



JEFFERIES GLOBAL CONSUMER CONFERENCE

JUNE 20, 2017

# SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

A&F cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this presentation or made by management or spokespeople of A&F involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the company's control. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify forward-looking statements. Except as may be required by applicable law, we assume no obligation to publicly update or revise our forward-looking statements. The factors disclosed in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for the fiscal year ended January 28, 2017 and in A&F's subsequently filed quarterly reports on Form 10-Q, in some cases have affected, and in the future could affect, the company's financial performance and could cause actual results for the 2017 Fiscal year and beyond to differ materially from those expressed or implied in any of the forward-looking statements included in this presentation or otherwise made by management.

## OTHER INFORMATION

The following presentation includes certain non-GAAP financial measures. Additional details about non-GAAP financial measures are included in the Form 10-Q/A filed by the company on June 6, 2017, which is available in the "Investors" section of the Company's website, located at [www.abercrombie.com](http://www.abercrombie.com). As used in the presentation, "GAAP" refers to accounting principles generally accepted in the United States of America.

All dollar and share amounts are in millions unless otherwise stated. Sub-totals and totals may not foot due to rounding.

Net loss and net loss per share financial measures included herein are attributable to Abercrombie & Fitch Co., excluding net income attributable to noncontrolling interests.

# POINTS OF FOCUS | STRATEGIC INITIATIVES



**INSPIRE  
CUSTOMERS**



**INNOVATE  
RELENTLESSLY**



**DEVELOP  
LEADERS**

**CUSTOMER  
CENTRICITY**

**OPTIMIZE  
BRAND REACH**

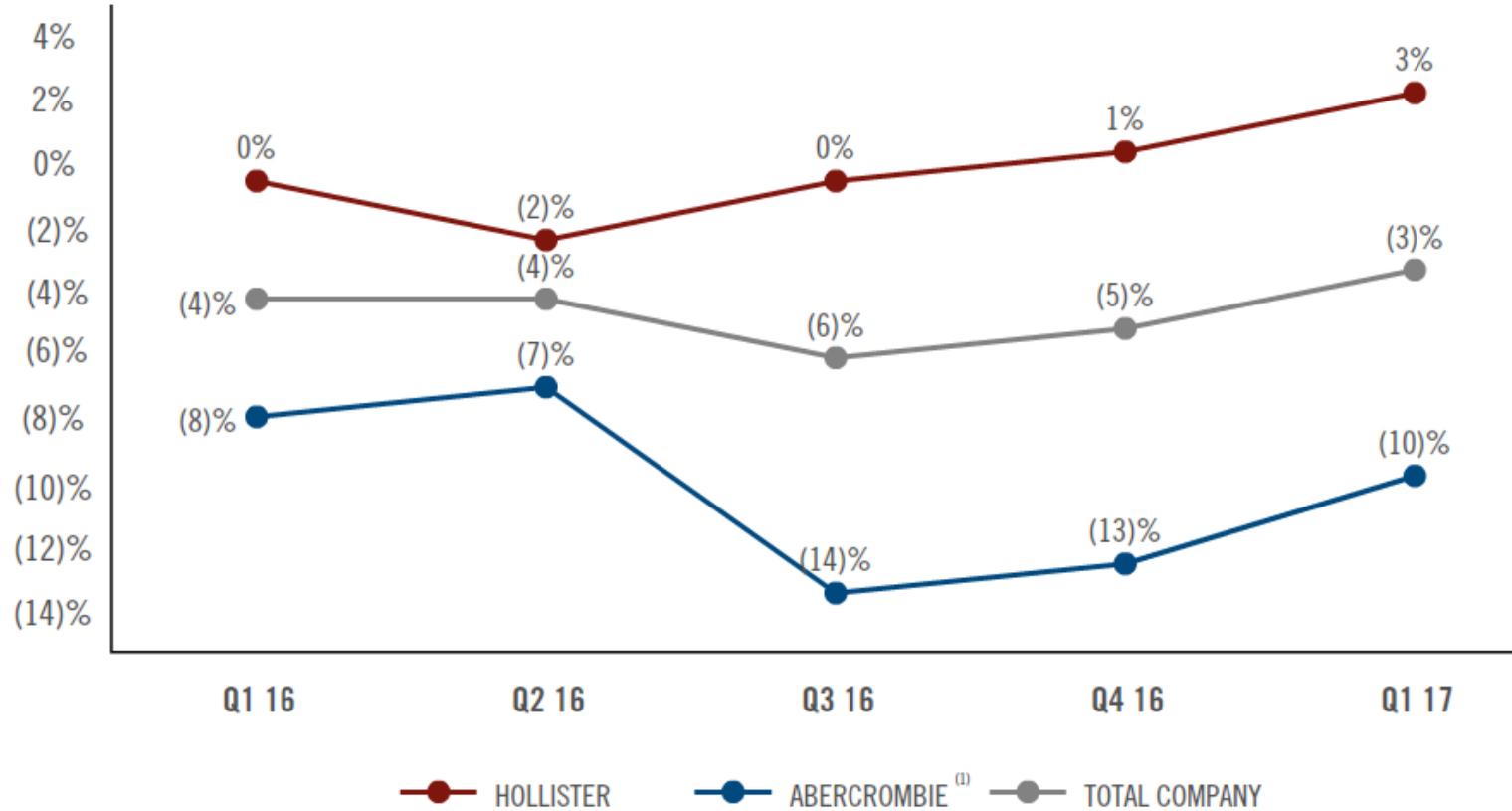
**COMPELLING  
ASSORTMENTS**

**CONTINUOUS PROFIT  
IMPROVEMENT**

**BRAND  
POSITIONING**

**ORGANIZE TO  
SUCCEED**

# COMPARABLE SALES\*



\* Comparable sales are calculated on a constant currency basis. Sales include store and DTC sales

(1) Abercrombie includes the company's Abercrombie & Fitch and abercrombie kids brands

# Q1 P&L SUMMARY

	<b>2017</b>	<b>% OF SALES</b>	<b>2016</b>	<b>% OF SALES</b>
NET SALES	\$661	100%	\$685	100%
GROSS PROFIT	399	60.3%	426	62.1%
OPERATING EXPENSE	469	70.9%	481	70.1%
OPERATING LOSS	(70)	(10.6)%	(55)	(8.0)%
LOSS BEFORE TAXES	(74)	(11.2)%	(59)	(8.7)%
TAX BENEFIT	(13)	(2.0)%	(21)	(3.0)%
NET LOSS	\$(62)	(9.3)%	\$(40)	(5.8)%
NET LOSS PER DILUTED SHARE	\$(0.91)		\$(0.59)	
WEIGHTED-AVERAGE DILUTED SHARES OUTSTANDING	68.1		67.6	

# Q1 DILUTED EPS WALK



<b>2016</b>	<b>\$(0.59)</b>
CORE OPERATIONS	(0.08)
FOREIGN CURRENCY EXCHANGE RATE IMPACT <sup>(1)</sup>	(0.05)
CHANGE IN SHARE-BASED COMPENSATION ACCOUNTING STANDARDS	(0.14)
TAX RATE <sup>(2)</sup>	(0.05)
<b>2017</b>	<b>\$(0.91)</b>

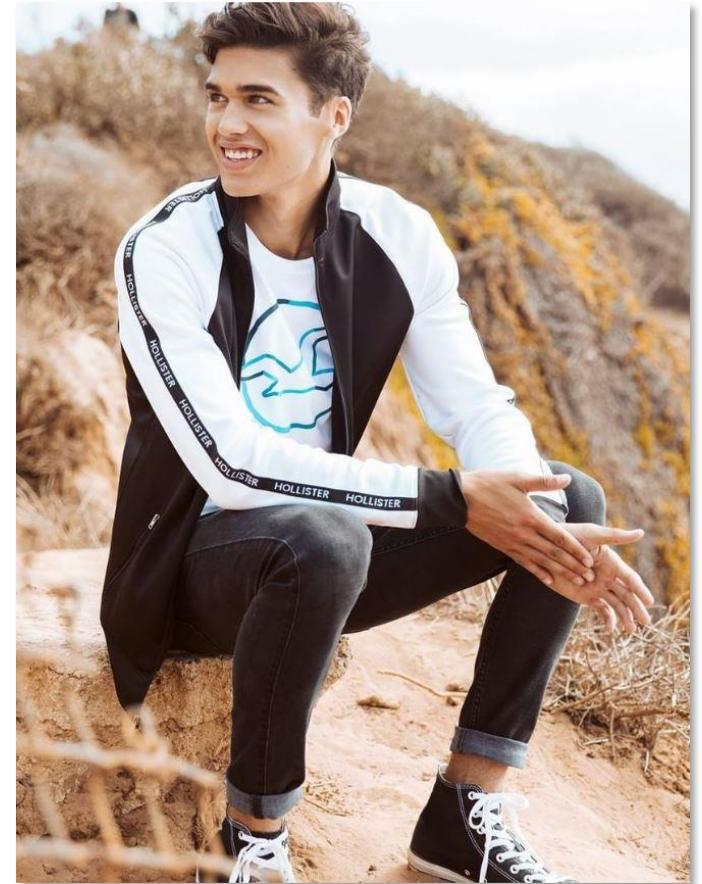
<sup>(1)</sup> The effect from foreign currency, calculated on a constant currency basis, is determined by applying current period exchange rates to prior year results and is net of the year-over-year impact from hedging. The per diluted share effect from foreign currency is calculated using a 35% tax rate.

