ModernGraham Valuation

Company Name:

Tesoro Corporation



Company Ticker TSO

Date of Analysis 10/7/2015

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.

Adequate Size of the Enterprise	Market Cap > \$2Bil	\$12,416,764,871 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.44 Fail
3. Earnings Stability	Positive EPS for 10 years prior	Fail
4. Dividend Record	Dividend Payments for 10 years prior	Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at	
5. Earnings Growth	beginning and end	60.90% Pass
6. Moderate PEmg Ratio	PEmg < 20	15.64 Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.63 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	1.44 Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.55 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	\$6.45
MG Growth Estimate	15.00%
MG Value	\$248.25
MG Value based on 3% Growth	\$93.50
MG Value based on 0% Growth	\$54.81
Market Implied Growth Rate	3.57%

MG Opinion

Current Price \$100.87 % of Intrinsic Value 40.63% Opinion Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$55.08
Graham Number	\$91.80
PEmg	15.64
Current Ratio	1.44
PB Ratio	2.63
Dividend Yield	1.44%
Number of Consecutive Years of Dividend Growth	4

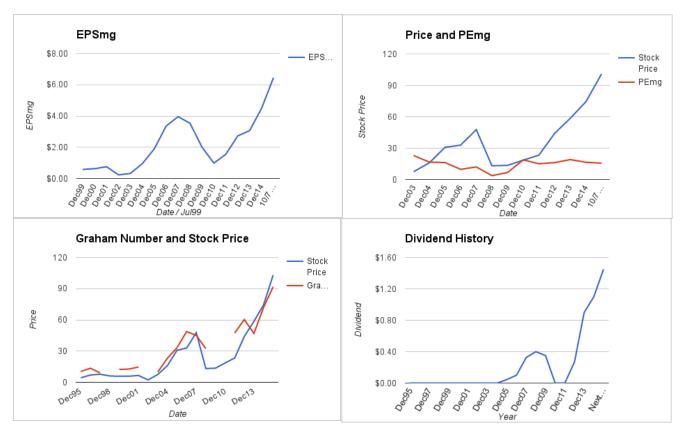
Morningstar

Useful Links: ModernGraham tagged articles

Google Finance
Yahoo Finance
GuruFocus
Seeking Alpha
SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$9.53	Next Fiscal Year Estimate	\$6.45
Dec14	\$6.44	Dec14	\$4.49
Dec13	\$3.00	Dec13	\$3.07
Dec12	\$5.25	Dec12	\$2.72
Dec11	\$3.81	Dec11	\$1.55
Dec10	-\$0.21	Dec10	\$0.98
Dec09	-\$1.01	Dec09	\$2.01
Dec08	\$2.00	Dec08	\$3.53
Dec07	\$4.06	Dec07	\$3.96
Dec06	\$5.73	Dec06	\$3.36
Dec05	\$3.60	Dec05	\$1.89
Dec04	\$2.38	Dec04	\$0.95
Dec03	\$0.58	Dec03	\$0.33
Dec02	-\$0.97	Dec02	\$0.23
Dec01	\$1.05	Dec01	\$0.76
Dec00	\$0.88	Dec00	\$0.63
Dec99	\$0.96	Dec99	\$0.58
Dec98	-\$0.43	Balance Sheet Information	Jun15
Dec97	\$0.57	Total Current Assets	\$4,898,000,000
Dec96	\$1.41	Total Current Liabilities	\$3,404,000,000
Dec95	\$1.09	Long-Term Debt	\$3,808,000,000
		Total Assets	\$16,691,000,000
		Intangible Assets	\$1,200,000,000
		Total Liabilities	\$11,854,000,000
		Shares Outstanding (Diluted Average)	126,300,000





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 14 Companies in the Spotlight This Week – 10/18/14
Tesoro Corporation Annual Stock Valuation – 2014 \$TSO

Other ModernGraham posts about related companies Cameron International Company Analysis – September 2015 Update \$CAM

Halliburton Company Analysis – September 2015 Update \$HAL

Kinder Morgan Inc. Analysis – September 2015 Update \$KMI

Range Resources Corporation Analysis – August 2015 Update \$RRC

Helmerich & Payne Inc. Analysis – August 2015 Update \$HP

FMC Technologies Inc. Analysis – August 2015 Update \$FTI

Denbury Resources Inc. Analysis – August 2015 Update \$DNR

Western Refining Inc. Analysis - Initial Coverage \$WNR

WPX Energy Inc. Analysis – 2015 Update \$WPX

Marathon Petroleum Corporation Analysis – 2015 Update \$MPC