

# ModernGraham Valuation

Company Name:

Regal Beloit Corp

Company Ticker RBC

Date of Analysis

8/27/2018



## 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  | \$3,669,543,261 | 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   |                 | Pass |
|  | Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end | 45.61%          | Pass |
| 5. Earnings Growth                         |  |                 |      |
| 6. Moderate PEmg Ratio                     | PEmg < 20  | 18.69           | Pass |
| 7. Moderate Price to Assets                | PB Ratio < 2.5 OR PB*PEmg < 50   | 1.60            | 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            | 2.24 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1              | 1.29 | 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 |      | Pass |
|  | Score                          |      |      |

### Suitability

|                     |            |
|---------------------|------------|
| <b>Defensive</b>    | <b>Yes</b> |
| <b>Enterprising</b> | <b>Yes</b> |

## Stage 2: Determination of Intrinsic Value

|                             |                 |
|-----------------------------|-----------------|
| EPSmg                       | \$4.53          |
| MG Growth Estimate          | 10.91%          |
| <b>MG Value</b>             | <b>\$137.39</b> |
| MG Value based on 3% Growth | \$65.70         |
| MG Value based on 0% Growth | \$38.52         |
| Market Implied Growth Rate  | 5.10%           |

### MG Opinion

|                      |                    |
|----------------------|--------------------|
| Current Price        | \$84.70            |
| % of Intrinsic Value | 61.65%             |
| <b>Opinion</b>       | <b>Undervalued</b> |
| <b>MG Grade</b>      | <b>B</b>           |

## Stage 3: Information for Further Research

|  |          |
|--|----------|
| Net Current Asset Value (NCAV)                 | -\$12.92 |
| Graham Number                                  | \$81.91  |
| PEmg   | 18.69    |
| Current Ratio                                  | 2.24     |
| PB Ratio                                       | 1.60     |
| Current Dividend                               | \$1.02   |
| Dividend Yield                                 | 1.20%    |
| Number of Consecutive Years of Dividend Growth | 13       |

