ModernGraham Valuation

Company Name:

Cadence Design Systems Inc

Company Ticker CDNS

Date of Analysis 1/31/2019

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	$13,545,636,946	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.64	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	1535.29%	Pass
6. Moderate PEmg Ratio	PEmg < 20	51.77	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	10.75	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	1.64	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.99	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		

Suitability

Defensive	**No**
Enterprising	**Yes**

Stage 2: Determination of Intrinsic Value

EPSmg	$0.93
MG Growth Estimate	4.74%
MG Value	**$16.67**
MG Value based on 3% Growth	$13.45
MG Value based on 0% Growth	$7.88
Market Implied Growth Rate	21.64%

MG Opinion

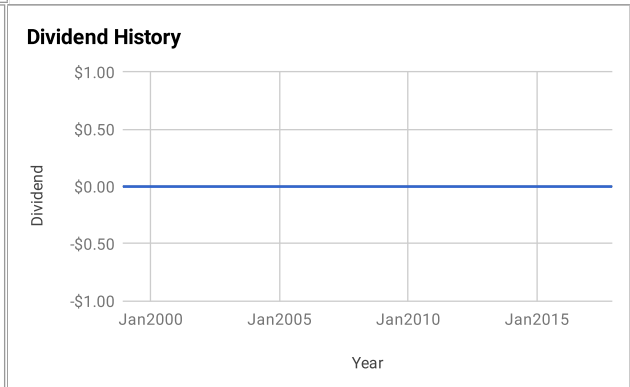|	
Current Price	$48.01
% of Intrinsic Value	287.95%
Opinion	**Overvalued**
MG Grade	**C-**

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$0.45
Graham Number	$10.32
PEmg	51.77
Current Ratio	1.64
PB Ratio	10.75
Current Dividend	$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

EPS History		EPSmg History	
Next Fiscal Year Estimate	$1.35	Next Fiscal Year Estimate	$0.93
Dec2017	$0.73	Dec2017	$0.70
Dec2016	$0.70	Dec2016	$0.73
Dec2015	$0.81	Dec2015	$0.75
Dec2014	$0.52	Dec2014	$0.70
Dec2013	$0.56	Dec2013	$0.68
Dec2012	$1.57	Dec2012	$0.13
Dec2011	$0.27	Dec2011	-$0.80
Dec2010	$0.48	Dec2010	-$1.29
Dec2009	-$0.58	Dec2009	-$1.87
Dec2008	-$7.30	Dec2008	-$2.03
Dec2007	$1.01	Dec2007	$0.52
Dec2006	$0.46	Dec2006	$0.25
Dec2005	$0.16	Dec2005	$0.17
Dec2004	$0.25	Dec2004	$0.20
Dec2003	-$0.07	Dec2003	$0.17
Dec2002	$0.23	Dec2002	$0.26
Dec2001	$0.55	**Balance Sheet Information**	**9/1/2018**
Dec2000	$0.19	Total Current Assets	$888,381,000
Dec1999	-$0.06	Total Current Liabilities	$541,321,000
Dec1998	$0.10	Long-Term Debt	$345,113,000
		Total Assets	$2,273,207,000
		Intangible Assets	$899,726,000
		Total Liabilities	$1,015,790,000
		Shares Outstanding (Diluted Average)	281,646,000

MG Value and Stock Price

EPSmg

Price and PEmg

Graham Number and Stock Price

Dividend History
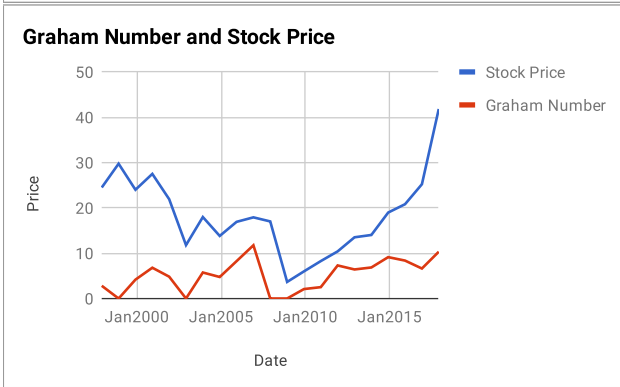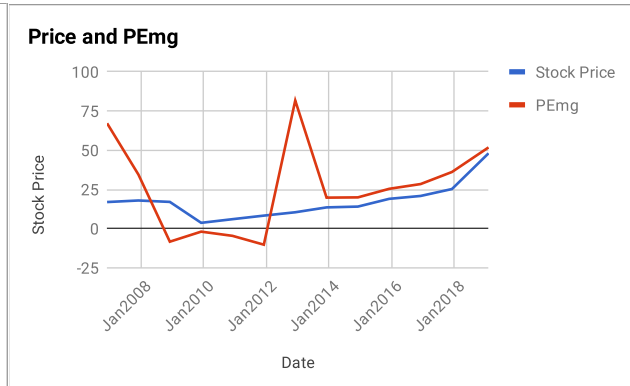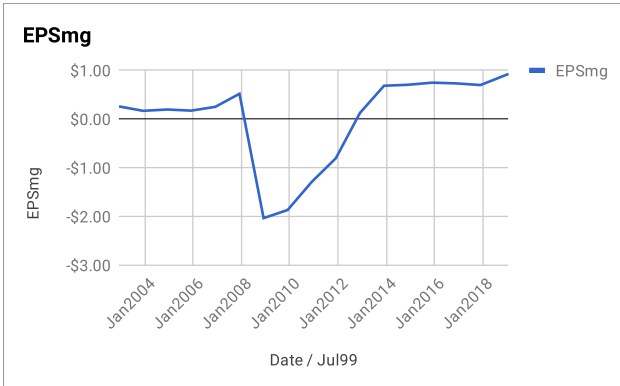
Disclaimer:

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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Other ModernGraham posts about related companies	Red Hat Inc Valuation – January 2019 $RHT
	Alphabet Inc Valuation – January 2019 $GOOG $GOOGL
	Ansys Inc Valuation – January 2019 $ANSS
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	Microsoft Corporation Valuation – November 2018 $MSFT
	Cisco Systems Inc Valuation – November 2018 $CSCO
	Kinaxis Inc Valuation – August 2018 $TSE:KXS
	CSG Systems International Inc Valuation – August 2018 $CSGS
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