

ModernGraham Valuation

Company Name:

Alaska Air Group, Inc.

Company Ticker ALK

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.

1. Adequate Size of the Enterprise	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
4. Dividend Record	Dividend Payments for 10 years prior		Fail
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at 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
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	\$5.53
Dec2015	\$6.82	Dec2015	\$4.49
Dec2014	\$6.56	Dec2014	\$3.20
Dec2013	\$4.42	Dec2013	\$2.40
Dec2012	\$3.58	Dec2012	\$1.57
Dec2011	\$2.20	Dec2011	\$1.11
Dec2010	\$1.67	Dec2010	\$0.69
Dec2009	\$1.71	Dec2009	\$0.13
Dec2008	\$0.84	Dec2008	-\$0.19
Dec2007	-\$0.94	Dec2007	\$0.14
Dec2006	\$0.77	Dec2006	-\$0.22
Dec2005	-\$0.35	Dec2005	-\$0.21
Dec2004	-\$0.05	Dec2004	-\$0.33
Dec2003	-\$0.14	Dec2003	-\$0.34
Dec2002	\$0.13	Dec2002	-\$0.36
Dec2001	-\$1.12	Dec2001	\$0.17
Dec2000	-\$0.41	Dec2000	\$0.52
Dec1999	-\$0.64	Balance Sheet Information 9/1/2016 Total Current Assets \$3,600,000,000 Total Current Liabilities \$2,123,000,000 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	
Dec1998	\$1.27		
Dec1997	\$1.20		
Dec1996	\$0.88		
Dec1995	\$0.51		
Dec1994	\$0.51		





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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ModernGraham
posts about the
company

[Alaska Air Group Inc. Analysis – Initial Coverage \\$ALK](#)

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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](#)

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

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

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