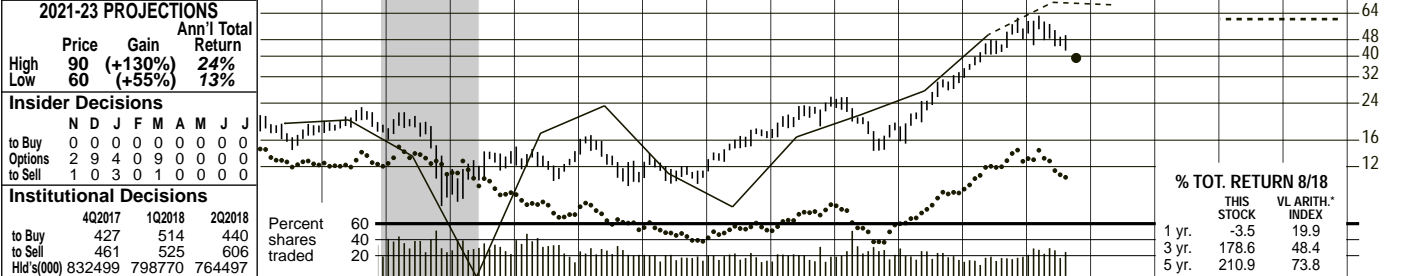


# APPLIED MATERIALS NDQ-AMAT

RECENT PRICE **39.19** P/E RATIO **9.3** (Trailing: 8.9 Median: 20.0) RELATIVE P/E RATIO **0.51** DIV'D YLD **2.0%** **VALUE LINE**

TIMELINESS <b>2</b> Lowered 8/31/18	High: 23.0	21.8	14.2	14.9	16.9	13.9	18.2	25.7	25.6	33.7	60.9	62.4	Target Price Range 2021 2022 2023	
SAFETY <b>3</b> Lowered 10/4/13	Low: 17.3	7.8	8.2	10.3	9.7	10.0	11.4	16.4	14.3	15.4	31.7	37.4		128
TECHNICAL <b>2</b> Lowered 9/28/18	LEGENDS — 14.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession											96		
BETA 1.20 (1.00 = Market)												80		



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
3.07	2.67	4.77	4.35	6.59	7.03	6.11	3.74	7.19	8.05	7.28	6.24	7.43	8.33	10.04	13.71	17.60	17.85	Revenues per sh <sup>A</sup>	24.20
.44	.36	1.09	.94	1.38	1.43	.96	d.01	1.23	1.66	.79	.55	1.19	1.51	1.96	3.62	5.15	5.00	"Cash Flow" per sh	6.25
.20	.13	.85	.73	1.05	1.20	.70	d.23	1.00	1.45	.42	.21	.87	1.12	1.54	3.17	4.45	4.40	Earnings per sh <sup>ABC</sup>	5.50
--	--	--	.09	.16	.23	.24	.24	.26	.30	.34	.38	.40	.40	.40	.40	.70	.80	Div'ds Decl'd per sh <sup>D</sup>	1.00
.25	.16	.11	.12	.13	.19	.22	.19	.13	.16	.14	.16	.20	.19	.23	.33	.75	.45	Cap'l Spending per sh	.60
4.87	4.81	5.51	5.56	4.78	5.64	5.67	5.29	5.67	6.74	6.04	5.89	6.44	6.56	6.69	8.82	7.20	9.75	Book Value per sh <sup>E</sup>	18.95
1648.0	1677.4	1680.3	1606.7	1391.7	1385.7	1330.8	1340.9	1328.0	1306.0	1197.0	1204.0	1221.0	1160.0	1078.0	1060.0	980.00	970.0	Common Shs Outst'g <sup>F</sup>	950.0
NMF	NMF	23.3	23.0	16.8	16.3	25.8	--	12.6	9.3	27.3	67.7	22.8	18.3	14.5	12.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.0
NMF	NMF	1.23	1.22	.91	.87	1.55	--	.80	.58	1.74	3.80	1.20	.92	.76	.64			Relative P/E Ratio	.80
--	--	--	.5%	.9%	1.2%	1.3%	2.1%	2.1%	2.2%	3.0%	2.7%	2.0%	1.9%	1.8%	1.0%			Avg Ann'l Div'd Yield	1.3%

