

ModernGraham Valuation

Company Name:

Gap Inc

Company Ticker GPS

Date of Analysis

5/9/2018



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	\$11,225,274,504	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.86	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	23.11%	Fail
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	13.39	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.65	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	1.86	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.59	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		Fail
	Score		

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.18
MG Growth Estimate	-1.85%
MG Value	\$10.49
MG Value based on 3% Growth	\$31.62
MG Value based on 0% Growth	\$18.54
Market Implied Growth Rate	2.45%

MG Opinion

Current Price	\$29.21
% of Intrinsic Value	278.58%
Opinion	Overvalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$0.70
Graham Number	\$20.49
PEmg	13.39
Current Ratio	1.86
PB Ratio	3.65
Current Dividend	\$0.92
Dividend Yield	3.15%
Number of Consecutive Years of Dividend Growth	0

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	\$2.35	Next Fiscal Year Estimate	\$2.18
Jan2018	\$2.14	Jan2018	\$2.18
Jan2017	\$1.69	Jan2017	\$2.25
Jan2016	\$2.23	Jan2016	\$2.47
Jan2015	\$2.87	Jan2015	\$2.49
Jan2014	\$2.74	Jan2014	\$2.20
Jan2013	\$2.33	Jan2013	\$1.88
Jan2012	\$1.56	Jan2012	\$1.62
Jan2011	\$1.88	Jan2011	\$1.57
Jan2010	\$1.58	Jan2010	\$1.36
Jan2009	\$1.58	Jan2009	\$1.24
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	Balance Sheet Information 1/1/2018	
Jan2001	\$1.00	Total Current Assets	\$4,568,000,000
Jan2000	\$1.26	Total Current Liabilities	\$2,461,000,000
Jan1999	\$0.91	Long-Term Debt	\$1,249,000,000
		Total Assets	\$7,989,000,000
		Intangible Assets	\$204,000,000
		Total Liabilities	\$4,845,000,000
		Shares Outstanding (Diluted Average)	393,000,000





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 2017](#)
- [10 Undervalued Companies for the Defensive Dividend Stock Investor – February 2017](#)
- [12 Best Stocks for Value Investors This Week – 2/4/17](#)
- [Gap Inc Valuation – January 2017 \\$GPS](#)
- [10 Low PE Stock Picks for the Defensive Investor – January 2017](#)

Other ModernGraham posts about related companies

- [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](#)
- [Deckers Outdoor Corp Valuation – Initial Coverage \\$DECK](#)
- [Ralph Lauren Corp Valuation – April 2017 \\$RL](#)