



# First Quarter Fiscal 2025 Earnings Presentation

February 13, 2025

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 2025 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 changes in interest rates and prices for goods and services; the implementation of additional export regulations and license requirements and their interpretation, 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 and our ability to obtain licenses or authorizations on a timely basis, if at all; imposition of new or increases in tariffs and any retaliatory measures; the effects of geopolitical turmoil or conflicts; demand for semiconductor chips and electronic devices; 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; cybersecurity incidents affecting our information systems or information contained in them, or affecting our operations, suppliers, customers or vendors; 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-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.



# Gary Dickerson

President and Chief Executive Officer





# FQ1'25: Delivered Record Results

- Record revenue of \$7.17 billion and Non-GAAP EPS\* of \$2.38
- Major technology trends underpin long-term secular growth
- Unique and connected portfolio positions us to outperform the industry

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

# AI Central To Industry Outlook



**ARTIFICIAL INTELLIGENCE**  
Major catalyst for innovation and growth

- Expect disruptive innovations to bring down the energy consumption and cost of AI, opening up new applications and growing overall market opportunity
- Innovation is required across the technology stack
  - » Models and software
  - » Data center architecture
  - » Chip design
  - » Chip and packaging technologies

# Energy-Efficient Computing Enabled by Materials Engineering

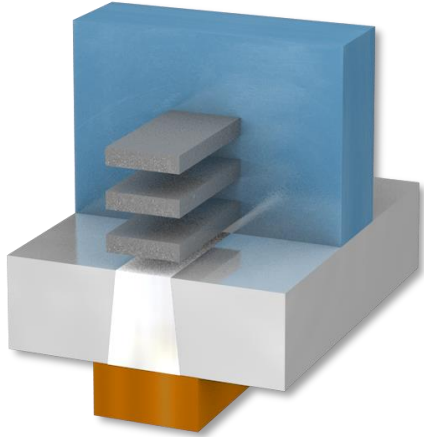


		MATERIALS ENGINEERING LEADERSHIP
AI DATA CENTER ENABLERS	INFLECTIONS	
Leading-Edge Logic	Gate-all-around transistors Backside power delivery	✓
High-Performance DRAM	4F <sup>2</sup> 3D DRAM	✓
DRAM Die Stacking	High-Bandwidth Memory (HBM) Hybrid bonding	✓
Advanced Packaging	Substrates	✓
Power Electronics	Compound semi (SiC, GaN)	✓

**Inflections grow the WFE market, increase relative mix of materials engineering, and provide opportunity to gain share**



# Well Positioned for Leading-Edge Foundry-Logic Inflections



**Leading-Edge Foundry-Logic**  
Gate-All-Around Transistor  
Backside Power Delivery

## TRANSISTORS

- Transition from FinFET to Gate-All-Around (GAA) to grow Applied's transistor SAM from ~\$6B to ~\$7B\*
- On track for >50% SAM share

## WIRING

- Introduction of Backside Power Delivery (BPD) to grow Applied's wiring SAM from ~\$6B to ~\$7B\*
- On track for >50% SAM share

**Expect Applied revenues to grow by ~30% for the equivalent fab capacity\*\***

\* Per 100k wafer starts per month capacity. SAM = Served Addressable Market  
\*\*From FinFET nodes to nodes with Gate-All-Around and Backside Power Delivery

