UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 1-33338

American Eagle Outfitters, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**No. 13-2721761**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
77 Hot Metal Street, Pittsburgh, PA	**15203-2329**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (412) 432-3300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	AEO	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 166,184,108 Common Shares were outstanding at December 1, 2020.

AMERICAN EAGLE OUTFITTERS, INC.
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FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are based on the views and beliefs of management, as well as assumptions and estimates made by management. Actual results could differ materially from such forward-looking statements as a result of various risk factors, including those that may not be in the control of management. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," "potential," and similar expressions may identify forward-looking statements. Our forward-looking statements include, but are not limited to, statements about:

- the planned opening of approximately 30 Aerie stores during Fiscal 2020;
- the potential closures, including temporary closures, of American Eagle and Aerie stores, primarily in North America, during Fiscal 2020;
- the success of our core American Eagle and Aerie brands through our omni-channel and licensed outlets within North America and internationally;
- the success of our business priorities and strategies;
- the continued validity of our trademarks;
- our performance during the year-end holiday selling season;
- the accuracy of the estimates and assumptions we make pursuant to our critical accounting policies and estimates;
- the payment of a dividend in future periods;
- the possibility that future access to the debt markets may not be available, or available at terms or interest rates that are attractive;
- the availability of sufficient cash flow to fund anticipated capital expenditures, future dividends, and working capital requirements;
- the possibility that product costs are adversely affected by foreign trade issues (including import tariffs and other trade restrictions with China and other countries), currency exchange rate fluctuations, increasing prices for raw materials, supply chain issues, political instability or other reasons;
- the possibility of further changes in global economic and financial conditions, and resulting impacts on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits; and
- the possibility that we may be required to take additional impairment and restructuring charges.

Our forward-looking statements surrounding the novel strain of coronavirus (COVID-19) include, but are not limited to:

- the ongoing impact of the COVID-19 pandemic on global economic conditions, our customers' discretionary income and freedom of movement;
- the current unknown duration of the COVID-19 pandemic, including a potential resurgence during the fourth quarter of Fiscal 2020 or beyond;
- the impact of governmental regulations that have been, and may in the future be, imposed in response to the pandemic, including regulations that could adversely affect our business or cause us to cease our digital business if we are required to close our distribution and fulfillment centers or are otherwise unable to acquire or deliver merchandise, or to close our recently reopened retail stores;
- the deterioration in the economic conditions in the United States, which could have an impact on discretionary consumer spending;
- the ability of our distribution centers to maintain adequate staffing to meet increased customer demand;
- the possibility of temporary furloughs of store, field, and corporate associates surrounded by store closures;
- the reduction of operating expenses, which includes delayed merit increases for associates, hiring freezes, and other cost-saving initiatives;
- the uncertainties surrounding the duration of store closures and whether currently open stores will remain open;

- the reduction or deferral of inventory receipts to align with lower demand due to store closures; and
- the planned reduction of capital expenditures across stores, information technology and other projects within a range of $100 million to $125 million for Fiscal 2020.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, without limitation, the following:

- the risk associated with our inability to anticipate and respond to changing consumer preferences;
- the risk associated with pricing pressure from existing and new competitors;
- the risk of economic pressures and other business factors on discretionary consumer spending and changes in consumer preferences;
- the risk that seasonality could cause sales to fluctuate and negatively impact our results of operations;
- the risk that the COVID-19 global pandemic could continue to have a material adverse effect on our business and results of operations, the nature and extent of which remains highly uncertain and unpredictable;
- the risk that our results could be adversely affected by natural disasters, public health crises (including, without limitation, the recent COVID-19 pandemic coronavirus outbreak), political crises, negative global climate patterns, or other catastrophic events;
- the risk that impairment to goodwill, intangible assets, and other long-lived assets could adversely impact our profitability;
- the risk that our inability to grow our digital channels and leverage omni-channel capabilities could impact our business, particularly if our stores are closed or our customers have restricted freedom of movement;
- the risk that failure to define, launch and communicate a brand relevant customer experience could have a negative impact;
- the risk that our efforts to execute on our key business priorities could have a negative impact;
- the risk that our efforts to expand internationally expose us to risks inherent in operating in new countries;
- the risk that failure to protect our reputation could have a material adverse effect;
- the risk that we are unable to implement and sustain adequate information technology systems;
- the risk that our inability to safeguard against security breaches with respect to our information technology systems could damage our reputation and adversely impact our profitability;
- the risk that we may be exposed to costs associated with the loss of customer information;
- the risk that our international merchandise sourcing strategy subjects us to risks that could impact our business and results of operations;
- the risk that our product costs may be adversely affect by foreign trade issues, currency exchange rate fluctuations, increasing prices for raw materials, political instability, or other reasons;
- the risks associated with our inability to achieve planned store performance, gain market share in the face of declining shopping center traffic or attract customers to our stores;
- the risks associated with leasing substantial amount of space, including increases in occupancy costs and the need to generate significant cash flow to meet our lease obligations;
- the risk that we rely on key personnel, the loss of whom could have a material adverse effect on our business;
- the risk that we may be unable to protect our trademarks and other intellectual property rights
- the risks associated with a complex regulatory, compliance and legal environment;
- the risk that fluctuations in our tax obligations and effective tax rate could adversely affect us; and
- the risk that the impact of various legal proceedings, lawsuits, disputes, and claims could have an adverse impact on our business, financial condition, and results of operation.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)	October 31, 2020 (Unaudited)	February 1, 2020	November 2, 2019 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 692,356	$ 361,930	$ 214,514
Short-term investments	-	55,000	50,000
Merchandise inventory	559,961	446,278	647,329
Accounts receivable, net	124,560	119,064	112,304
Prepaid expenses and other	130,909	65,658	54,427
Total current assets	1,507,786	1,047,930	1,078,574
Property and equipment, at cost, net of accumulated depreciation	650,397	735,120	764,350
Operating lease right-of-use assets	1,243,311	1,418,916	1,486,133
Intangible assets net, including goodwill	50,864	53,004	55,466
Non-current deferred income taxes	12,774	22,724	16,833
Other Assets	33,083	50,985	50,896
Total assets	$ 3,498,215	$ 3,328,679	$ 3,452,252
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 304,552	$ 285,746	$ 366,676
Current portion of operating lease liabilities	346,321	299,161	292,312
Accrued income and other taxes	15,503	9,514	18,421
Accrued compensation and payroll taxes	117,736	43,537	43,473
Dividends payable	22,843	—	—
Unredeemed gift cards and gift certificates	39,794	56,974	32,411
Other current liabilities and accrued expenses	47,587	56,824	56,859
Total current liabilities	894,336	751,756	810,152
Non-current liabilities:			
Long-term debt, net	321,081	—	—
Non-current operating lease liabilities	1,196,755	1,301,735	1,353,819
Other non-current liabilities	17,846	27,335	27,896
Total non-current liabilities	1,535,682	1,329,070	1,381,715
Commitments and contingencies	—	—	—
Stockholders' equity:			
Preferred stock, $0.01 par value; 5,000 shares authorized; none issued and outstanding	—	—	—
Common stock, $0.01 par value; 600,000 shares authorized; 249,566 shares issued; 166,129, 166,993 and 166,974 shares outstanding, respectively	2,496	2,496	2,496
Contributed capital	655,891	577,856	574,391
Accumulated other comprehensive loss	(44,673)	(33,168)	(35,861)
Retained earnings	1,865,370	2,108,292	2,127,312
Treasury stock, 83,437, 82,573 and 82,592 shares, respectively	(1,410,887)	(1,407,623)	(1,407,953)
Total stockholders' equity	1,068,197	1,247,853	1,260,385
Total liabilities and stockholders' equity	$ 3,498,215	$ 3,328,679	$ 3,452,252

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share amounts)	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Total net revenue	1,031,617	1,066,412	2,466,819	2,993,581
Cost of sales, including certain buying, occupancy and warehousing expenses	616,840	659,350	1,758,537	1,879,027
Gross profit	414,777	407,062	708,282	1,114,554
Selling, general and administrative expenses	273,297	258,973	685,206	742,764
Impairment, restructuring and COVID-19 related charges	6,955	-	177,186	4,272
Depreciation and amortization expense	38,974	44,987	120,818	134,648
Operating income (loss)	95,551	103,102	(274,928)	232,870
Interest expense (income), net	7,924	(1,238)	16,617	(4,797)
Other income, net	(2,223)	(1,339)	(793)	(5,952)
Income (loss) before income taxes	89,850	105,679	(290,752)	243,619
Provision (Benefit) for income taxes	31,742	24,918	(77,943)	57,125
Net income (loss)	58,108	80,761	(212,809)	186,494
Net income (loss) per basic share	$ 0.35	$ 0.48	$ (1.28)	$ 1.09
Net income (loss) per diluted share	$ 0.32	$ 0.48	$ (1.28)	$ 1.09
Weighted average common shares outstanding - basic	166,185	167,912	166,385	170,463
Weighted average common shares outstanding - diluted	184,397	168,693	166,385	171,697

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In thousands)	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Net income (loss)	$ 58,108	$ 80,761	$ (212,809)	$ 186,494
Other comprehensive income (loss):				
Foreign currency translation adjustments	3,318	769	(11,505)	(1,029)
Other comprehensive income (loss):	3,318	769	(11,505)	(1,029)
Comprehensive income (loss)	$ 61,426	$ 81,530	$ (224,314)	$ 185,465

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

13 Weeks Ended October 31, 2020 and November 2, 2019

(In thousands, except per share amounts)	Shares Outstanding	Common Stock	Contributed Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Stockholders' Equity
Balance at August 3, 2019	**168,962**	**$ 2,496**	**$ 568,413**	**$ 2,070,077**	**$ (1,375,779)**	**$ (36,630)**	**$ 1,228,577**
Stock awards	—	—	5,565	—	—	—	5,565
Repurchase of common stock as part of publicly announced programs	(2,000)	—	—	—	(32,381)	—	(32,381)
Repurchase of common stock from employees	(3)	—	—	—	(50)	—	(50)
Reissuance of treasury stock	15	—	(175)	20	257	—	102
Net income	—	—	—	80,761	—	—	80,761
Other comprehensive income (loss)	—	—	—	—	—	769	769
Cash dividends declared and dividend equivalents ($0.1375 per share)	—	—	588	(23,546)	—	—	(22,958)
Balance at November 2, 2019	**166,974**	**$ 2,496**	**$ 574,391**	**$ 2,127,312**	**$ (1,407,953)**	**$ (35,861)**	**$ 1,260,385**
Balance at August 1, 2020	**166,090**	**$ 2,496**	**$ 647,284**	**$ 1,807,687**	**$ (1,411,576)**	**$ (47,991)**	**$ 997,900**
Stock awards	—	—	8,946	—	—	—	8,946
Repurchase of common stock from employees	(11)	—	—	—	(142)	—	(142)
Reissuance of treasury stock	50	—	(536)	(420)	831	—	(125)
Net income	—	—	—	58,108	—	—	58,108
Other comprehensive income (loss)	—	—	—	—	—	3,318	3,318
Current period adjustment to dividend declared ($0.375 per share)	—	—	197	(5)	—	—	192
Balance at October 31, 2020	**166,129**	**$ 2,496**	**$ 655,891**	**$ 1,865,370**	**$ (1,410,887)**	**$ (44,673)**	**$ 1,068,197**

39 Weeks Ended October 31, 2020 and November 2, 2019

(In thousands, except per share amounts)	Shares Outstanding	Common Stock	Contributed Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Stockholders' Equity
Balance at February 2, 2019	**172,436**	**$ 2,496**	**$ 574,929**	**$ 2,054,654**	**$ (1,309,692)**	**$ (34,832)**	**$ 1,287,555**
Stock awards	—	—	19,731	—	—	—	19,731
Repurchase of common stock as part of publicly announced programs	(6,336)	—	—	—	(112,381)	—	(112,381)
Repurchase of common stock from employees	(425)	—	—	—	(7,980)	—	(7,980)
Adoption of ASC 842, net of tax	—	—	—	(44,435)	-	—	(44,435)
Reissuance of treasury stock	1,299	—	(21,847)	1,999	22,100	—	2,252
Net income	—	—	—	186,494		—	186,494
Other comprehensive income (loss)	—	—	—	—	—	(1,029)	(1,029)
Cash dividends declared and dividend equivalents ($0.1375 per share)	—	—	1,578	(71,400)	—	—	(69,822)
Balance at November 2, 2019	**166,974**	**$ 2,496**	**$ 574,391**	**$ 2,127,312**	**$ (1,407,953)**	**$ (35,861)**	**$ 1,260,385**
Balance at February 1, 2020	**166,993**	**$ 2,496**	**$ 577,856**	**$ 2,108,292**	**$ (1,407,623)**	**$ (33,168)**	**$ 1,247,853**
Stock awards	—	—	24,300	—	—	—	24,300
Repurchase of common stock as part of publicly announced programs	(1,720)	—	—	—	(20,000)	—	(20,000)
Repurchase of common stock from employees	(447)	—	—	—	(5,357)	—	(5,357)
Convertible Notes- Equity portion, net of tax	—	—	68,330	—	—	—	68,330
Reissuance of treasury stock	1,303	—	(15,324)	(7,270)	22,093	—	(501)
Net loss	—	—	—	(212,809)	—	—	(212,809)
Other comprehensive income (loss)	—	—	—	—	—	(11,505)	(11,505)
Cash dividends declared and dividend equivalents ($0.1375 per share)	—	—	729	(22,843)	—	—	(22,114)
Balance at October 31, 2020	**166,129**	**$ 2,496**	**$ 655,891**	**$ 1,865,370**	**$ (1,410,887)**	**$ (44,673)**	**$ 1,068,197**

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Operating activities:		
Net (loss) income	$ (212,809)	$ 186,494
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	123,094	136,355
Share-based compensation	24,685	19,946
Deferred income taxes	12,013	12,254
Loss on impairment of assets	153,617	—
Changes in assets and liabilities:		
Merchandise inventory	(114,907)	(223,181)
Operating lease assets	189,630	195,678
Operating lease liabilities	(146,809)	(203,077)
Other assets	(86,501)	(23,578)
Accounts payable	17,769	125,910
Accrued compensation and payroll taxes	74,374	(38,646)
Accrued and other liabilities	(44,550)	(9,955)
Net cash (used for) provided by operating activities	**(10,394)**	**178,200**
Investing activities:		
Capital expenditures for property and equipment	(92,591)	(149,866)
Purchase of available-for-sale investments	(14,956)	(70,000)
Sale of available-for-sale investments	69,956	112,135
Other investing activities	(511)	(1,361)
Net cash used for investing activities	**(38,102)**	**(109,092)**
Financing activities:		
Repurchase of common stock as part of publicly announced programs	(20,000)	(112,381)
Repurchase of common stock from employees	(5,357)	(7,980)
Proceeds from revolving line of credit and convertible notes	736,108	—
Principal payments on revolving line of credit	(330,000)	—
Net proceeds from stock options exercised	—	2,119
Cash dividends paid	—	(69,822)
Other financing activities	(889)	(83)
Net cash provided by (used for) financing activities	**379,862**	**(188,147)**
Effect of exchange rates changes on cash	(940)	223
Net change in cash and cash equivalents	**330,426**	**(118,816)**
Cash and cash equivalents - beginning of period	361,930	333,330
Cash and cash equivalents - end of period	$ 692,356	$ 214,514

Refer to Notes to Consolidated Financial Statements

1. Interim Financial Statements

The accompanying Consolidated Financial Statements of American Eagle Outfitters, Inc. (the “Company, “we” and “our”) at October 31, 2020 and November 2, 2019 and for the 13 and 39 week periods ended October 31, 2020 and November 2, 2019 have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Certain notes and other information have been condensed or omitted from the interim Consolidated Financial Statements presented in this Quarterly Report on Form 10-Q. Therefore, these Consolidated Financial Statements should be read in conjunction with the Company’s Fiscal 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 12, 2020 (the “Fiscal 2019 Form 10-K”). In the opinion of the Company’s management, all adjustments (consisting of normal recurring adjustments and those described in the footnotes that follow) considered necessary for a fair presentation have been included. The existence of subsequent events has been evaluated through the filing date of this Quarterly Report on Form 10-Q.

