

APPLIED MATERIALS INC /DE  
Form DEF 14A  
January 24, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

**(Amendment No.    )**

Filed by the Registrant    Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Applied Materials, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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January 24, 2019

Dear Fellow Shareholders:

We invite you to attend Applied Materials' 2019 Annual Meeting of Shareholders, which will be held on Thursday, March 7, 2019, at 11:00 a.m. Pacific Time at our corporate offices at 3050 Bowers Avenue, Building 1, Santa Clara, California 95054.

This year's proxy statement reflects our continued focus on our strategy, an engaged and effective Board, sound corporate governance and executive compensation practices, and regular dialogue with and responsiveness to our shareholders.

## **Financial Performance and Business Strategy**

Fiscal 2018 marked Applied Materials' third consecutive year of record financial performance. We delivered double-digit revenue growth across all of our segments, despite challenging market conditions in the second half of the year. We are confident that longer-term growth drivers in both semiconductor and display remain firmly in place and will continue to create great opportunities for Applied Materials.

As more industries become increasingly dependent on technology and data to define their futures, Applied's core wafer fabrication equipment market is poised to be structurally larger and less volatile than it was in the past. We have also expanded our product portfolio to better address major technology inflections.

As we enter 2019, Applied is focused on expanding our role in the A.I.-Big Data era. Across the Company, we are taking a long-term perspective and will continue to prioritize our spending towards R&D to enable major technology inflections for our customers and drive growth and shareholder value.

## **Shareholder Engagement**

We are committed to effective corporate governance that is informed by our shareholders, promotes the long-term interests of our shareholders, and strengthens Board and management accountability.

We have a robust shareholder outreach program that focuses on governance, compensation, environmental and sustainability issues of interest to our shareholders. The outreach is a recurring, year-round effort, led by a cross-functional team that includes members of our Investor Relations, Global Rewards, Diversity and Inclusion, Environmental Health and Safety and Legal functions, with participation of the Chairman of the Board where appropriate.

In response to shareholder feedback, in September 2018, we published our first Diversity and Inclusion (D&I) Report, which highlights our D&I strategy, practices and goals, and provides key diversity data, including the gender and ethnic composition of our workforce. The publication of this report reflects the importance of this issue to Applied and the valuable input that we received from our shareholders.

Thank you for your continued investment in and support of Applied Materials.

Sincerely,

**Thomas J. Iannotti**

*Chairman of the Board*

3050 Bowers Avenue

Santa Clara, California 95054

Phone: (408) 727-5555

**Gary E. Dickerson**

*President and Chief Executive Officer*

Mailing Address:

Applied Materials, Inc.

3050 Bowers Avenue

P.O. Box 58039

Santa Clara, California 95052-8039

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**NOTICE OF**

**2019 ANNUAL MEETING OF SHAREHOLDERS**

**Thursday, March 7, 2019**

**at 11:00 a.m. Pacific Time**

The 2019 Annual Meeting of Shareholders of Applied Materials, Inc. will be held on Thursday, March 7, 2019, at 11:00 a.m. Pacific Time at our corporate offices at 3050 Bowers Avenue, Building 1, Santa Clara, California 95054.

**Items of Business**

1. To elect ten directors to serve for one-year term and until their successors have been duly elected and qualified.
2. To approve, on an advisory basis, the compensation of our named executive officers for fiscal year 2018.
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2019.
4. To consider a shareholder proposal, if properly presented at the Annual Meeting.
5. To transact any other business that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Your vote is important. You may vote via the Internet or by telephone, or if you requested to receive printed proxy materials, by signing, dating and returning your proxy card. If you are voting via the Internet or by telephone, your vote must be received by 11:59 p.m. Eastern Time on Wednesday, March 6, 2019. For specific voting instructions, please refer to the information provided in the following Proxy Statement, together with your proxy card or the voting instructions you receive by e-mail or that are provided via the Internet.

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If you received a Notice of Internet Availability of Proxy Materials on how to access the proxy materials via the Internet, a proxy card was not sent to you, and you may vote only via the Internet, unless you have requested a paper copy of the proxy materials, in which case, you may also vote by telephone or by signing, dating and returning your proxy card. Shares cannot be voted by marking, writing on and returning the Notice of Internet Availability. Any Notices of Internet Availability that are returned will not be counted as votes. Instructions for requesting a paper copy of the proxy materials are set forth on the Notice of Internet Availability.

