

Abercrombie & Fitch Co.

Abercrombie
& Fitch

abercrombie
kids


HOLLISTER
CALIFORNIA

gilly hicks
by HOLLISTER



INVESTOR PRESENTATION

FIRST QUARTER 2019

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 February 2, 2019, in some cases have affected, and in the future could affect, the company's financial performance and could cause actual results for the 2019 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 adjusted non-GAAP financial measures. Additional details about non-GAAP financial measures and a reconciliation of GAAP financial measures to non-GAAP financial measures is included in the news release issued by the company on May 29, 2019 which is available in the "Investors" section of the company's website, located at corporate.abercrombie.com. As used in the presentation, "GAAP" refers to accounting principles generally accepted in the United States of America. As used in the presentation, "Abercrombie" refers to the company's Abercrombie & Fitch and abercrombie kids brands.

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.

OUR JOURNEY

PHASE 1

STABILIZING WHILE TRANSFORMING

- BUILT THE FOUNDATION
- RETURNED TO GROWTH
- CENTERED AROUND THE CUSTOMER
- DEVELOPED PLAYBOOKS TO ALIGN PRODUCT, VOICE & EXPERIENCE

PHASE 2

GROWING WHILE TRANSFORMING

- COMPARABLE SALES GROWTH
- GROSS PROFIT RATE EXPANSION
- LEVERAGE EXPENSES

PHASE 3

ACCELERATING GROWTH

- EXPAND GLOBALLY
- TAKE SHARE IN THE U.S.

OUR TRANSFORMATION INITIATIVES



OPTIMIZING OUR GLOBAL STORE NETWORK

- RIGHTSIZING STORE FLEET AND ADAPTING TO THE EVOLVING ROLE OF THE STORE AS CUSTOMERS' SHOPPING PREFERENCES SHIFT
-



ENHANCING DIGITAL AND OMNI-CHANNEL CAPABILITIES

- CREATING BEST-IN-CLASS CUSTOMER EXPERIENCES WHILE GROWING PROFITABLY ACROSS CHANNELS
-



INCREASING THE SPEED AND EFFICIENCY OF OUR CONCEPT-TO-CUSTOMER PRODUCT LIFE CYCLE

- FURTHER INVESTMENT IN CAPABILITIES TO POSITION SUPPLY CHAIN FOR GREATER SPEED, AGILITY AND FLEXIBILITY
 - LEVERAGE DATA AND ANALYTICS TO OFFER THE RIGHT PRODUCT AT THE RIGHT TIME AND THE RIGHT PRICE
-



IMPROVING OUR CUSTOMER ENGAGEMENT THROUGH OUR LOYALTY PROGRAMS AND MARKETING OPTIMIZATION

- BETTER LEVERAGE DATA, INCLUDING OUR LOYALTY PROGRAMS, TO ENGAGE WITH CUSTOMERS ACROSS CHANNELS
- DRIVE MORE EFFICIENT AND EFFECTIVE MARKETING SPEND

OUR FISCAL 2020 TARGETS

AS PRESENTED DURING OUR INVESTOR DAY ON APRIL 25, 2018

- ✓ LOW SINGLE-DIGIT SALES CAGR
 - POSITIVE COMPARABLE SALES
 - GLOBAL MARKET EXPANSION
- ✓ MODEST GROSS PROFIT RATE EXPANSION
- ✓ OPERATING EXPENSE LEVERAGE
- ✓ **DOUBLE FISCAL 2017 ADJUSTED NON-GAAP
OPERATING INCOME MARGIN OF 2.9%**

Q1 2019 CEO COMMENTARY

"We achieved our seventh consecutive quarter of positive comparable sales fueled by ongoing strength at Hollister and a return to positive comps at Abercrombie. This contributed to top-line growth, operating margin improvement and a net loss reduction compared to last year."

"We are focused on our transformation initiatives, with global store network optimization a key priority. We continue to believe in stores and are committed to delivering intimate, omni-channel brand experiences that closely align with our customers' needs. In line with our strategy, we are announcing plans to close three additional flagship locations, bringing the total to five since 2017. Except for the charges from these flagship store actions, we remain on track to achieve our previously communicated fiscal 2019 outlook and continue to lay the foundation to achieving our fiscal 2020 targets."

