

ModernGraham Valuation

Company Name:

Company Ticker FBHS

Date of Analysis

3/5/2017

Fortune Brands Home
& Security Inc



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 | \$9,094,978,393 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 1.71 | Fail |
| 3. Earnings Stability | Positive EPS for 10 years prior | | Fail |
| 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 | 1734.15% | Pass |
| 5. Earnings Growth | PEmg < 20 | 25.63 | Fail |
| 6. Moderate PEmg Ratio | PB Ratio < 2.5 OR PB*PEmg < 50 | 3.92 | Fail |
| 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 | 1.71 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 2.38 | 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 | \$2.29 |
| MG Growth Estimate | 15.00% |
| MG Value | \$88.19 |
| MG Value based on 3% Growth | \$33.21 |
| MG Value based on 0% Growth | \$19.47 |
| Market Implied Growth Rate | 8.57% |

MG Opinion

| | |
|----------------------|--------------------|
| Current Price | \$58.72 |
| % of Intrinsic Value | 66.58% |
| Opinion | Undervalued |
| MG Grade | B- |

Stage 3: Information for Further Research

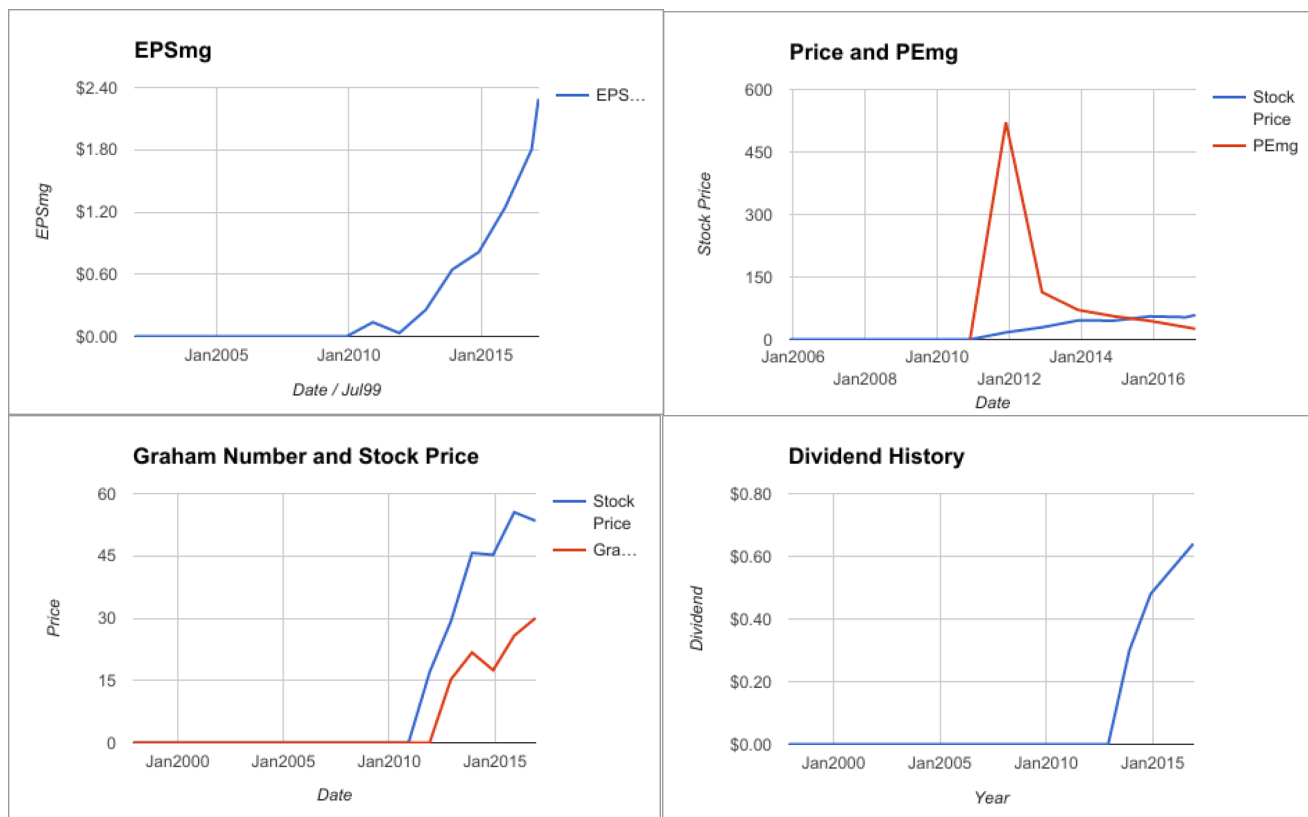
| | |
|--|---------|
| Net Current Asset Value (NCAV) | -\$8.38 |
| Graham Number | \$31.98 |
| PEmg | 25.63 |
| Current Ratio | 1.71 |
| PB Ratio | 3.92 |
| Current Dividend | \$0.64 |
| Dividend Yield | 1.09% |
| Number of Consecutive Years of Dividend Growth | 5 |

