

ModernGraham Valuation

Company Name:

Company Ticker AVGO
Date of Analysis

Avago Technologies
Ltd

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.

| | | | |
|--|--|------------------|------|
| 1. Adequate Size of the Enterprise | Market Cap > \$2Bil | \$35,773,617,701 | Pass |
| 2. Sufficiently Strong Financial 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 |
| 5. Earnings Growth | Increase of 33% in EPS in past 10 years using 3 year averages at 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](#)

[Lam Research Corp Valuation – January 2016 Update \\$LRCX](#)

[Amphenol Corporation Valuation – January 2016 Update \\$APH](#)

[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](#)

[Coming Inc Valuation – November 2015 Update \\$GLW](#)

[Intel Corp Valuation – November 2015 Update \\$INTC](#)

[FLIR Systems Inc. Valuation – November 2015 Update \\$FLIR](#)