AMERICAN EAGLE OUTFITTERS INC
Form 10-K
March 26, 2010

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the Fiscal Year Ended January 30, 2010**
	OR
o	**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	**No. 13-2721761**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
77 Hot Metal Street, Pittsburgh, PA	**15203-2329**
(Address of principal executive offices)	*(Zip Code)*

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

Securities registered pursuant to Section 12(b) of the Act:

Common Shares, $0.01 par value	New York Stock Exchange
(Title of class)	*(Name of each exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Sections 15(d) of the Act. YES o NO þ

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 submit and post such files), and (2) has been subject to the filing requirements for the past 90 days. YES þ NO o

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 o NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of August 1, 2009 was $2,583,043,775.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date: 209,044,166 Common Shares were outstanding at March 19, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Proxy Statement for 2010 Annual Meeting of Stockholders, in part, as indicated.

AMERICAN EAGLE OUTFITTERS, INC.

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. *BUSINESS.*

General

As used in this report, all references to we, our, and the Company refer to American Eagle Outfitters, Inc. (AEO, Inc and its wholly-owned subsidiaries. American Eagle Outfitters, American Eagle, AE, and the AE Brand refer to our U.S. and Canadian American Eagle Outfitters stores. AEO Direct refers to our e-commerce operations, ae.com, aerie.com, martinandosa.com and 77kids.com. NLS refers to National Logistics Services which we operated in Canada prior to its disposition during the 53 week period ended February 3, 2007.

Our financial year is a 52/53 week year that ends on the Saturday nearest to January 31. As used herein, Fiscal 2010 refers to the 52 week period ending January 29, 2011. Fiscal 2009 , Fiscal 2008 and Fiscal 2007 refer to the 52 week periods ended January 30, 2010, January 31, 2009 and February 2, 2008, respectively. Fiscal 2006 refers to the 53 week period ended February 3, 2007. Fiscal 2005 refers to the 52 week period ended January 28, 2006.

American Eagle Outfitters, Inc., a Delaware corporation, operates under the American Eagle® (AE®), aerie® by American Eagle®, 77kids® by american eagle® and MARTIN+OSA® (M+O) brands.

Founded in 1977, American Eagle Outfitters® is a leading apparel and accessories retailer that operates more than 1,000 retail stores in the U.S. and Canada, and online at ae.com®. Through its family of brands, AEO, Inc. offers high quality, on-trend clothing, accessories and personal care products at affordable prices. Our online business, AEO Direct, ships to 75 countries worldwide.

American Eagle Outfitters® boasts a passionate and loyal customer base ranging from college students to Hollywood celebrities. The Company focuses on delivering the right product at the right price, combined with a philosophy of operational excellence and discipline across the organization.

As of January 30, 2010, we operated 938 American Eagle Outfitters stores in the United States and Canada, 137 aerie stand-alone stores and 28 MARTIN+OSA stores.

Subsequent to Fiscal 2009, on March 5, 2010, the Board of Directors (the Board) of the Company approved management s recommendation to proceed with the closure of M+O. The decision to take this action resulted from an extensive evaluation of M+O and review of strategic alternatives, which revealed that it was not achieving performance levels that warranted further investment. As a result of this decision, the Company plans to close all 28 stores and cease all online and corporate operations for M+O in Fiscal 2010. Refer to Note 15 to the Consolidated Financial Statements for additional information regarding the planned closure of M+O.

Growth Strategy

Our primary growth strategies are focused on the following key areas of opportunity:

AE Brand

The American Eagle Outfitters® brand targets 15- to 25-year old girls and guys, achieving the perfect combination of American prep and current fashion. Denim is the cornerstone of the American Eagle® product assortment, which is completed by other key categories including sweaters, graphic t-shirts, fleece, outerwear and accessories. The American Eagle® attitude is honest, real, individual and fun. American Eagle® is priced to be worn by everyone, everyday, delivering value through quality and style.

Gaining market share in key categories, such as graphic tees and fleece is a primary focus within the AE brand. In addition, we will build upon our number one position in denim. Delivering value, variety and versatility to our customers remains a top priority. While AE has always been a value brand, we will continue to underscore a value message with customers. We will offer value at all levels of the assortment, punctuated with compelling, pre-planned promotions that are profitable to the business. We are reducing production lead-times, which enables us to react more quickly and profit from emerging trends. Finally, we continue to innovate our store experience to be more impactful from front to back.

aerie by American Eagle

In the fall of 2006, the Company launched aerie® by American Eagle (aerie), a collection of Dormwear®, intimates and personal care products for the 15- to 25-year-old AE® girl. What started as a sub-brand quickly became a standalone concept in its own right. The collection is available in 137 standalone aerie stores throughout the United States and Canada, online at www.aerie.com, and at select American Eagle® stores. aerie® features a complete fitness line called aerie f.i.t.™, as well as a personal care collection that includes fragrance, body care and cosmetics to complement the aerie lifestyle. Designed to be sexy, comfortable and cozy, aerie® offers AE® customers a new way to express their personal style everyday.

77kids by american eagle

Introduced in October of 2008 as an online-only brand, 77kids by american eagle® (77kids) offers on-trend, high-quality clothing and accessories for kids ages two to 10. We plan to open five 77kids® brick-and-mortar stores in Fiscal 2010. The brand draws from the strong heritage of American Eagle Outfitters®, with a point-of-view that s thoughtful, playful and real. Like American Eagle® clothing, 77kids focuses on great fit, value and style. All 77kids® clothing is backed by the brand s 77wash™ and 77soft™ guarantees to maintain size, shape and quality and to be extremely soft and comfortable through dozens of washes.

