

# AEO INC.

**FIRST QUARTER 2023** 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 and fiscal year 2023 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 28, 2023 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 2023 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, net income and net income per diluted 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 and provides a higher degree of transparency. These amounts are not determined in accordance with GAAP and, therefore, should not be used exclusively in evaluating our business and operations. The tables included in this presentation reconcile the GAAP financial measures to the non-GAAP financial measures discussed above.



AEO INC.

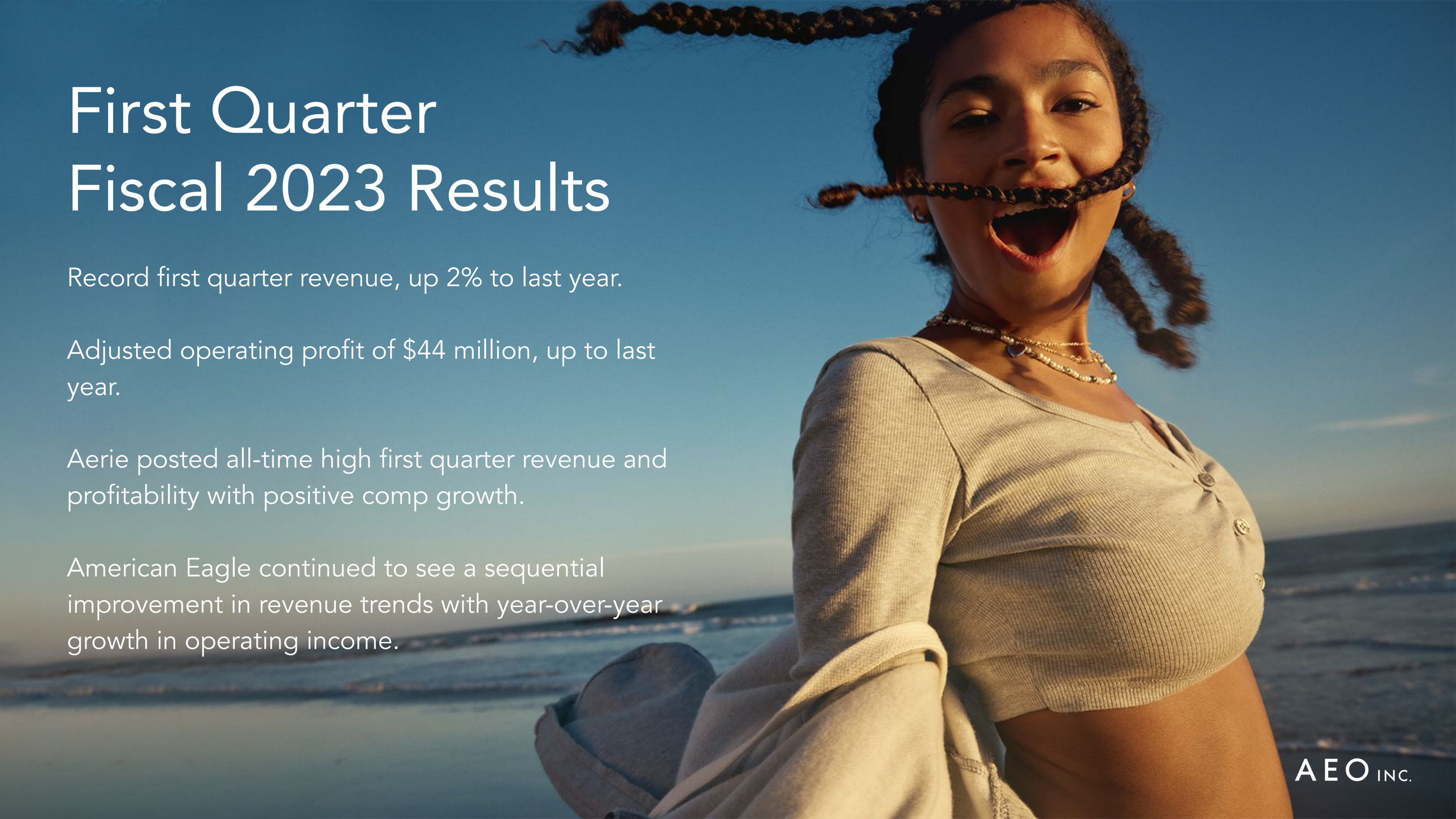
# First Quarter Fiscal 2023 Results

Record first quarter revenue, up 2% to last year.

Adjusted operating profit of $44 million, up to last year.

Aerie posted all-time high first quarter revenue and profitability with positive comp growth.

American Eagle continued to see a sequential improvement in revenue trends with year-over-year growth in operating income.



AEO INC.

"**We entered 2023 with a cautious plan, balancing continued optimism for our brands with the flexibility to navigate uncertainty in the macro environment.** I am pleased to note that this strategy delivered for us, as we successfully managed through the first quarter and achieved results in-line with plan. Both Aerie and American Eagle saw solid improvement during the quarter and maintained strength in their categories," commented Jay Schottenstein, AEO's Executive Chairman of the Board and Chief Executive Officer.

"**With ongoing macro challenges, we are maintaining a clear focus on inventory discipline, cost savings and efficiencies across the business.** Looking forward, our priority is to rebuild operating margins, while also seeking opportunities for profitable growth and to deliver more consistent shareholder returns."



**Jay Schottenstein**
AEO's Executive Chairman of the Board and Chief Executive Officer



# Key Highlights *(unaudited)*

| FIRST QUARTER | 2023 | 2022 |
|---|---|---|
| TOTAL NET REVENUE CHANGE | 2% | 2% |
| GROSS MARGIN | 38.2% | 36.8% |
| SELLING, GENERAL & ADMINISTRATIVE EXPENSES | 28.9% | 28.3% |
| ADJUSTED OPERATING MARGIN(1) | 4.1% | 4.0% |
| ADJUSTED EPS(1) | $0.17 | $0.16 |

(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)* | April 29, 2023 | April 30, 2022 |
|---|---|---|
| ENDING INVENTORY | $624,851 | $682,100 |
| ENDING INVENTORY % CHANGE TO PRIOR YEAR | -8% | 46% |
| QUARTERLY INVENTORY RETURN(1) | 1.10 | 1.08 |

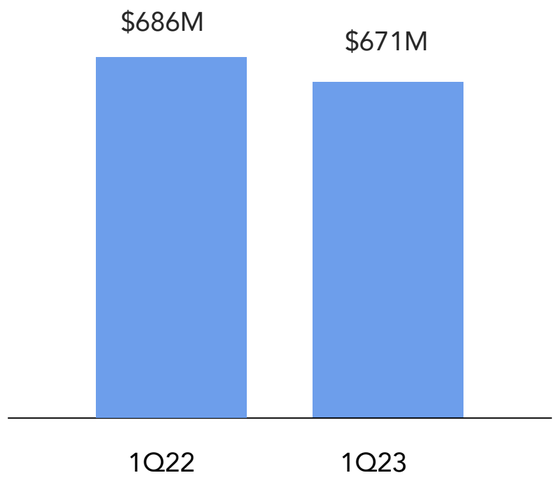
(1) Inventory turn is calculated as the total GAAP cost of goods sold for the quarterly periods divided by the straight average of the beginning and ending inventory balances from the consolidated balance sheets.

