



## Applied Materials Announces Second Quarter 2024 Results

May 16, 2024

- Revenue \$6.65 billion, flat year over year
- GAAP operating margin 28.8 percent and non-GAAP operating margin 29.0 percent, flat and down 0.1 point year over year, respectively
- GAAP EPS \$2.06 and non-GAAP EPS \$2.09, up 11 percent and 5 percent year over year, respectively
- Generated \$1.39 billion in cash from operations

SANTA CLARA, Calif., May 16, 2024 (GLOBE NEWSWIRE) -- Applied Materials, Inc. (NASDAQ: AMAT) today reported results for its second quarter ended Apr. 28, 2024.

### Second Quarter Results

Applied generated revenue of \$6.65 billion. On a GAAP basis, the company reported gross margin of 47.4 percent, operating income of \$1.91 billion or 28.8 percent of net revenue, and earnings per share (EPS) of \$2.06.

On a non-GAAP basis, the company reported gross margin of 47.5 percent, operating income of \$1.93 billion or 29.0 percent of net revenue, and EPS of \$2.09.

The company generated \$1.39 billion in cash from operations and distributed \$1.09 billion to shareholders including \$820 million in share repurchases and \$266 million in dividends.

“Applied Materials continues to deliver strong performance in 2024, with fiscal second quarter revenue and earnings towards the high end of our guided range,” said Gary Dickerson, President and CEO. “Applied Materials has the most enabling portfolio of materials engineering technologies for chips that underpin tectonic shifts in technology including AI, IoT, electric vehicles and clean energy, which puts us in a great position to grow along with these long-term, secular trends.”

### Results Summary

		Q2 FY2024	Q2 FY2023	Change
		<i>(In millions, except per share amounts and percentages)</i>		
Net revenue	\$	6,646	\$ 6,630	—
Gross margin		47.4%	46.7%	0.7 points
Operating margin		28.8%	28.8%	—
Net income	\$	1,722	\$ 1,575	9%
Diluted earnings per share	\$	2.06	\$ 1.86	11%
<b>Non-GAAP Results</b>				
Non-GAAP gross margin		47.5%	46.8%	0.7 points
Non-GAAP operating margin		29.0%	29.1%	(0.1) point
Non-GAAP net income	\$	1,744	\$ 1,692	3%
Non-GAAP diluted EPS	\$	2.09	\$ 2.00	5%
Non-GAAP free cash flow	\$	1,135	\$ 2,037	(44)%

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

### Business Outlook

In the third quarter of fiscal 2024, Applied expects net revenue to be approximately \$6.65 billion, plus or minus \$400 million. Non-GAAP diluted EPS is expected to be in the range of \$1.83 to \$2.19.

This outlook for non-GAAP diluted EPS excludes known charges related to completed acquisitions of \$0.01 per share and 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.

### Second Quarter Reportable Segment Information

Effective in the first quarter of fiscal 2024, management began including share-based compensation expense in the evaluation of reportable segments' performance. Prior-year numbers have been recast to conform to the current-year presentation.

<b>Semiconductor Systems</b>	<b>Q2 FY2024</b>		<b>Q2 FY2023</b>	
	<i>(In millions, except percentages)</i>			
Net revenue	\$	4,901	\$	4,977
Foundry, logic and other		65%		84%
DRAM		32%		11%
Flash memory		3%		5%
Operating income	\$	1,701	\$	1,715
Operating margin		34.7%		34.5%
<b>Non-GAAP Results</b>				
Non-GAAP operating income	\$	1,711	\$	1,725
Non-GAAP operating margin		34.9%		34.7%

<b>Applied Global Services</b>	<b>Q2 FY2024</b>		<b>Q2 FY2023</b>	
	<i>(In millions, except percentages)</i>			
Net revenue	\$	1,530	\$	1,428
Operating income	\$	436	\$	384
Operating margin		28.5%		26.9%
<b>Non-GAAP Results</b>				
Non-GAAP operating income	\$	436	\$	384
Non-GAAP operating margin		28.5%		26.9%

