

ModernGraham Valuation

Company Name:

Alaska Air Group, Inc.

Company Ticker ALK

Date of Analysis

5/2/2018



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	\$7,821,974,491	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.71	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	368.88%	Pass
5. Earnings Growth	PEmg < 20	10.03	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.28	Pass
7. Moderate Price to Assets			

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	0.71	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-2.35	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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$6.32
MG Growth Estimate	14.59%
MG Value	\$238.22
MG Value based on 3% Growth	\$91.65
MG Value based on 0% Growth	\$53.73
Market Implied Growth Rate	0.76%

MG Opinion

Current Price	\$63.39
% of Intrinsic Value	26.61%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$42.83
Graham Number	\$57.44
PEmg	10.03
Current Ratio	0.71
PB Ratio	2.28
Current Dividend	\$1.20
Dividend Yield	1.89%
Number of Consecutive Years of Dividend Growth	5

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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
	\$4.85		\$6.32
Dec2017	\$8.35	Dec2017	\$6.67
Dec2016	\$6.54	Dec2016	\$5.44
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	\$1.10
Dec2010	\$1.71	Dec2010	\$0.68
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	Balance Sheet Information	
Dec2000	-\$0.64	3/1/2018	
Dec1999	\$1.27	Total Current Assets	\$2,114,000,000
Dec1998	\$1.20	Total Current Liabilities	\$2,992,000,000
		Long-Term Debt	\$2,062,000,000
		Total Assets	\$10,848,000,000
		Intangible Assets	\$2,075,000,000
		Total Liabilities	\$7,409,000,000
		Shares Outstanding (Diluted Average)	123,630,000





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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