

American Eagle Outfitters Inc

S&P Recommendation **STRONG BUY** ★★★★★

Price
\$18.67 (as of May 2, 2008)

12-Mo. Target Price
\$27.00

Investment Style
Mid-Cap Growth

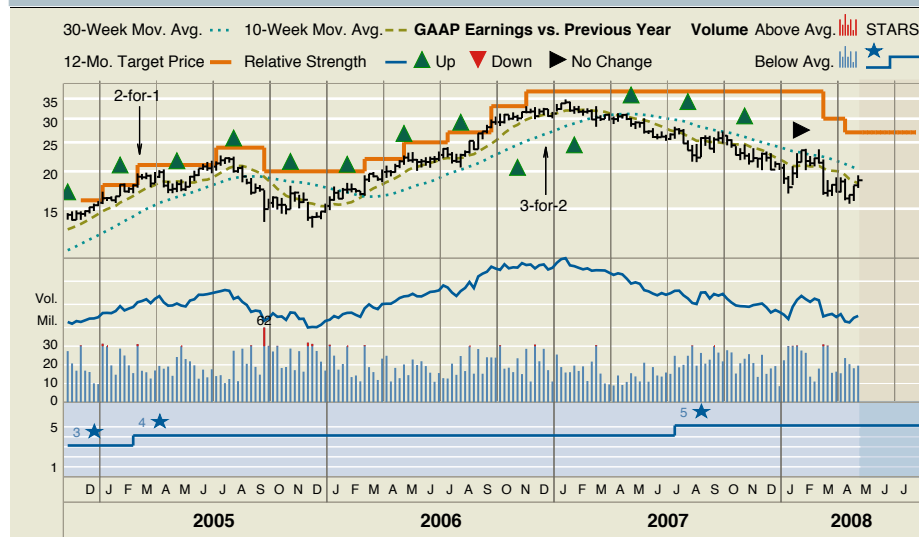
GICS Sector Consumer Discretionary
Sub-Industry Apparel Retail

Summary This company is a specialty retailer of casual apparel, accessories and footwear for young men and women between the ages of 15 and 25.

Key Stock Statistics (Source S&P, Vickers, company reports)

| | | | | | | | |
|--------------------------|-----------------------|----------------------------|--------------|-----------------------------|----------------|-----------------------------|-------------|
| 52-Wk Range | \$30.19– 15.58 | S&P Oper. EPS 2009E | 1.76 | Market Capitalization(B) | \$3.825 | Beta | 0.78 |
| Trailing 12-Month EPS | \$1.82 | S&P Oper. EPS 2010E | 2.00 | Yield (%) | 2.14 | S&P 3-Yr. Proj. EPS CAGR(%) | 10 |
| Trailing 12-Month P/E | 10.3 | P/E on S&P Oper. EPS 2009E | 10.6 | Dividend Rate/Share | \$0.40 | S&P Credit Rating | NA |
| \$10K Invested 5 Yrs Ago | \$34,645 | Common Shares Outstg. (M) | 204.9 | Institutional Ownership (%) | 82 | | |

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by **Marie Driscoll, CFA** on April 17, 2008, when the stock traded at **\$ 16.26**.

Highlights

- We believe AEO's refocus on its core 15- to 25-year-old customer demographic, along with better merchandise flows and the implementation of information technology, resulted in stellar sales and earnings growth from FY 05 (Jan.) to the present, putting AEO at the top of its peer group in terms of operating and financial metrics. Size profiling, regional assortments and markdown optimization provide further margin opportunity.
- FY 08 sales rose 9%, to \$3.06 billion, driven by 10% selling square footage growth, a 1% same-store sales gain and a 30% lift in e-commerce, to \$240 million. We project a similar revenue gain in FY 09 tracking about a 10% increment in square footage, a +3% comp, and 25% growth in ecommerce.
- We project 200 basis point (bps) operating margin contraction, to 17.6% of sales, in FY 09, driven by a 90 bps decrease in the gross margin as merchandise margins narrow, reflecting increased markdowns in the first half, and a 110 bps increase in the SG&A expense ratio, reflecting investments in new retail concepts and a buildout of ecommerce.

Investment Rationale/Risk

- Near-term catalysts supporting our strong buy opinion include a steady flow of brand-right merchandise and the accelerated expansion of aerie (AEO's intimate apparel line), which is earnings accretive and adds about 200 to 300 basis points to same-store sales comparisons. Additional growth levers that we see include expanding the women's accessories category (currently about 10% of sales), the development of Martin + Osa, and the introduction of 77kids (ages 2-10) in 2008.
- Risks to our recommendation and target price include fashion, inventory and markdown risk, declines in consumer spending, as well as the failure of new business initiatives. A slowdown in store level productivity could also adversely affect the shares.
- We apply a peer specialty apparel retail FY 09 forward P/E multiple of about 15X (60% above the recent level for AEO) to our FY 09 EPS estimate to arrive at our 12-month target price of \$27. On a P/E-to-growth (PEG) ratio metric, AEO trades at 0.9X, a 20% discount to peers. We anticipate that the rollout of aerie and traction at Martin + Osa will support multiple expansion.

