



**AMERICAN EAGLE  
OUTFITTERS**

NEWS RELEASE

# American Eagle Outfitters Reports Second Quarter 2013 Results

8/21/2013

PITTSBURGH--(BUSINESS WIRE)--Aug. 21, 2013-- American Eagle Outfitters, Inc. (NYSE:AEO) today reported earnings of \$0.10 per diluted share for the second quarter ended August 3, 2013, compared to earnings from continuing operations of \$0.21 per diluted share in the comparable quarter last year.

Robert Hanson , Chief Executive Officer, stated, "Our second quarter results reflected disappointing product execution in women's. Additionally, we faced a highly promotional and competitive retail landscape and a decline in traffic, which have continued into the third quarter. We are working hard to strengthen our assortments, marketing efforts and overall execution, while maintaining tight inventories and disciplined expense management. Although extremely disappointed with our results, I'm confident in the strength of our brands, our strategic initiatives including, factory stores, aerie, omni-channel and international, as well as the team's resolve to regain momentum and improve our bottom line performance."

## Second Quarter 2013 Non-GAAP Results

The following discussion is based on Non-GAAP results for the comparable quarter last year, as presented in the accompanying GAAP to Non-GAAP reconciliations.

- Total net revenue decreased 2% to \$727 million, compared to \$740 million last year.
- Consolidated comparable sales, including AEO Direct, decreased 7%, compared to an 8% increase last year. Second quarter 2013 comparable sales are compared to the 13 weeks ended August 4, 2012.
- Gross profit decreased 11% to \$245 million and, as a rate to revenue, decreased 360 basis points to 33.8%. The decline is primarily the result of higher markdowns and the deleverage of rent on negative comps.

- Selling, general and administrative expense of \$186 million increased 5% from last year and deleveraged 160 basis points to 25.6% as a rate to revenue.
- Operating income decreased 56% to \$29 million, resulting in a rate of 4.1% compared to 9.1% last year.
- EPS of \$0.10 compared to adjusted EPS from continuing operations of \$0.21 last year, a 52% decrease.

## Inventory

Total merchandise inventory at the end of the second quarter declined slightly to \$461 million compared to \$462 million last year. At cost per foot, inventory decreased 1%.

## Capital Expenditures

In the second quarter, capital expenditures totaled \$78 million. Due to the retiming of projects, the company now expects capital expenditures of \$230 to \$250 million for fiscal 2013. This compares to previous expectations of \$250 to \$280 million. The capital spending plan includes new store growth, remodels, a new distribution center to support omni-channel growth and the implementation of new and upgraded technology.

## Real Estate

In the second quarter, total square footage increased 1% from last year. The company opened 26 new stores, including 18 factory stores, and closed 7 locations, including 6 aerie stores. As a result of the terminated licensed agreement previously announced, the company assumed operation of 6 existing stores in Hong Kong and China. Additionally, the company had 57 international franchise locations in 12 countries. For additional second quarter 2013 actual and fiscal 2013 projected real estate information, see the accompanying table.

## Cash and Investments

The company ended the quarter with total cash and short-term investments of \$405 million compared to \$702 million last year. The reduction in cash reflects share repurchases of \$33 million in the first quarter of 2013 and \$174 million in the fourth quarter of 2012. In addition to regular quarterly dividends, the company paid a special cash dividend of \$1.50 per share in the third quarter of 2012 for \$296 million.

## Third Quarter Outlook

Management is issuing third quarter EPS guidance of \$0.14 to \$0.16 per diluted share, based on a mid- to high-single digit decline in comparable sales. This compares to EPS from continuing operations of \$0.41 last year.

## Conference Call and Supplemental Financial Information

Today, management will host a conference call and real time webcast at 9:00 a.m. Eastern Time. To listen to the call, dial 1-877-407-0789 or internationally dial 1-201-689-8562 or go to [www.ae.com](http://www.ae.com) to access the webcast and audio replay. Also, a financial results presentation is posted on the company's website.

## Non-GAAP Measures

This press release includes information on non-GAAP financial measures (“non-GAAP” or “adjusted”), including earnings per share information and the consolidated results of operations 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. The company believes that this non-GAAP information is useful as an additional means for investors to evaluate the company’s operating 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.

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## About American Eagle Outfitters, Inc.

