
AEO INC.
First Quarter 2021
Investor Presentation

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 second quarter 2021 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 our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 and in any other filings that we may make 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 fiscal 2021 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 negative impacts of the COVID-19 pandemic and related operational disruptions; 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 global economic, public health, social, political 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 presentation includes information on non-GAAP financial measures ("non-GAAP" or "adjusted"), including consolidated adjusted operating income and earnings per share, excluding non-GAAP items. 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. Non-GAAP information is provided as a supplement to, not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. Management believes that this non-GAAP information is useful for an alternate presentation of the company's performance, when reviewed in conjunction with the company's GAAP consolidated financial statements, as it helps identify underlying trends in our business that could otherwise be masked by the effect of the items that we exclude in such non-GAAP measures. Accordingly, we believe that adjusted operating income provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to the key financial metrics used by our management in our financial and operational decision-making.

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Unique Brands with Real Customer Connections



We're an American jeans and apparel brand that's true in everything we do. Rooted in authenticity, powered by positivity, and inspired by our community — we welcome all and believe that putting on a really great pair of **#Aejeans** gives you the freedom to be true to you.



We make intimates, apparel, activewear and swim. Every single piece is designed to make every girl feel good. **#AerieREAL** is about no retouching. It's about body positivity. It's about empowerment. We want everyone to feel confident inside and out. **Let the real you shine**.™



First Quarter 2021 Financial Results

AEO INC.

Key Highlights *(unaudited)*

FIRST QUARTER	2019	2021
TOTAL NET REVENUE CHANGE(2)		17%
GROSS MARGIN	36.7%	42.2%
SELLING, GENERAL & ADMINISTATIVE EXPENSES	26.0%	25.6%
ADJUSTED OPERATING MARGIN(1)	5.6%	12.9%

(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.
(2) All growth rates reflect performance versus 1Q19

Inventory Data *(unaudited)*

(in thousands)	May 4, 2019	May 1, 2021
ENDING INVENTORY	$456,160	$466,698
ENDING INVENTORY % CHANGE TO 2019		2%
QUARTERLY INVENTORY TURN(3)	1.28	1.37

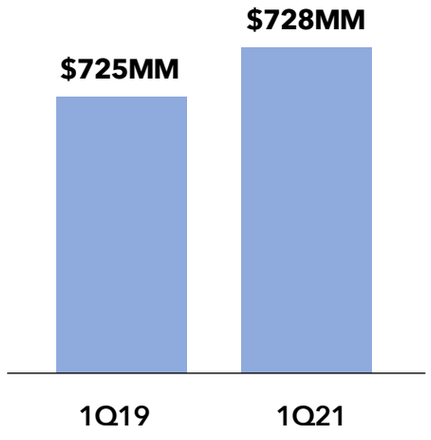
(3) Inventory turn is calculated as the total GAAP cost of goods sold for the quarterly periods divided by the straight average of the beginning and ending inventory balances from the consolidated balance sheets.



