



Applied Materials Announces Second Quarter 2023 Results

May 18, 2023

- Revenue \$6.63 billion, up 6 percent year over year
- GAAP operating margin 28.8 percent and non-GAAP operating margin 29.1 percent, both down 1.5 points year over year
- GAAP EPS \$1.86 and non-GAAP EPS \$2.00, up 7 percent and 8 percent year over year, respectively
- Generated \$2.29 billion in cash from operations

SANTA CLARA, Calif., May 18, 2023 (GLOBE NEWSWIRE) -- Applied Materials, Inc. (NASDAQ: AMAT) today reported results for its second quarter ended April 30, 2023.

Second Quarter Results

Applied generated revenue of \$6.63 billion. On a GAAP basis, the company achieved gross margin of 46.7 percent, operating income of \$1.91 billion or 28.8 percent of net sales, and earnings per share (EPS) of \$1.86.

On a non-GAAP adjusted basis, the company reported gross margin of 46.8 percent, operating income of \$1.93 billion or 29.1 percent of net sales, and EPS of \$2.00.

The company generated \$2.29 billion in cash from operations and returned \$1.02 billion to shareholders including \$800 million in share repurchases and \$219 million in dividends.

"Applied Materials delivered strong results in our second fiscal quarter with revenues and earnings in the high-end of our guidance range, and we expect to outperform our markets in 2023," said Gary Dickerson, President and CEO. "Our longer-term outlook is very positive as semiconductors become a larger and more strategically important market globally and major technology inflections are enabled by materials engineering, creating outsized growth opportunities for Applied."

Results Summary

	Q2 FY2023	Q2 FY2022	Change
	<i>(In millions, except per share amounts and percentages)</i>		
Net sales	\$ 6,630	\$ 6,245	6%
Gross margin	46.7%	46.9%	(0.2) points
Operating margin	28.8%	30.3%	(1.5) points
Net income	\$ 1,575	\$ 1,536	3%
Diluted earnings per share	\$ 1.86	\$ 1.74	7%
Non-GAAP Adjusted Results			
Non-GAAP adjusted gross margin	46.8%	47.0%	(0.2) points
Non-GAAP adjusted operating margin	29.1%	30.6%	(1.5) points
Non-GAAP adjusted net income	\$ 1,692	\$ 1,636	3%
Non-GAAP adjusted diluted EPS	\$ 2.00	\$ 1.85	8%

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 third quarter of fiscal 2023, Applied expects net sales to be approximately \$6.15 billion, plus or minus \$400 million. Non-GAAP adjusted diluted EPS is expected to be in the range of \$1.56 to \$1.92.

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 \$0.01 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.

Second Quarter Reportable Segment Information

Semiconductor Systems

Q2 FY2023	Q2 FY2022
<i>(In millions, except percentages)</i>	

Net sales	\$	4,977	\$	4,458
Foundry, logic and other		84%		65%
DRAM		11%		21%
Flash memory		5%		14%
Operating income	\$	1,764	\$	1,648
Operating margin		35.4%		37.0%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	1,774	\$	1,656
Non-GAAP adjusted operating margin		35.6%		37.1%

Applied Global Services

	<u>Q2 FY2023</u>		<u>Q2 FY2022</u>	
	<i>(In millions, except percentages)</i>			
Net sales	\$	1,428	\$	1,383
Operating income	\$	414	\$	422
Operating margin		29.0%		30.5%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	414	\$	422
Non-GAAP adjusted operating margin		29.0%		30.5%

Display and Adjacent Markets

	<u>Q2 FY2023</u>		<u>Q2 FY2022</u>	
	<i>(In millions, except percentages)</i>			
Net sales	\$	168	\$	381
Operating income	\$	21	\$	81
Operating margin		12.5%		21.3%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	21	\$	82
Non-GAAP adjusted operating margin		12.5%		21.5%

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; 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 Statement

