

ModernGraham Valuation

Company Name:

The Kroger Co

Company Ticker KR

Date of Analysis

8/25/2016



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	\$31,802,349,926	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.70	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	220.33%	Pass
6. Moderate PEmg Ratio	PEmg < 20	17.34	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	4.94	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	0.70	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

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.89
MG Growth Estimate	15.00%
MG Value	\$72.73
MG Value based on 3% Growth	\$27.39
MG Value based on 0% Growth	\$16.06
Market Implied Growth Rate	4.42%

MG Opinion

Current Price	\$32.76
% of Intrinsic Value	45.05%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$18.82
Graham Number	\$17.86
PEmg	17.34
Current Ratio	0.70
PB Ratio	4.94
Current Dividend	\$0.41
Dividend Yield	1.25%
Number of Consecutive Years of Dividend Growth	11

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.13	Next Fiscal Year Estimate	\$1.89
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	Jan2001	\$0.36
Jan2000	\$0.36	Balance Sheet Information 4/1/2016	
Dec1998	\$0.15	Total Current Assets	\$9,216,000,000
Dec1997	\$0.32	Total Current Liabilities	\$13,145,000,000
Dec1996	\$0.34	Long-Term Debt	\$0
		Total Assets	\$33,801,000,000
		Intangible Assets	\$3,787,000,000
		Total Liabilities	\$27,395,000,000
		Shares Outstanding (Diluted Average)	966,000,000





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.

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