Net Revenue

Total Company Net Revenue Up 17%; Digital Revenue Up 57%; Store Revenue Flat

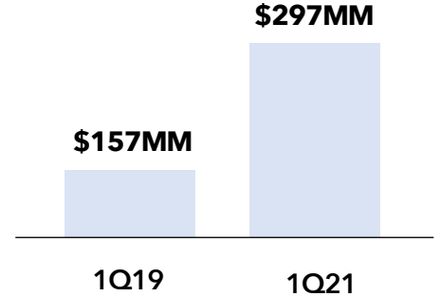
AMERICAN EAGLE



AMERICAN EAGLE
$728MM

Net Revenue Up 0.4%

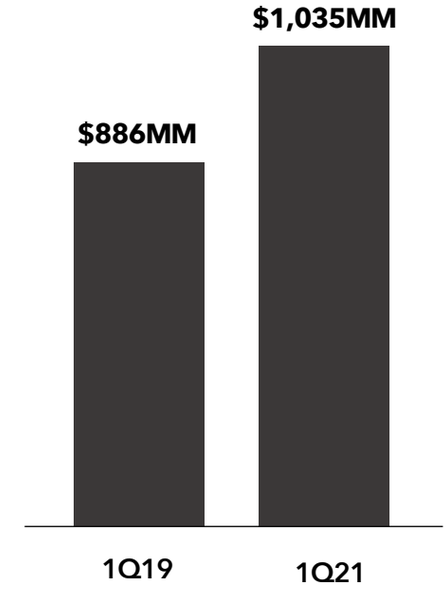
AERIE



AERIE
$297MM

Net Revenue Up 89%

TOTAL AEO



TOTAL AEO
$1,035MM

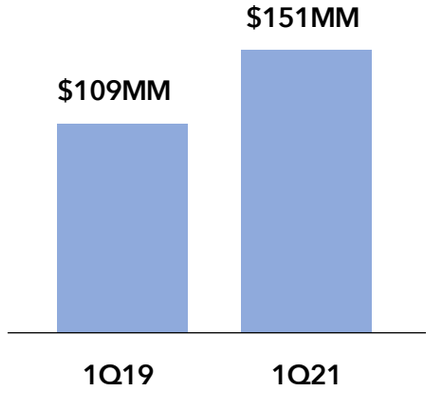
Net Revenue Up 17%

Operating Income

Total Company Adjusted Operating Income Up 170% to $133 million*

AMERICAN EAGLE

Operating Margin
20.8%

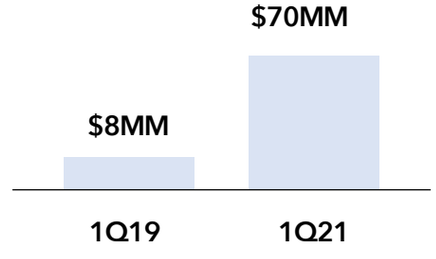


AMERICAN EAGLE
$151MM

Operating Income Up 39%

AERIE

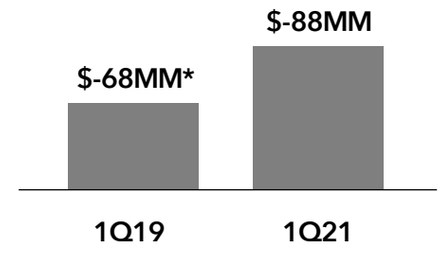
Operating Margin
23.5%



AERIE
$70MM

Operating Income Up 747%

CORPORATE[2]



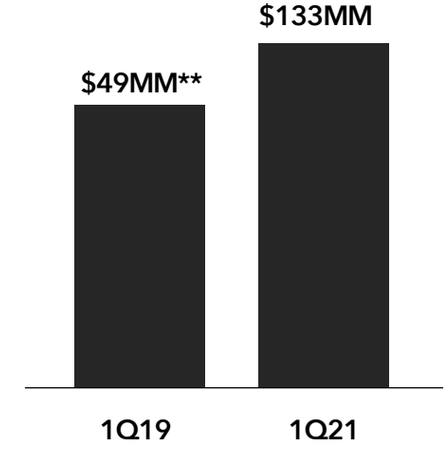
CORPORATE
$-88MM

Corporate Expense Up 29%
Driven by Step-up in Incentive Comp

*Adjusted to exclude restructuring

TOTAL AEO

Operating Margin
12.9%



TOTAL AEO
$133MM

Adjusted Operating Income Up 170%
**Adjusted operating income

(1) All growth rates reflect performance versus 1Q19

(2) Corporate includes operating results of the Todd Snyder and Unsubscribed brands, which are not material to disclose as separate reportable segments. Corporate operating costs represents certain costs that are not directly attributable to another reportable segment.

Results by Segment *(unaudited)*

13 Weeks Ended May 1, 2021	American Eagle	Aerie	Corporate[1]	Total[2]
Total net revenue	$ 727,702	$ 297,487	$ 9,425	$ 1,034,614
Operating income (loss)	$ 151,232	$ 69,978	$ (87,783)	$ 133,427
% of revenue	20.8%	23.5%		12.9%
Capital expenditures	$ 13,439	$ 10,819	$ 12,548	$ 36,806

13 Weeks Ended May 2, 2020	American Eagle	Aerie	Corporate[1]	Total[2]
Total net revenue	$ 390,250	$ 154,981	$ 6,461	$ 551,692
Operating Income (loss)	$ (213,749)	$ (19,129)	$ (125,362)	$ (358,240)
% of revenue	-54.8%	-12.3%		-64.9%
Impairment and restructuring charges	$ 90,926	$ 18,215	$ 46,478	$ 155,619
Adjusted Operating Income (loss)	$ (122,823)	$ (914)	$ (78,884)	$ (202,621)
% of revenue	-31.5%	-0.6%		-36.7%
Capital expenditures	$ 8,099	$ 8,788	$ 17,023	$ 33,910

13 Weeks Ended May 4, 2019	American Eagle	Aerie	Corporate[1]	Total[2]
Total net revenue	$ 724,613	$ 157,035	$ 4,642	$ 886,290
Operating Income (loss)	$ 109,080	$ 8,265	$ (69,499)	$ 47,846
% of revenue	15.1%	5.3%		5.4%
Impairment and restructuring charges	$ -	$ -	$ 1,543	$ 1,543
Adjusted Operating Income (loss)	$ 109,080	$ 8,265	$ (67,956)	$ 49,389
% of revenue	15.1%	5.3%		5.6%
Capital expenditures	$ 18,551	$ 11,575	$ 6,447	$ 36,573

(1) Corporate includes revenue and operating results of the Todd Snyder and Unsubscribed brands, which are not material to disclose as separate reportable segments. Corporate operating costs represents certain costs that are not directly attributable to another reportable segment.

