

ModernGraham Valuation

Company Name:

Company Ticker AEO
Date of Analysis

American Eagle
Outfitters

2/4/2016



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 | \$2,763,826,996 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 1.82 | 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 | -55.48% | Fail |
| 6. Moderate PEmg Ratio | PEmg < 20 | 18.17 | Pass |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | 2.29 | 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 | 1.82 | 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

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

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|---------------|
| EPSmg | \$0.77 |
| MG Growth Estimate | -1.26% |
| MG Value | \$4.61 |
| MG Value based on 3% Growth | \$11.17 |
| MG Value based on 0% Growth | \$6.55 |
| Market Implied Growth Rate | 4.83% |

MG Opinion

| | |
|----------------------|-------------------|
| Current Price | \$14.00 |
| % of Intrinsic Value | 303.77% |
| Opinion | Overvalued |

Stage 3: Information for Further Research

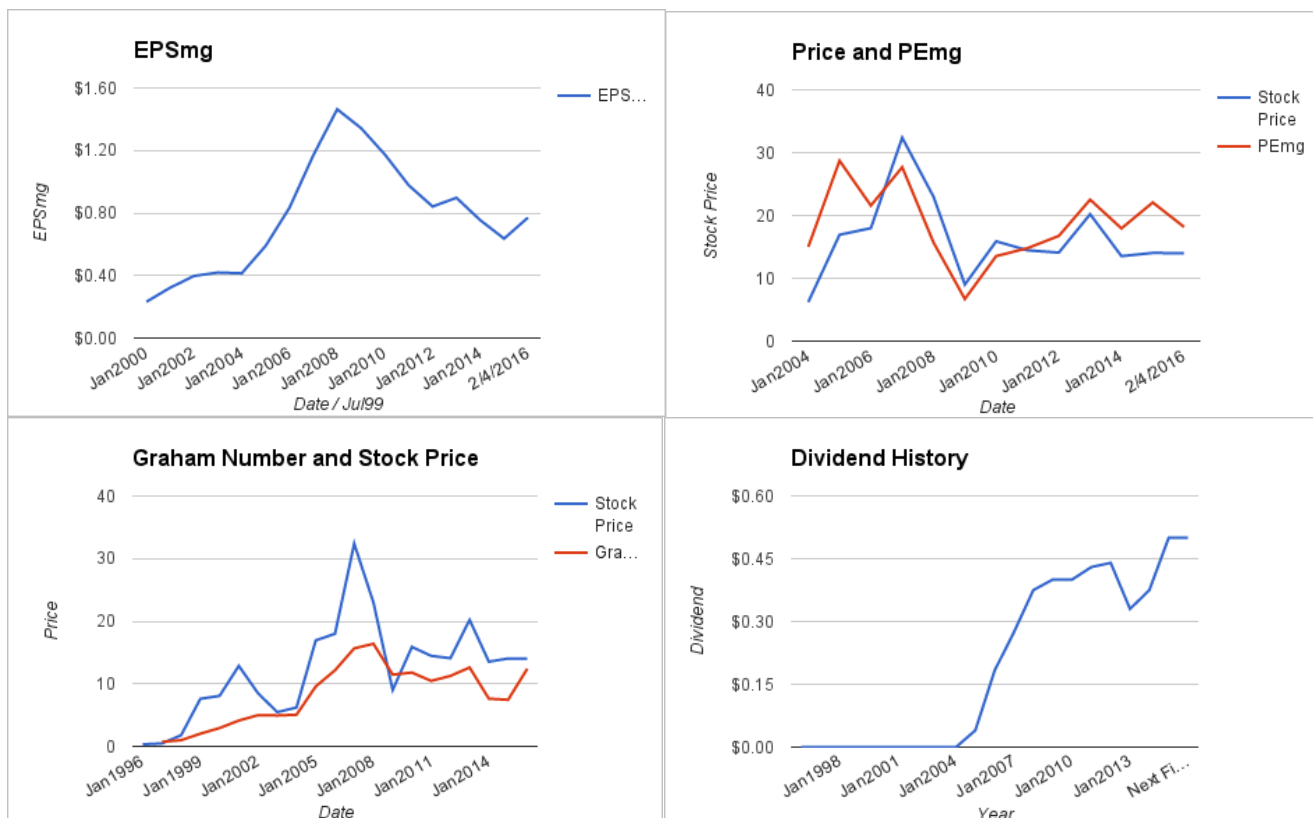
| | |
|--|---------|
| Net Current Asset Value (NCAV) | \$1.88 |
| Graham Number | \$12.41 |
| PEmg | 18.17 |
| Current Ratio | 1.82 |
| PB Ratio | 2.29 |
| Dividend Yield | 3.57% |
| Number of Consecutive Years of Dividend Growth | 3 |

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 | \$1.10 | Next Fiscal Year Estimate | \$0.77 |
| Jan2015 | \$0.42 | Jan2015 | \$0.64 |
| Jan2014 | \$0.43 | Jan2014 | \$0.75 |
| Jan2013 | \$1.16 | Jan2013 | \$0.90 |
| Jan2012 | \$0.77 | Jan2012 | \$0.84 |
| Jan2011 | \$0.70 | Jan2011 | \$0.98 |
| Jan2010 | \$0.81 | Jan2010 | \$1.17 |
| Jan2009 | \$0.86 | Jan2009 | \$1.34 |
| Jan2008 | \$1.82 | Jan2008 | \$1.46 |
| Jan2007 | \$1.70 | Jan2007 | \$1.17 |
| Jan2006 | \$1.26 | Jan2006 | \$0.83 |
| Jan2005 | \$0.95 | Jan2005 | \$0.59 |
| Jan2004 | \$0.38 | Jan2004 | \$0.41 |
| Jan2003 | \$0.40 | Jan2003 | \$0.42 |
| Jan2002 | \$0.48 | Jan2002 | \$0.40 |
| Jan2001 | \$0.43 | Jan2001 | \$0.32 |
| Jan2000 | \$0.41 | Jan2000 | \$0.23 |
| Jan1999 | \$0.25 | Balance Sheet Information Oct2015 | |
| Jan1998 | \$0.10 | Total Current Assets | \$1,050,347,000 |
| Jan1997 | \$0.07 | Total Current Liabilities | \$578,143,000 |
| Jan1996 | -\$0.01 | Long-Term Debt | \$0 |
| | | Total Assets | \$1,887,836,000 |
| | | Intangible Assets | \$59,734,000 |
| | | Total Liabilities | \$678,563,000 |
| | | Shares Outstanding (Diluted Average) | 197,478,000 |





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 Valuation – November 2015 Update \\$AEO](#)
[American Eagle Outfitters Analysis – Initial Coverage \\$AEO](#)

Other
ModernGraham
posts about related
companies

[Hanesbrands Inc Valuation – February 2016 Update \\$HBI](#)
[VF Corporation Valuation – February 2016 Update \\$VFC](#)
[L Brands Inc Valuation – January 2016 Update \\$LB](#)
[Michael Kors Holdings Ltd Valuation – January 2016 Update \\$KORS](#)
[Abercrombie & Fitch Co Valuation – November 2015 Update \\$ANF](#)
[Nike Inc. Valuation – November 2015 Update \\$NKE](#)
[American Eagle Outfitters Valuation – November 2015 Update \\$AEO](#)
[Hanesbrands Inc. Valuation – November 2015 Update \\$HBI](#)
[Under Armour Inc Valuation – October 2015 Update \\$UA](#)
[Michael Kors Holdings Limited Analysis – October 2015 Update \\$KORS](#)