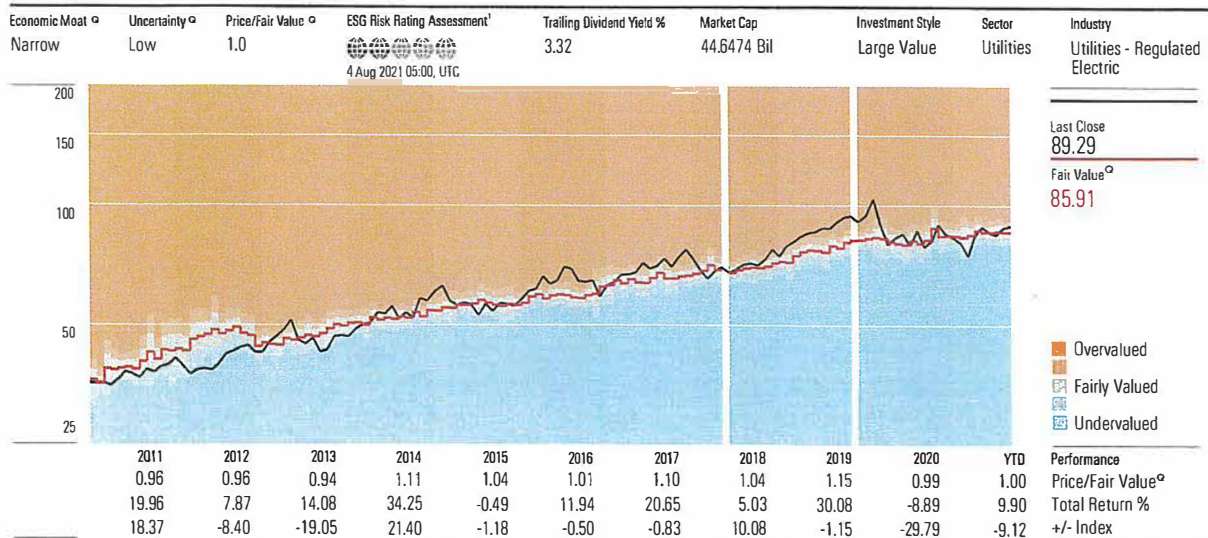


# American Electric Power Co Inc AEP ★★★

27 Aug 2021, 22:39 UTC



Total Return % as of 27 Aug 2021. Last Close as of 27 Aug 2021. Fair Value as of 27 Aug 2021, 22:39 UTC. Index: Morningstar US Market TR USD.

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## Valuation<sup>o</sup> as of 27 Aug 2021



AEP is trading within a range we consider fairly valued.

Economic Moat<sup>o</sup>  
Narrow  
Financial Health<sup>o</sup>  
Moderate

1-Star Price<sup>o</sup>  
> 91.93  
5-Star Price<sup>o</sup>  
< 80.29

## Financials as of 27 Aug 2021 (Fiscal Year End 31 Dec 2021)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	Fiscal
Revenue (Bil)	15.12	14.95	14.81	16.38	16.45	16.38	15.42	16.20	15.56	14.92	8.11	Revenue (Bil)
Operating Income (Mil)	2,921	2,956	3,049	3,127	3,334	3,432	3,386	2,753	2,749	2,988	1,620	Operating Income (Mil)
Operating Margin (%)	19.32	19.78	20.58	19.09	20.26	20.95	21.95	17.0	17.66	20.03	19.98	Operating Margin (%)
Net Income (Mil)	1,941	1,259	1,481	1,634	2,047	611	1,913	1,924	1,921	2,200	1,153	Net Income (Mil)
Diluted Earnings/Share	4.02	2.60	3.04	3.34	4.17	1.24	3.88	3.90	3.88	4.42	2.31	Diluted Earnings/Share
Operating Cash Flow (Mil)	3,788	3,804	4,106	4,614	4,819	4,519	4,270	5,223	4,270	3,833	1,044	Operating Cash Flow (Mil)
Capital Spending (Mil)	-2,775	-3,132	-3,770	-4,246	-4,600	-4,910	-5,799	-6,357	-6,144	-6,316	-2,848	Capital Spending (Mil)
Free Cash Flow (Mil)	1,013	672	336	367	219	-390	-1,529	-1,134	-1,874	-2,483	-1,804	Free Cash Flow (Mil)
Avg Shares Outstand (Mil)	482	485	487	489	491	492	493	494	495	497	500	Avg Shares Outstand (Mil)
Dividend Per Share	1.85	1.88	1.95	2.03	2.15	2.27	2.39	2.53	2.71	2.84	2.96	Dividend Per Share