(2) The difference between Total Operating Income (loss) and Income (loss) before Taxes includes the following, which are not allocated to our reportable segments:
- Interest expense (income), net of $8.5M in Fiscal 2021, $0.1M in Fiscal 2020 and ($2.0M) in Fiscal 2019
- Other (income) expense, net of ($1.9M) in Fiscal 2021, $2.9M in Fiscal 2020 and ($2.2M) in Fiscal 2019

Statements of Operations Summary-GAAP Basis *(unaudited)*

13 Weeks Ended	May 1, 2021	% of Revenue	May 2, 2020	% of Revenue	May 4, 2019	% of Revenue
Total net revenue	$ 1,034,614	100.0%	$ 551,692	100.0%	$ 886,290	100.0%
Cost of sales, including certain buying, occupancy and warehousing expenses	598,424	57.8%	523,386	94.9%	561,369	63.3%
Gross profit	436,190	42.2%	28,306	5.1%	324,921	36.7%
Selling, general and administrative expenses	264,492	25.6%	188,197	34.1%	230,741	26.0%
Impairment and restructuring charges	-	0.0%	155,619	28.2%	1,543	0.2%
Depreciation and amortization expense	38,271	3.7%	42,730	7.7%	44,791	5.1%
Operating income (loss)	133,427	12.9%	(358,240)	-64.9%	47,846	5.4%
Interest expense (income), net	8,506	0.8%	146	0.1%	(1,954)	-0.2%
Other (income) expense, net	(1,860)	-0.2%	2,983	0.5%	(2,228)	-0.3%
Income (Loss) before income taxes	126,781	12.3%	(361,369)	-65.5%	52,028	5.9%
Provision (Benefit) from income taxes	31,318	3.1%	(104,207)	-18.9%	11,276	1.3%
Net income (loss)	$ 95,463	9.2%	$ (257,162)	-46.6%	$ 40,752	4.6%
Net income (loss) per basic share	$ 0.57		$ (1.54)		$ 0.24	
Net income (loss) per diluted share	$ 0.46		$ (1.54)		$ 0.23	
Weighted average common shares outstanding - basic	167,257		166,781		172,598	
Weighted average common shares outstanding - diluted	206,562		166,781		174,703	



AEO INC.

GAAP to NON-GAAP Reconciliation Statements of Operations *(unaudited)*

13 Weeks Ended | May 1, 2021 *(In thousands, except per share amounts)*	Interest Expense, net	Diluted Earnings per Common Share
GAAP Basis	**$ 8,506**	**$ 0.46**
% of Revenue	*0.8%*	
Less: Convertible debt[1]:	(4,429)	0.02
	(4,429)	0.02
Non-GAAP Basis	**$ 4,077**	**$ 0.48**
% of Revenue	*0.4%*	

13 Weeks Ended | May 4, 2019 *(In thousands, except per share amounts)*	Operating Income	Diluted Earnings per Common Share
GAAP Basis	**$ 47,846**	**$ 0.23**
% of Revenue	*5.4%*	
Add: Restructuring Charges[2]:	1,543	0.01
Non-GAAP Basis	**$ 49,389**	**$ 0.24**
% of Revenue	*5.6%*	

(1) Amortization of the non-cash discount on the Company's convertible notes
(2) $1.5 million for pre-tax corporate restructuring charges, primarily consisting of severance and closure costs for our company-owned and operated stores in China

