ModernGraham Valuation

Company Name:

Avago Technologies Ltd



Company Ticker Date of Analysis

1/7/2016

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.

AVGO

 Adequate Size of the Er 	nterprise	Market Cap > \$2Bil	\$35,773,617,701	Pass
2. Sufficiently Strong Final	ncial Condition	Current Ratio > 2	3.37	Pass
3. Earnings Stability		Positive EPS for 10 years prior		Fail
4. Dividend Record		Dividend Payments for 10 years prior		Fail
		Increase of 33% in EPS in past 10 years using 3 year averages at		

years using 3 year averages at beginning and end -2805.36% Fail

5. Earnings Growth beginning and end -2805.36% Fail

6. Moderate PEmg Ratio PEmg < 20 25.62 Fail

7. Moderate Price to Assets PB Ratio < 2.5 OR PB*PEmg < 50 7.56 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	3.37 Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.47 Fail
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	\$5.04
MG Growth Estimate	15.00%
MG Value	\$193.91
MG Value based on 3% Growth	\$73.03
MG Value based on 0% Growth	\$42.81
Market Implied Growth Rate	8.56%

MG Opinion

Current Price \$129.05
% of Intrinsic Value 66.55%
Opinion Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$7.62
Graham Number	\$59.78
PEmg	25.62
Current Ratio	3.37
PB Ratio	7.56
Dividend Yield	1.20%
Number of Consecutive Years of Dividend Growth	6

Useful Links: ModernGraham tagged articles Morningstar

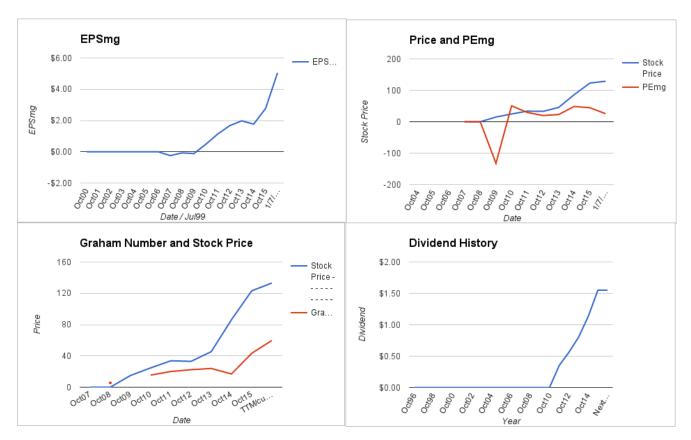
 Google Finance
 MSN Money

 Yahoo Finance
 Seeking Alpha

 GuruFocus
 SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$9.31	Next Fiscal Year Estimate	\$5.04
Oct15	\$4.85	Oct15	\$2.76
Oct14	\$0.99	Oct14	\$1.77
Oct13	\$2.19	Oct13	\$1.98
Oct12	\$2.25	Oct12	\$1.67
Oct11	\$2.19	Oct11	\$1.14
Oct10	\$1.69	Oct10	\$0.49
Oct09	-\$0.20	Oct09	-\$0.11
Oct08	\$0.38	Oct08	-\$0.07
Oct07	-\$0.74	Oct07	-\$0.25
Oct06	\$0.00	Oct06	\$0.00
Oct05	\$0.00	Oct05	\$0.00
Oct04	\$0.00	Oct04	\$0.00
Oct03	\$0.00	Oct03	\$0.00
Oct02	\$0.00	Oct02	\$0.00
Oct01	\$0.00	Oct01	\$0.00
Oct00	\$0.00	Oct00	\$0.00
Oct99	\$0.00	Balance Sheet Information	Oct15
Oct98	\$0.00	Total Current Assets	\$3,775,000,000
Oct97	\$0.00	Total Current Liabilities	\$1,119,000,000
Oct96	\$0.00	Long-Term Debt	\$3,903,000,000
		Total Assets	\$10,592,000,000
		Intangible Assets	\$4,951,000,000
		Total Liabilities	\$5,878,000,000
		Shares Outstanding (Diluted Average)	276,000,000





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.

Recommended Reading:

Other ModernGraham posts about the company The Best Stocks of the IT Hardware Industry – September 2015

19 Best Stocks For Value Investors This Week – 8/29/15

Avago Technologies Ltd Analysis – Initial Coverage \$AVGO

Other ModernGraham posts about related companies KLA-Tencor Corp Valuation – January 2016 Update \$KLAC
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Arrow Electronics Inc Valuation – December 2015 Update \$ARW
TE Connectivity Ltd Valuation – December 2015 Update \$TEL
Broadcom Corp Valuation – November 2015 Update \$BRCM
SanDisk Corp Valuation – November 2015 Update \$SNDK
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FLIR Systems Inc. Valuation – November 2015 Update \$FLIR