

ModernGraham Valuation

Company Name:

Company Ticker MCHP

Date of Analysis

1/25/2016

Microchip Technology Inc.



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	\$8,762,697,011	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	7.47	Pass
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	29.79%	Fail
6. Moderate PEmg Ratio	PEmg < 20	25.21	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	4.40	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	7.47	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.12	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	\$1.71
MG Growth Estimate	0.83%
MG Value	\$17.41
MG Value based on 3% Growth	\$24.84
MG Value based on 0% Growth	\$14.56
Market Implied Growth Rate	8.36%

MG Opinion

Current Price	\$43.20
% of Intrinsic Value	248.09%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$4.04
Graham Number	\$22.53
PEmg	25.21
Current Ratio	7.47
PB Ratio	4.40
Dividend Yield	3.31%
Number of Consecutive Years of Dividend Growth	14

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	\$2.15	Next Fiscal Year Estimate	\$1.71
Mar15	\$1.65	Mar15	\$1.52
Mar14	\$1.82	Mar14	\$1.47
Mar13	\$0.62	Mar13	\$1.32
Mar12	\$1.65	Mar12	\$1.62
Mar11	\$2.15	Mar11	\$1.58
Mar10	\$1.16	Mar10	\$1.31
Mar09	\$1.31	Mar09	\$1.35
Mar08	\$1.40	Mar08	\$1.30
Mar07	\$1.62	Mar07	\$1.16
Mar06	\$1.13	Mar06	\$0.86
Mar05	\$1.01	Mar05	\$0.70
Mar04	\$0.65	Mar04	\$0.55
Mar03	\$0.42	Mar03	\$0.49
Mar02	\$0.45	Mar02	\$0.51
Mar01	\$0.70	Mar01	\$0.50
Mar00	\$0.59	Mar00	\$0.37
Mar99	\$0.24	Balance Sheet Information Sep15 Total Current Assets \$2,778,887,000 Total Current Liabilities \$371,776,000 Long-Term Debt \$2,687,874,000 Total Assets \$5,786,309,000 Intangible Assets \$1,711,103,000 Total Liabilities \$3,656,928,000 Shares Outstanding (Diluted Average) 217,099,000	
Mar98	\$0.31		
Mar97	\$0.28		
Mar96	\$0.23		





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

Microchip Technology Inc. Analysis – September 2015 Update \$MCHP
Microchip Technology Stock Valuation – May 2015 Quarterly Update \$MCHP
34 Companies in the Spotlight This Week – 2/7/15
Microchip Technology Inc. Quarterly Valuation – January 2015 \$MCHP
18 Companies in the Spotlight This Week – 10/25/14

Other
ModernGraham
posts about related
companies

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<http://www.moderngraham.com/2016/01/06/kla-tencor-corp-valuation-january-2016-update-klac/>
<http://www.moderngraham.com/2016/01/04/lam-research-corp-valuation-january-2016-update-lrcx/>
<http://www.moderngraham.com/2016/01/04/amphenol-corporation-valuation-january-2016-update-aph/>
<http://www.moderngraham.com/2015/12/11/arrow-electronics-inc-valuation-december-2015-update-arw/>
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<http://www.moderngraham.com/2015/11/18/intel-corp-valuation-november-2015-update-intc/>