Qualitative Risk Assessment

| | | |
|-----|--------|------|
| LOW | MEDIUM | HIGH |
|-----|--------|------|

Our risk assessment is based on our view of AEO's debt-free balance sheet and strong cash flow, offset by the fickleness of its target demographic.

Quantitative Evaluations

S&P Quality Ranking **B+**

| | | | | | | | |
|---|---|----|---|----|----|---|----|
| D | C | B- | B | B+ | A- | A | A+ |
|---|---|----|---|----|----|---|----|

Relative Strength Rank **MODERATE**

| | |
|------------|--------------|
| 52 | |
| LOWEST = 1 | HIGHEST = 99 |

Revenue/Earnings Data

| | 1Q | 2Q | 3Q | 4Q | Year |
|------|-------|-------|-------|-------|-------|
| 2008 | 612.4 | 703.2 | 744.4 | 995.4 | 3,055 |
| 2007 | 522.4 | 602.3 | 696.3 | 973.4 | 2,794 |
| 2006 | 454.0 | 513.3 | 577.7 | 764.4 | 2,309 |
| 2005 | 332.2 | 395.4 | 479.6 | 674.0 | 1,881 |
| 2004 | 291.9 | 337.1 | 373.8 | 517.3 | 1,520 |
| 2003 | 277.9 | 319.2 | 374.5 | 491.6 | 1,463 |

| | 1Q | 2Q | 3Q | 4Q | Year |
|------|------|------|------|------|------|
| 2008 | 0.35 | 0.37 | 0.45 | 0.66 | 1.82 |
| 2007 | 0.28 | 0.31 | 0.44 | 0.66 | 1.70 |
| 2006 | 0.23 | 0.25 | 0.31 | 0.47 | 1.26 |
| 2005 | 0.12 | 0.15 | 0.26 | 0.47 | 0.99 |
| 2004 | 0.03 | 0.04 | 0.05 | 0.16 | 0.28 |
| 2003 | 0.05 | 0.05 | 0.12 | 0.18 | 0.41 |

Fiscal year ended Jan. 31. Next earnings report expected: Late May. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

| Amount (\$) | Date Decl. | Ex-Div. Date | Stk. of Record | Payment Date |
|-------------|------------|--------------|----------------|--------------|
| 0.100 | 06/12 | 06/28 | 07/02 | 07/13/07 |
| 0.100 | 08/24 | 09/26 | 09/28 | 10/12/07 |
| 0.100 | 11/20 | 12/26 | 12/28 | 01/11/08 |
| 0.100 | 03/07 | 03/26 | 03/28 | 04/11/08 |

Dividends have been paid since 2004. Source: Company reports.

American Eagle Outfitters Inc**Business Summary** April 17, 2008

CORPORATE OVERVIEW. American Eagle Outfitters is one of the largest specialty retailers targeting the teen/young adult demographic, offering all-American casual apparel, accessories and footwear, and with the launch of the aerie brand, intimate apparel.

MARKET PROFILE. AEO participates in the specialty apparel retail market targeted at youths spanning the "tween" to young adult demographic, an age group that includes seven- to 24-year-olds. While the U.S. apparel market is considered mature, with demand mirroring population growth and a modicum related to fashion, the youth marketplace is generally considered attractive based on its spending clout. According to NPD consumer estimated data, collectively this group accounts for approximately 35% of total apparel spending, with the sweet spot being teenagers (18%).

COMPETITIVE LANDSCAPE. The retail landscape is consolidating, with share accruing to mass merchants and specialty chains as traditional department stores lose ground. Specialty chains compete on customer knowledge garnered from daily interactions, focus groups and market intelligence; this knowledge is often combined with high customer service levels to result in an attractive price/value equation for consumers. AEO's target demographic is attracted to strong brands, as well as fashion and value, when determining apparel selections. The specialty channel holds the largest share (31%) of the apparel market, according to NPD, and the subsegment with the highest penetration in the specialty channel is the youth demographic, garnering about 42%. With barriers to entry minimal (investment in merchandise, rent and labor) and potential ROI high and quick (four-wall ROI exceeds 40% in 12 months for many specialty retailers), there is a steady flow of new industry participants. AEO also competes with consumer electronics and entertainment services for youths' discretionary spending.

