NATIONAL ASSOCIATION OF INVESTORS CORPORATION
BETTERINVESTING™
Empowering Investors Since 1951

Stock Selection Guide

Company	Applied Materials		Date	09/27/18
Prepared by	Maskey		Data taken from	BI Stock Data
Where traded	NAS	Industry	Semiconductor Equipment &	
Capitalization --- Outstanding Amounts			Reference	

Preferred ($M)		0.0	% Insiders	% Institution
Common (M Shares)		1,005.0	1.8	73.4
Debt ($M)	5,308.0 % to Tot Cap	43.7	% Pot Dil	1.1

Symbol: AMAT

1 VISUAL ANALYSIS of Sales, Earnings, and Price

23,412

14,537

5.11

3.17

FY 2018 Q3	Sales ($M)	Earnings Per Share
Latest Quarter	4,468	1.17
Year Ago Quarter	3,744	0.85
Percentage Change	19.3%	37.6%

08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23
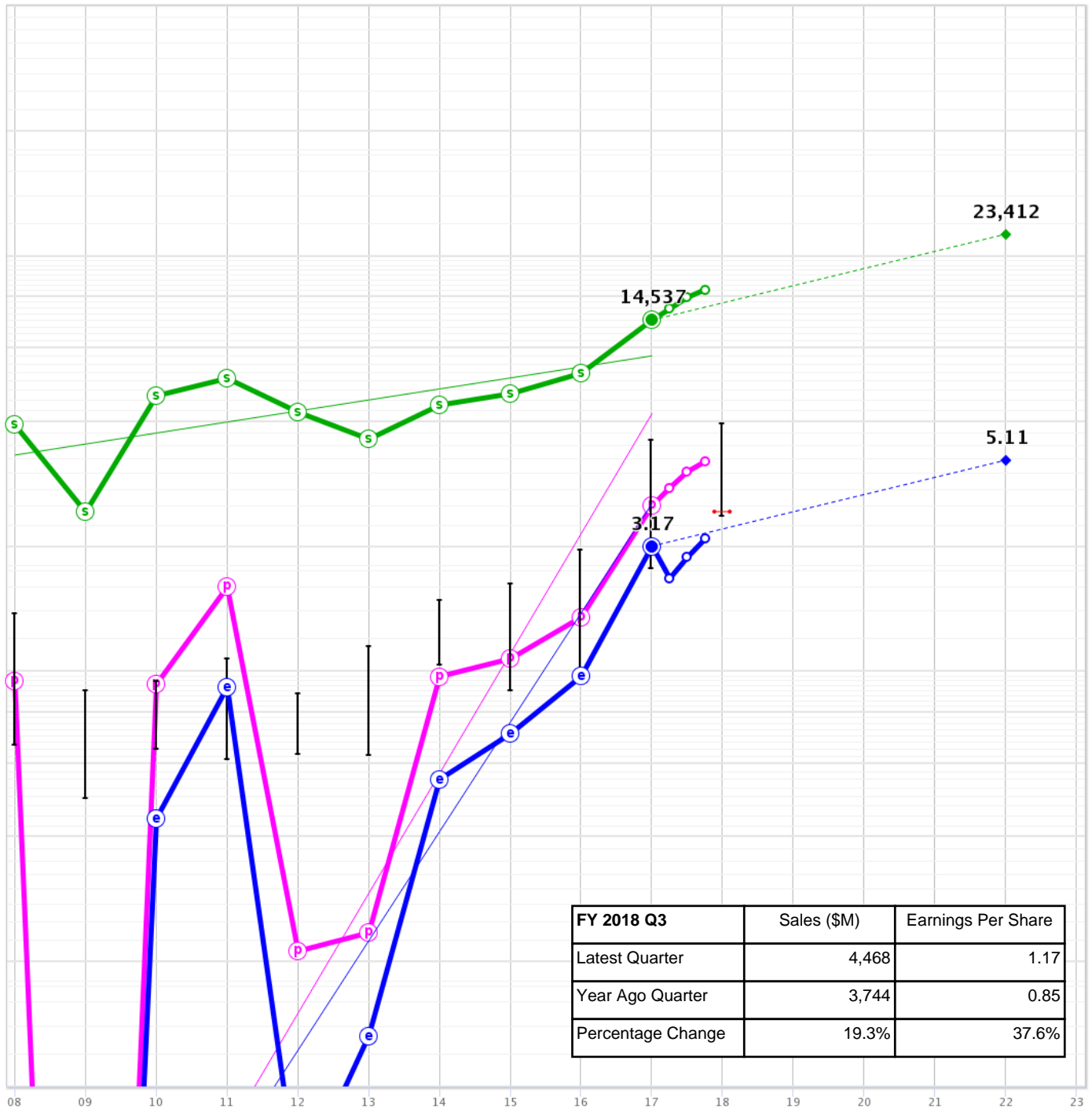
(1) Historical Sales Growth	6.3%	(3) Historical Earnings Per Share Growth	83.3%
(2) Estimated Future Sales Growth	10.0%	(4) Estimated Future Earnings Per Share Growth	10.0%

