



Applied Materials Announces First Quarter 2022 Results

February 16, 2022

- Record quarterly revenue of \$6.27 billion, up 21 percent year over year
- GAAP operating margin of 31.5 percent and non-GAAP operating margin of 31.7 percent, up 6.6 points and 2.7 points year over year, respectively
- GAAP EPS of \$2.00 and non-GAAP EPS of \$1.89, up 64 percent and 36 percent year over year, respectively

SANTA CLARA, Calif., Feb. 16, 2022 (GLOBE NEWSWIRE) -- Applied Materials, Inc. (NASDAQ: AMAT) today reported results for its first quarter ended Jan. 30, 2022.

First Quarter Results

Applied generated revenue of \$6.27 billion. On a GAAP basis, the company achieved gross margin of 47.2 percent, operating income of \$1.98 billion or 31.5 percent of net sales, and earnings per share (EPS) of \$2.00.

On a non-GAAP adjusted basis, the company reported gross margin of 47.3 percent, operating income of \$1.99 billion or 31.7 percent of net sales, and EPS of \$1.89.

The company generated a record \$2.66 billion in cash from operations and returned \$2.02 billion to shareholders including \$1.80 billion in share repurchases and \$214 million in dividends.

"While the supply environment remains challenging, Applied Materials is doing everything we can to deliver for our customers and we recorded our highest-ever quarterly revenues," said Gary Dickerson, President and CEO. "Our outlook for 2022 and beyond is very positive as long-term secular trends drive our markets structurally higher and Applied's broad technology portfolio puts us in a great position to capture a larger portion of our served markets."

Results Summary

	Q1 FY2022	Q1 FY2021	Change
	<i>(In millions, except per share amounts and percentages)</i>		
Net sales	\$ 6,271	\$ 5,162	21%
Gross margin	47.2%	45.5%	1.7 points
Operating margin	31.5%	24.9%	6.6 points
Net income	\$ 1,792	\$ 1,130	59%
Diluted earnings per share	\$ 2.00	\$ 1.22	64%
Non-GAAP Adjusted Results			
Non-GAAP adjusted gross margin	47.3%	45.9%	1.4 points
Non-GAAP adjusted operating margin	31.7%	29.0%	2.7 points
Non-GAAP adjusted net income	\$ 1,696	\$ 1,282	32%
Non-GAAP adjusted diluted EPS	\$ 1.89	\$ 1.39	36%

A reconciliation of the GAAP and non-GAAP adjusted results is provided in the financial tables included in this release. See also "Use of Non-GAAP Adjusted Financial Measures" section.

Business Outlook

In the second quarter of fiscal 2022, Applied expects net sales to be approximately \$6.35 billion, plus or minus \$300 million, which includes the expected impact of ongoing supply chain challenges. Non-GAAP adjusted diluted EPS is expected to be in the range of \$1.75 to \$2.05.

This outlook for non-GAAP adjusted diluted EPS excludes known charges related to completed acquisitions of \$0.01 per share, includes the normalized tax benefit of share-based compensation of \$0.01 per share and includes a net income tax benefit related to intra-entity intangible asset transfers of \$0.02 per share, but does not reflect any items that are unknown at this time, such as any additional charges related to acquisitions or other non-operational or unusual items, as well as other tax related items, which we are not able to predict without unreasonable efforts due to their inherent uncertainty.

First Quarter Reportable Segment Information

Semiconductor Systems

Q1 FY2022

Q1 FY2021

(In millions, except percentages)

Net sales	\$	4,567	\$	3,553
Foundry, logic and other		60%		58%
DRAM		25%		17%
Flash memory		15%		25%
Operating income	\$	1,771	\$	1,261
Operating margin		38.8%		35.5%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	1,778	\$	1,281
Non-GAAP adjusted operating margin		38.9%		36.1%

Applied Global Services

		Q1 FY2022		Q1 FY2021
		(In millions, except percentages)		
Net sales	\$	1,320	\$	1,155
Operating income	\$	403	\$	332
Operating margin		30.5%		28.7%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	403	\$	340
Non-GAAP adjusted operating margin		30.5%		29.4%

Display and Adjacent Markets

		Q1 FY2022		Q1 FY2021
		(In millions, except percentages)		
Net sales	\$	366	\$	411
Operating income	\$	76	\$	65
Operating margin		20.8%		15.8%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	77	\$	75
Non-GAAP adjusted operating margin		21.0%		18.2%

Use of Non-GAAP Adjusted Financial Measures

Applied provides investors with certain non-GAAP adjusted financial measures, which are adjusted for the impact of certain costs, expenses, gains and losses, including certain items related to mergers and acquisitions; restructuring and severance charges and any associated adjustments; certain incremental expenses related to COVID-19; impairments of assets; gain or loss on strategic investments; certain income tax items and other discrete adjustments. On a non-GAAP basis, the tax effect related to share-based compensation is recognized ratably over the fiscal year. Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are provided in the financial tables included in this release.

