ModernGraham Valuation

Company Name: BorgWarner Inc.

Company Ticker   BWA

Date of Analysis   2/3/2016

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	$6,684,545,586	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.14	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	322.17%	Pass
6. Moderate PEmg Ratio	PEmg < 20	10.66	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.73	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	2.14	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.98	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	$2.67
MG Growth Estimate	15.00%
MG Value	**$102.78**
MG Value based on 3% Growth	$38.71
MG Value based on 0% Growth	$22.69
Market Implied Growth Rate	1.08%

MG Opinion

Current Price	$28.46
% of Intrinsic Value	27.69%
Opinion	**Undervalued**

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$2.96
Graham Number	$32.43
PEmg	10.66
Current Ratio	2.14
PB Ratio	1.73
Dividend Yield	1.83%
Number of Consecutive Years of Dividend Growth	3

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	$2.82	Next Fiscal Year Estimate	$2.67
Dec2014	$2.86	Dec2014	$2.49
Dec2013	$2.70	Dec2013	$2.11
Dec2012	$2.09	Dec2012	$1.60
Dec2011	$2.23	Dec2011	$1.24
Dec2010	$1.54	Dec2010	$0.74
Dec2009	$0.12	Dec2009	$0.43
Dec2008	-$0.16	Dec2008	$0.66
Dec2007	$1.23	Dec2007	$1.04
Dec2006	$0.92	Dec2006	$0.85
Dec2005	$1.04	Dec2005	$0.71
Dec2004	$0.97	Dec2004	$0.49
Dec2003	$0.80	Dec2003	$0.28
Dec2002	-$0.56	Dec2002	$0.10
Dec2001	$0.31	Dec2001	$0.45
Dec2000	$0.44	Dec2000	$0.50
Dec1999	$0.63	Dec1999	$0.48
Dec1998	$0.50	**Balance Sheet Information**	**Sep2015**
Dec1997	$0.54	Total Current Assets	$3,301,000,000
Dec1996	$0.22	Total Current Liabilities	$1,539,800,000
Dec1995	$0.00	Long-Term Debt	$1,734,500,000
		Total Assets	$7,687,100,000
		Intangible Assets	$1,183,700,000
		Total Liabilities	$3,970,100,000
		Shares Outstanding (Diluted Average)	225,991,000

MG Value and Stock Price

EPSmg

Price and PEmg

Graham Number and Stock Price

Dividend History
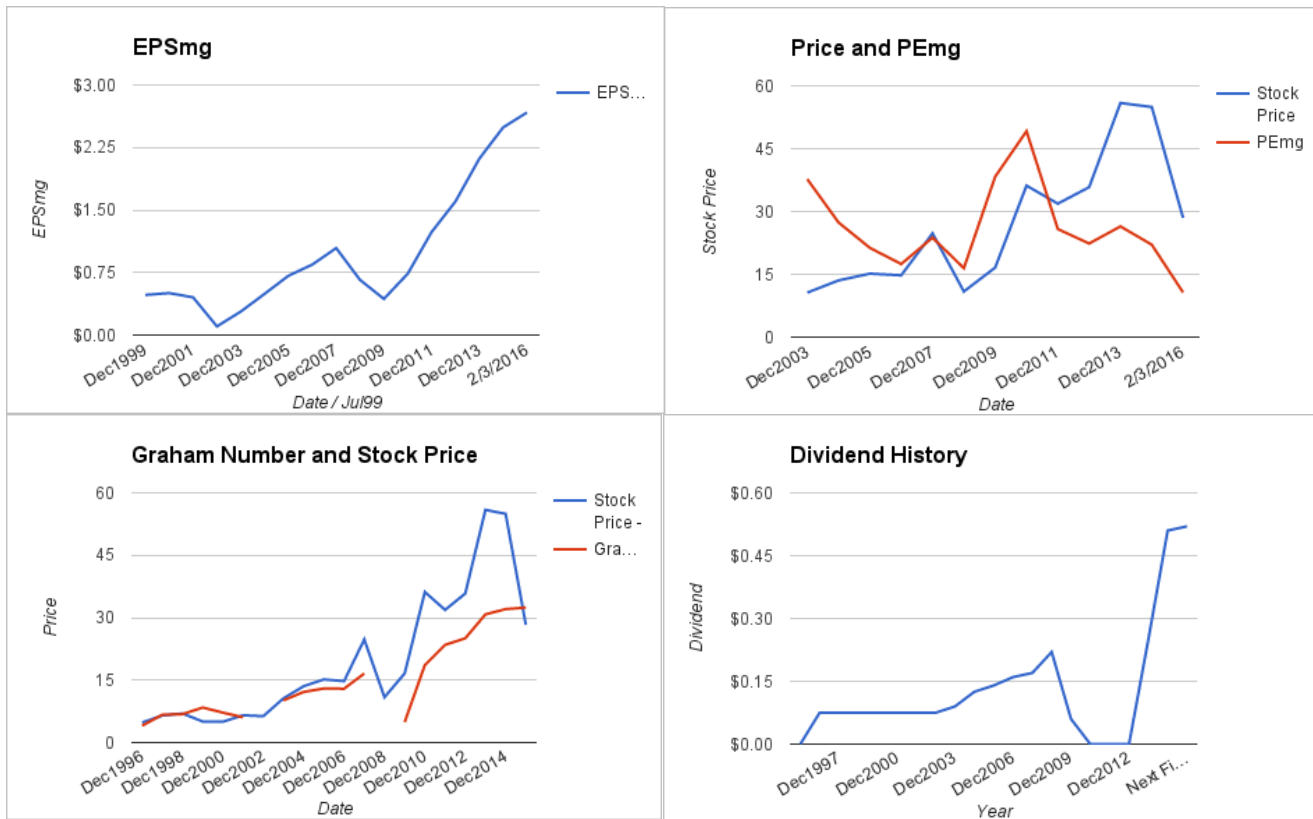
Disclaimer:

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	12 Best Stocks For Value Investors This Week – 11/7/15
	The Best Companies of the Auto Industry – October 2015
	5 Undervalued Companies for Enterprising Investors Near 52 Week Lows – August 2015
	The 16 Best Stocks For Value Investors This Week – 8/1/15
	BorgWarner Inc. Analysis – July 2015 Update $BWA
Other ModernGraham posts about related companies	Genuine Parts Co Valuation – January 2016 Update $GPC
	Ford Motor Company Valuation – January 2016 Update $F
	Harley-Davidson Inc Valuation – January 2016 Update $HOG
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	The Best Companies of the Auto Industry – October 2015
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