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 third quarter of fiscal 2023 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; global economic, political and industry conditions, including rising inflation and interest rates; the implementation and interpretation of new export regulations and license requirements, and their impact on our ability to export products and provide services to customers and on our results of operations; global trade issues and changes in trade and export license policies; our ability to obtain licenses or authorizations on a timely basis, if at all; 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; 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 effects of regional or global health epidemics, including COVID-19; acquisitions, investments and divestitures; changes in income tax laws; 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-Q 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		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<i>(In millions, except per share amounts)</i>				
Net sales	\$ 6,630	\$ 6,245	\$ 13,369	\$ 12,516
Cost of products sold	3,536	3,318	7,130	6,630
Gross profit	3,094	2,927	6,239	5,886
Operating expenses:				
Research, development and engineering	775	686	1,546	1,340
Marketing and selling	194	173	391	340
General and administrative	214	174	421	340
Severance and related charges	—	—	—	(4)
Total operating expenses	1,183	1,033	2,358	2,016
Income from operations	1,911	1,894	3,881	3,870
Interest expense	61	58	120	115
Interest and other income (expense), net	(73)	28	(23)	34
Income before income taxes	1,777	1,864	3,738	3,789
Provision for income taxes	202	328	446	461
Net income	<u>\$ 1,575</u>	<u>\$ 1,536</u>	<u>\$ 3,292</u>	<u>\$ 3,328</u>
Earnings per share:				
Basic	\$ 1.87	\$ 1.75	\$ 3.90	\$ 3.77
Diluted	\$ 1.86	\$ 1.74	\$ 3.88	\$ 3.74
Weighted average number of shares:				
Basic	843	878	844	883
Diluted	847	883	848	890

APPLIED MATERIALS, INC. UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

<i>(In millions)</i>	April 30, 2023	October 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,588	\$ 1,995
Short-term investments	510	586
Accounts receivable, net	5,516	6,068
Inventories	5,940	5,932
Other current assets	1,219	1,344
Total current assets	17,773	15,925
Long-term investments	2,024	1,980

Property, plant and equipment, net	2,559	2,307
Goodwill	3,711	3,700
Purchased technology and other intangible assets, net	328	339
Deferred income taxes and other assets	2,697	2,475
Total assets	<u>\$ 29,092</u>	<u>\$ 26,726</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 199	\$ —
Accounts payable and accrued expenses	4,299	4,237
Contract liabilities	3,373	3,142
Total current liabilities	<u>7,871</u>	<u>7,379</u>
Long-term debt	5,459	5,457
Income taxes payable	822	964
Other liabilities	811	732
Total liabilities	<u>14,963</u>	<u>14,532</u>
Total stockholders' equity	<u>14,129</u>	<u>12,194</u>
Total liabilities and stockholders' equity	<u>\$ 29,092</u>	<u>\$ 26,726</u>

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

(In millions)	Three Months Ended		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Cash flows from operating activities:				
Net income	\$ 1,575	\$ 1,536	\$ 3,292	\$ 3,328
Adjustments required to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	129	111	249	213
Severance and related charges	—	—	—	(4)
Share-based compensation	113	101	261	219
Deferred income taxes	(115)	(257)	(136)	(256)
Other	167	(24)	174	(8)
Net change in operating assets and liabilities	423	(1,052)	722	(419)
Cash provided by operating activities	<u>2,292</u>	<u>415</u>	<u>4,562</u>	<u>3,073</u>
Cash flows from investing activities:				
Capital expenditures	(255)	(210)	(542)	(354)
Cash paid for acquisitions, net of cash acquired	2	—	(18)	—
Proceeds from sales and maturities of investments	255	321	669	639
Purchases of investments	(324)	(524)	(730)	(836)
Cash used in investing activities	<u>(322)</u>	<u>(413)</u>	<u>(621)</u>	<u>(551)</u>
Cash flows from financing activities:				
Proceeds from commercial paper	297	—	595	—
Repayments of commercial paper	(300)	—	(400)	—
Proceeds from common stock issuances	111	96	111	96
Common stock repurchases	(800)	(1,800)	(1,050)	(3,603)
Tax withholding payments for vested equity awards	(18)	(21)	(154)	(256)
Payments of dividends to stockholders	(219)	(211)	(439)	(425)
Repayments of principal on finance leases	1	—	(9)	—
Cash used in financing activities	<u>(928)</u>	<u>(1,936)</u>	<u>(1,346)</u>	<u>(4,188)</u>
Increase (decrease) in cash, cash equivalents and restricted cash equivalents	1,042	(1,934)	2,595	(1,666)
Cash, cash equivalents and restricted cash equivalents —beginning of period	3,653	5,369	2,100	5,101
Cash, cash equivalents and restricted cash equivalents —end of period	<u>\$ 4,695</u>	<u>\$ 3,435</u>	<u>\$ 4,695</u>	<u>\$ 3,435</u>
Reconciliation of cash, cash equivalents, and restricted cash equivalents				
Cash and cash equivalents	\$ 4,588	\$ 3,331	\$ 4,588	\$ 3,331

