

Applied Materials, Inc.

Recommendation **HOLD** ★ ★ ★ ★ ★

Price
\$38.65 [as of Sep 28, 2018 4:00 PM ET]

12-Mo. Target Price
\$53.00

Report Currency
USD

Investment Style
Large-Cap Growth

Equity Analyst Angelo Zino, CFA

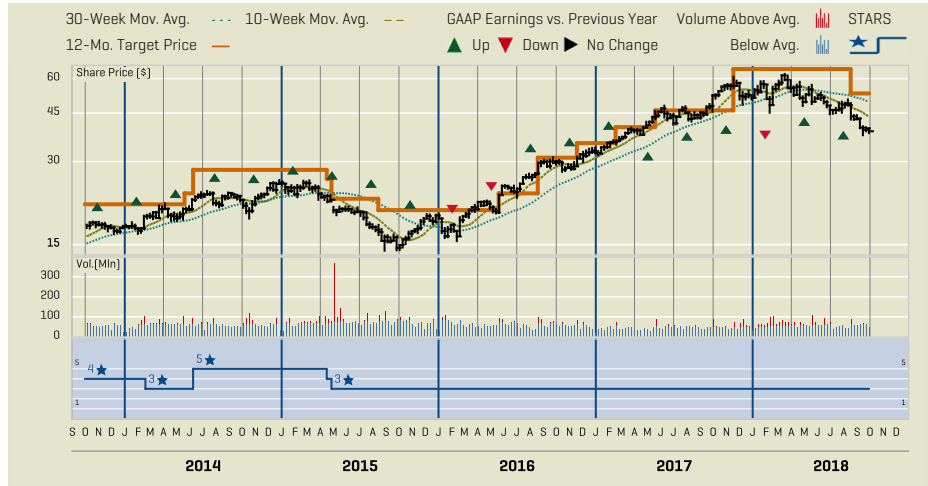
GICS Sector Information Technology
Sub-Industry Semiconductor Equipment

Summary This company is the world's largest manufacturer of wafer fabrication equipment for the semiconductor industry.

Key Stock Statistics [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

52-Wk Range	\$62.40 - 37.39	Oper. EPS 2018E	4.53	Market Capitalization[B]	\$37.99	Beta	1.50
Trailing 12-Month EPS	3.26	Oper. EPS 2019E	4.42	Yield [%]	2.07	3-Yr Proj. EPS CAGR[%]	10
Trailing 12-Month P/E	11.75	P/E on Oper. EPS 2018E	8.47	Dividend Rate/Share	\$0.80	SPGMI's Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$23,822	Common Shares Outstg.[M]	982.99	Institutional Ownership [%]	80		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Equity Analyst Angelo Zino on Aug 17, 2018 09:46 AM, when the stock traded at \$47.43.

Highlights

- ▶ We see sales relatively flat in FY 19 [Oct.] after our outlook for a 19% increase in FY 18. While we have been encouraged by recent growth in the chip equipment space, we believe peak 3D NAND orders will likely result in tougher comparables and decelerating growth for the company. We think near-term demand continues to be driven by the technology transition to 10nm/7nm nodes by foundry/logic companies. We think the company is well positioned to take advantage of key technology transitions, specifically within etch and deposition. We are encouraged by demand for larger TV screens and Organic LEDs [OLEDs] within mobile devices, but note potential softness in the intermediate term as traction for OLED smartphone demand for OLEDs have been somewhat muted.
- ▶ AMAT has the ability to generate a gross margin between 46% and 47% in FY 18 and FY 19. We anticipate higher volume and think tight cost controls will support margins. We look for AMAT to invest aggressively on next generation tools.
- ▶ We see higher investments in China supporting growth in the semiconductor and display industries, but see low visibility as the Chinese government looks to grow its local chip industry.

