

AEO INC.

SECOND 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 third 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.

Second Quarter Fiscal 2023 Results

Record second quarter revenue of $1.2 billion, up slightly to last year.

Operating profit of $65 million, up significantly, with growth across brands.

Aerie posted all-time high second quarter revenue.

American Eagle continued to see a sequential improvement in revenue trends.

Realizing initial benefits from profit improvement initiatives.



AEO INC.

"**I am pleased to report second quarter revenue and operating profit that exceeded our expectations.** Demand picked up in June and July reflecting brand strength and on trend collections that are resonating well with customers, supported by exciting new marketing campaigns. **It's encouraging to see positive momentum continue into the third quarter, across brands and channels**."

"**Looking to the second half, we are excited about future product arrivals, leveraging the positive response to early fall goods and delivering innovative customer connections.** At the same time, we are keeping a sharp eye on the consumer environment and planning appropriately. **We are taking action to position the business for improved profit, with preliminary initiatives included in our increased 2023 outlook**. As we continue to optimize our operations, I am confident in our ability to strengthen profitability longer-term."



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



Key Highlights *(unaudited)*

SECOND QUARTER	2023	2022
TOTAL NET REVENUE CHANGE	0%	0%
GROSS MARGIN	37.7%	30.9%
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	27.6%	25.7%
OPERATING MARGIN	5.4%	1.2%

Inventory Data *(unaudited)*

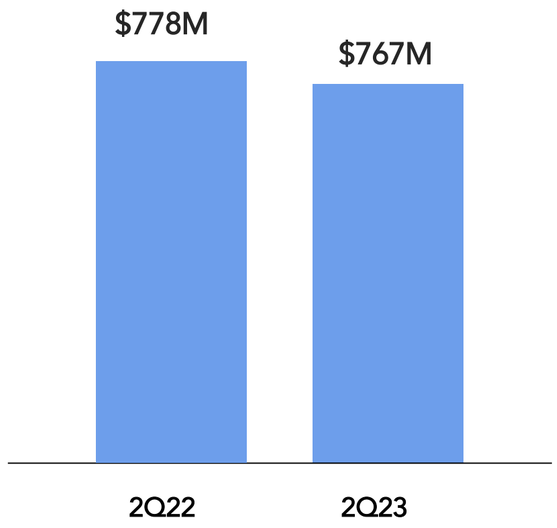
(in thousands)	July 29, 2023	July 30, 2022
ENDING INVENTORY	$636,972	$687,046
ENDING INVENTORY % CHANGE TO PRIOR YEAR	-7%	36%
QUARTERLY INVENTORY TURN(1)	1.19	1.21

(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

Second Quarter Net Revenue

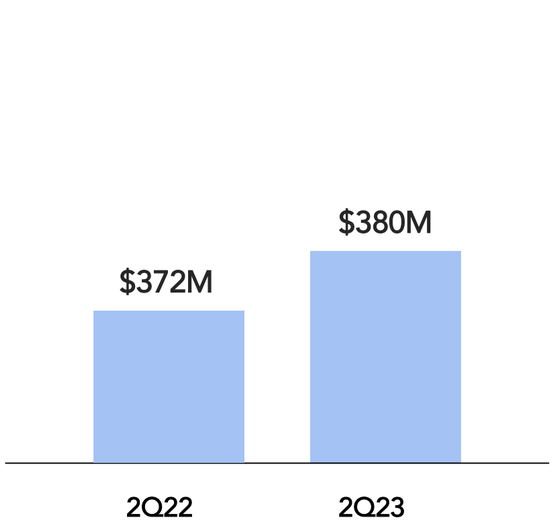
Total Company Revenue Up Slightly; Stores Revenue Up 4%; Digital Revenue Down 7%

