

ModernGraham Valuation

Company Name:

Gap Inc

Company Ticker GPS

Date of Analysis

1/31/2017



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	\$8,633,189,208	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.60	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	67.51%	Pass
6. Moderate PEmg Ratio	PEmg < 20	10.37	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.36	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	1.60	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
	Score		

Suitability

Defensive	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.21
MG Growth Estimate	2.71%
MG Value	\$30.70
MG Value based on 3% Growth	\$31.99
MG Value based on 0% Growth	\$18.75
Market Implied Growth Rate	0.94%

MG Opinion

Current Price	\$22.88
% of Intrinsic Value	74.53%
Opinion	Undervalued
MG Grade	B+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$1.53
Graham Number	\$15.43
PEmg	10.37
Current Ratio	1.60
PB Ratio	3.36
Current Dividend	\$0.92
Dividend Yield	4.02%
Number of Consecutive Years of Dividend Growth	7

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	\$1.55	Next Fiscal Year Estimate	\$2.21
Jan2016	\$2.23	Jan2016	\$2.47
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	Balance Sheet Information 10/1/2016	
Jan1999	\$0.91	Total Current Assets	\$4,671,000,000
Jan1998	\$0.58	Total Current Liabilities	\$2,915,000,000
Jan1997	\$0.47	Long-Term Debt	\$1,320,000,000
		Total Assets	\$8,007,000,000
		Intangible Assets	\$0
		Total Liabilities	\$5,281,000,000
		Shares Outstanding (Diluted Average)	400,000,000





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

- [10 Low PE Stock Picks for the Defensive Investor – August 2016](#)
- [10 Undervalued Companies for the Defensive Dividend Stock Investor – July 2016](#)
- [10 Low PE Stocks for the Defensive Investor – July 2016](#)
- [10 Most Undervalued Companies for the Defensive Investor – July 2016](#)
- [10 Undervalued Companies for the Defensive Dividend Stock Investor – June 2016](#)

Other ModernGraham posts about related companies

- [PVH Corp Valuation – January 2017 \\$PVH](#)
- [Steve Madden Ltd Valuation – Initial Coverage \\$SHOO](#)
- [American Eagle Outfitters Valuation – January 2017 \\$AEO](#)
- [Chico's FAS Inc Valuation – Initial Coverage \\$CHS](#)
- [Hanesbrands Inc Valuation – December 2016 \\$HBI](#)
- [Nike Inc Valuation – November 2016 \\$NKE](#)
- [Wolverine World Wide Inc Valuation – September 2016 \\$WWW](#)
- [Ralph Lauren Corp Valuation – August 2016 \\$SRL](#)
- [Gap Inc Valuation – August 2016 \\$GPS](#)
- [PVH Corp Valuation – August 2016 \\$PVH](#)