American Eagle Outfitters, Inc., a Delaware corporation, operates under the American Eagle® (“AE”) and Aerie® brands. We also operate Tailgate, a vintage, sports-inspired apparel brand with a college town store concept, and Todd Snyder New York, a premium menswear brand.

Founded in 1977, the Company is a leading multi-brand specialty retailer that operates more than 1,000 retail stores in the U.S. and internationally, online at www.ae.com and www.aerie.com, and www.toddsnyder.com (which e-commerce operations we refer to as “AEO Direct”) and more than 200 international store locations managed by third-party operators.

Our business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, a large portion of total net revenue and operating income occurs in the third and fourth fiscal quarters, reflecting the increased demand during the back-to-school and year-end holiday selling seasons, respectively. The results for the current and prior periods are not necessarily indicative of future financial results.

COVID-19 Pandemic

In March 2020, a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization. National, state and local governments have responded to the COVID-19 pandemic in a variety of ways, including, but not limited to, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i.e., social distancing), requiring individuals to stay at home, and in most cases, ordering non-essential businesses to close or limit operations. The Company’s business operations and financial performance for the 13 and 39 weeks ended October 31, 2020 were materially impacted by COVID-19. These impacts are discussed within these notes to the Consolidated Financial Statements and within Item 2 of this Quarterly Report on Form 10-Q, of which these notes form a part.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) to address the COVID-19 pandemic. The income tax related impacts of the CARES Act are discussed within Note 10 to the Consolidated Financial Statements.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. At October 31, 2020, and in all periods presented, the Company operated in one reportable segment.

Fiscal Year

Our fiscal year is a 52- or 53-week year that ends on the Saturday nearest to January 31. As used herein, "Fiscal 2020" refers to the 52-week period that will end on January 30, 2021. "Fiscal 2019" refers to the 52-week period ended February 1, 2020. "Fiscal 2018" refers to the 52-week period ended February 2, 2019.

Estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, our management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842") by issuing Accounting Standards Update ("ASU") 2016-02. ASC 842 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU 2018-11, *Targeted Improvements*.

The standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as financing or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Company adopted ASU 2016-02 and its subsequent amendments effective February 3, 2019. The Company elected this standard's package of practical expedients, which permits the Company to maintain prior conclusions about lease identification, lease classification, and initial direct costs. The Company elected to use the go-forward practical expedient to not separate lease and non-lease components for all of our leases. The Company also elected to use the short-term lease recognition exemption for all leases that qualify.

Upon adoption, the Company:

- Recognized operating lease liabilities and operating lease ROU assets of $1.6 billion, for the present value of the remaining minimum rental payments on existing operating leases (including consideration related to non-lease components due to the related practical expedient).
- Recognized a transition adjustment of $44.4 million (net of tax effects of $15.0 million) to beginning retained earnings related to the impairment of newly recognized operating lease ROU assets related to store assets that were impaired prior to the date of adoption.
- Reclassified $82.9 million of straight-line deferred rent, $55.0 million of deferred lease credits, and $40.4 million of prepaid rent to the operating lease ROU asset. Combined with the impairment discussed above, these reclassifications reduced the net operating lease ROU asset to $1.4 billion. Corresponding amounts were not reclassified in prior periods as those prior periods are presented under ASC 840, *Leases*.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income* ("ASU 2018-02"). This guidance permits companies to reclassify the stranded tax effects of the Tax Cuts and Jobs Act on items within accumulated other comprehensive income to retained earnings. The Company adopted ASU 2018-02 on February 3, 2019. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment ("ASU 2017-04")*. This ASU simplifies the accounting for goodwill impairments by eliminating the requirement to perform procedures to determine the fair value of the assets and liabilities of the reporting unit for the determination of the fair value of the goodwill and any impairment charge to be recognized. The Company adopted ASU 2017-04 on February 3, 2019. The adoption did not have an impact on the Company's Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments–Credit Losses* (Topic 326) ("ASU 2016-13"), which modifies the measurement of expected credit losses of certain financial instruments. The Company adopted ASU 2016-13 on February 2, 2020. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options* ("ASU 2020-06") which simplifies accounting for convertible instruments. The new guidance eliminates two of the three models in ASC 470-20 that require separating embedded conversion features from convertible instruments. The guidance also addresses how convertible instruments are accounted for in the diluted earnings per share calculation. The guidance is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of ASU 2020-06 on its Consolidated Financial Statements, which may be material.

Foreign Currency Translation

In accordance with ASC 830, *Foreign Currency Matters*, the Company translates assets and liabilities denominated in foreign currencies into United States dollars ("USD") (the Company's reporting currency) at the exchange rates prevailing at the balance sheet date. The Company translates revenues and expenses denominated in foreign currencies into USD at the monthly average exchange rates for the period. Gains or losses resulting from foreign currency transactions are included in the consolidated results of operations, whereas related translation adjustments are reported as an element of other comprehensive income in accordance with ASC 220, *Comprehensive Income*.

We are exposed to the impact of foreign exchange rate risk primarily through our Canadian and Mexican operations where the functional currency is the Canadian dollar and Mexican peso, respectively. The impact of all other foreign currencies is currently immaterial to our consolidated financial results. During the 13 weeks ended October 31, 2020, an unrealized gain of $3.3 million is included in accumulated other comprehensive income, which is primarily related to the rise of the US dollar to Mexican peso and US dollar to Canadian dollar exchange rates. During the 39 weeks ended October 31, 2020, an unrealized loss of $11.5 million is included in accumulated other comprehensive income. This is primarily related to the decline in the US dollar to Mexican peso and US dollar to Canadian dollar exchange rates during the 13 weeks ended May 2, 2020, partially offset by the strengthening of the US dollar during the 26 weeks ended October 31, 2020.

Cash and Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents.

Short-term investments classified as available-for-sale include certificates of deposit with a maturity greater than three months, but less than one year.

Refer to Note 3 to the Consolidated Financial Statements for information regarding cash and cash equivalents and short-term investments.

Merchandise Inventory

Merchandise inventory is valued at the lower of average cost or net realizable value, utilizing the retail method. Average cost includes merchandise design and sourcing costs and related expenses. The Company records merchandise receipts when control of the merchandise has transferred to the Company.

The Company reviews its inventory levels to identify slow-moving merchandise and generally uses markdowns to clear merchandise. Additionally, the Company estimates a markdown reserve for future planned permanent markdowns related to current inventory. Markdowns may occur when inventory exceeds customer demand for reasons of style, seasonal adaptation, changes in customer preference, lack of consumer acceptance of fashion items, competition, or if it is determined that the inventory in stock will not sell at its currently ticketed price. Such markdowns may have a material adverse impact on earnings, depending on the extent and amount of inventory affected.

The Company also estimates a shrinkage reserve for the period between the last physical count and the balance sheet date. The estimate for the shrinkage reserve, based on historical results, can be affected by changes in merchandise mix and changes in actual shrinkage trends.

Revenue Recognition

The Company recognizes revenue pursuant to ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Revenue is recorded for store sales upon the purchase of merchandise by customers. The Company's e-commerce operation records revenue upon the customer receipt date of the merchandise. Shipping and handling revenues are included in total net revenue. Sales tax collected from customers is excluded from revenue and is included as part of accrued income and other taxes on the Company's Consolidated Balance Sheets.

Revenue is recorded net of estimated and actual sales returns and promotional price reductions. The Company records the impact of adjustments to its sales return reserve quarterly within total net revenue and cost of sales. The sales return reserve reflects an estimate of sales returns based on projected merchandise returns determined using historical average return percentages.

Revenue is not recorded on the issuance of gift cards. A current liability is recorded upon issuance, and revenue is recognized when the gift card is redeemed for merchandise. Additionally, the Company recognizes revenue on unredeemed gift cards based on an estimate of the amounts that will not be redeemed ("gift card breakage"), determined through historical redemption trends. Gift card breakage revenue is recognized in proportion to actual gift card redemptions as a component of total net revenue. For further information on the Company's gift card program, refer to the Gift Cards caption below.

The Company recognizes royalty revenue generated from its license or franchise agreements based on a percentage of merchandise sales by the licensee/franchisee. This revenue is recorded as a component of total net revenue when earned and collection is probable.

The Company defers a portion of the sales revenue attributed to loyalty points and recognizes revenue when the points are redeemed or expire, consistent with the requirements of ASC 606. Refer to the Customer Loyalty Program caption below for additional information.

The following table sets forth the approximate consolidated percentage of total net revenue attributable to each merchandise group for each of the periods indicated:

	13 Weeks Ended		39 Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Men's apparel and accessories	26%	29%	24%	28%
Women's apparel and accessories (excluding Aerie)	50%	54%	49%	54%
Aerie	24%	17%	27%	18%
Total	100%	100%	100%	100%

The following table disaggregates the Company's total net revenue by geography for each of the periods indicated:

	13 Weeks Ended		39 Weeks Ended	
(In thousands)	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Total Net Revenue:				
United States	$ 898,241	$ 935,203	$ 2,167,145	$ 2,577,685
Foreign (1)	133,376	131,209	299,674	415,896
Total Net Revenue	$ 1,031,617	$ 1,066,412	$ 2,466,819	$ 2,993,581

(1) Amounts represent sales from American Eagle and Aerie international retail stores, e-commerce sales that are billed and/or shipped to foreign countries, and international franchise royalty revenue.

Cost of Sales, Including Certain Buying, Occupancy and Warehousing Expenses

Cost of sales consists of merchandise costs, including design, sourcing, importing and inbound freight costs, as well as markdowns, shrinkage and certain promotional costs (collectively, "merchandise costs") and buying, occupancy and warehousing costs.

Design costs are related to the Company's Design Center operations and include compensation, travel and entertainment, supplies and samples for our design teams, as well as rent and depreciation for our Design Center. These costs are included in cost of sales as the respective inventory is sold.

Buying, occupancy and warehousing costs consist of compensation, employee benefit expenses and travel and entertainment for our buyers and certain senior merchandising executives; rent and utilities related to our stores, corporate headquarters, distribution centers and other office space; freight from our distribution centers to the stores; compensation and supplies for our distribution centers, including purchasing, receiving and inspection costs; and shipping and handling costs related to our e-commerce operation. Gross profit is the difference between total net revenue and cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and employee benefit expenses, including salaries, incentives and related benefits associated with our stores and corporate headquarters. Selling, general and administrative expenses also include advertising costs, supplies for our stores and home office, communication costs, travel and entertainment, leasing costs and services purchased.

Selling, general and administrative expenses do not include compensation, employee benefit expenses and travel for our design, sourcing and importing teams, our buyers and our distribution centers as these amounts are recorded in cost of sales. Additionally, selling, general and administrative expenses do not include rent and utilities related to our stores, operating costs of our distribution centers, and shipping and handling costs related to our e-commerce operations, all of which are included in cost of sales.

Interest Expense (Income), Net

Interest expense (income), net primarily consists of interest expense related to the Company's Convertible Notes and borrowings under the Revolving Credit Facility, as well as interest income from cash, cash equivalents and short-term investments.

Other Income (Expense), Net

Other income (expense), net consists primarily of gains and losses resulting from foreign currency transactions.

Property and Equipment

Property and equipment is recorded on the basis of cost with depreciation computed utilizing the straight-line method over the asset's estimated useful life. The useful lives of our major classes of assets are as follows:

Buildings	25 years
Leasehold improvements	Lesser of 10 years or the term of the lease
Fixtures and equipment	Five years
Information technology	Three - five years

As of October 31, 2020, the weighted average remaining useful life of our assets was approximately 7.4 years.

In accordance with ASC 360, *Property, Plant, and Equipment* ("ASC 360"), the Company's management evaluates the value of leasehold improvements, store fixtures, and operating lease ROU assets associated with retail stores, which have been open for a period sufficient to reach a Company-defined level of maturity. The Company evaluates long-lived assets for impairment at the individual store level, which is the lowest level at which individual cash flows can be identified. Impairment losses are recorded on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the projected undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts. When events such as these occur, the impaired assets are adjusted to their estimated fair value and an impairment loss is recorded separately as a component of operating income (loss) within impairment, restructuring and COVID-19 related charges in the Consolidated Statements of Operations.

There were no long-lived asset impairment charges recorded during the 13 weeks ended October 31, 2020. During the 39 weeks ended October 31, 2020, the Company recorded impairment related to certain corporate and store property and equipment of $51.5 million. Refer to Note 12 to the Consolidated Financial Statements for additional information regarding the impairment of these assets. No long-lived asset impairment charges were recorded during the 13 and 39 weeks ended November 2, 2019.

When the Company closes, remodels, or relocates a store prior to the end of its lease term, the remaining net book value of the assets related to the store is recorded as a write-off of assets within depreciation and amortization expense.

Refer to Note 6 to the Consolidated Financial Statements for additional information regarding property and equipment.

Intangible Assets, including Goodwill

The Company's goodwill is primarily related to the acquisition of its importing operations, Canada business and Tailgate brand. In accordance with ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), the Company evaluates goodwill for possible impairment on at least an annual basis and last performed an annual impairment test as of February 1, 2020. As a result of the impact of the COVID-19 pandemic and the resulting significant decline in the Company's results of operations during the 13 weeks ended May 2, 2020, an interim indicator of potential goodwill impairment was present. As a result, the Company performed an interim impairment test as of May 2, 2020 and determined that the fair value of its goodwill continues to be in excess of its carrying value and therefore no impairment charge was recorded.

Definite-lived intangible assets are recorded on the basis of cost with amortization computed utilizing the straight-line method over the assets' estimated useful lives. The Company's definite-lived intangible assets, which consist primarily of trademark assets, are generally amortized over 15 to 25 years.

The Company evaluates definite-lived intangible assets for impairment in accordance with ASC 350 when events or circumstances indicate that the carrying value of the asset may not be recoverable. Such an evaluation includes the estimation of undiscounted future cash flows to be generated by those assets. If the sum of the estimated future undiscounted cash flows is less than the carrying amounts of the assets, then the assets are impaired and are adjusted to their estimated fair value. No definite-lived intangible asset impairment charges were recorded during the 13 or 39 weeks ended October 31, 2020 and November 2, 2019.

Refer to Note 7 to the Consolidated Financial Statements for additional information regarding intangible assets.

Gift Cards

Revenue is not recorded on the issuance of gift cards. The value of a gift card is recorded as a current liability upon issuance, and revenue is recognized when the gift card is redeemed for merchandise. The Company estimates gift card breakage and recognizes revenue in proportion to actual gift card redemptions as a component of total net revenue.

The Company determines an estimated gift card breakage rate by continuously evaluating historical redemption data and the time when there is a remote likelihood that a gift card will be redeemed. The Company recorded approximately $1.6 million and $1.5 million of revenue related to gift card breakage during the 13 weeks ended October 31, 2020 and November 2, 2019, respectively. During the 39 weeks ending October 31, 2020 and November 2, 2019, the Company recorded $4.9 million and $5.4 million, respectively of revenue related to gift card breakage.

Construction Allowances

As part of certain lease agreements for retail stores, the Company receives construction allowances from lessors, which are generally comprised of cash amounts. The Company records a receivable and an adjustment to the operating lease ROU asset at the lease commencement date (date of initial possession of the store). The deferred lease credit is amortized as part of the single lease cost over the term of the original lease (including the pre-opening build-out period). The receivable is reduced as amounts are received from the lessor.

