

ModernGraham Valuation

KapStone Paper and
Packaging Corp.



Company Name:

Company Ticker KS

Date of Analysis

8/26/2018

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	\$3,356,767,670	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.24	Pass
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	117.27%	Pass
5. Earnings Growth	PEmg < 20	19.23	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.83	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	2.24	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.79	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	\$1.78
MG Growth Estimate	7.26%
MG Value	\$41.08
MG Value based on 3% Growth	\$25.87
MG Value based on 0% Growth	\$15.16
Market Implied Growth Rate	5.37%

MG Opinion

Current Price	\$34.31
% of Intrinsic Value	83.52%
Opinion	Fairly Valued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$12.79
Graham Number	\$23.30
PEmg	19.23
Current Ratio	2.24
PB Ratio	2.83
Current Dividend	\$0.40
Dividend Yield	1.17%
Number of Consecutive Years of Dividend Growth	0

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.06	Next Fiscal Year Estimate	\$1.78
Dec2017	\$2.47	Dec2017	\$1.60
Dec2016	\$0.88	Dec2016	\$1.16
Dec2015	\$1.09	Dec2015	\$1.23
Dec2014	\$1.76	Dec2014	\$1.20
Dec2013	\$1.32	Dec2013	\$0.91
Dec2012	\$0.65	Dec2012	\$0.70
Dec2011	\$0.66	Dec2011	\$0.69
Dec2010	\$0.69	Dec2010	\$0.64
Dec2009	\$1.15	Dec2009	\$0.54
Dec2008	\$0.29	Dec2008	\$0.21
Dec2007	\$0.38	Dec2007	\$0.14
Dec2006	\$0.04	Dec2006	\$0.02
Dec2005	\$0.03	Dec2005	\$0.01
Dec2004	\$0.00	Dec2004	\$0.00
Dec2003	\$0.00	Dec2003	\$0.00
Dec2002	\$0.00	Dec2002	\$0.00
Dec2001	\$0.00	Balance Sheet Information 6/1/2018	
Dec2000	\$0.00	Total Current Assets	\$894,068,000
Dec1999	\$0.00	Total Current Liabilities	\$399,183,000
Dec1998	\$0.00	Long-Term Debt	\$1,382,968,000
		Total Assets	\$3,388,143,000
		Intangible Assets	\$1,002,598,000
		Total Liabilities	\$2,173,644,000
		Shares Outstanding (Diluted Average)	100,044,000





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.

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