PRIMARY BUSINESS DYNAMICS. Growth retailers are so named in reflection of their ability to increase sales via new store openings and same-store sales (comps) gains. As the American Eagle (AE) chain offers limited expansion potential, given its more than 840 domestic locations, we are pleased with the success of aerie, AEO's intimate apparel sub-brand for teens and young adult females, which generated \$100 million in sales in its inaugural year. In January 2008, AEO announced plans to launch a new line, 77kids by American Eagle, for kids 2-10, debuting online in FY 09 (Jan.) with retail locations planned for 2010. Martin + Osa (M+O), targeted at 25- to 40-year-olds was launched in the fall of 2006 and remains a work in progress as AEO tweaks store layout, merchandise and fashion point of view. We note that multiple specialty retail operators are targeting this underserved demographic, and we anticipate growing competition from both specialty retail operators as well as mall-based department stores. In addition to developing new retail brands, we see underdeveloped product categories as areas of opportunity for AEO, such as AEO's accessories categories (handbags, jewelry and shoes) that could generate an incremental \$500 million a year as it is developed, and the launch of aeriefit, an active lifestyle component to aerie introduced in 2007.

AEO has upgraded its real estate portfolio with store renovations, relocations and expansions in the past few years; we believe as AEO entered FY 09, about 5% (50 stores) were in the old store format, with plans to upgrade. Most stores are located in regional malls and urban and lifestyle centers, and 76 AE stores are in Canada. In FY 08, 80 (net of eight store closures) new stores had been opened and 53 remodeled, with new stores generating an estimated \$500 of sales per square foot, versus the mature store base at \$517. New stores are quickly profitable, and produced a four-wall profit margin of 23% and a year one return on investment (ROI) of 100%. FY 09 plans are to expand store square footage approximately 10% for 40 new AE stores, 35 stand-alone aerie stores, and approximately 15 new M+O stores, and to remodel 40-50 AE stores.

FINANCIAL TRENDS. AEO's financial and operating returns were hurt in the FY 08 second half as the macro-economic environment deteriorated, with annual sales growth of 9% (versus 20% in FY 07) and net income up 3% (32%). We note that FY 08 was a 52-week year, while FY 07 was a 53-week year. Comps rose 1% (12%). Returns on assets (ROA), equity (ROE) and invested capital (ROIC) all more than doubled in the past five years, to industry-leading levels of 20%, 29% and 28%, respectively. We anticipate continued modest deterioration in AEO's operating performance in FY 09, as the effects of a weakened economy are offset by improved inventory management systems and growing scale economies. FY 08 ROIC of 28% represented about a 30% premium to AEO's specialty apparel retailer peer group.

Corporate Information**Investor Contact**

J. Meehan (412-432-3300)

Office

150 Thorn Hill Drive, Warrendale, PA 15086-7528.

Telephone

724-776-4857.

Fax

724-776-6160.

Website<http://www.ae.com>**Officers****Chrmn**

J.L. Schottenstein

CEO

J.V. O'Donnell

Pres

S.P. McGalla

CFO

J. Holstein Hilson

Vice Chrmn

R.S. Markfield

Board Members

J. P. Diamond

M. G. Jesselson

A. Kane

R. S. Markfield

C. McMillan

J. V. O'Donnell

J. E. Page

J. T. Presby

J. L. Schottenstein

G. E. Wedren

Domicile

Delaware

Founded

1972

Employees

38,700

Stockholders

70,000

American Eagle Outfitters Inc

Quantitative Evaluations

| | | | | | | |
|--------------------------------|----|--------|---|---------|---|---|
| S&P Fair Value Rank | 2+ | 1 | 2 | 3 | 4 | 5 |
| | | LOWEST | | HIGHEST | | |

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

| | | |
|-------------------------------|----------------|---|
| Fair Value Calculation | \$16.60 | Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that AEO is slightly overvalued by \$2.07 or 11.1%. |
|-------------------------------|----------------|---|

| | | |
|---|-----------|--------------------------|
| Investability Quotient Percentile | 86 | LOWEST = 1 HIGHEST = 100 |
| AEO scored higher than 86% of all companies for which an S&P Report is available. | | |

| | | | |
|-------------------|-----|---------|------|
| Volatility | LOW | AVERAGE | HIGH |
|-------------------|-----|---------|------|

| | | |
|-----------------------------|----------------|--|
| Technical Evaluation | BEARISH | Since March, 2008, the technical indicators for AEO have been BEARISH. |
|-----------------------------|----------------|--|

| | | | | |
|-------------------------|-----------|-------------|---------|-----------|
| Insider Activity | NA | UNFAVORABLE | NEUTRAL | FAVORABLE |
|-------------------------|-----------|-------------|---------|-----------|

Expanded Ratio Analysis

| | 2007 | 2006 | 2005 | 2004 |
|--------------------------------|-------|-------|-------|-------|
| Price/Sales | 1.70 | 3.15 | 1.84 | 2.24 |
| Price/EBITDA | 7.03 | 13.58 | 8.01 | 19.44 |
| Price/Pretax Income | 7.54 | 15.25 | 9.41 | 31.91 |
| P/E Ratio | 12.25 | 24.76 | 15.40 | 56.68 |
| Avg. Diluted Shares Outstg (M) | 228.4 | 233.0 | 225.4 | 216.6 |