AEO INC.

# First Quarter Net Revenue

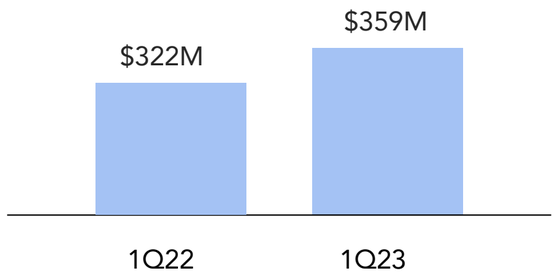
Total Company Revenue Up 2%; Stores Revenue Up 5%; Digital Revenue Down 4%

## AMERICAN EAGLE



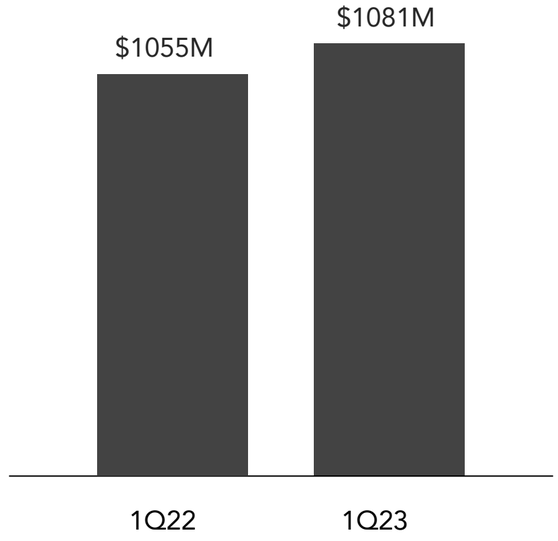

Net Revenue Down 2% YOY

## AERIE




Net Revenue Up 12% YOY

## TOTAL AEO



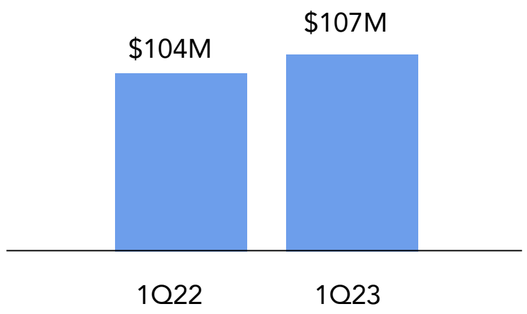

Net Revenue Up 2% YOY

# First Quarter Operating Income

## Total Company Adjusted Operating Income of $44M

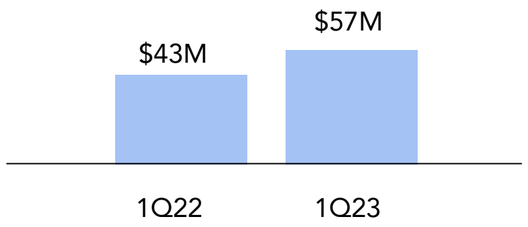
### AMERICAN EAGLE

Operating Margin
16.0%

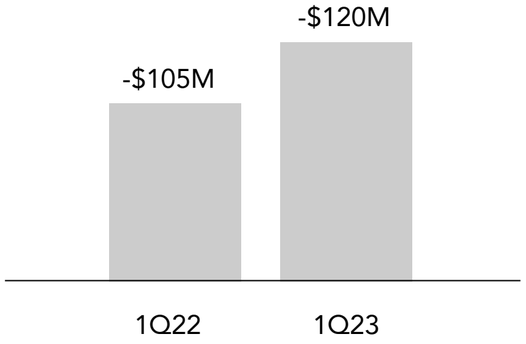



### AERIE

Operating Margin
15.8%




### CORPORATE AND OTHER[1]




### TOTAL AEO

Adjusted Operating
Margin 4.1%




(1) Corporate and Other includes revenue and operating results of the Todd Snyder and Unsubscribed brands and Quiet Platforms (net of intersegment eliminations), which have been identified as operating segments but are not material to disclose as separate reportable segments. Corporate operating costs represents certain costs that are not directly attributable to another reportable segment.

# Outlook

For the second quarter, management's outlook reflects revenue in the range of flat to down low-single digits to last year with operating income in the range of $25 to $35 million. This assumes gross margin recovery year-over-year as the company cycles pressure from end of season sell-offs and elevated freight costs. SG&A is expected to increase in the low-to-mid-single digit range. Depreciation is expected to be similar to the first quarter.

For the year, management expects revenue in the range of flat to down low-single digits to last year with operating income in the range of $250 to $270 million. Full-year capital expenditures are expected to be in the range of $150 to $175 million.



# Results by Segment (Dollars in Thousands) *(unaudited)*

| 13 weeks ended April 29, 2023 | American Eagle | Aerie | Corporate and Other (1) | Total |
|---|---|---|---|---|
| Total net revenue | $ 671,092 | $ 359,082 | $ 50,752 | $ 1,080,926 |
| Operating income (loss) | $ 107,167 | $ 56,604 | $ (140,940) | $ 22,831 |
| Impairment, restructuring and other charges | $ - | $ - | $ 21,275 | $ 21,275 |
| Adjusted operating income (loss) | $ 107,167 | $ 56,604 | $ (119,665) | $ 44,106 |
| % of revenue | 16.0% | 15.8% | | 4.1% |
| Capital expenditures | $ 14,943 | $ 11,188 | $ 19,726 | $ 45,857 |

| 13 weeks ended April 30, 2022 | American Eagle | Aerie | Corporate and Other (1) | Total |
|---|---|---|---|---|
| Total net revenue | $ 685,579 | $ 321,712 | $ 47,746 | $ 1,055,037 |
| Operating income (loss) | $ 103,905 | $ 43,073 | $ (105,076) | $ 41,902 |
| % of revenue | 15.2% | 13.4% | | 4.0% |
| Capital expenditures | $ 15,770 | $ 31,015 | $ 11,609 | $ 58,394 |

(1) Corporate and Other includes revenue and operating results of the Todd Snyder brand, Unsubscribed brand, and Quiet Platforms (net of intersegment eliminations), which have been identified as separate operating segments, but are not material to disclose as separate reportable segments. Corporate operating costs represent certain costs that are not directly attributable to another reportable segment.

