

ModernGraham Valuation

Company Name:

Company Ticker ADP
Date of Analysis

5/17/2016

Automatic Data
Processing



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	\$39,591,581,374	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.08	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	34.81%	Pass
6. Moderate PEmg Ratio	PEmg < 20	27.72	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	8.72	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	1.08	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.56	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	\$3.10
MG Growth Estimate	2.90%
MG Value	\$44.36
MG Value based on 3% Growth	\$44.97
MG Value based on 0% Growth	\$26.36
Market Implied Growth Rate	9.61%

MG Opinion

Current Price	\$85.97
% of Intrinsic Value	193.81%
Opinion	Overvalued
MG Grade	B-

Stage 3: Information for Further Research

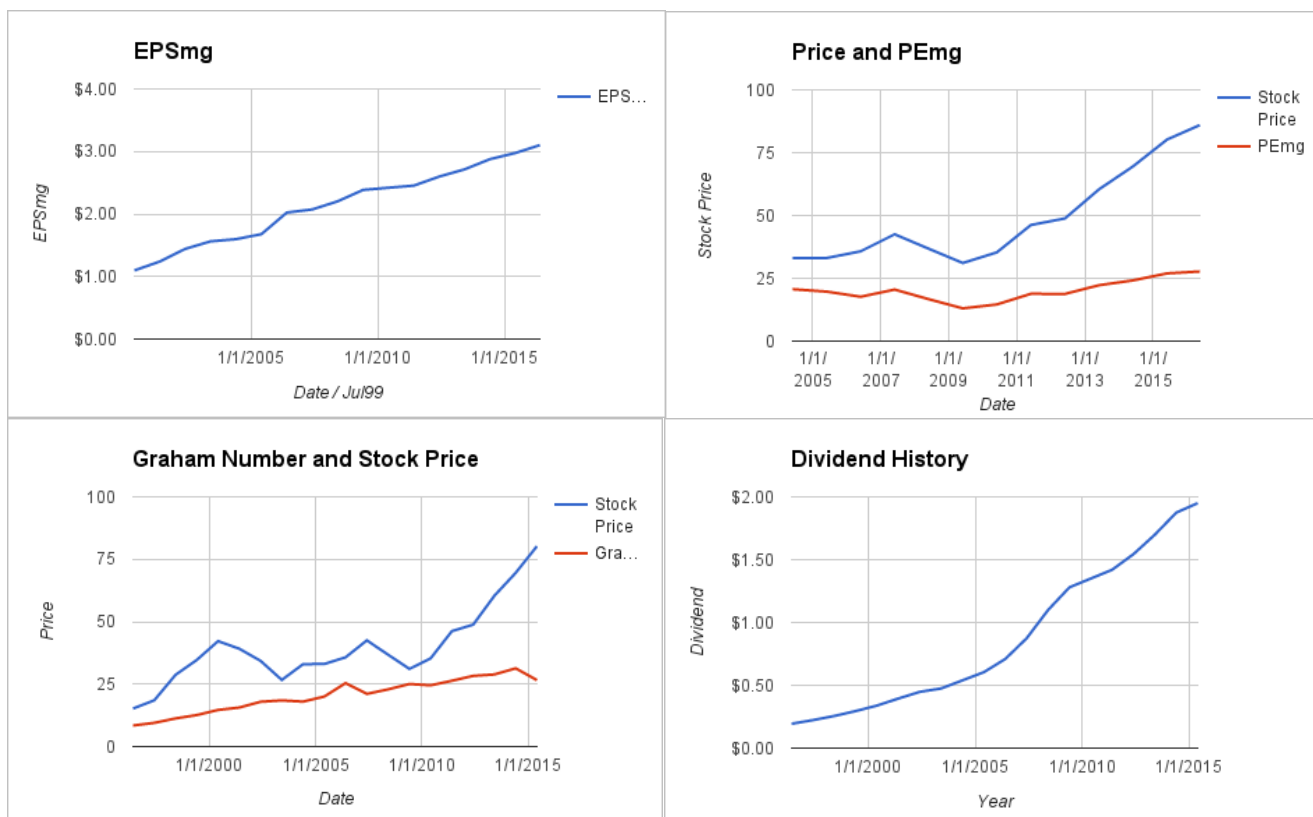
Net Current Asset Value (NCAV)	\$0.43
Graham Number	\$26.87
PEmg	27.72
Current Ratio	1.08
PB Ratio	8.72
Current Dividend	\$2.04
Dividend Yield	2.37%
Number of Consecutive Years of Dividend Growth	20

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.26	Next Fiscal Year Estimate	\$3.10
6/1/2015	\$3.05	6/1/2015	\$2.98
6/1/2014	\$3.14	6/1/2014	\$2.88
6/1/2013	\$2.89	6/1/2013	\$2.71
6/1/2012	\$2.82	6/1/2012	\$2.60
6/1/2011	\$2.52	6/1/2011	\$2.45
6/1/2010	\$2.40	6/1/2010	\$2.42
6/1/2009	\$2.63	6/1/2009	\$2.39
6/1/2008	\$2.34	6/1/2008	\$2.20
6/1/2007	\$2.04	6/1/2007	\$2.07
6/1/2006	\$2.68	6/1/2006	\$2.02
6/1/2005	\$1.79	6/1/2005	\$1.68
6/1/2004	\$1.56	6/1/2004	\$1.60
6/1/2003	\$1.68	6/1/2003	\$1.56
6/1/2002	\$1.75	6/1/2002	\$1.44
6/1/2001	\$1.44	6/1/2001	\$1.24
6/1/2000	\$1.31	6/1/2000	\$1.10
6/1/1999	\$1.10	Balance Sheet Information 3/1/2016	
6/1/1998	\$0.99	Total Current Assets	\$46,819,000,000
6/1/1997	\$0.88	Total Current Liabilities	\$43,250,400,000
6/1/1996	\$0.79	Long-term Debt	\$2,007,700,000
		Total Assets	\$51,125,600,000
		Intangible Assets	\$2,203,200,000
		Total Liabilities	\$46,622,400,000
		Shares Outstanding (Diluted Average)	456,900,000





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.

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