Management uses these non-GAAP adjusted financial measures to evaluate the company's operating and financial performance and for planning purposes, and as performance measures in its executive compensation program. Applied believes these measures enhance an overall understanding of its performance and investors' ability to review the company's business from the same perspective as the company's management, and facilitate comparisons of this period's results with prior periods on a consistent basis by excluding items that management does not believe are indicative of Applied's ongoing operating performance. There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles, may be different from non-GAAP financial measures used by other companies, and may exclude certain items that may have a material impact upon our reported financial results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP.

Webcast Information

Applied Materials will discuss these results during an earnings call that begins at 1:30 p.m. Pacific Time today. A live webcast and related slide presentation will be available at www.appliedmaterials.com. A replay will be available on the website beginning at 5:00 p.m. Pacific Time today.

Forward-Looking Statements

This press release contains forward-looking statements, including those regarding anticipated growth and trends in our businesses and markets, industry outlooks and demand drivers, technology transitions, our business and financial performance and market share positions, our capital allocation and cash deployment strategies, our investment and growth strategies, our development of new products and technologies, our business outlook for the second quarter of fiscal 2022 and beyond, and other statements that are not historical facts. These statements and their underlying assumptions are subject to risks and uncertainties and are not guarantees of future performance. Factors that could cause actual results to differ materially from those expressed or implied by such statements include, without limitation: the level of demand for our products, our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; transportation interruptions and logistics constraints; global economic and industry conditions; the effects of regional or global health epidemics, including the severity and duration of the ongoing COVID-19 pandemic; global trade issues and changes in trade and export license policies; consumer demand for electronic products; the demand for semiconductors; customers' technology and capacity requirements; the introduction of new and innovative technologies, and the timing of technology transitions; our ability to develop, deliver and support new products and technologies; the concentrated nature of our customer base; acquisitions, investments and

divestitures; changes in income tax laws; our ability to expand our current markets, increase market share and develop new markets; market acceptance of existing and newly developed products; our ability to obtain and protect intellectual property rights in key technologies; our ability to achieve the objectives of operational and strategic initiatives, align our resources and cost structure with business conditions, and attract, motivate and retain key employees; the variability of operating expenses and results among products and segments, and our ability to accurately forecast future results, market conditions, customer requirements and business needs; our ability to ensure compliance with applicable law, rules and regulations; and other risks and uncertainties described in our SEC filings, including our recent Forms 10-K and 8-K. All forward-looking statements are based on management's current estimates, projections and assumptions, and we assume no obligation to update them.

About Applied Materials

Applied Materials, Inc. (Nasdaq: AMAT) is the leader in materials engineering solutions used to produce virtually every new chip and advanced display in the world. Our expertise in modifying materials at atomic levels and on an industrial scale enables customers to transform possibilities into reality. At Applied Materials, our innovations make possible a better future. Learn more at www.appliedmaterials.com.

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APPLIED MATERIALS, INC. UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended	
	January 30, 2022	January 31, 2021
<i>(In millions, except per share amounts)</i>		
Net sales	\$ 6,271	\$ 5,162
Cost of products sold	3,312	2,813
Gross profit	2,959	2,349
Operating expenses:		
Research, development and engineering	654	606
Marketing and selling	167	147
General and administrative	166	161
Severance and related charges	(4)	152
Total operating expenses	983	1,066
Income from operations	1,976	1,283
Interest expense	57	61
Interest and other income, net	6	18
Income before income taxes	1,925	1,240
Provision for income taxes	133	110
Net income	\$ 1,792	\$ 1,130
Earnings per share:		
Basic	\$ 2.02	\$ 1.23
Diluted	\$ 2.00	\$ 1.22
Weighted average number of shares:		
Basic	889	915
Diluted	897	925

APPLIED MATERIALS, INC. UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

	January 30, 2022	October 31, 2021
<i>(In millions)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,264	\$ 4,995
Short-term investments	473	464
Accounts receivable, net	4,405	4,953
Inventories	4,526	4,309
Other current assets	1,039	1,386
Total current assets	15,707	16,107
Long-term investments	2,026	2,055
Property, plant and equipment, net	1,974	1,934
Goodwill	3,479	3,479
Purchased technology and other intangible assets, net	94	104

