

# ModernGraham Valuation

Company Name:

BorgWarner Inc.

Company Ticker

BWA

Date of Analysis

11/3/2015



## 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	\$9,652,131,221	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.14	Pass
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	322.17%	Pass
5. Earnings Growth	PEmg < 20	16.01	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.60	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	2.14	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.98	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

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$2.67
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$102.78</b>
MG Value based on 3% Growth	\$38.71
MG Value based on 0% Growth	\$22.69
Market Implied Growth Rate	3.75%

### MG Opinion

Current Price	\$42.74
% of Intrinsic Value	41.58%
<b>Opinion</b>	<b>Undervalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$2.96
Graham Number	\$32.43
PEmg	16.01
Current Ratio	2.14
PB Ratio	2.60
Dividend Yield	1.22%
Number of Consecutive Years of Dividend Growth	3

### 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	\$2.82	Next Fiscal Year Estimate	\$2.67
Dec14	\$2.86	Dec14	\$2.49
Dec13	\$2.70	Dec13	\$2.11
Dec12	\$2.09	Dec12	\$1.60
Dec11	\$2.23	Dec11	\$1.24
Dec10	\$1.54	Dec10	\$0.74
Dec09	\$0.12	Dec09	\$0.43
Dec08	-\$0.16	Dec08	\$0.66
Dec07	\$1.23	Dec07	\$1.04
Dec06	\$0.92	Dec06	\$0.85
Dec05	\$1.04	Dec05	\$0.71
Dec04	\$0.97	Dec04	\$0.49
Dec03	\$0.80	Dec03	\$0.28
Dec02	-\$0.56	Dec02	\$0.10
Dec01	\$0.31	Dec01	\$0.45
Dec00	\$0.44	Dec00	\$0.50
Dec99	\$0.63	Dec99	\$0.51
Dec98	\$0.50	<b>Balance Sheet Information Sep15</b>	
Dec97	\$0.54	Total Current Assets	\$3,301,000,000
Dec96	\$0.22	Total Current Liabilities	\$1,539,800,000
Dec95	\$0.39	Long-Term Debt	\$1,734,500,000
		Total Assets	\$7,687,100,000
		Intangible Assets	\$1,183,700,000
		Total Liabilities	\$3,970,100,000
		Shares Outstanding (Diluted Average)	225,991,000





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

[The Best Companies of the Auto Industry – October 2015](#)

[5 Undervalued Companies for Enterprising Investors Near 52 Week Lows – August 2015](#)

[The 16 Best Stocks For Value Investors This Week – 8/1/15](#)

[BorgWarner Inc. Analysis – July 2015 Update \\$BWA](#)

[BorgWarner Inc. Quarterly Valuation – April 2015 \\$BWA](#)

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[Genuine Parts Company Analysis – September 2015 Update \\$GPC](#)

[Ford Motor Company Analysis – August 2015 Update \\$F](#)

[Advance Auto Parts Inc. Analysis – Initial Coverage \\$AAP](#)

[General Motors Company Analysis – 2015 Update \\$GM](#)

[BorgWarner Inc. Analysis – July 2015 Update \\$BWA](#)

[Paccar Inc. Analysis – July 2015 Update \\$PCAR](#)

[Harley Davidson Analysis – June 2015 Update \\$HOG](#)