Self-Insurance Liability

The Company uses a combination of insurance and self-insurance mechanisms for certain losses related to employee medical benefits and worker's compensation. Costs for self-insurance claims filed and claims incurred but not reported are accrued based on known claims and historical experience. Management believes that it has adequately reserved for its self-insurance liability, which is capped by stop loss contracts with insurance companies. However, any significant variation of future claims from historical trends could cause actual results to differ from the accrued liability.

Leases

The Company leases all store premises, some of its office space and certain information technology and office equipment. These leases are generally classified as operating leases.

Store leases generally provide for a combination of base rentals and contingent rent based on store sales. Additionally, most leases include lessor incentives such as construction allowances and rent holidays. The Company is typically responsible for tenant occupancy costs including maintenance costs, common area charges, real estate taxes and certain other expenses.

Most leases include one or more options to renew. The exercise of lease renewal options is at the Company’s discretion and is not reasonably certain at lease commencement. When measuring operating lease ROU assets and operating lease liabilities, the Company only includes cash flows related to options to extend or terminate leases once those options are executed.

Some leases have variable payments. However, because they are not based on an index or rate, they are not included in the measurement of operating lease ROU assets and operating lease liabilities.

When determining the present value of future payments for an operating lease that does not have a readily determinable implicit rate, the Company uses its incremental borrowing rate as of the date of initial possession of the leased asset.

For leases that qualify for the short-term lease exemption, the Company does not record an operating lease liability or operating lease ROU asset. Short-term lease payments are recognized on a straight-line basis over the lease term of 12 months or less.

No operating lease ROU asset impairment charges were recorded during the 13 weeks ended October 31, 2020. During the 39 weeks ended October 31, 2020, the Company recorded impairment of operating lease ROU assets of $84.1 million. Refer to Note 12 to the Consolidated Financial Statements for additional information regarding the impairment of these assets. No operating lease ROU asset impairment charges were recorded during the 13 or 39 weeks ended November 2, 2019.

Deferred lease credits represent the unamortized portion of construction allowances received from lessors related to the Company’s retail stores. Construction allowances are generally comprised of cash amounts received by the Company from its lessor as part of the negotiated lease terms. The Company records a receivable and an adjustment to the operating lease ROU asset at the lease commencement date (date of initial possession of the store). The deferred lease credit is amortized as part of the single lease cost over the term of the original lease (including the pre-opening build-out period). The receivable is reduced as amounts are received from the lessor.

Lease Modifications and COVID-19

The FASB staff issued a Q&A document in April 2020 providing guidance on how to apply the lease modification guidance in ASC 842 to rent concessions arising from COVID-19, allowing companies to elect accounting for the concessions as if enforceable rights and obligations existed, regardless of whether they are explicitly stated in the lease contract. Per the FASB staff Q&A guidance, entities may make the elections for any lessor-provided concessions related to the effects of the COVID-19 pandemic (e.g., deferrals of lease payments, cash payments made to the lessee, reduced future lease payments) as long as the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee.

- For concessions in the form of rent forgiveness, the Company invoked the accounting elections provided by the FASB staff; savings were recorded as a credit to variable rent in the period the amendments became fully executed.
- For concessions in the form of deferred payments, the Company did not apply the FASB accounting elections; rent expense was recorded in accordance with ASC 842 and the unpaid amount remained accrued as part of the current operating lease liability.
- All other forms of rent concessions followed our normal accounting policy for lease modifications, adhering to the guidance set forth in ASC 842.

Co-branded Credit Card

The Company offers a co-branded credit card and a private label credit card under the AE and Aerie brands. These credit cards are issued by a third party bank (the “Bank”) in accordance with a credit card agreement (the “Agreement”). The Company has no liability to the Bank for bad debt expense, provided that purchases are made in accordance with the Bank’s procedures. We receive funding from the Bank based on the Agreement and card activity, which includes payments for new account activations and usage of the credit cards. We recognize revenue for this funding as we fulfill our performance obligations under the Agreement. This revenue is recorded in other revenue, which is a component of total net revenue in our Consolidated Statements of Operations.

Customer Loyalty Program

In June of 2020, the Company launched a highly-digitized loyalty program called Real Rewards by American Eagle and Aerie™ (the “Program”). This Program features both shared and unique benefits for loyalty members and credit card holders. Under the Program, members accumulate points based on purchase activity and earn rewards by reaching certain point thresholds. Members earn rewards in the form of discount savings certificates. Prior to this launch in June 2020, under our previous program, AEO Connected™, we also offered additional rewards for key items such as jeans and bras. Rewards earned are valid through the stated expiration date, which is 60 days from the issuance date of the reward. Rewards not redeemed during the 60-day redemption period are forfeited.

Points earned under the Program on purchases at American Eagle and Aerie are accounted for in accordance with ASC 606. The portion of the sales revenue attributed to the award points is deferred and recognized when the award is redeemed or when the points expire, using the relative stand-alone selling price method. Additionally, reward points earned using the co-branded credit card on non-AE or Aerie purchases are accounted for in accordance with ASC 606. As the points are earned, a current liability is recorded for the estimated cost of the reward, and the impact of adjustments is recorded in revenue.

The Company defers a portion of the sales revenue attributed to the loyalty points and recognizes revenue when the points are redeemed or expire, consistent with the requirements of ASC 606.

Sales Return Reserve

Revenue is recorded net of estimated and actual sales returns and deductions for coupon redemptions and other promotions. The Company records the impact of adjustments to its sales return reserve quarterly within total net revenue and cost of sales. The sales return reserve reflects an estimate of sales returns based on projected merchandise returns determined using historical average return percentages.

The presentation on a gross basis consists of a separate right of return asset and liability. These amounts are recorded within (i) prepaid expenses and other and (ii) other current liabilities and accrued expenses, respectively, on the Consolidated Balance Sheets.

Income Taxes

The Company calculates income taxes in accordance with ASC 740, *Income Taxes* (“ASC 740”), which requires the use of the liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the Consolidated Financial Statement carrying amounts of existing assets and liabilities and their respective tax bases as computed pursuant to ASC 740. Deferred tax assets and liabilities are measured using the tax rates, based on certain judgments regarding enacted tax laws and published guidance, in effect in the years when those temporary differences are expected to reverse. A valuation allowance is established against the deferred tax assets when it is more likely than not that some portion or all of the deferred taxes may not be realized. Changes in the Company’s level and composition of earnings, tax laws or the deferred tax valuation allowance, as well as the results of tax audits may materially impact the Company’s effective income tax rate.

The Company evaluates its income tax positions in accordance with ASC 740, which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. Under ASC 740, a tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable based on its technical merits.

The calculation of deferred tax assets and liabilities, as well as the decision to recognize a tax benefit from an uncertain position and to establish a valuation allowance requires management to make estimates and assumptions. The Company believes that its estimates and assumptions are reasonable, although actual results may have a positive or negative material impact on the balances of deferred tax assets and liabilities, valuation allowances or net income.

Refer to Note 10 to the Consolidated Financial Statements for additional information regarding income taxes.

Segment Information

In accordance with ASC 280, *Segment Reporting* (“ASC 280”), the Company has identified two operating segments (American Eagle Brand and Aerie Brand) that reflect the basis used internally to review performance and allocate resources. Both operating segments have been aggregated and are presented as one reportable segment, as permitted by ASC 280.

3. Cash and Cash Equivalents and Short-Term Investments

The following table summarizes the fair market values for the Company’s cash and short-term investments, which are recorded on the Consolidated Balance Sheets:

(In thousands)	October 31, 2020	February 1, 2020	November 2, 2019
Cash and cash equivalents:			
Cash	$ 317,027	$ 126,087	$ 134,602
Interest bearing deposits	325,319	235,843	79,912
Money market securities	50,010	—	—
Total cash and cash equivalents	$ 692,356	$ 361,930	$ 214,514
Short-term investments			
Certificates of deposit	—	55,000	50,000
Total short-term investments	—	55,000	50,000
Total	$ 692,356	$ 416,930	$ 264,514

4. Fair Value Measurements

ASC 820, *Fair Value Measurement Disclosures* (“ASC 820”), defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Fair value is defined under ASC 820 as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 — Quoted prices in active markets.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company’s cash equivalents and short-term investments are Level 1 financial assets and are measured at fair value on a recurring basis, for all periods presented. Refer to Note 3 to the Consolidated Financial Statements for additional information regarding cash equivalents and short-term investments.

Long-Term Debt

As of October 31, 2020, the Company repaid the outstanding borrowings of $330 million under its revolving credit facilities.

The fair value of the Company's convertible notes is not required to be measured at fair value on a recurring basis. Upon issuance, the fair value of these convertible notes was measured using two approaches that consider market related conditions, including market benchmark rates and a secondary market quoted price, and is therefore within Level 2 of the fair value hierarchy.

Refer to Note 8 to the Consolidated Financial Statements for additional information regarding long-term debt and other credit arrangements.

Non-Financial Assets

The Company’s non-financial assets, which include intangible assets and property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur and the Company is required to evaluate the non-financial asset for potential impairment, a resulting impairment would require that the non-financial asset be recorded at the estimated fair value.

Certain long-lived assets were measured at fair value on a nonrecurring basis using Level 3 inputs as defined in ASC 820. There were no asset impairment charges recorded during the 13 weeks ended October 31, 2020. During the 39 weeks ended October 31, 2020, the Company recorded asset impairment charges of $135.6 million on the assets of 272 retail stores and certain other corporate assets. Of the total, $84.1 million related to the impairment of operating lease ROU assets and $51.5 million related to the impairment of store and corporate property and equipment. Additionally, we recorded impairment of $18.0 million of certain cost and equity method investments. The assets were adjusted to their fair value and the loss on impairment was recorded within impairment, restructuring and COVID-19 related charges in the Consolidated Statements of Operations. The fair value of the impaired assets, after the recorded loss, is approximately $163.4 million. There was no impairment recorded for the 13 or 39 weeks ended November 2, 2019.

The fair value of the impaired assets was determined by estimating the amount and timing of net future cash flows and discounting them using a risk-adjusted rate of interest and a real estate market participant discount rate for the ROU assets. The Company estimates future cash flows based on its experience and knowledge of the market in which the store is located.

5. Earnings per Share

The following is a reconciliation between basic and diluted weighted average shares outstanding:

	13 Weeks Ended		39 Weeks Ended	
(In thousands)	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Weighted average common shares outstanding:				
Basic number of common shares outstanding	166,185	167,912	166,385	170,463
Dilutive effect of convertible notes	16,382	—	—	—
Dilutive effect of stock options and non-vested restricted stock	1,830	781	—	1,234
Diluted number of common shares outstanding	184,397	168,693	166,385	171,697
Anti-Dilutive Shares*	1,423	1,057	9,250	595

*For the 39 weeks ended October 31, 2020, there were 1.4 million potentially dilutive equity awards and 7.8 million potentially dilutive shares from the Company's convertible notes that were excluded from the diluted earnings per share calculation because the Company incurred a net loss for this period and their inclusion would be anti-dilutive. For all other periods, anti-dilutive shares relate to stock options and unvested restricted stock.

The Company has the right to settle its convertible notes in any combination of cash and shares of common stock. However, the Company intends to settle the original principal portion of the notes in cash and any conversion value above the principal in stock. Because of this repayment policy election, only the conversion spread portion of the amount owed is reflected as dilutive in our weighted average diluted shares outstanding. The Company uses the average of the closing prices of its common stock (NYSE: AEO) as reported on the New York Stock Exchange to calculate the conversion spread. These convertible notes could have a potential dilutive effect in future periods.

Refer to Note 8 and 9 to the Consolidated Financial Statements for additional information regarding our convertible notes and share-based compensation, respectively.

6. Property and Equipment

Property and equipment consists of the following:

(In thousands)	October 31, 2020	February 1, 2020	November 2, 2019
Property and equipment, at cost	$ 2,255,676	$ 2,314,428	$ 2,326,704
Less: Accumulated depreciation and impairment	(1,605,279)	(1,579,308)	(1,562,354)
Property and equipment, net	$ 650,397	$ 735,120	$ 764,350

7. Intangible Assets, including Goodwill

Intangible assets consist of the following:

(In thousands)	October 31, 2020	February 1, 2020	November 2, 2019
Goodwill, gross	$ 17,331	$ 17,353	$ 17,374
Accumulated impairment (1)	(4,196)	(4,196)	(2,484)
Goodwill, net	$ 13,135	$ 13,157	$ 14,890
Trademarks, at cost	72,194	71,685	71,382
Accumulated amortization	(34,465)	(31,838)	(30,806)
Trademarks, net	$ 37,729	$ 39,847	$ 40,576
Intangible assets, net, including goodwill	$ 50,864	$ 53,004	$ 55,466

(1) Accumulated impairment includes $2.5 million recorded in Fiscal 2016 and $1.7 million in Fiscal 2019.

8. Long-Term Debt, Net

Our long-term debt consisted of the following at each of October 31, 2020, February 1, 2020, and November 2, 2019:

(In thousands)	October 31, 2020	February 1, 2020	November 2, 2019
Convertible notes principal	$ 415,025	$ —	$ —
Less: unamortized discount	(93,944)	—	—
Convertible notes, net	$ 321,081	$ —	$ —
Revolving credit facility borrowings	—	—	—
Total long-term debt, net	$ 321,081	$ —	$ —
Convertible Notes- Equity portion, net of tax	68,330	—	—

Convertible notes

In April 2020, the Company issued $415 million aggregate principal amount of convertible senior notes due in 2025 (the "Notes") in a private placement to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933. The Notes have a stated interest rate of 3.75%, payable semi-annually. The Company may redeem the Notes, in whole or in part, at any time beginning April 2023. The Company used the net proceeds from the offering for general corporate purposes.

The Company does not have the right to redeem the Notes prior to April 17, 2023. On or after April 17, 2023 and prior to the 40th scheduled trading day immediately preceding the maturity date, the Company may redeem all or any portion of the Notes, at its option, for cash, if the last reported sale price of AEO's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period. Beginning January 2025, noteholders may convert their Notes for approximately 114.3 shares of common stock per $1,000 principal amount of the Notes, equivalent to an initial conversion price of approximately $8.75 per share.

The Company has the right to settle conversions in any combination of cash and shares of common stock. However, the Company intends to settle the original principal portion of the Notes in cash and any conversion value above the principal in stock. Because of this repayment policy, only the conversion spread portion of the amount owed is reflected as dilutive in earnings per share.

The effective interest rate for the Notes is 10.0% and we calculated the effective yield using a market approach. The remaining amortization period of the discount is 4.50 years.

Interest expense for the Notes was:

	13 Weeks Ended		39 Weeks Ended	
(In thousands)	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Cash interest expense	$ 3,848	$ —	$ 7,966	$ —
Amortization of discount	4,113	—	8,308	—
Total interest expense	$ 7,961	$ —	$ 16,274	$ —

The following table discloses conversion amounts if the Notes were all converted as of the end of the period:

(In thousands, except per share amounts)	October 31, 2020
Number of shares convertible	47,437
Conversion price per share	$ 8.75
Value in excess of principal if converted	$ 218,924

Revolving credit facilities

In January 2019, the Company entered into an amended and restated Credit Agreement (the "Credit Agreement") for five-year, syndicated, asset-based revolving credit facilities (the "Credit Facilities"). The Credit Agreement provides senior secured revolving credit for loans and letters of credit up to $400 million, subject to customary borrowing base limitations. The Credit Facilities expire on January 30, 2024.

All obligations under the Credit Facilities are unconditionally guaranteed by certain subsidiaries. The obligations under the Credit Agreement are secured by a first-priority security interest in certain working capital assets of the borrowers and guarantors, consisting primarily of cash, receivables, inventory, and certain other assets and have been further secured by first-priority mortgages on certain real property.

