

ModernGraham Valuation

Company Name:

Company Ticker GD
Date of Analysis

General Dynamics
Corporation

3/26/2017



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 | \$56,275,855,337 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 1.20 | Fail |
| 3. Earnings Stability | Positive EPS for 10 years prior | | Fail |
| 4. Dividend Record | Dividend Payments for 10 years prior | | Pass |
| | Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end | 47.26% | Pass |
| 5. Earnings Growth | PEmg < 20 | 20.86 | Fail |
| 6. Moderate PEmg Ratio | PB Ratio < 2.5 OR PB*PEmg < 50 | 5.30 | 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 | 1.20 | Fail |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 1.15 | 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 Score | | Pass |

Suitability

| | |
|---------------------|-----------|
| Defensive | No |
| Enterprising | No |

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|-----------------|
| EPSmg | \$8.99 |
| MG Growth Estimate | 13.90% |
| MG Value | \$326.22 |
| MG Value based on 3% Growth | \$130.34 |
| MG Value based on 0% Growth | \$76.40 |
| Market Implied Growth Rate | 6.18% |

MG Opinion

| | |
|----------------------|--------------------|
| Current Price | \$187.52 |
| % of Intrinsic Value | 57.48% |
| Opinion | Undervalued |
| MG Grade | C- |

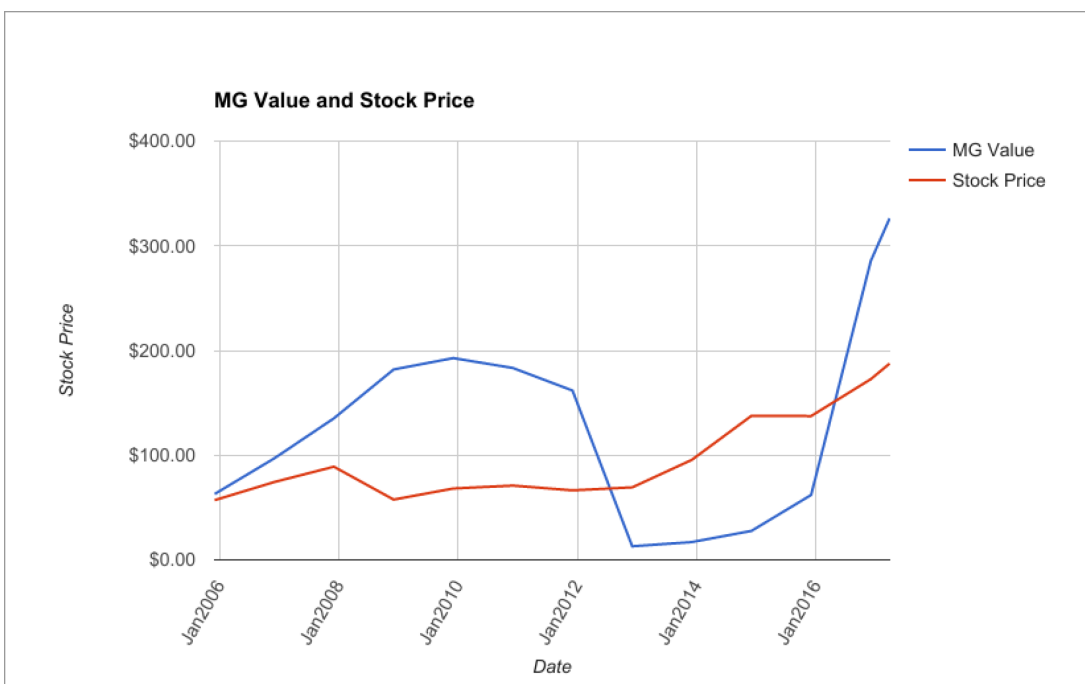
Stage 3: Information for Further Research

| | |
|--|----------|
| Net Current Asset Value (NCAV) | -\$20.78 |
| Graham Number | \$88.24 |
| PEmg | 20.86 |
| Current Ratio | 1.20 |
| PB Ratio | 5.30 |
| Current Dividend | \$2.97 |
| Dividend Yield | 1.58% |
| Number of Consecutive Years of Dividend Growth | 4 |

Useful Links:

[ModernGraham tagged articles](#)
[Google Finance](#)
[Yahoo Finance](#)
[GuruFocus](#)
[Morningstar](#)
[MSN Money](#)
[Seeking Alpha](#)
[SEC Filings](#)

| EPS History | | EPSmg History | |
|---------------------------|---------|---|--------|
| Next Fiscal Year Estimate | \$9.60 | Next Fiscal Year Estimate | \$8.99 |
| Dec2016 | \$9.52 | Dec2016 | \$7.91 |
| Dec2015 | \$9.08 | Dec2015 | \$6.67 |
| Dec2014 | \$7.42 | Dec2014 | \$5.43 |
| Dec2013 | \$6.67 | Dec2013 | \$4.67 |
| Dec2012 | -\$0.94 | Dec2012 | \$4.11 |
| Dec2011 | \$6.87 | Dec2011 | \$6.50 |
| Dec2010 | \$6.81 | Dec2010 | \$6.13 |
| Dec2009 | \$6.17 | Dec2009 | \$5.57 |
| Dec2008 | \$6.17 | Dec2008 | \$5.01 |
| Dec2007 | \$5.08 | Dec2007 | \$4.21 |
| Dec2006 | \$4.56 | Dec2006 | \$3.58 |
| Dec2005 | \$3.61 | Dec2005 | \$2.98 |
| Dec2004 | \$3.05 | Dec2004 | \$2.60 |
| Dec2003 | \$2.52 | Dec2003 | \$2.35 |
| Dec2002 | \$2.26 | Dec2002 | \$2.21 |
| Dec2001 | \$2.33 | Dec2001 | \$2.09 |
| Dec2000 | \$2.24 | Balance Sheet Information 12/1/2016 Total Current Assets \$15,447,000,000 Total Current Liabilities \$12,846,000,000 Long-Term Debt \$2,988,000,000 Total Assets \$32,872,000,000 Intangible Assets \$12,123,000,000 Total Liabilities \$21,896,000,000 Shares Outstanding (Diluted Average) 310,387,000 | |
| Dec1999 | \$2.18 | | |
| Dec1998 | \$1.46 | | |
| Dec1997 | \$1.37 | | |
| | | | |
| | | | |





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

- [General Dynamics Corporation Valuation – January 2016 Update \\$GD](#)
- [5 Speculative and Overvalued Companies to Avoid – December 2014](#)
- [32 Companies in the Spotlight This Week – 12/6/14](#)
- [General Dynamics Corporation Annual Valuation – 2014 \\$GD](#)
- [10 Companies in the Spotlight This Week – 11/30/2013](#)

Other ModernGraham posts about related companies

- [Cubic Corporation Valuation – Initial Coverage \\$CUB](#)
- [Northrop Grumman Corp Valuation – February 2017 \\$NOC](#)
- [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](#)