

# Q4 Fiscal 2025 Earnings Call



PREPARED REMARKS | NOVEMBER 13, 2025

**MIKE SULLIVAN** | Corporate Vice President, Investor Relations

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Good afternoon everyone and thank you for joining today's call. With me are Gary Dickerson, our president and CEO and Brice Hill, our chief financial officer. Before we begin, I'd like to remind you that today's call includes forward-looking statements which are subject to risks and uncertainties that could cause our actual results to differ. Information concerning these risks and uncertainties is discussed in our most recent form 10-Q and other filings with the SEC. Today's call also includes non-GAAP financial measures. Reconciliations to GAAP measures can be found in today's earnings press release and in our quarterly earnings materials, which are available on our Investor Relations website at [ir.appliedmaterials.com](http://ir.appliedmaterials.com).

And with that introduction, I'd now like to turn the call over to Gary Dickerson.

**GARY DICKERSON** | President and Chief Executive Officer

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Welcome back, Mike.

Applied Materials delivered fiscal fourth quarter results above the midpoint of our guidance to complete another record year. 2025 was our sixth consecutive year of growth, and over this period we have grown revenue and earnings at annualized rates of approximately 12% and 20%. These results are made possible by our passionate and dedicated employees around the world. Over the past 12 months, we have built new capabilities, strengthened our product portfolio, and streamlined our organization to prepare for the opportunities ahead. Applied is in a tremendous position to benefit as AI computing fuels secular growth in semiconductors and wafer fab equipment.

As this is our year-end call, I'll begin with a brief review of our performance in 2025, then I'll provide our latest market outlook, and finally, I'll describe how our inflection-focused innovation strategy enables us to extend our leadership in the most valuable and fastest-growing areas of the market as next-generation technologies ramp in volume production in 2026 and beyond.

## 2025 REVIEW

Looking back at fiscal 2025, while it was a growth year for Applied, our growth rate was tempered due to increased trade restrictions and an unfavorable market mix. Over the past 12 months, multiple trade rule changes have reduced the size of our accessible market in China. Overall, China declined to 28% of our total systems and service revenues in fiscal 2025, and to 25% for our fourth quarter. In 2026, we expect wafer fab equipment spending in China to be lower, and we are not anticipating significant changes to market restrictions. In the areas of the market where we can operate, we are competing well and maintaining market share. Outside of China, the fastest growing areas of the market in 2025 were segments where Applied had low or no share.

In leading-edge foundry-logic, investment was more oriented towards advanced lithography. We believe this is a positive leading indicator for process equipment demand in 2026. NAND—where

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historically, Applied has lower market share—is on track to approximately double in 2025 even though it remains a relatively small portion of the wafer fab equipment market. In DRAM—where Applied has strong process technology leadership—overall spending is tracking to be approximately flat for calendar 2025. Nevertheless, we strengthened our leadership position in DRAM, growing revenues from leading-edge customers by more than 50% over the past four fiscal quarters. As we look ahead to 2026, we expect the spending mix to play more to Applied’s strengths with leading-edge foundry-logic, DRAM, and advanced packaging being the fastest growing areas of the market.

## MARKET OUTLOOK

I recently returned from an extended trip to Asia. My discussions with customers and partners reinforce my view that the opportunities for the semiconductor industry and Applied Materials have never been greater. Our customers are engaging with us to ensure we are ready to support significant production ramps in the coming years.

AI has reached a tipping point that is accelerating investment in next generation computing infrastructure and advanced silicon. Today, we are seeing a virtuous cycle of innovation and demand. Advances in performance, energy consumption, and cost of AI computing open up new AI applications that, in turn, significantly increase demand for AI-compute capacity.

Recent third-party forecasts predict that the semiconductor industry will grow at a compound annual rate between 10% to 15% over the next five years driving a healthy increase in wafer fab equipment spending. We expect 2026 to be another growth year for Applied with our revenue being weighted towards the second half of the calendar year.

## INFLECTION-FOCUSED INNOVATION

AI computing is not only fueling growth but also reshaping the semiconductor roadmap and changing the way chips are designed and manufactured. Foundational semiconductor technology plays a critical role in increasing performance and bringing down the cost of AI in the datacenter and at the edge. Today, major technology inflections are underway in five key areas: leading-edge logic, high-performance DRAM, high-bandwidth memory or DRAM stacking, advanced packaging for heterogeneous integration, and power electronics. At Applied, our core strategy is inflection-focused innovation. We partner with our customers to see technology inflections early. We focus our research and development on the most critical and valuable challenges on their roadmaps using deep co-innovation engagement models. And, we create highly differentiated solutions by connecting our broad portfolio of capabilities and technologies. The three products we recently launched at SEMICON West are great examples of how this strategy works.

