



**AMERICAN EAGLE
OUTFITTERS**

Founded 1977, Pennsylvania, United States

AEO (NYSE)

Price: \$15.13

Market Cap: \$2.56 Billion

Target Price: \$15.75

P/E Ratio: 9.83

Likely WACC: 10.15%

D/E = 63.67% (0% Until Q1 IFRS 16 accounting change called for recognition of long term leases to be recognized as an asset and liability)

AEO US \$ F ↓ 15.07 +0.18 N15.07 / 15.08N 725 x 478
At 18:40 d Vol 4,018,448 O 15.00N H 15.2063D L 14.86J Val 60.57M

AEO US Equity
95) Compare
96) Actions ▾
97) Edit ▾
Line Chart

12/31/2018 - 12/05/2019
Last Px
Local CCY ▾
Mov Avgs ✎
 Key Events

1D
3D
1M
6M
YTD
1Y
5Y
Max
Daily ▾
Table
Chart Content



About

American Eagle is an apparel company that sells casual clothes and accessories

Target market is young men and women, as well as teens

Men: Flannel, Shirts, Jeans

Women: Jeans, Tops, Underwear, Aerie

In Millions of USD	2016 Y	2017 Y	2018 Y	2019 Y	Current/LTM	2020 Y Est	2021 Y Est
12 Months Ending	01/30/2016	01/28/2017	02/03/2018	02/02/2019	08/03/2019	01/31/2020	01/31/2021
Market Capitalization	2,637.2	2,668.3	3,113.7	3,609.1	2,536.1		
- Cash & Equivalents	260.1	378.6	413.6	425.5	317.2		
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0		
+ Total Debt	0.0	0.0	0.0	0.0	1,617.8		
Enterprise Value	2,377.1	2,289.7	2,700.1	3,183.6	3,836.8		
Revenue, Adj	3,521.8	3,609.9	3,795.5	4,035.7	4,175.1	4,319.8	4,490.5
Growth %, YoY	7.3	2.5	5.1	6.3	5.0	7.0	4.0
Gross Profit, Adj	1,302.7	1,366.9	1,370.5	1,487.6	1,537.6	1,576.5	1,626.8
Margin %	37.0	37.9	36.1	36.9	36.8	36.5	36.2
EBITDA, Adj	468.7	510.8	492.9	510.7	687.7	523.2	533.1
Margin %	13.3	14.2	13.0	12.7	16.5	12.1	11.9
Net Income, Adj	213.3	229.5	208.3	264.3	270.8	273.1	270.9
Margin %	6.1	6.4	5.5	6.5	6.5	6.3	6.0
EPS, Adj	1.09	1.25	1.15	1.48	1.54	1.59	1.57
Growth %, YoY	60.9	14.9	-8.0	28.7	11.9	7.2	-1.2
Cash from Operations	335.1	365.6	394.4	456.6	421.8		
Capital Expenditures	-153.3	-161.5	-169.5	-189.0	-179.5	-200.3	-199.0
Free Cash Flow	181.9	204.1	225.0	267.6	242.4	230.9	289.7

	13 Weeks Ended		26 Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Total net revenue	100.0 %	100.0 %	100.0 %	100.0
Cost of sales, including certain buying, occupancy and warehousing expenses	63.3	63.4	63.3	63.2
Gross profit	36.7	36.6	36.7	36.8
Selling, general and administrative expenses	24.3	24.3	25.1	24.9
Restructuring charges	0.3	—	0.2	0.1
Depreciation and amortization expense	4.3	4.4	4.7	4.7
Operating income	7.8	7.9	6.7	7.1
Other income, net	0.4	0.1	0.4	0.1
Income before income taxes	8.2	8.0	7.1	7.2
Provision for income taxes	2.0	1.8	1.7	1.6
Net Income	6.2 %	6.2 %	5.4 %	5.6 %

In Millions of USD except Per Share	Y	2014 Y	2015 Y	2016 Y	2017 Y	2018 Y	2019 Y
12 Months Ending	3	02/01/2014	01/31/2015	01/30/2016	01/28/2017	02/03/2018	02/02/2019
Returns							
Return on Common Equity	0	6.95	6.97	19.91	18.83	16.66	20.67
Return on Assets	2	4.81	4.74	13.18	12.52	11.35	14.08
Return on Invested Capital	2	7.61	7.88	20.11	19.30	17.81	20.12
Margins							
Gross Margin	0	33.70	35.17	36.99	37.87	36.11	36.86
EBITDA Margin	5	8.32	9.08	13.31	13.56	12.44	12.58
Operating Margin	5	4.27	4.74	9.08	9.18	7.98	8.35
Incremental Operating Margin	3	-149.15	—	68.67	13.18	—	14.30
Pretax Margin	7	4.30	4.86	9.14	9.29	7.57	8.55
Income before XO Margin	0	2.51	2.70	6.06	5.89	5.38	6.49
Net Income Margin	8	2.51	2.45	6.19	5.89	5.38	6.49
Net Income to Common Margin	8	2.51	2.45	6.19	5.89	5.38	6.49
Additional							
Effective Tax Rate	1	41.59	44.33	33.73	36.63	28.91	24.11
Dvd Payout Ratio	9	85.34	109.59	45.56	42.68	43.37	37.08
Sustainable Growth Rate	9	1.02	-0.67	10.84	10.80	9.43	13.00

