

Abercrombie & Fitch Co.

Abercrombie
& Fitch

abercrombie
kids

HOLLISTER
CALIFORNIA

gilly hicks
by HOLLISTER

THIRD QUARTER 2019

Net sales flat to last year

2019	2018	% CHANGE
\$863.5M	\$861.2M	+ 0.2%

Constant currency revenue up 1%

2019	2018	% CHANGE
\$863.5M	\$852.9M	+ 1%

Comparable sales flat

HOLLISTER	ABERCROMBIE
- 2%	+ 3%
UNITED STATES	INTERNATIONAL
+ 3%	- 8%

Operating income margin*

	2019	2018
GAAP	1.7%	4.6%
ADJUSTED NON-GAAP	2.9%	4.3%

* Changes in foreign currency exchange rates adversely impacted operating income margin by approximately 60 basis points.

Net income per diluted share

	2019	2018
GAAP	\$0.10	\$0.35
ADJUSTED NON-GAAP	\$0.23	\$0.33
ADJUSTED NON-GAAP CONSTANT CURRENCY	\$0.23	\$0.27

Fran Horowitz, Chief Executive Officer, said,

“We achieved another quarter of constant currency revenue growth and positive U.S. comps across brands, while maintaining tight expense management. Continued U.S. momentum was offset by challenges across several of our key international markets as well as a complicated global operating environment, which weighed on overall results. Despite these challenges, we ended the quarter with a balanced inventory position and have seen good response to our new assortments as weather has turned more seasonal, giving us confidence in our product and messaging for the important holiday period.”

“While we are focused on the upcoming holiday season, we also continue to make progress against our long-term transformation initiatives including: delivering 34 new store experiences, keeping us on track for our goal of 85 for the year; continuing the global rollout of omni capabilities and new payment options; and building our customer and product-facing teams in the EMEA and APAC regions. These transformation initiatives, along with accelerating top line growth, are essential to achieving our 2020 profitability target.”

Our transformation initiatives include: optimizing our global store network; enhancing digital and omni-channel capabilities; increasing the speed and efficiency of our concept-to-customer product life cycle; and improving our customer engagement through our loyalty programs and marketing optimization.

Hollister delivered negative 2% comparable sales impacted by both internal and external factors, including international macro headwinds such as Brexit, global protests and unseasonably warm weather following a solid Back-to-School performance.

The Company has returned \$102.5 million to stockholders through share repurchases and dividends during the fiscal 2019 year-to-date period.

We continue to build our Abercrombie marketing muscle, resulting in positive 3% comparable sales for Abercrombie in the third quarter, driven by performance in both the adults’ and kids’ businesses.

Gilly Hicks delivered meaningful double-digit comp growth with our target teen customer responding well to our intimates and lounge offerings.

Fierce, one of the top-selling fragrances in the country, also contributed to Abercrombie’s results, posting its third consecutive quarter of positive comps.

We continue to have confidence in the long-term growth opportunity in both Europe and Asia and are laying the foundation for future success as we have begun to staff our new teams.

FULL YEAR 2019 OUTLOOK

NET SALES: Flat to up 1%, reflecting adverse impacts from changes in foreign currency of approximately \$40M
COMPARABLE SALES: Flat to up 1%, against positive comparable sales of 3% last year
GROSS PROFIT RATE: Down approximately 100 basis points from 60.2% last year, reflecting a combined adverse impact from changes in foreign currency exchange rates and anticipated China tariffs of 40 basis points
GAAP OPERATING EXPENSE: Up 2% to 3% from adjusted non-GAAP operating expense last year of \$2.03B, including \$45M of flagship charges in the second quarter of fiscal 2019 and \$13M of asset impairment charges in the third quarter of fiscal 2019
EFFECTIVE TAX RATE: mid 20s

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OTHER INFORMATION: This infographic was issued in conjunction with the news release issued by the company on November 26, 2019 (the “Release”) which is available in the “Investors” section of the company’s website located at corporate.abercrombie.com. This infographic includes certain adjusted non-GAAP financial measures. Additional details about non-GAAP financial measures and a reconciliation of GAAP to adjusted non-GAAP financial measures are included in the Release. 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. As used in the infographic, “Abercrombie” refers to the company's Abercrombie & Fitch and abercrombie kids brands. Net income per share financial measures included herein are attributable to Abercrombie & Fitch Co., excluding net income attributable to noncontrolling interests.

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