

ModernGraham Valuation

Company Name:

Company Ticker VAR

Date of Analysis

8/12/2015

Varian Medical
Systems, Inc.



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

Defensive Investor

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	Pass
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	Pass
6. Moderate PEmg Ratio	PEmg < 20	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	Fail

Enterprising Investor

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	Pass
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	Fail
5. Earnings Growth	EPSmg greater than 5 years ago	Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	3.95
MG Growth Estimate	6.02%
MG Value	\$81.23
MG Value based on 3% Growth	\$57.31
MG Value based on 0% Growth	\$33.60
Market Implied Growth Rate	6.66%

MG Opinion

Current Price	\$86.23
% of Intrinsic Value	106.16%
Opinion	Fairly Valued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$8.42
PEmg	21.82
Current Ratio	2.06
PB Ratio	5.01
Dividend Yield	0.00%
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	\$4.23	Next Fiscal Year Estimate	\$3.95
Sep14	\$3.83	Sep14	\$3.73
Sep13	\$3.98	Sep13	\$3.56
Sep12	\$3.76	Sep12	\$3.22
Sep11	\$3.36	Sep11	\$2.82
Sep10	\$2.91	Sep10	\$2.45
Sep09	\$2.55	Sep09	\$2.14
Sep08	\$2.19	Sep08	\$1.86
Sep07	\$1.83	Sep07	\$1.61
Sep06	\$1.81	Sep06	\$1.41
Sep05	\$1.50	Sep05	\$1.11
Sep04	\$1.18	Sep04	\$0.85
Sep03	\$0.92	Sep03	\$0.60
Sep02	\$0.67	Sep02	\$0.42
Sep01	\$0.40	Sep01	\$0.34
Sep00	\$0.41	Sep00	\$0.39
Sep99	-\$0.20	Sep99	\$0.47
Sep98	\$0.61	Balance Sheet Information Jun15	
Sep97	\$0.92	Total Current Assets	\$2,648,935,000
Sep96	\$0.95	Total Current Liabilities	\$1,288,646,000
Sep95	\$0.99	Long-Term Debt	\$350,000,000
		Total Assets	\$3,531,579,000
		Intangible Assets	\$241,734,000
		Total Liabilities	\$1,803,013,000
		Outstanding Shares	100,500,000



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.