

ModernGraham Valuation



Company Name:

Gap Inc

Company Ticker GPS

Date of Analysis

9/11/2015

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	\$13,022,746,227	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.81	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	144.88%	Pass
6. Moderate PEmg Ratio	PEmg < 20	12.39	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	4.98	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	1.81	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.75	Pass
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

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.57
MG Growth Estimate	9.29%
MG Value	\$69.53
MG Value based on 3% Growth	\$37.24
MG Value based on 0% Growth	\$21.83
Market Implied Growth Rate	1.94%

MG Opinion

Current Price	\$31.81
% of Intrinsic Value	45.75%
Opinion	Undervalued

Stage 3: Information for Further Research

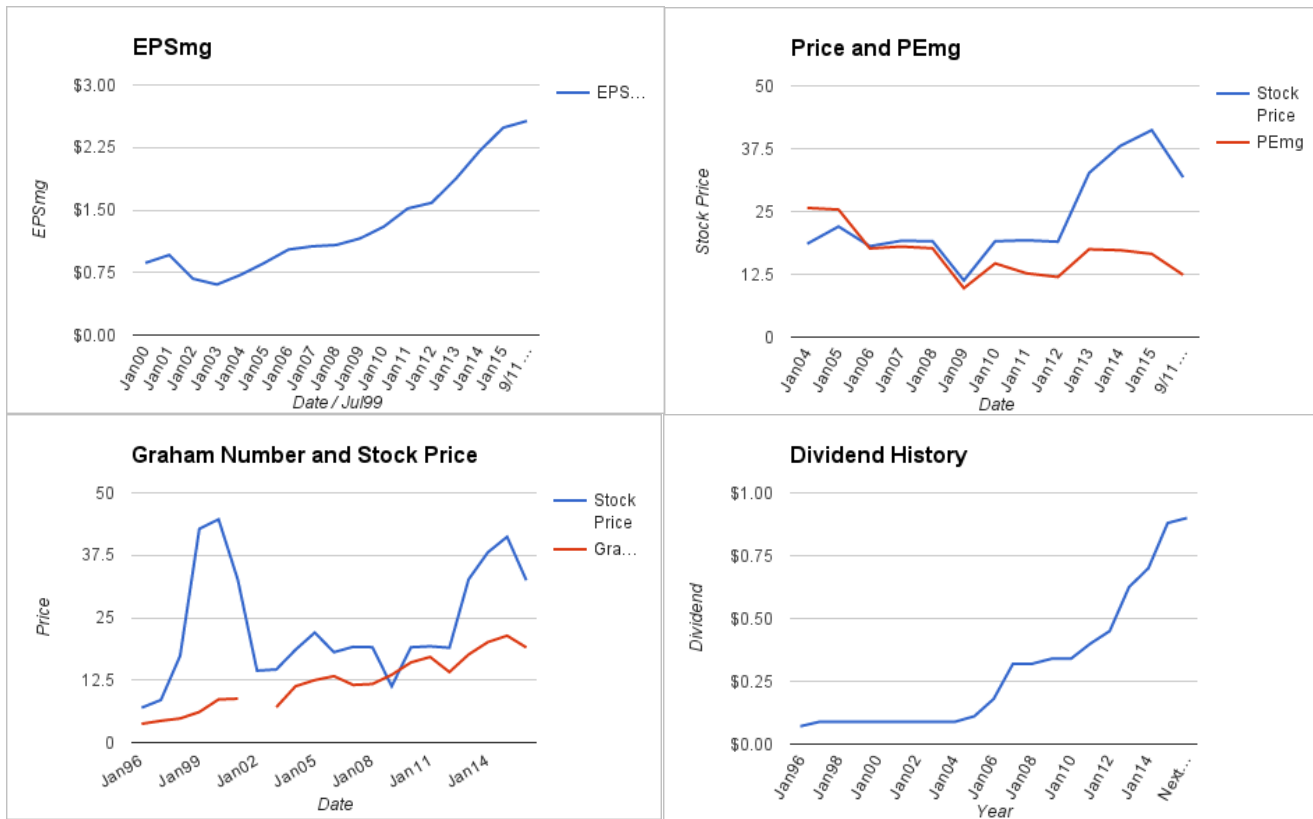
Net Current Asset Value (NCAV)	-\$1.60
Graham Number	\$19.03
PEmg	12.39
Current Ratio	1.81
PB Ratio	4.98
Dividend Yield	2.83%
Number of Consecutive Years of Dividend Growth	6

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	\$2.52	Next Fiscal Year Estimate	\$2.57
Jan15	\$2.87	Jan15	\$2.49
Jan14	\$2.74	Jan14	\$2.20
Jan13	\$2.33	Jan13	\$1.87
Jan12	\$1.56	Jan12	\$1.59
Jan11	\$1.88	Jan11	\$1.52
Jan10	\$1.58	Jan10	\$1.30
Jan09	\$1.34	Jan09	\$1.16
Jan08	\$1.05	Jan08	\$1.08
Jan07	\$0.93	Jan07	\$1.06
Jan06	\$1.24	Jan06	\$1.03
Jan05	\$1.21	Jan05	\$0.87
Jan04	\$1.09	Jan04	\$0.72
Jan03	\$0.54	Jan03	\$0.61
Jan02	-\$0.01	Jan02	\$0.68
Jan01	\$1.00	Jan01	\$0.96
Jan00	\$1.26	Jan00	\$0.87
Jan99	\$0.91	Balance Sheet Information Jul15	
Jan98	\$0.58	Total Current Assets	\$3,947,000,000
Jan97	\$0.47	Total Current Liabilities	\$2,184,000,000
Jan96	\$0.37	Long-Term Debt	\$1,328,000,000
		Total Assets	\$7,287,000,000
		Intangible Assets	\$0
		Total Liabilities	\$4,616,000,000
		Shares Outstanding (Diluted Average)	418,000,000





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

[5 Undervalued Companies for Enterprising Investors Near 52 Week Lows – August 2015](#)

[The Best Companies of the Apparel Industry – June 2015 \\$GPS \\$HBI \\$KORS \\$RL \\$VFC](#)

[5 Undervalued Companies for Enterprising Investors Near 52 Week Lows – July 2015](#)

[The 6 Best Stocks For Value Investors This Week – 6/13/15](#)

[Gap Inc. Analysis – June 2015 Update \\$GPS](#)

Other ModernGraham posts about related companies

[VF Corporation Analysis – September 2015 Update \\$VFC](#)

[L Brands Inc. Analysis – August 2015 Update \\$LB](#)

[Abercrombie & Fitch Company Analysis – Initial Coverage \\$ANF](#)

[Nike Inc. Analysis – August 2015 Update \\$NKE](#)

[The Best Companies of the Apparel Industry – June 2015 \\$GPS \\$HBI \\$KORS \\$RL \\$VFC](#)

[American Eagle Outfitters Analysis – Initial Coverage \\$AEO](#)

[Under Armour Inc. Analysis – Initial Coverage \\$UA](#)

[Hanesbrands Inc. Analysis – Initial Coverage \\$HBI](#)

[Wolverine World Wide Analysis – June 2015 Update \\$WWW](#)

[Ralph Lauren Corporation Analysis – June 2015 Update \\$RL](#)