

Applied Materials, Inc.

AI driving growth inflection, raising est./PO to \$222

Reiterate Rating: BUY | PO: 222.00 USD | Price: 187.66 USD

Solid execution, with some help from China DRAM demand

Reiterate Buy as we believe Applied Materials (AMAT) is well leveraged across multiple technology enablers of AI silicon including high-bandwidth memory, advanced packaging and leading-edge logic. After 2 years of flattish sales due to semi industry inventory digestion, we see growth inflecting back to double digit YoY from FY25. Meanwhile, the company's solid 29% TTM FCF margins are enabling 20-25% annual dividend growth and consistent 150-200bps annual reduction in share-count. Meanwhile, near-term execution has been consistent with FQ1 sales \$6.7bn 3% ahead and pf-EPS of \$2.13 about 12% ahead of consensus. FQ2 sales/eps outlook \$6.5bn/\$1.97 also 3%/10% above consensus, on continued China DRAM shipments. While we gradually remove that extra benefit in 2HFY24, our overall estimates are still headed higher. Overall raise CY24/25 pf-EPS by 6%/9% to \$7.96/\$9.40, and PO to \$222 from \$185 on higher 24x CY25 PE vs 21x prior, still at 2x turn discount to more profitable semicap peers.

Likes: DRAM run-rate, leading-logic visibility, cash flows

1) FQ1 DRAM run-rate of \$1.7bn or 34% of system sales the highest in company history, aided by \$500mn/qtr incremental China shipment that continued from FQ4'23. This is expected to decline/normalize in F2H, though increased HBM/DDR demand should help offset. 2) Leading-edge logic should begin recovering in F2H'24 driven by ramps in gate-all-around (GAA), backside power delivery, and advanced packaging. Each represents \$1bn+ incremental opportunity for AMAT, with market share outlooks of >50%. 3) AMAT's TTM FCF of 31% is among the best in semis, and the company expects to nearly double dividends over the next three years (~23% CAGR).

Risks: GM headwind on mix, tougher comps in ICAPS

1) Incremental China DRAM shipments of \$500mn/qtr should decline/normalize by F2H'24 and be a GM headwind as the year progresses, given Chinese customers are generally margin accretive. 2) After two strong years of growth, ICAPS is expected to decline YoY in FY24E. AMAT is over-indexed to this segment (50%+ tool sales in FY23) and now has tougher comps into CY/FY24E vs. peers who are more levered to leading-edge logic.

Estimates (Oct) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.70	8.05	8.02	9.04	10.27
GAAP EPS	7.44	8.11	8.19	8.88	10.10
EPS Change (YoY)	12.6%	4.5%	-0.4%	12.7%	13.6%
Consensus EPS (Bloomberg)			7.76	9.03	10.19
DPS	1.03	1.16	1.43	1.76	2.16
Valuation (Oct)					
P/E	24.4x	23.3x	23.4x	20.8x	18.3x
GAAP P/E	25.2x	23.1x	22.9x	21.1x	18.6x
Dividend Yield	0.5%	0.6%	0.8%	0.9%	1.2%
EV / EBITDA*	19.1x	19.3x	20.4x	18.3x	16.4x
Free Cash Flow Yield*	3.0%	4.9%	4.2%	4.6%	5.3%

* For full definitions of *IQmethod*SM measures, see page 12.

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Timestamp: 15 February 2024 09:53PM EST

15 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	185.00	222.00
2024E Rev (m)	25,609.7	26,311.9
2025E Rev (m)	28,182.2	29,006.0
2026E Rev (m)	30,072.5	31,392.3
2024E EPS	7.39	8.02
2025E EPS	8.44	9.04
2026E EPS	9.40	10.27

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Stock Data

Price	187.66 USD
Price Objective	222.00 USD
Date Established	15-Feb-2024
Investment Opinion	B-1-7
52-Week Range	109.00 USD - 189.47 USD
Mrkt Val (mn) / Shares Out (mn)	156,145 USD / 832.1
Free Float	99.6%
Average Daily Value (mn)	1214.89 USD
BofA Ticker / Exchange	AMAT / NAS
Bloomberg / Reuters	AMAT US / AMAT.OQ
ROE (2024E)	36.8%
Net Dbt to Eqty (Oct-2023A)	-8.0%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

See page 6 for acronym definitions

iQprofileSM Applied Materials, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	34.9%	33.7%	28.1%	26.2%	25.4%
Return on Equity	55.3%	47.7%	36.8%	34.1%	31.9%
Operating Margin	30.4%	29.0%	28.2%	28.5%	29.4%
Free Cash Flow	4,612	7,594	6,614	7,139	8,225

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.8x	1.3x	1.1x	1.1x	1.1x
Asset Replacement Ratio	1.8x	2.1x	2.5x	2.5x	2.5x
Tax Rate	14.1%	11.1%	13.2%	13.5%	13.4%
Net Debt-to-Equity Ratio	23.6%	-8.0%	-17.1%	-25.8%	-34.2%
Interest Cover	34.5x	24.8x	31.5x	35.2x	39.3x

Income Statement Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	25,785	26,517	26,312	29,006	31,392
% Change	11.8%	2.8%	-0.8%	10.2%	8.2%
Gross Profit	11,993	12,384	12,399	13,723	15,010
% Change	9.9%	3.3%	0.1%	10.7%	9.4%
EBITDA	8,305	8,234	7,793	8,700	9,692
% Change	7.6%	-0.9%	-5.4%	11.6%	11.4%
Net Interest & Other Income	(200)	40	175	160	160
Net Income (Adjusted)	6,756	6,802	6,660	7,408	8,248
% Change	7.5%	0.7%	-2.1%	11.2%	11.3%

Free Cash Flow Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	6,525	6,856	6,798	7,276	8,116
Depreciation & Amortization	444	515	357	394	426
Change in Working Capital	(1,792)	775	105	(138)	111
Deferred Taxation Charge	(223)	24	(72)	0	0
Other Adjustments, Net	445	530	325	598	645
Capital Expenditure	(787)	(1,106)	(898)	(990)	(1,072)
Free Cash Flow	4,612	7,594	6,614	7,139	8,225
% Change	-3.4%	64.6%	-12.9%	7.9%	15.2%
Share / Issue Repurchase	(5,904)	(1,962)	(2,950)	(3,000)	(3,000)
Cost of Dividends Paid	(873)	(975)	(1,176)	(1,427)	(1,721)
Change in Debt	0	84	1	0	0

Balance Sheet Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	2,581	6,869	8,950	11,661	15,166
Trade Receivables	6,068	5,165	5,124	5,509	5,748
Other Current Assets	7,276	7,113	7,029	7,268	7,234
Property, Plant & Equipment	2,307	2,723	3,495	4,486	5,558
Other Non-Current Assets	8,494	8,859	9,532	9,532	9,532
Total Assets	26,726	30,729	34,130	38,456	43,237
Short-Term Debt	0	100	100	100	100
Other Current Liabilities	7,379	7,372	7,292	7,777	8,093
Long-Term Debt	5,457	5,461	5,462	5,462	5,462
Other Non-Current Liabilities	1,696	1,547	1,573	1,573	1,573
Total Liabilities	14,532	14,480	14,427	14,912	15,228
Total Equity	12,194	16,349	19,804	23,644	28,109
Total Equity & Liabilities	26,726	30,829	34,230	38,556	43,337

* For full definitions of iQmethodSM measures, see page 12.