Deferred income taxes and other assets	2,148	2,146
Total assets	<u>\$ 25,428</u>	<u>\$ 25,825</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,867	\$ 4,268
Contract liabilities	2,397	2,076
Total current liabilities	6,264	6,344
Long-term debt	5,454	5,452
Income taxes payable	1,068	1,090
Other liabilities	752	692
Total liabilities	13,538	13,578
Total stockholders' equity	11,890	12,247
Total liabilities and stockholders' equity	<u>\$ 25,428</u>	<u>\$ 25,825</u>

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

<i>(In millions)</i>	Three Months Ended	
	January 30, 2022	January 31, 2021
Cash flows from operating activities:		
Net income	\$ 1,792	\$ 1,130
Adjustments required to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	102	94
Severance and related charges	(4)	148
Share-based compensation	118	107
Deferred income taxes	1	28
Other	16	—
Net change in operating assets and liabilities	633	(86)
Cash provided by operating activities	2,658	1,421
Cash flows from investing activities:		
Capital expenditures	(144)	(121)
Cash paid for acquisitions, net of cash acquired	—	(12)
Proceeds from sales and maturities of investments	318	358
Purchases of investments	(312)	(441)
Cash used in investing activities	(138)	(216)
Cash flows from financing activities:		
Common stock repurchases	(1,803)	—
Tax withholding payments for vested equity awards	(235)	(142)
Payments of dividends to stockholders	(214)	(201)
Cash used in financing activities	(2,252)	(343)
Increase in cash, cash equivalents and restricted cash equivalents	268	862
Cash, cash equivalents and restricted cash equivalents—beginning of period	5,101	5,466
Cash, cash equivalents and restricted cash equivalents — end of period	<u>\$ 5,369</u>	<u>\$ 6,328</u>
Reconciliation of cash, cash equivalents, and restricted cash equivalents		
Cash and cash equivalents	\$ 5,264	\$ 6,213
Restricted cash equivalents included in deferred income taxes and other assets	105	115
Total cash, cash equivalents, and restricted cash equivalents	<u>\$ 5,369</u>	<u>\$ 6,328</u>
Supplemental cash flow information:		
Cash payments for income taxes	\$ 80	\$ 110
Cash refunds from income taxes	\$ 123	\$ 19
Cash payments for interest	\$ 34	\$ 35

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

<i>(In millions)</i>	<u>Q1 FY2022</u>	<u>Q1 FY2021</u>
Unallocated net sales	\$ 18	\$ 43
Unallocated cost of products sold and expenses	(178)	(167)
Share-based compensation	(118)	(107)
Severance and related charges	4	(144)
Total	<u>\$ (274)</u>	<u>\$ (375)</u>

Additional Information

<i>(In millions)</i>	<u>Q1 FY2022</u>	<u>Q1 FY2021</u>
Net Sales by Geography		
United States	\$ 847	\$ 343
% of Total	14%	6%
Europe	\$ 281	\$ 299
% of Total	4%	6%
Japan	\$ 561	\$ 458
% of Total	9%	9%
Korea	\$ 1,121	\$ 1,289
% of Total	18%	25%
Taiwan	\$ 1,249	\$ 1,200
% of Total	20%	23%
Southeast Asia	\$ 225	\$ 190
% of Total	3%	4%
China	\$ 1,987	\$ 1,383
% of Total	32%	27%
Employees <i>(In thousands)</i>		
Regular Full Time	28.5	24.2

APPLIED MATERIALS, INC. UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

<i>(In millions, except percentages)</i>	<u>Three Months Ended</u>	
	<u>January 30, 2022</u>	<u>January 31, 2021</u>
Non-GAAP Adjusted Gross Profit		
Reported gross profit - GAAP basis	\$ 2,959	\$ 2,349
Certain items associated with acquisitions ¹	6	8
Certain incremental expenses related to COVID-19 ²	—	12
Non-GAAP adjusted gross profit	<u>\$ 2,965</u>	<u>\$ 2,369</u>
Non-GAAP adjusted gross margin	47.3%	45.9%
Non-GAAP Adjusted Operating Income		
Reported operating income - GAAP basis	\$ 1,976	\$ 1,283
Certain items associated with acquisitions ¹	9	13
Acquisition integration and deal costs	4	24
Certain incremental expenses related to COVID-19 ²	—	24
Severance and related charges ³	(4)	152
Non-GAAP adjusted operating income	<u>\$ 1,985</u>	<u>\$ 1,496</u>
Non-GAAP adjusted operating margin	31.7%	29.0%
Non-GAAP Adjusted Net Income		
Reported net income - GAAP basis	\$ 1,792	\$ 1,130
Certain items associated with acquisitions ¹	9	13
Acquisition integration and deal costs	4	24
Certain incremental expenses related to COVID-19 ²	—	24
Severance and related charges ³	(4)	152
Realized loss (gain) on strategic investments, net	2	(2)
Unrealized loss (gain) on strategic investments, net	(5)	(6)
Income tax effect of share-based compensation ⁴	(58)	(29)
Income tax effects related to intra-entity intangible asset transfers	18	20
Resolution of prior years' income tax filings and other tax items	(62)	(3)