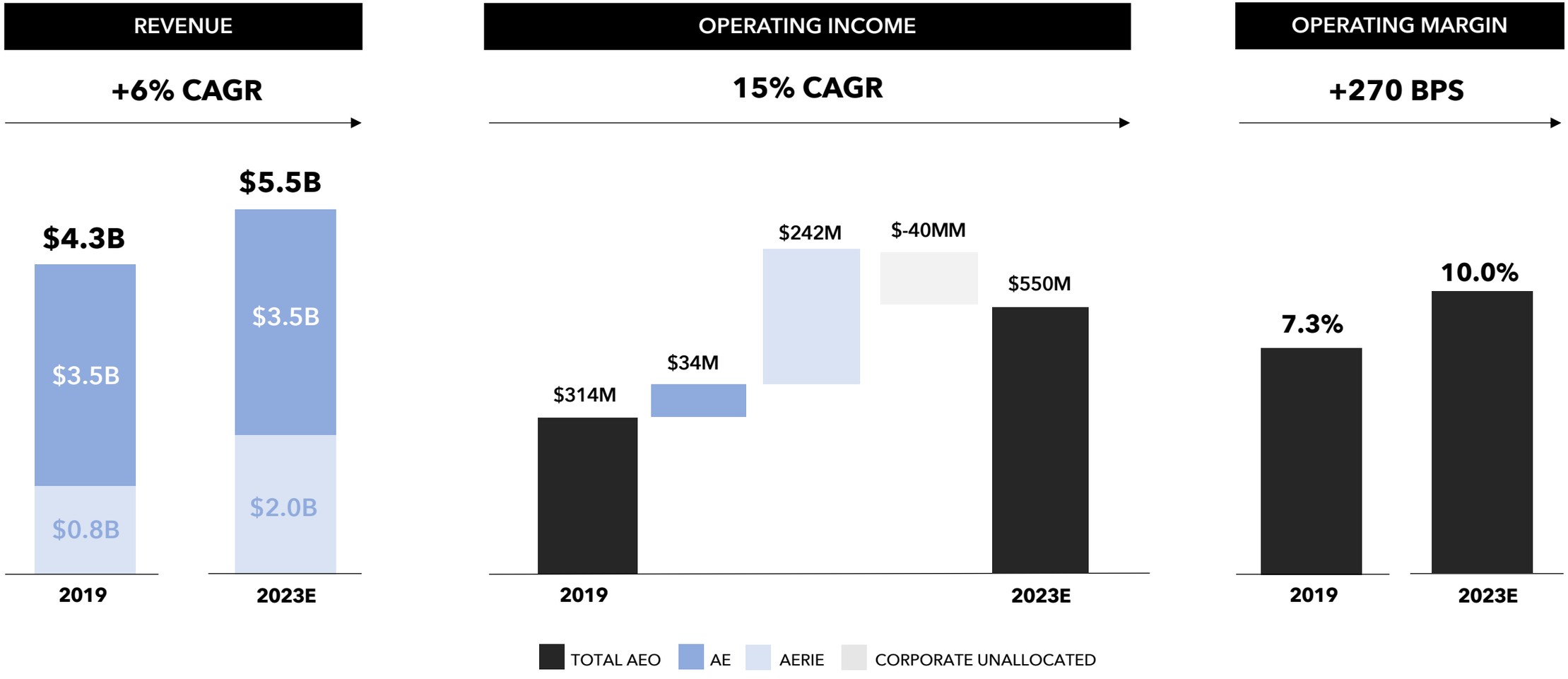
Real Power. Real Growth. Value Creation Plan



AEO INC.

Long-Term Financial Targets

"Our first quarter results were truly outstanding and reflected excellent progress on our "**Real Power. Real Growth**." value creation plan in addition to favorable external factors…We remain poised for success, and our brands are stronger than ever. **I believe we are on pace to deliver our 2023 operating profit target well ahead of schedule**," said Jay Schottenstein, AEO's Executive Chairman of the Board & Chief Executive Officer.



Value Creation Plan

- Double Aerie to $2 Billion in Revenue
- Reignite American Eagle for Profit Growth
- Leverage Customer-Focused Capabilities
- Strengthen ROI Discipline
- Power of People, Culture and Purpose

