

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.

1. 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 beginning and end	60.90%	Pass
5. Earnings Growth	PEmg < 20	15.64	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.63	Pass
7. Moderate Price to Assets			

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

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	\$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.

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[Tesoro Corporation Annual Stock Valuation – 2014 \\$TSO](#)

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