

ModernGraham Valuation

Company Name:

Kennametal Inc.

Company Ticker KMT

Date of Analysis

8/11/2018



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	\$3,272,088,191	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.74	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	-14.51%	Fail
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	35.65	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.62	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	1.74	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.90	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Fail
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass
	Score		

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.09
MG Growth Estimate	15.00%
MG Value	\$41.94
MG Value based on 3% Growth	\$15.80
MG Value based on 0% Growth	\$9.26
Market Implied Growth Rate	13.57%

MG Opinion

Current Price	\$38.83
% of Intrinsic Value	92.59%
Opinion	Fairly Valued
MG Grade	C+

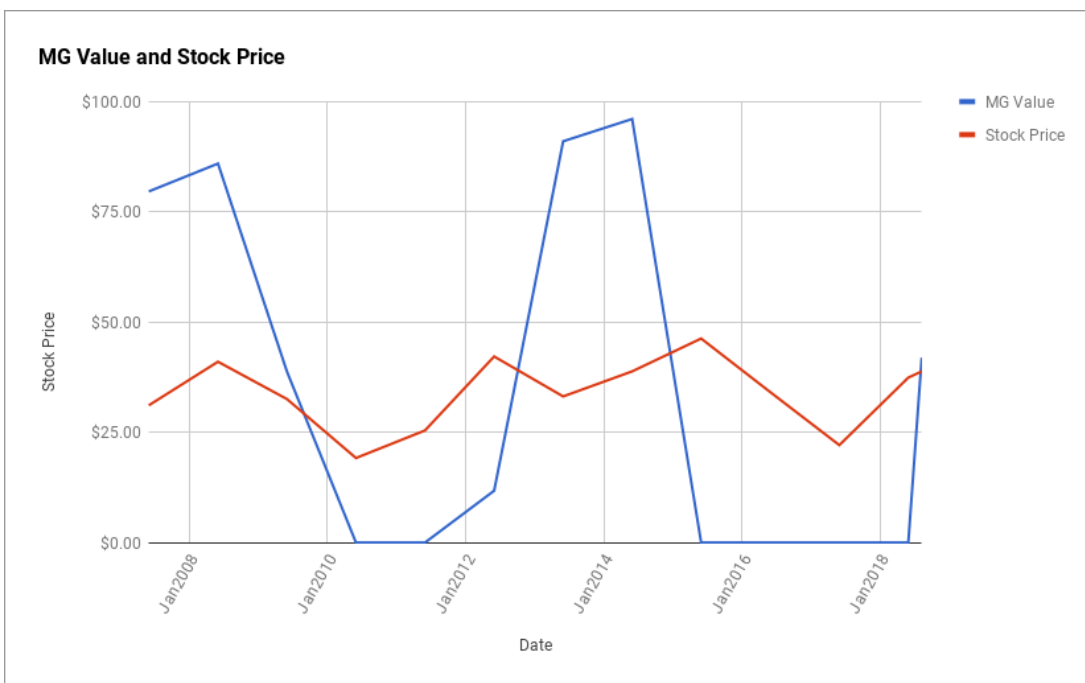
Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$1.80
Graham Number	\$31.63
PEmg	35.65
Current Ratio	1.74
PB Ratio	2.62
Current Dividend	\$0.80
Dividend Yield	2.06%
Number of Consecutive Years of Dividend Growth	0

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	\$3.04	Next Fiscal Year Estimate	\$1.09
Jun2018	\$2.42	Jun2018	-\$0.09
Jun2017	\$0.61	Jun2017	-\$1.06
Jun2016	-\$2.83	Jun2016	-\$1.21
Jun2015	-\$4.71	Jun2015	\$0.15
Jun2014	\$1.99	Jun2014	\$2.50
Jun2013	\$2.52	Jun2013	\$2.36
Jun2012	\$3.77	Jun2012	\$2.03
Jun2011	\$2.76	Jun2011	\$1.18
Jun2010	\$0.57	Jun2010	\$0.69
Jun2009	-\$1.64	Jun2009	\$1.01
Jun2008	\$2.15	Jun2008	\$2.23
Jun2007	\$2.22	Jun2007	\$2.07
Jun2006	\$3.24	Jun2006	\$1.51
Jun2005	\$1.57	Jun2005	\$0.45
Jun2004	\$1.01	Jun2004	-\$0.10
Jun2003	\$0.26	Jun2003	-\$0.49
Jun2002	-\$3.40	Balance Sheet Information 6/1/2018	
Jun2001	\$0.87	Total Current Assets	\$1,546,166,000
Jun2000	\$0.85	Total Current Liabilities	\$886,531,000
Jun1999	\$0.66	Long-Term Debt	\$591,505,000
		Total Assets	\$2,925,737,000
		Intangible Assets	\$478,270,000
		Total Liabilities	\$1,695,410,000
		Shares Outstanding (Diluted Average)	83,038,000





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 [Kennametal Inc Valuation – Initial Coverage \\$KMT](#)

Other ModernGraham posts about related companies [AGCO Corp Valuation – August 2018 \\$AGCO](#)
[John Bean Technologies Corp Valuation – August 2018 \\$JBT](#)
[Stanley Black & Decker Inc Valuation – June 2018 \\$SWK](#)
[Pentair PLC Valuation – June 2018 \\$PNR](#)
[Snap-on Inc Valuation – May 2018 \\$SNA](#)
[Paccar Inc Valuation – May 2018 \\$PCAR](#)
[W.W. Grainger Inc Valuation – May 2018 \\$GWW](#)
[Allegion PLC Valuation – May 2018 \\$ALLE](#)
[Xylem Inc Valuation – May 2018 \\$XYL](#)
[Arconic Inc Valuation – April 2018 \\$ARNC](#)