<sup>(2)</sup> The effect is calculated by applying the year-over-year change in the company's effective tax rate, excluding the impact of the change in share-based compensation accounting standards, to the company's current quarter loss before taxes.

# Q1 FINANCIAL POSITION

	<u>2017</u>	<u>% CHANGE</u>	<u>2016</u>	<u>% CHANGE</u>	<u>2015</u>
CASH & EQUIVALENTS	\$421	-14%	\$491	28%	\$383
INVENTORIES, NET	\$399	-8%	\$436	-1%	\$441
GROSS BORROWINGS	\$268	-9%	\$293	-2%	\$299

EXPECT TO GENERATE THE CASH SUFFICIENT TO  
**INVEST** IN THE BUSINESS,  
**MEET** DEBT OBLIGATIONS AND  
**MAINTAIN** THE DIVIDEND



# 2017 OUTLOOK | SALES • FX • GROSS PROFIT

## COMPARABLE SALES

- REMAIN CHALLENGING IN THE SECOND QUARTER
- TREND IMPROVEMENT IN THE SECOND HALF OF THE YEAR

## FOREIGN CURRENCY

- CONTINUED ADVERSE IMPACT ON SALES AND OPERATING INCOME

## GROSS PROFIT RATE

- TO BE DOWN SLIGHTLY TO LAST YEAR'S ADJUSTED NON-GAAP RATE OF 61.0%
- REMAIN PRESSURED IN THE SECOND QUARTER



# 2017 OUTLOOK | OPERATING EXPENSE



ON TRACK TO DELIVER  
**EXPENSE REDUCTIONS OF  
AT LEAST \$100 MILLION**

**OPERATING EXPENSE  
DOWN AT LEAST 3%**

FROM LAST YEAR'S ADJUSTED NON-GAAP  
OPERATING EXPENSE OF \$2 BILLION

**65% OF REDUCTION  
TO OCCUR IN THE SECOND  
HALF OF THE YEAR**

# 2017 OUTLOOK | TAX RATE



## CORE TAX RATE IN THE **LOW 30s**

**+** DISCRETE NON-CASH INCOME TAX CHARGES RELATED TO CHANGE IN SHARE-BASED COMPENSATION ACCOUNTING STANDARDS

**FULL YEAR ~\$11 MILLION**

**Q1 2017 ~\$9 MILLION**

## TAX RATE REMAINS HIGHLY SENSITIVE

AT LOWER LEVELS OF FULL YEAR PRE-TAX EARNINGS

# 2017 OUTLOOK | CHANNEL OPTIMIZATION

SINCE 2010:

**CLOSED APPROXIMATELY 400 STORES**  
**REMODELED NEARLY 150 STORES**

**CAPEX INVESTMENTS OF ~\$400M**  
IN WEB AND MOBILE EXPERIENCES AND  
OMNICHANNEL AND CRM CAPABILITIES



# 2017 OUTLOOK | CHANNEL OPTIMIZATION (CONT).



STORES  
~\$70M

DTC / IT  
~\$20M

40

HOLLISTER STORE REMODELS,  
INCLUDING 10 DOWNSIZES

7

A&F PROTOTYPE STORES,  
INCLUDING 4 DOWNSIZES

7

NEW FULL-PRICE STORES

2

NEW OUTLET STORES

~60 U.S. STORE  
CLOSURES IN 2017

THE CONTINUED GLOBAL ROLLOUT OF  
OMNICHANNEL AND CRM CAPABILITIES

50% U.S. LEASES EXPIRE  
BY END OF FISCAL 2018

# INSPIRE • INNOVATE • DEVELOP

PRODUCT

**CUSTOMER**

EXPERIENCE

VOICE



# OMNICHANNEL

## FULL OMNICHANNEL OFFERING IN THE U.S., CANADA & THE U.K.

- PURCHASE ONLINE PICKUP IN-STORE
- RESERVE IN-STORE
- ORDER IN-STORE
- ONLINE AND IN-STORE RETURNS
- SHARED CART BETWEEN MOBILE AND DESKTOP

