

ModernGraham Valuation

Company Name:

W W Grainger Inc

Company Ticker GWW

Date of Analysis

1/8/2016



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	\$12,420,571,558	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.00	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Pass
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	124.09%	Pass
6. Moderate PEmg Ratio	PEmg < 20	17.92	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.42	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	2.00	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.93	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$10.94
MG Growth Estimate	8.05%
MG Value	\$269.26
MG Value based on 3% Growth	\$158.68
MG Value based on 0% Growth	\$93.02
Market Implied Growth Rate	4.71%

MG Opinion

Current Price	\$196.09
% of Intrinsic Value	72.82%
Opinion	Undervalued

Stage 3: Information for Further Research

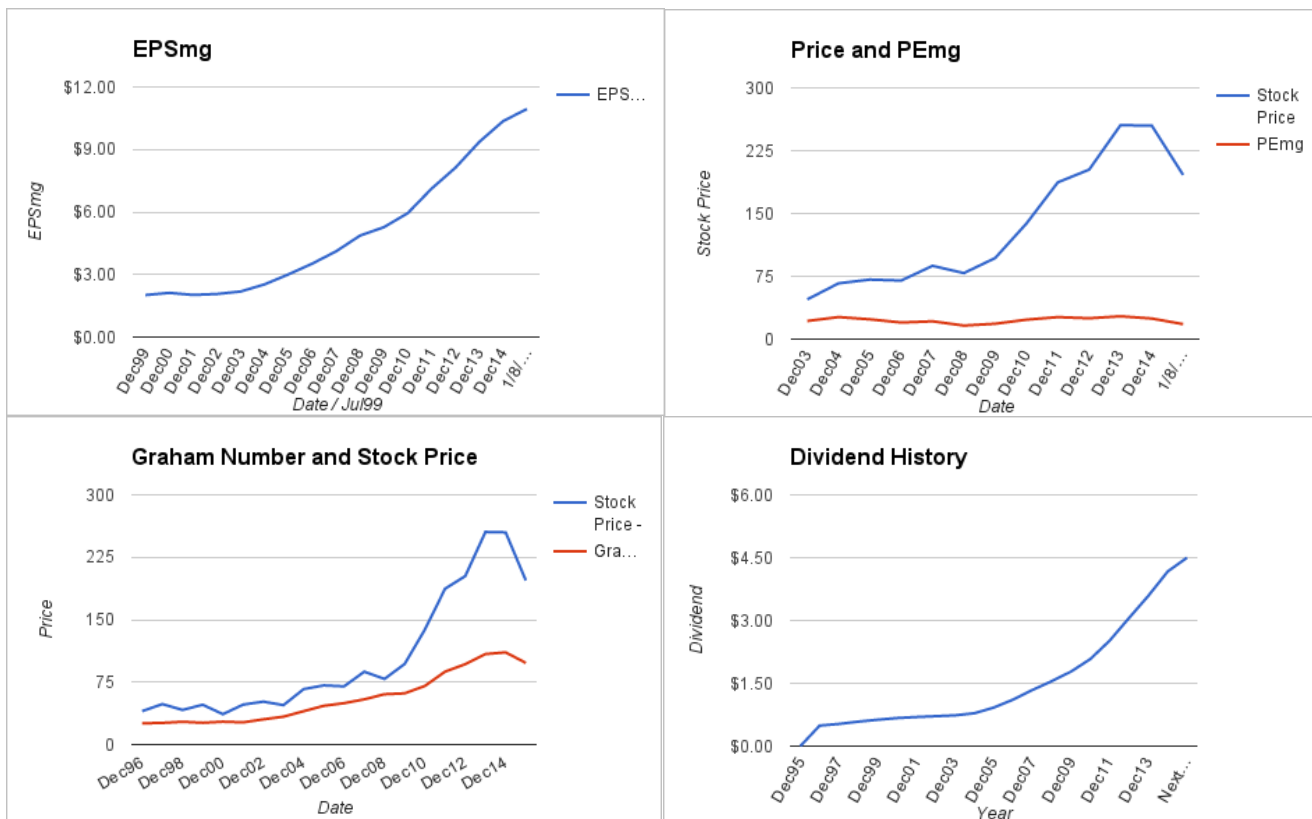
Net Current Asset Value (NCAV)	-\$5.23
Graham Number	\$98.09
PEmg	17.92
Current Ratio	2.00
PB Ratio	5.42
Dividend Yield	2.29%
Number of Consecutive Years of Dividend Growth	20

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$11.37	Next Fiscal Year Estimate	\$10.94
Dec14	\$11.45	Dec14	\$10.36
Dec13	\$11.13	Dec13	\$9.36
Dec12	\$9.52	Dec12	\$8.13
Dec11	\$9.07	Dec11	\$7.12
Dec10	\$6.93	Dec10	\$5.94
Dec09	\$5.62	Dec09	\$5.27
Dec08	\$5.97	Dec08	\$4.87
Dec07	\$4.94	Dec07	\$4.11
Dec06	\$4.24	Dec06	\$3.52
Dec05	\$3.78	Dec05	\$3.01
Dec04	\$3.13	Dec04	\$2.53
Dec03	\$2.46	Dec03	\$2.19
Dec02	\$2.24	Dec02	\$2.07
Dec01	\$1.84	Dec01	\$2.02
Dec00	\$2.05	Dec00	\$2.12
Dec99	\$1.92	Dec99	\$2.01
Dec98	\$2.44	Balance Sheet Information Sep15	
Dec97	\$2.27	Total Current Assets	\$3,104,686,000
Dec96	\$2.02	Total Current Liabilities	\$1,549,197,000
Dec95	\$0.00	Long-Term Debt	\$1,450,624,000
		Total Assets	\$5,807,153,000
		Intangible Assets	\$1,305,834,000
		Total Liabilities	\$3,445,902,000
		Shares Outstanding (Diluted Average)	65,289,000





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 Undervalued Companies for Enterprising Investors Near 52 Week Lows – November 2015](#)
- [Dividend Growth Stocks for the Intelligent Investor – November 2015](#)
- [5 Undervalued Companies for Enterprising Investors Near 52 Week Lows – October 2015](#)
- [8 Best Stocks For Value Investors This Week – 10/13/15](#)
- [Dividend Growth Stocks for the Intelligent Investor – October 2015](#)

Other ModernGraham posts about related companies

- [Deere & Company Valuation – January 2016 Update \\$DE](#)
- [Cummins Inc Valuation – December 2015 Update \\$CMI](#)
- [Dover Corp Valuation – December 2015 Update \\$DOV](#)
- [Fastenal Co Valuation – November 2015 Update \\$FAST](#)
- [Pentair PLC Valuation – November 2015 Update \\$PNR](#)
- [A.O. Smith Corp Valuation – November 2015 Update \\$AOS](#)
- [Danaher Corporation Valuation – November 2015 Update \\$DHR](#)
- [AGCO Corporation Valuation – November 2015 Update \\$AGCO](#)
- [Snap-on Inc. Valuation – November 2015 Update \\$SNA](#)
- [Joy Global Inc. Valuation – November 2015 Update \\$JOY](#)