

ModernGraham Valuation

Company Name:

Paychex, Inc.

Company Ticker PAYX

Date of Analysis

6/11/2016



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	\$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
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at 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	C

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

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Google Finance	MSN Money
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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.

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