

ModernGraham Valuation

Company Name:

Gap Inc

Company Ticker

GPS

Date of Analysis

2/8/2016



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	\$9,583,192,859	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.58	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	133.43%	Pass
6. Moderate PEmg Ratio	PEmg < 20	9.82	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.75	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	1.58	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.84	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.44
MG Growth Estimate	8.09%
MG Value	\$60.25
MG Value based on 3% Growth	\$35.40
MG Value based on 0% Growth	\$20.75
Market Implied Growth Rate	0.66%

MG Opinion

Current Price	\$23.98
% of Intrinsic Value	39.80%
Opinion	Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$2.05
Graham Number	\$17.64
PEmg	9.82
Current Ratio	1.58
PB Ratio	3.75
Dividend Yield	3.79%
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	\$2.14	Next Fiscal Year Estimate	\$2.44
Jan2015	\$2.87	Jan2015	\$2.49
Jan2014	\$2.74	Jan2014	\$2.20
Jan2013	\$2.33	Jan2013	\$1.87
Jan2012	\$1.56	Jan2012	\$1.59
Jan2011	\$1.88	Jan2011	\$1.52
Jan2010	\$1.58	Jan2010	\$1.30
Jan2009	\$1.34	Jan2009	\$1.16
Jan2008	\$1.05	Jan2008	\$1.08
Jan2007	\$0.93	Jan2007	\$1.06
Jan2006	\$1.24	Jan2006	\$1.02
Jan2005	\$1.21	Jan2005	\$0.86
Jan2004	\$1.09	Jan2004	\$0.72
Jan2003	\$0.54	Jan2003	\$0.60
Jan2002	-\$0.03	Jan2002	\$0.67
Jan2001	\$1.00	Jan2001	\$0.96
Jan2000	\$1.26	Jan2000	\$0.84
Jan1999	\$0.91	Balance Sheet Information Oct2015	
Jan1998	\$0.58	Total Current Assets	\$4,361,000,000
Jan1997	\$0.47	Total Current Liabilities	\$2,768,000,000
Dec1996	\$0.00	Long-Term Debt	\$1,331,000,000
		Total Assets	\$7,806,000,000
		Intangible Assets	\$0
		Total Liabilities	\$5,197,000,000
		Shares Outstanding (Diluted Average)	408,000,000





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:

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[Michael Kors Holdings Ltd Valuation – January 2016 Update \\$KORS](#)
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