

ModernGraham Valuation

Company Name:

Aetna Inc

Company Ticker AET

Date of Analysis

10/14/2015



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	\$39,084,494,879	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.82	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	96.02%	Pass
6. Moderate PEmg Ratio	PEmg < 20	18.62	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.54	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	0.82	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-2.78	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.97
MG Growth Estimate	7.21%
MG Value	\$136.87
MG Value based on 3% Growth	\$86.57
MG Value based on 0% Growth	\$50.75
Market Implied Growth Rate	5.06%

MG Opinion

Current Price	\$111.15
% of Intrinsic Value	81.21%
Opinion	Fairly Valued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$74.54
Graham Number	\$84.62
PEmg	18.62
Current Ratio	0.82
PB Ratio	2.54
Dividend Yield	0.85%
Number of Consecutive Years of Dividend Growth	5

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	\$7.20	Next Fiscal Year Estimate	\$5.97
Dec14	\$5.68	Dec14	\$5.25
Dec13	\$5.33	Dec13	\$4.85
Dec12	\$4.81	Dec12	\$4.40
Dec11	\$5.22	Dec11	\$4.03
Dec10	\$4.18	Dec10	\$3.38
Dec09	\$2.84	Dec09	\$2.97
Dec08	\$2.83	Dec08	\$3.05
Dec07	\$3.47	Dec07	\$3.05
Dec06	\$2.99	Dec06	\$2.32
Dec05	\$2.60	Dec05	\$1.51
Dec04	\$3.58	Dec04	\$0.68
Dec03	\$1.48	Dec03	-\$0.64
Dec02	-\$4.29	Dec02	-\$1.27
Dec01	-\$0.49	Dec01	\$0.41
Dec00	\$0.23	Dec00	\$0.95
Dec99	\$1.18	Dec99	\$1.27
Dec98	\$1.35	Balance Sheet Information Jun15	
Dec97	\$1.40	Total Current Assets	\$12,982,100,000
Dec96	\$1.54	Total Current Liabilities	\$15,801,500,000
Dec95	\$0.55	Long-Term Debt	\$7,840,100,000
		Total Assets	\$54,641,100,000
		Intangible Assets	\$12,458,000,000
		Total Liabilities	\$39,234,500,000
		Shares Outstanding (Diluted Average)	352,200,000





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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[Aetna Inc. Annual Valuation – 2015 \\$AET](#)
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[Aflac Inc. Analysis – September 2015 Update \\$AFL](#)
[Marsh & McLennan Companies Analysis – September 2015 Update \\$MMC](#)
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