Income tax effect of non-GAAP adjustments ⁵	—	(41)
Non-GAAP adjusted net income	\$ 1,696	\$ 1,282

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 Temporary incremental employee compensation during the COVID-19 pandemic.
- 3 The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.
- 4 GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
- 5 Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

<i>(In millions, except per share amounts)</i>	Three Months Ended	
	January 30, 2022	January 31, 2021
Non-GAAP Adjusted Earnings Per Diluted Share		
Reported earnings per diluted share - GAAP basis	\$ 2.00	\$ 1.22
Certain items associated with acquisitions	0.01	0.01
Acquisition integration and deal costs	—	0.02
Certain incremental expenses related to COVID-19	—	0.02
Severance and related charges	—	0.13
Unrealized loss (gain) on strategic investments, net	(0.01)	—
Income tax effect of share-based compensation	(0.06)	(0.03)
Income tax effects related to intra-entity intangible asset transfers	0.02	0.02
Resolution of prior years' income tax filings and other tax items	(0.07)	—
Non-GAAP adjusted earnings per diluted share	<u>\$ 1.89</u>	<u>\$ 1.39</u>
Weighted average number of diluted shares	897	925

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

<i>(In millions, except percentages)</i>	Three Months Ended	
	January 30, 2022	January 31, 2021
Semiconductor Systems Non-GAAP Adjusted Operating Income		
Reported operating income - GAAP basis	\$ 1,771	\$ 1,261
Certain items associated with acquisitions ¹	7	10
Acquisition integration costs	—	(2)
Certain incremental expenses related to COVID-19 ²	—	12
Non-GAAP adjusted operating income	<u>\$ 1,778</u>	<u>\$ 1,281</u>
Non-GAAP adjusted operating margin	38.9%	36.1%
AGS Non-GAAP Adjusted Operating Income		
Reported operating income - GAAP basis	\$ 403	\$ 332
Certain incremental expenses related to COVID-19 ²	—	8
Non-GAAP adjusted operating income	<u>\$ 403</u>	<u>\$ 340</u>
Non-GAAP adjusted operating margin	30.5%	29.4%
Display and Adjacent Markets Non-GAAP Adjusted Operating Income		
Reported operating income - GAAP basis	\$ 76	\$ 65
Certain items associated with acquisitions ¹	1	1
Certain incremental expenses related to COVID-19 ²	—	1
Severance and related charges ³	—	8
Non-GAAP adjusted operating income	<u>\$ 77</u>	<u>\$ 75</u>
Non-GAAP adjusted operating margin	21.0%	18.2%

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 Temporary incremental employee compensation during the COVID-19 pandemic.
- 3 The severance and related charges related to workforce reduction actions globally across the Display and Adjacent Markets business.

Note: The reconciliation of GAAP and non-GAAP adjusted segment results above does not include certain revenues, costs of products sold and operating expenses that are reported within corporate and other and included in consolidated operating income.

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED EFFECTIVE INCOME TAX RATE

<i>(In millions, except percentages)</i>	Three Months Ended January 30, 2022	
Provision for income taxes - GAAP basis <i>(a)</i>	\$	133
Income tax effect of share-based compensation		58
Income tax effects related to intra-entity intangible asset transfers		(18)
Resolutions of prior years' income tax filings and other tax items		62
Non-GAAP adjusted provision for income taxes <i>(b)</i>	\$	235
Income before income taxes - GAAP basis <i>(c)</i>	\$	1,925
Certain items associated with acquisitions		9
Acquisition integration and deal costs		4
Severance and related charges		(4)
Realized loss (gain) on strategic investments, net		2
Unrealized loss (gain) on strategic investments, net		(5)
Non-GAAP adjusted income before income taxes <i>(d)</i>	\$	1,931
Effective income tax rate - GAAP basis <i>(a/c)</i>		6.9%
Non-GAAP adjusted effective income tax rate <i>(b/d)</i>		12.2%



Source: Applied Materials, Inc.