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# Applied Materials, Inc.

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Overview



Reviews

## About Applied Materials, Inc.

Applied Materials is the leading producer of the machines that make computer chips, flat panel TVs, and solar energy devices. The company's equipment handles the complex processes of making chips, from laying down patterns on silicon at the beginning to packaging them for shipment at the end. Its display business produces equipment for manufacturing organic light-emitting diodes (OLEDs) and other display technologies for TVs, personal computers, and smart phones. The services business offers manufacturing consulting and automation software. Based in California, Applied has factories around the world. Asian customers account for about 80% of revenue.

### Operations

Applied operates in three segments: Semiconductor Systems, Applied Global Services, and Display.

Semiconductor Systems, more than 60% of revenue, makes a wide range of manufacturing equipment used to fabricate integrated circuits, including patterning systems, transistor and interconnect products, metrology, inspection and review systems, and packaging technologies. Key products are the Vantage, the Radiance and Centura Systems, VIISta Systems, the Raider and Nokota Platforms, and the Centura RP Epi.

Applied Global Services, around a quarter of revenue, provides products that improve equipment and fab performance and productivity, including spares, upgrades, services, and factory automation software for semiconductor, display, and other products.

The Display and Adjacent Markets segment, about 10% of revenue, engineers products for making liquid crystal displays (LCDs), organic light-emitting diodes (OLEDs), and other display technologies for TVs, personal computers, tablets, smart phones, and other consumer-oriented devices as well as equipment for flexible substrates.

### Geographic Reach

Applied has operations in the US, Asia/Pacific, and Europe. Customers in China account for about 30% of revenue. Customers in Taiwan account for about 20% of revenue and those in the US, Korea and Japan each supply about 10% of Applied's revenue.

Products in Semiconductor Systems are manufactured in Santa Clara, California; Austin, Texas; Gloucester, Massachusetts; Kalispell, Montana; Rehovot, Israel; and Singapore.

Products in the Display and Adjacent Markets segment are manufactured in Alzenau, Germany

## Applied Materials, Inc.

3050 Bowers Ave Bldg 1  
Santa Clara, CA 95054-3298  
Phone: 1 (408) 727-5555

### Firm Stats

Employer Type: Publicly Owned  
Stock Symbol: AMAT  
Stock Exchange: , NASDAQ  
President and CEO: Gary E. Dickerson  
SVP and CFO: Daniel Durn  
Chairman: Thomas J. Iannotti  
Employees (This Location): 800  
Employees (All Locations): 22,000

### Major Office Locations

Santa Clara, CA

### Other Locations

Chandler, AZ  
Phoenix, AZ  
Fremont, CA  
Milpitas, CA  
Newport Beach, CA  
Roseville, CA  
Santa Clara, CA  
Sunnyvale, CA

The company's headquarter offices are in Santa Clara, California. The company also have offices, plants and warehouse in many locations throughout the world, including Europe, Japan, North America (principally the United States), Israel, China, India, Korea, Southeast Asia and Taiwan.

### Sales and Marketing

Due to the highly technical nature of its products, Applied's direct sales force does most of the company's marketing and selling worldwide. Applied's biggest customers for chip-making equipment are three of the biggest chipmakers: Samsung Electronics, Taiwan Semiconductor Manufacturing Company, and Intel, each accounting for at least 10% of revenue.

### Financial Performance

Applied Materials has manufactured strong revenue gains in the past years except in 2019.

Applied's 2019 (ended October) revenue decreased by 13% to \$14.6 billion from 2018, on stronger sales across its businesses. Semiconductor sales decreased by 15% as customers added production capacity and moved to new technologies, while Display and Adjacent Markets revenue decreased by 28% on increased demand for equipment used in making TVs and mobile devices.

Net income receded to \$2.7 billion in 2019 from \$3 billion. Income before taxes was about \$563 million in 2019.

Applied's coffers held \$3.1 billion in cash and equivalent in 2019 compared to \$3.4 billion in 2018. Cash from operations was about \$3.2 billion in 2019, while investing activities used \$443 million and financing activities used \$3.1 billion

### Strategy

Applied Materials sees growth in semiconductors, driven by the expansion of the internet of things, big data, and artificial intelligence, and technologies such as augmented and virtual reality. In displays, the company forecasts continuing demand for big and small screens. It is investing in research, development, and engineering to help its customers make more chips and with fewer defects.

Applied Materials slightly increased its R&D spending in 2019 remaining in the \$2 billion mark, and increasing it by \$20 million higher than 2018. R&D in the Semiconductor Systems and Display and Adjacent Markets segments address etch, e-beam inspection, and material engineering. In etch R&D, Applied focuses on supporting the adoption of precision etch technology for the growing use of 3D logic and memory chips.

Besides R&D, the company pumped more capital into improving plants and property for new ones. Capital spending fell to \$441 million in 2019, decrease from 2018.

Applied has moved into other areas of technology to reduce its exposure to the volatility of the semiconductor business. While it's grown quickly, the Display and Adjacent Markets depends on four customers for almost 70% of sales with each customers accounted for at least 10% of the segment's sales.

### Mergers and Acquisitions

Applied agreed to acquire Kokusai Electronics, which provides high-productivity batch processing systems and services for memory, foundry, and logic customers, for \$2.2 billion in 2019. The seller was investment firm KKR. Kokusai's systems complement Applied's portfolio in single-wafer processing systems and could enhance Applied's position with customers in Japan and Asia. With completion of the deal, Kokusai would become part of Applied's Semiconductor Products Group and continue to be based in Tokyo. The transaction was expected to close in 2020.

### Company Background

Louisville, KY  
Andover, MA  
Boxborough, MA  
Gloucester, MA  
Newburyport, MA  
Kalispell, MT  
Libby, MT  
Amherst, NH  
Albany, NY  
Ballston Spa, NY  
Hopewell Junction, NY  
Manlius, NY  
Beaverton, OR  
Hillsboro, OR  
Collegeville, PA  
Austin, TX  
Round Rock, TX  
Selma, TX  
Salt Lake City, UT  
Manassas, VA  
Kyoto, Japan  
Osaka, Japan  
Tainan City, Taiwan  
Taoyuan City, Taiwan  
Clark Freeport Zone, Philippines  
Suwon, South Korea

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technology revolution of the past 30 years. The company was founded in 1967 in Mountain View, California, as a maker of chemical vapor deposition systems for fabricating semiconductors. After years of rapid growth, the company went public in 1972. It has added the manufacturing of equipment for solar technology and displays to its portfolio to help temper the ups and downs of the cyclical semiconductor industry.

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