## Valuation as of 27 Aug 2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Current	Calendar
Price/Fair Value <sup>o</sup>	0.96	0.96	0.94	1.11	1.04	1.01	1.10	1.04	1.15	0.99	1.04	Price/Fair Value <sup>o</sup>
Price/Sales	1.32	1.39	1.50	1.77	1.65	1.91	2.35	2.28	2.97	2.77	2.82	Price/Sales
Price/Earnings	10.99	16.42	19.64	16.59	16.19	69.96	19.21	18.83	21.93	21.57	19.04	Price/Earnings
Price/Cash Flow	4.63	5.44	5.78	6.19	5.94	7.17	8.57	7.26	10.08	10.76	14.22	Price/Cash Flow
Price/Book	1.36	1.36	1.45	1.76	1.62	1.79	2.00	1.94	2.37	2.03	2.09	Price/Book

## Operating Performance as of 27 Aug 2021 (Fiscal Year End 31 Dec 2021)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Q3	Fiscal (%)
Return on Assets	3.78	2.36	2.67	2.82	3.37	0.98	2.98	2.88	2.66	2.81	0.69	Return on Assets
Return on Equity	13.72	8.42	9.45	9.93	11.79	3.46	10.72	10.31	9.94	10.95	2.73	Return on Equity
Rtn on Invested Capital	7.83	5.75	5.96	6.08	6.97	2.9	6.19	6.65	5.73	6.36	1.47	Rtn on Invested Capital

## Business Description

American Electric Power is one of the largest regulated utilities in the United States, providing electricity generation, transmission, and distribution to more than 5 million retail customers in 11 states. About 43% of AEP's capacity is coal, with the remainder from a mix of natural gas (29%), renewable energy and hydro (18%), nuclear (8%), and de-

mand response (2%). Vertically integrated utilities, transmission and distribution, and generation and marketing support earnings.

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Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

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- ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.
  - Narrow** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
  - Wide** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
  - None** – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.
- iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.
  - One-Star** – the stock is overvalued with a reasonable margin of safety.  
*Log (Quant FVE/Price) < -1\*Quantitative Uncertainty*  
*Micro-Caps: Log (Quant FVE/Price) < -1.5\*Quantitative Uncertainty*
  - Two-Star** – the stock is somewhat overvalued.  
*Log (Quant FVE/Price) between [-1\*Quantitative Uncertainty, -0.5\*Quantitative Uncertainty]*  
*Micro-Caps: Log (Quant FVE/Price) between [-1.5\*Quantitative Uncertainty, -0.75\*Quantitative Uncertainty]*
  - Three-Star** – the stock is approximately fairly valued.  
*Log (Quant FVE/Price) between [-0.5\*Quantitative Uncertainty, 0.5\*Quantitative Uncertainty]*  
*Micro-Caps: Log (Quant FVE/Price) between [-0.75\*Quantitative Uncertainty, 0.75\*Quantitative Uncertainty]*
  - Four-Star** – the stock is somewhat undervalued.  
*Log (Quant FVE/Price) between [0.5\*Quantitative Uncertainty, 1\*Quantitative*

### Uncertainty

*Micro-Caps: Log (Quant FVE/Price) between (0.75\*Quantitative Uncertainty, 1.5\*Quantitative Uncertainty)*

**Five-Star** – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1\*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) > 1.5\*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

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**Low** – the interquartile range for possible fair values is less than 10%

**Medium** – the interquartile range for possible fair values is less than 15% but greater than 10%

**High** – the interquartile range for possible fair values is less than 35% but greater than 15%

**Very High** – the interquartile range for possible fair values is less than 80% but greater than 35%

**Extreme** – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

**Weak** – assigned when Quantitative Financial Health < 0.2

**Moderate** – assigned when Quantitative Financial Health is between 0.2 and 0.7

**Strong** – assigned when Quantitative Financial Health > 0.7

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**Fairly Valued** – Last Price is in line with Morningstar's quantitative fair value estimate.

**Overvalued** – Last Price is above Morningstar's quantitative fair value estimate.

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