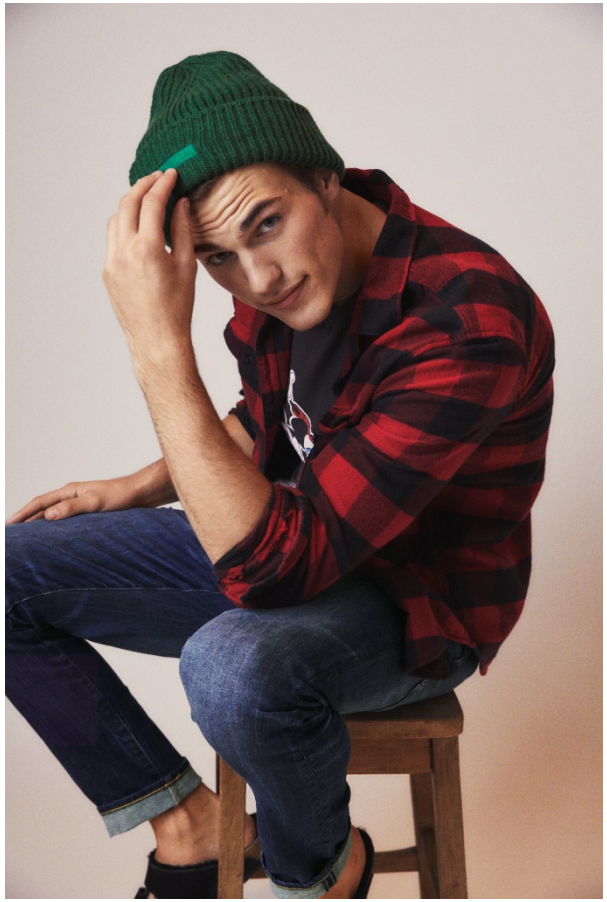




AEO INC.

THIRD QUARTER 2020 FINANCIAL RESULTS

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

This release and related statements by management contain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), which represent our expectations or beliefs concerning future events, including fourth quarter 2020 results. All forward-looking statements made by the company involve material risks and uncertainties and are subject to change based on many important factors, some of which may be beyond the company's control. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," "potential," and similar expressions may identify forward-looking statements. Except as may be required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise and even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. The following factors, in addition to the risks disclosed in Item 1A., Risk Factors, of the company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020 and in any subsequently-filed Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission in some cases have affected, and in the future could affect, the company's financial performance and could cause actual results for the fourth quarter 2020 and beyond to differ materially from those expressed or implied in any of the forward-looking statements included in this release or otherwise made by management: the impact that the COVID-19 pandemic, the 2020 U.S. Presidential election and disruption related to social unrest will have on our operations and financial results, which is difficult to accurately predict; the risk that the company's operating, financial and capital plans may not be achieved; our inability to anticipate customer demand and changing fashion trends and to manage our inventory commensurately; seasonality of our business; our inability to achieve planned store financial performance; our inability to react to raw material cost, labor and energy cost increases; our inability to gain market share in the face of declining shopping center traffic; our inability to respond to changes in e-commerce and leverage omni-channel demands; our inability to expand internationally; difficulty with our international merchandise sourcing strategies; challenges with information technology systems, including safeguarding against security breaches; and changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits, which could have a material adverse effect on our business, results of operations and liquidity.

Non-GAAP Measures

This press release includes information on non-GAAP financial measures including earnings per share, excluding non-GAAP items, which is a non-GAAP or “adjusted” financial measure. These financial measures are not based on any standardized methodology prescribed by U.S. generally accepted accounting principles (“GAAP”) and are not necessarily comparable to similar measures presented by other companies. Management believes that this non-GAAP information more clearly reflects our financial results and is useful for an alternate presentation of the company’s performance, when reviewed in conjunction with the company’s GAAP financial statements. These amounts are not determined in accordance with GAAP and therefore, should not be used exclusively in evaluating the company’s business and operations.