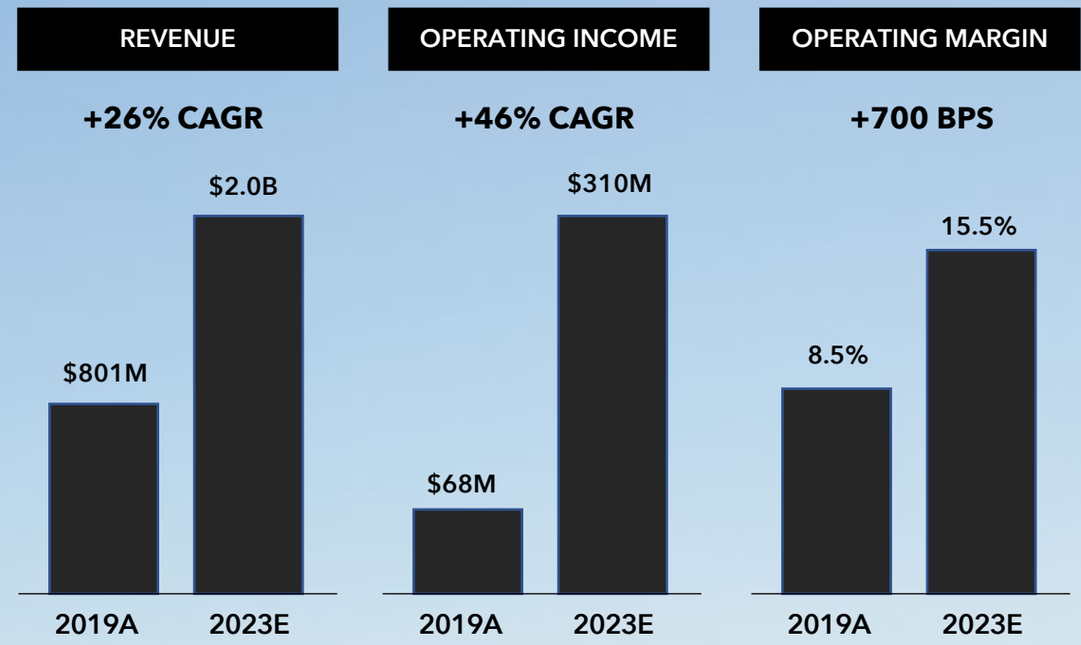


Aerie's Roadmap to $2 Billion in Revenue

1. Winning in Intimates & Lounge
2. Activewear Product Extension
3. Market Expansion
4. New Customer Acquisition

Aerie's Financial Plan

Operating Income Excludes Unallocated Corporate Expense



2019 results presented on an adjusted basis; 2023 targets exclude potential asset impairment and restructuring charges

