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

Form 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2021
or

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

For the transition period from to
Commission File Number 001-12107

Abercrombie & Fitch Co.
(Exact name of Registrant as specified in its charter)

Delaware	**31-1469076**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
6301 Fitch Path, New Albany, Ohio	**43054**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: (614) 283-6500

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 Par Value	**ANF**	**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. x 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). x 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	x	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 x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock	Shares outstanding as of September 3, 2021
$0.01 Par Value	**59,082,477**

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales	$ 864,850	$ 698,328	$ 1,646,255	$ 1,183,687
Cost of sales, exclusive of depreciation and amortization	301,365	274,720	587,636	495,934
Gross profit	563,485	423,608	1,058,619	687,753
Stores and distribution expense	325,935	310,370	642,543	632,494
Marketing, general and administrative expense	123,913	97,252	244,860	205,509
Flagship store exit benefits	(88)	(3,884)	(1,188)	(4,427)
Asset impairment	786	8,083	3,450	51,011
Other operating income, net	(1,848)	(2,356)	(3,266)	(1,850)
Operating income (loss)	114,787	14,143	172,220	(194,984)
Interest expense, net	11,275	7,098	19,881	10,469
Income (loss) before income taxes	103,512	7,045	152,339	(205,453)
Income tax (benefit) expense	(6,944)	1,253	(823)	32,786
Net income (loss)	110,456	5,792	153,162	(238,239)
Less: Net income attributable to noncontrolling interests	1,956	328	2,894	445
Net income (loss) attributable to A&F	$ 108,500	$ 5,464	$ 150,268	$ (238,684)
Net income (loss) per share attributable to A&F				
Basic	$ 1.77	$ 0.09	$ 2.43	$ (3.82)
Diluted	$ 1.69	$ 0.09	$ 2.32	$ (3.82)
Weighted-average shares outstanding				
Basic	61,428	62,527	61,914	62,543
Diluted	64,136	63,286	64,803	62,543
Other comprehensive income (loss)				
Foreign currency translation, net of tax	$ (1,986)	$ 8,734	$ (3,260)	$ 3,335
Derivative financial instruments, net of tax	2,703	(2,407)	5,302	6,458
Other comprehensive income	717	6,327	2,042	9,793
Comprehensive income (loss)	111,173	12,119	155,204	(228,446)
Less: Comprehensive income attributable to noncontrolling interests	1,956	328	2,894	445
Comprehensive income (loss) attributable to A&F	$ 109,217	$ 11,791	$ 152,310	$ (228,891)

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Abercrombie & Fitch Co.
Condensed Consolidated Balance Sheets
(Thousands, except par value amounts)
(Unaudited)

	July 31, 2021	January 30, 2021
Assets		
Current assets:		
Cash and equivalents	$ 921,504	$ 1,104,862
Receivables	87,151	83,857
Inventories	415,604	404,053
Other current assets	77,392	68,857
Total current assets	1,501,651	1,661,629
Property and equipment, net	532,795	550,587
Operating lease right-of-use assets	791,036	893,989
Other assets	229,911	208,697
Total assets	$ 3,055,393	$ 3,314,902
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 289,475	$ 289,396
Accrued expenses	351,991	396,365
Short-term portion of operating lease liabilities	219,453	248,846
Income taxes payable	26,260	24,792
Total current liabilities	887,179	959,399
Long-term liabilities:		
Long-term portion of operating lease liabilities	791,793	957,588
Long-term borrowings, net	303,015	343,910
Other liabilities	106,473	104,693
Total long-term liabilities	1,201,281	1,406,191
Stockholders' equity		
Class A Common Stock - $0.01 par value: 150,000 shares authorized and 103,300 shares issued for all periods presented	1,033	1,033
Paid-in capital	399,891	401,283
Retained earnings	2,275,009	2,149,470
Accumulated other comprehensive loss, net of tax ("AOCL")	(100,265)	(102,307)
Treasury stock, at average cost: 43,609 and 40,901 shares as of July 31, 2021 and January 30, 2021, respectively	(1,619,102)	(1,512,851)
Total Abercrombie & Fitch Co. stockholders' equity	956,566	936,628
Noncontrolling interests	10,367	12,684
Total stockholders' equity	966,933	949,312
Total liabilities and stockholders' equity	$ 3,055,393	$ 3,314,902

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Stockholders' Equity
(Thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended July 31, 2021								
	Common Stock						Treasury stock		
	Shares outstanding	Par value	Paid-in capital	Non-controlling interests	Retained earnings	AOCL	Shares	At average cost	Total stockholders' equity
Balance, May 1, 2021	61,935	$ 1,033	$ 395,277	$ 8,776	$ 2,169,748	$ (100,982)	41,365	$ (1,523,902)	$ 949,950
Net income	—	—	—	1,956	108,500	—	—	—	110,456
Purchase of Common Stock	(2,374)	—	—	—	—	—	2,374	(100,000)	(100,000)
Share-based compensation issuances and exercises	130	—	(1,873)	—	(3,239)	—	(130)	4,800	(312)
Share-based compensation expense	—	—	6,487	—	—	—	—	—	6,487
Derivative financial instruments, net of tax	—	—	—	—	—	2,703	—	—	2,703
Foreign currency translation adjustments, net of tax	—	—	—	—	—	(1,986)	—	—	(1,986)
Distributions to noncontrolling interests, net	—	—	—	(365)	—	—	—	—	(365)
Ending balance at July 31, 2021	59,691	$ 1,033	$ 399,891	$ 10,367	$ 2,275,009	$ (100,265)	43,609	$ (1,619,102)	$ 966,933

	Thirteen Weeks Ended August 1, 2020								
	Common Stock						Treasury stock		
	Shares outstanding	Par value	Paid-in capital	Non-controlling interests	Retained earnings	AOCL	Shares	At average cost	Total stockholders' equity
Balance, May 2, 2020	62,284	$ 1,033	$ 389,904	$ 7,827	$ 2,022,366	$ (105,420)	41,016	$ (1,517,644)	$ 798,066
Net income	—	—	—	328	5,464	—	—	—	5,792
Share-based compensation issuances and exercises	81	—	(1,376)	—	(1,919)	—	(81)	3,202	(93)
Share-based compensation expense	—	—	3,744	—	—	—	—	—	3,744
Derivative financial instruments, net of tax	—	—	—	—	—	(2,407)	—	—	(2,407)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	8,734	—	—	8,734
Distributions to noncontrolling interests, net	—	—	—	(226)	—	—	—	—	(226)
Ending balance at August 1, 2020	62,365	$ 1,033	$ 392,272	$ 7,929	$ 2,025,911	$ (99,093)	40,935	$ (1,514,442)	$ 813,610

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Stockholders' Equity
(Thousands, except per share amounts)
(Unaudited)

	Twenty-six Weeks Ended July 31, 2021								
	Common Stock						Treasury stock		
	Shares outstanding	Par value	Paid-in capital	Non-controlling interests	Retained earnings	AOCL	Shares	At average cost	Total stockholders' equity
Balance, January 30, 2021	62,399	$ 1,033	$ 401,283	$ 12,684	$ 2,149,470	$ (102,307)	40,901	$ (1,512,851)	$ 949,312
Net income	—	—	—	2,894	150,268	—	—	—	153,162
Purchase of Common Stock	(3,451)	—	—	—	—	—	3,451	(135,249)	(135,249)
Share-based compensation issuances and exercises	743	—	(16,329)	—	(24,729)	—	(743)	28,998	(12,060)
Share-based compensation expense	—	—	14,937	—	—	—	—	—	14,937
Derivative financial instruments, net of tax	—	—	—	—	—	5,302	—	—	5,302
Foreign currency translation adjustments, net of tax	—	—	—	—	—	(3,260)	—	—	(3,260)
Distributions to noncontrolling interests, net	—	—	—	(5,211)	—	—	—	—	(5,211)
Ending balance at July 31, 2021	59,691	$ 1,033	$ 399,891	$ 10,367	$ 2,275,009	$ (100,265)	43,609	$ (1,619,102)	$ 966,933

	Twenty-six Weeks Ended August 1, 2020								
	Common Stock						Treasury stock		
	Shares outstanding	Par value	Paid-in capital	Non-controlling interests	Retained earnings	AOCL	Shares	At average cost	Total stockholders' equity
Balance, February 1, 2020	62,786	$ 1,033	$ 404,983	$ 12,368	$ 2,313,745	$ (108,886)	40,514	$ (1,552,065)	$ 1,071,178
Net income (loss)	—	—	—	445	(238,684)	—	—	—	(238,239)
Purchase of Common Stock	(1,397)	—	—	—	—	—	1,397	(15,172)	(15,172)
Dividends ($0.20 per share)	—	—	—	—	(12,556)	—	—	—	(12,556)
Share-based compensation issuances and exercises	976	—	(21,617)	—	(36,594)	—	(976)	52,795	(5,416)
Share-based compensation expense	—	—	8,906	—	—	—	—	—	8,906
Derivative financial instruments, net of tax	—	—	—	—	—	6,458	—	—	6,458
Foreign currency translation adjustments, net of tax	—	—	—	—	—	3,335	—	—	3,335
Distributions to noncontrolling interests, net	—	—	—	(4,884)	—	—	—	—	(4,884)
Ending balance at August 1, 2020	62,365	$ 1,033	$ 392,272	$ 7,929	$ 2,025,911	$ (99,093)	40,935	$ (1,514,442)	$ 813,610

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Cash Flows
(Thousands)
(Unaudited)

	Twenty-six Weeks Ended	
	July 31, 2021	As Restated August 1, 2020
Operating activities		
Net income (loss)	$ 153,162	$ (238,239)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	72,249	82,753
Asset impairment	3,450	51,011
Loss on disposal	2,188	7,617
(Benefit) Provision for deferred income taxes	(21,187)	23,037
Share-based compensation	14,937	8,906
Loss on extinguishment of debt	5,347	—
Changes in assets and liabilities:		
Inventories	(11,849)	(18,378)
Accounts payable and accrued expenses	(63,562)	122,004
Operating lease right-of-use assets and liabilities	(93,040)	(20,266)
Income taxes	1,379	(7,379)
Other assets	(11,575)	29,940
Other liabilities	(1,554)	5,227
Net cash provided by operating activities	49,945	46,233
Investing activities		
Purchases of property and equipment	(35,269)	(75,621)
Withdrawal of funds from Rabbi Trust assets	—	50,000
Net cash used for investing activities	(35,269)	(25,621)
Financing activities		
Proceeds from issuance of senior secured notes	—	350,000
Purchase of senior secured notes	(46,969)	—
Proceeds from borrowings under the senior secured asset-based revolving credit facility	—	210,000
Repayment of borrowings under the term loan facility	—	(233,250)
Repayment of borrowings under the senior secures asset-based revolving credit facility	—	(210,000)
Payment of debt issuance or modification costs and fees	(1,837)	(6,558)
Purchases of Common Stock	(135,249)	(15,172)
Dividends paid	—	(12,556)
Other financing activities	(16,192)	(11,135)
Net cash (used for) provided by financing activities	(200,247)	71,329
Effect of foreign currency exchange rates on cash	(2,547)	1,785
Net (decrease) increase in cash and equivalents, and restricted cash and equivalents	(188,118)	93,726
Cash and equivalents, and restricted cash and equivalents, beginning of period	1,124,157	692,264
Cash and equivalents, and restricted cash and equivalents, end of period	$ 936,039	$ 785,990
Supplemental information related to non-cash activities		
Purchases of property and equipment not yet paid at end of period	$ 35,789	$ 34,865
Operating lease right-of-use assets additions, net of terminations, impairments and other reductions	$ 17,159	$ 23,119
Supplemental information related to cash activities		
Cash paid for interest	$ 14,950	$ 8,127
Cash paid for income taxes	$ 24,132	$ 8,460
Cash received from income tax refunds	$ 570	$ 1,426
Cash paid for amounts included in measurement of operating lease liabilities, net of abatements	$ 230,836	$ 122,128

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Abercrombie & Fitch Co.

Index for Notes to Condensed Consolidated Financial Statements (Unaudited)

Abercrombie & Fitch Co.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. NATURE OF BUSINESS

Abercrombie & Fitch Co. (“A&F”), a company incorporated in Delaware in 1996, through its subsidiaries (collectively, A&F and its subsidiaries are referred to as “Abercrombie & Fitch” or the “Company”), is a global, digitally-led omnichannel retailer. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids, which are sold primarily through its digital channels and Company-owned stores, as well as through various third-party arrangements. The Company’s two brand-based operating segments are Hollister, which includes the Company’s Hollister, Gilly Hicks and Social Tourist brands, and Abercrombie, which includes the Company’s Abercrombie & Fitch and abercrombie kids brands. These five brands share a commitment to offering unique products of enduring quality and exceptional comfort that allow customers around the world to express their own individuality and style. The Company operates primarily in North America, Europe and Asia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying Condensed Consolidated Financial Statements include historical financial statements of, and transactions applicable to, the Company and reflect its financial position, results of operations and cash flows.

The Company has interests in an Emirati business venture and in a Kuwaiti business venture with Majid al Futtaim Fashion L.L.C. (“MAF”) and in a U.S. business venture with Dixar L.L.C. (“Dixar”), each of which meets the definition of a variable interest entity (“VIE”). The purpose of these business ventures with MAF is to operate stores in the United Arab Emirates and Kuwait and the purpose of the business venture with Dixar is to hold the intellectual property related to the Social Tourist brand. The Company is deemed to be the primary beneficiary of these VIEs; therefore, the Company has consolidated the operating results, assets and liabilities of these VIEs, with the noncontrolling interests’ (“NCI”) portions of net income presented as net income attributable to NCI on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) and the NCI portion of stockholders equity presented as NCI on the Condensed Consolidated Balance Sheets.

Fiscal year

The Company’s fiscal year ends on the Saturday closest to January 31. This typically results in a fifty-two week year, but occasionally gives rise to an additional week, resulting in a fifty-three week year. Fiscal years are designated in the Condensed Consolidated Financial Statements and notes, as well as the remainder of this Quarterly Report on Form 10-Q, by the calendar year in which the fiscal year commences. All references herein to the Company’s fiscal years are as follows:

Fiscal year	Year ended/ ending	Number of weeks
Fiscal 2019	February 1, 2020	52
Fiscal 2020	January 30, 2021	52
Fiscal 2021	January 29, 2022	52

Interim financial statements

The Condensed Consolidated Financial Statements as of July 31, 2021, and for the thirteen and twenty-six week periods ended July 31, 2021 and August 1, 2020, are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim consolidated financial statements. Accordingly, the Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto contained in A&F’s Annual Report on Form 10-K for Fiscal 2020 filed with the SEC on March 29, 2021. The January 30, 2021 consolidated balance sheet data, included herein, was derived from audited consolidated financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”).

In the opinion of management, the accompanying Condensed Consolidated Financial Statements reflect all adjustments (which are of a normal recurring nature) necessary to state fairly, in all material respects, the financial position, results of operations and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for Fiscal 2021.

Use of estimates

The preparation of financial statements, in conformity with GAAP, requires 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 net sales and expenses during the reporting period. Due to the inherent uncertainty involved with estimates, actual results may differ. The extent to which the current outbreak of coronavirus disease (“COVID-19”) continues to impact the Company’s business and financial results will depend on numerous evolving factors including, but not limited to: the duration and spread of COVID-19 and the emergence of new variants, such as the Delta variant, of the coronavirus, the availability and acceptance of effective vaccines, boosters or medical treatments, the impact of COVID-19 on the length or frequency of store closures, and the extent to which COVID-19 impacts worldwide macroeconomic conditions including interest rates, the speed of the economic recovery, and governmental, business and consumer reactions to the pandemic. The Company’s assessment of these, as well as other factors, could impact management's estimates and result in material impacts to the Company’s consolidated financial statements in future reporting periods.

Recent accounting pronouncements

The Company reviews recent accounting pronouncements on a quarterly basis and has excluded discussion of those not applicable to the Company and those that did not have, or are not expected to have, a material impact on the Company’s consolidated financial statements.

Restatement of previously issued financial information

As previously disclosed within “ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA” of A&F’s Fiscal 2020 Form 10-K, a classification error was identified within the Company’s Condensed Consolidated Statements of Cash Flows in the Condensed Consolidated Financial Statements as of and for the periods ended May 2, 2020, August 1, 2020, and October 31, 2020, related to the presentation of the withdrawal of excess funds from the Company’s Rabbi Trust that occurred during the fiscal quarter ended May 2, 2020. This withdrawal of $50.0 million was originally presented incorrectly as a cash inflow from operating activities, rather than as a cash inflow from investing activities. The effects of the classification error on the Condensed Consolidated Statement of Cash Flows were disclosed in “Note 21. Correction of Error in Previously Reported Interim Financial Statements (Unaudited)” of the Notes to Consolidated Financial Statements included within “ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA” of A&F’’s Fiscal 2020 Form 10-K. The effects of the classification error on the Condensed Consolidated Statement of Cash Flow for the twenty-six weeks ended August 1, 2020 is shown in the table below.

	Twenty-six Weeks Ended		
(in thousands)	**As Originally Reported August 1, 2020**	**Adjustment**	**As Restated August 1, 2020**
Net cash provided by operating activities	$ 96,233	$ (50,000)	$ 46,233
Net cash used for investing activities	$ (75,621)	$ 50,000	$ (25,621)
Net cash provided by financing activities	$ 71,329	—	$ 71,329
Effect of foreign currency exchange rates on cash	$ 1,785	—	$ 1,785
Net increase in cash and equivalents, and restricted cash and equivalents	$ 93,726	—	$ 93,726
Cash and equivalents, and restricted cash and equivalents, beginning of period	$ 692,264	—	$ 692,264
Cash and equivalents, and restricted cash and equivalents, end of period	$ 785,990	—	$ 785,990

The Company’s Condensed Consolidated Statement of Cash Flows for the twenty-six weeks ended August 1, 2020 included within this Quarterly Report on Form 10-Q has been restated to reflect the correction of this error.

Condensed Consolidated Statements of Cash Flows reconciliation

The following table provides a reconciliation of cash and equivalents and restricted cash and equivalents to the amounts shown on the Condensed Consolidated Statements of Cash Flows:

(in thousands)	Location	July 31, 2021	January 30, 2021	August 1, 2020	February 1, 2020
Cash and equivalents	Cash and equivalents	$ 921,504	$ 1,104,862	$ 766,721	$ 671,267
Long-term restricted cash and equivalents	Other assets	14,268	14,814	19,269	18,696
Short-term restricted cash and equivalents	Other current assets	267	4,481	—	2,301
Cash and equivalents and restricted cash and equivalents		$ 936,039	$ 1,124,157	$ 785,990	$ 692,264

3. IMPACT OF COVID-19

In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. In response to COVID-19, certain governments imposed travel restrictions and local statutory quarantines and the Company experienced widespread temporary store closures. The Company has seen, and may continue to see, material adverse impacts as a result of COVID-19. The extent of future impacts of COVID-19 on the Company's business, including the duration and impact on overall customer demand, are uncertain as current circumstances are dynamic and depend on future developments, including, but not limited to, the duration and spread of COVID-19, the emergence of new variants of the coronavirus, such as the Delta variant, and the availability and acceptance of effective vaccines, boosters or medical treatments.