AEO Direct

We sell merchandise via our e-commerce operations, ae.com, aerie.com, 77kids.com and martinandosa.com, which are extensions of the lifestyle that we convey in our stores. We currently ship to 75 countries. In addition to purchasing items online, customers can experience AEO Direct in-store through Store-to-Door. Store-to-Door enables store associates to sell any item available online to an in-store customer in a single transaction, without placing a phone call. Customers are taking advantage of Store-to-Door by purchasing extended sizes that are not available in-store, as well as finding a certain size or color that happens to be out-of-stock at the time of their visit. The ordered items are shipped to the customer s home free of charge. We accept PayPal as a means of payment from our ae.com, aerie.com and 77kids.com customers. We are continuing to focus on the growth of AEO Direct through various initiatives, including improved site efficiency and faster check-out, expansion of sizes and styles, and targeted marketing strategies.

Information concerning our segments and certain geographic information is contained in Note 2 of the Consolidated Financial Statements included in this Form 10-K and is incorporated herein by reference.

Real Estate

During Fiscal 2009 and continuing into Fiscal 2010, we are taking a more cautious stance on real estate growth in light of a slow-down in the economy. However, we remain focused on several well-defined strategies that we have in place to grow our business and strengthen our financial performance.

We are continuing the expansion of our brands throughout the United States. At the end of Fiscal 2009, we operated in all 50 states, Puerto Rico and Canada. During Fiscal 2009, we opened 29 new stores, consisting of eight U.S. AE stores and 21 aerie stores, including two Canadian aerie stores. These store openings, offset by 24 store closings, increased our total store base to 1,103 stores.

Additionally, our gross square footage increased by approximately 1% during Fiscal 2009, with approximately 58% attributable to the incremental square footage from 22 AE U.S. and Canadian store remodels and the remaining 42% attributable to new store openings.

In Fiscal 2010, we plan to open 14 AE and 20 aerie stores and remodel approximately 20 existing AE stores. We plan to close all 28 M+O stores and 15 to 25 AE stores. We also plan to open five 77kids stores with an average size of 5,000 gross square feet. Our consolidated square footage growth is expected to be relatively flat compared to Fiscal

2009. We believe that there are attractive retail locations where we can continue to open American Eagle stores and our other brands in enclosed regional malls, urban areas and lifestyle centers.

The tables below show certain information relating to our historical store growth in the U.S. and Canada:

	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
Consolidated stores at beginning of period	1,098	987	911	869	846
Consolidated stores opened during the period	29	122	80	50	36
Consolidated stores closed during the period	(24)	(11)	(4)	(8)	(13)
Total consolidated stores at end of period	**1,103**	**1,098**	**987**	**911**	**869**

	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
AE Brand stores at beginning of period	954	929	903	869	846
AE Brand stores opened during the period	8	35	30	42	36
AE Brand stores closed during the period	(24)	(10)	(4)	(8)	(13)
Total AE Brand stores at end of period	**938**	**954**	**929**	**903**	**869**

	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
aerie stores at beginning of period	116	39	3		
aerie stores opened during the period	21	77	36	3	
aerie stores closed during the period					
Total aerie stores at end of period	**137**	**116**	**39**	**3**	

	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
M+O stores at beginning of period	28	19	5		
M+O stores opened during the period		10	14	5	
M+O stores closed during the period		(1)			
Total M+O stores at end of period	**28**	**28**	**19**	**5**	

Remodeling of our AE stores into our current store format is important to enhance our customer s shopping experience. In order to maintain a balanced presentation and to accommodate additional product categories, we selectively enlarge our stores during the remodeling process to an average 7,000 gross square feet, either within their existing location or by upgrading the store location within the mall. We believe the larger format can better accommodate our expansion of merchandise categories. We select stores for expansion or relocation based on market demographics and store volume forecasts.

During Fiscal 2009, we remodeled 22 AE U.S. and Canadian stores. Of the 22 remodeled stores, 10 stores were remodeled and expanded within their existing locations, nine stores were relocated to a larger space within the mall and three stores were remodeled within their existing locations. Additionally, three stores were refurbished as discussed below.

We maintain a cost effective store refurbishment program targeted towards our lower volume stores, typically located in smaller markets. Stores selected as part of this program maintain their current location and size but are updated to include certain aspects of our current store format, including paint and certain new fixtures.

