ModernGraham Valuation

Company Name: Pepco Holdings, Inc.

Company Ticker POM

Date of Analysis 12/10/2015

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	$6,665,027,358	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.66	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	-75.95%	Fail
6. Moderate PEmg Ratio	PEmg < 20	40.14	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.53	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	0.66	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-6.34	Fail
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		Fail

Suitability

Defensive	**No**
Enterprising	**No**

Stage 2: Determination of Intrinsic Value

EPSmg	$0.65
MG Growth Estimate	-4.25%
MG Value	**$0.00**
MG Value based on 3% Growth	$9.45
MG Value based on 0% Growth	$5.54
Market Implied Growth Rate	15.82%

MG Opinion

Current Price		$26.17
% of Intrinsic Value	N/A	
Opinion	**Overvalued**	

Stage 3: Information for Further Research

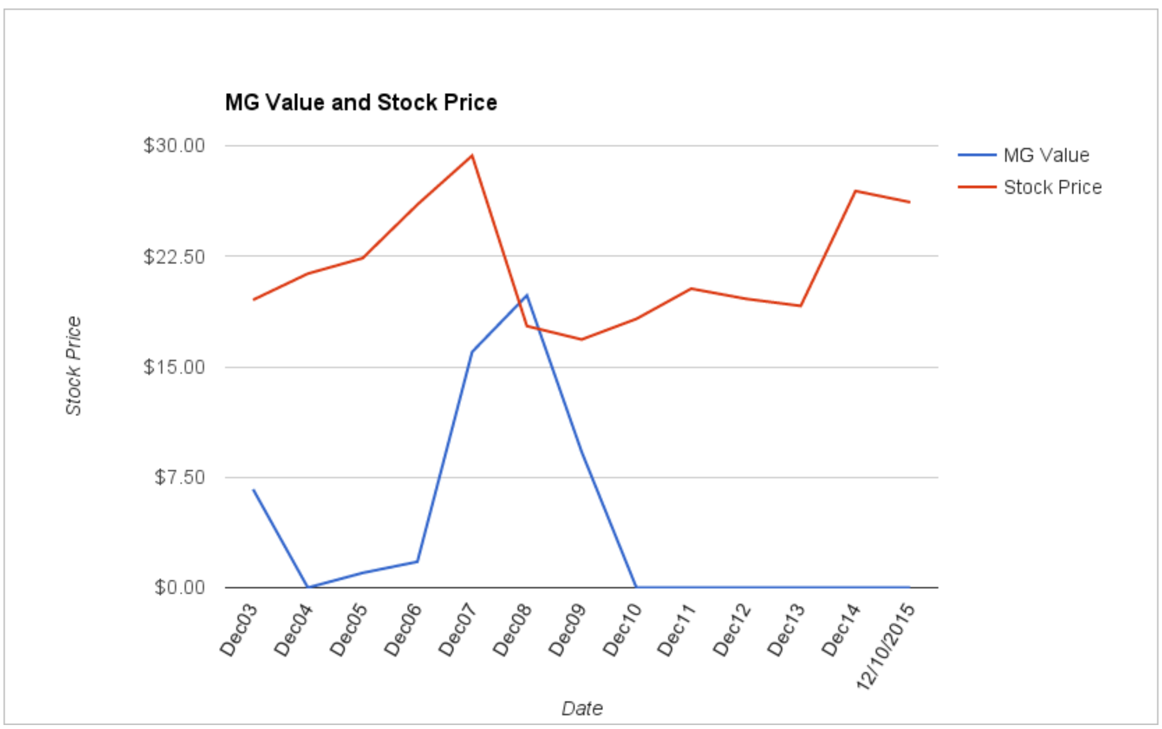
Net Current Asset Value (NCAV)	-$41.98
Graham Number	$19.44
PEmg	40.14
Current Ratio	0.66
PB Ratio	1.53
Dividend Yield	4.13%
Number of Consecutive Years of Dividend Growth	0

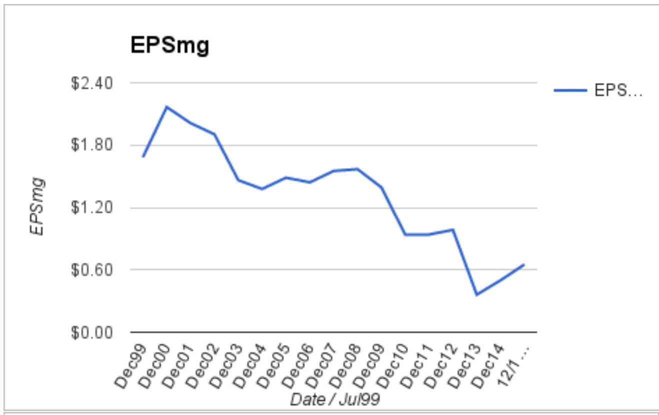
Useful Links:

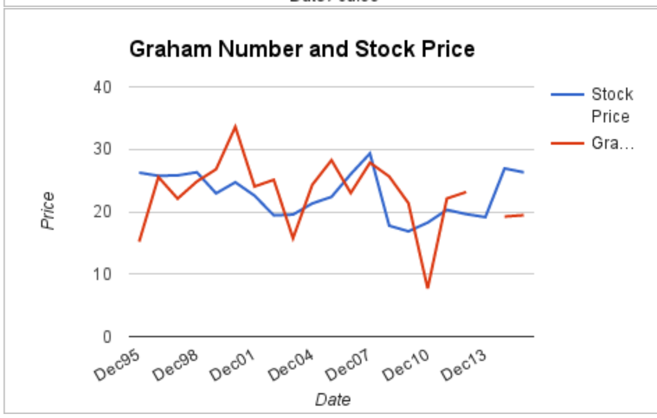
ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

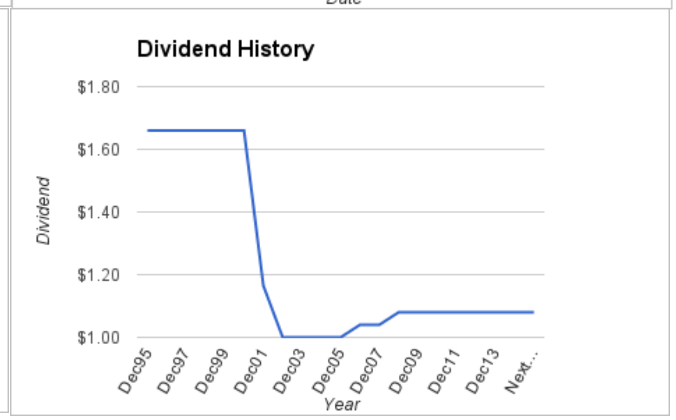
EPS History		EPSmg History	
Next Fiscal Year Estimate	$0.98	Next Fiscal Year Estimate	$0.65
Dec14	$0.96	Dec14	$0.50
Dec13	-$0.86	Dec13	$0.36
Dec12	$1.24	Dec12	$0.98
Dec11	$1.14	Dec11	$0.94
Dec10	$0.14	Dec10	$0.94
Dec09	$1.06	Dec09	$1.39
Dec08	$1.47	Dec08	$1.57
Dec07	$1.72	Dec07	$1.55
Dec06	$1.30	Dec06	$1.44
Dec05	$1.96	Dec05	$1.49
Dec04	$1.48	Dec04	$1.38
Dec03	$0.63	Dec03	$1.46
Dec02	$1.59	Dec02	$1.90
Dec01	$1.51	Dec01	$2.01
Dec00	$2.96	Dec00	$2.17
Dec99	$1.98	Dec99	$1.68
Dec98	$1.73		
Dec97	$1.38		
Dec96	$1.82		
Dec95	$0.65		

Balance Sheet Information	Sep15
Total Current Assets	$1,546,000,000
Total Current Liabilities	$2,340,000,000
Long-Term Debt	$5,032,000,000
Total Assets	$16,557,000,000
Intangible Assets	$1,406,000,000
Total Liabilities	$12,209,000,000
Shares Outstanding (Diluted Average)	254,000,000









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

- 32 Companies in the Spotlight This Week – 12/6/14
- Pepco Holdings Inc. Annual Valuation – 2014 $POM

Other ModernGraham posts about related companies

- American Electric Power Co Valuation – November 2015 Update $AEP
- Duke Energy Corporation Valuation – November 2015 Update $DUK
- Sempra Energy Valuation – October 2015 Update $SRE
- Xcel Energy Inc. Analysis – September 2015 Update $XEL
- NextEra Energy Inc. Analysis – August 2015 Update $NEE
- Westar Energy Inc. Analysis – Initial Coverage $WR
- Eversource Energy Analysis – Initial Coverage $ES
- Public Service Enterprise Group Inc. Analysis – 2015 Update $PEG
- Xcel Energy Analysis – June 2015 Update $XEL
- Consolidated Edison Analysis – 2015 Update $ED