By Order of the Board of Directors

**Christina Y. Lai**

*Corporate Secretary*

Santa Clara, California

January 24, 2019

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on March 7, 2019: The Proxy Statement and Annual Report to Shareholders are available at [www.proxyvote.com](http://www.proxyvote.com).**



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<i>Reconciliation of non-GAAP adjusted financial measures used in the Compensation Discussion and Analysis section and elsewhere in this Proxy Statement, other than as part of disclosure of target levels, can be found in the Appendix.</i>	

## Cautionary Note Regarding Forward-Looking Statements

This Proxy Statement contains forward-looking statements, including those regarding anticipated growth and trends in our businesses and markets, industry outlooks, technology transitions, our business, strategies and financial performance, our development of new products, technologies and capabilities, and other statements that are not historical fact, and actual results could differ materially. Risk factors that could cause actual results to differ are set forth in the "Risk Factors" section of, and elsewhere in, our 2018 Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof, and Applied Materials undertakes no obligation to update any such statements.

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**2019 PROXY STATEMENT SUMMARY**

**2019 PROXY STATEMENT SUMMARY**

*Your proxy is being solicited on behalf of the Board of Directors of Applied Materials, Inc. We are making this Proxy Statement available to shareholders beginning on January 24, 2019. This summary highlights information contained elsewhere in this Proxy Statement. We encourage you to read the entire Proxy Statement for more information prior to voting.*

**Annual Meeting of Shareholders**

Date and Time: March 7, 2019, 11:00 a.m. Pacific Time  
 Location: Applied Materials, Inc., 3050 Bowers Avenue, Building 1, Santa Clara, California 95054  
 Record Date: January 10, 2019  
 Voting: Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.  
 Attendance: Shareholders and their duly appointed proxies may attend the meeting.

**Proposals and Board Recommendations**

	<b>For More Information</b>	<b>Board Recommendation</b>
<b>Proposal 1 Election of Directors</b>	Pages 1 to 6	<b>FOR each Nominee</b>
Judy Bruner	Stephen R. Forrest	Scott A. McGregor
Xun (Eric) Chen	Thomas J. Iannotti	Dennis D. Powell
Aart J. de Geus	Alexander A. Karsner	
Gary E. Dickerson	Adrianna C. Ma	
<b>Proposal 2 Executive Compensation</b>	Page 20	<b>FOR</b>
Approval, on an advisory basis, of the compensation of our named executive officers for fiscal year 2018		
<b>Proposal 3 Ratification of Registered Accounting Firm</b>	Page 48	<b>FOR</b>
Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2019		

**Proposal 4 Shareholder Proposal to Provide for Right to Act by  
Written Consent**

Pages 50 to 52

**AGAINST**

Shareholder proposal requesting that the Board take steps to permit  
shareholder action by written consent without a meeting

Applied Materials, Inc. i

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<b>Name and Occupation</b>	<b>Age</b>	<b>Director Since</b>	<b>Independent</b>	<b>Committees</b>
<b>Judy Bruner</b> Executive Vice President, Administration and Chief Financial Officer, SanDisk Corporation (retired)	60	2016		Governance (Chair) Audit
<b>Xun (Eric) Chen</b> Partner, SB Investment Advisers (US), Inc.	49	2015		Compensation Strategy
<b>Aart J. de Geus</b> Chairman of the Board of Directors, Co-Chief Executive Officer, Synopsys, Inc.	64	2007		Strategy (Chair) Investment
<b>Gary E. Dickerson</b> President and Chief Executive Officer, Applied Materials, Inc.	61	2013		
<b>Stephen R. Forrest</b> Professor of Electrical Engineering & Computer Science, Physics, and Materials Science & Engineering, University of Michigan	68	2008		Audit Strategy
<b>Thomas J. Iannotti</b> Senior Vice President and General Manager, Enterprise Services, Hewlett-Packard Company (retired)	62	2005		Investment Compensation (Chair)
<b>Alexander A. Karsner</b> Managing Partner, Emerson Collective	51	2008		Compensation Governance
<b>Adrianna C. Ma</b> Managing Partner, Fremont Group	45	2015		Investment (Chair) Audit
<b>Scott A. McGregor</b> President and Chief Executive Officer, Broadcom Corporation (retired)	62	2018		Governance Audit Strategy
<b>Dennis D. Powell</b> Executive Vice President, Chief Financial Officer, Cisco Systems, Inc. (retired)	71	2007		Audit (Chair) Governance
				Investment

**Board Practices and Composition**

Ensuring the Board is composed of directors who possess a wide variety of relevant skills, professional experience and backgrounds, bring diverse viewpoints and perspectives, and effectively represent the long-term interests of shareholders, is a top priority of the Board and the Corporate Governance and Nominating Committee. Our current Board composition reflects strong Board practices that support regular refreshment based on board needs and smooth succession planning.

