

ModernGraham Valuation

Company Name:

Red Hat Inc

Company Ticker

RHT

Date of Analysis

1/17/2019



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	\$31,088,549,663	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.26	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 beginning and end	203.43%	Pass
5. Earnings Growth	PEmg < 20	103.54	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	22.97	Fail
7. Moderate Price to Assets			

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	1.26	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.53	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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.70
MG Growth Estimate	14.77%
MG Value	\$64.55
MG Value based on 3% Growth	\$24.61
MG Value based on 0% Growth	\$14.43
Market Implied Growth Rate	47.52%

MG Opinion

Current Price	\$175.75
% of Intrinsic Value	272.25%
Opinion	Overvalued
MG Grade	F

Stage 3: Information for Further Research

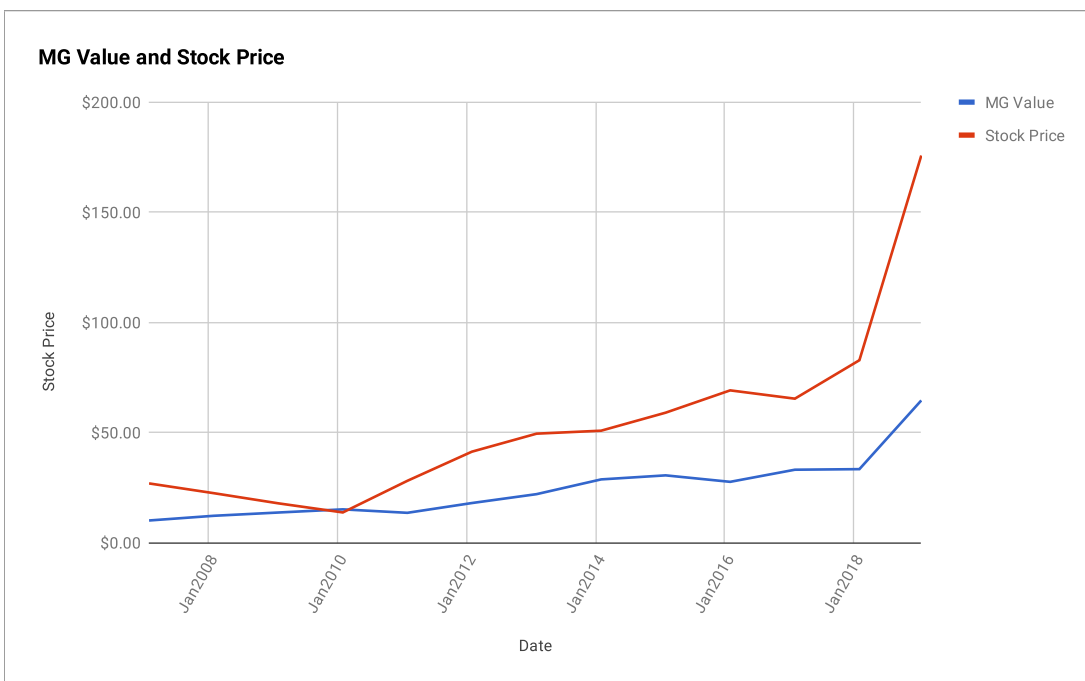
Net Current Asset Value (NCAV)	-\$3.81
Graham Number	\$21.70
PEmg	103.54
Current Ratio	1.26
PB Ratio	22.97
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