Figures based on calendar year-end price

Key Growth Rates and Averages

| Past Growth Rate (%) | 1 Year | 3 Years | 5 Years | 9 Years |
|----------------------|--------|---------|---------|---------|
| Sales | 21.00 | 22.53 | 15.82 | 21.46 |
| Net Income | 31.88 | 79.77 | 38.55 | 28.79 |

Ratio Analysis (Annual Avg.)

| | 2007 | 2006 | 2005 | 2004 |
|-----------------------------|-------|-------|-------|-------|
| Net Margin (%) | 13.86 | 12.83 | 9.70 | 9.43 |
| % LT Debt to Capitalization | Nil | 1.65 | 1.96 | 1.50 |
| Return on Equity (%) | 30.11 | 28.57 | 22.40 | 28.25 |

Company Financials Fiscal Year Ended Jan. 31

| Per Share Data (\$) | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------------|-------|-------|-------|-------|------|-------|-------|-------|-------|------|
| Tangible Book Value | NA | 7.20 | 5.13 | 4.25 | 2.97 | 2.60 | 2.22 | 1.66 | 1.26 | 0.73 |
| Cash Flow | NA | 2.08 | 1.58 | 1.30 | 0.54 | 0.64 | 0.67 | 0.54 | 0.47 | 0.29 |
| Earnings | 1.82 | 1.82 | 1.26 | 0.99 | 0.28 | 0.41 | 0.48 | 0.43 | 0.41 | 0.25 |
| S&P Core Earnings | 1.82 | 1.70 | 1.22 | 0.95 | 0.28 | 0.37 | 0.43 | 0.39 | NA | NA |
| Dividends | 0.31 | 0.31 | 0.18 | 0.04 | Nil | Nil | Nil | Nil | Nil | Nil |
| Payout Ratio | 17% | 18% | 14% | 4% | Nil | Nil | Nil | Nil | Nil | Nil |
| Calendar Year | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| Prices:High | 34.80 | 33.01 | 22.69 | 15.92 | 7.79 | 10.15 | 14.33 | 10.39 | 13.00 | 7.55 |
| Prices:Low | 20.17 | 14.83 | 12.97 | 5.28 | 4.81 | 3.25 | 5.65 | 2.58 | 6.54 | 1.59 |
| P/E Ratio:High | 19 | 19 | 18 | 16 | 28 | 25 | 30 | 24 | 31 | 30 |
| P/E Ratio:Low | 11 | 9 | 10 | 5 | 17 | 8 | 12 | 6 | 16 | 6 |

Income Statement Analysis (Million \$)

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|--------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | NA | 2,794 | 2,309 | 1,881 | 1,520 | 1,463 | 1,372 | 1,093 | 832 | 588 |
| Operating Income | NA | 675 | 536 | 431 | 175 | 192 | 208 | 170 | 162 | 95.7 |
| Depreciation | NA | 87.9 | 74.6 | 68.3 | 56.3 | 50.7 | 41.9 | 23.2 | 12.2 | 8.60 |
| Interest Expense | NA | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Pretax Income | NA | 629 | 477 | 367 | 107 | 144 | 169 | 153 | 149 | 89.5 |
| Effective Tax Rate | NA | 38.4% | 38.4% | 38.9% | 43.7% | 38.2% | 37.7% | 38.6% | 39.3% | 39.5% |
| Net Income | NA | 387 | 294 | 224 | 60.0 | 88.7 | 105 | 93.8 | 90.7 | 54.1 |
| S&P Core Earnings | 400 | 388 | 285 | 215 | 60.4 | 80.8 | 96.0 | 85.0 | NA | NA |

Balance Sheet & Other Financial Data (Million \$)