Investment Rationale/Risk

- ▶ Our Hold reflects valuation and our view of fundamentals. While we note revenue from the semiconductor industry was driven by higher memory sales in the most recently completed quarter, specifically related to DRAM [up 74%], we believe customers are being prudent with spending as we see risks related to a potential sharp decline in prices. We think China may provide upside, although note low visibility, as investments in the region continue to increase. Despite robust display sales in recent years, we believe a muted outlook in the high-end smartphone space will hurt OLED mobile demand, driving lower display spending for FY 19. We believe AMAT can take share and note increasing demand from trailing node geometries. While valuation appears attractive and AMAT is aggressively returning cash to shareholders, we think cyclical risks are high.
- ▶ Risks to our recommendation and target price include greater competitive threats and a slowdown in the global economy, which could weaken demand for chips and increase pricing pressures.
- ▶ Our 12-month target price of \$53 is based on a near-peers P/E of 12X our FY 19 EPS estimate. We positively view AMAT's market share lead position and cash flow generation.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects the historical cyclicality of the semiconductor equipment industry, a lack of visibility in the intermediate term, the dynamic nature of changes in semiconductor technology, and intense competition. This is offset by AMAT's market leadership, size, and its solid balance sheet.

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2018	4,204	4,567	4,468	--	--
2017	3,278	3,546	3,744	3,969	14,537
2016	2,257	2,450	2,821	3,297	10,825
2015	2,359	2,442	2,490	2,368	9,659
2014	2,190	2,353	2,265	2,264	9,072
2013	1,573	1,973	1,975	1,988	7,509

Earnings Per Share (\$)

	1Q	2Q	3Q	4Q	Year
2019	E 1.00	E 1.08	E 1.16	E 1.19	E 4.42
2018	0.13	1.09	1.17	E 1.05	E 4.53
2017	0.65	0.76	0.85	0.91	3.17
2016	0.25	0.29	0.46	0.56	1.54
2015	0.28	0.29	0.27	0.28	1.12
2014	0.21	0.21	0.24	0.21	0.87

Fiscal year ended Oct 31. Next earnings report expected: Mid Nov. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.20	Sep 06	Nov 21	Nov 23	Dec 13 '18
0.20	Jun 07	Aug 22	Aug 23	Sep 13 '18
0.20	Feb 14	May 23	May 24	Jun 14 '18
0.10	Dec 15	Feb 20	Feb 21	Mar 14 '18
0.10	Sep 07	Nov 22	Nov 24	Dec 14 '17

Dividends have been paid since 2005. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.
Forecasts are not reliable indicator of future performance.

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Applied Materials, Inc.

Business Summary November 17, 2017

CORPORATE OVERVIEW. At the end of FY 17 (Oct.), Applied Materials (AMAT) was the worldwide leader in the manufacturing of semiconductor capital equipment. AMAT divides its business into three segments: Silicon Systems Group, Applied Global Services, and Display. The Silicon Systems Group, which accounted for 66% of FY 17 sales, is focused on developing and selling equipment for use in the front end of the semiconductor fabrication process. The silicon segment includes semiconductor capital equipment for etch, rapid thermal processing, deposition, chemical mechanical planarization, ion implantation, and metrology and inspection. AMAT's equipment in the silicon segment addresses most of the primary steps in chip fabrication.

The Applied Global Services segment, which represented 21% of FY 17 sales, provides solutions to optimize and increase productivity at customers' fabs (semiconductor fabrication facilities). The segment includes products and services to improve the efficiency and reduce operating costs at semiconductor, display, and solar customer factories. Applied Global Services products consist of spares, services, certain earlier generation products, and remanufactured equipment.

Display and Adjacent markets, which accounted for 13% of FY 17 sales, develops equipment for the fabrication of flat panel displays. The segment develops equipment for manufacturing liquid crystal displays (LCDs) for TVs, personal computers, and other video-enabled devices. To meet consumer demand for larger, more cost-effective LCD TVs, Applied's latest generation (Gen) 10 systems can process substrates sized at approximately 2.85 x 3.05 meters, with each substrate enabling the production of up to six 65-inch LCD TV screens. Applied is also extending its core LCD equipment technology into new mobility display segments that require smaller, high-performance LCD or organic LED (OLED) screens and touch capability. To increase the conversion efficiency and yields of solar PV devices and help reduce the cost per watt of solar-generated electricity, Applied offers manufacturing solutions for wafer-based crystalline silicon (c-Si) applications.

