

ModernGraham Valuation

Company Name:

Xylem Inc

Company Ticker

XYL

Date of Analysis

8/8/2016



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	\$8,587,317,817	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.80	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	19500.00%	Pass
5. Earnings Growth	PEmg < 20	25.53	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.94	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	1.80	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.01	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	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.86
MG Growth Estimate	6.70%
MG Value	\$40.72
MG Value based on 3% Growth	\$26.97
MG Value based on 0% Growth	\$15.81
Market Implied Growth Rate	8.52%

MG Opinion

Current Price	\$47.49
% of Intrinsic Value	116.64%
Opinion	Overvalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$3.18
Graham Number	\$24.33
PEmg	25.53
Current Ratio	1.80
PB Ratio	3.94
Current Dividend	\$0.58
Dividend Yield	1.22%
Number of Consecutive Years of Dividend Growth	6

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.18	Next Fiscal Year Estimate	\$1.86
Dec2015	\$1.87	Dec2015	\$1.67
Dec2014	\$1.83	Dec2014	\$1.57
Dec2013	\$1.22	Dec2013	\$1.37
Dec2012	\$1.59	Dec2012	\$1.29
Dec2011	\$1.50	Dec2011	\$0.97
Dec2010	\$1.78	Dec2010	\$0.59
Dec2009	\$0.00	Dec2009	\$0.00
Dec2008	\$0.00	Dec2008	\$0.00
Dec2007	\$0.00	Dec2007	\$0.00
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	\$2,575,000,000
Dec1997	\$0.00	Total Current Liabilities	\$1,432,000,000
Dec1996	\$0.00	Long-Term Debt	\$1,153,000,000
		Total Assets	\$5,304,000,000
		Intangible Assets	\$2,096,000,000
		Total Liabilities	\$3,145,000,000
		Shares Outstanding (Diluted Average)	179,313,000





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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