

# ModernGraham Valuation

Automatic Data  
Processing



## Company Name:

Company Ticker ADP

Date of Analysis

4/17/2018

## 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	\$52,257,064,073	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.06	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	47.42%	Pass
6. Moderate PEmg Ratio	PEmg < 20	32.42	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	13.31	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	1.06	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.95	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 Score		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$3.64
MG Growth Estimate	3.96%
<b>MG Value</b>	<b>\$59.67</b>
MG Value based on 3% Growth	\$52.72
MG Value based on 0% Growth	\$30.91
Market Implied Growth Rate	11.96%

### MG Opinion

Current Price	\$117.89
% of Intrinsic Value	197.58%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>B-</b>

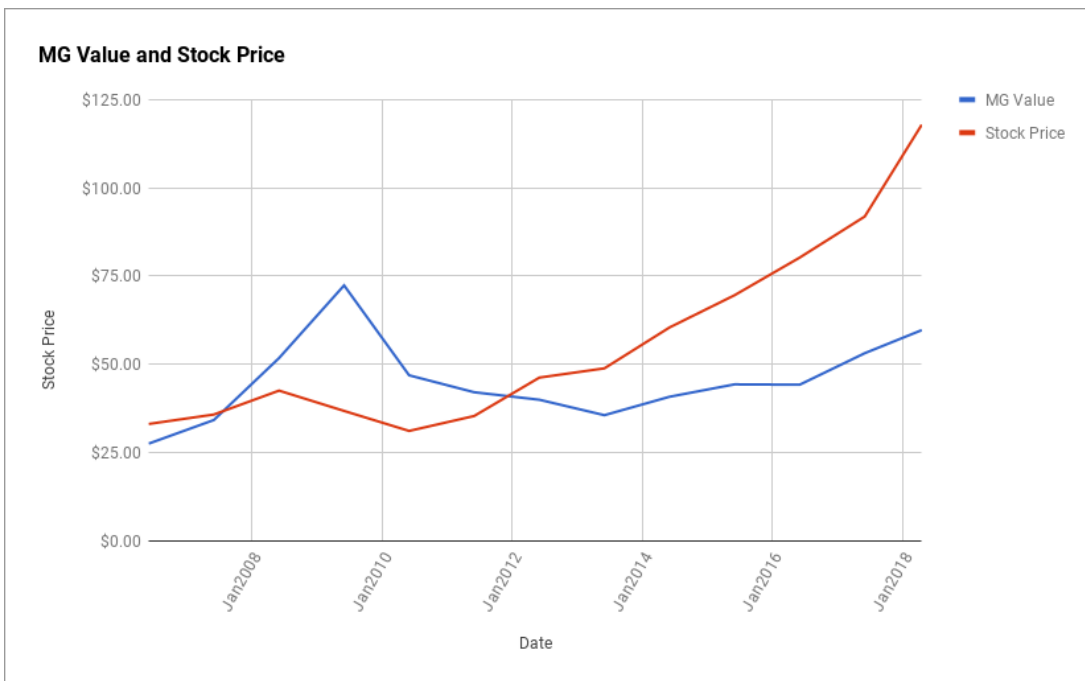
## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$2.85
Graham Number	\$28.47
PEmg	32.42
Current Ratio	1.06
PB Ratio	13.31
Current Dividend	\$2.24
Dividend Yield	1.90%
Number of Consecutive Years of Dividend Growth	20

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$4.03	Next Fiscal Year Estimate	\$3.64
Jun2017	\$3.85	Jun2017	\$3.37
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	<b>Balance Sheet Information 12/1/2017</b>	
Jun2000	\$1.31	Total Current Assets	\$39,350,000,000
Jun1999	\$1.10	Total Current Liabilities	\$37,250,900,000
Jun1998	\$0.98	Long-Term Debt	\$2,002,400,000
		Total Assets	\$44,545,500,000
		Intangible Assets	\$2,997,000,000
		Total Liabilities	\$40,614,300,000
		Shares Outstanding (Diluted Average)	443,700,000





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**

- [Automatic Data Processing Valuation – November 2016 \\$ADP](#)
- [Automatic Data Processing Valuation – May 2016 \\$ADP](#)
- [Automatic Data Processing Analysis – September 2015 Update \\$ADP](#)
- [Automatic Data Processing Analysis – June 2015 Update \\$ADP](#)
- [24 Companies in the Spotlight This Week – 3/28/15](#)

**Other ModernGraham posts about related companies**

- [Fiserv Inc Valuation – April 2018 \\$FISV](#)
- [Iron Mountain Inc Valuation – April 2018 \\$IRM](#)
- [Cintas Corp Valuation – April 2018 \\$CTAS](#)
- [Xerox Corp Valuation – March 2018 \\$XRX](#)
- [Avery Dennison Corp Valuation – March 2018 \\$AVY](#)
- [Ecolab Inc Valuation – March 2018 \\$ECL](#)
- [Paychex Inc Valuation – March 2018 \\$PAYX](#)
- [United Rentals Inc Valuation – September 2017 \\$URI](#)
- [Exponent Inc Valuation – Initial Coverage \\$EXPO](#)
- [ExlService Holdings Inc Valuation – Initial Coverage \\$EXLS](#)