CORPORATE STRATEGY. AMAT intends to use its economies of scale and worldwide distribution and support capability to fend off competition and grow market share. We think AMAT has been successful in leveraging its size and what we see as its broad expertise across segments, with limited exceptions in certain niche segments. We think AMAT benefits from a strong track record of quality products and reliable service, making it difficult for competitors to take market share. In our view, AMAT will continue to pursue acquisitions that will allow it to leverage its knowledge and expertise into new areas.

IMPACT OF MAJOR DEVELOPMENTS. In September 2013, AMAT announced its intent to acquire semiconductor and flat panel display equipment manufacturer Tokyo Electron in an all-stock transaction. On April 27, 2015, AMAT and Tokyo Electron announced that they have agreed to terminate their pending merger. The parties determined that that transaction was no longer plausible after the U.S. Department of Justice advised both that a proposal submitted to all regulators would not be sufficient to replace the competition lost from the merger.

In November 2011, AMAT completed its acquisition of Varian Semiconductor Equipment Associates (VSEA), a manufacturer of ion implantation semiconductor equipment. We think the acquisition will be a good fit for AMAT given VSEA's dominant position in the ion implantation market, an area in which the company lacks exposure. Moreover, we think Varian's recent plans to expand into other adjacent markets, such as solar and light emitting diodes (LEDs), will fit well with the structure of the company. Varian is to be managed within AMAT's Silicon Systems Group.

FINANCIAL TRENDS. AMAT's business has historically been highly cyclical. In periods of strong growth in demand for semiconductors, the chipmakers optimistically extrapolate growth, leading to over-investment in equipment, which subsequently leads to a period of reduced equipment purchases. We think AMAT is less cyclical than many of its peers due to its size and product diversification.

Corporate Information

Investor Contact

R. M. Friess (408-727-5555)

Office

3050 Bowers Avenue, PO Box 58039, Santa Clara, California 95052

Telephone

408-727-5555

Website

www.appliedmaterials.com

Officers

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Senior VP & General Counsel

T. F. Larkins

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X. Chen

Domicile

Delaware

Founded

1967

Employees

18,400

Stockholders

2,898

Auditor

KPMG LLP - Klynveld Peat Marwick Goerdeler

Applied Materials, Inc.

Quantitative Evaluations						
Fair Value Rank	5					
	<table border="1"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> </table> <p>LOWEST HIGHEST</p> <p>Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].</p>	1	2	3	4	5
1	2	3	4	5		
Fair Value Calculation	<p>\$51.81 Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that AMAT is undervalued by \$13.16 or 34.0%.</p>					
Volatility	<table border="1"> <tr> <td>LOW</td> <td>AVERAGE</td> <td>HIGH</td> </tr> </table>	LOW	AVERAGE	HIGH		
LOW	AVERAGE	HIGH				
Technical Evaluation	<p>NEUTRAL Since August, 2018, the technical indicators for AMAT have been NEUTRAL.</p>					
Insider Activity	<p>NA</p> <table border="1"> <tr> <td>UNFAVORABLE</td> <td>NEUTRAL</td> <td>FAVORABLE</td> </tr> </table>	UNFAVORABLE	NEUTRAL	FAVORABLE		
UNFAVORABLE	NEUTRAL	FAVORABLE				

Expanded Ratio Analysis				
	2017	2016	2015	2014
Price/Sales	4.23	2.95	2.09	2.85
Price/EBITDA	14.37	12.60	9.72	13.33
Price/Pretax Income	15.91	14.46	11.27	15.27
P/E Ratio	17.88	18.61	14.68	24.13
Avg. Diluted Shares Outsg.(M)	1084	1116	1226	1231

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Sales		34.29	17.02	10.76
Net Income		99.54	47.41	99.38
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	NM
% LT Debt to Capitalization		36.20	NA	NA
Return on Equity [%]		41.46	NA	NA

