

ModernGraham Valuation

Zimmer Biomet
Holdings Inc



Company Name:

Company Ticker ZBH

Date of Analysis

3/10/2018

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	\$24,470,897,660	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.50	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
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	73.55%	Pass
6. Moderate PEmg Ratio	PEmg < 20	21.75	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.10	Pass

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	1.50	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	5.96	Fail
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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.56
MG Growth Estimate	4.83%
MG Value	\$100.95
MG Value based on 3% Growth	\$80.59
MG Value based on 0% Growth	\$47.24
Market Implied Growth Rate	6.62%

MG Opinion

Current Price	\$120.86
% of Intrinsic Value	119.73%
Opinion	Overvalued
MG Grade	D

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$47.61
Graham Number	\$98.90
PEmg	21.75
Current Ratio	1.50
PB Ratio	2.10
Current Dividend	\$0.96
Dividend Yield	0.79%
Number of Consecutive Years of Dividend Growth	2

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	\$7.50	Next Fiscal Year Estimate	\$5.56
Dec2017	\$8.90	Dec2017	\$4.39
Dec2016	\$1.51	Dec2016	\$2.44
Dec2015	\$0.77	Dec2015	\$3.13
Dec2014	\$4.20	Dec2014	\$4.20
Dec2013	\$4.54	Dec2013	\$4.08
Dec2012	\$4.29	Dec2012	\$3.79
Dec2011	\$4.03	Dec2011	\$3.51
Dec2010	\$2.97	Dec2010	\$3.28
Dec2009	\$3.32	Dec2009	\$3.40
Dec2008	\$3.72	Dec2008	\$3.33
Dec2007	\$3.26	Dec2007	\$2.98
Dec2006	\$3.40	Dec2006	\$2.66
Dec2005	\$2.93	Dec2005	\$2.11
Dec2004	\$2.19	Dec2004	\$1.59
Dec2003	\$1.64	Dec2003	\$1.17
Dec2002	\$1.31	Dec2002	\$0.82
Dec2001	\$0.77	Balance Sheet Information 12/1/2017	
Dec2000	\$0.91	Total Current Assets	\$4,515,300,000
Dec1999	\$0.00	Total Current Liabilities	\$3,020,200,000
Dec1998	\$0.00	Long-Term Debt	\$8,917,500,000
		Total Assets	\$25,964,500,000
		Intangible Assets	\$19,021,800,000
		Total Liabilities	\$14,228,700,000
		Shares Outstanding (Diluted Average)	204,000,000





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 [Zimmer Biomet Holdings Inc. Analysis – September 2015 Update \\$ZBH](#)

Other ModernGraham posts about related companies

- [Henry Schein Inc Valuation – March 2018 \\$HSIC](#)
- [Medtronic PLC Valuation – March 2018 \\$MDT](#)
- [UnitedHealth Group Inc Valuation – February 2018 \\$UNH](#)
- [VCA Inc Valuation – Initial Coverage \\$WOOF](#)
- [Universal Health Services Inc Valuation – August 2017 \\$UHS](#)
- [Teleflex Inc Valuation – Initial Coverage \\$TFX](#)
- [BIO-TECHNE Corp Valuation – Initial Coverage \\$TECH](#)
- [LifePoint Health Inc Valuation – Initial Coverage \\$LPNT](#)
- [Psychemedics Corp Valuation – April 2017 \\$PMD](#)
- [Community Health Systems Valuation – Initial Coverage \\$CYH](#)