AMERICAN EAGLE



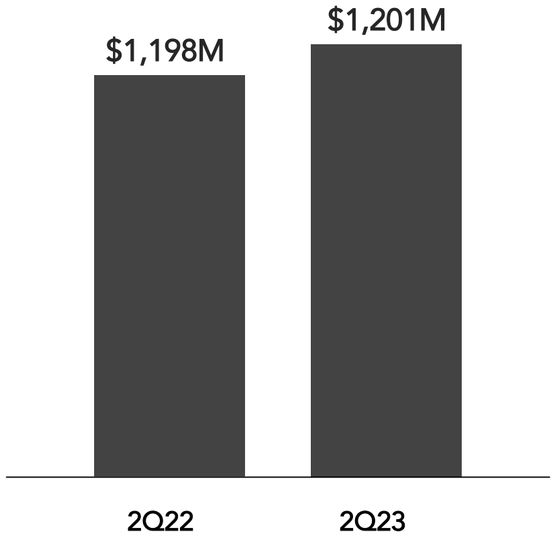
Net Revenue Down 1% YOY

AERIE



Net Revenue Up 2% YOY

TOTAL AEO



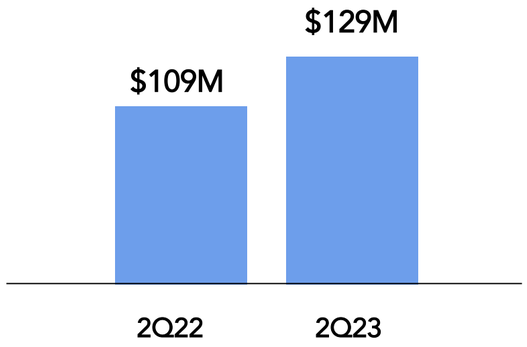
Net Revenue Up Slightly YOY

Second Quarter Operating Income

Total Company Operating Income of $65M, with growth across brands

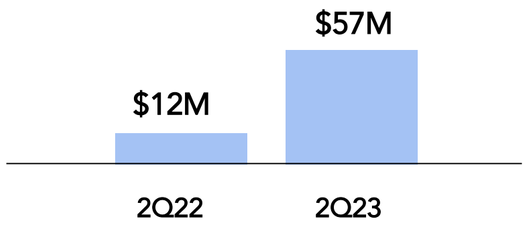
AMERICAN EAGLE

Operating Margin
16.8%

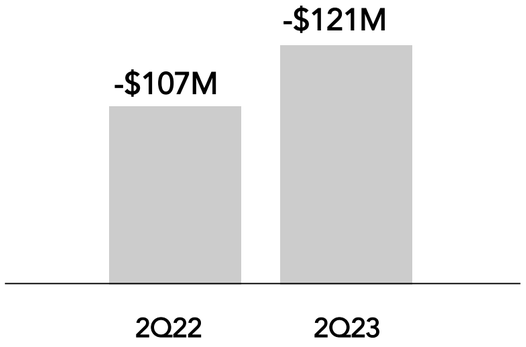


AERIE

Operating Margin
15.1%

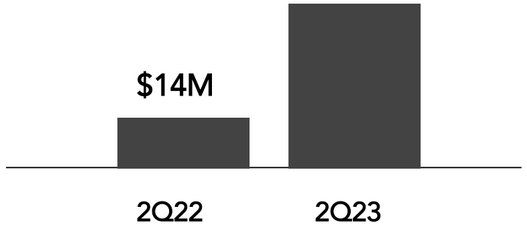


CORPORATE AND OTHER[1]



TOTAL AEO

Operating Margin
5.4%



(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 year, management expects revenue to be up low single digits to last year, compared to prior guidance for revenue in the range of flat to down low single digits. Operating income is expected to be in the range of $325 to $350 million, up from prior guidance of $250 to $270 million.

This reflects better than expected business performance in the second quarter, in addition to improved demand and continued profit improvement in the back half of the year. The outlook includes approximately $25 million in benefits from the company's profit improvement initiatives. With improved business trends, the company is accruing incentives and expects SG&A to be up in the low double digits for the year.