## INTERNATIONAL ROLLOUT IN 2017



Q1 2017

DTC **27%** OF TOTAL SALES

PLACED **4<sup>TH</sup>** OVERALL

IN TOTAL RETAIL'S RANKING OF  
TOP 100 OMNICHANNEL RETAILERS

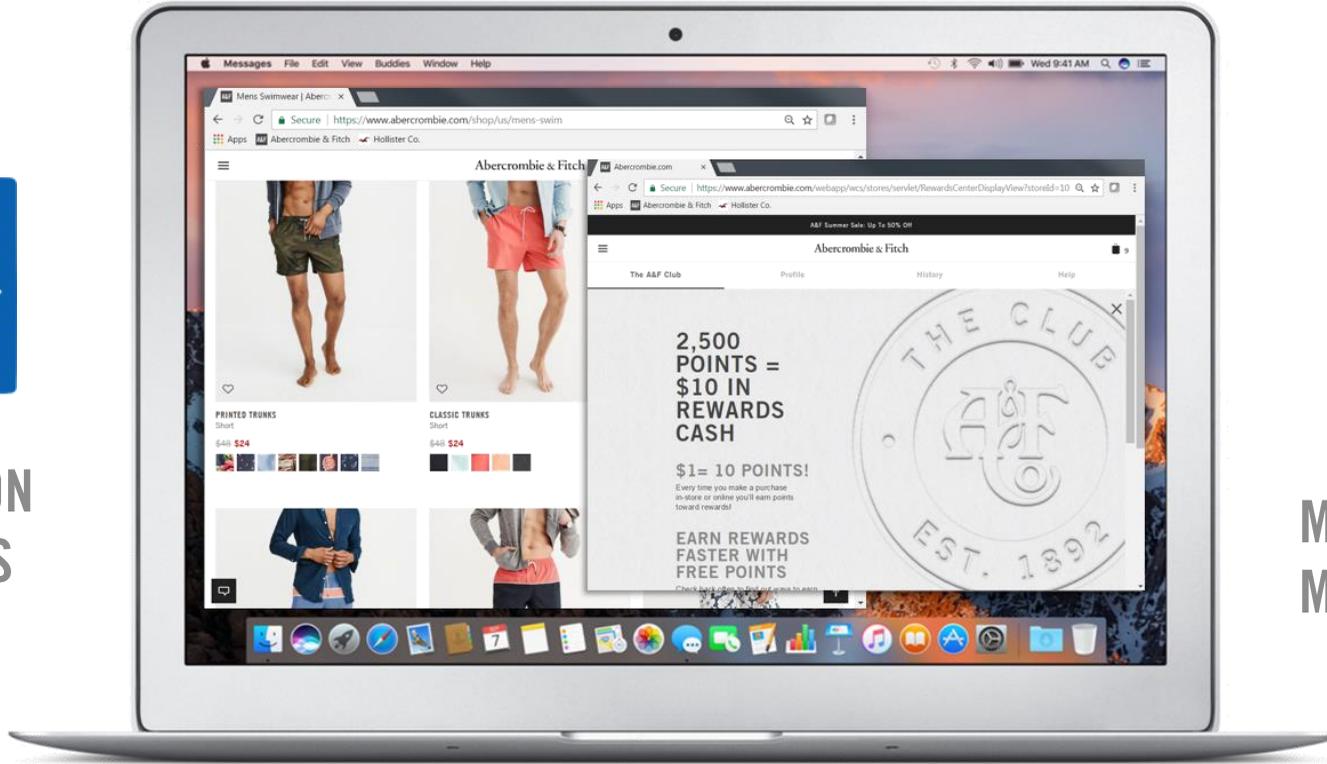
## WHENEVER, WHEREVER & HOWEVER

CUSTOMERS CHOOSE TO ENGAGE WITH OUR BRANDS

# LOYALTY PROGRAMS



5.7 MILLION  
MEMBERS



1.7 MILLION  
MEMBERS SINCE  
MARCH ROLLOUT

**PROVIDING TIMELY CUSTOMER INSIGHTS**  
**DRIVING CUSTOMER ENGAGEMENT & HIGHER AVERAGE SPEND**

# A&F PROTOTYPE



# WHOLESALE & FRANCHISE

## NEWEST PARTNERSHIP WITH ZALORA

The screenshot shows the Zalora website interface. At the top, the Zalora logo is on the left, followed by navigation tabs for 'WOMEN' and 'MEN'. A search bar contains the text 'Search e.g. Dresses, Ray-Ban'. Below the navigation is a horizontal menu with categories: 'NEW IN', 'CLOTHING', 'SHOES', 'ACCESSORIES', 'BAGS', 'WATCHES', 'SPORTS', 'GROOMING', and 'BRANDS'. The breadcrumb trail reads 'Home > Men > Clothing > Shirts > Check Shirts'. The main product image shows a man in a blue and white checkered Abercrombie & Fitch Poplin Shirt. To the left of the main image are five smaller thumbnail images of the shirt from different angles. To the right of the main image, the product title 'Abercrombie & Fitch Poplin Shirt' is displayed, followed by the price 'HKD 620.00'. A descriptive paragraph reads: 'For