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 | \$2.97 | Next Fiscal Year Estimate | \$2.29 |
| Dec2016 | \$2.62 | Dec2016 | \$1.80 |
| Dec2015 | \$1.93 | Dec2015 | \$1.24 |
| Dec2014 | \$0.95 | Dec2014 | \$0.81 |
| Dec2013 | \$1.34 | Dec2013 | \$0.64 |
| Dec2012 | \$0.71 | Dec2012 | \$0.26 |
| Dec2011 | -\$0.23 | Dec2011 | \$0.03 |
| Dec2010 | \$0.41 | Dec2010 | \$0.14 |
| Dec2009 | \$0.00 | Dec2009 | \$0.00 |
| Dec2008 | \$0.00 | Dec2008 | \$0.00 |
| Dec2007 | \$0.00 | Dec2007 | \$0.00 |
| Dec2006 | \$0.00 | Dec2006 | \$0.00 |
| Dec2005 | \$0.00 | Dec2005 | \$0.00 |
| Dec2004 | \$0.00 | Dec2004 | \$0.00 |
| Dec2003 | \$0.00 | Dec2003 | \$0.00 |
| Dec2002 | \$0.00 | Dec2002 | \$0.00 |
| Dec2001 | \$0.00 | Dec2001 | \$0.00 |
| Dec2000 | \$0.00 | Balance Sheet Information 12/1/2016 | |
| Dec1999 | \$0.00 | Total Current Assets | \$1,445,200,000 |
| Dec1998 | \$0.00 | Total Current Liabilities | \$842,800,000 |
| Dec1997 | \$0.00 | Long-Term Debt | \$1,431,100,000 |
| | | Total Assets | \$5,128,500,000 |
| | | Intangible Assets | \$2,940,800,000 |
| | | Total Liabilities | \$2,767,000,000 |
| | | Shares Outstanding (Diluted Average) | 157,800,000 |





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

#N/A

Other
ModernGraham
posts about related
companies

[Quanta Services Inc Valuation – August 2016 \\$PWR](#)
[Jacobs Engineering Group Inc Valuation – August 2016 \\$JEC](#)
[PPG Industries Inc Valuation – August 2016 \\$PPG](#)
[D.R. Horton Inc Valuation – August 2016 \\$DHI](#)
[Martin Marietta Materials Inc Valuation – August 2016 \\$MLM](#)
[Fluor Corporation Valuation – August 2016 \\$FLR](#)
[Vulcan Materials Co Valuation – July 2016 \\$VMC](#)
[PulteGroup Inc Valuation – July 2016 \\$PHM](#)
[Sherwin-Williams Co Valuation – July 2016 \\$SHW](#)
[Cummins Inc Valuation – July 2016 \\$CMI](#)