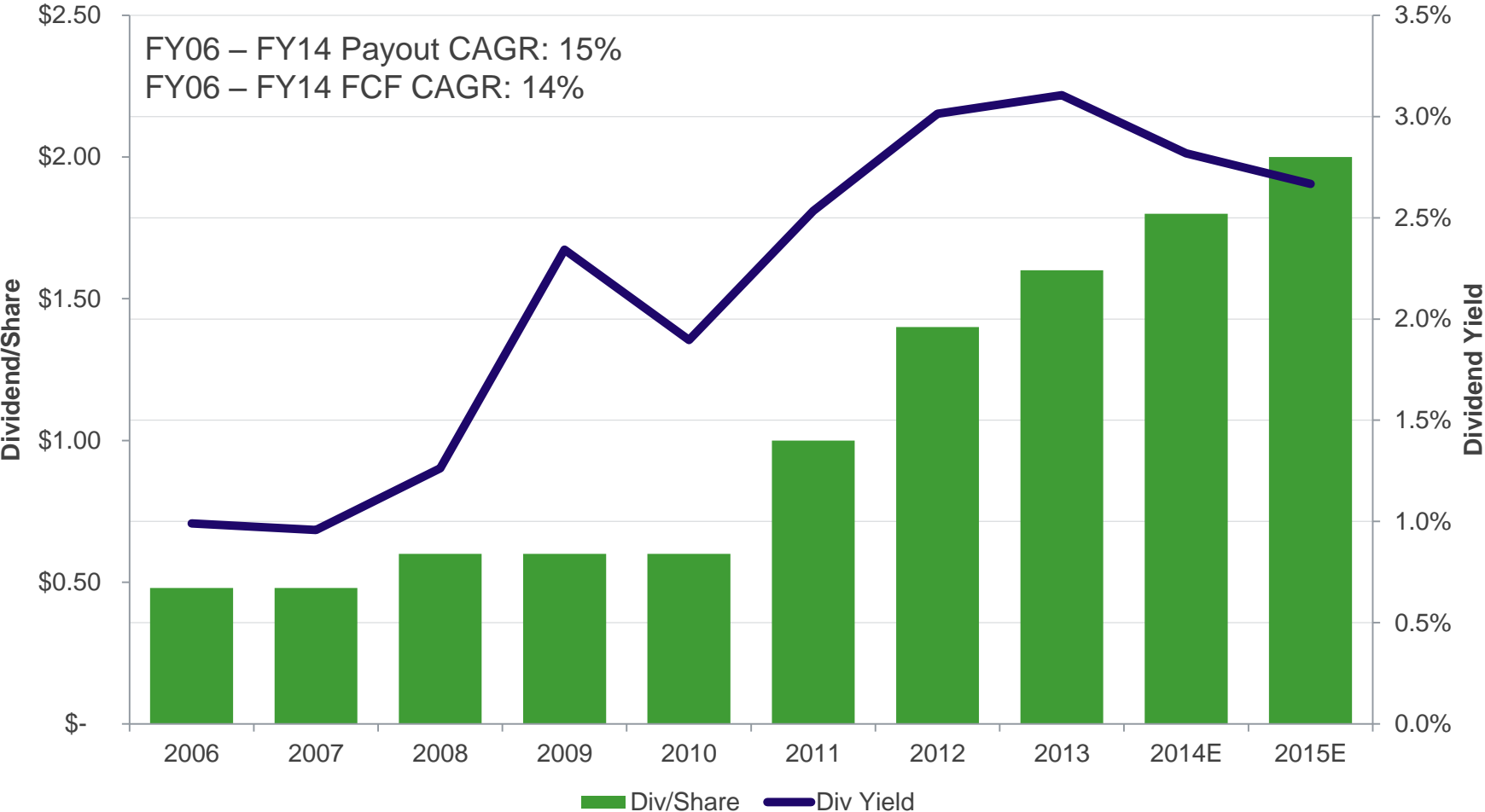


Source: Company filings. FY14 and FY15 forecasts are based on consensus net income estimates adjusted for non cash items

Ongoing Capital Returns Strategy Targeted at ~100% of Accessible Free Cash Flow



Dividend Growth Rate Targeted With Long-Term Growth in Free Cash Flow



Yields based on average annual stock price.
 FY15 estimated yield based on \$2.00 dividend payout in the year and \$75 stock price
 FY15 estimated dividend payout assumes four quarterly dividend payments of \$0.50 per share



Substantial Increase in Cash Returns to Stockholders

Quarterly dividend increased to \$0.50 per share

\$1 Billion share repurchase authorization

