
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 15, 2019

Applied Materials, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	000-06920 (Commission File Number)	94-1655526 (IRS Employer Identification No.)
3050 Bowers Avenue P.O. Box 58039 Santa Clara, CA (Address of principal executive offices)		95052-8039 (Zip Code)

Registrant's telephone number, including area code: (408) 727-5555

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	AMAT	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act).

Item 2.02 Results of Operations and Financial Condition.

On August 15, 2019, Applied Materials, Inc. (“Applied Materials”) announced its financial results for its third quarter ended July 28, 2019. A copy of Applied Materials’ press release is attached hereto as Exhibit 99.1.

The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of Applied Materials, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing. The information in this report, including the exhibit hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1</u>	<u>Press Release issued by Applied Materials, Inc. dated August 15, 2019</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Applied Materials, Inc.
(Registrant)

Date: August 15, 2019

By: /s/ Christina Y. Lai
Christina Y. Lai
Corporate Secretary



NEWS RELEASE

APPLIED MATERIALS ANNOUNCES THIRD QUARTER 2019 RESULTS

- *Quarterly revenue of \$3.56 billion*
- *GAAP EPS of \$0.61 and non-GAAP EPS of \$0.74*
- *Returns \$724 million to shareholders*

SANTA CLARA, Calif., Aug. 15, 2019 — Applied Materials, Inc. (NASDAQ:AMAT) today reported results for its third quarter ended July 28, 2019.

Third Quarter Results

Applied generated revenue of \$3.56 billion. On a GAAP basis, the company recorded gross margin of 43.7 percent, operating income of \$802 million or 22.5 percent of net sales, and earnings per share (EPS) of \$0.61.

On a non-GAAP adjusted basis, the company reported gross margin of 44.0 percent, operating income of \$820 million or 23.0 percent of net sales, and EPS of \$0.74.

The company returned \$724 million to shareholders including \$528 million in share repurchases and dividends of \$196 million.

“Applied Materials is delivering solid financial performance in a market environment that remains challenging for the time being,” said Gary Dickerson, president and CEO. “We are excited about the company’s future opportunities and are fully funding our R&D programs to develop new products and capabilities that will accelerate customers’ roadmaps and underpin our growth in the years ahead.”

Quarterly Results Summary

	Q3 FY2019	Q3 FY2018	Change
	<i>(In millions, except per share amounts and percentages)</i>		
Net sales	\$ 3,562	\$ 4,162	(14)%
Gross margin	43.7%	44.8%	(1.1) points
Operating margin	22.5%	26.3%	(3.8) points
Net income	\$ 571	\$ 1,016	(44)%
Diluted earnings per share	\$ 0.61	\$ 1.01	(40)%
Non-GAAP Adjusted Results			
Non-GAAP adjusted gross margin	44.0%	45.9%	(1.9) points
Non-GAAP adjusted operating margin	23.0%	27.4%	(4.4) points
Non-GAAP adjusted net income	\$ 692	\$ 1,048	(34)%
Non-GAAP adjusted diluted EPS	\$ 0.74	\$ 1.04	(29)%

Applied adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASC 606), as of the first day of fiscal 2019 using the full retrospective method. Applied also adopted Accounting Standards Update 2017-07, Compensation—Retirement Benefits, as of the first day of fiscal 2019 using the retrospective method. All prior periods included in the unaudited consolidated condensed balance sheet as of Oct. 28, 2018, and the unaudited consolidated condensed statements of operations and cash flows for the three and nine months ended July 29, 2018, were restated under the new standards.

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 fourth quarter of fiscal 2019, Applied expects net sales to be approximately \$3.685 billion, plus or minus \$150 million. Non-GAAP adjusted diluted EPS is expected to be in the range of \$0.72 to \$0.80.

This outlook for non-GAAP adjusted diluted EPS excludes known charges related to completed acquisitions of \$0.01 per share and includes net income tax benefit related to intra-entity intangible asset transfers of \$0.03 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.

