

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	May 4, 2019	% of Net Sales	May 5, 2018	% of Net Sales
Net sales	\$ 733,972	100.0 %	\$ 730,899	100.0 %
Cost of sales, exclusive of depreciation and amortization	289,882	39.5 %	288,554	39.5 %
Gross profit	444,090	60.5 %	442,345	60.5 %
Stores and distribution expense	358,356	48.8 %	361,155	49.4 %
Marketing, general and administrative expense	111,947	15.3 %	124,897	17.1 %
Asset impairment	1,662	0.2 %	1,056	0.1 %
Other operating income, net	(617)	(0.1)%	(2,560)	(0.4)%
Operating loss	(27,258)	(3.7)%	(42,203)	(5.8)%
Interest expense, net	616	0.1 %	3,018	0.4 %
Loss before income taxes	(27,874)	(3.8)%	(45,221)	(6.2)%
Income tax benefit	(9,588)	(1.3)%	(3,713)	(0.5)%
Net loss	(18,286)	(2.5)%	(41,508)	(5.7)%
Less: Net income attributable to noncontrolling interests	869	0.1 %	953	0.1 %
Net loss attributable to Abercrombie & Fitch Co.	<u>\$ (19,155)</u>	<u>(2.6)%</u>	<u>\$ (42,461)</u>	<u>(5.8)%</u>

Net loss per share attributable to Abercrombie & Fitch Co.:

Basic	\$ (0.29)	\$ (0.62)
Diluted	\$ (0.29)	\$ (0.62)

Weighted-average shares outstanding:

Basic	66,540	68,500
Diluted	66,540	68,500

Abercrombie & Fitch Co.
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	May 4, 2019 ⁽¹⁾	February 2, 2019	May 5, 2018
<u>Assets</u>			
Current assets:			
Cash and equivalents	\$ 586,133	\$ 723,135	\$ 591,960
Receivables	82,026	73,112	72,795
Inventories	432,350	437,879	405,107
Other current assets	71,803	101,824	104,806
Total current assets	1,172,312	1,335,950	1,174,668
Property and equipment, net	633,686	694,855	709,007
Operating lease right-of-use assets	1,252,249	—	—
Other assets	364,719	354,788	381,293
Total assets	\$ 3,422,966	\$ 2,385,593	\$ 2,264,968
<u>Liabilities and stockholders' equity</u>			
Current liabilities:			
Accounts payable	\$ 180,041	\$ 226,878	\$ 166,577
Accrued expenses	240,050	293,579	262,964
Short-term portion of operating lease liabilities	278,392	—	—
Short-term portion of deferred lease credits	—	19,558	19,269
Income taxes payable	16,022	18,902	12,784
Total current liabilities	714,505	558,917	461,594
Long-term liabilities:			
Long-term portion of operating lease liabilities	\$ 1,207,103	\$ —	\$ —
Long-term portion of borrowings, net	250,736	250,439	249,962
Long-term portion of deferred lease credits	—	76,134	73,660
Leasehold financing obligations	—	46,337	48,955
Other liabilities	145,659	235,145	241,951
Total long-term liabilities	1,603,498	608,055	614,528
Total Abercrombie & Fitch Co. stockholders' equity	1,094,839	1,208,900	1,178,267
Noncontrolling interests	10,124	9,721	10,579
Total stockholders' equity	1,104,963	1,218,621	1,188,846
Total liabilities and stockholders' equity	\$ 3,422,966	\$ 2,385,593	\$ 2,264,968

⁽¹⁾ The company adopted the new lease accounting standard in the first quarter of fiscal year 2019 using the modified retrospective transition method and elected the option to not restate comparative period financial statements. See "Adoption of New Lease Accounting Standard" for further detail.