Restricted cash equivalents included in deferred income taxes and other assets	107	104	107	104
Total cash, cash equivalents, and restricted cash equivalents	<u>\$ 4,695</u>	<u>\$ 3,435</u>	<u>\$ 4,695</u>	<u>\$ 3,435</u>

Supplemental cash flow information:

Cash payments for income taxes	\$ 152	\$ 951	\$ 221	\$ 1,031
Cash refunds from income taxes	\$ 47	\$ 5	\$ 51	\$ 128
Cash payments for interest	\$ 68	\$ 68	\$ 102	\$ 102

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Corporate and Other

(In millions)

	<u>Q2 FY2023</u>	<u>Q2 FY2022</u>
Unallocated net sales	\$ 57	\$ 23
Unallocated cost of products sold and expenses	(232)	(179)
Share-based compensation	(113)	(101)
Total	<u>\$ (288)</u>	<u>\$ (257)</u>

Additional Information

	<u>Q2 FY2023</u>	<u>Q2 FY2022</u>
Net Sales by Geography <i>(In millions)</i>		
United States	\$ 1,113	\$ 702
% of Total	17%	11%
Europe	\$ 477	\$ 489
% of Total	7%	8%
Japan	\$ 460	\$ 407
% of Total	7%	6%
Korea	\$ 1,583	\$ 968
% of Total	24%	16%
Taiwan	\$ 1,435	\$ 1,408
% of Total	22%	23%
Southeast Asia	\$ 157	\$ 138
% of Total	2%	2%
China	\$ 1,405	\$ 2,133
% of Total	21%	34%
Employees <i>(In thousands)</i>		
Regular Full Time	34.2	30.1

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 30, 2023</u>	<u>May 1, 2022</u>	<u>April 30, 2023</u>	<u>May 1, 2022</u>
<i>(In millions, except percentages)</i>				
Non-GAAP Adjusted Gross Profit				
Reported gross profit - GAAP basis	\$ 3,094	\$ 2,927	\$ 6,239	\$ 5,886
Certain items associated with acquisitions ¹	7	7	14	13
Non-GAAP adjusted gross profit	<u>\$ 3,101</u>	<u>\$ 2,934</u>	<u>\$ 6,253</u>	<u>\$ 5,899</u>
Non-GAAP adjusted gross margin	46.8%	47.0%	46.8%	47.1%
Non-GAAP Adjusted Operating Income				
Reported operating income - GAAP basis	\$ 1,911	\$ 1,894	\$ 3,881	\$ 3,870
Certain items associated with acquisitions ¹	11	10	22	19
Acquisition integration and deal costs	8	9	14	13

Severance and related charges ²	—	—	—	(4)
Non-GAAP adjusted operating income	\$ 1,930	\$ 1,913	\$ 3,917	\$ 3,898
Non-GAAP adjusted operating margin	29.1%	30.6%	29.3%	31.1%
Non-GAAP Adjusted Net Income				
Reported net income - GAAP basis	\$ 1,575	\$ 1,536	\$ 3,292	\$ 3,328
Certain items associated with acquisitions ¹	11	10	22	19
Acquisition integration and deal costs	8	12	14	16
Severance and related charges ²	—	—	—	(4)
Realized loss (gain) and impairment on strategic investments, net	117	(2)	113	—
Unrealized loss (gain) on strategic investments, net	11	(28)	7	(33)
Income tax effect of share-based compensation ³	3	14	(11)	(44)
Income tax effects related to intra-entity intangible asset transfers	(1)	81	16	99
Resolution of prior years' income tax filings and other tax items	(27)	7	(32)	(55)
Income tax effect of non-GAAP adjustments ⁴	(5)	6	(5)	6
Non-GAAP adjusted net income	\$ 1,692	\$ 1,636	\$ 3,416	\$ 3,332