American Eagle Outfitters, Inc. (NYSE: AEO) is a leading global specialty retailer offering high-quality, on-trend clothing, accessories and personal care products at affordable prices under its American Eagle Outfitters® and Aerie® brands. The company operates more than 1,000 stores in North America, and ships to 81 countries worldwide through its websites. American Eagle Outfitters and Aerie merchandise also is available at 59 international franchise stores in 12 countries. For more information, please visit [www.ae.com](http://www.ae.com).

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements, which represent our expectations or beliefs concerning future events, specifically regarding third quarter 2013 results. All forward-looking statements made by the company involve material risks and uncertainties and are subject to change based on factors beyond the company’s control. Such factors include, but are not limited to the risk that the company’s operating, financial and capital plans may not be achieved and the risks described in the Risk Factor Section of the company’s Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. Accordingly, the company’s future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. The company does not undertake to publicly update or revise its forward-looking statements even if future changes make it clear that projected results expressed or implied will not be realized.

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AMERICAN EAGLE OUTFITTERS, INC.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

|                                                | August 3,<br>2013<br>(unaudited) | February 2,<br>2013 | July 28,<br>2012<br>(unaudited) |
|------------------------------------------------|----------------------------------|---------------------|---------------------------------|
| <b>ASSETS</b>                                  |                                  |                     |                                 |
| Cash and cash equivalents                      | \$ 345,188                       | \$ 509,119          | \$ 696,077                      |
| Short-term investments                         | 59,678                           | 121,873             | 5,995                           |
| Merchandise inventory                          | 461,080                          | 332,452             | 462,013                         |
| Assets held for sale                           | 4,669                            | 9,499               | 19,850                          |
| Accounts receivable                            | 45,965                           | 46,321              | 40,202                          |
| Prepaid expenses and other                     | 115,595                          | 73,805              | 76,584                          |
| Deferred income taxes                          | 41,807                           | 58,230              | 55,607                          |
| Total current assets                           | 1,073,982                        | 1,151,299           | 1,356,328                       |
| Property and equipment, net                    | 593,879                          | 500,134             | 534,886                         |
| Intangible assets, net                         | 44,658                           | 38,136              | 38,682                          |
| Goodwill                                       | 13,814                           | 11,484              | 11,445                          |
| Non-current deferred income taxes              | 25,441                           | 31,282              | 22,477                          |
| Other assets                                   | 28,311                           | 23,718              | 15,064                          |
| Total Assets                                   | \$ 1,780,085                     | \$ 1,756,053        | \$ 1,978,882                    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>    |                                  |                     |                                 |
| Accounts payable                               | \$ 292,120                       | \$ 176,874          | \$ 171,655                      |
| Accrued compensation and payroll taxes         | 20,496                           | 65,533              | 54,168                          |
| Accrued rent                                   | 74,052                           | 77,873              | 78,514                          |
| Accrued income and other taxes                 | 9,614                            | 29,155              | 15,822                          |
| Unredeemed gift cards and gift certificates    | 26,389                           | 46,458              | 24,342                          |
| Current portion of deferred lease credits      | 14,104                           | 13,381              | 14,679                          |
| Other current liabilities and accrued expenses | 28,024                           | 26,628              | 26,694                          |
| Total current liabilities                      | 464,799                          | 435,902             | 385,874                         |
| Deferred lease credits                         | 67,461                           | 59,571              | 69,598                          |
| Non-current accrued income taxes               | 19,722                           | 19,011              | 26,285                          |
| Other non-current liabilities                  | 24,430                           | 20,382              | 18,711                          |
| Total non-current liabilities                  | 111,613                          | 98,964              | 114,594                         |
| Commitments and contingencies                  | -                                | -                   | -                               |
| Preferred stock                                | -                                | -                   | -                               |
| Common stock                                   | 2,496                            | 2,496               | 2,496                           |
| Contributed capital                            | 587,905                          | 627,065             | 574,671                         |
| Accumulated other comprehensive income         | 24,397                           | 29,297              | 28,073                          |
| Retained earnings                              | 1,588,094                        | 1,553,058           | 1,770,546                       |
| Treasury stock                                 | (999,219)                        | (990,729)           | (897,372)                       |
| Total stockholders' equity                     | 1,203,673                        | 1,221,187           | 1,478,414                       |
| Total Liabilities and Stockholders' Equity     | \$ 1,780,085                     | \$ 1,756,053        | \$ 1,978,882                    |
| Current Ratio                                  | 2.31                             | 2.64                | 3.51                            |