As of October 31, 2020, the Company was in compliance with the terms of the Credit Agreement and has $7.9 million outstanding in stand-by letters of credit.

The interest rate for borrowing under the Credit Facilities was one month LIBOR, plus an adjusted spread based on leverage as reflected in the Credit Facilities. The weighted average interest rate for the 13 and 39 weeks ended October 31, 2020 was 0.34% and 1.79%. The total interest expense for the 13 and 39 weeks ended October 31, 2020 was $0.1 million and $2.5 million, respectively.

9. Share-Based Compensation

The Company accounts for share-based compensation under the provisions of ASC 718, *Compensation - Stock Compensation* ("ASC 718"), which requires companies to measure and recognize compensation expense for all share-based payments at fair value.

Total share-based compensation expense included in the Consolidated Statements of Operations for the 13 and 39 weeks ended October 31, 2020 was $9.0 million ($5.7 million, net of tax) and $24.7 million ($17.9 million, net of tax), respectively, and for the 13 and 39 weeks ended November 2, 2019 was $5.6 million ($4.3 million, net of tax) and $19.9 million ($15.3 million, net of tax), respectively.

Stock Option Grants

The Company grants both time-based and performance-based stock options. A summary of the Company's stock option activity for the 39 weeks ended October 31, 2020 follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)		*(In years)*	*(In thousands)*
Outstanding - February 1, 2020	2,584	$ 18.18		
Granted	1,705	$ 10.30		
Cancelled	(139)	$ 18.96		
Outstanding - October 31, 2020	4,150	$ 14.92	5.0	$ 5,810
Vested and expected to vest - October 31, 2020	3,100	$ 15.54	3.4	$ 5,166
Exercisable - October 31, 2020 (1)	1,742	$ 17.09	1.5	$ -

(1) Options exercisable represent "in-the-money" vested options based upon the weighted-average exercise price of vested options compared to the Company's stock price on October 31, 2020.

There was no cash received from the exercise of stock options for the 39 weeks ended October 31, 2020. Cash received from the exercise of stock options was $2.1 million for the 39 weeks ended November 2, 2019. The actual tax benefit realized from stock option exercises totaled $0.1 million for the 39 weeks ended November 2, 2019.

As of October 31, 2020, there was $6.4 million of unrecognized compensation expense for stock option awards that is expected to be recognized over a weighted average period of 2.0 years.

The fair value of stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	39 Weeks Ended	
Black-Scholes Option Valuation Assumptions	October 31, 2020	November 2, 2019
Risk-free interest rate (1)	0.3 - 0.6%	2.2%
Dividend yield	3.5 - 6.0 %	2.4%
Volatility factor (2)	43.1 - 48.7%	38.2%
Weighted-average expected term (3)	4.4 years	4.4 years

(1) Based on the U.S. Treasury yield curve in effect at the time of grant with a term consistent with the expected life of our stock options.
(2) Based on historical volatility of the Company's common stock.
(3) Represents the period of time options are expected to be outstanding. The weighted average expected option terms were determined based on historical experience.

Restricted Stock Grants

Time-based restricted stock awards are comprised of time-based restricted stock units. These awards vest over three years. Time-based restricted stock units receive dividend equivalents in the form of additional time-based restricted stock units, which are subject to the same restrictions and forfeiture provisions as the original award.

Performance-based restricted stock awards include performance-based restricted stock units. These awards cliff vest at the end of a three-year period based upon the Company's achievement of pre-established goals throughout the term of the award. Performance-based restricted stock units receive dividend equivalents in the form of additional performance-based restricted stock units, which are subject to the same restrictions and forfeiture provisions as the original award.

The grant date fair value of some restricted stock awards is based on the closing market price of the Company's common stock on the date of grant. A Monte-Carlo simulation was utilized for the remaining awards.

A summary of the Company's restricted stock activity is presented in the following tables:

	Time-Based Restricted Stock Units		Performance-Based Restricted Stock Units	
	39 Weeks Ended October 31, 2020		39 Weeks Ended October 31, 2020	
(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Nonvested - February 1, 2020	2,196	$ 18.56	2,138	$ 18.38
Granted	2,701	$ 9.31	503	$ 15.83
Vested	(948)	$ 16.66	(319)	$ 14.50
Cancelled	(247)	$ 16.47	(467)	$ 22.28
Nonvested - October 31, 2020	3,702	$ 12.41	1,855	$ 17.37

As of October 31, 2020, there was $32.1 million of unrecognized compensation expense related to non-vested, time-based restricted stock unit awards that is expected to be recognized over a weighted-average period of 2.1 years. Based on current probable performance, there is $6.7 million of unrecognized compensation expense related to performance-based restricted stock unit awards which will be recognized as achievement of performance goals is probable over a one- to two- year period.

As of October 31, 2020, the Company had 9.0 million shares available for all equity grants.

10. Income Taxes

On March 27, 2020, the U.S. government enacted the CARES Act to address the COVID-19 pandemic. One of the provisions of the CARES Act allows net operating losses generated within tax years 2018 through 2020 to be carried back up to five years, including years in which the U.S. federal corporate income tax rate was 35%, as opposed to the current U.S federal corporate income tax rate of 21%.

The provision for income taxes is based on the current estimate of the annual effective income tax rate and is adjusted as necessary for discrete quarterly events. The effective income tax rate for the 13 weeks ended October 31, 2020 was 35.3% compared to 23.6% for the 13 weeks ended November 2, 2019. The effective income tax rate for the 39 weeks ended October 31, 2020 was 26.8% compared to 23.4% for the 39 weeks ended November 2, 2019. The increase in the effective income tax rate is primarily a result of the above-described provisions of the CARES Act which permit the carry back of current year losses to a tax year where the U.S. federal corporate income tax rate was 35%, offset by an incremental rate increase on the revaluation of deferred tax assets and liabilities for current year activity, an unfavorable tax impact from share based payments in accordance with ASU 2019-16 recorded in the 26 weeks ended August 1, 2020, and an increase to the valuation allowances recorded in the 13 weeks ended May 2, 2020. We recorded our income tax expense, deferred tax assets and related liabilities based on management's best estimates.

The Company records accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company recognizes income tax liabilities related to unrecognized tax benefits in accordance with ASC 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Unrecognized tax benefits did not change significantly during the 13 weeks ended October 31, 2020. Over the next twelve months, the Company believes that it is reasonably possible that unrecognized tax benefits may decrease by approximately $0.3 million due to settlements, expiration of statute of limitations or other changes in unrecognized tax benefits.

11. Legal Proceedings

The Company is subject to certain legal proceedings and claims arising out of the conduct of its business. In accordance with ASC 450, *Contingencies* ("ASC 450"), the Company records a reserve for estimated losses when the loss is probable and the amount can be reasonably estimated. If a range of possible loss exists and no anticipated loss within the range is more likely than any other anticipated loss, the Company records the accrual at the low end of the range, in accordance with ASC 450. As the Company believes that it has provided adequate reserves, it anticipates that the ultimate outcome of any matter currently pending against the Company will not materially affect the consolidated financial position, results of operations or consolidated cash flows of the Company. However, our assessment of any litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

12. Impairment, Restructuring and COVID-19 Related Charges

The following table represents impairment, restructuring and COVID-19 related charges for the 13 and 39 weeks ended October 31, 2020 and November 2, 2019. All amounts were recorded within impairment, restructuring and COVID-19 related charges on the Consolidated Statements of Operations.

(In thousands)	13 weeks ended October 31, 2020	13 weeks ended November 2, 2019	39 weeks ended October 31, 2020	39 weeks ended November 2, 2019
Impairment charges (1)	$ —	$ —	$ 153,617	$ —
Incremental COVID-19 related expenses(2)	5,951	—	19,836	—
Severance and related employee costs	1,004	—	3,733	4,272
Total impairment, restructuring and COVID-19 related charges	$ 6,955	$ —	$ 177,186	$ 4,272

(1) There were no impairment charges recorded during the 13 weeks ended October 31, 2020. During the 39 weeks ended October 31, 2020, the Company recorded impairment charges of $153.6 million. Of the total, $84.1 million related to the impairment of the operating lease ROU assets of 272 stores. We recorded $51.5 million related to the impairment of certain corporate and store property and equipment. We also recorded $18.0 million of impairment of certain cost and equity method investments.
(2) Incremental COVID-19 related expenses consist of personal protective equipment and supplies for our associates and customers.

A roll-forward of restructuring liabilities recognized in accrued compensation and payroll taxes and other current liabilities and accrued expenses in the Consolidated Balance Sheet is as follows:

(In thousands)	39 Weeks Ended October 31, 2020
Accrued liability as of February 1, 2020	$ 4,187
Add: Costs incurred, excluding non-cash charges	23,568
Less: Cash payments and adjustments	(23,771)
Accrued liability as of October 31, 2020	$ 3,984

13. Subsequent Event

Subsequent to October 31, 2020, the Company announced that its Board of Directors updated the record and payment dates of the previously-deferred first quarter 2020 cash dividend, which originally was declared on March 26, 2020 and deferred on April 2, 2020 in response to store closures resulting from the COVID-19 pandemic. The $0.1375 per share cash dividend is now payable on December 30, 2020 to stockholders of record at the close of business on December 16, 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our Fiscal 2019 Management's Discussion and Analysis of Financial Condition and Results of Operations, which can be found in our Fiscal 2019 Form 10-K.

In addition, the following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements and should be read in conjunction with these statements and notes thereto.

Executive Overview and Key Performance Indicators

Our management evaluates the following items, which are considered key performance indicators, in assessing our performance:

Comparable sales — Comparable sales and comparable sales changes provide a measure of sales growth for stores and channels open at least one year over the comparable prior year period. In light of store closures and related disruptions from COVID-19, we have not disclosed comparable sales this quarter as the periods are not comparable. In fiscal years following those with 53 weeks, including Fiscal 2018, the prior year period is shifted by one week to compare similar calendar weeks.

A store is included in comparable sales in its thirteenth month of operation. When stores have a gross footage increase of 25% or greater due to a remodel, they 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 company-owned stores, as well as e-commerce sales (AEO Direct), are included in total comparable sales. Sales from licensed stores are not included in comparable sales. Individual American Eagle and Aerie brand comparable sales disclosures represent sales from stores and AEO Direct. AEO Direct sales are included in the individual American Eagle and Aerie brand comparable sales metrics for the following reasons:

- Our approach to customer engagement is "omni-channel" which provides a seamless customer experience through both traditional and non-traditional channels, including four wall store locations, web, mobile/tablet devices and apps, social networks, email, in-store displays and kiosks. Additionally, we fulfill online orders at stores through our buy online, ship from store capability, maximizing store inventory exposure to digital traffic and accept digital returns in stores; and
- Shopping behavior has continued to evolve across multiple channels that work in tandem to meet customer needs. Management believes that presenting a brand level performance metric that includes all channels (i.e., stores and AEO Direct) is the most appropriate, given customer behavior.

Our management considers comparable sales to be an important indicator of our current performance, and investors may find it useful as such. Comparable sales results are important to achieve leveraging of our costs, including store payroll, store supplies, rent, etc. Comparable sales also have a direct impact on our total net revenue, cash and working capital.

Omni-channel sales performance – Our management utilizes the following quality of sales metrics in evaluating our omni-channel sales performance: comparable sales, average unit retail price, total transactions, units per transaction, and consolidated comparable traffic. We include these metrics in our discussion within Item 7 of this report when we believe they enhance the understanding of the matter being discussed. Investors may find them useful as such. Each of these metrics is defined as follows (except comparable sales, which is defined separately above):

- *Average unit retail price* represents the average selling price of one unit of our goods. It is the cumulative net sales divided by the net units sold for a period of time.
- *Total transactions* represents the count of customer transactions over a period of time (inclusive of company-owned stores and AEO Direct, unless specified otherwise).
- *Units per transaction* represents the number of units sold divided by total transactions over a period of time (inclusive of company-owned stores and AEO Direct, unless specified otherwise).
- *Consolidated comparable traffic* represents visits to our company-owned stores, limited to those stores that qualify to be included in comparable sales as defined above, including AEO Direct, over a period of time

Gross profit — Gross profit measures whether we are optimizing profitability of our sales. Gross profit is the difference between total net revenue and cost of sales. Cost of sales consists of merchandise costs, including design, sourcing, importing and inbound freight costs, as well as markdowns, shrinkage, and certain promotional costs (collectively, “merchandise costs”) and buying, occupancy and warehousing costs. Design costs consist of compensation, rent, depreciation, travel, supplies and samples.

Buying, occupancy and warehousing costs consist of: compensation, employee benefit expenses and travel for our buyers and certain senior merchandising executives; rent and utilities related to our stores, corporate headquarters, distribution centers and other office space; freight from our distribution centers to the stores; compensation and supplies for our distribution centers, including purchasing, receiving and inspection costs; and shipping and handling costs related to our e-commerce operation.

The inability to obtain acceptable levels of sales, initial markups or any significant increase in our use of markdowns could have an adverse effect on our gross profit and results of operations.

Operating (loss) income — Our management views operating income as a key indicator of our performance. The key drivers of operating (loss) income are comparable sales, gross profit, our ability to control selling, general and administrative expenses, and our level of capital expenditures for a reasonable period of time.

Cash flow and liquidity — Our management evaluates cash flow from operations, investing and financing in determining the sufficiency of our cash position and capital allocation strategies. Cash flow has historically been sufficient to cover our uses of cash. Our management believes that cash flow and our current liquidity will be sufficient to fund anticipated capital expenditures, dividends and working capital requirements.

COVID-19

The spread of COVID-19, which was declared a pandemic by the World Health Organization in March 2020, caused state and municipal public officials to mandate jurisdiction-wide curfews, including “shelter-in-place” and closures of most non-essential businesses, as well as other measures to mitigate the spread of the virus. The COVID-19 pandemic remains highly volatile and continues to evolve on a daily basis. See Part II, Item 1A. Risk Factors herein for additional discussion regarding risks to our business associated with the COVID-19 pandemic.

Commencing in early March 2020, we experienced a significant reduction in customer traffic and demand resulting from the continued spread of COVID-19 and government actions to combat it. In response, we closed our stores to the public after the close of business on March 17, 2020; however, we continued to operate our digital business. These actions significantly impacted our results for the first quarter of Fiscal 2020. Beginning May 2, 2020, we started to re-open stores and call back furloughed employees where state and local governments have lifted stay-at-home orders. As of October 31, 2020, nearly all of our stores have re-opened and remain open. However, our results of operations for the 13 weeks ended October 31, 2020 continued to be significantly impacted by reduced customer traffic in re-opened store locations, partially offset by continued growth in e-commerce.

Since the first day that stores were closed to the public, our digital sales growth has accelerated, significantly exceeding our expectations through the third quarter of Fiscal 2020. In order to support online demand and utilize in-store inventory, we continued to leverage our store network for buy-online/ship-from-store capabilities, where possible. Despite our strength in digital sales, we have historically generated the majority of our revenue through stores and there can be no assurance that the current performance in our digital sales growth will continue. As a result, we do not believe that our results for the 13 or 39 weeks ended October 31, 2020 are directly comparable to the same period in Fiscal 2019.

The safety and health of our associates and customers remains a paramount concern. In March 2020, we hired a medical consultant to advise us on health and safety and to ensure we have the very best practices in all of our locations. We instituted a work from home in mid-March ahead of stay-at-home orders. We are taking various precautions in our stores, which include sanitation stations and masks for all customers to provide a safe and secure environment. Plexiglas health guard partitions have also been installed at the registers along with the implementation of enhanced cleaning routines and protocols.

