ModernGraham Valuation

MG
ModernGraham

Company Name:

Applied Materials, Inc.

Company Ticker	AMAT
Date of Analysis	2/26/2016

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	$21,760,932,325	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	3.00	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	86.83%	Pass
6. Moderate PEmg Ratio	PEmg < 20	21.38	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.04	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	3.00	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.73	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		Pass

Suitability

Defensive	**No**
Enterprising	**Yes**

Stage 2: Determination of Intrinsic Value

EPSmg	$0.88
MG Growth Estimate	8.14%
MG Value	**$21.88**
MG Value based on 3% Growth	$12.81
MG Value based on 0% Growth	$7.51
Market Implied Growth Rate	6.44%

MG Opinion

Current Price	$18.89
% of Intrinsic Value	86.32%
Opinion	**Fairly Valued**
MG Grade	**C+**

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	$0.65
Graham Number	$12.57
PEmg	21.38
Current Ratio	3.00
PB Ratio	3.04
Dividend Yield	2.12%
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	$1.13	Next Fiscal Year Estimate	$0.88
Oct15	$1.12	Oct15	$0.76
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	**Balance Sheet Information**	**Jan16**
Oct98	$0.15	Total Current Assets	$6,910,000,000
Oct97	$0.33	Total Current Liabilities	$2,307,000,000
Oct96	$0.41	Long-Term Debt	$3,343,000,000
		Total Assets	$13,326,000,000
		Intangible Assets	$4,016,000,000
		Total Liabilities	$6,158,000,000
		Shares Outstanding (Diluted Average)	1,154,000,000

MG Value and Stock Price

EPSmg

Price and PEmg

Graham Number and Stock Price

Dividend History

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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