AMERICAN EAGLE OUTFITTERS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars and shares in thousands, except per share amounts)  
(unaudited)

|                                                                                | GAAP Basis<br>13 Weeks Ended |                 |   | July 28,         |                 |   |
|--------------------------------------------------------------------------------|------------------------------|-----------------|---|------------------|-----------------|---|
|                                                                                | August 3,<br>2013            | % of<br>Revenue |   | 2012             | % of<br>Revenue |   |
| Total net revenue                                                              | \$ 727,313                   | 100.0           | % | \$ 739,680       | 100.0           | % |
| Cost of sales, including certain buying,<br>occupancy and warehousing expenses | 481,818                      | 66.2            | % | 463,116          | 62.6            | % |
| Gross profit                                                                   | 245,495                      | 33.8            | % | 276,564          | 37.4            | % |
| Selling, general and administrative expenses                                   | 186,336                      | 25.6            | % | 182,125          | 24.6            | % |
| Depreciation and amortization                                                  | 29,734                       | 4.1             | % | 32,643           | 4.4             | % |
| Operating income                                                               | 29,425                       | 4.1             | % | 61,796           | 8.4             | % |
| Other (expense) income, net                                                    | 1,149                        | 0.1             | % | (343)            | -0.1            | % |
| Income before income taxes                                                     | 30,574                       | 4.2             | % | 61,453           | 8.3             | % |
| Provision for income taxes                                                     | 10,980                       | 1.5             | % | 18,607           | 2.5             | % |
| Income from continuing operations                                              | 19,594                       | 2.7             | % | 42,846           | 5.8             | % |
| Loss from discontinued operations, net of tax                                  | -                            | 0.0             | % | (23,819)         | -3.2            | % |
| Net income                                                                     | \$ 19,594                    | 2.7             | % | \$ 19,027        | 2.6             | % |
| Basic income per common share:                                                 |                              |                 |   |                  |                 |   |
| Income from continuing operations                                              | \$ 0.10                      |                 |   | \$ 0.22          |                 |   |
| Loss from discontinued operations                                              | 0.00                         |                 |   | (0.12)           | )               |   |
| Net income per basic share                                                     | \$ 0.10                      |                 |   | \$ 0.10          |                 |   |
| Diluted income per common share:                                               |                              |                 |   |                  |                 |   |
| Income from continuing operations                                              | \$ 0.10                      |                 |   | \$ 0.21          |                 |   |
| Loss from discontinued operations                                              | 0.00                         |                 |   | (0.12)           | )               |   |
| Net income per diluted share                                                   | \$ 0.10                      |                 |   | \$ 0.09          |                 |   |
| Weighted average common shares                                                 |                              |                 |   |                  |                 |   |
| outstanding - basic                                                            | 192,731                      |                 |   | 196,160          |                 |   |
| Weighted average common shares<br>outstanding - diluted                        | 195,951                      |                 |   | 199,807          |                 |   |
| 26 Weeks Ended                                                                 |                              |                 |   |                  |                 |   |
|                                                                                | August 3,<br>2013            | % of<br>Revenue |   | July 28,<br>2012 | % of<br>Revenue |   |
| Total net revenue                                                              | \$ 1,406,790                 | 100.0           | % | \$ 1,448,375     | 100.0           | % |
| Cost of sales, including certain buying,<br>occupancy and warehousing expenses | 897,686                      | 63.8            | % | 896,898          | 61.9            | % |
| Gross profit                                                                   | 509,104                      | 36.2            | % | 551,477          | 38.1            | % |
| Selling, general and administrative expenses                                   | 368,589                      | 26.2            | % | 360,664          | 24.9            | % |
| Depreciation and amortization                                                  | 65,273                       | 4.6             | % | 64,709           | 4.5             | % |
| Operating income                                                               | 75,242                       | 5.4             | % | 126,104          | 8.7             | % |
| Other income, net                                                              | 467                          | 0.0             | % | 3,164            | 0.2             | % |
| Income before income taxes                                                     | 75,709                       | 5.4             | % | 129,268          | 8.9             | % |
| Provision for income taxes                                                     | 28,139                       | 2.0             | % | 42,387           | 2.9             | % |
| Income from continuing operations                                              | 47,570                       | 3.4             | % | 86,881           | 6.0             | % |
| Loss from discontinued operations, net of tax                                  | -                            | 0.0             | % | (28,157)         | -1.9            | % |
| Net income                                                                     | \$ 47,570                    | 3.4             | % | \$ 58,724        | 4.1             | % |
| Basic income per common share:                                                 |                              |                 |   |                  |                 |   |
| Income from continuing operations                                              | \$ 0.25                      |                 |   | \$ 0.44          |                 |   |
| Loss from discontinued operations                                              | -                            |                 |   | (0.14)           | )               |   |
| Net income per basic share                                                     | \$ 0.25                      |                 |   | \$ 0.30          |                 |   |
| Diluted income per common share:                                               |                              |                 |   |                  |                 |   |
| Income from continuing operations                                              | \$ 0.24                      |                 |   | \$ 0.44          |                 |   |
| Loss from discontinued operations                                              | -                            |                 |   | (0.14)           | )               |   |
| Net income per diluted share                                                   | \$ 0.24                      |                 |   | \$ 0.30          |                 |   |
| Weighted average common shares                                                 |                              |                 |   |                  |                 |   |
| outstanding - basic                                                            | 192,720                      |                 |   | 195,525          |                 |   |
| Weighted average common shares<br>outstanding - diluted                        | 196,451                      |                 |   | 198,329          |                 |   |

