

# ModernGraham Valuation

## Company Name:

Company Ticker MCK  
Date of Analysis

McKesson  
Corporation

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	\$43,163,381,578	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.10	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	169.70%	Pass
6. Moderate PEmg Ratio	PEmg < 20	20.41	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.01	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	1.10	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.94	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

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

## Stage 2: Determination of Intrinsic Value

EPSmg	\$9.40
MG Growth Estimate	12.76%
<b>MG Value</b>	<b>\$319.76</b>
MG Value based on 3% Growth	\$136.32
MG Value based on 0% Growth	\$79.91
Market Implied Growth Rate	5.95%

### MG Opinion

Current Price	\$191.88
% of Intrinsic Value	60.01%
<b>Opinion</b>	<b>Undervalued</b>
<b>MG Grade</b>	<b>C-</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$39.49
Graham Number	\$109.35
PEmg	20.41
Current Ratio	1.10
PB Ratio	5.01
Current Dividend	\$1.08
Dividend Yield	0.56%
Number of Consecutive Years of Dividend Growth	4

### Useful Links:

[ModernGraham tagged articles](#) [Morningstar](#)  
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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$13.40	Next Fiscal Year Estimate	\$9.40
Mar2016	\$9.70	Mar2016	\$7.11
Mar2015	\$6.27	Mar2015	\$5.70
Mar2014	\$5.41	Mar2014	\$5.33
Mar2013	\$5.59	Mar2013	\$5.08
Mar2012	\$5.59	Mar2012	\$4.62
Mar2011	\$4.57	Mar2011	\$3.99
Mar2010	\$4.62	Mar2010	\$3.55
Mar2009	\$2.95	Mar2009	\$2.75
Mar2008	\$3.32	Mar2008	\$2.46
Mar2007	\$2.99	Mar2007	\$1.94
Mar2006	\$2.38	Mar2006	\$1.44
Mar2005	-\$0.53	Mar2005	\$0.96
Mar2004	\$2.19	Mar2004	\$1.67
Mar2003	\$1.88	Mar2003	\$1.34
Mar2002	\$1.43	Mar2002	\$1.04
Mar2001	-\$0.17	Mar2001	\$0.90
Mar2000	\$2.57	<b>Balance Sheet Information 3/1/2016</b>	
Mar1999	\$0.31	Total Current Assets	\$38,437,000,000
Mar1998	\$0.80	Total Current Liabilities	\$35,071,000,000
Mar1997	\$1.49	Long-Term Debt	\$6,535,000,000
		Total Assets	\$56,563,000,000
		Intangible Assets	\$12,807,000,000
		Total Liabilities	\$47,639,000,000
		Shares Outstanding (Diluted Average)	233,000,000





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:

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ModernGraham  
posts about the  
company

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[McKesson Corporation Annual Valuation – 2015 \\$MCK](#)  
[18 Companies in the Spotlight This Week – 5/17/14](#)  
[McKesson Corp \(MCK\) Annual Valuation – 2014](#)

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[Wal-Mart Stores Inc Valuation – May 2016 \\$WMT](#)  
[Aaron's Inc Valuation – May 2016 \\$AAN](#)  
[Nordstrom Inc Valuation – May 2016 \\$JWN](#)  
[Tractor Supply Company Valuation – May 2016 \\$TSCO](#)  
[Fossil Group Inc Stock Valuation – February 2016 \\$FOSL](#)  
[TJX Companies Inc Valuation – February 2016 Update \\$TJX](#)  
[Coach Inc Valuation – February 2016 Update \\$COH](#)  
[Tiffany & Company Valuation – February 2016 Update \\$TIF](#)