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|------------------------------------|------|-------|-------|-------|------|------|------|------|------|------|
| Cash | NA | 827 | 131 | 275 | 251 | 195 | 180 | 133 | 76.6 | 71.9 |
| Current Assets | NA | 1,198 | 1,081 | 828 | 526 | 428 | 378 | 319 | 263 | 155 |
| Total Assets | NA | 1,987 | 1,606 | 1,294 | 865 | 741 | 673 | 543 | 355 | 211 |
| Current Liabilities | NA | 460 | 362 | 253 | 189 | 142 | 150 | 149 | 88.4 | 59.8 |
| Long Term Debt | NA | Nil | 60.1 | Nil | 13.9 | 16.4 | 19.4 | Nil | Nil | Nil |
| Common Equity | NA | 1,417 | 1,156 | 963 | 644 | 577 | 502 | 368 | 265 | 151 |
| Total Capital | NA | 1,417 | 1,216 | 963 | 658 | 594 | 521 | 368 | 265 | 151 |
| Capital Expenditures | NA | 226 | 81.5 | 97.3 | 64.2 | 61.4 | 119 | 87.8 | 45.6 | 24.9 |
| Cash Flow | NA | 475 | 368 | 293 | 116 | 139 | 147 | 117 | 103 | 62.7 |
| Current Ratio | NA | 2.6 | 3.0 | 3.3 | 2.8 | 3.0 | 2.5 | 2.1 | 3.0 | 2.6 |
| % Long Term Debt of Capitalization | NA | Nil | 4.9 | Nil | 2.1 | 2.8 | 3.7 | Nil | Nil | Nil |
| % Net Income of Revenue | NA | 13.9 | 12.7 | 11.9 | 3.9 | 6.1 | 7.7 | 8.6 | 10.9 | 9.2 |
| % Return on Assets | NA | 21.6 | 20.0 | 20.1 | 7.5 | 12.5 | 17.4 | 20.9 | 32.1 | 30.4 |
| % Return on Equity | NA | 30.1 | 27.7 | 27.9 | 9.8 | 16.4 | 24.3 | 29.7 | 43.6 | 44.7 |

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

American Eagle Outfitters Inc

Sub-Industry Outlook

Our fundamental outlook for apparel retailers is neutral. We see about 3% sales growth for the specialty channel in 2008, reflecting slowing consumer spending offset by market share gains. We anticipate channel migration from the department store to the specialty format as consumers react to the new national Macy's (formerly Federated-May).

In 2007, the specialty channel expanded at a 4.6% pace to capture 31% of the apparel market, flat with its 2006 share and up from 30% in 2005, according to NPD Fashionworld consumer estimated data. Total apparel sales rose 2.7%. Department stores' share of the market was flat at 16%, in tandem with flat sales.

Initial markups have expanded modestly as retailers' abilities to source goods at lower prices have improved. Average unit retail in the aggregate was up about 2% year over year. Information technology has enabled retailers to apply science to markdowns, resulting in improved merchandise margins. We see teen apparel retailers benefiting from a steady flow of new product to stores, which includes a greater proportion of accessories as well as new bottom silhouettes as merchants seek to provide newness to denim and twill.

Longer term, we believe the demographic underpinnings for apparel sales are weak, as an older population focuses on funding retirement, children's tuition, and health care costs. These expenditures should garner a greater share of household disposable income. We believe companies with strong brands, differentiated products, superior customer service, and attractive price-value propositions are likely to outperform their peers.

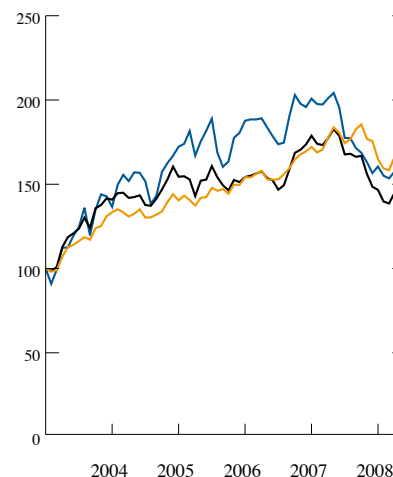
Year to date through April 11, the S&P Apparel Retail Index declined 6.7% versus a 9.0% drop for the S&P 1500 Index. In 2007, the sub-industry index decreased 20.0% versus a 3.6% increase for the S&P 1500. In our view, the recent drop in the fed funds rate may prove positive for the group. Looking at the price action for the group in the past four instances of an interest rate cut, six months later the group outperformed the broader market 50% of the time. The onset of a rate reduction program has historically been favorable for retail stocks generally, but readers should note past performance is not necessarily an indicator of future results.

--Marie Driscoll, CFA

Stock Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Apparel Retail

Based on S&P 1500 Indexes
Month-end Price Performance as of 04/30/08



Sub-Industry Sector S&P 1500

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Apparel Retail Peer Group*: Youth Apparel Retailers