Company Sector

Semiconductor Capital Equipment

Company Description

Applied Materials is a supplier of semiconductor and semiconductor-related fabrication equipment, providing nanomanufacturing technology solutions to the global semiconductor, flat panel display, and other industries. Applied's results are primarily driven by worldwide demand for chips and flat panel displays, which, in turn, depends on end-user demand for electronic products.

Investment Rationale

We rate AMAT Buy. AMAT is the largest supplier of semiconductor manufacturing equipment due to its broad product portfolio, technical capabilities, and strong service and support. In our view, the combination of AMAT's scale and balanced portfolio positions it to be a key beneficiary of growing demand for all chips in a data-driven economy. Near term we also see a favorable set up from stabilized pricing/ tight supply in memory and capacity constraints on the leading and lagging.

Stock Data

Average Daily Volume 6,473,913

Quarterly Earnings Estimates

	2023	2024
Q1	2.03A	2.13A
Q2	2.00A	1.97E
Q3	1.90A	1.84E
Q4	2.12A	2.07E

Summary of model changes

Exhibit 1: AMAT Summary of Model Changes

We adjust CY24/25E sales by +2%/+4%, EPS by +6%/+9% to \$7.96/\$9.40

1Q26E	\$7,282	\$7,600	\$318	1Q26E	\$2.22	\$2.43	\$0.21
2Q26E	\$7,399	\$7,727	\$327	2Q26E	\$2.29	\$2.51	\$0.21
3Q26E	\$7,537	\$7,869	\$332	3Q26E	\$2.36	\$2.58	\$0.22
4Q26E	\$7,854	\$8,196	\$342	4Q26E	\$2.53	\$2.75	\$0.22
FY2026E	\$30,072	\$31,392	\$1,320	FY2026E	\$9.40	\$10.27	\$0.86
YoY%	6.7%	8.2%	4.4%	YoY%	11.5%	13.6%	9.2%
CY2023E	\$26,248	\$26,485	\$237	CY2023E	\$7.92	\$8.14	\$0.23
YoY%	0.0%	0.9%	0.9%	YoY%	0.9%	3.9%	2.9%
CY2024E	\$25,959	\$26,482	\$523	CY2024E	\$7.49	\$7.96	\$0.47
YoY%	-1.1%	0.0%	2.0%	YoY%	-5.4%	-2.3%	6.3%
CY2025E	\$28,644	\$29,729	\$1,085	CY2025E	\$8.67	\$9.40	\$0.74
YoY%	10.3%	12.3%	3.8%	YoY%	15.8%	18.2%	8.5%

Source: BofA Global Research estimates

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JanQ reported vs. expectations

Exhibit 2: AMAT Summary of JanQ results

AMAT reported sales/EPS 3.4%/12.0% above consensus

	Jan-23	Oct-23	Jan-24				Delta vs.	Delta vs.		
			Guidance	Street	BofA	Reported	Cons. (%)	Cons. (\$)	QoQ %	YoY %
Sales (\$mn)	\$6,739	\$6,723	\$6470 +/- 400	\$6,485	\$6,470	\$6,707	3.4%	\$222	-0.2%	-0.5%
QoQ%	-0.1%	4.6%		-3.5%	-3.8%	-0.2%				
YoY%	7.5%	-0.4%			-4.0%	-0.5%				
Segment sales detail:										
Semiconductor Systems	\$5,162	\$4,883	\$4,700	\$4,742	\$4,704	\$4,909	3.5%	\$167	0.5%	-4.9%
DRAM	\$671	\$1,318		\$1,309	\$1,246	\$1,669	27.5%	\$360	26.6%	148.7%
Flash	\$516	\$195		\$205	\$203	\$196	-4.2%	(\$9)	0.5%	-62.0%
Foundry, logic, & other	\$3,975	\$3,369		\$3,229	\$3,255	\$3,044	-5.7%	(\$185)	-9.7%	-23.4%
Applied Global Services	\$1,369	\$1,471	\$1,460	\$1,467	\$1,460	\$1,476	0.6%	\$9	0.3%	7.8%
Display and Adjacent Markets	\$167	\$298	\$235	\$237	\$235	\$244	3.0%	\$7	-18.1%	46.1%
Corporate and Other	\$41	\$71		\$64	\$71	\$78	21.7%	\$14	9.9%	90.2%
Gross Margin % (Non-GAAP)	46.8%	47.3%	47.0%	47.0%	47.0%	47.9%	85		62	110
Gross profit (Non-GAAP)	3,152	3,177			3,038	3,211			1.1%	1.9%
R&D	771	789			809	754			-4.4%	-2.2%
SG&A	404	409			426	483			18.1%	19.6%
Opex (Non-GAAP)	1,165	1,193	\$1,230		1,230	1,230			3.1%	5.6%
Operating Income (Non-GAAP)	1,987	1,984		1,833	1,808	1,981	8.0%	\$148	-0.2%	-0.3%
Operating Margin % (Non-GAAP)	29.5%	29.5%		28.3%	27.9%	29.5%	127		3	5
Other expense, net (Non-GAAP)	(17)	37			32	55			48.6%	423.5%
Pretax income (Non-GAAP)	1,970	2,021			1,840	2,036			0.7%	3.4%
Tax expense (Non-GAAP)	246	235			239	254			8.1%	3.3%
Tax rate (Non-GAAP)	12.5%	11.6%	13.0%		13.0%	12.5%			85	(1)
Net Income (Non-GAAP)	1,724	1,786			1,601	1,782			-0.2%	3.4%
Diluted EPS (Non-GAAP)	\$2.03	\$2.12	\$1.90 (\$1.72-\$2.08)	\$1.91	\$1.90	\$2.13	12.0%	\$0.22	0.4%	4.8%
Diluted shares (Non-GAAP)	849	842			843	837			-0.6%	-1.4%