Further, we continue to take precautionary measures and adjust our operational needs due to the impact of COVID-19. Since March 2020, the Company has taken the following actions to preserve our financial strength:

- a suspension of our share repurchase program and deferred payment of the first quarter Fiscal 2020 cash dividend;

- temporary furloughs of store, field and corporate associates that began on April 5, 2020, largely reflecting the continued uncertainty around the duration of store closures;
- reductions to operating expenses, which include delayed merit increases for associates, a hiring freeze and other cost saving initiatives;
- convertible notes issuance and credit facility borrowings;
- cuts to inventory receipts to align with lower demand due to store closures; and
- planned reductions to capital expenditures across stores, information technology and other projects to a range of $100 million to $125 million for Fiscal 2020.

In addition, we have had productive discussions with our vendors to reduce purchases and extend payment terms, as well as with our landlords regarding the extension of payment terms and rent concessions.

As of October 31, 2020, we had approximately $692.4 million in cash and cash equivalents, which includes the proceeds from our convertible notes issuance, discussed in greater detail below. We expect to be able to fund our future cash requirements through current cash holdings and available liquidity. Taking into account the measures described above, we believe that our current liquidity would enable us to continue operations beyond Fiscal 2020, if necessary, even if the majority of our retail locations were forced to close during the duration of that period.

While our digital business, including buy-online/ship-from-store capabilities, continues to operate, and subsequent to May 2, 2020, nearly all of our stores have reopened and remain open, we are unable to accurately predict the impact that the COVID-19 pandemic will have on our consolidated operations and financial results going forward due to:

- the currently unknown duration of the COVID-19 pandemic, including whether there will be a resurgence during the fourth quarter of Fiscal 2020;
- the impact of governmental regulations that have been, and may in the future be, imposed in response to the COVID-19 pandemic, including regulations which could adversely affect our business or cause us to cease our digital business if we are required to close our distribution and fulfillment centers or are otherwise unable acquire or deliver merchandise, or to close our recently reopened retail stores;
- potential changes in consumer behavior and shopping patterns, including traffic through stores once they reopen;
- a deterioration of economic conditions in the United States, which could have an impact on discretionary consumer spending;
- the ability of our distribution centers to maintain adequate staffing to meet increased customer demand;
- the impact on our landlords, their treatment of us and our resulting ability of us to keep our stores open; and
- the impact of COVID-19 on our and our vendors' supply chain, including impacts on adequate inventory levels and supply chain costs, and on our third-party delivery service providers.

Results of Operations

Overview

Our business is affected by the pattern of seasonality common to most retail apparel businesses. Additionally, during the 13 and 39 weeks ended October 31, 2020, our results of operations were materially impacted by the effects of COVID-19.

Third quarter revenue strengthened as stores successfully reopened, the digital channel continued to accelerate and Aerie posted strong growth. Operational disciplines, inventory optimization and reduced spending resulted in sequential improvement in operating earnings and positive cash flow in the third quarter, fortifying our financial position, ending the quarter with $692.4 million in cash and cash equivalents. The results for the current and prior periods are not necessarily indicative of future financial results.

This results of operations section contains non-GAAP financial measures ("non-GAAP" or "adjusted"), comprised of earnings per share information excluding non-GAAP items. This financial measure is not based on any standardized methodology prescribed by U.S. generally accepted accounting principles ("GAAP") and is not necessarily comparable to similar measures presented by other companies. We believe that this non-GAAP information is useful as an additional means for investors to evaluate our operating performance, when reviewed in conjunction with our GAAP financial statements. These amounts are not determined in accordance with GAAP and, therefore, should not be used exclusively in evaluating our business and operations. The table below reconciles the GAAP financial measure to the non-GAAP financial measure discussed above.

	13 Weeks Ended
	October 31, 2020
Net income per diluted share - GAAP Basis	$ 0.32
Add: Incremental COVID-19 related expenses and Restructuring(1)	0.02
Add: Convertible debt(2)	0.01
Net income per diluted share - Adjusted or Non-GAAP Basis	$ 0.35

(1) 13 weeks ended October 31, 2020: $6.0 million of Incremental COVID-19 related expenses consisting of personal protective equipment and supplies for our associates and customers and $1.0 million of corporate severance

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

The following table shows the percentage relationship to total net revenue of the listed line items included in our Consolidated Statements of Operations.

	13 Weeks Ended		39 Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Total net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales, including certain buying, occupancy and warehousing expenses	59.8	61.8	71.3	62.8
Gross profit	40.2	38.2	28.7	37.2
Selling, general and administrative expenses	26.5	24.3	27.8	24.8
Impairment, restructuring and COVID-19 related charges	0.6	—	7.1	0.1
Depreciation and amortization expense	3.8	4.2	4.9	4.5
Operating income (loss)	9.3	9.7	(11.1)	7.8
Interest expense (income), net	0.8	(0.1)	0.7	(0.2)
Other income, net	(0.2)	(0.1)	—	(0.1)
Income (Loss) before income taxes	8.7	9.9	(11.8)	8.1
Provision (Benefit) for income taxes	3.1	2.3	(3.2)	1.9
Net Income (loss)	5.6 %	7.6 %	(8.6) %	6.2 %

The following table shows our consolidated store data:

	13 Weeks Ended		39 Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Number of stores:				
Beginning of period	1,098	1,075	1,095	1,055
Opened	10	20	29	50
Closed	(3)	(1)	(19)	(11)
End of period	1,105	1,094	1,105	1,094
Total gross square feet at end of period (in '000)	6,858	6,837	6,858	6,837
International licensed/franchise stores at end of period (1)	225	241	225	241

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

Our operations are conducted in one reportable segment, consisting of 931 American Eagle retail stores which include 177 Aerie side-by-side locations, 167 Aerie stand-alone locations and AEO Direct. Additionally, there were four Tailgate and three Todd Snyder stand-alone locations.

Comparison of the 13 weeks ended October 31, 2020 to the 13 weeks ended November 2, 2019

Total Net Revenue

Total net revenue decreased 3%, or $34.8 million, to $1.032 billion compared to $1.066 billion last year. The COVID-19 pandemic negatively affected our financial results for the thirteen weeks ended October 31, 2020.

By brand, including the respective AEO Direct sales, American Eagle brand revenue decreased 11% compared to a 2% increase last year. Aerie brand revenue increased 34%, compared to a 26% increase last year.

Gross Profit

Gross profit increased 2% or $7.7 million, to $414.8 million compared to $407.1 million last year. As a rate to revenue gross margin improved to 40.2% compared to 38.2% last year. The gross margin increase reflected higher full-priced sales, lower promotions and inventory optimization initiatives. Lower product costs and rent expense, due to the impairments taken in recent quarters, as well as negotiations with landlords, also benefited the gross margin. This was partially offset by higher delivery and distribution center costs, due to a strong digital business and higher cost per shipment.

There was $4.5 million and $3.0 million of share-based payment expense included in gross profit for the periods ended October 31, 2020 and November 2, 2019, respectively, comprised of both time and performance-based awards.

Our gross profit may not be comparable to that of other retailers, as some retailers include all costs related to their distribution network, as well as design costs in cost of sales and others may exclude a portion of these costs from cost of sales, including them in a line item such as selling, general and administrative expenses. Refer to Note 2 to the Consolidated Financial Statements for a description of our accounting policy regarding cost of sales, including certain buying, occupancy and warehousing expenses.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased 6%, or $14.3 million, to $273.3 million from $259.0 million last year. The increase primarily reflects higher performance based incentive compensation expense. As a rate to revenue, SG&A increased to 26.5% compared to 24.3% last year.

There was $4.5 million and $2.6 million of share-based payment expense included in SG&A expenses for the periods ended October 31, 2020 and November 2, 2019, respectively, comprised of both time and performance-based awards.

Impairment, Restructuring and COVID-19 Related Charges

Impairment, restructuring and COVID-19 related charges were $7.0 million, or 0.6%, as a percentage of total net revenue, for the 13 weeks ended October 31, 2020. These expenses consisted of $6.0 million of incremental COVID-19 related expenses including personal protective equipment and supplies for our associates and customers and $1.0 million of severance costs. For further information regarding impairment, restructuring and COVID-19 related charges, refer to Note 12 to the Consolidated Financial Statements. There were no restructuring charges recorded for the 13 weeks ended November 2, 2019.

Based on the uncertainty from the COVID-19 pandemic, we are unable to accurately predict the ultimate impact that COVID-19 will have on our consolidated operations going forward, including, among other things, the length of time that such disruptions continue and the impact of governmental regulations that may be imposed in response to the COVID-19 pandemic. Accordingly, we may be required to record further impairment and/or restructuring charges in future periods and expect to continue to incur charges for personal protective equipment and supplies for our associates and customers.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased 13% or $6.0 million, to $39.0 million for the 13 weeks ended October 31, 2020, compared to $45.0 million for the 13 weeks ended November 2, 2019. The decrease was due to asset impairments taken in recent quarters, as well as lower capital spending. As a percentage of total net revenue, depreciation and amortization expense was 3.8% for the 13 weeks ended October 31, 2020 compared to 4.2% for the 13 weeks ended November 2, 2019.

Interest Expense (Income), Net

Interest expense was $7.9 million for the 13 weeks ended October 31, 2020, compared to interest income of $1.2 million for the 13 weeks ended November 2, 2019. The increase in expense was primarily attributable to interest expense related to our convertible notes issued this year.

Other Income, Net

Other income increased $0.9 million, to $2.2 million for the 13 weeks ended October 31, 2020, compared to $1.3 million for the 13 weeks ended November 2, 2019.

Provision for Income Taxes

The provision for income taxes is based on the current estimate of the annual effective income tax rate and is adjusted as necessary for discrete quarterly events. The effective income tax rate for the 13 weeks ended October 31, 2020 was 35.3% compared to 23.6% for the 13 weeks ended November 2, 2019. The increase in the effective income tax rate is primarily a result of provisions of the CARES Act which permits the carry back of current year losses to a tax year where the U.S. federal corporate income tax rate was 35%, offset by an incremental rate increase on the revaluation of deferred tax assets and liabilities for current year activity. We recorded our income tax expense, deferred tax assets and related liabilities based on management's best estimates.

Net Income

Net income decreased $22.7 million, to $58.1 million for the 13 weeks ended October 31, 2020, or 5.6% as a percentage of total net revenue, as compared to $80.8 million, or 7.6% as a percentage of total net revenue for the 13 weeks ended November 2, 2019. Net income per share decreased to $0.32 per diluted share for the 13 weeks ended October 31, 2020, which included $0.02 of incremental COVID-19 related expenses and restructuring and $0.01 of amortization of the non-cash discount on the Company's convertible notes, compared to net income of $0.48 per diluted share for the 13 weeks ended November 2, 2019. The change in net income was attributable to the factors noted above.

Comparison of the 39 weeks ended October 31, 2020 to the 39 weeks ended November 2, 2019

Total Net Revenue

Total net revenue decreased 18%, or $526.8 million, to $2.467 billion compared to $2.994 billion last year. Included in total net revenue last year was $40 million recognized for license royalties from a third-party operator of AE stores in Japan. The COVID-19 pandemic, the associated closures of our retail stores and decline in retail stores traffic since March 17, 2020 negatively affected our financial results for the 39 weeks ended October 31, 2020. As of October 31, 2020 nearly all of our stores have opened and remain opened.

By brand, including the respective AEO Direct revenue, American Eagle brand revenue decreased 24% compared to a 4% increase last year. Aerie brand revenue increased 23%, compared to a 25% increase last year.

Gross Profit

Gross profit decreased 36%, or $406.3 million for the 39 weeks ended October 31, 2020, to $708.3 million compared to $1.115 billion last year. Our gross margin percentage declined to 28.7% of revenue from 37.2% of revenue last year. This reflected the decline in revenue from retail store closures and the impact of fixed buying, occupancy and warehousing costs as a result of the revenue decline due to the impact of COVID-19 on our business.

There was $11.6 million and $9.4 million of share-based payment expense included in gross profit for the periods ended October 31, 2020 and November 2, 2019, respectively, comprised of both time and performance-based awards.

Our gross profit may not be comparable to that of other retailers, as some retailers include all costs related to their distribution network, as well as design costs in cost of sales and others may exclude a portion of these costs from cost of sales, including them in a line item such as selling, general and administrative expenses. Refer to Note 2 to the Consolidated Financial Statements for a description of our accounting policy regarding cost of sales, including certain buying, occupancy and warehousing expenses.

Selling, General and Administrative Expenses

SG&A expenses decreased 8% or $57.6 million to $685.2 million from $742.8 million last year. As a percentage of total net revenue, SG&A expenses increased 300 basis points to 27.8%, compared to 24.8% last year, primarily due to lower revenue from retail store closures resulting from COVID-19.

There was $13.0 million and $10.6 million of share-based payment expense included in SG&A expenses for the periods ended October 31, 2020 and November 2, 2019, respectively, comprised of both time and performance-based awards.

Impairment, Restructuring and COVID-19 Related Charges

Impairment, restructuring and COVID-19 related charges were $177.2 million, or 7.1% as a percentage of total net revenue, for the 39 weeks ended October 31, 2020. These charges consisted of $153.6 million of impairment charges, $19.8 million of incremental COVID-19 related expenses, and $3.7 million of severance costs. For further information regarding impairment, restructuring and COVID-19 related charges, refer to Note 12 to the Consolidated Financial Statements. Restructuring charges were $4.3 million, or 0.1% as a percentage of total net revenue for the 39 weeks ended November 2, 2019. These charges were primarily the result of corporate severance and closure costs for our company-owned and operated stores in China.

Based on the uncertainty from the COVID-19 pandemic, we are unable to accurately predict the ultimate impact that COVID-19 will have on our operations going forward, including, among other things, the length of time that such disruptions continue and the impact of governmental regulations that may be imposed in response to the COVID-19 pandemic. Accordingly, we may be required to record further impairment and restructuring charges in future periods.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased 10% or $13.8 million, to $120.8 million for the 39 weeks ended October 31, 2020, compared to $134.6 million for the 39 weeks ended November 2, 2019. The decrease was due to asset impairments taken in recent quarters, as well as lower capital spending in fiscal 2020. As a percentage of total net revenue, depreciation and amortization expense was 4.9% for the 39 weeks ended October 31, 2020 compared to 4.5% for the 39 weeks ended November 2, 2019.

Interest Expense (Income), Net

Interest expense was $16.6 million for the 39 weeks ended October 31, 2020, compared to interest income of $4.8 million for the 39 weeks ended November 2, 2019. The increase in expense was primarily attributable to interest expense related to our convertible notes issued this year and credit facility borrowings prior to full repayment during the 13 weeks ended October 31, 2020.

Other Income, Net

Other income decreased $5.2 million, to $0.8 million for the 39 weeks ended October 31, 2020, compared to $6.0 million for the 39 weeks ended November 2, 2019. The decrease was attributable to foreign currency fluctuations and other non-operating expense.

Provision for Income Taxes

The provision for income taxes is based on the current estimate of the annual effective income tax rate and is adjusted as necessary for discrete quarterly events. The effective income tax rate for the 39 weeks ended October 31, 2020 was 26.8% compared to 23.4% for the 39 weeks ended November 2, 2019. The increase in the effective income tax rate is primarily a result of provisions of the CARES Act which permit the carry back of current year losses to a tax year where the U.S. federal corporate income tax rate was 35%, offset by an incremental rate increase on the revaluation of deferred tax assets and liabilities for current year activity, an unfavorable tax impact from share based payments in accordance with ASU 2019-16, and an increase to the valuation allowances recorded in the current year. We recorded our income tax expense, deferred tax assets and related liabilities based on management's best estimates.

Net (Loss) Income

Net loss was $212.8 million for the 39 weeks ended October 31, 2020, or -8.6% as a percentage of total net revenue, as compared to net income of $186.5 million, or 6.2% as a percentage of total net revenue for the 39 weeks ended November 2, 2019. The change in net income (loss) was attributable to the factors noted above.

