

ModernGraham Valuation

Eaton Corporation
PLC



Company Name:

Company Ticker ETN

Date of Analysis

1/29/2019

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	\$30,680,386,396	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.49	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	101.79%	Pass
5. Earnings Growth	PEmg < 20	14.00	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	1.84	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	1.49	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.59	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.05
MG Growth Estimate	5.54%
MG Value	\$98.97
MG Value based on 3% Growth	\$73.29
MG Value based on 0% Growth	\$42.96
Market Implied Growth Rate	2.75%

MG Opinion

Current Price	\$70.78
% of Intrinsic Value	71.52%
Opinion	Undervalued
MG Grade	B+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$15.98
Graham Number	\$65.49
PEmg	14.00
Current Ratio	1.49
PB Ratio	1.84
Current Dividend	\$2.40
Dividend Yield	3.39%
Number of Consecutive Years of Dividend Growth	8

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$4.86	Next Fiscal Year Estimate	\$5.05
Dec2017	\$6.68	Dec2017	\$4.95
Dec2016	\$4.20	Dec2016	\$4.03
Dec2015	\$4.22	Dec2015	\$3.91
Dec2014	\$3.76	Dec2014	\$3.69
Dec2013	\$3.90	Dec2013	\$3.45
Dec2012	\$3.46	Dec2012	\$3.12
Dec2011	\$3.93	Dec2011	\$2.92
Dec2010	\$2.73	Dec2010	\$2.51
Dec2009	\$1.14	Dec2009	\$2.50
Dec2008	\$3.26	Dec2008	\$3.08
Dec2007	\$3.31	Dec2007	\$2.82
Dec2006	\$3.11	Dec2006	\$2.38
Dec2005	\$2.62	Dec2005	\$1.85
Dec2004	\$2.07	Dec2004	\$1.41
Dec2003	\$1.28	Dec2003	\$1.15
Dec2002	\$0.98	Dec2002	\$1.16
Dec2001	\$0.60	Balance Sheet Information 9/1/2018	
Dec2000	\$1.56	Total Current Assets	\$7,867,000,000
Dec1999	\$2.09	Total Current Liabilities	\$5,267,000,000
Dec1998	\$1.20	Long-Term Debt	\$6,737,000,000
		Total Assets	\$31,628,000,000
		Intangible Assets	\$18,334,000,000
		Total Liabilities	\$14,839,000,000
		Shares Outstanding (Diluted Average)	436,300,000





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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