For the third quarter, management's outlook reflects revenue up low single digits with operating income in the range of $115 to $125 million. With incentive accruals skewed to the back half of the year, SG&A is expected to increase in the mid-teens. Depreciation is expected to be similar to the second quarter.



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

	For the 13 weeks ended		For the 26 weeks ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net Revenue:				
American Eagle	$ 767,018	$ 777,828	$ 1,438,110	$ 1,463,407
Aerie	$ 380,413	$ 371,683	$ 739,495	$ 693,395
Total Segment Net Revenue	$ 1,147,431	$ 1,149,511	$ 2,177,605	$ 2,156,802
Other(1)	$ 108,318	$ 110,393	$ 217,675	$ 200,077
Intersegment Elimination	$ (54,870)	$ (61,780)	$ (113,475)	$ (103,718)
Total Net Revenue	$ 1,200,879	$ 1,198,124	$ 2,281,805	$ 2,253,161
Operating Income:				
American Eagle	$ 128,664	$ 109,110	$ 234,203	$ 213,015
Aerie	$ 57,253	$ 11,830	$ 112,922	$ 54,903
Total Segment Adjusted Operating Income	$ 185,917	$ 120,940	$ 347,125	$ 267,918
Other(1)(3)	$ (10,341)	$ (11,507)	$ (26,648)	$ (27,732)
Intersegment Elimination	$ -	$ -	$ -	$ -
General corporate expenses(2)	$ (110,286)	$ (95,419)	$ (211,081)	$ (184,270)
Total Adjusted Operating Income	$ 65,290	$ 14,014	$ 109,396	$ 55,916
Less: Impairment, restructuring and other charges(3)	$ -	$ -	$ (21,275)	$ -
Total Operating Income	$ 65,290	$ 14,014	$ 88,121	$ 55,916
Debt related charges	$ -	$ 60,066	$ -	$ 60,066
Interest expense, net	$ 951	$ 3,421	$ 1,642	$ 8,009
Other income, net	$ (2,150)	$ (1,839)	$ (5,461)	$ (6,283)
Income before income taxes	$ 66,489	$ (47,634)	$ 91,940	$ (5,876)
Capital Expenditures				
American Eagle	$ 16,249	$ 18,754	$ 31,192	$ 34,524
Aerie	$ 10,889	$ 30,244	$ 22,077	$ 61,259
Other(1)	$ 6,154	$ 4,107	$ 11,730	$ 5,132
General corporate expenditures(2)	$ 12,810	$ 16,359	$ 26,960	$ 26,943
Total Capital Expenditures	$ 46,102	$ 69,464	$ 91,959	$ 127,858

(1) The Todd Snyder brand, Unsubscribed brand, and Quiet Platforms have been identified as separate operating segments; however, as they do not meet the quantitative thresholds for separate disclosure, they are presented under the Other caption.

(2) General corporate expenses are comprised of general and administrative costs that management does not attribute to any of our operating segments. These costs primarily relate to corporate administration, information and technology resources, finance and human resources functional and organizational costs, depreciation and amortization of corporate assets, and other general and administrative expenses resulting from corporate-level activities and projects.

(3) $21.3 million of pre-tax impairment, restructuring and other charges related to Quiet Platforms, including $10.8 million of long-lived asset impairment charges, $5.6 million of severance costs, and $4.9 million of contract related charges for the 26 weeks ended July 29, 2023.

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

13 Weeks Ended *(In thousands)*	**July 29, 2023**	**% of Revenue**	**July 30, 2022**	**% of Revenue**
Total net revenue	$ 1,200,879	100.0%	$ 1,198,124	100.0%
Cost of sales, including certain buying, occupancy and warehousing expenses	747,863	62.3%	828,107	69.1%
Gross profit	453,016	37.7%	370,017	30.9%
Selling, general and administrative expenses	331,872	27.6%	307,832	25.7%
Depreciation and amortization expense	55,854	4.7%	48,171	4.0%
Operating income	65,290	5.4%	14,014	1.2%
Debt related charges	-	0.0%	60,066	5.1%
Interest expense, net	951	0.1%	3,421	0.3%
Other income, net	(2,150)	-0.2%	(1,839)	-0.2%
Income (loss) before income taxes	66,489	5.5%	(47,634)	-4.0%
Provision (benefit) for income taxes	17,919	1.5%	(5,168)	-0.5%
Net income (loss)	$ 48,570	4.0%	$ (42,466)	-3.5%
Net income (loss) per basic share	$ 0.25		$ (0.24)	
Net income (loss) per diluted share	$ 0.25		$ (0.24)	
Weighted average common shares outstanding - basic	195,329		180,189	
Weighted average common shares outstanding - diluted	196,103		180,189	

