

ModernGraham Valuation

Company Name:

A. O. Smith Corp

Company Ticker AOS

Date of Analysis

6/11/2016



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	\$7,330,868,182	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.37	Pass
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	199.33%	Pass
6. Moderate PEmg Ratio	PEmg < 20	29.71	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.03	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	2.37	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.33	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	\$2.82
MG Growth Estimate	7.27%
MG Value	\$64.88
MG Value based on 3% Growth	\$40.84
MG Value based on 0% Growth	\$23.94
Market Implied Growth Rate	10.61%

MG Opinion

Current Price	\$83.68
% of Intrinsic Value	128.97%
Opinion	Overvalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$2.85
Graham Number	\$36.28
PEmg	29.71
Current Ratio	2.37
PB Ratio	5.03
Current Dividend	\$0.81
Dividend Yield	0.97%
Number of Consecutive Years of Dividend Growth	20

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.48	Next Fiscal Year Estimate	\$2.82
Dec2015	\$3.16	Dec2015	\$2.47
Dec2014	\$2.28	Dec2014	\$2.11
Dec2013	\$1.83	Dec2013	\$1.96
Dec2012	\$1.71	Dec2012	\$1.90
Dec2011	\$3.29	Dec2011	\$1.83
Dec2010	\$1.21	Dec2010	\$1.07
Dec2009	\$1.13	Dec2009	\$0.95
Dec2008	\$0.90	Dec2008	\$0.81
Dec2007	\$0.95	Dec2007	\$0.73
Dec2006	\$0.82	Dec2006	\$0.61
Dec2005	\$0.51	Dec2005	\$0.49
Dec2004	\$0.39	Dec2004	\$0.47
Dec2003	\$0.59	Dec2003	\$0.50
Dec2002	\$0.62	Dec2002	\$0.46
Dec2001	\$0.20	Dec2001	\$0.50
Dec2000	\$0.42	Dec2000	\$0.69
Dec1999	\$0.59	Balance Sheet Information 3/1/2016	
Dec1998	\$0.61	Total Current Assets	\$1,425,900,000
Dec1997	\$1.82	Total Current Liabilities	\$602,000,000
Dec1996	\$0.46	Long-Term Debt	\$274,100,000
		Total Assets	\$2,650,600,000
		Intangible Assets	\$711,900,000
		Total Liabilities	\$1,172,100,000
		Shares Outstanding (Diluted Average)	88,905,000





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

[A.O. Smith Corp Valuation – November 2015 Update \\$AOS](#)

[A.O. Smith Corporation Analysis – Initial Coverage \\$AOS](#)

Other
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[Snap-on Inc Valuation – February 2016 \\$SNA](#)

[AGCO Corporation Valuation – February 2016 \\$AGCO](#)

[Joy Global Inc Valuation – February 2016 \\$JOY](#)

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[Stanley Black & Decker Inc Valuation – January 2016 Update \\$SWK](#)

[Paccar Inc Valuation – January 2016 Update \\$PCAR](#)

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