

ModernGraham Valuation

Company Name:

Company Ticker BF.B

Date of Analysis

5/14/2018

Brown-Forman
Corporation



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	\$27,200,978,424	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.78	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	85.13%	Pass
5. Earnings Growth	PEmg < 20	38.27	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	28.80	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	1.78	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.53	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	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.49
MG Growth Estimate	5.68%
MG Value	\$29.65
MG Value based on 3% Growth	\$21.65
MG Value based on 0% Growth	\$12.69
Market Implied Growth Rate	14.89%

MG Opinion

Current Price	\$57.15
% of Intrinsic Value	192.73%
Opinion	Overvalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$1.98
Graham Number	\$9.40
PEmg	38.27
Current Ratio	1.78
PB Ratio	28.80
Current Dividend	\$0.56
Dividend Yield	0.99%
Number of Consecutive Years of Dividend Growth	20

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[Morningstar](#)
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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
	\$1.38		\$1.49
Apr2017	\$1.37	Apr2017	\$1.51
Apr2016	\$2.09	Apr2016	\$1.49
Apr2015	\$1.28	Apr2015	\$1.17
Apr2014	\$1.22	Apr2014	\$1.08
Apr2013	\$1.10	Apr2013	\$0.99
Apr2012	\$0.95	Apr2012	\$0.91
Apr2011	\$1.04	Apr2011	\$0.86
Apr2010	\$0.81	Apr2010	\$0.75
Apr2009	\$0.77	Apr2009	\$0.70
Apr2008	\$0.76	Apr2008	\$0.64
Apr2007	\$0.67	Apr2007	\$0.56
Apr2006	\$0.55	Apr2006	\$0.48
Apr2005	\$0.54	Apr2005	\$0.43
Apr2004	\$0.43	Apr2004	\$0.38
Apr2003	\$0.35	Apr2003	\$0.35
Apr2002	\$0.35	Apr2002	\$0.34
Apr2001	\$0.36	Balance Sheet Information	
Apr2000	\$0.34	1/1/2018	
Apr1999	\$0.31	Total Current Assets	\$2,641,000,000
Apr1998	\$0.29	Total Current Liabilities	\$1,486,000,000
		Long-Term Debt	\$1,770,000,000
		Total Assets	\$5,042,000,000
		Intangible Assets	\$1,448,000,000
		Total Liabilities	\$3,841,000,000
		Shares Outstanding (Diluted Average)	605,305,000





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

- [Brown-Forman Corporation – February 2017 \\$BF.B](#)
- [5 Speculative and Overvalued Companies to Avoid – November 2015](#)
- [Brown-Forman Corporation Analysis – September 2015 Update \\$BF/B](#)
- [Brown-Forman Corporation Analysis – June 2015 Update \\$BF.B](#)
- [18 Companies in the Spotlight This Week – 3/21/15](#)

Other ModernGraham posts about related companies

- [Philip Morris International Inc Valuation – March 2018 \\$PM](#)
- [Altria Group Inc Valuation – March 2018 \\$MO](#)
- [Molson Coors Brewing Co Valuation – March 2018 \\$TAP](#)
- [Molson Coors Brewing Co Valuation – Initial Coverage \\$TAP](#)
- [Constellation Brands Inc Valuation – February 2017 \\$STZ](#)
- [Brown-Forman Corporation – February 2017 \\$BF.B](#)
- [Boston Beer Company Inc Valuation – Initial Coverage \\$SAM](#)
- [Constellation Brands Inc Valuation – August 2016 \\$STZ](#)
- [Reynolds American Inc Valuation – July 2016 \\$RAI](#)
- [Philip Morris International Inc Valuation – June 2016 \\$PM](#)