

# ModernGraham Valuation

Company Name:

Legg Mason Inc

Company Ticker LM

Date of Analysis

12/11/2015



## 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	\$4,456,790,381	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.96	Pass
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	-193.33%	Fail
6. Moderate PEmg Ratio	PEmg < 20	23.57	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	0.97	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	2.96	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.91	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Fail
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	\$1.68
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$64.78</b>
MG Value based on 3% Growth	\$24.40
MG Value based on 0% Growth	\$14.30
Market Implied Growth Rate	7.53%

### MG Opinion

Current Price	\$39.66
% of Intrinsic Value	61.22%
<b>Opinion</b>	<b>Undervalued</b>

## Stage 3: Information for Further Research

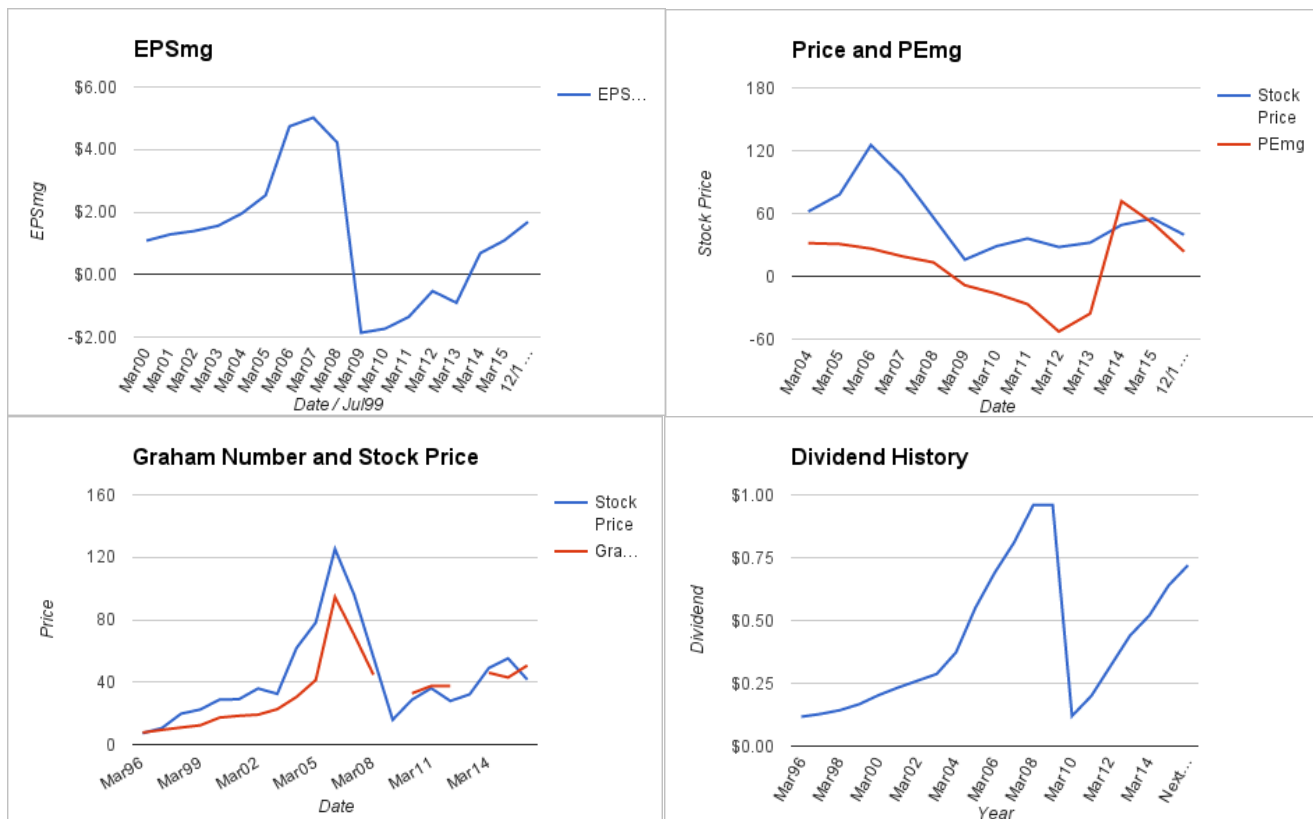
Net Current Asset Value (NCAV)	-\$6.02
Graham Number	\$50.67
PEmg	23.57
Current Ratio	2.96
PB Ratio	0.97
Dividend Yield	1.82%
Number of Consecutive Years of Dividend Growth	6

### 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	\$2.77	Next Fiscal Year Estimate	\$1.68
Mar15	\$2.04	Mar15	\$1.09
Mar14	\$2.33	Mar14	\$0.68
Mar13	-\$2.65	Mar13	-\$0.90
Mar12	\$1.54	Mar12	-\$0.53
Mar11	\$1.63	Mar11	-\$1.36
Mar10	\$1.32	Mar10	-\$1.73
Mar09	-\$13.99	Mar09	-\$1.86
Mar08	\$1.86	Mar08	\$4.22
Mar07	\$4.48	Mar07	\$5.02
Mar06	\$8.80	Mar06	\$4.74
Mar05	\$3.53	Mar05	\$2.53
Mar04	\$2.65	Mar04	\$1.95
Mar03	\$1.78	Mar03	\$1.56
Mar02	\$1.45	Mar02	\$1.39
Mar01	\$1.53	Mar01	\$1.28
Mar00	\$1.51	Mar00	\$1.08
Mar99	\$1.03	<b>Balance Sheet Information</b> <b>Sep15</b> Total Current Assets \$1,765,540,000 Total Current Liabilities \$596,459,000 Long-Term Debt \$1,059,902,000 Total Assets \$6,877,954,000 Intangible Assets \$4,634,263,000 Total Liabilities \$2,420,441,000 Shares Outstanding (Diluted Average) 108,784,000	
Mar98	\$0.87		
Mar97	\$0.69		
Mar96	\$0.54		





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 Stocks of the Financial Services Industry – September 2015](#)  
[15 Best Stocks For Value Investors This Week – 9/4/15](#)  
[Legg Mason Analysis – August 2015 Update \\$LM](#)  
[Legg Mason Stock Analysis – May 2015 Quarterly Update \\$LM](#)  
[34 Companies in the Spotlight This Week – 2/7/15](#)

Other  
ModernGraham  
posts about related  
companies

[Visa Inc Valuation – November 2015 Update \\$V](#)  
[Ameriprise Financial Inc. Valuation – November 2015 Update \\$AMP](#)  
[BlackRock Inc. Valuation – November 2015 Update \\$BLK](#)  
[Goldman Sachs Group Inc. Valuation – November 2015 Update \\$GS](#)  
[American Express Company Valuation – October 2015 Update \\$AXP](#)  
[KKR & Co. LP Valuation – October 2015 Update \\$KKR](#)  
[Invesco Limited Analysis – October 2015 Update \\$IVZ](#)  
[CME Group Inc. Analysis – October 2015 Update \\$CME](#)  
[T.Rowe Price Group Inc. Analysis – September 2015 Update \\$TROW](#)  
[Moody's Corporation Analysis – September 2015 Update \\$MCO](#)