

LIMITED BRANDS NYSE-LTD

RECENT PRICE **48.17** P/E RATIO **20.8** (Trailing: 17.8; Median: 16.0) RELATIVE P/E RATIO **1.35** DIV'D YLD **2.1%** VALUE LINE

TIMELINESS 3 Lowered 3/2/12
SAFETY 3 New 7/27/90
TECHNICAL 3 Raised 5/4/12
BETA 1.20 (1.00 = Market)

High: 21.3 22.3 18.5 27.9 25.5 32.6 30.0 22.2 20.1 35.5 45.4 50.0
 Low: 9.0 12.5 10.9 17.3 18.8 21.6 16.5 6.9 6.0 18.3 28.0 38.4

LEGENDS
 — 10.0 x "Cash Flow" p sh
 ... Relative Price Strength
 2-for-1 split 5/00
 Options: Yes
 Shaded areas indicate recessions

2015-17 PROJECTIONS

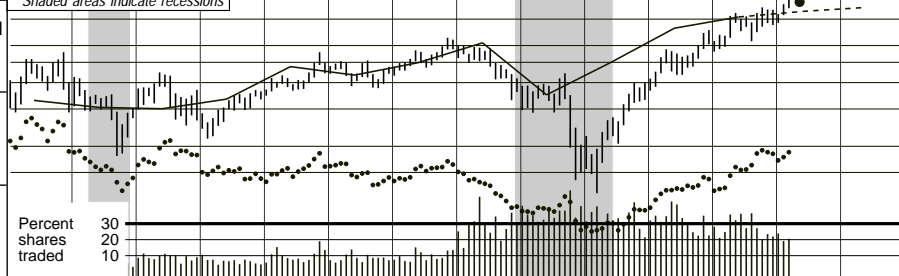
	Price	Gain	Ann'l Total Return
High	70	(+45%)	12%
Low	45	(-5%)	1%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	1	0	0	0	0	0	0	0	0
Options	0	0	0	1	1	1	0	2	2
to Sell	0	0	0	2	2	0	0	2	2

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	133	158	160
to Sell	240	209	213
Hld's(000)	242924	222982	217894



Target Price Range
 2015 2016 2017

80
60
50
40
30
25
20
15
10
7.5

% TOT. RETURN 3/12
 THIS STOCK VLARITH: INDEX
 1 yr. 53.4 0.3
 3 yr. 494.9 136.4
 5 yr. 114.9 33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
15.95	16.84	20.63	21.85	23.63	21.83	16.15	17.25	23.12	24.55	26.81	29.29	28.17	26.72	29.95	35.13	37.55	39.25	Sales per sh ^A	46.30
1.17	1.20	1.40	1.60	1.65	1.53	1.51	1.67	2.39	2.17	2.49	3.09	1.75	2.49	3.63	4.09	4.35	4.55	"Cash Flow" per sh	5.35
.55	.62	.70	.97	.97	.87	.98	1.06	1.35	1.29	1.68	1.89	.65	1.37	2.42	2.70	2.85	3.10	Earnings per sh ^{AB}	3.85
.20	.24	.26	.30	.30	.30	.30	.40	.48	.60	.60	.60	.60	.60	.60	.80	1.00	1.00	Div'ds Decl'd per sh ^C	1.28
3.55	3.75	4.93	4.83	5.42	6.40	9.29	10.17	5.74	6.26	7.42	6.41	5.84	6.76	4.60	.46	.20	2.40	Book Value per sh	8.90
542.14	545.60	453.14	444.94	427.60	429.00	523.00	518.00	407.00	395.00	398.00	346.00	321.00	323.00	321.00	295.00	277.00	275.00	Common Shs Outst'g ^D	270.00
17.3	17.5	20.7	21.4	21.6	17.4	17.2	14.8	15.7	17.3	15.9	12.5	23.7	10.2	11.0	14.1	14.1	14.1	Avg Ann'l P/E Ratio	15.0
1.08	1.01	1.08	1.22	1.40	.89	.94	.84	.83	.92	.86	.66	1.43	.68	.70	.90	.90	.90	Relative P/E Ratio	1.00
2.1%	2.2%	1.8%	1.5%	1.4%	2.0%	1.8%	2.6%	2.3%	2.7%	2.3%	2.5%	3.9%	4.3%	2.3%	2.1%	2.1%	2.1%	Avg Ann'l Div'd Yield	2.2%

