

ModernGraham Valuation

Company Name:

Dow Chemical Co

Company Ticker

DOW

Date of Analysis

1/28/2016



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	\$48,001,335,864	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.88	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
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	39.84%	Pass
6. Moderate PEmg Ratio	PEmg < 20	13.80	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.14	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	1.88	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.50	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.01
MG Growth Estimate	15.00%
MG Value	\$115.94
MG Value based on 3% Growth	\$43.66
MG Value based on 0% Growth	\$25.60
Market Implied Growth Rate	2.65%

MG Opinion

Current Price	\$41.55
% of Intrinsic Value	35.84%
Opinion	Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$16.55
Graham Number	\$38.94
PEmg	13.80
Current Ratio	1.88
PB Ratio	2.14
Dividend Yield	4.04%
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	\$3.84	Next Fiscal Year Estimate	\$3.01
Dec2014	\$2.87	Dec2014	\$2.47
Dec2013	\$3.68	Dec2013	\$2.07
Dec2012	\$0.70	Dec2012	\$1.21
Dec2011	\$2.05	Dec2011	\$1.49
Dec2010	\$1.72	Dec2010	\$1.44
Dec2009	\$0.32	Dec2009	\$1.69
Dec2008	\$0.62	Dec2008	\$2.58
Dec2007	\$2.99	Dec2007	\$3.45
Dec2006	\$3.82	Dec2006	\$3.32
Dec2005	\$4.62	Dec2005	\$2.62
Dec2004	\$2.93	Dec2004	\$1.49
Dec2003	\$1.87	Dec2003	\$0.87
Dec2002	-\$0.37	Dec2002	\$0.60
Dec2001	-\$0.43	Dec2001	\$1.27
Dec2000	\$2.22	Dec2000	\$2.16
Dec1999	\$1.97	Dec1999	\$2.02
Dec1998	\$1.92	<div><div>Balance Sheet Information</div><div>Sep2015</div></div>	
Dec1997	\$2.57	Total Current Assets	\$24,852,000,000
Dec1996	\$2.53	Total Current Liabilities	\$13,205,000,000
Dec1995	\$0.00	Long-Term Debt	\$17,462,000,000
		Total Assets	\$69,884,000,000
		Intangible Assets	\$16,004,000,000
		Total Liabilities	\$45,551,000,000
		Shares Outstanding (Diluted Average)	1,250,600,000





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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[10 Undervalued Companies for the Enterprising Dividend Stock Investor – August 2015](#)
[The 20 Best Stocks For Value Investors This Week – 7/25/15](#)
[Dow Chemical Analysis – July 2015 Update \\$DOW](#)

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[Albemarle Corporation Valuation – November 2015 Update \\$ALB](#)
[Dow Chemical Company Analysis – October 2015 Update \\$DOW](#)
[Sigma-Aldrich Corporation Analysis – September 2015 Update \\$SIAL](#)
[FMC Corporation Analysis – September 2015 Update \\$FMC](#)
[Eastman Chemical Company Analysis – September 2015 Update \\$EMN](#)
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