During the thirteen and twenty-six weeks ended August 1, 2020, the Company experienced a material adverse impact to net sales across brands and regions as a result of widespread temporary store closures in response to COVID-19, which was not offset by year-over-year digital sales growth. During the thirteen and twenty-six weeks ended July 31, 2021, the vast majority of Company-operated stores were fully open for in-store service, but temporary store closures remained in the EMEA region during this period. As of July 31, 2021, all of the Company-operated stores were open for in-store service. During periods of temporary store closures, reductions in revenue were not offset by proportional decreases in expense, as the Company continued to incur store occupancy costs such as operating lease costs, net of rent abatements agreed upon during the period, depreciation expense, and certain other costs such as compensation, net of government payroll relief, and administrative expenses resulting in a negative effect on the relationship between the Company's costs and revenues.

During the thirteen weeks ended May 2, 2020, the Company recognized $14.8 million of charges to reduce the carrying value of inventory, primarily as a result of COVID-19 and the temporary closure of the Company's stores, in cost of sales, exclusive of depreciation and amortization on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

During the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020, the Company suspended rent payments for a number of stores that were closed, and continues to engage with its landlords to find a mutually beneficial and agreeable path forward. The Company obtained rent abatements of $5.2 million and $13.0 million, respectively, during the thirteen and twenty-six weeks ended July 31, 2021 and recognized all of the benefits related to these abatements within variable lease cost during the applicable periods. Rent abatements obtained during the thirteen and twenty-six weeks ended August 1, 2020 were not significant. As of July 31, 2021 and January 30, 2021, the Company had $22.2 million and $24.2 million, respectively, related to suspended payments classified within accrued expenses on the Condensed Consolidated Balance Sheets.

During the thirteen weeks ended July 31, 2021 and August 1, 2020, the Company recognized qualified payroll-related credits reducing payroll expenses by approximately $0.5 million and $3.1 million, respectively, in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). During the twenty-six weeks ended July 31, 2021 and August 1, 2020, the Company recognized qualified payroll-related credits reducing payroll expenses by approximately $4.8 million and $11.8 million, respectively, in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). There are also instances where governments have provided wage subsidies through direct payments to the Company's associates. In these instances, no benefits are recognized on the Consolidated Statements of Operations and Comprehensive Income (Loss), but the Company does see a reduction in expense incurred. The Company also intends to continue to defer qualified payroll and other tax payments as permitted by regional legislation.

During the thirteen and twenty-six weeks ended August 1, 2020, the Company recognized significant asset impairment charges related to the Company's operating lease right-of-use assets and property and equipment of $8.1 million and $51.0 million, respectively, which were principally the result of the impact of COVID-19 on store cash flows. Refer to Note 9, "*ASSET IMPAIRMENT*," for additional information.

The Company has also experienced other material impacts as a result of COVID-19, such as deferred tax valuation allowances and other tax charges. Refer to Note 10, "*INCOME TAXES*," for additional information.

In March 2020, in an effort to improve the Company's then near-term cash position as a precautionary measure in response to COVID-19, the Company borrowed $210.0 million under its senior secured asset-based revolving credit facility (the "ABL Facility") and withdrew the majority of excess funds from the overfunded Rabbi Trust assets, providing the Company with $50.0 million of additional cash. In July 2020, the Company took additional actions to preserve liquidity in light of the continued global uncertainty then presented by COVID-19, and completed a private offering of $350.0 million aggregate principal amount of senior secured notes (the "Senior Secured Notes"). The Company used the net proceeds of such offering to repay all outstanding borrowings under the Company's term loan facility (the "Term Loan Facility"), to repay a portion of the outstanding borrowings under the ABL Facility and to pay fees and expenses in connection with such repayments and the offering.

4. REVENUE RECOGNITION

Disaggregation of revenue

All revenues are recognized in net sales in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). For information regarding the disaggregation of revenue, refer to Note 15, "*SEGMENT REPORTING*."

Contract liabilities

The following table details certain contract liabilities representing unearned revenue as of July 31, 2021, January 30, 2021, August 1, 2020 and February 1, 2020:

(in thousands)	July 31, 2021	January 30, 2021	August 1, 2020	February 1, 2020
Gift card liability	$ 29,038	$ 28,561	$ 22,461	$ 28,844
Loyalty program liability	$ 20,962	$ 20,426	$ 19,674	$ 23,051

The following table details recognized revenue associated with the Company's gift card program and loyalty programs for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Revenue associated with gift card redemptions and gift card breakage	$ 17,353	$ 10,066	$ 33,509	$ 21,075
Revenue associated with reward redemptions and breakage related to the Company's loyalty programs	$ 9,897	$ 7,982	$ 19,450	$ 13,691

5. NET INCOME (LOSS) PER SHARE

Net income (loss) per basic and diluted share attributable to A&F is computed based on the weighted-average number of outstanding shares of Class A Common Stock ("Common Stock"). Additional information pertaining to net income (loss) per share attributable to A&F follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Shares of Common Stock issued	103,300	103,300	103,300	103,300
Weighted-average treasury shares	(41,872)	(40,773)	(41,386)	(40,757)
Weighted-average — basic shares	61,428	62,527	61,914	62,543
Dilutive effect of share-based compensation awards	2,708	759	2,889	—
Weighted-average — diluted shares	64,136	63,286	64,803	62,543
Anti-dilutive shares [1]	1,194	2,026	1,277	2,123

[1] Reflects the total number of shares related to outstanding share-based compensation awards that have been excluded from the computation of net income (loss) per diluted share because the impact would have been anti-dilutive. Unvested shares related to restricted stock units with performance-based and market-based vesting conditions can achieve up to 200% of their target vesting amount and are reflected at the maximum vesting amount less any dilutive portion.

6. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are prioritized based on a three-level hierarchy. The three levels of inputs to measure fair value are as follows:

- Level 1—inputs are unadjusted quoted prices for identical assets or liabilities that are available in active markets that the Company can access at the measurement date.
- Level 2—inputs are other than quoted market prices included within Level 1 that are observable for assets or liabilities, directly or indirectly.
- Level 3—inputs to the valuation methodology are unobservable.

The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The three levels of the hierarchy and the distribution of the Company's assets and liabilities that were measured at fair value on a recurring basis, as of July 31, 2021 and January 30, 2021, were as follows:

	Assets and Liabilities at Fair Value as of July 31, 2021			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents [1]	$ 131,301	$ 46,598	$ —	$ 177,899
Derivative instruments [2]	—	1,872	—	1,872
Rabbi Trust assets [3]	1	61,538	—	61,539
Restricted cash equivalents [1]	3,109	4,798	—	7,907
Total assets	$ 134,411	$ 114,806	$ —	$ 249,217
Liabilities:				
Derivative instruments [2]	$ —	$ 794	$ —	$ 794
Total liabilities	$ —	$ 794	$ —	$ 794

	Assets and Liabilities at Fair Value as of January 30, 2021			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents [1]	$ 296,279	$ 11,589	$ —	$ 307,868
Derivative instruments [2]	—	79	—	79
Rabbi Trust assets [3]	1	60,789	—	60,790
Restricted cash equivalents [1]	2,943	7,775	—	10,718
Total assets	$ 299,223	$ 80,232	$ —	$ 379,455
Liabilities:				
Derivative instruments [2]	$ —	$ 4,694	$ —	$ 4,694
Total liabilities	$ —	$ 4,694	$ —	$ 4,694

(1) Level 1 assets consisted of investments in money market funds. Level 2 assets consisted of time deposits.
(2) Level 2 assets and liabilities consisted primarily of foreign currency exchange forward contracts.
(3) Level 1 assets consisted of investments in money market funds. Level 2 assets consisted of trust-owned life insurance policies.

The Company's Level 2 assets and liabilities consisted of:

- Time deposits, which were valued at cost, approximating fair value, due to the short-term nature of these investments;
- Trust-owned life insurance policies, which were valued using the cash surrender value of the life insurance policies; and
- Derivative instruments, primarily foreign currency exchange forward contracts, which were valued using quoted market prices of the same or similar instruments, adjusted for counterparty risk.

Fair value of long-term borrowings

The Company's borrowings under the Senior Secured Notes are carried at historical cost in the accompanying Condensed Consolidated Balance Sheets. The carrying amount and fair value of the Company's long-term gross borrowings were as follows:

(in thousands)	July 31, 2021	January 30, 2021
Gross borrowings outstanding, carrying amount	$ 307,730	$ 350,000
Gross borrowings outstanding, fair value	$ 340,811	$ 389,813

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

(in thousands)	July 31, 2021	January 30, 2021
Property and equipment, at cost	$ 2,485,623	$ 2,488,957
Less: Accumulated depreciation and amortization	(1,952,828)	(1,938,370)
Property and equipment, net	$ 532,795	$ 550,587

Refer to Note 9, "*ASSET IMPAIRMENT*," for details related to property and equipment impairment charges incurred during the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020.

8. LEASES

The Company is a party to leases related to its Company-operated retail stores as well as for certain of its distribution centers, office space, information technology and equipment.

The following table provides a summary of the Company's operating lease costs for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Single lease cost [1]	$ 70,325	$ 87,698	$ 140,077	$ 181,189
Variable lease cost [2]	19,300	19,433	42,466	47,335
Operating lease right-of-use asset impairment [3]	240	5,410	2,704	40,418
Sublease income [4]	(1,095)	—	(2,188)	—
Total operating lease cost	$ 88,770	$ 112,541	$ 183,059	$ 268,942

(1) Included amortization and interest expense associated with operating lease right-of-use assets and the impact from remeasurement of operating lease liabilities.

(2) Included variable payments related to both lease and nonlease components, such as contingent rent payments made by the Company based on performance, and payments related to taxes, insurance, and maintenance costs, as well as the benefit of $5.2 million and $13.0 million of rent abatements during the thirteen and twenty-six weeks ended July 31, 2021 related to the effects of the COVID-19 pandemic that resulted in the total payments required by the modified contract being substantially the same as or less than total payments required by the original contract. Rent abatements obtained during the thirteen and twenty-six weeks ended August 1, 2020 were not significant.

(3) Refer to Note 9, "*ASSET IMPAIRMENT*," for details related to operating lease right-of-use asset impairment charges.

(4) The terms of the sublease agreement entered into by the Company with a third party during Fiscal 2020 related to one of its previous flagship store locations have not changed materially from that disclosed in Note 8, "LEASES," of the Notes to Consolidated Financial Statements contained in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of A&F's Annual Report on Form 10-K for Fiscal 2020. Sublease income is recognized in other operating income (loss), net on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

During the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020, the Company suspended rent payments for a number of stores that were closed as a result of COVID-19, and has been successful in obtaining certain rent abatements and landlord concessions of rent payable. Refer to Note 3. "*IMPACT OF COVID-19*", for additional details.

As of July 31, 2021, the Company had minimum commitments related to additional operating lease contracts the terms of which have not yet commenced, primarily for its Company-operated retail stores, of approximately $2.5 million.

9. ASSET IMPAIRMENT

Asset impairment charges for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Operating lease right-of-use asset impairment	$ 240	$ 5,410	$ 2,704	$ 40,418
Property and equipment asset impairment	546	2,673	746	10,593
Total asset impairment	$ 786	$ 8,083	$ 3,450	$ 51,011

Asset impairment charges for the thirteen and twenty-six weeks ended July 31, 2021 related to certain of the Company’s stores across brands, geographies and store formats. The impairment charges for the twenty-six weeks ended July 31, 2021 reduced the then carrying amount of the impaired stores’ assets to their fair value of approximately $9.4 million, including $8.8 million related to operating lease right-of-use assets.

Asset impairment charges for the thirteen and twenty-six weeks ended August 1, 2020 were principally the result of the impact of COVID-19 and were related to certain of the Company’s stores across brands, geographies and store formats. The impairment charges for the twenty-six weeks ended August 1, 2020 reduced the then carrying amount of the impaired stores’ assets to their fair value of approximately $135.5 million, including $124.6 million related to operating lease right-of-use assets.

10. INCOME TAXES

The quarterly provision for income taxes is based on the current estimate of the annual effective income tax rate and the tax effect of discrete items occurring during the quarter. The Company’s quarterly provision and the estimate of the annual effective tax rate are subject to significant variation due to several factors. These factors include variability in the pre-tax jurisdictional mix of earnings, changes in how the Company does business including entering into new businesses or geographies, changes in foreign currency exchange rates, changes in laws, regulations, interpretations and administrative practices, relative changes in expenses or losses for which tax benefits are not recognized and the impact of discrete items. In addition, jurisdictions where the Company anticipates an ordinary loss for the fiscal year for which the Company does not anticipate future benefits are excluded from the overall computation of estimated annual effective tax rate and no tax benefits are recognized in the period related to losses in such jurisdictions. The impact of these items on the effective tax rate will be greater at lower levels of pre-tax earnings.

Impact of valuation allowances and other tax charges

During the thirteen weeks ended July 31, 2021, as a result of the improvement seen in business conditions, the Company recognized $23.5 million of discrete tax benefits due to the release of valuation allowances, primarily in the U.S. and Germany, and a discrete tax benefit of $3.9 million due to the impact of a statutory rate change in the U.K on the valuation of deferred tax assets. The Company also recognized $6.7 million of tax benefits related to the utilization of deferred tax assets against projected pre-tax income for the full fiscal year, primarily in the U.S. and Germany, based on information available, on which a valuation allowance had previously been established.

During the twenty-six weeks ended July 31, 2021, as a result of the improvement seen in business conditions, the Company recognized $23.6 million of discrete tax benefits due to the release of valuation allowances, primarily in the U.S. and Germany, and a discrete tax benefit of $3.9 million due to the impact of a statutory rate change in the U.K on the valuation of deferred tax assets. The Company also recognized $10.1 million of tax benefits related to the utilization of deferred tax assets against projected pre-tax income for the full fiscal year, primarily in the U.S. and Germany, based on information available, on which a valuation allowance had previously been established. The Company continues to maintain valuation allowances in certain jurisdictions, principally Japan, Korea, and Switzerland.

During the twenty-six weeks ended August 1, 2020, the Company recognized $84.1 million of tax charges, ultimately giving rise to income tax expense on a consolidated pre-tax year-to-date loss. Further details regarding these adverse tax impacts are as follows:

- The Company anticipated pre-tax losses for the full fiscal year in certain jurisdictions, based on information then available, primarily due to the significant adverse impacts of COVID-19. The Company did not recognize income tax benefits on $204.1 million of pre-tax losses during the twenty-six weeks ended August 1, 2020, resulting in an adverse tax impact of $47.6 million.
- The Company recognized charges of $36.5 million related to the establishment of valuation allowances and other tax charges in certain jurisdictions during the twenty-six weeks ended August 1, 2020, principally as a result of the significant adverse impacts of COVID–19. These charges related to valuation allowances recognized by the Company of $10.6 million and $6.0 million related to the U.S. and Germany, respectively, as well as valuation allowances and other tax charges in certain other jurisdictions against underlying tax asset balances that existed as of February 1, 2020. The Company also recognized valuation allowances of $78.9 million related to Switzerland with a U.S. branch

equally offsetting amount, which in net, did not have an impact on the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

The Company continues to review the need for valuation allowances in certain jurisdictions, principally Japan, Korea and Switzerland, on a quarterly basis. It is reasonably possible, if business conditions continue to improve, that there could be material adjustments over the next 12 months to the total amount of valuation allowances as circumstances may be such that sufficient evidence would exist to indicate that additional deferred taxes currently subject to a valuation allowance are more likely than not to be utilized. Changes in assumptions may occur based on new information that becomes available resulting in adjustments in the period in which a determination is made.

Share-based compensation

Refer to Note 12, "*SHARE-BASED COMPENSATION*," for details on income tax benefits and charges related to share-based compensation awards during the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020.

11. BORROWINGS

Details on the Company's long-term borrowings, net, as of July 31, 2021 and January 30, 2021 are as follows:

(in thousands)	July 31, 2021	January 30, 2021
Long-term portion of borrowings, gross at carrying amount	$ 307,730	$ 350,000
Unamortized fees	(4,715)	(6,090)
Long-term borrowings, net	$ 303,015	$ 343,910

Senior Secured Notes

On July 2, 2020, Abercrombie & Fitch Management Co. ("A&F Management"), a wholly-owned indirect subsidiary of A&F, completed the private offering of the Senior Secured Notes, with $350.0 million aggregate principal amount due in 2025, at an offering price of 100% of the principal amount thereof and bearing interest at a rate of 8.75% per annum, with semi-annual interest payments which began in January 2021. The Senior Secured Notes were issued pursuant to an indenture, dated as of July 2, 2020, by and among A&F Management, A&F and certain of A&F's wholly-owned subsidiaries, as guarantors, and U.S. Bank National Association, as trustee, and as collateral agent. During the thirteen weeks ended July 31, 2021, A&F Management purchased $42.3 million of its outstanding Senior Secured Notes and incurred $5.3 million of loss on extinguishment of debt, comprised of a premium of $4.7 million and the write-off of unamortized fees of $0.6 million, in interest expense, net on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The terms of the Senior Secured Notes have not changed materially from those disclosed in Note 13, "BORROWINGS," of the Notes to Consolidated Financial Statements contained in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of A&F's Annual Report on Form 10-K for Fiscal 2020.

ABL Facility

On April 29, 2021, A&F Management, in A&F Management's capacity as the lead borrower, and the other borrowers and guarantors party thereto, amended and restated in its entirety the Credit Agreement, dated as of August 7, 2014, as amended on September 10, 2015 and as further amended on October 19, 2017 (as amended and restated, the "Amended and Restated Credit Agreement"), among A&F Management, the other borrowers and guarantors party thereto, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent for the lenders, and the other parties thereto.

The Amended and Restated Credit Agreement continues to provide for a senior secured revolving credit facility of up to $400.0 million (the "ABL Facility"), and (i) extends the maturity date of the ABL Facility from October 19, 2022 to April 29, 2026; and (ii) modifies the required fee on undrawn commitments under the ABL Facility from 0.25% per annum to either 0.25% or 0.375% per annum (with the ultimate amount dependent on the conditions detailed in the Amended and Restated Credit Agreement).

Except for these changes, the terms of the ABL Facility remained substantially unchanged from those disclosed in Note 13, "BORROWINGS," of the Notes to Consolidated Financial Statements contained in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of A&F's Annual Report on Form 10-K for Fiscal 2020.

The Company did not have any borrowings outstanding under the ABL Facility as of July 31, 2021 or as of January 30, 2021.

As of July 31, 2021, the Company had availability under the ABL Facility of $278.6 million, net of $0.8 million in outstanding stand-by letters of credit. As the Company must maintain excess availability equal to the greater of 10% of the loan cap or $30 million under the ABL Facility, borrowing available to the Company under the ABL Facility was $248.6 million as of July 31, 2021.

Representations, warranties and covenants

The agreements related to the Senior Secured Notes and the ABL Facility contain various representations, warranties and restrictive covenants that, among other things and subject to specified exceptions, restrict the ability of the Company and its subsidiaries to: grant or incur liens; incur, assume or guarantee additional indebtedness; sell or otherwise dispose of assets, including capital stock of subsidiaries; make investments in certain subsidiaries; pay dividends, make distributions or redeem or repurchase capital stock; change the nature of their business; and consolidate or merge with or into, or sell substantially all of the Company's or A&F Management's assets to, another entity.

