ModernGraham Valuation

Company Name: D.R. Horton, Inc.

Company Ticker DHI

Date of Analysis 10/7/2015

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	$11,113,383,210	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	6.33	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	-162.89%	Fail
6. Moderate PEmg Ratio	PEmg < 20	20.01	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.99	Pass

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	6.33	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.51	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		Pass

Suitability

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

Stage 2: Determination of Intrinsic Value

EPSmg	$1.51
MG Growth Estimate	15.00%
MG Value	**$58.29**
MG Value based on 3% Growth	$21.95
MG Value based on 0% Growth	$12.87
Market Implied Growth Rate	5.76%

MG Opinion

Current Price	$30.30
% of Intrinsic Value	51.98%
Opinion	**Undervalued**

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	$9.98
Graham Number	$21.91
PEmg	20.01
Current Ratio	6.33
PB Ratio	1.99
Dividend Yield	0.83%
Number of Consecutive Years of Dividend Growth	2

Useful Links:

ModernGraham tagged articles | Morningstar

Google Finance | MSN Money

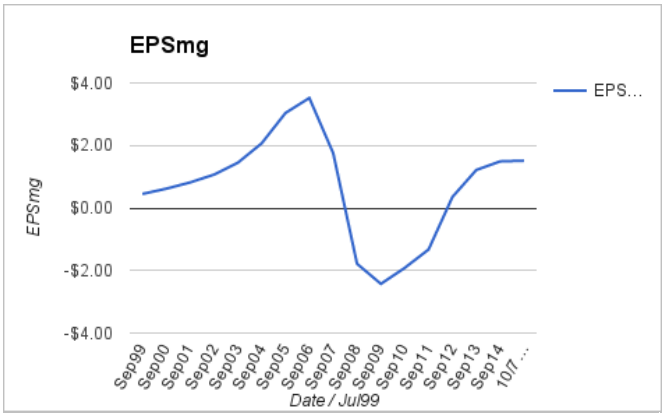
Yahoo Finance | Seeking Alpha

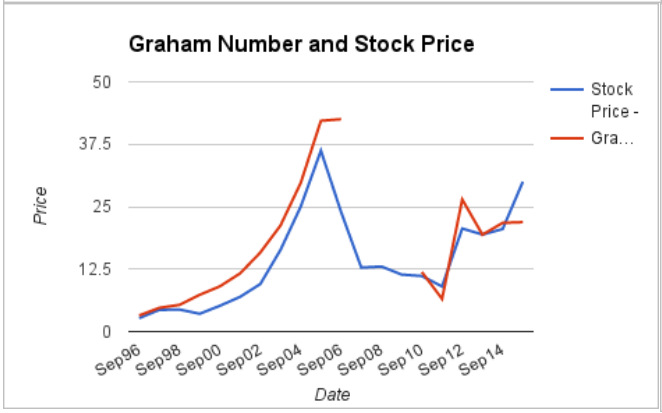
GuruFocus | SEC Filings

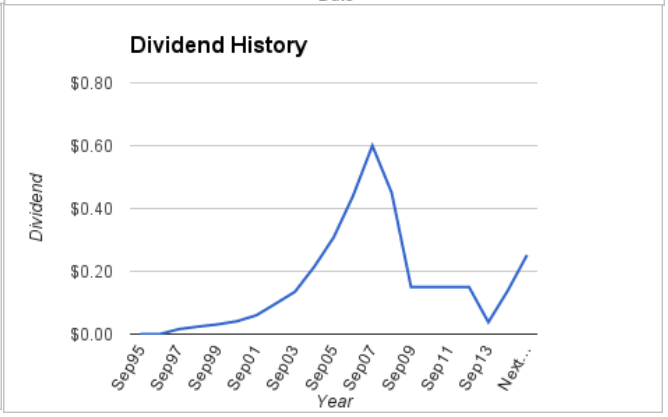
EPS History	
Next Fiscal Year Estimate	$1.39
Sep14	$1.50
Sep13	$1.33
Sep12	$2.77
Sep11	$0.23
Sep10	$0.77
Sep09	-$1.73
Sep08	-$8.34
Sep07	-$2.27
Sep06	$3.90
Sep05	$4.62
Sep04	$3.09
Sep03	$2.05
Sep02	$1.44
Sep01	$1.11
Sep00	$0.84
Sep99	$0.69
Sep98	$0.47
Sep97	$0.32
Sep96	$0.24
Sep95	$0.00

EPSmg History	
Next Fiscal Year Estimate	$1.51
Sep14	$1.49
Sep13	$1.22
Sep12	$0.35
Sep11	-$1.33
Sep10	-$1.92
Sep09	-$2.43
Sep08	-$1.78
Sep07	$1.76
Sep06	$3.52
Sep05	$3.04
Sep04	$2.07
Sep03	$1.45
Sep02	$1.07
Sep01	$0.82
Sep00	$0.62
Sep99	$0.45

Balance Sheet Information	Jun15
Total Current Assets	$8,928,500,000
Total Current Liabilities	$1,411,400,000
Long-Term Debt	$3,821,100,000
Total Assets	$10,863,500,000
Intangible Assets	$97,000,000
Total Liabilities	$5,233,900,000
Shares Outstanding (Diluted Average)	370,300,000







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

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http://www.moderngraham.com/2015/07/25/the-20-best-stocks-for-value-investors-this-week-72515/

http://www.moderngraham.com/2015/07/18/d-r-horton-inc-analysis-july-2015-update-dhi/

http://www.moderngraham.com/2015/06/25/the-best-companies-of-the-construction-industry-june-2015/

http://www.moderngraham.com/2015/04/20/d-r-horton-inc-quarterly-valuation-april-2015-dhi/

Other ModernGraham posts about related companies

The Best Companies of the Construction Industry – October 2015

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Alexander & Baldwin Inc Analysis – Initial Coverage $ALEX

Lennar Corporation Analysis – August 2015 Update $LEN

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Quanta Services Inc. Analysis – July 2015 Update $PWR

Fluor Corporation Analysis – July 2015 Update $FLR