

ModernGraham Valuation

Company Name:

Company Ticker VAR
Date of Analysis

Varian Medical
Systems, Inc.

11/12/2015



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	\$7,820,345,809	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.83	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	87.21%	Pass
5. Earnings Growth	PEmg < 20	19.33	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	4.60	Fail
7. Moderate Price to Assets			

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	1.83	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.30	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	\$4.10
MG Growth Estimate	4.11%
MG Value	\$68.48
MG Value based on 3% Growth	\$59.42
MG Value based on 0% Growth	\$34.83
Market Implied Growth Rate	5.42%

MG Opinion

Current Price	\$79.22
% of Intrinsic Value	115.68%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$6.40
Graham Number	\$41.17
PEmg	19.33
Current Ratio	1.83
PB Ratio	4.60
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	\$4.38	Next Fiscal Year Estimate	\$4.10
Sep15	\$4.09	Sep15	\$3.91
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	Balance Sheet Information Sep15	
Sep98	\$0.61	Total Current Assets	\$2,525,045,000
Sep97	\$0.92	Total Current Liabilities	\$1,382,904,000
Sep96	\$0.95	Long-Term Debt	\$337,500,000
		Total Assets	\$3,600,748,000
		Intangible Assets	\$283,452,000
		Total Liabilities	\$1,889,148,000
		Shares Outstanding (Diluted Average)	99,300,000





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:

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posts about the
company

[The Best Companies of the Medical Industry – September 2015](#)
[The 20 Best Stocks For Value Investors This Week – 8/15/15](#)
[Varian Medical Systems Inc Analysis – August 2015 Update \\$VAR](#)
[47 Companies in the Spotlight This Week – 5/16/15](#)
[Varian Medical Systems Inc. Quarterly Valuation – May 2015 \\$VAR](#)

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[Medtronic PLC Valuation – October 2015 Update \\$MDT](#)
[PerkinElmer Inc. Analysis – October 2015 Update \\$PKI](#)
[Quest Diagnostics Inc. Analysis – October 2015 Update \\$DGX](#)
[Stryker Corporation Analysis – October 2015 Update \\$SYK](#)
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