

# AMERICAN EAGLE OUTFITTERS INC

## FORM 8-K (Current report filing)

Filed 11/13/03 for the Period Ending 11/13/03

|             |   |
|-------------|---|
| Address     | 77 HOT METAL STREET<br>PITTSBURGH, PA 15203 |
| Telephone   | 4124323300                                  |
| CIK         | 0000919012                                  |
| Symbol      | AEO   |
| SIC Code    | 5651 - Family Clothing Stores               |
| Industry    | Retail (Apparel)                            |
| Sector      | Services                                    |
| Fiscal Year | 01/28                                       |

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

November 13, 2003  
Date of Report (Date of earliest event reported)

AMERICAN EAGLE OUTFITTERS, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation)

0-23760  
(Commission File Number)

13-2721761  
(IRS Employer Identification No.)

150 Thorn Hill Drive  
Warrendale, Pennsylvania  
(Address of principal executive offices)

15086-7528  
(Zip Code)

(724) 776-4857  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name or former address, if changed since last report)

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ITEM 7. **Financial Statements, Pro Forma Financial Information and Exhibits.**

(c) Exhibits

| <i>Exhibit No.</i> | <i>Description</i>                    |
|--------------------|---------------------------------------|
| 99.1               | Press Release dated November 13, 2003 |

ITEM 12. **Results of Operations and Financial Condition.**

The information in this Form 8-K, including the accompanying exhibit, is being furnished under Item 12 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of the general incorporation language of such filing, except as shall be expressly set forth by specific reference in such filing.

On November 13, 2003, American Eagle Outfitters, Inc. (the "Company") issued a press release announcing, among other things, the Company's financial results for the third quarter ended November 1, 2003. A copy of this press release is attached hereto as Exhibit 99.1.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AMERICAN EAGLE OUTFITTERS, INC.**

Dated: November 13, 2003

By: /s/ Laura A. Weil

Name: Laura A. Weil  
Executive Vice President and  
Chief Financial Officer

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**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>                    |
|--------------------|---------------------------------------|
| Exhibit 99.1       | Press Release dated November 13, 2003 |

**EXHIBIT 99.1**

**AMERICAN EAGLE  
OUTFITTERS**

**Reports Third Quarter Earnings**

Warrendale, PA, November 13, 2003 - American Eagle Outfitters, Inc. (NASDAQ: AEOS) today announced its consolidated financial results for the third quarter ended November 1, 2003:

**Third Quarter Ended November 1, 2003**

- Total sales decreased 0.2% to \$373.8 million from \$374.5 million for the quarter ended November 2, 2002.
- Sales for the third quarter 2003 included \$22.8 million from the Bluenotes/Thriftys operation, compared to \$21.7 million for the corresponding period last year.
- Comparable store sales for the American Eagle Outfitters stores declined 10.4% for the quarter ended November 1, 2003.
- Consolidated comparable store sales, which include American Eagle and Bluenotes/Thriftys stores, declined 10.3% when compared to the corresponding period last year.
- Reported net income for the quarter decreased to \$10.1 million, or \$0.14 per share on a diluted basis. Reported net income includes a non-cash goodwill impairment charge of \$8.0 million, or \$0.11 per share on a diluted basis.
- During the quarter ended November 1, 2003, the Company recognized an \$8.0 million estimate for a non-cash goodwill impairment charge related to the Bluenotes segment due to continuing poor performance at this division. The Company has retained a third party to provide an independent valuation and will adjust the estimated impairment charge based on the valuation results in the fourth quarter.
- Adjusted net income\* for the quarter, which excludes a non-cash goodwill impairment charge, decreased to \$18.1 million, or \$0.25 per share on a diluted basis, from net income of \$27.1 million, or \$0.37 per share on a diluted basis last year.

**Year-to-Date for the Nine Months Ended November 1, 2003**

- Total sales increased 3.2% to \$1.003 billion from \$971.6 million for the nine months ended November 2, 2002.
- Sales for the nine months ended November 1, 2003 included \$57.9 million from the Bluenotes/Thriftys operation, compared to \$58.0 million for the corresponding period last year.
- Comparable store sales for the American Eagle Outfitters stores declined 7.4% when compared to the same nine month period last year.
- Consolidated comparable store sales, which include American Eagle and Bluenotes/Thriftys stores, declined 7.6% when compared to the corresponding period last year.
- Reported net income for the year-to-date period decreased to \$24.6 million, or \$0.34 per share on a diluted basis. Reported net income includes a non-cash goodwill impairment charge of \$8.0 million, or \$0.11 per share on a diluted basis.
- Adjusted net income\* for the year-to-date period, which excludes a non-cash goodwill impairment charge, decreased to \$32.6 million,

or \$0.45 per share on a diluted basis from net income of \$49.9 million, or \$0.68 per share on a diluted basis last year.