2019 Stats

2019 ROIC: 20.12

EBITDA Margin: 12.7%, steady projections

Short Interest: 4.93 Days

Stock Based Compensation: \$27.5 M out of \$421.8 M from Operating Activities

54) Ownership Type	09/01/19	Curr	Change	
41) Investment Advisor	82.12	84.54	+2.42	
42) Individual	3.93	5.61	+1.68	
43) Pension Fund	2.8	4.65	+1.85	
44) Hedge Fund Manager	9.3	3.18	-6.12	
45) Insurance Company	1.03	1.27	+0.24	
46) Bank	0.56	0.53	-0.03	
47) Brokerage	0.19	0.18	-0.01	
48) Private Equity	--	0.04	--	

Q2 2020 (Q3) Earnings

Revenues soared to record high \$1.04 billion, but \$40 million was from a breach of license in Japan

Total comparable sales increased 2%

AE brand decreased 1%, Aerie increased 16%

SG&A was flat as % of revenue (dollar value from investment in stores)

Overall, worse than same quarter last year without Japan royalties fee

Inventory up to deal with spike in jeans demand

Digital business grew double digits

Q3 2020 thus far

American Eagle products surveyed to be more popular during the holiday season than athleisure gear (Garcia, MarketWatch)

Citi sees concerns with rising inventories in a promotional season

S&P 1500 Apparel retail Index tumbled through 11/20

Driving Products

Jeans

Aerie

Style Drop

Jeans

Women / Bottoms /

Women's Jeans

Julie is 5'9" and wears a size 6 Curvy. Emily is 5'7" and wears a size 6.

Size 00							
Size 6							
Size 12							
Size 22							
	Curvy Jeans Best Seller	Jegging Best Seller	High-Waisted Jeans Now Trending	Mom Jeans Now Trending	Skinny	'90s Boyfriend Online Only	Slim Straight Online Only

Men / Bottoms /

Men's Jeans

Adrian is 6'1" and wears a size 32x32.

Size 29x32							
Size 32x32							
Size 36x32							
Size 40x30							
	Skinny Jeans Best Seller	Slim Jeans Best Seller	Straight Jeans	Athletic Fit Jeans Online Only	Bootcut Jeans	Relaxed Jeans Online Only	Dad Jeans Now Trending

Jeans

AEO is the leading jean provider to women, and leading jean provider to men ages 15-25 (AEO documents)

2nd leading jean producer in the US (AEO Documents)

“Flex fit” is a very popular style of their jeans

Introducing new lines to bring in more diverse customers (Curvy Line) (Earnings)

Design the rest of the clothes around the jeans - “own the outfit” (Earnings)

6 consecutive years of all time highs in jean sales (Earnings)

YOUR CURVES DESERVE BETTER

It's not about size - it's about SHAPE. Say goodbye to waistband gapping and sizing up with jeans designed for YOUR booty.

[SHOP CURVY JEANS](#)

[SHOP ALL JEANS](#)



[Chat](#)



Aerie



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Aerie

Aerie is a lifestyle brand and is committed to making all women feel good about their REAL selves. We offer intimates, apparel, activewear and swim collections. With the #AerieREAL™ movement, Aerie celebrates its community by advocating for body positivity and the empowerment of all women. Aerie believes in inspiring customers to love their real selves, inside and out.

As of February 2, 2019, the Aerie brand operated 115 stand-alone stores and 147 side-by-side stores connected to AE brand stores. In addition, the Aerie brand merchandise is sold online at www.aerie.com and certain items are sold in AE brand stores.

Aerie



aerie • Follow



aerie Friends that PJ together, stay together. Share your cozy looks with your BFF using #MyAerie @Aerie!

1h



potato_and_kate Your website has been broken for 4+ days so not sure how anyone will make a purchase



46m Reply

— View replies (3)



ginaotool Love love love! So proud to be an @aerie Ambassador!



