

# ModernGraham Valuation

Company Name:

Applied Materials, Inc.

Company Ticker AMAT

Date of Analysis

4/10/2018



## 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  | \$56,839,216,535 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2  | 2.96             | Pass |
| 3. Earnings Stability                      | Positive EPS for 10 years prior  |                  | Fail |
| 4. Dividend Record                         | Dividend Payments for 10 years prior   |                  | Pass |
|  | Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end | 355.21%          | Pass |
| 5. Earnings Growth                         |  |                  |      |
| 6. Moderate PEmg Ratio                     | PEmg < 20  | 20.27            | Fail |
| 7. Moderate Price to Assets                | PB Ratio < 2.5 OR PB*PEmg < 50   | 6.90             | 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            | 2.96 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1              | 0.61 | 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 |
|  | Score                          |      |      |

### Suitability

|                     |            |
|---------------------|------------|
| <b>Defensive</b>    | <b>No</b>  |
| <b>Enterprising</b> | <b>Yes</b> |

## Stage 2: Determination of Intrinsic Value

|                             |                 |
|-----------------------------|-----------------|
| EPSmg                       | \$2.70          |
| MG Growth Estimate          | 15.00%          |
| <b>MG Value</b>             | <b>\$104.10</b> |
| MG Value based on 3% Growth | \$39.21         |
| MG Value based on 0% Growth | \$22.98         |
| Market Implied Growth Rate  | 5.88%           |

### MG Opinion

|                      |                    |
|----------------------|--------------------|
| Current Price        | \$54.80            |
| % of Intrinsic Value | 52.64%             |
| <b>Opinion</b>       | <b>Undervalued</b> |
| <b>MG Grade</b>      | <b>B-</b>          |

## Stage 3: Information for Further Research

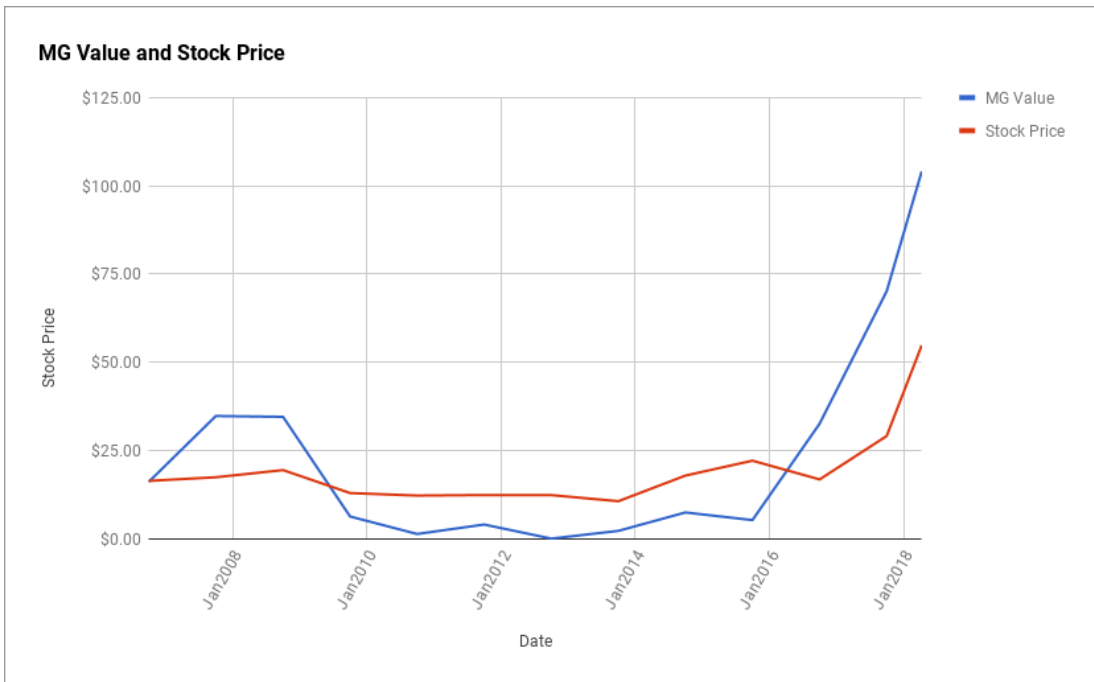
|  |         |
|--|---------|
| Net Current Asset Value (NCAV)                 | \$1.75  |
| Graham Number                                  | \$28.28 |
| PEmg   | 20.27   |
| Current Ratio                                  | 2.96    |
| PB Ratio                                       | 6.90    |
| Current Dividend                               | \$0.40  |
| Dividend Yield                                 | 0.73%   |
| Number of Consecutive Years of Dividend Growth | 0       |

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[Morningstar](#)  
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[SEC Filings](#)

| EPS History               |         | EPSmg History                             |                  |
|---------------------------|---------|---|------------------|
| Next Fiscal Year Estimate | \$4.03  | Next Fiscal Year Estimate                 | \$2.70           |
| Oct2017                   | \$3.17  | Oct2017                                   | \$1.82           |
| Oct2016                   | \$1.54  | Oct2016                                   | \$1.02           |
| Oct2015                   | \$1.12  | Oct2015                                   | \$0.76           |
| Oct2014                   | \$0.87  | Oct2014                                   | \$0.60           |
| Oct2013                   | \$0.21  | Oct2013                                   | \$0.46           |
| Oct2012                   | \$0.09  | Oct2012                                   | \$0.57           |
| Oct2011                   | \$1.45  | Oct2011                                   | \$0.80           |
| Oct2010                   | \$0.70  | Oct2010                                   | \$0.54           |
| Oct2009                   | -\$0.23 | Oct2009                                   | \$0.53           |
| Oct2008                   | \$0.70  | Oct2008                                   | \$0.90           |
| Oct2007                   | \$1.20  | Oct2007                                   | \$0.90           |
| Oct2006                   | \$0.97  | Oct2006                                   | \$0.67           |
| Oct2005                   | \$0.73  | Oct2005                                   | \$0.47           |
| Oct2004                   | \$0.78  | Oct2004                                   | \$0.39           |
| Oct2003                   | -\$0.09 | Oct2003                                   | \$0.26           |
| Oct2002                   | \$0.16  | Oct2002                                   | \$0.44           |
| Oct2001                   | \$0.30  | <b>Balance Sheet Information 1/1/2018</b> |                  |
| Oct2000                   | \$1.20  | Total Current Assets                      | \$13,029,000,000 |
| Oct1999                   | \$0.46  | Total Current Liabilities                 | \$4,399,000,000  |
| Oct1998                   | \$0.15  | Long-Term Debt                            | \$5,305,000,000  |
|                           |         | Total Assets                              | \$19,663,000,000 |
|                           |         | Intangible Assets                         | \$3,730,000,000  |
|                           |         | Total Liabilities                         | \$11,157,000,000 |
|                           |         | Shares Outstanding (Diluted Average)      | 1,071,000,000    |





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.

**Recommended Reading:**

**Other ModernGraham posts about the company**

- [Applied Materials Inc Valuation – February 2016 \\$AMAT](#)
- [Applied Materials Inc Valuation – November 2015 Update \\$AMAT](#)
- [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](#)

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- [Apple Inc Valuation – February 2018 \\$AAPL](#)
- [Lam Research Corp Valuation – September 2017 \\$LRCX](#)
- [Vicor Corp Valuation – Initial Coverage \\$VICR](#)