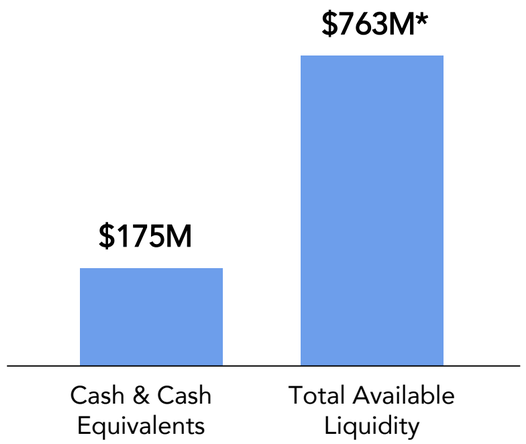
26 Weeks Ended *(In thousands)*	**July 29, 2023**	**% of Revenue**	**July 30, 2022**	**% of Revenue**
Total net revenue	$ 2,281,805	100.0%	$ 2,253,161	100.0%
Cost of sales, including certain buying, occupancy and warehousing expenses	1,415,610	62.0%	1,495,118	66.4%
Gross profit	866,195	38.0%	758,043	33.6%
Selling, general and administrative expenses	644,217	28.2%	606,587	26.9%
Impairment, restructuring and other charges	21,275	1.0%	-	0.0%
Depreciation and amortization expense	112,582	4.9%	95,540	4.2%
Operating income	88,121	3.9%	55,916	2.5%
Debt related charges	-	0.0%	60,066	2.7%
Interest expense, net	1,642	0.1%	8,009	0.4%
Other income, net	(5,461)	-0.2%	(6,283)	-0.3%
Income (loss) before income taxes	91,940	4.0%	(5,876)	-0.3%
Provision for income taxes	24,918	1.1%	4,850	0.2%
Net income (loss)	$ 67,022	2.9%	$ (10,726)	-0.5%
Net income per basic share	$ 0.34		$ (0.06)	
Net income per diluted share	$ 0.34		$ (0.06)	
Weighted average common shares outstanding - basic	195,214		174,544	
Weighted average common shares outstanding - diluted	196,822		174,544	



Liquidity and Capital Allocation

AEO INC.

2Q23 LIQUIDITY



*Includes $588M 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)*

(In millions, except per share amounts)	13 weeks ended July 29, 2023	13 weeks ended July 30, 2022	26 weeks ended July 29, 2023	26 weeks ended July 30, 2022
Cash used for share repurchases	$ -	$ -	$ -	$ -
Number of shares repurchased	-	-	-	-
Cash used for regular quarterly dividends	$ 19.7	$ 34.3	$ 39.4	$ 64.8
Total dividends per share	$ 0.100	$ 0.180	$ 0.200	$ 0.360
Total cash returned to shareholders	$ 19.7	$ 34.3	$ 39.4	$ 64.8