# Statement of Operations Summary-GAAP Basis *(unaudited)*

| **13 Weeks Ended** *(In thousands)* | **April 29, 2023** | **% of Revenue** | **April 30, 2022** | **% of Revenue** |
|---|---|---|---|---|
| Total net revenue | $ 1,080,926 | 100.0% | $ 1,055,037 | 100.0% |
| Cost of sales, including certain buying, occupancy and warehousing expenses | 667,747 | 61.8% | 667,011 | 63.2% |
| Gross profit | 413,179 | 38.2% | 388,026 | 36.8% |
| Selling, general and administrative expenses | 312,345 | 28.9% | 298,755 | 28.3% |
| Impairment, restructuring and other charges | 21,275 | 2.0% | - | 0.0% |
| Depreciation and amortization expense | 56,728 | 5.2% | 47,369 | 4.5% |
| Operating income | 22,831 | 2.1% | 41,902 | 4.0% |
| Interest expense, net | 690 | 0.1% | 4,588 | 0.4% |
| Other income, net | (3,311) | -0.3% | (4,444) | -0.4% |
| Income before income taxes | 25,452 | 2.3% | 41,758 | 4.0% |
| Provision for income taxes | 6,999 | 0.6% | 10,018 | 1.0% |
| Net income | $ 18,453 | 1.7% | $ 31,740 | 3.0% |
| | | | | |
| Net income per basic share | $ 0.09 | | $ 0.19 | |
| Net income per diluted share | $ 0.09 | | $ 0.16 | |
| | | | | |
| Weighted average common shares outstanding - basic | 194,487 | | 168,460 | |
| Weighted average common shares outstanding - diluted | 197,160 | | 219,742 | |

# GAAP to Non-GAAP Reconciliation

| **13 Weeks Ended April 29, 2023**<br>*(In thousands, except per share amounts)* | **Operating income** | **Net income** | **Diluted earnings per common share** |
|---|---|---|---|
| **GAAP Basis** | **$ 22,831** | **$ 18,453** | **$ 0.09** |
| *% of Revenue* | *2.1%* | *1.7%* | |
| Add: Impairment, restructuring and other charges (1) | 21,275 | 15,424 | 0.08 |
| **Non-GAAP Basis** | **$ 44,106** | **$ 33,877** | **$ 0.17** |
| *% of Revenue* | *4.1%* | *3.1%* | |

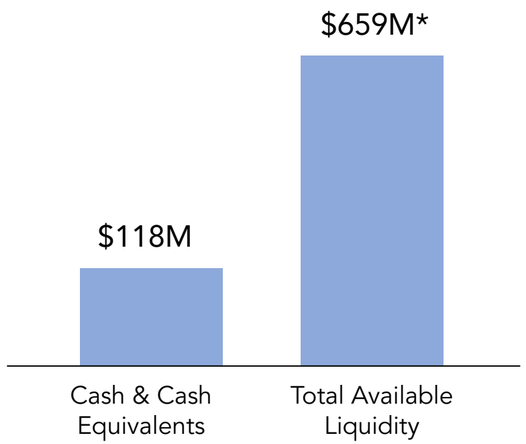
(1) $21.3 million pre-tax impairment, restructuring and other charges related to Quiet Platforms as the Company repositions for improved profitability including:
- $10.8 million of long-lived asset impairment charges
- $5.6 million of employee related costs
- $4.9 million of other commercial related charges

# Liquidity and Capital Allocation



AEO INC.

## 1Q23 LIQUIDITY




*Includes $542 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 through a combination of dividends and share repurchases

## Cash Returned to Shareholders *(unaudited)*

| | FIRST QUARTER ENDED | |
|---|---|---|
| *(In millions, except per share amounts)* | April 29, 2023 | April 30, 2022 |
| Cash used for share repurchases | $ - | $ - |
| Number of shares repurchased | - | - |
| | | |
| Cash used for regular quarterly dividends | $ 19.6 | $ 30.4 |
| Total dividends per share | $ 0.100 | $ 0.180 |
| | | |
| Total cash returned to shareholders | $ 19.6 | $ 30.4 |

# Balance Sheet Summary *(unaudited)*

| **ASSETS** *(In thousands)* | **April 29, 2023** | **January 28, 2023** | **April 30, 2022** |
|---|---|---|---|
| Cash and cash equivalents | $ 117,841 | $ 170,209 | $ 228,775 |
| Merchandise inventory | 624,851 | 585,083 | 682,100 |
| Accounts receivable, net | 259,074 | 242,386 | 230,469 |
| Prepaid expenses and other | 127,735 | 102,563 | 139,195 |
| Total current assets | 1,129,501 | 1,100,241 | 1,280,539 |
| Operating lease right-of-use assets | 1,053,938 | 1,086,999 | 1,210,169 |
| Property and equipment, at cost, net of accumulated depreciation | 762,433 | 781,514 | 745,165 |
| Goodwill | 264,896 | 264,945 | 271,398 |
| Intangible assets, net | 92,399 | 94,536 | 100,679 |
| Non-current deferred income taxes | 13,034 | 36,483 | 42,977 |
| Other assets | 57,693 | 56,238 | 50,591 |
| Total assets | **$ 3,373,894** | **$ 3,420,956** | **$ 3,701,518** |