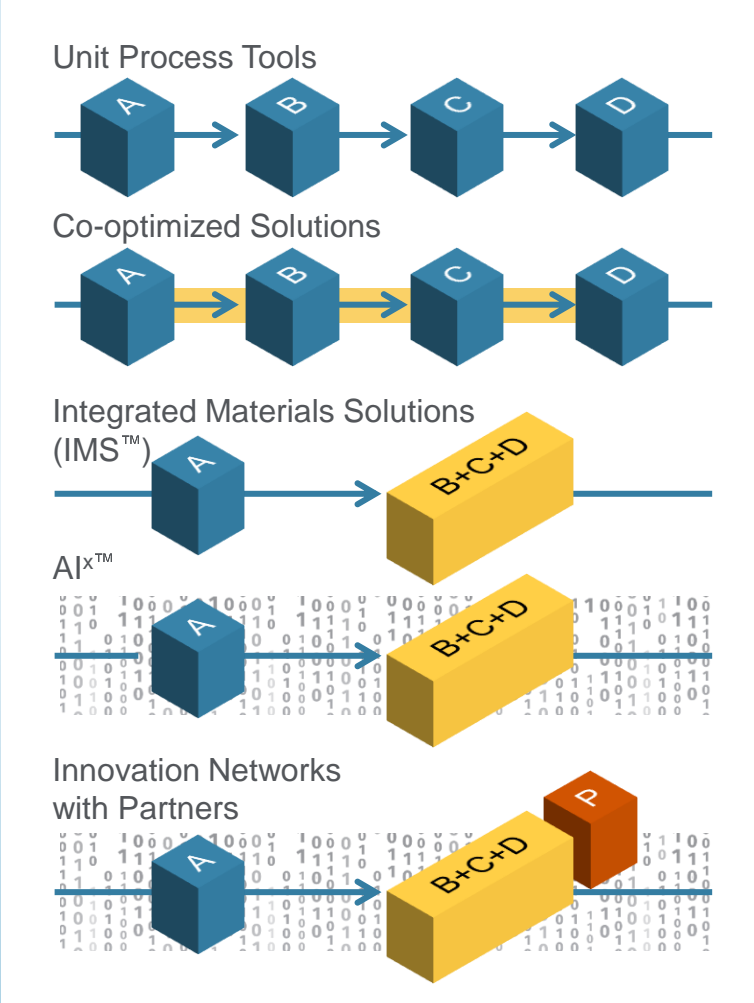
# Applied's Unique Connected Materials Engineering Portfolio

## BROADEST CAPABILITIES

	Applied		Competitors			
ALD	✓	✓			✓	✓
Cleans					✓	✓
CMP	✓					
CVD	✓	✓		✓	✓	✓
ECD	✓				✓	
Epitaxy	✓	✓				
Etch	✓			✓	✓	✓
Furnace						✓
Implant	✓					
Lithography			✓			
PDC	✓		✓	✓		
PVD	✓			✓		
Thermal	✓					✓
Track						✓



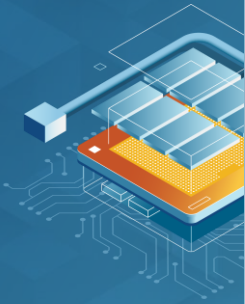
## UNIQUE COMBINATIONS





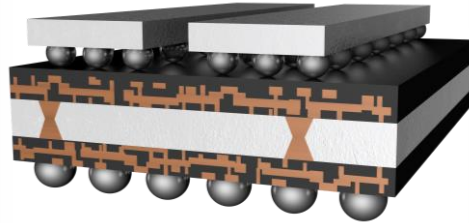
# Driving High-Velocity Co-Innovation

## LEADERSHIP SUMMIT —FOR— ADVANCED PACKAGING



### EPIC Advanced Packaging

- » Expanded innovation platform with launch of EPIC Advanced Packaging



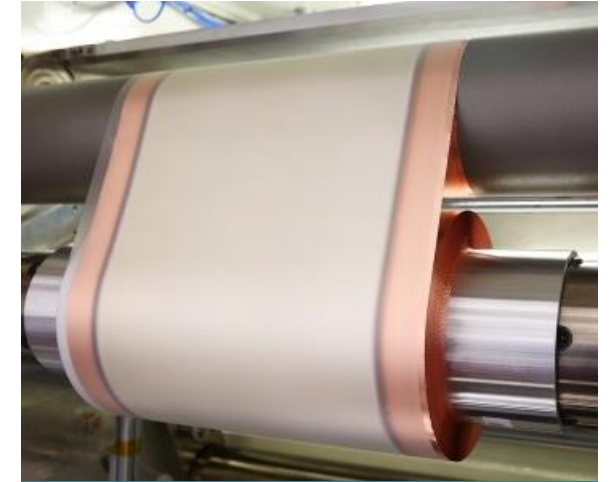
### Advanced Substrates

- » Received CHIPS Act grants to develop advanced packaging substrates for 3D integration



### EPIC Center

- » Made significant progress with construction of the EPIC Center in Silicon Valley
- » On track to come online in 2026



### Thin-Film Batteries

- » Partnered with TPG to transition thin-film battery business into independent company



## APPLIED GLOBAL SERVICES®

- Helping customers manage increasing complexity as they ramp next generation technology into high volume manufacturing
- Deploying Actionable Insight Accelerator (AI<sup>x</sup>) to help accelerate
  - » Customers' R&D programs
  - » Reduce technology transfer times
  - » Optimize device performance, yield, output, and cost in their fabs
- High percentage of revenue is from subscriptions

