

ModernGraham Valuation

Company Name:

Company Ticker VLO

Date of Analysis

10/20/2015

Valero Energy
Corporation



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	\$29,826,941,328	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.87	Fail
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	25.59%	Fail
6. Moderate PEmg Ratio	PEmg < 20	9.91	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.42	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	1.87	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.83	Pass
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	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$6.06
MG Growth Estimate	15.00%
MG Value	\$233.16
MG Value based on 3% Growth	\$87.81
MG Value based on 0% Growth	\$51.48
Market Implied Growth Rate	0.71%

MG Opinion

Current Price	\$60.02
% of Intrinsic Value	25.74%
Opinion	Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$15.07
Graham Number	\$84.94
PEmg	9.91
Current Ratio	1.87
PB Ratio	1.42
Dividend Yield	2.25%
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	\$7.47	Next Fiscal Year Estimate	\$6.06
Dec14	\$6.85	Dec14	\$4.89
Dec13	\$4.97	Dec13	\$3.22
Dec12	\$3.75	Dec12	\$1.71
Dec11	\$3.68	Dec11	\$0.95
Dec10	\$0.57	Dec10	\$0.54
Dec09	-\$3.67	Dec09	\$1.54
Dec08	-\$2.16	Dec08	\$4.41
Dec07	\$8.88	Dec07	\$7.00
Dec06	\$8.64	Dec06	\$5.34
Dec05	\$6.10	Dec05	\$3.33
Dec04	\$3.27	Dec04	\$1.86
Dec03	\$1.27	Dec03	\$1.11
Dec02	\$0.21	Dec02	\$0.93
Dec01	\$2.21	Dec01	\$1.12
Dec00	\$1.40	Dec00	\$0.52
Dec99	\$0.06	Dec99	\$0.12
Dec98	-\$0.21	Balance Sheet Information Jun15	
Dec97	\$0.44	Total Current Assets	\$18,492,000,000
Dec96	\$0.35	Total Current Liabilities	\$9,865,000,000
Dec95	\$0.28	Long-Term Debt	\$7,199,000,000
		Total Assets	\$47,599,000,000
		Intangible Assets	\$0
		Total Liabilities	\$26,146,000,000
		Shares Outstanding (Diluted Average)	508,000,000





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

- [5 Undervalued Companies for Value Investors with a High Beta – October 2015](#)
- [10 Companies Benjamin Graham Would Invest In Today – September 2015](#)
- [The Best Companies of the Oil & Gas Industry – August 2015](#)
- [10 Low PE Stocks for the Enterprising Investor – August 2015](#)
- [10 Most Undervalued Companies for the Enterprising Investor – August 2015](#)

Other
ModernGraham
posts about related
companies

- [Schlumberger Limited Valuation – October 2015 Update \\$SLB](#)
- [National Oilwell Varco Inc. Valuation – October 2015 Update \\$NOV](#)
- [Tesoro Corporation Analysis – October 2015 Update \\$TSO](#)
- [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](#)