| **LIABILITIES & STOCKHOLDERS EQUITY** *(In thousands)* | **April 29, 2023** | **January 28, 2023** | **April 30, 2022** |
|---|---|---|---|
| Accounts payable | $ 212,318 | $ 234,340 | $ 236,376 |
| Current portion of operating lease liabilities | 321,430 | 337,258 | 317,844 |
| Unredeemed gift cards and gift certificates | 57,014 | 67,618 | 59,256 |
| Accrued compensation and payroll taxes | 43,550 | 51,912 | 34,469 |
| Accrued income taxes and other | 13,812 | 10,919 | 15,550 |
| Other current liabilities and accrued expenses | 68,313 | 66,901 | 73,984 |
| Total current liabilities | 716,437 | 768,948 | 737,479 |
| Non-current operating lease liabilities | 987,048 | 1,021,200 | 1,150,951 |
| Long-term debt, net | 30,225 | 8,911 | 405,807 |
| Other non-current liabilities | 21,168 | 22,734 | 24,275 |
| Total non-current liabilities | 1,038,441 | 1,052,845 | 1,581,033 |
| Commitments and contingencies | - | - | - |
| Preferred stock | - | - | - |
| Common stock | 2,496 | 2,496 | 2,496 |
| Contributed capital | 324,396 | 341,775 | 562,973 |
| Accumulated other comprehensive loss | (26,777) | (32,630) | (40,315) |
| Retained earnings | 2,130,108 | 2,137,126 | 2,224,113 |
| Treasury stock | (811,207) | (849,604) | (1,366,261) |
| Total stockholders' equity | 1,619,016 | 1,599,163 | 1,383,006 |
| Total Liabilities and Stockholders' Equity | **$ 3,373,894** | **$ 3,420,956** | **$ 3,701,518** |
| | | | |
| Current ratio | 1.58 | 1.43 | 1.74 |



# Real Estate Highlights



AEO INC.

# 1Q Real Estate Summary *(unaudited)*

| | |
|---|---|
| **Consolidated stores at beginning of period** | **1,175** |
| Consolidated stores opened during the period | |
| AE BRAND[2] | 4 |
| Aerie (incl. OFFL/NE)[3] | 2 |
| Todd Snyder | 1 |
| Consolidated stores closed during the period | |
| AE BRAND[2] | (2) |
| **Consolidated stores at end of period** | **1,180** |
| AE BRAND[2] | 867 |
| Aerie stand-alone (incl. OFFL/NE)[3] | 297 |
| Todd Snyder | 11 |
| Unsubscribed | 5 |
| Total gross square footage at end of period *[In Thousands]* | 7,273 |
| International licensed locations at end of period[1] | 280 |

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

(2) AE Brand includes AE stand alone locations, AE/Aerie side-by side locations, AE/OFFL/NE side-by-side locations, and AE/Aerie/OFFL/NE side-by-side locations.

(3) Aerie (incl. OFFL/NE) includes Aerie stand alone locations, OFFL/NE stand alone locations, and Aerie/OFFL/NE side-by-side locations.

AEO INC.

# Historical Quarterly Store Data by Brand *(unaudited)*

**STORE COUNTS**

| | AE SA | | Aerie SA | | Off/line SA | | AE / Aerie SBS | | AE / Off/line SBS | | AE / Aerie / Off/line SBSBS | | Aerie / Off/line SBS | | Total Stores (1) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | End Store Count | Weighted Gross Square Feet | End Store Count | Weighted Gross Square Feet | End Store Count | Weighted Gross Square Feet | End Store Count | Weighted Gross Square Feet | End Store Count | Weighted Gross Square Feet | End Store Count | Weighted Gross Square Feet | End Store Count | Weighted Gross Square Feet | End Store Count | Weighted Gross Square Feet |
| **FY2019** | | | | | | | | | | | | | | | | |
| **1Q19** | 785 | 4,875,024 | 119 | 446,170 | - | - | 151 | 1,172,404 | - | - | - | - | - | - | 1,061 | 6,511,508 |
| **2Q19** | 781 | 4,982,495 | 131 | 470,538 | - | - | 158 | 1,363,891 | - | - | - | - | - | - | 1,075 | 6,830,468 |
| **3Q19** | 775 | 4,914,297 | 142 | 510,574 | - | - | 170 | 1,479,306 | - | - | - | - | - | - | 1,094 | 6,918,661 |
| **4Q19** | 766 | 4,857,895 | 148 | 546,624 | - | - | 174 | 1,515,532 | - | - | - | - | - | - | 1,095 | 6,935,991 |
| **FY2020** | | | | | | | | | | | | | | | | |
| **1Q20** | 767 | 4,852,895 | 148 | 560,190 | - | - | 175 | 1,539,215 | - | - | - | - | - | - | 1,093 | 6,958,479 |
| **2Q20** | 760 | 4,800,204 | 160 | 576,479 | - | - | 175 | 1,545,014 | - | - | - | - | - | - | 1,098 | 6,927,876 |
| **3Q20** | 758 | 4,795,476 | 166 | 619,454 | 1 | 275 | 177 | 1,554,830 | - | - | - | - | - | - | 1,105 | 6,978,215 |
| **4Q20** | 722 | 4,571,986 | 171 | 651,258 | 4 | 9,051 | 178 | 1,566,771 | 1 | 7,060 | - | - | - | - | 1,078 | 6,814,668 |
| **FY2021** | | | | | | | | | | | | | | | | |
| **1Q21** | 713 | 4,524,654 | 174 | 667,658 | 5 | 10,898 | 177 | 1,595,290 | 1 | 7,423 | - | - | - | - | 1,074 | 6,814,239 |
| **2Q21** | 711 | 4,505,846 | 186 | 704,611 | 5 | 13,608 | 182 | 1,622,470 | 1 | 7,423 | - | - | - | - | 1,090 | 6,865,434 |
| **3Q21** | 716 | 4,530,387 | 203 | 749,207 | 8 | 15,289 | 181 | 1,628,785 | 1 | 7,423 | - | - | 5 | 17,998 | 1,121 | 6,961,748 |
| **4Q21** | 695 | 4,404,621 | 212 | 819,078 | 20 | 42,670 | 181 | 1,624,673 | 2 | 13,240 | 2 | 32,982 | 12 | 54,792 | 1,133 | 7,001,905 |
| **FY2022** | | | | | | | | | | | | | | | | |
| **1Q22** | 689 | 4,376,087 | 217 | 851,913 | 19 | 56,185 | 185 | 1,639,209 | 2 | 16,236 | 2 | 38,190 | 18 | 124,486 | 1,141 | 7,105,875 |
| **2Q22** | 686 | 4,360,553 | 224 | 878,365 | 31 | 74,868 | 183 | 1,629,930 | 2 | 16,236 | 3 | 38,500 | 21 | 138,152 | 1,160 | 7,144,146 |
| **3Q22** | 685 | 4,359,004 | 233 | 903,525 | 33 | 96,075 | 186 | 1,648,257 | 2 | 16,236 | 3 | 41,323 | 26 | 175,466 | 1,179 | 7,268,188 |
| **4Q22** | 673 | 4,355,839 | 233 | 935,244 | 34 | 104,052 | 186 | 1,650,545 | 2 | 16,236 | 4 | 54,273 | 28 | 193,254 | 1,175 | 7,346,365 |
| **FY2023** | | | | | | | | | | | | | | | | |
| **1Q23** | 674 | 4,267,335 | 234 | 930,288 | 34 | 104,783 | 186 | 1,654,391 | 2 | 16,236 | 5 | 58,889 | 29 | 207,553 | 1,180 | 7,281,914 |

