

ModernGraham Valuation

Company Name:

Company Ticker AJG

Date of Analysis

12/14/2016

Arthur J Gallagher &
Co



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	\$9,080,099,239	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.96	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	82.15%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	24.03	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.47	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	0.96	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-11.04	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	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.12
MG Growth Estimate	7.30%
MG Value	\$49.07
MG Value based on 3% Growth	\$30.80
MG Value based on 0% Growth	\$18.05
Market Implied Growth Rate	7.77%

MG Opinion

Current Price	\$51.05
% of Intrinsic Value	104.04%
Opinion	Fairly Valued
MG Grade	D+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$18.49
Graham Number	\$33.45
PEmg	24.03
Current Ratio	0.96
PB Ratio	2.47
Current Dividend	\$1.51
Dividend Yield	2.96%
Number of Consecutive Years of Dividend Growth	6

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
	\$2.40		\$2.12
Dec2015	\$2.06	Dec2015	\$1.92
Dec2014	\$1.97	Dec2014	\$1.81
Dec2013	\$2.06	Dec2013	\$1.67
Dec2012	\$1.59	Dec2012	\$1.43
Dec2011	\$1.28	Dec2011	\$1.33
Dec2010	\$1.66	Dec2010	\$1.34
Dec2009	\$1.28	Dec2009	\$1.13
Dec2008	\$0.82	Dec2008	\$1.09
Dec2007	\$1.43	Dec2007	\$1.26
Dec2006	\$1.31	Dec2006	\$1.22
Dec2005	\$0.32	Dec2005	\$1.23
Dec2004	\$1.99	Dec2004	\$1.62
Dec2003	\$1.57	Dec2003	\$1.37
Dec2002	\$1.41	Dec2002	\$1.22
Dec2001	\$1.39	Dec2001	\$1.07
Dec2000	\$1.04	Dec2000	\$0.88
Dec1999	\$0.87	Balance Sheet Information 9/1/2016	
Dec1998	\$0.77	Total Current Assets	\$4,213,700,000
Dec1997	\$0.80	Total Current Liabilities	\$4,398,900,000
Dec1996	\$0.64	Long-Term Debt	\$2,044,600,000
		Total Assets	\$11,200,300,000
		Intangible Assets	\$5,392,500,000
		Total Liabilities	\$7,513,800,000
		Shares Outstanding (Diluted Average)	178,500,000





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

[Arthur J Gallagher & Company Analysis – Initial Coverage \\$AJG](#)

Other
ModernGraham
posts about related
companies

[Travelers Companies Inc Valuation – November 2016 \\$TRV](#)

[Allstate Corp Valuation – November 2016 \\$ALL](#)

[Unum Group Valuation – August 2016 \\$UNM](#)

[Principal Financial Group Inc Valuation – August 2016 \\$PFG](#)

[Assurant Inc Valuation – August 2016 \\$AIZ](#)

[American International Group Inc Valuation – August 2016 \\$AIG](#)

[Humana Inc Valuation – August 2016 \\$HUM](#)

[Chubb Limited Valuation – August 2016 \\$CB](#)

[Torchmark Corporation Valuation – August 2016 \\$TMK](#)

[Anthem Inc Valuation – August 2016 \\$ANTM](#)