ModernGraham Valuation

Company Name: W W Grainger Inc

Company Ticker GWW
Date of Analysis 1/12/2017

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	$14,426,442,081	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.04	Pass
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	105.81%	Pass
6. Moderate PEmg Ratio	PEmg < 20	21.22	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	7.00	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	2.04	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.18	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
	Score		

Suitability

Defensive	**No**
Enterprising	**Yes**

Stage 2: Determination of Intrinsic Value

EPSmg		$11.16
MG Growth Estimate		5.60%
MG Value		**$219.90**
MG Value based on 3% Growth		$161.82
MG Value based on 0% Growth		$94.86
Market Implied Growth Rate		6.36%

MG Opinion

Current Price		$236.81
% of Intrinsic Value		107.69%
Opinion	**Fairly Valued**	
MG Grade	**B+**	

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$11.81
Graham Number	$92.08
PEmg	21.22
Current Ratio	2.04
PB Ratio	7.00
Current Dividend	$4.78
Dividend Yield	2.02%
Number of Consecutive Years of Dividend Growth	20

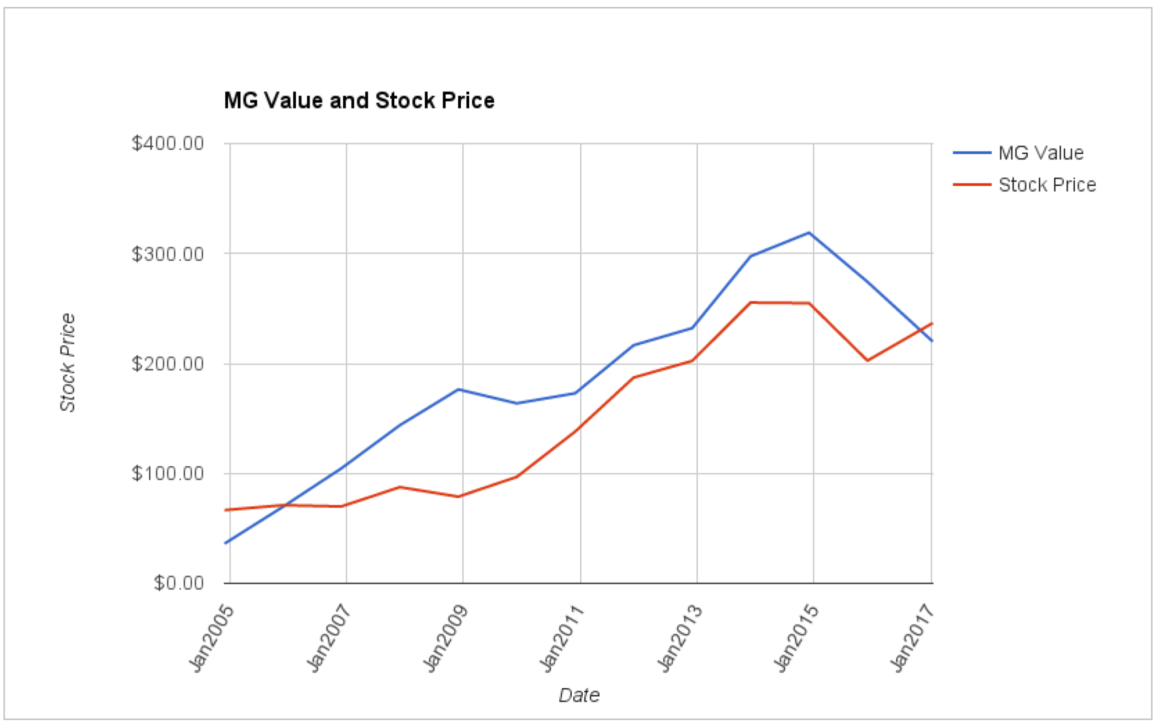
Useful Links:

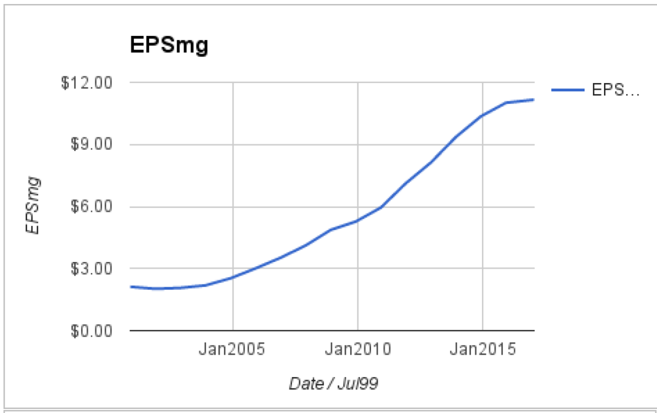
ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

