

Applied Materials

Leadership positions at key industry inflections support continued growth

18 May 2026

Company Overview

Applied Materials, Inc. provides manufacturing equipment, services and software to the semiconductor, display, and related industries. The company operates through three segments: Semiconductor Systems (73% revenue share for 1QFY26), Applied Global Services (22%), and Display and Adjacent Markets (4%). Its Semiconductor Systems segment consists of capital equipment used to fabricate semiconductor chips. Its Applied Global Services segment provides integrated solutions to optimize equipment and fab performance and productivity.

Investment Overview

Riding on the secular growth trend in the longer term, propelled by AI. AMAT's broad capabilities and connected product portfolio put the group at the forefront. AMAT is well-positioned to capitalize on the long-term secular growth of AI, leveraging its leadership in critical areas such as leading-edge logic, high-performance DRAM, high-bandwidth memory, and advanced packaging. AMAT's portfolio positions the group to capitalise on the secular megatrends shaping the technology landscape. High-performance, energy-efficient AI computing remains the dominant driver of semiconductor innovation, and AMAT is working closely with its customers and partners to accelerate the industry's roadmap. The group is well-positioned at major technology inflections in fast-growing areas of the market, which supports its multi-year growth trajectory.

The de-globalization of semiconductor industry and diversification of supply chain is positive for AMAT. Both the U.S. and Europe have passed legislation to onshore more semiconductor production. Global foundries in these regions tend to have more smaller fabs in several countries, as opposed to one large centralized production hub. As small fabs will have the same fixed number of certain machines, this would increase equipment demand and sales for AMAT.

BUY with a higher TP of USD518 (previously USD426.4). We raise our TP to USD517.8, based on 17x forward P/B, up from 14x previously and above the +5SD of its 4-year historical average. This reflects our view that accelerating AI-related demand will more than offset the impact of reduced China sales. We expect these headwinds to be outweighed by outsized growth in leading-edge logic and DRAM, segments where AMAT's competitive position is particularly strong. Order visibility from key customers has also improved, with several major accounts now providing one-to-two-year forecasts as hyperscale and memory players prepare for multi-node capacity expansions aligned with accelerating AI data-centre build-outs.

Risks

Potential restrictions on chips making equipment to China expand from advanced nodes to trailing nodes, thus hampering equipment sales in China.

Ling Lee Keng

Analyst

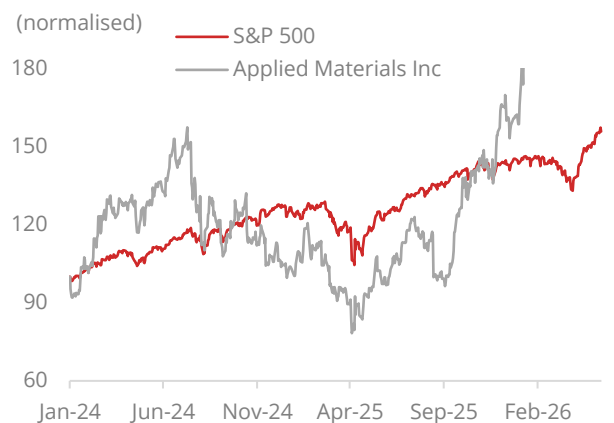
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Key Financial Data

| | |
|---------------------------|------------------------|
| Bloomberg Ticker | AMAT US |
| Sector | Information Technology |
| Share Price (USD) | 433.60 |
| DBS Rating | BUY |
| 12-mth Target Price (USD) | 518.0 |
| Market Cap (USD) | 344.1 |
| Volume (m shares) | 4.9 |
| Free float (%) | 99.6 |
| Dividend yield (%) | 0.4 |
| Net Debt to Equity (%) | -7.5 |
| Fwd. P/E (x) | 36.5 |
| P/Book (x) | 14.4 |
| ROE (%) | 39.7 |

Closing Price as of 14 May 2026
Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

