

ModernGraham Valuation

Company Name:

Company Ticker MJN
Date of Analysis

Mead Johnson
Nutrition CO

6/20/2016



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	\$16,482,879,619	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.12	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	0.99%	Fail
5. Earnings Growth	PEmg < 20	26.09	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	-25.67	Fail
7. Moderate Price to Assets			

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	2.12	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.16	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	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.35
MG Growth Estimate	5.08%
MG Value	\$62.46
MG Value based on 3% Growth	\$48.56
MG Value based on 0% Growth	\$28.46
Market Implied Growth Rate	8.79%

MG Opinion

Current Price	\$87.36
% of Intrinsic Value	139.87%
Opinion	Overvalued
MG Grade	C

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$10.81
Graham Number	\$0.00
PEmg	26.09
Current Ratio	2.12
PB Ratio	-25.67
Current Dividend	\$1.65
Dividend Yield	1.89%
Number of Consecutive Years of Dividend Growth	8

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.44	Next Fiscal Year Estimate	\$3.35
Dec2015	\$3.27	Dec2015	\$3.23
Dec2014	\$3.54	Dec2014	\$3.10
Dec2013	\$3.19	Dec2013	\$2.77
Dec2012	\$2.95	Dec2012	\$2.50
Dec2011	\$2.47	Dec2011	\$2.51
Dec2010	\$2.20	Dec2010	\$2.51
Dec2009	\$1.99	Dec2009	\$2.45
Dec2008	\$2.32	Dec2008	\$2.33
Dec2007	\$5.84	Dec2007	\$1.95
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	Balance Sheet Information 3/1/2016	
Dec1998	\$0.00	Total Current Assets	\$2,634,400,000
Dec1997	\$0.00	Total Current Liabilities	\$1,242,300,000
Dec1996	\$0.00	Long-Term Debt	\$3,012,600,000
		Total Assets	\$4,016,800,000
		Intangible Assets	\$170,500,000
		Total Liabilities	\$4,652,200,000
		Shares Outstanding (Diluted Average)	186,700,000





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.

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