

ModernGraham Valuation

Company Name:

Kansas City Southern

Company Ticker KSU

Date of Analysis

4/30/2018



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	\$10,709,502,773	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.69	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	269.45%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	17.26	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.38	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	0.69	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-8.65	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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$6.18
MG Growth Estimate	11.02%
MG Value	\$188.69
MG Value based on 3% Growth	\$89.59
MG Value based on 0% Growth	\$52.52
Market Implied Growth Rate	4.38%

MG Opinion

Current Price	\$106.63
% of Intrinsic Value	56.51%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

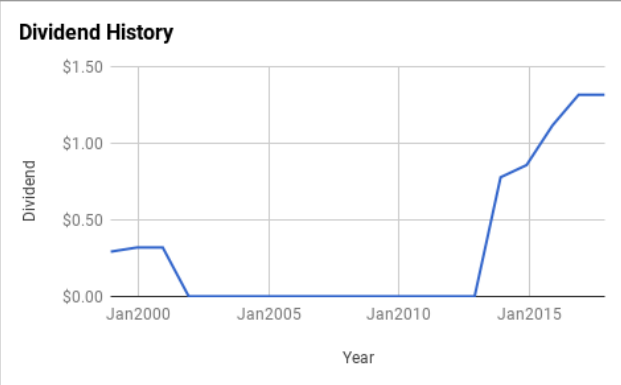
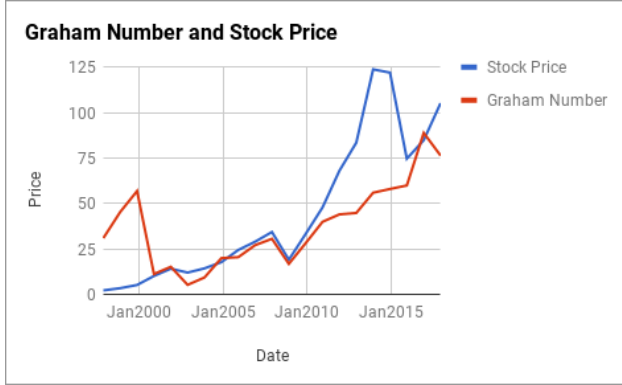
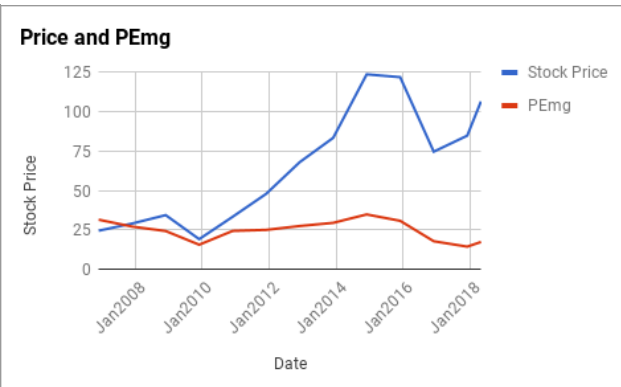
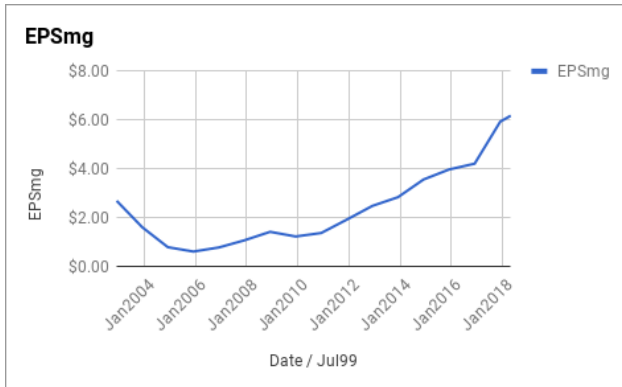
Net Current Asset Value (NCAV)	-\$38.34
Graham Number	\$76.37
PEmg	17.26
Current Ratio	0.69
PB Ratio	2.38
Current Dividend	\$1.38
Dividend Yield	1.29%
Number of Consecutive Years of Dividend Growth	1

Useful Links:

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

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.88	Next Fiscal Year Estimate	\$6.18
Dec2017	\$9.16	Dec2017	\$5.93
Dec2016	\$4.43	Dec2016	\$4.21
Dec2015	\$4.40	Dec2015	\$3.97
Dec2014	\$4.55	Dec2014	\$3.56
Dec2013	\$3.18	Dec2013	\$2.84
Dec2012	\$3.43	Dec2012	\$2.48
Dec2011	\$3.00	Dec2011	\$1.92
Dec2010	\$1.67	Dec2010	\$1.37
Dec2009	\$0.60	Dec2009	\$1.23
Dec2008	\$1.86	Dec2008	\$1.42
Dec2007	\$1.57	Dec2007	\$1.07
Dec2006	\$1.08	Dec2006	\$0.78
Dec2005	\$1.10	Dec2005	\$0.61
Dec2004	\$0.25	Dec2004	\$0.79
Dec2003	\$0.10	Dec2003	\$1.61
Dec2002	\$0.91	Dec2002	\$2.69
Dec2001	\$0.51	Balance Sheet Information 3/1/2018	
Dec2000	\$6.42	Total Current Assets	\$565,900,000
Dec1999	\$5.58	Total Current Liabilities	\$823,800,000
Dec1998	\$3.32	Long-Term Debt	\$2,230,200,000
		Total Assets	\$9,128,100,000
		Intangible Assets	\$0
		Total Liabilities	\$4,513,600,000
		Shares Outstanding (Diluted Average)	102,976,000





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**
- [8 Best Stocks for Value Investors This Week – 12/27/16](#)
 - [Kansas City Southern Valuation – December 2016 \\$KSU](#)
 - [Kansas City Southern Analysis – August 2015 Update \\$KSU](#)
 - [20 Companies in the Spotlight This Week – 8/16/14](#)
 - [Kansas City Southern Annual Valuation – 2014 \\$KSU](#)

- Other ModernGraham posts about related companies**
- [Norfolk Southern Corp Valuation – April 2018 \\$NSC](#)
 - [CSX Corporation Valuation – April 2018 \\$CSX](#)
 - [Union Pacific Corp Valuation – April 2018 \\$UNP](#)
 - [Canadian Pacific Railway Ltd Valuation – Initial Coverage \\$TSE:CP](#)
 - [Canadian National Railway Co Valuation – Initial Valuation \\$TSE:CNR](#)
 - [Kansas City Southern Valuation – December 2016 \\$KSU](#)
 - [Norfolk Southern Corp Valuation – December 2016 \\$NSC](#)
 - [Norfolk Southern Corp Valuation – August 2016 \\$NSC](#)
 - [CSX Corporation Valuation – August 2016 \\$CSX](#)
 - [Union Pacific Corp Valuation – August 2016 \\$UNP](#)