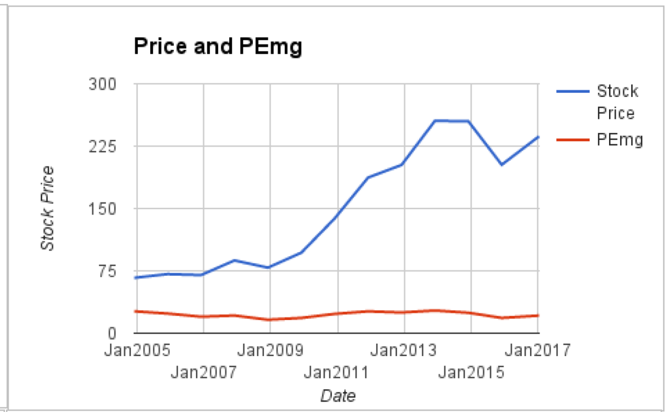
EPS History	
Next Fiscal Year Estimate	$10.99
Dec2015	$11.58
Dec2014	$11.45
Dec2013	$11.13
Dec2012	$9.52
Dec2011	$9.07
Dec2010	$6.93
Dec2009	$5.62
Dec2008	$5.97
Dec2007	$4.94
Dec2006	$4.24
Dec2005	$3.78
Dec2004	$3.13
Dec2003	$2.46
Dec2002	$2.24
Dec2001	$1.84
Dec2000	$2.05
Dec1999	$1.92
Dec1998	$2.44
Dec1997	$2.27
Dec1996	$2.02

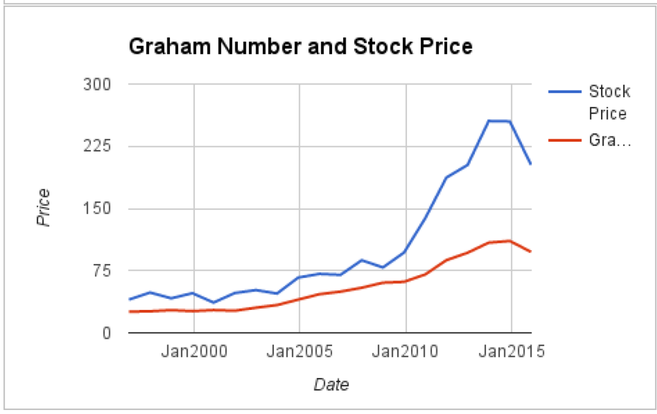
EPSmg History	
Next Fiscal Year Estimate	$11.16
Dec2015	$11.01
Dec2014	$10.36
Dec2013	$9.36
Dec2012	$8.13
Dec2011	$7.12
Dec2010	$5.94
Dec2009	$5.27
Dec2008	$4.87
Dec2007	$4.11
Dec2006	$3.52
Dec2005	$3.01
Dec2004	$2.53
Dec2003	$2.19
Dec2002	$2.07
Dec2001	$2.02
Dec2000	$2.12

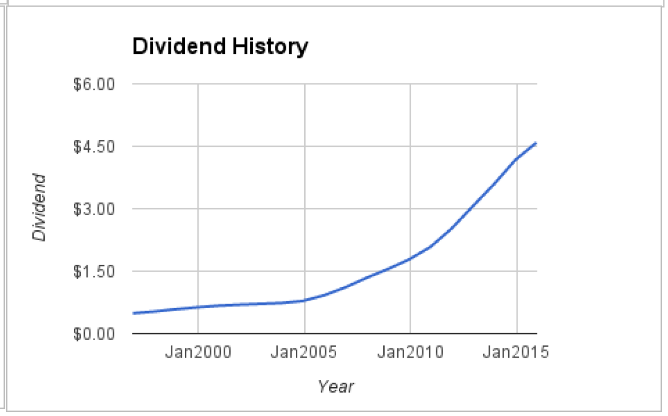
Balance Sheet Information	**9/1/2016**
Total Current Assets	$3,129,192,000
Total Current Liabilities	$1,536,311,000
Long-Term Debt	$1,874,132,000
Total Assets	$5,885,509,000
Intangible Assets	$1,014,598,000
Total Liabilities	$3,842,796,000
Shares Outstanding (Diluted Average)	60,416,000











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

- Dividend Growth Stocks for Intelligent Investors – July 2016
- Dividend Growth Stocks for Intelligent Investors – June 2016
- Dividend Growth Stocks for Intelligent Investors – February 2016
- 19 Best Stocks For Value Investors This Week – 1/9/16
- W W Grainger Inc Valuation – January 2016 Update $GWW

Other ModernGraham posts about related companies

- Xylem Inc Valuation – January 2017 $XYL
- Clarcor Inc Valuation – Initial Coverage $CLC
- Caterpillar Inc Valuation – August 2016 $CAT
- Regal Beloit Corp Valuation – August 2016 $RBC
- Snap-on Incorporated Valuation – August 2016 $SNA
- AGCO Corporation Valuation – August 2016 $AGCO
- PACCAR Inc Valuation – August 2016 $PCAR
- W.W. Grainger Inc Valuation – August 2016 $GWW
- Allegion PLC Valuation – August 2016 $ALLE
- Xylem Inc Valuation – August 2016 $XYL