International Operations

We have agreements with multiple third party operators to expand our brands internationally. Through these agreements, a series of franchised, licensed or other brand-dedicated American Eagle stores have opened and will continue to open in areas including Europe, the Middle East, Central and South America, Northern Africa and parts of Asia. These agreements do not involve a significant capital investment or operational involvement from us. We continue to increase the number of countries in which we enter into these types of arrangements as part of our strategy to expand internationally. As of October 31, 2020, we had 225 stores operated by our third party operators in 26 countries. International third party operated stores are not included in the consolidated store data or the total gross square feet calculation.

As of October 31, 2020, we had 100 company-owned stores in Canada, 45 in Mexico, 8 in Hong Kong and 6 in Puerto Rico.

Fair Value Measurements

ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. Fair value is defined under ASC 820 as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 — Quoted prices in active markets.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of October 31, 2020, we held certain assets that are required to be measured at fair value on a recurring basis. These include cash and cash equivalents and short-term investments.

In accordance with ASC 820, the following table represents the fair value hierarchy of our financial assets (cash equivalents and investments) measured at fair value on a recurring basis as of October 31, 2020:

		Fair Value Measurements at October 31, 2020		
(In thousands)	Carrying Amount	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Cash	$ 317,027	$ —	$ —	$ —
Interest bearing deposits	325,319	—	—	—
Money market securities	50,010	—	—	—
Total cash and cash equivalents	$ 692,356	$ —	$ —	$ —

Long-Term Debt

As of October 31, 2020, the Company had repaid all outstanding borrowings under its Credit Facilities.

The fair value of the Company's Notes is not required to be measured at fair value on a recurring basis. Upon issuance, the fair value of these Notes was measured using two approaches that consider market related conditions, including market benchmark rates and a secondary market quoted price, and is therefore within Level 2 of the fair value hierarchy.

Liquidity and Capital Resources

Our uses of cash have historically been for working capital, the construction of new stores and remodeling of existing stores, information technology and e-commerce upgrades and investments, distribution center improvements and expansion and the return of value to shareholders through the repurchase of common stock. Additionally, our uses of cash have included the development of the Aerie brand, investments in technology and omni-channel capabilities, and our international expansion efforts. The rapid expansion of the COVID-19 global pandemic, the related economic impact, and the closure of our retail stores, resulted in a decline in net sales and earnings for the 13 and 39 week periods ended October 31, 2020, which had a corresponding impact on our liquidity and uses of cash.

Historically, our uses of cash have been funded with cash flow from operations and existing cash on hand. We also maintain an asset-based revolving credit facility that allows us to borrow up to $400 million, which will expire in January 2024. In April 2020, we issued $415 million aggregate principal amount of convertible senior notes due in 2025.

As discussed in the overview, we are focused on preserving our liquidity and managing our cash flows through certain actions to enhance our ability to meet short-term liquidity needs. We have taken a series of actions to reinforce our liquidity and financial flexibility, including:

- a suspension of our share repurchase program and deferred payment of the first quarter Fiscal 2020 cash dividend;
- temporary furloughs of store, field, and corporate associates that began on April 5, 2020, largely reflecting the continued uncertainty surrounding the duration of store closures;
- reductions to operating expenses, which include delayed merit increases for associates, a hiring freeze, and other cost-saving initiatives;
- convertible notes issuance and credit facility borrowings;
- cuts to inventory receipts to align with lower demand due to store closures; and
- planned reductions to capital expenditures across stores, information technology and other projects to a range of $100 million to $125 million for Fiscal 2020.

As of October 31, 2020, we had approximately $692.4 million in cash and cash equivalents, which includes the proceeds from our Notes. We expect to be able to fund our future cash requirements through current cash holdings and available liquidity. Taking into account the measures described above, we believe that our on-hand liquidity would enable us to continue operations beyond Fiscal 2020, if necessary, even if the majority of our retail locations were forced to close during the duration of that period.

The following sets forth certain measures of our liquidity:

	October 31, 2020	February 1, 2020	November 2, 2019
Working Capital (in thousands)	$ 613,450	$ 296,174	$ 268,422
Current Ratio	1.69	1.39	1.33

Working capital increased $317.3 million compared to February 1, 2020 and increased $345.0 million compared to last year. The largest increase came from increased cash of $275.4 million due to the proceeds from our Notes issuance. Compared to February 1, 2020, the remaining change was primarily due to a $113.7 million increase in merchandise inventory, offset by a $74.2 million increase in accrued compensation.

Cash Flows (Used for) Provided by Operating Activities

Net cash used for operating activities totaled $10.4 million for the 39 weeks ended October 31, 2020, compared to cash flows provided by operating activities of $178.2 million for the 39 weeks ended November 2, 2019. Our primary outflow was for the payment of operational costs. For the 39-week period ended November 2, 2019, our major source of cash from operations was merchandise sales and our primary outflow of cash for operations was for the payment of operational costs.

Cash Flows (Used for) Investing Activities

Net cash used for investing activities totaled $38.1 million for the 39 weeks ended October 31, 2020, compared to net cash used for investing activities of $109.1 million for the 39 weeks ended November 2, 2019. Investing activities for the 39 weeks ended October 31, 2020 primarily consisted of $55.0 million of net short-term investment sales, offset by $92.6 million of capital expenditures for property and equipment. We anticipate our capital expenditures for the remainder of Fiscal 2020 to be lower compared to prior years as we manage spending to help mitigate the negative impact of COVID-19 on our business.

Investing activities for the 39 weeks ended November 2, 2019 primarily included $149.9 million of capital expenditures for property and equipment, partially offset by $42.1 million of net short-term investment sales.

Cash Flows Provided by (Used for) Financing Activities

Net cash provided by financing activities totaled $379.9 million for the 39 weeks ended October 31, 2020, compared to net cash used for financing activities of $188.1 million for the 39 weeks ended November 2, 2019. Cash provided by financing activities for the 39 weeks ended October 31, 2020 consisted primarily of $406.1 million of net proceeds from the issuance of convertible notes. This was partially offset by $20.0 million used for purchases of 1.7 million shares of common stock under publicly-announced programs in early March 2020, and $5.4 million for the repurchase of common stock from employees for the payment of taxes in connection with the vesting of share-based payments.

Early in Fiscal 2020, we borrowed on our Credit Facilities and issued Notes to strengthen our cash position and provide us with additional financial flexibility during the remainder of the ongoing COVID-19 pandemic. As of October 31, 2020, we had repaid the $330 million in Credit Facilities borrowings.

Cash used for financing activities for the 39 weeks ended November 2, 2019 consisted primarily of $112.4 million used for repurchase of 6.3 million shares of common stock under publicly announced programs, $69.8 million for cash dividends paid at a quarterly rate of $0.1375 per share, and $8.0 million for the repurchase of common stock from employees for the payment of taxes in connection with the vesting of share-based payments.

Credit Facilities

In January 2019, we entered into a Credit Agreement for five-year, syndicated, asset-based revolving Credit Facilities. The Credit Agreement provides senior secured revolving credit for loans and letters of credit up to $400 million, subject to customary borrowing base limitations. The Credit Facilities expire January 30, 2024.

All obligations under the Credit Facilities are unconditionally guaranteed by certain subsidiaries. The obligations under the Credit Agreement are secured by a first-priority security interest in certain working capital assets of the borrowers and guarantors, consisting primarily of cash, receivables, inventory, and certain other assets and have been further secured by first-priority mortgages on certain real property.

As of October 31, 2020, the Company was in compliance with the terms of the Credit Agreement and $7.9 million outstanding in stand-by letters of credit.

Capital Expenditures for Property and Equipment

Capital expenditures for the 39 weeks ended October 31, 2020 were $92.6 million, and included $40.4 million related to investments in our stores, including 10 new AEO stores (seven Aerie stand-alone stores and three American Eagle stores), eight remodeled and refurbished stores, and fixtures and visual investments. Additionally, we continued to support our infrastructure growth by investing in information technology initiatives ($23.6 million), e-commerce ($19.6 million) and other home office projects ($8.8 million).

In order to preserve financial liquidity in response to the uncertainty created by the impact of COVID-19, the company has reduced its Fiscal 2020 capital spending plans to a range of $100 to $125 million, prioritizing strategic omni-channel, store and supply-chain investments aimed at further strengthening its competitive position.

Stock Repurchases

During Fiscal 2019, our Board of Directors (our "Board") authorized the repurchase of 30.0 million shares under a new share repurchase program, which expires on February 3, 2024, bringing our total share repurchases authorization to 33.6 million shares. In early March 2020, as part of our publicly-announced share repurchase program, we repurchased 1.7 million shares for $20.0 million, at a weighted average price of $11.63 per share.

As previously announced, to preserve cash liquidity in response to the uncertainty created by the impact of COVID-19, the company has suspended the stock repurchase program. Accordingly, during the 13 weeks ended October 31, 2020, we did not repurchase any shares pursuant to this program. During the 39 weeks ended November 2, 2019, as part of our publicly announced share repurchase program, we repurchased 6.3 million shares for $112.4 million, at a weighted average price of $17.74 per share.

During Fiscal 2019, our Board authorized the repurchase of 30.0 million shares under a new share repurchase program, which expires on February 3, 2024, bringing our total share repurchases authorization to 33.6 million shares. As of October 31, 2020, 3.6 million shares remained under the share repurchase program authorized by our Board in April 2016 that expires on January 30, 2021.

During the 39 weeks ended October 31, 2020 and November 2, 2019, we repurchased approximately 0.4 million shares from certain employees at a market prices totaling $5.4 million and $8.0 million, respectively. These shares were repurchased for the payment of taxes, in connection with the vesting of share-based payments, as permitted under our equity incentive plans. The aforementioned shares repurchased have been recorded as treasury stock.

Dividends

Our Board declared a quarterly cash dividend of $0.1375 per share on March 26, 2020 for the first quarter of 2020, which was subsequently delayed as part of our efforts to carefully manage the impact of COVID-19 on our liquidity. It was originally payable on May 14, 2020 to stockholders of record at the close of business on April 30, 2020, and was delayed to be paid on April 23, 2021, to stockholders of record at the close of business on April 9, 2021.

Subsequent to October 31, 2020, based on positive third quarter results and improved financial liquidity, our Board updated the record and payment dates of the previously deferred dividend, which is now payable on December 30, 2020 to stockholders of record on December 16, 2020.

To preserve liquidity, the Company suspended its second and third quarter dividend and does not anticipate declaring a dividend for the rest of Fiscal 2020. The Company maintains the right to defer the record and payment dates of its dividends, depending upon, among other factors, the progression of the COVID-19 outbreak, business performance and the macroeconomic environment. The payment of future dividends is at the discretion of our Board and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and in the notes to our Consolidated Financial Statements for the year ended February 1, 2020 contained in our Fiscal 2019 Form 10-K. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the notes to our Consolidated

Financial Statements in this Quarterly Report on Form 10-Q. The application of our critical accounting policies and estimates may require our management to make judgments and estimates about the amounts reflected in the Consolidated Financial Statements. Our management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are primarily exposed to the impact of foreign exchange rate risk primarily through our Canadian and Mexican operations where the functional currency is the Canadian dollar and Mexican peso, respectively. The impact of all other foreign currencies is currently immaterial to our consolidated financial results. An unrealized gain of $3.3 million is included in accumulated other comprehensive income during the 13 weeks ended October 31, 2020 and an unrealized loss of $11.5 million is included in accumulated other comprehensive income during the 39 weeks ended October 31, 2020. Our market risk profile as of February 1, 2020 is disclosed in Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, of our Fiscal 2019 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to the management of American Eagle Outfitters, Inc. (the “Management”), including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, Management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of October 31, 2020, the Company performed an evaluation under the supervision and with the participation of our Management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act). Based upon that evaluation, our principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective in the timely and accurate recording, processing, summarizing and reporting of material financial and non-financial information within the time periods specified within the SEC’s rules and forms. Our principal executive officer and principal financial officer also concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our Management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are involved, from time to time, in actions associated with or incidental to our business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, importation of products, taxation, and employee relations. We believe at present that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our financial position or results of operations. However, our assessment of any litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

ITEM 1A. RISK FACTORS.

Risk factors that affect our business and financial results are discussed within Item 1A of our Fiscal 2019 Form 10-K. The information presented below updates, and should be read in conjunction with the risk factors and information disclosed in our Fiscal 2019 Form 10-K, our Form 10-Q for the thirteen weeks ended May 2, 2020, which was filed with the SEC on June 4, 2020, our Form 10-Q for the thirteen weeks ended August 1, 2020, which was filed with the SEC on September 9, 2020, and any other filings that we make with the SEC. Except as presented below, there have been no material changes to our risk factors as disclosed in the Fiscal 2019 Form 10-K, our Form 10-Q for the thirteen weeks ended May 2, 2020, our Form 10-Q for the thirteen weeks ended August 1, 2020, and in our subsequent filings with the SEC.

The novel coronavirus (COVID-19) pandemic has had, and is expected to continue to have, an adverse effect on our business and results of operations.

In late 2019, COVID-19 was first detected in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures have adversely affected workforces, customers, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending have led to an economic downturn in many of our markets. We continue to operate our e-commerce business, and had to temporarily close our corporate offices and American Eagle and Aerie physical stores. We have begun to reopen stores where the applicable state and local governments have lifted stay-at-home orders, but have had to operate at lower capacities than normal.

The COVID-19 pandemic also directly threatens the health of our associates and customers. The operation of all of our stores is critically dependent on our associates who staff these locations. In the event that an associate tests positive for COVID-19, we have had to, and may in the future have to, temporarily close one or more stores, offices or distribution centers for cleaning and/or quarantine one or more associates, which could negatively impact our financial results.

We are unable to accurately predict the impact that COVID-19 will have on our operations going forward due to uncertainties that will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration of the COVID-19 pandemic, any resurgences of COVID-19 in areas where our stores, customers, or associates are located, and the impact of governmental regulations that might be imposed in response to the pandemic, which could, among other things, require that we close our distribution and fulfillment centers or otherwise make it difficult or impossible to operate our e-commerce business. Numerous state and local jurisdictions have imposed, and others in the future may impose, shelter-in-place orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. Such orders and restrictions have resulted in temporary store closures, work stoppages, slowdowns and delays, travel restrictions and cancellations of events, among other effects, thereby negatively impacting our operations. In addition, we expect to be impacted by a deterioration of economic conditions in the United States, which potentially could have an impact on discretionary consumer spending. To the extent that our target customer demographic is disproportionately impacted by unemployment or otherwise as a result of the COVID-19 pandemic, our business may be further adversely affected. Additionally, historically, a large portion of the Company's revenue and operating income occurs during the third and fourth fiscal quarters. Changes in consumer behavior and traditions, or changes mandated or recommended by government or health officials, could significantly impact the Company's year-end holiday selling season. While it is premature to accurately predict the ultimate impact of these developments, we expect our results for the remainder of the COVID-19 pandemic to be adversely impacted in a significant manner.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in *Risk Factors* under Item 1A and *Management's Discussion and Analysis of Financial Condition and Results of Operation* under Item 7 of our Annual Report on Form 10-K for the year ended February 1, 2020, filed with the SEC on March 12, 2020, including, but not limited to, risks relating to change in consumer demand or shopping patterns, our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, our ability to comply with the covenants contained in the agreements that govern our indebtedness, availability of adequate capital, our ability to execute our strategic plans, our real estate portfolio, disruptions to our supply chain and third party delivery service providers, our ability to access to adequate quantities of product and materials, tariffs, and regulatory restrictions.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Issuer Purchases of Equity Securities

The following table provides information regarding our repurchases of our common stock during the 13 weeks ended October 31, 2020.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Program (1) (3)
Month #1 (August 2, 2020 through August 29, 2020)	4,129	$ 10.66	—	33,643,909
Month #2 (August 30, 2020 through October 3, 2020)	6,265	$ 14.42	—	33,643,909
Month #3 (October 4, 2020 through October 31, 2020)	284	$ 14.06	—	33,643,909
Total	10,678	$ 12.96	—	33,643,909

(1) As previously disclosed, the Company has suspended its share repurchase program. Accordingly, during the 13 weeks ended October 31, 2020 there were no shares repurchased as part of our publicly announced share repurchase program and there were 10,678 shares repurchased for the payment of taxes in connection with the vesting of share-based payments.