The Company stated that November month-to-date comparable store sales have declined in the low single-digits. Sales trends have improved since October with more seasonable weather, the Company's clearance sale and the holiday floorset.

\* A complete definition and discussion of the Company's use of non-GAAP measures, identified by an asterisk (\*), is located below.

At 9:00 a.m. EST, on November 13, 2003, the Company's management team will host a conference call to review the financial results. To listen to the call, dial 877-601-0864 at least ten minutes prior to the start of the call. The conference call will also be simultaneously broadcast over the Internet at [www.ae.com](http://www.ae.com). A replay will be available beginning November 13th at 1:00 p.m. EST through November 27th. To listen to the replay, dial 1-800-642-1687 and reference confirmation code #3119592. An audio replay of the conference call will also be available at [www.ae.com](http://www.ae.com) until February 23, 2004.

American Eagle Outfitters (NASDAQ:AEOS) is a leading lifestyle retailer that designs, markets, and sells its own brand of casual, fashion-right clothing for 15-25 year olds, providing high-quality merchandise at affordable prices. AE's collection includes modern basics like jeans, surplus, and graphic Ts as well as a stylish assortment of cool accessories, outerwear, footwear and swimwear. AE's Canadian subsidiary, Bluenotes/Thriftys, targets a slightly younger demographic, offering a more urban/suburban, denim-driven collection for 12 to 22 year-olds. American Eagle Outfitters currently operates 736 AE stores in 49 states and the District of Columbia, 64 AE stores in Canada, and 111 Bluenotes/Thriftys stores in Canada. AE also operates via its internet business, [ae.com](http://ae.com).

### Non-GAAP Measure Disclosure

The following definitions are provided for the two non-GAAP (Generally Accepted Accounting Principles) measures used by the Company in this release. The two measures are adjusted net income and adjusted earnings per share. Each use is indicated by an asterisk\*. We do not intend for these two non-GAAP measures to be considered in isolation or as a substitute for the related GAAP measures. Other companies may define the measures differently.

#### Adjusted Financial Results

In this release, adjusted net income and adjusted EPS each exclude the non-cash goodwill impairment charge of \$8.0 million, or \$0.11 per share, related to our Bluenotes operation. We believe that these adjusted measures provide investors with an important perspective on the current underlying operating performance of our businesses by isolating and excluding the impact of the non-cash impairment charge related to our acquisition of the Bluenotes business in fiscal 2000.

- Adjusted net income: In this release, we define "adjusted net income" to start with GAAP net income and then add back the \$8.0 million Bluenotes non-cash goodwill impairment charge. The table below shows a reconciliation between GAAP net income and adjusted net income.
- Adjusted EPS: In this release, we define "adjusted EPS" to start with GAAP EPS and then add back the \$0.11 per share Bluenotes non-cash goodwill impairment charge. The table below shows a reconciliation between GAAP EPS and adjusted EPS.

#### Non-GAAP Financial Measures:

##### Reconciliation of GAAP Net Income and EPS to Adjusted Net Income and EPS

|                                     | Three Months Ended |                  | Nine Months Ended |                  |
|-------------------------------------|--------------------|------------------|-------------------|------------------|
|                                     | November 1, 2003   | November 2, 2002 | November 1, 2003  | November 2, 2002 |
| Reported GAAP Net Income            | \$ 10,139          | \$ 27,061        | \$ 24,646         | \$ 49,859        |
| Non-Cash Goodwill Impairment Charge | 8,000              | -                | 8,000             | -                |
| Adjusted Net Income                 | \$ 18,139          | \$ 27,061        | \$ 32,646         | \$ 49,859        |
| Reported GAAP EPS                   | \$ 0.14            | \$ 0.37          | \$ 0.34           | \$ 0.68          |
| Non-Cash Goodwill Impairment Charge | 0.11               | -                | 0.11              | -                |
| Adjusted EPS                        | \$ 0.25            | \$ 0.37          | \$ 0.45           | \$ 0.68          |

