

Applied Materials: Who Gets the First Look?

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Student strategy case

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Company: Applied Materials, Inc. (Nasdaq: AMAT)

This classroom exercise is hypothetical. It does not describe a disclosed board vote, known resource shortage, partner dispute, or management proposal. The information below reflects public material available by the cutoff; announced plans are not realized outcomes.

A new collaboration platform

Applied Materials sells equipment and services used to manufacture semiconductors and displays. Semiconductor manufacturing depends on tightly linked steps: a tool must work with the materials and processes around it, then meet a chipmaker's yield, throughput, and reliability requirements at production scale. Applied's filings describe early collaboration with customers as part of its research, development and engineering (RD&E) model. The company spent \$3.57 billion on RD&E in fiscal 2025.[1]

Applied's EPIC Center-Equipment and Process Innovation and Commercialization-is a large Silicon Valley facility being built to bring company engineers, chipmakers, suppliers, and researchers together around manufacturing-relevant equipment and processes. Company releases describe an approximately \$5 billion project, with capital spending expected to scale as customer projects commence. Applied says co-location and earlier access to its R&D portfolio can speed learning and commercialization, improve visibility across technology nodes, and raise R&D productivity. These are the company's stated aims; by the information cutoff, public materials did not report EPIC utilization, customer qualifications, time-to-volume, project-level returns, or partner funding.[2]

Applied reported 11 EPIC R&D engagements in August 2026. Later announcements described work with KIOXIA on next-generation memory and with equipment maker Besi on advanced packaging and interconnect. Other public announcements named TSMC and research universities ASU, RPI, and Stanford. The announced projects span different technologies and partner roles; the releases do not disclose a single count of active programs at the October cutoff or the terms under which partners share facilities, data, or intellectual property.[3]

A business with several technology paths

In its third fiscal quarter, ended July 26, 2026, Applied reported \$9.115 billion in revenue. Semiconductor Systems contributed \$7.040 billion, Applied Global Services \$1.781 billion, and Other \$294 million. Semiconductor Systems revenue in the quarter came from foundry, logic, and other customers (67%); DRAM (26%); and NAND (7%). For the first nine months of the fiscal year, two customers each represented approximately 20% and 14% of total company revenue. The filing does not identify those customers in that concentration disclosure.[4]

Exhibit 1. Q3 FY2026 revenue and Semiconductor Systems mix

USD billions except percentages; quarter ended July 26, 2026

Business or market	Revenue / share
Semiconductor Systems	\$7.040B (77% of company revenue)
Applied Global Services	\$1.781B (20%)
Other	\$0.294B (3%)
Semiconductor Systems: foundry, logic and other	67% of segment revenue
Semiconductor Systems: DRAM	26%
Semiconductor Systems: NAND	7%

Source: Applied Materials Q3 FY2026 Form 10-Q, Note 14, printed pp. 27-30. Percentages are reported company figures and rounded; market-mix percentages are shares of Semiconductor Systems revenue, not total company revenue.[4]

Those markets do not move in lockstep. Applied's August remarks described strong customer demand and long-range planning visibility, with growth expected in leading-edge foundry/logic, DRAM, and advanced packaging. The same remarks said the company was adding manufacturing capacity and intended to double quarterly system output from current levels by 2028. That output level was a management ambition, not achieved capacity. Applied's SEC filing also warns that customer timing and product mix can change, AI-related demand is difficult to forecast, and spending ahead of demand can create costs.[4][5]

The company had already expanded physical manufacturing capacity. In June, it said its new \$500 million Tampines campus in Singapore had more than doubled its advanced cleanroom capacity and was at volume production. Separately, Applied's Q3 filing reported \$1.988 billion in capital expenditures during the first nine months of FY2026, compared with \$1.475 billion during the year-earlier period.[5][6]

Growth also brings geographic and compliance exposure. China accounted for 26% of Q3 Semiconductor Systems plus Applied Global Services revenue, according to the company's prepared remarks.[5] Separately, the 10-Q's facility-location table attributes 28% of total Q3 revenue to China; the two percentages use different denominators and are not reconciled in the filing.[4] The 10-Q also describes export-license restrictions and records a \$253 million payment during Q2 FY2026 to resolve a matter settled on February 11, 2026, along with continuing audit, training, and reporting requirements.[4]

What partners are being asked to do

The collaboration announcements identify distinct technical problems. TSMC and Applied said they would work on materials, equipment, and process integration for advanced logic, including yield and reliability as structures become more complex.[7] KIOXIA and Applied described work on memory structures, multi-chip stacking, advanced packaging, and manufacturability for AI-related memory.[8] Applied and Besi announced a broader packaging collaboration, including hybrid bonding, thermo-compression bonding, die-on-panel integration, and photonics applications. The companies said their earlier Singapore partnership had produced Kinex, an integrated die-to-wafer hybrid-bonding system.[9]

These releases describe plans, technical focus, and company-reported history. They do not reveal project budgets, partner payments, exclusivity, ownership of new intellectual property, reciprocal access, or whether any EPIC project has produced a qualified production tool. Applied says the center will operate in a secure collaborative environment, but public materials do not explain how that environment separates competing customers' data or protects each partner's process recipes.

