

# ModernGraham Valuation

## Company Name:

Company Ticker FBHS

Date of Analysis

3/17/2019

Fortune Brands Home  
& Security Inc



## 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	\$6,456,820,866	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.13	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
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	915.73%	Pass
5. Earnings Growth	PEmg < 20	15.79	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.00	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	1.13	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	9.32	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

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$2.91
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$112.04</b>
MG Value based on 3% Growth	\$42.20
MG Value based on 0% Growth	\$24.74
Market Implied Growth Rate	3.64%

### MG Opinion

Current Price	\$45.94
% of Intrinsic Value	41.01%
<b>Opinion</b>	<b>Undervalued</b>
<b>MG Grade</b>	<b>C-</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$14.73
Graham Number	\$34.08
PEmg	15.79
Current Ratio	1.13
PB Ratio	3.00
Current Dividend	\$0.80
Dividend Yield	1.74%
Number of Consecutive Years of Dividend Growth	6

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[Morningstar](#)  
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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.35	Next Fiscal Year Estimate	\$2.91
Dec2018	\$2.66	Dec2018	\$2.54
Dec2017	\$3.03	Dec2017	\$2.31
Dec2016	\$2.62	Dec2016	\$1.80
Dec2015	\$1.93	Dec2015	\$1.24
Dec2014	\$0.95	Dec2014	\$0.81
Dec2013	\$1.34	Dec2013	\$0.64
Dec2012	\$0.71	Dec2012	\$0.26
Dec2011	-\$0.23	Dec2011	\$0.03
Dec2010	\$0.41	Dec2010	\$0.14
Dec2009	\$0.00	Dec2009	\$0.00
Dec2008	\$0.00	Dec2008	\$0.00
Dec2007	\$0.00	Dec2007	\$0.00
Dec2006	\$0.00	Dec2006	\$0.00
Dec2005	\$0.00	Dec2005	\$0.00
Dec2004	\$0.00	Dec2004	\$0.00
Dec2003	\$0.00	Dec2003	\$0.00
Dec2002	\$0.00	<b>Balance Sheet Information 12/1/2018</b>	
Dec2001	\$0.00	Total Current Assets	\$1,686,100,000
Dec2000	\$0.00	Total Current Liabilities	\$1,492,100,000
Dec1999	\$0.00	Long-Term Debt	\$1,809,000,000
		Total Assets	\$5,964,600,000
		Intangible Assets	\$3,327,100,000
		Total Liabilities	\$3,784,600,000
		Shares Outstanding (Diluted Average)	142,500,000





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  
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[Fortune Brands Home & Security Inc Valuation – June 2018 \\$FBHS](#)  
[6 Best Stocks for Value Investors This Week – 3/11/17](#)  
[Fortune Brands Home & Security Inc Valuation – Initial Coverage \\$FBHS](#)

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[Tyco International Limited Annual Valuation – 2014 \\$TYC](#)  
[ADT Corporation 2014 Annual Valuation \\$ADT](#)