the casual days ahead, ditch your conventional pieces and opt for a dapper appearance with a little help from Abercrombie & Fitch. Styled with a sleek tone perfect for wardrobe styling, the long sleeve construction simply ooze of effortlessness'. Below the description is a 'see more' link with a downward arrow. Three service options are listed with 'Yes' buttons: 'Free Delivery above \$200\*', 'Free 30 Days Return', and 'Cash On Delivery'. At the bottom of the product section, it says 'DELIVERED IN'. At the very bottom of the page, there are logos for 'A&F', 'a&f', and a bird logo.

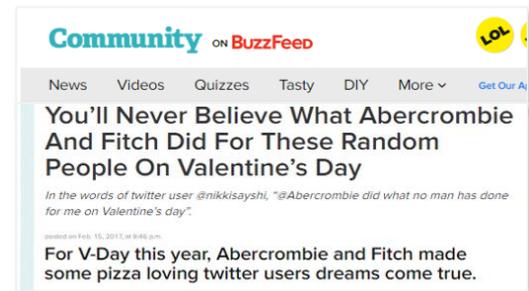
### FRANCHISE PARTNERS:



### WHOLESALE PARTNERS:



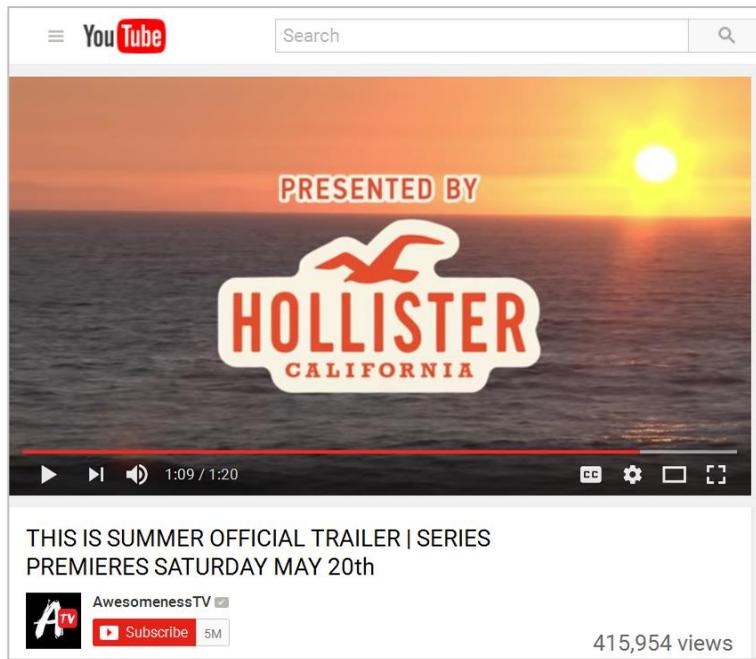
# CUSTOMER ENGAGEMENT



## SOCIAL MEDIA INNOVATION

# CUSTOMER ENGAGEMENT

## NEW PARTNERSHIP WITH **AWESOMENESS TV**



LAUNCHED HOLLISTER  
SURF GAME FOR  
MOBILE PLAY  
**27 MILLION**  
**IMPRESSIONS**

# INNOVATION • EMERGING CATEGORIES

**TWENTY** *gilly Hicks*

CARVEOUTS PLANNED IN 2017



**MOST JEANS SOLD**  
IN ANY Q1 IN HOLLISTER'S HISTORY

# A&F BRAND POSITIONING



**EMBODIES EFFORTLESS  
AMERICAN STYLE FOR LIFE'S  
EVERYDAY PURSUITS**



**REFLECTS THE CONFIDENCE  
OF TODAY'S 20+ CONSUMER**

# LOOKING AHEAD



**INSPIRE**  
CUSTOMERS

**INNOVATE**  
RELENTLESSLY

**DEVELOP**  
LEADERS

EST. 1892

Abercrombie  
& Fitch

NEW YORK