

ModernGraham Valuation

Company Name:

NetApp Inc.

Company Ticker NTAP

Date of Analysis

8/31/2016



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	\$9,564,466,864	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.07	Pass
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	111.93%	Pass
5. Earnings Growth	PEmg < 20	21.75	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.49	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	2.07	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.55	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	\$1.59
MG Growth Estimate	2.25%
MG Value	\$20.67
MG Value based on 3% Growth	\$23.06
MG Value based on 0% Growth	\$13.52
Market Implied Growth Rate	6.62%

MG Opinion

Current Price	\$34.59
% of Intrinsic Value	167.32%
Opinion	Overvalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$2.74
Graham Number	\$21.70
PEmg	21.75
Current Ratio	2.07
PB Ratio	3.49
Current Dividend	\$0.73
Dividend Yield	2.11%
Number of Consecutive Years of Dividend Growth	4

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.10	Next Fiscal Year Estimate	\$1.59
Apr2016	\$0.77	Apr2016	\$1.38
Apr2015	\$1.75	Apr2015	\$1.67
Apr2014	\$1.83	Apr2014	\$1.59
Apr2013	\$1.37	Apr2013	\$1.38
Apr2012	\$1.58	Apr2012	\$1.29
Apr2011	\$1.71	Apr2011	\$1.08
Apr2010	\$1.13	Apr2010	\$0.75
Apr2009	\$0.19	Apr2009	\$0.58
Apr2008	\$0.86	Apr2008	\$0.74
Apr2007	\$0.77	Apr2007	\$0.63
Apr2006	\$0.69	Apr2006	\$0.50
Apr2005	\$0.59	Apr2005	\$0.37
Apr2004	\$0.42	Apr2004	\$0.24
Apr2003	\$0.22	Apr2003	\$0.15
Apr2002	\$0.01	Apr2002	\$0.12
Apr2001	\$0.21	Apr2001	\$0.16
Apr2000	\$0.21	Balance Sheet Information 7/1/2016	
Apr1999	\$0.11	Total Current Assets	\$5,223,000,000
Apr1998	\$0.07	Total Current Liabilities	\$2,524,000,000
Apr1997	\$0.00	Long-Term Debt	\$1,491,000,000
		Total Assets	\$8,787,000,000
		Intangible Assets	\$1,845,000,000
		Total Liabilities	\$5,995,000,000
		Shares Outstanding (Diluted Average)	282,000,000





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.

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