Company Financials Fiscal year ending Oct. 31

Per Share Data [\$]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tangible Book Value	5.25	3.09	3.06	2.96	2.24	1.97	5.55	4.45	4.19	4.50
Free Cash Flow	3.04	2.00	0.78	1.28	0.35	1.33	1.68	1.16	0.06	1.05
Earnings	3.17	1.54	1.12	0.87	0.21	0.09	1.45	0.70	-0.23	0.70
Earnings (Normalized)	2.15	1.13	0.82	0.75	0.36	0.50	1.09	0.92	-0.11	0.65
Dividends	0.40	0.40	0.40	0.40	0.39	0.35	0.31	0.27	0.24	0.24
Payout Ratio [%]	13	26	35	45	178	398	21	37	NM	34
Prices: High	56.82	31.07	25.71	23.46	18.18	13.94	16.93	14.94	14.19	21.75
Prices: Low	28.02	15.44	14.25	16.40	9.95	9.97	9.70	10.27	7.80	7.17
P/E Ratio: High	24.1	25.4	29.2	85.4	NM	11.8	28.9	41.8	NM	23.4
P/E Ratio: Low	17.0	13.7	16.5	26.6	12.4	6.8	9.1	34.8	11.6	9.9

Income Statement Analysis (Million \$)										
Revenue	14,537	10,825	9,659	9,072	7,509	8,719	10,517	9,549	5,014	8,129
Operating Income	3,868	2,150	1,703	1,564	783	1,094	2,360	1,970	-238	1,374
Depreciation + Amortization	407	389	371	375	410	422	246	305	291	320
Interest Expense	198.0	155.0	103.0	95.0	95.0	95.0	59.0	21.0	21.0	20.5
Pretax Income	3,731	2,013	1,598	1,448	350	316	2,378	1,387	-486	1,409
Effective Tax Rate	8.0	14.5	13.8	26.0	26.9	65.5	19.0	32.4	37.2	31.8
Net Income	3,434	1,721	1,377	1,072	256	109	1,926	938	-305	961
Net Income (Normalized)	2,333	1,260	1,007	926	439	635	1,454	1,239	-153	892

Balance Sheet and Other Financial Data (Million \$)										
Cash	7,276	3,749	4,965	3,162	1,891	1,937	6,243	2,585	2,215	2,101
Current Assets	12,918	8,353	9,261	6,967	5,642	5,102	10,355	6,765	5,689	6,664
Total Assets	19,419	14,570	15,308	13,174	12,043	12,102	13,861	10,943	9,574	11,006
Current Liabilities	4,115	3,632	3,798	2,823	2,443	2,265	2,794	2,888	1,939	2,946
Long Term Debt	5,304	3,125	3,342	1,947	1,946	1,946	1,947	204	201	202
Total Capital	14,653	10,542	12,155	9,815	9,034	9,181	10,747	7,741	7,297	7,752
Capital Expenditures	345	253	215	241	197	162	209	169	249	288
Cash from Operations	3,609	2,466	1,163	1,800	623	1,851	2,429	1,723	333	1,710
Current Ratio	3.14	2.30	2.44	2.47	2.31	2.25	3.71	2.34	2.93	2.26
% Long Term Debt of Capitalization	36.2	29.6	27.5	19.8	21.5	21.2	18.1	2.6	2.8	2.6
% Net Income of Revenue	23.6	15.9	14.3	11.8	3.4	1.3	18.3	9.8	-6.1	11.8
% Return on Assets	14.23	8.99	7.47	7.75	4.05	5.27	11.89	12.00	-1.45	7.92
% Return on Equity	41.5	23.2	17.8	14.3	3.6	1.4	23.6	12.8	-4.2	12.5

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Applied Materials, Inc.

Sub-Industry Outlook

Our fundamental outlook for the semiconductor equipment sub-industry for the next 12 months is neutral. We see an increase in orders as leading-edge manufacturers invest in next-generation tools and we remain optimistic about growth for the foreseeable future. Memory spending will likely account for at least 60% to 70% of overall revenues in 2018 and 2019, growing in importance over the last several years. CFRA sees continued healthy demand for NAND flash memory equipment, given healthy global demand for smartphones and the ongoing adoption for solid-state devices. In addition, a more stable than expected pricing environment should keep customer profitability sustainable, while the industry focuses on next generation technology investments. We expect DRAM-related investments will remain steady and we note that following consolidation over the past decade, Samsung and Micron virtually control the DRAM market.