STATEMENTS OF OPERATIONS SUMMARY-GAAP BASIS

(unaudited)

(In thousands, except per share amounts)	Third Quarter Ended			
	October 31, 2020	% of Revenue	November 2, 2019	% of Revenue
Total net revenue	$ 1,031,617	100.0%	$ 1,066,412	100.0%
Cost of sales, including certain buying, occupancy and warehousing expenses	616,840	59.8%	659,350	61.8%
Gross profit	414,777	40.2%	407,062	38.2%
Selling, general and administrative expenses	273,297	26.5%	258,973	24.3%
Impairment, restructuring, and COVID-19 related charges	6,955	0.6%	-	0.0%
Depreciation and amortization	38,974	3.8%	44,987	4.2%
Operating income	95,551	9.3%	103,102	9.7%
Interest expense (income), net	7,924	0.8%	(1,238)	-0.1%
Other income, net	(2,223)	-0.2%	(1,339)	-0.1%
Income before taxes	89,850	8.7%	105,679	9.9%
Provision for income taxes	31,742	3.1%	24,918	2.3%
Net income	$ 58,108	5.6%	$ 80,761	7.6%
Net income per basic share	$ 0.35		$ 0.48	
Net income per diluted share	$ 0.32		$ 0.48	
Weighted average common shares outstanding - basic	166,185		167,912	
Weighted average common shares outstanding - diluted	184,397		168,693	

STATEMENTS OF OPERATIONS SUMMARY-GAAP BASIS

(unaudited)

(In thousands, except per share amounts)	YTD Third Quarter Ended October 31, 2020	% of Revenue	November 2, 2019	% of Revenue
Total net revenue	$ 2,466,819	100.0%	$ 2,993,581	100.0%
Cost of sales, including certain buying, occupancy and warehousing expenses	1,758,537	71.3%	1,879,027	62.8%
Gross profit	708,282	28.7%	1,114,554	37.2%
Selling, general and administrative expenses	685,206	27.8%	742,764	24.8%
Impairment, restructuring, and COVID-19 related charges	177,186	7.1%	4,272	0.1%
Depreciation and amortization	120,818	4.9%	134,648	4.5%
Operating (loss) income	(274,928)	-11.1%	232,870	7.8%
Interest expense (income), net	16,617	0.7%	(4,797)	-0.2%
Other income, net	(793)	0.0%	(5,952)	-0.1%
(Loss) income before taxes	(290,752)	-11.8%	243,619	8.1%
(Benefit) provision for income taxes	(77,943)	-3.2%	57,125	1.9%
Net (loss) income	$ (212,809)	-8.6%	$ 186,494	6.2%
Net income per basic share	$ (1.28)		$ 1.09	
Net income per diluted share	$ (1.28)		$ 1.09	
Weighted average common shares outstanding - basic	166,385		170,463	
Weighted average common shares outstanding - diluted	166,385		171,697	

AEO INC.

GAAP TO NON-GAAP RECONCILIATION
STATEMENTS OF OPERATIONS

(unaudited)

($ in thousands)	13 Weeks Ended October 31, 2020		
	Operating Income	Interest Expense, net	Diluted Earnings per Common Share
GAAP Basis	**$ 95,551**	**$ 7,924**	**$ 0.32**
% of Revenue	*9.3%*	*0.8%*	
Incremental COVID-19 related expenses and restructuring(1):	6,955	-	$ 0.02
Convertible debt(2):	-	(4,113)	$ 0.01
Non-GAAP Basis	**$ 102,506**	**$ 3,811**	**$ 0.35**
% of Revenue	*9.9%*	*0.4%*	

(1) $7.0 million Incremental COVID-19 related expenses and restructuring charges:
- $6.0 million of incremental COVID-19 related expenses consisting of personal protective equipment and supplies for our associates and customers
- $1.0 million of corporate severance charges

(2) Amortization of the non-cash discount on the Company's convertible notes

GAAP TO NON-GAAP RECONCILIATION
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

(unaudited)

($ in thousands)	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019
Net Income	**$ 58,108**	**$ 80,761**
Add: Provision for income taxes	31,742	24,918
Add: Depreciation and amortization	38,974	44,987
Add: Interest expense (income), net	7,924	(1,238)
EBITDA	**$ 136,748**	**$ 149,428**
Add: Incremental COVID-19 related expenses and restructuring[(1)]	6,955	-
Adjusted EBITDA	**$ 143,703**	**$ 149,428**

(1) $7.0 million Incremental COVID-19 related expenses and restructuring charges:
- $6.0 million of incremental COVID-19 related expenses consisting of personal protective equipment and supplies for our associates and customers
- $1.0 million of corporate severance charges

KEY HIGHLIGHTS

(unaudited)

	2020	2019
Third Quarter		
Total Net Revenue Change	(3)%	6 %
Gross Margin	40.2%	38.2 %
Selling, General and Administrative Expenses	26.5%	24.3 %
Adjusted Operating Margin [(1)]	9.9 %	9.7 %
Adjusted EPS [(1)]	$ 0.35	$ 0.48

(1) Results shown are on a non-GAAP basis and exclude certain charges for all periods presented. See accompanying tables for a reconciliation of GAAP to non-GAAP results.

