

ModernGraham Valuation

Company Name:

Company Ticker NSC
Date of Analysis

Norfolk Southern
Corp.

8/5/2016



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	\$25,878,025,539 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.06 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	52.65% Pass
6. Moderate PEmg Ratio	PEmg < 20	16.02 Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.15 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	1.06 Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	72.34 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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.55
MG Growth Estimate	2.66%
MG Value	\$76.66
MG Value based on 3% Growth	\$80.45
MG Value based on 0% Growth	\$47.16
Market Implied Growth Rate	3.76%

MG Opinion

Current Price	\$88.88
% of Intrinsic Value	115.94%
Opinion	Overvalued
MG Grade	B-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$66.83
Graham Number	\$70.21
PEmg	16.02
Current Ratio	1.06
PB Ratio	2.15
Current Dividend	\$2.36
Dividend Yield	2.66%
Number of Consecutive Years of Dividend Growth	15

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.24	Next Fiscal Year Estimate	\$5.55
Dec2015	\$5.10	Dec2015	\$5.69
Dec2014	\$6.39	Dec2014	\$5.81
Dec2013	\$6.04	Dec2013	\$5.25
Dec2012	\$5.37	Dec2012	\$4.71
Dec2011	\$5.45	Dec2011	\$4.28
Dec2010	\$4.00	Dec2010	\$3.70
Dec2009	\$2.76	Dec2009	\$3.54
Dec2008	\$4.52	Dec2008	\$3.77
Dec2007	\$3.68	Dec2007	\$3.20
Dec2006	\$3.57	Dec2006	\$2.74
Dec2005	\$3.11	Dec2005	\$2.15
Dec2004	\$2.31	Dec2004	\$1.53
Dec2003	\$1.37	Dec2003	\$1.07
Dec2002	\$1.18	Dec2002	\$0.95
Dec2001	\$0.97	Dec2001	\$0.95
Dec2000	\$0.45	Dec2000	\$1.09
Dec1999	\$0.63	Balance Sheet Information 6/1/2016	
Dec1998	\$1.93	Total Current Assets	\$2,239,000,000
Dec1997	\$1.90	Total Current Liabilities	\$2,107,000,000
Dec1996	\$2.03	Long-Term Debt	\$9,549,000,000
		Total Assets	\$34,334,000,000
		Intangible Assets	\$0
		Total Liabilities	\$22,061,000,000
		Shares Outstanding (Diluted Average)	296,600,000





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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