

APPLIED MATERIALS INC /DE
Form 10-Q
August 24, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 30, 2017
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 000-06920
Applied Materials, Inc.
(Exact name of registrant as specified in its charter)
Delaware 94-1655526
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3050 Bowers Avenue, 95052-8039
P.O. Box 58039
Santa Clara, California (Zip Code)
(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
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. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No

Number of shares outstanding of the issuer's common stock as of July 30, 2017: 1,066,487,165

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

	Three Months Ended July 30, July 31, 2017 2016		Nine Months Ended July 30, July 31, 2017 2016	
	(Unaudited)			
Net sales	\$3,744	\$2,821	\$10,568	\$7,528
Cost of products sold	2,044	1,629	5,823	4,416
Gross profit	1,700	1,192	4,745	3,112
Operating expenses:				
Research, development and engineering	454	386	1,308	1,146
Marketing and selling	117	107	351	315
General and administrative	106	103	316	276
Total operating expenses	677	596	1,975	1,737
Income from operations	1,023	596	2,770	1,375
Interest expense	59	38	141	117
Interest and other income, net	14	6	28	15
Income before income taxes	978	564	2,657	1,273
Provision for income taxes	53	59	205	162
Net income	\$925	\$505	\$2,452	\$1,111
Earnings per share:				
Basic	\$0.86	\$0.47	\$2.28	\$1.00
Diluted	\$0.85	\$0.46	\$2.26	\$0.99
Weighted average number of shares:				
Basic	1,071	1,083	1,076	1,115
Diluted	1,083	1,093	1,087	1,123

See accompanying Notes to Consolidated Condensed Financial Statements.

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APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Three Months Ended July 30, 2017		Nine Months Ended July 31, 2017	
	2016	2017	2016	2016
	(Unaudited)			
Net income	\$925	\$ 505	\$2,452	\$1,111
Other comprehensive income, net of tax:				
Change in unrealized net gain on investments	10	17	25	21
Change in unrealized net loss on derivative instruments	1	(9)	1	(16)
Change in defined and postretirement benefit plans	(2)	—	(12)	—
Other comprehensive income, net of tax	9	8	14	5
Comprehensive income	\$934	\$ 513	\$2,466	\$1,116

See accompanying Notes to Consolidated Condensed Financial Statements.

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APPLIED MATERIALS, INC.
 CONSOLIDATED CONDENSED BALANCE SHEETS
 (In millions)

	July 30, 2017	October 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$5,278	\$ 3,406
Short-term investments	1,953	343
Accounts receivable, net	2,258	2,279
Inventories	2,876	2,050
Other current assets	366	275
Total current assets	12,731	8,353
Long-term investments	1,059	929
Property, plant and equipment, net	996	937
Goodwill	3,357	3,316
Purchased technology and other intangible assets, net	461	575
Deferred income taxes and other assets	474	460
Total assets	\$19,078	\$ 14,570

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable, notes payable and accrued expenses	\$2,255	\$ 2,256
Customer deposits and deferred revenue	2,116	1,376
Total current liabilities	4,371	3,632
Long-term debt	5,303	3,125
Other liabilities	688	596
Total liabilities	10,362	7,353
Stockholders' equity:		
Common stock	11	11
Additional paid-in capital	6,950	6,809
Retained earnings	17,383	15,252
Treasury stock	(15,527)	(14,740)
Accumulated other comprehensive loss	(101)	(115)
Total stockholders' equity	8,716	7,217
Total liabilities and stockholders' equity	\$19,078	\$ 14,570

Amounts as of July 30, 2017 are unaudited. Amounts as of October 30, 2016 are derived from the October 30, 2016 audited consolidated financial statements.

See accompanying Notes to Consolidated Condensed Financial Statements.