The assignment

Assume you are advising Applied's senior leadership on a hypothetical FY2027-28 EPIC operating policy. The center is moving toward operations, partner announcements are accumulating, and the company is trying to commercialize new process technologies while expanding manufacturing output. Public evidence does not establish an actual contest for scarce engineering time or a fixed allocation budget. Your task is to recommend rules for deciding which collaborations receive early access, dedicated engineering, tool time, and commercialization support-and how much those rules should vary by project.

Consider three feasible approaches:

- **Go deep with anchor partners.** Give a limited number of long-horizon customer programs early access and integrated teams. This could strengthen roadmap visibility and speed design-in. It could also concentrate attention and bargaining power among a few large customers, limit learning from other partners, and complicate IP boundaries.
- **Maintain a broad partner portfolio.** Reserve meaningful access across logic, memory, packaging, university research, and equipment partners. This could diversify learning and surface cross-domain opportunities. It could also spread expert attention thin and make it harder to move any project into manufacturing.
- **Stage access and support.** Use bounded work packages and explicit review points for technical learning, customer readiness, manufacturing transfer, partner contribution, and IP treatment. This could preserve flexibility as evidence changes. It could also slow work whose customer roadmaps require early commitment, while partners may resist uncertain access or funding.

These are classroom alternatives, not descriptions of Applied's current policies. You may recommend another design if you specify how it works and address its trade-offs.

Discussion questions

1. What value could EPIC create for Applied and its partners? Which parts of that value are established facts, company expectations, or your own inference?
2. What criteria should govern partner selection and the depth of collaboration? How should a project's customer value be weighed against technical learning, staff attention, commercialization potential, and IP risk?
3. Should the same access and IP rules apply to chipmakers, equipment partners, and universities? What should be shared, protected, or limited?
4. Which alternative do you recommend for FY2027-28? What is the strongest argument against it, and what evidence would cause you to change course?

Sources and conventions

1. Applied Materials, FY2025 Form 10-K, Item 1 and "Overview," printed pp. 3-5 and 32-33; MD&A, RD&E expense lines 917-924. [SEC filing](#).
2. Applied Materials, "Applied Materials and TSMC Partner at the EPIC Center to Accelerate AI Scaling," May 11, 2026, HTML lines 119-141; Applied Materials, "Applied Materials and KIOXIA Partner at the EPIC Center to Advance Next-Generation Memory Technology," Sept. 29, 2026, HTML lines 119-145. [TSMC release](#); [KIOXIA release](#).
3. Applied Materials, Q3 FY2026 earnings release, Aug. 13, 2026, lines 18-37; ASU/RPI/Stanford EPIC announcement, May 11, 2026, HTML lines 117-141; KIOXIA release above; Besi release below. The August engagement count and later partner announcements are separate dated facts. [SEC Exhibit 99.1](#); [university announcement](#).
4. Applied Materials, Q3 FY2026 Form 10-Q, period ended July 26, 2026, Note 14, printed pp. 27-30; regional revenue table, HTML lines 1321-1339; export-control, tariff and BIS settlement disclosure, HTML lines 1164-1165 and 1805-1814; customer concentration, HTML lines 1297-1298. [SEC filing](#).
5. Applied Materials, Q3 FY2026 prepared earnings-call remarks, Aug. 13, 2026, PDF pp. 1-7; Form 10-Q risk factors, printed pp. 47-50. The prepared remarks contain management forecasts and targets, not audited commitments. [Company PDF](#); [SEC filing](#).
6. Applied Materials, Q3 FY2026 Form 10-Q, Note 14, capex HTML lines 1211-1212 and 1236-1237; Applied Materials, Singapore campus release, June 10, 2026, HTML lines 117-140. [SEC filing](#); [company release](#).
7. Applied Materials and TSMC, "Applied Materials and TSMC Partner at the EPIC Center to Accelerate AI Scaling," May 11, 2026, HTML lines 125-141, advanced logic work and process integration. [Company release](#).
8. Applied Materials and KIOXIA, "Applied Materials and KIOXIA Partner at the EPIC Center to Advance Next-Generation Memory Technology," Sept. 29, 2026, HTML lines 127-145, memory, stacking, packaging, and manufacturability. [Company release](#).
9. Applied Materials and BE Semiconductor Industries, "Applied Materials and Besi Expand Strategic Partnership to Advance Next-Generation Packaging for AI Scaling," Oct. 1, 2026, HTML lines 119-148. Kinex history and product characterization are company statements. [Company release](#).

Company outlook, partnership scope, and intended benefits are attributed statements, not independently verified results. No information first released after October 2, 2026, 4:00 p.m. ET is included. The case contains no instructor answers or later outcomes.