Third Quarter Reportable Segment Information

<u>Semiconductor Systems</u>	Q3 FY2019		Q3 FY2018	
	<i>(In millions, except percentages)</i>			
Net sales	\$	2,273	\$	2,578
Foundry, logic and other		49%		36%
DRAM		27%		25%
Flash		24%		39%
Operating income		613		831
Operating margin		27.0%		32.2%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	624	\$	876
Non-GAAP adjusted operating margin		27.5%		34.0%

<u>Applied Global Services</u>	Q3 FY2019		Q3 FY2018	
	<i>(In millions, except percentages)</i>			
Net sales	\$	931	\$	952
Operating income		259		280
Operating margin		27.8%		29.4%
Non-GAAP Adjusted Results				
Non-GAAP adjusted operating income	\$	259	\$	280
Non-GAAP adjusted operating margin		27.8%		29.4%

Display and Adjacent Markets

	Q3 FY2019	Q3 FY2018
	<i>(In millions, except percentages)</i>	
Net sales	\$ 339	\$ 616
Operating income	41	156
Operating margin	12.1%	25.3%
Non-GAAP Adjusted Results		
Non-GAAP adjusted operating income	\$ 44	\$ 160
Non-GAAP adjusted operating margin	13.0%	26.0%

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 charges and any associated adjustments; impairments of assets, or investments; gain or loss on sale of strategic investments; tax effect of share-based compensation; certain income tax items and other discrete adjustments. Additionally, non-GAAP results exclude estimated discrete income tax expense items associated with changes to recent U.S. tax legislation. 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 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, our investment and growth strategies, our development of new products and technologies, our business outlook for the fourth quarter of fiscal 2019 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 and industry conditions; global trade issues and changes in trade 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; 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; and other risks and uncertainties described in our SEC filings, including our most 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 the technology shaping the future. Learn more at www.appliedmaterials.com.

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APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
<i>(In millions, except per share amounts)</i>				
Net sales	\$ 3,562	\$ 4,162	\$ 10,854	\$ 12,946
Cost of products sold	2,005	2,298	6,102	7,086
Gross profit	1,557	1,864	4,752	5,860
Operating expenses:				
Research, development and engineering	515	505	1,539	1,503
Marketing and selling	128	138	392	394
General and administrative	112	128	335	363
Total operating expenses	755	771	2,266	2,260
Income from operations	802	1,093	2,486	3,600
Interest expense	58	59	178	174
Interest and other income, net	38	43	121	95
Income before income taxes	782	1,077	2,429	3,521
Provision for income taxes	211	61	421	1,240
Net income	\$ 571	\$ 1,016	\$ 2,008	\$ 2,281
Earnings per share:				
Basic	\$ 0.61	\$ 1.02	\$ 2.13	\$ 2.22
Diluted	\$ 0.61	\$ 1.01	\$ 2.11	\$ 2.20
Weighted average number of shares:				
Basic	929	994	943	1,026
Diluted	937	1,005	950	1,039

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

<i>(In millions)</i>	July 28, 2019	October 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,014	\$ 3,440
Short-term investments	547	590
Accounts receivable, net	2,373	2,323
Inventories	3,539	3,721
Other current assets	569	530
Total current assets	10,042	10,604
Long-term investments	1,650	1,568
Property, plant and equipment, net	1,513	1,407
Goodwill	3,399	3,368
Purchased technology and other intangible assets, net	170	213
Deferred income taxes and other assets	2,031	473
Total assets	\$ 18,805	\$ 17,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,355	\$ 2,721
Contract liabilities	1,430	1,201
Total current liabilities	3,785	3,922
Income taxes payable	1,253	1,254
Long-term debt	5,312	5,309
Other liabilities	339	303
Total liabilities	10,689	10,788
Total stockholders' equity	8,116	6,845
Total liabilities and stockholders' equity	\$ 18,805	\$ 17,633