Reporting and Use of GAAP and Non-GAAP Measures

The company believes that each of the non-GAAP financial measures presented in this news release are useful to investors as they provide a measure of the company's operating performance excluding the effect of certain items which the company believes do not reflect its future operating outlook, and therefore supplement investors' understanding of comparability of operations across periods. Management used these non-GAAP financial measures during the periods presented to assess the company's performance and to develop expectations for future operating performance. The company also provides certain financial information on a constant currency basis to enhance investors' understanding of underlying business trends and operating performance, by removing the impact of foreign currency exchange rate fluctuations. 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 27% tax rate. In addition, the company provides comparable sales, defined as the percentage year-over-year change in the aggregate of: (1) sales for stores that have been open as the same brand at least one year and whose square footage has not been expanded or reduced by more than 20% within the past year, with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of foreign currency rate fluctuation, and (2) direct-to-consumer sales with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of foreign currency rate fluctuation. Non-GAAP financial measures should be used supplemental to, and not as an alternative to, the company's GAAP financial results, and may not be calculated in the same manner as similar measures presented by other companies.

Abercrombie & Fitch Co. Schedule of Non-GAAP Financial Measures Thirteen Weeks Ended May 5, 2018 (in thousands, except per share data) (Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Marketing, general and administrative expense ⁽²⁾	\$ 124,897	\$ 5,600	\$ 119,297
Operating loss	(42,203)	(5,600)	(36,603)
Loss before income taxes	(45,221)	(5,600)	(39,621)
Income tax benefit ⁽³⁾	(3,713)	(1,541)	(2,172)
Net loss attributable to Abercrombie & Fitch Co.	\$ (42,461)	\$ (4,059)	\$ (38,402)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.62)	\$ (0.06)	\$ (0.56)
Diluted weighted-average shares outstanding	68,500		68,500

⁽¹⁾ "GAAP" refers to accounting principles generally accepted in the United States of America.

⁽²⁾ Excluded items consist of legal charges of \$5.6 million in connection with a proposed settlement of a class action claim, which received final court approval and was paid in the fourth quarter of fiscal 2018.

⁽³⁾ The tax effect of excluded items is the difference between the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Store Count Activity

Thirteen Weeks Ended May 4, 2019

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
February 2, 2019	393	149	270	49	663	198
New	1	—	—	—	1	—
Closed	(1)	—	(3)	(1)	(4)	(1)
May 4, 2019	<u>393</u>	<u>149</u>	<u>267</u>	<u>48</u>	<u>660</u>	<u>197</u>

⁽¹⁾ Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes nine international franchise stores as of May 4, 2019 and eight international franchise stores as of February 2, 2019. Excludes two U.S. Company operated Gilly Hicks pop-up stores as of May 4, 2019.

⁽²⁾ Abercrombie includes the company's Abercrombie & Fitch and abercrombie kids brands. Locations with abercrombie kids carveouts within Abercrombie & Fitch stores are represented as a single store count. Excludes seven international franchise stores as of each of May 4, 2019 and February 2, 2019.

Abercrombie & Fitch Co.
Financial Information
(Unaudited)
(in thousands, except per share data and store data)

