ModernGraham Valuation

Company Name: Southern Co

Company Ticker SO

Date of Analysis 3/18/2018

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	$44,550,568,600	Pass
2.	Sufficiently Strong Financial Condition	Current Ratio > 2	0.74	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	-11.05%	Fail
6.	Moderate PEmg Ratio	PEmg < 20	20.45	Fail
7.	Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.86	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	0.74	Fail
2.	Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-12.62	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		Fail
		Score		

Suitability

Defensive	**No**
Enterprising	**No**

Stage 2: Determination of Intrinsic Value

EPSmg		$2.16
MG Growth Estimate		-0.63%
MG Value		**$15.63**
MG Value based on 3% Growth		$31.34
MG Value based on 0% Growth		$18.37
Market Implied Growth Rate		5.97%

MG Opinion

Current Price		$44.19
% of Intrinsic Value		282.69%
Opinion	**Overvalued**	
MG Grade	**D+**	

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$75.48
Graham Number	$38.94
PEmg	20.45
Current Ratio	0.74
PB Ratio	1.86
Current Dividend	$2.30
Dividend Yield	5.20%
Number of Consecutive Years of Dividend Growth	17

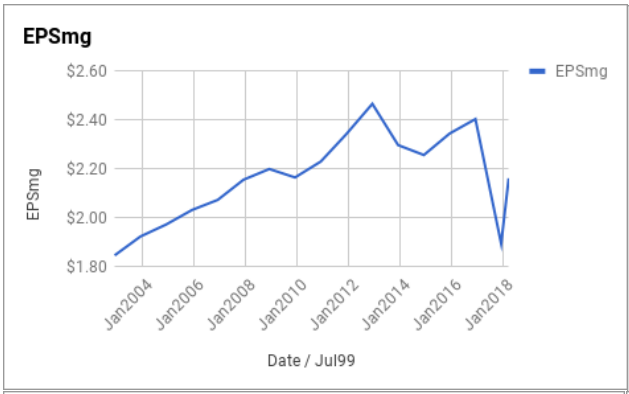
Useful Links:

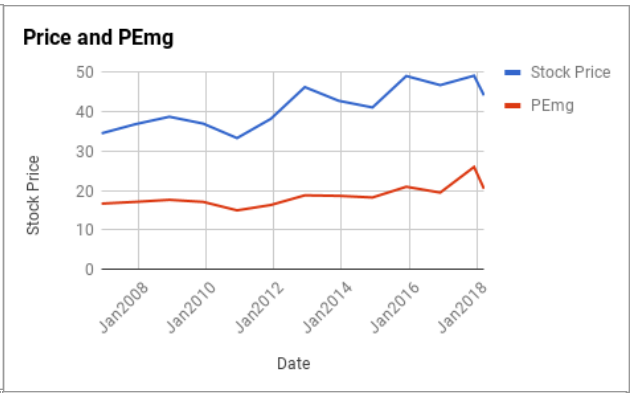
ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

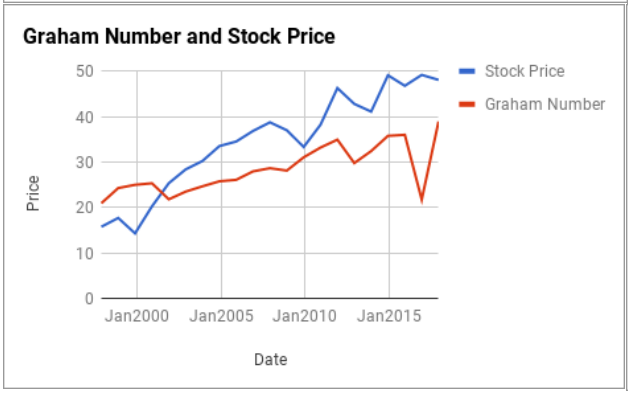
EPS History	
Next Fiscal Year Estimate	$2.81
Dec2017	$0.84
Dec2016	$2.55
Dec2015	$2.59
Dec2014	$2.18
Dec2013	$1.87
Dec2012	$2.67
Dec2011	$2.55
Dec2010	$2.36
Dec2009	$2.06
Dec2008	$2.25
Dec2007	$2.28
Dec2006	$2.10
Dec2005	$2.13
Dec2004	$2.06
Dec2003	$2.02
Dec2002	$1.85
Dec2001	$1.82
Dec2000	$2.01
Dec1999	$1.86
Dec1998	$1.40

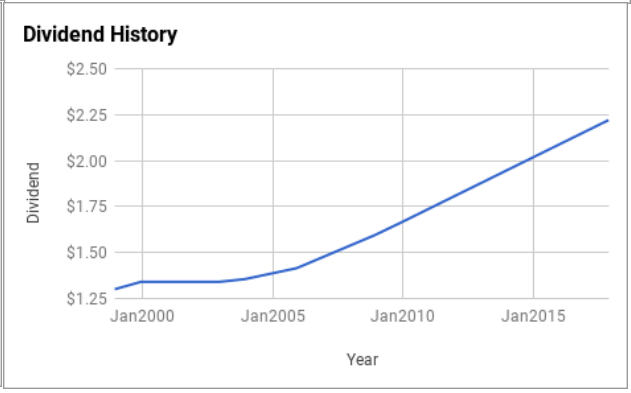
EPSmg History	
Next Fiscal Year Estimate	$2.16
Dec2017	$1.89
Dec2016	$2.40
Dec2015	$2.34
Dec2014	$2.26
Dec2013	$2.30
Dec2012	$2.47
Dec2011	$2.34
Dec2010	$2.23
Dec2009	$2.16
Dec2008	$2.20
Dec2007	$2.16
Dec2006	$2.07
Dec2005	$2.03
Dec2004	$1.97
Dec2003	$1.92
Dec2002	$1.85

Balance Sheet Information	12/1/2017
Total Current Assets	$10,072,000,000
Total Current Liabilities	$13,594,000,000
Long-Term Debt	$44,462,000,000
Total Assets	$111,005,000,000
Intangible Assets	$7,141,000,000
Total Liabilities	$86,838,000,000
Shares Outstanding (Diluted Average)	1,017,000,000









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

58 Companies in the Spotlight This Week – 1/31/15
Southern Company Annual Valuation – 2015 $SO
14 Companies in the Spotlight This Week – 1/25/14
The Southern Company (SO) Annual Valuation

Other ModernGraham posts about related companies

SCANA Corp Valuation – March 2018 $SCG
Xcel Energy Inc Valuation – February 2018 $XEL
Atmos Energy Corp Valuation – Initial Coverage $ATO
PNM Resources Inc Valuation – Initial Coverage $PNM
Public Service Enterprise Group Inc Valuation – July 2017 $PEG
Eversource Energy Valuation – July 2017 $ES
PPL Corp Valuation – June 2017 $PPL
Entergy Corp Valuation – April 2017 $ETR
California Water Service Group Valuation – Initial Coverage $CWT
TransAlta Corporation – Initial Coverage $TSE:TA