**Expect low  
double-digit  
annualized  
growth rate over  
the long-term**



# CEO SUMMARY

- Continuing to deliver strong financial performance in the near term
- Best positioned at major inflections in fast-growing areas that are critical to energy-efficient AI
- Focused on high-velocity co-innovation to bring breakthrough technology to market faster

# Brice Hill

SVP, Chief Financial Officer





# FQ1'25 Non-GAAP Financial Results

\$M, except EPS	FQ1'24	FQ4'24	FQ1'25	YoY	QoQ
Revenue	6,707	7,045	7,166	7%	2%
Gross Margin*	47.9%	47.5%	48.9%	100bps	140bps
Operating Expenses*	1,230	1,281	1,313	7%	2%
Operating Income*	1,981	2,063	2,190	11%	6%
Operating Margin*	29.5%	29.3%	30.6%	110bps	130bps
EPS*	\$2.13	\$2.32	\$2.38	12%	3%

## Year-over-year highlights:

- Revenue growth in Semiconductor Systems and AGS
- Highest quarterly Non-GAAP gross margin since FY2000
  - » Driven by favorable mix, leading-edge technologies and integrated systems
  - » Progressed on value-based pricing initiatives and cost reductions
- Increased R&D investments to support technology growth areas
- Record Non-GAAP EPS benefitted from revenue growth, better profitability and share repurchases

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



# SEMICONDUCTOR SYSTEMS

Revenue of \$5.36B in FQ1'25, up 9% YoY, driven by leading-edge foundry-logic demand

- » Foundry-logic: revenue increased 20% YoY
  - Revenue for the ICAPS nodes declined slightly YoY
- » DRAM: revenue declined 10% YoY
- » NAND: revenue increased 3% YoY

ICAPS = Internet of Things, Communications, Automotive, Power, Sensors; includes F/L spending at 10nm and above nodes.





## APPLIED GLOBAL SERVICES®

- Revenue of \$1.59B in FQ1'25, up 8% YoY
  - » Healthy growth in services, offset by a decline in sales of 200mm equipment
- Expect low double-digit annualized growth rate over the long-term

**AGS produces more than enough operating profit to fund the company's growing dividend**

# Strong Investment-Grade Balance Sheet

CASH AND INVESTMENTS (\$M)	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
Cash and Cash Equivalents	6,854	7,085	8,288	8,022	6,264
Short-Term Investments	638	472	815	1,449	1,949
Long-Term Investments	2,910	2,983	2,981	2,787	2,686
<b>Total Cash and Investments</b>	<b>10,402</b>	<b>10,540</b>	<b>12,084</b>	<b>12,258</b>	<b>10,899</b>
DEBT (\$M)					
Short-Term Debt*	100	99	99	799	799
Current ratings (Moody's / S&P): P-1 / A-1					
Long-Term Debt	5,462	5,463	6,158	5,460	5,461
Current ratings (Moody's / S&P): A2 / A					
<b>Total Debt</b>	<b>5,562</b>	<b>5,562</b>	<b>6,257</b>	<b>6,259</b>	<b>6,260</b>

\* Includes commercial paper and current portion of long-term debt



# Cash Flows and Shareholder Distributions

CASH FLOWS (\$M)	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
Operating Cash Flow	2,325	1,392	2,385	2,575	925
Free Cash Flow*	2,096	1,135	2,088	2,168	544
SHAREHOLDER DISTRIBUTIONS (\$M)					
Total Shareholder Distributions	(966)	(1,086)	(1,192)	(1,771)	(1,644)
Share Repurchases	(700)	(820)	(861)	(1,442)	(1,318)
Dividends	(266)	(266)	(331)	(329)	(326)

**Committed to distribute 80–100% of FCF to shareholders over time**

\$7.6B remaining on share repurchase authorization at end of Q1FY25

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

# FQ2'25 Business Commentary

## **Leading-edge foundry-logic**

Strong momentum as our customers ramp advanced technology nodes with Gate-All-Around transistors into high-volume manufacturing

## **ICAPS nodes**

More measured level of investment, following strong spending in 2023 and 2024

## **DRAM**

Healthy demand but face tough year-over-year compares given the elevated purchases from Chinese customers in 2024 that do not repeat this year