(2) Average price paid per share excludes any broker commissions paid.

(3) During Fiscal 2016, our Board authorized the public repurchase 25.0 million shares of our common stock. The authorization of the repurchase of the remaining 3.6 million shares that may yet be repurchased under the Fiscal 2016 authorization expires on January 30, 2021. During Fiscal 2019, our Board authorized the public repurchase of 30.0 million shares under a new share repurchase program, which expires on February 3, 2024, bringing our total repurchase authorization to 33.6 shares.

ITEM 6. EXHIBITS.

*	Exhibit 10.1	Separation Agreement between the registrant and Robert Madore, dated September 21, 2020
*	Exhibit 31.1	Certification by Jay L. Schottenstein pursuant to Rule 13a-14(a) or Rule 15d-14(a)
*	Exhibit 31.2	Certification by Michael A. Mathias pursuant to Rule 13a-14(a) or Rule 15d-14(a)
**	Exhibit 32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**	Exhibit 32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*	Exhibit 101	The following materials from the Company's Annual Report on Form 10-Q for the quarter ended October 31, 2020, formatted as inline eXtensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets as of October 31, 2020, February 1, 2020 and November 2, 2019, (ii) Consolidated Statements of Operations for the 13 and 39 weeks ended October 31, 2020 and November 2, 2019, (iii) Consolidated Statements of Comprehensive Income for the 13 and 39 weeks ended October 31, 2020 and November 2, 2019, (iv) Consolidated Statements of Stockholders' Equity for the 13 and 39 weeks ended October 31, 2020 and November 2, 2019, and (v) Consolidated Statements of Cash Flows for the 39 weeks ended October 31, 2020 and November 2, 2019
*	Exhibit 104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2020, formatted in inline XBRL

* Filed with this report.
** Furnished with this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: December 3, 2020

American Eagle Outfitters, Inc.
(Registrant)

By: /s/ Jay L. Schottenstein
Jay L. Schottenstein
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael A. Mathias
Michael A. Mathias
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

GENERAL RELEASE AND SEPARATION AGREEMENT

PLEASE READ THIS ENTIRE AGREEMENT CAREFULLY.

NOTE THAT THIS AGREEMENT CONTAINS
A RELEASE AND WAIVER OF LEGAL RIGHTS AND CLAIMS.

YOU ARE ADVISED TO CONSULT WITH AN ATTORNEY OF YOUR CHOICE CONCERNING ITS TERMS AND LEGAL SIGNIFICANCE BEFORE SIGNING.
IF YOU AGREE TO ITS TERMS, SIGN BELOW.

This General Release and Separation Agreement ("**Agreement"**) is entered into between Robert Madore, together with your heirs, administrators, executors, successors, assigns and other personal representatives (collectively referred to as "**You"**) and **AMERICAN EAGLE OUTFITTERS, INC.** (the " **Company**"), together with its past, present and future officers, directors, shareholders, members, agents, representatives, insurers, employees, attorneys, parents, subsidiaries, affiliates, managers, fiduciaries, trustees, employee benefit plan administrators, successors, and assigns (collectively referred to as the "**Released Parties**") Throughout this Agreement, You and the Company and/or the Released Parties may be referred to individually as a "**Party**," or collectively as the "**Parties**." In consideration of the mutual covenants and agreements hereinafter set forth, and intending to be legally bound, the parties agree as follows:

1. **Separation From Employment.**

a. You acknowledge separation of your employment with the Company effective September 25, 2020 ("**Separation Date**"). You acknowledge and agree that as of the Separation Date, you will cease to be an employee of the Company and you will no longer be eligible for or receive any compensation or benefits of employment. The only compensation or benefits you will receive from the Company are those described in this Agreement.

b. You shall be entitled to payment of your salary or wages earned through the Separation Date, as well as any accrued but unused PTO time, pursuant to AEO's Paid Time Off and Paid Sick Leave Policy, within thirty (30) calendar days of the effective date of this Agreement, which, provided you do not revoke it, is eight (8) calendar days after you sign it. For the avoidance of doubt, the Company shall pay your salary or wages and any PTO, which the parties agree will be equal to twenty-one (21) days, less applicable withholdings and deductions. The Company agrees to waive your obligation to repay any negative outstanding PTO balance.

c. You hereby agree to resign all directorships and board or committee memberships you hold within the Company and/or any other entity as a result of your employment with the Company. This resignation will be effective on the Separation Date or such other date as requested by the Company.

2. **Separation Payments and Benefits.**

a. **Separation Installment Payments.** You will receive Separation Installment Payments equal to twelve (12) months of your regular base pay, less applicable deductions and withholdings. Separation Installment Payments will begin within fourteen (14) calendar days of the expiration of your 7-day revocation period, provided that you have signed, returned, and not revoked this Agreement, and will be made on the same schedule and in the same manner applicable to active Company employees in similar job classifications (the "**Separation Installment Payments Period**"). Notwithstanding the immediately preceding sentence, in the event you secure comparable employment before the end of the Separation Installment Payments Period, the Separation Installment Payments Period shall end. In the event you secure comparable employment during the thirty (30) calendar days following the Separation Date, you will receive one Separation Installment Payment equal to one (1) month of your regular base pay, less applicable deductions and withholdings, in one lump sum, payable within thirty (30) calendar days. For the purposes of this Agreement, "comparable employment" means employment at or above your compensation with the Company as of the Separation Date. You agree that you will notify the Company in writing immediately if you accept employment prior to the end of the Separation Installment Payments Period and the compensation for such employment (to allow the Company to determine if it is "comparable employment" as forth in this Agreement). You understand that the Separation Installment Payments are not earnings for purposes of 401(k) benefit plans, regular or supplemental.

b. **Health Insurance Continuation.** For a period of twelve (12) months following your Separation Date (the "**COBRA Subsidy Reimbursement Period**"), you will be eligible to receive reimbursement for your COBRA premium payments, subject to, and provided you meet, the conditions stated below. You and where applicable, your spouse and eligible dependents, shall continue to be eligible to receive health, dental and vision benefits coverage under the Company's health, dental and vision plans in which you were participating in immediately prior to your Separation Date. In order to receive such continued coverage, you shall be required to timely elect COBRA coverage under such plans following the Separation Date and pay the full applicable monthly premium during the COBRA Subsidy Reimbursement Period. Following your payment of the full COBRA premium, you will email a copy of the paid invoice to Benefits@ae.com and the Company will reimburse you for the COBRA premium during the COBRA Subsidy Reimbursement Period. Notwithstanding the immediately preceding sentence, in the event you secure employment before the end of the COBRA Subsidy Reimbursement Period and medical, dental and/or vision coverage is available as a result of that employment, the COBRA Subsidy Reimbursement Period shall end. You agree that you will notify the Company in writing immediately if you accept employment prior to the end of the COBRA Subsidy Reimbursement Period. The COBRA continuation period shall run simultaneously during the COBRA Subsidy Reimbursement Period and after the end of the COBRA Subsidy Reimbursement Period, if you are still eligible for COBRA continuation coverage and you wish to continue COBRA coverage, for the remainder of the COBRA continuation period you will be required to pay 102% of the COBRA premium for such coverage.

c. **Benefit Plans.** Your entitlements under any benefit plans in which you participated while you were employed by the Company, including equity plans, restricted stock (both time-based and performance based), stock options, deferred compensation and 401(k) plans, will be determined in accordance with the terms of each respective plan. Nothing in this Agreement shall impair, diminish or interfere with any rights, privileges or benefits you have with respect to ERISA plans, equity award agreements or similar governing documents. Except as described above, you hereby withdraw your participation in any and all bonus or incentive plan(s) or program(s) and understand that you are not now nor will in the future be entitled to any future grants or contributions under those plans, including future equity grants including stock or stock options.

d. **Equity.** You acknowledge and agree that the equity awards granted to you under the terms of the Company's plans will be administered in accordance with the terms of their respective plans and grant agreements.

e. **Career Services and References.** For the avoidance of doubt, you will not receive any recruiting, job search, or other career services from the Company. You agree to refer all requests for information as to your employment with the Company to the Company's HR Department. In response to a request for a reference, the Company shall only provide your dates of employment, job title, and salary, consistent with Company policy. If you request individual references from officers or executives of the Company, they may provide such references at their own discretion.

f. **Unemployment Compensation.** The Company will not oppose any application you make for unemployment compensation benefits. The Company does not make any representation that you are eligible to receive unemployment compensation benefits.

g. **No Other Payments.** You acknowledge that this Agreement does not include any form of compensation or benefits other than specifically described herein and that the benefits you will receive under this Agreement are greater than those benefits you would have been entitled to receive upon separation of employment in the absence of this Agreement. You acknowledge that you are not eligible for any post-separation pay or benefits other than provided in this Agreement, including but not limited to payments under any of the Company's severance plans or programs and bonus or incentive pay programs.

h. **Effect of Rehire on Separation Payments.** You understand and agree that if you are subsequently reinstated, hired or rehired by the Company; or engaged as an independent contractor or consultant while you are receiving Separation Installment Payments, future installment payments will cease immediately so long as the compensation for such employment or consulting relationship is the same or greater than the Separation Installment Payments. To the extent that any such compensation is less than the Separation Installment Payments, the Separation Installment Payments will be reduced by the amount you are receiving from your new position.

3.**General Release of Claims.**

a. You fully waive, release and forever discharge the Company and Released Parties, from any manner of suits, actions, complaints, or causes of action, including any claim for attorneys' fees or costs, existing at the time you sign this Agreement, whether currently known or unknown to you, under any possible legal, equitable, contract, tort or statutory theory. To the greatest extent permitted by applicable law, this General Release includes, but is not limited to, claims arising out of or in any way related to your employment, resignation and/or separation from employment, such as, by way of example only, claims under the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers' Benefit Protection Act, the Rehabilitation Act of 1973 (including Section 504 thereof), the Civil Rights Act of 1866 (42 U.S.C. § 1981), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Lilly Ledbetter Fair Pay Act, the Genetic Information Non-Discrimination Act, the Sarbanes-Oxley Act and/or Dodd-Frank Wall Street Reform and Consumer Protection Act, the Employee Retirement Income Security Act of 1974, the New York State Human Rights Law, New York Equal Pay Law, New York State Civil Rights Law, New York Off-Duty Conduct Lawful Activities Discrimination Law, New York State Labor Relations Act, Article 23-A of the New York State Corrections Law, New York Whistleblower Statute, New York Family Leave Law, New York Minimum Wage Act, New York Labor Law, New York State Worker Adjustment and Retraining Notification Act, the retaliation provisions of New York Workers' Compensation Law, and the New York City Human Rights Law. the Pennsylvania Human Relations Act, 43 Pa. Stat. Ann. §§ 951 to 963; any claim under the Pennsylvania Whistleblower Law, 43 Pa. Stat. Ann. §§ 1421 to 1428, the Pennsylvania wage Payment Collection Law, The Pennsylvania Equal Pay Law, the Pennsylvania Minimum Wage Law, and any tort, contract, and quasi-contract or other common law claims, including claims for wrongful termination, retaliation, breach of implied or express contract, negligent or intentional infliction of emotional distress, negligent hiring, negligent supervision, negligence, wantonness, invasion of privacy, defamation, slander, libel, misrepresentation, civil conspiracy, assault, battery, intentional interference with business or contractual relations, and any other federal, state or local statute, ordinance, executive order, or regulation, including without limitation any amendments thereto, or any other legal theory. However, you acknowledge that you are not releasing any claim related to the enforcement of the terms of the Agreement, any medical claim incurred during your employment that is payable under applicable medical plans or an employer-insured liability plan, any claim arising after the date on which you sign this Agreement, or any claim that is not otherwise waivable under applicable law.

b. You acknowledge and agree that included in your General Release of Claims are any and all claims that have been, or may be asserted by you or by any other person or entity on your behalf in any class or collective action relating to your employment and/or the termination of your employment with the Company. Accordingly, (i) you waive any right to become, and promise not to consent to become, a member of any class in a case in which claims are asserted against the Company and the Released Parties that are related in any way to your employment with or termination from the Company, and that involve events which have occurred as of the date you sign this Agreement; and (ii) you waive any and all rights you might otherwise have to receive notice of any class or collective action. In the event that you are included or identified as a member or potential member of a class in any proceeding, you agree to opt out of the class at the first opportunity afforded to you after learning of your inclusion. In this regard, you agree that you will execute, without objection or delay, an "opt-out" form presented to you in connection with such proceeding.

c. You agree that should any person or entity file or cause to be filed any civil action, suit, arbitration, or legal proceeding (with the exception of the U.S. Equal Employment Opportunity Commission ("**EEOC**") and similar state agency charges of discrimination, as described below) seeking equitable or monetary relief in connection with any aspect of your employment relationship with the Company, you will take all necessary actions to withdraw from such action and/or have it dismissed with prejudice as it relates to you personally, and you agree that you will not voluntarily participate or cooperate in such matter(s) unless required by law. If you are unable to preclude a charge or claim on your behalf, you agree that you will not seek or accept any personal relief, including but not limited to an award of monetary damages or reinstatement to employment, in connection with such a charge or claims. Nothing in this Agreement waives or releases your right to receive a monetary award from the U.S. Securities and Exchange Commission ("**SEC**").

d. Notwithstanding any local or other law to the contrary, you expressly agree that the General Release of Claims will extend and apply to *all* claims, injuries and damages you may have against the Company and/or any of the Released Parties at the time you sign the Agreement, regardless of whether you are aware of or suspect such claims at the time you sign.

e. You agree that the above paragraphs shall release the Company and the Released Parties from liability to the fullest extent permitted by law and only to the extent permitted by law. You acknowledge that the General Release of Claims does not prohibit the following rights or claims: (i) claims that first arise after the date you sign the Agreement or which arise out of or in connection with the interpretation or enforcement of the Agreement itself; (ii) your right to file a charge or complaint with the EEOC or similar federal or state agency, or your ability to participate in any investigation or proceeding conducted by such agency; or (iii) any rights or claims, whether specified above or not, that cannot be waived as a matter of law pursuant to federal, state or local statute. If it is determined that any claim covered by this General Release of Claims cannot be waived as a matter of law, you expressly agree that the General Release of Claims will nevertheless remain valid and fully enforceable as to the remaining released claims. As set forth above, nothing in this waives or releases your right to receive a monetary award from the SEC.

f. You agree that you have been properly paid for all hours worked, you have not suffered any on-the-job injury for which you have not already filed a claim, and you have been properly provided any leaves of absence because of your own health condition or a family member's health condition.

g. You acknowledge that as an employee of the Company it has been your obligation to advise the Company completely and candidly of all facts of which you are aware that constitute or might constitute violations of the Company's ethical standards or legal or regulatory obligations. You represent and warrant that you are not aware of any such facts or that you have previously advised the Company about any such facts.

