

ModernGraham Valuation

Company Name:

BorgWarner Inc.

Company Ticker BWA

Date of Analysis

2/20/2019



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	\$8,694,363,986	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.59	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	81.86%	Pass
5. Earnings Growth	PEmg < 20	11.93	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.01	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	1.59	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.38	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

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.51
MG Growth Estimate	5.38%
MG Value	\$67.56
MG Value based on 3% Growth	\$50.88
MG Value based on 0% Growth	\$29.82
Market Implied Growth Rate	1.72%

MG Opinion

Current Price	\$41.86
% of Intrinsic Value	61.96%
Opinion	Undervalued
MG Grade	B+

Stage 3: Information for Further Research

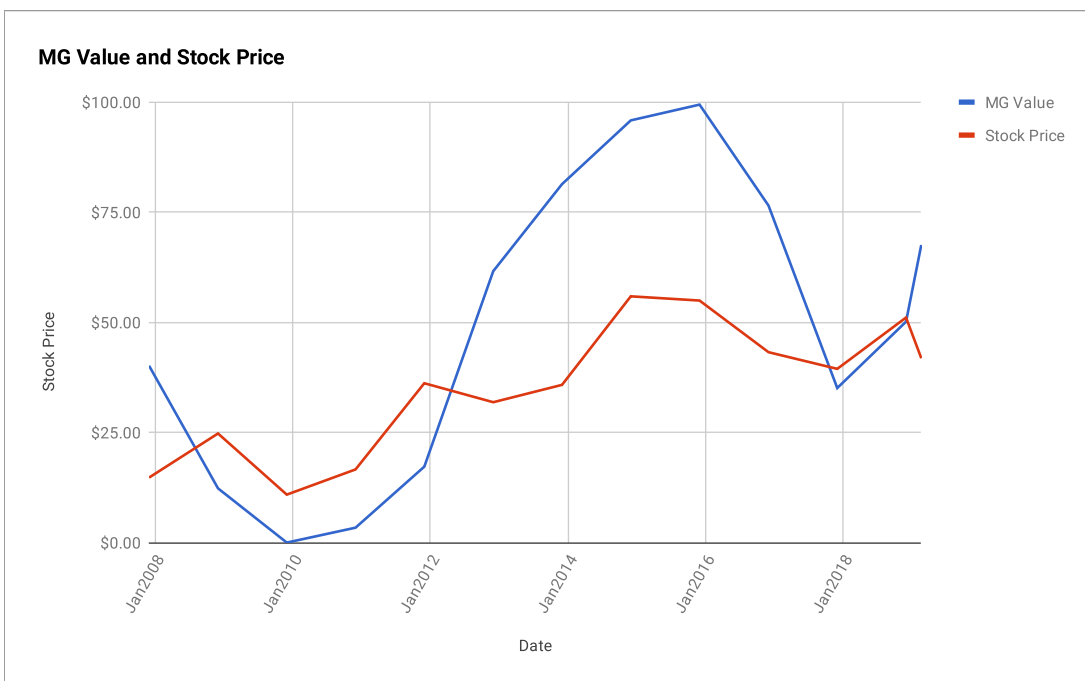
Net Current Asset Value (NCAV)	-\$9.33
Graham Number	\$43.32
PEmg	11.93
Current Ratio	1.59
PB Ratio	2.01
Current Dividend	\$0.68
Dividend Yield	1.62%
Number of Consecutive Years of Dividend Growth	6

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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Dec2018	\$4.11	Dec2018	\$3.51
Dec2017	\$4.44	Dec2017	\$3.12
Dec2016	\$2.08	Dec2016	\$2.50
Dec2015	\$2.76	Dec2015	\$2.67
Dec2014	\$2.56	Dec2014	\$2.58
Dec2013	\$2.86	Dec2013	\$2.49
Dec2012	\$2.70	Dec2012	\$2.11
Dec2011	\$2.09	Dec2011	\$1.60
Dec2010	\$2.22	Dec2010	\$1.23
Dec2009	\$1.54	Dec2009	\$0.74
Dec2008	\$0.12	Dec2008	\$0.43
Dec2007	-\$0.16	Dec2007	\$0.66
Dec2006	\$1.23	Dec2006	\$1.04
Dec2005	\$0.92	Dec2005	\$0.85
Dec2004	\$1.04	Dec2004	\$0.71
Dec2003	\$0.97	Dec2003	\$0.49
Dec2002	\$0.80	Dec2003	\$0.28
Dec2001	-\$0.56	Balance Sheet Information 12/1/2018	
Dec2000	\$0.31	Total Current Assets	\$3,804,600,000
Dec1999	\$0.44	Total Current Liabilities	\$2,398,900,000
	\$0.63	Long-Term Debt	\$1,940,700,000
		Total Assets	\$10,095,300,000
		Intangible Assets	\$2,292,900,000
		Total Liabilities	\$5,750,500,000
		Shares Outstanding (Diluted Average)	208,600,000





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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