

# 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 beginning and end	53.33%	Pass
5. Earnings Growth	PEmg < 20	17.83	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.61	Fail
7. Moderate Price to Assets			

*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	1.57	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 Score		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

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

### MG Opinion

Current Price	\$157.55
% of Intrinsic Value	182.49%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C+</b>

## Stage 3: Information for Further Research

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

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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
	\$11.85		\$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	<b>Balance Sheet Information</b>	
Dec2000	\$0.09	<b>12/1/2017</b>	
Dec1999	\$1.03	Total Current Assets	\$8,928,000,000
Dec1998	-\$0.14	Total Current Liabilities	\$5,677,000,000
		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:

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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](#)

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[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](#)  
[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](#)