**Director Nominee Expertise**

**Key Attributes**

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**2019 PROXY STATEMENT SUMMARY**

**Board Practices Support Thoughtful Board Composition**

**Board Composition to Support Company Strategy**

The Board and the Corporate Governance and Nominating Committee regularly evaluate the size and composition of the Board to ensure appropriate alignment with the Company's evolving business and strategic needs.

**Board Diversity**

The Board values diversity of background, skills and viewpoints, and gender and ethnicity in the recruitment of new directors.

**Annual Board Evaluations**

The Board conducts an annual self-assessment of Board, Board Committees and individual directors to evaluate effectiveness.

**Board Refreshment**

The Board believes the fresh perspectives brought by new directors are critical to a forward-looking and strategic Board when appropriately balanced by the deep understanding of Applied's business provided by longer-serving directors.

**Director Succession Planning**

The Corporate Governance and Nominating Committee reviews the short- and long-term strategies and interests of Applied to determine what current and future skills and experience are required of the Board in exercising its oversight function.

**Corporate Governance**

We are committed to effective corporate governance that is informed by our shareholders, promotes the long-term interests of our shareholders, and strengthens Board and management accountability.

## Governance Highlights

Annual Election of Directors	Shareholder Proxy Access
Independent Chairman of the Board	No Poison Pill
Highly Independent Board (9 of 10 Directors) and Committees	No Supermajority Vote Requirements
Annual Board, Committee and Individual Evaluations	Majority Voting for Directors
Robust Board Succession Planning	Regular Executive Sessions of Independent Directors
Active Shareholder Engagement Practices	Stock Ownership Guidelines for Directors and Executives
Shareholder Right to Call a Special Meeting	Clawback Policy for Annual and Long-Term Incentive Plans

## Shareholder Engagement

We believe that strong corporate governance should include regular engagement with our shareholders to enable us to understand and respond to shareholder concerns. We have a robust shareholder outreach program led by a cross-functional team that includes members of our Investor Relations, Global Rewards, Diversity and Inclusion, Environmental Health and Safety and Legal functions. Independent members of our Board are also involved, as appropriate. In the fall, we solicit feedback on our executive compensation program, corporate governance and disclosure practices, and sustainability and corporate citizenship initiatives, as well as any matters voted on at our prior annual meeting. After the filing of our proxy statement, we engage again with our shareholders about important topics to be addressed at our annual meeting. Following our annual meeting, we review the results of the meeting and investor feedback, as well as evaluate emerging trends in corporate governance and other areas. We share feedback we receive from our shareholders with the Human Resources and Compensation Committee, Corporate Governance and Nominating Committee, and the full Board. Shareholder input is then factored into the Board's decision-making. See *Shareholder Engagement* on page 12 for more information.



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### **Executive Compensation**

### **Company Overview**

Applied Materials 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.

We develop, design, produce and service semiconductor and display equipment for manufacturers that sell into highly competitive and rapidly changing end markets. Our competitive positioning is driven by our ability to identify major technology inflections early, and to develop highly differentiated materials engineering solutions for our customers to enable those technology inflections. Through our broad portfolio of products and technologies, innovation leadership and focused investments in research and development, we are enabling our customers' success, thereby generating record performance for the Company and creating significant value for our shareholders.

### **2018 Performance Highlights**

In 2018, despite challenging market conditions in the second half of the year, we delivered another year of outstanding results across several dimensions – company-wide, across our different products and segments, and from a financial and strategic perspective. Key highlights include:

Grew revenue to \$17.3 billion in fiscal 2018, up 19% from the prior year, resulting in our third consecutive year of record revenue;

Achieved record revenue across all of our segments;

Grew operating profit to a new record, resulting in record GAAP EPS of \$3.23, and record non-GAAP adjusted EPS of \$4.45 – an increase of 2% and 37% over fiscal 2017, respectively (see the Appendix for a reconciliation of non-GAAP adjusted measures);

Delivered operating cash flow of \$3.8 billion, equal to 22% of revenue; and

Returned \$5.9 billion to shareholders through dividends and share repurchases.

#### **Highlights of five-year performance achievements across key financial measures**

Non-GAAP adjusted operating margin and non-GAAP adjusted EPS are performance targets under our bonus and long-term incentive plans. See Appendix for non-GAAP reconciliations.

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**2019 PROXY STATEMENT SUMMARY**

**Strategic and Operational Highlights**

In fiscal 2018, we continued to drive profitable growth by executing our strategy. Key highlights include:

Increased our investments in research and development by more than \$245 million over fiscal 2017, to over \$2.0 billion. We continue to prioritize our operating expenses towards R&D to solve major technology challenges for our customers and drive our long-term growth strategy.