

# ModernGraham Valuation



## Company Name:

Automatic Data  
Processing

Company Ticker ADP

Date of Analysis

9/25/2015

## 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	\$37,698,012,911	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.06	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	34.66%	Pass
6. Moderate PEmg Ratio	PEmg < 20	26.12	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	7.88	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	1.06	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.01	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

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

## Stage 2: Determination of Intrinsic Value

EPSmg	\$3.10
MG Growth Estimate	2.88%
<b>MG Value</b>	<b>\$44.19</b>
MG Value based on 3% Growth	\$44.92
MG Value based on 0% Growth	\$26.33
Market Implied Growth Rate	8.81%

### MG Opinion

Current Price	\$80.93
% of Intrinsic Value	183.14%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

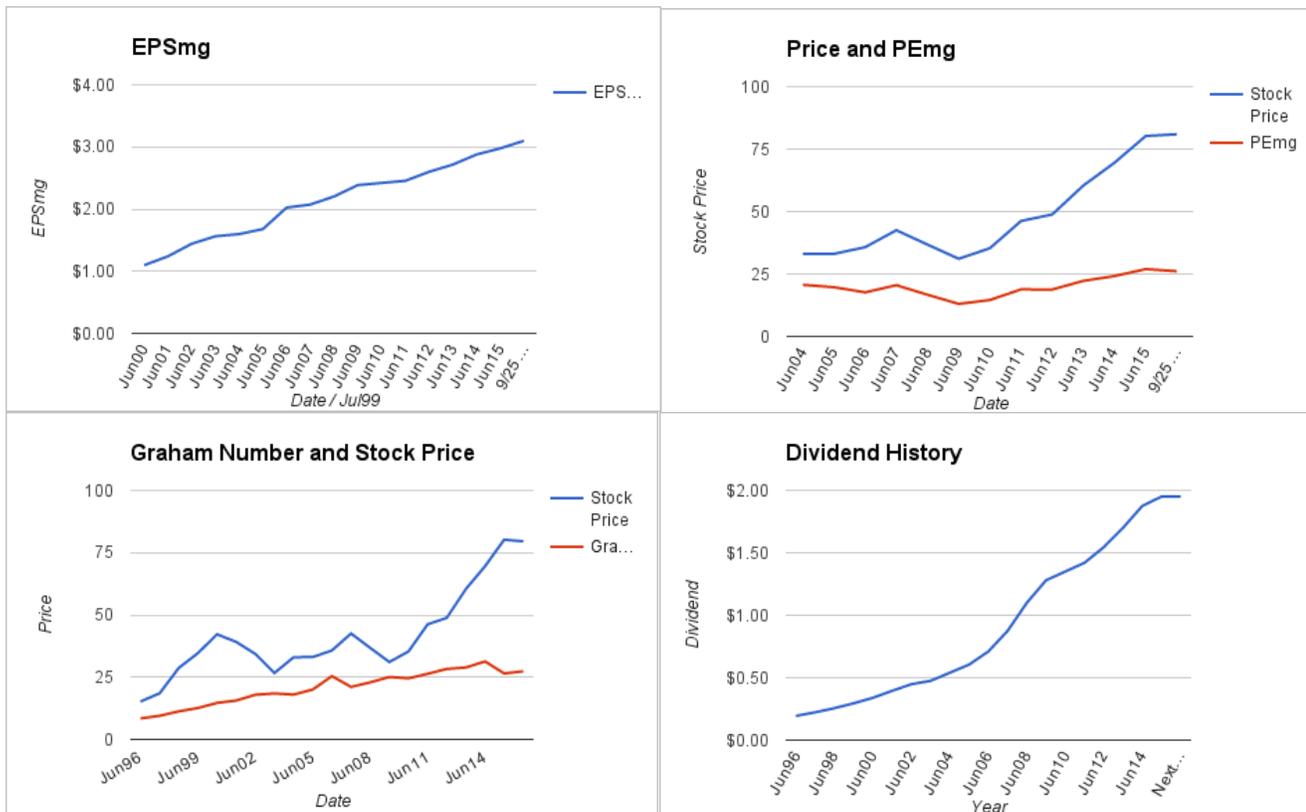
Net Current Asset Value (NCAV)	\$1.08
Graham Number	\$27.36
PEmg	26.12
Current Ratio	1.06
PB Ratio	7.88
Dividend Yield	2.41%
Number of Consecutive Years of Dividend Growth	20

### 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	\$3.25	Next Fiscal Year Estimate	\$3.10
Jun15	\$3.05	Jun15	\$2.98
Jun14	\$3.14	Jun14	\$2.88
Jun13	\$2.89	Jun13	\$2.71
Jun12	\$2.82	Jun12	\$2.60
Jun11	\$2.52	Jun11	\$2.45
Jun10	\$2.40	Jun10	\$2.42
Jun09	\$2.63	Jun09	\$2.39
Jun08	\$2.34	Jun08	\$2.20
Jun07	\$2.04	Jun07	\$2.07
Jun06	\$2.68	Jun06	\$2.02
Jun05	\$1.79	Jun05	\$1.68
Jun04	\$1.56	Jun04	\$1.60
Jun03	\$1.68	Jun03	\$1.56
Jun02	\$1.75	Jun02	\$1.44
Jun01	\$1.44	Jun01	\$1.24
Jun00	\$1.31	Jun00	\$1.10
Jun99	\$1.10	<b>Balance Sheet Information Jun15</b>	
Jun98	\$0.99	Total Current Assets	\$28,809,200,000
Jun97	\$0.88	Total Current Liabilities	\$27,113,700,000
Jun96	\$0.79	Long-Term Debt	\$9,200,000
		Total Assets	\$33,110,500,000
		Intangible Assets	\$2,296,700,000
		Total Liabilities	\$28,302,000,000
		Shares Outstanding (Diluted Average)	468,300,000





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**

- [Automatic Data Processing Analysis – June 2015 Update \\$ADP](#)
- [24 Companies in the Spotlight This Week – 3/28/15](#)
- [27 Companies in the Spotlight This Week – 12/20/14](#)
- [Automatic Data Processing Quarterly Valuation – March 2015 \\$ADP](#)
- [Automatic Data Processing Quarterly Valuation – December 2014 \\$ADP](#)

**Other ModernGraham posts about related companies**

- [Accenture PLC Analysis – September 2015 Update \\$ACN](#)
- [Dun & Bradstreet Corp. Analysis – September 2015 Update \\$DNB](#)
- [Cintas Corporation Analysis – August 2015 Update \\$CTAS](#)
- [Apollo Education Group Inc. Analysis – Initial Coverage \\$APOL](#)
- [Paychex Inc. Analysis – August 2015 Update \\$PAYX](#)
- [Robert Half International Inc. Analysis – August 2015 Update \\$RHI](#)
- [United Rentals Inc. Analysis – Initial Coverage \\$URI](#)
- [Automatic Data Processing Analysis – June 2015 Update \\$ADP](#)
- [Accenture plc Analysis – June 2015 Update \\$ACN](#)
- [Fiserv Inc. Analysis – 2015 Annual Update \\$FISV](#)