



# First Quarter Fiscal 2022 Earnings Presentation

February 16, 2022

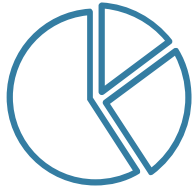
Applied Materials External



# Forward-Looking Statements

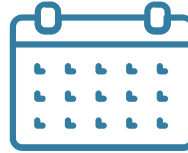
This presentation contains forward-looking statements, including those regarding anticipated growth and trends in our businesses and markets, industry outlooks and demand drivers, technology transitions, our business and financial performance and market share positions, our capital allocation and cash 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.

# APPLIED MATERIALS AT-A-GLANCE

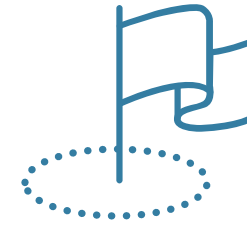


REPORTING SEGMENTS

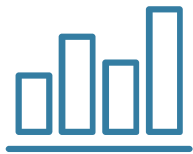
**Semiconductor Systems**  
**Applied Global Services**  
**Display and Adjacent Markets**



CURRENT FISCAL  
YEAR ENDS  
**30 October 2022**



FOUNDED  
**1967**  
FIRST PUBLIC  
OFFERING  
**1972**



**\$24.2 billion**  
TTM REVENUE



**\$2.5 billion**  
TTM R&D  
INVESTMENTS



**~28,500\***  
employees  
in **19\*\*** countries



**~15,700\*\***  
active patents



TTM is trailing twelve months. \*As of quarter-ended 01/30/2022. \*\*As of fiscal year-ended 10/31/2021.

## Q1F22 Summary

Revenue and EPS  
in upper end of  
guidance range

Record orders, backlog  
and revenue

Top priority: Managing  
supply chain constraints  
in partnership with  
suppliers and chipmakers

## Market Outlook

Customers investing to  
support secular industry  
growth

2021 WFE:  
Mid-\$80B range

2022 WFE:  
\$100B or more, led by  
foundry-logic growth

## Longer Term

Digital transformation of  
the economy built upon  
semiconductors

Semi and equipment  
markets growing  
structurally larger

Global investments to  
re-engineer supply  
chains for resiliency  
and flexibility

