

ModernGraham Valuation

Company Name:

Graham Holdings Co

Company Ticker GHC

Date of Analysis

5/12/2016



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	\$2,680,953,596	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.18	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	330.64%	Pass
6. Moderate PEmg Ratio	PEmg < 20	10.10	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.12	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	2.18	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.46	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

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$47.86
MG Growth Estimate	15.00%
MG Value	\$1,842.48
MG Value based on 3% Growth	\$693.92
MG Value based on 0% Growth	\$406.78
Market Implied Growth Rate	0.80%

MG Opinion

Current Price	\$483.23
% of Intrinsic Value	26.23%
Opinion	Undervalued
MG Grade	B

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$47.22
Graham Number	\$65.05
PEmg	10.10
Current Ratio	2.18
PB Ratio	1.12
Dividend Yield	2.42%
Number of Consecutive Years of Dividend Growth	1

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	\$24.55	Next Fiscal Year Estimate	\$47.86
Dec2015	-\$17.87	Dec2015	\$55.76
Dec2014	\$195.03	Dec2014	\$81.06
Dec2013	\$32.05	Dec2013	\$23.05
Dec2012	\$17.39	Dec2012	\$17.69
Dec2011	\$14.70	Dec2011	\$18.06
Dec2010	\$31.04	Dec2010	\$20.60
Dec2009	\$9.78	Dec2009	\$17.79
Dec2008	\$6.87	Dec2008	\$23.73
Dec2007	\$30.19	Dec2007	\$31.85
Dec2006	\$33.68	Dec2006	\$31.61
Dec2005	\$32.59	Dec2005	\$29.56
Dec2004	\$34.59	Dec2004	\$26.66
Dec2003	\$25.12	Dec2003	\$22.27
Dec2002	\$21.34	Dec2002	\$22.11
Dec2001	\$24.06	Dec2001	\$23.52
Dec2000	\$14.32	Dec2000	\$23.76
Dec1999	\$22.30	Balance Sheet Information Mar2016	
Dec1998	\$41.10	Total Current Assets	\$1,605,489,000
Dec1997	\$26.15	Total Current Liabilities	\$735,832,000
Dec1996	\$20.05	Long-Term Debt	\$398,710,000
		Total Assets	\$4,312,525,000
		Intangible Assets	\$1,361,624,000
		Total Liabilities	\$1,872,392,000
		Shares Outstanding (Diluted Average)	5,652,000





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

- [10 Most Undervalued Companies for the Defensive Investor – February 2016](#)
- [10 Low PE Stocks for the Defensive Investor – February 2016](#)
- [10 Companies Benjamin Graham Would Invest In Today – February 2016](#)
- [10 Low PE Stocks for the Defensive Investor – January 2016](#)
- [10 Low PE Stocks for the Defensive Investor – December 2015](#)

Other ModernGraham posts about related companies

- [Twenty-First Century Fox Inc Valuation – February 2016 Update \\$FOXA](#)
- [Scripps Networks Interactive Inc Valuation – February 2016 Update \\$SNI](#)
- [Walt Disney Co Valuation – December 2015 Update \\$DIS](#)
- [Twenty-First Century Fox Inc Valuation – February 2016 Update \\$FOXA](#)
- [Scripps Networks Interactive Inc Valuation – February 2016 Update \\$SNI](#)
- [Walt Disney Co Valuation – December 2015 Update \\$DIS](#)
- [Wal-Mart Stores Inc. Valuation – November 2015 Update \\$WMT](#)
- [CBS Corporation Valuation – November 2015 Update \\$CBS](#)
- [Time Warner Cable Inc. Valuation – November 2015 Update \\$TWC](#)
- [News Corporation Valuation – November 2015 Update \\$NWSA](#)