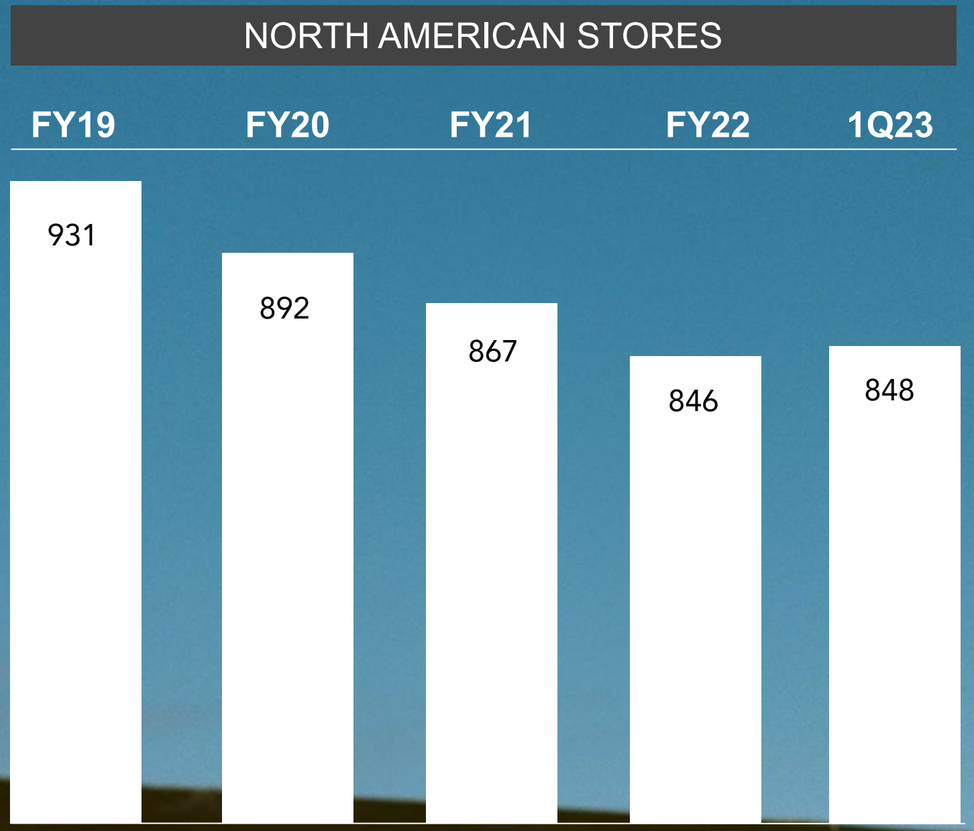
**SQFT BY BRAND**

| | AE | Aerie & Offline |
|---|---|---|
| | Weighted Gross Square Feet | Weighted Gross Square Feet |
| **1Q19** | 5,757,522 | 748,807 |
| **2Q19** | 6,022,181 | 803,108 |
| **3Q19** | 6,044,236 | 868,675 |
| **4Q19** | 5,991,896 | 937,916 |
| **1Q20** | 5,998,426 | 953,873 |
| **2Q20** | 5,949,580 | 971,609 |
| **3Q20** | 5,951,599 | 1,019,337 |
| **4Q20** | 5,740,150 | 1,067,239 |
| **1Q21** | 5,702,752 | 1,103,207 |
| **2Q21** | 5,709,478 | 1,144,492 |
| **3Q21** | 5,735,321 | 1,213,811 |
| **4Q21** | 5,620,294 | 1,361,398 |
| **1Q22** | 5,619,427 | 1,464,808 |
| **2Q22** | 5,573,736 | 1,544,487 |
| **3Q22** | 5,603,096 | 1,636,790 |
| **4Q22** | 5,607,958 | 1,701,486 |
| **1Q23** | 5,522,450 | 1,717,024 |