Fran Horowitz, Chief Executive Officer

Q1 P&L SUMMARY

<i>(in thousands)</i>	2019	% OF NET SALES	2018	% OF NET SALES
NET SALES	\$733,972	100.0%	\$730,899	100.0%
GROSS PROFIT ⁽¹⁾	444,090	60.5%	442,345	60.5%
OPERATING EXPENSE	471,965	64.3%	487,108	66.6%
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	\$(19,155)	(2.6)%	\$(42,461)	(5.8)%
NET LOSS PER SHARE				
BASIC	\$(0.29)		\$(0.62)	
DILUTED	\$(0.29)		\$(0.62)	
WEIGHTED-AVERAGE SHARES OUTSTANDING				
BASIC	66,540		68,500	
DILUTED	66,540		68,500	

⁽¹⁾ Gross profit is derived from cost of sales, exclusive of depreciation and amortization.

Q1 ADJUSTED P&L SUMMARY*

<i>(in thousands)</i>	2019	% OF NET SALES	2018	% OF NET SALES
NET SALES	\$733,972	100.0%	\$730,899	100.0%
GROSS PROFIT ⁽¹⁾	444,090	60.5%	442,345	60.5%
OPERATING EXPENSE	471,965	64.3%	481,508	65.9%
OTHER OPERATING INCOME, NET	(617)	(0.1)%	(2,560)	(0.4)%
OPERATING LOSS	(27,258)	(3.7)%	(36,603)	(5.0)%
INTEREST EXPENSE, NET	616	0.1%	3,018	0.4%
LOSS BEFORE INCOME TAXES	(27,874)	(3.8)%	(39,621)	(5.4)%
INCOME TAX BENEFIT	(9,588)	(1.3)%	(2,172)	(0.3)%
NET LOSS	\$(19,155)	(2.6)%	\$(38,402)	(5.3)%
NET LOSS PER SHARE				
BASIC	\$(0.29)		\$(0.56)	
DILUTED	\$(0.29)		\$(0.56)	
WEIGHTED-AVERAGE SHARES OUTSTANDING				
BASIC	66,540		68,500	
DILUTED	66,540		68,500	

* The Q1 Adjusted P&L Summary for the prior period is presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out on page 9.

⁽¹⁾ Gross profit is derived from cost of sales, exclusive of depreciation and amortization.

EXCLUDED ITEMS*

2018 (in thousands)	Q1	Q2	Q3	Q4	FULL YEAR
LEGAL CHARGES	\$5,600	\$—	\$(3,005)	\$—	\$2,595
ASSET IMPAIRMENT	—	8,671	—	—	8,671
PRE-TAX EXCLUDED ITEMS	5,600	8,671	(3,005)	—	11,266
TAX EFFECT ⁽¹⁾	(1,541)	(2,689)	1,064	683	(2,483)
TAX CUTS AND JOBS ACT OF 2017 CHARGES	—	2,042	405	(5,982)	(3,535)
TOTAL EXCLUDED ITEMS	\$4,059	\$8,024	\$(1,536)	\$(5,299)	\$5,248

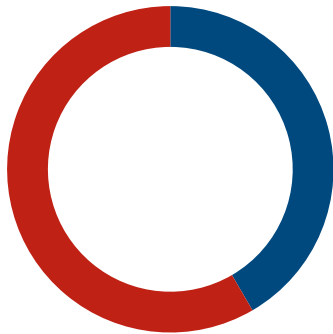
* There were no excluded items in the current year.

⁽¹⁾ The tax effect of excluded items is the difference between the tax provision calculation on a GAAP basis and an adjusted non-GAAP basis. In the fourth quarter of fiscal 2018, excluded Items consist of the impact of prior quarters' excluded items on the adjusted non-GAAP tax provision, as well as discrete net tax benefits related to the Tax Cuts and Jobs Act of 2017.

