

ModernGraham Valuation

Company Name:

Kellogg Company

Company Ticker K

Date of Analysis

3/29/2018



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	\$22,477,131,917	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.68	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	9.73%	Fail
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	20.88	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	10.23	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	0.68	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-5.43	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	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.11
MG Growth Estimate	0.68%
MG Value	\$30.69
MG Value based on 3% Growth	\$45.14
MG Value based on 0% Growth	\$26.46
Market Implied Growth Rate	6.19%

MG Opinion

Current Price	\$65.01
% of Intrinsic Value	211.86%
Opinion	Overvalued
MG Grade	D+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$31.90
Graham Number	\$24.68
PEmg	20.88
Current Ratio	0.68
PB Ratio	10.23
Current Dividend	\$2.12
Dividend Yield	3.26%
Number of Consecutive Years of Dividend Growth	13

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$4.23	Next Fiscal Year Estimate	\$3.11
Dec2017	\$3.62	Dec2017	\$2.64
Dec2016	\$1.96	Dec2016	\$2.30
Dec2015	\$1.72	Dec2015	\$2.54
Dec2014	\$1.75	Dec2014	\$2.98
Dec2013	\$4.94	Dec2013	\$3.50
Dec2012	\$2.67	Dec2012	\$2.83
Dec2011	\$2.38	Dec2011	\$2.91
Dec2010	\$3.40	Dec2010	\$3.11
Dec2009	\$3.16	Dec2009	\$2.89
Dec2008	\$2.99	Dec2008	\$2.69
Dec2007	\$2.76	Dec2007	\$2.47
Dec2006	\$2.51	Dec2006	\$2.27
Dec2005	\$2.36	Dec2005	\$2.05
Dec2004	\$2.14	Dec2004	\$1.83
Dec2003	\$1.92	Dec2003	\$1.59
Dec2002	\$1.75	Dec2002	\$1.38
Dec2001	\$1.16	Balance Sheet Information 12/1/2017	
Dec2000	\$1.45	Total Current Assets	\$3,036,000,000
Dec1999	\$0.83	Total Current Liabilities	\$4,479,000,000
Dec1998	\$1.23	Long-Term Debt	\$7,836,000,000
		Total Assets	\$16,350,000,000
		Intangible Assets	\$8,143,000,000
		Total Liabilities	\$14,138,000,000
		Shares Outstanding (Diluted Average)	348,000,000





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

- [5 Speculative and Overvalued Companies to Avoid – February 2015](#)
- [27 Companies in the Spotlight This Week – 2/14/15](#)
- [Kellogg Company Annual Valuation – 2015 \\$K](#)
- [15 Companies in the Spotlight This Week – 2/8/14](#)
- [Kellogg Company \(K\) Annual Valuation](#)

Other ModernGraham posts about related companies

- [The Coca-Cola Co Valuation – February 2018 \\$KO](#)
- [Campbell Soup Company Valuation – September 2017 \\$CPB](#)
- [Post Holdings Inc Valuation – Initial Coverage \\$POST](#)
- [Dean Foods Co Valuation – Initial Coverage \\$DF](#)
- [George Weston Limited Valuation – Initial Coverage \\$TSE:WN](#)
- [Tyson Foods Inc Valuation – July 2017 \\$TSN](#)
- [Darling Ingredients Inc Valuation – Initial Coverage \\$DAR](#)
- [Mondelez International Inc Valuation – March 2017 \\$MDLZ](#)
- [Calavo Growers Inc Valuation – Initial Coverage \\$CVGW](#)
- [Hormel Foods Corp Valuation – March 2017 \\$HRL](#)