

ModernGraham Valuation



Company Name: Brown-Forman Corporation

Company Ticker BF.B

Date of Analysis

9/25/2015

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	\$21,669,328,300	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.85	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	71.47%	Pass
6. Moderate PEmg Ratio	PEmg < 20	50.18	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	12.22	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	2.85	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.80	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Fail
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Fail

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.99
MG Growth Estimate	-1.82%
MG Value	\$9.67
MG Value based on 3% Growth	\$28.90
MG Value based on 0% Growth	\$16.94
Market Implied Growth Rate	20.84%

MG Opinion

Current Price	\$100.00
% of Intrinsic Value	1033.83%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$1.23
Graham Number	\$0.00
PEmg	50.18
Current Ratio	2.85
PB Ratio	12.22
Dividend Yield	1.24%
Number of Consecutive Years of Dividend Growth	20

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		Next Fiscal Year Estimate	\$1.99
Apr15	\$3.21	Apr15	\$2.93
Apr14	\$3.06	Apr14	\$2.71
Apr13	\$2.75	Apr13	\$2.47
Apr12	\$2.37	Apr12	\$2.27
Apr11	\$2.60	Apr11	\$2.15
Apr10	\$2.01	Apr10	\$1.88
Apr09	\$1.91	Apr09	\$1.75
Apr08	\$1.90	Apr08	\$1.61
Apr07	\$1.67	Apr07	\$1.41
Apr06	\$1.39	Apr06	\$1.23
Apr05	\$1.34	Apr05	\$1.12
Apr04	\$1.13	Apr04	\$0.99
Apr03	\$0.97	Apr03	\$0.91
Apr02	\$0.89	Apr02	\$0.86
Apr01	\$0.91	Apr01	\$0.82
Apr00	\$0.85	Apr00	\$0.76
Apr99	\$0.78	Balance Sheet Information Jul15	
Apr98	\$0.71	Total Current Assets	\$2,371,000,000
Apr97	\$0.65	Total Current Liabilities	\$833,000,000
Apr96	\$0.62	Long-Term Debt	\$1,229,000,000
		Total Assets	\$4,334,000,000
		Intangible Assets	\$1,210,000,000
		Total Liabilities	\$2,627,000,000
		Shares Outstanding (Diluted Average)	208,638,000





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

- [Brown-Forman Corporation Analysis – June 2015 Update \\$BF.B](#)
- [18 Companies in the Spotlight This Week – 3/21/15](#)
- [Brown-Forman Corporation Quarterly Valuation – March 2015 \\$BF.B](#)
- [26 Companies in the Spotlight This Week – 12/13/14](#)
- [Brown-Forman Corporation Quarterly Valuation – December 2014 \\$BF.B](#)

Other ModernGraham posts about related companies

- [Brown-Forman Corporation Analysis – June 2015 Update \\$BF.B](#)
- [Philip Morris International Annual Valuation – 2015 \\$PM](#)
- [Brown-Forman Corporation Quarterly Valuation – March 2015 \\$BF.B](#)
- [Lorillard Inc. Quarterly Valuation – March 2015 \\$LO](#)
- [Reynolds American Inc. Annual Valuation – 2015 \\$RAI](#)
- [Altria Group Inc. Annual Valuation – 2015 \\$MO](#)
- [Brown-Forman Corporation Quarterly Valuation – December 2014 \\$BF.B](#)
- [Constellation Brands Inc. Annual Valuation – 2014 \\$STZ](#)
- [Lorillard Inc. Quarterly Valuation – December 2014 \\$LO](#)
- [Molson Coors Brewing Company Annual Valuation – 2014 \\$TAP](#)