AMERICAN EAGLE OUTFITTERS, INC.  
GAAP TO NON-GAAP RECONCILIATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars and shares in thousands, except per share amounts)  
(unaudited)

|                                                                             | 13 Weeks Ended<br>July 28, 2012                          |                     |                            |                                                           |           |         |
|-----------------------------------------------------------------------------|----------------------------------------------------------|---------------------|----------------------------|-----------------------------------------------------------|-----------|---------|
|                                                                             | American<br>Eagle<br>Outfitters,<br>Inc.<br>(GAAP Basis) | Tax Benefits<br>(1) | Restructuring<br>Costs (1) | American Eagle<br>Outfitters, Inc.<br>(Non-GAAP<br>Basis) |           |         |
|                                                                             | % of<br>Sales                                            |                     | % of<br>Sales              |                                                           |           |         |
| Net sales                                                                   | \$739,680                                                | 100.0 %             | \$ -                       | \$ -                                                      | \$739,680 | 100.0 % |
| Cost of sales, including certain buying, occupancy and warehousing expenses | 463,116                                                  | 62.6 %              | -                          | -                                                         | 463,116   | 62.6 %  |
| Gross profit                                                                | 276,564                                                  | 37.4 %              | -                          | -                                                         | 276,564   | 37.4 %  |
| Selling, general and administrative expenses                                | 182,125                                                  | 24.6 %              | -                          | 4,367                                                     | 177,758   | 24.0 %  |
| Depreciation and amortization                                               | 32,643                                                   | 4.4 %               | -                          | 710                                                       | 31,933    | 4.3 %   |
| Operating income (loss)                                                     | 61,796                                                   | 8.4 %               | -                          | (5,077)                                                   | 66,873    | 9.1 %   |
| Other (expense), net                                                        | (343)                                                    | -0.1 %              | -                          | -                                                         | (343)     | -0.1 %  |
| Income (loss) before income taxes                                           | 61,453                                                   | 8.3 %               | -                          | (5,077)                                                   | 66,530    | 9.0 %   |
| Provision (benefit) for income taxes                                        | 18,607                                                   | 2.5 %               | (4,411)                    | (1,882)                                                   | 24,900    | 3.4 %   |
| Income (loss) from continuing operations                                    | 42,846                                                   | 5.8 %               | 4,411                      | (3,195)                                                   | 41,630    | 5.6 %   |
| Loss from discontinued operations, net of tax                               | (23,819)                                                 | -3.2 %              | -                          | -                                                         | (23,819)  | -3.2 %  |
| Net income (loss)                                                           | \$19,027                                                 | 2.6 %               | \$ 4,411                   | \$ (3,195)                                                | \$17,811  | 2.4 %   |
| Basic income per common share                                               |                                                          |                     |                            |                                                           |           |         |
| Income from continuing operations                                           | \$0.22                                                   |                     | \$ 0.03                    | \$ (0.02)                                                 | \$0.21    |         |
| Loss from discontinued operations                                           | \$(0.12)                                                 |                     | \$ 0.00                    | \$ 0.00                                                   | \$(0.12)  |         |
| Basic income per common share                                               | \$0.10                                                   |                     | \$ 0.03                    | \$ (0.02)                                                 | \$0.09    |         |
| Diluted income per common share                                             |                                                          |                     |                            |                                                           |           |         |
| Income from continuing operations                                           | \$0.21                                                   |                     | \$ 0.02                    | \$ (0.02)                                                 | \$0.21    |         |
| Loss from discontinued operations                                           | \$(0.12)                                                 |                     | \$ 0.00                    | \$ 0.00                                                   | \$(0.12)  |         |
| Diluted income per common share                                             | \$0.09                                                   |                     | \$ 0.02                    | \$ (0.02)                                                 | \$0.09    |         |
| Weighted average common shares outstanding - basic                          | 196,160                                                  |                     | 196,160                    | 196,160                                                   | 196,160   |         |
| Weighted average common shares outstanding - diluted                        | 199,807                                                  |                     | 199,807                    | 199,807                                                   | 199,807   |         |

