

ModernGraham Valuation

Company Name:

BorgWarner Inc.

Company Ticker

BWA

Date of Analysis

8/5/2016



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	\$7,098,156,466	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.34	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	622.36%	Pass
5. Earnings Growth	PEmg < 20	11.92	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	1.96	Pass
7. Moderate Price to Assets			

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	1.34	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.63	Fail
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	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.79
MG Growth Estimate	11.16%
MG Value	\$86.02
MG Value based on 3% Growth	\$40.47
MG Value based on 0% Growth	\$23.72
Market Implied Growth Rate	1.71%

MG Opinion

Current Price	\$33.26
% of Intrinsic Value	38.67%
Opinion	Undervalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$9.69
Graham Number	\$34.06
PEmg	11.92
Current Ratio	1.34
PB Ratio	1.96
Current Dividend	\$0.52
Dividend Yield	1.56%
Number of Consecutive Years of Dividend Growth	4

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.00	Next Fiscal Year Estimate	\$2.79
Dec2015	\$2.70	Dec2015	\$2.63
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	\$0.91	Dec2006	\$0.85
Dec2005	\$1.04	Dec2005	\$0.71
Dec2004	\$0.97	Dec2004	\$0.50
Dec2003	\$0.80	Dec2003	\$0.28
Dec2002	-\$0.56	Dec2002	\$0.11
Dec2001	\$0.31	Dec2001	\$0.45
Dec2000	\$0.44	Dec2000	\$0.50
Dec1999	\$0.63	Balance Sheet Information 6/1/2016	
Dec1998	\$0.50	Total Current Assets	\$3,206,900,000
Dec1997	\$0.54	Total Current Liabilities	\$2,399,800,000
Dec1996	\$0.22	Long-Term Debt	\$2,119,500,000
		Total Assets	\$8,988,600,000
		Intangible Assets	\$2,292,300,000
		Total Liabilities	\$5,306,900,000
		Shares Outstanding (Diluted Average)	216,663,000





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.

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