

ModernGraham Valuation

Company Name:

F5 Networks, Inc.

Company Ticker FFIV

Date of Analysis

7/24/2016



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	\$8,348,253,793	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.49	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	415.02%	Pass
5. Earnings Growth	PEmg < 20	25.43	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	7.08	Fail
7. Moderate Price to Assets			

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	1.49	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		Fail
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$4.85
MG Growth Estimate	13.81%
MG Value	\$175.08
MG Value based on 3% Growth	\$70.27
MG Value based on 0% Growth	\$41.19
Market Implied Growth Rate	8.47%

MG Opinion

Current Price	\$123.24
% of Intrinsic Value	70.39%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$1.96
Graham Number	\$48.67
PEmg	25.43
Current Ratio	1.49
PB Ratio	7.08
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.97	Next Fiscal Year Estimate	\$4.85
Sep2015	\$5.03	Sep2015	\$4.12
Sep2014	\$4.09	Sep2014	\$3.51
Sep2013	\$3.50	Sep2013	\$3.00
Sep2012	\$3.45	Sep2012	\$2.52
Sep2011	\$2.96	Sep2011	\$1.89
Sep2010	\$1.86	Sep2010	\$1.28
Sep2009	\$1.14	Sep2009	\$0.95
Sep2008	\$0.89	Sep2008	\$0.82
Sep2007	\$0.90	Sep2007	\$0.71
Sep2006	\$0.80	Sep2006	\$0.53
Sep2005	\$0.67	Sep2005	\$0.29
Sep2004	\$0.46	Sep2004	\$0.07
Sep2003	\$0.07	Sep2003	-\$0.13
Sep2002	-\$0.17	Sep2002	-\$0.23
Sep2001	-\$0.68	Sep2001	-\$0.23
Sep2000	\$0.30	Sep2000	-\$0.02
Sep1999	-\$0.21	Balance Sheet Information 3/1/2016	
Sep1998	-\$0.30	Total Current Assets	\$1,193,981,000
Dec1997	\$0.00	Total Current Liabilities	\$800,435,000
Dec1996	\$0.00	Long-Term Debt	\$0
		Total Assets	\$2,242,140,000
		Intangible Assets	\$555,965,000
		Total Liabilities	\$1,061,146,000
		Shares Outstanding (Diluted Average)	67,804,000





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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