Table of Contents

Consolidated Store Locations

Our stores average approximately 5,800 gross square feet and approximately 4,700 on a selling square foot basis. As of January 30, 2010, we operated 1,103 stores in the United States and Canada under the American Eagle Outfitters, aerie and MARTIN+OSA brands as shown below:

United States, including the Commonwealth of Puerto Rico 1,015 stores

Alabama	18	Indiana	22	Nebraska	8	Rhode Island	4
Alaska	5	Iowa	13	Nevada	6	South Carolina	16
Arizona	16	Kansas	10	New Hampshire	8	South Dakota	3
Arkansas	9	Kentucky	13	New Jersey	28	Tennessee	24
California	89	Louisiana	14	New Mexico	3	Texas	72
Colorado	14	Maine	4	New York	62	Utah	12
Connecticut	18	Maryland	21	North Carolina	31	Vermont	3
Delaware	5	Massachusetts	33	North Dakota	4	Virginia	29
Florida	50	Michigan	35	Ohio	40	Washington	20
Georgia	34	Minnesota	22	Oklahoma	12	West Virginia	9
Hawaii	4	Mississippi	8	Oregon	11	Wisconsin	18
Idaho	4	Missouri	19	Pennsylvania	66	Wyoming	2
Illinois	37	Montana	2	Puerto Rico	5		

Canada 88 stores

Alberta	11	New Brunswick	4	Ontario	44
British Columbia	12	Newfoundland	2	Quebec	9
Manitoba	2	Nova Scotia	2	Saskatchewan	2

Purchasing

We purchase merchandise from suppliers who either manufacture their own merchandise, supply merchandise manufactured by others or both. During Fiscal 2009, we purchased a majority of our merchandise from non-North American suppliers.

All of our merchandise suppliers receive a vendor compliance manual that describes our quality standards and shipping instructions. We maintain a quality control department at our distribution centers to inspect incoming merchandise shipments for uniformity of sizes and colors and for overall quality of manufacturing. Periodic inspections are also made by our employees and agents at manufacturing facilities to identify quality problems prior to shipment of merchandise.

Corporate Responsibility

The Company is firmly committed to the principle that the people who make our clothes should be treated with dignity and respect. We seek to work with apparel suppliers throughout the world who share our commitment to providing safe and healthy workplaces. At a minimum, we require our suppliers to maintain a workplace environment that complies with local legal requirements and meets universally-accepted human rights standards.

Our Vendor Code of Conduct (the Code), which is based on universally-accepted human rights principles, sets forth our expectations for suppliers. The Code must be posted in every factory that manufactures our clothes in the local language of the workers. All suppliers must agree to abide by the terms of our Code before we will place production with them.

We maintain an extensive factory inspection program to monitor compliance with our Code. New garment factories must pass an initial inspection in order to do business with us. Once new factories are approved, we then strive to re-inspect them at least once a year. We review the outcome of these inspections with factory management with the goal of helping them to continuously improve their performance. In cases where a factory is unable or unwilling to meet our standards, we will take steps up to and including the severance of our business relationship.

In Fiscal 2007, we opened a compliance office in Hong Kong. Today, the Hong Kong-based team validates the inspection reporting of our third-party vendor compliance auditors and works with new and existing factories on remediation of issues. Also in Fiscal 2007, we instituted a process of pre-inspection for facilities being considered for AE production and expanded our annual re-audit program to strive to include all primary existing facilities.

Security Compliance

During recent years, there has been an increasing focus within the international trade community on concerns related to global terrorist activity. Various security issues and other terrorist threats have brought increased demands from the Bureau of Customs and Border Protection (CBP) and other agencies within the Department of Homeland Security that importers take responsible action to secure their supply chains. In response, we became a certified member of the Customs Trade Partnership Against Terrorism program (C-TPAT) during 2004. C-TPAT is a voluntary program offered by CBP in which an importer agrees to work with CBP to strengthen overall supply chain security. Our internal security procedures were reviewed by CBP during February 2005 and a validation of processes with respect to our external partners was completed in June 2005 and then re-evaluated in June 2008. We received formal written validations of our security procedures from CBP during the first quarter of Fiscal 2006 and the second quarter of Fiscal 2008, each indicating the highest level of benefits afforded to C-TPAT members.

Historically, we took significant steps to expand the scope of our security procedures, including, but not limited to: a significant increase in the number of factory audits performed; a revision of the factory audit format to include a review of all critical security issues as defined by CBP; a review of security procedures of our other international trading partners, including forwarders, consolidators, shippers and brokers; and a requirement that all of our international trading partners be members of C-TPAT. In Fiscal 2007, we further increased the scope of our inspection program to strive to include pre-inspections of all potential production facilities. In Fiscal 2009, we again expanded the program to require all suppliers that have passed pre-inspections and reached a satisfactory level of security compliance through annual factory re-audits to provide us with security self-assessments on at least an annual basis. Additionally, in Fiscal 2009, we began evaluating additional oversight options for high-risk security countries.

Trade Compliance

We act as the importer of record for substantially all of the merchandise we purchase overseas from foreign suppliers. Accordingly, we have an affirmative obligation to comply with the rules and regulations established for importers by the CBP regarding issues such as merchandise classification, valuation and country of origin. We have developed and implemented a comprehensive series of trade compliance procedures to assure that we adhere to all CBP requirements. In its most recent review and audit of our import operations and procedures, CBP found no unacceptable risks of non-compliance.

Merchandise Inventory, Replenishment and Distribution

Merchandise is normally shipped directly from our vendors and routed to our two U.S. distribution centers, one in Warrendale, Pennsylvania and the other in Ottawa, Kansas, or to our Canadian distribution center in Mississauga, Ontario.

Upon receipt, merchandise is processed and prepared for shipment to the stores or forwarded to a warehouse holding area to be used as store replenishment goods. The allocation of merchandise among stores varies based upon a number of factors, including geographic location, customer demographics and store size. Merchandise is shipped to our stores two to five times per week depending upon the season and store requirements.

