



Applied Materials Inc. (AMAT)

Updated May 21st, 2026, by Josh Arnold

Key Metrics

Current Price:	\$426	5 Year CAGR Estimate:	16.9%	Market Cap:	\$323 B
Fair Value Price:	\$368	5 Year Growth Estimate:	20.0%	Ex-Dividend Date:	08/22/26 ¹
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-2.9%	Dividend Payment Date:	09/12/26
Dividend Yield:	0.5%	5 Year Price Target	\$915	Years Of Dividend Growth:	10
Dividend Risk Score:	A	Sector:	Information Technology	Rating:	Hold

Overview & Current Events

Applied Materials began in a small office unit in 1967 and since that time, it has undergone some major, transformative changes. Those changes have afforded it some spectacular rates of growth and today it has a market capitalization of \$323 billion and more than \$33 billion in annual revenue. Applied Materials has become a major player in the semiconductor market, which makes up the majority of its revenue.

Applied Materials released second quarter earnings on May 15th, 2026, and results were outstanding once again, including raised guidance. Adjusted earnings-per-share came to \$2.86, which was 18 cents ahead of estimates. Revenue was up 11.4% year-over-year to \$7.91 billion, beating estimates by \$220 million. Semiconductor Systems sales came to \$5.97 billion, while Applied Global Services saw \$1.67 billion. China accounted for 27% of quarterly revenue at \$2.09 billion, up from \$1.77 billion in the year-ago period.

Guidance for the second quarter is for \$8.45 billion to \$9.45 billion, hugely above the estimated \$8.15 billion even at the low end. Adjusted earnings-per-share was expected to be \$2.89, but management guided for \$3.16 to \$3.56, again well ahead of any sort of prior estimate.

We've boosted our estimate to \$12.26 for the year on another blowout quarter.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$1.54	\$3.17	\$4.45	\$3.04	\$4.17	\$6.84	\$7.70	\$8.05	\$8.65	\$9.42	\$12.26	\$30.51
DPS	\$0.40	\$0.40	\$0.60	\$0.83	\$0.87	\$0.92	\$1.02	\$1.16	\$1.44	\$1.72	\$2.12	\$3.57
Shares²	1078	1060	980	931	921	898	854	845	822	794	775	720

Applied Materials' earnings-per-share history is volatile to say the least, as the company has seen earnings rise and fall very rapidly from year to year in the past decade. Since the bottom in 2013, Applied Materials has managed to see what can only be described as explosive earnings growth. We forecast 20% annual growth in earnings-per-share in the coming years. We note that the outlook for semiconductors in general is very strong, and given the relatively muted growth of the past couple of years, we think growth from here will be strong for the foreseeable future.

Twenty percent annual earnings-per-share growth is an achievable goal given that Applied Materials has many levers it can pull to get there. Over time, demand for products like televisions and smartphones drive demand for Applied Materials' products. However, periods of weakness, like the start of 2020, do occur regularly. In particular, the company's memory businesses are stagnant at best. However, management is bullish on the company's future, and estimates for 2026 and beyond see earnings at a new record on AI-driven demand.

The company is also buying back its stock. Management is very serious about spending money when the share price is off its highs, a vote of confidence investors should ignore at their own peril. The company's buyback has picked up speed in recent quarters but the record share price makes them far less effective.

¹ Estimated date

² Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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We see continued growth in the payout, and while the buyback is certainly going to take priority, there is a robust dividend growth story as well. We believe Applied Materials will grow its payout at a significant rate.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	14.5	12.8	11.0	11.3	13.9	17.5	10.6	18.0	21.0	21.7	34.7	30.0
Avg. Yld.	1.8%	1.0%	1.2%	2.0%	1.5%	0.8%	1.2%	0.8%	0.7%	0.8%	0.5%	0.4%

Applied Materials' valuation has exploded in 2026, and shares trade at 34.7 times this year's estimated earnings. That is ahead of our raised fair value estimate of 30 times earnings, implying a modest headwind to total returns from the valuation. The yield should remain about the same over time depending upon the pace of dividend increases. As mentioned, we do see robust dividend growth on the horizon, but the current yield is quite low and unattractive, and we expect it to remain that way. This is not a stock one buys for the income.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	26%	13%	13%	27%	21%	13%	13%	14%	17%	18%	17%	12%

