

ModernGraham Valuation

Company Name:

Applied Materials, Inc.

Company Ticker AMAT

Date of Analysis

8/12/2015



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	Pass
3. Earnings Stability	Positive EPS for 10 years prior	Fail
4. Dividend Record	Dividend Payments for 10 years prior Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	Pass
5. Earnings Growth		Fail
6. Moderate PEmg Ratio	PEmg < 20	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	Pass
3. Earnings Stability	Positive EPS for 5 years prior	Pass
4. Dividend Record	Currently Pays Dividend	Pass
5. Earnings Growth	EPSmg greater than 5 years ago	Fail

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	0.78
MG Growth Estimate	-0.40%
MG Value	\$5.97
MG Value based on 3% Growth	\$11.25
MG Value based on 0% Growth	\$6.60
Market Implied Growth Rate	6.91%

MG Opinion

Current Price	\$17.32
% of Intrinsic Value	289.97%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$1.78
PEmg	22.32
Current Ratio	2.76
PB Ratio	2.57
Dividend Yield	2.31%
Number of Consecutive Years of Dividend Growth	0

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$1.18	Next Fiscal Year Estimate	\$0.78
Oct14	\$0.87	Oct14	\$0.60
Oct13	\$0.21	Oct13	\$0.46
Oct12	\$0.09	Oct12	\$0.57
Oct11	\$1.45	Oct11	\$0.80
Oct10	\$0.70	Oct10	\$0.54
Oct09	-\$0.23	Oct09	\$0.53
Oct08	\$0.70	Oct08	\$0.90
Oct07	\$1.20	Oct07	\$0.90
Oct06	\$0.97	Oct06	\$0.67
Oct05	\$0.73	Oct05	\$0.47
Oct04	\$0.78	Oct04	\$0.39
Oct03	-\$0.09	Oct03	\$0.26
Oct02	\$0.16	Oct02	\$0.44
Oct01	\$0.30	Oct01	\$0.55
Oct00	\$1.20	Oct00	\$0.62
Oct99	\$0.46	Oct99	\$0.33
Oct98	\$0.15	Balance Sheet Information Apr15	
Oct97	\$0.33	Total Current Assets	\$7,447,000,000
Oct96	\$0.41	Total Current Liabilities	\$2,696,000,000
Oct95	\$0.32	Long-Term Debt	\$1,947,000,000
		Total Assets	\$13,587,000,000
		Intangible Assets	\$4,164,000,000
		Total Liabilities	\$5,236,000,000
		Outstanding Shares	1,241,000,000



Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

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[Western Digital Corporation Analysis – July 2015 Update \\$WDC](#)
[MTS Systems Corporation Analysis – July 2015 Update \\$MTSC](#)
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