

# ModernGraham Valuation

Company Name:

Legg Mason Inc

Company Ticker LM

Date of Analysis

6/24/2016



## 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	\$3,197,774,843	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.83	Pass
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	-135.61%	Fail
6. Moderate PEmg Ratio	PEmg < 20	25.75	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	0.75	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	2.83	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.13	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		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$1.15
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$44.10</b>
MG Value based on 3% Growth	\$16.61
MG Value based on 0% Growth	\$9.74
Market Implied Growth Rate	8.62%

### MG Opinion

Current Price	\$29.49
% of Intrinsic Value	66.88%
<b>Opinion</b>	<b>Undervalued</b>
<b>MG Grade</b>	<b>C+</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$8.58
Graham Number	\$42.20
PEmg	25.75
Current Ratio	2.83
PB Ratio	0.75
Current Dividend	\$0.80
Dividend Yield	2.71%
Number of Consecutive Years of Dividend Growth	7

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>

EPS History			EPSmg History		
Next Fiscal Year Estimate	\$2.01		Next Fiscal Year Estimate	\$1.15	
Mar2016	-\$0.25		Mar2016	\$0.68	
Mar2015	\$2.04		Mar2015	\$1.09	
Mar2014	\$2.33		Mar2014	\$0.68	
Mar2013	-\$2.65		Mar2013	-\$0.89	
Mar2012	\$1.54		Mar2012	-\$0.51	
Mar2011	\$1.63		Mar2011	-\$1.33	
Mar2010	\$1.32		Mar2010	-\$1.70	
Mar2009	-\$13.85		Mar2009	-\$1.82	
Mar2008	\$1.86		Mar2008	\$4.23	
Mar2007	\$4.48		Mar2007	\$5.03	
Mar2006	\$8.80		Mar2006	\$4.76	
Mar2005	\$3.53		Mar2005	\$2.57	
Mar2004	\$2.71		Mar2004	\$2.00	
Mar2003	\$1.85		Mar2003	\$1.60	
Mar2002	\$1.49		Mar2002	\$1.41	
Mar2001	\$1.53		Mar2001	\$1.30	
Mar2000	\$1.55				
Mar1999	\$1.03				
Mar1998	\$0.88				
Mar1997	\$0.74				
			<b>Balance Sheet Information 3/1/2016</b>		
			Total Current Assets	\$2,385,128,000	
			Total Current Liabilities	\$841,553,000	
			Long-Term Debt	\$1,740,985,000	
			Total Assets	\$7,520,446,000	
			Intangible Assets	\$4,626,001,000	
			Total Liabilities	\$3,306,883,000	
			Shares Outstanding (Diluted Average)	107,406,000	





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

- [Stocks Trading Below Their Graham Number – May 2016](#)
- [Stocks Trading Below Their Graham Number – February 2016](#)
- [10 Companies Benjamin Graham Would Invest In Today – February 2016](#)
- [13 Best Stocks For Value Investors This Week – 12/12/15](#)
- [Legg Mason Inc Valuation – December 2015 Update \\$LM](#)

Other  
ModernGraham  
posts about related  
companies

- [Morgan Stanley Valuation – June 2016 \\$MS](#)
- [BlackRock Inc Valuation – June 2016 \\$BLK](#)
- [Goldman Sachs Group Inc Valuation – June 2016 \\$GS](#)
- [Ameriprise Financial Inc Valuation – June 2016 \\$AMP](#)
- [American Express Company Valuation – May 2016 \\$AXP](#)
- [T.Rowe Price Group Inc Stock Valuation – February 2016 \\$TROW](#)
- [Moody's Corporation Stock Valuation – February 2016 \\$MCO](#)
- [KKR & Co LP Stock Valuation – February 2016 \\$KKR](#)
- [Capital One Financial Corp Valuation – January 2016 Update \\$COF](#)
- [Franklin Resources Inc Valuation – January 2016 Update \\$BEN](#)