Source: BofA Global Research estimates, Bloomberg, Visible Alpha

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AprQ guidance vs. expectations

Exhibit 3: AMAT AprQ guidance vs our/Street estimates

AMAT guided AprQ sales/EPS 3%/10% above consensus

	Jan-24	Apr-24E				Delta vs. Cons. (% bps)	Delta vs. Cons. (\$)
		BofA	Street	Guidance	New BofA		
Sales (\$mn)	\$6,707	\$6,010	\$6,318	\$6,500 +/- 400	\$6,506	3.0%	\$188
QoQ%	-0.2%	-7.1%	-2.6%		-3.0%		
YoY%	-0.5%	-9.3%			-1.9%		
Segment sales detail:							
Semiconductor Systems	\$4,909	\$4,178	\$4,469	\$4,800	\$4,802	7.5%	\$333
DRAM	\$1,669	\$748	\$968		\$1,577	63.0%	\$610
Flash	\$196	\$235	\$239		\$227	-4.9%	(\$12)
Foundry, logic, & other	\$3,044	\$3,196	\$3,204		\$2,998	-6.4%	(\$206)
Applied Global Services	\$1,476	\$1,518	\$1,503	\$1,500	\$1,498	-0.3%	(\$5)
Display and Adjacent Markets	\$244	\$242	\$245	\$150	\$151	-38.2%	(\$93)
Corporate and Other	\$78	\$71	\$56		\$55	-3.2%	(\$2)
Gross Margin % (Non-GAAP)	47.9%	46.9%	46.7%	47.3%	47.3%	56	
Gross profit (Non-GAAP)	3,211	2,816			3,076		
R&D	754	819			757		
SG&A	483	438			485		
Opex (Non-GAAP)	1,230	1,252		\$1,235	1,235		
Operating Income (Non-GAAP)	1,981	1,564	1,717		1,841	7.2%	\$124
Operating Margin % (Non-GAAP)	29.5%	26.0%	27.2%		28.3%	112	
Other expense, net (Non-GAAP)	55	32			36		
Pretax income (Non-GAAP)	2,036	1,596			1,877		
Tax expense (Non-GAAP)	254	207			235		
Tax rate (Non-GAAP)	12.5%	13.0%		12.5%	12.5%		
Net Income (Non-GAAP)	1,782	1,389			1,642		
Diluted EPS (Non-GAAP)	\$2.13	\$1.66	\$1.79	\$1.97 (\$1.79-\$2.15)	\$1.97	10.1%	\$0.18
Diluted shares (Non-GAAP)	837	837			832		

Source: BofA Global Research estimates, Bloomberg, Visible Alpha

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Balance sheet & cash flow snapshot

Exhibit 4: Summary of balance sheet and cash flow results

Net cash per share increased QoQ; inventory \$s decreased and days increased QoQ

Balance Sheet & cash flow

	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24		
Total Cash	4,047	\$5,098	\$6,535	\$6,869	\$7,492	9.1%	85.1%
ST Debt	199	199	199	100	100		
LT Debt	5,458	\$5,459	\$5,460	\$5,461	5,462		
Total Debt	5,657	\$5,658	\$5,659	\$5,561	5,562		
Net Cash	(1,610)	(\$560)	\$876	\$1,308	1,930		
Net Cash / Share	(\$1.90)	(\$0.66)	\$1.04	\$1.55	\$2.31	48.4%	221.6%
Book Value / Share	\$15.81	\$16.68	\$17.90	\$19.42	\$20.82	7.2%	31.7%
Tangible Book Value / Share	\$11.04	\$11.91	\$13.12	\$14.64	\$16.03	9.5%	45.2%
Days Sales Outstanding (DSO)	72.7	75.7	74.1	69.9	63.8		
Days Payables Outstanding (DPO)	100.5	110.6	119.5	110.0	99.5		
Inventory \$	6,054	\$5,940	\$5,809	\$5,725	5,646	-1.4%	-6.7%
Inventory Turns	2.4	2.4	2.4	2.5	2.5		
Inventory Days	153.7	153.3	153.7	147.0	147.1	0.1	(6.6)
Cash Conversion days	125.9	118.4	108.3	106.9	111.4		
Cash Flow from Ops	2,270	\$2,292	\$2,583	\$1,555	2,325	49.5%	2.4%
Capex	(287)	(\$255)	(\$255)	(\$309)	(229)	-25.9%	-20.2%
Free cash flow	1,983	\$2,037	\$2,328	\$1,246	2,096	68.2%	5.7%
Dividends paid	220	\$219	\$268	\$268	266	-0.7%	20.9%
Share repurchase amount	250	\$800	\$439	\$700	700	0.0%	180.0%

Source: BofA Global Research, Company reports

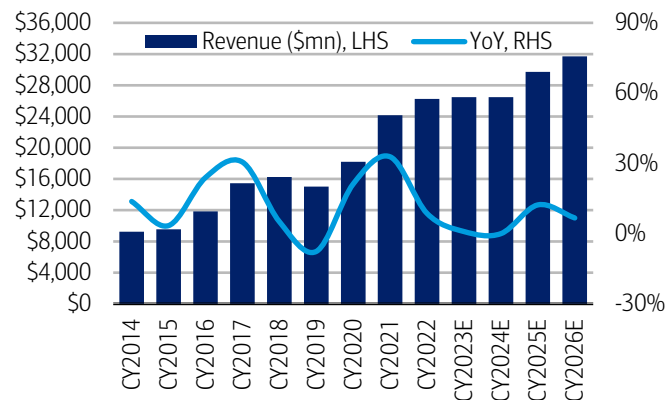
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Key charts

Exhibit 5: AMAT annual revenue (calendar year) and YoY growth

We expect annual revenue to reach \$30bn by 2026E

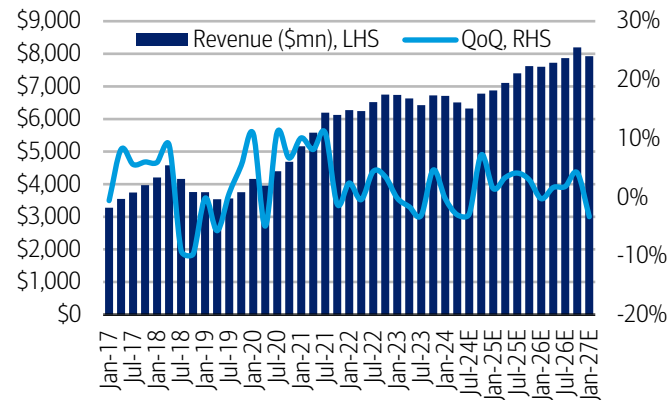


Source: BofA Global Research estimates, Company report

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Exhibit 6: AMAT quarterly revenue and QoQ growth