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APPLIED MATERIALS, INC
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

Nine Months Ended July 30, 2017	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount		
	(Unaudited)							
Balance at October 30, 2016	1,078	\$ 11	\$ 6,809	\$ 15,252	889	\$(14,740)	\$ (115)	\$ 7,217
Net income	—	—	—	2,452	—	—	—	2,452
Other comprehensive income, net of tax	—	—	—	—	—	—	14	14
Dividends	—	—	—	(321)	—	—	—	(321)
Share-based compensation	—	—	162	—	—	—	—	162
Issuance under stock plans, net of a tax benefit of \$51 and other	8	—	(21)	—	—	—	—	(21)
Common stock repurchases	(20)	—	—	—	20	(787)	—	(787)
Balance at July 30, 2017	1,066	\$ 11	\$ 6,950	\$ 17,383	909	\$(15,527)	\$ (101)	\$ 8,716
Nine Months Ended July 31, 2016	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount		
	(Unaudited)							
Balance at October 25, 2015	1,160	\$ 11	\$ 6,575	\$ 13,967	793	\$(12,848)	\$ (92)	\$ 7,613
Net income	—	—	—	1,111	—	—	—	1,111
Other comprehensive loss, net of tax	—	—	—	—	—	—	5	5
Dividends	—	—	—	(328)	—	—	—	(328)
Share-based compensation	—	—	150	—	—	—	—	150
Issuance under stock plans, net of a tax benefit of \$18 and other	11	—	(11)	—	—	—	—	(11)
Common stock repurchases	(90)	—	—	—	90	(1,721)	—	(1,721)
Balance at July 31, 2016	1,081	\$ 11	\$ 6,714	\$ 14,750	883	\$(14,569)	\$ (87)	\$ 6,819

See accompanying Notes to Consolidated Condensed Financial Statements.

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APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

	Nine Months Ended	
	July 30, 2017	July 31, 2016
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$2,452	\$1,111
Adjustments required to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	302	289
Share-based compensation	162	150
Excess tax benefits from share-based compensation	(51)	(18)
Deferred income taxes	6	14
Other	15	20
Changes in operating assets and liabilities:		
Accounts receivable	26	(112)
Inventories	(825)	(192)
Other current and non-current assets	(114)	52
Accounts payable and accrued expenses	153	(84)
Customer deposits and deferred revenue	740	399
Income taxes payable	13	38
Other liabilities	31	2
Cash provided by operating activities	2,910	1,669
Cash flows from investing activities:		
Capital expenditures	(221)	(165)
Cash paid for acquisitions, net of cash acquired	(56)	(5)
Proceeds from sales and maturities of investments	1,822	681
Purchases of investments	(3,542)	(947)
Cash used in investing activities	(1,997)	(436)
Cash flows from financing activities:		
Debt borrowings, net of issuance costs	2,176	—
Debt repayments	(205)	(1,207)
Proceeds from common stock issuances	47	44
Common stock repurchases	(787)	(1,721)
Excess tax benefits from share-based compensation	51	18
Payments of dividends to stockholders	(323)	(336)
Cash provided by (used in) financing activities	959	(3,202)
Increase (decrease) in cash and cash equivalents	1,872	(1,969)
Cash and cash equivalents — beginning of period	3,406	4,797
Cash and cash equivalents — end of period	\$5,278	\$2,828
Supplemental cash flow information:		
Cash payments for income taxes	\$168	\$144
Cash refunds from income taxes	\$17	\$104
Cash payments for interest	\$110	\$110

See accompanying Notes to Consolidated Condensed Financial Statements.

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APPLIED MATERIALS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1 Basis of Presentation

Basis of Presentation

In the opinion of management, the unaudited interim consolidated condensed financial statements of Applied Materials, Inc. and its subsidiaries (Applied or the Company) included herein have been prepared on a basis consistent with the October 30, 2016 audited consolidated financial statements and include all material adjustments, consisting of normal recurring adjustments, necessary to fairly present the information set forth therein. These unaudited interim consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Applied's Annual Report on Form 10-K for the fiscal year ended October 30, 2016 (2016 Form 10-K). Applied's results of operations for the three and nine months ended July 30, 2017 are not necessarily indicative of future operating results. Applied's fiscal year ends on the last Sunday in October of each year. Fiscal 2017 and 2016 contain 52 weeks and 53 weeks, respectively, and the first nine months of fiscal 2017 and 2016 contained 39 weeks and 40 weeks, respectively.

