

# ModernGraham Valuation

Company Name:

Flowserve Corp

Company Ticker FLS

Date of Analysis

2/28/2018



## 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  | \$5,532,392,093 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2  | 2.06            | Pass |
| 3. Earnings Stability                      | Positive EPS for 10 years prior  |                 | Pass |
| 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 | -65.28%         | Fail |
| 5. Earnings Growth                         |  |                 |      |
| 6. Moderate PEmg Ratio                     | PEmg < 20  | 34.64           | Fail |
| 7. Moderate Price to Assets                | PB Ratio < 2.5 OR PB*PEmg < 50   | 3.36            | 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                  | 2.06 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1                    | 1.14 | 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 |      | Fail |

### Suitability

|                     |           |
|---------------------|-----------|
| <b>Defensive</b>    | <b>No</b> |
| <b>Enterprising</b> | <b>No</b> |

## Stage 2: Determination of Intrinsic Value

|                             |               |
|-----------------------------|---------------|
| EPSmg                       | \$1.22        |
| MG Growth Estimate          | -4.25%        |
| <b>MG Value</b>             | <b>\$0.00</b> |
| MG Value based on 3% Growth | \$17.73       |
| MG Value based on 0% Growth | \$10.39       |
| Market Implied Growth Rate  | 13.07%        |

### MG Opinion

|                      |                   |
|----------------------|-------------------|
| Current Price        | \$42.35           |
| % of Intrinsic Value | N/A               |
| <b>Opinion</b>       | <b>Overvalued</b> |
| <b>MG Grade</b>      | <b>F</b>          |

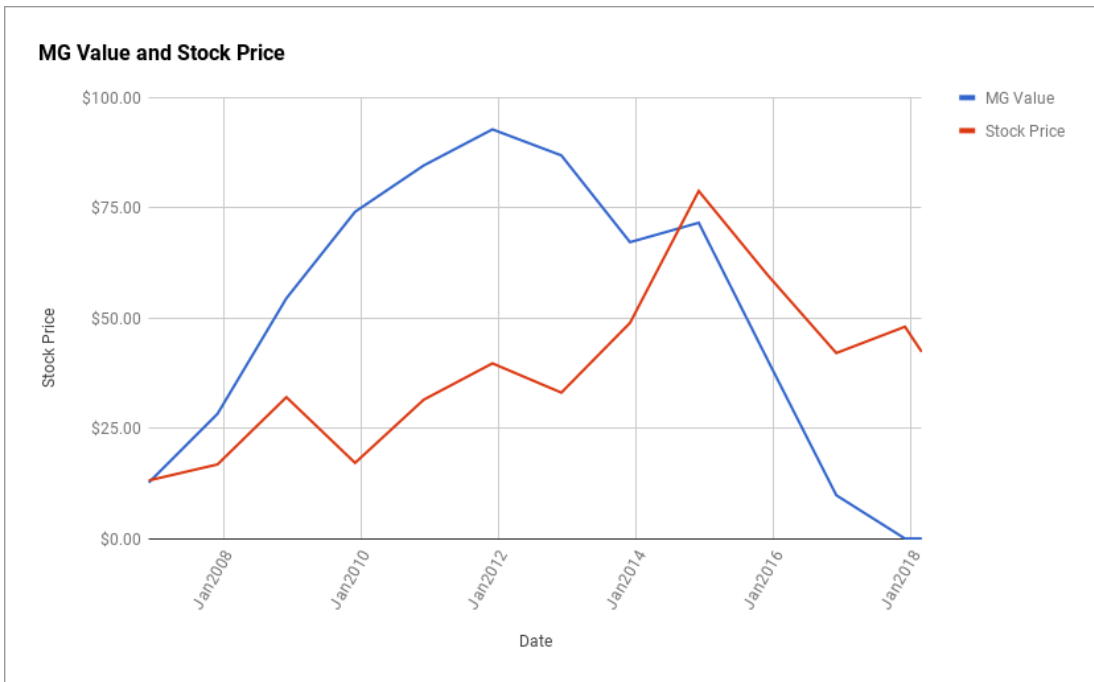
## Stage 3: Information for Further Research

|  |         |
|--|---------|
| Net Current Asset Value (NCAV)                 | -\$5.30 |
| Graham Number                                  | \$20.91 |
| PEmg   | 34.64   |
| Current Ratio                                  | 2.06    |
| PB Ratio                                       | 3.36    |
| Current Dividend                               | \$0.76  |
| Dividend Yield                                 | 1.79%   |
| Number of Consecutive Years of Dividend Growth | 11      |