The Senior Secured Notes are guaranteed on a senior secured basis, jointly and severally, by A&F and each of the existing and future wholly-owned domestic restricted subsidiaries of A&F that guarantee or will guarantee A&F Management's Amended and Restated Credit Agreement or certain future capital markets indebtedness.

Certain of the agreements related to the Senior Secured Notes and the ABL Facility also contain certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance and providing additional guarantees and collateral in certain circumstances.

The Company was in compliance with all debt covenants under these agreements as of July 31, 2021.

12. SHARE-BASED COMPENSATION

Financial statement impact

The following table details share-based compensation expense and the related income tax impacts for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Share-based compensation expense	$ 6,487	$ 3,744	$ 14,937	$ 8,906
Income tax benefit associated with share-based compensation expense recognized [(1)]	$ 1,388	$ —	$ 1,686	$ —

(1) No income tax benefit was recognized during the thirteen and twenty-six weeks ended August 1, 2020 due to the establishment of a valuation allowance.

The following table details discrete income tax benefits and charges related to share-based compensation awards during the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Income tax discrete benefits realized for tax deductions related to the issuance of shares [(1)]	$ 826	$ —	$ 4,016	$ —
Income tax discrete charges realized upon cancellation of stock appreciation rights [(1)]	—	—	(3)	—
Total income tax discrete benefits related to share-based compensation awards [(1)]	$ 826	$ —	$ 4,013	$ —

(1) No income tax benefit was recognized during the thirteen and twenty-six weeks ended August 1, 2020 due to the establishment of a valuation allowance.

The following table details the amount of employee tax withheld by the Company upon the issuance of shares associated with restricted stock units vesting and the exercise of stock appreciation rights for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Employee tax withheld upon issuance of shares [(1)]	$ 312	$ 93	$ 12,060	$ 5,416

(1) Classified within other financing activities on the Condensed Consolidated Statements of Cash Flows.

Restricted stock units

The following table summarizes activity for restricted stock units for the twenty-six weeks ended July 31, 2021:

	Service-based Restricted Stock Units		Performance-based Restricted Stock Units		Market-based Restricted Stock Units	
	Number of Underlying Shares	Weighted-Average Grant Date Fair Value	Number of Underlying Shares	Weighted-Average Grant Date Fair Value	Number of Underlying Shares	Weighted-Average Grant Date Fair Value
Unvested at January 30, 2021	3,037,098	$ 11.62	297,216	$ 22.43	721,879	$ 21.46
Granted	659,612	32.38	146,580	31.78	73,294	49.81
Adjustments for performance achievement	—	—	(106,715)	21.31	(6,084)	33.69
Vested	(1,019,420)	12.19	—	—	(100,634)	33.69
Forfeited	(45,199)	12.73	(1,704)	23.05	(10,657)	17.84
Unvested at July 31, 2021 [(1)]	2,632,091	$ 16.58	335,377	$ 26.87	677,798	$ 22.66

[(1)] Unvested shares related to restricted stock units with performance-based and market-based vesting conditions are reflected at 100% of their target vesting amount in the table above. Unvested shares related to restricted stock units with performance-based and market-based vesting conditions can be achieved at up to 200% of their target vesting amount.

The following table details unrecognized compensation cost and the remaining weighted-average period over which these costs are expected to be recognized for restricted stock units as of July 31, 2021:

(in thousands)	Service-based Restricted Stock Units	Performance-based Restricted Stock Units	Market-based Restricted Stock Units
Unrecognized compensation cost	$ 36,486	$ 5,076	$ 9,330
Remaining weighted-average period cost is expected to be recognized (years)	1.3	1.2	1.0

Additional information pertaining to restricted stock units for the twenty-six weeks ended July 31, 2021 and August 1, 2020 follows:

(in thousands)	July 31, 2021	August 1, 2020
Service-based restricted stock units:		
Total grant date fair value of awards granted	$ 21,358	$ 13,752
Total grant date fair value of awards vested	$ 12,427	$ 12,834
Performance-based restricted stock units:		
Total grant date fair value of awards granted	$ 4,658	$ —
Total grant date fair value of awards vested	$ —	$ 4,635
Market-based restricted stock units:		
Total grant date fair value of awards granted	$ 3,651	$ —
Total grant date fair value of awards vested	$ 3,390	$ 4,132

No market-based restricted stock units were granted during the twenty-six weeks ended August 1, 2020. The weighted-average assumptions used for market-based restricted stock units in the Monte Carlo simulation during the twenty-six weeks ended July 31, 2021 were as follows:

	July 31, 2021
Grant date market price	$ 31.78
Fair value	$ 49.81
Assumptions:	
Price volatility	66 %
Expected term (years)	2.9
Risk-free interest rate	0.3 %
Dividend yield	— %
Average volatility of peer companies	72.0 %
Average correlation coefficient of peer companies	0.4694

Stock appreciation rights

The following table summarizes stock appreciation rights activity for the twenty-six weeks ended July 31, 2021:

	Number of Underlying Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life (years)
Outstanding at January 30, 2021	384,757	$ 33.04		
Granted	—	—		
Exercised	(107,068)	26.89		
Forfeited or expired	(34,150)	54.87		
Outstanding at July 31, 2021	243,539	$ 32.69	$ 2,029,216	2.8
Stock appreciation rights exercisable at July 31, 2021	243,539	$ 32.69	$ 2,029,216	2.8
Stock appreciation rights expected to become exercisable in the future as of July 31, 2021	—	$ —	$ —	0.0

No stock appreciation rights were exercised during the twenty-six weeks ended August 1, 2020. Information pertaining to stock appreciation rights exercised during the twenty-six weeks ended July 31, 2021 follows:

(in thousands)	July 31, 2021
Total grant date fair value of awards exercised	$ 1,020

13. DERIVATIVE INSTRUMENTS

The Company is exposed to risks associated with changes in foreign currency exchange rates and uses derivative instruments, primarily forward contracts, to manage the financial impacts of these exposures. The Company does not use forward contracts to engage in currency speculation and does not enter into derivative financial instruments for trading purposes.

The Company uses derivative instruments, primarily foreign currency exchange forward contracts designated as cash flow hedges, to hedge the foreign currency exchange rate exposure associated with forecasted foreign-currency-denominated intercompany inventory sales to foreign subsidiaries and the related settlement of the foreign-currency-denominated intercompany receivables. Fluctuations in foreign currency exchange rates will either increase or decrease the Company's intercompany equivalent cash flows and affect the Company's U.S. Dollar earnings. Gains or losses on the foreign currency exchange forward contracts that are used to hedge these exposures are expected to partially offset this variability. Foreign currency exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed upon settlement date. These foreign currency exchange forward contracts typically have a maximum term of twelve months. The sale of the inventory to the Company's customers will result in the reclassification of related derivative gains and losses that are reported in AOCL into earnings.

The Company also uses foreign currency exchange forward contracts to hedge certain foreign-currency-denominated net monetary assets/liabilities. Examples of monetary assets/liabilities include cash balances, receivables and payables. Fluctuations in foreign currency exchange rates result in transaction gains or losses being recorded in earnings, as U.S. GAAP requires that monetary assets/liabilities be remeasured at the spot exchange rate at quarter-end or upon settlement. The Company has chosen not to apply hedge accounting to these instruments because there are no differences in the timing of gain or loss recognition on the hedging instruments and the hedged items.

As of July 31, 2021, the Company had outstanding the following foreign currency exchange forward contracts that were entered into to hedge either a portion, or all, of forecasted foreign-currency-denominated intercompany inventory sales, the resulting settlement of the foreign-currency-denominated intercompany accounts receivable, or both:

(in thousands)	Notional Amount [1]
Euro	$ 123,157
British pound	$ 82,236
Canadian dollar	$ 18,181
Japanese yen	$ 7,120

[1] Amount reported is the U.S. Dollar notional amount outstanding as of July 31, 2021.

The fair value of derivative instruments is valued using quoted market prices of the same or similar instruments, adjusted for counterparty risk. The location and amounts of derivative fair values of foreign currency exchange forward contracts on the Condensed Consolidated Balance Sheets as of July 31, 2021 and January 30, 2021 were as follows:

(in thousands)	Location	July 31, 2021	January 30, 2021	Location	July 31, 2021	January 30, 2021
Derivatives designated as cash flow hedging instruments	Other current assets	$ 1,872	$ 79	Accrued expenses	$ 794	$ 4,694
Derivatives not designated as hedging instruments	Other current assets	—	—	Accrued expenses	—	—
Total		$ 1,872	$ 79		$ 794	$ 4,694

Information pertaining to derivative gains or losses from foreign currency exchange forward contracts designated as cash flow hedging instruments for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Gain recognized in AOCL [1]	$ 1,084	$ —	$ 2,228	$ 12,235
(Loss) gain reclassified from AOCL to cost of sales, exclusive of depreciation and amortization [2]	$ (1,697)	$ 2,407	$ (3,152)	$ 5,777

(1) Amount represents the change in fair value of derivative contracts. As a result of COVID-19, there was a significant change in the expected timing of previously hedged intercompany sales transactions, resulting in a dedesignation of the related hedge instruments during the twenty-six weeks ended August 1, 2020. At the time of dedesignation of these hedges, they were in a net gain position of approximately $12.6 million. Due to the extenuating circumstances leading to dedesignation, gains associated with these hedges at the time of dedesignation were deferred in AOCL until being reclassified into cost of goods sold, exclusive of depreciation and amortization when the originally forecasted transactions occurred and the hedged items affected earnings. Subsequent to the dedesignation of these hedges, these hedge contracts were settled in Fiscal 2020.

(2) Amount represents (loss) gain reclassified from AOCL to cost of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) when the hedged item affects earnings, which is when merchandise is converted to cost of sales, exclusive of depreciation and amortization.

Substantially all of the unrealized gain will be recognized in costs of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the next twelve months.

Additional information pertaining to derivative gains or losses from foreign currency exchange forward contracts not designated as hedging instruments for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Gain (loss) recognized in other operating income, net	$ 304	$ —	$ (164)	$ 742

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

For the thirteen and twenty-six weeks ended July 31, 2021, the activity in AOCL was as follows:

	Thirteen Weeks Ended July 31, 2021		
(in thousands)	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Beginning balance at May 1, 2021	$ (99,046)	$ (1,936)	$ (100,982)
Other comprehensive (loss) income before reclassifications	(1,986)	1,084	(902)
Reclassified loss from accumulated other comprehensive loss [(1)]	—	1,697	1,697
Tax effect	—	(78)	(78)
Other comprehensive (loss) income after reclassifications	(1,986)	2,703	717
Ending balance at July 31, 2021	$ (101,032)	$ 767	$ (100,265)

	Twenty-six Weeks Ended July 31, 2021		
(in thousands)	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Beginning balance at January 30, 2021	$ (97,772)	$ (4,535)	$ (102,307)
Other comprehensive (loss) income before reclassifications	(3,260)	2,228	(1,032)
Reclassified loss from accumulated other comprehensive loss [(1)]	—	3,152	3,152
Tax effect	—	(78)	(78)
Other comprehensive income after reclassifications	(3,260)	5,302	2,042
Ending balance at July 31, 2021	$ (101,032)	$ 767	$ (100,265)

(1) Amount represents loss reclassified from AOCL to cost of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

For the thirteen and twenty-six weeks ended August 1, 2020, the activity in AOCL was as follows:

	Thirteen Weeks Ended August 1, 2020		
(in thousands)	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Beginning balance at May 2, 2020	$ (115,366)	$ 9,946	$ (105,420)
Other comprehensive income before reclassifications	8,734	—	8,734
Reclassified gain from accumulated other comprehensive loss [(1)]	—	(2,407)	(2,407)
Other comprehensive (loss) income after reclassifications [(2)]	8,734	(2,407)	6,327
Ending balance at August 1, 2020	$ (106,632)	$ 7,539	$ (99,093)

	Twenty-six Weeks Ended August 1, 2020		
(in thousands)	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Beginning balance at February 1, 2020	$ (109,967)	$ 1,081	$ (108,886)
Other comprehensive income before reclassifications	3,335	12,235	15,570
Reclassified gain from accumulated other comprehensive loss [(1)]	—	(5,777)	(5,777)
Other comprehensive (loss) income after reclassifications [(2)]	3,335	6,458	9,793
Ending balance at August 1, 2020	$ (106,632)	$ 7,539	$ (99,093)

(1) Amount represents gain reclassified from AOCL to cost of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).
(2) No income tax benefit was recognized during the period due to the establishment of a valuation allowance.

15. SEGMENT REPORTING

The Company’s two operating segments are brand-based: Hollister, which includes the Company’s Hollister, Gilly Hicks and Social Tourist brands, and Abercrombie, which includes the Company’s Abercrombie & Fitch and abercrombie kids brands. These operating segments have similar economic characteristics, classes of consumers, products, and production and distribution methods, operate in the same regulatory environments, and have been aggregated into one reportable segment. Amounts shown below include net sales from wholesale, franchise and licensing operations, which are not a significant component of total revenue, and are aggregated within their respective operating segment and geographic area.

The Company’s net sales by operating segment for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Hollister	$ 514,483	$ 429,248	$ 956,891	$ 702,260
Abercrombie	350,367	269,080	689,364	481,427
Total	$ 864,850	$ 698,328	$ 1,646,255	$ 1,183,687

Net sales by geographic area are presented by attributing revenues to an individual country on the basis of the country in which the merchandise was sold for in-store purchases and on the basis of the shipping location provided by customers for digital orders. The Company’s net sales by geographic area for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
U.S.	$ 601,767	$ 458,671	$ 1,155,613	$ 781,533
EMEA	190,840	171,297	349,842	283,951
APAC	41,228	41,814	87,274	74,150
Other	31,015	26,546	53,526	44,053
International	$ 263,083	$ 239,657	$ 490,642	$ 402,154
Total	$ 864,850	$ 698,328	$ 1,646,255	$ 1,183,687

16. FLAGSHIP STORE EXIT BENEFITS

Reflecting a continued focus on one of the Company's key transformation initiatives 'Global Store Network Optimization,' the Company continues to pivot away from its large format flagship stores and strives to open smaller, more productive omnichannel focused brand experiences. As a result, the Company has closed certain of its flagship stores and may have additional closures as it executes against this strategy.

The Company recognizes impacts related to the exit of its flagship stores in flagship store exit benefits on the Consolidated Statements of Operations and Comprehensive Income (Loss). Details of the (benefits) charges recognized during the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 related to this initiative follow:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Operating lease cost	—	(5,230)	(841)	(5,230)
Asset disposals and other store-closure costs [1]	—	(3,205)	(514)	(3,205)
Employee severance and other employee transition costs	(88)	4,551	167	4,008
Total flagship store exit benefits	$ (88)	$ (3,884)	$ (1,188)	$ (4,427)

[1] Amounts represent costs incurred or benefits realized associated with returning the store to its original condition, including updated estimates to previously established accruals for asset retirement obligations and costs to remove inventory and store assets.

During the thirteen weeks ended May 1, 2021, the Company finalized an agreement with and paid its landlord partner to settle all remaining obligations related to the SoHo Hollister flagship store in New York City, which closed during the second quarter of Fiscal 2019. Prior to this new agreement, the Company was required to make payments in aggregate of $80.1 million pursuant to the lease agreements through the fiscal year ending January 30, 2029 ("Fiscal 2028"). The new agreement resulted in an acceleration of payments and provided for a discount resulting in a reduction of operating lease liabilities of $65.0 million and a cash outflow of $63.8 million to settle all remaining obligations related to this location. This cash outflow was classified within operating lease right-of-use assets and liabilities within Operating activities on the Condensed Consolidated Statement of Cash Flows during the twenty-six weeks ended July 31, 2021. The Company recognized a gain of $0.9 million in flagship store exit benefits on the Consolidated Statement of Operations and Comprehensive Income (Loss) related to this transaction.

In addition, during Fiscal 2020, the Company announced the early exit of four European Abercrombie & Fitch flagship locations, Three of the leases were transferred through assignment while the fourth lease has been subleased to a new tenant. The Company no longer has lease obligations for the three transfers and is scheduled to receive payments to fully offset its lease obligations on the sublease. Refer to Note 8, "*LEASES*," for additional information on the sublease arrangement.

As the Company continues its 'Global Store Network Optimization' efforts, it may incur future cash expenditures or incremental charges or realize benefits not currently contemplated due to events that may occur as a result of, or that are associated with, previously announced flagship store closures and flagship store closures that have not yet been finalized. At this time, the Company is not able to quantify the amount of future impacts, including any cash expenditures that may take place in future periods resulting from any potential flagship store closures given the unpredictable nature of lease exit negotiations and ultimate lease renewal decisions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the Company's Condensed Consolidated Financial Statements and notes thereto included in this Quarterly Report on Form 10-Q in "ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)," to which all references to Notes in MD&A are made.

INTRODUCTION

MD&A is provided as a supplement to the accompanying Condensed Consolidated Financial Statements and notes thereto to help provide an understanding of the Company's results of operations, financial condition, and liquidity. MD&A is organized as follows:

- Overview. This section provides a general description of the Company's business and certain segment information.

- Current Trends and Outlook. This section provides a discussion related to certain of the Company's focus areas for the current fiscal year and discussion of certain risks and challenges, such as COVID-19, as well as a summary of the Company's performance for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020.

- Results of Operations. This section provides an analysis of certain components of the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020.

- Liquidity and Capital Resources. This section provides a discussion of the Company's expected primary sources and uses of cash, financial condition and liquidity as of July 31, 2021, which includes (i) an analysis of financial condition as compared to January 30, 2021; (ii) an analysis of changes in cash flows for the twenty-six weeks ended July 31, 2021 as compared to the twenty-six weeks ended August 1, 2020; and (iii) an analysis of liquidity, including discussion related to the Company's Senior Secured Notes and ABL Facility, the Company's share repurchase and dividend programs, and outstanding debt and covenant compliance.

- Recent Accounting Pronouncements. The recent accounting pronouncements the Company has adopted or is currently evaluating, including the dates of adoption and/or expected dates of adoption, and anticipated effects on the Company's Condensed Consolidated Financial Statements, are discussed, as applicable.

- Critical Accounting Policies and Estimates. This section discusses accounting policies considered to be important to the Company's results of operations and financial condition, which typically require significant judgment and estimation on the part of management in their application.

- Non-GAAP Financial Measures. MD&A provides a discussion of certain financial measures that have been determined to not be presented in accordance with GAAP. This section includes certain reconciliations between GAAP and non-GAAP financial measures and additional details on non-GAAP financial measures, including information as to why the Company believes the non-GAAP financial measures provided within MD&A are useful to investors.

The following risks, categorized by the primary nature of the associated risk, including the disclosures in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2020 in some cases have affected and in the future could affect the Company's financial performance and cause actual results for Fiscal 2021 and beyond to differ materially from those expressed or implied in any of the forward-looking statements included in this Quarterly Report on Form 10-Q or otherwise made by management. The following risks, or a combination of risks, may be exacerbated by COVID-19 and could result in adverse impacts on the Company's business, results of operations, financial condition and cash flows.

