

AMERICAN EAGLE OUTFITTERS INC
Form 10-Q
December 07, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 28, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-33338

American Eagle Outfitters, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	No. 13-2721761 (I.R.S. Employer Identification No.)
77 Hot Metal Street, Pittsburgh, PA (Address of principal executive offices)	15203-2329 (Zip Code)

Registrant's telephone number, including area code: (412) 432-3300

Former name, former address and former fiscal year, if changed since last report:

N/A

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small reporting company, or emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 177,307,946 Common Shares were outstanding at December 4, 2017.

AMERICAN EAGLE OUTFITTERS, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

AMERICAN EAGLE OUTFITTERS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)	October 28, 2017 (Unaudited)	January 28, 2017	October 29, 2016 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$257,527	\$378,613	\$291,667
Merchandise inventory	534,019	358,446	492,602
Accounts receivable, net	77,113	86,634	74,812
Prepaid expenses and other	61,553	77,536	77,768
Total current assets	930,212	901,229	936,849
Property and equipment, at cost, net of accumulated depreciation	726,168	707,797	708,488
Intangible assets, at cost, net of accumulated amortization	46,979	49,373	49,993
Goodwill	14,972	14,887	17,315
Non-current deferred income taxes	29,025	49,250	49,627
Other assets	54,424	60,124	60,268
Total assets	\$1,801,780	\$1,782,660	\$1,822,540
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$330,716	\$246,204	\$314,111
Accrued compensation and payroll taxes	43,561	54,184	56,939
Accrued rent	80,580	78,619	79,255
Accrued income and other taxes	17,262	12,220	29,373
Unredeemed gift cards and gift certificates	29,475	52,966	30,130
Current portion of deferred lease credits	12,887	12,780	12,783
Other liabilities and accrued expenses	38,359	36,810	40,288
Total current liabilities	552,840	493,783	562,879
Non-current liabilities:			
Deferred lease credits	50,439	45,114	47,677
Non-current accrued income taxes	4,590	4,537	4,573
Other non-current liabilities	30,712	34,657	35,451
Total non-current liabilities	85,741	84,308	87,701
Commitments and contingencies	—	—	—
Stockholders' equity:			
Preferred stock, \$0.01 par value; 5,000 shares authorized; none	—	—	—

issued and outstanding			
Common stock, \$0.01 par value; 600,000 shares authorized;			
249,566 shares issued; 177,084, 181,886 and 181,863 shares			
outstanding, respectively	2,496	2,496	2,496
Contributed capital	588,978	603,890	597,919
Accumulated other comprehensive loss	(34,798)	(36,462)	(31,160)
Retained earnings	1,812,821	1,775,775	1,744,227
Treasury stock, 72,482, 67,680 and 67,703 shares, respectively	(1,206,298)	(1,141,130)	(1,141,522)
Total stockholders' equity	1,163,199	1,204,569	1,171,960
Total liabilities and stockholders' equity	\$1,801,780	\$1,782,660	\$1,822,540

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
(In thousands, except per share amounts)				
Total net revenue	\$960,433	\$940,609	\$2,566,826	\$2,512,619
Cost of sales, including certain buying, occupancy and warehousing expenses	585,520	562,793	1,621,441	1,534,194
Gross profit	374,913	377,816	945,385	978,425
Selling, general and administrative expenses	217,146	219,912	615,842	615,503
Restructuring charges	3,695	—	18,888	—
Depreciation and amortization expense	43,149	39,636	123,878	117,319
Operating income	110,923	118,268	186,777	245,603
Other (expense) income, net	(13,243)	603	(19,574)	2,403
Income before income taxes	97,680	118,871	167,203	248,006
Provision for income taxes	33,947	43,111	56,997	90,179
Net income	\$63,733	\$75,760	\$110,206	\$157,827
Net income per basic share	\$0.36	\$0.42	\$0.62	\$0.87
Net income per diluted share	\$0.36	\$0.41	\$0.61	\$0.86
Cash dividends per common share	\$0.125	\$0.125	\$0.375	\$0.375
Weighted average common shares outstanding - basic	177,288	181,819		