Balance Sheet Summary *(unaudited)*

ASSETS *(In thousands)*	**July 29, 2023**	**January 28, 2023**	**July 30, 2022**
Cash and cash equivalents	$ 175,315	$ 170,209	$ 98,214
Merchandise inventory	636,972	585,083	687,046
Accounts receivable, net	271,333	242,386	220,803
Prepaid expenses and other	117,871	102,563	171,326
Total current assets	1,201,491	1,100,241	1,177,389
Operating lease right-of-use assets	1,038,505	1,086,999	1,210,285
Property and equipment, at cost, net of accumulated depreciation	758,736	781,514	775,969
Goodwill	264,964	264,945	271,406
Intangible assets, net	90,312	94,536	98,651
Non-current deferred income taxes	21,990	36,483	37,017
Other assets	55,909	56,238	58,500
Total assets	**$ 3,431,907**	**$ 3,420,956**	**$ 3,629,217**

LIABILITIES & STOCKHOLDERS EQUITY *(In thousands)*	**July 29, 2023**	**January 28, 2023**	**July 30, 2022**
Accounts payable	$ 238,660	$ 234,340	$ 198,645
Current portion of operating lease liabilities	309,517	337,258	328,348
Unredeemed gift cards and gift certificates	51,156	67,618	51,111
Accrued compensation and payroll taxes	74,509	51,912	50,788
Accrued income taxes and other	17,372	10,919	16,708
Other current liabilities and accrued expenses	71,262	66,901	72,461
Total current liabilities	762,476	768,948	718,061
Non-current operating lease liabilities	970,862	1,021,200	1,137,656
Long-term debt, net	3,225	8,911	376,522
Other non-current liabilities	22,345	22,734	24,055
Total non-current liabilities	996,432	1,052,845	1,538,233
Commitments and contingencies	-	-	-
Preferred stock	-	-	-
Common stock	2,496	2,496	2,496
Contributed capital	334,447	341,775	380,959
Accumulated other comprehensive loss	(11,566)	(32,630)	(40,017)
Retained earnings	2,158,294	2,137,126	2,000,021
Treasury stock	(810,672)	(849,604)	(970,536)
Total stockholders' equity	1,672,999	1,599,163	1,372,923
Total Liabilities and Stockholders' Equity	**$ 3,431,907**	**$ 3,420,956**	**$ 3,629,217**
Current ratio	1.58	1.43	1.64





Real Estate Highlights

AEO INC.

2Q Real Estate Summary *(unaudited)*

Consolidated stores at beginning of period	**1,180**
Consolidated stores opened during the period	
AE BRAND[2]	2
Aerie (incl. OFFL/NE)[3]	3
Todd Snyder	2
Consolidated stores closed during the period	
AE BRAND[2]	(3)
Consolidated stores at end of period	**1,184**
AE BRAND[2]	866
Aerie stand-alone (incl. OFFL/NE)[3]	300
Todd Snyder	13
Unsubscribed	5
Total gross square footage at end of period *[In Thousands]*	**7,293**
International licensed locations at end of period[1]	**279**

(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
2Q23	674	4,262,274	236	939,059	34	104,783	185	1,650,535	2	16,236	5	59,957	30	214,916	1,184	7,296,202

