

ModernGraham Valuation

Company Name:

Raytheon Company

Company Ticker RTN

Date of Analysis

8/25/2016



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 | \$41,894,429,117 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 1.64 | 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 | 45.62% | Pass |
| 6. Moderate PEmg Ratio | PEmg < 20 | 20.67 | Fail |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | 4.10 | 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 | 1.64 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 1.39 | 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 | \$6.87 |
| MG Growth Estimate | 4.90% |
| MG Value | \$125.83 |
| MG Value based on 3% Growth | \$99.67 |
| MG Value based on 0% Growth | \$58.43 |
| Market Implied Growth Rate | 6.08% |

MG Opinion

| | |
|----------------------|-------------------|
| Current Price | \$142.08 |
| % of Intrinsic Value | 112.91% |
| Opinion | Overvalued |
| MG Grade | C |

Stage 3: Information for Further Research

| | |
|--|----------|
| Net Current Asset Value (NCAV) | -\$30.01 |
| Graham Number | \$75.68 |
| PEmg | 20.67 |
| Current Ratio | 1.64 |
| PB Ratio | 4.10 |
| Current Dividend | \$2.81 |
| Dividend Yield | 1.97% |
| Number of Consecutive Years of Dividend Growth | 12 |

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| EPS History | | EPSmg History | |
|---------------------------|---------|---|------------------|
| Next Fiscal Year Estimate | \$7.28 | Next Fiscal Year Estimate | \$6.87 |
| Dec2015 | \$6.80 | Dec2015 | \$6.52 |
| Dec2014 | \$7.18 | Dec2014 | \$6.20 |
| Dec2013 | \$6.16 | Dec2013 | \$5.59 |
| Dec2012 | \$5.65 | Dec2012 | \$5.18 |
| Dec2011 | \$5.28 | Dec2011 | \$4.95 |
| Dec2010 | \$4.88 | Dec2010 | \$4.68 |
| Dec2009 | \$4.89 | Dec2009 | \$4.34 |
| Dec2008 | \$3.92 | Dec2008 | \$3.74 |
| Dec2007 | \$5.79 | Dec2007 | \$3.26 |
| Dec2006 | \$2.85 | Dec2006 | \$1.66 |
| Dec2005 | \$1.92 | Dec2005 | \$0.72 |
| Dec2004 | \$0.94 | Dec2004 | -\$0.02 |
| Dec2003 | \$0.88 | Dec2003 | -\$0.41 |
| Dec2002 | -\$1.57 | Dec2002 | -\$0.68 |
| Dec2001 | -\$2.09 | Dec2001 | \$0.12 |
| Dec2000 | \$0.41 | Dec2000 | \$1.23 |
| Dec1999 | \$1.17 | Balance Sheet Information 6/1/2016 | |
| Dec1998 | \$2.46 | Total Current Assets | \$9,850,000,000 |
| Dec1997 | \$2.18 | Total Current Liabilities | \$6,014,000,000 |
| Dec1996 | \$0.00 | Long-Term Debt | \$5,333,000,000 |
| | | Total Assets | \$29,098,000,000 |
| | | Intangible Assets | \$14,791,000,000 |
| | | Total Liabilities | \$18,782,000,000 |
| | | Shares Outstanding (Diluted Average) | 297,600,000 |





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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