Macroeconomic and industry risks include:
- COVID-19 has and may continue to materially adversely impact and cause disruption to our business;
- Changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits could have a material adverse impact on our business;
- Failure to engage our customers, anticipate customer demand and changing fashion trends, and manage our inventory commensurately could have a material adverse impact on our business;
- Our failure to operate effectively in a highly competitive and constantly evolving industry could have a material adverse impact on our business;
- Fluctuations in foreign currency exchange rates could have a material adverse impact on our business;

- Our ability to attract customers to our stores depends, in part, on the success of the shopping malls or area attractions that our stores are located in or around;
- The impact of war, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience could have a material adverse impact on our business; and
- The impact of extreme weather, infectious disease outbreaks, including COVID-19, and other unexpected events could result in an interruption to our business, as well as to the operations of our third-party partners, and have a material adverse impact on our business.

Strategic risks include:

- Failure to successfully develop an omnichannel shopping experience, a significant component of our growth strategy, or failure to successfully invest in customer, digital and omnichannel initiatives could have a material adverse impact on our business;
- Our failure to optimize our global store network could have a material adverse impact on our business;
- Our failure to execute our international growth strategy successfully and inability to conduct business in international markets as a result of legal, tax, regulatory, political and economic risks could have a material adverse impact on our business; and
- Our failure to appropriately address emerging environmental, social and governance matters could have a material adverse impact on our reputation and, as a result, our business.

Operational risks include:

- Failure to protect our reputation could have a material adverse impact on our business;
- If our information technology systems are disrupted or cease to operate effectively, it could have a material adverse impact on our business;
- We may be exposed to risks and costs associated with cyber-attacks, data protection, credit card fraud and identity theft that could have a material adverse impact on our business;
- Our reliance on our distribution centers makes us susceptible to disruptions or adverse conditions affecting our supply chain;
- Changes in the cost, availability and quality of raw materials, labor, transportation, and trade relations could have a material adverse impact on our business;
- We depend upon independent third parties for the manufacture and delivery of all our merchandise, and a disruption of the manufacture or delivery of our merchandise could have a material adverse impact on our business;
- We rely on the experience and skills of our executive officers and associates, and the failure to attract or retain this talent, effectively manage succession, and establish a diverse workforce could have a material adverse impact on our business; and
- We identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future. If we fail to remediate our material weaknesses, or if we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

Legal, tax, regulatory and compliance risks include:

- Fluctuations in our tax obligations and effective tax rate may result in volatility in our results of operations could have a material adverse impact on our business;
- Our litigation exposure, or any securities litigation and shareholder activism, could have a material adverse impact on our business;
- Failure to adequately protect our trademarks could have a negative impact on our brand image and limit our ability to penetrate new markets which could have a material adverse impact on our business;
- Changes in the regulatory or compliance landscape could have a material adverse impact on our business; and
- The agreements related to our senior secured asset-based revolving credit facility and our senior secured notes include restrictive covenants that limit our flexibility in operating our business and our inability to obtain credit on reasonable terms in the future could have an adverse impact on our business.

The factors listed above are not our only risks. Additional risks may arise, and current evaluations of risks may change, which could lead to material, adverse effects on our business, operating results and financial condition. The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Quarterly Report on Form 10-Q or made by the Company, its management or spokespeople 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," "should," "are confident," and similar expressions may identify forward-looking statements. Future economic and industry trends that could potentially impact revenue and profitability are difficult to predict. Therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties in the forward-looking statements included herein, including the uncertainty surrounding COVID-19, the inclusion of such information should not be regarded as a representation by the Company, or any other person, that the objectives of the Company will be achieved. The forward-looking statements included herein are based on information presently available to the management of the Company. Except as may be required by applicable law, the Company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

OVERVIEW

Business summary

The Company is a global, digitally-led omnichannel retailer. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids, which are sold primarily through its digital channels and Company-owned stores, as well as through various third-party arrangements. The Company's two brand-based operating segments are Hollister, which includes the Company's Hollister, Gilly Hicks and Social Tourist brands, and Abercrombie, which includes the Company's Abercrombie & Fitch and abercrombie kids brands. These five brands share a commitment to offering unique products of enduring quality and exceptional comfort that allow customers around the world to express their own individuality and style. The Company operates primarily in North America, Europe and Asia.

The Company's fiscal year ends on the Saturday closest to January 31. All references herein to the Company's fiscal years are as follows:

Fiscal year	Year ended	Number of weeks
Fiscal 2019	February 1, 2020	52
Fiscal 2020	January 30, 2021	52
Fiscal 2021	January 29, 2022	52

Due to the seasonal nature of the retail apparel industry, the results of operations for any current period are not necessarily indicative of the results expected for the full fiscal year and the Company could have significant fluctuations in certain asset and liability accounts. The Company historically experiences its greatest sales activity during the fall season, the third and fourth fiscal quarters, due to back-to-school and holiday sales periods, respectively.

CURRENT TRENDS AND OUTLOOK

Focus areas for Fiscal 2021

The Company remains committed to, and confident in, its long-term vision of becoming a digitally-led global omnichannel apparel retailer and continues to evaluate opportunities to make progress against initiatives that support this vision.

The Company entered Fiscal 2021 on offense, and has made progress towards recouping COVID-19 driven sales losses. Reflecting ongoing global uncertainty, the Company plans to continue to conservatively manage inventories, optimize its distribution center capacity for digital demand and tightly manage expenses.

The following focus areas for Fiscal 2021 serve as a framework to the Company achieving its long-term vision of becoming a digitally-led global omnichannel apparel retailer and achieving sustainable long-term operating margin expansion:

- Accelerate digital, data and technology investments to increase agility and improve the customer experience;
- Increase marketing investments to build on momentum across brands and geographies;
- Invest in Gilly Hicks and the Company's newest brand, Social Tourist, which launched on May 20, 2021;
- Optimize store square footage, while being opportunistic in global store expansion; and
- Integrate environmental, social and governance practices and standards throughout the organization.

Global Store Network Optimization

As part of its ongoing global store network optimization initiative and stated goal of repositioning from larger format, tourist-dependent flagship locations to smaller, omni-enabled stores that cater to local customers, the Company closed its Abercrombie & Fitch brand Orchard Road, Singapore flagship location during the first quarter of Fiscal 2021. This leaves the Company with six operating flagships at the end of the second quarter of Fiscal 2021, down from seven at the beginning of Fiscal 2021 and 15 at the beginning of Fiscal 2020.

In addition, the Company closed 129 non-flagship locations and eight flagship locations during Fiscal 2020. These actions, combined with recent digital sales growth, are expected to continue to transform the Company's operating model and reposition the Company for the future as the Company continues to focus on aligning store square footage with digital penetration. Future closures could be completed through natural lease expirations, while certain other leases include early termination options that can be exercised under specific conditions. The Company may also elect to exit or modify other leases, and could incur charges related to these actions.

Additional details related to store count and gross square footage follow:

	Hollister [1]		Abercrombie [2]		Total Company [3]		
	U.S.	International	U.S.	International	U.S.	International	Total
Number of stores:							
January 30, 2021	347	150	190	48	537	198	735
New	8	4	4	2	12	6	18
Permanently closed	—	(4)	(15)	(1)	(15)	(5)	(20)
July 31, 2021	355	150	179	49	534	199	733
Gross square footage *(in thousands)*:							
July 31, 2021	2,349	1,203	1,216	382	3,565	1,585	5,150

(1) Hollister includes the Company's Hollister and Gilly Hicks brands. Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes 10 international franchise stores as of July 31, 2021, and 9 international franchise stores as of January 30, 2021. Excludes 14 and 12 Company-operated temporary stores as of July 31, 2021 and January 30, 2021, respectively.

(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 12 international franchise stores as of July 31, 2021 and 10 international franchise stores as of January 30, 2021. Excludes four and two Company-operated temporary stores as of July 31, 2021 and January 30, 2021, respectively.

(3) This store count excludes one international third-party operated multi-brand outlet store as of each of July 31, 2021 and January 30, 2021.

COVID-19

In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. In response to COVID-19, certain governments imposed travel restrictions and local statutory quarantines and the Company experienced widespread temporary store closures. As of July 31, 2021, all Company-operated stores were fully open for in-store service. The extent of future impacts of COVID-19 on the Company's business, including the duration and impact on overall customer demand, are uncertain as current circumstances are dynamic and depend on future developments, including, but not limited to, the duration and spread of COVID-19, the emergence of new variants of the coronavirus, such as the Delta variant, and the availability and acceptance of effective vaccines, boosters or medical treatments. The Company plans to follow the guidance of local governments to evaluate whether further store closures will be necessary.

Total net sales increased approximately 24% and 39% for the thirteen and twenty-six weeks ended July 31, 2021 as compared to the thirteen and twenty-six weeks ended August 1, 2020 driven largely by increased store foot traffic relative to last year which was impacted by widespread temporary store closures due to COVID-19. Digital net sales decreased approximately 3% and increased 17% for the thirteen and twenty-six weeks ended July 31, 2021 as compared to the thirteen and twenty-six weeks ended August 1, 2020. Digital net sales remained highly penetrated, representing 44% and 47% of total net sales for the thirteen and twenty-six weeks ended July 31, 2021.

The Company's digital operations across brands have continued to serve the Company's customers during periods of temporary store closures as the Company's distribution centers implemented enhanced cleaning and social distancing measures in order to remain operational. In response to elevated digital demand during this period, the Company has leaned into its omnichannel capabilities by continuing to offer Purchase-Online-Pickup-in-Store, rolling out curbside pick-up at a majority of U.S. locations, and by utilizing ship-from-store capabilities. Despite the recent strength in digital sales, the Company has historically generated the majority of its annual net sales through stores and there can be no assurance that the current performance in the digital channel will continue.

COVID-19 has also caused disruptions to global supply chains, including recent extended closures of factories. The inability to receive inventory in a timely manner could cause delays in responding to customer demand and adversely affect sales. In order to mitigate the risk associated with supply chain constraints, the Company has taken and expects to continue to take actions to manage through the disruption, including shipping inventory by air and shifting production as necessary and where possible, which is likely to lead to increased inventory costs related to freight. It is possible that responses to extended factory closures are not adequate to mitigate their impact, and that these events could adversely affect the business and results of operations.

For a discussion of material risks that have the potential to cause our actual results to differ materially from our expectations, refer to the disclosures under the heading "FORWARD-LOOKING STATEMENTS AND RISK FACTORS" in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2020.

Summary of results

A summary of results for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 follows:

(in thousands, except change in net sales, gross profit rate, operating margin and per share amounts)	GAAP		Non-GAAP [1]	
	July 31, 2021 [2]	August 1, 2020 [3]	July 31, 2021 [2]	August 1, 2020 [3]
Thirteen Weeks Ended				
Net sales	$ 864,850	$ 698,328		
Change in net sales	23.8 %	(17.0)%		
Gross profit rate	65.2 %	60.7 %		
Operating income	$ 114,787	$ 14,143	$ 115,573	$ 22,226
Operating income margin	13.3 %	2.0 %	13.4 %	3.2 %
Net income attributable to A&F	$ 108,500	$ 5,464	$ 109,062	$ 14,713
Net income per diluted share attributable to A&F	$ 1.69	$ 0.09	$ 1.70	$ 0.23
Twenty-six Weeks Ended				
Net sales	$ 1,646,255	$ 1,183,687		
Change in net sales	39.1 %	(24.8)%		
Gross profit rate	64.3 %	58.1 %		
Operating income (loss)	$ 172,220	$ (194,984)	$ 175,670	$ (143,973)
Operating income (loss) margin	10.5 %	(16.5)%	10.7 %	(12.2)%
Net income (loss) attributable to A&F	$ 150,268	$ (238,684)	$ 153,045	$ (190,939)
Net income (loss) per diluted share attributable to A&F	$ 2.32	$ (3.82)	$ 2.36	$ (3.05)

(1) Discussion as to why the Company believes that these non-GAAP financial measures are useful to investors and a reconciliation of the Non-GAAP measures to the most directly comparable financial measure calculated and presented in accordance with GAAP are provided below under "*NON-GAAP FINANCIAL MEASURES*."

(2) Results for Fiscal 2021 reflect tax benefits related to the release of income tax valuation allowances and the impact of a statutory rate change on the valuation of deferred tax assets. Refer to Note 10, "*INCOME TAXES*."

(3) Results for Fiscal 2020 reflect significant adverse tax impacts related to valuation allowances on deferred tax assets and other tax charges. Refer to Note 10, "*INCOME TAXES*."

Certain components of the Company's Condensed Consolidated Balance Sheets as of July 31, 2021 and January 30, 2021 were as follows:

(in thousands)	July 31, 2021	January 30, 2021
Cash and equivalents	$ 921,504	$ 1,104,862
Gross long-term borrowings outstanding, carrying amount	$ 307,730	$ 350,000
Inventories	$ 415,604	$ 404,053

Certain components of the Company's Condensed Consolidated Statements of Cash Flows for the twenty-six week periods ended July 31, 2021 and August 1, 2020 were as follows:

(in thousands)	July 31, 2021	August 1, 2020
Net cash provided by operating activities	$ 49,945	$ 46,233
Net cash used for investing activities	$ (35,269)	$ (25,621)
Net cash (used for) provided by financing activities	$ (200,247)	$ 71,329

RESULTS OF OPERATIONS

The estimated basis point ("BPS") change disclosed throughout this Results of Operations has been rounded based on the change in the percentage of net sales.

Net sales

The Company's net sales by operating segment for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 were as follows:

	Thirteen Weeks Ended			
(in thousands)	July 31, 2021	August 1, 2020	$ Change	% Change
Hollister [1]	$ 514,483	$ 429,248	$ 85,235	20%
Abercrombie [2]	350,367	269,080	81,287	30%
Total	$ 864,850	$ 698,328	$ 166,522	24%

	Twenty-six Weeks Ended			
(in thousands)	July 31, 2021	August 1, 2020	$ Change	% Change
Hollister[1]	$ 956,891	$ 702,260	$ 254,631	36%
Abercrombie [2]	689,364	481,427	207,937	43%
Total	$ 1,646,255	$ 1,183,687	$ 462,568	39%

(1) Includes Hollister, Gilly Hicks and Social Tourist brands.

(2) Includes Abercrombie & Fitch and abercrombie kids brands.

Net sales by geographic area are presented by attributing revenues to an individual country on the basis of the country in which the merchandise was sold for in-store purchases and the shipping location provided by customers for digital orders. The Company's net sales by geographic area for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 were as follows:

	Thirteen Weeks Ended			
(in thousands)	July 31, 2021	August 1, 2020	$ Change	% Change
U.S.	$ 601,767	$ 458,671	$ 143,096	31%
EMEA	190,840	171,297	19,543	11%
APAC	41,228	41,814	(586)	(1)%
Other	31,015	26,546	4,469	17%
International	$ 263,083	$ 239,657	$ 23,426	10%
Total	$ 864,850	$ 698,328	$ 166,522	24%

	Twenty-six Weeks Ended			
(in thousands)	July 31, 2021	August 1, 2020	$ Change	% Change
U.S.	$ 1,155,613	$ 781,533	$ 374,080	48%
EMEA	349,842	283,951	65,891	23%
APAC	87,274	74,150	13,124	18%
Other	53,526	44,053	9,473	22%
International	$ 490,642	$ 402,154	$ 88,488	22%
Total	$ 1,646,255	$ 1,183,687	$ 462,568	39%

For the second quarter of Fiscal 2021, net sales increased 24% as compared to the second quarter of Fiscal 2020, primarily due to an increase in units sold as a result of increased store foot traffic relative to last year, which was impacted by widespread temporary store closures due to COVID-19, partially offset by a 3% decrease in digital sales. Average unit retail increased year-over-year, driven by lower promotions and markdowns, with benefits from changes in foreign currency exchange rates of approximately $17 million.

For the year-to-date period of Fiscal 2021, net sales increased 39% as compared to the year-to-date period of Fiscal 2020, primarily due to an increase in units sold as a result of increased store foot traffic relative to last year, which was impacted by widespread temporary store closures due to COVID-19, and 17% digital sales growth. Average unit retail increased year-over-year, driven by less promotions and lower clearance levels, with benefits from changes in foreign currency exchange rates of approximately $29 million.

Cost of sales, exclusive of depreciation and amortization

	Thirteen Weeks Ended					
	July 31, 2021		August 1, 2020			
(in thousands)		% of Net sales		% of Net sales	BPS Change
Cost of sales, exclusive of depreciation and amortization	$ 301,365	34.8%	$ 274,720	39.3%	(450)

	Twenty-six Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net Sales		% of Net Sales	BPS Change
Cost of sales, exclusive of depreciation and amortization	$ 587,636	35.7%	$ 495,934	41.9%	(620)

For the second quarter of Fiscal 2021, cost of sales, exclusive of depreciation and amortization, as a percentage of net sales decreased by approximately 450 basis points as compared to the second quarter of Fiscal 2020. The year-over-year decline was primarily attributable to increased average unit retail on reduced promotions and markdowns.

For the year-to-date period of Fiscal 2021, cost of sales, exclusive of depreciation and amortization, as a percentage of net sales decreased by approximately 620 basis points as compared to the year-to-date period of Fiscal 2020. The year-over-year decline was primarily attributable to increased average unit retail on reduced promotions and markdowns.

Gross profit, exclusive of depreciation and amortization

	Thirteen Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net sales		% of Net sales	BPS Change
Gross profit, exclusive of depreciation and amortization	$ 563,485	65.2%	$ 423,608	60.7%	450

	Twenty-six Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net Sales		% of Net Sales	BPS Change
Gross profit, exclusive of depreciation and amortization	$ 1,058,619	64.3%	$ 687,753	58.1%	620

Stores and distribution expense

	Thirteen Weeks Ended						
	July 31, 2021			August 1, 2020			
(in thousands)			% of Net sales			% of Net sales	BPS Change
Stores and distribution expense	$	325,935	37.7%	$	310,370	44.4%	(670)

	Twenty-six Weeks Ended						
	July 31, 2021			August 1, 2020			
(in thousands)			% of Net Sales			% of Net Sales	BPS Change
Stores and distribution expense	$	642,543	39.0%	$	632,494	53.4%	(1,440)

For the second quarter of Fiscal 2021, stores and distribution expense increased 5% as compared to the second quarter of Fiscal 2020, primarily driven by a $22 million increase in store payroll expense, reflecting the return of certain expenses saved last year from COVID-19 temporary store closures and an $8 million increase in digital sales marketing expense. These increases were partially offset by a $25 million reduction in store occupancy expense reflecting a decrease in store count and favorable rent negotiations and include approximately $9 million in benefits related to rent abatements and a matter related to a prior flagship closure.

For the year-to-date period of Fiscal 2021, stores and distribution expense increased 2% as compared to the year-to-date period of Fiscal 2020, primarily driven by a $35 million increase in store payroll expense, reflecting the return of certain expenses saved last year from COVID-19 temporary store closures, a $12 million increase in digital shipping and handling expense reflecting 17% year-over-year digital sales growth and an $11 million increase in digital sales marketing expense. These increases were partially offset by a $56 million reduction in store occupancy expense reflecting a decrease in store count and favorable rent negotiations and include approximately $17 million in benefits related to rent abatements and a matter related to a prior flagship closure.