The expansion of our Kansas distribution center in Fiscal 2007 enabled us to bring fulfillment services for AEO Direct in-house. The second phase of this expansion was completed in Fiscal 2008 to enhance operating efficiency and support our future growth.

Table of Contents

Customer Credit and Returns

We offer a co-branded credit card (the AE Visa Card) and a private label credit card (the AE Credit Card) under both the American Eagle and aerie brands. Both of these credit cards are issued by a third-party bank (the Bank), and we have no liability to the Bank for bad debt expense, provided that purchases are made in accordance with the Bank s procedures. Once a customer is approved to receive the AE Visa Card and the card is activated, the customer is eligible to participate in our credit card rewards program. Under the rewards program that expired on December 31, 2009, points are earned on purchases made with the AE Visa Card at AE and aerie, and at other retailers where the card is accepted. Points earned under the credit cards reward program resulted in the issuance of an AE gift card when a certain point threshold was reached. The AE gift card does not expire, however points earned that have not been used towards the issuance of an AE gift card expire after 36 months of no purchase activity. On January 1, 2010, we modified the benefits on the AE Visa and AE Credit Card programs to make both credit cards a part of the rewards program. Customers who make purchases at AE, aerie and 77kids earn discounts in the form of savings certificates when certain purchase levels are reached. Also AE Visa Card customers, who make purchases at other retailers where the card is accepted, earn additional discounts. Savings certificates are valid for 90 days from issuance. AE Credit Card holders will still receive special promotional offers and advance notice of all American Eagle in-store sales events. The AE Visa Card is accepted in all of our stores and AEO Direct sites, while the AE Credit Card is accepted at American Eagle, aerie, ae.com, aerie.com and 77kids.com, only.

Our customers in the U.S. and Canada stores may also pay for their purchases with American Express®, Discover®, MasterCard®, Visa®, bank debit cards, cash or check. Our AEO Direct customers may pay for their purchases using American Express®, Discover®, MasterCard® and Visa®. In addition, our ae.com, aerie.com, and 77kids.com customers may pay for their purchases using PayPal® and Bill Me Later®.

Customers may also use gift cards to pay for their purchases. AE and aerie gift cards can be purchased in our American Eagle and aerie stores, respectively, and can be used both in-store and online. In addition, AE, aerie and 77kids gift cards are available through ae.com, aerie.com or 77kids.com. MARTIN+OSA gift cards can be used both in-store and online. When the recipient uses the gift card, the value of the purchase is electronically deducted from the card and any remaining value can be used for future purchases. Our gift cards do not expire and we do not charge a service fee on inactive gift cards.

We offer our retail customers a hassle-free return policy. We believe that certain of our competitors offer similar credit card and customer service policies.

Competition

The retail apparel industry, including retail stores and e-commerce, is highly competitive. We compete with various individual and chain specialty stores, as well as the casual apparel and footwear departments of department stores and discount retailers, primarily on the basis of quality, fashion, service, selection and price.

Trademarks and Service Marks

We have registered AMERICAN EAGLE OUTFITTERS®, AMERICAN EAGLE®, AE® and AEO® with the United States Patent and Trademark Office. We have also registered or have applied to register these trademarks with the registries of many of the foreign countries in which our manufacturers are located and/or where our product is shipped.

We have registered AMERICAN EAGLE OUTFITTERS® and have applied to register AMERICAN EAGLE™ with the Canadian Intellectual Property Office. In addition, we are exclusively licensed in Canada to use AE™ and AEO®

in connection with the sale of a wide range of clothing products.

In the United States and around the world, we have also registered, or have applied to register, a number of other marks used in our business, including aerie®, MARTIN+OSA® and 77kids by american eagle®.

Table of Contents

These trademarks are renewable indefinitely, as long as they are still in use and their registrations are properly maintained. We believe that the recognition associated with these trademarks makes them extremely valuable and, therefore, we intend to use and renew our trademarks in accordance with our business plans.

Employees

As of January 30, 2010, we had approximately 39,400 employees in the United States and Canada, of whom approximately 33,000 were part-time and seasonal hourly employees. We consider our relationship with our employees to be good.

Seasonality

Historically, our operations have been seasonal, with a large portion of net sales and operating income occurring in the third and fourth fiscal quarter, reflecting increased demand during the back-to-school and year-end holiday selling seasons, respectively. As a result of this seasonality, any factors negatively affecting us during the third and fourth fiscal quarters of any year, including adverse weather or unfavorable economic conditions, could have a material adverse effect on our financial condition and results of operations for the entire year. Our quarterly results of operations also may fluctuate based upon such factors as the timing of certain holiday seasons, the number and timing of new store openings, the acceptability of seasonal merchandise offerings, the timing and level of markdowns, store closings and remodels, competitive factors, weather and general economic conditions.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available, free of charge, under the About AEO, Inc. section of our website at www.ae.com. These reports are available as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (the SEC).

Our corporate governance materials, including our corporate governance guidelines, the charters of our audit, compensation, and nominating and corporate governance committees, and our code of ethics may also be found under the About AEO, Inc. section of our website at www.ae.com. Any amendments or waivers to our code of ethics will also be available on our website. A copy of the corporate governance materials is also available upon written request.

Additionally, our investor presentations are available under the About AEO, Inc. section of our website at www.ae.com. These presentations are available as soon as reasonably practicable after they are presented at investor conferences.