# Strong and Growing Demand, Constrained Supply

# Investment Thesis

Market Outlook = Innovation and Secular Growth

## Applied = PPACt Enablement Company

Unit process leadership and broadest portfolio

+

Unique combinations of technologies

+

Actionable insight / time to market acceleration

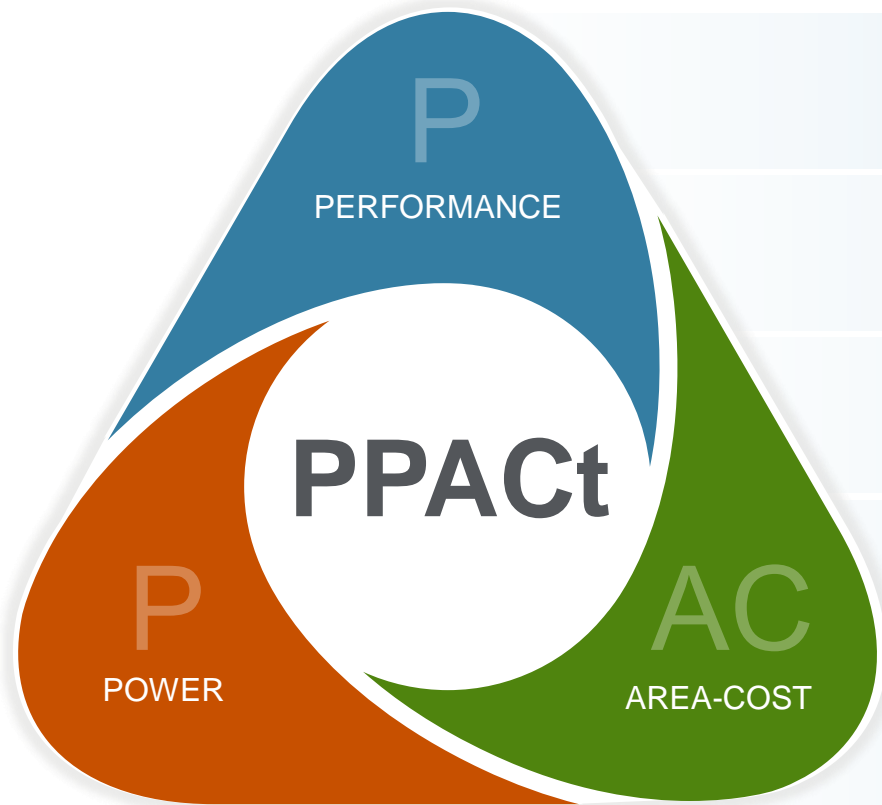
+

Subscription revenue growth

+

Synergistic materials engineering business with high FCF

High ROI Financial Model + Attractive Shareholder Returns



ENABLED BY

KEY INFLECTIONS

New architectures

- New ASICs and accelerators
- New memory / in-memory compute
- Specialty, CIS, power

New structures / 3D

- GAA transistors
- Backside power distribution
- 3D NAND, 3D DRAM

New materials

- Gate
- Contact
- Interconnect

New ways to shrink

- EUV enablement
- Materials-enabled patterning
- 3D patterning control

Advanced packaging

- High-bandwidth memory
- 2.5D silicon interposer
- 3D TSV, hybrid bonding

**Applied has broadest portfolio of products and technologies to accelerate new PPACTt playbook**

(PPACTt = Power, Performance, Area-Cost and time-to-market)

# Q1F22 Non-GAAP Financial Results

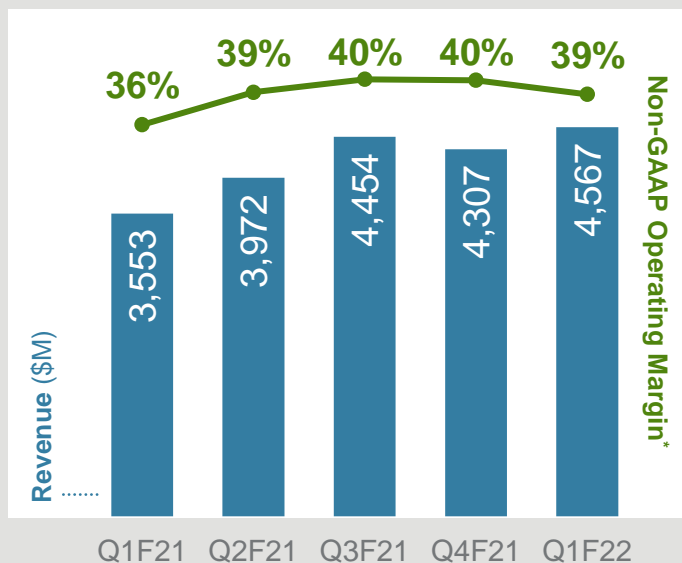
\$M, except EPS	Q1F21	Q4F21	Q1F22	Y / Y	Q / Q
Revenue	5,162	6,123	6,271	21%	2%
Gross Margin*	45.9%	48.2%	47.3%	140bps	(90bps)
Operating Income*	1,496	2,029	1,985	33%	(2%)
EPS*	\$1.39	\$1.94	\$1.89	36%	(3%)
Operating Cash Flow	1,421	1,148	2,658	87%	132%
Free Cash Flow**	1,300	942	2,514	93%	167%

\* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at [www.appliedmaterials.com](http://www.appliedmaterials.com)

