

ModernGraham Valuation

Company Name:

Company Ticker AEP

Date of Analysis

6/10/2018

American Electric
Power Company Inc



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	\$31,575,680,283	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.44	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	-5.99%	Fail
5. Earnings Growth	PEmg < 20	19.23	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	1.71	Pass
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	0.44	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-3.53	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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.33
MG Growth Estimate	0.89%
MG Value	\$34.25
MG Value based on 3% Growth	\$48.35
MG Value based on 0% Growth	\$28.34
Market Implied Growth Rate	5.36%

MG Opinion

Current Price	\$64.11
% of Intrinsic Value	187.16%
Opinion	Overvalued
MG Grade	D+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$87.12
Graham Number	\$56.52
PEmg	19.23
Current Ratio	0.44
PB Ratio	1.71
Current Dividend	\$2.39
Dividend Yield	3.73%
Number of Consecutive Years of Dividend Growth	8

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.82	Next Fiscal Year Estimate	\$3.33
Dec2017	\$3.88	Dec2017	\$3.11
Dec2016	\$1.24	Dec2016	\$2.77
Dec2015	\$4.17	Dec2015	\$3.50
Dec2014	\$3.34	Dec2014	\$3.15
Dec2013	\$3.04	Dec2013	\$3.05
Dec2012	\$2.60	Dec2012	\$3.07
Dec2011	\$4.02	Dec2011	\$3.24
Dec2010	\$2.53	Dec2010	\$2.85
Dec2009	\$2.96	Dec2009	\$2.92
Dec2008	\$3.42	Dec2008	\$2.83
Dec2007	\$2.72	Dec2007	\$2.38
Dec2006	\$2.53	Dec2006	\$1.88
Dec2005	\$2.08	Dec2005	\$1.48
Dec2004	\$2.75	Dec2004	\$1.14
Dec2003	\$0.29	Dec2003	\$0.59
Dec2002	-\$1.57	Dec2002	\$1.04
Dec2001	\$3.01	Balance Sheet Information 3/1/2018	
Dec2000	\$0.83	Total Current Assets	\$4,135,000,000
Dec1999	\$3.03	Total Current Liabilities	\$9,471,400,000
Dec1998	\$2.81	Long-Term Debt	\$18,844,900,000
		Total Assets	\$65,609,500,000
		Intangible Assets	\$52,500,000
		Total Liabilities	\$47,097,900,000
		Shares Outstanding (Diluted Average)	493,127,000





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 Electric Power Company Inc Valuation – March 2017 \\$AEP](#)
- [American Electric Power Co Valuation – November 2015 Update \\$AEP](#)
- [22 Companies in the Spotlight This Week – 11/29/14](#)
- [American Electric Power Company Inc. Annual Valuation – 2014 \\$AEP](#)
- [ModernGraham Valuation: American Electric Power \(AEP\)](#)

Other ModernGraham posts about related companies

- [American Water Works Co Inc Valuation – June 2018 \\$AWK](#)
- [Alliant Energy Corp Valuation – June 2018 \\$LNT](#)
- [Consolidated Edison Inc Valuation – June 2018 \\$ED](#)
- [Duke Energy Corp Valuation – May 2018 \\$DUK](#)
- [Semptra Energy Valuation – May 2018 \\$SRE](#)
- [Ameren Corp Valuation – May 2018 \\$AEE](#)
- [NextEra Energy Inc Valuation – May 2018 \\$NEE](#)
- [PG&E Corp Valuation – April 2018 \\$PCG](#)
- [Dominion Energy Inc Valuation – April 2018 \\$D](#)
- [Exelon Corp Valuation – March 2018 \\$EXC](#)