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

<i>(In millions)</i>	Three Months Ended		Nine Months Ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Cash flows from operating activities:				
Net income	\$ 571	\$ 1,016	\$ 2,008	\$ 2,281
Adjustments required to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	89	110	271	337
Share-based compensation	67	64	197	193
Deferred income taxes	8	22	57	94
Other	(10)	(7)	(19)	4
Net change in operating assets and liabilities	62	(572)	(93)	(199)
Cash provided by operating activities	787	633	2,421	2,710
Cash flows from investing activities:				
Capital expenditures	(93)	(133)	(344)	(457)
Cash paid for acquisitions, net of cash acquired	(5)	—	(28)	(5)
Proceeds from sales and maturities of investments	479	391	1,385	2,823
Purchases of investments	(543)	(932)	(1,370)	(1,661)
Cash provided by (used in) investing activities	(162)	(674)	(357)	700
Cash flows from financing activities:				
Proceeds from common stock issuances	—	—	73	56
Common stock repurchases	(528)	(1,250)	(1,903)	(4,532)
Tax withholding payments for vested equity awards	(3)	(6)	(83)	(160)
Payments of dividends to stockholders	(196)	(199)	(577)	(410)
Cash used in financing activities	(727)	(1,455)	(2,490)	(5,046)
Decrease in cash and cash equivalents	(102)	(1,496)	(426)	(1,636)
Cash and cash equivalents — beginning of period	3,116	4,870	3,440	5,010
Cash and cash equivalents — end of period	\$ 3,014	\$ 3,374	\$ 3,014	\$ 3,374
Supplemental cash flow information:				
Cash payments for income taxes	\$ 221	\$ 64	\$ 453	\$ 281
Cash refunds from income taxes	\$ 2	\$ 10	\$ 20	\$ 51
Cash payments for interest	\$ 33	\$ 33	\$ 143	\$ 143

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Corporate and Other

<i>(In millions)</i>	Q3 FY2019	Q3 FY2018
Unallocated net sales	\$ 19	\$ 16
Unallocated cost of products sold and expenses	(63)	(126)
Share-based compensation	(67)	(64)
Total	\$ (111)	\$ (174)

Additional Information

Net Sales by Geography <i>(In millions)</i>	Q3 FY2019	Q3 FY2018
United States	552	348
% of Total	15%	9%
Europe	162	224
% of Total	5%	5%
Japan	556	700
% of Total	16%	17%
Korea	445	572
% of Total	12%	14%
Taiwan	596	506
% of Total	17%	12%
Southeast Asia	134	165
% of Total	4%	4%
China	1,117	1,647
% of Total	31%	39%

Employees *(In thousands)*

Regular Full Time	21.6	20.7
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APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

	Three Months Ended		Nine Months Ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
<i>(In millions, except percentages)</i>				
Non-GAAP Adjusted Gross Profit				
Reported gross profit - GAAP basis	\$ 1,557	\$ 1,864	\$ 4,752	\$ 5,860
Certain items associated with acquisitions ¹	9	45	28	134
Non-GAAP adjusted gross profit	\$ 1,566	\$ 1,909	\$ 4,780	\$ 5,994
Non-GAAP adjusted gross margin	44.0%	45.9%	44.0%	46.3%
Non-GAAP Adjusted Operating Income				
Reported operating income - GAAP basis	\$ 802	\$ 1,093	\$ 2,486	\$ 3,600
Certain items associated with acquisitions ¹	13	49	41	147
Acquisition integration and deal costs	5	—	12	2
Non-GAAP adjusted operating income	\$ 820	\$ 1,142	\$ 2,539	\$ 3,749
Non-GAAP adjusted operating margin	23.0%	27.4%	23.4%	29.0%
Non-GAAP Adjusted Net Income				
Reported net income - GAAP basis	\$ 571	\$ 1,016	\$ 2,008	\$ 2,281
Certain items associated with acquisitions ¹	13	49	41	147
Acquisition integration and deal costs	5	—	12	2
Impairment (gain on sale) of strategic investments, net	—	(14)	—	(10)
Loss (gain) on strategic investments, net	(8)	—	(31)	—
Income tax effect of share-based compensation ²	—	13	(4)	(13)
Income tax effect of changes in applicable U.S. tax laws ³	—	12	(24)	1,089
Income tax effects related to amortization of intra-entity intangible asset transfers	115	—	56	—
Resolution of prior years' income tax filings and other tax items	(1)	(29)	75	(32)
Income tax effect of non-GAAP adjustments ⁴	(3)	1	(2)	(7)
Non-GAAP adjusted net income	\$ 692	\$ 1,048	\$ 2,131	\$ 3,457

