

ModernGraham Valuation

McKesson
Corporation



Company Name:

Company Ticker MCK

Date of Analysis

8/23/2017

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	\$30,948,246,599	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.05	Fail
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	268.04%	Pass
6. Moderate PEmg Ratio	PEmg < 20	11.08	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.77	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	1.05	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	3.91	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$13.28
MG Growth Estimate	15.00%
MG Value	\$511.33
MG Value based on 3% Growth	\$192.58
MG Value based on 0% Growth	\$112.89
Market Implied Growth Rate	1.29%

MG Opinion

Current Price	\$147.19
% of Intrinsic Value	28.79%
Opinion	Undervalued
MG Grade	B

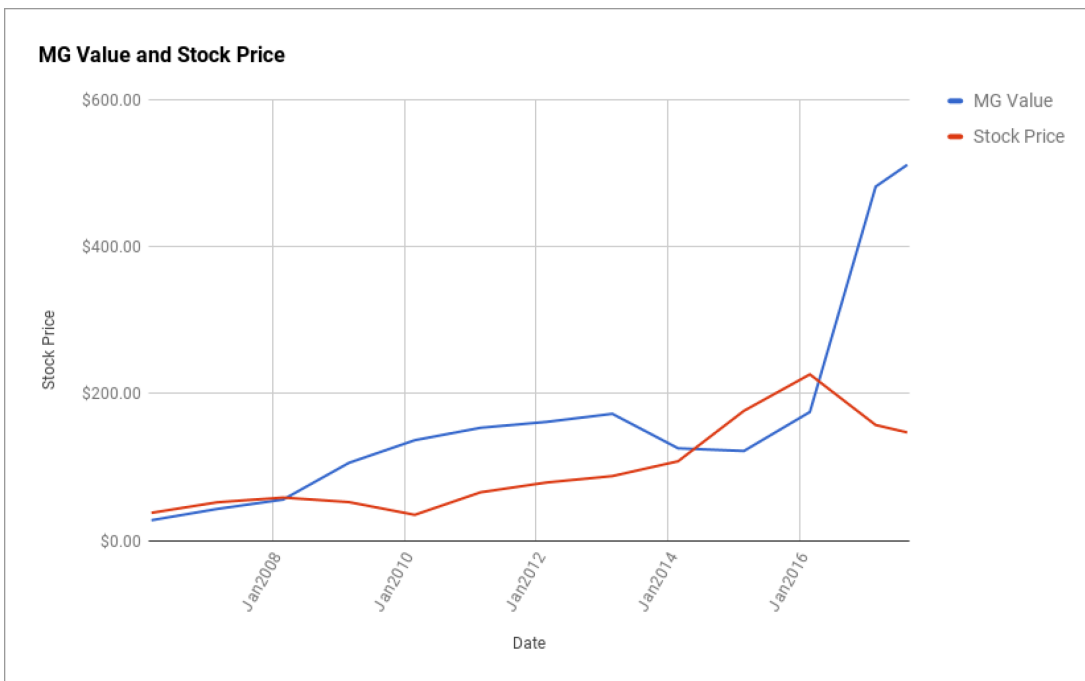
Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$60.17
Graham Number	\$120.39
PEmg	11.08
Current Ratio	1.05
PB Ratio	2.77
Current Dividend	\$1.12
Dividend Yield	0.76%
Number of Consecutive Years of Dividend Growth	4

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	\$12.25	Next Fiscal Year Estimate	\$13.28
Mar2017	\$22.73	Mar2017	\$12.51
Mar2016	\$9.70	Mar2016	\$7.11
Mar2015	\$6.27	Mar2015	\$5.70
Mar2014	\$5.41	Mar2014	\$5.33
Mar2013	\$5.59	Mar2013	\$5.08
Mar2012	\$5.59	Mar2012	\$4.62
Mar2011	\$4.57	Mar2011	\$3.99
Mar2010	\$4.62	Mar2010	\$3.55
Mar2009	\$2.95	Mar2009	\$2.75
Mar2008	\$3.32	Mar2008	\$2.46
Mar2007	\$2.99	Mar2007	\$1.94
Mar2006	\$2.38	Mar2006	\$1.44
Mar2005	-\$0.53	Mar2005	\$0.96
Mar2004	\$2.19	Mar2004	\$1.66
Mar2003	\$1.88	Mar2003	\$1.33
Mar2002	\$1.43	Mar2002	\$1.06
Mar2001	-\$0.17	Balance Sheet Information 6/1/2017	
Mar2000	\$2.55	Total Current Assets	\$37,697,000,000
Mar1999	\$0.31	Total Current Liabilities	\$35,799,000,000
Mar1998	\$1.10	Long-Term Debt	\$7,424,000,000
		Total Assets	\$61,816,000,000
		Intangible Assets	\$15,988,000,000
		Total Liabilities	\$50,513,000,000
		Shares Outstanding (Diluted Average)	213,000,000





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

- [47 Companies in the Spotlight This Week – 5/16/15](#)
- [McKesson Corporation Annual Valuation – 2015 \\$MCK](#)
- [18 Companies in the Spotlight This Week – 5/17/14](#)
- [McKesson Corp \(MCK\) Annual Valuation – 2014](#)

Other ModernGraham posts about related companies

- [Fossil Group Inc Valuation – March 2017 \\$FOSL](#)
- [Lumber Liquidators Holdings Inc Valuation – Initial Coverage \\$LL](#)
- [CVS Health Corp Valuation – March 2017 \\$CVS](#)
- [Target Corp Valuation – March 2017 \\$TGT](#)
- [Foot Locker Inc Valuation – Initial Coverage \\$FL](#)
- [Ulta Beauty Inc Valuation – Initial Coverage \\$ULTA](#)
- [Kohl's Corporation Valuation – March 2017 \\$KSS](#)
- [Stamps.com Inc Valuation – Initial Coverage \\$STMP](#)
- [Kirkland's Inc Valuation – Initial Coverage \\$KIRK](#)
- [Dollar Tree Inc Valuation – February 2017 \\$DLTR](#)