## **NAND**

Expect growth from historically low levels

## **China**

Expect to reduce as a percentage of revenue in Q2 to below 30% normalized level

# Business Outlook

## SECOND QUARTER FISCAL 2025

OUTLOOK*	Total Revenue	~\$7.1B ± \$400M
	Non-GAAP EPS**	~\$2.30 ± \$0.18
SEGMENT REVENUE	Semiconductor Systems	~\$5.30B
	Applied Global Services	~\$1.55B
	Display	~\$250M
OTHER	Non-GAAP Gross Margin**	~48.4%
	Non-GAAP Operating Expenses**	~\$1.32B
	Non-GAAP Tax Rate**	~13.0%

\* Includes the estimated impact of recently announced U.S. export regulations

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



# CFO

## SUMMARY

- Confident in long-term growth opportunities across all of our business segments
- Making significant investments in R&D to grow our share and increasing our capex to be the leader in high-velocity co-innovation with our customers
- Differentiated technology, unique insights and deep industry relationships position Applied to benefit from the technology transitions and semiconductor growth expected over the coming years

Q&A



# Capital Allocation Strategy

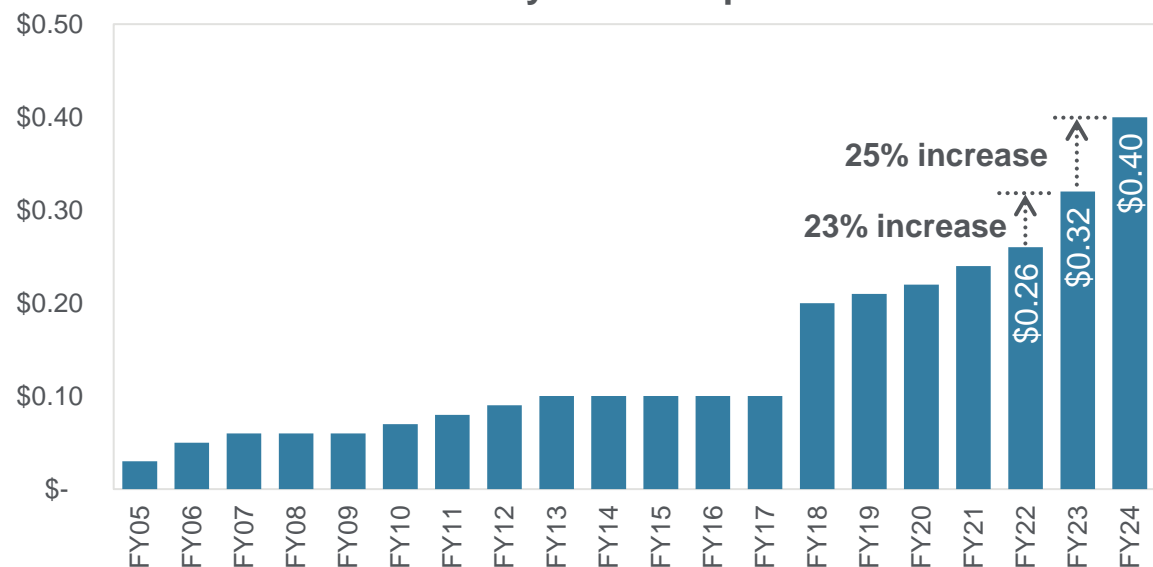
1. **Invest in R&D and infrastructure** to enable profitable growth

2. **Grow dividend per share and use buybacks** to distribute excess FCF

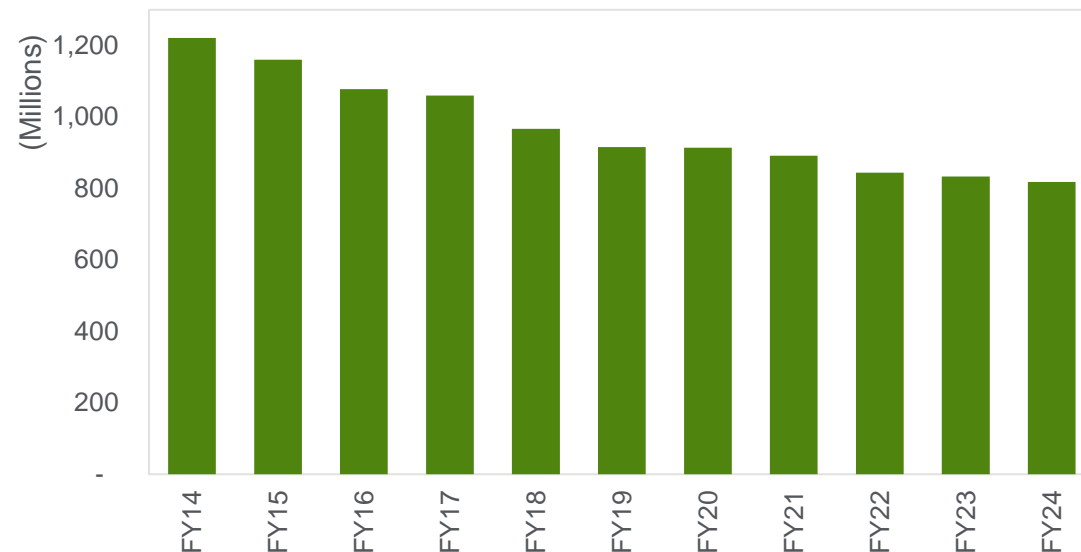
## OVER PAST 10 FISCAL YEARS (through FY24)

