

ModernGraham Valuation

Company Name:

Cummins Inc.

Company Ticker

CMI

Date of Analysis

7/6/2016



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	\$18,386,228,650	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.91	Fail
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	149.07%	Pass
6. Moderate PEmg Ratio	PEmg < 20	13.89	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.75	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	1.91	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.45	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$7.96
MG Growth Estimate	1.97%
MG Value	\$99.03
MG Value based on 3% Growth	\$115.43
MG Value based on 0% Growth	\$67.67
Market Implied Growth Rate	2.70%

MG Opinion

Current Price	\$110.61
% of Intrinsic Value	111.70%
Opinion	Overvalued
MG Grade	B-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$2.55
Graham Number	\$80.75
PEmg	13.89
Current Ratio	1.91
PB Ratio	2.75
Current Dividend	\$3.71
Dividend Yield	3.35%
Number of Consecutive Years of Dividend Growth	11

Useful Links:

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

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$7.30	Next Fiscal Year Estimate	\$7.96
Dec2015	\$7.84	Dec2015	\$8.39
Dec2014	\$9.02	Dec2014	\$8.48
Dec2013	\$7.91	Dec2013	\$7.71
Dec2012	\$8.67	Dec2012	\$7.04
Dec2011	\$9.55	Dec2011	\$5.78
Dec2010	\$5.28	Dec2010	\$3.83
Dec2009	\$2.16	Dec2009	\$3.14
Dec2008	\$3.84	Dec2008	\$3.47
Dec2007	\$3.70	Dec2007	\$3.00
Dec2006	\$3.55	Dec2006	\$2.37
Dec2005	\$2.75	Dec2005	\$1.50
Dec2004	\$1.85	Dec2004	\$0.72
Dec2003	\$0.32	Dec2003	\$0.19
Dec2002	\$0.53	Dec2002	\$0.14
Dec2001	-\$0.67	Dec2001	\$0.07
Dec2000	\$0.05	Dec2000	\$0.51
Dec1999	\$1.03	Balance Sheet Information 3/1/2016	
Dec1998	-\$0.14	Total Current Assets	\$7,468,000,000
Dec1997	\$1.37	Total Current Liabilities	\$3,917,000,000
Dec1996	\$1.00	Long-Term Debt	\$1,614,000,000
		Total Assets	\$14,827,000,000
		Intangible Assets	\$829,000,000
		Total Liabilities	\$7,907,000,000
		Shares Outstanding (Diluted Average)	172,000,000





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 Undervalued Companies for the Defensive Dividend Stock Investor – June 2016](#)
- [10 Companies Benjamin Graham Would Invest In Today – February 2016](#)
- [10 Undervalued Companies for the Defensive Dividend Stock Investor – February 2016](#)
- [10 Low PE Stocks for the Defensive Investor – January 2016](#)
- [13 Best Stocks For Value Investors This Week – 12/12/15](#)

Other
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posts about related
companies

- [Corning Inc Valuation – May 2016 \\$GLW](#)
- [Flowserve Corporation Valuation – May 2016 \\$FLS](#)
- [Lennar Corporation Valuation – May 2016 \\$LEN](#)
- [Quanta Services Inc Valuation – February 2016 \\$PWR](#)
- [Martin Marietta Materials Inc Valuation – February 2016 Update \\$MLM](#)
- [Fluor Corp Valuation – February 2016 Update \\$FLR](#)
- [Jacobs Engineering Group Inc Valuation – January 2016 Update \\$JEC](#)
- [D.R. Horton Inc Valuation – January 2016 Update \\$DHI](#)
- [Lowe's Companies Inc Valuation – January 2016 Update \\$LOW](#)
- [Martin Marietta Materials Inc Valuation – February 2016 Update \\$MLM](#)