Marketing, general and administrative expense

	Thirteen Weeks Ended						
	July 31, 2021			August 1, 2020			
(in thousands)			% of Net sales			% of Net sales	BPS Change
Marketing, general and administrative expense	$	123,913	14.3%	$	97,252	13.9%	40

	Twenty-six Weeks Ended						
	July 31, 2021			August 1, 2020			
(in thousands)			% of Net Sales			% of Net Sales	BPS Change
Marketing, general and administrative expense	$	244,860	14.9%	$	205,509	17.4%	(250)

For the second quarter of Fiscal 2021, marketing, general and administrative expense increased 27% as compared to the second quarter of Fiscal 2020, primarily driven by increased digital media spend, performance-based compensation, legal, consulting and information technology expense. These increases were partially offset by a decrease in depreciation expense.

For the year-to-date period of Fiscal 2021, marketing, general and administration expense increased 19% as compared to the year-to-date period of Fiscal 2020, primarily driven by increased digital media spend, performance-based compensation, legal, consulting and information technology expense. These increases were partially offset by a decrease in depreciation expense.

Flagship store exit benefits

	Thirteen Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net sales		% of Net sales	BPS Change
Flagship store exit benefits	$ (88)	—%	$ (3,884)	(0.6)%	60

	Twenty-six Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net Sales		% of Net Sales	BPS Change
Flagship store exit benefits	$ (1,188)	(0.1)%	$ (4,427)	(0.4)%	30

Refer to Note 16, "*FLAGSHIP STORE EXIT BENEFITS*."

Asset impairment

	Thirteen Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net sales		% of Net sales	BPS Change
Asset impairment	$ 786	0.1%	$ 8,083	1.2%	(110)
Excluded items:					
Asset impairment charges [1]	(786)	(0.1)%	(8,083)	(1.2)%	110
Adjusted non-GAAP asset impairment	$ —	0.0%	$ —	—%	—

	Twenty-six Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net Sales		% of Net Sales	BPS Change
Asset impairment	$ 3,450	0.2%	$ 51,011	4.3%	(410)
Excluded items:					
Asset impairment charges [1]	(3,450)	(0.2)%	(51,011)	(4.3)%	410
Adjusted non-GAAP asset impairment	$ —	0.0%	$ —	—%	—

[1] Refer to "*NON-GAAP FINANCIAL MEASURES*," for further details.

Refer to Note 9, "*ASSET IMPAIRMENT*."

Other operating income, net

	Thirteen Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net sales		% of Net sales	BPS Change
Other operating income, net	$ 1,848	0.2%	$ 2,356	0.3%	10

	Twenty-six Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net Sales		% of Net Sales	BPS Change
Other operating income, net	$ 3,266	0.2%	$ 1,850	0.2%	—

Operating income (loss)

(in thousands)	Thirteen Weeks Ended July 31, 2021	% of Net sales	Thirteen Weeks Ended August 1, 2020	% of Net sales	BPS Change
Operating income	$ 114,787	13.3%	$ 14,143	2.0%	1,130
Excluded items:					
Asset impairment charges [1]	786	0.1%	8,083	1.2%	(110)
Adjusted non-GAAP operating income	$ 115,573	13.4%	$ 22,226	3.2%	1,020

(in thousands)	Twenty-six Weeks Ended July 31, 2021	% of Net Sales	Twenty-six Weeks Ended August 1, 2020	% of Net Sales	BPS Change
Operating income (loss)	$ 172,220	10.5%	$ (194,984)	(16.5)%	2,700
Excluded items:					
Asset impairment charges [1]	3,450	0.2%	51,011	4.3%	(410)
Adjusted non-GAAP operating income (loss)	$ 175,670	10.7%	$ (143,973)	(12.2)%	2,290

(1) Refer to *"NON-GAAP FINANCIAL MEASURES,"* for further details.

Interest expense, net

(in thousands)	Thirteen Weeks Ended July 31, 2021	% of Net sales	Thirteen Weeks Ended August 1, 2020	% of Net sales	BPS Change
Interest expense	$ 13,560	1.6%	$ 7,761	1.1%	50
Interest income	(2,285)	(0.3)%	(663)	(0.1)%	(20)
Interest expense, net	$ 11,275	1.3%	$ 7,098	1.0%	30

(in thousands)	Twenty-six Weeks Ended July 31, 2021	% of Net Sales	Twenty-six Weeks Ended August 1, 2020	% of Net Sales	BPS Change
Interest expense	$ 22,703	1.4%	$ 12,834	1.1%	30
Interest income	(2,822)	(0.2)%	(2,365)	(0.2)%	—
Interest expense, net	$ 19,881	1.2%	$ 10,469	0.9%	30

For the second quarter of Fiscal 2021, interest expense, net increased $4.2 million as compared to the second quarter of Fiscal 2020 primarily driven by the loss on the extinguishment of debt related to the purchase of Senior Secured Notes.

For the year-to-date period of Fiscal 2021, interest expense, net increased $9.4 million as compared to the year-to-date period of Fiscal 2020. The increase in interest expense, net, is primarily driven by the loss on the extinguishment of debt related to the purchase of Senior Secured Notes and higher interest expense in the current year, reflecting higher average borrowings outstanding at a higher interest rate.

Income tax (benefit) expense

	Thirteen Weeks Ended			
	July 31, 2021		August 1, 2020	
(in thousands, except ratios)		Effective Tax Rate		Effective Tax Rate
Income tax (benefit) expense	$ (6,944)	(6.7)%	$ 1,253	17.8%
Excluded items:				
Tax effect of pre-tax excluded items [1]	224		(1,166)	
Adjusted non-GAAP income tax (benefit) expense	$ (6,720)	(6.4)%	$ 87	0.6%

	Twenty-six Weeks Ended			
	July 31, 2021		August 1, 2020	
(in thousands, except ratios)		Effective Tax Rate		Effective Tax Rate
Income tax (benefit) expense	$ (823)	(0.5)%	$ 32,786	(16.0)%
Excluded items:				
Tax effect of pre-tax excluded items [1]	673		3,266	
Adjusted non-GAAP income tax (benefit) expense	$ (150)	(0.1)%	$ 36,052	(23.3)%

[1] The tax effect of pre-tax excluded items is the difference between the tax provision calculation on a GAAP basis and on an adjusted non-GAAP basis. Refer to "*Operating income (loss)*" for details of pre-tax excluded items.

Refer to Note 10, "*INCOME TAXES*."

Net income (loss) attributable to A&F

	Thirteen Weeks Ended				
	July 31, 2021		August 1, 2020		
(in thousands)		% of Net sales		% of Net sales	BPS Change
Net income attributable to A&F	$ 108,500	12.5%	$ 5,464	0.8%	1,170
Excluded items, net of tax [1]	562	0.1%	9,249	1.3%	(120)
Adjusted non-GAAP net income (loss) attributable to A&F [2]	$ 109,062	12.6%	$ 14,713	2.1%	1,050

	Twenty-six Weeks Ended				
	July 31, 2021 [3]		August 1, 2020		
(in thousands)		% of Net Sales		% of Net Sales	BPS Change
Net income (loss) attributable to A&F	$ 150,268	9.1%	$ (238,684)	(20.2)%	2,930
Excluded items, net of tax [1]	2,777	0.2%	47,745	4.0%	(380)
Adjusted non-GAAP net income (loss) attributable to A&F [2]	$ 153,045	9.3%	$ (190,939)	(16.1)%	2,540

[1] Excluded items presented above under "*Operating income (loss)*," and "*Income tax (benefit) expense.*"

[2] Refer to "*NON-GAAP FINANCIAL MEASURES*," for further details.

Net income (loss) per diluted share attributable to A&F

	Thirteen Weeks Ended				
	July 31, 2021		August 1, 2020		$ Change
Net income per diluted share attributable to A&F	$	1.69	$	0.09	$1.60
Excluded items, net of tax [1]	$	0.01	$	0.15	$(0.14)
Adjusted non-GAAP net income per diluted share attributable to A&F	$	1.70	$	0.23	$1.47
Impact from changes in foreign currency exchange rates	$	—	$	0.04	$(0.04)
Adjusted non-GAAP net income per diluted share attributable to A&F on a constant currency basis [2]	$	1.70	$	0.27	$1.43

	Twenty-six Weeks Ended				
	July 31, 2021		August 1, 2020		$ Change
Net income (loss) per diluted share attributable to A&F	$	2.32	$	(3.82)	$6.14
Excluded items, net of tax [1]	$	0.04	$	0.76	$(0.72)
Adjusted non-GAAP net income (loss) per diluted share attributable to A&F	$	2.36	$	(3.05)	$5.41
Impact from changes in foreign currency exchange rates	$	—	$	0.03	$(0.03)
Adjusted non-GAAP net income (loss) per diluted share attributable to A&F on a constant currency basis [2]	$	2.36	$	(3.02)	$5.38

[1] Excluded items presented above under "*Operating income (loss)*," and "*Income tax expense.*"

[2] Refer to "*NON-GAAP FINANCIAL MEASURES*," for further details.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company's capital allocation strategy, priorities and investments are reviewed by A&F's Board of Directors considering both liquidity and valuation factors. The Company believes that it will have adequate liquidity to fund operating activities over the next 12 months.

Primary sources and uses of cash

The Company's business has two principal selling seasons: the spring season, which includes the first and second fiscal quarters ("Spring") and the fall season, which includes the third and fourth fiscal quarters ("Fall"). The Company generally experiences its greatest sales activity during the Fall season, due to the back-to-school and holiday sales periods. The Company relies on excess operating cash flows, which are largely generated in Fall, to fund operations throughout the year and to reinvest in the business to support future growth. The Company also has the ABL Facility available as a source of additional funding, which is described further below under "*Credit facilities and Senior Secured Notes*".

Over the next twelve months, the Company expects its primary cash requirements to be directed towards prioritizing investments in the business and continuing to fund operating activities, including the acquisition of inventory, and obligations related to compensation, marketing, leases and any lease buyouts or modifications it may exercise, taxes and other operating activities.

The Company evaluates opportunities for investments in the business that are in line with initiatives that position the business for sustainable long-term growth that align with its strategic pillars as described within "ITEM 1. BUSINESS - STRATEGY AND KEY BUSINESS PRIORITIES" of A&F's Annual Report on Form 10-K for Fiscal 2020, including being opportunistic regarding growth opportunities, such as launching the Social Tourist brand. Examples of potential investment opportunities include, but are not limited to, new store experiences and options to early terminate store leases, investments in its omnichannel initiatives and investments to increase the Company's capacity to fulfill digital orders. Historically, the Company has utilized free cash flow generated from operations to fund any discretionary capital expenditures, which have been prioritized towards new store experiences, as well as digital and omnichannel investments, information technology, and other projects. For the year-to-date period ended July 31, 2021, the Company used $35.3 million towards capital expenditures. Total capital expenditures for Fiscal 2021 are expected to be approximately $100 million as compared to $101.9 million of capital expenditures in Fiscal 2020.

The Company entered Fiscal 2021 in a strong financial position, with cash and cash equivalents of $1.1 billion and total liquidity of approximately $1.3 billion. This allows the Company to evaluate potential opportunities to strategically deploy excess cash and delever the balance sheet, depending on various factors, such as market and business conditions, including the Company's ability to accelerate investments in the business. Such opportunities include, but are not limited to, repurchasing outstanding senior secured notes or returning cash to shareholders through share repurchases.

Share repurchases and dividends

In order to preserve liquidity and maintain financial flexibility in light of COVID-19, in March 2020, the Company announced that it had temporarily suspended its share repurchase program and in May 2020, the Company announced that it had temporarily suspended its dividend program. Although the dividend program remains suspended, the Company has since resumed share repurchases and may repurchase shares in the future, dependent on various factors, such as market and business conditions, including the Company's ability to accelerate investments in the business. The Company may in the future review its dividend program to determine, in light of facts and circumstances at that time, whether and when to reinstate.

Historically, the Company has repurchased shares of its Common Stock from time to time, dependent on market and business conditions, with the objectives of offsetting dilution from issuances of Common Stock associated with the exercise of employee stock appreciation rights and the vesting of restricted stock units and returning excess cash to shareholders. Shares may be repurchased in the open market, including pursuant to trading plans established in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), through privately negotiated transactions or other transactions or by a combination of such methods. Refer to "ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS" of Part II of this Quarterly Report on Form 10-Q for the number of shares remaining available for purchase under the Company's publicly announced stock repurchase authorization.

Dividends are declared at the discretion of A&F's Board of Directors. A quarterly dividend, of $0.20 per share outstanding, was declared in February and paid in March for Fiscal 2020. A&F's Board of Directors reviews and establishes a dividend amount, if any, based on A&F's financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other factors, including the potential severity of impacts to the business resulting from COVID-19 and any restrictions under the Company's agreements related to the Senior Secured Notes and the ABL Facility. There can be no assurance that the Company will pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

Credit facilities and Senior Secured Notes

In July 2020, the Company completed the private offering of the Senior Secured Notes, and received gross proceeds of $350.0 million. The Senior Secured Notes will mature on July 15, 2025 and bear interest at a rate of 8.75% per annum, with semi-annual interest payments which began in January 2021. The Company's debt related to the Senior Secured Notes is presented on the Condensed Consolidated Balance Sheets, net of the unamortized fees. During the thirteen weeks ended July 31, 2021, the Company repurchased $42.3 million of its outstanding Senior Secured Notes and incurred $5.3 million of loss on extinguishment of debt, comprised of a premium of $4.7 million and the write-off of unamortized fees of $0.6 million. As of July 31, 2021, the Company had $307.7 million of gross borrowings outstanding under the Senior Secured Notes.

In addition, the ABL Facility provides for a senior secured asset-based revolving credit facility of up to $400 million. As of July 31, 2021, the Company did not have any borrowings outstanding under the ABL Facility. The ABL Facility matures on April 29, 2026.

Details regarding the remaining borrowing capacity under the ABL Facility as of July 31, 2021 are as follows:

(in thousands)		July 31, 2021
Borrowing base	$	279,400
Less: Outstanding stand-by letters of credit		(846)
Borrowing capacity		278,554
Less: Minimum excess availability [1]		(30,000)
Borrowing available	$	248,554

[1] The Company must maintain excess availability equal to the greater of 10% of the loan cap or $30 million under the ABL Facility.

Refer to Note 11, "*BORROWINGS*."

Income taxes

The Company's earnings and profits from its foreign subsidiaries could be repatriated to the U.S. without incurring additional federal income tax. The Company determined that the balance of the Company's undistributed earnings and profits from its foreign subsidiaries as of February 2, 2019 are considered indefinitely reinvested outside of the U.S., and if these funds were to be repatriated to the U.S., the Company would expect to incur an insignificant amount of state income taxes and foreign withholding taxes. The Company accrues for both state income taxes and foreign withholding taxes with respect to earnings and profits earned after February 2, 2019, in such a manner that these funds could be repatriated without incurring additional tax expense. As of July 31, 2021, $436.0 million of the Company's $921.5 million of cash and equivalents were held by foreign affiliates. The Company is not dependent on dividends from its foreign affiliates to fund its U.S. operations or pay dividends, if any, to A&F's stockholders.

Refer to Note 10, "*INCOME TAXES*."

Analysis of cash flows

The table below provides certain components of the Company's Condensed Consolidated Statements of Cash Flows for the twenty-six weeks ended July 31, 2021 and August 1, 2020:

	Twenty-six Weeks Ended			
		July 31, 2021		August 1, 2020
(in thousands)				
Cash and equivalents, and restricted cash and equivalents, beginning of period	$	1,124,157	$	692,264
Net cash provided by operating activities		49,945		46,233
Net cash used for investing activities		(35,269)		(25,621)
Net cash (used for) provided by financing activities		(200,247)		71,329
Effect of foreign currency exchange rates on cash		(2,547)		1,785
Net (decrease) increase in cash and equivalents, and restricted cash and equivalents		(188,118)		93,726
Cash and equivalents, and restricted cash and equivalents, end of period	$	936,039	$	785,990

Operating activities - During the year-to-date period ended July 31, 2021, the Company recognized higher cash receipts as compared to the year-to-date period ended August 1, 2020 as a result of the 39% year-over-year increase in net sales as the Company experienced widespread temporary store closures in response to COVID-19 during Fiscal 2020.

The Company also took various immediate, aggressive actions during Fiscal 2020 to preserve liquidity and manage cash flows in light of COVID-19 in order to best position the business for key stakeholders, including, but not limited to (i) partnering with merchandise and non-merchandise vendors in regards to payment terms; (ii) tightly managing inventory receipts to align inventory with expected market demand; and (iii) significantly reducing expenses to better align operating costs with sales. The Company also suspended rent payments for a larger proportion of its stores in Fiscal 2020 than it has in Fiscal 2021 related to stores that were closed for a period of time as a result of COVID-19. Certain payment term extensions were temporary and certain previously deferred payments have since been made. There can be no assurance that the Company will be able to maintain extended payment terms or continue to defer payments, which may result in incremental operating cash outflows in future periods.

In addition, during the year-to-date period ended July 31, 2021, the Company finalized an agreement with and paid its landlord partner to settle all remaining obligations related to the SoHo Hollister flagship store in New York City, which closed during the second quarter of Fiscal 2019. Prior to this new agreement, the Company was required to make payments in aggregate of $80.1 million pursuant to the lease agreements through Fiscal 2028. The new agreement resulted in an acceleration of payments and provided for a discount resulting in an operating cash outflow of $63.8 million during the year-to-date period ended July 31, 2021.

Investing activities - During the year-to-date period ended July 31, 2021, net cash outflows for investing activities were used for capital expenditures of $35.3 million as compared to $75.6 million for the year-to-date period ended August 1, 2020. In addition, the year-to-date period ended August 1, 2020, reflects the withdrawal of $50.0 million from the overfunded Rabbi Trust assets, which represented the majority of excess funds, improving the Company's near-term cash position in light of COVID-19.

Financing activities - During the year-to-date period ended July 31, 2021, net cash used by financing activities included the purchase of $42.3 million of outstanding Senior Secured Notes at a premium of $4.7 million. During the year-to-date period ended August 1, 2020, net cash provided by financing activities primarily consisted of the issuance of the Senior Secured Notes and receipt of related gross proceeds of $350.0 million and borrowings under the ABL Facility of $210.0 million. The gross proceeds from the Senior Secured Notes offering were used along with existing cash on hand, to repay all then outstanding borrowings and accrued interest under the Term Loan Facility and ABL Facility, with the remaining net proceeds used towards fees and expenses in connection with such repayments and the offering. In addition, the Company returned $27.7 million to shareholders through share repurchases and dividends during the twenty-six weeks ended August 1, 2020, prior to the Company's decision to temporarily suspend its share repurchase and dividend programs in light of COVID-19. The Company resumed share repurchase activity beginning March 2021 and repurchased approximately 3.5 million shares of A&F's Common Stock with a market value of approximately $135.2 million during the year-to-date period ended July 31, 2021.

Off-balance sheet arrangements

As of July 31, 2021, the Company did not have any material off-balance sheet arrangements.

Contractual obligations

The Company's contractual obligations consist primarily of operating leases, purchase orders for merchandise inventory, unrecognized tax benefits, certain retirement obligations, lease deposits and other agreements to purchase goods and services that are legally binding and that require minimum quantities to be purchased. These contractual obligations impact the Company's short-term and long-term liquidity and capital resource needs.