(1) Total Stores includes Todd Snyder and Unsubscribed

# AE North America Store Footprint

Closed 83 stores since FY19, reflecting a 9% reduction in square footage



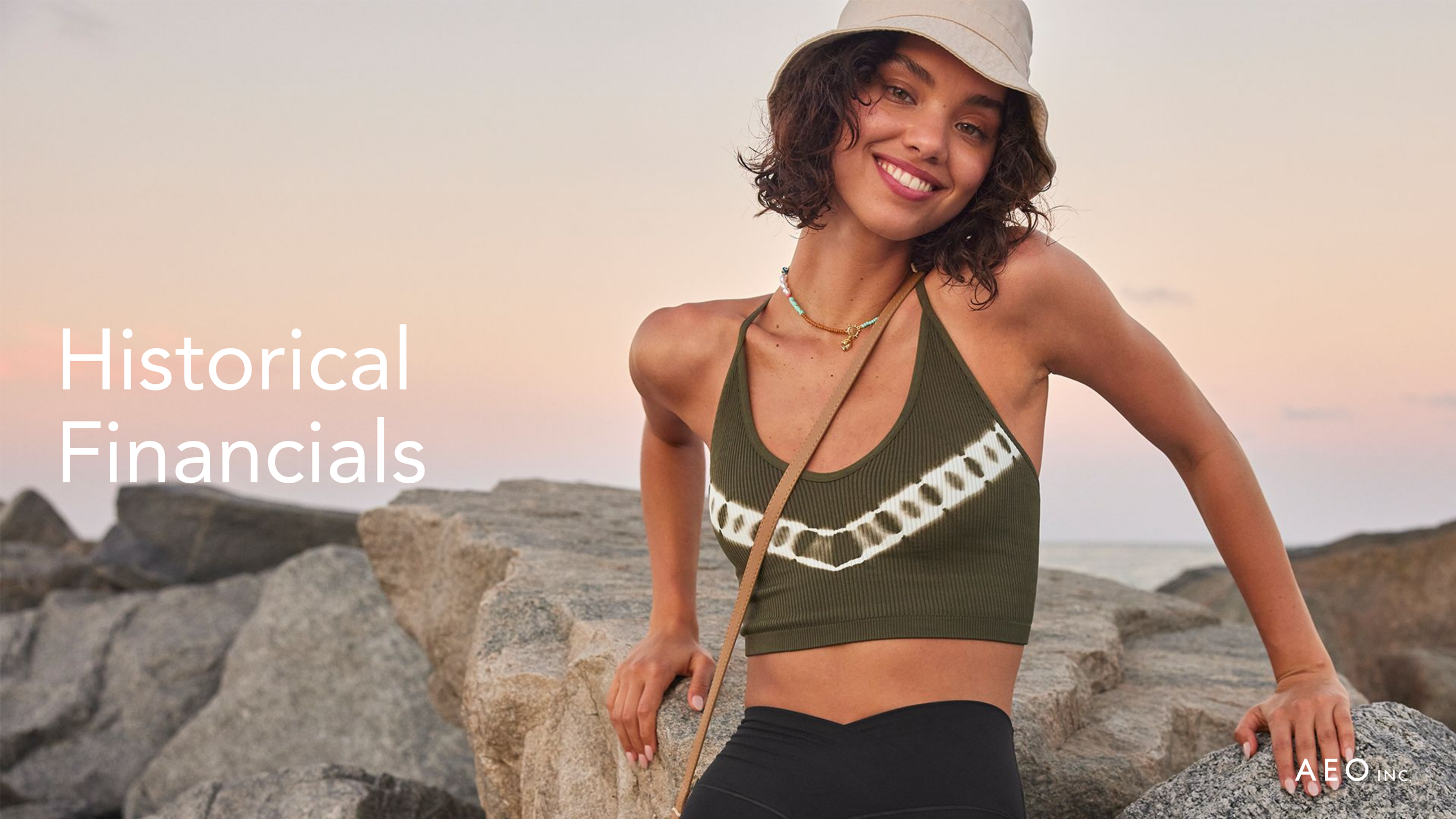

Weighted Average Square Footage*

| FY19 | FY20 | FY21 | FY22 | 1Q23 |
|---|---|---|---|---|
| 5,984 | 5,904 | 5,692 | 5,562 | 5,448 |

North America includes stores in the U.S., Canada and Mexico
*Square footage excludes Aerie and OFFLINE selling square footage in AE side-by-side stores.

AEO INC.

# Historical Financials



# Historical Financial Information - GAAP Basis

| *(In thousands, except per share amounts and store counts)* | 2018 | 2019 | 2020 | 2021 | Fiscal 2022 Q1 | Fiscal 2022 Q2 | Fiscal 2022 Q3 | Fiscal 2022 Q4 | Fiscal 2022 | Fiscal 2023 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total net revenue | $ 4,035,720 | $ 4,308,212 | $ 3,759,113 | $ 5,010,785 | $ 1,055,037 | $ 1,198,124 | $ 1,240,583 | $ 1,496,088 | $ 4,989,833 | $ 1,080,926 |
| Cost of sales, including certain buying, occupancy and warehousing expenses | 2,548,082 | 2,785,911 | 2,610,966 | 3,018,995 | 667,011 | 828,107 | 760,810 | 988,656 | 3,244,585 | 667,747 |
| Gross profit | 1,487,638 | 1,522,301 | 1,148,147 | 1,991,790 | 388,026 | 370,017 | 479,773 | 507,432 | 1,745,248 | 413,179 |
| Selling, general and administrative expenses | 980,610 | 1,029,412 | 977,264 | 1,222,000 | 298,755 | 307,832 | 311,101 | 351,408 | 1,269,095 | 312,345 |
| Impairment, restructuring and COVID-19 related charges | 1,568 | 80,494 | 279,826 | 11,944 | - | - | - | 22,209 | 22,209 | 21,275 |
| Depreciation and amortization expense | 168,331 | 179,050 | 162,402 | 166,781 | 47,369 | 48,171 | 51,124 | 60,233 | 206,897 | 56,728 |
| Operating income (loss) | 337,129 | 233,345 | (271,345) | 591,065 | 41,902 | 14,014 | 117,548 | 73,582 | 247,047 | 22,831 |
| Debt related charges | - | - | - | - | - | 60,066 | - | 4,655 | 64,721 | - |
| Interest (income) expense, net | (3,492) | (6,202) | 24,610 | 34,632 | 4,588 | 3,421 | 3,878 | 2,409 | 14,297 | 690 |
| Other (income) expense, net | (4,479) | (5,731) | (3,682) | (2,489) | (4,444) | (1,839) | 782 | (4,964) | (10,465) | (3,311) |
| Income (loss) before income taxes | 345,100 | 245,278 | (292,273) | 558,922 | 41,758 | (47,634) | 112,888 | 71,482 | 178,494 | 25,452 |
| Provision (benefit) for income taxes | 83,198 | 54,021 | (82,999) | 139,293 | 10,018 | (5,168) | 31,616 | 16,891 | 53,358 | 6,999 |
| Net income (loss) | $ 261,902 | $ 191,257 | $ (209,274) | $ 419,629 | $ 31,740 | $ (42,466) | $ 81,272 | $ 54,591 | $ 125,136 | $ 18,453 |
| Net income (loss) per basic share | $ 1.48 | $ 1.13 | $ (1.26) | $ 2.50 | $ 0.19 | $ (0.24) | $ 0.44 | $ 0.29 | $ 0.69 | $ 0.09 |
| Net income (loss) per diluted share (1) | $ 1.47 | $ 1.12 | $ (1.26) | $ 2.03 | $ 0.16 | $ (0.24) | $ 0.42 | $ 0.28 | $ 0.64 | $ 0.09 |
| Weighted average common shares outstanding - basic | 176,476 | 169,711 | 166,455 | 168,156 | 168,460 | 180,189 | 186,305 | 190,621 | 181,778 | 194,487 |
| Weighted average common shares outstanding - diluted | 178,035 | 170,867 | 166,455 | 206,529 | 219,742 | 180,189 | 195,776 | 196,893 | 205,226 | 197,160 |
| Comparable sales (2) (3) | 8% | 3% | *Not provided* | 30% | -5% | -9% | -9% | -6% | -7% | -1% |
| American Eagle brand comparable sales | 5% | 0% | *Not provided* | 35% | -7% | -10% | -10% | -9% | -9% | -4% |
| Aerie brand comparable sales | 29% | 20% | *Not provided* | 27% | -2% | -6% | -3% | -2% | -3% | 2% |
| Total revenue growth (2) | 6% | 7% | -13% | 33% | 2% | 0% | -3% | -1% | 0% | 2% |
| American Eagle brand revenue growth (4) | *Not provided* | 3% | -21% | 30% | -6% | -8% | -11% | -8% | -8% | -2% |
| Aerie brand revenue growth (4) | *Not provided* | 28% | 24% | 39% | 8% | 11% | 11% | 8% | 9% | 12% |
| Total store count - end of period | 1,055 | 1,095 | 1,078 | 1,133 | 1,141 | 1,160 | 1,179 | 1,175 | 1,175 | 1,180 |
| Weighted gross square feet - end of period | 6,638 | 6,800 | 6,739 | 6,790 | 7,106 | 7,144 | 7,268 | 7,346 | 7,237 | 7,282 |

