

ModernGraham Valuation

Company Name:

L Brands Inc

Company Ticker LB

Date of Analysis

7/28/2016



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	\$21,003,435,886	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.86	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	186.96%	Pass
5. Earnings Growth	PEmg < 20	20.67	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	-19.88	Fail
7. Moderate Price to Assets			

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	1.86	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	4.13	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	\$3.57
MG Growth Estimate	8.51%
MG Value	\$91.04
MG Value based on 3% Growth	\$51.74
MG Value based on 0% Growth	\$30.33
Market Implied Growth Rate	6.08%

MG Opinion

Current Price	\$73.75
% of Intrinsic Value	81.01%
Opinion	Fairly Valued
MG Grade	B-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$18.85
Graham Number	\$0.00
PEmg	20.67
Current Ratio	1.86
PB Ratio	-19.88
Current Dividend	\$2.10
Dividend Yield	2.85%
Number of Consecutive Years of Dividend Growth	6

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.50	Next Fiscal Year Estimate	\$3.57
Jan2016	\$4.22	Jan2016	\$3.47
Jan2015	\$3.50	Jan2015	\$3.01
Jan2014	\$3.05	Jan2014	\$2.65
Jan2013	\$2.54	Jan2013	\$2.28
Jan2012	\$2.70	Jan2012	\$2.03
Jan2011	\$2.42	Jan2011	\$1.67
Jan2010	\$1.37	Jan2010	\$1.34
Jan2009	\$0.65	Jan2009	\$1.38
Jan2008	\$1.89	Jan2008	\$1.70
Jan2007	\$1.68	Jan2007	\$1.54
Jan2006	\$1.66	Jan2006	\$1.42
Jan2005	\$1.47	Jan2005	\$1.27
Jan2004	\$1.36	Jan2004	\$1.14
Jan2003	\$0.96	Jan2003	\$1.24
Jan2002	\$1.19	Jan2002	\$1.43
Jan2001	\$0.96	Jan2001	\$1.52
Jan2000	\$1.00	Balance Sheet Information 4/1/2016	
Jan1999	\$4.16	Total Current Assets	\$2,991,000,000
Jan1998	\$0.40	Total Current Liabilities	\$1,605,000,000
Jan1997	\$0.77	Long-Term Debt	\$5,718,000,000
		Total Assets	\$7,426,000,000
		Intangible Assets	\$1,759,000,000
		Total Liabilities	\$8,513,000,000
		Shares Outstanding (Diluted Average)	293,000,000





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.

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