Reignite AE for Profit Growth

1 Refresh Brand DNA

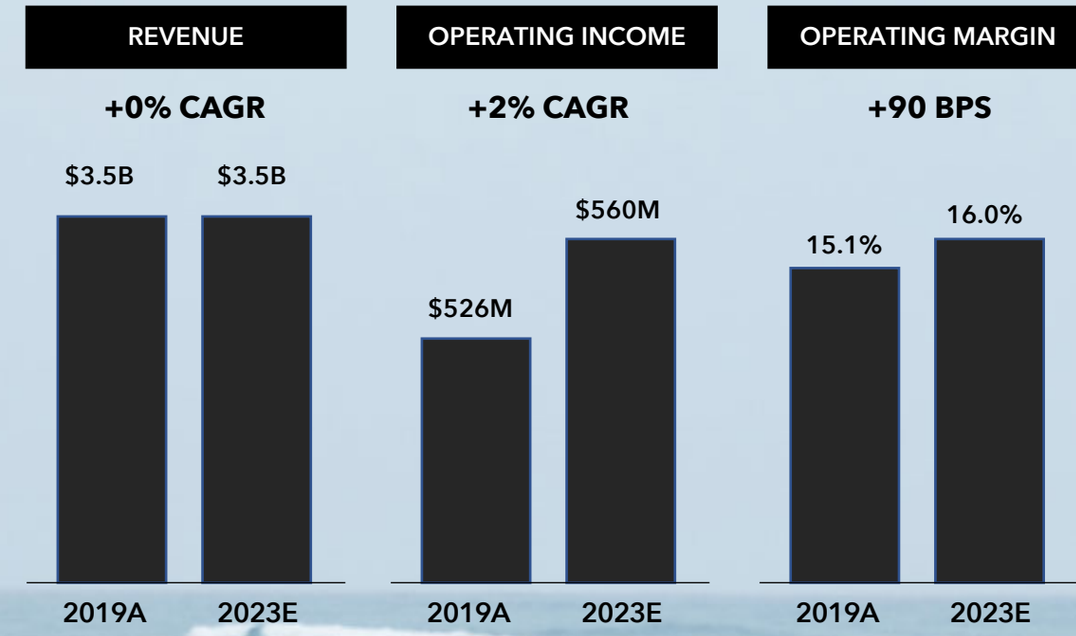
2 Complete The Outfit

3 Optimize Inventory

4 Right-Size Store Footprint

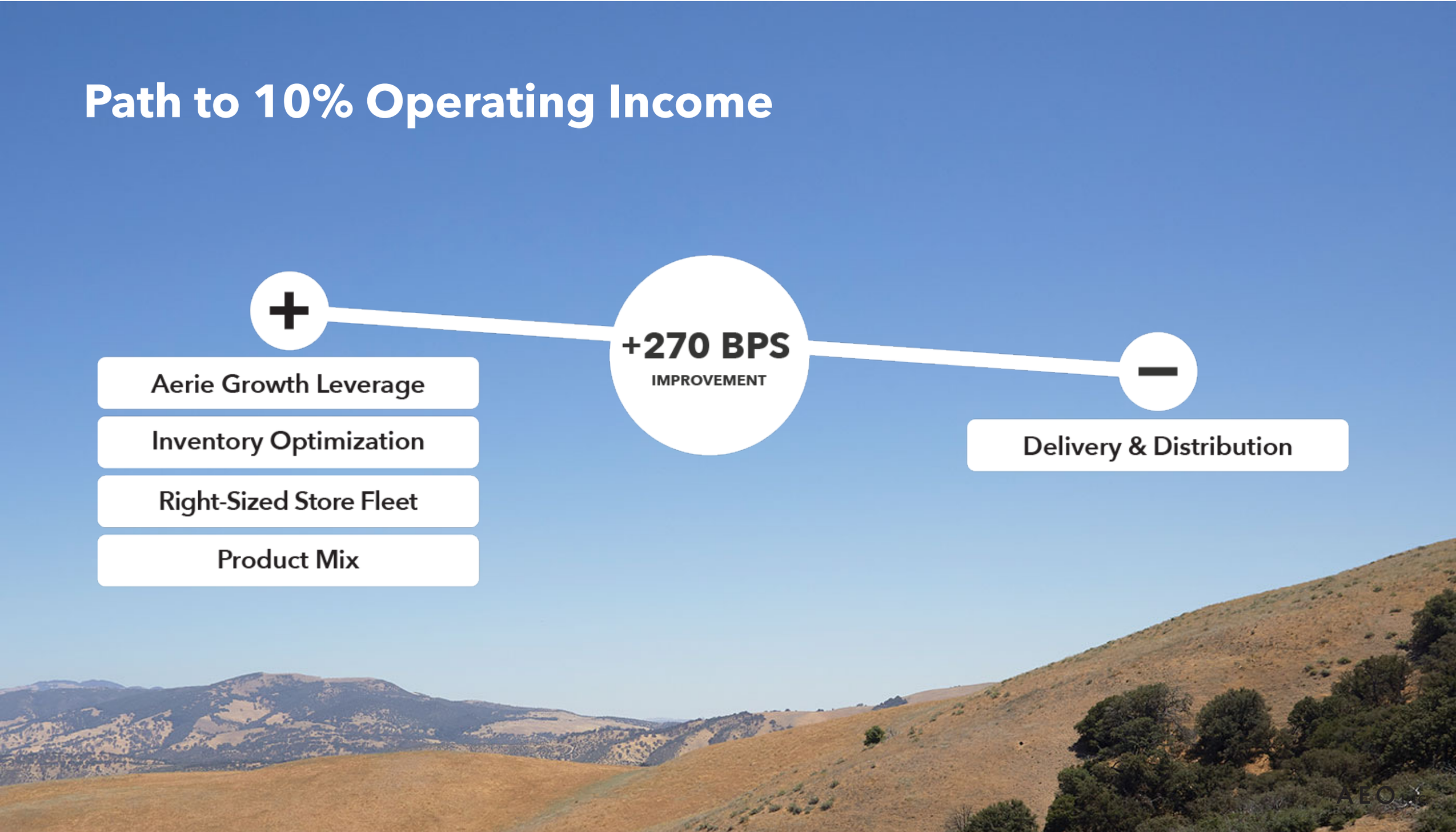
AE's Financial Plan

Operating Income Excludes Unallocated Corporate Expense



2019 results presented on an adjusted basis; 2023 targets exclude potential asset impairment and restructuring charges

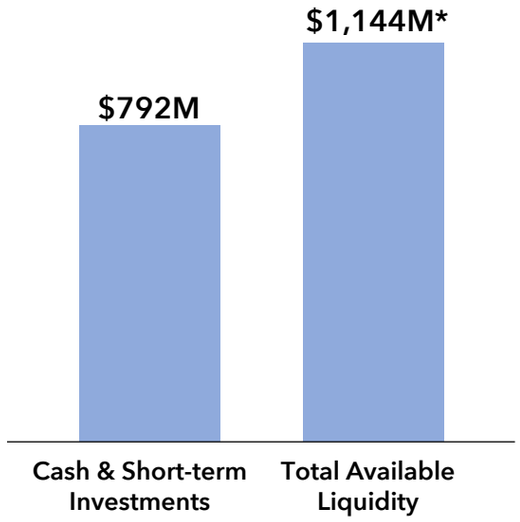
Path to 10% Operating Income



Liquidity and Capital Allocation



1Q21 LIQUIDITY



*Includes $352 in net credit available

Capital Allocation Priorities

1 Investments to Fuel Aerie's Growth & Build Capabilities

2 Preserving Balance Sheet Strength

3 Direct Shareholder Returns

Cash Returned to Shareholders *(unaudited)*

FIRST QUARTER ENDED *(In millions, except per share amounts)*	May 1, 2021	May 4, 2019
Cash used for share repurchases	$0.0	$20.0
Number of shares repurchased	0.0	0.9
Cash used for regular quarterly dividends	$22.9	$23.6
Total dividends per share	$0.138	$0.138
Total cash returned to shareholders	$22.9	$43.6