- » Reinvested >\$22B in R&D and >\$6B in capital additions
- » Distributed nearly 90% of FCF\*
- » Grew dividend per share at ~15% CAGR
- » Reduced shares outstanding by 33%

Quarterly Dividend per Share



Shares Outstanding at FY End



**Committed to distribute 80–100% of FCF to shareholders over time**

\$7.6B remaining on share repurchase authorization at end of Q1FY25

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



# NET ZERO

## 2040 PLAYBOOK™

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

CDP Climate	<b>B</b>
CDP Water	<b>A-</b>
MSCI	<b>AAA</b>
Sustainalytics Risk Rating	<b>Low</b>
ISS (E/S/G)	<b>2/2/1</b>

Links: [2023 Sustainability Report](#) | [2023 Sustainability Highlights](#)



# Additional Resources

Investor Relations Home Page

[LINK](#)

Latest News

[LINK](#)

Blog: Ideas, Actions & Technologies

[LINK](#)

2024: Semicon West Technology Breakfast

[LINK](#)

2024: 2023 WFE Market Summary

[LINK](#)

2024: Applied Materials Panel Discussion during SPIE Conference

[LINK](#)

2022: Services Master Class

[LINK](#)



# Appendix

## GAAP to Non-GAAP Reconciliations

# Use of Non-GAAP Adjusted 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 appendix to this presentation and on Applied's website, [ir.appliedmaterials.com](http://ir.appliedmaterials.com).

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.

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

IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES

## Non-GAAP Gross Profit

	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
GAAP reported gross profit	\$ 3,204	\$ 3,153	\$ 3,205	\$ 3,335	\$ 3,496
Certain items associated with acquisitions <sup>1</sup>	7	7	6	6	7
Impairment of long-lived assets	-	-	-	3	-
Non-GAAP gross profit	<u>\$ 3,211</u>	<u>\$ 3,160</u>	<u>\$ 3,211</u>	<u>\$ 3,344</u>	<u>\$ 3,503</u>
Non-GAAP gross margin	47.9%	47.5%	47.4%	47.5%	48.9%

## Non-GAAP Operating Income

	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
GAAP reported operating income	\$ 1,967	\$ 1,912	\$ 1,942	\$ 2,046	\$ 2,175
Certain items associated with acquisitions <sup>1</sup>	11	10	10	11	12
Acquisition integration and deal costs	3	5	1	3	3
Impairment of long-lived assets	-	-	-	3	-
Non-GAAP operating income	<u>\$ 1,981</u>	<u>\$ 1,927</u>	<u>\$ 1,953</u>	<u>\$ 2,063</u>	<u>\$ 2,190</u>
Non-GAAP operating margin	29.5%	29.0%	28.8%	29.3%	30.6%

## Non-GAAP Net Income

	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
GAAP reported net income	\$ 2,019	\$ 1,722	\$ 1,705	\$ 1,731	\$ 1,185
Certain items associated with acquisitions <sup>1</sup>	11	10	10	11	12
Acquisition integration and deal costs	3	5	1	3	3
Impairment of long-lived assets	-	-	-	3	-
Realized loss (gain), dividends and impairments on strategic investments, net	(1)	(3)	16	(1)	(9)
Unrealized loss (gain) on strategic investments, net	(280)	(20)	25	244	106
Income tax effect of share-based compensation <sup>2</sup>	(26)	11	8	7	(10)
Income tax effect related to intra-entity intangible asset transfers <sup>3</sup>	22	18	17	(33)	674
Resolution of prior years' income tax filings and other tax items	33	-	(11)	(47)	(16)
Income tax effect of non-GAAP adjustments <sup>4</sup>	1	1	(4)	(1)	1
Non-GAAP net income	<u>\$ 1,782</u>	<u>\$ 1,744</u>	<u>\$ 1,767</u>	<u>\$ 1,917</u>	<u>\$ 1,946</u>

