

ModernGraham Valuation

Company Name:

Paychex, Inc.

Company Ticker

PAYX

Date of Analysis

8/18/2015



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	Fail
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior	Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	Fail
5. Earnings Growth		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	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	Pass
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

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	1.81
MG Growth Estimate	3.73%
MG Value	\$28.85
MG Value based on 3% Growth	\$26.21
MG Value based on 0% Growth	\$15.36
Market Implied Growth Rate	9.20%

MG Opinion

Current Price	\$48.61
% of Intrinsic Value	168.50%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$1.12
PEmg	26.90
Current Ratio	1.12
PB Ratio	9.91
Dividend Yield	3.13%
Number of Consecutive Years of Dividend Growth	0

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$1.99	Next Fiscal Year Estimate	\$1.81
May15	\$1.85	May15	\$1.68
May14	\$1.71	May14	\$1.57
May13	\$1.56	May13	\$1.48
May12	\$1.51	May12	\$1.45
May11	\$1.42	May11	\$1.42
May10	\$1.32	May10	\$1.41
May09	\$1.48	May09	\$1.41
May08	\$1.56	May08	\$1.31
May07	\$1.35	May07	\$1.13
May06	\$1.22	May06	\$0.98
May05	\$0.97	May05	\$0.84
May04	\$0.80	May04	\$0.75
May03	\$0.78	May03	\$0.68
May02	\$0.73	May02	\$0.59
May01	\$0.68	May01	\$0.49
May00	\$0.51	May00	\$0.36
May99	\$0.37	Balance Sheet Information	May15
May98	\$0.28	Total Current Assets	\$5,103,200,000
May97	\$0.21	Total Current Liabilities	\$4,573,000,000
May96	\$0.15	Long-Term Debt	\$0
		Total Assets	\$6,482,500,000
		Intangible Assets	\$593,900,000
		Total Liabilities	\$4,697,000,000
		Shares Outstanding (Diluted Average)	364,000,000



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.

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- [Paychex Inc. Quarterly Valuation – May 2015 \\$PAYX](#)
- [27 Companies in the Spotlight This Week – 2/14/15](#)
- [Paychex Inc. Quarterly Valuation – February 2015 \\$PAYX](#)
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