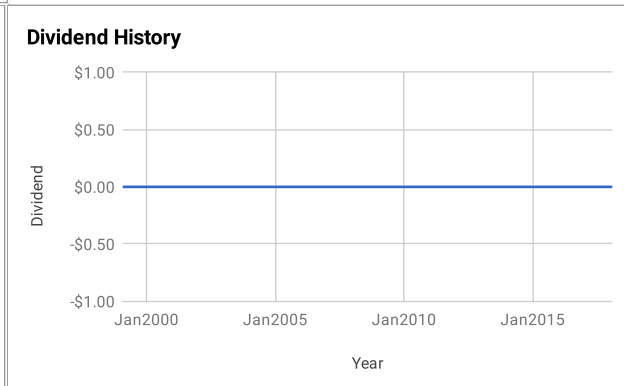
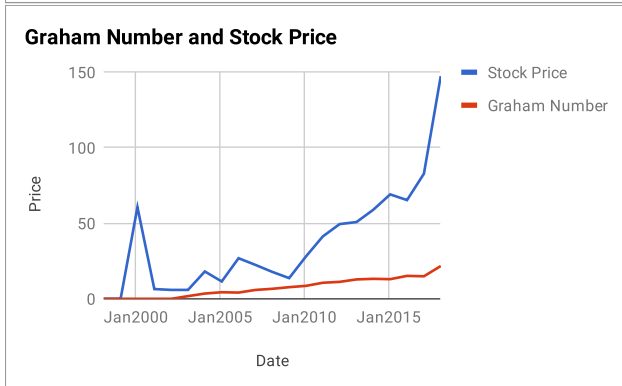
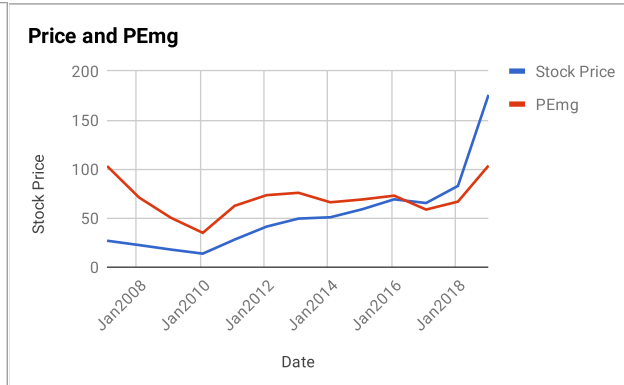
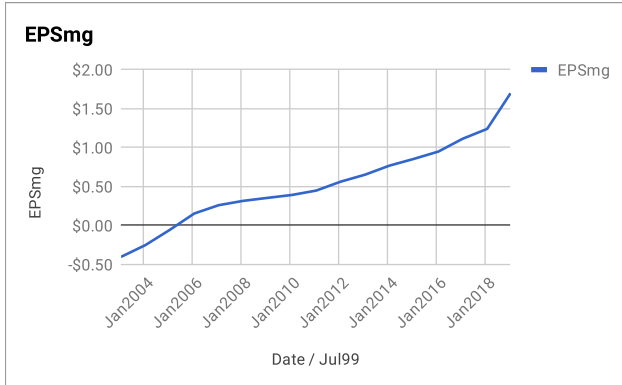
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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Feb2018	\$2.52	Feb2018	\$1.70
Feb2017	\$1.40	Feb2017	\$1.24
Feb2016	\$1.39	Feb2016	\$1.11
Feb2015	\$1.07	Feb2015	\$0.95
Feb2014	\$0.95	Feb2014	\$0.86
Feb2013	\$0.93	Feb2013	\$0.77
Feb2012	\$0.77	Feb2012	\$0.65
Feb2011	\$0.75	Feb2011	\$0.56
Feb2010	\$0.55	Feb2010	\$0.45
Feb2009	\$0.45	Feb2009	\$0.39
Feb2008	\$0.39	Feb2008	\$0.35
Feb2007	\$0.36	Feb2007	\$0.32
Feb2006	\$0.29	Feb2006	\$0.26
Feb2005	\$0.41	Feb2005	\$0.15
Feb2004	\$0.24	Feb2005	-\$0.06
Feb2003	\$0.07	Feb2004	-\$0.25
Feb2002	-\$0.04	Feb2003	-\$0.40
Feb2001	-\$0.83	Balance Sheet Information 11/1/2018	
Feb2000	-\$0.53	Total Current Assets	\$2,970,491,000
Feb1999	-\$0.41	Total Current Liabilities	\$2,363,585,000
	-\$0.11	Long-Term Debt	\$324,153,000
		Total Assets	\$5,103,014,000
		Intangible Assets	\$1,489,116,000
		Total Liabilities	\$3,679,383,000
		Shares Outstanding (Diluted Average)	186,062,000





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.

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