\*\* Free cash flow = operating cash flow – net capital expenditures

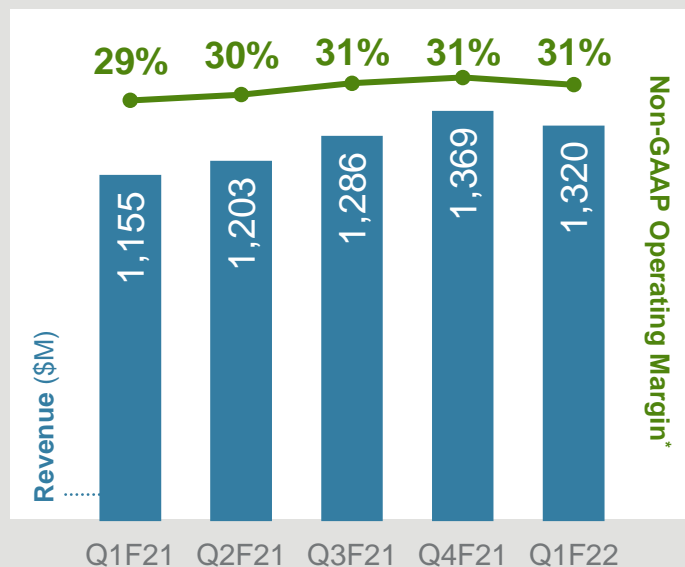
# Q1F22 Segment Results

## SEMICONDUCTOR SYSTEMS



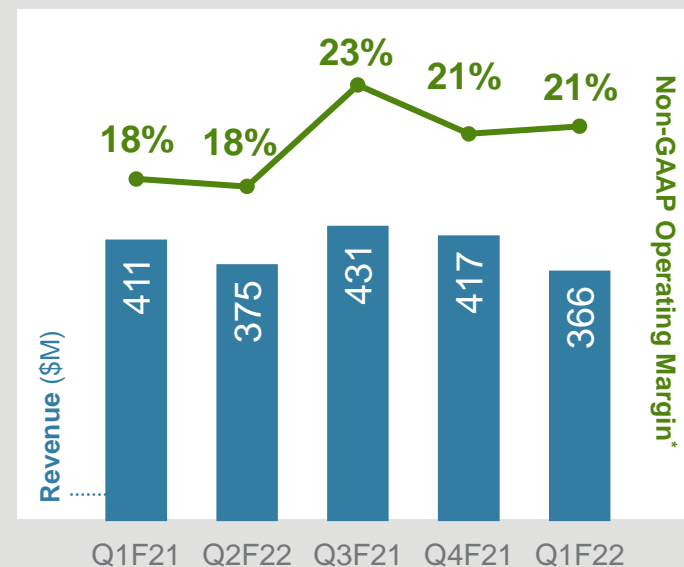
- Record orders and backlog
- Record revenue, +29% Y/Y
- OM +280bps Y/Y
- Strong customer pull for co-optimized and integrated solutions

## APPLIED GLOBAL SERVICES



- Revenue, +14% Y/Y
- OM +110bps Y/Y
- ~75% of Q1 subscription bookings were multiyear
- ~67% of backlog in subscriptions with 1-3 year terms

## DISPLAY & ADJACENT MARKETS



- Revenue above guidance
- OM +280bps Y/Y
- Future growth expected as OLED proliferates across smartphones, computers and TVs
- Focused on increasing operating margin and free cash flow

\* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations page at [www.appliedmaterials.com](http://www.appliedmaterials.com)



# Liquidity and Uses of Capital

	Q1F21	Q2F21	Q3F21	Q4F21	Q1F22
<b>CASH AND INVESTMENTS (\$M)</b>					
Cash and cash equivalents	6,213	6,305	6,066	4,995	5,264
Short-term investments	410	460	444	464	473
Long-term investments	1,601	1,569	1,658	2,055	2,026
<b>Total cash and investments</b>	<b>8,224</b>	<b>8,334</b>	<b>8,168</b>	<b>7,514</b>	<b>7,763</b>
Long-term debt Ratings (Moody's / S&P): A2 / A	5,449	5,450	5,451	5,452	5,454
<b>CAPITAL RETURNS (\$M)</b>					
Share repurchases	—	(750)	(1,500)	(1,500)	(1,803)
Cash dividends	(201)	(202)	(219)	(216)	(214)

# Business Outlook

## SECOND QUARTER Fiscal 2022

<b>OUTLOOK*</b>	Total Revenue	~\$6.35B ± \$300M
	Non-GAAP EPS	~\$1.90 ± \$0.15
<b>SEGMENT REVENUE</b>	Semiconductor Systems	~\$4.60B
	Applied Global Services	~\$1.35B
	Display and Adjacent Markets	~\$380M
<b>OTHER</b>	Non-GAAP Gross Margin	~47.0%
	Non-GAAP Operating Expenses	~\$1.02B
	Non-GAAP Tax Rate	~12.0%