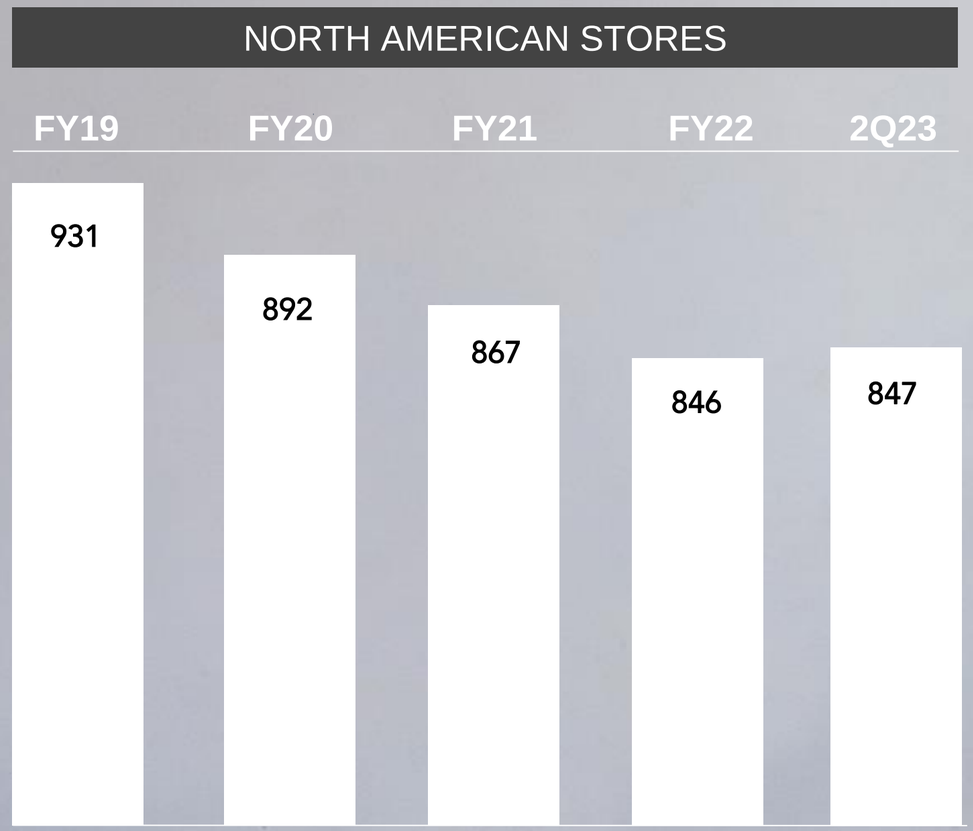
SQFT BY BRAND

	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
2Q23	5,515,903	1,731,856

(1) Total Stores includes Todd Snyder and Unsubscribed

AE North America Store Footprint

84 net store closures since FY19, reflecting a 9% reduction in sq. footage



Weighted Average Square Footage*

FY19	FY20	FY21	FY22	2Q23
5,984	5,904	5,692	5,562	5,441

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



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Historical Financial Information - GAAP Basis

					Fiscal 2022					Fiscal 2023	
(In thousands, except per share amounts and store counts)	2018	2019	2020	2021	Q1	Q2	Q3	Q4	2022	Q1	Q2
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	$ 1,200,879
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	747,863
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	453,016
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	331,872
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	55,854
Operating income (loss)	337,129	233,345	(271,345)	591,065	41,902	14,014	117,548	73,582	247,047	22,831	65,290
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	951
Other (income) expense, net	(4,479)	(5,731)	(3,682)	(2,489)	(4,444)	(1,839)	782	(4,964)	(10,465)	(3,311)	(2,150)
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	66,489
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	17,919
Net income (loss)	$ 261,902	$ 191,257	$ (209,274)	$ 419,629	$ 31,740	$ (42,466)	$ 81,272	$ 54,591	$ 125,136	$ 18,453	$ 48,570
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	$ 0.25
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	$ 0.25
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	195,329
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	196,103
Comparable sales (2) (3)	8%	3%	*Not provided*	30%	-5%	-9%	-9%	-6%	-7%	-1%	0%
American Eagle brand comparable sales	5%	0%	*Not provided*	35%	-7%	-10%	-10%	-9%	-9%	-4%	-2%
Aerie brand comparable sales	29%	20%	*Not provided*	27%	-2%	-6%	-3%	-2%	-3%	2%	0%
Total revenue growth (2)	6%	7%	-13%	33%	2%	0%	-3%	-1%	0%	2%	0%
American Eagle brand revenue growth (4)	*Not provided*	3%	-21%	30%	-6%	-8%	-11%	-8%	-8%	-2%	-1%
Aerie brand revenue growth (4)	*Not provided*	28%	24%	39%	8%	11%	11%	8%	9%	12%	2%
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	1,184
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	7,296

(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 calculating 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	2021	Fiscal 2022 Q1	Fiscal 2022 Q2	Fiscal 2022 Q3	Fiscal 2022 Q4	Fiscal 2022	Fiscal 2023 Q1 (4)	Fiscal 2023 Q2
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	$65,290
% of Revenue	*8.4%*	*5.4%*	*-7.2%*	*11.8%*	*4.0%*	*1.2%*	*9.5%*	*4.9%*	*5.0%*	*2.1%*	*5.4%*
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 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 contract 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	$65,290
% of Revenue	*8.4%*	*7.3%*	*0.2%*	*12.0%*	*4.0%*	*1.2%*	*9.5%*	*6.4%*	*5.4%*	*4.1%*	*5.4%*

(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 Q1 2023 included impairment and restructuring charges related to Quiet Platforms as the Company repositions the business.