CAPITAL STRUCTURE as of 1/28/12
 Total Debt \$3538.0 mill. Due in 5 Yrs \$270.0 mill

LT Debt \$3481.0 mill. **LT Interest** \$300.0 mill.
 (96% of Cap'l)

Leases, Uncapitalized Annual rentals \$493.0 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 289,398,347 shs. as of 3/9/12
MARKET CAP: \$13.9 billion (Large Cap)

8445.0	8934.0	9408.0	9699.0	10671	10134	9043.0	8632.0	9613.0	10364	10800	10400	10800	Sales (\$mill) ^A	12500
39.9%	39.6%	39.4%	39.0%	40.6%	38.4%	37.0%	39.2%	41.5%	42.6%	43.0%	43.0%	43.0%	Gross Margin	43.0%
13.6%	13.9%	14.5%	13.2%	14.0%	12.2%	11.5%	14.1%	17.2%	16.5%	19.0%	19.0%	19.0%	Operating Margin	19.0%
4036	3911	3779	3590	3798	2926	3014	2971	2968	2941	2900	2925	2925	Number of Stores	3000
512.0	584.0	638.0	559.7	675.0	718.0	220.0	448.0	805.0	850.0	840	885	885	Net Profit (\$mill)	1080
41.2%	39.0%	36.7%	33.1%	38.5%	36.4%	51.4%	31.1%	35.7%	30.7%	38.0%	38.0%	38.0%	Income Tax Rate	38.0%
6.1%	6.5%	6.8%	5.8%	6.3%	7.1%	2.4%	5.2%	8.4%	8.2%	8.1%	8.2%	8.1%	Net Profit Margin	8.6%
2347.0	3041.0	1233.0	1209.0	1062.0	1545.0	1612.0	1928.0	1088.0	842.0	925	1050	1050	Working Cap'l (\$mill)	900
547.0	648.0	1646.0	1669.0	1665.0	2905.0	2897.0	2723.0	2507.0	3481.0	4000	4000	4000	Long-Term Debt (\$mill)	3500
4860.0	5266.0	2335.0	2471.0	2955.0	2219.0	1874.0	2183.0	1476.0	137.0	50.0	660	660	Shr. Equity (\$mill)	2400
9.7%	10.4%	16.8%	14.7%	15.7%	15.5%	6.5%	11.5%	22.8%	27.0%	24.5%	22.5%	22.5%	Return on Total Cap'l	20.5%
10.5%	11.1%	27.3%	22.7%	22.8%	32.4%	11.7%	20.5%	54.5%	NMF	NMF	NMF	NMF	Return on Shr. Equity	45.0%
7.4%	7.1%	17.5%	12.9%	14.8%	22.1%	1.0%	11.7%	41.5%	NMF	NMF	NMF	NMF	Retained to Com Eq	30.5%
29%	36%	36%	43%	35%	32%	91%	43%	24%	28%	33%	31%	31%	All Div'ds to Net Prof	32%

CURRENT POSITION

	2009	2010	1/28/12
Cash Assets	1804	1130	935
Receivables	219	232	218
Inventory (FIFO)	1037	1032	997
Other	190	198	218
Current Assets	3250	2592	2368
Accts Payable	488	545	540
Debt Due	2	-	57
Other	832	959	929
Current Liab.	1322	1504	1526

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11
of change (per sh)			
Sales	2.5%	5.5%	7.5%
"Cash Flow"	5.5%	5.0%	11.0%
Earnings	5.5%	3.5%	15.0%
Dividends	7.5%	4.0%	12.0%
Book Value	1.5%	-5.0%	6.5%

