

# ModernGraham Valuation

Company Name:

Gap Inc

Company Ticker GPS

Date of Analysis

3/3/2019



## 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	\$11,256,117,427	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.96	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	24.61%	Fail
6. Moderate PEmg Ratio	PEmg < 20	12.76	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.18	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	1.96	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.60	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

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$2.31
MG Growth Estimate	-0.96%
<b>MG Value</b>	<b>\$15.20</b>
MG Value based on 3% Growth	\$33.53
MG Value based on 0% Growth	\$19.66
Market Implied Growth Rate	2.13%

### MG Opinion

Current Price	\$29.51
% of Intrinsic Value	194.10%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C+</b>

## Stage 3: Information for Further Research

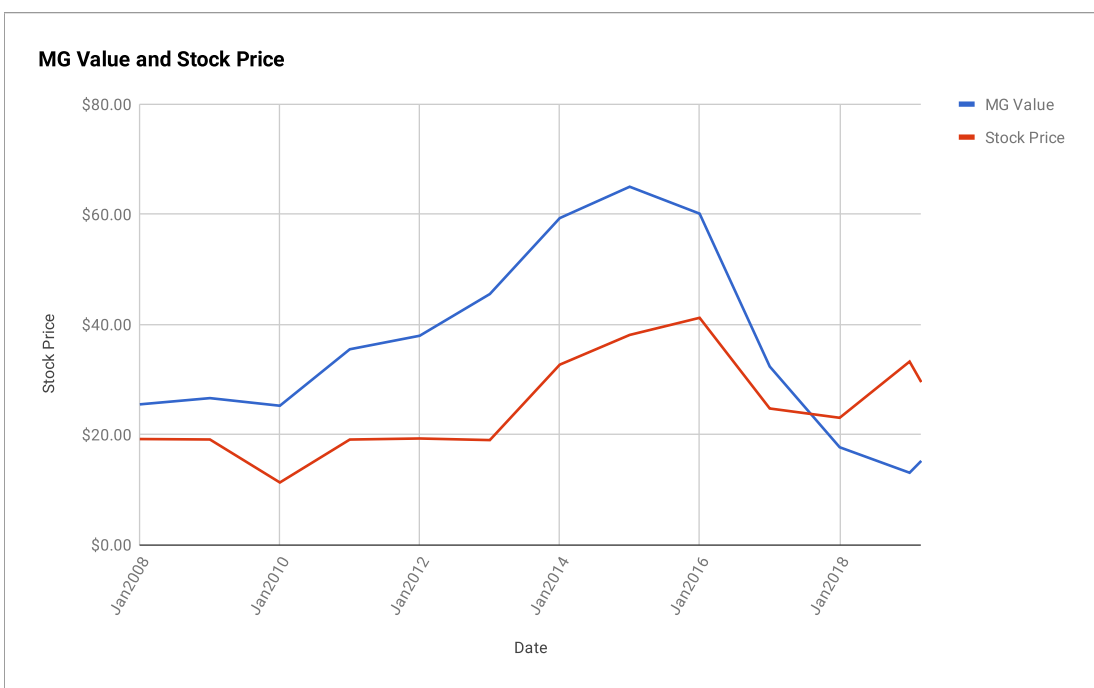
Net Current Asset Value (NCAV)	-\$0.64
Graham Number	\$22.51
PEmg	12.76
Current Ratio	1.96
PB Ratio	3.18
Current Dividend	\$0.97
Dividend Yield	3.29%
Number of Consecutive Years of Dividend Growth	1