Q1 NET SALES INCREASED TO \$734M

INCLUDING ADVERSE IMPACTS FROM CHANGES IN FOREIGN CURRENCY

BRAND



HOLLISTER

\$428M

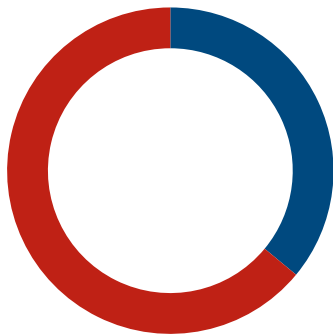
- 58.4% OF TOTAL NET SALES
- NET SALES UP 1% FROM LAST YEAR

ABERCROMBIE

\$306M

- 41.6% OF TOTAL NET SALES
- NET SALES DOWN 1% FROM LAST YEAR

GEOGRAPHY



UNITED STATES

\$470M

- 64.0% OF TOTAL NET SALES
- NET SALES UP 5% FROM LAST YEAR

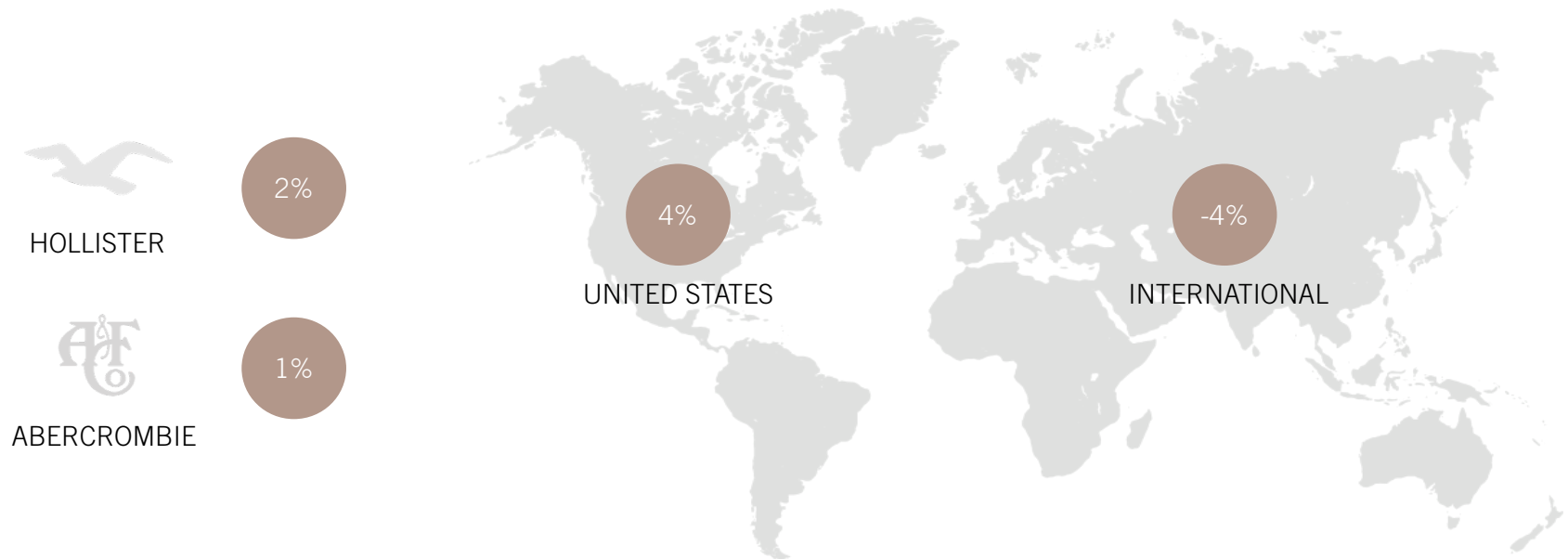
INTERNATIONAL

\$264M

- 36.0% OF TOTAL NET SALES
- NET SALES DOWN 6% FROM LAST YEAR

Q1 POSITIVE COMPARABLE SALES OF 1%*

EXCLUDING ADVERSE IMPACTS FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES



* Comparable sales are calculated on a constant currency basis and exclude revenue other than store and online sales.

Q1 OPERATING EXPENSE

<i>(in thousands)</i>	GAAP 2019	% OF NET SALES	GAAP 2018	% OF NET SALES	Δ BPS ⁽³⁾
STORE OCCUPANCY ⁽¹⁾	\$153,015	20.8%	\$162,214	22.2%	(140)
ALL OTHER ⁽²⁾	205,341	28.0%	198,941	27.2%	80
STORES AND DISTRIBUTION	358,356	48.8%	361,155	49.4%	(60)
MARKETING, GENERAL & ADMINISTRATIVE	111,947	15.3%	124,897	17.1%	(180)
ASSET IMPAIRMENT	1,662	0.2%	1,056	0.1%	10
TOTAL	\$471,965	64.3%	\$487,108	66.6%	(230)

