

ModernGraham Valuation

Microchip Technology
Inc.



Company Name:

Company Ticker MCHP

Date of Analysis

4/4/2018

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	\$20,800,736,707	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.98	Pass
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	-16.02%	Fail
6. Moderate PEmg Ratio	PEmg < 20	64.94	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	6.63	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	2.98	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.03	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		Fail

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.39
MG Growth Estimate	-0.79%
MG Value	\$9.61
MG Value based on 3% Growth	\$20.14
MG Value based on 0% Growth	\$11.80
Market Implied Growth Rate	28.22%

MG Opinion

Current Price	\$90.18
% of Intrinsic Value	938.78%
Opinion	Overvalued
MG Grade	F

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$11.47
Graham Number	\$23.23
PEmg	64.94
Current Ratio	2.98
PB Ratio	6.63
Current Dividend	\$1.44
Dividend Yield	1.60%
Number of Consecutive Years of Dividend Growth	15

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$1.68	Next Fiscal Year Estimate	\$1.39
Mar2017	\$0.71	Mar2017	\$1.25
Mar2016	\$1.49	Mar2016	\$1.49
Mar2015	\$1.65	Mar2015	\$1.52
Mar2014	\$1.82	Mar2014	\$1.47
Mar2013	\$0.62	Mar2013	\$1.32
Mar2012	\$1.65	Mar2012	\$1.62
Mar2011	\$2.15	Mar2011	\$1.58
Mar2010	\$1.16	Mar2010	\$1.31
Mar2009	\$1.31	Mar2009	\$1.35
Mar2008	\$1.40	Mar2008	\$1.30
Mar2007	\$1.62	Mar2007	\$1.16
Mar2006	\$1.13	Mar2006	\$0.86
Mar2005	\$1.01	Mar2005	\$0.70
Mar2004	\$0.65	Mar2004	\$0.55
Mar2003	\$0.42	Mar2003	\$0.49
Mar2002	\$0.45	Mar2002	\$0.51
Mar2001	\$0.70	Balance Sheet Information 12/1/2017	
Mar2000	\$0.59	Total Current Assets	\$2,253,441,000
Mar1999	\$0.24	Total Current Liabilities	\$756,832,000
Mar1998	\$0.31	Long-Term Debt	\$3,039,600,000
		Total Assets	\$8,123,793,000
		Intangible Assets	\$4,083,577,000
		Total Liabilities	\$4,938,718,000
		Shares Outstanding (Diluted Average)	234,106,000





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

- [Microchip Technology Inc Valuation – January 2016 Update \\$MCHP](#)
- [Microchip Technology Inc. Analysis – September 2015 Update \\$MCHP](#)
- [Microchip Technology Stock Valuation – May 2015 Quarterly Update \\$MCHP](#)
- [34 Companies in the Spotlight This Week – 2/7/15](#)
- [Microchip Technology Inc. Quarterly Valuation – January 2015 \\$MCHP](#)

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- [TE Connectivity Ltd Valuation – March 2018 \\$TEL](#)
- [Juniper Networks Inc Valuation – March 2018 \\$JNPR](#)
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- [HP Inc Valuation – February 2018 \\$HPQ](#)
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- [Apple Inc Valuation – February 2018 \\$AAPL](#)
- [Lam Research Corp Valuation – September 2017 \\$LRCX](#)
- [Vicor Corp Valuation – Initial Coverage \\$VICR](#)
- [Emerson Electric Co Valuation – August 2017 \\$EMR](#)