\* Includes expected impact of ongoing supply chain challenges

# 10-Yr Roadmap | Environmental and Social Responsibility

APPLIED'S  
OPERATIONS

**1x**

SEMI INDUSTRY'S  
OPERATIONS

**100x**

GLOBAL  
ELECTRONICS

**10,000x**

On-track for  
**100% renewable energy**  
in US by 2022 and  
globally by 2030

Assessments underway to  
support science-based targets  
and TCFD during 2022

Embedding  
**'Culture of Inclusion'**  
across the company

Significant momentum  
and broad engagement  
with **SuCCESS2030**  
supply chain initiative

Strong collaboration with  
leading customers on  
**3x30 sustainability upgrades**  
and new product features

PPACt engagements across  
ecosystem focus on energy-efficient  
devices and computing

## LATEST 3<sup>rd</sup> PARTY RATINGS

CDP Climate	<b>B</b>
CDP Supplier Engagement	<b>B</b>
MSCI	<b>AA</b>
Sustainalytics Risk Rating	<b>Low</b>
ISS (E/S/G)	<b>2/1/1</b>

## Make Possible<sup>®</sup> a Better Future

For more details, please refer to our 2020 Sustainability Report [here](#) and the data annex [here](#)

# Additional Resources



Investor Relations Home Page

[LINK](#)

Latest News

[LINK](#)

Blog: Ideas, Actions & Technologies

[LINK](#)

2021 Investor Meeting

[LINK](#)

2021 Memory Master Class

[LINK](#)

2021 Logic Master Class

[LINK](#)

2021 ICAPS and Packaging Master Class

[LINK](#)

2021 Process Control and AppliedPRO Master Class

[LINK](#)

# Appendix GAAP to Non-GAAP Reconciliations

# 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 appendix to this presentation and on Applied's website, <https://ir.appliedmaterials.com/>.

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.

# UNAUDITED QTD RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PERCENTAGE

## Non-GAAP Adjusted Gross Profit

	Q1F21	Q2F21	Q3F21	Q4F21	Q1F22
Reported gross profit - GAAP basis	\$ 2,349	\$ 2,653	\$ 2,967	\$ 2,945	\$ 2,959
Certain items associated with acquisitions <sup>1</sup>	8	7	6	6	6
Certain incremental expenses related to COVID-19 <sup>2</sup>	12	-	-	-	-
Other charges	-	2	-	-	-
Non-GAAP adjusted gross profit	<u>\$ 2,369</u>	<u>\$ 2,662</u>	<u>\$ 2,973</u>	<u>\$ 2,951</u>	<u>\$ 2,965</u>
Non-GAAP adjusted gross margin	45.9%	47.7%	48.0%	48.2%	47.3%

## Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 1,283	\$ 1,579	\$ 2,013	\$ 2,014	\$ 1,976
Certain items associated with acquisitions <sup>1</sup>	13	12	11	11	9
Acquisition integration and deal costs	24	11	5	5	4
Certain incremental expenses related to COVID-19 <sup>2</sup>	24	-	-	-	-
Severance and related charges <sup>3</sup>	152	6	-	(1)	(4)
Deal termination fee	-	154	-	-	-
Other charges	-	6	-	-	-
Non-GAAP adjusted operating income	<u>\$ 1,496</u>	<u>\$ 1,768</u>	<u>\$ 2,029</u>	<u>\$ 2,029</u>	<u>\$ 1,985</u>
Non-GAAP adjusted operating margin	29.0%	31.7%	32.7%	33.1%	31.7%

## Non-GAAP Adjusted Net Income

Reported net income - GAAP basis	\$ 1,130	\$ 1,330	\$ 1,716	\$ 1,712	\$ 1,792
Certain items associated with acquisitions <sup>1</sup>	13	12	11	11	9
Acquisition integration and deal costs	24	12	5	5	4
Certain incremental expenses related to COVID-19 <sup>2</sup>	24	-	-	-	-
Severance and related charges <sup>3</sup>	152	6	-	(1)	(4)
Deal termination fee	-	154	-	-	-
Realized loss (gain) on strategic investments, net	(2)	6	(6)	(41)	2
Unrealized loss (gain) on strategic investments, net	(6)	(26)	(13)	(11)	(5)
Other charges	-	6	-	-	-
Income tax effects related to intra-entity intangible asset transfers	20	17	23	4	18
Resolution of prior years' income tax filings and other tax items	(3)	(10)	(9)	55	(62)
Income tax effect of share-based compensation <sup>4</sup>	(29)	6	11	12	(58)
Income tax effect of non-GAAP adjustments <sup>5</sup>	(41)	(4)	2	10	-
Non-GAAP adjusted net income	<u>\$ 1,282</u>	<u>\$ 1,509</u>	<u>\$ 1,740</u>	<u>\$ 1,756</u>	<u>\$ 1,696</u>

