

ModernGraham Valuation

Company Name:

Kroger Co

Company Ticker

KR

Date of Analysis

6/26/2018



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 | \$23,315,706,984 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 0.76 | 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 | 330.77% | Pass |
| 5. Earnings Growth | | | |
| 6. Moderate PEmg Ratio | PEmg < 20 | 14.29 | Pass |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | 3.63 | 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 | 0.76 | Fail |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 0.00 | 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 | \$2.03 |
| MG Growth Estimate | 7.35% |
| MG Value | \$47.10 |
| MG Value based on 3% Growth | \$29.44 |
| MG Value based on 0% Growth | \$17.26 |
| Market Implied Growth Rate | 2.89% |

MG Opinion

| | |
|----------------------|--------------------|
| Current Price | \$29.00 |
| % of Intrinsic Value | 61.57% |
| Opinion | Undervalued |
| MG Grade | C- |

Stage 3: Information for Further Research

| | |
|--|----------|
| Net Current Asset Value (NCAV) | -\$22.22 |
| Graham Number | \$18.67 |
| PEmg | 14.29 |
| Current Ratio | 0.76 |
| PB Ratio | 3.63 |
| Current Dividend | \$0.49 |
| Dividend Yield | 1.69% |
| Number of Consecutive Years of Dividend Growth | 12 |

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| EPS History | | EPSmg History | |
|---------------------------|---------|--------------------------------------|------------------|
| Next Fiscal Year Estimate | | Next Fiscal Year Estimate | |
| Jan2018 | \$2.02 | Jan2018 | \$2.03 |
| Jan2017 | \$2.09 | Jan2017 | \$1.98 |
| Jan2016 | \$2.05 | Jan2016 | \$1.86 |
| Jan2015 | \$2.06 | Jan2015 | \$1.65 |
| Jan2014 | \$1.72 | Jan2014 | \$1.36 |
| Jan2013 | \$1.45 | Jan2013 | \$1.07 |
| Jan2012 | \$1.39 | Jan2012 | \$0.84 |
| Jan2011 | \$0.51 | Jan2011 | \$0.59 |
| Jan2010 | \$0.87 | Jan2010 | \$0.66 |
| Jan2009 | \$0.06 | Jan2009 | \$0.59 |
| Jan2008 | \$0.95 | Jan2008 | \$0.78 |
| Jan2007 | \$0.85 | Jan2007 | \$0.62 |
| Jan2006 | \$0.77 | Jan2006 | \$0.50 |
| Jan2005 | \$0.66 | Jan2005 | \$0.39 |
| Jan2004 | -\$0.07 | Jan2004 | \$0.30 |
| Jan2003 | \$0.21 | Jan2003 | \$0.49 |
| Jan2002 | \$0.76 | Jan2003 | \$0.58 |
| Jan2001 | \$0.63 | Balance Sheet Information | |
| Jan2000 | \$0.52 | 5/1/2018 | |
| Dec1998 | \$0.36 | Total Current Assets | \$10,286,000,000 |
| | \$0.15 | Total Current Liabilities | \$13,476,000,000 |
| | | Long-Term Debt | \$0 |
| | | Total Assets | \$36,561,000,000 |
| | | Intangible Assets | \$4,036,000,000 |
| | | Total Liabilities | \$29,620,000,000 |
| | | Shares Outstanding (Diluted Average) | 870,000,000 |





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](#)
[5 Undervalued Large Cap Stocks for Value Investors – August 2017](#)
[10 Best Stocks for Value Investors This Week – 7/22/17](#)
[Kroger Company Valuation – July 2017 \\$KR](#)
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[Core-Mark Holding Company Inc Valuation – Initial Coverage \\$CORE](#)
[The Kroger Co Valuation – August 2016 \\$KR](#)
[Whole Foods Market Inc Valuation – May 2016 \\$WFM](#)
[Whole Foods Market Inc. Valuation – October 2015 Update \\$WFM](#)
[Kroger Company Analysis – 2015 Update \\$KR](#)
[Whole Foods Market Inc. Quarterly Valuation – May 2015 \\$WFM](#)
[Whole Foods Market Inc. Quarterly Valuation – February 2015 \\$WFM](#)