

ModernGraham Valuation

Company Name:

Company Ticker NOC
Date of Analysis 11/5/2015

Northrop Grumman 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	\$33,990,782,877	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.16	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	385.49%	Pass
6. Moderate PEmg Ratio	PEmg < 20	20.59	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	6.14	Fail

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	1.16	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	7.84	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	\$9.04
MG Growth Estimate	11.04%
MG Value	\$276.24
MG Value based on 3% Growth	\$131.02
MG Value based on 0% Growth	\$76.81
Market Implied Growth Rate	6.05%

MG Opinion

Current Price	\$186.08
% of Intrinsic Value	67.36%
Opinion	Undervalued

Stage 3: Information for Further Research

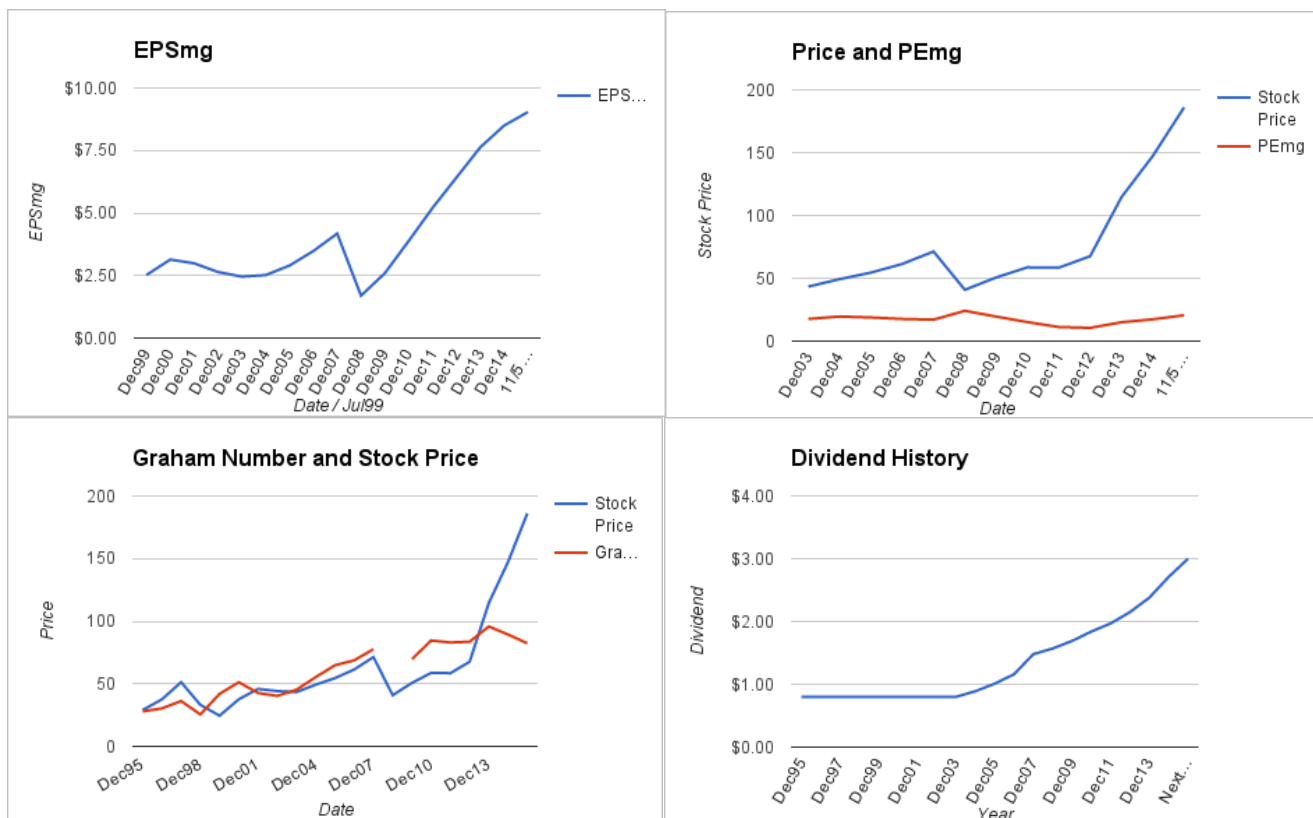
Net Current Asset Value (NCAV)	-\$65.56
Graham Number	\$82.34
PEmg	20.59
Current Ratio	1.16
PB Ratio	6.14
Dividend Yield	1.61%
Number of Consecutive Years of Dividend Growth	12

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	\$9.67	Next Fiscal Year Estimate	\$9.04
Dec14	\$9.75	Dec14	\$8.50
Dec13	\$8.35	Dec13	\$7.63
Dec12	\$7.81	Dec12	\$6.42
Dec11	\$7.52	Dec11	\$5.21
Dec10	\$6.82	Dec10	\$3.88
Dec09	\$5.21	Dec09	\$2.59
Dec08	-\$3.77	Dec08	\$1.69
Dec07	\$5.12	Dec07	\$4.18
Dec06	\$4.37	Dec06	\$3.48
Dec05	\$3.85	Dec05	\$2.90
Dec04	\$2.97	Dec04	\$2.52
Dec03	\$2.09	Dec03	\$2.46
Dec02	\$1.84	Dec02	\$2.64
Dec01	\$2.37	Dec01	\$2.99
Dec00	\$4.29	Dec00	\$3.14
Dec99	\$3.35	Dec99	\$2.52
Dec98	\$1.40	Balance Sheet Information Sep15	
Dec97	\$2.99	Total Current Assets	\$5,951,000,000
Dec96	\$2.08	Total Current Liabilities	\$5,133,000,000
Dec95	\$2.36	Long-Term Debt	\$6,417,000,000
		Total Assets	\$23,966,000,000
		Intangible Assets	\$12,458,000,000
		Total Liabilities	\$18,269,000,000
		Shares Outstanding (Diluted Average)	187,900,000





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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ModernGraham
posts about the
company

[30 Companies in the Spotlight This Week – 11/15/14](#)
[Northrop Grumman Corporation Annual Valuation – 2014 \\$NOC](#)
[17 Companies in the Spotlight This Week – 8/2/14](#)
[Northrop Grumman Corporation Quarterly Valuation – July 2014 \\$NOC](#)

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posts about related
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[Raytheon Company Valuation – October 2015 Update \\$RTN](#)
[Precision Castparts Corporation Analysis – October 2015 Update \\$PCP](#)
[Raytheon Company Analysis – July 2015 Update \\$RTN](#)
[Precision Castparts Corporation Analysis – June 2015 Update \\$PCP](#)
[L3 Communications Holdings Inc. Quarterly Valuation – May 2015 \\$LLL](#)
[Raytheon Corporation Quarterly Valuation – April 2015 \\$RTN](#)
[Precision Castparts Corporation Quarterly Valuation – February 2015 \\$PCP](#)
[L-3 Communications Holdings Inc. Quarterly Valuation – February 2015 \\$LLL](#)
[Lockheed Martin Corporation Annual Valuation – 2015 \\$LMT](#)
[Raytheon Company Quarterly Valuation – January 2015 \\$RTN](#)