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 The severance and related charges primarily related to a one-time voluntary retirement program offered to certain eligible employees.
- 3 GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
- 4 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

	Three Months Ended		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<i>(In millions, except per share amounts)</i>				
Non-GAAP Adjusted Earnings Per Diluted Share				
Reported earnings per diluted share - GAAP basis	\$ 1.86	\$ 1.74	\$ 3.88	\$ 3.74
Certain items associated with acquisitions	0.01	0.01	0.03	0.02
Acquisition integration and deal costs	0.01	0.01	0.01	0.02
Realized loss (gain) and impairment on strategic investments, net	0.14	—	0.13	—
Unrealized loss (gain) on strategic investments, net	0.01	(0.03)	0.01	(0.04)
Income tax effect of share-based compensation	—	0.02	(0.01)	(0.05)
Income tax effects related to intra-entity intangible asset transfers	—	0.09	0.02	0.11
Resolution of prior years' income tax filings and other tax items	(0.03)	0.01	(0.04)	(0.06)
Non-GAAP adjusted earnings per diluted share	\$ 2.00	\$ 1.85	\$ 4.03	\$ 3.74
Weighted average number of diluted shares	847	883	848	890

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

	Three Months Ended		Six Months Ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<i>(In millions, except percentages)</i>				
Semiconductor Systems Non-GAAP Adjusted Operating Income				
Reported operating income - GAAP basis	\$ 1,764	\$ 1,648	\$ 3,681	\$ 3,419
Certain items associated with acquisitions ¹	10	8	19	15

Non-GAAP adjusted operating income	\$	1,774	\$	1,656	\$	3,700	\$	3,434
Non-GAAP adjusted operating margin		35.6%		37.1%		36.5%		38.0%
AGS Non-GAAP Adjusted Operating Income								
Reported operating income - GAAP basis	\$	414	\$	422	\$	797	\$	825
Non-GAAP adjusted operating income	\$	414	\$	422	\$	797	\$	825
Non-GAAP adjusted operating margin		29.0%		30.5%		28.5%		30.5%
Display and Adjacent Markets Non-GAAP Adjusted Operating Income								
Reported operating income - GAAP basis	\$	21	\$	81	\$	29	\$	157
Certain items associated with acquisitions ¹		—		1		—		2
Non-GAAP adjusted operating income	\$	21	\$	82	\$	29	\$	159
Non-GAAP adjusted operating margin		12.5%		21.5%		8.7%		21.3%

1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

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.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED EFFECTIVE INCOME TAX RATE

<i>(In millions, except percentages)</i>	Three Months Ended April 30, 2023
Provision for income taxes - GAAP basis (a)	\$ 202
Income tax effect of share-based compensation	(3)
Income tax effects related to intra-entity intangible asset transfers	1
Resolutions of prior years' income tax filings and other tax items	27
Income tax effect of non-GAAP adjustments	5
Non-GAAP adjusted provision for income taxes (b)	<u>\$ 232</u>
Income before income taxes - GAAP basis (c)	\$ 1,777
Certain items associated with acquisitions	11
Acquisition integration and deal costs	8
Realized loss (gain) and impairment on strategic investments, net	117
Unrealized loss (gain) on strategic investments, net	11
Non-GAAP adjusted income before income taxes (d)	<u>\$ 1,924</u>
Effective income tax rate - GAAP basis (a/c)	<u>11.4%</u>
Non-GAAP adjusted effective income tax rate (b/d)	12.1%



Source: Applied Materials, Inc.