

ModernGraham Valuation

Company Name:

Carter's, Inc.

Company Ticker CRI

Date of Analysis

5/17/2018



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	\$5,043,192,848	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	4.14	Pass
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	176.14%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	19.55	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	6.08	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	4.14	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.87	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	\$5.61
MG Growth Estimate	14.02%
MG Value	\$205.01
MG Value based on 3% Growth	\$81.36
MG Value based on 0% Growth	\$47.70
Market Implied Growth Rate	5.53%

MG Opinion

Current Price	\$109.72
% of Intrinsic Value	53.52%
Opinion	Undervalued
MG Grade	B-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$3.91
Graham Number	\$50.62
PEmg	19.55
Current Ratio	4.14
PB Ratio	6.08
Current Dividend	\$1.48
Dividend Yield	1.35%
Number of Consecutive Years of Dividend Growth	5

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	\$6.27	Next Fiscal Year Estimate	\$5.61
Dec2017	\$6.24	Dec2017	\$5.00
Dec2016	\$5.08	Dec2016	\$4.16
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	Balance Sheet Information 3/1/2018	
Dec2000	\$0.00	Total Current Assets	\$935,083,000
Dec1999	\$0.00	Total Current Liabilities	\$225,936,000
Dec1998	\$0.00	Long-Term Debt	\$617,541,000
		Total Assets	\$1,975,206,000
		Intangible Assets	\$642,883,000
		Total Liabilities	\$1,120,392,000
		Shares Outstanding (Diluted Average)	47,391,000





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

- [5 Best Stocks for Value Investors This Week – 2/18/17](#)
- [Carter's Inc Valuation – Initial Coverage \\$CRI](#)

Other ModernGraham posts about related companies

- [Gap Inc Valuation – May 2018 \\$GPS](#)
- [PVH Corp Valuation – May 2018 \\$PVH](#)
- [VF Corp Valuation – April 2018 \\$VFC](#)
- [Michael Kors Holdings Ltd Valuation – March 2018 \\$KORS](#)
- [Foot Locker Inc Valuation – March 2018 \\$FL](#)
- [Under Armour Inc Valuation – March 2018 \\$UA](#)
- [Hanesbrands Inc Valuation – March 2018 \\$HBI](#)
- [L Brands Inc Valuation – March 2018 \\$LB](#)
- [Nike Inc Valuation – February 2018 \\$NKE](#)
- [Nike Inc Valuation – July 2017 \\$NKE](#)