<b>Display and Adjacent Markets</b>	<b>Q2 FY2024</b>		<b>Q2 FY2023</b>	
	<i>(In millions, except percentages)</i>			
Net revenue	\$	179	\$	168
Operating income	\$	5	\$	16
Operating margin		2.8%		9.5%
<b>Non-GAAP Results</b>				
Non-GAAP operating income	\$	5	\$	16
Non-GAAP operating margin		2.8%		9.5%

<b>Corporate and Other</b>	<b>Q2 FY2024</b>		<b>Q2 FY2023</b>	
	<i>(In millions)</i>			
Unallocated net revenue	\$	36	\$	57
Unallocated cost of products sold and expenses		(266)		(261)
Total	\$	(230)	\$	(204)

#### **Use of Non-GAAP Financial Measures**

Applied provides investors with certain non-GAAP 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, dividends and impairments 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 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](http://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 2024 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; global economic, political and industry conditions, including rising inflation and interest rates; the implementation and interpretation of 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; the effects of geopolitical turmoil or conflicts; 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; our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; 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; 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](http://www.appliedmaterials.com).

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## APPLIED MATERIALS, INC. UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<i>(In millions, except per share amounts)</i>				
Net revenue	\$ 6,646	\$ 6,630	\$ 13,353	\$ 13,369
Cost of products sold	3,493	3,536	6,996	7,130
Gross profit	3,153	3,094	6,357	6,239
Operating expenses:				
Research, development and engineering	785	775	1,539	1,546
Marketing and selling	209	194	416	391
General and administrative	247	214	523	421
Total operating expenses	1,241	1,183	2,478	2,358
Income from operations	1,912	1,911	3,879	3,881
Interest expense	59	61	118	120
Interest and other income (expense), net	141	(73)	536	(23)
Income before income taxes	1,994	1,777	4,297	3,738
Provision for income taxes	272	202	556	446
Net income	<u>\$ 1,722</u>	<u>\$ 1,575</u>	<u>\$ 3,741</u>	<u>\$ 3,292</u>
Earnings per share:				
Basic	\$ 2.08	\$ 1.87	\$ 4.50	\$ 3.90
Diluted	\$ 2.06	\$ 1.86	\$ 4.47	\$ 3.88
Weighted average number of shares:				
Basic	830	843	831	844
Diluted	836	847	837	848

<i>(In millions)</i>	April 28, 2024	October 29, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,085	\$ 6,132
Short-term investments	472	737
Accounts receivable, net	4,778	5,165
Inventories	5,691	5,725
Other current assets	1,239	1,388
Total current assets	19,265	19,147
Long-term investments	2,983	2,281
Property, plant and equipment, net	2,958	2,723
Goodwill	3,732	3,732
Purchased technology and other intangible assets, net	273	294
Deferred income taxes and other assets	2,738	2,552
Total assets	<u>\$ 31,949</u>	<u>\$ 30,729</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 99	\$ 100
Accounts payable and accrued expenses	4,174	4,297
Contract liabilities	2,611	2,975
Total current liabilities	6,884	7,372
Long-term debt	5,463	5,461
Income taxes payable	656	833
Other liabilities	747	714
Total liabilities	13,750	14,380
Total stockholders' equity	18,199	16,349
Total liabilities and stockholders' equity	<u>\$ 31,949</u>	<u>\$ 30,729</u>

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

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
Cash flows from operating activities:				
Net income	\$ 1,722	\$ 1,575	\$ 3,741	\$ 3,292
Adjustments required to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	96	129	187	249
Share-based compensation	134	113	304	261
Deferred income taxes	(134)	(115)	(206)	(136)
Other	(12)	167	(247)	174
Net change in operating assets and liabilities	(414)	423	(62)	722
Cash provided by operating activities	<u>1,392</u>	<u>2,292</u>	<u>3,717</u>	<u>4,562</u>
Cash flows from investing activities:				
Capital expenditures	(257)	(255)	(486)	(542)
Cash paid for acquisitions, net of cash acquired	—	2	—	(18)
Proceeds from sales and maturities of investments	582	255	1,113	669
Purchases of investments	(474)	(324)	(1,223)	(730)
Cash used in investing activities	<u>(149)</u>	<u>(322)</u>	<u>(596)</u>	<u>(621)</u>
Cash flows from financing activities:				
Proceeds from issuance of commercial paper	100	297	200	595
Repayments of commercial paper	(100)	(300)	(200)	(400)
Proceeds from common stock issuances	119	111	119	111
Common stock repurchases	(820)	(800)	(1,520)	(1,050)
Tax withholding payments for vested equity awards	(41)	(18)	(233)	(154)
Payments of dividends to stockholders	(266)	(219)	(532)	(439)
Repayments of principal on finance leases	(14)	1	(13)	(9)
Cash used in financing activities	<u>(1,022)</u>	<u>(928)</u>	<u>(2,179)</u>	<u>(1,346)</u>