Certifications

As required by the New York Stock Exchange (NYSE) Corporate Governance Standards Section 303A.12(a), on July 1, 2009 our Chief Executive Officer submitted to the NYSE a certification that he was not aware of any violation by the Company of NYSE corporate governance listing standards. Additionally, we filed with this Form 10-K, the Principal Executive Officer and Principal Financial Officer certifications required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

ITEM 1A. *RISK FACTORS*

Our ability to anticipate and respond to changing consumer preferences and fashion trends in a timely manner

Our future success depends, in part, upon our ability to identify and respond to fashion trends in a timely manner. The specialty retail apparel business fluctuates according to changes in the economy and customer preferences, dictated by fashion and season. These fluctuations especially affect the inventory owned by apparel retailers because merchandise typically must be ordered well in advance of the selling season. While we endeavor to test many merchandise items before ordering large quantities, we are still susceptible to changing fashion trends and fluctuations in customer demands.

In addition, the cyclical nature of the retail business requires that we carry a significant amount of inventory, especially during our peak selling seasons. We enter into agreements for the manufacture and purchase of our private label apparel well in advance of the applicable selling season. As a result, we are vulnerable to changes in consumer demand, pricing shifts and the timing and selection of merchandise purchases. The failure to enter into agreements for the manufacture and purchase of merchandise in a timely manner could, among other things, lead to a shortage of inventory and lower sales. Changes in fashion trends, if unsuccessfully identified, forecasted or responded to by us, could, among other things, lead to lower sales, excess inventories and higher markdowns, which in turn could have a material adverse effect on our results of operations and financial condition.

The effect of economic pressures and other business factors

The global recession that began during the second half of 2008 continues to cause uncertainty and a wide-ranging lack of liquidity in the credit markets. This market uncertainty continues to result in a lack of consumer confidence and widespread reduction of business activity.

The success of our operations depends to a significant extent upon a number of factors relating to discretionary consumer spending, including economic conditions affecting disposable consumer income such as employment, consumer debt, interest rates, increases in energy costs and consumer confidence. There can be no assurance that consumer spending will not be further negatively affected by general or local economic conditions, thereby adversely impacting our continued growth and results of operations.

Our ability to grow through new store openings and existing store remodels and expansions

Our continued growth and success will depend in part on our ability to open and operate new stores and expand and remodel existing stores on a timely and profitable basis. During Fiscal 2010, we plan to open 14 new American Eagle stores in the U.S. and Canada, 20 aerie stand-alone stores and five 77kids stores. Additionally, we plan to remodel or expand 20 existing American Eagle stores during Fiscal 2010. Accomplishing our new and existing store expansion goals will depend upon a number of factors, including the ability to obtain suitable sites for new and expanded stores at acceptable costs, the hiring and training of qualified personnel, particularly at the store management level, the integration of new stores into existing operations and the expansion of our buying and inventory capabilities. There can be no assurance that we will be able to achieve our store expansion goals, manage our growth effectively, successfully integrate the planned new stores into our operations or operate our new and remodeled stores profitably.

Our ability to achieve planned store financial performance

The results achieved by our stores may not be indicative of long-term performance or the potential performance of stores in other locations. The failure of stores to achieve acceptable results could result in store asset impairment charges, which could adversely affect our continued growth and results of operations.

Our ability to grow through the internal development of new brands

We launched our new brand concepts, aerie and 77kids, during Fiscal 2006 and Fiscal 2008, respectively. Our ability to succeed in these new brands requires significant expenditures and management attention. Additionally, any new brand is subject to certain risks including customer acceptance, competition, product differentiation, the ability to attract and retain qualified personnel, including management and designers, and the ability to obtain suitable sites for new stores at acceptable costs. There can be no assurance that these new brands will grow or become profitable. If we are unable to succeed in developing profitable new brands, this could adversely impact our continued growth and results of operations.

Our planned closure of MARTIN+OSA

On March 5, 2010, our Board approved management s recommendation to proceed with the closure of MARTIN+OSA. The decision to take this action resulted from an extensive evaluation of the brand and review of strategic alternatives, which revealed that it was not achieving performance levels that warranted further investment. As a result of this decision, we plan to close all 28 stores and cease all online and corporate operations for the brand in Fiscal 2010. The timing of the store closures is dependent on a number of factors including negotiating third-party agreements, adherence to notification requirements and local laws.

Store closures are expected to be substantially complete by the end of the second quarter of Fiscal 2010. To the extent not previously recognized, the charges associated with the decision are expected to be recognized primarily over the first and second quarters of Fiscal 2010. Our current estimates of the charges are preliminary and are based on a number of significant assumptions that could change materially. Any change in estimates of the charges could adversely impact our consolidated results of operations.

Refer to Note 15 to the Consolidated Financial Statements for additional information regarding the planned closure of MARTIN+OSA.

Our international merchandise sourcing strategy

Substantially all of our merchandise is purchased from foreign suppliers. Although we purchase a significant portion of our merchandise through a single foreign buying agent, we do not maintain any exclusive commitments to purchase from any vendor. Since we rely on a small number of foreign sources for a significant portion of our purchases, any event causing the disruption of imports, including the insolvency of a significant supplier or a significant labor dispute, could have an adverse effect on our operations. Other events that could also cause a disruption of imports include the imposition of additional trade law provisions or import restrictions, such as increased duties, tariffs, anti-dumping provisions, increased CBP enforcement actions, or political or economic disruptions.