| Peer Group | Stock Symbol | Stk.Mkt. Cap. (Mil. \$) | Recent Stock Price(\$) | 52 Week High/Low(\$) | Beta | Yield (%) | P/E Ratio | Fair Value Calc.(\$) | Quality Ranking | S&P IQ %ile | Return on Revenue (%) | LTD to Cap (%) |
|------------------------------|--------------|-------------------------|------------------------|----------------------|-------------|------------|-----------|----------------------|-----------------|-------------|-----------------------|----------------|
| Amer Eagle Outfitters | AEO | 3,825 | 18.67 | 30.19/15.58 | 0.78 | 2.1 | 10 | 16.60 | B+ | 86 | 13.9 | NA |
| Abercrombie & Fitch Co'A' | ANF | 6,420 | 74.50 | 85.77/66.05 | 0.92 | 0.9 | 14 | 95.70 | A- | 98 | 12.7 | NA |
| Aeropostale Inc | ARO | 2,163 | 32.41 | 33.65/18.29 | 1.46 | Nil | 19 | 36.20 | NR | 87 | 7.5 | NA |
| Buckle Inc | BKE | 1,483 | 48.73 | 50.50/30.05 | 0.44 | 2.1 | 20 | NA | B+ | 87 | 10.5 | NA |
| Charlotte Russe Hldg | CHIC | 416 | 16.69 | 29.50/12.27 | 0.44 | Nil | 11 | 22.60 | B | 90 | 4.9 | NA |
| Guess Inc | GES | 3,613 | 38.29 | 57.20/30.00 | 1.33 | 0.8 | 21 | 37.40 | B- | 77 | 10.4 | 4.0 |
| Pacific Sunwear of Calif | PSUN | 942 | 13.31 | 23.06/8.87 | 1.10 | Nil | NM | 13.70 | B | 88 | 2.7 | NA |
| Urban Outfitters | URBN | 5,602 | 33.63 | 35.37/19.20 | 1.85 | Nil | 35 | 39.50 | B | 95 | 9.5 | NA |
| Wet Seal'A' | WTSLA | 336 | 3.60 | 6.33/1.81 | 1.16 | Nil | 16 | 3.40 | C | 78 | NM | 2.3 |
| Zumiez Inc | ZUMZ | 653 | 22.76 | 53.99/13.26 | 2.53 | Nil | 26 | 24.10 | NR | 58 | 6.3 | NA |

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

American Eagle Outfitters Inc**S&P Analyst Research Notes and other Company News****April 10, 2008**

Down 0.36 to 16.57... Cuts Q1 EPS guidance to \$0.18-\$0.20, vs. previous guidance of \$0.25-\$0.27. Posts 12% lower March same-store sales, 2% lower total sales. Notes March sales well below co.'s recent expectations.

April 10, 2008

01:25 pm ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF AMERICAN EAGLE OUTFITTERS (AEO 16.8*****): We think inventory buildup from weak March sales will require continued markdowns and promotions, but see improved demand by back-to-school. Women's merchandise is weaker than men's, and we think new contemporary labels and fast fashion retailers are capturing some of AEO's share. That said, AEO is #1 denim brand among 15-25 year olds and its aerie units provide L/T growth opportunities. We cut our Apr-Q and Jul-Q EPS estimates to \$0.18 and \$0.26, from \$0.27 and \$0.36, and FY 09 (Jan.) and FY 10 to \$1.76 and \$2.00, from \$1.95 and \$2.20. We trim target price by \$3 to \$27. /M.Driscoll-CFA

March 12, 2008

Posts \$0.66 vs. \$0.44 Q4 EPS on 2% lower same-store sales, 2.2% higher total sales.

March 12, 2008

11:18 am ET ... S&P REITERATES STRONG BUY RECOMMENDATION ON AMERICAN EAGLE OUTFITTERS SHARES (AEO 18.71*****): Jan-Q EPS flat at \$0.66 meets our estimate. Operating margin shrank 220 bps to 21% with deeper markdowns and higher buying and occupancy expense. SG&A expense was flat on comp-store sales down 2%. AEO entered FY 09 (Jan.) with inventory per square foot down 5% and is buying conservatively for current traffic patterns. By marketing entry price point denim (\$29.50) and graphic Ts (\$15.50) we see chance to capture a growing value demographic. Enhanced IT should aid merchandise margins and we look for earnings gains to resume in 2nd half when denim is refreshed for back-to-school. /M.Driscoll-CFA

March 7, 2008

02:45 pm ET ... AMERICAN EAGLE OUTFITTERS, INC. (AEO 17.67) DOWN 3.61, AEO'S FEB. SALES LOWER THAN EXPECTED. NEEDHAM DOWNGRADES... Analyst Christine Chen tells salesforce she's downgrading AEO to underperform from hold on her belief AEO faces headwinds this year due to increased competition, difficult same-store sales and peak margin comparisons in a challenging macro environment. Notes stock as of yesterday was trading at about 11x her new FY 09 (Jan) EPS est. of \$1.78 (reduced from \$1.95), a discount to the sector average of about 15x above its LT organic growth rate of 8%-10% at best, given limited square footage growth opportunities and what she thinks could be a difficult FY 09. Thus, sees another potential 11%-15% downside from current valuations, to 9x her new FY 09 est., or \$15-\$16/share./B.Egli