INVENTORY DATA

(unaudited)

($ in thousands)	October 31, 2020	November 2, 2019
Ending Inventory	$559,961	$647,329
% Change to prior year	-13%	9%
Quarterly Inventory turn [(1)]	1.26	1.12

(1) - Inventory turn is calculated as the total GAAP cost of goods sold for the quarterly periods divided by the straight average of the beginning and ending inventory balances from the consolidated balance sheets.

BALANCE SHEET SUMMARY

(unaudited)

($ in thousands)	October 31, 2020	February 1, 2020	November 2, 2019
ASSETS			
Cash and cash equivalents	$ 692,356	$ 361,930	$ 214,514
Short-term investments	-	55,000	50,000
Merchandise inventory	559,961	446,278	647,329
Accounts receivable	124,560	119,064	112,304
Prepaid expenses and other	130,909	65,658	54,427
Total current assets	1,507,786	1,047,930	1,078,574
Property and equipment, net	650,397	735,120	764,350
Operating lease right-of-use assets	1,243,311	1,418,916	1,486,133
Intangible assets net, including goodwill	50,864	53,004	55,466
Non-current deferred income taxes	12,774	22,724	16,833
Other assets	33,083	50,985	50,896
Total Assets	$ 3,498,215	$ 3,328,679	$ 3,452,252
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	$ 304,552	$ 285,746	$ 366,676
Current portion of operating lease credits	346,321	299,161	292,312
Dividends payable	22,843	-	-
Total other current liabilities	220,620	166,849	151,164
Total current liabilities	894,336	751,756	810,152
Long-term debt, net	321,081	-	-
Non-current operating lease liabilities	1,196,755	1,301,735	1,353,819
Other non-current liabilities	17,846	27,335	27,896
Total non-current liabilities	1,535,682	1,329,070	1,381,715
Total stockholders' equity	1,068,197	1,247,853	1,260,385
Total Liabilities and Stockholders' Equity	$ 3,498,215	$ 3,328,679	$ 3,452,252
Total Cash and Short-Term Investments	$ 692,356	$ 416,930	$ 264,514
Total Working Capital	$ 613,450	$ 296,174	$ 268,422
Current Ratio	1.69	1.39	1.33

AEO INC.

CASH RETURNED TO SHAREHOLDERS

(unaudited)

(In millions, except per share amounts)	Third Quarter Ended October 31, 2020	Third Quarter Ended November 2, 2019	YTD Third Quarter Ended October 31, 2020	YTD Third Quarter Ended November 2, 2019
Cash used for share repurchases	$0.0	$32.4	$20.0	$112.4
Number of shares repurchased	0.0	2.0	1.7	6.3
Cash used for regular quarterly dividends	$0.0	$23.0	$0.0	$69.8
Total dividends per share	$0.000	$0.138	$0.000	$0.413
Total cash returned to shareholders	$0.0	$55.4	$20.0	$182.2

REAL ESTATE SUMMARY

(unaudited)

	Third Quarter 2020	YTD Third Quarter 2020
Consolidated stores at beginning of period	1,098	1,095
Consolidated stores opened during the period		
AE Brand	3	6
Aerie stand-alone[3]	7	22
Todd Snyder	0	1
Consolidated stores closed during the period		
AE Brand	(3)	(15)
Aerie stand-alone	0	(3)
Tailgate Clothing Co.	0	(1)
Total consolidated stores at end of period	**1,105**	**1,105**
AE Brand	931	
Aerie stand-alone	167	
Aerie stand-alone[3]	177	
Tailgate Clothing Co.	4	
Todd Snyder	3	
Stores remodeled and refurbished during the period	8	12
Total gross square footage at end of period (in '000)	6,858	6,858
International license locations at end of period [1]	225	225
Aerie openings		
Aerie stand-alone[3]	7	22
Total Aerie side-by-side stores [2]	2	5
Total Aerie openings	**9**	**27**

(1) International license locations are not included in the consolidated store data or the total gross square footage calculation.
(2) Aerie side-by-side stores are included in the AE Brand store count as they are considered part of the AE Brand store to which they are attached.
(3) Aerie stand alone stores include an Offline store opening in Q3 and an Unsubscribed store opening in Q2.