CAPITAL STRUCTURE as of 7/29/18		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
Total Debt \$5308 mill.	Due in 5 Yrs \$1350 mill.	8129.2	5013.6	9548.7	10517	8719.0	7509.0	9072.0	9659.0	10825	14537	17250	17300	Revenues (\$mill) <sup>A</sup>	23000						
LT Debt \$5308 mill.	LT Interest \$200.0 mill.	20.8%	1.1%	23.8%	25.1%	16.3%	15.7%	20.9%	20.6%	23.5%	29.4%	32.0%	32.0%	Operating Margin	30.0%						
(Total interest coverage: 22.0x)	(44% of Cap'l)	320.1	291.2	304.5	246.0	422.0	410.0	375.0	371.0	389.0	407.0	450	475	Depreciation (\$mill)	625						
		960.7	d305.3	1333.0	1926.0	529.0	256.0	1072.0	1377.0	1721.0	3434.0	4600	4360	Net Profit (\$mill)	5300						
		31.8%	--	32.4%	19.0%	28.2%	26.9%	26.0%	13.8%	14.5%	8.0%	6.7%	12.0%	Income Tax Rate	12.0%						
Leases, Uncapitalized Annual rentals \$33.0 mill.		11.8%	NMF	14.0%	18.3%	6.1%	3.4%	11.8%	14.3%	15.9%	23.6%	26.7%	25.2%	Net Profit Margin	23.0%						
Pension Assets-10/17 \$361 mill. Oblig. \$472 mill.		3718.6	3749.5	3877.4	7561.0	2837.0	3199.0	4144.0	5463.0	4721.0	8803.0	8500	8500	Working Cap'l (\$mill)	9000						
Pfd Stock None		201.6	200.7	204.3	1947.0	1946.0	1946.0	1947.0	3342.0	3143.0	5304.0	5300	5300	Long-Term Debt (\$mill)	5300						
		7549.0	7094.6	7536.1	8800.0	7235.0	7088.0	7868.0	7613.0	7217.0	9349.0	7050	9450	Shr. Equity (\$mill)	18000						
Common Stock 982,990,521 shs.		12.5%	NMF	17.4%	18.2%	6.3%	3.4%	11.4%	13.0%	17.3%	24.1%	37.0%	30.0%	Return on Total Cap'l	23.0%						
MARKET CAP: \$38.5 billion (Large Cap)		12.7%	NMF	17.7%	21.9%	7.3%	3.6%	13.6%	18.1%	23.8%	36.7%	65.0%	46.0%	Return on Shr. Equity	29.0%						
		8.4%	NMF	13.1%	17.4%	1.3%	NMF	7.5%	11.7%	17.7%	32.1%	55.0%	38.0%	Retained to Com Eq	24.0%						
		34%	NMF	26%	21%	82%	NMF	45%	35%	26%	13%	15%	18%	All Div'ds to Net Prof	18%						

**BUSINESS:** Applied Materials, Inc. provides manufacturing equipment, services, and software to the semiconductor, display, and related industries. Customers include manufacturers of semiconductor wafers and chips, liquid crystal and organic light-emitting diode (OLED) displays, and other electronic devices. Operates three segments: Semiconductor Systems (66% of '17 sales), Applied Global Services (21%), and Display and Adjacent Markets (13%). Foreign sales: 90% of '17 total; R&D: 12%. Has about 18,400 employees. Officers & directors own less than 1% of stock; Vanguard, 6.7% (1/18 proxy). Pres. & CEO: Gary E. Dickerson. Chrmn.: Thomas J. Iannotti, Inc.: DE. Address: 3050 Bowers Ave, Santa Clara, CA 95052. Tel.: 408-727-5555. Internet: www.appliedmaterials.com.

**Shares of Applied Materials fell nearly 10% in price in August on weak guidance.** Management noted that its foundry customers are trimming their plans to expand production capacity through the rest of the year. As a result, revenue in the October period is likely to be \$3.9 billion to \$4.2 billion, suggesting a 10% sequential decline at the midpoint, well short of our estimate of flat revenue. Applied looks for sequential revenue declines of 15% in semiconductor systems and 7% in display products. Earnings per share are expected in the range of \$0.92 to \$1.00. We had been modeling \$1.20. On the new guidance, we have lowered our fourth-quarter revenue and share-net estimates to \$4.0 billion and \$0.97.

**The outlook for fiscal 2019 appears challenging.** For the first quarter, management indicated that semiconductor systems revenue is on track to be flat or slightly higher sequentially, which suggests an annual decrease of 15% to 18%. What's more, display revenue, on track to hit \$2.5 billion this year, is likely to ease off its torrid growth pace of over 30%. Based on customers' new plans for organic LED production, management expects 2019 display revenue to fall about 15%. For fiscal 2019, we have lowered our top-line estimate from \$19.0 billion, to \$17.3 billion, roughly flat with our forecast for fiscal 2018. Earnings are likely to come under pressure in 2019, from a higher tax rate, as a minimum tax on foreign income becomes effective. Helping to offset the pressure on share earnings, Applied has been repurchasing its shares, having spent \$1.25 billion to buy 25 million shares in the July quarter. About \$5 billion remains under the current authorization. We estimate that repurchase activity in the second half of fiscal 2018 and into 2019 is on track to add as much as \$0.10 to annual share net. In all, our earnings estimate has moved from \$4.75 to \$4.40 per share. Past 2019, we look for a rebound in semi systems revenue, as the long-term growth drivers for chips remain in place.

**This stock's Timeliness rank has fallen one notch since our June report.** In light of this year's 25% selloff, price appreciation potential out to 2021-2023 appears compelling.

*Christopher Joseph* September 28, 2018

(A) Fiscal year ends last Sunday in October.	(B) Diluted egs. Excl. nonrecurring items: '01, (25c); '02, (2c); '03, (11c); '04, (7c); '10, (30c); '12, (33c); '18, (\$1.09). Qly figs. may not add due to rounding. Next egs. report due mid-Nov. Sep., and Dec.	(C) FY'06 earnings include stock option expense of \$0.11 per share.	(D) Div'ds historically paid mid-March, June, and Dec.	(E) Includes intangibles. In 2017: \$3.8 billion, \$3.57 per share.	(F) In millions.	Company's Financial Strength	A+
						Stock's Price Stability	45
						Price Growth Persistence	60
						Earnings Predictability	30