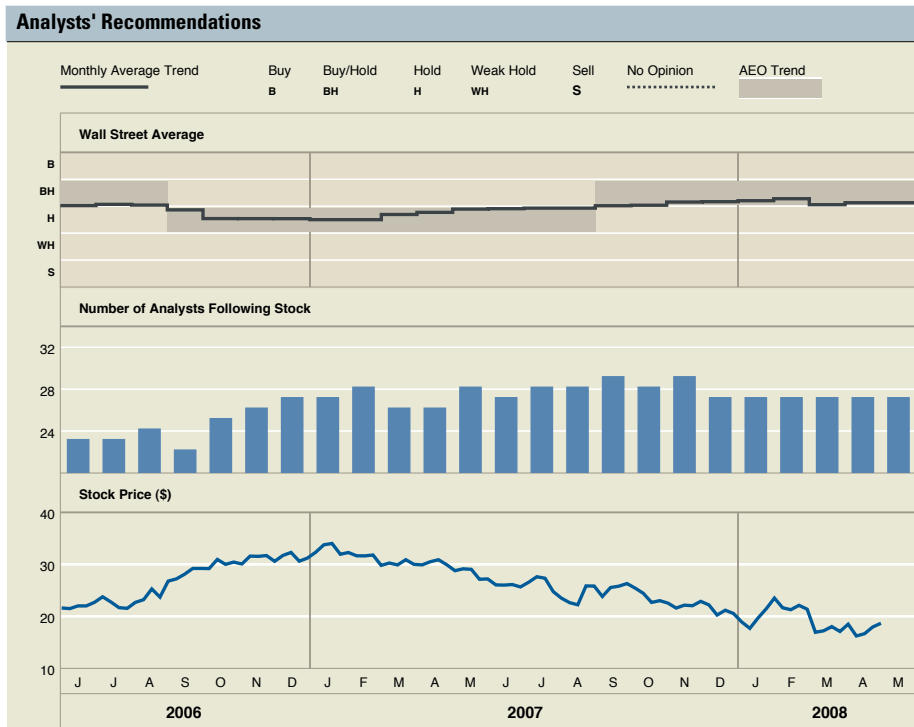
March 7, 2008

11:48 am ET ... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF AMERICAN EAGLE OUTFITTERS (AEO 17.91*****): AEO reports Feb. comp-store sales down 4% and guides for Apr-Q negative comps, and EPS of \$0.25-\$0.27 vs. \$0.35. We see ongoing weakness in girls apparel and accessories, soft traffic and deeper markdowns, and lower our Apr-Q and July-Q EPS estimates to \$0.27 and \$0.36 from \$0.40 and \$0.42, and full FY 09 (Jan.) to \$1.91 from \$2.20. We cut our 12-month target price to \$30 from \$37, a peer-based 15.7X our '09 estimate. Men's business is strong and AEO remains #1 denim brand among 15-25 year olds. At 25% discount to peers, we think AEO shows strong value in the teen retail space. /M. Driscoll-CFA

March 7, 2008

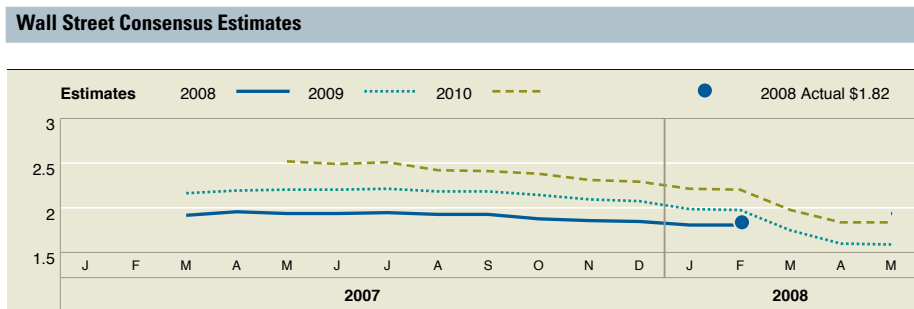
11:48 am EST... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF AMERICAN EAGLE OUTFITTERS (AEO 17.91*****): AEO reports Feb. comp-store sales down 4% and guides for Apr-Q negative comps, and EPS of \$0.25-\$0.27 vs. \$0.35. We see ongoing weakness in girls apparel and accessories, soft traffic and deeper markdowns, and lower our Apr-Q and July-Q EPS estimates to \$0.27 and \$0.36 from \$0.40 and \$0.42, and full FY 09 (Jan.) to \$1.91 from \$2.20. We cut our 12-month target price to \$30 from \$37, a peer-based 15.7X our '09 estimate. Men's business is strong and AEO remains #1 denim brand among 15-25 year olds. At 25% discount to peers, we think AEO shows strong value in the teen retail space. /M. Driscoll-CFA

American Eagle Outfitters Inc



Of the total 29 companies following AEO, 27 analysts currently publish recommendations.