<i>(in thousands)</i>	NON-GAAP 2019	% OF NET SALES	NON-GAAP 2018*	% OF NET SALES	Δ BPS ⁽³⁾
STORE OCCUPANCY ⁽¹⁾	\$153,015	20.8%	\$162,214	22.2%	(140)
ALL OTHER ⁽²⁾	205,341	28.0%	198,941	27.2%	80
STORES AND DISTRIBUTION	358,356	48.8%	361,155	49.4%	(60)
MARKETING, GENERAL & ADMINISTRATIVE	111,947	15.3%	119,297	16.3%	(100)
ASSET IMPAIRMENT	1,662	0.2%	1,056	0.1%	10
TOTAL	\$471,965	64.3%	\$481,508	65.9%	(160)

* Q1 adjusted non-GAAP operating expense for the prior period is presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out of page 9.

⁽¹⁾ Includes rent, other landlord charges, utilities, depreciation and other occupancy expense.

⁽²⁾ Includes selling payroll, store management and support, other store expense, direct-to-consumer expense, and distribution center costs.

⁽³⁾ Rounded based on reported percentages.

SHARE REPURCHASES AND DIVIDENDS

<i>(in thousands, except for average cost)</i>	SHARE REPURCHASES ⁽¹⁾			DIVIDENDS	TOTAL
	NUMBER OF SHARES	COST	AVERAGE COST		
Q1 2019	—	—	—	\$13,246	\$13,246

⁽¹⁾ At the end of the first quarter, the company had approximately 3.6 million shares remaining available for purchase under its publicly announced stock repurchase authorization.

<i>(in thousands, except for average cost)</i>	SHARE REPURCHASES			DIVIDENDS	TOTAL
	NUMBER OF SHARES	COST	AVERAGE COST		
Q1 2018	778	\$18,670	\$23.99	\$13,642	\$32,312
Q2 2018	969	25,000	25.80	13,554	38,554
Q3 2018	1,184	25,000	21.11	13,354	38,354
Q4 2018	—	—	—	13,164	13,164
2018	2,932	\$68,670	\$23.42	\$53,714	\$122,384

857 STORES GLOBALLY AS OF Q1 2019

EXCLUDING 16 INTERNATIONAL FRANCHISE STORES ACROSS BRANDS



Q1 STORE COUNT ACTIVITY

TOTAL COMPANY	TOTAL	UNITED STATES	CANADA	EUROPE	ASIA	MIDDLE EAST
START OF Q1 2019	861	663	18	123	48	9
OPENINGS	1	1	—	—	—	—
CLOSINGS	(5)	(4)	—	(1)	—	—
END OF Q1 2019	857	660	18	122	48	9
HOLLISTER ⁽¹⁾						
START OF Q1 2019	542	393	11	104	29	5
OPENINGS	1	1	—	—	—	—
CLOSINGS	(1)	(1)	—	—	—	—
END OF Q1 2019	542	393	11	104	29	5
ABERCROMBIE ⁽²⁾						
START OF Q1 2019	319	270	7	19	19	4
OPENINGS	—	—	—	—	—	—
CLOSINGS	(4)	(3)	—	(1)	—	—
END OF Q1 2019	315	267	7	18	19	4

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

⁽²⁾ 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.

Q1 NEW STORE OPENINGS

BRAND	CENTER	CITY	DATE
HOLLISTER	LAS AMERICAS PREMIUM OUTLETS	SAN DIEGO, CALIFORNIA	4/19/2019

GLOBAL STORE NETWORK OPTIMIZATION

	Q1 2019 ACTIVITY		
	HOLLISTER	ABERCROMBIE ⁽¹⁾	TOTAL COMPANY
NEW STORES	1	—	1
REMODELS	5	—	5
RIGHT-SIZES	1	3	4
TOTAL NEW EXPERIENCES	7	3	10
STORE CLOSURES	(1)	(4)	(5)

⁽¹⁾ Includes two right-sizes related to the abercrombie kids brand.

	FULL YEAR 2019 OUTLOOK ⁽¹⁾		
	HOLLISTER	ABERCROMBIE ⁽²⁾	TOTAL COMPANY
NEW STORES	20	20	40
REMODELS	25	—	25
RIGHT-SIZES	10	10	20
TOTAL NEW EXPERIENCES	55	30	85
STORE CLOSURES			UP TO 40

⁽¹⁾ Actual new store experiences for fiscal 2019 may differ from expectations.

