

# ModernGraham Valuation

Company Name:

Legg Mason Inc

Company Ticker LM

Date of Analysis

9/1/2015



## 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	Pass
5. Earnings Growth		Fail
6. Moderate PEmg Ratio	PEmg < 20	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	Pass

*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	Fail
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	\$1.73
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$66.58</b>
MG Value based on 3% Growth	\$25.08
MG Value based on 0% Growth	\$14.70
Market Implied Growth Rate	8.12%

### MG Opinion

Current Price	\$42.79
% of Intrinsic Value	64.27%
<b>Opinion</b>	<b>Undervalued</b>

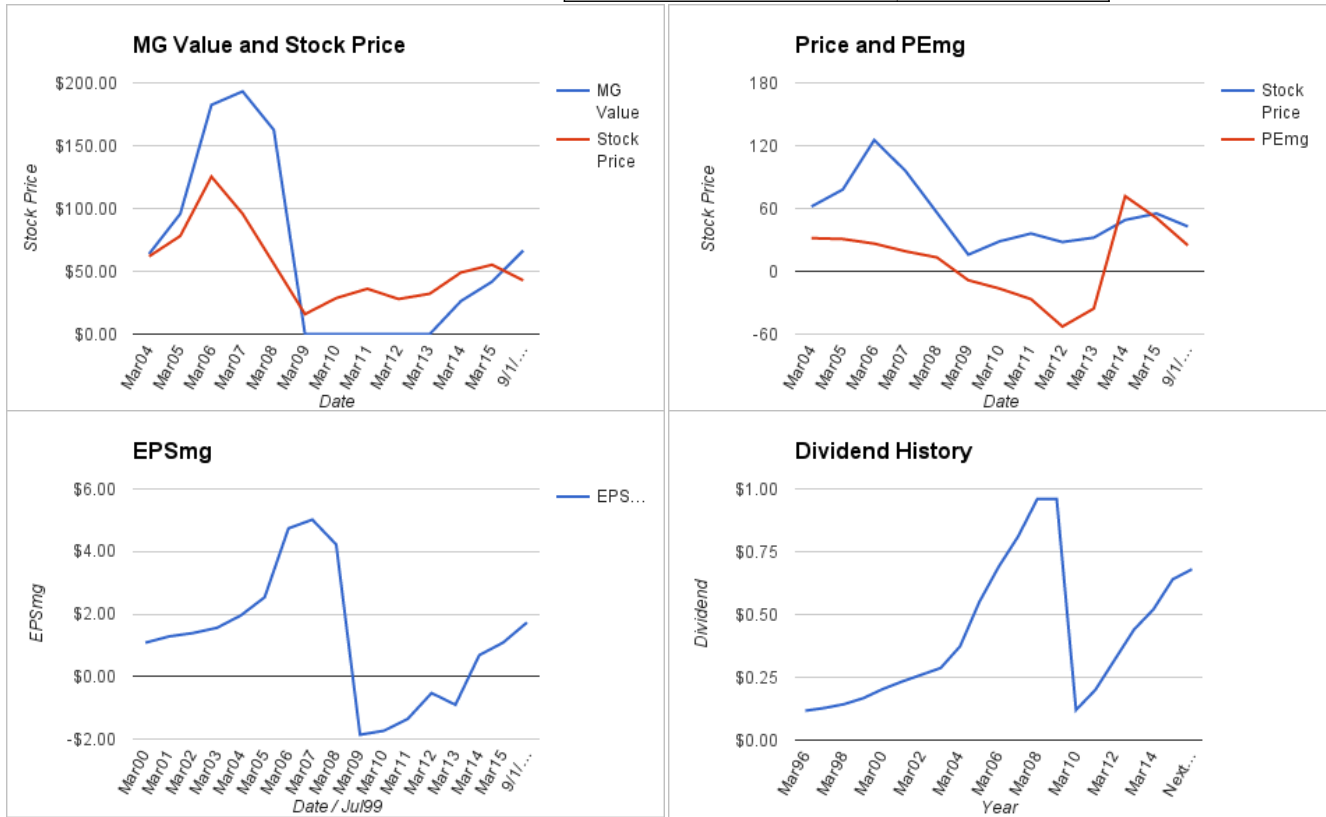
## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$5.73
Graham Number	\$51.83
PEmg	24.74
Current Ratio	3.26
PB Ratio	1.04
Dividend Yield	1.59%
Number of Consecutive Years of Dividend Growth	6

### 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	\$2.91	Next Fiscal Year Estimate	\$1.73
Mar15	\$2.04	Mar15	\$1.09
Mar14	\$2.33	Mar14	\$0.68
Mar13	-\$2.65	Mar13	-\$0.90
Mar12	\$1.54	Mar12	-\$0.53
Mar11	\$1.63	Mar11	-\$1.36
Mar10	\$1.32	Mar10	-\$1.73
Mar09	-\$13.99	Mar09	-\$1.86
Mar08	\$1.86	Mar08	\$4.22
Mar07	\$4.48	Mar07	\$5.02
Mar06	\$8.80	Mar06	\$4.74
Mar05	\$3.53	Mar05	\$2.53
Mar04	\$2.65	Mar04	\$1.95
Mar03	\$1.78	Mar03	\$1.56
Mar02	\$1.45	Mar02	\$1.39
Mar01	\$1.53	Mar01	\$1.28
Mar00	\$1.51	Mar00	\$1.08
Mar99	\$1.03	<b>Balance Sheet Information Jun15</b>	
Mar98	\$0.87	Total Current Assets	\$1,675,480,000
Mar97	\$0.69	Total Current Liabilities	\$514,548,000
Mar96	\$0.54	Long-Term Debt	\$1,057,122,000
		Total Assets	\$6,829,388,000
		Intangible Assets	\$4,669,765,000
		Total Liabilities	\$2,307,182,000
		Shares Outstanding (Diluted Average)	110,235,000



Disclaimer:  
This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.  
The author held a long position in LM 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**

[Legg Mason Stock Analysis – May 2015 Quarterly Update \\$LM](#)

[34 Companies in the Spotlight This Week – 2/7/15](#)

[Legg Mason Inc. Quarterly Valuation – February 2015 \\$LM](#)

[28 Companies in the Spotlight This Week – 11/1/14](#)

[Legg Mason Inc. Quarterly Valuation – October 2014 \\$LM](#)

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ModernGraham  
posts about related  
companies**

[Capital One Financial Corporation Analysis – August 2015 Update \\$COF](#)

[Affiliated Managers Group Analysis – Initial Coverage \\$AMG](#)

[Visa Inc. Analysis – August 2015 Update \\$V](#)

[Ameriprise Financial Inc. Analysis – August 2015 Update \\$AMP](#)

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

[Western Union Company Analysis – 2015 Update \\$WU](#)

[American Express Company Analysis – August 2015 Update \\$AXP](#)

[Main Street Capital Corporation Analysis – Initial Coverage \\$MAIN](#)

[BlackRock Inc. Analysis – July 2015 Update \\$BLK](#)

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