There have been no material changes during the thirteen weeks ended July 31, 2021 in the contractual obligations as of January 30, 2021, with the exception of those obligations which occurred in the normal course of business (primarily changes in the Company's merchandise inventory-related purchases and lease obligations, which fluctuate throughout the year as a result of the seasonal nature of the Company's operations).

RECENT ACCOUNTING PRONOUNCEMENTS

The Company describes its significant accounting policies in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," of the Notes to Consolidated Financial Statements contained in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of A&F's Annual Report on Form 10-K for Fiscal 2020. The Company reviews recent accounting pronouncements on a quarterly basis and has excluded discussion of those not applicable to the Company and those that did not have, or are not expected to have, a material impact on the Company's consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company describes its critical accounting policies and estimates in "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," of A&F's Annual Report on Form 10-K for Fiscal 2020. There have been no significant changes in critical accounting policies and estimates since the end of Fiscal 2020.

NON-GAAP FINANCIAL MEASURES

This Quarterly Report on Form 10-Q includes discussion of certain financial measures calculated and presented on both a GAAP and a non-GAAP basis. The Company believes that each of the non-GAAP financial measures presented in this "ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" is useful to investors as it provides a meaningful basis to evaluate the Company's operating performance excluding the effect of certain items that the Company believes may not reflect its future operating outlook, such as certain asset impairment charges related to the Company's flagship stores and significant impairments primarily attributable to the COVID-19 pandemic, thereby supplementing 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. These non-GAAP financial measures should be used as a supplement 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.

Comparable sales

At times, the Company provides comparable sales, defined as the year-over-year percentage change in the aggregate of (1) net 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 the prior year's net sales converted at the current year's foreign currency exchange rates to remove the impact of foreign currency exchange rate fluctuations, and (2) digital net sales with the prior year's net sales converted at the current year's foreign currency exchange rates to remove the impact of foreign currency exchange rate fluctuations. Comparable sales exclude revenue other than store and digital sales. Management uses comparable sales to understand the drivers of year-over-year changes in net sales and believes comparable sales is a useful metric as it can assist investors in distinguishing the portion of the Company's revenue attributable to existing locations from the portion attributable to the opening or closing of stores. The most directly comparable GAAP financial measure is change in net sales. In light of store closures related to COVID-19, the Company has not disclosed comparable sales for Fiscal 2020 or Fiscal 2021.

Excluded items

The following financial measures are disclosed on a GAAP and on an adjusted non-GAAP basis excluding the following items, as applicable:

Financial measures [1]	Excluded items
Asset impairment	Asset impairment charges
Operating income (loss)	Asset impairment charges
Income tax (benefit) expense [2]	Tax effect of pre-tax excluded items
Net income (loss) and net income (loss) per share attributable to A&F [2]	Pre-tax excluded items and the tax effect of pre-tax excluded items

[1] Certain of these financial measures are also expressed as a percentage of net sales.
[2] The tax effect of excluded items is the difference between the tax provision calculation on a GAAP basis and on an adjusted non-GAAP basis.

Financial information on a constant currency basis

The Company 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. Management also uses financial information on a constant currency basis to award employee performance-based compensation. The effect from foreign currency exchange rates, calculated on a constant currency basis, is determined by applying the current period's foreign currency exchange rates to the prior year's results and is net of the year-over-year impact from hedging. The per diluted share effect from foreign currency exchange rates is calculated using a 26% effective tax rate.

A reconciliation of non-GAAP financial metrics on a constant currency basis to financial measures calculated and presented in accordance with GAAP for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 follows:

(in thousands, except change in net sales, gross profit rate, operating margin and per share data)	Thirteen Weeks Ended			Twenty-six Weeks Ended		
Net sales	July 31, 2021	August 1, 2020	% Change	July 31, 2021	August 1, 2020	% Change
GAAP	$ 864,850	$ 698,328	24%	$ 1,646,255	$ 1,183,687	39%
Impact from changes in foreign currency exchange rates	—	16,706	(2)%	—	28,979	(2)%
Non-GAAP on a constant currency basis	$ 864,850	$ 715,034	21%	$ 1,646,255	$ 1,212,666	36%
Gross profit, exclusive of depreciation and amortization expense	July 31, 2021	August 1, 2020	BPS Change [1]	July 31, 2021	August 1, 2020	BPS Change [1]
GAAP	$ 563,485	$ 423,608	450	$ 1,058,619	$ 687,753	620
Impact from changes in foreign currency exchange rates	—	12,178	(20)	—	19,563	(20)
Non-GAAP on a constant currency basis	$ 563,485	$ 435,786	430	$ 1,058,619	$ 707,316	600
Operating income (loss)	July 31, 2021	August 1, 2020	BPS Change [1]	July 31, 2021	August 1, 2020	BPS Change [1]
GAAP	$ 114,787	$ 14,143	1,130	$ 172,220	$ (194,984)	2,700
Excluded items [2]	(786)	(8,083)	110	(3,450)	(51,011)	410
Adjusted non-GAAP	$ 115,573	$ 22,226	1,020	$ 175,670	$ (143,973)	2,290
Impact from changes in foreign currency exchange rates	—	3,418	(40)	—	2,518	50
Adjusted non-GAAP on a constant currency basis	$ 115,573	$ 25,644	980	$ 175,670	$ (141,455)	2,240
Net income (loss) per diluted share attributable to A&F	July 31, 2021	August 1, 2020	$ Change	July 31, 2021	August 1, 2020	$ Change
GAAP	$ 1.69	$ 0.09	$1.60	$ 2.32	$ (3.82)	$6.14
Excluded items, net of tax [2]	(0.01)	(0.15)	0.14	(0.04)	(0.76)	0.72
Adjusted non-GAAP	$ 1.70	$ 0.23	$1.47	$ 2.36	$ (3.05)	$5.41
Impact from changes in foreign currency exchange rates	—	0.04	(0.04)	—	0.03	(0.03)
Adjusted non-GAAP on a constant currency basis	$ 1.70	$ 0.27	$1.43	$ 2.36	$ (3.02)	$5.38

(1) The estimated basis point change has been rounded based on the change in the percentage of net sales.
(2) Excluded items for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 consisted of pre-tax store asset impairment charges and the tax effect of pre-tax excluded items.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

INVESTMENT SECURITIES

The Company maintains its cash equivalents in financial instruments, primarily time deposits and money market funds, with original maturities of three months or less. Due to the short-term nature of these instruments, changes in interest rates are not expected to materially affect the fair value of these financial instruments.
The Rabbi Trust includes amounts to meet funding obligations to participants in the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan I, the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan II and the Supplemental Executive Retirement Plan. The Rabbi Trust assets primarily consist of trust-owned life insurance policies which are recorded at cash surrender value. The change in cash surrender value of the trust-owned life insurance policies held in the Rabbi Trust resulted in realized gains of $0.4 million and $0.4 million for the thirteen weeks ended July 31, 2021 and August 1, 2020, respectively, and $0.7 million and $1.0 million for the twenty-six weeks ended July 31, 2021 and August 1, 2020, respectively, which are recorded in interest expense, net on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The Rabbi Trust assets were included in other assets on the Condensed Consolidated Balance Sheets as of July 31, 2021 and January 30, 2021, and are restricted in their use as noted above.

INTEREST RATE RISK

Prior to July 2, 2020, the Company's exposure to market risk due to changes in interest rates related primarily to the increase or decrease in the amount of interest expense from fluctuations in the LIBO rate, or an alternate base rate associated with the Term Loan Facility and the ABL Facility. On July 2, 2020 the Company issued the Senior Secured Notes due in 2025 with a 8.75% fixed interest rate per annum and repaid all outstanding borrowings under the Term Loan Facility and the ABL Facility, thereby eliminating any then existing cash flow market risk due to changes in interest rates. The Senior Secured Notes are exposed to interest rate risk that is limited to changes in fair value. This analysis for Fiscal 2021 may differ from the actual results due to potential changes in gross borrowings outstanding under the ABL Facility and potential changes in interest rate terms and limitations described within the associated credit agreement.

The expected transition from the widespread use of LIBO rate to alternative rates over the next several years is not expected to have a material impact on the Company's interest expense. In addition, the Company has seen, and may continue to see, lower interest income earned on the Company's investments and cash holdings, reflecting the lower interest rate environment.

FOREIGN CURRENCY EXCHANGE RATE RISK

A&F's international subsidiaries generally operate with functional currencies other than the U.S. Dollar. Since the Company's Condensed Consolidated Financial Statements are presented in U.S. Dollars, the Company must translate all components of these financial statements from functional currencies into U.S. Dollars at exchange rates in effect during or at the end of the reporting period. The fluctuation in the value of the U.S. Dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities. The potential impact of foreign currency exchange rate fluctuations increases as international operations relative to domestic operations increase.

A&F and its subsidiaries have exposure to changes in foreign currency exchange rates associated with foreign currency transactions and forecasted foreign currency transactions, including the purchase of inventory between subsidiaries and foreign-currency-denominated assets and liabilities. The Company has established a program that primarily utilizes foreign currency exchange forward contracts to partially offset the risks associated with the effects of certain foreign currency transactions and forecasted transactions. Under this program, increases or decreases in foreign currency exchange rate exposures are partially offset by gains or losses on foreign currency exchange forward contracts, to mitigate the impact of foreign currency exchange gains or losses. The Company does not use forward contracts to engage in currency speculation. Outstanding foreign currency exchange forward contracts are recorded at fair value at the end of each fiscal period.

Foreign currency exchange forward contracts are sensitive to changes in foreign currency exchange rates. The Company assessed the risk of loss in fair values from the effect of a hypothetical 10% devaluation of the U.S. Dollar against the exchange rates for foreign currencies under contract. Such a hypothetical devaluation would decrease derivative contract fair values by approximately $22.9 million. As the Company's foreign currency exchange forward contracts are primarily designated as cash flow hedges of forecasted transactions, the hypothetical change in fair values would be expected to be largely offset by the net change in fair values of the underlying hedged items. Refer to Note 13, "*DERIVATIVE INSTRUMENTS*," for the fair value of any outstanding foreign currency exchange forward contracts included in other current assets and accrued expenses as of July 31, 2021 and January 30, 2021.

Item 4. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

A&F maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to provide reasonable assurance that information required to be disclosed in the reports that A&F files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to A&F's management, including A&F's principal executive officer and A&F's principal financial officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

A&F's management, including the Chief Executive Officer of A&F (who serves as Principal Executive Officer of A&F) and the Executive Vice President and Chief Financial Officer of A&F (who serves as Principal Financial Officer and Principal Accounting Officer of A&F), evaluated the effectiveness of A&F's design and operation of its disclosure controls and procedures as of the end of the fiscal quarter ended July 31, 2021. The Chief Executive Officer of A&F (in such individual's capacity as the Principal Executive Officer of A&F) and the Executive Vice President and Chief Financial Officer of A&F (in such individual's capacity as the Principal Financial Officer of A&F) concluded that A&F's disclosure controls and procedures were effective at a reasonable level of assurance as of July 31, 2021.

REMEDIATION OF PREVIOUSLY IDENTIFIED MATERIAL WEAKNESS

As previously disclosed within "ITEM 9A. CONTROLS AND PROCEDURES" of the Company's Fiscal 2020 Form 10-K, A&F did not design and maintain effective controls over the presentation and disclosure of activities in its Condensed Statements of Cash Flows. Specifically, A&F did not design and maintain controls to research and apply relevant accounting guidance in assessing the appropriate classification of cash flow activities associated with new transaction types. This material weakness resulted in the restatement of the Condensed Consolidated Statement of Cash Flows for the interim periods ended May 2, 2020, August 1, 2020, and October 31, 2020.

As part of A&F's efforts to remediate the material weakness described above, new procedures have been designed and implemented to research and apply relevant accounting guidance regarding the classification of cash flow activities associated with new transaction types and to document A&F management's conclusions with respect to such analysis. Based on the evidence obtained in validating the operating effectiveness of the implemented control, management has concluded that the previously disclosed material weakness has been remediated as of July 31, 2021.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in A&F's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during A&F's fiscal quarter ended July 31, 2021 that materially affected, or are reasonably likely to materially affect, A&F's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a defendant in lawsuits and other adversary proceedings arising in the ordinary course of business. The Company's legal costs incurred in connection with the resolution of claims and lawsuits are generally expensed as incurred, and the Company establishes estimated liabilities for the outcome of litigation where losses are deemed probable and the amount of loss, or range of loss, is reasonably estimable. The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible and it is able to determine such estimates. The Company's accrued charges for certain legal contingencies are classified within accrued expenses on the Condensed Consolidated Balance Sheets included in "ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)," of Part I of this Quarterly Report on Form 10-Q. Based on currently available information, the Company cannot estimate a range of reasonably possible losses in excess of the accrued charges for legal contingencies. In addition, the Company has not established accruals for certain claims and legal proceedings pending against the Company where it is not possible to reasonably estimate the outcome or potential liability, and the Company cannot estimate a range of reasonably possible losses for these legal matters. Actual liabilities may differ from the amounts recorded, due to uncertainties regarding final settlement agreement negotiations, court approvals and the terms of any approval by the courts, and there can be no assurance that the final resolution of legal matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's assessment of the current exposure could change in the event of the discovery of additional facts.

In addition, the Company notes that in connection with the SEC's recent modernization of the disclosures of legal proceedings required under Item 103 of Regulation S-K, the Company has elected to apply the threshold of $1 million in potential monetary sanctions (with such amount being the lesser of $1 million or 1% of the current assets of the Company on a consolidated basis) pursuant to Item 103(c)(3)(iii) of Regulation S-K in connection with determining the required disclosure with respect to environmental proceedings to which a governmental authority is a party.

Item 1A. Risk Factors.

The Company's risk factors as of July 31, 2021 have not changed materially from those disclosed in Part I, "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of equity securities during the second quarter of Fiscal 2021 that were not registered under the Securities Act of 1933, as amended.

The following table provides information regarding the purchase of shares of Common Stock of A&F made by or on behalf of A&F or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during each fiscal month of the thirteen weeks ended July 31, 2021:

Period (fiscal month)	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs [3]
May 2, 2021 through May 29, 2021	4,890	$ 43.32	—	8,922,785
May 30, 2021 through July 3, 2021	1,373,626	$ 42.23	1,372,073	7,550,712
July 4, 2021 through July 31, 2021	1,002,702	$ 41.97	1,001,899	6,548,813
Total	2,381,218	$ 42.13	2,373,972	6,548,813

(1) An aggregate of 7,246 shares of A&F's Common Stock purchased during the thirteen weeks ended July 31, 2021 were withheld for tax payments due upon the vesting of employee restricted stock units and the exercise of employee stock appreciation rights.

(2) On February 19, 2021, A&F's Board of Directors authorized the repurchase of 10.0 million shares of the Company's Common Stock, which was announced on March 2, 2021.

(3) The number shown represents, as of the end of each period, the maximum number of shares of A&F's Common Stock that may yet be purchased under A&F's publicly announced stock repurchase authorization described in footnote 2 above. The shares may be purchased, from time to time, depending on business and market conditions.

Item 6. Exhibits

Exhibit	Document
3.1	Amended and Restated Certificate of Incorporation of Abercrombie & Fitch Co., reflecting amendments through the date of this Quarterly Report on Form 10-Q, incorporated herein by reference to Exhibit 3.2 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2011 (File No. 001-12107). [This document represents the Amended and Restated Certificate of Incorporation of Abercrombie & Fitch Co. in compiled form incorporating all amendments. This compiled document has not been filed with the Delaware Secretary of State.]
3.2	Amended and Restated Bylaws of Abercrombie & Fitch Co. reflecting amendments through the date of this Quarterly Report on Form 10-Q, incorporated herein by reference to Exhibit 3.10 to A&F's Annual Report on Form 10-K for the fiscal year ended February 3, 2018 (File No. 001-12107). [This document represents the Amended and Restated Bylaws of Abercrombie & Fitch Co. in compiled form incorporating all amendments.]
10.1	Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates (as amended effective June 9, 2021), incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed on June 10, 2021 (File No. 001-12107).
10.2	Offer Letter from Abercrombie & Fitch Co. to Samir Desai (including as Exhibit A thereto the Agreement entered into between Abercrombie & Fitch Management Co. and Samir Desai, effective as of May 20, 2021, the execution date by Abercrombie & Fitch Management Co.), executed by Mr. Desai on May 24, 2021. *
31.1	Certifications by Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certifications by Executive Vice President and Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certifications by Chief Executive Officer (who serves as Principal Executive Officer) and Executive Vice President and Chief Financial Officer (who serves as Principal Financial Officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its Inline XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).*

* Filed herewith.
** Furnished herewith.

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.

Abercrombie & Fitch Co.

Date: September 8, 2021

By: /s/ Scott Lipesky

Scott Lipesky
Executive Vice President and Chief Financial Officer
(Principal Financial Officer, Principal Accounting Officer and Authorized Officer)

Abercrombie & Fitch Co.
A&F | a&f | gilly hicks

May 20, 2021

Samir Desai
******
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Dear Samir,

We are thrilled that you are considering joining Abercrombie & Fitch (A&F), and we are pleased to extend the following offer of employment:

<u>Position</u>	**Executive Vice President & Chief Digital and Technology Officer**, reporting to Fran Horowitz, Chief Executive Officer
<u>Start Date</u>	**July 19, 2021**
<u>Base Salary</u>	**$650,000** annually, paid bi-weekly. Your annual salary will be reviewed again in March 2022.
<u>IC Bonus Program</u>	You will be eligible to participate in A&F's Designated Officer Annual Incentive Compensation (IC) Program for Fiscal Year 2021, at a target payout level of **100%** of your annual base salary and a maximum payout of 200% of your annual base salary. Your IC eligibility for 2021 will be pro-rated based on your start date. IC for you and other Designated Officers will be based on annual Company financial results, and if earned will typically be paid in March following the conclusion of the prior Fiscal Year, subject to participants' being actively employed on the payout date. (Please note that the Designated Officer Annual IC Program is subject to change each year in the discretion of the Compensation Committee of the A&F Board of Directors (the "Compensation Committee")).
<u>Sign-On Bonus</u>	Upon your commencement of employment, A&F will provide you a one-time sign-on bonus of **$600,000**. This sign-on bonus (less applicable taxes and other withholdings) will be made along with your first regular paycheck. In order to obtain this payment, you will be required to sign an agreement to repay this bonus in full if you resign or are terminated for "Cause" (as that term is defined in Section 2(e)(2) of the Agreement annexed hereto as Exhibit A) within twenty- four (24) months of your start date.