We expect quarterly revenue to reach over \$7bn by end of 2026E

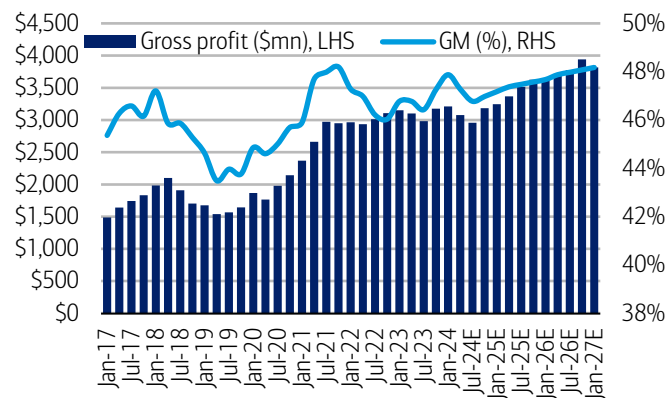


Source: BofA Global Research estimates, Company report

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Exhibit 7: AMAT quarterly gross profit and GM%

We expect gross margin to expand to 48% by 2026E

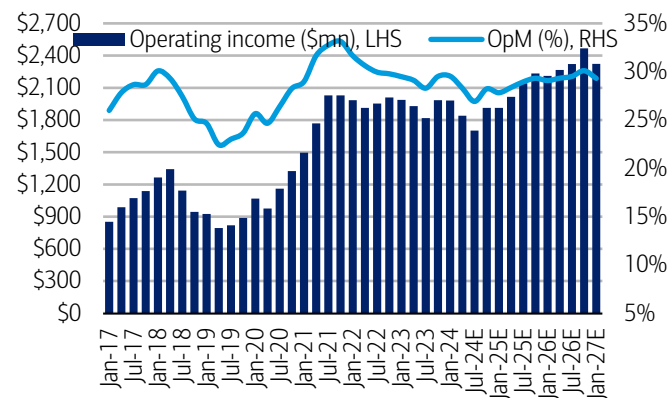


Source: BofA Global Research estimates, Company report

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Exhibit 8: AMAT quarterly operating income and OpM%

We see path for OpMs to maintain 25%+

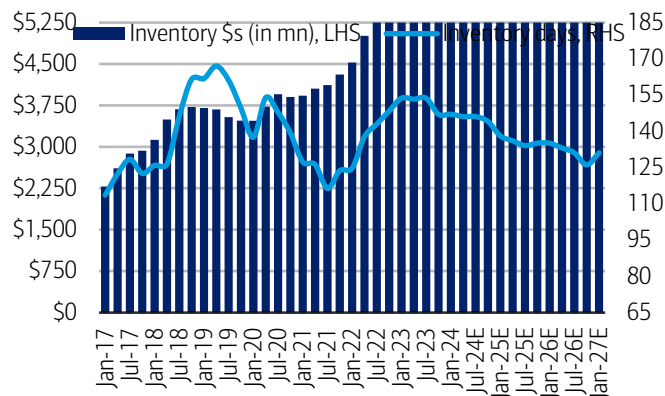


Source: BofA Global Research estimates, Company report

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Exhibit 9: AMAT quarterly inventory dollars and days

We expect inventory days to remain in the 80-150 range

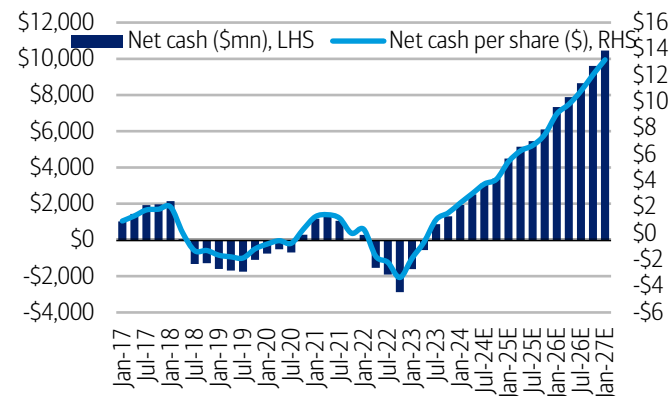


Source: BofA Global Research estimates, Company report

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Exhibit 10: AMAT quarterly net cash and net cash per share

AMAT can return to a net cash position

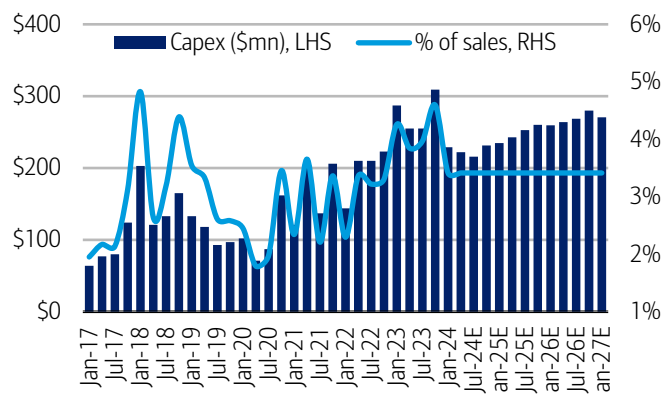


Source: BofA Global Research estimates, Company report

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Exhibit 11: AMAT quarterly capex and % of sales

We expect capex to remain at ~3-4% of sales

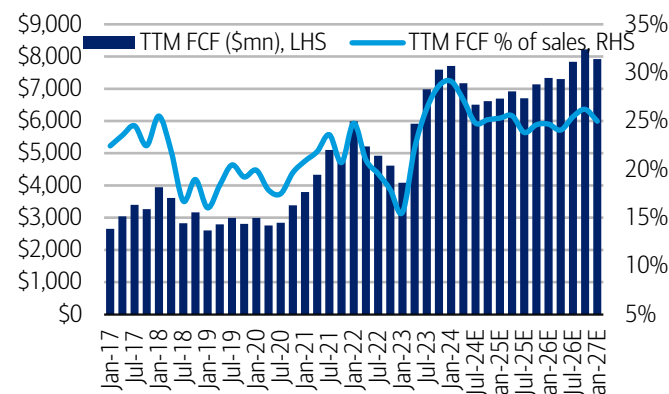


Source: BofA Global Research estimates, Company report

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Exhibit 12: AMAT quarterly TTM FCF and TTM FCF as a % of sales

