ModernGraham Valuation

Company Name: Cardinal Health Inc

MG ModernGraham

Company Ticker	CAH
Date of Analysis	3/20/2018

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	$20,584,983,275	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.09	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	78.49%	Pass
6. Moderate PEmg Ratio	PEmg < 20	14.78	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.72	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	1.09	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	4.39	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	**Yes**
Enterprising	**Yes**

Stage 2: Determination of Intrinsic Value

EPSmg	$4.43
MG Growth Estimate	11.80%
MG Value	**$142.06**
MG Value based on 3% Growth	$64.19
MG Value based on 0% Growth	$37.63
Market Implied Growth Rate	3.14%

MG Opinion

Current Price	$65.41
% of Intrinsic Value	46.04%
Opinion	**Undervalued**
MG Grade	**A**

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$32.02
Graham Number	$50.88
PEmg	14.78
Current Ratio	1.09
PB Ratio	2.72
Current Dividend	$1.81
Dividend Yield	2.77%
Number of Consecutive Years of Dividend Growth	20

EPS History			EPSmg History	
Next Fiscal Year Estimate	$5.34		Next Fiscal Year Estimate	$4.43
Jun2017	$4.03		Jun2017	$3.73
Jun2016	$4.32		Jun2016	$3.41
Jun2015	$3.62		Jun2015	$2.89
Jun2014	$3.38		Jun2014	$2.48
Jun2013	$0.97		Jun2013	$2.13
Jun2012	$3.06		Jun2012	$2.76
Jun2011	$2.72		Jun2011	$2.81
Jun2010	$1.77		Jun2010	$2.94
Jun2009	$3.18		Jun2009	$3.44
Jun2008	$3.57		Jun2008	$3.47
Jun2007	$4.77		Jun2007	$3.34
Jun2006	$2.33		Jun2006	$2.65
Jun2005	$2.41		Jun2005	$2.74
Jun2004	$3.35		Jun2004	$2.74
Jun2003	$3.03		Jun2003	$2.29
Jun2002	$2.33		Jun2002	$1.80
Jun2001	$1.85		**Balance Sheet Information**	**12/1/2017**
Jun2000	$1.58		Total Current Assets	$25,188,000,000
Jun1999	$1.12		Total Current Liabilities	$23,125,000,000
Jun1998	$1.02		Long-Term Debt	$9,057,000,000
			Total Assets	$42,905,000,000
			Intangible Assets	$14,366,000,000
			Total Liabilities	$35,306,000,000
			Shares Outstanding (Diluted Average)	316,000,000

MG Value and Stock Price

EPSmg

Price and PEmg

Graham Number and Stock Price

Dividend History
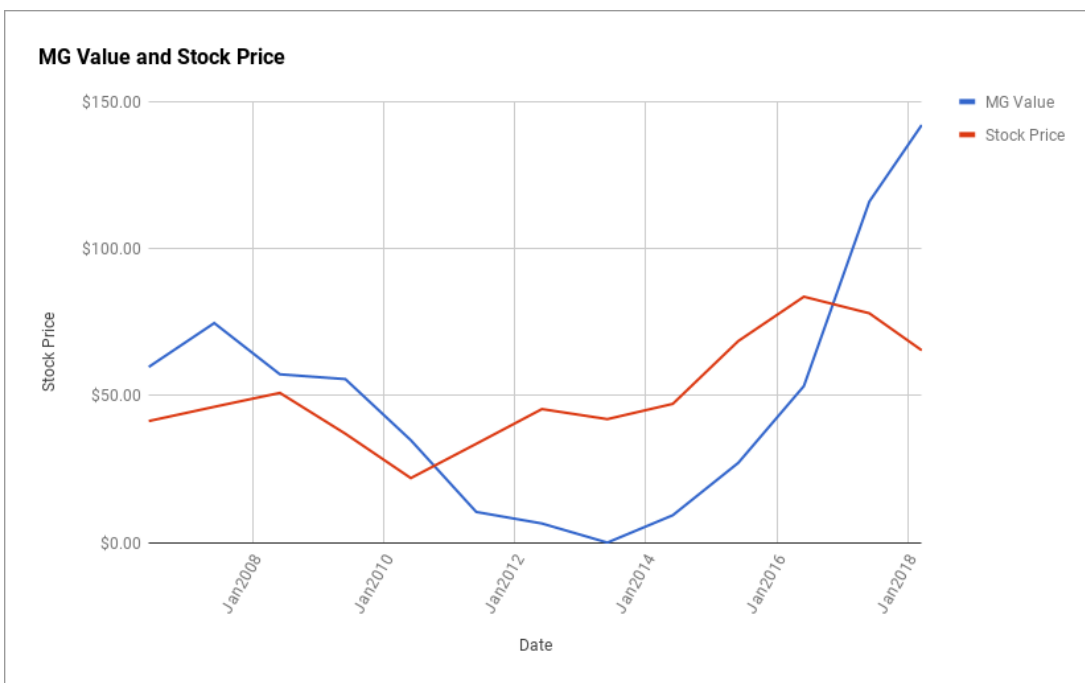
Disclaimer:

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	58 Companies in the Spotlight This Week – 1/31/15 Cardinal Health Inc. Annual Valuation – 2015 $CAH 14 Companies in the Spotlight This Week – 1/4/14 ModernGraham Valuation: Cardinal Health (CAH)
Other ModernGraham posts about related companies	Zimmer Biomet Holdings Inc Valuation – March 2018 $ZBH Henry Schein Inc Valuation – March 2018 $HSIC Medtronic PLC Valuation – March 2018 $MDT UnitedHealth Group Inc Valuation – February 2018 $UNH VCA Inc Valuation – Initial Coverage $WOOF Universal Health Services Inc Valuation – August 2017 $UHS Telefex Inc Valuation – Initial Coverage $TFX BIO-TECHNE Corp Valuation – Initial Coverage $TECH LifePoint Health Inc Valuation – Initial Coverage $LPNT Psychemedics Corp Valuation – April 2017 $PMD