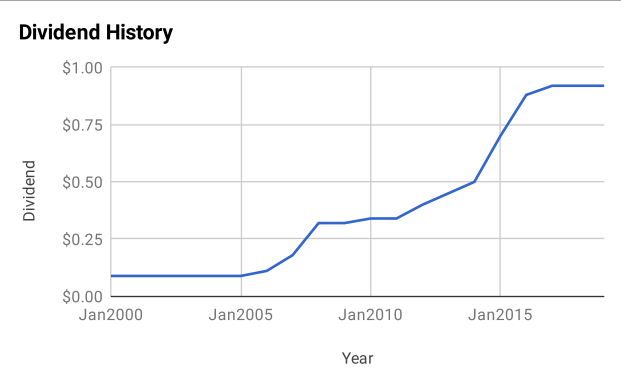
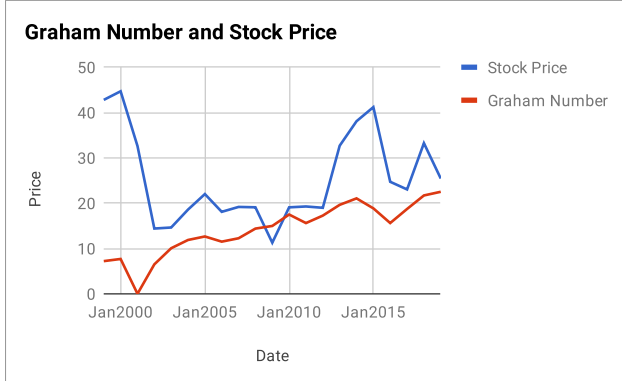
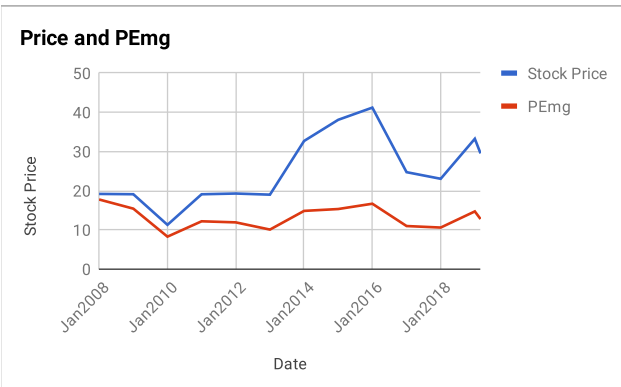
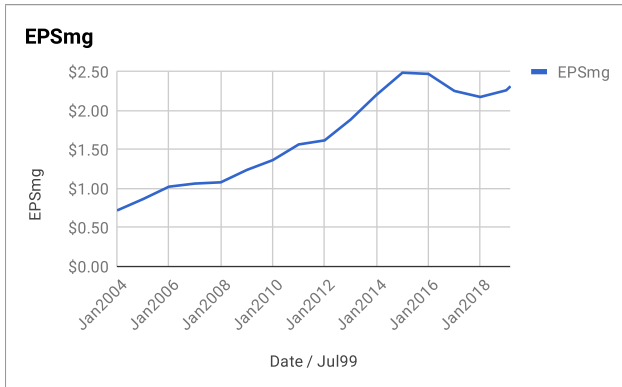
### Useful Links:

[ModernGraham tagged articles](#)  
[Google Finance](#)  
[Yahoo Finance](#)  
[GuruFocus](#)

[Morningstar](#)  
[MSN Money](#)  
[Seeking Alpha](#)  
[SEC Filings](#)

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.46	Next Fiscal Year Estimate	\$2.31
Jan2019	\$2.59	Jan2019	\$2.26
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	<b>Balance Sheet Information 1/1/2019</b>	
Jan2002	-\$0.03	Total Current Assets	\$4,251,000,000
Jan2001	\$1.00	Total Current Liabilities	\$2,174,000,000
Jan2000	\$1.26	Long-Term Debt	\$1,249,000,000
		Total Assets	\$8,049,000,000
		Intangible Assets	\$0
		Total Liabilities	\$4,496,000,000
		Shares Outstanding (Diluted Average)	383,000,000





**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**
- [Gap Inc Valuation – May 2018 \\$GPS](#)
  - [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](#)

- Other ModernGraham posts about related companies**
- [VF Corp Valuation – February 2019 \\$VFC](#)
  - [Foot Locker Inc Valuation – January 2019 \\$FL](#)
  - [Under Armour Inc Valuation – January 2019 \\$UA](#)
  - [Hanesbrands Inc Valuation – January 2019 \\$HBI](#)
  - [L Brands Inc Valuation – January 2019 \\$LB](#)
  - [Nike Inc Valuation – November 2018 \\$NKE](#)
  - [Deckers Outdoor Corp Valuation – May 2018 \\$DECK](#)
  - [Ralph Lauren Corp Valuation – May 2018 \\$RL](#)
  - [Abercrombie & Fitch Co Valuation – May 2018 \\$ANF](#)
  - [Steven Madden Ltd Valuation – May 2018 \\$SHOO](#)