

# ModernGraham Valuation

McCormick &  
Company,  
Incorporated



## Company Name:

Company Ticker MKC

Date of Analysis

8/15/2015

## 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	Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	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

Defensive	No
Enterprising	No

## Stage 2: Determination of Intrinsic Value

EPSmg	3.13
MG Growth Estimate	3.87%
<b>MG Value</b>	<b>\$50.89</b>
MG Value based on 3% Growth	\$45.44
MG Value based on 0% Growth	\$26.64
Market Implied Growth Rate	9.34%

### MG Opinion

Current Price	\$85.20
% of Intrinsic Value	167.41%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$10.11
PEmg	27.19
Current Ratio	1.02
PB Ratio	6.41
Dividend Yield	1.81%
Number of Consecutive Years of Dividend Growth	20

### 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	\$3.21	Next Fiscal Year Estimate	\$3.13
Nov14	\$3.34	Nov14	\$3.05
Nov13	\$2.91	Nov13	\$2.86
Nov12	\$3.04	Nov12	\$2.74
Nov11	\$2.79	Nov11	\$2.49
Nov10	\$2.75	Nov10	\$2.24
Nov09	\$2.27	Nov09	\$1.92
Nov08	\$1.94	Nov08	\$1.72
Nov07	\$1.73	Nov07	\$1.59
Nov06	\$1.50	Nov06	\$1.50
Nov05	\$1.56	Nov05	\$1.46
Nov04	\$1.52	Nov04	\$1.36
Nov03	\$1.48	Nov03	\$1.22
Nov02	\$1.26	Nov02	\$1.04
Nov01	\$1.05	Nov01	\$0.89
Nov00	\$0.99	Nov00	\$0.77
Nov99	\$0.72	Nov99	\$0.63
Nov98	\$0.71	<b>Balance Sheet Information May15</b>	
Nov97	\$0.65	Total Current Assets	\$1,358,900,000
Nov96	\$0.26	Total Current Liabilities	\$1,338,800,000
Nov95	\$0.60	Long-Term Debt	\$807,900,000
		Total Assets	\$4,378,400,000
		Intangible Assets	\$2,084,400,000
		Total Liabilities	\$2,663,100,000
		Outstanding Shares	129,000,000



#### 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](#)  
[McCormick & Company Inc. Annual Valuation – 2014 \\$MKC](#)

Other  
ModernGraham  
posts about related  
companies

[Archer Daniels Midland Company Analysis – 2015 Update \\$ADM](#)  
[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](#)  
[Mead Johnson Nutrition Company Quarterly Valuation – May 2015 \\$MJN](#)  
[Sysco Corporation Quarterly Valuation – May 2015 \\$SYY](#)