

AMERICAN EAGLE OUTFITTERS INC
Form 10-Q
August 24, 2016

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 July 30, 2016

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

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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: 181,763,310 Common Shares were outstanding at August 19, 2016.

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)	July 30, 2016 (Unaudited)	January 30, 2016	August 1, 2015 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$247,934	\$260,067	\$327,290
Merchandise inventory	422,151	305,178	408,541
Accounts receivable	65,282	80,912	50,693
Prepaid expenses and other	90,852	77,218	72,106
Total current assets	826,219	723,375	858,630
Property and equipment, at cost, net of accumulated depreciation	700,270	703,586	715,650
Intangible assets, at cost, net of accumulated amortization	50,761	51,832	47,154
Goodwill	17,399	17,186	13,006
Non-current deferred income taxes	44,370	64,927	74,140
Other assets	54,169	51,340	51,629
Total assets	\$1,693,188	\$1,612,246	\$1,760,209
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$286,691	\$182,789	\$263,145
Accrued compensation and payroll taxes	35,908	79,302	37,851
Accrued rent	78,621	77,482	77,127
Accrued income and other taxes	10,250	22,223	14,654
Unredeemed gift cards and gift certificates	31,532	48,274	30,502
Current portion of deferred lease credits	12,810	12,711	13,240
Other liabilities and accrued expenses	42,719	40,901	55,625
Total current liabilities	498,531	463,682	492,144
Non-current liabilities:			
Deferred lease credits	51,100	50,104	56,421
Non-current accrued income taxes	4,795	4,566	5,441
Other non-current liabilities	38,365	42,518	40,525
Total non-current liabilities	94,260	97,188	102,387
Commitments and contingencies	—	—	—
Stockholders' equity:			

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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; 180,907, 180,135 and 195,429 shares outstanding, respectively	2,496	2,496	2,496
Contributed capital	591,532	590,820	577,146
Accumulated other comprehensive loss	(29,356)	(29,868)	(18,378)
Retained earnings	1,693,371	1,659,267	1,553,380
Treasury stock, 68,659, 69,431 and 54,137 shares, respectively	(1,157,646)	(1,171,339)	(948,966)
Total stockholders' equity	1,100,397	1,051,376	1,165,678
Total liabilities and stockholders' equity	\$1,693,188	\$1,612,246	\$1,760,209

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Unaudited)

(In thousands, except per share amounts)	13 Weeks Ended		26 Weeks Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
Total net revenue	\$822,594	\$797,428	\$1,572,010	\$1,496,948
Cost of sales, including certain buying, occupancy and warehousing expenses	515,499	512,389	971,463	949,697
Gross profit	307,095	285,039	600,547	547,251
Selling, general and administrative expenses	199,536	195,791	395,529	380,882
Depreciation and amortization expense	38,900	36,109	77,683	71,237
Operating income	68,659	53,139	127,335	95,132
Other (expense) income, net	(3,134)	(2,237)	1,801	3,733
Income before income taxes	65,525	50,902	129,136	98,865
Provision for income taxes	23,933	17,637	47,068	36,547
Net income	\$41,592	\$33,265	\$82,068	\$62,318
Net income per basic share	\$0.23	\$0.17	\$0.45	\$0.32
Net income per diluted share	\$0.23	\$0.17	\$0.45	\$0.32
Cash dividends per common share	\$0.125	\$0.125	\$0.250	\$0.250
Weighted average common shares outstanding - basic	181,048	195,508	180,872	195,241
Weighted average common shares outstanding - diluted	183,413	196,885	182,922	196,532
Retained earnings, beginning	\$1,675,031	\$1,545,674	\$1,659,267	\$1,543,085
Net income	41,592	33,265	82,068	62,318
Cash dividends and dividend equivalents	(23,246)	(24,428)	(46,405)	(49,417)
Reissuance of treasury stock	(6)	(1,131)	(1,559)	(2,606)
Retained earnings, ending	\$1,693,371	\$1,553,380	\$1,693,371	\$1,553,380

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)	13 Weeks Ended		26 Weeks Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
Net income	\$41,592	\$33,265	\$82,068	\$62,318
Other comprehensive (loss) income:				
Foreign currency translation (loss) income	(4,873)	(7,334)	511	(8,434)
Other comprehensive (loss) income:	(4,873)	(7,334)	511	(8,434)
Comprehensive income	\$36,719	\$25,931	\$82,579	\$53,884

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	26 Weeks Ended	
	July 30, 2016	August 1, 2015
Operating activities:		
Net income	\$82,068	\$62,318
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	78,142	71,582
Share-based compensation	16,748	22,091
Deferred income taxes	20,262	(1,272)
Foreign currency transaction gain	(2,268)	(1,062)
Changes in assets and liabilities:		
Merchandise inventory	(115,371)	(131,345)
Accounts receivable	14,081	16,189
Prepaid expenses and other	(13,360)	(1,800)
Other assets	(3,482)	(16,074)
Accounts payable	92,027	