

# ModernGraham Valuation

Company Name:

Red Hat Inc

Company Ticker RHT

Date of Analysis

6/29/2016



## 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	\$13,459,130,694	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.25	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
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	251.67%	Pass
6. Moderate PEmg Ratio	PEmg < 20	52.70	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	9.96	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	1.25	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.92	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Fail
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$1.38
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$53.28</b>
MG Value based on 3% Growth	\$20.07
MG Value based on 0% Growth	\$11.76
Market Implied Growth Rate	22.10%

### MG Opinion

Current Price	\$72.93
% of Intrinsic Value	136.87%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>F</b>

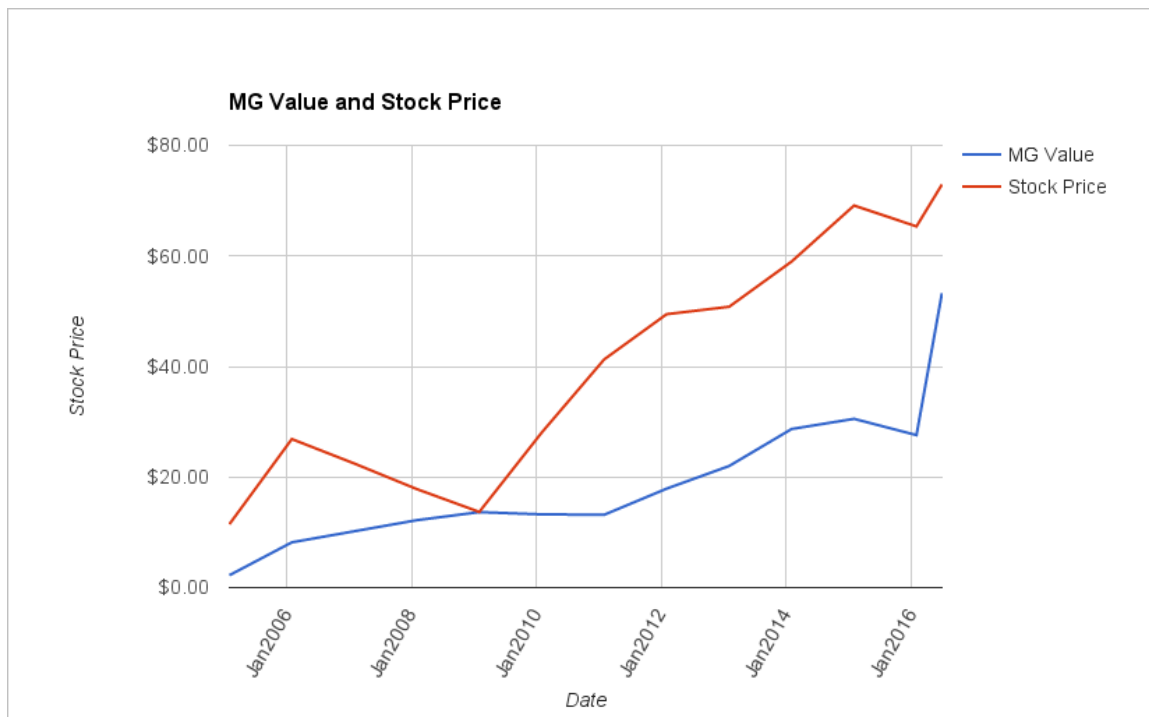
## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$4.77
Graham Number	\$19.19
PEmg	52.70
Current Ratio	1.25
PB Ratio	9.96
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.20	Next Fiscal Year Estimate	\$1.38
Feb2016	\$1.07	Feb2016	\$0.95
Feb2015	\$0.95	Feb2015	\$0.86
Feb2014	\$0.93	Feb2014	\$0.77
Feb2013	\$0.77	Feb2013	\$0.65
Feb2012	\$0.75	Feb2012	\$0.56
Feb2011	\$0.55	Feb2011	\$0.45
Feb2010	\$0.45	Feb2010	\$0.39
Feb2009	\$0.39	Feb2009	\$0.35
Feb2008	\$0.36	Feb2008	\$0.32
Feb2007	\$0.29	Feb2007	\$0.26
Feb2006	\$0.41	Feb2006	\$0.21
Feb2005	\$0.24	Feb2005	\$0.06
Feb2004	\$0.08	Feb2004	-\$0.08
Feb2003	\$0.00	Feb2003	-\$0.18
Feb2002	-\$0.06	Feb2002	-\$0.24
Feb2001	-\$0.53	Feb2001	-\$0.29
Feb2000	-\$0.40	<b>Balance Sheet Information 5/1/2016</b>	
Feb1999	-\$0.01	Total Current Assets	\$1,883,953,000
Feb1998	-\$0.02	Total Current Liabilities	\$1,504,477,000
Dec1997	\$0.00	Long-Term Debt	\$729,307,000
		Total Assets	\$4,112,281,000
		Intangible Assets	\$1,170,340,000
		Total Liabilities	\$2,762,946,000
		Shares Outstanding (Diluted Average)	184,187,000





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

- [21 Companies in the Spotlight This Week – 5/9/15](#)
- [Red Hat Inc. Annual Valuation – May 2015 \\$RHT](#)
- [16 Companies in the Spotlight This Week – 4/26/14](#)
- [Red Hat Inc. \(RHT\) Annual Valuation – 2014](#)

Other ModernGraham posts about related companies

- [Yahoo! Inc Valuation – June 2016 \\$YHOO](#)
- [Alphabet Inc Valuation – June 2016 \\$GOOGL](#)
- [Ansys Inc Valuation – June 2016 \\$ANSS](#)
- [Citrix Systems Inc Valuation – May 2016 \\$CTXS](#)
- [Symantec Corp Valuation – February 2016 \\$SYMC](#)
- [Microsoft Corp Valuation – February 2016 \\$MSFT](#)
- [Cisco Systems Inc Valuation – February 2016 \\$CSCO](#)
- [CA Inc Valuation – January 2016 Update \\$CA](#)
- [Intuit Inc Valuation – January 2016 Update \\$INTU](#)
- [Microsoft Corp Valuation – February 2016 \\$MSFT](#)