	2015	2016	2017	Fiscal 2018				2018	Fiscal 2019
				Q1	Q2	Q3	Q4		Q1
Net sales	\$ 3,518,680	\$ 3,326,740	\$ 3,492,690	\$ 730,899	\$ 842,414	\$ 861,194	\$ 1,155,602	\$ 3,590,109	\$ 733,972
Cost of sales, exclusive of depreciation and amortization	1,361,137	1,298,172	1,408,848	288,554	335,519	333,375	472,745	1,430,193	289,882
Gross profit	2,157,543	2,028,568	2,083,842	442,345	506,895	527,819	682,857	2,159,916	444,090
Stores and distribution expense	1,604,214	1,578,460	1,542,425	361,155	374,552	371,859	434,456	1,542,022	358,356
Marketing, general and administrative expense	470,321	453,202	471,914	124,897	123,883	117,181	118,902	484,863	111,947
Restructuring charge (benefit)	(1,598)	—	—	—	—	—	—	—	—
Asset impairment	18,209	7,930	14,391	1,056	8,671	656	1,197	11,580	1,662
Other operating income, net	(6,441)	(26,212)	(16,938)	(2,560)	(434)	(1,557)	(1,364)	(5,915)	(617)
Operating income (loss)	72,838	15,188	72,050	(42,203)	223	39,680	129,666	127,366	(27,258)
Interest expense, net	18,248	18,666	16,889	3,018	3,023	2,857	2,101	10,999	616
Income (loss) before income taxes	54,590	(3,478)	55,161	(45,221)	(2,800)	36,823	127,565	116,367	(27,874)
Income tax expense (benefit)	16,031	(11,196)	44,636	(3,713)	24	12,047	29,201	37,559	(9,588)
Net income (loss)	38,559	7,718	10,525	(41,508)	(2,824)	24,776	98,364	78,808	(18,286)
Less: Net income attributable to noncontrolling interests	2,983	3,762	3,431	953	1,029	857	1,428	4,267	869
Net income (loss) attributable to Abercrombie & Fitch Co.	<u>\$ 35,576</u>	<u>\$ 3,956</u>	<u>\$ 7,094</u>	<u>\$ (42,461)</u>	<u>\$ (3,853)</u>	<u>\$ 23,919</u>	<u>\$ 96,936</u>	<u>\$ 74,541</u>	<u>\$ (19,155)</u>

	2015	2016	2017 ⁽¹⁾	Fiscal 2018				2018	Fiscal 2019
				Q1	Q2	Q3	Q4		Q1
Net income (loss) per share attributable to Abercrombie & Fitch Co.:									
Basic	\$ 0.52	\$ 0.06	\$ 0.10	\$ (0.62)	\$ (0.06)	\$ 0.36	\$ 1.47	\$ 1.11	\$ (0.29)
Diluted	\$ 0.51	\$ 0.06	\$ 0.10	\$ (0.62)	\$ (0.06)	\$ 0.35	\$ 1.42	\$ 1.08	\$ (0.29)
Weighted-average shares outstanding:									
Basic	68,880	67,878	68,391	68,500	68,008	66,818	66,074	67,350	66,540
Diluted	69,417	68,284	69,403	68,500	68,008	68,308	68,071	69,137	66,540
Hollister comparable sales	0 %	0 %	8 %	6%	4%	4%	6 %	5%	2%
Abercrombie comparable sales ⁽²⁾	(6)%	(11)%	(2)%	3%	2%	1%	(2)%	1%	1%
Comparable sales ⁽³⁾	(3)%	(5)%	3 %	5%	3%	3%	3 %	3%	1%
Shares outstanding	67,348	67,758	68,195	67,816	66,975	65,843	66,227	66,227	66,637
Number of stores - end of period ⁽⁴⁾	932	898	868	869	870	879	861	861	857
Gross square feet - end of period	7,292	7,007	6,710	6,710	6,694	6,719	6,566	6,566	6,503

⁽¹⁾ Fiscal 2017 was a fifty-three week year.

⁽²⁾ Abercrombie includes the Company's Abercrombie & Fitch and abercrombie kids brands.

⁽³⁾ Comparable sales are calculated on a constant currency basis and exclude revenue other than store and online sales. Due to the 53rd week in fiscal 2017, fourth quarter of fiscal 2017 comparable sales are compared to the fourteen week period ended February 4, 2017, first quarter of fiscal 2018 comparable sales are compared to the thirteen week period ended May 6, 2017, second quarter of fiscal 2018 comparable sales are compared to the thirteen week period ended August 5, 2017, third quarter of fiscal 2018 comparable sales are compared to the thirteen week period ended November 4, 2017, and fourth quarter of fiscal 2018 comparable sales are compared to the 13 week period ended February 3, 2018.

⁽⁴⁾ Prior period store counts have been restated to count multi-brand outlet stores as a single store.