



Rating
Buy

North America
United States

TMT
Semicap Equipment

Company
Applied Materials

Reuters AMAT.OQ Bloomberg AMAT US Exchange NSM Ticker AMAT

Date
11 July 2018

Company Update

Price at 10 Jul 2018 (USD)	46.74
Price target	65.00
52-week range	61.61 - 42.03

Takeaways from AMAT's comments at AI Design Forum

AMAT held an investor breakfast in conjunction with Semicon West and a first-of-its-kind AI Design Forum in San Francisco. This event is intended to provide a broad range of perspectives, connecting those involved in AI in cloud system providers, academics, AI startups, design tool companies, systems companies, and semiconductor companies. Gary Dickerson, CEO and Dan Durn, CFO, provided comments to open up the Semicon West experience and answered long-term questions in a Q&A forum. We provide our thoughts regarding a few key takeaways below.

AMAT has a broad portfolio to address customer needs

While the concept of big data/AI driving storage/compute demand is nothing new, AMAT stressed that the integration of materials and processes is becoming more important in terms of their ability to service customers. Although cutting edge materials technology is important, if such materials do not work well with others parts of the process (AMAT separately mentioned the number of materials could see a 10x increase from the past to the future), time to market for a chip is reduced, while cost also increases materially. AMAT sees one of their core competencies in their ability to integrate processes/materials together, which could give them an advantage vs. competitors against a backdrop of traditional shrinking in chips slowing. AMAT believes innovations are moving to new materials and structures rather than just process shrinks.

What drives WFE higher?

When asked about AI's impact to WFE, AMAT mentioned that the drivers of WFE have changed over time and suggested that AI is a significant driver of WFE above \$50b. Historically, AMAT postulated that initially, WFE was driven mainly by PCs, which shifted in the recent decade to the rise in mobility devices (smartphones, tablets). Along side this rise, volatility in WFE has also decreased. AMAT believes that AI is one of several drivers for WFE to move higher, while peaks and valleys of WFE are also expected to be more muted in the future. Furthermore, AMAT estimates that capital intensity is higher and expects it to stay higher going forward. Finally, AMAT believes that demand has led the investments so far, and expects more disciplined and rational behavior coming from industry participants.

Valuation & Risks

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Appendix 1

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Company	Ticker	Recent price*	Disclosure
Applied Materials	AMAT.OQ	46.74 (USD) 10 Jul 2018	2, 6, 9, 14

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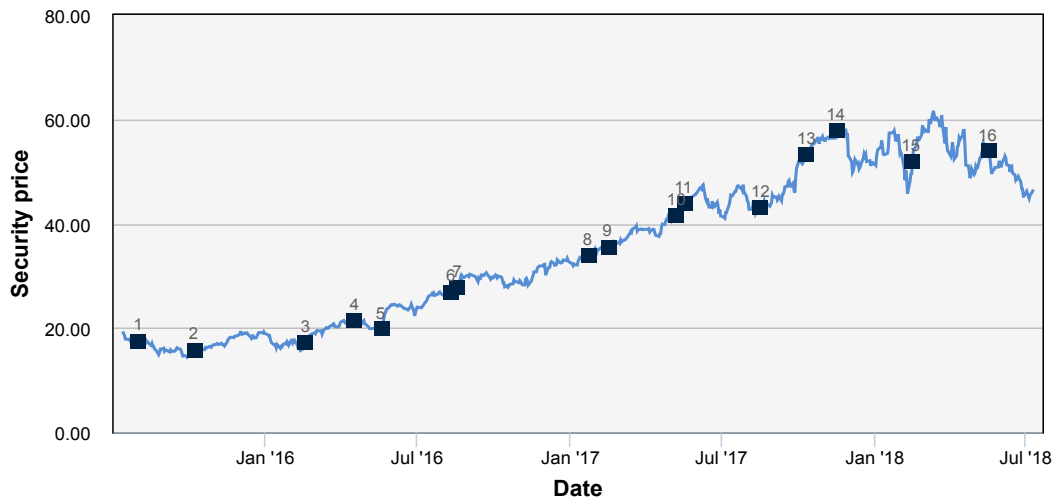
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Historical recommendations and target price. Applied Materials (AMAT.OQ)

(as of 07/10/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

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2.	10/09/2015	Buy, Target Price Change USD 20.00 Sidney Ho	10.	05/09/2017	Buy, Target Price Change USD 45.00 Sidney Ho
3.	02/19/2016	Buy, Target Price Change USD 22.00 Sidney Ho	11.	05/19/2017	Buy, Target Price Change USD 48.00 Sidney Ho
4.	04/18/2016	Buy, Target Price Change USD 24.00 Sidney Ho	12.	08/18/2017	Buy, Target Price Change USD 52.00 Sidney Ho
5.	05/20/2016	Buy, Target Price Change USD 26.00 Sidney Ho	13.	10/12/2017	Buy, Target Price Change USD 58.00 Sidney Ho
6.	08/12/2016	Buy, Target Price Change USD 29.00 Sidney Ho	14.	11/17/2017	Buy, Target Price Change USD 65.00 Sidney Ho
7.	08/19/2016	Buy, Target Price Change USD 33.00 Sidney Ho	15.	02/15/2018	Buy, Target Price Change USD 70.00 Sidney Ho
8.	01/23/2017	Buy, Target Price Change USD 36.00 Sidney Ho	16.	05/18/2018	Buy, Target Price Change USD 65.00 Sidney Ho

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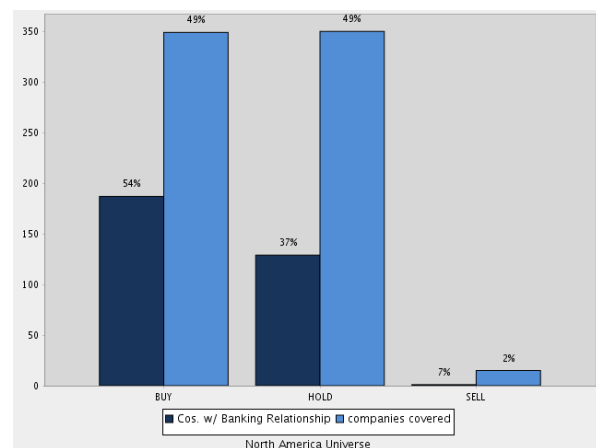
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