

# ModernGraham Valuation

Company Name:

Quest Diagnostics Inc

Company Ticker DGX

Date of Analysis

7/28/2016



## 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	\$11,774,346,808	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.36	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	60.26%	Pass
6. Moderate PEmg Ratio	PEmg < 20	18.07	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.67	Pass

*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	1.36	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	9.61	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

<b>Defensive</b>	<b>Yes</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$4.72
MG Growth Estimate	5.49%
<b>MG Value</b>	<b>\$91.91</b>
MG Value based on 3% Growth	\$68.44
MG Value based on 0% Growth	\$40.12
Market Implied Growth Rate	4.79%

### MG Opinion

Current Price	\$85.31
% of Intrinsic Value	92.82%
<b>Opinion</b>	<b>Fairly Valued</b>
<b>MG Grade</b>	<b>B-</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$28.61
Graham Number	\$60.49
PEmg	18.07
Current Ratio	1.36
PB Ratio	2.67
Current Dividend	\$1.56
Dividend Yield	1.83%
Number of Consecutive Years of Dividend Growth	2

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.07	Next Fiscal Year Estimate	\$4.72
Dec2015	\$4.87	Dec2015	\$4.40
Dec2014	\$3.81	Dec2014	\$4.10
Dec2013	\$5.54	Dec2013	\$4.15
Dec2012	\$3.46	Dec2012	\$3.46
Dec2011	\$2.92	Dec2011	\$3.34
Dec2010	\$4.05	Dec2010	\$3.40
Dec2009	\$3.87	Dec2009	\$3.00
Dec2008	\$2.97	Dec2008	\$2.55
Dec2007	\$1.74	Dec2007	\$2.35
Dec2006	\$2.94	Dec2006	\$2.54
Dec2005	\$2.66	Dec2005	\$2.19
Dec2004	\$2.35	Dec2004	\$1.80
Dec2003	\$2.06	Dec2003	\$1.35
Dec2002	\$1.62	Dec2002	\$0.88
Dec2001	\$0.83	Dec2001	\$0.43
Dec2000	\$0.54	Dec2000	\$0.19
Dec1999	-\$0.03	<b>Balance Sheet Information 6/1/2016</b>	
Dec1998	\$0.22	Total Current Assets	\$1,510,000,000
Dec1997	-\$0.19	Total Current Liabilities	\$1,111,000,000
Dec1996	\$0.00	Long-Term Debt	\$3,835,000,000
		Total Assets	\$10,109,000,000
		Intangible Assets	\$6,986,000,000
		Total Liabilities	\$5,572,000,000
		Shares Outstanding (Diluted Average)	142,000,000





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**

- [18 Best Stocks For Value Investors This Week – 1/30/16](#)
- [Quest Diagnostics Inc Valuation – January 2016 Update \\$DGX](#)
- [8 Best Stocks For Value Investors This Week – 10/13/15](#)
- [Quest Diagnostics Inc. Analysis – October 2015 Update \\$DGX](#)
- [The Best Companies of the Medical Industry – September 2015](#)

**Other ModernGraham posts about related companies**

- [Tenet Healthcare Corp Valuation – July 2016 \\$THC](#)
- [Laboratory Corp of America Holdings Valuation – July 2016 \\$LH](#)
- [Medtronic PLC Valuation – July 2016 \\$MDT](#)
- [Intuitive Surgical Inc Valuation – July 2016 \\$ISRG](#)
- [Cardinal Health Inc Valuation – July 2016 \\$CAH](#)
- [PerkinElmer Inc Valuation – July 2016 \\$PKI](#)
- [Varian Medical Systems Inc Valuation – July 2016 \\$VAR](#)
- [St. Jude Medical Inc Valuation – June 2016 \\$STJ](#)
- [Zimmer Biomet Holdings Inc Valuation – June 2016 \\$ZBH](#)
- [Waters Corporation Valuation – May 2016 \\$WAT](#)