

ModernGraham Valuation

Company Name:

Cummins Inc.

Company Ticker

CMI

Date of Analysis

1/20/2019



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	\$24,174,063,768	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.54	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	61.15%	Pass
5. Earnings Growth	PEmg < 20	16.23	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.02	Pass
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	1.54	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.45	Pass
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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$9.28
MG Growth Estimate	1.42%
MG Value	\$105.22
MG Value based on 3% Growth	\$134.53
MG Value based on 0% Growth	\$78.86
Market Implied Growth Rate	3.86%

MG Opinion

Current Price	\$150.56
% of Intrinsic Value	143.09%
Opinion	Overvalued
MG Grade	B-

Stage 3: Information for Further Research

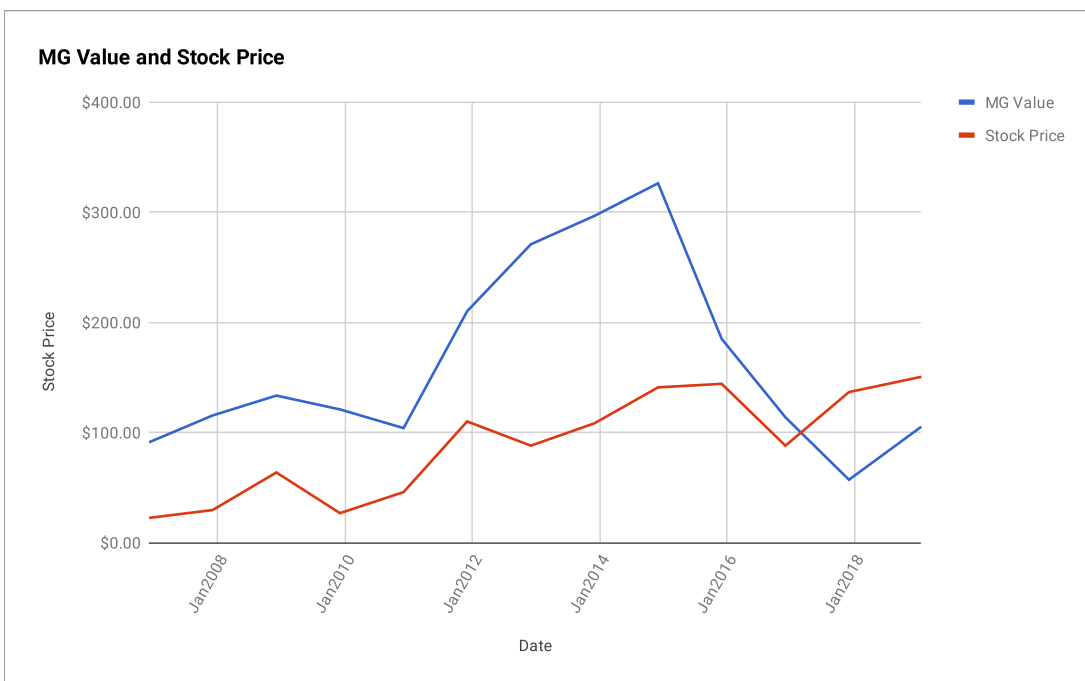
Net Current Asset Value (NCAV)	-\$6.61
Graham Number	\$113.98
PEmg	16.23
Current Ratio	1.54
PB Ratio	3.02
Current Dividend	\$4.21
Dividend Yield	2.80%
Number of Consecutive Years of Dividend Growth	12

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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	\$9.28
Dec2017	\$5.97	Dec2017	\$7.48
Dec2016	\$8.23	Dec2016	\$8.27
Dec2015	\$7.84	Dec2015	\$8.39
Dec2014	\$9.02	Dec2014	\$8.48
Dec2013	\$7.91	Dec2013	\$7.71
Dec2012	\$8.67	Dec2012	\$7.04
Dec2011	\$9.55	Dec2011	\$5.78
Dec2010	\$5.28	Dec2010	\$3.83
Dec2009	\$2.16	Dec2009	\$3.14
Dec2008	\$3.84	Dec2008	\$3.47
Dec2007	\$3.70	Dec2007	\$3.00
Dec2006	\$3.55	Dec2006	\$2.37
Dec2005	\$2.75	Dec2005	\$1.50
Dec2004	\$1.85	Dec2004	\$0.72
Dec2003	\$0.32	Dec2003	\$0.19
Dec2002	\$0.53	Dec2002	\$0.14
Dec2001	-\$0.68	Balance Sheet Information	
Dec2000	\$0.09	9/1/2018	
Dec1999	\$1.03	Total Current Assets	\$9,863,000,000
Dec1998	-\$0.14	Total Current Liabilities	\$6,416,000,000
		Long-Term Debt	\$1,563,000,000
		Total Assets	\$18,992,000,000
		Intangible Assets	\$2,060,000,000
		Total Liabilities	\$10,932,000,000
		Shares Outstanding (Diluted Average)	161,800,000





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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