

ModernGraham Valuation

Company Name:

Company Ticker VAR

Date of Analysis

1/18/2019

Varian Medical
Systems, Inc.



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	\$11,581,601,683	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.63	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	-13.86%	Fail
5. Earnings Growth	PEmg < 20	38.80	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	7.40	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	1.63	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.00	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		Fail

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.29
MG Growth Estimate	-2.38%
MG Value	\$12.28
MG Value based on 3% Growth	\$47.65
MG Value based on 0% Growth	\$27.93
Market Implied Growth Rate	15.15%

MG Opinion

Current Price	\$127.50
% of Intrinsic Value	1037.99%
Opinion	Overvalued
MG Grade	D

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$5.69
Graham Number	\$42.64
PEmg	38.80
Current Ratio	1.63
PB Ratio	7.40
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	\$4.67	Next Fiscal Year Estimate	\$3.29
Sep2018	\$1.62	Sep2018	\$2.80
Sep2017	\$2.35	Sep2017	\$3.49
Sep2016	\$4.16	Sep2016	\$4.02
Sep2015	\$4.09	Sep2015	\$3.91
Sep2014	\$3.83	Sep2014	\$3.73
Sep2013	\$3.98	Sep2013	\$3.56
Sep2012	\$3.76	Sep2012	\$3.22
Sep2011	\$3.36	Sep2011	\$2.82
Sep2010	\$2.91	Sep2010	\$2.45
Sep2009	\$2.55	Sep2009	\$2.14
Sep2008	\$2.19	Sep2008	\$1.86
Sep2007	\$1.83	Sep2007	\$1.61
Sep2006	\$1.81	Sep2006	\$1.41
Sep2005	\$1.50	Sep2005	\$1.11
Sep2004	\$1.18	Sep2004	\$0.85
Sep2003	\$0.92	Sep2003	\$0.60
Sep2002	\$0.67	Balance Sheet Information 9/1/2018	
Sep2001	\$0.40	Total Current Assets	\$2,188,400,000
Sep2000	\$0.41	Total Current Liabilities	\$1,339,700,000
Sep1999	-\$0.20	Long-Term Debt	\$0
		Total Assets	\$3,252,700,000
		Intangible Assets	\$394,700,000
		Total Liabilities	\$1,664,000,000
		Shares Outstanding (Diluted Average)	92,200,000





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

- [Varian Medical Systems Inc Valuation – March 2018 \\$VAR](#)
- [Varian Medical Systems Inc Valuation – July 2016 \\$VAR](#)
- [Varian Medical Systems Inc. Valuation – November 2015 Update \\$VAR](#)
- [The Best Companies of the Medical Industry – September 2015](#)
- [The 20 Best Stocks For Value Investors This Week – 8/15/15](#)

Other ModernGraham posts about related companies

- [Zimmer Biomet Holdings Inc Valuation – January 2019 \\$ZBH](#)
- [Henry Schein Inc Valuation – January 2019 \\$HSIC](#)
- [Medtronic PLC Valuation – January 2019 \\$MDT](#)
- [UnitedHealth Group Inc Valuation – November 2018 \\$UNH](#)
- [Luminex Corp Valuation – October 2018 \\$LMNX](#)
- [LHC Group Inc Valuation – September 2018 \\$LHCG](#)
- [Chartwell Retirement Residences Valuation – August 2018 \\$TSE:CSH.UN](#)
- [STERIS PLC Valuation – August 2018 \\$STE](#)
- [CryoLife Inc Valuation – August 2018 \\$CRY](#)
- [Charles River Laboratories International Inc Valuation – August 2018 \\$CRL](#)