Equity Inducement Grant: Restricted Stock Units (RSUs)	Subject to approval of the Compensation Committee and to the terms and conditions of the grant, you will receive an equity inducement grant with an approximate value of **$1,000,000**, in the form of A&F Restricted Stock Units (RSUs). The actual number of RSUs granted will be based on the closing share price on the date of the grant, which will occur (subject to Compensation Committee approval) at the next regularly scheduled meeting of the Compensation Committee following your start date or as soon as practicable thereafter. Upon vesting, one RSU converts to one share of A&F stock. Subject to continued employment with A&F, these RSUs will vest ratably over the next three years.
2021 Annual Equity Grant	Subject to approval of the Compensation Committee and to the terms and conditions of the grant, you will receive an annual equity grant for Fiscal 2021 with an approximate value of **$1,200,000**, in the form of 50% Performance Shares (PSAs) and 50% RSUs, and otherwise subject to the applicable equity award agreements. The actual number of RSUs and PSAs granted will be based on the closing share price on the date of the grant, which will occur (subject to Compensation Committee approval) at the next regularly scheduled meeting of the Compensation Committee following your start date or as soon as practicable thereafter.
Relocation Bonus	In lieu of benefits under A&F's executive relocation assistance program, the Company will provide you with a one-time relocation bonus payment of **$100,000** to assist with commuting and housing costs during your first year of employment. This relocation bonus (less applicable taxes and other withholdings) will be made along with your first regular paycheck. In order to obtain this payment, you will be required to sign an agreement to repay this bonus in full if you resign or are terminated for Cause within twenty-four (24) months of your start date.
Executive Severance Agreement (ESA)	In consideration of (and as a condition of) this offer of employment and your continued employment following hire, you agree to enter into an Executive Severance Agreement (ESA) in the form attached as Exhibit A to this offer letter. The ESA includes severance protection and other benefits for you, as well as protections for the company such as non-competition and non- solicitation provisions.
Benefits	You will be eligible to participate in various A&F benefit programs as set forth in this letter and in other relevant documents. All benefit programs are subject to change in accordance with A&F's policies and procedures.

A&F Qualified Savings

As of the first of the following month of your start date, you will be eligible to participate in the Abercrombie & Fitch Co. Savings and Retirement Plan. As a participant in this plan, you will be eligible to defer up to 50% of your base salary and bonus payouts, up to the IRS maximum annual deferral limit ($19,500 for 2021), subject to the IRS annual compensation limit ($290,000 for 2021). After one year of employment, the first 5% of your base salary and bonus payouts that you defer into this plan will be matched by A&F at 100%. Company matching contributions and earnings are always 100% vested.

A&F Non-Qualified Savings Plan

After 30 days of employment, you will be eligible to participate in the Abercrombie & Fitch Co. Non-Qualified Savings Plan. This plan allows you to defer up to 75% of your base salary each year, and up to 75% of your Bonus payouts.

Healthcare Coverage

After one month of employment, you will be eligible to participate in our Healthcare Benefit plans. For 2021, the associate contribution for these benefits is as follows:

	Medical/Dental	Vision
Single Coverage	$ 48.00 bi-weekly	$ 1.95 bi-weekly
Single (+) Spouse	$ 173.00 bi-weekly	$ 3.71 bi-weekly
Single (+) Child(ren)	$ 119.00 bi-weekly	$ 3.90 bi-weekly
Family Coverage	$ 200.00 bi-weekly	$ 5.74 bi-weekly

Life & Disability Insurance

After one month of employment, you will automatically be enrolled in A&F's Life & Disability Insurance plans.

Flexible Spending Account (FSA)

After one month of employment, you will be eligible to participate in A&F's Flexible Spending Account (FSA) plan. FSAs allow you to save money by paying for certain healthcare expenses with pre-tax dollars via automatic payroll deductions.

Associate Assistance Program (AAP)

After one month of employment, you will automatically be enrolled in A&F's Associate Assistance Program (AAP). The AAP gives you or any covered dependents access to free and confidential psychological, financial, and legal counseling through our AAP provider. Up to 8 free visits, per specific issue, are available through the AAP.

A&F Gym

Effective upon hire, you will be eligible to join the A&F Gym, our state of the art 8,000 square foot on-site fitness facility. The cost of membership can be paid via automatic payroll deduction after you enroll.

Merchandise Discount

You will receive a discount of 40% on qualifying purchases at all Abercrombie & Fitch and abercrombie kids stores. You will also receive a discount of 30% on qualifying purchases at all Hollister Co. stores. (Please note that this benefit is subject to the terms of the Associate Discount Policy as set forth in our Associate Handbook.)

Paid Time Off (PTO)/Holidays	You will be eligible for 33 paid time off (PTO) days per fiscal year. PTO will be pro-rated during the first year based on your start date. Unused PTO days do not carry over into subsequent fiscal years. A&F also grants 9 paid holidays to all Global Home Office associates annually, plus one Floating Holiday.
Additional A&F Perks	In addition to benefits listed above, you will be eligible for the following A&F perks: • Volunteer Day • Extended Summer Hours • On-Site Café • Stock Purchase Plan Please see the Home Office Associate Handbook or your HR Business Partner for more information on these programs.
Background/Reference Inquiry and Worth Authorization	This offer of employment is contingent on successful completion of background and reference checks, and on successful demonstration of your authorization to work in the United States. Please complete the enclosed Fair Credit Reporting Act Disclosure and Authorization Form (attached as Exhibit B) and return it along with your signed copy of this employment offer letter.

This offer, if accepted, is for employment with the Company that is at-will, and nothing in this offer letter is to be construed as altering that at-will status or promising employment for a definite term.

Samir, we look forward to working with you and are convinced that you will be an outstanding addition to the A&F team. To indicate your acceptance of this offer, please sign below and return this letter to me.

Sincerely,

/s/ Holly May

Holly May
Chief Human Resources Officer

I represent that I am not subject to any restriction, covenant or limitation with any prior employer which could prevent me from working for Abercrombie & Fitch in the capacity described in this offer letter. I further represent that to the extent I am subject to an agreement that allows me to work for Abercrombie & Fitch, but that forbids me to solicit employees of another company or to share another company's confidential information, I agree that I will not breach any such agreement while employed by Abercrombie & Fitch.

/s/ Samir Desai — 5/24/2021

Samir Desai — Date

AGREEMENT TO REPAY SIGN-ON BONUS AND AUTHORIZATION TO WITHHOLD WAGES

I, **Samir Desai**, hereby acknowledge the following payment to me by Abercrombie & Fitch ("the Company"), to be paid with my first regular paycheck after my start date with the Company:

- A sign-on bonus in the amount of **$600,000** (less applicable taxes and other withholdings)

I understand and agree that I will repay the Company in full for the entire amount of the sign-on bonus if I resign my employment with the Company **within twenty-four (24) months** of my start date, or if I am terminated for "Cause" (as that term is defined in Section 2(e)(2) of the Agreement annexed hereto as Exhibit A) within **twenty-four (24) months** of my start date.

I understand that at any time during my employment with the Company, my job title or responsibilities may be changed, and that any such change to my job title or responsibilities does not alter or affect my obligation to repay the Company for the entire amount of the sign-on bonus as required by this Agreement.

In the event that I resign my employment with the Company within **twenty-four (24) months** of my start date, or I am terminated for Cause within **twenty-four (24) months** of my start date, I authorize and agree that the full amount of the sign-on bonus shall become immediately due and payable to the Company or a third party as designated by the Company. I further authorize the Company to deduct from any wages, salary or other benefits or monies otherwise owed to me any such sum necessary to repay the sign-on bonus incurred by the Company, to the extent that such deductions are permitted by law. I understand and agree that I will be responsible and obligated to repay to the Company, within thirty (30) days, any remaining portion of the sign-on bonus that is not repaid through the deductions provided for in this Agreement. Regardless of the reason, should my employment with the Company never commence, the sign-on bonus will be immediately due and payable by me.

I understand that this Agreement will be governed and interpreted by the laws of Ohio. I hereby consent to jurisdiction over this Agreement in the Court of Common Pleas, Franklin County, Ohio or any other jurisdiction in which the Company has the right to bring suit and I expressly waive any right to obtain jurisdiction over this Agreement elsewhere.

Signature:	/s/ Samir Desai
Name:	**Samir Desai**
Date:	5/24/2021
Approved by:	/s/ Holly May
Name:	Holly May Chief Human Resources Officer

AGREEMENT TO REPAY RELOCATION BONUS AND AUTHORIZATION TO WITHHOLD WAGES

I, **Samir Desai**, hereby acknowledge the following payment to me by Abercrombie & Fitch ("the Company"), to be paid with my first regular paycheck after my start date with the Company:

- A relocation bonus in the amount of **$100,000** (less applicable taxes and other withholdings)

I understand and agree that I will repay the Company in full for the entire amount of the relocation bonus if I resign my employment with the Company within **twenty-four (24) months** of my start date, or if I am terminated for "Cause" (as that term is defined in Section 2(e)(2) of the Agreement annexed hereto as Exhibit A) within **twenty-four (24) months** of my start date.

I understand that at any time during my employment with the Company, my job title or responsibilities may be changed, and that any such change to my job title or responsibilities does not alter or affect my obligation to repay the Company for the entire amount of the relocation bonus as required by this Agreement.

In the event that I resign my employment with the Company within **twenty-four (24) months** of my start date, or I am terminated for Cause within **twenty-four (24) months** of my start date, I authorize and agree that the full amount of the relocation bonus shall become immediately due and payable to the Company or a third party as designated by the Company. I further authorize the Company to deduct from any wages, salary or other benefits or monies otherwise owed to me any such sum necessary to repay the relocation bonus incurred by the Company, to the extent that such deductions are permitted by law. I understand and agree that I will be responsible and obligated to repay to the Company, within thirty (30) days, any remaining portion of the relocation bonus that is not repaid through the deductions provided for in this Agreement. Regardless of the reason, should my employment with the Company never commence, the relocation bonus will be immediately due and payable by me.

I understand that this Agreement will be governed and interpreted by the laws of Ohio. I hereby consent to jurisdiction over this Agreement in the Court of Common Pleas, Franklin County, Ohio or any other jurisdiction in which the Company has the right to bring suit and I expressly waive any right to obtain jurisdiction over this Agreement elsewhere.

Signature:	/s/ Samir Desai
Name:	**Samir Desai**
Date:	5/24/2021
Approved by:	/s/ Holly May
Name:	Holly May Chief Human Resources Officer

EXHIBIT A

AGREEMENT

This AGREEMENT (this "Agreement"), is entered into between Abercrombie & Fitch Management Co., a Delaware corporation (the "Company"), and **Samir Desai** (the "Executive") as of the execution date by the Company below (the "Effective Date").

WHEREAS, the Company and the Executive desire to enter into this Agreement to set forth the terms under which the Executive may be entitled to severance benefits from the Company upon the occurrence of certain events during the Term of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Company and the Executive hereby agree as follows:

1. Term of Agreement; Termination of Employment

(a) Term. The term of this Agreement shall be from the Effective Date and for a period of two years thereafter (the “Original Term”); provided, that, this Agreement shall be automatically extended, subject to earlier termination as provided herein, for successive additional one year periods (each, an “Additional Term”), on the second anniversary of the Effective Date and each subsequent anniversary thereof unless, at least 90 days before the date on which an Additional Term otherwise would automatically begin, the Company or the Executive notifies the other in writing that the Term (as defined below) shall not be extended by any Additional Terms thereafter. Notwithstanding the foregoing, if a Change of Control (as defined below) occurs during the Original Term or an Additional Term, the term of this Agreement shall extend until the later of the Original Term or an Additional Term or the 18-month anniversary of such Change of Control (such extension, together with the Original Term or any Additional Terms, the “Term”).

(b) At-Will Nature of Employment. The Executive acknowledges and agrees that the Executive's employment with the Company is and shall remain "at-will" and the Executive's employment with the Company may be terminated at any time and for any reason (or no reason) by the Company, with or without notice, or the Executive, subject to the terms of this Agreement. During the period of the Executive's employment with the Company, the Executive shall perform such duties and fulfill such responsibilities as reasonably requested by the Company from time to time commensurate with the Executive's position with the Company.

(c) Termination of Employment by the Company. During the Term, the Company may terminate the Executive's employment at any time with or without Cause (as defined below) pursuant to the Notice of Termination provision below.

(d) Termination of Employment by the Executive. During the Term, the Executive may terminate employment with the Company with or without Good Reason (as defined below) by delivering to the Company, not less than thirty (30) days prior to the Termination Date, a written notice of termination; provided, that, if such termination of employment is by the Executive with Good Reason, such notice shall state in reasonable detail the facts and circumstances that constitute Good Reason. This provision does not change the at-will nature of Executive's employment, and the Company may end Executive's employment, pursuant to Executive's notice, prior to the expiration of the thirty (30) days' notice.

(e) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive shall be communicated by a written Notice of Termination addressed to the Executive or the Company, as applicable. A “Notice of Termination” shall mean a notice stating that the Executive's employment with the Company has been or will be terminated and the specific provisions of this Section 1 under which such termination is being effected.

(f) Termination Date. Subject to Section 4(a) hereof, "Termination Date" as used in this Agreement shall mean in the case of the Executive's death or Disability (as defined below), the date of death or Disability, or in all other cases of termination by the Company or the Executive, the date specified in writing by the Company or the Executive as the Termination Date in accordance with Section 1(e).

2. Compensation Upon Certain Terminations by the Company.

(a) Termination Without Cause, or for Good Reason. If the Executive's employment is terminated during the Term (i) by the Company without Cause (other than as a result of the Executive's death or Disability), or (ii) by the Executive for Good Reason, in each case, other than during the COC Protection Period (as defined below), the Company shall (A) pay to the Executive any portion of Executive's accrued but unpaid base salary earned through the Termination Date; (B) pay to the Executive any annual bonus that was earned by the Executive for the fiscal year immediately preceding the fiscal year in which the Termination Date occurs, to the extent not already paid; (C) reimburse the Executive for any and all amounts advanced in connection with Executive's employment with the Company for reasonable and necessary expenses incurred by Executive through the Termination Date in accordance with the Company's policies and procedures on reimbursement of expenses; (D) pay to the Executive any earned vacation pay not theretofore used or paid in accordance with the Company's policy for payment of earned and unused vacation time; and (E) provide to the Executive all other accrued but unpaid payments and benefits to which Executive may be entitled under the terms of any applicable compensation arrangement or benefit plan or program of the Company (excluding any severance plan or policy of the Company) (collectively, the "Accrued Compensation"). In addition, provided that the Executive executes a release of claims in a form acceptable to the Company (a "Release"), returns such Release to the Company by no later than 45 days following the Termination Date (the "Release Deadline") and does not revoke such Release prior to the expiration of the applicable revocation period (the date on which such Release becomes effective, the "Release Effective Date"), then subject to the further provisions of Sections 3, 4, and 6 below, the Company shall have the following obligations with respect to the Executive (or the Executive's estate, if applicable), subject to applicable taxes and withholdings:

(1) The Company will continue to pay the Executive's Base Salary (as defined below) during the period beginning on the Executive's Termination Date and continuing for eighteen months thereafter ("Salary Continuation"). This Salary Continuation payment shall be paid in bi-weekly installments, consistent with the Company's payroll practices. Subject to Sections 4(c) and 4(d) hereof, the first such payment shall be made on the first payroll date following the Release Effective Date, such payment to include all payments that would have otherwise been payable between the Termination Date and the date of such payment.

(2) The Company will pay to the Executive, at such time as those executives who are actively employed with the Company would receive payments under the Company's short-term cash bonus plan in which the Executive was eligible to participate immediately prior to the Termination Date (but in no event later than the 15th day of the third month of the fiscal year following the fiscal year in which the Termination Date occurred), a pro-rated amount of the Executive's bonus under such plan, based on the actual performance during the applicable period, determined in accordance with the terms of the Plan and subject to the approval of the Compensation and Organization Committee of the Board of Directors. The pro-rated amount shall be calculated using a fraction where the numerator is the number of days from the beginning of the applicable bonus period through the Termination Date and the denominator is the total number of days in the applicable bonus period.

(3) Subject to the Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), during the period in which Salary Continuation is in effect, the Company shall reimburse the Executive for 100% of the monthly premium costs of COBRA coverage, less applicable withholding taxes on such reimbursement; provided, however, that the Company's obligation to provide such benefits

shall cease upon the earlier of (i) the Executive's becoming eligible for such benefits as the result of employment with another employer and (ii) the expiration of the Executive's right to continue such medical and dental benefits under applicable law (such as COBRA); provided, further, that notwithstanding the foregoing, the Company shall not be obligated to provide the continuation coverage contemplated by this Section 2(a)(3) if it would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable).

(b) Termination for Cause, without Good Reason, or Death. If the Executive's employment is terminated during the Term by the Company for Cause, by the Executive without Good Reason or by reason of the Executive's death, the Company shall provide the Executive (or the Executive’s estate, if applicable) with only the Accrued Compensation.

(c) Termination due to Disability. If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company shall have the following obligations with respect to the Executive (or the Executive’s estate, if applicable): (i) the Company shall provide the Executive with the Accrued Compensation; and (ii) the Executive shall be entitled to receive any disability benefits available under the Company's Long-Term Disability Plan (if any). For purposes of this Agreement, “Disability” means a physical or mental infirmity which impairs the Executive's ability to substantially perform the Executive's duties with the Company or its subsidiaries for a period of at least six (6) months in any twelve (12)-month calendar period as determined in accordance with the Company's long-term disability plan or, in the absence of such plan, as determined by the Company's Board of Directors (the “Board”).

(d) Change of Control. If the Executive’s employment is terminated during the Term (i) by the Company other than for Cause, or due to the Executive’s death or Disability or (ii) by the Executive for Good Reason, in each case, during the three months prior to, and the eighteen months following, a Change of Control (such period, the “COC Protection Period”), then the Company shall provide the Executive with the Accrued Compensation and, subject to the Executive executing a Release, returning such Release to the Company by no later than the Release Deadline, and not revoking such Release prior to the expiration of the applicable revocation period, and subject to the further provisions of Sections 2(j), 3, 4 and 6 below, the Company shall have the following obligations with respect to the Executive (or the Executive’s estate, if applicable), subject to applicable taxes and withholdings:

(1) The Company will pay the Executive an amount equal to eighteen months of the Executive's Base Salary in effect on the Termination Date. Subject to Sections 4(c) and 4(d) hereof, such amount shall be payable in a lump sum on the sixtieth (60^{th}) day following the Termination Date, except to the extent that such amount becomes payable on account of a termination that occurs during the three-month period preceding a Change of Control. To that extent, the amount shall be paid at the time described in Section 2(a)(1) to the extent necessary to avoid the imposition of tax penalties under Section 409A of the Code.

(2) The Company will pay Executive an amount equal to 1.5 times the Executive's Target Bonus. Subject to Sections 4(c) and 4(d) hereof, such amount shall be payable in a lump sum on the sixtieth (60^{th}) day following the Termination Date.

(3) Subject to the Executive's timely election of continuation coverage under COBRA for a period of eighteen months following the Termination Date, the Company shall reimburse the Executive for 100% of the monthly premium costs of COBRA coverage, less applicable withholding taxes on such reimbursement; provided, however, that the Company's obligation to provide such benefits shall cease upon the earlier of (i) the Executive's becoming eligible for such benefits as the result of employment with another employer and (ii) the expiration of the Executive's right to continue such medical and dental benefits under applicable law (such as COBRA); provided,

further, that notwithstanding the foregoing, the Company shall not be obligated to provide the continuation coverage contemplated by this Section 2(d)(3) if it would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable).

(e) Definitions.

(1) Base Salary. For the purpose of this Agreement, “Base Salary” shall mean the Executive’s annual rate of base salary as in effect on the applicable date; provided, however, that if the Executive’s employment with the Company is being terminated by the Executive for Good Reason as a result of a reduction in the Executive’s Base Salary, then “Base Salary” shall, for purposes of the definition of “Good Reason” and Section 3 of this Agreement, constitute the Executive’s Base Salary as in effect prior to such reduction.

