

ModernGraham Valuation

Company Name:

Applied Materials, Inc.

Company Ticker AMAT

Date of Analysis

11/11/2015



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	\$20,260,574,623	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.33	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Fail
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	-33.45%	Fail
6. Moderate PEmg Ratio	PEmg < 20	25.57	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.60	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	2.33	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.38	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	\$0.66
MG Growth Estimate	-2.60%
MG Value	\$2.18
MG Value based on 3% Growth	\$9.56
MG Value based on 0% Growth	\$5.60
Market Implied Growth Rate	8.54%

MG Opinion

Current Price	\$16.86
% of Intrinsic Value	773.09%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$1.52
Graham Number	\$11.00
PEmg	25.57
Current Ratio	2.33
PB Ratio	2.60
Dividend Yield	2.37%
Number of Consecutive Years of Dividend Growth	6

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	\$0.83	Next Fiscal Year Estimate	\$0.66
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	\$0.31
Oct98	\$0.15	Balance Sheet Information Jul15	
Oct97	\$0.33	Total Current Assets	\$7,043,000,000
Oct96	\$0.41	Total Current Liabilities	\$3,020,000,000
Oct95	\$0.00	Long-Term Debt	\$1,547,000,000
		Total Assets	\$13,153,000,000
		Intangible Assets	\$4,115,000,000
		Total Liabilities	\$5,176,000,000
		Shares Outstanding (Diluted Average)	1,231,600,000





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.

Recommended Reading:

Other ModernGraham posts about the company

- [Applied Materials Inc. Analysis – August 2015 Update \\$AMAT](#)
- [47 Companies in the Spotlight This Week – 5/16/15](#)
- [Applied Materials Inc. Quarterly Valuation – May 2015 \\$AMAT](#)
- [58 Companies in the Spotlight This Week – 1/31/15](#)
- [Applied Materials Inc. Quarterly Valuation – January 2015 \\$AMAT](#)

Other ModernGraham posts about related companies

- [Micron Technology Inc. Valuation – November 2015 Update \\$MU](#)
- [Xilinx Inc. Valuation – November 2015 Update \\$XLNX](#)
- [Ametek Inc. Valuation – November 2015 Update \\$AME](#)
- [Skyworks Solutions Inc. Valuation – October 2015 Update \\$SWKS](#)
- [Agilent Technologies Inc. Valuation – October 2015 Update \\$A](#)
- [Western Digital Corporation Valuation – October 2015 Update \\$WDC](#)
- [MTS Systems Corporation Valuation – October 2015 Update \\$MTSC](#)
- [Linear Technology Corp Valuation – October 2015 Update \\$LLTC](#)
- [Altera Corporation Analysis – October 2015 Update \\$ALTR](#)
- [Lam Research Corporation Analysis – October 2015 Update \\$LRCX](#)