

# ModernGraham Valuation

Company Name:

Kansas City Southern

Company Ticker KSU

Date of Analysis

8/13/2015



## 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	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	Fail
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	Fail
5. Earnings Growth		Pass
6. Moderate PEmg Ratio	PEmg < 20	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	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	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	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

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

## Stage 2: Determination of Intrinsic Value

EPSmg	3.89
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$149.89</b>
MG Value based on 3% Growth	\$56.45
MG Value based on 0% Growth	\$33.09
Market Implied Growth Rate	8.28%

### MG Opinion

Current Price	\$97.54
% of Intrinsic Value	65.07%
<b>Opinion</b>	<b>Undervalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$32.94
PEmg	25.05
Current Ratio	0.75
PB Ratio	2.77
Dividend Yield	1.25%
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	\$4.16	Next Fiscal Year Estimate	\$3.89
Dec14	\$4.55	Dec14	\$3.56
Dec13	\$3.18	Dec13	\$2.84
Dec12	\$3.43	Dec12	\$2.48
Dec11	\$3.00	Dec11	\$1.92
Dec10	\$1.67	Dec10	\$1.37
Dec09	\$0.60	Dec09	\$1.23
Dec08	\$1.86	Dec08	\$1.42
Dec07	\$1.57	Dec07	\$1.07
Dec06	\$1.08	Dec06	\$0.78
Dec05	\$1.10	Dec05	\$0.61
Dec04	\$0.25	Dec04	\$0.79
Dec03	\$0.10	Dec03	\$1.61
Dec02	\$0.91	Dec02	\$2.69
Dec01	\$0.51	Dec01	\$3.42
Dec00	\$6.42	Dec00	\$4.43
Dec99	\$5.58	Dec99	\$3.28
Dec98	\$3.32	<b>Balance Sheet Information Jun15</b>	
Dec97	-\$0.26	Total Current Assets	\$523,500,000
Dec96	\$2.61	Total Current Liabilities	\$701,200,000
Dec95	\$3.61	Long-Term Debt	\$1,828,500,000
		Total Assets	\$8,052,300,000
		Intangible Assets	\$0
		Total Liabilities	\$4,164,200,000
		Outstanding Shares	110,515,000



**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**      [20 Companies in the Spotlight This Week – 8/16/14](#)  
[Kansas City Southern Annual Valuation – 2014 \\$KSU](#)

**Other  
ModernGraham  
posts about related  
companies**      [CSX Corporation Annual Valuation – 2014 \\$CSX](#)  
[Union Pacific Corporation Annual Valuation – 2014 \\$UNP](#)  
[Norfolk Southern Corporation Annual Stock Valuation – 2014 \\$NSC](#)  
[Kansas City Southern Annual Valuation – 2014 \\$KSU](#)  
[Norfolk Southern Corp Quarterly Valuation – June 2014 \\$NSC](#)