

ModernGraham Valuation

Company Name:

Company Ticker LCI

Date of Analysis

3/1/2017

Lannett Company,
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	\$783,776,729	Fail
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.00	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Fail
4. Dividend Record	Dividend Payments for 10 years prior		Fail
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	1220.83%	Pass
6. Moderate PEmg Ratio	PEmg < 20	12.43	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.52	Pass

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	2.00	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.61	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Fail
5. Earnings Growth	EPSmg greater than 5 years ago		Pass
	Score		

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.74
MG Growth Estimate	15.00%
MG Value	\$67.04
MG Value based on 3% Growth	\$25.25
MG Value based on 0% Growth	\$14.80
Market Implied Growth Rate	1.97%

MG Opinion

Current Price	\$21.65
% of Intrinsic Value	32.29%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$14.62
Graham Number	\$18.91
PEmg	12.43
Current Ratio	2.00
PB Ratio	1.52
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

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	\$1.10	Next Fiscal Year Estimate	\$1.74
Jun2016	\$1.20	Jun2016	\$1.87
Jun2015	\$4.04	Jun2015	\$1.89
Jun2014	\$1.62	Jun2014	\$0.71
Jun2013	\$0.46	Jun2013	\$0.25
Jun2012	\$0.14	Jun2012	\$0.14
Jun2011	-\$0.01	Jun2011	\$0.10
Jun2010	\$0.31	Jun2010	\$0.13
Jun2009	\$0.27	Jun2009	-\$0.06
Jun2008	-\$0.10	Jun2008	-\$0.21
Jun2007	-\$0.29	Jun2007	-\$0.19
Jun2006	\$0.21	Jun2006	-\$0.07
Jun2005	-\$1.36	Jun2005	-\$0.11
Jun2004	\$0.63	Jun2004	\$0.46
Jun2003	\$0.58	Jun2003	\$0.33
Jun2002	\$0.36	Jun2002	\$0.19
Jun2001	\$0.14	Jun2001	\$0.09
Jun2000	\$0.08	Balance Sheet Information	12/1/2016
Jun1999	\$0.07	Total Current Assets	\$665,608,000
Jun1998	\$0.05	Total Current Liabilities	\$332,748,000
Jun1997	\$0.00	Long-Term Debt	\$867,221,000
		Total Assets	\$1,752,922,000
		Intangible Assets	\$809,631,000
		Total Liabilities	\$1,216,272,000
		Shares Outstanding (Diluted Average)	37,676,000





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

- [Spectrum Pharmaceuticals Inc Valuation – Initial Coverage \\$SPPI](#)
- [Abbott Laboratories Valuation – January 2017 \\$ABT](#)
- [Johnson & Johnson Valuation – January 2017 \\$JNJ](#)
- [Allergan plc Valuation – January 2017 \\$AGN](#)
- [Impax Laboratories Inc – Initial Coverage \\$IPXL](#)
- [Alexion Pharmaceuticals Inc Valuation – December 2016 \\$ALXN](#)
- [Akorn Inc Valuation – December 2016 \\$AKRX](#)
- [SciClone Pharmaceuticals Inc Valuation – Initial Coverage \\$SCLN](#)
- [Regeneron Pharmaceuticals Inc Valuation – November 2016 \\$REGN](#)
- [Merck & Co Inc Valuation – August 2016 \\$MRK](#)