We have a Vendor Code of Conduct (the Code) that provides guidelines for all of our vendors regarding working conditions, employment practices and compliance with local laws. A copy of the Code is posted on our website, www.ae.com, and is also included in our vendor manual in English and multiple other languages. We have a factory compliance program to audit for compliance with the Code. However, there can be no assurance that our factory compliance program will be fully effective in discovering all violations. Publicity regarding violation of our Code or other social responsibility standards by any of our vendor factories could adversely affect our sales and financial performance.

We believe that there is a risk of terrorist activity on a global basis, and such activity might take the form of a physical act that impedes the flow of imported goods or the insertion of a harmful or injurious agent to an imported shipment. We have instituted policies and procedures designed to reduce the chance or impact of such actions including, but not limited to, factory audits and factory self-assessments on security measures; a factory audit protocol and factory self-assessment protocol that includes all critical security issues; the review of security procedures of our other international trading partners, including forwarders, consolidators, shippers and brokers; and the cancellation of agreements with entities who fail to meet our security requirements. In addition, the United States CBP has recognized us as a validated, tier three member of the Customs Trade Partnership Against Terrorism program, a voluntary program in which an importer agrees to work with US Customs to strengthen overall supply chain security. However, there can be no assurance that terrorist activity can be prevented entirely and we cannot predict the likelihood of any such activities or the extent of their adverse impact on our operations.

Table of Contents

Our reliance on external vendors

Given the volatility and risk in the current markets, our reliance on external vendors leaves us subject to certain risks should one or more of these external vendors become insolvent. Although we monitor the financial stability of our key vendors and plan for contingencies, the financial failure of a key vendor could disrupt our operations and have an adverse effect on our cash flows, results of operations and financial condition.

Seasonality

Historically, our operations have been seasonal, with a large portion of net sales and operating income occurring in the third and fourth fiscal quarter, reflecting increased demand during the back-to-school and year-end holiday selling seasons, respectively. As a result of this seasonality, any factors negatively affecting us during the third and fourth fiscal quarters of any year, including adverse weather or unfavorable economic conditions, could have a material adverse effect on our financial condition and results of operations for the entire year. Our quarterly results of operations also may fluctuate based upon such factors as the timing of certain holiday seasons, the number and timing of new store openings, the acceptability of seasonal merchandise offerings, the timing and level of markdowns, store closings and remodels, competitive factors, weather and general economic conditions.

Our reliance on our ability to implement and sustain information technology systems

We regularly evaluate our information technology systems and are currently implementing modifications and/or upgrades to the information technology systems that support our business. Modifications include replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. We are aware of inherent risks associated with replacing and modifying these systems, including inaccurate system information and system disruptions. We believe we are taking appropriate action to mitigate the risks through testing, training and staging implementation, as well as securing appropriate commercial contracts with third-party vendors supplying such technologies. Information technology system disruptions and inaccurate system information, if not anticipated and appropriately mitigated, could have a material adverse effect on our results of operations.

Our reliance on key personnel

Our success depends to a significant extent upon the continued services of our key personnel, including senior management, as well as our ability to attract and retain qualified key personnel and skilled employees in the future. Our operations could be adversely affected if, for any reason, one or more key executive officers ceased to be active in our management.

Failure to comply with regulatory requirements

As a public company, we are subject to numerous regulatory requirements. Our policies, procedures and internal controls are designed to comply with all applicable laws and regulations, including those imposed by the Sarbanes-Oxley Act of 2002, the SEC and the NYSE. Failure to comply with such laws and regulations could have a material adverse effect on our reputation, financial condition and on the market price of our common stock.

Negative conditions in global credit markets may further impair our investment securities portfolio

Auction rate securities (ARS) are long-term debt instruments with interest rates reset through periodic short-term auctions. Holders of ARS can either sell into the auctions; bid based on a desired interest rate or hold and accept the reset rate. If there are insufficient buyers, then the auction fails and holders are unable to liquidate their investment through the auction. A failed auction is not a default of the debt instrument, but does set a new interest rate in accordance with the original terms of the debt instrument. The result of a failed auction is that the ARS continues to pay interest in accordance with its terms; however, liquidity for holders is limited until there is a successful auction or until such time as another market for ARS develops. ARS are generally callable at any time by the issuer. Auctions continue to be held as scheduled until the ARS matures or until it is called.

As a result of the global recession, we have been unable to liquidate our holdings of certain ARS because the amount of securities submitted for sale has exceeded the amount of purchase orders for such securities and the auctions failed. For failed auctions, we continue to earn interest on these investments at the contractual rate. In the event we need to access these funds, we will not be able to do so until a future auction is successful, the issuer redeems the securities, a buyer is found outside of the auction process or the securities mature.

If our ARS holdings continue to be unable to clear successfully at future auctions or if issuers do not redeem the securities, we may be required to adjust the carrying value of the securities and record additional impairment charges. If we determine that the fair value of these ARS is temporarily impaired, we would record a temporary impairment within other comprehensive income, a component of stockholders equity. If it is determined that the fair value of our ARS is other-than-temporarily impaired, we would record a loss in our Consolidated Statements of Operations, which could materially adversely impact our results of operations and financial condition.