(1) In Q1 2022, the Company adopted ASU 2020-06 under the modified retrospective method, which requires the Company to utilize the "if-converted" method of calculated diluted EPS.
(2) Comparable sales includes results from Todd Snyder and Unsubscribed brands. Total revenue growth includes results from Todd Snyder and Unsubscribed brands and Quiet Platforms.
(3) Comparable sales are calculated for stores and channels open at least one year over the comparable prior year period. In fiscal years following those with 53 weeks, the prior year period is shifted by one week to compare similar calendar weeks. A store is included in comparable sales in the thirteenth month of operation. However, stores that have a gross square footage change of 25% or greater due to a remodel are removed from the comparable sales base, but are included in total sales. These stores are returned to the comparable sales base in the thirteenth month following the remodel. Sales from American Eagle, Aerie, Todd Snyder, and Unsubscribed stores, as well as sales from AEO Direct and other digital channels, are included in total comparable sales. The Company did not provide comparable sales results for fiscal 2020 due to temporary store closures as a result of COVID-19.
(4) Prior to fiscal 2018, the Company did not disclose segment information; therefore, growth compared to the prior year is unavailable for fiscal 2018.

# Historical Operating Income Reconciliation

| *(In thousands)* | 2018 | 2019 | 2020 (4) | 2021 (4) | Fiscal 2022 Q1 | Fiscal 2022 Q2 (5) | Fiscal 2022 Q3 | Fiscal 2022 Q4 (5) | Fiscal 2022 (5) | Fiscal 2023 Q1 (6) |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income (loss) - As reported | $ 337,129 | $ 233,345 | $ (271,345) | $ 591,065 | $ 41,902 | $ 14,014 | $ 117,548 | $ 73,582 | $ 247,047 | $ 22,831 |
| *% of Revenue* | *8.4%* | *5.4%* | *-7.2%* | *11.8%* | *4.0%* | *1.2%* | *9.5%* | *4.9%* | *5.0%* | *2.1%* |
| Long-lived asset impairment charges (1) | - | 66,252 | 249,163 | 11,944 | - | - | - | 20,633 | 20,633 | 10,759 |
| Incremental COVID-19 related expenses (2) | - | - | 26,930 | - | - | - | - | - | - | - |
| Severance and related employee costs | 1,568 | 6,691 | 3,733 | - | - | - | - | 1,576 | 1,576 | 5,592 |
| Joint business venture exit charges | - | 4,194 | - | - | - | - | - | - | - | - |
| Japan market transition costs | - | 1,814 | - | - | - | - | - | - | - | - |
| China restructuring (3) | - | 1,543 | - | - | - | - | - | - | - | - |
| Other commercial related charges | - | - | - | - | - | - | - | - | - | 4,924 |
| Operating income - Adjusted | $ 338,698 | $ 313,839 | $ 8,481 | $ 603,009 | $ 41,902 | $ 14,014 | $ 117,548 | $ 95,791 | $ 269,256 | $ 44,106 |
| *% of Revenue* | *8.4%* | *7.3%* | *0.2%* | *12.0%* | *4.0%* | *1.2%* | *9.5%* | *6.4%* | *5.4%* | *4.1%* |

(1) In fiscal 2022, the Company recorded impairment charges of $20.6 million primarily related to store property and equipment and operating lease ROU assets. In fiscal 2021, the Company recorded impairment charges of $11.9 million primarily related to store property and equipment and operating lease ROU assets. In fiscal 2020, the Company recorded impairment charges of $249.2 million. Included in this amount are retail store impairment charges of $203.2 million, of which $154.8 million relates to operating lease ROU assets and $48.4 million relates to store property and equipment (fixtures and equipment and leasehold improvements). We also recorded $28.0 million related to the impairment of certain corporate property and equipment, as well as $18.0 million of certain cost and equity method investments. In fiscal 2019, the Company recorded asset impairment charges of $64.5 million on the assets of 20 retail stores. Of the total, $39.5 million related to the impairment of leasehold improvements and store fixtures, and $25.0 million related to the impairment of operating lease ROU assets. The Company also concluded that certain goodwill was impaired resulting in a $1.7 million charge in fiscal 2019.

(2) Incremental COVID-19 related expenses consisted of personal protective equipment and supplies for our associates and customers.

(3) Pre-tax corporate restructuring charges of $1.5 million, primarily consisted of severance and closure costs for our company-owned and operated stores in China recorded in the first quarter of fiscal 2019.

(4) GAAP results for fiscal 2020 and 2021 included the amortization of the non-cash discount on the 2025 Notes, which was recorded below Operating income (loss) prior to the adoption of ASU 2020-06.

(5) GAAP results for Q2 2022 of $60.1 million, Q4 2022 of $4.7 million, and YTD 2022 included $64.7 million of pre-tax debt related charges related primarily to the induced conversion expense relating to the Note Exchange, along with certain other costs related to actions taken to strengthen our capital structure, which was recorded below Operating income (loss).

(6) GAAP results for Q1 2023 included impairment, restructuring and other charges related to Quiet Platforms as the Company repositions the business for improved profitability.



# REAL Power. REAL Growth.

## Value Creation Plan

AEO INC.