QUARTERLY SALES (\$ mill.)^A

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2009	1725	2067	1777	3063	8632
2010	1932	2242	1983	3456	9613
2011	2217	2458	2174	3515	10364
2012	2125	2400	2100	3775	10400
2013	2225	2500	2200	3875	10800

EARNINGS PER SHARE^{AB}

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2009	.01	.23	.05	1.08	1.37
2010	.34	.54	.18	1.36	2.42
2011	.50	.73	.31	1.17	2.70
2012	.42	.50	.23	1.70	2.85
2013	.47	.55	.28	1.80	3.10

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.15	.15	.15	.15	.60
2009	.15	.15	.15	.15	.60
2010	.15	.15	.15	.15	.60
2011	.20	.20	.20	.20	.80
2012	.25				

BUSINESS: Limited Brands is one of the largest companies specializing in men's and women's apparel, lingerie, and personal care products. It operates approx. 3,000 stores under the names Victoria's Secret, Bath & Body Works, Pink, La Senza, C.O. Bigelow, White Barn Candle Co., and Henri Bendel. Also sells lingerie, swimwear, apparel, and shoes via the Victoria's Secret Catalogue. Acq'd

A few clouds have come on the horizon of late at Limited Brands. Despite solid total and same-store sales increases posted in fiscal 2011 (ended January 28th), annual share earnings, which still rose 12% from the prior year, missed our estimate by \$0.30. The shortfall reflected a combination of factors, including primarily a net charge of \$0.33 from various items, deeper discounting amid a more promotional environment around holiday time, and sourcing cost pressures. And it appears some of the challenges the retail operator faced last year will persist in the near term. Notably, Limited faces tough comps in the next few months, suggesting continued reliance on promotional activity to drive traffic. This, coupled with ongoing sourcing cost pressures due to high raw material prices, will probably remain a drag on the gross margin. Too, last year's sale of the third-party sourcing business will likely hurt the top line.

We have trimmed a nickel off our fiscal 2012 share-net target. Our revised figure represents modest growth of 6% over last year. Overall, new products should keep customers rolling in at the

core Victoria's Secret and Bath & Body Works chains. Promotional activity and sourcing cost pressures ought to ease in the second half of the year. On the negative side, the divestiture of the third-party sourcing operation will likely clip \$0.07 a share from the bottom line. Meanwhile, higher interest expense related to the recent bond issuance of \$1 billion should be offset by the benefit from \$650 million in planned stock buybacks.

Longer term, global expansion will likely be a key component of growth. Based on the sales trends in its Canadian stores, we expect the retailer to open more shops north of the border. Limited may eventually tap additional international markets (i.e., Asia, South America). Solid finances should help make these endeavors possible, as well as help fund the dividend and share repurchases.

That said, we see no reason to rush here. The stock is only neutrally ranked for the year ahead. What's more, much of the profit growth we envision out to 2015-2017 seems to be already baked into the recent price.

J. Susan Ferrara
 May 4, 2012

(A) Fisc. yr. ends Saturday nearest to Jan. 31 of following year. (B) Primary eqs. thru '96, diluted thereafter. Based on GAAP. Excl. non-rec. gains (loss): '96, \$0.22; '97, (\$0.23); '98, \$3.46; '00, \$0.01; '01, \$0.32; '02, \$0.03; '03, \$0.31; '04, \$0.08. Excl. disc'd oper.: '02, \$0.01. Qtrly. eqs. may not sum due to round'g. Next eqs. rpt. due late May. (C) Div'ds paid in mid-Mar., June, Sept., and Dec. Special div'd paid: 4/10, \$1.00/sh.; 12/10, \$3.00/sh.; 7/11, \$1.00/sh.; 12/11, \$2.00/sh. ■ Div'd reinvest. plan. (D) In mill., adj. for split.

Company's Financial Strength B
Stock's Price Stability 45
Price Growth Persistence 45
Earnings Predictability 35