

SIKULI CAPITAL

Conviction through contrarian research

Applied Materials (AMAT)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | Largest US wafer fabrication equipment maker

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$400	~\$440	\$320 - \$565
May 2026	Bull 25% / Base 50% / Bear 25%	~10% upside; consensus PT \$510

Verdict: AMAT delivered record Q2 FY26 revenue of \$7.91B (+11.4% YoY) with EPS beat (\$2.86 vs. \$2.68 cons)^[1]. The company captures ~19% of global WFE spending and benefits from leading-edge logic (TSMC, Intel, Samsung) plus advanced memory (HBM). At 30x forward P/E with strong AI capex tailwind, valuation is full but not stretched given 25%+ consensus upside to PT of \$510^[2]. Bull case requires sustained leading-edge capex and HBM expansion; bear case reflects a memory downturn or China export restrictions.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	\$400	Down 3.2% on May 19 ^[3]
Market cap	\$323B	^[4]
Q2 FY26 revenue	\$7.91B (+11.4%)	Record; ahead of guide ^[1]
Q2 FY26 EPS (non-GAAP)	\$2.86	vs. cons \$2.68 ^[1]
WFE market share	~19%	Leading-edge focus ^[2]
Forward P/E	29.85x	Trailing 41x ^[4]
EV/EBITDA	37x	^[5]
Consensus PT	\$510	39 analysts; Buy ^[4]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	AI capex extends through 2027, HBM expansion accelerates, China rebound, 33x forward P/E	\$565
Base (50%)	Steady WFE growth +10%, multiple holds at 28x forward P/E	\$440

Scenario (weight)	Assumptions	Fair Value
Bear (25%)	Memory downturn or China export tightening, multiple compresses to 20x	\$320
Probability-weighted	<i>Cycle-led name; AI infrastructure tailwind balanced by China geopolitical overhang.</i>	~\$440

Key Risks

- **China export controls:** US restrictions on advanced node tools to China continue evolving; recent rules carve out exposures.
- **Memory cycle:** DRAM/NAND spending is highly cyclical; downturn would compress overall WFE.
- **Leading-edge concentration:** TSMC and Intel dominate spending; pushouts impact AMAT directly.
- **Service mix:** Recurring services revenue cushions cycle but only ~25% of mix.

What Would Change Our View

- **Upside:** HBM share gain, GAA tool ramp, China clarity, F2027 capex guidance raises.
- **Downside:** Major customer pushout, China rule tightening, memory pricing collapse.

Sources

- [1] <https://www.stocktitan.net/news/AMAT/applied-materials-announces-second-quarter-2026-y205hrnxvpxb.html>
- [2] <https://simplywall.st/stocks/us/semiconductors/nasdaq-amat/applied-materials/valuation>
- [3] <https://finance.yahoo.com/quote/AMAT/>
- [4] <https://stockanalysis.com/stocks/amat/statistics/>
- [5] <https://www.gurufocus.com/term/enterprise-value-to-ebitda/AMAT>

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