

ModernGraham Valuation

Company Name:

Paychex, Inc.

Company Ticker PAYX

Date of Analysis

11/18/2015



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	\$19,288,891,124	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.13	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	26.42%	Fail
6. Moderate PEmg Ratio	PEmg < 20	29.60	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	10.84	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	1.13	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.00	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	10.55%

MG Opinion

Current Price	\$53.50
% of Intrinsic Value	185.45%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$1.09
Graham Number	\$14.92
PEmg	29.60
Current Ratio	1.13
PB Ratio	10.84
Dividend Yield	2.92%
Number of Consecutive Years of Dividend Growth	3

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 Aug15	
May98	\$0.28	Total Current Assets	\$4,588,200,000
May97	\$0.21	Total Current Liabilities	\$4,046,400,000
May96	\$0.15	Long-Term Debt	\$0
		Total Assets	\$5,983,000,000
		Intangible Assets	\$594,500,000
		Total Liabilities	\$4,192,200,000
		Shares Outstanding (Diluted Average)	362,800,000





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

- [Paychex Inc. Analysis – August 2015 Update \\$PAYX](#)
- [30 Companies in the Spotlight This Week – 5/23/15](#)
- [Paychex Inc. Quarterly Valuation – May 2015 \\$PAYX](#)
- [27 Companies in the Spotlight This Week – 2/14/15](#)
- [Paychex Inc. Quarterly Valuation – February 2015 \\$PAYX](#)

Other ModernGraham posts about related companies

- [Robert Half International Inc. Valuation – November 2015 Update \\$RHI](#)
- [Alliance Data Systems Corporation Analysis – October 2015 Update \\$ADS](#)
- [Automatic Data Processing Analysis – September 2015 Update \\$ADP](#)
- [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](#)