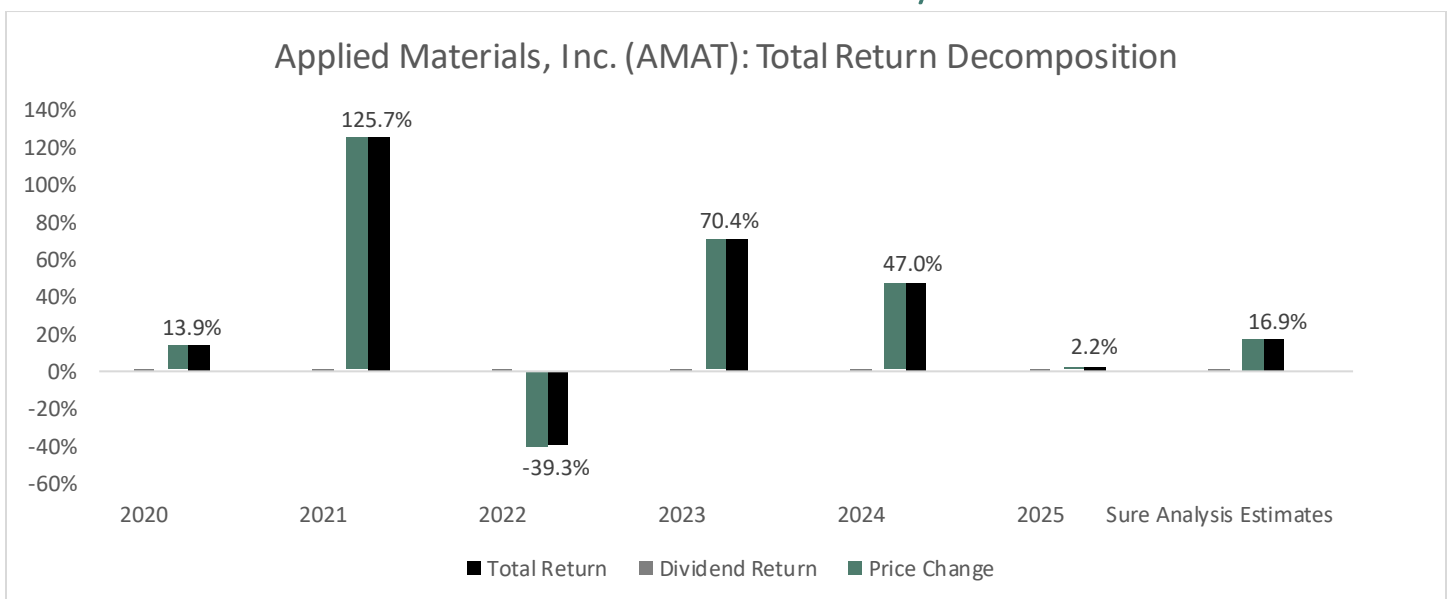
The payout ratio is low, and we expect it will stay that way as Applied Materials continues to return cash to shareholders through share repurchases. Still, maintaining or boosting the payout ratio over time will lead to solid dividend growth.

Applied Materials suffered during the last recession but produced enormous growth during the 2020 recession. Applied Materials' long history of solving complex engineering problems and its entrenched customers should help see it through. The company has created high switching costs for its customers with its excellent products, which we think is a long-term competitive advantage in a very competitive field. It is also seeing high rates of growth in its subscription business, which is well over half of revenue now.

Final Thoughts & Recommendation

We see the valuation above fair value. The rally in the stock has made it very expensive but growth continues to pick up. We see 20% earnings growth, a 0.5% yield, and a 2.9% headwind from the valuation totaling 16.9% annual estimated returns. We remain at a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	10,825	14,698	16,705	14,608	17,202	23,063	25,785	26,517	27,176	28,368
Gross Profit	4,511	6,612	7,517	6,386	7,692	10,914	11,993	12,384	12,897	13,808
Gross Margin	41.7%	45.0%	45.0%	43.7%	44.7%	47.3%	46.5%	46.7%	47.5%	48.7%
SG&A Exp.	819	895	1,004	982	1,093	1,229	1,438	1,628	1,797	1,768
D&A Exp.	389	407	457	363	376	394	444	515	392	435
Operating Profit	2,152	3,936	4,491	3,350	4,365	7,200	7,784	7,654	7,867	8,470
Operating Margin	19.9%	26.8%	26.9%	22.9%	25.4%	31.2%	30.2%	28.9%	28.9%	29.9%
Net Profit	1,721	3,519	3,038	2,706	3,619	5,888	6,525	6,856	7,177	6,998
Net Margin	15.9%	23.9%	18.2%	18.5%	21.0%	25.5%	25.3%	25.9%	26.4%	24.7%
Free Cash Flow	2,313	3,444	3,165	2,806	3,382	4,774	4,612	7,594	7,487	5,698
Income Tax	292	297	1,358	563	547	883	1,074	860	975	2,273

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	14,570	19,419	17,633	19,024	22,353	25,825	26,726	30,729	34,409	36,299
Cash & Equivalents	3,406	5,010	3,440	3,129	5,351	4,995	1,995	6,132	8,022	8,573
Accounts Receivable	2,279	2,338	2,323	2,533	2,963	4,953	6,068	5,165	5,234	5,185
Inventories	2,050	2,930	3,721	3,474	3,904	4,309	5,932	5,725	5,421	5,915
Goodwill & Int. Ass.	3,891	3,780	3,581	3,555	3,619	3,583	4,039	4,026	3,981	3,933
Total Liabilities	7,353	10,070	10,788	10,810	11,775	13,578	14,532	14,380	15,408	15,884
Accounts Payable	813	945	996	958	1,124	1,472	1,755	1,478	1,570	5,333
Long-Term Debt	3,325	5,304	5,309	5,313	5,448	5,452	5,457	5,561	6,260	6,455
Shareholder's Equity	7,217	9,349	6,845	8,214	10,578	12,247	12,194	16,349	19,001	---
LTD/E Ratio	0.46	0.57	0.78	0.65	0.52	0.45	0.45	0.34	0.33	0.32

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	11.5%	20.7%	16.4%	14.8%	17.5%	24.4%	24.8%	23.9%	22.0%	19.8%
Return on Equity	23.2%	42.5%	37.5%	35.9%	38.5%	51.6%	53.4%	48.0%	40.6%	35.5%
ROIC	15.2%	27.9%	22.7%	21.1%	24.5%	34.9%	36.9%	34.7%	30.4%	26.6%
Shares Out.	1,078	1,060	980	931	921	919	877	845	834	808
Revenue/Share	9.70	13.56	16.28	15.46	18.64	25.10	29.40	31.38	32.59	35.11
FCF/Share	2.07	3.18	3.08	2.97	3.66	5.19	5.26	8.99	8.98	7.05

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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