

ModernGraham Valuation

Company Name:

Company Ticker BF.B

Date of Analysis

2/2/2017

Brown-Forman
Corporation



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	\$17,371,465,523	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.80	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	103.33%	Pass
6. Moderate PEmg Ratio	PEmg < 20	23.98	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	13.79	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	2.80	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	\$1.88
MG Growth Estimate	7.91%
MG Value	\$45.80
MG Value based on 3% Growth	\$27.30
MG Value based on 0% Growth	\$16.00
Market Implied Growth Rate	7.74%

MG Opinion

Current Price	\$45.14
% of Intrinsic Value	98.55%
Opinion	Fairly Valued
MG Grade	B

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$2.31
Graham Number	\$11.33
PEmg	23.98
Current Ratio	2.80
PB Ratio	13.79
Current Dividend	\$0.68
Dividend Yield	1.51%
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		EPSmg History	
Next Fiscal Year Estimate	\$1.71	Next Fiscal Year Estimate	\$1.88
Apr2016	\$2.61	Apr2016	\$1.87
Apr2015	\$1.61	Apr2015	\$1.46
Apr2014	\$1.53	Apr2014	\$1.35
Apr2013	\$1.38	Apr2013	\$1.23
Apr2012	\$1.19	Apr2012	\$1.13
Apr2011	\$1.30	Apr2011	\$1.08
Apr2010	\$1.01	Apr2010	\$0.94
Apr2009	\$0.96	Apr2009	\$0.88
Apr2008	\$0.95	Apr2008	\$0.80
Apr2007	\$0.84	Apr2007	\$0.70
Apr2006	\$0.69	Apr2006	\$0.60
Apr2005	\$0.67	Apr2005	\$0.54
Apr2004	\$0.53	Apr2004	\$0.47
Apr2003	\$0.44	Apr2003	\$0.44
Apr2002	\$0.44	Apr2002	\$0.43
Apr2001	\$0.45	Apr2001	\$0.41
Apr2000	\$0.42	Balance Sheet Information 10/1/2016	
Apr1999	\$0.39	Total Current Assets	\$2,530,000,000
Apr1998	\$0.36	Total Current Liabilities	\$904,000,000
Apr1997	\$0.33	Long-Term Debt	\$1,917,000,000
		Total Assets	\$4,720,000,000
		Intangible Assets	\$1,383,000,000
		Total Liabilities	\$3,437,000,000
		Shares Outstanding (Diluted Average)	391,848,000





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

- [5 Speculative and Overvalued Companies to Avoid – November 2015](#)
- [Brown-Forman Corporation Analysis – September 2015 Update \\$BF/B](#)
- [Brown-Forman Corporation Analysis – June 2015 Update \\$BF.B](#)
- [18 Companies in the Spotlight This Week – 3/21/15](#)
- [Brown-Forman Corporation Quarterly Valuation – March 2015 \\$BF.B](#)

Other ModernGraham posts about related companies

- [Boston Beer Company Inc Valuation – Initial Coverage \\$SAM](#)
- [Constellation Brands Inc Valuation – August 2016 \\$STZ](#)
- [Reynolds American Inc Valuation – July 2016 \\$RAI](#)
- [Philip Morris International Inc Valuation – June 2016 \\$PM](#)
- [Altria Group Inc Valuation – June 2016 \\$MO](#)
- [Constellation Brands Inc Valuation – January 2016 Update \\$STZ](#)
- [Molson Coors Brewing Co. Valuation – November 2015 Update \\$TAP](#)
- [Brown-Forman Corporation Analysis – September 2015 Update \\$BF/B](#)
- [Brown-Forman Corporation Analysis – June 2015 Update \\$BF.B](#)
- [Philip Morris International Annual Valuation – 2015 \\$PM](#)