We expect TTM FCF as a % of sales to remain near 20%



Source: BofA Global Research estimates, Company report

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Glossary:

WFE: Wafer Fab Equipment
 AMAT: Applied Materials
 KLAC: KLA Corporation
 LRCX: Lam Research
 AGS: Applied Global Services
 ICAPS: IoT, Chips, Auto, Power, Sensing
 RF: Radio Frequency
 SiC: Silicon Carbide
 GAA: Gate All Around
 DRAM: Dynamic Random Access Module
 DDR: Double Data Rate
 HBM: High-Bandwidth Memory
 CXMT: ChangXin Memory Technologies
 NAND: Not AND
 AI: Artificial Intelligence
 TTM: Trailing Twelve Months
 CAGR: Compound Annual Growth Rate
 SMIC: Semiconductor Manufacturing International Corporation



Exhibit 13: AMAT - Income Statement (\$mn)

AMAT delivered \$6.71bn in sales and \$2.13 in non-GAAP EPS in JanQ

FY (Oct)	1Q23 Jan-23	2Q23 Apr-23	3Q23 Jul-23	4Q23 Oct-23	1Q24 Jan-24	2Q24E Apr-24E	3Q24E Jul-24E	4Q24E Oct-24E	1Q25E Jan-25E	2Q25E Apr-25E	3Q25E Jul-25E	4Q25E Oct-25E	CY2022 Jan-23	CY2023E Jan-24	CY2024E Jan-25	CY2025E Jan-26
Revenue	\$6,739	\$6,630	\$6,425	\$6,723	\$6,707	\$6,506	\$6,321	\$6,777	\$6,877	\$7,108	\$7,401	\$7,620	\$26,253	\$26,485	\$26,482	\$29,729
QoQ	-0.1%	-1.6%	-3.1%	4.6%	-0.2%	-3.0%	-2.8%	7.2%	1.5%	3.4%	4.1%	3.0%				
YoY	7.5%	6.2%	-1.5%	-0.4%	-0.5%	-1.9%	-1.6%	0.8%	2.5%	9.3%	17.1%	12.4%	8.6%	0.9%	0.0%	12.3%
Cost of goods sold	3,594	3,536	3,449	3,554	3,503	3,437	3,372	3,601	3,640	3,748	3,894	4,002	14,074	14,042	14,050	15,627
Gross profit (GAAP)	3,145	3,094	2,976	3,169	3,204	3,069	2,950	3,177	3,237	3,360	3,506	3,618	12,179	12,443	12,433	14,102
Gross profit (Non-GAAP)	3,152	3,101	2,983	3,177	3,211	3,076	2,957	3,184	3,244	3,367	3,513	3,625	12,206	12,472	12,461	14,130
Research & development	771	775	767	789	754	757	765	773	803	811	819	827	2,888	3,085	3,098	3,296
Selling, general and administrative	404	408	407	409	483	485	497	505	535	547	559	571	1,509	1,707	2,022	2,258
Operating expenses (GAAP)	1,175	1,183	1,174	1,198	1,237	1,242	1,262	1,278	1,338	1,358	1,378	1,398	4,397	4,792	5,120	5,554
Operating expenses (Non-GAAP)	1,165	1,171	1,165	1,193	1,230	1,235	1,255	1,271	1,331	1,351	1,371	1,391	4,343	4,759	5,092	5,526
Operating Income (GAAP)	1,970	1,911	1,802	1,971	1,967	1,827	1,688	1,899	1,899	2,002	2,128	2,220	7,782	7,651	7,313	8,548
Operating income (Non-GAAP)	1,987	1,930	1,818	1,984	1,981	1,841	1,702	1,913	1,913	2,016	2,142	2,234	7,863	7,713	7,369	8,604
Interest and other expenses	(59)	(134)	(60)	(58)	(59)	(59)	(59)	(59)	(59)	(59)	(59)	(59)	(230)	(311)	(236)	(236)
Interest income and other income, net	50	-	64	259	395	95	101	101	99	99	99	99	83	718	396	396
Other expense, net (GAAP)	(9)	(134)	4	201	336	36	42	42	40	40	40	40	(147)	407	160	160
Other expense, net (Non-GAAP)	(17)	(6)	26	37	55	36	42	42	40	40	40	40	(163)	112	160	160
Pretax income (GAAP)	1,961	1,777	1,806	2,172	2,303	1,863	1,730	1,941	1,939	2,042	2,168	2,260	7,635	8,058	7,473	8,708
Pretax income (Non-GAAP)	1,970	1,924	1,844	2,021	2,036	1,877	1,744	1,955	1,953	2,056	2,182	2,274	7,700	7,825	7,529	8,764
Income tax expense (GAAP)	244	202	246	168	284	254	237	263	263	276	292	303	1,185	900	1,017	1,171
Provision for income taxes (Non-GAAP)	246	232	244	235	254	235	218	244	244	257	273	284	916	965	941	1,095
Net income (GAAP)	1,717	1,575	1,560	2,004	2,019	1,609	1,493	1,677	1,676	1,766	1,877	1,957	6,450	7,158	6,456	7,536
Net income (Non-GAAP, incl. SBC)	1,724	1,692	1,600	1,786	1,782	1,642	1,526	1,710	1,709	1,799	1,910	1,990	6,784	6,860	6,588	7,668
GAAP Diluted EPS	\$2.02	\$1.86	\$1.85	\$2.38	\$2.41	\$1.93	\$1.80	\$2.03	\$2.03	\$2.15	\$2.30	\$2.41	\$7.46	\$8.50	\$7.80	\$9.24
Non-GAAP Diluted EPS (incl. SBC)	\$2.03	\$2.00	\$1.90	\$2.12	\$2.13	\$1.97	\$1.84	\$2.07	\$2.07	\$2.19	\$2.34	\$2.45	\$7.84	\$8.14	\$7.96	\$9.40
Net income (pf, ex items)	1,854	1,791	1,699	1,888	1,931	1,752	1,636	1,831	1,837	1,925	2,042	2,127	7,174	7,309	7,056	8,200
EPS (pf, ex stock comp)	\$2.18	\$2.11	\$2.02	\$2.24	\$2.31	\$2.11	\$1.97	\$2.22	\$2.22	\$2.34	\$2.50	\$2.61	\$8.29	\$8.68	\$8.52	\$10.06
Diluted shares (Non-GAAP)	849	847	843	842	837	832	828	825	826	821	817	814	865	842	828	815
Margins, Non-GAAP (%)																
Gross margin	46.8%	46.8%	46.4%	47.3%	47.9%	47.3%	46.8%	47.0%	47.2%	47.4%	47.5%	47.6%	46.5%	47.1%	47.1%	47.5%
Operating margin	29.5%	29.1%	28.3%	29.5%	29.5%	28.3%	26.9%	28.2%	27.8%	28.4%	28.9%	29.3%	30.0%	29.1%	27.8%	28.9%
Margins, GAAP (%)																
Gross margin	46.7%	46.7%	46.3%	47.1%	47.8%	47.2%	46.7%	46.9%	47.1%	47.3%	47.4%	47.5%	46.4%	47.0%	46.9%	47.4%
Operating margin	29.2%	28.8%	28.0%	29.3%	29.3%	28.1%	26.7%	28.0%	27.6%	28.2%	28.8%	29.1%	29.6%	28.9%	27.6%	28.8%

