

ModernGraham Valuation

Company Name:

Kroger Co

Company Ticker KR

Date of Analysis

7/18/2017



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	\$20,156,636,845	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.76	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	228.34%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	11.52	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.40	Pass

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	0.76	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.00	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.96
MG Growth Estimate	12.41%
MG Value	\$65.35
MG Value based on 3% Growth	\$28.44
MG Value based on 0% Growth	\$16.67
Market Implied Growth Rate	1.51%

MG Opinion

Current Price	\$22.60
% of Intrinsic Value	34.58%
Opinion	Undervalued
MG Grade	B

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$21.75
Graham Number	\$18.20
PEmg	11.52
Current Ratio	0.76
PB Ratio	3.40
Current Dividend	\$0.45
Dividend Yield	1.99%
Number of Consecutive Years of Dividend Growth	11

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[GuruFocus](#)

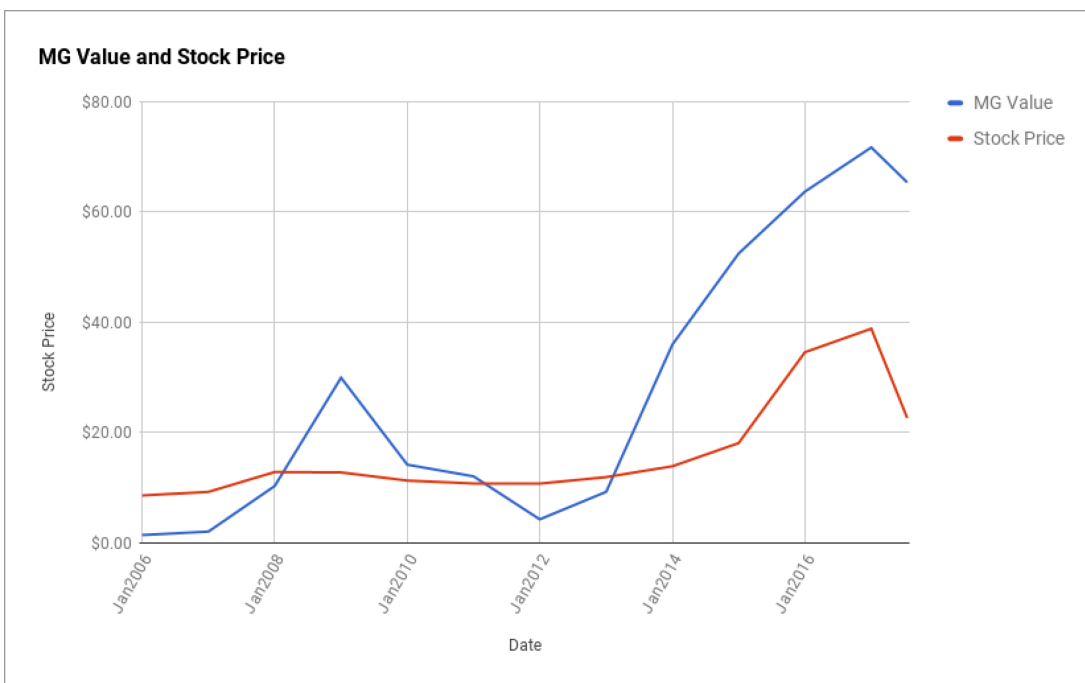
[Morningstar](#)

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.03	Next Fiscal Year Estimate	\$1.96
Jan2017	\$2.05	Jan2017	\$1.86
Jan2016	\$2.06	Jan2016	\$1.65
Jan2015	\$1.72	Jan2015	\$1.36
Jan2014	\$1.45	Jan2014	\$1.07
Jan2013	\$1.39	Jan2013	\$0.84
Jan2012	\$0.51	Jan2012	\$0.59
Jan2011	\$0.87	Jan2011	\$0.66
Jan2010	\$0.06	Jan2010	\$0.59
Jan2009	\$0.95	Jan2009	\$0.78
Jan2008	\$0.85	Jan2008	\$0.62
Jan2007	\$0.77	Jan2007	\$0.50
Jan2006	\$0.66	Jan2006	\$0.39
Jan2005	-\$0.07	Jan2005	\$0.30
Jan2004	\$0.21	Jan2004	\$0.49
Jan2003	\$0.76	Jan2003	\$0.58
Jan2002	\$0.63	Jan2002	\$0.46
Jan2001	\$0.52	Balance Sheet Information 4/1/2017	
Jan2000	\$0.36	Total Current Assets	\$9,538,000,000
Dec1998	\$0.15	Total Current Liabilities	\$12,515,000,000
Dec1997	\$0.32	Long-Term Debt	\$0
		Total Assets	\$35,799,000,000
		Intangible Assets	\$4,172,000,000
		Total Liabilities	\$29,654,000,000
		Shares Outstanding (Diluted Average)	925,000,000





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

- [Kroger Company Analysis – 2015 Update \\$KR](#)
- [17 Companies in the Spotlight This Week – 7/19/14](#)
- [Kroger Company Annual Valuation – 2014 \\$KR](#)

Other ModernGraham posts about related companies

- [Supervalu Inc Valuation – Initial Coverage \\$SVU](#)
- [SpartanNash Co Valuation – Initial Coverage \\$SPTN](#)
- [Core-Mark Holding Company Inc Valuation – Initial Coverage \\$CORE](#)
- [The Kroger Co Valuation – August 2016 \\$KR](#)
- [Whole Foods Market Inc Valuation – May 2016 \\$WFM](#)
- [Whole Foods Market Inc. Valuation – October 2015 Update \\$WFM](#)
- [Kroger Company Analysis – 2015 Update \\$KR](#)
- [Whole Foods Market Inc. Quarterly Valuation – May 2015 \\$WFM](#)
- [Whole Foods Market Inc. Quarterly Valuation – February 2015 \\$WFM](#)
- [Safeway Inc. Quarterly Valuation – December 2014 \\$SWY](#)