Certain prior year amounts have been reclassified to conform to current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, Applied evaluates its estimates, including those related to accounts receivable and sales allowances, fair values of financial instruments, inventories, intangible assets and goodwill, useful lives of intangible assets and property and equipment, fair values of share-based awards, and income taxes, among others. Applied bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Revenue Recognition

Applied recognizes revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; seller's price to buyer is fixed or determinable; and collectability is probable. Applied's shipping terms are customarily FOB Applied shipping point or equivalent terms. Applied's revenue recognition policy generally results in revenue recognition at the following points: (1) for all transactions where legal title passes to the customer upon shipment or delivery, Applied recognizes revenue upon passage of title for all products that have been demonstrated to meet product specifications prior to shipment; the portion of revenue associated with certain installation-related tasks is deferred, and that revenue is recognized upon completion of the installation-related tasks; (2) for products that have not been demonstrated to meet product specifications prior to shipment, revenue is recognized at customer technical acceptance; (3) for transactions where legal title does not pass at shipment or delivery, revenue is recognized when legal title passes to the customer, which is generally at customer technical acceptance; and (4) for arrangements containing multiple elements, the revenue relating to the undelivered elements is deferred using the relative selling price method utilizing estimated sales prices until delivery of the deferred elements. Applied limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or adjustment. In cases where Applied has sold products that have been demonstrated to meet product specifications prior to shipment, Applied believes that at the time of delivery, it has an enforceable claim to amounts recognized as revenue. Spare parts revenue is generally recognized upon shipment, and services revenue is generally recognized over the period that the services are provided.

When a sales arrangement contains multiple elements, such as hardware and services and/or software products, Applied allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not

available, or estimated selling price (ESP) if neither VSOE nor TPE is available. Applied generally utilizes the ESP due to the nature of its products. In multiple element arrangements where more-than-incidental software deliverables are included, revenue is allocated to each separate unit of accounting for each of the non-software deliverables, and to the software deliverables as a group, using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is then allocated to each software deliverable using the guidance for recognizing software revenue.

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APPLIED MATERIALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

Recent Accounting Pronouncements

Accounting Standards Adopted

Debt Issuance Costs. In April 2015, the Financial Accounting Standard Board (FASB) issued authoritative guidance that requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. Effective in the first quarter of fiscal 2017, Applied adopted the authoritative guidance retrospectively. The adoption of this guidance did not have a significant impact on Applied's consolidated financial statements. See Note 10 of Notes to Consolidated Condensed Financial Statements for additional discussion.

Fair Value Disclosures. In May 2015, the FASB issued authoritative guidance to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The new guidance also removes the requirement of certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The guidance became effective for Applied in the first quarter of fiscal 2017, with retrospective application. The adoption of this guidance only impacts disclosures in Applied's annual consolidated financial statements.

Intangibles: Internal-Use Software. In April 2015, the FASB issued authoritative guidance for customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance did not change accounting for service contracts. Applied adopted this guidance effective in the first quarter of fiscal 2017 prospectively to all arrangements entered into or materially modified after the effective date. The adoption of this guidance did not have a significant impact on Applied's consolidated financial statements.

Accounting Standards Not Yet Adopted

Share-Based Compensation: Modification Accounting. In May 2017, the FASB issued an update to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award changes as a result of the change in terms or conditions. This authoritative guidance will be applied prospectively to awards modified following adoption and will be effective for Applied in the first quarter of fiscal 2019 with early adoption permitted. The impact of the adoption of this guidance will depend on whether the Company makes any future modifications of share-based payment awards.

Receivables: Nonrefundable Fees and Other Costs. In March 2017, the FASB issued authoritative guidance that will shorten the amortization period for certain callable debt securities held at a premium to the earliest call date to more closely align with expectations incorporated in market pricing. This authoritative guidance will be effective for Applied in the first quarter of fiscal 2020 on a modified retrospective basis, with early adoption permitted. Applied is currently evaluating the impact of adopting this new accounting guidance on Applied's consolidated financial statements.

Retirement Benefits. In March 2017, the FASB issued authoritative guidance which requires companies to present the service cost component of net benefit cost in the same line items in which they report compensation cost. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2019 on a retrospective basis, with early adoption permitted. The adoption of this guidance is only expected to result in reclassification of other components of net benefit costs outside of income from operations and is not expected to have a significant impact on Applied's consolidated financial statements.

