

Third Quarterly report for Applied Materials (AMAT)

DATE:09/06/2019 Kathy Emmons

Percentage change in Sales from year ago quarter -20.3%

Percentage change in Earnings per Share from year ago quarter -47.9%

Is company meeting our target sales & earnings estimates? No

Pre-tax Profit on sales trend? UP

Return on equity trends? up

Debt? UP

Current PE is: 16.7. This is up considerably from previous quarter

Where does it fall in my estimated High/low range of P/E? High end of PE.

Signature PE = 16.7

Club cost basis for this stock is \$34.38.

Current price is \$50.10 as of 09/06/2019.

Current fair value: Morningstar: \$49.00. CFRA: \$44.51 (states AMAT overvalued as of 8_31_19 @ \$47.16)

My SSG Compound Annual Return at Forecast High is 10.2%.

Projected Compound Annual Return at Forecast Average P/E Return is 6.2%
What will drive future growth – In the long term there is a broadening demand for use of CHIPS in the following.

- Smart phones, computers, flat display panels (TV's)
- Faster networking computer system
- Cloud computing, Big data, Artificial intelligence, Bigger and better data storage, and faster networks to process huge amounts of data.

Additional comments:

Near term the outlook for this industry remains challenging. Some of the factors are trade disputes, tariffs and excess inventory seems to be weighing on capital investment plans.

There has been lackluster demand for high end smart phones, falling DRAM prices on excessive inventories and weakening conditions for this year.

Conclusion: AMAT is the industry's "standard bearer" and has streamlined its operations to lower costs and increase R&D. The outlook for most companies in this industry is somewhat more favorable going to FY 2020 and beyond, but it is a VERY Competitive cyclical industry. AMAT competes in some specialty areas where it is not the best-of-breed.

The current price is above the VL price line. This closing price is above both the Morningstar and CFRA Fair Value. The company has been repurchasing its shares which can give the illusion that the company is doing better than it actually is.

A dividend of \$.21/share payable on Dec 12, 2019 for shareholders of record on November 21, 2019.

My recommendation is to SELL our 25 shares. We have the Lowest holding, only 1.3% of our portfolio. The stock has had a recent price surge with low expectations for further advance in the near term. AMAT has 2nd lowest Manifest Investment PAR of all other stocks in our portfolio (5.2%, just above BRK.B)

Recommend: Buy More _____, Hold _____, Challenge with a better investment _____, Sell_X__