Our ability to obtain and/or maintain our credit facilities due to the ramifications of the global credit crisis and corresponding financial institution failures

We believe that we have sufficient cash flows from operating activities to meet our operating requirements. In addition, the banks participating in our various credit facilities are currently rated as investment grade, and substantially all of the amounts under the credit facilities are currently available to us. We draw on our credit facilities to increase our cash position to add financial flexibility. Although we expect to continue to generate positive cash flow despite the current economy, there can be no assurance that we will be able to successfully generate positive cash flow in the future. Continued negative trends in the credit markets and/or continued financial institution failures could lead to lowered credit availability as well as difficulty in obtaining financing. In the event of limitations on our access to credit facilities, our liquidity, continued growth and results of operations could be adversely affected.

Our efforts to expand internationally through franchising

We have entered into a franchise agreement with a franchisee to open and operate a series of stores throughout the Middle East over the next several years. While the franchise arrangement does not involve a capital investment from us and requires minimal operational involvement, the effect of this arrangement on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in new markets internationally. Furthermore, although we provide store operation training, literature and support, to the extent that the franchisee does not operate its stores in a manner consistent with our requirements regarding our brand and customer experience standards, the value of our brand could be negatively impacted. A failure to protect the value of our brand or any other adverse actions by a franchisee could have an adverse effect on our results of operations and our reputation.

Other risk factors

Additionally, other factors could adversely affect our financial performance, including factors such as: our ability to successfully acquire and integrate other businesses; any interruption of our key infrastructure systems; any disaster or casualty resulting in the interruption of service from our distribution centers or in a large number of our stores; any interruption of our business related to an outbreak of a pandemic disease in a country where we source or market our merchandise; changes in weather patterns; the effects of changes in current exchange rates and interest rates; and international and domestic acts of terror.

The impact of any of the previously discussed factors, some of which are beyond our control, may cause our actual results to differ materially from expected results in these statements and other forward-looking statements we may make from time-to-time.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS.***

Not applicable.

Table of Contents

ITEM 2. *PROPERTIES.*

We own a 186,000 square foot building in an urban Pittsburgh, Pennsylvania location which houses our corporate headquarters. Additionally, during Fiscal 2009, we completed construction of a 152,000 square foot building on adjacent land, which is used for the expansion of our corporate headquarters. We lease three locations near our headquarters, which are used primarily for store and corporate support services, totaling approximately 68,000 square feet. These leases expire with various terms through 2022.

We own a 490,000 square foot building located in a suburban area near Pittsburgh, Pennsylvania, which houses our distribution center and contains approximately 120,000 square feet of office space. We also own a 45,000 square foot building, which houses our data center and additional office space. We lease an additional location of approximately 18,000 square feet, which is used for storage space. This lease expires in 2015.

We rent approximately 131,000 square feet of office space in New York, New York for our designers and sourcing and production teams. The lease for this space expires in May 2016. We also lease an additional 60,000 square feet of office space in New York, New York, with various terms expiring through 2018.

We own a distribution facility in Ottawa, Kansas consisting of approximately 1,220,000 total square feet, including a 544,000 square foot expansion which was completed during Fiscal 2007 and a 280,000 square foot expansion which was completed during Fiscal 2008. This expanded facility is used to support new and existing growth initiatives, including AEO Direct, aerie and 77kids.

We lease a building in Mississauga, Ontario with approximately 294,000 square feet, which houses our Canadian distribution center. The lease expires in 2017.

We also entered into a lease in Fiscal 2007 for a new flagship store in the Times Square area of New York, New York. The 25,000 square foot location has an initial term of 15 years with three options to renew for five years each. This flagship store opened in November 2009.

All of our stores in the United States and Canada are leased. The store leases generally have initial terms of 10 years. Certain leases also include early termination options, which can be exercised under specific conditions. Most of these leases provide for base rent and require the payment of a percentage of sales as additional contingent rent when sales reach specified levels. Under our store leases, we are typically responsible for tenant occupancy costs, including maintenance and common area charges, real estate taxes and certain other expenses. We have generally been successful in negotiating renewals as leases near expiration.

ITEM 3. *LEGAL PROCEEDINGS.*

We are a party to various legal actions incidental to our business, including certain actions in which we are the plaintiff. At this time, our management does not expect the results of any of the legal actions to be material to our financial position or results of operations.

ITEM 4. *RESERVED.*

Table of Contents

PART II

ITEM 5. *MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

Our common stock is traded on the NYSE under the symbol AEO . The following table sets forth the range of high and low closing prices of the common stock as reported on the NYSE during the periods indicated. As of March 19, 2010, there were 668 stockholders of record. However, when including associates who own shares through our employee stock purchase plan, and others holding shares in broker accounts under street name, we estimate the stockholder base at approximately 55,000.

For the Quarters Ended	Market Price High	Market Price Low	Cash Dividends per Common Share
January 30, 2010	$ 18.06	$ 14.54	$ 0.10
October 31, 2009	$ 19.62	$ 13.37	$ 0.10
August 1, 2009	$ 15.53	$ 12.80	$ 0.10
May 2, 2009	$ 15.60	$ 8.44	$ 0.10
January 31, 2009	$ 10.91	$ 7.11	$ 0.10
November 1, 2008	$ 16.69	$ 9.40	$ 0.10
August 2, 2008	$ 19.05	$ 12.13	$ 0.10
May 3, 2008	$ 23.45	$ 15.79	$ 0.10

During Fiscal 2009 and Fiscal 2008, we paid quarterly dividends as shown in the table above. The payment of future dividends is at the discretion of our Board and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors. It is anticipated that any future dividends paid will be declared on a quarterly basis.

