

# ModernGraham Valuation

Company Name:

Xylem Inc

Company Ticker

XYL

Date of Analysis

8/28/2015



## 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	Pass
3. Earnings Stability	Positive EPS for 10 years prior	Fail
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	Pass
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	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

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

## Stage 2: Determination of Intrinsic Value

EPSmg	1.64
MG Growth Estimate	10.25%
<b>MG Value</b>	<b>\$47.58</b>
MG Value based on 3% Growth	\$23.79
MG Value based on 0% Growth	\$13.95
Market Implied Growth Rate	5.69%

*MG Opinion*

Current Price	\$32.63
% of Intrinsic Value	68.58%
<b>Opinion</b>	<b>Undervalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$3.20
PEmg	19.89
Current Ratio	2.46
PB Ratio	2.86
Dividend Yield	1.65%
Number of Consecutive Years of Dividend Growth	5

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<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	\$1.79	Next Fiscal Year Estimate	\$1.64
Dec14	\$1.83	Dec14	\$1.57
Dec13	\$1.22	Dec13	\$1.37
Dec12	\$1.59	Dec12	\$1.29
Dec11	\$1.50	Dec11	\$0.97
Dec10	\$1.78	Dec10	\$0.59
Dec09	\$0.00	Dec09	\$0.00
Dec08	\$0.00	Dec08	\$0.00
Dec07	\$0.00	Dec07	\$0.00
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	<b>Balance Sheet Information Jun15</b>	
Dec97	\$0.00	Total Current Assets	\$2,056,000,000
Dec96	\$0.00	Total Current Liabilities	\$837,000,000
Dec95	\$0.00	Long-Term Debt	\$1,196,000,000
		Total Assets	\$4,719,000,000
		Intangible Assets	\$2,034,000,000
		Total Liabilities	\$2,639,000,000
		Shares Outstanding (Diluted Average)	182,300,000



**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**

[Xylem Inc. Quarterly Valuation – May 2015 \\$XYL](#)

[16 Companies in the Spotlight This Week – 5/24/14](#)

[Xylem Inc. May 2014 Quarterly Valuation \\$XYL](#)

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[Fastenal Company Analysis – August 2015 Update \\$FAST](#)

[A.O. Smith Corporation Analysis – Initial Coverage \\$AOS](#)

[The Best Companies of the Machinery Industry – August 2015](#)

[Danaher Corporation Analysis – August 2015 Update \\$DHR](#)

[Pall Corporation Analysis – August 2015 Update \\$PLL](#)

[AGCO Corporation Analysis – Initial Coverage \\$AGCO](#)

[Snap-on Inc. Analysis – August 2015 Update \\$SNA](#)

[Joy Global Inc. Analysis – August 2015 Update \\$JOY](#)

[Rockwell Automation Analysis – July 2015 Update \\$ROK](#)