**AMERICAN EAGLE OUTFITTERS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands)

|   | <b>(Unaudited)</b>          |    | <b>(Unaudited)</b>          |    | <b>(Unaudited)</b>          |
|---|-----------------------------|----|-----------------------------|----|-----------------------------|
|   | <b>November 1,<br/>2003</b> |    | <b>February 1,<br/>2003</b> |    | <b>November 2,<br/>2002</b> |
| <b>ASSETS</b>                                       |                             |    |                             |    |                             |
| Cash, cash equivalents and short-term investments   | \$ 206,078                  | \$ | 241,573                     | \$ | 172,972                     |
| Merchandise inventory                               | 193,796                     |    | 124,708                     |    | 181,916                     |
| Other current assets                                | 84,740                      |    | 61,597                      |    | 65,894                      |
| Total current assets                                | 484,614                     |    | 427,878                     |    | 420,782                     |
| Property and equipment, net                         | 288,230                     |    | 267,479                     |    | 270,283                     |
| Goodwill, net                                       | 15,614                      |    | 23,614                      |    | 23,966                      |
| Other assets, net                                   | 44,905                      |    | 22,368                      |    | 26,076                      |
| Total Assets  | \$ 833,363                  | \$ | 741,339                     | \$ | 741,107                     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>         |                             |    |                             |    |                             |
| Accounts payable                                    | \$ 98,018                   | \$ | 50,608                      | \$ | 94,151                      |
| Accrued compensation and payroll taxes              | 18,073                      |    | 13,001                      |    | 19,093                      |
| Accrued rent  | 29,079                      |    | 28,476                      |    | 26,998                      |
| Accrued income and other taxes                      | 17,769                      |    | 12,655                      |    | 8,277                       |
| Unredeemed stored value cards and gift certificates | 13,507                      |    | 22,837                      |    | 10,216                      |
| Current portion of note payable                     | 4,874                       |    | 4,225                       |    | 8,929                       |
| Other current liabilities                           | 13,269                      |    | 9,784                       |    | 8,400                       |
| Total current liabilities                           | 194,589                     |    | 141,586                     |    | 176,064                     |
| Note Payable  | 15,213                      |    | 16,356                      |    | 16,663                      |
| Other non-current liabilities                       | 15,050                      |    | 5,915                       |    | 8,837                       |
| Total non-current liabilities                       | 30,263                      |    | 22,271                      |    | 25,500                      |
| Total stockholders' equity                          | 608,511                     |    | 577,482                     |    | 539,543                     |
| Total Liabilities and Stockholders' Equity          | \$ 833,363                  | \$ | 741,339                     | \$ | 741,107                     |
| Current Ratio                                       | 2.49                        |    | 3.02                        |    | 2.39                        |

**AMERICAN EAGLE OUTFITTERS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars and shares in thousands, except per share amounts )  
(Unaudited)

|  | Three Months Ended  |                      | Nine Months Ended   |                     |
|--|---------------------|----------------------|---------------------|---------------------|
|  | November 1,<br>2003 | November 2,<br>200 2 | November 1,<br>2003 | November 2,<br>2002 |
| Net sales  | \$ 373,800          | \$ 374,471           | \$ 1,002,713        | \$ 971,587          |
| Cost of sales, including certain buying,<br>occupancy and warehousing expenses | 231,531             | 228,164              | 643,267             | 605,507             |
| Gross profit   | 142,269             | 146,307              | 359,446             | 366,080             |
| Selling, general and administrative expenses                                   | 98,732              | 89,845               | 266,414             | 249,138             |
| Depreciation and amortization  | 14,373              | 12,969               | 41,552              | 37,414              |
| Goodwill impairment loss   | 8,000               | -                    | 8,000               | -                   |
| Operating income   | 21,164              | 43,493               | 43,480              | 79,528              |
| Other income, net  | 483                 | 284                  | 1,638               | 1,141               |
| Income before income taxes   | 21,647              | 43,777               | 45,118              | 80,669              |
| Provision for income taxes   | 11,508              | 16,716               | 20,472              | 30,810              |
| Net income   | \$ 10,139           | \$ 27,061            | \$ 24,646           | \$ 49,859           |
| Basic income per common share  | \$ 0.14             | \$ 0.38              | \$ 0.35             | \$ 0.69             |
| Diluted income per common share  | \$ 0.14             | \$ 0.37              | \$ 0.34             | \$ 0.68             |
| Weighted average common shares outstanding - basic                             | 71,130              | 71,559               | 71,091              | 71,901              |
| Weighted average common shares outstanding -<br>diluted                        | 72,234              | 72,405               | 72,189              | 73,088              |
| Total gross square footage at end of period:                                   |                     |                      |                     |                     |
| American Eagle Outfitters Stores   |                     |                      | 4,157,046           | 3,743,677           |
| Bluenotes/Thrifty's Stores   |                     |                      | 354,206             | 352,210             |
| Store count at end of period:  |                     |                      |                     |                     |
| American Eagle Outfitters Stores   |                     |                      | 798                 | 743                 |
| Bluenotes/Thrifty's Stores   |                     |                      | 111                 | 111                 |

**Company Contacts :**

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