Goodwill Impairment. In January 2017, the FASB issued authoritative guidance that simplifies the process required to test goodwill for impairment. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2021. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on Applied's consolidated financial statements.

Income Taxes: Intra-Entity Asset Transfers. In October 2016, the FASB issued authoritative guidance that requires entities to recognize at the transaction date the income tax consequences of intercompany asset transfers other than inventory. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2019, with early adoption permitted. Applied is currently evaluating the effect of this new guidance on Applied's consolidated financial statements.

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APPLIED MATERIALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

Classification of Certain Cash Receipts and Cash Payments. In August 2016, a new authoritative guidance was issued which addresses classification of certain cash receipts and cash payments related to the statement of cash flows. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2019. The adoption of this guidance is not expected to have a significant impact on Applied's consolidated financial statements.

Financial Instruments: Credit Losses. In June 2016, the FASB issued authoritative guidance that modifies the impairment model for certain financial assets by requiring use of an expected loss methodology, which will result in more timely recognition of credit losses. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2021. Early adoption is permitted beginning in the first quarter of fiscal 2020. Applied is currently evaluating the effect of this new guidance on Applied's consolidated financial statements.

Share-Based Compensation. In March 2016, the FASB issued authoritative guidance that simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2018. Upon adoption, Applied will elect to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period. The new standard will result in the recognition of excess tax benefits in provision for income taxes rather than paid-in capital prospectively, which is expected to increase volatility in Applied's results of operations. Applied will elect to apply the presentation requirements for cash flows related to excess tax benefits retrospectively. The presentation requirements for cash flows related to employee taxes paid for withheld shares will be presented as a financing activity retrospectively, as required. Applied expects cash flow from operations to increase, with a corresponding decrease in cash flow from financing activity as a result of the changes in the cash flow presentation.

Leases. In February 2016, the FASB issued authoritative guidance for lease accounting, which requires lessees to recognize lease assets and liabilities on the balance sheet for certain lease arrangements that are classified as operating leases under the previous standard, and to provide for enhanced disclosures. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2020 and should be applied using a modified retrospective approach. Early adoption is permitted. Applied is currently evaluating the effect of this new guidance on Applied's consolidated financial statements.

Financial Instruments: Classification and Measurement. In January 2016, the FASB issued authoritative guidance that requires equity investments that do not result in consolidation, and are not accounted for under the equity method, to be measured at fair value, and requires recognition of any changes in fair value in net income unless the investments qualify for a new practicability exception. For financial liabilities measured at fair value, the change in fair value caused by a change in instrument-specific credit risk will be required to be presented separately in other comprehensive income. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2019. Early adoption is permitted only for the provisions related to the recognition of changes in fair value of financial liabilities caused by instrument-specific credit risk. Applied is currently evaluating the effect of this new guidance on Applied's consolidated financial statements.

Inventory Measurement. In July 2015, the FASB issued authoritative guidance that requires inventory to be measured at the lower of cost and net realizable value instead of at lower of cost or market. This guidance does not apply to inventory that is measured using last-in, first out (LIFO) or the retail inventory method but applies to all other inventory including those measured using first-in, first-out (FIFO) or the average cost method. Applied will adopt this authoritative guidance in the first quarter of fiscal 2018 prospectively to measurement of inventory after the effective date. The adoption of this guidance is not expected to have a significant impact on Applied's consolidated financial statements.

Revenue Recognition. In May 2014, the FASB issued authoritative guidance that requires revenue recognition to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which

the entity expects to be entitled in exchange for those goods or services. This new standard will supersede most current revenue recognition guidance, including industry-specific guidance. Entities will have the option of using either a full retrospective or modified retrospective approach to adopting the guidance. Under the modified approach, an entity would recognize the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption. In addition, the modified approach will require additional disclosures. In August 2015, the FASB issued an amendment to defer the effective date by one year and allow entities to early adopt no earlier than the original effective date. With this amendment, the guidance will be effective for Applied in the first quarter of fiscal 2019, which is the Company's planned adoption date. In fiscal 2016, Applied established a project steering committee and cross-functional implementation team to identify potential differences that would result from applying the requirements of the new standard to Applied's revenue contracts. In addition, the implementation team is also responsible for identifying and implementing changes to business processes, systems and controls to support recognition and disclosure under the new standard. Applied is continuing to evaluate the effect of this new guidance on Applied's financial position, results of operations and its ongoing financial reporting, including the selection of a transition method.

