

ModernGraham Valuation

Company Name:

Kansas City Southern

Company Ticker KSU

Date of Analysis

12/21/2016



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	\$9,119,282,104	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.02	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
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	229.03%	Pass
5. Earnings Growth	PEmg < 20	20.49	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.26	Pass
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	1.02	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	134.66	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	\$4.17
MG Growth Estimate	10.22%
MG Value	\$120.79
MG Value based on 3% Growth	\$60.50
MG Value based on 0% Growth	\$35.47
Market Implied Growth Rate	5.99%

MG Opinion

Current Price	\$85.49
% of Intrinsic Value	70.77%
Opinion	Undervalued
MG Grade	D+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$37.00
Graham Number	\$60.54
PEmg	20.49
Current Ratio	1.02
PB Ratio	2.26
Current Dividend	\$1.32
Dividend Yield	1.54%
Number of Consecutive Years of Dividend Growth	5

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	
	\$4.31		\$4.17
Dec2015	\$4.40	Dec2015	\$3.97
Dec2014	\$4.55	Dec2014	\$3.56
Dec2013	\$3.18	Dec2013	\$2.84
Dec2012	\$3.43	Dec2012	\$2.48
Dec2011	\$3.00	Dec2011	\$1.92
Dec2010	\$1.67	Dec2010	\$1.37
Dec2009	\$0.60	Dec2009	\$1.23
Dec2008	\$1.86	Dec2008	\$1.42
Dec2007	\$1.57	Dec2007	\$1.07
Dec2006	\$1.08	Dec2006	\$0.78
Dec2005	\$1.10	Dec2005	\$0.61
Dec2004	\$0.25	Dec2004	\$0.79
Dec2003	\$0.10	Dec2003	\$1.61
Dec2002	\$0.91	Dec2002	\$2.69
Dec2001	\$0.51	Dec2001	\$3.42
Dec2000	\$6.42	Dec2000	\$4.43
Dec1999	\$5.58	Balance Sheet Information 9/1/2016	
Dec1998	\$3.32	Total Current Assets	\$769,000,000
Dec1997	-\$0.26	Total Current Liabilities	\$752,100,000
Dec1996	\$2.62	Long-Term Debt	\$2,275,700,000
		Total Assets	\$8,829,500,000
		Intangible Assets	\$0
		Total Liabilities	\$4,757,600,000
		Shares Outstanding (Diluted Average)	107,812,000





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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company

[Kansas City Southern Analysis – August 2015 Update \\$KSU](#)
[20 Companies in the Spotlight This Week – 8/16/14](#)
[Kansas City Southern Annual Valuation – 2014 \\$KSU](#)

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[Norfolk Southern Corporation Analysis – September 2015 Update \\$NSC](#)
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