

ModernGraham Valuation

Company Name:

Paychex, Inc.

Company Ticker PAYX

Date of Analysis

3/9/2018



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	\$23,893,018,387	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.09	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	59.24%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	30.63	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	12.21	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	1.09	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		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass
	Score		

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.17
MG Growth Estimate	5.81%
MG Value	\$43.72
MG Value based on 3% Growth	\$31.49
MG Value based on 0% Growth	\$18.46
Market Implied Growth Rate	11.06%

MG Opinion

Current Price	\$66.52
% of Intrinsic Value	152.17%
Opinion	Overvalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$0.77
Graham Number	\$17.07
PEmg	30.63
Current Ratio	1.09
PB Ratio	12.21
Current Dividend	\$1.84
Dividend Yield	2.77%
Number of Consecutive Years of Dividend Growth	4

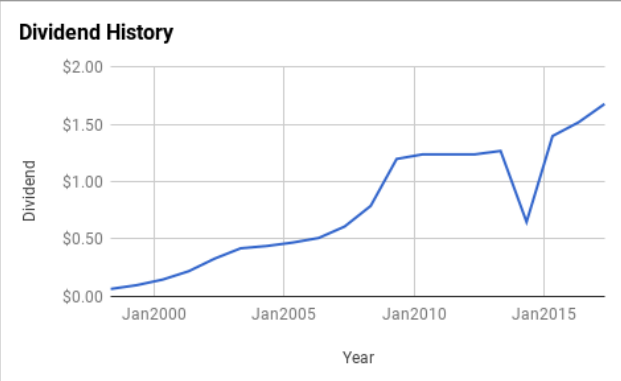
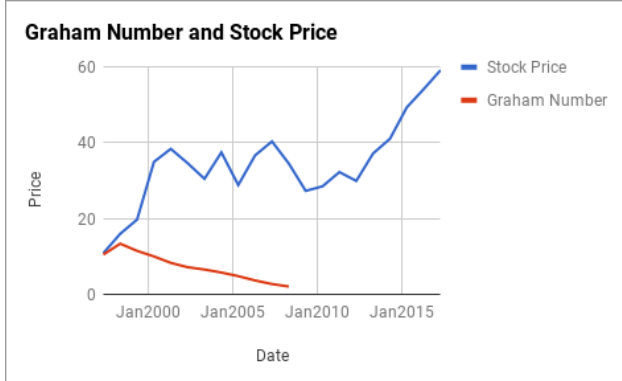
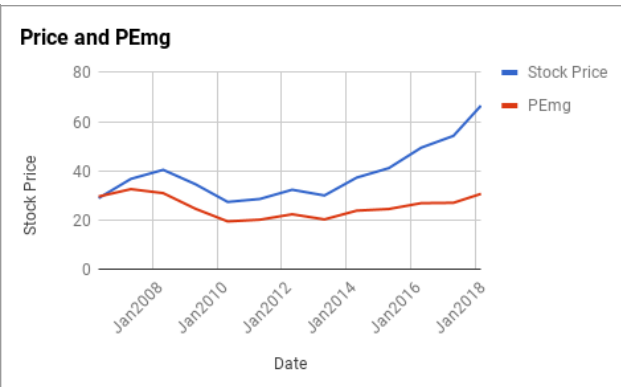
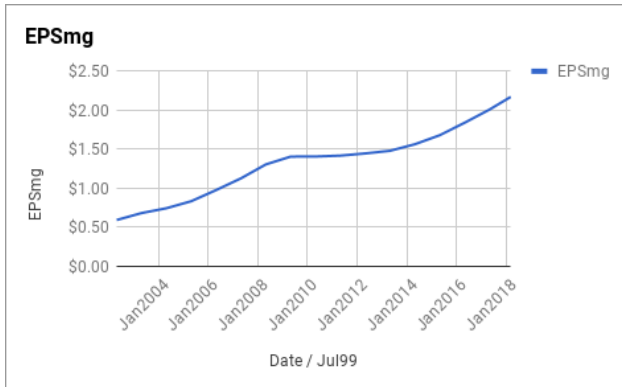
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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.38	Next Fiscal Year Estimate	\$2.17
May2017	\$2.25	May2017	\$2.01
May2016	\$2.09	May2016	\$1.84
May2015	\$1.85	May2015	\$1.68
May2014	\$1.71	May2014	\$1.57
May2013	\$1.56	May2013	\$1.48
May2012	\$1.51	May2012	\$1.45
May2011	\$1.42	May2011	\$1.42
May2010	\$1.32	May2010	\$1.41
May2009	\$1.48	May2009	\$1.41
May2008	\$1.56	May2008	\$1.31
May2007	\$1.35	May2007	\$1.13
May2006	\$1.22	May2006	\$0.98
May2005	\$0.97	May2005	\$0.84
May2004	\$0.80	May2004	\$0.75
May2003	\$0.78	May2003	\$0.68
May2002	\$0.73	May2002	\$0.59
May2001	\$0.68	Balance Sheet Information 11/1/2017	
May2000	\$0.51	Total Current Assets	\$5,993,000,000
May1999	\$0.37	Total Current Liabilities	\$5,501,700,000
May1998	\$0.28	Long-Term Debt	\$0
		Total Assets	\$7,684,600,000
		Intangible Assets	\$775,500,000
		Total Liabilities	\$5,715,700,000
		Shares Outstanding (Diluted Average)	361,400,000





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

- [Paychex Inc. Valuation – November 2015 Update \\$PAYX](#)
- [Paychex Inc. Analysis – August 2015 Update \\$PAYX](#)
- [30 Companies in the Spotlight This Week – 5/23/15](#)
- [Paychex Inc. Quarterly Valuation – May 2015 \\$PAYX](#)
- [27 Companies in the Spotlight This Week – 2/14/15](#)

Other ModernGraham posts about related companies

- [United Rentals Inc Valuation – September 2017 \\$URI](#)
- [Exponent Inc Valuation – Initial Coverage \\$EXPO](#)
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