

ModernGraham Valuation



Laboratory Corp. of
America Holdings

Company Name:

Company Ticker LH

Date of Analysis

1/24/2019

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	\$13,766,796,246	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.55	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	86.48%	Pass
5. Earnings Growth	PEmg < 20	15.53	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	1.93	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	1.55	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	5.13	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Fail
5. Earnings Growth	EPSmg greater than 5 years ago Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$8.78
MG Growth Estimate	7.45%
MG Value	\$205.57
MG Value based on 3% Growth	\$127.37
MG Value based on 0% Growth	\$74.66
Market Implied Growth Rate	3.52%

MG Opinion

Current Price	\$136.44
% of Intrinsic Value	66.37%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$59.78
Graham Number	\$119.38
PEmg	15.53
Current Ratio	1.55
PB Ratio	1.93
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$9.45	Next Fiscal Year Estimate	\$8.78
Dec2017	\$12.21	Dec2017	\$8.02
Dec2016	\$7.02	Dec2016	\$5.91
Dec2015	\$4.35	Dec2015	\$5.42
Dec2014	\$5.91	Dec2014	\$5.87
Dec2013	\$6.25	Dec2013	\$5.74
Dec2012	\$5.99	Dec2012	\$5.36
Dec2011	\$5.11	Dec2011	\$4.93
Dec2010	\$5.29	Dec2010	\$4.66
Dec2009	\$4.98	Dec2009	\$4.17
Dec2008	\$4.16	Dec2008	\$3.61
Dec2007	\$3.93	Dec2007	\$3.18
Dec2006	\$3.24	Dec2006	\$2.69
Dec2005	\$2.71	Dec2005	\$2.30
Dec2004	\$2.45	Dec2004	\$1.96
Dec2003	\$2.11	Dec2003	\$1.56
Dec2002	\$1.77	Dec2002	\$1.16
Dec2001	\$1.27	Balance Sheet Information 9/1/2018	
Dec2000	\$0.81	Total Current Assets	\$3,274,300,000
Dec1999	\$0.29	Total Current Liabilities	\$2,106,200,000
Dec1998	\$0.50	Long-Term Debt	\$5,992,000,000
		Total Assets	\$16,661,400,000
		Intangible Assets	\$11,353,600,000
		Total Liabilities	\$9,413,300,000
		Shares Outstanding (Diluted Average)	102,700,000





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

- [Laboratory Corporation of America Holdings Valuation – March 2018 \\$LH](#)
- [Laboratory Corp of America Holdings Valuation – July 2016 \\$LH](#)
- [47 Companies in the Spotlight This Week – 5/16/15](#)
- [Laboratory Corporation of America Holdings Annual Valuation – 2015 \\$LH](#)
- [15 Companies in the Spotlight This Week – 5/3/2014](#)

Other ModernGraham posts about related companies

- [PerkinElmer Inc Valuation – January 2019 \\$PKI](#)
- [Cardinal Health Inc Valuation – January 2019 \\$CAH](#)
- [Varian Medical Systems Inc Valuation – January 2019 \\$VAR](#)
- [Zimmer Biomet Holdings Inc Valuation – January 2019 \\$ZBH](#)
- [Henry Schein Inc Valuation – January 2019 \\$HSIC](#)
- [Medtronic PLC Valuation – January 2019 \\$MDT](#)
- [UnitedHealth Group Inc Valuation – November 2018 \\$UNH](#)
- [Luminex Corp Valuation – October 2018 \\$LMNX](#)
- [LHC Group Inc Valuation – September 2018 \\$LHCG](#)
- [Chartwell Retirement Residences Valuation – August 2018 \\$TSE:C\\$H.UN](#)