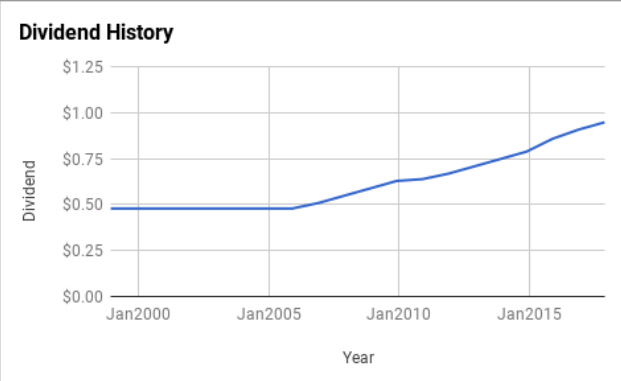
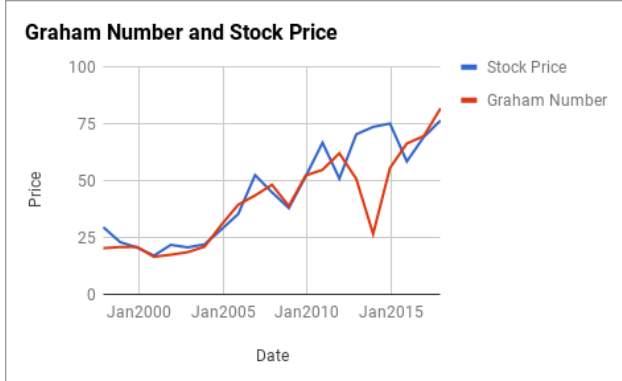
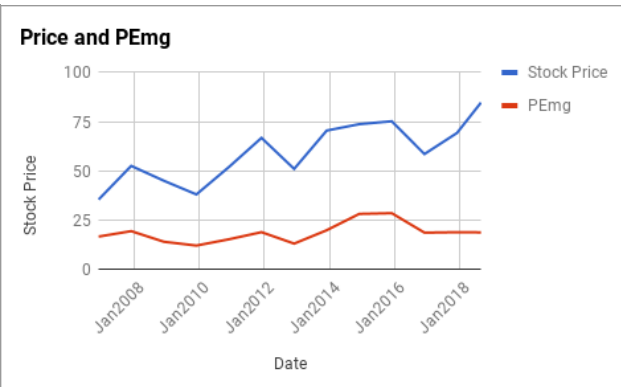
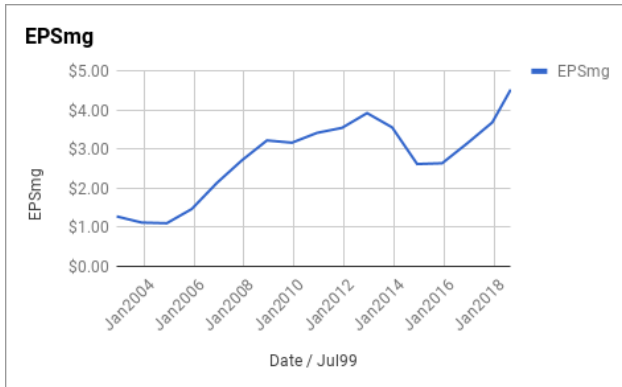
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| EPS History               |        | EPSmg History                             |                 |
|---------------------------|--------|---|-----------------|
| Next Fiscal Year Estimate | \$5.68 | Next Fiscal Year Estimate                 | \$4.53          |
| Dec2017                   | \$4.74 | Dec2017                                   | \$3.69          |
| Dec2016                   | \$4.52 | Dec2016                                   | \$3.15          |
| Dec2015                   | \$3.18 | Dec2015                                   | \$2.64          |
| Dec2014                   | \$0.69 | Dec2014                                   | \$2.62          |
| Dec2013                   | \$2.64 | Dec2013                                   | \$3.56          |
| Dec2012                   | \$4.64 | Dec2012                                   | \$3.93          |
| Dec2011                   | \$3.79 | Dec2011                                   | \$3.55          |
| Dec2010                   | \$3.84 | Dec2010                                   | \$3.42          |
| Dec2009                   | \$2.63 | Dec2009                                   | \$3.17          |
| Dec2008                   | \$3.78 | Dec2008                                   | \$3.23          |
| Dec2007                   | \$3.49 | Dec2007                                   | \$2.72          |
| Dec2006                   | \$3.28 | Dec2006                                   | \$2.14          |
| Dec2005                   | \$2.25 | Dec2005                                   | \$1.47          |
| Dec2004                   | \$1.22 | Dec2004                                   | \$1.11          |
| Dec2003                   | \$1.00 | Dec2003                                   | \$1.12          |
| Dec2002                   | \$1.01 | Dec2002                                   | \$1.28          |
| Dec2001                   | \$0.93 | <b>Balance Sheet Information 6/1/2018</b> |                 |
| Dec2000                   | \$1.61 | Total Current Assets                      | \$1,724,300,000 |
| Dec1999                   | \$1.80 | Total Current Liabilities                 | \$768,100,000   |
| Dec1998                   | \$2.02 | Long-Term Debt                            | \$1,235,100,000 |
|                           |        | Total Assets                              | \$4,634,700,000 |
|                           |        | Intangible Assets                         | \$2,211,700,000 |
|                           |        | Total Liabilities                         | \$2,294,000,000 |
|                           |        | Shares Outstanding (Diluted Average)      | 44,100,000      |





**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**
- [Regal Beloit Corp Valuation – February 2017 \\$RBC](#)
  - [5 of the Worst Stocks to Invest In – December 2016](#)
  - [Regal Beloit Corp Valuation – August 2016 \\$RBC](#)
  - [5 Speculative and Overvalued Companies to Avoid – June 2015](#)
  - [Regal-Beloit Corporation Analysis – 2015 Update \\$RBC](#)

- Other ModernGraham posts about related companies**
- [Kennametal Inc Valuation – August 2018 \\$KMT](#)
  - [SPX Corp Valuation – August 2018 \\$SPXC](#)
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  - [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 \\$GWV](#)
  - [Allegion PLC Valuation – May 2018 \\$ALLE](#)