INTERNATIONAL LICENSED STORE LOCATIONS

(unaudited)

Q3 2020 Ending Licensed Stores: 225

	Q3 2020	Q3 2019
Israel	48	48
Saudi Arabia/KSA	26	27
UAE	22	17
Colombia	18	16
India	17	11
Philippines	11	10
Chile	10	16
Greece	9	10
Thailand	9	6
Kuwait	8	6
Egypt	7	5
South Korea	7	13
Qatar	6	4
Oman	4	3
Spain	4	0
Bahrain	3	2
Costa Rica	3	2
Panama	3	2
Guatemala	2	2
Paraguay	2	0
Andorra	1	0
Curacao	1	1
Dominican Republic	1	1
El Salvador	1	0
Hungary	1	0
Jordan	1	1
Japan	0	33
Lebanon	0	4
Peru	0	1
Total	**225**	**241**

Q3 2020 Openings
Spain (4)
Paraguay (2)
Colombia (1)
Kuwait (1)
Qatar (1)
UAE (1)

Q3 2020 Closings
Lebanon (4)
Saudi Arabia (1)

APPENDIX

HISTORICAL QUARTERLY STORE DATA BY BRAND

(unaudited)

		AE Brand		aerie		Consolidated from Continuing Operations	
		End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet
2004	1st Qtr.	809	4,285,182	-	-	809	4,285,182
	2nd Qtr.	825	4,390,790	-	-	825	4,390,790
	3rd Qtr.	839	4,489,606	-	-	839	4,489,606
	4th Qtr.	846	4,540,095	-	-	846	4,540,095
	Total	846	4,540,095	-	-	846	4,540,095
2005	1st Qtr.	845	4,549,729	-	-	845	4,549,729
	2nd Qtr.	854	4,631,461	-	-	854	4,631,461
	3rd Qtr.	866	4,729,612	-	-	866	4,729,612
	4th Qtr.	869	4,772,487	-	-	869	4,772,487
	Total	869	4,772,487	-	-	869	4,772,487
2006	1st Qtr.	876	4,847,077	-	-	876	4,847,077
	2nd Qtr.	883	4,911,192	-	-	883	4,911,192
	3rd Qtr.	900	5,031,014	2	5,054	902	5,036,068
	4th Qtr.	903	5,129,625	3	7,337	906	5,136,962
	Total	903	5,129,625	3	7,337	906	5,136,962
2007	1st Qtr.	909	5,188,241	3	7,337	912	5,195,578
	2nd Qtr.	914	5,278,756	5	10,566	919	5,289,322
	3rd Qtr.	928	5,421,689	32	104,810	960	5,526,499
	4th Qtr.	929	5,444,174	39	137,595	968	5,581,769
	Total	929	5,444,174	39	137,595	968	5,581,769
2008	1st Qtr.	942	5,545,675	55	199,113	997	5,744,788
	2nd Qtr.	951	5,645,346	81	297,160	1,032	5,942,506
	3rd Qtr.	958	5,708,713	111	419,935	1,069	6,128,648
	4th Qtr.	954	5,700,320	116	439,343	1,070	6,139,663
	Total	954	5,700,320	116	439,343	1,070	6,139,663
2009	1st Qtr.	953	5,723,465	129	494,734	1,082	6,218,199
	2nd Qtr.	954	5,736,761	132	505,695	1,086	6,242,456
	3rd Qtr.	952	5,745,294	137	529,123	1,089	6,274,417
	4th Qtr.	938	5,686,232	137	529,123	1,075	6,215,355
	Total	938	5,686,232	137	529,123	1,075	6,215,355
2010	1st Qtr.	938	5,703,529	139	538,190	1,077	6,241,719
	2nd Qtr.	934	5,691,552	144	560,582	1,078	6,252,134
	3rd Qtr.	935	5,708,403	147	575,096	1,082	6,283,499
	4th Qtr.	929	5,705,645	148	582,780	1,077	6,288,425
	Total	929	5,705,645	148	582,780	1,077	6,288,425
2011	1st Qtr.	931	5,727,853	150	590,278	1,081	6,318,131
	2nd Qtr.	931	5,757,301	151	593,859	1,082	6,351,160
	3rd Qtr.	937	5,805,078	158	623,862	1,095	6,428,940
	4th Qtr.	911	5,666,422	158	623,862	1,069	6,290,284
	Total	911	5,666,422	158	623,862	1,069	6,290,284
2012	1st Qtr.	911	5,680,673	157	621,170	1,068	6,301,843
	2nd Qtr.	908	5,669,359	155	613,669	1,063	6,283,028
	3rd Qtr.	909	5,690,552	154	610,110	1,063	6,300,662
	4th Qtr.	893	5,606,396	151	596,882	1,044	6,203,278
	Total	893	5,606,396	151	596,882	1,044	6,203,278

