

ModernGraham Valuation

American Eagle
Outfitters



Company Name:

Company Ticker AEO

Date of Analysis

5/16/2018

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 | \$3,848,209,366 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 2.00 | 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 | 59.65% | Pass |
| 6. Moderate PEmg Ratio | PEmg < 20 | 19.44 | Pass |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | 3.25 | 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 | 2.00 | 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 Score | | Pass |

Suitability

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

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|----------------|
| EPSmg | \$1.16 |
| MG Growth Estimate | 12.34% |
| MG Value | \$38.47 |
| MG Value based on 3% Growth | \$16.81 |
| MG Value based on 0% Growth | \$9.85 |
| Market Implied Growth Rate | 5.47% |

MG Opinion

| | |
|----------------------|--------------------|
| Current Price | \$22.54 |
| % of Intrinsic Value | 58.59% |
| Opinion | Undervalued |
| MG Grade | B |

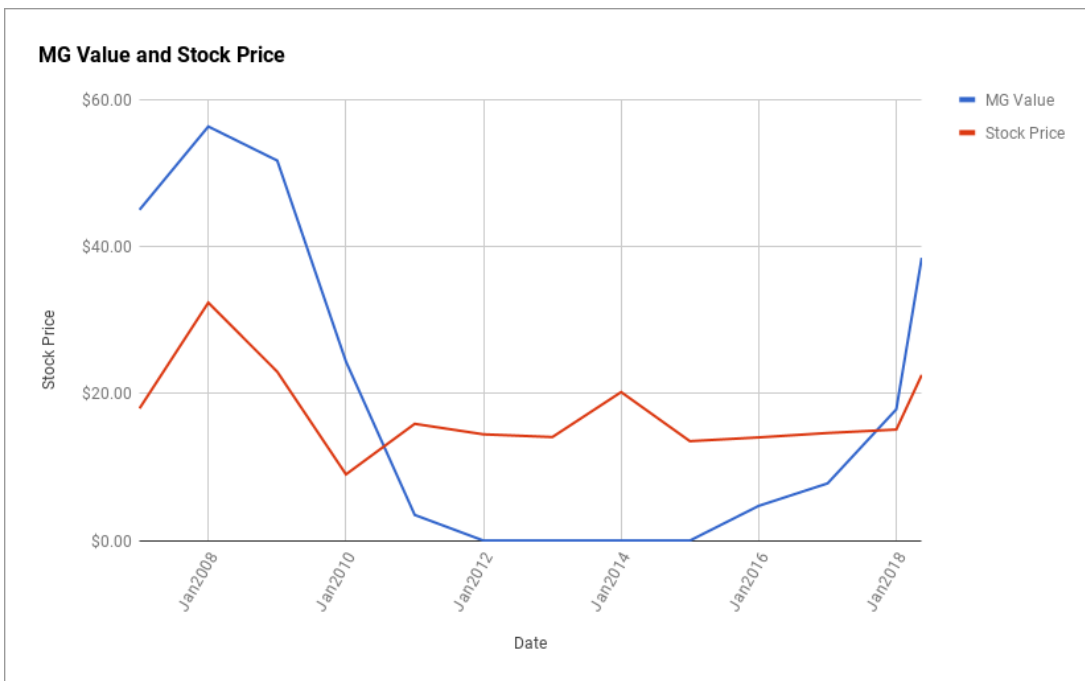
Stage 3: Information for Further Research

| | |
|------------------------------------------------|---------|
| Net Current Asset Value (NCAV) | \$2.22 |
| Graham Number | \$14.50 |
| PEmg | 19.44 |
| Current Ratio | 2.00 |
| PB Ratio | 3.25 |
| Current Dividend | \$0.50 |
| Dividend Yield | 2.22% |
| Number of Consecutive Years of Dividend Growth | 0 |

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 | \$1.35 | Next Fiscal Year Estimate | \$1.16 |
| Jan2018 | \$1.13 | Jan2018 | \$0.99 |
| Jan2017 | \$1.16 | Jan2017 | \$0.90 |
| 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 | Balance Sheet Information 1/1/2018 | |
| Jan2001 | \$0.43 | Total Current Assets | \$968,530,000 |
| Jan2000 | \$0.41 | Total Current Liabilities | \$485,221,000 |
| Jan1999 | \$0.25 | Long-Term Debt | \$0 |
| | | Total Assets | \$1,816,313,000 |
| | | Intangible Assets | \$61,736,000 |
| | | Total Liabilities | \$569,522,000 |
| | | Shares Outstanding (Diluted Average) | 179,844,000 |





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 – January 2017 \\$AEO](#)
- [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

- [Gap Inc Valuation – May 2018 \\$GPS](#)
- [PVH Corp Valuation – May 2018 \\$PVH](#)
- [VF Corp Valuation – April 2018 \\$VFC](#)
- [Michael Kors Holdings Ltd Valuation – March 2018 \\$KORS](#)
- [Foot Locker Inc Valuation – March 2018 \\$FL](#)
- [Under Armour Inc Valuation – March 2018 \\$UA](#)
- [Hanesbrands Inc Valuation – March 2018 \\$HBI](#)
- [L Brands Inc Valuation – March 2018 \\$LB](#)
- [Nike Inc Valuation – February 2018 \\$NKE](#)
- [Nike Inc Valuation – July 2017 \\$NKE](#)