1h 1 like Reply

— View replies (1)



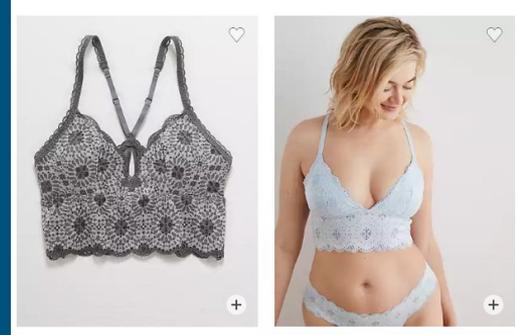
7,073 likes

1 HOUR AGO

Add a comment...

Post

Aerie



Targeting women - underwear, lingerie, activewear, and swimsuits

Best growth in AEO, 16% comp sales growth in Q2, 19th consecutive quarter of double digit growth

Bras, bralettes, and apparel driving growth, with new apparel line dropping

	13 Weeks Ended		26 Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Men's apparel and accessories	28%	30%	28%	30%
Women's apparel and accessories (excluding Aerie)	53%	54%	54%	54%
Aerie	19%	16%	18%	16%
Total	100%	100%	100%	100%

Style Drop

Launched as a test program in Q1

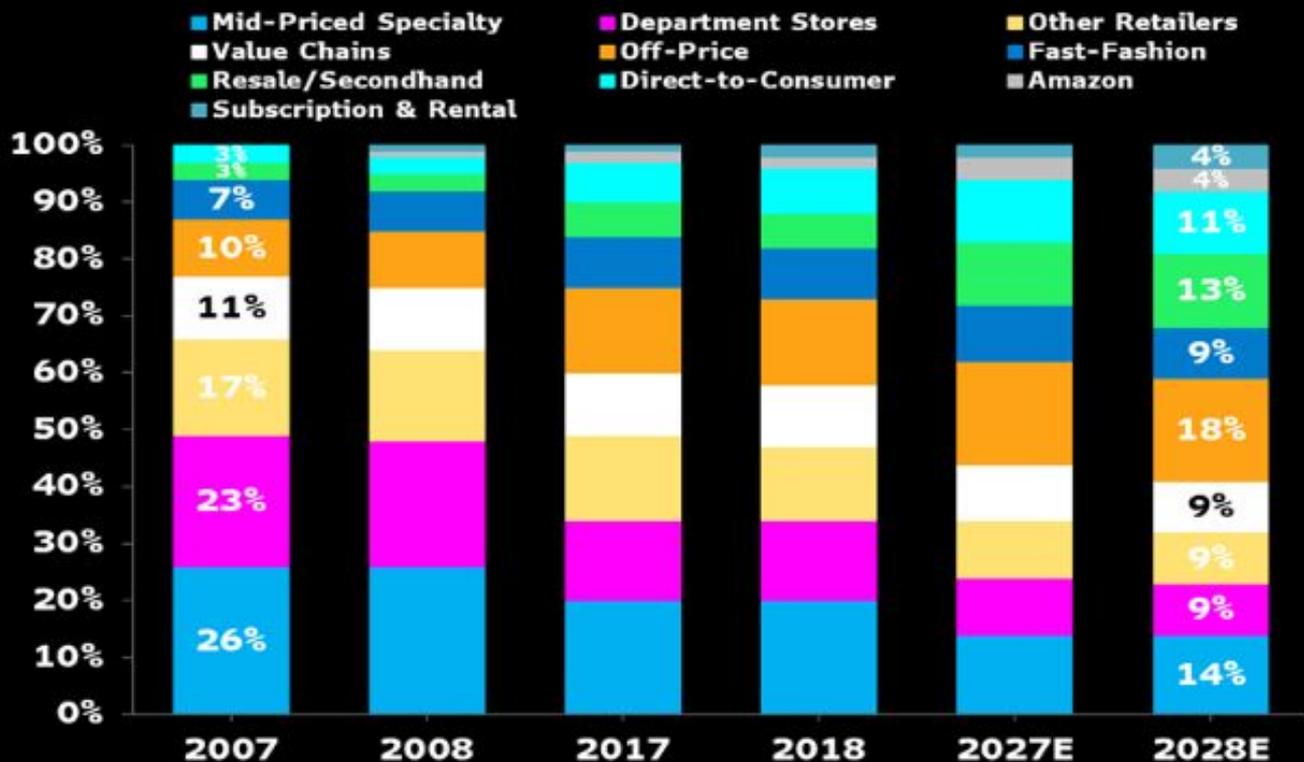
\$49.95 a month, three articles of clothing

Rental has high potential margins, and the market is expected to grow from \$1 billion in 2018 to \$4.4 billion in 2022 (Poonam Goyal and Abigail Gilmartin)

Not a lot of enthusiasm from management for it right now, really just used to observe the market (Earnings)

