

# ModernGraham Valuation

## Company Name:

Company Ticker AEO

Date of Analysis

11/4/2015

American Eagle  
Outfitters



## 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	\$3,243,230,397	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.88	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	-58.22%	Fail
6. Moderate PEmg Ratio	PEmg < 20	22.65	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.80	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	1.88	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.00	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

### Suitability

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

## Stage 2: Determination of Intrinsic Value

EPSmg	\$0.73
MG Growth Estimate	-1.97%
<b>MG Value</b>	<b>\$3.33</b>
MG Value based on 3% Growth	\$10.59
MG Value based on 0% Growth	\$6.21
Market Implied Growth Rate	7.08%

### MG Opinion

Current Price	\$16.55
% of Intrinsic Value	497.39%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

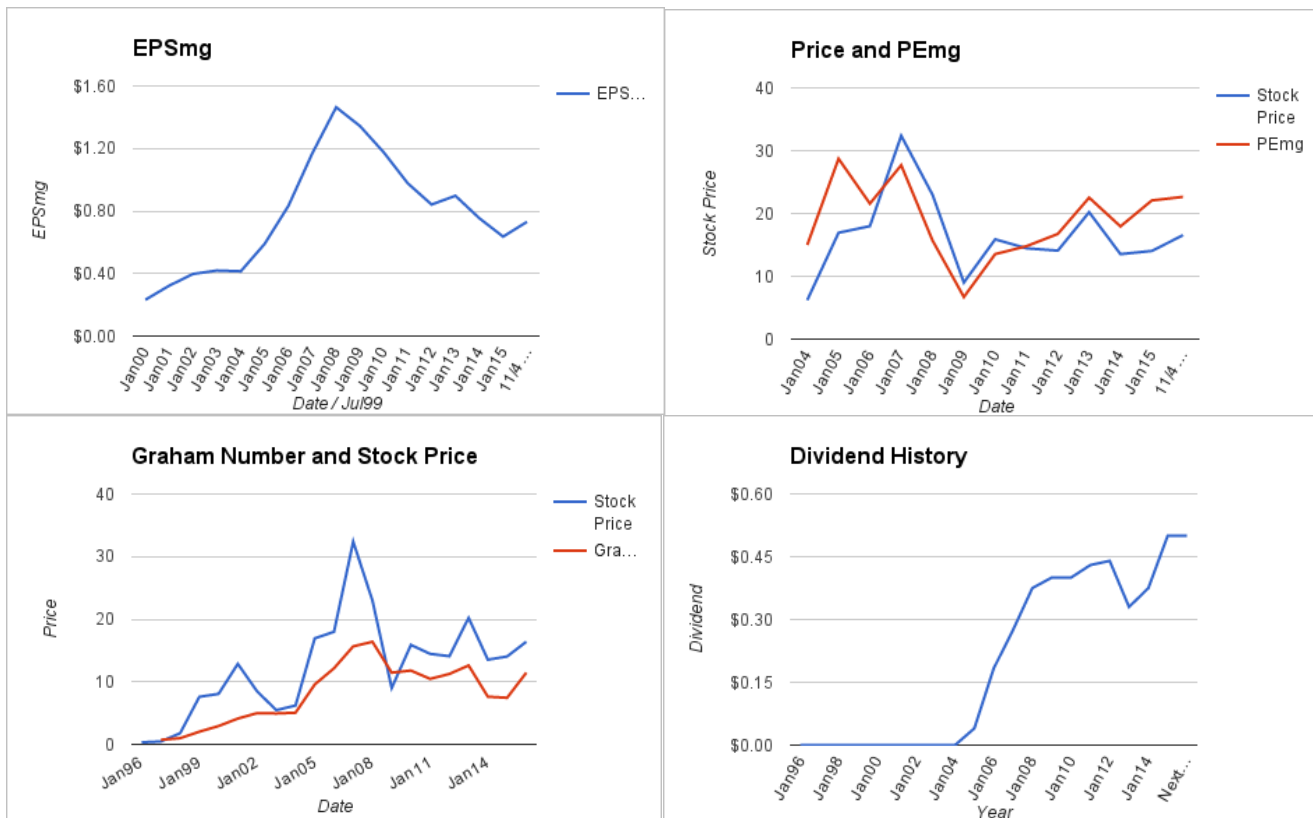
Net Current Asset Value (NCAV)	\$1.67
Graham Number	\$11.46
PEmg	22.65
Current Ratio	1.88
PB Ratio	2.80
Dividend Yield	3.02%
Number of Consecutive Years of Dividend Growth	3

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$0.98	Next Fiscal Year Estimate	\$0.73
Jan15	\$0.42	Jan15	\$0.64
Jan14	\$0.43	Jan14	\$0.75
Jan13	\$1.16	Jan13	\$0.90
Jan12	\$0.77	Jan12	\$0.84
Jan11	\$0.70	Jan11	\$0.98
Jan10	\$0.81	Jan10	\$1.17
Jan09	\$0.86	Jan09	\$1.34
Jan08	\$1.82	Jan08	\$1.46
Jan07	\$1.70	Jan07	\$1.17
Jan06	\$1.26	Jan06	\$0.83
Jan05	\$0.95	Jan05	\$0.59
Jan04	\$0.38	Jan04	\$0.41
Jan03	\$0.40	Jan03	\$0.42
Jan02	\$0.48	Jan02	\$0.40
Jan01	\$0.43	Jan01	\$0.32
Jan00	\$0.41	Jan00	\$0.23
Jan99	\$0.25	<b>Balance Sheet Information Jul15</b>	
Jan98	\$0.10	Total Current Assets	\$922,975,000
Jan97	\$0.07	Total Current Liabilities	\$492,144,000
Jan96	-\$0.01	Long-Term Debt	\$0
		Total Assets	\$1,760,209,000
		Intangible Assets	\$60,160,000
		Total Liabilities	\$594,531,000
		Shares Outstanding (Diluted Average)	196,885,000





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

[American Eagle Outfitters Analysis – Initial Coverage \\$AEO](#)

Other ModernGraham posts about related companies

- [Hanesbrands Inc. Valuation – November 2015 Update \\$HBI](#)
- [Under Armour Inc Valuation – October 2015 Update \\$UA](#)
- [Michael Kors Holdings Limited Analysis – October 2015 Update \\$KORS](#)
- [Wolverine World Wide Inc. Analysis – September 2015 Update \\$WWW](#)
- [Ralph Lauren Corporation Analysis – September 2015 Update \\$RL](#)
- [Gap Inc Analysis – September 2015 Update \\$GPS](#)
- [VF Corporation Analysis – September 2015 Update \\$VFC](#)
- [L Brands Inc. Analysis – August 2015 Update \\$LB](#)
- [Abercrombie & Fitch Company Analysis – Initial Coverage \\$ANF](#)
- [Nike Inc. Analysis – August 2015 Update \\$NKE](#)