Our new Xtera epitaxy system enables higher performance gate-all-around transistors for 2nm and beyond. Xtera creates void-free source-drain structures that provide higher transistor speeds that are especially critical for AI computing. The Xtera system integrates epi, cleaning, and etch resulting in a 40% improvement in uniformity and 50% lower gas usage compared to traditional epi.

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Kinex is the industry's first integrated die-to-wafer bonder. Hybrid bonding enables significant improvement in performance, power-consumption, and costs for both complex multi-chip packages and die stacking. Kinex is a 6-step integrated system, with on-board metrology, that provides higher-accuracy bonding, smaller interconnect pitches, and higher yields for new logic and memory packaging architectures.

PROvision 10 is designed to improve yield in 3D devices and further extends our leadership in eBeam metrology. eBeam metrology is critical for 3D devices as it can see through multiple layers of 3D chips and provide multi-layer images to identify defects in buried structures. This system is the first to use cold-field emission technology for metrology which increases image resolution by 50% and imaging speed 10 times compared to conventional thermal-field emission technology.

Overall, Applied is very well positioned at the most valuable technology inflections and in areas of the market that will grow fastest as AI is deployed on a large scale. The process-tool-of-record positions that we have established over the past several years give us confidence that we will extend our strong leadership position in logic, DRAM, and packaging as advanced technology nodes ramp in volume production.

## NEW WAYS OF WORKING

Another key theme we consistently hear from our customers and our customers' customers is that co-optimization of the technology stack is more critical than ever. We are expanding our deep, multi-year, co-innovation engagements that focus on system technology co-optimization. Our 'high-velocity, co-innovation' model provides chip makers and chip designers much earlier access to next-generation process technology to accelerate their new chip and system architectures. This is a core value proposition of Applied Materials' Equipment and Process Innovation and Commercialization platform or EPIC. Construction of the platform's flagship facility—the EPIC Center in Silicon Valley—is on track and we are excited to begin operations next year.

Our co-optimization strategies extend well beyond R&D. As our customers race to bring these complex new device architecture inflections to market, we are providing advanced service solutions that help them rapidly transfer new technology into their pilot lines and then rapidly optimize device performance, yield and cost in volume production. In 2025, our core service business delivered another year of double-digit growth with more than two-thirds of our service revenue generated from subscriptions. In AGS, and across Applied, we are rapidly adopting AI and digital tools. This enables us to drive higher velocity and productivity, innovate the way we work, and streamline our organization to meet the opportunities ahead.

## SUMMARY

Before I hand over to Brice, I'll quickly summarize.

Fiscal 2025 was our sixth consecutive year of growth, even as trade restrictions and an unfavorable market mix trimmed our growth rate for the year. As we look ahead, large-scale AI adoption will drive substantial investment in AI-computing infrastructure including advanced semiconductors and wafer fab

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equipment. Applied's inflection-focused innovation strategy positions us for another record year in 2026 as we gain share at the highest-value technology infections in the fastest-growing areas of the market. As next-generation technologies ramp in volume production over the coming years, we will extend our leadership in logic, DRAM, and packaging. Brice, over to you.

**BRICE HILL** | Senior Vice President, Chief Financial Officer

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Thank you, Gary, and thanks everyone joining today's call.

I am pleased that Applied delivered record annual revenue, gross margin dollars, operating profit and earnings per share in fiscal 2025. Looking ahead into 2026, I believe we are in great position to benefit from favorable market trends. Based on growing demand for AI data center capacity, we forecast that leading-edge foundry-logic, DRAM and high-bandwidth memory will be the fastest-growing areas of the semiconductor equipment market. We have strong leadership positions in these segments today, and we have targeted our R&D investments to create new products and technologies that will enable even faster and more energy-efficient transistors, chips and systems, and drive growth for Applied. In addition, we have been working closely with our customers to better understand their longer-term demand expectations, and align our supply chain and manufacturing slots to meet their needs for advanced capacity. Based on our conversations with our customers and other industry players, we are preparing our operations and service organizations to be ready to support higher demand beginning in the second half of calendar 2026.

