

ModernGraham Valuation

Company Name:

L Brands Inc

Company Ticker LB

Date of Analysis

8/28/2015



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 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 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 | Pass |
| 6. Moderate PEmg Ratio | PEmg < 20 | Fail |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | 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 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 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 | Pass |

Suitability

| | |
|---------------------|------------|
| Defensive | No |
| Enterprising | Yes |

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|----------------|
| EPSmg | 3.28 |
| MG Growth Estimate | 9.20% |
| MG Value | \$88.21 |
| MG Value based on 3% Growth | \$47.54 |
| MG Value based on 0% Growth | \$27.87 |
| Market Implied Growth Rate | 8.49% |

MG Opinion

| | |
|----------------------|----------------------|
| Current Price | \$83.56 |
| % of Intrinsic Value | 94.72% |
| Opinion | Fairly Valued |

Stage 3: Information for Further Research

| | |
|--|----------|
| Net Current Asset Value (NCAV) | -\$16.48 |
| PEmg | 25.49 |
| Current Ratio | 1.67 |
| PB Ratio | -41.16 |
| Dividend Yield | 1.82% |
| 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 | \$3.65 | Next Fiscal Year Estimate | \$3.28 |
| Jan15 | \$3.50 | Jan15 | \$3.01 |
| Jan14 | \$3.05 | Jan14 | \$2.65 |
| Jan13 | \$2.54 | Jan13 | \$2.28 |
| Jan12 | \$2.70 | Jan12 | \$2.03 |
| Jan11 | \$2.42 | Jan11 | \$1.67 |
| Jan10 | \$1.37 | Jan10 | \$1.34 |
| Jan09 | \$0.65 | Jan09 | \$1.38 |
| Jan08 | \$1.89 | Jan08 | \$1.70 |
| Jan07 | \$1.68 | Jan07 | \$1.54 |
| Jan06 | \$1.66 | Jan06 | \$1.42 |
| Jan05 | \$1.47 | Jan05 | \$1.26 |
| Jan04 | \$1.36 | Jan04 | \$1.12 |
| Jan03 | \$0.96 | Jan03 | \$1.21 |
| Jan02 | \$1.16 | Jan02 | \$1.39 |
| Jan01 | \$0.91 | Jan01 | \$1.48 |
| Jan00 | \$0.93 | Jan00 | \$1.69 |
| Jan99 | \$4.15 | Balance Sheet Information Apr15 | |
| Jan98 | \$0.39 | Total Current Assets | \$2,318,000,000 |
| Jan97 | \$0.77 | Total Current Liabilities | \$1,391,000,000 |
| Jan96 | \$1.34 | Long-Term Debt | \$4,760,000,000 |
| | | Total Assets | \$6,638,000,000 |
| | | Intangible Assets | \$1,729,000,000 |
| | | Total Liabilities | \$7,245,000,000 |
| | | Shares Outstanding (Diluted Average) | 299,000,000 |



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

[L Brands Inc. Quarterly Valuation – May 2015 \\$LB](#)
[28 Companies in the Spotlight This Week – 2/28/15](#)
[L Brands Inc. Quarterly Valuation – February 2015 \\$LB](#)
[16 Companies in the Spotlight This Week – 3/1/14](#)
[L Brands Inc. \(LB\) Annual Valuation](#)

Other
ModernGraham
posts about related
companies

[Abercrombie & Fitch Company Analysis – Initial Coverage \\$ANF](#)
[Nike Inc. Analysis – August 2015 Update \\$NKE](#)
[The Best Companies of the Apparel Industry – June 2015 \\$GPS \\$HBI \\$KORS \\$RL \\$VFC](#)
[American Eagle Outfitters Analysis – Initial Coverage \\$AEO](#)
[Under Armour Inc. Analysis – Initial Coverage \\$UA](#)
[Hanesbrands Inc. Analysis – Initial Coverage \\$HBI](#)
[Wolverine World Wide Analysis – June 2015 Update \\$WWW](#)
[Ralph Lauren Corporation Analysis – June 2015 Update \\$RL](#)
[Gap Inc. Analysis – June 2015 Update \\$GPS](#)
[VF Corporation Analysis – June 2015 Update \\$VFC](#)