4.**<u>Reports to Government Entities</u>.**

a. Nothing in this Agreement, restricts or prohibits you from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of any law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the EEOC, the Department of Labor, the National Labor Relations Board, the Department of Justice, the SEC, Congress, and any Inspector General of any agency (collectively, the "**Regulators**"), or from making other disclosures that are protected under the whistleblower provisions of any federal, state, or local law or regulation. However, to the maximum extent permitted by law, you are waiving your right to receive any individual monetary relief from the Company or any other Releasee resulting from such claims or conduct, regardless of whether you or another party has filed them, and, in the event you obtain such monetary relief, the Company will be entitled to an offset for the payments made pursuant to this Agreement. This Agreement does not limit your right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law. You do not need the prior authorization of the Company to engage in conduct protected by this Section 4, and you do not need to notify the Company that you did engage in such conduct.

b. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney(s), a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

5.**Post- Employment Limitations and Obligations.**

a. **Restrictive Covenants.** You acknowledge and agree that you will continue to abide by and comply with the covenants set forth in your Offer Letter and the Confidentiality, Non-competition and Intellectual Property Agreement attached thereto, each of which are dated as of September 23, 2016 and which shall remain in full force and effect. Notwithstanding the foregoing, the Company agrees to consider reasonable requests from you for relaxation or waiver of the non-compete covenants contained in your Confidentiality, Non-competition and Intellectual Property Agreement, which consent to the same will not be unreasonably withheld.

b. **Obligations Regarding Confidential, Proprietary, and Trade Secret Information.** You acknowledge and agree that during your employment with the Company you had access to confidential, proprietary and trade secret information about the Company, its employees, customers and clients, which derives economic value from not being otherwise known to the general public (hereafter "**Confidential Information and Trade Secrets**"). Confidential Information and Trade Secrets provide a competitive advantage to the Company specifically because it would be valuable to a competitive entity if disclosed. Confidential Information and Trade Secrets includes, but is not limited to, the identities, incomes, net worths, accounts, financial portfolios, contact information, personal and familial relationships, investments and/or other non-public information relating to the Company's existing and prospective clients and customers, the salaries, specific duties, and other non-public information relating to the Company's employees, and the Company's business plans, strategies, products, pricing, computer programs, systems, databases, methods of operation, financial models, investments and other business transactions, policies and procedures. You understand that the Company has obligations to protect the confidentiality of this information and that such obligations extend to you, both during and after your employment with the Company ends for any reason. You acknowledge and agree that the improper use or disclosure of the Company's Confidential Information and Trade Secrets would cause immediate and irreparable damage to the Company's business.

Subject to Section 4, you acknowledge and agree that: (i) you shall not directly or indirectly, alone or in concert with or on behalf of others, use, publish or otherwise disclose any aspect of the Company's Confidential Information and Trade Secrets to any person or entity outside the Company except as required by the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or any other disclosures that are protected under the whistleblower provisions of federal law or regulation; pursuant to formal legal process or unless you first obtain the written approval of an authorized Company representative (if you are served with legal process involving the Company, you agree to notify immediately an appropriate representative of the Company's Legal Department); (ii) you shall deliver immediately at the Company's request and to the custody of whatever person the Company shall designate all originals and copies of any documents or other material in your possession, custody, or control containing or embodying Confidential Information and Trade Secrets, and any derivatives, summaries and excerpts created therefrom, in any form whatsoever, including but not limited to hard copy documents and information housed in or on Company-owned electronic devices or equipment, or devices or equipment owned by you or to which you have access; and (iii) you shall not otherwise utilize any of the Company's Confidential Information and Trade Secrets to interfere with any relationship between the Company and any of the Company's clients, prospective clients, or employees. To the extent that you are unaware or unsure of whether certain information constitutes Confidential Information and Trade Secrets, you agree to consult with an authorized senior management representative of the Company before utilizing the information.

c. **Prior Agreements Regarding Prohibited Competition or Solicitation.** You understand and agree that nothing in this Section 5 should be construed to diminish or affect the validity or enforceability of any prior agreement(s) you have entered into with the Company or any of its predecessors that have not otherwise expired, including but not limited to any agreement(s) regarding prohibited competition or solicitation of employees, to the extent such agreements are more protective of the Company's interests.

d. **Future Cooperation.** You agree that you will make yourself available, upon reasonable notice and under reasonable conditions, to assist the Company in any capacity with respect to matters of which you were involved or had knowledge while employed by the Company. Without limitation, such assistance may include providing information or documents, cooperating with investigations, negotiations, lawsuits or administrative proceedings involving the Company, preparing for and giving testimony including written declarations or statements, and other similar activities. You understand that the Company will reimburse you for all reasonable, documented out-of-pocket expenses incurred as a result of your obligations under this paragraph, in accordance with the Company's then applicable Expense Guidelines.

e. **Confidentiality of Agreement Terms.** Subject to Section 4, you agree that the terms and conditions of this Agreement, including the consideration offered in connection with it, and any and all actions by the Company in accordance therewith, are strictly confidential and, with the exception of your counsel, tax advisor, immediate family, or as required or protected by applicable law, have not and shall not be disclosed, discussed, or revealed to any other persons, entities, or organizations, whether within or outside the Company, without prior written approval of an authorized representative of the Company. You further agree to take all reasonable steps necessary to ensure that confidentiality is maintained by any of the individuals or entities referenced above to whom disclosure is authorized. You acknowledge that you have not made any claims or allegations against the Company or any of the other Released Parties, the factual foundation for which involves discrimination, retaliation, sexual harassment, or sexual assault or abuse. Nothing in this Agreement shall prohibit or impede the Company from disclosing the terms of this Agreement, including the consideration offered in connection with it, as may be required to evaluate this Agreement or enforce rights under this Agreement, to comply with and respond to a valid subpoena or other legal process, to comply with and respond to requests from governmental authorities, for internal business and administrative purposes, including but not limited to securing approval for this Agreement and/or implementing the terms of this Agreement, or to fulfill some other purpose mandated by law, regulation, or applicable rule.

f. **Mutual Non-Disparagement.** You agree to refrain from directly or indirectly engaging in publicity, including written, oral and electronic communication of any kind, or any other activity which would adversely affect in any manner (i) the conduct of the business of the Company and/or any of the Released Parties (including, without limitation, any business plans or prospects) or (ii) the business reputation of the Company and/or any of the Released Parties, whether or not you believe the content of the publicity to be true or whether or not it is, in fact, true. Similarly, the Company represents and warrants that it will instruct all members of its Board of Directors and Executive Leadership Team to refrain from engaging in any publicity, including written, oral and electronic communication of any kind, which would adversely impact your ability to conduct business or your personal business reputation, whether or not they believe the content of the publicity to be true or whether or not it is, in fact, true. This paragraph does not apply to truthful testimony compelled or protected by applicable law or legal process.

g. **Intellectual Property.** You hereby assign to the Company any and all inventions, copyrightable material, trade secrets or other work conceived, developed, created or otherwise performed by you during your employment and relating in any way to your work or the business of the Company. You agree to cooperate with the Company to further document its ownership of such property. Nothing in this paragraph should be construed to diminish or affect the validity or enforceability of any prior assignment of any such property.

h. **Return of Company Property.** You also agree that you either have returned or will return to the Company any and all Company property and information which came into your possession, or which you prepared or helped prepare, in connection with or during your employment, including but not limited to any Company computer, cellular phone or device, credit card, Company vehicle, keys and documents. You will not retain any copies of such property or information, and you will provide the Company will any passwords or passcodes to access such Company property. To the extent you subsequently discover in your possession Company property and/or information that you inadvertently failed to discover during your thorough, good faith search of your files, you shall promptly notify the Company of such discovery and either (i) return to the Company or (ii) destroy, and certify in writing the destruction thereof, such Company property and/or information.

i. **Expense Reconciliation.** You further represent and agree by your Separation Date you will have reimbursed or reconciled to the Company's satisfaction all charges made to the Company by you or expenses charged by you to the Company, and that if you fail to make such reimbursement that the Company may deduct any sums owed by you from the payment amount(s) specified in this Agreement.

j. **Breach/Remedy.** You agree that the restrictions in this Section 5 are reasonable and necessary to protect the legitimate interests of the Company and you agree that if you breach any provision of this Section 5, the damage may be substantial, although difficult to quantify, and money damages may not afford the Company an adequate remedy. Therefore, if you breach or threaten to breach this Section 5, in whole or in part, the Company shall be entitled, in addition to other rights and remedies provided by this Agreement or by law, to specific performance, injunctive relief, and other equitable relief to prevent or restrain such conduct. In addition, you acknowledge and understand that if you breach any provision of this Agreement, you will cease to be eligible for payments and benefits under this Agreement and the Company may, in its sole discretion, discontinue remaining payments and benefits, if any, and may require you to reimburse the value of payments and benefits previously received, unless prohibited by law.

6.**Miscellaneous Provisions.**

a. **No Admission of Liability.** You specifically understand and agree that by entering into this Agreement, the Company and the other Released Parties do not admit any liability whatsoever to you or to any other person arising out of any claims heretofore or hereafter asserted by you and the Company, for itself and on behalf of the other Released Parties expressly denies any and all such liability.

b. **Severability.** Should any of the provisions of this Agreement be rendered invalid by a court or government agency of competent jurisdiction, or should you fail to fulfill your obligations under it, the remainder of the Agreement shall, to the fullest extent permitted by applicable law and at the Company's option, remain in full force and effect and/or you will be obligated to return, in full or in part, as determined by the Company, any and all consideration you received in exchange for signing the Agreement, except, if applicable, the Five Hundred Dollars ($500.00) you received in exchange for your release and waiver of rights or claims under the federal Age Discrimination in Employment Act.

c. **Choice of Law.** Any disputes or claims will be decided pursuant to the AEO Dispute Resolution Program. To the extent a dispute is not covered by the AEO Dispute Resolution Program, and not governed by federal law or otherwise prohibited by state law, you agree that the Agreement is governed by the laws of Pennsylvania, without regard to its principles on conflict of law. Additionally, to the extent a dispute is not covered by the AEO Dispute Resolution Program and a federal court or agency does not have jurisdiction over any action involving the validity, interpretation or enforcement of the Agreement, or any of its terms, provisions or obligations, you agree that jurisdiction and venue shall exist exclusively in a court or government agency located within the state of Pennsylvania unless specifically prohibited by applicable state law.

d. **Tax Withholding.** All payments made, and benefits provided, hereunder shall be net of all legally required taxes and other withholdings. You shall be solely responsible for all taxes that result from your receipt of the payments and benefits to be provided under this Agreement and the Company does not make any representation, warranty or guarantee of any federal, state or local tax consequence to you as part of your receipt of any payment or benefit hereunder, including, but not limited to, under Section 409A of the Internal Revenue Code of 1986, as amended ("**Section 409A**"). Notwithstanding any provision to the contrary, all provisions of this Agreement shall be construed and interpreted to comply with Section 409A and if necessary, any provision shall be held null and void to the extent such provision (or part thereof) fails to comply with Section 409A or regulations thereunder. For purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Section 409A deferral election rules and the exclusion from Section 409A for certain short-term deferral amounts. Any amounts payable under this Agreement solely on account of an involuntary separation from service within the meaning of Section 409A shall be excludible from the requirements of Section 409A, either as involuntary separation pay or as short-term deferral amounts (e.g., amounts payable under the schedule prior to March 15 of the calendar year following the calendar year of involuntary separation) to the maximum possible extent. To the extent that deferred compensation subject to the requirements of Section 409A becomes payable under this Agreement to a "specified employee" (within the meaning of Section 409A) on account of separation from service, any such payments shall be delayed by six months to the extent necessary to comply with the requirements of Section 409A. Further, any reimbursements or in-kind benefits provided under this Agreement that are subject to Section 409A shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in the employment agreement, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

e. **Entire Agreement.** This Agreement sets forth the entire agreement between the parties. You are not relying on any other agreements or oral representations not fully addressed in this Agreement. Any prior agreements, written or oral, between or directly involving you and the Company are superseded by this Agreement, except any prior agreements related to arbitration of disputes, inventions, business ideas, confidentiality of corporate information, non-competition or non-solicitation remain intact. This Agreement may not be changed, modified, or altered without the express written consent of you and an officer of the Company. NOTWITHSTANDING ANY LANGUAGE TO THE CONTRARY, THE AEO DISPUTE RESOLUTION PROGRAM AGREED TO BETWEEN YOU AND THE COMPANY SHALL REMAIN IN EFFECT, SHALL SURVIVE THIS AGREEMENT, AND SHALL APPLY TO CLAIMS UNDER THIS AGREEMENT.

f. **No Waiver.** The Company's failure to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of, or deprive the Company of its right thereafter to insist upon strict adherence to that term or any other term of this Agreement. To be effective, any waiver must be in writing and signed by an officer of the Company.

g. **Binding Effect.** This Agreement shall bind and inure to the benefit of and be enforceable by you, the Company, and your and its respective heirs, executors, personal representatives, successors and permitted assigns.

7. **Time for Signing.**

a. You acknowledge that you first received this Agreement on or before September 4, 2020 and that to receive the payments and benefits described herein, you must sign, return and not revoke this Agreement as described below.

b. You have carefully read and understand this Agreement;

c. The Company advised you to consult with an attorney and/or any other advisor of your choice before signing this agreement;

d. You have been given twenty-one (21) calendar days to consider your rights and obligations under this Agreement and to consult with an attorney about both;

e. You understand that this Agreement is LEGALLY BINDING and by signing it you give up certain rights;

f. You have voluntarily chosen to enter into this Agreement and have not been forced or pressured in any way to sign it;

g. You acknowledge and agree that the payments and other benefits set forth in this Agreement are contingent on your execution of this Agreement, which releases all of your claims against the Company and the Released Parties, and you KNOWINGLY AND VOLUNTARILY AGREE TO RELEASE the Company and the Releases from any and all claims you may have, known or unknown, in exchange for the benefits you have obtained by signing, and that these benefits are in addition to any benefit you would have otherwise received if you did not sign this Agreement;

h. You have seven (7) calendar days after you sign this Agreement to revoke it by notifying the Company in writing. This Agreement will not become effective or enforceable until the seven (7) calendar day revocation period has expired;

i. This Agreement includes a WAIVER OF ALL RIGHTS AND CLAIMS you may have under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621 et seq.); and

j. This Agreement does not waive any rights or claims that may arise after this Agreement becomes effective, which is eight (8) calendar days after you sign it, provided you do not exercise your right to revoke this Agreement.

The signed Agreement and, if applicable, written revocation should be returned within the time periods described above to:

American Eagle Outfitters, Inc.
Attn: Stacy Siegal, EVP and General counsel
77 Hot Metal Street
Pittsburgh, PA 15203
siegals@ae.com

8.**Counterpart Originals.**

a. This Agreement may be executed in any manner of copies, each of which shall be deemed to be a counterpart original.

YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE BEEN ADVISED THAT THE AGREEMENT IS A LEGAL DOCUMENT, AND YOU HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY CONCERNING THE AGREEMENT. YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE CAREFULLY READ AND FULLY UNDERSTAND ALL PROVISIONS OF THIS AGREEMENT, AND YOU ARE VOLUNTARILY AND KNOWINGLY SIGNING THE AGREEMENT.

ACKNOWLEDGED AND AGREED:

DATED:____________________ ______________________________

Robert Madore

THE COMPANY

DATED:________________________ By: ______________________________________

Stacy Siegal, EVP and General Counsel

Exhibit 31.1

CERTIFICATIONS

I, Jay L. Schottenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Eagle Outfitters, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 3, 2020

/s/ Jay L. Schottenstein

Jay L. Schottenstein
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael A. Mathias, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Eagle Outfitters, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: December 3, 2020

/s/ Michael A. Mathias

Michael A. Mathias
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of American Eagle Outfitters, Inc. (the “Company”) on Form 10-Q for the period ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jay L. Schottenstein, Principal Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 3, 2020

/s/ Jay L. Schottenstein

Jay L. Schottenstein
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of American Eagle Outfitters, Inc. (the “Company”) on Form 10-Q for the period ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael A. Mathias, Principal Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 3, 2020

/s/ Michael A. Mathias
Michael A. Mathias
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)