

# ModernGraham Valuation

Company Name:

Western Digital Corp

Company Ticker WDC

Date of Analysis

10/20/2015



## 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  | \$20,268,294,404 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2  | 2.63             | Pass |
| 3. Earnings Stability                      | Positive EPS for 10 years prior  |                  | Pass |
| 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 | 124.82%          | Pass |
| 6. Moderate PEmg Ratio                     | PEmg < 20  | 12.47            | Pass |
| 7. Moderate Price to Assets                | PB Ratio < 2.5 OR PB*PEmg < 50   | 1.89             | 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            | 2.63 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1              | 0.41 | 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

|                     |            |
|---------------------|------------|
| <b>Defensive</b>    | <b>Yes</b> |
| <b>Enterprising</b> | <b>Yes</b> |

## Stage 2: Determination of Intrinsic Value

|                             |                |
|-----------------------------|----------------|
| EPSmg                       | \$5.98         |
| MG Growth Estimate          | 3.93%          |
| <b>MG Value</b>             | <b>\$97.74</b> |
| MG Value based on 3% Growth | \$86.66        |
| MG Value based on 0% Growth | \$50.80        |
| Market Implied Growth Rate  | 1.98%          |

### MG Opinion

|                      |                      |
|----------------------|----------------------|
| Current Price        | \$74.50              |
| % of Intrinsic Value | 76.22%               |
| <b>Opinion</b>       | <b>Fairly Valued</b> |

## Stage 3: Information for Further Research

|  |         |
|--|---------|
| Net Current Asset Value (NCAV)                 | \$10.92 |
| Graham Number                                  | \$73.84 |
| PEmg   | 12.47   |
| Current Ratio                                  | 2.63    |
| PB Ratio                                       | 1.89    |
| Dividend Yield                                 | 2.42%   |
| Number of Consecutive Years of Dividend Growth | 4       |

### Useful Links:

|  |                               |
|--|-------------------------------|
| <a href="#">ModernGraham tagged articles</a> | <a href="#">Morningstar</a>   |
| <a href="#">Google Finance</a>               | <a href="#">MSN Money</a>     |
| <a href="#">Yahoo Finance</a>                | <a href="#">Seeking Alpha</a> |
| <a href="#">GuruFocus</a>                    | <a href="#">SEC Filings</a>   |

| EPS History               |         | EPSmg History                          |                  |
|---------------------------|---------|--|------------------|
| Next Fiscal Year Estimate | \$6.07  | Next Fiscal Year Estimate              | \$5.98           |
| Jun15                     | \$6.18  | Jun15                                  | \$5.72           |
| Jun14                     | \$6.68  | Jun14                                  | \$5.41           |
| Jun13                     | \$3.98  | Jun13                                  | \$4.63           |
| Jun12                     | \$6.58  | Jun12                                  | \$4.74           |
| Jun11                     | \$3.09  | Jun11                                  | \$3.71           |
| Jun10                     | \$5.93  | Jun10                                  | \$3.75           |
| Jun09                     | \$2.08  | Jun09                                  | \$2.51           |
| Jun08                     | \$3.84  | Jun08                                  | \$2.46           |
| Jun07                     | \$2.50  | Jun07                                  | \$1.63           |
| Jun06                     | \$1.76  | Jun06                                  | \$1.10           |
| Jun05                     | \$0.90  | Jun05                                  | \$0.68           |
| Jun04                     | \$0.69  | Jun04                                  | \$0.31           |
| Jun03                     | \$0.87  | Jun03                                  | -\$0.41          |
| Jun02                     | \$0.34  | Jun02                                  | -\$1.46          |
| Jun01                     | -\$0.31 | Jun01                                  | -\$2.17          |
| Jun00                     | -\$2.69 | Jun00                                  | -\$2.58          |
| Jun99                     | -\$5.51 | <b>Balance Sheet Information Jun15</b> |                  |
| Jun98                     | -\$3.32 | Total Current Assets                   | \$8,517,000,000  |
| Jun97                     | \$2.86  | Total Current Liabilities              | \$3,242,000,000  |
| Jun96                     | \$1.01  | Long-Term Debt                         | \$2,156,000,000  |
|                           |         | Total Assets                           | \$15,181,000,000 |
|                           |         | Intangible Assets                      | \$3,098,000,000  |
|                           |         | Total Liabilities                      | \$5,962,000,000  |
|                           |         | Shares Outstanding (Diluted Average)   | 234,000,000      |





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**

- [The Best Stocks of the IT Hardware Industry – September 2015](#)
- [The 20 Best Stocks For Value Investors This Week – 7/25/15](#)
- [Western Digital Corporation Analysis – July 2015 Update \\$WDC](#)
- [The Best Value Stocks of the IT Hardware Industry – May 2015](#)
- [27 Companies in the Spotlight This Week – 4/4/15](#)

**Other ModernGraham posts about related companies**

- [MTS Systems Corporation Valuation – October 2015 Update \\$MTSC](#)
- [Linear Technology Corp Valuation – October 2015 Update \\$LLTC](#)
- [Altera Corporation Analysis – October 2015 Update \\$ALTR](#)
- [Lam Research Corporation Analysis – October 2015 Update \\$LRCX](#)
- [Amphenol Corporation Analysis – October 2015 Update \\$APH](#)
- [NetApp Inc. Analysis – September 2015 Update \\$NTAP](#)
- [EMC Corporation Analysis – September 2015 Update \\$EMC](#)
- [Analog Devices Inc. Analysis – September 2015 Update \\$ADI](#)
- [Garmin Limited Analysis – September 2015 Update \\$GRMN](#)
- [Texas Instruments Inc Analysis – September 2015 Update \\$TXN](#)