Foundry spending in 2018 and 2019 will likely be driven by 10m and below investments, as customers add capacity on these advanced technology nodes. We estimate that spending by foundry manufacturers will rise slightly in 2018. Foundries' share in total capital expenditures should be between 20% and 25% in 2018, based on our estimates. Logic equipment spending, driven by Intel, will likely represent less than 10% of industry sales in 2018 and 2019. Semiconductor equipment sales are highly concentrated, with Intel, Taiwan Semiconductor, and Samsung expected to comprise almost 60% of total sales in the coming year. We also note that equipment providers exposed to the flat panel display industry should also benefit from greater penetration for Organic LED (OLED) displays in mobile devices, but note excess capacity at the moment.

Despite limited visibility, we anticipate that customers will look to invest in next generation

technology, assuming modest global economic growth. In addition, we think customer utilization will remain at healthy levels to support capital investments by leading edge manufacturers. We expect normalized semiconductor inventories, as customers closely monitor production levels to better align supply with slowing demand. In the longer term, we see rising orders supported by the emergence of new products as well as improving demand for devices such as computers and handsets. We think customers are placing orders on advanced machinery at lower technology nodes and we think the release of lower priced/more efficient mobile devices should provide additional growth drivers for end demand.

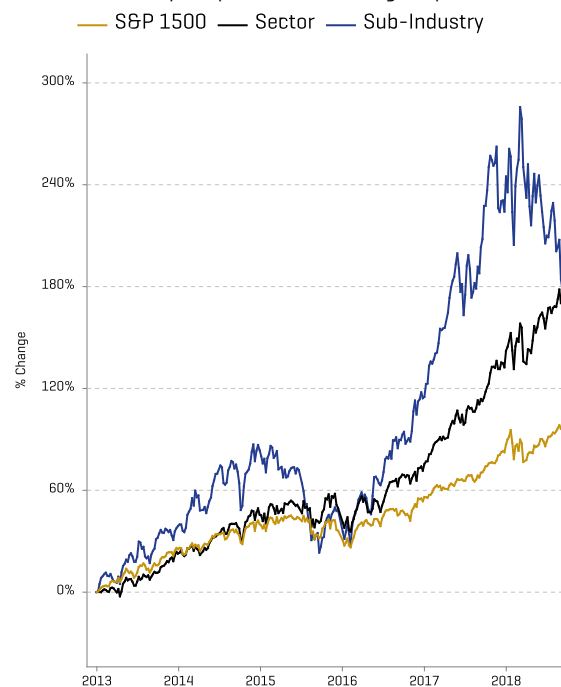
Year to date through June 29, 2018, the S&P Semiconductor Equipment Index fell 5.8% versus an increase of 2.0% for the S&P 1500. The S&P Semiconductor Equipment Index rose 51.3% for full-year 2017 versus an increase of 18.8% for the S&P 1500.

/Angelo Zino, CFA

Industry Performance

GICS Sector: Information Technology
Sub-Industry: Semiconductor Equipment

Based on S&P 1500 Indexes
Five-Year market price performance through Sep 29, 2018