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APPLIED MATERIALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

Note 2 Earnings Per Share

Basic earnings per share is determined using the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined using the weighted average number of common shares and potential common shares (representing the dilutive effect of stock options, restricted stock units, and employee stock purchase plan shares) outstanding during the period. Applied's net income has not been adjusted for any period presented for purposes of computing basic or diluted earnings per share due to the Company's non-complex capital structure.

	Three Months Ended July 30, 2017		Nine Months Ended July 30, 2017	
	2016	2017	2016	2017
	(In millions, except per share amounts)			
Numerator:				
Net income	\$925	\$ 505	\$2,452	\$ 1,111
Denominator:				
Weighted average common shares outstanding	1,071	1,083	1,076	1,115
Effect of dilutive stock options, restricted stock units and employee stock purchase plan shares	12	10	11	8
Denominator for diluted earnings per share	1,083	1,093	1,087	1,123
Basic earnings per share	\$0.86	\$ 0.47	\$2.28	\$ 1.00
Diluted earnings per share	\$0.85	\$ 0.46	\$2.26	\$ 0.99
Potentially dilutive securities	—	—	—	—

Potentially dilutive securities attributable to outstanding stock options and restricted stock units are excluded from the calculation of diluted earnings per share where the combined exercise price, average unamortized fair value and assumed tax benefits upon the exercise of options and the vesting of restricted stock units are greater than the average market price of Applied common stock, and therefore their inclusion would be anti-dilutive.

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APPLIED MATERIALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

Note 3 Cash, Cash Equivalents and Investments

Summary of Cash, Cash Equivalents and Investments

The following tables summarize Applied's cash, cash equivalents and investments by security type:

July 30, 2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Cash	\$1,123	\$ —	\$ —	\$ 1,123
Cash equivalents:				
Money market funds	3,055	—	—	3,055
Municipal securities	437	—	—	437
Commercial paper, corporate bonds and medium-term notes	663	—	—	663
Total Cash equivalents	4,155	—	—	4,155
Total Cash and Cash equivalents	\$5,278	\$ —	\$ —	\$ 5,278
Short-term and long-term investments:				
U.S. Treasury and agency securities	\$628	\$ —	\$ 1	\$ 627
Non-U.S. government securities*	159	—	—	159
Municipal securities	893	1	—	894
Commercial paper, corporate bonds and medium-term notes	840	—	—	840
Asset-backed and mortgage-backed securities	316	—	—	316
Total fixed income securities	2,836	1	1	2,836
Publicly traded equity securities	24	76	—	100
Equity investments in privately-held companies	76	—	—	76
Total short-term and long-term investments	\$2,936	\$ 77	\$ 1	\$ 3,012
Total Cash, Cash equivalents and Investments	\$8,214	\$ 77	\$ 1	\$ 8,290

* Includes agency debt securities guaranteed by non-U.S. governments, which consist of Canada and Germany.

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APPLIED MATERIALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

October 30, 2016	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Cash	\$1,103	\$ —	\$	—\$ 1,103
Cash equivalents:				
Money market funds	1,889	—	—	1,889
U.S. Treasury and agency securities	10	—	—	10
Non-U.S. government securities*	10	—	—	10
Municipal securities	253	—	—	253
Commercial paper, corporate bonds and medium-term notes	141	—	—	141
Total Cash equivalents	2,303	—	—	2,303
Total Cash and Cash equivalents	\$3,406	\$ —	\$	—\$ 3,406
Short-term and long-term investments:				
U.S. Treasury and agency securities	\$195	\$ —	\$	—\$ 195
Non-U.S. government securities*	5	—	—	5
Municipal securities	408	—	—	408
Commercial paper, corporate bonds and medium-term notes	273	1	—	274
Asset-backed and mortgage-backed securities	253	1	1	253
Total fixed income securities	1,134	2	1	1,135
Publicly traded equity securities	26	44	3	67
Equity investments in privately-held companies	70	—	—	70
Total short-term and long-term investments	\$1,230	\$ 46		