

# ModernGraham Valuation



**Company Name:**

General Dynamics Corporation

Company Ticker GD

Date of Analysis

1/7/2016

## 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	\$42,759,500,036	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.16	Fail
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	45.35%	Pass
6. Moderate PEmg Ratio	PEmg < 20	19.79	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.92	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	1.16	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.38	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Fail
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$6.61
MG Growth Estimate	0.25%
<b>MG Value</b>	<b>\$59.45</b>
MG Value based on 3% Growth	\$95.83
MG Value based on 0% Growth	\$56.17
Market Implied Growth Rate	5.65%

### MG Opinion

Current Price	\$130.80
% of Intrinsic Value	220.03%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

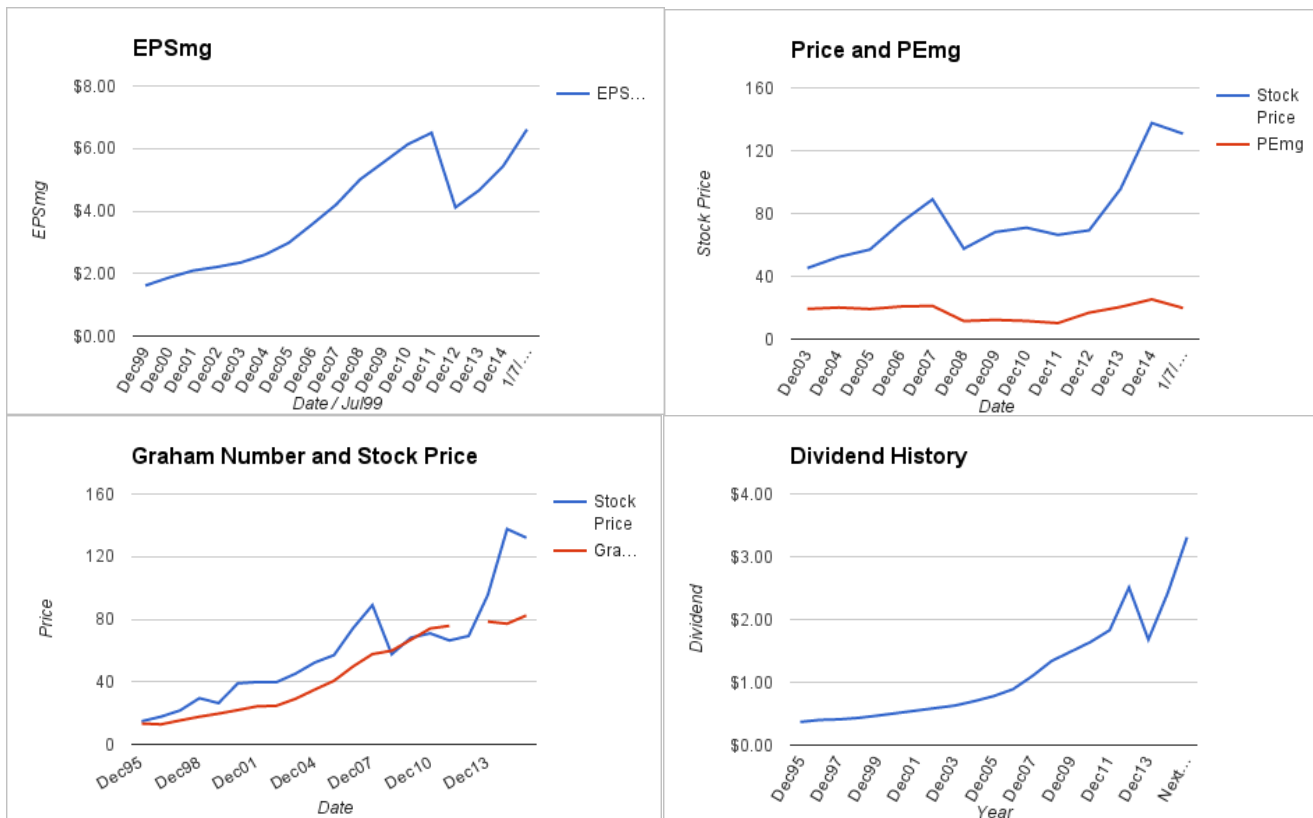
Net Current Asset Value (NCAV)	-\$21.61
Graham Number	\$82.41
PEmg	19.79
Current Ratio	1.16
PB Ratio	3.92
Dividend Yield	2.53%
Number of Consecutive Years of Dividend Growth	2

### 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	\$8.89	Next Fiscal Year Estimate	\$6.61
Dec14	\$7.42	Dec14	\$5.43
Dec13	\$6.67	Dec13	\$4.67
Dec12	-\$0.94	Dec12	\$4.11
Dec11	\$6.87	Dec11	\$6.50
Dec10	\$6.81	Dec10	\$6.13
Dec09	\$6.17	Dec09	\$5.57
Dec08	\$6.17	Dec08	\$5.01
Dec07	\$5.08	Dec07	\$4.21
Dec06	\$4.56	Dec06	\$3.58
Dec05	\$3.61	Dec05	\$2.98
Dec04	\$3.05	Dec04	\$2.60
Dec03	\$2.52	Dec03	\$2.35
Dec02	\$2.26	Dec02	\$2.21
Dec01	\$2.33	Dec01	\$2.09
Dec00	\$2.24	Dec00	\$1.87
Dec99	\$2.18	Dec99	\$1.62
Dec98	\$1.46	<b>Balance Sheet Information</b>	<b>Sep15</b>
Dec97	\$1.37	Total Current Assets	\$15,288,000,000
Dec96	\$1.07	Total Current Liabilities	\$13,178,000,000
Dec95	\$1.28	Long-Term Debt	\$2,912,000,000
		Total Assets	\$32,980,000,000
		Intangible Assets	\$12,333,000,000
		Total Liabilities	\$22,246,000,000
		Shares Outstanding (Diluted Average)	321,938,000





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**

- [5 Speculative and Overvalued Companies to Avoid – December 2014](#)
- [32 Companies in the Spotlight This Week – 12/6/14](#)
- [General Dynamics Corporation Annual Valuation – 2014 \\$GD](#)
- [10 Companies in the Spotlight This Week – 11/30/2013](#)
- [ModernGraham Valuation: General Dynamics Corp. \(GD\)](#)

**Other ModernGraham posts about related companies**

- [Precision Castparts Corporation Valuation – January 2016 Update \\$PCP](#)
- [United Technologies Corp Valuation – November 2015 Update \\$UTX](#)
- [Northrop Grumman Corporation Valuation – November 2015 Update \\$NOC](#)
- [Raytheon Company Valuation – October 2015 Update \\$RTN](#)
- [Precision Castparts Corporation Analysis – October 2015 Update \\$PCP](#)
- [Raytheon Company Analysis – July 2015 Update \\$RTN](#)
- [Precision Castparts Corporation Analysis – June 2015 Update \\$PCP](#)
- [L3 Communications Holdings Inc. Quarterly Valuation – May 2015 \\$LLL](#)
- [Raytheon Corporation Quarterly Valuation – April 2015 \\$RTN](#)
- [Precision Castparts Corporation Quarterly Valuation – February 2015 \\$PCP](#)