### Useful Links:

|  |                               |
|--|-------------------------------|
| <a href="#">ModernGraham tagged articles</a> | <a href="#">Morningstar</a>   |
| <a href="#">Google Finance</a>               | <a href="#">MSN Money</a>     |
| <a href="#">Yahoo Finance</a>                | <a href="#">Seeking Alpha</a> |
| <a href="#">GuruFocus</a>                    | <a href="#">SEC Filings</a>   |

| EPS History               |         | EPSmg History                              |                 |
|---------------------------|---------|--|-----------------|
| Next Fiscal Year Estimate | \$1.53  | Next Fiscal Year Estimate                  | \$1.22          |
| Dec2017                   | \$0.02  | Dec2017                                    | \$1.39          |
| Dec2016                   | \$1.01  | Dec2016                                    | \$2.24          |
| Dec2015                   | \$1.93  | Dec2015                                    | \$2.87          |
| Dec2014                   | \$3.72  | Dec2014                                    | \$3.21          |
| Dec2013                   | \$3.41  | Dec2013                                    | \$2.88          |
| Dec2012                   | \$2.84  | Dec2012                                    | \$2.59          |
| Dec2011                   | \$2.55  | Dec2011                                    | \$2.41          |
| Dec2010                   | \$2.29  | Dec2010                                    | \$2.20          |
| Dec2009                   | \$2.53  | Dec2009                                    | \$1.93          |
| Dec2008                   | \$2.58  | Dec2008                                    | \$1.42          |
| Dec2007                   | \$1.49  | Dec2007                                    | \$0.73          |
| Dec2006                   | \$0.67  | Dec2006                                    | \$0.33          |
| Dec2005                   | \$0.10  | Dec2005                                    | \$0.14          |
| Dec2004                   | \$0.16  | Dec2004                                    | \$0.15          |
| Dec2003                   | \$0.27  | Dec2003                                    | \$0.13          |
| Dec2002                   | \$0.16  | Dec2002                                    | \$0.08          |
| Dec2001                   | -\$0.14 | <b>Balance Sheet Information 12/1/2017</b> |                 |
| Dec2000                   | \$0.12  | Total Current Assets                       | \$2,558,745,000 |
| Dec1999                   | \$0.11  | Total Current Liabilities                  | \$1,242,908,000 |
| Dec1998                   | \$0.41  | Long-Term Debt                             | \$1,499,658,000 |
|                           |         | Total Assets                               | \$4,910,474,000 |
|                           |         | Intangible Assets                          | \$1,428,237,000 |
|                           |         | Total Liabilities                          | \$3,255,887,000 |
|                           |         | Shares Outstanding (Diluted Average)       | 131,417,000     |





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**

- [11 Best Stocks For Value Investors This Week – 11/21/15](#)
- [Flowserve Corp Valuation – November 2015 Update \\$FLS](#)
- [The Best Companies of the Construction Industry – October 2015](#)
- [15 Best Stocks For Value Investors This Week – 8/22/15](#)
- [Flowserve Corporation Analysis – August 2015 Update \\$FLS](#)

**Other ModernGraham posts about related companies**

- [Caterpillar Inc Valuation – February 2018 \\$CAT](#)
- [Eagle Materials Inc Valuation – Initial Coverage \\$EXP](#)
- [Louisiana-Pacific Corp Valuation – Initial Coverage \\$LPX](#)
- [Lowe's Companies Inc Valuation – March 2017 \\$LOW](#)
- [Cavco Industries Inc Valuation – Initial Coverage \\$CVCO](#)
- [LGI Homes Inc Valuation – Initial Coverage \\$LGIH](#)
- [Fortune Brands Home & Security Inc Valuation – Initial Coverage \\$FBHS](#)
- [Acuity Brands Inc Valuation – Initial Coverage \\$AYI](#)
- [Stantec Inc Valuation – Initial Coverage \\$TSE:STN](#)
- [Home Depot Inc Valuation – February 2017 \\$HD](#)