

ModernGraham Valuation



Company Name:

Northrop Grumman Corporation

Company Ticker NOC

Date of Analysis

2/20/2017

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	\$42,537,652,079	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.22	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	312.59%	Pass
6. Moderate PEmg Ratio	PEmg < 20	22.11	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	8.36	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	1.22	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	5.76	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	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$11.02
MG Growth Estimate	6.67%
MG Value	\$240.68
MG Value based on 3% Growth	\$159.77
MG Value based on 0% Growth	\$93.66
Market Implied Growth Rate	6.80%

MG Opinion

Current Price	\$243.58
% of Intrinsic Value	101.21%
Opinion	Fairly Valued
MG Grade	D+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$74.79
Graham Number	\$88.16
PEmg	22.11
Current Ratio	1.22
PB Ratio	8.36
Current Dividend	\$3.50
Dividend Yield	1.44%
Number of Consecutive Years of Dividend Growth	14

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	\$11.50	Next Fiscal Year Estimate	\$11.02
Dec2016	\$12.19	Dec2016	\$10.42
Dec2015	\$10.39	Dec2015	\$9.28
Dec2014	\$9.75	Dec2014	\$8.50
Dec2013	\$8.35	Dec2013	\$7.63
Dec2012	\$7.81	Dec2012	\$6.42
Dec2011	\$7.52	Dec2011	\$5.21
Dec2010	\$6.82	Dec2010	\$3.88
Dec2009	\$5.21	Dec2009	\$2.59
Dec2008	-\$3.77	Dec2008	\$1.69
Dec2007	\$5.12	Dec2007	\$4.18
Dec2006	\$4.37	Dec2006	\$3.48
Dec2005	\$3.85	Dec2005	\$2.90
Dec2004	\$2.97	Dec2004	\$2.52
Dec2003	\$2.09	Dec2003	\$2.46
Dec2002	\$1.84	Dec2002	\$2.64
Dec2001	\$2.37	Dec2001	\$2.99
Dec2000	\$4.29	Balance Sheet Information	12/1/2016
Dec1999	\$3.35	Total Current Assets	\$6,856,000,000
Dec1998	\$1.40	Total Current Liabilities	\$5,630,000,000
Dec1997	\$2.99	Long-Term Debt	\$7,058,000,000
		Total Assets	\$25,614,000,000
		Intangible Assets	\$12,450,000,000
		Total Liabilities	\$20,355,000,000
		Shares Outstanding (Diluted Average)	180,500,000





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

- [Northrop Grumman Corporation Valuation – November 2015 Update \\$NOC](#)
- [30 Companies in the Spotlight This Week – 11/15/14](#)
- [Northrop Grumman Corporation Annual Valuation – 2014 \\$NOC](#)
- [17 Companies in the Spotlight This Week – 8/2/14](#)
- [Northrop Grumman Corporation Quarterly Valuation – July 2014 \\$NOC](#)

Other
ModernGraham
posts about related
companies

- [Rockwell Collins Inc Valuation – January 2017 \\$COL](#)
- [Raytheon Company Valuation – August 2016 \\$RTN](#)
- [Rockwell Collins Inc Valuation – August 2016 \\$COL](#)
- [L-3 Communications Holdings Inc Valuation – July 2016 \\$LLL](#)
- [Lockheed Martin Corporation Valuation – June 2016 \\$LMT](#)
- [United Technologies Corporation Valuation – May 2016 \\$UTX](#)
- [Raytheon Co Valuation – February 2016 \\$RTN](#)
- [Rockwell Collins Inc Valuation – January 2016 Update \\$COL](#)
- [General Dynamics Corporation Valuation – January 2016 Update \\$GD](#)
- [Precision Castparts Corporation Valuation – January 2016 Update \\$PCP](#)