⁽²⁾ Includes 15 new stores and five right-sizes related to the abercrombie kids brand.

FISCAL 2019 OUTLOOK

	PREVIOUS FULL YEAR OUTLOOK	CURRENT FULL YEAR OUTLOOK
NET SALES ⁽¹⁾	UP IN THE RANGE OF 2% TO 4%	*
CHANGES IN FOREIGN CURRENCY	\$15M ADVERSE IMPACT TO NET SALES	\$30M ADVERSE IMPACT TO NET SALES
COMPARABLE SALES ⁽²⁾	UP LOW-SINGLE DIGITS	*
GROSS PROFIT RATE ⁽³⁾	UP SLIGHTLY	*
GAAP OPERATING EXPENSE ⁽⁴⁾	UP APPROXIMATELY 2%	UP IN THE RANGE OF 4% TO 5%
WEIGHTED AVERAGE DILUTED SHARES ⁽⁵⁾	APPROXIMATELY 69M SHARES	APPROXIMATELY 68M SHARES
EFFECTIVE TAX RATE	MID-TO-UPPER 20S	MID 20S
CAPITAL INVESTMENTS	APPROXIMATELY \$200M	*

* No change from the previous outlook.

⁽¹⁾ Includes the adverse impact from changes in foreign currency exchange rates of approximately \$30 million.

⁽²⁾ Comparable sales are calculated on a constant currency basis.

⁽³⁾ As compared to fiscal 2018 gross profit rate of 60.2%, assuming only the current tariffs in place.

⁽⁴⁾ As compared to fiscal 2018 adjusted non-GAAP operating expense of \$2.03 billion. Excludes other operating income, net. Relative to previous outlook, the current outlook includes \$45 million of lease-related net charges related to flagship store actions taken in the second quarter of fiscal 2019. If not for the charges resulting from these actions, the company would have expected operating expense to be consistent with previously issued expectations of up approximately 2% as compared to fiscal 2018 adjusted non-GAAP operating expense.

⁽⁵⁾ Excludes the effect of potential share buybacks.

	SECOND QUARTER OUTLOOK
NET SALES ⁽¹⁾	FLAT TO UP 2%
CHANGES IN FOREIGN CURRENCY	\$10M ADVERSE IMPACT TO NET SALES
COMPARABLE SALES ⁽²⁾	APPROXIMATELY FLAT
GROSS PROFIT RATE ⁽³⁾	DOWN APPROXIMATELY 100 BASIS POINTS
GAAP OPERATING EXPENSE ⁽⁴⁾	UP APPROXIMATELY 10%
EFFECTIVE TAX RATE	MID 20S

⁽¹⁾ Includes the adverse impact from changes in foreign currency exchange rates of approximately \$10 million.

⁽²⁾ Comparable sales are calculated on a constant currency basis.

⁽³⁾ As compared to fiscal 2018 gross profit rate of 60.2%, assuming only the current tariffs in place.

⁽⁴⁾ As compared to fiscal 2018 adjusted non-GAAP operating expense of \$498 million. Excludes other operating income, net. The current outlook includes \$45 million of lease-related net charges related to flagship store actions taken in the second quarter of fiscal 2019. If not for the charges resulting from these actions, the company would have expected operating expense to be flat to up approximately 1% as compared to fiscal 2018 adjusted non-GAAP operating expense.