Source: BofA Global Research estimates, Company report

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Exhibit 14: AMAT - Segment Model (\$mn)

We expect AMAT semiconductor systems sales to fall -4% YoY in F2Q24E

FY (Oct)	1Q23 Jan-23	2Q23 Apr-23	3Q23 Jul-23	4Q23 Oct-23	1Q24 Jan-24	2Q24E Apr-24E	3Q24E Jul-24E	4Q24E Oct-24E	1Q25E Jan-25E	2Q25E Apr-25E	3Q25E Jul-25E	4Q25E Oct-25E	CY2022 Jan-23	CY2023E Jan-24	CY2024E Jan-25	CY2025E Jan-26
Sales (\$mn)																
Semiconductor Systems	5,162	4,977	4,676	4,883	4,909	4,802	4,494	4,765	4,923	5,129	5,369	5,523	19,392	19,445	18,985	21,541
DRAM	671	547	795	1,318	1,669	1,577	1,183	1,283	1,348	1,375	1,443	1,516	3,123	4,330	5,391	5,773
Flash	516	249	187	195	196	227	283	302	317	333	333	343	2,695	828	1,129	1,369
Foundry, logic, & other	3,975	4,181	3,694	3,369	3,044	2,998	3,028	3,179	3,259	3,422	3,593	3,665	13,574	14,288	12,464	14,399
Applied Global Services	1,369	1,428	1,464	1,471	1,476	1,498	1,603	1,763	1,710	1,745	1,780	1,815	5,592	5,839	6,575	7,172
Display and Adjacent Markets	167	168	235	298	244	151	169	195	189	180	198	227	1,132	945	705	797
Corporate and Other	41	57	50	71	78	55	55	55	55	55	55	55	137	256	218	218
Total	6,739	6,630	6,425	6,723	6,707	6,506	6,321	6,777	6,877	7,108	7,401	7,620	26,253	26,485	26,482	29,729
QoQ																
Semiconductor Systems	2.5%	-3.6%	-6.0%	4.4%	0.5%	-2.2%	-6.4%	6.0%	3.3%	4.2%	4.7%	2.9%				
DRAM	-16.8%	-18.4%	45.2%	65.9%	26.6%	-5.5%	-25.0%	8.5%	5.0%	2.0%	5.0%	5.0%				
Flash	-21.2%	-51.8%	-24.8%	4.4%	0.5%	15.5%	25.0%	6.5%	5.0%	5.0%	0.0%	3.0%				
Foundry, logic, & other	11.1%	5.2%	-11.6%	-8.8%	-9.7%	-1.5%	1.0%	5.0%	2.5%	5.0%	5.0%	2.0%				
Applied Global Services	-3.6%	4.3%	2.5%	0.5%	0.3%	1.5%	7.0%	10.0%	-3.0%	2.0%	2.0%	2.0%				
Display and Adjacent Markets	-33.5%	0.6%	39.9%	26.8%	-18.1%	-38.0%	12.0%	15.0%	-3.0%	-5.0%	10.0%	15.0%				
Corporate and Other	2.5%	39.0%	-12.3%	42.0%	9.9%	-30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Total	-0.1%	-1.6%	-3.1%	4.6%	-0.2%	-3.0%	-2.8%	7.2%	1.5%	3.4%	4.1%	3.0%				
YoY																
Semiconductor Systems	13.0%	11.6%	-1.2%	-3.1%	-4.9%	-3.5%	-3.9%	-2.4%	0.3%	6.8%	19.5%	15.9%	12.1%	0.3%	-2.4%	13.5%
DRAM	-41.2%	-41.5%	11.9%	63.6%	148.7%	188.1%	48.8%	-2.6%	-19.3%	-12.8%	22.0%	18.1%	-12.7%	38.6%	24.5%	7.1%
Flash	-24.6%	-60.1%	-79.2%	-70.2%	-62.0%	-8.9%	51.6%	54.6%	61.4%	46.8%	17.4%	13.6%	-16.7%	-69.3%	36.5%	21.2%
Foundry, logic, & other	45.1%	44.3%	18.2%	-5.8%	-23.4%	-28.3%	-18.0%	-5.6%	7.1%	14.1%	18.7%	15.3%	29.5%	5.3%	-12.8%	15.5%
Applied Global Services	3.7%	3.3%	3.1%	3.6%	7.8%	4.9%	9.5%	19.9%	15.9%	16.5%	11.0%	2.9%	8.0%	4.4%	12.6%	9.1%
Display and Adjacent Markets	-54.4%	-55.9%	-29.4%	18.7%	46.1%	-10.0%	-27.9%	-34.6%	-22.5%	18.7%	16.6%	16.6%	-28.8%	-16.5%	-25.4%	13.2%
Corporate and Other	127.8%	147.8%	51.5%	77.5%	90.2%	-4.2%	9.2%	-23.1%	-30.0%	0.0%	0.0%	0.0%	30.5%	86.9%	-14.7%	0.0%
Total	7.5%	6.2%	-1.5%	-0.4%	-0.5%	-1.9%	-1.6%	0.8%	2.5%	9.3%	17.1%	12.4%	8.6%	0.9%	0.0%	12.3%
% of total																
Semiconductor Systems	76.6%	75.1%	72.8%	72.6%	73.2%	73.8%	71.1%	70.3%	71.6%	72.2%	72.5%	72.5%	73.9%	73.4%	71.7%	72.5%
DRAM	10.0%	8.3%	12.4%	19.6%	24.9%	24.2%	18.7%	18.9%	19.6%	19.3%	19.5%	19.9%	11.9%	16.3%	20.4%	19.4%
Flash	7.7%	3.8%	2.9%	2.9%	2.9%	3.5%	4.5%	4.5%	4.6%	4.7%	4.5%	4.5%	10.3%	3.1%	4.3%	4.6%
Foundry, logic, & other	59.0%	63.1%	57.5%	50.1%	45.4%	46.1%	47.9%	46.9%	47.4%	48.1%	48.5%	48.1%	51.7%	53.9%	47.1%	48.4%
Applied Global Services	20.3%	21.5%	22.8%	21.9%	22.0%	23.0%	25.4%	26.0%	24.9%	24.5%	24.0%	23.8%	21.3%	22.0%	24.8%	24.1%
Display and Adjacent Markets	2.5%	2.5%	3.7%	4.4%	3.6%	2.3%	2.7%	2.9%	2.7%	2.5%	2.7%	3.0%	4.3%	3.6%	2.7%	2.7%
Corporate and Other	0.6%	0.9%	0.8%	1.1%	1.2%	0.8%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.5%	1.0%	0.8%	0.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: BofA Global Research estimates, Company report