Table of Contents

Performance Graph

The following Performance Graph and related information shall not be deemed soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares the changes in the cumulative total return to holders of our common stock with that of the S&P Midcap 400 and the Dynamic Retail Intellidex. The comparison of the cumulative total returns for each investment assumes that $100 was invested in our common stock and the respective index on January 29, 2005 and includes reinvestment of all dividends. The plotted points are based on the closing price on the last trading day of the fiscal year indicated.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among American Eagle Outfitters, Inc., The S&P Midcap 400 Index
And A Peer Group

	1/29/05	1/28/06	2/3/07	2/2/08	1/31/09	1/30/10
American Eagle Outfitters, Inc.	**100.00**	**106.42**	**200.06**	**147.96**	**58.40**	**105.80**
S&P Midcap 400	**100.00**	**122.31**	**132.05**	**129.11**	**81.37**	**116.66**
Dynamic Retail Intellidex	**100.00**	**102.28**	**104.44**	**87.58**	**55.20**	**87.91**

Table of Contents

Issuer Purchases of Equity Securities

The following table provides information regarding our repurchases of our common stock during the three months ended January 30, 2010.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)(3)	Maximum Number of Shares that May Yet be Purchased Under the Program (3)
Month #1 (November 1, 2009 through November 28, 2009)				41,250,000
Month #2 (November 29, 2009 through January 2, 2010)	1,031	$ 16.98		41,250,000
Month #3 (January 3, 2010 through January 30, 2010)				41,250,000
Total	1,031	$ 16.98		41,250,000

(1) Shares purchased during Month #2 were all repurchased from employees for the payment of taxes in connection with the vesting of share-based payments.

(2) Average price paid per share excludes any broker commissions paid.

(3) Of the 41.3 million shares that may yet be purchased under the program, the authorization relating to 11.3 million shares expired at the end of Fiscal 2009 and the authorization relating to 30.0 million shares expires at the end of Fiscal 2010.

Equity Compensation Plan Table

The following table sets forth additional information as of the end of Fiscal 2009, about shares of our common stock that may be issued upon the exercise of options and other rights under our existing equity compensation plans and arrangements, divided between plans approved by our stockholders and plans or arrangements not submitted to the Company s stockholders for approval. The information includes the number of shares covered by and the weighted average exercise price of, outstanding options and other rights and the number of shares remaining available for future grants excluding the shares to be issued upon exercise of outstanding options, warrants, and other rights.

	Column (a)	Column (b)	Column (c) Number of Securities

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(1)	Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(1)
Equity compensation plans approved by stockholders	14,904,942	$ 15.01	28,395,557
Equity compensation plans not approved by stockholders			
Total	14,904,942	$ 15.01	28,395,557

(1) Equity compensation plans approved by stockholders include the 1994 Stock Option Plan, the 1999 Stock Incentive Plan and the 2005 Stock Award and Incentive Plan.

Table of Contents

ITEM 6. *SELECTED CONSOLIDATED FINANCIAL DATA.*

The following Selected Consolidated Financial Data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, included under Item 7 below and the Consolidated Financial Statements and Notes thereto, included in Item 8 below. Most of the selected data presented below is derived from our Consolidated Financial Statements, which are filed in response to Item 8 below. The selected Consolidated Statement of Operations data for the years ended February 3, 2007 and January 28, 2006 and the selected Consolidated Balance Sheet data as of February 2, 2008, February 3, 2007 and January 28, 2006 are derived from audited Consolidated Financial Statements not included herein.

	For the Years Ended(1)				
	January 30, 2010	**January 31, 2009**	**February 2, 2008**	**February 3, 2007**	**January 28, 2006**
	(In thousands, except per share amounts, ratios and other financial information)				
Summary of Operations					
Net sales(2)	$ 2,990,520	$ 2,988,866	$ 3,055,419	$ 2,794,409	$ 2,321,962
Comparable store sales (decrease) increase(3)	(4)%	(10)%	1%	12%	16%
Gross profit	$ 1,158,049	$ 1,174,101	$ 1,423,138	$ 1,340,429	$ 1,077,749
Gross profit as a percentage of net sales	38.7%	39.3%	46.6%	48.0%	46.4%
Operating income(4)	$ 238,393	$ 302,140	$ 598,755	$ 586,790	$ 458,689
Operating income as a percentage of net sales	8.0%	10.1%	19.6%	21.0%	19.8%
Income from continuing operations	$ 169,022	$ 179,061	$ 400,019	$ 387,359	$ 293,711
Income from continuing operations as a percentage of net sales	5.7%	6.0%	13.1%	13.9%	12.7%
Per Share Results (5)					
Income from continuing operations per common share-basic	$ 0.82	$ 0.87	$ 1.85	$ 1.74	$ 1.29
Income from continuing operations per common share-diluted	$ 0.81	$ 0.86	$ 1.82	$ 1.70	$ 1.26
Weighted average common shares outstanding basic	206,171	205,169	216,119	222,662	227,406
Weighted average common shares outstanding diluted	209,512	207,582	220,280	228,384	233,031
Cash dividends per common share	$ 0.40	$ 0.40	$ 0.38	$ 0.28	$ 0.18
Balance Sheet Information					

Total cash and short-term investments	$	698,635