

ModernGraham Valuation

Company Name:

Xylem Inc

Company Ticker XYL

Date of Analysis

1/26/2016



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	\$6,051,814,006	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.47	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Fail
4. Dividend Record	Dividend Payments for 10 years prior		Fail
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	16133.33%	Pass
6. Moderate PEmg Ratio	PEmg < 20	20.93	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.07	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	2.47	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.00	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

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.65
MG Growth Estimate	10.40%
MG Value	\$48.38
MG Value based on 3% Growth	\$23.93
MG Value based on 0% Growth	\$14.03
Market Implied Growth Rate	6.22%

MG Opinion

Current Price	\$34.55
% of Intrinsic Value	71.42%
Opinion	Undervalued

Stage 3: Information for Further Research

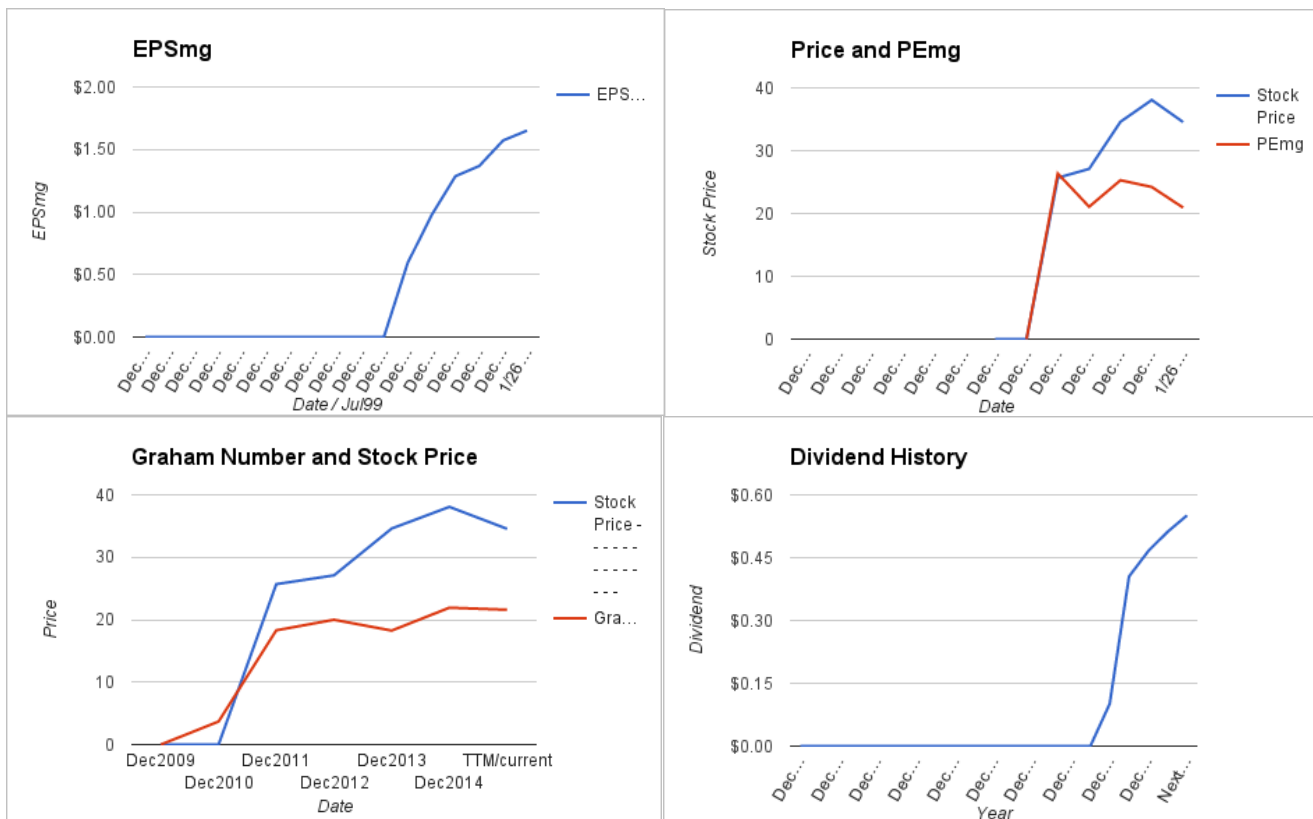
Net Current Asset Value (NCAV)	-\$3.22
Graham Number	\$21.60
PEmg	20.93
Current Ratio	2.47
PB Ratio	3.07
Dividend Yield	1.59%
Number of Consecutive Years of Dividend Growth	5

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	\$1.82	Next Fiscal Year Estimate	\$1.65
Dec2014	\$1.83	Dec2014	\$1.57
Dec2013	\$1.22	Dec2013	\$1.37
Dec2012	\$1.59	Dec2012	\$1.29
Dec2011	\$1.50	Dec2011	\$0.97
Dec2010	\$1.78	Dec2010	\$0.59
Dec2009	\$0.00	Dec2009	\$0.00
Dec2008	\$0.00	Dec2008	\$0.00
Dec2007	\$0.00	Dec2007	\$0.00
Dec2006	\$0.00	Dec2006	\$0.00
Dec2005	\$0.00	Dec2005	\$0.00
Dec2004	\$0.00	Dec2004	\$0.00
Dec2003	\$0.00	Dec2003	\$0.00
Dec2002	\$0.00	Dec2002	\$0.00
Dec2001	\$0.00	Dec2001	\$0.00
Dec2000	\$0.00	Dec2000	\$0.00
Dec1999	\$0.00	Dec1999	\$0.00
Dec1998	\$0.00	Balance Sheet Information Sep2015	
Dec1997	\$0.00	Total Current Assets	\$2,017,000,000
Dec1996	\$0.00	Total Current Liabilities	\$815,000,000
Dec1995	\$0.00	Long-Term Debt	\$1,196,000,000
		Total Assets	\$4,645,000,000
		Intangible Assets	\$2,018,000,000
		Total Liabilities	\$2,602,000,000
		Shares Outstanding (Diluted Average)	181,600,000





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:

Other ModernGraham posts about the company

- [19 Best Stocks For Value Investors This Week – 8/29/15](#)
- [Xylem Inc. Analysis – August 2015 Update \\$XYL](#)
- [Xylem Inc. Quarterly Valuation – May 2015 \\$XYL](#)
- [16 Companies in the Spotlight This Week – 5/24/14](#)
- [Xylem Inc. May 2014 Quarterly Valuation \\$XYL](#)

Other ModernGraham posts about related companies

- [W W Grainger Inc Valuation – January 2016 Update \\$GWW](#)
- [Deere & Company Valuation – January 2016 Update \\$DE](#)
- [Cummins Inc Valuation – December 2015 Update \\$CMI](#)
- [Dover Corp Valuation – December 2015 Update \\$DOV](#)
- [Fastenal Co Valuation – November 2015 Update \\$FAST](#)
- [Pentair PLC Valuation – November 2015 Update \\$PNR](#)
- [A.O. Smith Corp Valuation – November 2015 Update \\$AOS](#)
- [Danaher Corporation Valuation – November 2015 Update \\$DHR](#)
- [AGCO Corporation Valuation – November 2015 Update \\$AGCO](#)
- [Snap-on Inc. Valuation – November 2015 Update \\$SNA](#)