

ModernGraham Valuation

Company Name:

Company Ticker MJN

Date of Analysis

8/20/2015

Mead Johnson
Nutrition CO



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	Pass
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	Pass
5. Earnings Growth	PEmg < 20	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	Fail
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	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	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	3.37
MG Growth Estimate	7.16%
MG Value	\$77.03
MG Value based on 3% Growth	\$48.92
MG Value based on 0% Growth	\$28.68
Market Implied Growth Rate	7.78%

MG Opinion

Current Price	\$81.16
% of Intrinsic Value	105.36%
Opinion	Fairly Valued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$2.88
PEmg	24.05
Current Ratio	2.13
PB Ratio	21.77
Dividend Yield	1.94%
Number of Consecutive Years of Dividend Growth	7

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	\$3.60	Next Fiscal Year Estimate	\$3.37
Dec14	\$3.54	Dec14	\$3.14
Dec13	\$3.36	Dec13	\$2.83
Dec12	\$2.95	Dec12	\$2.50
Dec11	\$2.47	Dec11	\$2.28
Dec10	\$2.20	Dec10	\$2.06
Dec09	\$1.99	Dec09	\$1.78
Dec08	\$2.32	Dec08	\$1.44
Dec07	\$2.49	Dec07	\$0.83
Dec06	\$0.00	Dec06	\$0.00
Dec05	\$0.00	Dec05	\$0.00
Dec04	\$0.00	Dec04	\$0.00
Dec03	\$0.00	Dec03	\$0.00
Dec02	\$0.00	Dec02	\$0.00
Dec01	\$0.00	Dec01	\$0.00
Dec00	\$0.00	Dec00	\$0.00
Dec99	\$0.00	Dec99	\$0.00
Dec98	\$0.00	Balance Sheet Information Jun15	
Dec97	\$0.00	Total Current Assets	\$2,616,700,000
Dec96	\$0.00	Total Current Liabilities	\$1,229,700,000
Dec95	\$0.00	Long-Term Debt	\$1,506,200,000
		Total Assets	\$3,959,100,000
		Intangible Assets	\$223,200,000
		Total Liabilities	\$3,202,000,000
		Shares Outstanding (Diluted Average)	203,100,000



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:

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company

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[Mead Johnson Nutrition Company Quarterly Valuation – May 2015 \\$MJN](#)
[27 Companies in the Spotlight This Week – 2/14/15](#)
[Mead Johnson Nutrition Company Quarterly Valuation – February 2015 \\$MJN](#)
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[J.M. Smucker Company Analysis – July 2015 Update \\$SJM](#)
[Keurig Green Mountain Inc. Analysis – Initial Coverage \\$GMCR](#)
[Monster Beverage Analysis – July 2015 Update \\$MNST](#)
[Tyson Foods Analysis – July 2015 Update \\$TSN](#)
[Mondelez International Inc. Analysis – 2015 Update \\$MDLZ](#)
[Hormel Foods Corporation Analysis – June 2015 Update \\$HRL](#)
[The Best Companies of the Food Processing Industry – June 2015](#)