## Non-GAAP Earnings Per Diluted Share

	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
GAAP reported earnings per diluted share	\$ 2.41	\$ 2.06	\$ 2.05	\$ 2.09	\$ 1.45
Certain items associated with acquisitions <sup>1</sup>	0.01	0.01	0.01	0.01	0.01
Acquisition integration and deal costs	-	0.01	-	-	-
Realized loss (gain), dividends and impairments on strategic investments, net	-	-	0.01	-	(0.01)
Unrealized loss (gain) on strategic investments, net	(0.33)	(0.02)	0.03	0.30	0.13
Income tax effect of share-based compensation <sup>2</sup>	(0.03)	0.01	0.01	0.01	(0.01)
Income tax effects related to intra-entity intangible asset transfers <sup>5</sup>	0.03	0.02	0.02	(0.04)	0.83
Resolution of prior years' income tax filings and other tax items	0.04	-	(0.01)	(0.05)	(0.02)
Non-GAAP earnings per diluted share	<u>\$ 2.13</u>	<u>\$ 2.09</u>	<u>\$ 2.12</u>	<u>\$ 2.32</u>	<u>\$ 2.38</u>
Weighted average number of diluted shares	837	836	833	828	819

## FOOTNOTES:

- These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
- Amount for the first quarter of fiscal 2025 included changes to income tax provision of \$30 million from amortization of intangibles and a \$644 million remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in fiscal 2025.
- Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.
- Amount for the first quarter of fiscal 2025 included changes to income tax provision of \$0.04 per diluted share from amortization of intangibles and \$0.79 per diluted share from a remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in fiscal 2025.



# UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS

	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
<b>GAAP reported Operating Expenses</b>	\$ 1,237	\$ 1,241	\$ 1,263	\$ 1,289	\$ 1,321
Certain items associated with acquisitions <sup>1</sup>	(4)	(3)	(4)	(5)	(5)
Acquisition integration and deal costs	(3)	(5)	(1)	(3)	(3)
Non-GAAP operating expenses	<u>\$ 1,230</u>	<u>\$ 1,233</u>	<u>\$ 1,258</u>	<u>\$ 1,281</u>	<u>\$ 1,313</u>

## FOOTNOTE:

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

# UNAUDITED QUARTERLY RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS

## Non-GAAP Free Cash Flows<sup>1</sup>

	FQ1'24	FQ2'24	FQ3'24	FQ4'24	FQ1'25
Cash provided by operating activities	\$ 2,325	\$ 1,392	\$ 2,385	\$ 2,575	\$ 925
Capital expenditures	(229)	(257)	(297)	(407)	(381)
Non-GAAP free cash flow	<u>\$ 2,096</u>	<u>\$ 1,135</u>	<u>\$ 2,088</u>	<u>\$ 2,168</u>	<u>\$ 544</u>

### FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

# UNAUDITED FULL YEAR RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Non-GAAP Free Cash Flows<sup>1</sup></b>					
Cash provided by operating activities	\$ 1,163	\$ 2,566	\$ 3,789	\$ 3,787	\$ 3,247
Capital expenditures	(215)	(253)	(345)	(622)	(441)
Non-GAAP free cash flow	<u>\$ 948</u>	<u>\$ 2,313</u>	<u>\$ 3,444</u>	<u>\$ 3,165</u>	<u>\$ 2,806</u>

IN MILLIONS	FY2020	FY2021	FY2022	FY2023	FY2024
<b>Non-GAAP Free Cash Flows<sup>1</sup></b>					
Cash provided by operating activities	\$ 3,804	\$ 5,442	\$ 5,399	\$ 8,700	\$ 8,677
Capital expenditures	(422)	(668)	(787)	(1,106)	(1,190)
Non-GAAP free cash flow	<u>\$ 3,382</u>	<u>\$ 4,774</u>	<u>\$ 4,612</u>	<u>\$ 7,594</u>	<u>\$ 7,487</u>

## FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.



## RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the second quarter of fiscal 2025 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$11 million, or \$0.01 per share and a gain on asset sale of approximately \$43 million or \$0.05 per share, and includes a net income tax benefit related to intra-entity intangible asset transfers of approximately \$31 million, or \$0.04 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.