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Exhibit 15: AMAT - Balance Sheet (\$mn)

AMAT net cash per share increased in FQ1

Balance Sheet (\$mn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	CY2022	CY2023E	CY2024E	CY2025E
FY (Oct)	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Apr-24E	Jul-24E	Oct-24E	Jan-25E	Apr-25E	Jul-25E	Oct-25E	Jan-23	Jan-24	Jan-25	Jan-26
Assets																
Cash and cash equivalents	3,547	4,588	6,025	6,132	6,854	7,440	8,032	8,312	9,418	10,068	10,380	11,023	3,547	6,854	9,418	12,261
Short-term investments	500	510	510	737	638	638	638	638	638	638	638	638	500	638	638	638
Accounts receivable, net	5,385	5,516	5,230	5,165	4,700	5,067	4,908	5,124	4,822	4,983	5,430	5,509	5,385	4,700	4,822	5,077
Inventories	6,054	5,940	5,809	5,725	5,646	5,502	5,397	5,685	5,508	5,588	5,722	5,924	6,054	5,646	5,508	5,897
Other current assets	1,229	1,219	1,305	1,388	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,229	1,344	1,344	1,344
Total current assets	16,715	17,773	18,879	19,147	19,182	19,991	20,319	21,103	21,730	22,622	23,513	24,438	16,715	19,182	21,730	25,217
Long-term investments	2,088	2,024	2,177	2,281	2,910	2,910	2,910	2,910	2,910	2,910	2,910	2,910	2,088	2,910	2,910	2,910
Property and equipment, net	2,494	2,559	2,604	2,723	2,826	3,048	3,264	3,495	3,730	3,973	4,226	4,486	2,494	2,826	3,730	4,745
Goodwill	3,718	3,711	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,718	3,732	3,732	3,732
Purchased tech and other intangible assets, net	332	328	305	294	283	283	283	283	283	283	283	283	332	283	283	283
Deferred income taxes and other assets	2,612	2,697	2,713	2,552	2,607	2,607	2,607	2,607	2,607	2,607	2,607	2,607	2,612	2,607	2,607	2,607
Total assets	27,959	29,092	30,410	30,729	31,540	32,571	33,115	34,130	34,992	36,127	37,271	38,456	27,959	31,540	34,992	39,494
Liabilities & Stock Equity																
Accounts pay., notes pay. and accrued exp.	4,168	4,498	4,727	4,397	3,929	4,051	3,965	4,145	4,164	4,363	4,521	4,630	4,168	3,929	4,164	4,612
Customer deposits and deferred revenue	3,082	3,373	3,497	2,975	3,147	3,147	3,147	3,147	3,147	3,147	3,147	3,147	3,082	3,147	3,147	3,147
Income taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	7,250	7,871	8,224	7,372	7,076	7,198	7,112	7,292	7,311	7,510	7,668	7,777	7,250	7,076	7,311	7,759
Long-term debt	5,458	5,459	5,460	5,461	5,462	5,462	5,462	5,462	5,462	5,462	5,462	5,462	5,458	5,462	5,462	5,462
Other liabilities	1,831	1,633	1,633	1,547	1,573	1,573	1,573	1,573	1,573	1,573	1,573	1,573	1,831	1,573	1,573	1,573
Total liabilities	14,539	14,963	15,317	14,380	14,111	14,233	14,147	14,327	14,346	14,545	14,703	14,812	14,539	14,111	14,346	14,794
Key Metrics																
Total cash	4,047	5,098	6,535	6,869	7,492	8,078	8,670	8,950	10,056	10,706	11,018	11,661	4,047	7,492	10,056	12,899
Total debt	5,657	5,658	5,659	5,561	5,562	5,562	5,562	5,562	5,562	5,562	5,562	5,562	5,657	5,562	5,562	5,562
Net cash	(1,610)	(560)	876	1,308	1,930	2,516	3,108	3,388	4,494	5,144	5,456	6,099	(1,610)	1,930	4,494	7,337
Net cash per share	(\$1.90)	(\$0.66)	\$1.04	\$1.55	\$2.31	\$3.02	\$3.75	\$4.11	\$5.44	\$6.27	\$6.68	\$7.50	(\$1.90)	\$2.31	\$5.44	\$9.06
Days sales outstanding (DSO)	73	76	74	70	64	71	71	69	64	64	67	66	73	64	64	61
Days payables outstanding (DPO)	100	111	119	110	99	110	110	107	107	108	108	108	100	99	107	108
Days of inventory (DIO)	154	153	154	147	147	146	146	144	138	136	134	135	154	147	138	135
Cash conversion days (DIO+DSO-DPO)	126	118	108	107	111	107	107	106	95	92	93	93	126	111	95	88

Source: BofA Global Research estimates, Company report

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Exhibit 16: AMAT - Cash Flow Statement (\$mn)