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Last 5 Year Avg.
Pre-tax Profit on Sales	17.3%	-9.7%	14.5%	22.6%	3.6%	4.7%	16.0%	16.5%	18.6%	25.7%	16.3%
% Earned on Equity	12.5%	-4.4%	12.8%	21.5%	1.5%	3.6%	13.8%	16.3%	24.4%	38.6%	19.3%
% Debt To Capital	2.6%	2.8%	2.7%	18.1%	21.2%	21.5%	19.8%	37.4%	31.7%	36.2%	29.3%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 38.35 (09/27/18)   **HIGH THIS YEAR** 62.40   **LOW THIS YEAR** 37.39

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2013	18.2	10.0	0.21	86.6	47.4	0.38	181.0	3.8
2014	23.5	16.4	0.87	27.0	18.9	0.40	46.0	2.4
2015	25.7	14.3	1.12	23.0	12.7	0.40	35.7	2.8
2016	31.1	15.4	1.54	20.2	10.0	0.40	26.0	2.6
2017	56.8	28.0	3.17	17.9	8.8	0.40	12.6	1.4
AVERAGE		16.8		22.0	12.6		60.2	
CURRENT/TTM			3.30			0.80	24.2	
AVERAGE PRICE EARNINGS RATIO: 17.3				CURRENT PRICE EARNINGS RATIO: 11.6				

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E   22.0   X Estimate High Earnings/Share   5.11   =   Forecasted High Price $ 112.3

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E   12.6   X Estimate Low Earnings/Share   3.17   =   Forecasted Low Price $ 39.9

(b) Avg. Low Price of Last 5 Years   16.8

(c) Recent Market Low Price   15.4

(d) Price Dividend Will Support $\dfrac{\text{Indicated Dividend}}{\text{High Yield}} = \dfrac{0.80}{3.82\%} =$ 20.9

Selected Forecasted Low Price $ 20.9

C ZONING   using 25%-50%-25%

Forecasted High Price   112.3   Minus Forecasted Low Price   20.9   =   91.4   Range.   25% of Range   22.9

Buy Zone   20.9   to   43.8

Hold Zone   43.8   to   89.5

Sell Zone   89.5   to   112.3

Present Market Price of   38.35   is in the   **BUY**   Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\dfrac{\text{High Price } 112.3 \text{ Minus Present Price } 38.35}{\text{Present Price } 38.35 \text{ Minus Low Price } 20.9} = \dfrac{73.97}{17.45} = 4.2$ To 1

E PRICE TARGET   (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\dfrac{\text{High Price } 112.3}{\text{Closing Price } 38.35} = 2.9287 \quad X \quad 100 = 292.87 - 100 = 192.9$ % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\dfrac{\text{Indicated Annual Dividend } 0.40}{\text{Closing Price } 38.35} = 0.0209 = 2.1\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\dfrac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \dfrac{60.2\%}{22.00} = 2.7\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\dfrac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \dfrac{60.2\%}{17.30} = 3.5\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation	24.0 %
Average Yield	2.7 %
Annualized Rate of Return	26.7 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation	18.2 %
Average Yield	3.5 %
Annualized Rate of Return	21.6 %