

# ModernGraham Valuation

Company Name:

Sonic Corporation

Company Ticker SONC

Date of Analysis

8/6/2018



## 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	\$1,235,546,903	Fail
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		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	215.07%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	23.09	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	-4.67	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	1.78	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	15.38	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>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$1.48
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$57.03</b>
MG Value based on 3% Growth	\$21.48
MG Value based on 0% Growth	\$12.59
Market Implied Growth Rate	7.30%

### MG Opinion

Current Price	\$34.21
% of Intrinsic Value	59.98%
<b>Opinion</b>	<b>Undervalued</b>
<b>MG Grade</b>	<b>B-</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$19.15
Graham Number	\$0.00
PEmg	23.09
Current Ratio	1.78
PB Ratio	-4.67
Current Dividend	\$0.56
Dividend Yield	1.64%
Number of Consecutive Years of Dividend Growth	3

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$1.86	Next Fiscal Year Estimate	\$1.48
Aug2017	\$1.45	Aug2017	\$1.22
Aug2016	\$1.29	Aug2016	\$1.05
Aug2015	\$1.20	Aug2015	\$0.86
Aug2014	\$0.85	Aug2014	\$0.64
Aug2013	\$0.64	Aug2013	\$0.53
Aug2012	\$0.60	Aug2012	\$0.52
Aug2011	\$0.31	Aug2011	\$0.55
Aug2010	\$0.34	Aug2010	\$0.70
Aug2009	\$0.81	Aug2009	\$0.88
Aug2008	\$0.97	Aug2008	\$0.88
Aug2007	\$0.91	Aug2007	\$0.81
Aug2006	\$0.88	Aug2006	\$0.72
Aug2005	\$0.75	Aug2005	\$0.62
Aug2004	\$0.63	Aug2004	\$0.53
Aug2003	\$0.52	Aug2003	\$0.45
Aug2002	\$0.50	Aug2002	\$0.40
Aug2001	\$0.41	<b>Balance Sheet Information 5/1/2018</b>	
Aug2000	\$0.35	Total Current Assets	\$104,135,000
Aug1999	\$0.28	Total Current Liabilities	\$58,512,000
Aug1998	\$0.20	Long-Term Debt	\$701,853,000
		Total Assets	\$545,546,000
		Intangible Assets	\$75,344,000
		Total Liabilities	\$818,806,000
		Shares Outstanding (Diluted Average)	37,316,000





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

- [14 Best Stocks for Value Investors This Week – 2/11/17](#)
- [Sonic Corporation Valuation – Initial Coverage \\$SONC](#)

Other ModernGraham posts about related companies

- [Jack in the Box Inc Valuation – July 2018 \\$JACK](#)
- [Chuy's Holdings Inc Valuation – July 2018 \\$CHUY](#)
- [Chipotle Mexican Grill Inc Valuation – June 2018 \\$CMG](#)
- [Darden Restaurants Inc Valuation – May 2018 \\$DRI](#)
- [Yum Brands Inc Valuation – April 2018 \\$YUM](#)
- [Starbucks Corporation Valuation – March 2018 \\$SBUX](#)
- [McDonald's Corporation Valuation – February 2018 \\$MCD](#)
- [El Pollo LoCo Holdings Inc Valuation – Initial Coverage \\$LOCO](#)
- [Chipotle Mexican Grill Inc Valuation – March 2017 \\$CMG](#)
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