		AE Brand		aerie		Consolidated from Continuing Operations *	
		End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet
2013	1st Qtr.	896	5,632,943	141	558,695	1,037	6,191,638
	2nd Qtr.	921	5,840,401	135	532,832	1,056	6,373,233
	3rd Qtr.	932	5,935,360	132	520,137	1,064	6,455,497
	4th Qtr.	944	6,024,950	122	478,536	1,066	6,503,486
	Total	944	6,024,950	122	478,536	1,066	6,503,486
2014	1st Qtr.	949	6,069,574	108	425,786	1,057	6,495,360
	2nd Qtr.	966	6,214,646	106	417,410	1,072	6,632,056
	3rd Qtr.	988	6,387,514	104	408,559	1,092	6,796,073
	4th Qtr.	955	6,216,819	101	396,291	1,056	6,613,110
	Total	955	6,216,819	101	396,291	1,056	6,613,110
2015	1st Qtr.	956	6,233,394	98	383,638	1,054	6,617,032
	2nd Qtr.	960	6,264,006	97	379,351	1,057	6,643,357
	3rd Qtr.	970	6,343,955	98	377,357	1,068	6,721,312
	4th Qtr.	949	6,228,755	97	372,357	1,047	6,601,112
	Total	949	6,228,755	97	372,357	1,047	6,601,112
2016	1st Qtr.	950	6,237,871	95	363,909	1,046	6,601,780
	2nd Qtr.	951	6,245,820	91	346,771	1,044	6,598,956
	3rd Qtr.	952	6,265,099	97	363,424	1,052	6,638,008
	4th Qtr.	943	6,222,548	102	380,554	1,050	6,619,267
	Total	943	6,222,548	102	380,554	1,050	6,619,267
2017	1st Qtr.	944	6,237,016	103	382,854	1,053	6,637,435
	2nd Qtr.	942	6,224,214	109	400,448	1,057	6,642,227
	3rd Qtr.	943	6,222,195	110	403,048	1,058	6,641,401
	4th Qtr.	933	6,169,370	109	395,284	1,047	6,580,812
	Total	933	6,169,370	109	395,284	1,047	6,580,812
2018	1st Qtr.	935	6,183,421	109	398,447	1,048	6,598,026
	2nd Qtr.	939	6,213,412	109	408,389	1,053	6,640,759
	3rd Qtr.	941	6,230,107	110	413,272	1,057	6,662,337
	4th Qtr.	934	6,189,989	115	438,355	1,055	6,647,302
	Total	934	6,189,989	115	438,355	1,055	6,647,302
2019	1st Qtr.	936	6,205,898	119	456,506	1,061	6,662,404
	2nd Qtr.	939	6,228,664	131	505,389	1,075	6,740,653
	3rd Qtr.	945	6,275,892	142	554,419	1,094	6,836,504
	4th Qtr.	940	6,254,049	148	576,867	1,095	6,830,916
	Total	940	6,254,049	148	576,867	1,095	6,830,916
2019	1st Qtr.	936	6,205,898	119	456,506	1,061	6,662,404
	2nd Qtr.	939	6,228,664	131	505,389	1,075	6,740,653
	3rd Qtr.	945	6,275,892	142	554,419	1,094	6,836,504
	4th Qtr.	940	6,254,049	148	576,867	1,095	6,830,916
	Total	940	6,254,049	148	576,867	1,095	6,830,916
2020	1st Qtr.	938	6,246,343	148	575,509	1,093	6,821,852
	2nd Qtr.	931	6,205,098	160	618,083	1,098	6,827,912
	3rd Qtr.	931	6,207,972	167	641,995	1,105	6,858,161
	Total	931	6,207,972	167	641,995	1,105	6,858,161

*- Consolidated total includes Tailgate Clothing Co. and Todd Snyder stores.

AEO INC.

LEGEND OF NUMERICAL GUIDANCE

Description	% Range
Flat	0.0%
Slight	0.1% - 0.9%
Low Single Digits	1.0% - 3.3%
Mid Single Digits	3.4% - 6.6%
High Single Digits	6.7% - 9.9%
Low Double Digits	10.0% - 12.9%
Low Teens	13.0% - 13.3%
Mid Teens	13.4% - 16.6%
High Teens	16.7% - 19.9%
Low Twenties	20.0% - 23.3%
Mid Twenties	23.4% - 26.6%
High Twenties	26.7% - 29.9%



AEO INC.