

ModernGraham Valuation

Company Name:

Kansas City Southern

Company Ticker KSU

Date of Analysis

2/22/2019



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	\$11,271,128,259	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.42	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	168.77%	Pass
5. Earnings Growth	PEmg < 20	17.15	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.21	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	1.42	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	14.22	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	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$6.51
MG Growth Estimate	9.58%
MG Value	\$180.07
MG Value based on 3% Growth	\$94.40
MG Value based on 0% Growth	\$55.34
Market Implied Growth Rate	4.33%

MG Opinion

Current Price	\$111.66
% of Intrinsic Value	62.01%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

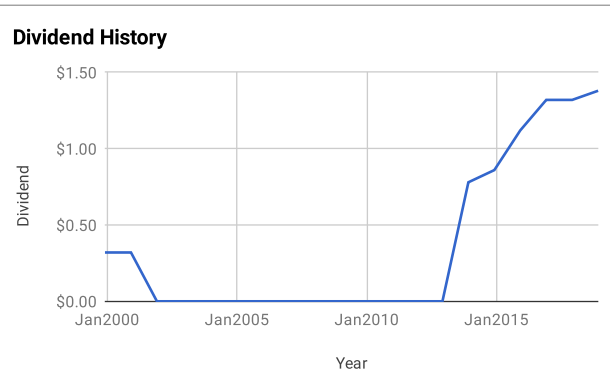
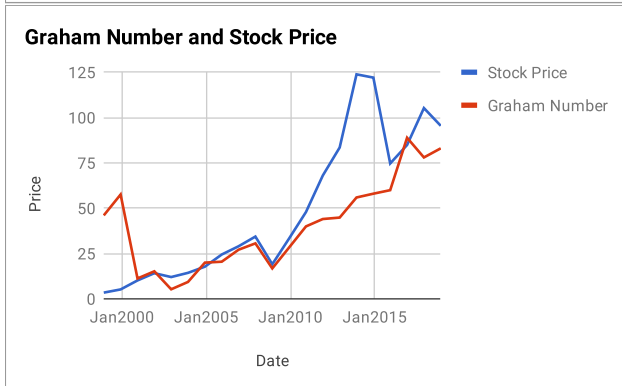
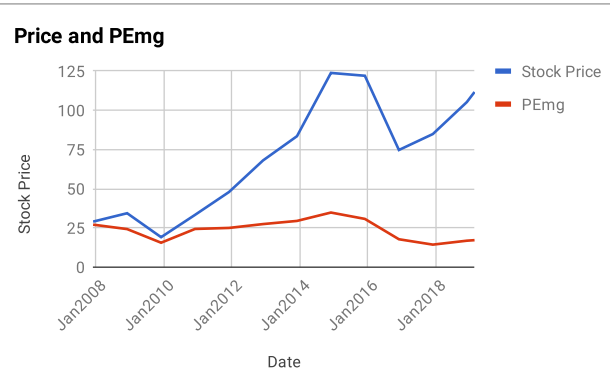
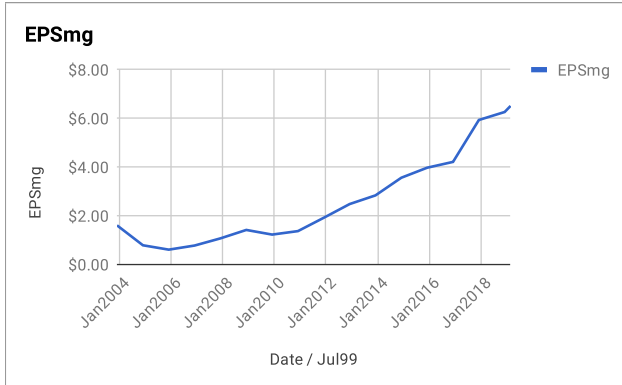
Net Current Asset Value (NCAV)	-\$36.47
Graham Number	\$83.02
PEmg	17.15
Current Ratio	1.42
PB Ratio	2.21
Current Dividend	\$1.44
Dividend Yield	1.29%
Number of Consecutive Years of Dividend Growth	2

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Dec2018	\$6.48	Dec2018	\$6.51
Dec2017	\$6.13	Dec2017	\$6.26
Dec2016	\$9.16	Dec2016	\$5.93
Dec2015	\$4.43	Dec2015	\$4.21
Dec2014	\$4.40	Dec2014	\$3.97
Dec2013	\$4.55	Dec2013	\$3.56
Dec2012	\$3.18	Dec2012	\$2.84
Dec2011	\$3.43	Dec2011	\$2.48
Dec2010	\$3.00	Dec2010	\$1.92
Dec2009	\$1.67	Dec2009	\$1.37
Dec2008	\$0.60	Dec2008	\$1.23
Dec2007	\$1.86	Dec2007	\$1.42
Dec2006	\$1.57	Dec2006	\$1.07
Dec2005	\$1.08	Dec2006	\$0.78
Dec2004	\$1.10	Dec2005	\$0.61
Dec2003	\$0.25	Dec2004	\$0.79
Dec2002	\$0.10	Dec2003	\$1.61
Dec2001	\$0.91	Balance Sheet Information	
Dec2000	\$0.51	12/1/2018	
Dec2000	\$6.42	Total Current Assets	\$635,400,000
Dec1999	\$5.58	Total Current Liabilities	\$447,000,000
		Long-Term Debt	\$2,679,300,000
		Total Assets	\$9,469,800,000
		Intangible Assets	\$0
		Total Liabilities	\$4,337,100,000
		Shares Outstanding (Diluted Average)	101,508,000





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:

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ModernGraham
posts about the
company**

[Kansas City Southern Valuation – May 2018 \\$KSU](#)
[8 Best Stocks for Value Investors This Week – 12/27/16](#)
[Kansas City Southern Valuation – December 2016 \\$KSU](#)
[Kansas City Southern Analysis – August 2015 Update \\$KSU](#)
[20 Companies in the Spotlight This Week – 8/16/14](#)

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[Union Pacific Corp Valuation – February 2019 \\$UNP](#)
[Canadian Pacific Railway Ltd Valuation – August 2018 \\$TSE-CP](#)
[Canadian National Railway Co Valuation – August 2018 \\$TSE:CNR](#)
[Kansas City Southern Valuation – May 2018 \\$KSU](#)
[Norfolk Southern Corp Valuation – April 2018-corrected](#)
[Norfolk Southern Corp Valuation – April 2018 \\$NSC](#)
[CSX Corporation Valuation – April 2018 \\$CSX](#)
[Union Pacific Corp Valuation – April 2018 \\$UNP](#)
[Canadian Pacific Railway Ltd Valuation – Initial Coverage \\$TSE:CP](#)