

ModernGraham Valuation

Company Name:

Red Hat Inc

Company Ticker RHT

Date of Analysis

3/18/2018



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	\$27,288,749,678	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.37	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	237.41%	Pass
5. Earnings Growth	PEmg < 20	101.65	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	20.03	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	1.37	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.12	Fail
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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.52
MG Growth Estimate	14.60%
MG Value	\$57.17
MG Value based on 3% Growth	\$21.99
MG Value based on 0% Growth	\$12.89
Market Implied Growth Rate	46.58%

MG Opinion

Current Price	\$154.17
% of Intrinsic Value	269.68%
Opinion	Overvalued
MG Grade	F

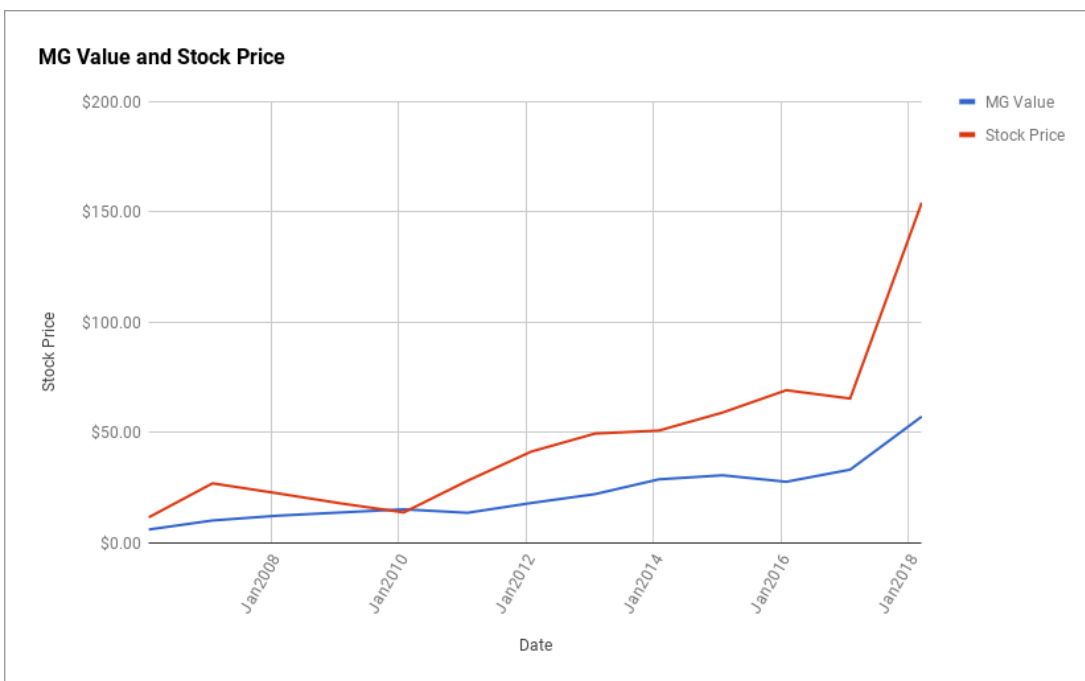
Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$4.41
Graham Number	\$18.81
PEmg	101.65
Current Ratio	1.37
PB Ratio	20.03
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

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	\$1.52
Feb2017	\$2.23	Feb2017	\$1.11
Feb2016	\$1.39	Feb2016	\$0.95
Feb2015	\$1.07	Feb2015	\$0.86
Feb2014	\$0.95	Feb2014	\$0.77
Feb2013	\$0.93	Feb2013	\$0.65
Feb2012	\$0.77	Feb2012	\$0.56
Feb2011	\$0.75	Feb2011	\$0.45
Feb2010	\$0.55	Feb2010	\$0.39
Feb2009	\$0.45	Feb2009	\$0.35
Feb2008	\$0.39	Feb2008	\$0.32
Feb2007	\$0.36	Feb2007	\$0.26
Feb2006	\$0.29	Feb2006	\$0.15
Feb2005	\$0.41	Feb2005	-\$0.06
Feb2004	\$0.24	Feb2004	-\$0.25
Feb2003	\$0.07	Feb2003	-\$0.40
Feb2002	-\$0.04	Feb2002	-\$0.52
Feb2001	-\$0.83	Balance Sheet Information	
Feb2000	-\$0.53	11/1/2017	
Feb1999	-\$0.41	Total Current Assets	\$2,504,710,000
Feb1998	-\$0.11	Total Current Liabilities	\$1,825,046,000
	-\$0.08	Long-Term Debt	\$762,367,000
		Total Assets	\$4,759,484,000
		Intangible Assets	\$1,272,407,000
		Total Liabilities	\$3,326,344,000
		Shares Outstanding (Diluted Average)	186,160,000





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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[Cisco Systems Inc Valuation – February 2018 \\$CSCO](#)
[Symantec Corp Valuation – August 2017 \\$SYMC](#)
[Intuit Inc Valuation – March 2017 \\$INTU](#)
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[Leidos Holdings Inc Valuation – Initial Coverage \\$LDOS](#)
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