Financial Summary (USDmn)

| FY Apr | FY2023(A) | FY2024(A) | FY2025(A) | FY2026(F) | FY2027(F) |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| Sales | 26,517 | 27,176 | 28,368 | 33,387 | 42,759 |
| % y/y | 2.8 | 2.5 | 4.4 | 17.7 | 28.1 |
| Gross Profit | 12,413 | 12,926 | 13,835 | 16,659 | 21,561 |
| % y/y | 3.3 | 4.1 | 7.0 | 20.4 | 29.4 |
| EBITDA | 8,234 | 8,316 | 8,997 | 11,439 | 15,606 |
| % y/y | (0.9) | 1.0 | 8.2 | 27.2 | 36.4 |
| Net Profit | 6,802 | 7,210 | 7,607 | 9,776 | 13,175 |
| % y/y | 0.7 | 6.0 | 5.5 | 28.5 | 34.7 |
| FCF | 7,594 | 7,487 | 5,698 | 4,841 | 10,216 |
| % y/y | 64.7 | (1.4) | (23.9) | (15.0) | 131.1 |
| CAPEX | 1,106 | 1,190 | 2,260 | 2,522 | 2,434 |
| % y/y | 40.5 | 7.6 | 89.9 | 11.5 | (6.1) |
| EBITDA Margin (%) | 30.9 | 30.6 | 31.7 | 34.3 | 36.5 |
| Net Margin (%) | 25.7 | 26.5 | 26.8 | 29.3 | 30.8 |
| ROA (%) | 23.7 | 22.1 | 21.5 | 24.2 | 26.8 |
| ROE (%) | 47.7 | 40.8 | 38.6 | 40.9 | 41.7 |
| Tax Rate (%) | 12.1 | 12.0 | 12.6 | 11.0 | 12.8 |

Source: Company, DBS

Valuation Metrics

| FY Apr | FY2023(A) | FY2024(A) | FY2025(A) | FY2026(F) | FY2027(F) |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| P/E (x) | 54.0 | 50.1 | 46.1 | 35.4 | 25.7 |
| P/B (x) | 22.6 | 19.2 | 17.3 | 12.6 | 9.5 |
| Dividend Yield (%) | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 |
| EV/EBITDA (x) | 41.9 | 41.5 | 38.3 | 30.1 | 22.1 |
| FCF Yield (%) | 2.1 | 2.1 | 1.6 | 1.4 | 3.0 |
| Dividend Per Share (DPS) | 1.2 | 1.4 | 1.7 | 1.9 | 2.1 |

Source: Company, DBS

Credit & Cashflow Metrics

| FY Apr | FY2023(A) | FY2024(A) | FY2025(A) | FY2026(F) | FY2027(F) |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Debt / Equity (%) | 34.0 | 32.9 | 32.1 | 23.1 | 17.1 |
| Net Debt / Equity (x) | (0.1) | (0.2) | (0.1) | (0.1) | (0.2) |
| Debt / Assets (%) | 18.1 | 18.2 | 18.1 | 14.2 | 11.3 |
| Net Debt / Assets (x) | (0.0) | (0.1) | (0.1) | (0.1) | (0.2) |
| EBITDA / Int Exp (%) | 34.6 | 33.7 | 33.4 | 43.1 | 68.7 |
| ST Debt / Total Debt (x) | 0.0 | 0.1 | 0.0 | 0.2 | 0.2 |
| Debt / EBITDA (x) | 0.7 | 0.8 | 0.7 | 0.6 | 0.4 |
| [Cash + CFO] / ST Debt (%) | 155.7 | 22.7 | 165.3 | 14.1 | 22.7 |
| Receivables Days | 71.1 | 70.3 | 66.7 | 80.0 | 75.2 |
| Inventory Days | 78.8 | 72.8 | 76.1 | 79.7 | 75.0 |

Source: Company, DBS

Target Price & Ratings History



| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|-------|----------------|---------------|---------------------|--------|
| 1 | 16 May'25 | 174.8 | 207.3 | BUY |
| 2 | 18 Aug'25 | 161.8 | 193.5 | BUY |
| 3 | 03 Oct'25 | 223.6 | 240.0 | BUY |
| 4 | 12 Feb'26 | 339.9 | 426.4 | BUY |
| 5 | 12 May'26 | 443.6 | 518.0 | BUY |

Source: DBS

Analyst: Ling Lee Keng

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
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*Share price appreciation + dividends

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