Seems to be mostly used by current loyal customers instead of bringing in new customers (Earnings)

The Closet of the Future



Source: GlobalData Market Sizing, ThredUp

Store Openings

	AE Brand		aerie		Consolidated from Continuing Operations *	
	End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet
2016						
1st Qtr.	950	6,237,871	95	363,909	1,046	6,601,780
2nd Qtr.	951	6,245,820	91	346,771	1,044	6,598,966
3rd Qtr.	952	6,265,099	97	363,424	1,052	6,638,008
4th Qtr.	943	6,222,548	102	380,554	1,050	6,619,267
Total	943	6,222,548	102	380,554	1,050	6,619,267
2017						
1st Qtr.	944	6,237,016	103	382,854	1,053	6,637,435
2nd Qtr.	942	6,224,214	109	400,448	1,057	6,642,227
3rd Qtr.	943	6,222,195	110	403,048	1,058	6,641,401
4th Qtr.	933	6,169,370	109	395,284	1,047	6,580,812
Total	933	6,169,370	109	395,284	1,047	6,580,812
2018						
1st Qtr.	935	6,183,421	109	398,447	1,048	6,598,026
2nd Qtr.	939	6,213,412	109	408,389	1,053	6,640,759
3rd Qtr.	941	6,230,107	110	413,272	1,057	6,662,337
4th Qtr.	934	6,189,989	115	438,355	1,055	6,647,302
Total	934	6,189,989	115	438,355	1,055	6,647,302
2019						
1st Qtr.	936	6,205,898	119	456,506	1,061	6,662,404
2nd Qtr.	939	6,228,664	131	505,389	1,075	6,740,653
3rd Qtr.						
4th Qtr.						
Total	939	6,228,664	131	505,389	1,075	6,740,653

Store Openings

Planned 15 to 20 American Eagle stores, and 35 to 40 standalone Aerie stores

29 more AE + Aerie side by side stores

Increased pay and remodeling in 40 - 50 US and Canadian stores as well to enhance customer experience

	13 Weeks Ended		26 Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Number of stores:				
Beginning of period	1,061	1,049	1,055	1,047
Opened	19	6	30	11
Closed	(5)	(1)	(10)	(4)
End of period	<u>1,075</u>	<u>1,054</u>	<u>1,075</u>	<u>1,054</u>
Total gross square feet at end of period (in '000)	<u>6,740</u>	<u>6,641</u>	<u>6,740</u>	<u>6,641</u>
International licensed/franchise stores at end of period (1)	<u>236</u>	<u>223</u>	<u>236</u>	<u>223</u>

Competitors

Company	Mkt Cap (billions)	Last Price	P/E	% Rev. growth	% EPS growth	EBITDA Margin
AEO	2.47	\$ 14.64	9.51	4.93%	11.90%	12.40%
ANF	1.00	\$ 15.93	10.52	-0.93%	32.30%	8.70%
URBN	2.50	\$ 25.53	10.99	0.83%	-11.60%	10.70%
TPR	7.27	\$ 26.53	10.61	0.53%	-8.10%	18.80%
LB	4.98	\$ 18.01	7.08	-1.12%	-9.40%	14.70%
GPS	6.32	\$ 16.94	8.03	-2.41%	-10.10%	11.10%
CRI	4.48	\$ 101.50	15.43	2.98%	12.70%	14.10%
BOOT	1.13	\$ 39.48	25.40	12.97%	51.80%	11.50%
LEVI	6.67	\$ 16.99	N/A	6.18%	N/A	11.60%
BKE	1.30	\$ 26.71	13.22	-0.95%	1.50%	16.60%
DBI	1.19	\$ 16.44	10.71	16.04%	-3.10%	7.10%
Average:	3.57	28.97	12.15	3.55%	6.79%	12.48%



Risks

Seasonality

Inability to stay ahead of trends

China

Seasonality

Unpredictable and uncontrollable changes in weather affect sales of apparel

In Q2, sales on summer products were slow and substandard because of a cool spring

With changing climate, AEO's ability to time seasonal apparel may be affected

Tariffs

Have done fairly well relocating distributors outside of China, plan to be under 20% by next year

No material effects of tariffs on end of 2019

Will be full year effect on 2020

American Eagle Outfitters, Inc.

Symbol: AEO

Analyst

Stephen Clarke

Buy below

\$13.10

Sell above

\$16.32

Probability of Price Increase

12%

Last Price

\$15.07

Intrinsic Value

\$13.64

Target Dividends

\$0.58

Target Price

\$15.79



Recap

Limit Buy: Under \$13.10

Target Price of \$15.79

Jeans expected to be strong, as will new Aerie apparel line

Style Drop won't materialize until early 2020s

Threat of industry, competitors