Balance Sheet Summary *(unaudited)*

ASSETS *(In thousands)*	May 1, 2021	May 2, 2020	May 4, 2019
Cash and cash equivalents	$ 716,679	$ 855,769	$ 304,671
Short-term investments	75,000	29,956	45,000
Merchandise inventory	466,698	421,729	456,160
Accounts receivable	149,056	106,751	73,836
Prepaid expenses and other	88,347	144,733	70,936
Total current assets	1,495,780	1,558,938	950,603
Property and equipment, net	627,967	667,258	744,670
Operating lease right-of-use assets	1,130,743	1,292,769	1,444,225
Intangible assets, including goodwill	69,696	51,973	57,221
Non-current deferred income taxes	45,995	25,612	20,951
Other assets	30,485	33,561	37,683
Total Assets	$ **3,400,666**	$ **3,630,111**	$ **3,255,353**

LIABILITY & STOCKHOLDERS EQUITY *(In thousands)*	May 1, 2021	May 2, 2020	May 4, 2019
Accounts payable	$ 231,932	$ 177,124	$ 231,760
Current portion of operating lease liabilities	297,561	328,366	266,819
Accrued compensation and payroll taxes	87,488	21,622	29,425
Other current liabilities and accrued expenses	56,498	61,451	54,622
Unredeemed gift cards and gift certificates	50,754	48,503	42,025
Accrued income taxes and other	20,250	2,405	25,146
Dividends payable	-	22,756	-
Total current liabilities	**744,483**	**662,227**	**649,797**
Non-current operating lease liabilities	1,126,165	1,303,296	1,328,663
Long-term debt, net	329,718	642,972	-
Other non-current liabilities	24,737	24,633	35,142
Total non-current liabilities	**1,480,620**	**1,970,901**	**1,363,805**
Commitments and contingencies	-	-	-
Preferred stock	-	-	-
Common stock	2,496	2,496	2,496
Contributed capital	648,434	646,350	570,443
Accumulated other comprehensive loss	(37,810)	(55,050)	(35,354)
Retained earnings	1,951,496	1,826,413	2,028,627
Treasury stock	**(1,389,053)**	**(1,423,226)**	**(1,324,461)**
Total stockholders' equity	1,175,563	996,983	1,241,751
Current Ratio	**2.01**	**2.35**	**1.46**

Real Estate Highlights



AEO INC.

Q1 Real Estate Summary *(unaudited)*

Consolidated stores at beginning of period	**1,078**
Consolidated stores opened during the period	
AE BRAND	4
Aerie stand-alone[3]	6
Unsubscribed	1
Consolidated stores closed during the period	
AE BRAND	(14)
Aerie stand-alone	(1)
Consolidated stores at end of period	**1,074**
AE BRAND	891
Aerie stand-alone[3]	179
Aerie side-by-side[2]	178
Unsubscribed	2
Todd Snyder	2
Stores remodeled & refurbished during the period	3
Total gross square footage at end of period	**6,816**

International licensed locations at end of period	**236**
Aerie Openings	
Aerie stand-alone[3]	6
Total Aerie side-by-side[2]	0
Total Aerie Openings	**6**

(1) International license locations are not included in the consolidated store data or the total gross square footage calculation.

(2) Aerie side-by-side and Offline 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 1 OFFLINE opening during the period and 5 OFFLINE stores in the consolidated totals



Full Real Estate Summary *(unaudited)*

	Ending January 31, 2021	Q1 2021 Openings	Q1 2021 Closings	Open as of May 1, 2021
AE Mainline Stores	***725***	***2***	***(14)***	***713***
US	613	-	(13)	600
Canada	65	-	(1)	64
Mexico	39	2	-	41
Hong Kong	8	-	-	8
Factory Stores	***176***	***2***	***-***	***178***
US	160	1	-	161
Canada	11	-	-	11
Mexico	4	1	-	5
Hong Kong	1	-	-	1
Total AE	**901**	**4**	**(14)**	**891**
US Stand alone	155	6	(1)	160
Canada Stand alone	17	-	-	17
Mexico Stand alone	2	-	-	2
Total aerie* **	**174**	**6**	**(1)**	**179**
Todd Snyder	**2**	**-**	**-**	**2**
Unsubscribed	**1**	**1**	**-**	**2**
Total Company	**1,078**	**11**	**(15)**	**1,074**
aerie Side by Side**	**179**	**-**	**(1)**	**178**
US Side by Side	143	-	(1)	142
Canada Side by Side	16	-	-	16
Canada Side by Side	20	-	-	20

**aerie Side by Side stores are NOT counted as a separate store as they are part of AE Mainline or Factory stores.

*** aerie stores include offline stores

AEO INC.