APPENDIX

Q1 ADJUSTED NON-GAAP RECONCILIATION

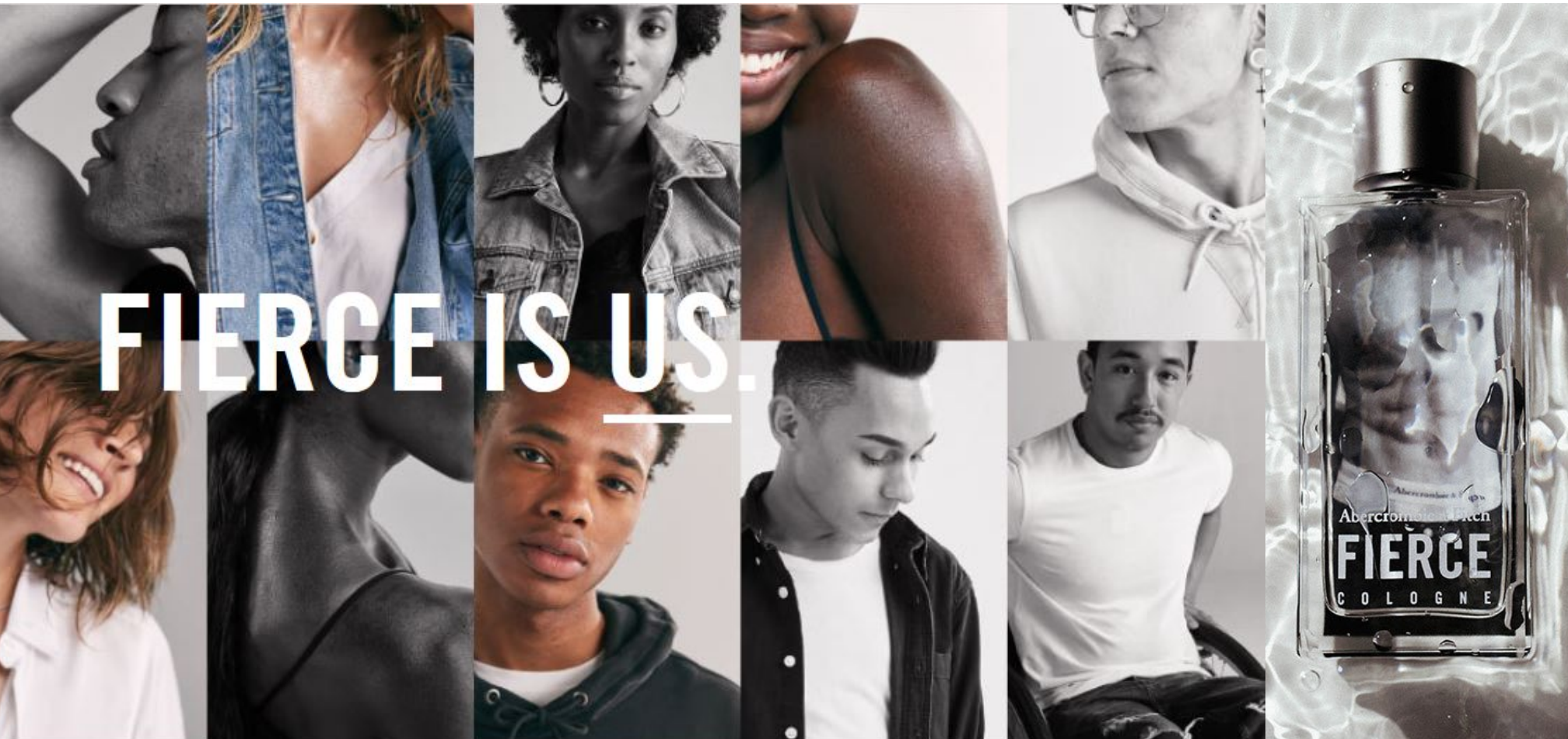
	2018 GAAP	EXCLUDED ITEMS	2018 NON-GAAP
MARKETING, GENERAL & ADMINISTRATIVE ⁽¹⁾	\$124,897	\$5,600	\$119,297
OPERATING LOSS	(42,203)	(5,600)	(36,603)
LOSS BEFORE INCOME TAXES	(45,221)	(5,600)	(39,621)
INCOME TAX BENEFIT ⁽²⁾	(3,713)	(1,541)	(2,172)
NET LOSS	\$(42,461)	\$(4,059)	\$(38,402)
NET LOSS PER DILUTED SHARE	\$(0.62)	\$(0.06)	\$(0.56)
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	68,500		68,500

⁽¹⁾ Excluded items consist of charges of \$5.6 million related to certain legal matters.

⁽²⁾ The tax effect of excluded items, calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

RELAUNCH OF ICONIC FIERCE FRAGRANCE

THE CAMPAIGN HAS GARNERED OVER 300 MILLION MEDIA IMPRESSIONS SINCE ITS FEBRUARY INTRODUCTION. FIERCE HAS ALWAYS BEEN POPULAR, BUT AFTER THE RELAUNCH, THE COMPANY SAW ITS BEST COMP PERFORMANCE IN OVER FIVE YEARS.



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