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

Sub-Industry: Semiconductor Equipment Peer Group*: Semiconductor Equipment

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price (\$)	Stk. Mkt. Cap. (M \$)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc. (\$)	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Applied Materials, Inc.	AMAT	NasdaqGS	USD	38.65	37,993	-10.3	-23.6	12	51.81	2.1	41.5	36.2
Advantest Corporation	ATEY.Y	OTCPK	USD	21.07	3,846	-10.2	13.1	25	NA	1.4	15.5	NA
Cabot Microelectronics Corporation	CCMP	NasdaqGS	USD	103.17	2,595	-8.9	31.5	31	85.49	1.6	15.9	18.0
Entegris, Inc.	ENTG	NasdaqGS	USD	28.95	4,100	-15.0	1.9	34	26.47	1.0	9.0	34.4
KLA-Tencor Corporation	KLAC	NasdaqGS	USD	101.71	15,748	-12.9	-3.1	20	101.85	2.9	54.4	58.0
Lam Research Corporation	LRCX	NasdaqGS	USD	151.70	23,102	-12.1	-16.6	12	282.95	2.9	35.7	19.9
MKS Instruments, Inc.	MKSI	NasdaqGS	USD	80.15	4,392	-13.6	-14.8	12	102.39	1.0	24.0	19.7
Sumco Corporation	SUOP.Y	OTCPK	USD	29.02	4,259	-20.7	-7.3	13	NA	Nil	12.3	28.1
Teradyne, Inc.	TER	NYSE	USD	36.98	6,894	-10.9	-0.2	40	31.64	1.0	13.6	15.8
Tokyo Electron Limited	TOEL.Y	OTCPK	USD	34.36	22,572	-20.0	-9.7	12	NA	4.1	28.8	NA
Versum Materials, Inc.	VSM	NYSE	USD	36.01	3,923	-9.4	-6.5	21	54.54	0.7	NM	96.8

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Applied Materials, Inc.

Analyst Research Notes and other Company News

August 17, 2018

07:58 am ET... CFRA MAINTAINS HOLD RECOMMENDATION ON SHARES OF APPLIED MATERIALS, INC. [AMAT 47.43***]: We reduce our 12-month target to \$53 from \$65, on near-peer P/E of 12X our FY 19 [Oct.] EPS estimate. We cut our FY 18 EPS view to \$4.53 from \$4.64 and FY 19 to \$4.42 from \$4.72. AMAT posts Jul-Q EPS of \$1.20 vs. \$0.86, beating the \$1.16 estimate. Sales rose 19%, slightly ahead of expectations, on higher demand from the semiconductor industry [up 8.5%], services [up 21%], and display [up 81%]. While we note revenue from the semiconductor industry was driven by higher memory sales, specifically related to DRAM [up 74%] and believe memory customers are being prudent with spending, we see risks related to a potential sharp decline in DRAM prices and anticipate declines of about 15%-20% within display in FY 19. That said, we are encouraged by recent results from China, now 39% of sales, which we believe is a major growth opportunity as that region looks to build its local semiconductor manufacturing industry. We like AMAT's free cash flow usage to aggressively repurchase shares. /Angelo Zino, CFA

May 18, 2018

08:58 am ET... CFRA MAINTAINS HOLD RECOMMENDATION ON SHARES OF APPLIED MATERIALS, INC. [AMAT 53.96***]: We keep our 12-month target of \$65, on near-peer P/E of 13.8X our FY 19 [Oct.] EPS estimate. We adjust our FY 18 EPS view to \$4.64 from \$4.48 and FY 19's to \$4.72 from \$4.66. AMAT posts Apr-Q EPS of \$1.22 vs. \$0.79, beating the \$1.15 consensus. Sales rose 29%, above expectations, driven by growth within all business segments. While semiconductor revenue rose 25%, we expect memory customers to remain prudent with spending and see tougher comparables given peak 3D NAND investments. We think China may provide upside, although note low visibility, as investments in the region continues to increase. Although display sales grew a robust 53%, we believe a more muted outlook in the high-end smartphone space will hurt OLED mobile demand, driving lower display spending for FY 19. Services revenue rose 30%, led by demand for spare parts and new service agreements/renewals. While valuation appears attractive and AMAT is aggressively returning cash to shareholders, we think cyclical risks are high. /Angelo Zino, CFA

