

ModernGraham Valuation

Vertex
Pharmaceuticals
Incorporated



Company Name:

Company Ticker VRTX

Date of Analysis

8/26/2016

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	\$23,974,743,678 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.33 Pass
3. Earnings Stability	Positive EPS for 10 years prior	Fail
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	-45.95% Fail
6. Moderate PEmg Ratio	PEmg < 20	-63.54 Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	24.19 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	2.33 Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.09 Pass
3. Earnings Stability	Positive EPS for 5 years prior	Fail
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	-\$1.53
MG Growth Estimate	0.64%
MG Value	\$0.00
MG Value based on 3% Growth	-\$22.16
MG Value based on 0% Growth	-\$12.99
Market Implied Growth Rate	-36.02%

MG Opinion

Current Price	\$97.09
% of Intrinsic Value	N/A
Opinion	Overvalued
MG Grade	D

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$0.46
Graham Number	\$1.89
PEmg	-63.54
Current Ratio	2.33
PB Ratio	24.19
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

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[SEC Filings](#)

EPS History

Next Fiscal Year Estimate

Dec2015	-\$2.31
Dec2014	-\$3.14
Dec2013	-\$1.98
Dec2012	-\$0.50
Dec2011	\$0.14
Dec2010	-\$3.77
Dec2009	-\$3.71
Dec2008	-\$3.27
Dec2007	-\$3.03
Dec2006	-\$1.83
Dec2005	-\$2.28
Dec2004	-\$2.12
Dec2003	-\$2.56
Dec2002	-\$1.43
Dec2001	-\$0.89
Dec2000	-\$0.51
Dec1999	-\$0.80
Dec1998	-\$0.65
Dec1997	-\$0.41
Dec1996	-\$1.07

EPSmg History

Next Fiscal Year Estimate

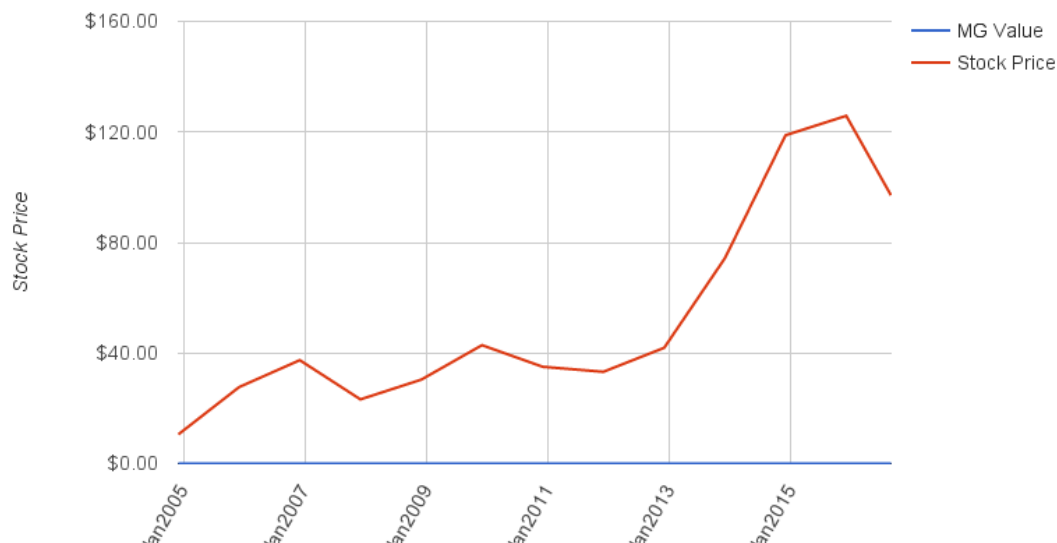
Dec2015	-\$1.53
Dec2014	-\$2.06
Dec2013	-\$1.91
Dec2012	-\$1.52
Dec2011	-\$1.60
Dec2010	-\$2.34
Dec2009	-\$3.43
Dec2008	-\$3.11
Dec2007	-\$2.71
Dec2006	-\$2.41
Dec2005	-\$2.08
Dec2004	-\$2.09
Dec2003	-\$1.83
Dec2002	-\$1.53
Dec2001	-\$0.97
Dec2000	-\$0.71
Dec2000	-\$0.64

Balance Sheet Information

6/1/2016

Total Current Assets	\$1,454,150,000
Total Current Liabilities	\$622,855,000
Long-Term Debt	\$74,921,000
Total Assets	\$2,548,982,000
Intangible Assets	\$334,724,000
Total Liabilities	\$1,567,628,000
Shares Outstanding (Diluted Average)	244,482,000

MG Value and Stock Price





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:

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ModernGraham
posts about the
company

[Vertex Pharmaceuticals Analysis – July 2015 Update \\$VRTX](#)

[Vertex Pharmaceuticals Annual Valuation – 2014 \\$VRTX](#)

Other
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[Amgen Inc Valuation – August 2016 \\$AMGN](#)

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[Abbott Laboratories Valuation – August 2016 \\$ABT](#)

[Johnson & Johnson Valuation – August 2016 \\$JNJ](#)

[Regeneron Pharmaceuticals Inc Valuation – August 2016 \\$REGN](#)

[AmerisourceBergen Corp Valuation – July 2016 \\$ABC](#)

[Perrigo Co PLC Valuation – July 2016 \\$PRGO](#)

[AbbVie Inc Valuation – July 2016 \\$ABBV](#)

[Gilead Sciences Inc Valuation – July 2016 \\$GILD](#)

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