ModernGraham Valuation

Company Name:

Date of Analysis

Paychex, Inc.

Company Ticker PAYX



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

6/11/2016

Defensive Investor; must pass 6 out of the following 7 tests.

 Adequate Size of the Enterprise 	Market Cap > \$2Bil	\$19,448,591,543 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.09 Fail
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior	Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at	
5. Earnings Growth	beginning and end	28.25% Fail
6. Moderate PEmg Ratio	PEmg < 20	29.75 Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	10.54 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	1.09 Fail
2.	Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.00 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	\$1.83
MG Growth Estimate	4.01%
MG Value	\$30.29
MG Value based on 3% Growth	\$26.59
MG Value based on 0% Growth	\$15.59
Market Implied Growth Rate	10.62%

MG Opinion

Current Price \$54.56 % of Intrinsic Value 180.14%

Opinion Overvalued

MG Grade С

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$0.86
Graham Number	\$15.57
PEmg	29.75
Current Ratio	1.09
PB Ratio	10.54
Current Dividend	\$1.64
Dividend Yield	3.01%
Number of Consecutive Years of Dividend Growth	3

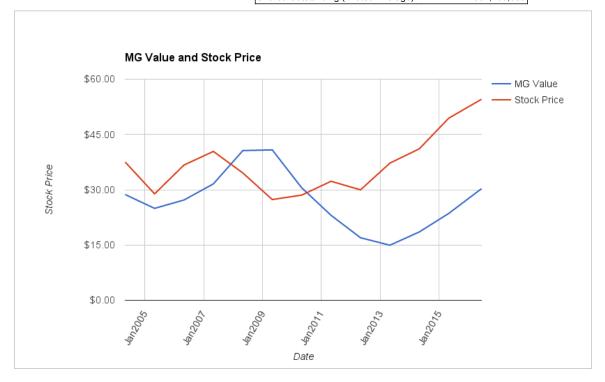
Morningstar

Useful Links: ModernGraham tagged articles

> Google Finance MSN Money Yahoo Finance Seeking Alpha

GuruFocus SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.07	Next Fiscal Year Estimate	\$1.83
May2015	\$1.85	May2015	\$1.68
May2014	\$1.71	May2014	\$1.57
May2013	\$1.56	May2013	\$1.48
May2012	\$1.51	May2012	\$1.45
May2011	\$1.42	May2011	\$1.42
May2010	\$1.32	May2010	\$1.41
May2009	\$1.48	May2009	\$1.41
May2008	\$1.56	May2008	\$1.31
May2007	\$1.35	May2007	\$1.13
May2006	\$1.22	May2006	\$0.98
May2005	\$0.97	May2005	\$0.84
May2004	\$0.80	May2004	\$0.75
May2003	\$0.78	May2003	\$0.68
May2002	\$0.73	May2002	\$0.59
May2001	\$0.68	May2001	\$0.49
May2000	\$0.51	May2000	\$0.36
May1999	\$0.37	Balance Sheet Information	2/1/2016
May1998	\$0.28	Total Current Assets	\$5,503,600,000
May1997	\$0.21	Total Current Liabilities	\$5,039,200,000
May1996	\$0.15	Long-Term Debt	\$0
		Total Assets	\$7,067,500,000
		Intangible Assets	\$729,700,000
		Total Liabilities	\$5,193,400,000
		Shares Outstanding (Diluted Average)	362,200,000





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

Paychex Inc. Valuation – November 2015 Update \$PAYX
Paychex Inc. Analysis – August 2015 Update \$PAYX
30 Companies in the Spotlight This Week – 5/23/15
Paychex Inc. Quarterly Valuation – May 2015 \$PAYX
27 Companies in the Spotlight This Week – 2/14/15

Other ModernGraham posts about related companies Automatic Data Processing Valuation – May 2016 \$ADP

Robert Half International Inc Valuation – February 2016 \$RHI

Accenture PLC Valuation - February 2016 \$ACN

Cintas Corp Valuation – December 2015 Update \$CTAS

Accenture PLC Valuation – February 2016 \$ACN

<u>Cintas Corp Valuation – December 2015 Update \$CTAS</u>

The Best Companies of the Business Support Industry – November 2015

Paychex Inc. Valuation – November 2015 Update \$PAYX

Robert Half International Inc. Valuation – November 2015 Update \$RHI

Alliance Data Systems Corporation Analysis - October 2015 Update \$ADS