

# ModernGraham Valuation

## Company Name:

Company Ticker AEO

Date of Analysis

1/4/2017

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	\$2,900,824,913	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.66	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	-20.63%	Fail
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	16.86	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.47	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	1.66	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		Pass

### Suitability

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

## Stage 2: Determination of Intrinsic Value

EPSmg	\$0.93
MG Growth Estimate	0.51%
<b>MG Value</b>	<b>\$8.84</b>
MG Value based on 3% Growth	\$13.46
MG Value based on 0% Growth	\$7.89
Market Implied Growth Rate	4.18%

### MG Opinion

Current Price	\$15.65
% of Intrinsic Value	177.05%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C+</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$1.55
Graham Number	\$13.41
PEmg	16.86
Current Ratio	1.66
PB Ratio	2.47
Current Dividend	\$0.50
Dividend Yield	3.19%
Number of Consecutive Years of Dividend Growth	0

### 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		Next Fiscal Year Estimate	
	\$1.24		\$0.93
Jan2016	\$1.11	Jan2016	\$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	<b>Balance Sheet Information 10/1/2016</b>	
Jan1999	\$0.25	Total Current Assets	\$936,849,000
Jan1998	\$0.10	Total Current Liabilities	\$562,879,000
Jan1997	\$0.07	Long-Term Debt	\$0
		Total Assets	\$1,822,540,000
		Intangible Assets	\$67,308,000
		Total Liabilities	\$650,580,000
		Shares Outstanding (Diluted Average)	184,615,000





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 – August 2016 \\$AEO](#)  
[American Eagle Outfitters Valuation – February 2016 \\$AEO](#)  
[American Eagle Outfitters Valuation – November 2015 Update \\$AEO](#)  
[American Eagle Outfitters Analysis – Initial Coverage \\$AEO](#)

Other  
ModernGraham  
posts about related  
companies

[Chico's FAS Inc Valuation – Initial Coverage \\$CHS](#)  
[Hanesbrands Inc Valuation – December 2016 \\$HBI](#)  
[Nike Inc Valuation – November 2016 \\$NKE](#)  
[Wolverine World Wide Inc Valuation – September 2016 \\$WWW](#)  
[Ralph Lauren Corp Valuation – August 2016 \\$RL](#)  
[Gap Inc Valuation – August 2016 \\$GPS](#)  
[PVH Corp Valuation – August 2016 \\$PVH](#)  
[American Eagle Outfitters Valuation – August 2016 \\$AEO](#)  
[Hanesbrands Inc Valuation – August 2016 \\$HBI](#)  
[VF Corp Valuation – August 2016 \\$VFC](#)