

# ModernGraham Valuation

Company Name:

Alaska Air Group, Inc.

Company Ticker

ALK

Date of Analysis

8/14/2015



## 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	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	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	Fail
5. Earnings Growth		Fail
6. Moderate PEmg Ratio	PEmg < 20	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	Fail

*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	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	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

### Suitability

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

## Stage 2: Determination of Intrinsic Value

EPSmg	4.25
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$163.71</b>
MG Value based on 3% Growth	\$61.66
MG Value based on 0% Growth	\$36.14
Market Implied Growth Rate	5.09%

### MG Opinion

Current Price	\$79.42
% of Intrinsic Value	48.51%
<b>Opinion</b>	<b>Undervalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$20.01
PEmg	18.68
Current Ratio	0.86
PB Ratio	4.66
Dividend Yield	0.82%
Number of Consecutive Years of Dividend Growth	3

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.86	Next Fiscal Year Estimate	\$4.25
Dec14	\$4.42	Dec14	\$3.20
Dec13	\$3.58	Dec13	\$2.40
Dec12	\$2.20	Dec12	\$1.57
Dec11	\$1.67	Dec11	\$1.11
Dec10	\$1.71	Dec10	\$0.69
Dec09	\$0.84	Dec09	\$0.13
Dec08	-\$0.94	Dec08	-\$0.19
Dec07	\$0.77	Dec07	\$0.14
Dec06	-\$0.35	Dec06	-\$0.22
Dec05	-\$0.05	Dec05	-\$0.21
Dec04	-\$0.14	Dec04	-\$0.33
Dec03	\$0.13	Dec03	-\$0.34
Dec02	-\$1.12	Dec02	-\$0.36
Dec01	-\$0.41	Dec01	\$0.17
Dec00	-\$0.64	Dec00	\$0.52
Dec99	\$1.27	Dec99	\$1.01
Dec98	\$1.20	<b>Balance Sheet Information Jun15</b> Total Current Assets \$1,654,000,000 Total Current Liabilities \$1,927,000,000 Long-Term Debt \$629,000,000 Total Assets \$6,480,000,000 Intangible Assets \$0 Total Liabilities \$4,261,000,000 Outstanding Shares 130,255,000	
Dec97	\$0.88		
Dec96	\$0.51		
Dec95	\$0.32		



#### 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

#N/A

Other  
ModernGraham  
posts about related  
companies

[American Airlines Group Analysis – 2015 Initial Coverage \\$AAL](#)

[Delta Air Lines Inc. Annual Valuation – 2015 \\$DAL](#)

[Southwest Airlines Company Annual Valuation – 2014 \\$LUV](#)