| | No. of Ratings | % of Total | 1 Mo. Prior | 3 Mos. Prior |
|--------------|----------------|------------|-------------|--------------|
| Buy | 7 | 26 | 7 | 8 |
| Buy/Hold | 4 | 15 | 4 | 5 |
| Hold | 15 | 56 | 15 | 14 |
| Weak Hold | 1 | 4 | 1 | 0 |
| Sell | 0 | 0 | 0 | 0 |
| No Opinion | 0 | 0 | 0 | 0 |
| Total | 27 | 100 | 27 | 27 |



| Fiscal Years | Avg Est. | High Est. | Low Est. | # of Est. | Est. P/E |
|------------------------|--------------|--------------|--------------|---------------|---------------|
| 2010 | 1.84 | 2.18 | 1.48 | 25 | 10.1 |
| 2009 | 1.59 | 1.85 | 1.35 | 28 | 11.7 |
| 2010 vs. 2009 | ▲ 16% | ▲ 18% | ▲ 10% | ▼ -11% | ▼ -14% |
| Q1'10 | 0.25 | 0.27 | 0.23 | 3 | 74.7 |
| Q1'09 | 0.19 | 0.20 | 0.18 | 25 | 98.3 |
| Q1'10 vs. Q1'09 | ▲ 32% | ▲ 35% | ▲ 28% | ▼ -88% | ▼ -24% |

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- B. Riley & Company, Inc.
- Banc of America Securities LLC
- Bear Stearns & Co.
- Buckingham Research Group, Inc.
- Cleveland Research Company
- Cowen & Co.
- Credit Suisse First Boston
- D A Davidson & Company
- Friedman, Billings, Ramsey & Co.
- JP Morgan Securities
- Janney Montgomery Scott, Inc.
- Lazard Capital Markets
- Lehman Brothers, Inc.
- MKM Partners LLC
- Merrill Lynch Research
- Morgan Stanley & Company
- Morgan, Keegan & Company, Inc.
- Needham & Co.
- Oppenheimer
- Pali Research
- Piper Jaffray
- RBC Capital Markets (US)
- Robinson Humphrey Co., The
- Smith Barney
- Stephens, Inc.
- Stifel Nicolaus & Co.
- Susquehanna Financial Group
- Thomas Weisel Partners
- Wachovia Securities

Wall Street Consensus vs. Performance

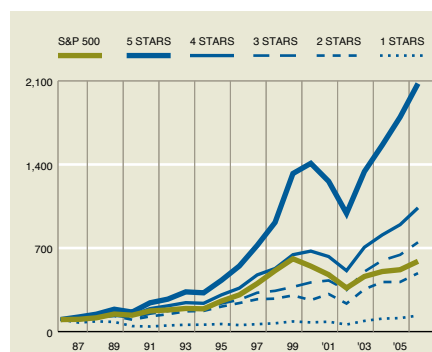
For fiscal year 2009, analysts estimate that AEO will earn \$1.59. For fiscal year 2010, analysts estimate that AEO's earnings per share will grow by 16% to \$1.84.

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

| | | | |
|----|---------------|----|-------------------|
| A+ | Highest | B | Below Average |
| A | High | B- | Lower |
| A- | Above Average | C | Lowest |
| B+ | Average | D | In Reorganization |
| NR | Not Ranked | | |

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:

Amer Eagle Outfitters

| | Raw Score | Max Value |
|-------------------------------|------------|------------|
| Proprietary S&P Measures | 29 | 115 |
| Technical Indicators | 18 | 40 |
| Liquidity/Volatility Measures | 19 | 20 |
| Quantitative Measures | 64 | 75 |
| IQ Total | 130 | 250 |

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

American Eagle Outfitters Inc

Required Disclosures

S&P Global STARS Distribution

In the U.S.: As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 34.2% of issuers with buy recommendations, 57.3% with hold recommendations and 8.5% with sell recommendations.

In Europe: As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services Europe have recommended 47.0% of issuers with buy recommendations, 36.3% with hold recommendations and 16.7% with sell recommendations.

In Asia: As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services Asia have recommended 50.4% of issuers with buy recommendations, 42.5% with hold recommendations and 7.1% with sell recommendations.

Globally: As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services globally have recommended 37.1% of issuers with buy recommendations, 53.4% with hold recommendations and 9.5% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In the U.S. the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"), in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&P M") which is regulated by the Securities Commission and in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&P M, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

Standard & Poor's or an affiliate may license certain intellectual property or provide pricing or other services to, or otherwise have a financial interest in, certain issuers of securities, including exchange-traded investments whose investment objective is to substantially replicate the returns of a proprietary Standard & Poor's index, such as the S&P 500. In cases where Standard & Poor's or an affiliate is paid fees that are tied to the amount of assets that are invested in the fund or the volume of trading activity in the fund, investment in the fund will generally result in Standard & Poor's or an affiliate earning compensation in addition to the subscription fees or other compensation for services rendered by Standard & Poor's. A reference to a particular investment or security by Standard & Poor's and one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

This company is not a customer of S&P or its affiliates.

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. - this report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Malaysia, all queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.