AMAT has \$2.50 in FCF per share

Cash Flow Statement (\$mn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	CY2022	CY2023E	CY2024E	CY2025E
FY (Oct)	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Apr-24E	Jul-24E	Oct-24E	Jan-25E	Apr-25E	Jul-25E	Oct-25E	Jan-23	Jan-24	Jan-25	Jan-26
Cash Flow - Operations																
Net income	1,717	1,575	1,560	2,004	2,019	1,609	1,493	1,677	1,676	1,766	1,877	1,957	6,450	7,158	6,456	7,536
Depreciation and amortization	120	129	136	130	91	88	86	92	93	96	100	103	462	486	359	403
Share-based compensation (SBC)	148	113	114	115	170	126	126	138	146	144	151	157	443	512	536	608
Excess tax (benefit) expense on SBC plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	(21)	(115)	(38)	198	(72)	-	-	-	-	-	-	-	(245)	(27)	-	-
Other	7	167	15	(149)	(235)	-	-	-	-	-	-	-	27	(202)	-	-
Changes in assets and liabilities	299	423	796	(743)	352	(101)	177	(324)	498	(43)	(421)	(173)	(2,126)	828	251	(197)
Net cash provided by operating activities	2,270	2,292	2,583	1,555	2,325	1,722	1,882	1,584	2,414	1,964	1,707	2,044	5,011	8,755	7,602	8,351
Cash Flows - Investing																
Capital expenditures and intangible assets	(287)	(255)	(255)	(309)	(229)	(222)	(216)	(231)	(235)	(243)	(253)	(260)	(930)	(1,048)	(904)	(1,015)
Cash paid for acquisitions, net of cash acquired	(20)	2	(7)	-	-	-	-	-	-	-	-	-	(461)	(5)	-	-
Proceeds from sales and maturities of invest.	414	255	302	297	531	-	-	-	-	-	-	-	1,459	1,385	-	-
Purchases of investments	(406)	(324)	(465)	(477)	(749)	-	-	-	-	-	-	-	(1,586)	(2,015)	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used for investing activities	(299)	(322)	(425)	(489)	(447)	(222)	(216)	(231)	(235)	(243)	(253)	(260)	(1,518)	(1,683)	(904)	(1,015)
Cash Flows - Financing																
Debt borrowings (repayments), net of iss. costs	188	(2)	(2)	(100)	1	-	-	-	-	-	-	-	188	(103)	-	-
Proceeds from common stock issuances	-	111	-	116	-	-	-	-	-	-	-	-	199	227	-	-
Common stock repurchases	(250)	(800)	(439)	(700)	(700)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(4,550)	(2,639)	(3,000)	(3,000)
Payments of dividends to stockholders	(220)	(219)	(268)	(268)	(266)	(264)	(324)	(322)	(323)	(321)	(393)	(391)	(879)	(1,021)	(1,233)	(1,494)
Excess tax benefits from share-based comp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax withholding paid for vested equity awards	(136)	(18)	(11)	(14)	(192)	-	-	-	-	-	-	-	(168)	(235)	-	-
Net cash used for financing activities	(418)	(928)	(720)	(966)	(1,157)	(1,014)	(1,074)	(1,072)	(1,073)	(1,071)	(1,143)	(1,141)	(5,210)	(3,771)	(4,233)	(4,494)
Net change in cash and equivalents	1,553	1,042	1,438	100	721	486	592	280	1,107	650	312	643				
Cash and cash equivalents, beginning of period	1,995	3,547	4,588	6,025	6,132	6,854	7,440	8,032	8,312	9,418	10,068	10,380				
Cash and cash equivalents, end of period	3,547	4,588	6,025	6,132	6,854	7,440	8,032	8,312	9,418	10,068	10,380	11,023				
Free Cash Flow (FCF)	1,983	2,037	2,328	1,246	2,096	1,500	1,666	1,352	2,179	1,721	1,454	1,784	4,081	7,707	6,697	7,336
FCF/share	\$2.34	\$2.40	\$2.76	\$1.48	\$2.50	\$1.80	\$2.01	\$1.64	\$2.64	\$2.10	\$1.78	\$2.19	\$4.72	\$9.15	\$8.09	\$9.00
TTM FCF	4,081	5,913	6,982	7,594	7,707	7,170	6,508	6,614	6,697	6,918	6,707	7,139				
TTM FCF/Share	\$4.81	\$6.98	\$8.28	\$9.02	\$9.21	\$8.62	\$7.86	\$8.02	\$8.11	\$8.43	\$8.21	\$8.77				

Source: BofA Global Research estimates, Company report

BofA GLOBAL RESEARCH



Price objective basis & risk

Applied Materials, Inc. (AMAT)

Our PO of \$222 is based on 24x our CY25E P/E estimate, in line with mid-cycle average and at normal 1-2 turn discount to more profitable semicap peers.

Downside risks to our PO are: ongoing US government probe that we are unable to size the financial impact at this time, slower-than-expected capital spending cycle, delay in memory capacity adds, market share loss in deposition, implant, thermal, CMP, etch, or process control segments, merger & integrations risk, and macro headwinds.

Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
NEUTRAL				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
UNDERPERFORM				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

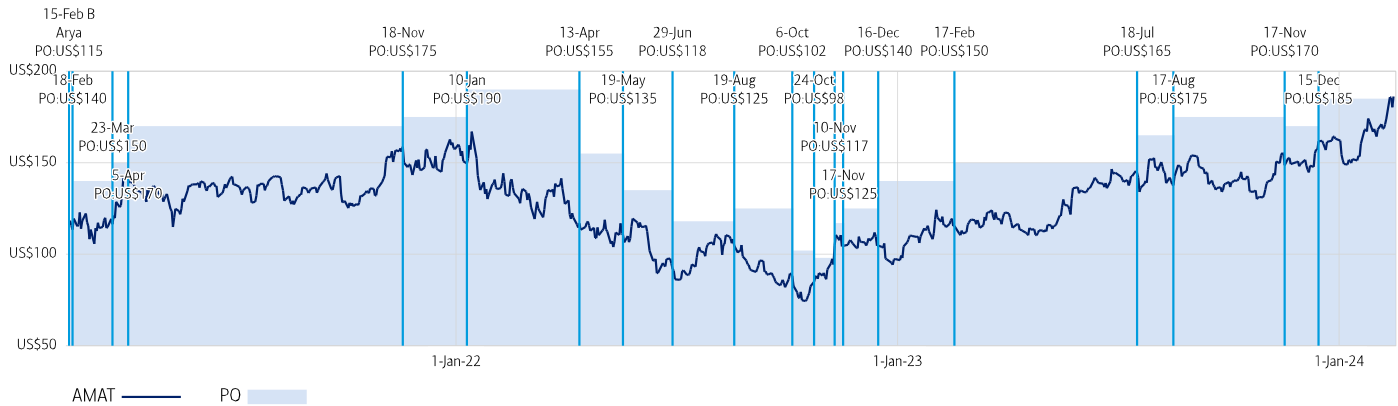
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Applied Materials (AMAT) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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