# **ModernGraham Valuation**

# **Company Name:**

Alaska Air Group, Inc.



Company Ticker Date of Analysis

12/22/2016

#### 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.

<ol> <li>Adequate Size of the Enterprise</li> </ol>	Market Cap > \$2Bil	\$10,958,916,009 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.70 Fail
3. Earnings Stability	Positive EPS for 10 years prior	Fail
Dividend Record	Dividend Payments for 10 years prior	Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at	
5. Earnings Growth	beginning and end	2544.87% Pass
6. Moderate PEmg Ratio	PEmg < 20	16.15 Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.86 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	1.70	Pass
2.	Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.26	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 Yes

### Stage 2: Determination of Intrinsic Value

EPSmg	\$5.53
MG Growth Estimate	15.00%
MG Value	\$212.93
MG Value based on 3% Growth	\$80.19
MG Value based on 0% Growth	\$47.01
Market Implied Growth Rate	3.83%

MG Opinion

 Current Price
 \$89.33

 % of Intrinsic Value
 41.95%

Opinion Undervalued MG Grade B-

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$18.05
Graham Number	\$59.71
PEmg	16.15
Current Ratio	1.70
PB Ratio	3.86
Current Dividend	\$1.03
Dividend Yield	1.15%
Number of Consecutive Years of Dividend Growth	4

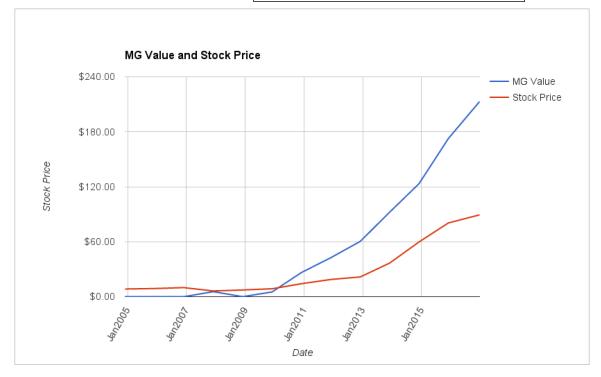
 Useful Links:
 ModernGraham tagged articles
 Morningstar

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 MSN Money

 Yahoo Finance
 Seeking Alpha

 GuruFocus
 SEC Fillings

EPS History		EPSmg History	
Next Fiscal Year			
Estimate	• • •	Next Fiscal Year Estimate	\$5.53
Dec2015	\$6.56	Dec2015	\$4.49
Dec2014	\$4.42	Dec2014	\$3.20
Dec2013	\$3.58	Dec2013	\$2.40
Dec2012	\$2.20	Dec2012	\$1.57
Dec2011	\$1.67	Dec2011	\$1.11
Dec2010	\$1.71	Dec2010	\$0.69
Dec2009	\$0.84	Dec2009	\$0.13
Dec2008	-\$0.94	Dec2008	-\$0.19
Dec2007	\$0.77	Dec2007	\$0.14
Dec2006	-\$0.35	Dec2006	-\$0.22
Dec2005	-\$0.05	Dec2005	-\$0.21
Dec2004	-\$0.14	Dec2004	-\$0.33
Dec2003	\$0.13	Dec2003	-\$0.34
Dec2002	-\$1.12	Dec2002	-\$0.36
Dec2001	-\$0.41	Dec2001	\$0.17
Dec2000	-\$0.64	Dec2000	\$0.52
Dec1999	\$1.27	Balance Sheet Information	9/1/2016
Dec1998	\$1.20	Total Current Assets	\$3,600,000,000
Dec1997	\$0.88	Total Current Liabilities	\$2,123,000,000
Dec1996	\$0.51	Long-Term Debt	\$1,861,000,000
		Total Assets	\$8,699,000,000
		Intangible Assets	\$0
		Total Liabilities	\$5,835,000,000
		Shares Outstanding (Diluted Average)	123,833,000





#### 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 Alaska Air Group Inc. Analysis - Initial Coverage \$ALK

Other ModernGraham posts about related companies Delta Air Lines Inc Valuation - July 2016 \$DAL

Southwest Airlines Company Valuation - October 2015 Update \$LUV

Alaska Air Group Inc. Analysis – Initial Coverage \$ALK

<u>American Airlines Group Analysis – 2015 Initial Coverage \$AAL</u>

Delta Air Lines Inc. Annual Valuation – 2015 \$DAL

<u>Southwest Airlines Company Annual Valuation – 2014 \$LUV</u>