

# ModernGraham Valuation

Avago Technologies  
Ltd



## Company Name:

Company Ticker AVGO

Date of Analysis

8/28/2015

## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	Pass
3. Earnings Stability	Positive EPS for 10 years prior	Fail
4. Dividend Record	Dividend Payments for 10 years prior	Fail
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	Fail
6. Moderate PEmg Ratio	PEmg < 20	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	Fail
3. Earnings Stability	Positive EPS for 5 years prior	Pass
4. Dividend Record	Currently Pays Dividend	Pass
5. Earnings Growth	EPSmg greater than 5 years ago	Pass

## Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	3.41
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$131.34</b>
MG Value based on 3% Growth	\$49.46
MG Value based on 0% Growth	\$29.00
Market Implied Growth Rate	14.24%

## MG Opinion

Current Price	\$126.17
% of Intrinsic Value	96.07%
<b>Opinion</b>	<b>Fairly Valued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$8.43
PEmg	36.99
Current Ratio	4.50
PB Ratio	8.82
Dividend Yield	1.06%
Number of Consecutive Years of Dividend Growth	5

## Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$6.79	Next Fiscal Year Estimate	\$3.41
Oct14	\$0.99	Oct14	\$1.77
Oct13	\$2.19	Oct13	\$1.98
Oct12	\$2.25	Oct12	\$1.67
Oct11	\$2.19	Oct11	\$1.14
Oct10	\$1.69	Oct10	\$0.49
Oct09	-\$0.20	Oct09	-\$0.11
Oct08	\$0.38	Oct08	-\$0.07
Oct07	-\$0.74	Oct07	-\$0.25
Oct06	\$0.00	Oct06	\$0.00
Oct05	\$0.00	Oct05	\$0.00
Oct04	\$0.00	Oct04	\$0.00
Oct03	\$0.00	Oct03	\$0.00
Oct02	\$0.00	Oct02	\$0.00
Oct01	\$0.00	Oct01	\$0.00
Oct00	\$0.00	Oct00	\$0.00
Oct99	\$0.00	Oct99	\$0.00
Oct98	\$0.00	<b>Balance Sheet Information Apr15</b>	
Oct97	\$0.00	Total Current Assets	\$4,076,000,000
Oct96	\$0.00	Total Current Liabilities	\$906,000,000
Oct95	\$0.00	Long-Term Debt	\$4,852,000,000
		Total Assets	\$10,532,000,000
		Intangible Assets	\$4,876,000,000
		Total Liabilities	\$6,471,000,000
		Shares Outstanding (Diluted Average)	284,000,000



**Disclaimer:**

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor. The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

## Recommended Reading:

Other  
ModernGraham  
posts about the  
company

#N/A

Other  
ModernGraham  
posts about related  
companies

[Arrow Electronics Inc. Analysis – Initial Coverage \\$ARW](#)

[TE Connectivity Limited Analysis – August 2015 Update \\$TEL](#)

[Broadcom Corporation Analysis – August 2015 Update \\$BRCM](#)

[SanDisk Corporation Analysis – August 2015 Update \\$SNDK](#)

[Corning Inc. Analysis – August 2015 Update \\$GLW](#)

[Intel Corporation Analysis – August 2015 Update \\$INTC](#)

[Advanced Micro Devices Inc. Analysis – Initial Coverage \\$AMD](#)

[Nvidia Corporation Analysis – August 2015 Update \\$NVDA](#)

[Applied Materials Inc. Analysis – August 2015 Update \\$AMAT](#)

[Xilinx Inc. Analysis – August 2015 Update \\$XLNX](#)