# **ModernGraham Valuation**

## **Company Name:**

Cummins Inc.

Company Ticker CMI Date of Analysis 3/22/2018



### 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	\$26,103,405,051 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.57 Fail
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	
5. Earnings Growth	beginning and end	53.33% Pass
Moderate PEmg Ratio	PEmg < 20	17.83 Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.61 Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.57 Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.49 Pass
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

\$157.55

182.49%

Score

Suitability

MG Opinion

Defensive No Enterprising Yes

#### Stage 2: Determination of Intrinsic Value

EPSmg	\$8.83
MG Growth Estimate	0.64%
MG Value	\$86.33
MG Value based on 3% Growth	\$128.10
MG Value based on 0% Growth	\$75.09
Market Implied Growth Rate	4.67%

% of Intrinsic Value

Opinion Overvalued MG Grade

### Stage 3: Information for Further Research

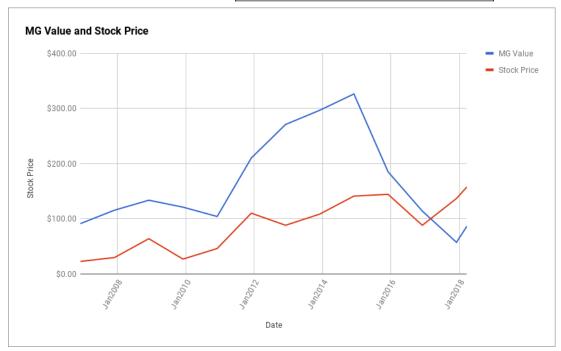
**Current Price** 

Net Current Asset Value (NCAV)	-\$11.35
Graham Number	\$108.08
PEmg	17.83
Current Ratio	1.57
PB Ratio	3.61
Current Dividend	\$4.21
Dividend Yield	2.67%
Number of Consecutive Years of Dividend Growth	12

**Useful Links:** ModernGraham tagged articles

Morningstar Google Finance MSN Money Yahoo Finance Seeking Alpha <u>GuruFocus</u> SEC Filings

EPS History		EPSmg History	
Next Fiscal Year			
Estimate	• • • •	Next Fiscal Year Estimate	\$8.83
Dec2017	\$5.97	Dec2017	\$7.48
Dec2016	\$8.23	Dec2016	\$8.27
Dec2015	\$7.84	Dec2015	\$8.39
Dec2014	\$9.02	Dec2014	\$8.48
Dec2013	\$7.91	Dec2013	\$7.71
Dec2012	\$8.67	Dec2012	\$7.04
Dec2011	\$9.55	Dec2011	\$5.78
Dec2010	\$5.28	Dec2010	\$3.83
Dec2009	\$2.16	Dec2009	\$3.14
Dec2008	\$3.84	Dec2008	\$3.47
Dec2007	\$3.70	Dec2007	\$3.00
Dec2006	\$3.55	Dec2006	\$2.37
Dec2005	\$2.75	Dec2005	\$1.50
Dec2004	\$1.85	Dec2004	\$0.72
Dec2003	\$0.32	Dec2003	\$0.19
Dec2002	\$0.53	Dec2002	\$0.14
Dec2001	-\$0.68	Balance Sheet Information	12/1/2017
Dec2000	\$0.09	Total Current Assets	\$8,928,000,000
Dec1999	\$1.03	Total Current Liabilities	\$5,677,000,000
Dec1998	-\$0.14	Long-Term Debt	\$1,588,000,000
		Total Assets	\$18,075,000,000
		Intangible Assets	\$2,055,000,000
		Total Liabilities	\$10,816,000,000
		Shares Outstanding (Diluted Average)	166,283,000





#### 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 Cummins Inc Valuation - July 2016 \$CMI

10 Undervalued Companies for the Defensive Dividend Stock Investor – June 2016

10 Companies Benjamin Graham Would Invest In Today - February 2016

10 Undervalued Companies for the Defensive Dividend Stock Investor – February 2016

10 Low PE Stocks for the Defensive Investor – January 2016

Other ModernGraham posts about related companies Flowserve Corp Valuation – February 2018 \$FLS

Corning Inc Valuation – February 2018 \$GLW

Home Depot Inc Valuation – February 2018 \$HD

Caterpillar Inc Valuation - February 2018 \$CAT

Eagle Materials Inc Valuation - Initial Coverage \$EXP

Louisiana-Pacific Corp Valuation – Initial Coverage \$LPX

<u>Lowe's Companies Inc Valuation – March 2017 \$LOW</u>

<u>Cavco Industries Inc Valuation – Initial Coverage \$CVCO</u> <u>LGI Homes Inc Valuation – Initial Coverage \$LGIH</u>

Fortune Brands Home & Security Inc Valuation - Initial Coverage \$FBHS