

ModernGraham Valuation

Company Name:

Company Ticker ADP

Date of Analysis

11/20/2016

Automatic Data
Processing



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	\$43,097,621,568 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.13 Fail
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior	Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	34.74% Pass
5. Earnings Growth	PEmg < 20	28.62 Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	10.11 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	1.13 Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.59 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	\$3.30
MG Growth Estimate	3.22%
MG Value	\$49.29
MG Value based on 3% Growth	\$47.82
MG Value based on 0% Growth	\$28.03
Market Implied Growth Rate	10.06%

MG Opinion

Current Price	\$94.39
% of Intrinsic Value	191.49%
Opinion	Overvalued
MG Grade	B-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$0.08
Graham Number	\$27.68
PEmg	28.62
Current Ratio	1.13
PB Ratio	10.11
Current Dividend	\$2.12
Dividend Yield	2.25%
Number of Consecutive Years of Dividend Growth	20

Useful Links:

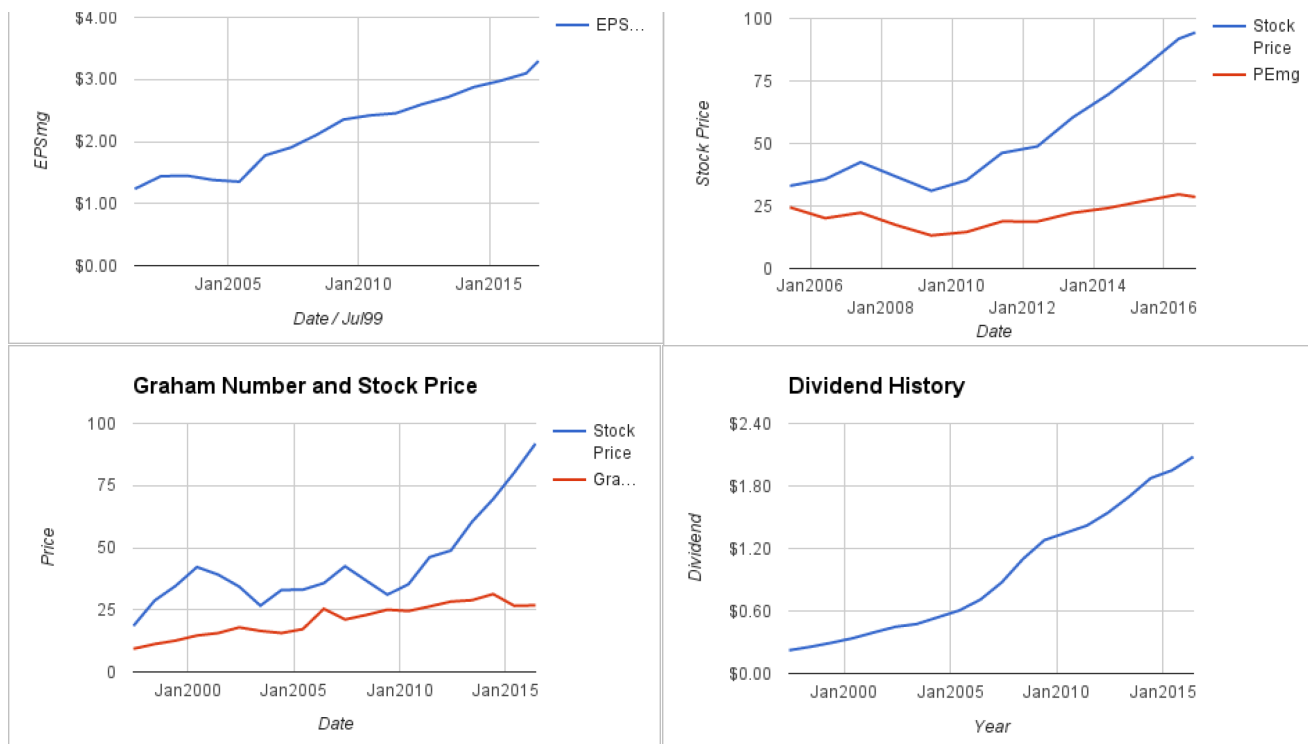
ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
	\$3.63		\$3.30
Jun2016	\$3.25	Jun2016	\$3.10
Jun2015	\$3.05	Jun2015	\$2.98
Jun2014	\$3.14	Jun2014	\$2.88
Jun2013	\$2.89	Jun2013	\$2.71
Jun2012	\$2.82	Jun2012	\$2.60
Jun2011	\$2.52	Jun2011	\$2.45
Jun2010	\$2.40	Jun2010	\$2.42
Jun2009	\$2.63	Jun2009	\$2.35
Jun2008	\$2.34	Jun2008	\$2.11
Jun2007	\$2.04	Jun2007	\$1.91
Jun2006	\$2.68	Jun2006	\$1.78
Jun2005	\$1.32	Jun2005	\$1.35
Jun2004	\$1.18	Jun2004	\$1.38
Jun2003	\$1.34	Jun2003	\$1.45
Jun2002	\$1.75	Jun2002	\$1.44
Jun2001	\$1.44	Jun2001	\$1.24
Jun2000	\$1.31	Balance Sheet Information 9/1/2016	
Jun1999	\$1.10	Total Current Assets	\$30,124,200,000
Jun1998	\$0.98	Total Current Liabilities	\$26,719,300,000
Jun1997	\$0.85	Long-Term Debt	\$2,007,700,000
		Total Assets	\$34,337,400,000
		Intangible Assets	\$2,252,300,000
		Total Liabilities	\$30,087,300,000
		Shares Outstanding (Diluted Average)	455,300,000



EPSmg

Price and PEmg



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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posts about the
company

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[Automatic Data Processing Analysis – June 2015 Update \\$ADP](#)
[24 Companies in the Spotlight This Week – 3/28/15](#)
[Automatic Data Processing Quarterly Valuation – March 2015 \\$ADP](#)
[27 Companies in the Spotlight This Week – 12/20/14](#)

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[Robert Half International Inc Valuation – August 2016 \\$RHI](#)
[Accenture PLC Valuation – August 2016 \\$ACN](#)
[Fiserv Inc Valuation – August 2016 \\$FISV](#)
[Cintas Corporation Valuation – July 2016 \\$CTAS](#)
[Pitney Bowes Inc Valuation – July 2016 \\$PBI](#)
[Xerox Corp Valuation – June 2016 \\$XRX](#)
[Avery Dennison Corp Valuation – June 2016 \\$AVY](#)
[Ecolab Inc Valuation – June 2016 \\$ECL](#)
[Paychex Inc Valuation – June 2016 \\$PAYX](#)