REAL Power. REAL Growth.

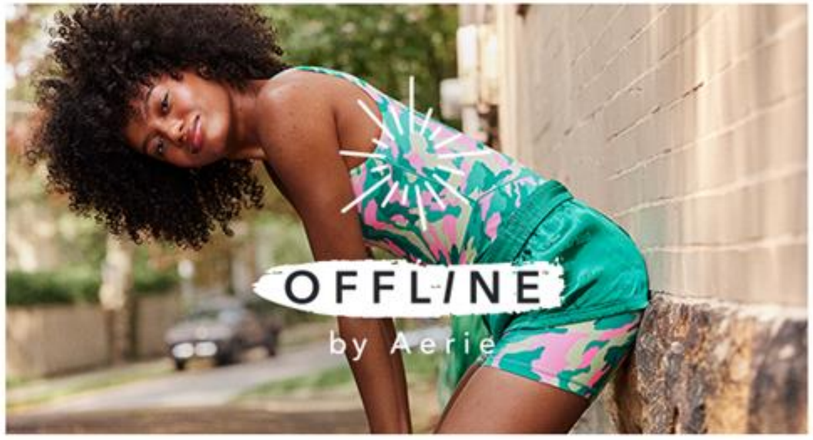
Value Creation Plan

AEO INC.





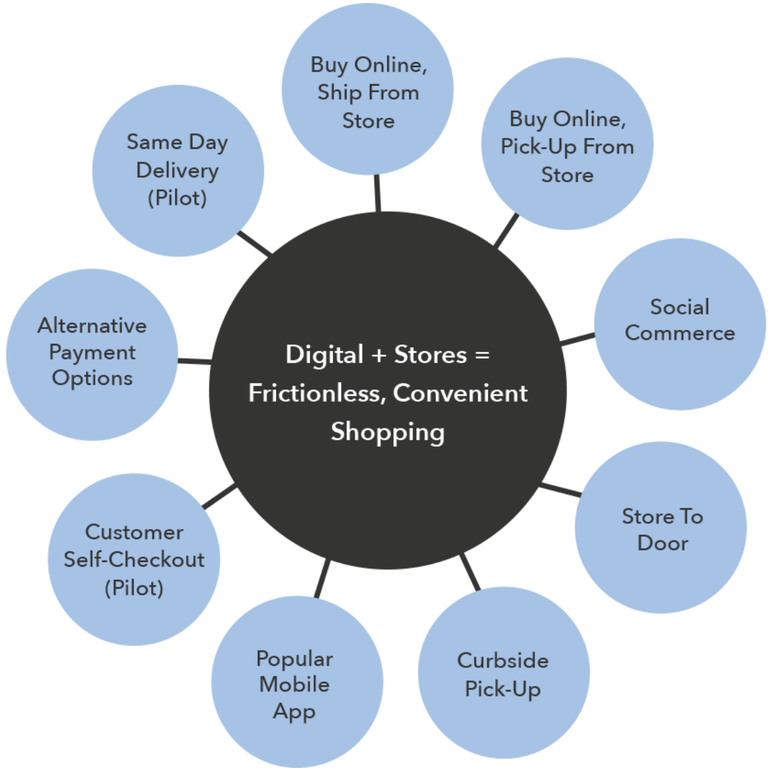
Fueled by optimism, our brands are designed to empower our customers to be their **real, authentic selves.**