(1) Non-GAAP Items consist of \$4.4 million of tax benefits from audit settlements, offset by \$3.9 million of pre-tax severance and related costs and \$1.2 million of pre-tax asset impairments and asset write offs.

AMERICAN EAGLE OUTFITTERS, INC.  
COMPARABLE SALES RESULTS BY BRAND  
(unaudited)

Second Quarter  
Comparable Sales

2013 (1)

2012

|                                     |    |   |    |   |
|-------------------------------------|----|---|----|---|
| American Eagle Outfitters, Inc. (3) | -7 | % | 8  | % |
| AE Total Brand (3)                  | -8 | % | 8  | % |
| erie Total Brand (3)                | -2 | % | 17 | % |
| AEO Direct                          | 11 | % | 27 | % |

YTD Second Quarter  
Comparable Store Sales

|                                     |          |   |      |   |
|-------------------------------------|----------|---|------|---|
|                                     | 2013 (2) |   | 2012 |   |
| American Eagle Outfitters, Inc. (3) | -6       | % | 13   | % |
| AE Total Brand (3)                  | -7       | % | 12   | % |
| erie Total Brand (3)                | 1        | % | 19   | % |
| AEO Direct (2)                      | 17       | % | 24   | % |

(1) Second quarter 2013 comp sales are compared to the sales for the 13 weeks ended August 4, 2012.

(2) YTD second quarter 2013 comp sales are compared to the sales for the 26 weeks ended August 4, 2012.

(3) AEO Direct is included in consolidated and total brand comparable sales.

AMERICAN EAGLE OUTFITTERS, INC.  
REAL ESTATE INFORMATION  
(unaudited)

|                                                     | Second Quarter | YTD<br>Second Quarter | Fiscal 2013  |
|-----------------------------------------------------|----------------|-----------------------|--------------|
|                                                     | 2013           | 2013                  | Guidance     |
| Consolidated stores at beginning of period          | 1,037          | 1,044                 | 1,044        |
| Consolidated stores opened during the period        |                |                       |              |
| AE Brand (2)                                        | 26             | 33                    | 55 - 60      |
| Consolidated stores closed during the period        |                |                       |              |
| AE Brand                                            | (1)            | (5)                   | (20) - (30)  |
| erie                                                | (6)            | (16)                  | (15) - (20)  |
| Total consolidated stores at end of period          | 1,056          | 1,056                 | 1054 - 1064  |
| Stores remodeled and refurbished during the period  | 20             | 42                    | 50 - 65      |
| Total gross square footage at end of period         | 6,373,055      | 6,373,055             | Not Provided |
| International franchise stores at end of period (1) | 57             | 57                    | 66           |

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

(2) Includes six franchise stores in Hong Kong and China that were acquired by the company in the second quarter of 2013.

Source: American Eagle Outfitters, Inc.

American Eagle Outfitters Inc.

Judy Meehan, 412-432-3300