Increase (decrease) in cash, cash equivalents and restricted cash equivalents	221	1,042	942	2,595
Cash, cash equivalents and restricted cash equivalents—beginning of period	6,954	3,653	6,233	2,100
Cash, cash equivalents and restricted cash equivalents — end of period	<u>\$ 7,175</u>	<u>\$ 4,695</u>	<u>\$ 7,175</u>	<u>\$ 4,695</u>
Reconciliation of cash, cash equivalents, and restricted cash equivalents				
Cash and cash equivalents	\$ 7,085	\$ 4,588	\$ 7,085	\$ 4,588
Restricted cash equivalents included in deferred income taxes and other assets	90	107	90	107
Total cash, cash equivalents, and restricted cash equivalents	<u>\$ 7,175</u>	<u>\$ 4,695</u>	<u>\$ 7,175</u>	<u>\$ 4,695</u>
Supplemental cash flow information:				
Cash payments for income taxes	\$ 467	\$ 152	\$ 606	\$ 221
Cash refunds from income taxes	\$ 3	\$ 47	\$ 5	\$ 51
Cash payments for interest	\$ 68	\$ 68	\$ 102	\$ 102

### Additional Information

	Q2 FY2024	Q2 FY2023
Net Revenue by Geography ( <i>In millions</i> )		
United States	\$ 853	\$ 1,113
% of Total	13%	17%
Europe	\$ 289	\$ 477
% of Total	4%	7%
Japan	\$ 453	\$ 460
% of Total	7%	7%
Korea	\$ 988	\$ 1,583
% of Total	15%	24%
Taiwan	\$ 1,019	\$ 1,435
% of Total	15%	22%
Southeast Asia	\$ 213	\$ 157
% of Total	3%	2%
China	\$ 2,831	\$ 1,405
% of Total	43%	21%
Employees( <i>In thousands</i> )		
Regular Full Time	34.8	34.2

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

	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<i>(In millions, except percentages)</i>				
Non-GAAP Gross Profit				
GAAP reported gross profit	\$ 3,153	\$ 3,094	\$ 6,357	\$ 6,239
Certain items associated with acquisitions <sup>1</sup>	7	7	14	14
Non-GAAP gross profit	<u>\$ 3,160</u>	<u>\$ 3,101</u>	<u>\$ 6,371</u>	<u>\$ 6,253</u>
Non-GAAP gross margin	47.5%	46.8%	47.7%	46.8%
Non-GAAP Operating Income				
GAAP reported operating income	\$ 1,912	\$ 1,911	\$ 3,879	\$ 3,881
Certain items associated with acquisitions <sup>1</sup>	10	11	21	22
Acquisition integration and deal costs	5	8	8	14
Non-GAAP operating income	<u>\$ 1,927</u>	<u>\$ 1,930</u>	<u>\$ 3,908</u>	<u>\$ 3,917</u>
Non-GAAP operating margin	29.0%	29.1%	29.3%	29.3%
Non-GAAP Net Income				
GAAP reported net income	\$ 1,722	\$ 1,575	\$ 3,741	\$ 3,292
Certain items associated with acquisitions <sup>1</sup>	10	11	21	22
Acquisition integration and deal costs	5	8	8	14