**Fueled by optimism**, our brands are designed to empower our customers to be their **real, authentic selves**.

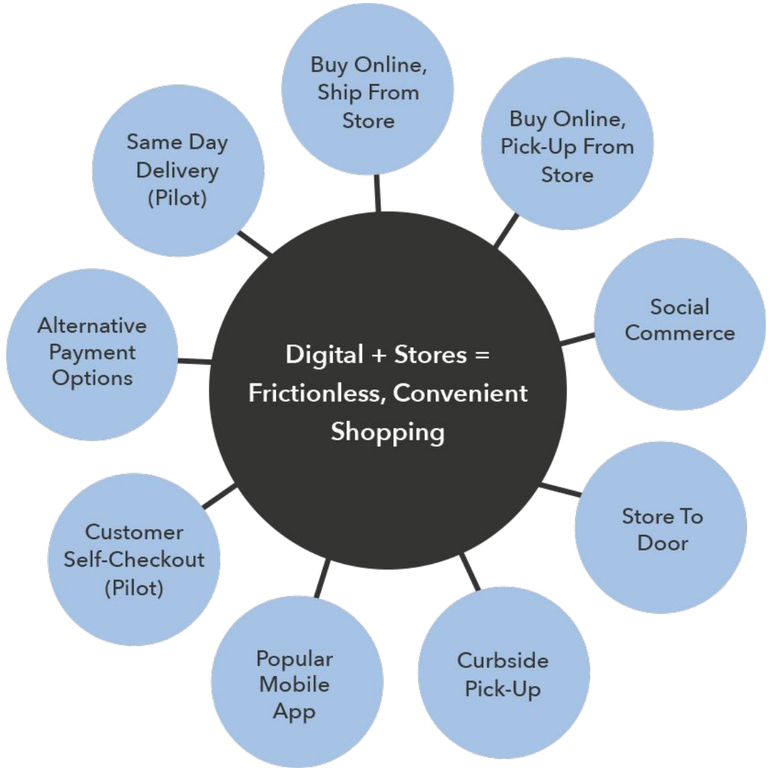


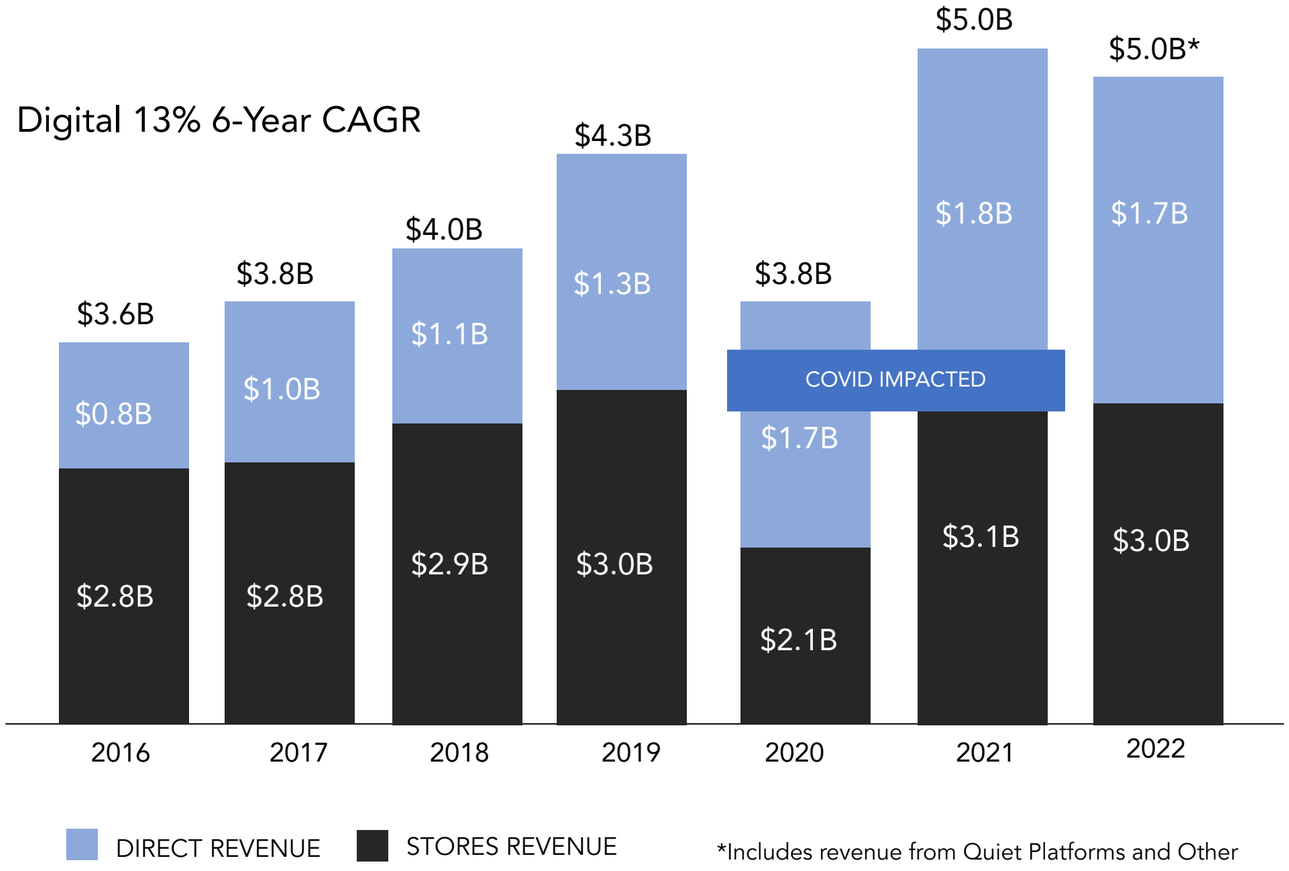






# Customer Centric Omni Channel Retailer With Strong Digital Presence




1Q23 DIGITAL PENETRATION

AMERICAN EAGLE ~30%

AERIE ~45%

# Value Creation Plan

- Grow Aerie to $2 Billion+ in Revenue
- Drive Sustained Profitable Growth at American Eagle
- Leverage Customer-Focused Capabilities
- Strengthen ROI Discipline
- Power of People, Culture and Purpose



AEO INC.

## Aerie's Roadmap to $2 Billion+ in Revenue

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

## Drive Sustained Profitable Growth at American Eagle

1. Refresh Brand DNA
2. Complete The Outfit
3. Optimize Inventory
4. Right-Size Store Footprint




AEO INC.