### FOOTNOTES:

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 being 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.

# UNAUDITED QTD RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT EPS

## Non-GAAP Adjusted Earnings Per Diluted Share

	Q1F21	Q2F21	Q3F21	Q4F21	Q1F22
Reported earnings per diluted share - GAAP basis	\$ 1.22	\$ 1.43	\$ 1.87	\$ 1.89	\$ 2.00
Certain items associated with acquisitions	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	0.02	0.01	0.01	0.01	-
Certain incremental expenses related to COVID-19	0.02	-	-	-	-
Severance and related charges	0.13	0.01	-	-	-
Deal termination fee	-	0.17	-	-	-
Realized loss (gain) on strategic investments, net	-	0.01	(0.01)	(0.03)	-
Unrealized loss (gain) on strategic investments, net	-	(0.03)	(0.01)	(0.01)	(0.01)
Income tax effects related to intra-entity intangible asset transfers	0.02	0.02	0.03	-	0.02
Income tax effect of share-based compensation	(0.03)	0.01	0.01	0.01	(0.06)
Resolution of prior years' income tax filings and other tax items	-	(0.01)	(0.01)	0.06	(0.07)
Non-GAAP adjusted earnings per diluted share	<u>\$ 1.39</u>	<u>\$ 1.63</u>	<u>\$ 1.90</u>	<u>\$ 1.94</u>	<u>\$ 1.89</u>
Weighted average number of diluted shares	925	927	918	907	897



# UNAUDITED QTD RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGE

## Semiconductor Systems Non-GAAP Adjusted Operating Income

	Q1F21	Q2F21	Q3F21	Q4F21	Q1F22
Reported operating income - GAAP basis	\$ 1,261	\$ 1,542	\$ 1,785	\$ 1,723	\$ 1,771
Certain items associated with acquisitions <sup>1</sup>	10	10	9	9	7
Acquisition integration costs	(2)	-	-	-	-
Certain incremental expenses related to COVID-19 <sup>2</sup>	12	-	-	-	-
Other charges	-	3	-	-	-
Non-GAAP adjusted operating income	<u>\$ 1,281</u>	<u>\$ 1,555</u>	<u>\$ 1,794</u>	<u>\$ 1,732</u>	<u>\$ 1,778</u>
Non-GAAP adjusted operating margin	36.1%	39.1%	40.3%	40.2%	38.9%

## AGS Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 332	\$ 358	\$ 393	\$ 425	\$ 403
Certain incremental expenses related to COVID-19 <sup>2</sup>	8	-	-	-	-
Other charges	-	1	-	-	-
Non-GAAP adjusted operating income	<u>\$ 340</u>	<u>\$ 359</u>	<u>\$ 393</u>	<u>\$ 425</u>	<u>\$ 403</u>
Non-GAAP adjusted operating margin	29.4%	29.8%	30.6%	31.0%	30.5%

## Display and Adjacent Markets Non-GAAP Adjusted Operating Income

Reported operating income - GAAP basis	\$ 65	\$ 65	\$ 99	\$ 85	\$ 76
Certain items associated with acquisitions <sup>1</sup>	1	1	1	1	1
Certain incremental expenses related to COVID-19 <sup>2</sup>	1	-	-	-	-
Severance and related charges <sup>3</sup>	8	-	-	-	-
Non-GAAP adjusted operating income	<u>\$ 75</u>	<u>\$ 66</u>	<u>\$ 100</u>	<u>\$ 86</u>	<u>\$ 77</u>
Non-GAAP adjusted operating margin	18.2%	17.6%	23.2%	20.6%	21.0%

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.



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