

ModernGraham Valuation

Company Name:

Sherwin-Williams Co

Company Ticker SHW

Date of Analysis

3/27/2018



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	\$36,725,256,088	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.12	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	304.62%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	25.07	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	10.08	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	1.12	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	20.65	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	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$15.59
MG Growth Estimate	15.00%
MG Value	\$600.14
MG Value based on 3% Growth	\$226.03
MG Value based on 0% Growth	\$132.50
Market Implied Growth Rate	8.28%

MG Opinion

Current Price	\$390.72
% of Intrinsic Value	65.11%
Opinion	Undervalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$123.88
Graham Number	\$127.67
PEmg	25.07
Current Ratio	1.12
PB Ratio	10.08
Current Dividend	\$3.40
Dividend Yield	0.87%
Number of Consecutive Years of Dividend Growth	20

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$18.42	Next Fiscal Year Estimate	\$15.59
Dec2017	\$18.67	Dec2017	\$13.30
Dec2016	\$11.99	Dec2016	\$10.09
Dec2015	\$11.15	Dec2015	\$8.59
Dec2014	\$8.77	Dec2014	\$6.90
Dec2013	\$7.26	Dec2013	\$5.67
Dec2012	\$6.02	Dec2012	\$4.72
Dec2011	\$4.14	Dec2011	\$4.11
Dec2010	\$4.21	Dec2010	\$4.12
Dec2009	\$3.78	Dec2009	\$4.04
Dec2008	\$4.00	Dec2008	\$4.04
Dec2007	\$4.70	Dec2007	\$3.85
Dec2006	\$4.19	Dec2006	\$3.17
Dec2005	\$3.28	Dec2005	\$2.49
Dec2004	\$2.72	Dec2004	\$1.91
Dec2003	\$2.26	Dec2003	\$1.45
Dec2002	\$0.84	Dec2002	\$1.09
Dec2001	\$1.68	Balance Sheet Information 12/1/2017	
Dec2000	\$0.10	Total Current Assets	\$4,465,840,000
Dec1999	\$1.80	Total Current Liabilities	\$3,987,180,000
Dec1998	\$1.57	Long-Term Debt	\$9,885,745,000
		Total Assets	\$19,958,427,000
		Intangible Assets	\$12,816,706,000
		Total Liabilities	\$16,266,239,000
		Shares Outstanding (Diluted Average)	95,256,000





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

- [47 Companies in the Spotlight This Week – 5/16/15](#)
- [Sherwin Williams Company Annual Valuation – 2015 \\$SHW](#)
- [16 Companies in the Spotlight This Week – 5/24/14](#)
- [Sherwin-Williams Company 2014 Annual Valuation \\$SHW](#)

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](#)
- [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](#)