International Licensed Store Locations *(unaudited)*

Q1 Ending Licensed Stores

Country	Q1 2021	Q1 2019
Isreal	48	47
Saudi Arabia/KSA	25	26
Colombia	22	16
UAE	22	15
India	25	9
Phillipines	11	10
Chile	10	16
Greece	9	9
Thailand	9	6
Egypt	8	4
Kuwait	8	5
Qatar	6	4
Spain	5	0
Oman	4	3
Bahrain	4	2
Costa Rica	3	2
Panama	3	2
Guatemala	2	2
Paraguay	2	0
Andorra	1	0
Curacao	1	1
Czech Republic	1	0
Dominican Republic	1	1
El Salvador	1	0
Hungary	1	1
Jordan	1	1
Portugal	1	0
Switzerland	1	0
Lebanon	0	4
Peru	1	1
South Korea	0	16
Japan	0	33
Total	**236**	**235**

Q1 Store Openings

Country	Q1 2021
India	4
Peru	1
Bahrain	1
Egypt	1
Kuwait	1

Q1 Store Closings

Country	Q1 2021
Columbia	1

*Note there are 4 additional countries that are e-comm operations only



AEO INC.

Historical Quarterly Store Data By Brand *(unaudited)*

		AE Brand		aerie		Consolidated from Continuing Operations				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			End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet	End Store Count	End Gross Square Feet
2012	1st Qtr.	911	5,680,673	157	621,170	1,068	6,301,843	2018	1st Qtr.	935	6,183,421	109	398,447	1,048	6,598,026
	2nd Qtr.	908	5,669,359	155	613,669	1,063	6,283,028		2nd Qtr.	939	6,213,412	109	408,389	1,053	6,640,759
	3rd Qtr.	909	5,690,552	154	610,110	1,063	6,300,662		3rd Qtr.	941	6,230,107	110	413,272	1,057	6,662,337
	4th Qtr.	893	5,606,396	151	596,882	1,044	6,203,278		4th Qtr.	934	6,189,989	115	438,355	1,055	6,647,302
	Total	893	5,606,396	151	596,882	1,044	6,203,278		Total	934	6,189,989	115	438,355	1,055	6,647,302
2013	1st Qtr.	896	5,632,943	141	558,695	2,074	12,383,275	2019	1st Qtr.	936	6,205,898	119	456,506	1,061	6,662,404
	2nd Qtr.	921	5,840,401	135	532,832	2,112	12,746,466		2nd Qtr.	939	6,228,664	131	505,389	1,075	6,740,653
	3rd Qtr.	932	5,935,360	132	520,137	2,128	12,910,994		3rd Qtr.	945	6,275,892	142	554,419	1,094	6,836,504
	4th Qtr.	944	6,024,950	122	478,536	2,132	13,006,972		4th Qtr.	940	6,254,049	148	576,867	1,095	6,830,916
	Total	944	6,024,950	122	478,536	2,132	13,006,972		Total	940	6,254,049	148	576,867	1,095	6,830,916
2014	1st Qtr.	949	6,069,574	108	425,786	108	425,786	2020	1st Qtr.	942	6,246,343	148	575,509	1,093	6,821,852
	2nd Qtr.	966	6,214,646	106	417,410	106	417,410		2nd Qtr.	935	6,205,098	160	618,083	1,098	6,827,912
	3rd Qtr.	988	6,387,514	104	408,559	104	408,559		3rd Qtr.	935	6,207,972	167	641,995	1,105	6,858,161
	4th Qtr.	955	6,216,819	101	396,291	101	396,291		4th Qtr.	901	6,022,495	175	665,248	1,078	6,709,230
	Total	955	6,216,819	101	396,291	101	396,291		Total	901	6,022,495	175	665,248	1,078	6,709,230
2015	1st Qtr.	956	6,233,394	98	383,638	98	383,638	2021	1st Qtr.	891	6,101,575	179	689,987	1,074	6,815,548
	2nd Qtr.	960	6,264,006	97	379,351	97	379,351		2nd Qtr.						
	3rd Qtr.	970	6,343,955	98	377,357	98	377,357		3rd Qtr.						
	4th Qtr.	949	6,228,755	97	372,357	97	372,357		4th Qtr.						
	Total	949	6,228,755	97	372,357	97	372,357		Total	891	6,101,575	179	689,987	1,074	6,815,548
2016	1st Qtr.	950	6,237,871	95	363,909	96	363,909								
	2nd Qtr.	951	6,245,820	91	346,771	91	346,771								
	3rd Qtr.	952	6,265,099	97	363,424	97	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	109	6,637,435								
	2nd Qtr.	942	6,224,214	109	400,448	115	6,642,227								
	3rd Qtr.	943	6,222,195	110	403,048	115	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								

* Consolidated total includes Todd Snyder and Unsubscribed stores.