February 15, 2018

09:05 am ET... CFRA MAINTAINS HOLD RECOMMENDATION ON SHARES OF APPLIED MATERIALS, INC. [AMAT 51.96***]: We keep our 12-month target of \$65, on near-peer P/E of 13.9X our FY 19 [Oct.] EPS estimate. We raise our FY 18 EPS view to \$4.48 from \$4.09 and FY 19's to \$4.66 from \$4.32. AMAT posts Jan-Q EPS of \$1.06 vs. \$0.67, above consensus' \$0.98. Sales rose 28%, on higher demand for semiconductors, services, and display. We see increasing TV sizes and OLED mobile adoption driving display growth and see China opportunities, but we note limited visibility in memory. We are encouraged by plans to double its annual dividend to \$0.80 and increase its share repurchase program by \$6B to \$8.8B. /Angelo Zino, CFA

November 17, 2017

08:52 am ET... CFRA MAINTAINS HOLD RECOMMENDATION ON SHARES OF APPLIED MATERIALS, INC. [AMAT 57.84***]: We increase our 12-month target to \$65 from \$46, on near peer P/E of 15X our FY 19 [Oct.] EPS estimate. We raise our FY 18 EPS view to \$4.09 from \$3.30 and start FY 19 at \$4.32. AMAT posts Oct-Q EPS of \$0.93 vs. \$0.60, above the \$0.90 consensus. Sales rose 20%, slightly better than expected, on higher semiconductor, services and display demand. We positively view momentum from memory technology transitions as well as greater penetration of OLED displays. However, we remain cautious of potential pricing declines in the memory space and limited visibility related to China orders. /Angelo Zino, CFA

August 17, 2017

05:49 pm ET... CFRA MAINTAINS HOLD RECOMMENDATION ON SHARES OF APPLIED MATERIALS, INC. [AMAT 43.12***]: We keep our 12-month target price at \$46, on near peer P/E of 13.9X our FY 18 [Oct.] EPS estimate. We raise our FY 17 EPS view to \$3.22 from \$3.05 and FY 18 to \$3.30 from \$3.11. AMAT posts Jul-Q EPS of \$0.86 vs. \$0.50, above the \$0.83 consensus. Sales rose 33%, better than expected, led by higher semiconductor, services and display demand. We think AMAT continues to benefit from semiconductor share gain and technology transitions, specifically on the memory side. We anticipate higher display orders from OLED investments for mobile devices and are encouraged by margin expansion. /A. Zino-CFA