Realized loss (gain), dividends and impairments on strategic investments, net	(3)	117	(4)	113
Unrealized loss (gain) on strategic investments, net	(20)	11	(300)	7
Income tax effect of share-based compensation <sup>2</sup>	11	3	(15)	(11)
Income tax effects related to intra-entity intangible asset transfers	18	(1)	40	16
Resolution of prior years' income tax filings and other tax items	—	(27)	33	(32)
Income tax effect of non-GAAP adjustments <sup>3</sup>	1	(5)	2	(5)
Non-GAAP net income	<u>\$ 1,744</u>	<u>\$ 1,692</u>	<u>\$ 3,526</u>	<u>\$ 3,416</u>

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

2 GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.

3 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 RESULTS

	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<i>(In millions, except per share amounts)</i>				
Non-GAAP Earnings Per Diluted Share				
GAAP reported earnings per diluted share	\$ 2.06	\$ 1.86	\$ 4.47	\$ 3.88
Certain items associated with acquisitions	0.01	0.01	0.02	0.03
Acquisition integration and deal costs	0.01	0.01	0.01	0.01
Realized loss (gain), dividends and impairments on strategic investments, net	—	0.14	—	0.13
Unrealized loss (gain) on strategic investments, net	(0.02)	0.01	(0.36)	0.01
Income tax effect of share-based compensation	0.01	—	(0.02)	(0.01)
Income tax effects related to intra-entity intangible asset transfers	0.02	—	0.05	0.02
Resolution of prior years' income tax filings and other tax items	—	(0.03)	0.04	(0.04)
Non-GAAP earnings per diluted share	<u>\$ 2.09</u>	<u>\$ 2.00</u>	<u>\$ 4.21</u>	<u>\$ 4.03</u>
Weighted average number of diluted shares	836	847	837	848

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

	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
<i>(In millions, except percentages)</i>				
Semiconductor Systems Non-GAAP Operating Income				
GAAP reported operating income	\$ 1,701	\$ 1,715	\$ 3,445	\$ 3,570
Certain items associated with acquisitions <sup>1</sup>	10	10	20	19
Non-GAAP operating income	<u>\$ 1,711</u>	<u>\$ 1,725</u>	<u>\$ 3,465</u>	<u>\$ 3,589</u>
Non-GAAP operating margin	34.9%	34.7%	35.3%	35.4%
Applied Global Services Non-GAAP Operating Income				
GAAP reported operating income	\$ 436	\$ 384	\$ 853	\$ 729
Non-GAAP operating income	<u>\$ 436</u>	<u>\$ 384</u>	<u>\$ 853</u>	<u>\$ 729</u>
Non-GAAP operating margin	28.5%	26.9%	28.4%	26.1%
Display and Adjacent Markets Non-GAAP Operating Income				
GAAP reported operating income	\$ 5	\$ 16	\$ 30	\$ 19
Non-GAAP operating income	<u>\$ 5</u>	<u>\$ 16</u>	<u>\$ 30</u>	<u>\$ 19</u>
Non-GAAP operating margin	2.8%	9.5%	7.1%	5.7%

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 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 EFFECTIVE INCOME TAX RATE

<i>(In millions, except percentages)</i>	Three Months Ended April 28, 2024
GAAP provision for income taxes(a)	\$ 272
Income tax effect of share-based compensation	(11)
Income tax effects related to intra-entity intangible asset transfers	(18)
Income tax effect of non-GAAP adjustments	(1)
Non-GAAP provision for income taxes(b)	\$ 242
GAAP income before income taxes(c)	\$ 1,994
Certain items associated with acquisitions	10
Acquisition integration and deal costs	5
Realized loss (gain), dividends and impairments on strategic investments, net	(3)
Unrealized loss (gain) on strategic investments, net	(20)
Non-GAAP income before income taxes(d)	\$ 1,986
GAAP effective income tax rate(a/c)	13.6%
Non-GAAP effective income tax rate(b/d)	12.2%

UNAUDITED RECONCILIATION OF NON-GAAP FREE CASH FLOW

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
Cash provided by operating activities	\$ 1,392	\$ 2,292	\$ 3,717	\$ 4,562
Capital expenditures	(257)	(255)	(486)	(542)
Non-GAAP free cash flow	\$ 1,135	\$ 2,037	\$ 3,231	\$ 4,020



Source: Applied Materials, Inc.