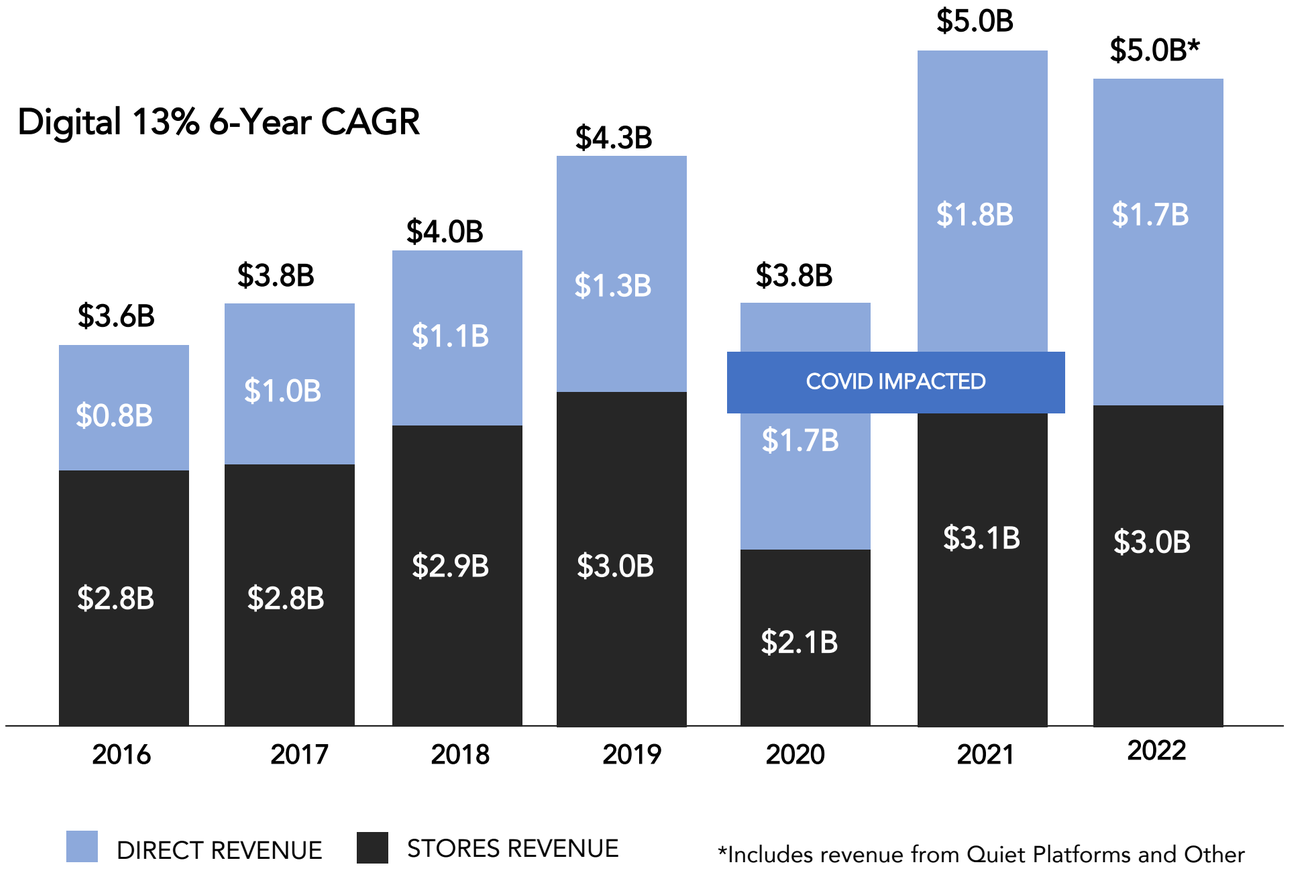






Customer Centric Omni Channel Retailer With Strong Digital Presence





2Q23 DIGITAL PENETRATION

AMERICAN EAGLE ~25%

AERIE ~40%



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

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




REAL
AEO INC.