ModernGraham Valuation

Company Name:

Varian Medical Systems, Inc.



Company Ticker VAR
Date of Analysis

3/19/2018

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.

| Adequate Size of the Enterprise | Market Cap > \$2Bil | \$11,328,280,884 Pass |
|--|--|-----------------------|
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 1.45 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 | |
| 5. Earnings Growth | beginning and end | 26.30% Fail |
| 6. Moderate PEmg Ratio | PEmg < 20 | 32.80 Fail |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | 8.18 Fail |

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

| Sufficiently Strong Financial Condition | Current Ratio > 1.5 | 1.45 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 | Fail |
| 5. Earnings Growth | EPSmg greater than 5 years ago | Pass |
| | Score | |

Score

Suitability

Defensive No Enterprising No

Stage 2: Determination of Intrinsic Value

| EPSmg | \$3.78 |
|-----------------------------|---------|
| MG Growth Estimate | 0.18% |
| MG Value | \$33.46 |
| MG Value based on 3% Growth | \$54.76 |
| MG Value based on 0% Growth | \$32.10 |
| Market Implied Growth Rate | 12.15% |
| | |

MG Opinion

| % of Intrinsic Value | 370.23% |
|----------------------|----------|
| Current Price | \$123.87 |

Opinion Overvalued

MG Grade D

Stage 3: Information for Further Research

| Net Current Asset Value (NCAV) | \$4.79 |
|---|---------|
| Graham Number | \$39.58 |
| PEmg | 32.80 |
| Current Ratio | 1.45 |
| PB Ratio | 8.18 |
| Current Dividend | \$0.00 |
| Dividend Yield | 0.00% |
| Number of Consecutive Years of Dividend Growth | 0 |

Morningstar

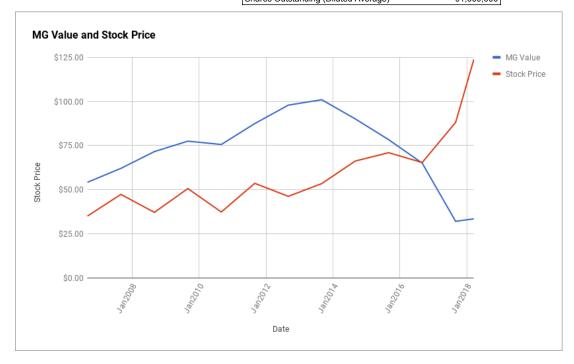
Useful Links: ModernGraham tagged articles

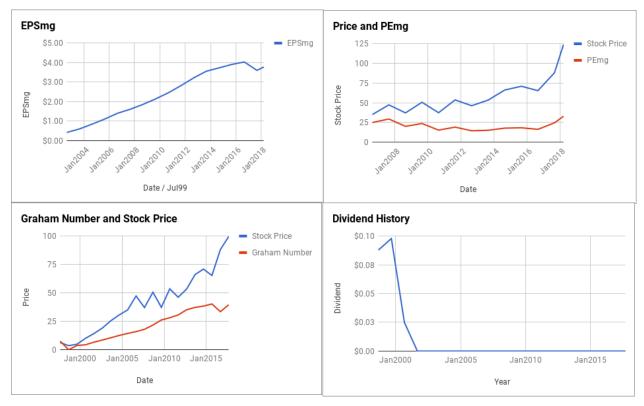
 Google Finance
 MSN Money

 Yahoo Finance
 Seeking Alpha

 GuruFocus
 SEC Filings

| EPS History | | EPSmg History | |
|------------------|---------|--------------------------------------|-----------------|
| Next Fiscal Year | | | |
| Estimate | • | Next Fiscal Year Estimate | \$3.78 |
| Sep2017 | \$2.68 | Sep2017 | \$3.60 |
| Sep2016 | \$4.19 | Sep2016 | \$4.03 |
| Sep2015 | \$4.09 | Sep2015 | \$3.91 |
| Sep2014 | \$3.83 | Sep2014 | \$3.73 |
| Sep2013 | \$3.98 | Sep2013 | \$3.56 |
| Sep2012 | \$3.76 | Sep2012 | \$3.22 |
| Sep2011 | \$3.36 | Sep2011 | \$2.82 |
| Sep2010 | \$2.91 | Sep2010 | \$2.45 |
| Sep2009 | \$2.55 | Sep2009 | \$2.14 |
| Sep2008 | \$2.19 | Sep2008 | \$1.86 |
| Sep2007 | \$1.83 | Sep2007 | \$1.61 |
| Sep2006 | \$1.81 | Sep2006 | \$1.41 |
| Sep2005 | \$1.50 | Sep2005 | \$1.11 |
| Sep2004 | \$1.18 | Sep2004 | \$0.85 |
| Sep2003 | \$0.92 | Sep2003 | \$0.60 |
| Sep2002 | \$0.67 | Sep2002 | \$0.42 |
| Sep2001 | \$0.40 | Balance Sheet Information | 12/1/2017 |
| Sep2000 | \$0.41 | Total Current Assets | \$2,351,600,000 |
| Sep1999 | -\$0.20 | Total Current Liabilities | \$1,616,400,000 |
| Sep1998 | \$0.61 | Long-Term Debt | \$0 |
| | | Total Assets | \$3,299,800,000 |
| | | Intangible Assets | \$289,000,000 |
| | | Total Liabilities | \$1,913,200,000 |
| | | Shares Outstanding (Diluted Average) | 91,600,000 |





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 Varian Medical Systems Inc Valuation – July 2016 \$VAR

<u>Varian Medical Systems Inc. Valuation – November 2015 Update \$VAR</u>

The Best Companies of the Medical Industry – September 2015

<u>The 20 Best Stocks For Value Investors This Week – 8/15/15</u>

<u>Varian Medical Systems Inc Analysis – August 2015 Update \$VAR</u>

Other ModernGraham posts about related companies Zimmer Biomet Holdings Inc Valuation - March 2018 \$ZBH

<u>Henry Schein Inc Valuation – March 2018 \$HSIC</u>

Medtronic PLC Valuation - March 2018 \$MDT

<u>UnitedHealth Group Inc Valuation – February 2018 \$UNH</u>

VCA Inc Valuation - Initial Coverage \$WOOF

<u>Universal Health Services Inc Valuation – August 2017 \$UHS</u>

Telefex Inc Valuation – Initial Coverage \$TFX

BIO-TECHNE Corp Valuation – Initial Coverage \$TECH

<u>LifePoint Health Inc Valuation – Initial Coverage \$LPNT</u>

Psychemedics Corp Valuation - April 2017 \$PMD