- 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 being recognized ratably over the fiscal year on a non-GAAP basis.
- 3 Charges to income tax provision related to a one-time transition tax and a decrease in U.S. deferred tax assets as a result of the recent U.S. tax legislation.
- 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		Nine Months Ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
<i>(In millions, except per share amounts)</i>				
Non-GAAP Adjusted Earnings Per Diluted Share				
Reported earnings per diluted share - GAAP basis	\$ 0.61	\$ 1.01	\$ 2.11	\$ 2.20
Certain items associated with acquisitions	0.01	0.05	0.04	0.13
Acquisition integration and deal costs	0.01	—	0.01	—
Impairment (gain on sale) of strategic investments, net	—	(0.01)	—	(0.01)
Loss (gain) on strategic investments, net	(0.01)	—	(0.03)	—
Income tax effect of share-based compensation	—	0.01	—	(0.01)
Income tax effect of changes in applicable U.S. tax laws	—	0.01	(0.03)	1.05
Income tax effects related to amortization of intra-entity intangible asset transfers	0.12	—	0.06	—
Resolution of prior years' income tax filings and other tax items	—	(0.03)	0.08	(0.03)
Non-GAAP adjusted earnings per diluted share	\$ 0.74	\$ 1.04	\$ 2.24	\$ 3.33
Weighted average number of diluted shares	937	1,005	950	1,039

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

	Three Months Ended		Nine Months Ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
<i>(In millions, except percentages)</i>				
<u>Semiconductor Systems Non-GAAP Adjusted Operating Income</u>				
Reported operating income - GAAP basis	\$ 613	\$ 831	\$ 1,823	\$ 2,847
Certain items associated with acquisitions ¹	11	45	32	137
Non-GAAP adjusted operating income	\$ 624	\$ 876	\$ 1,855	\$ 2,984
Non-GAAP adjusted operating margin	27.5%	34.0%	27.6%	35.8%
<u>AGS Non-GAAP Adjusted Operating Income</u>				
Reported operating income - GAAP basis	\$ 259	\$ 280	\$ 827	\$ 814
Acquisition integration costs	—	—	—	1
Non-GAAP adjusted operating income	\$ 259	\$ 280	\$ 827	\$ 815
Non-GAAP adjusted operating margin	27.8%	29.4%	28.7%	29.3%
<u>Display and Adjacent Markets Non-GAAP Adjusted Operating Income</u>				
Reported operating income - GAAP basis	\$ 41	\$ 156	\$ 198	\$ 456
Certain items associated with acquisitions ¹	2	4	9	10
Acquisition integration costs	1	—	1	1
Non-GAAP adjusted operating income	\$ 44	\$ 160	\$ 208	\$ 467
Non-GAAP adjusted operating margin	13.0%	26.0%	17.4%	26.3%

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.

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

<i>(In millions, except percentages)</i>	Three Months Ended July 28, 2019
Provision for income taxes - GAAP basis <i>(a)</i>	\$ 211
Income tax effects related to amortization of intra-entity intangible asset transfers	(115)
Resolutions of prior years' income tax filings and other tax items	1
Income tax effect of non-GAAP adjustments	3
Non-GAAP adjusted provision for income taxes <i>(b)</i>	<u>\$ 100</u>
Income before income taxes - GAAP basis <i>(c)</i>	\$ 782
Certain items associated with acquisitions	13
Acquisition integration and deal costs	5
Loss (gain) on strategic investments, net	(8)
Non-GAAP adjusted income before income taxes <i>(d)</i>	<u>\$ 792</u>
Effective income tax rate - GAAP basis <i>(a/c)</i>	<u>27.0%</u>
Non-GAAP adjusted effective income tax rate <i>(b/d)</i>	<u>12.6%</u>