## FY2025 RESULTS

Next, I'll briefly summarize our fiscal 2025 results versus fiscal 2024. Revenue grew 4% to \$28.4B, with growth across all of our segments. Semiconductor Systems revenue was up 4%, growing even as the impact of trade restrictions significantly reduced our access to the market in China. The impact of these restrictions was equivalent to around 10% of the China market in fiscal 2024 and more than double that amount in fiscal 2025. On a global basis, we generated record foundry systems revenue along with record DRAM sales outside China, and we posted record revenue in both Taiwan and Korea.

Applied Global Services revenue grew 3% to a record \$6.4B. The recurring parts, services and software portion of AGS grew by double digits in the year while the 200mm equipment business declined.

We grew Display revenue by 20%. I am pleased that we increased non-GAAP gross margin by 120 basis points to 48.8%, the highest level in 25 years. We shipped a richer mix of advanced systems and increased prices broadly, helping to more than offset cost increases.

Non-GAAP operating expenses grew 5%, primarily driven by a 10% increase in R&D investments. At the end of the year, we announced actions to reduce headcount and enable us to scale Applied more productively as we capture the growth opportunities we see in 2026 and beyond. We continue to shift spending to strategic areas, adding people in fields like advanced analytics that are critical to the speed and efficiency of our R&D programs and operations. Non-GAAP earnings per share increased

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9%. We generated nearly \$8B in cash from operations. Free cash flow of \$5.7B included elevated capital spending of \$2.3B, over half of which was used in building the new EPIC Center in Silicon Valley which will open next year and become the most advanced collaborative semiconductor equipment and process innovation facility in the world. We distributed approximately \$6.3B to shareholders. We paid \$1.4B in cash dividends, and the quarterly dividend per share was increased by 15% during the year to \$0.46. Operating income from Applied Global Services more than covered the dividend payment. We allocated \$4.9B to our share repurchase program and reduced shares outstanding by more than 3%.

## Q4 SUMMARY

Turning to fiscal Q4, we delivered revenue and non-GAAP EPS above the midpoint of guidance. China revenue declined to 29% of total company revenue which is in line with our longer-term average and well below a peak of 45% in the first quarter of fiscal 2024. Non-GAAP gross margin was at the midpoint of guidance and up 60 basis points year on year, while non-GAAP operating expenses were slightly higher than our expectation and up 3% year on year. Turning to the segments, Semiconductor Systems and AGS revenue exceeded our expectations for the quarter, while non-GAAP operating margin for both segments declined along with revenue on a year-on-year basis. Lastly, display revenue exceeded our expectation for the quarter and was up 68% year over year.

## REPORTING CHANGES

Next, I'll share several reporting changes we are making that will help us drive further efficiency gains and also give investors more visibility into our semiconductor and services businesses. First, as of Q4 of fiscal 2025, our Display business is being reported in Corporate and Other. There is no change to our Display strategy. Next, as of Q1 fiscal 2026, we are moving our 200mm equipment business from Applied Global Services to Semiconductor Systems. This change will increase our operational efficiency and enable investors to see all of our semiconductor systems revenue in one place. Also as a result, Applied Global Services will consist entirely of recurring revenue. This will make it easier for investors to track our subscription-like growth in services. Finally, as of Q1 of fiscal 2026, we are fully allocating corporate support costs to our businesses. This change will have the effect of reducing Semiconductor Systems and AGS operating margins but also give our teams better visibility and opportunity to optimize these costs.

## Q1 GUIDANCE

Now, I'll share our guidance for Q1 which includes the reporting changes I just outlined. We expect company revenue of \$6.85B  $\pm$  500 million, and non-GAAP EPS of \$2.18,  $\pm$  \$0.20. Within this outlook, we expect Semiconductor Systems revenue of around \$5.025B. AGS should generate revenue of around \$1.52B. Corporate and Other revenue should be around \$305M, composed primarily of Display revenue. We currently expect non-GAAP gross margin to be approximately 48.4% in Q1, and remain at that level until volumes ramp to support higher demand beginning in the second half of the calendar year. Non-GAAP operating expenses should be around \$1.33B, which is up only slightly from fiscal Q4 because the actions we recently took are mostly offsetting the increase we normally see in Q1 due to

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the timing of annual merit increases and equity compensation expenses. Finally, we are modeling a tax rate of around 13%.

## SUMMARY

In summary, our customers are indicating to us that wafer fab equipment spending is likely to accelerate beginning in the second half of calendar 2026. In addition, we see a positive fab equipment spending mix developing for Applied. AI data center investments translate to strong demand for our most enabling products in leading-edge foundry-logic, DRAM and high-bandwidth memory, along with advanced services that help our customers accelerate ramps and yields.

Thank you for listening, and now Mike, let's begin the Q&A.