ModernGraham Valuation

Company Name: Carter's, Inc.

Company Ticker CRI

Date of Analysis 2/14/2017

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	$4,167,881,427	Pass
2.	Sufficiently Strong Financial Condition	Current Ratio > 2	3.70	Pass
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	530.77%	Pass
6.	Moderate PEmg Ratio	PEmg < 20	20.41	Fail
7.	Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.44	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	3.70	Pass
2.	Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.76	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	**No**
Enterprising	**Yes**

Stage 2: Determination of Intrinsic Value

EPSmg		$4.14
MG Growth Estimate		12.49%
MG Value		**$138.48**
MG Value based on 3% Growth		$59.98
MG Value based on 0% Growth		$35.16
Market Implied Growth Rate		5.96%

MG Opinion

Current Price		$84.44
% of Intrinsic Value		60.98%
Opinion	**Undervalued**	
MG Grade	**B-**	

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$2.33
Graham Number	$41.94
PEmg	20.41
Current Ratio	3.70
PB Ratio	5.44
Current Dividend	$1.21
Dividend Yield	1.43%
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	$5.00	Next Fiscal Year Estimate	$4.14
Dec2015	$4.50	Dec2015	$3.50
Dec2014	$3.62	Dec2014	$2.90
Dec2013	$2.75	Dec2013	$2.48
Dec2012	$2.69	Dec2012	$2.26
Dec2011	$1.94	Dec2011	$1.79
Dec2010	$2.46	Dec2010	$1.54
Dec2009	$1.97	Dec2009	$1.01
Dec2008	$1.33	Dec2008	$0.56
Dec2007	-$1.22	Dec2007	$0.27
Dec2006	$1.42	Dec2006	$0.94
Dec2005	$0.78	Dec2005	$0.63
Dec2004	$0.83	Dec2004	$0.49
Dec2003	$0.46	Dec2003	$0.27
Dec2002	$0.41	Dec2002	$0.15
Dec2001	$0.06	Dec2001	$0.02
Dec2000	$0.00	Dec2000	$0.00
Dec1999	$0.00	**Balance Sheet Information**	**9/1/2016**
Dec1998	$0.00	Total Current Assets	$1,045,314,000
Dec1997	$0.00	Total Current Liabilities	$282,145,000
Dec1996	$0.00	Long-Term Debt	$580,613,000
		Total Assets	$1,937,705,000
		Intangible Assets	$485,929,000
		Total Liabilities	$1,161,571,000
		Shares Outstanding (Diluted Average)	49,987,000

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	#N/A
Other ModernGraham posts about related companies	Kate Spade & Co Valuation – Initial Coverage $KATE Gap Inc Valuation – January 2017 $GPS 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 $RL