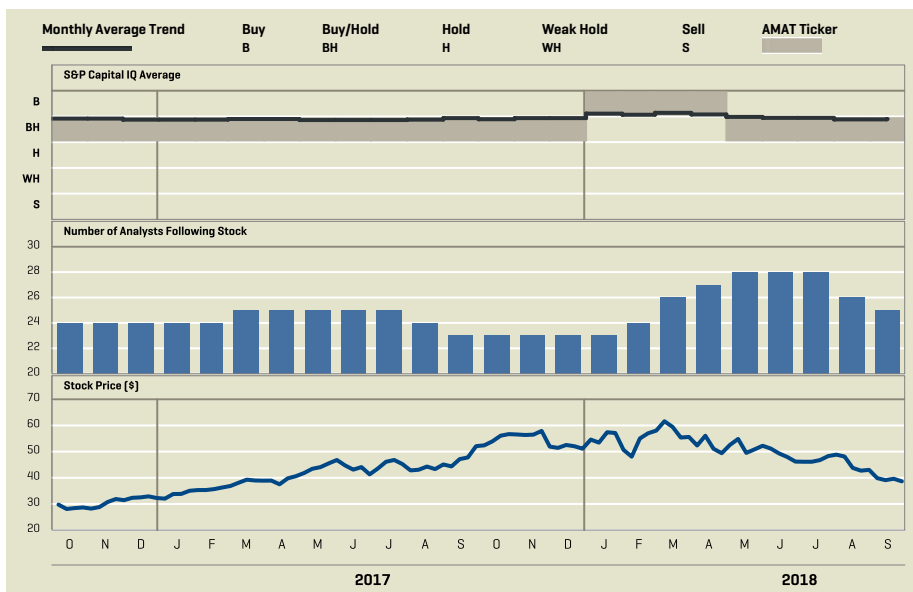
May 19, 2017

10:10 am ET... CFRA MAINTAINS HOLD RECOMMENDATION ON SHARES OF APPLIED MATERIALS, INC. [AMAT 43.91***]: We up our 12-month target price to \$46 from \$40, on peer-average P/E of 14.8X our FY 18 [Oct.] EPS estimate. We raise our FY 17 EPS view to \$3.05 from \$2.59 and FY 18 to \$3.11 from \$2.74. AMAT posts Apr-Q EPS of \$0.79 vs. \$0.34, above the \$0.76 consensus. Sales rose 8% from Jan-Q, as higher semiconductor and services demand was partly offset by lower display revenue. We positively view momentum from memory customers, driven by 3D NAND transition and improving end-demand. Despite display softness in the Apr-Q, we see higher orders from greater OLED investments for mobile devices. /A. Zino-CFA

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Applied Materials, Inc.

Analysts' Recommendations



Wall Street Consensus Opinion

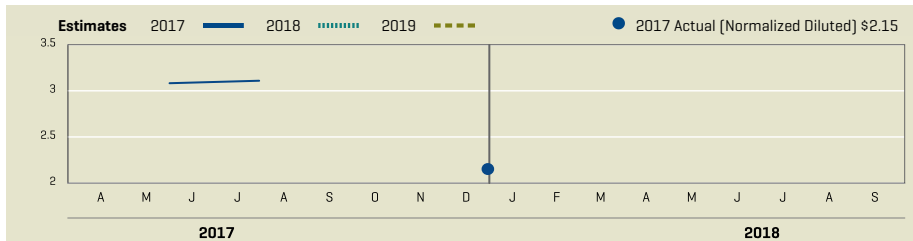
BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2018, analysts estimate that AMAT will earn USD \$4.50. For the 3rd quarter of fiscal year 2018, AMAT announced earnings per share of USD \$1.17, representing 26% of the total revenue estimate. For fiscal year 2019, analysts estimate that AMAT's earnings per share will decline by 4% to USD \$4.33.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	15	60	16	17
Buy/Hold	5	20	4	5
Hold	5	20	6	5
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	1
Total	25	100	26	28

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2019	4.33	5.15	3.08	23	8.9
2018	4.50	4.82	4.44	23	8.6
2019 vs. 2018	▼ -4%	▲ 7%	▼ -31%	0%	▲ 3%
Q4'19	1.19	1.31	0.97	17	32.5
Q4'18	0.97	1.01	0.96	19	40.0
Q4'19 vs. Q4'18	▲ 23%	▲ 30%	▲ 1%	▼ -11%	▼ -19%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

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Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
 CAPEX - Capital Expenditures
 CY - Calendar Year
 DCF - Discounted Cash Flow
 DDM - Dividend Discount Model
 EBIT - Earnings Before Interest and Taxes
 EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
 EPS - Earnings Per Share
 EV - Enterprise Value
 FCF - Free Cash Flow
 FFO - Funds From Operations

FY - Fiscal Year
 P/E - Price/Earnings
 P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
 R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
 ROI - Return on Investment
 ROIC - Return on Invested Capital
 ROA - Return on Assets
 SG&A - Selling, General & Administrative Expenses
 SOTP - Sum-of-The-Parts
 WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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The methodologies used in STARS Stock Reports and Quantitative Stock Reports (collectively, the "Research Reports") reflect different criteria, assumptions and analytical methods and may have differing recommendations. The methodologies and data used to generate the different types of Research Reports are believed by the author and distributor reasonable and appropriate. Generally, CFRA does not generate reports with different ranking methodologies for the same issuer. However, in the event that different methodologies or data are used on the analysis of an issuer, the methodologies may lead to different views or recommendations on the issuer, which may at times result in contradicting assessments of an issuer. CFRA reserves the right to alter, replace or vary models, methodologies or assumptions from time to time and without notice to clients.

STARS Stock Reports:

Global STARS Distribution as of June 30, 2018

Ranking	North America	Europe	Asia	Global
Buy	39.1%	31.9%	37.3%	36.1%
Hold	54.6%	53.6%	50.6%	52.9%
Sell	6.3%	14.5%	12.1%	11.0%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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