(2) Cause. For purposes of this Agreement, "Cause" shall mean: (i) the Executive’s conviction of, or entrance of a plea of guilty or nolo contendere to, a felony under federal or state law; (ii) fraudulent conduct by the Executive in connection with the business affairs of the Company; (iii) the Executive’s willful refusal to materially perform the Executive’s duties hereunder; (iv) the Executive’s willful misconduct which has, or would have if generally known, a materially adverse effect on the business or reputation of the company; or (v) the Executive’s material breach of a covenant, representation, warranty or obligation of the Executive to the Company. With respect to the circumstances in subsections (iii), (iv), and (v), above, such circumstances will only constitute “Cause” once the Company has provided the Executive written notice and the Executive has failed to cure such issue within 30 days. No act or failure to act on the Executive’s part shall be considered “willful” unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company.

(3) Change of Control. For purposes of this Agreement, "Change of Control" shall have the same meaning as such term is defined in the Company’s 2016 Long-Term Incentive Plan for Associates; provided, however, that for purposes of this Agreement, such definition shall only apply to the extent that the event that constitutes such a “Change of Control” also constitutes a “change in ownership or control” as such term is defined in Section 409A of the United States Internal Revenue Code of 1986, as amended (the “Code”), and the regulations and guidance issued thereunder (“Section 409A of the Code”).

(4) Good Reason. For purposes of this Agreement, “Good Reason” shall mean, without the Executive’s written consent: (i) a reduction in the Executive’s Base Salary or Target Bonus as in effect from time to time; (ii) a material reduction (including as a result of any co-sharing of responsibilities arrangement) of the Executive’s authority, responsibilities, or duties, (iii) a requirement that the Executive be based at a location in excess of 50 miles from the location of its principal executive office as of the date of this Agreement; (iv) the Company fails to obtain the written assumption of its obligations to the Executive under this Agreement by a successor no later than the consummation of a Change of Control; (v) a material breach by the Company of its obligations to the Executive under this Agreement; or (vi) in anticipation or contemplation of or following a Change of Control, as defined above, a material adverse change in the Executive’s reporting structure; which in each of the circumstances described above, is not remedied by the Company within 30 days of receipt of written notice by the Executive to the Company; so long as the Executive provides such written notice to the Company no later than 90 days following the first date the Executive has notice that the event giving rise to a claim of Good Reason exists;

(5) Target Bonus. "Target Bonus" shall mean the percentage of the Executive's Base Salary equal to the Executive's short-term cash bonus opportunity under the terms of the applicable short-term cash bonus program in which the Executive is entitled to participate in respect of the fiscal year of the Company in which the Termination Date occurs (if any); provided, however, that if the Executive's employment with the Company is terminated by the Executive for Good Reason as a result of a reduction in the Executive's Target Bonus, then "Target Bonus" shall mean the Executive's Target Bonus as in effect immediately prior to such reduction.

(f) Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Section 2 by seeking other employment or otherwise and no such payment or benefit shall be eliminated, offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment, except as provided in Section 2(a)(3) or Section 2(d)(3).

(g) Resignation from Office. The Executive's termination of employment with the Company for any reason shall be deemed to automatically remove the Executive, without further action, from any and all offices held by the Executive with the Company or its affiliates. The Executive shall execute such additional documents as requested by the Company from time to time to evidence the foregoing.

(h) Exclusivity. This Agreement is intended to provide severance payments and/or benefits only under the circumstances expressly enumerated under Section 2 hereof. Unless otherwise determined by the Company in its sole discretion, in the event of a termination of the Executive's employment with the Company for any reason (or no reason) or at any time other than as expressly contemplated by Section 2 hereof, the Executive shall not be entitled to receive any severance payments and/or benefits or other further compensation from the Company hereunder whatsoever, except for the Accrued Compensation and any other rights or benefits to which the Executive is otherwise entitled pursuant to the requirements of applicable law. Except as otherwise expressly provided in this Section 2, all of the Executive's rights to salary, bonuses, fringe benefits and other compensation hereunder (if any) which accrue or become payable after the Termination Date will cease upon the Termination Date.

(i) Set-Off. The Executive agrees that, to the extent permitted by applicable law, the Company may deduct from and set-off against any amounts otherwise payable to the Executive under this Agreement such amounts as may be owed by the Executive to the Company. The Executive shall remain liable for any part of the Executive's payment obligation not satisfied through such deduction and setoff.

(j) Exclusive Remedies. The Executive agrees and acknowledges that the payments and benefits set forth in this Section 2 shall be the only payments and benefits to which the Executive is entitled from the Company in connection with the termination of the Executive's employment with the Company, and that neither the Company nor its subsidiaries shall have any liability to the Executive or the Executive's estate, whether under this Agreement or otherwise, in connection with the termination of the Executive's employment.

3. Limitations on Certain Payments. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement or otherwise would be an "excess parachute payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits identified in the second to last sentence of this Section 3 to be paid or provided will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an excess parachute payment; provided, however, that the foregoing reduction will be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided to the Executive, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by a certified accounting firm that is independent from the Company. In the event that any payment or benefit intended to be provided under this Agreement

or otherwise is required to be reduced pursuant to this Section 3, the Company will reduce the Executive's payments and/or benefits, to the extent required, in the following order: (a) the payments due under Section 2(d)(3) (beginning with the payment farthest out in time that would otherwise be paid); (b) the payments due under Section 2(d)(1) (beginning with the payment farthest out in time that would otherwise be paid); (c) the payment due under Section 2(d)(2). The assessment of whether or not such payments or benefits constitute or would include excess parachute payments shall take into account a reasonable compensation analysis of the value of services provided or to be provided by the Executive, including any agreement by the Executive (if applicable) to refrain from performing services pursuant to a covenant not to compete or similar covenant applicable to you that may then be in effect.

4. <u>Section 409A of the Code; Withholding</u>.

(a) This Agreement is intended to avoid the imposition of taxes and/or penalties under Section 409A of the Code. The parties agree that this Agreement shall at all times be interpreted, construed and operated in a manner to avoid the imposition of taxes and/or penalties under with Section 409A of the Code. To the extent required for compliance with Section 409A of the Code, all references to a termination of employment and separation from service shall mean "separation from service" as defined in Section 409A of the Code, and the date of such "separation from service" shall be referred to as the "<u>Termination Date</u>".

(b) All reimbursements provided under this Agreement shall comply with Section 409A of the Code and shall be subject to the following requirement: (i) the amount of expenses eligible for reimbursement, during the Executive's taxable year may not affect the expenses eligible for reimbursement to be provided in another taxable year; and (ii) the reimbursement of an eligible expense must be made by December 31 following the taxable year in which the expense was incurred. The right to reimbursement is not subject to liquidation or exchange for another benefit.

(c) Notwithstanding anything in this Agreement to the contrary, for purposes of the period specified in this Agreement relating to the timing of the Executive's execution of the Release as a condition of the Company's obligation to provide any severance payments or benefits, if such period would begin in one taxable year and end in a second taxable year, any payment otherwise due to the Executive upon execution of the Release shall be made in the second taxable year and without regard to when the Release was executed or became irrevocable.

(d) If the Executive is a "specified employee" (as defined under Section 409A of the Code) on the Executive's Termination Date, to the extent that any amount payable under this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the Code (and is not otherwise excepted from Section 409A of the Code coverage by virtue of being considered "separation pay" or a "short term deferral" or otherwise) and is payable to Executive based upon a separation from service, such amount shall not be paid until the first day following the six (6) month anniversary of the Executive's Termination Date or the Executive's death, if earlier.

(e) To the maximum extent permitted under Section 409A of the Code, the payments and benefits under this Agreement are intended to meet the requirements of the short-term deferral exemption under Section 409A of the Code and the "separation pay exception" under Treasury Regulation §1.409A-1(b)(9)(iii). Any right to a series of installment payments shall be treated as a right to a series of separate payments for purposes of Section 409A of the Code.

(f) All amounts due and payable under this Agreement shall be paid less all amounts required to be withheld by law, including all applicable federal, state and local withholding taxes and deductions.

5. Indemnification. The Company shall indemnify, defend, and hold the Executive harmless to the maximum extent permitted by law and the Company by-laws against all judgments, fines, amounts paid in settlement and all reasonable expenses, including attorneys' fees incurred by the Executive, in connection with the defense of or as a result of any action or proceeding (or any appeal from any action or proceeding) in which the Executive is made or is threatened to be made a party by reason of the fact that the Executive is or was an officer or director of the Company. Subject to the terms of the Company's director and officer indemnification policies then in effect, the Company acknowledges that the Executive will be covered and insured up to the full limits provided by all directors' and officers' insurance which the Company then maintains to indemnify its directors and officers.

6. Executive Covenants.

(a) For the purposes of this Section 6, the term "Company" shall include Abercrombie & Fitch Management Co. and all of its subsidiaries, parent companies and affiliates thereof

(b) Non-Disclosure and Non-Use. The Executive shall not, during the Term and at all times thereafter, without the written authorization of the Chief Executive Officer ("CEO") of the Company or such other executive governing body as may exist in lieu of the CEO, (hereinafter referred to as the "Executive Approval"), use (except for the benefit of the Company) any Confidential and Trade Secret Information relating to the Company. The Executive shall hold in strictest confidence and shall not, without the Executive Approval, disclose to anyone, other than directors, officers, employees and counsel of the Company in furtherance of the business of the Company, any Confidential and Trade Secret Information relating to the Company. For purposes of this Agreement, "Confidential and Trade Secret Information" includes: the general or specific nature of any concept in development, the business plan or development schedule of any concept, vendor, merchant or customer lists or other processes, know-how, designs, formulas, methods, software, improvements, technology, new products, marketing and selling plans, business plans, development schedules, budgets and unpublished financial statements, licenses, prices and costs, suppliers, and information regarding the skills, compensation or duties of employees, independent contractors or consultants of the Company and any other information about the Company that is proprietary or confidential. Notwithstanding the foregoing, nothing herein shall prevent the Executive from disclosing Confidential and Trade Secret Information to the extent required by law or by any court or regulatory authority having actual or apparent authority to require such disclosure or in connection with any litigation or arbitration involving this Agreement.

The restrictions set forth in this Section 6(b) shall not apply to information that is or becomes generally available to the public or known within the Company's trade or industry (other than as a result of its wrongful disclosure by the Executive), or information received on a non-confidential basis from sources other than the Company who are not in violation of a confidentiality agreement with the Company.

The Executive further represents and agrees that, during the Term and at all times thereafter, the Executive is obligated to comply with the rules and regulations of the Securities and Exchange Commission ("SEC") regarding trading shares and/or exercising options related to the Company's stock. The Executive acknowledges that the Company has not provided opinions or legal advice regarding the Executive's obligations in this respect and that it is the Executive's responsibility to seek independent legal advice with respect to any stock or option transaction.

(c) Non-Disparagement and Cooperation. Neither the Executive nor any officer, director of the Company, nor any other spokesperson authorized as a spokesperson by any officer or director of the Company, shall, during the Term or at any time thereafter, intentionally state or otherwise publish anything about the other party which would adversely affect the reputation, image or business relationships and goodwill of the other party in the market and community at large. During the Term and at all times thereafter, the Executive shall fully cooperate with the Company in defense of legal claims asserted against the Company and other matters requiring the testimony or input and knowledge of the Executive. If at any time the Executive should be required to cooperate with the Company pursuant to this Section 6(c), the Company agrees to promptly reimburse the Executive for reasonable documented costs and expenses incurred as a result thereof. The Executive agrees that, during the Term and at all times thereafter, the Executive will not speak or communicate with any party or representative of any party, who is known to the Executive to be either adverse to the Company in litigation or administrative proceedings or to have threatened to commence litigation or administrative proceedings against the Company, with respect to the pending or threatened legal action, unless the Executive receives the written consent of the Company to do so, or is otherwise compelled by law to do so, and then only after advance notice to the Company. Nothing herein shall prevent the Executive from pursuing any claim in connection with enforcing or defending the Executive's rights or obligations under this Agreement, or engaging in any activity as set forth in Section 14 of this Agreement.

(d) Non-Competition. For the period of Executive's employment with the Company and its subsidiaries and for twelve (12) months following Executive's Termination Date with the Company and its subsidiaries for any reason (the "Non-Competition Period"), Executive shall not, directly or indirectly, without the Executive Approval, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any entity listed on Appendix A attached to this Agreement, or any of their current or future divisions, subsidiaries or affiliates (whether majority or minority owned), even if said division, subsidiary or affiliate becomes unrelated to the entity on Appendix A at some future date, or any other entity engaged in a business that is competitive with the Company in any part of the world in which the Company conducts business or is actively preparing or considering conducting business ("Competing Entity"); provided, however, that the "beneficial ownership" by the Executive, either individually or by a "group" in which the Executive is a member (as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of less than 2% of the voting stock of any publicly held corporation shall not be a violation of this Section 6(d). The Executive acknowledges and agrees that any consideration that the Executive received in respect of any non- competition covenant in favor of the Company or its subsidiaries entered into prior to the date hereof shall be incorporated herein as consideration for the promises set forth in this Section 6(d) and that the provisions contained in this Section 6(d) shall supersede any prior non-competition covenants between the Executive and the Company or its subsidiaries.

(e) Non-Solicitation. For the period of Executive's employment with the Company and its subsidiaries and for twenty-four (24) months following Executive's Termination Date with the Company and its subsidiaries for any reason ("Non-Solicitation Period"), the Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company with any person who at any time was a customer or supplier of the Company or otherwise had a business relationship with the Company. During the Non-Solicitation Period, the Executive shall not hire, solicit for hire, aid in or facilitate the hire, or cause to be hired, either as an employee, contractor or consultant, any person who is currently employed, or was employed at any time during the six-month period prior thereto, as an employee, contractor or consultant of the Company. The Executive acknowledges and agrees that any consideration that the Executive received for in respect of any non-solicitation covenant in favor of the Company or its subsidiaries entered into prior to the date hereof shall be incorporated herein as consideration for the promises set forth in this Section 6(e) and that the provisions contained in this Section 6(e) shall supersede any prior non-solicitation covenants between the Executive and the Company or its subsidiaries.

(f) Confidentiality of this Agreement. Unless this Agreement is required to be publicly disclosed under applicable U.S. securities laws, the Executive agrees that, during the Term and at all times thereafter, the Executive shall not speak about, write about, or otherwise publicize or disclose to any third party the terms of this Agreement or any fact concerning its negotiation, execution or implementation, except with (i) an attorney, accountant, or other advisor engaged by the Executive; (ii) the Internal Revenue Service or other governmental agency upon proper request; or (iii) the Executive's immediate family; provided, that all such persons agree in advance to keep said information confidential and not to disclose it to others. This Section 6(f) shall not prohibit Executive from disclosing the terms of this Section 6 to a prospective employer.

(g) Remedies. The Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages. The terms of this Section 6(g) shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the confidentiality provisions and the covenants not to compete and solicit contained in this Section 6 are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. The parties agree that the prevailing party shall be entitled to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which either may be entitled at law or in equity in connection with the enforcement of the covenants set forth in this Section 6. Should a court with jurisdiction determine, however, that all or any portion of the covenants set forth in this Section 6 is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that such covenants or portion thereof should be interpreted and enforced to the maximum extent that such court deems reasonable. In the event of any violation of the provisions of this Section 6, the Executive acknowledges and agrees that the post-termination restrictions contained in this Section 6 shall be extended by a period of time equal to the period of such violation, it being the intention of the parties hereto that the running of the applicable post- termination of employment restriction period shall be tolled during any period of such violation. In the event of a material violation by the Executive of this Section 6, any severance being paid to the Executive pursuant to Section 2 of this Agreement or otherwise shall immediately cease, and the aggregate gross amount of any severance previously paid to the Executive shall be immediately repaid to the Company.

(h) The provisions of this Section 6 shall survive any termination of this Agreement and any termination of the Executive's employment, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 6.

7. Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The term "the Company" as used herein shall include any such successors and assigns to the Company's business and/or assets. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring or otherwise succeeding to, directly or indirectly, all or substantially all the assets and business of the Company (including this Agreement) whether by operation of law or otherwise.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

8. Arbitration. Except with respect to the remedies set forth in Section 6(g) hereof, any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by a single arbitrator whose award shall be accepted as final and binding upon the parties. The American Arbitration Association, under its Employment Arbitration Rules, shall administer the binding arbitration. The arbitration shall take place in Columbus, Ohio. The Company and the Executive each waive any right to a jury trial or to a petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement or its termination and agree that the arbitrator shall have the authority to award costs and attorney fees to the prevailing party.

9. Effect on Prior Agreements. Except as otherwise set forth herein, this Agreement supersedes all provisions in prior agreements, either express or implied, between the parties hereto, with respect to post- termination payments and/or benefits; provided, that, this Agreement shall not supersede the Company's 2005, 2007 or 2016 Long-Term Incentive Plans (or any other applicable equity plan) or any applicable award agreements evidencing equity-based incentive awards thereunder (the "Equity Documents"), and any rights of the Executive with respect to equity-based incentive awards hereunder shall be in addition to, and not in lieu of, any rights pursuant to the Equity Documents. No provisions of this Agreement shall supersede or nullify the clawback provisions in the Equity Documents or any of the applicable Company incentive compensation plans.

10. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:
To Executive's last home address as listed in the books and records of the Company.

To the Company:
Abercrombie & Fitch Management Co. 6301 Fitch Path
New Albany, Ohio 43054
Attn: Chief Human Resources Officer

11. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

12. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of law principles thereof. Except as provided in Section 8, any actions or proceedings instituted under this Agreement with respect to any matters arising under or related to this Agreement shall be brought and tried only in the Court of Common Please, Franklin County, Ohio.

13. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

14. Protected Rights. Nothing contained in this Agreement limits Executive’s ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (“Government Agencies”). Executive further understands that this Agreement does not limit Executive’s ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit Executive’s right to receive an award from a Government Agency for information provided to any Government Agency.

IN WITNESS WHEREOF, the undersigned has hereto set their hand this 24th day of May, 2021.

/s/ Samir Desai

Samir Desai

IN WITNESS WHEREOF, the undersigned has hereto set their hand this 20th day of May, 2021.

/s/ Holly May

Holly May

Chief Human Resources Officer

<u>Appendix A</u> to EXHIBIT A

(all current and future (as described in Section 6(d) of the Agreement) subsidiaries, divisions and affiliates of the entities below)

American Eagle Outfitters, Inc.	Gap, Inc.
J. Crew Group, Inc.	Pacific Sunwear of California, Inc.
Urban Outfitters, Inc.	Aeropostale, Inc.
Polo Ralph Lauren Corporation	Ascena Retail Group
Lululemon Athletica, Inc.	Levi Strauss & Co.
L Brands (formerly known as Limited Brands, including, without limitation, Victoria's Secret, Pink, Bath & Body Works, La Senza and Henri Bendel)	Express, Inc.
Nike, Inc.	Under Armour, Inc.
Amazon.com, Inc.	

EXHIBIT B

FAIR CREDIT REPORTING ACT DISCLOSURE AND AUTHORIZATION

Abercrombie & Fitch Management Co. ("Abercrombie & Fitch"), when making a decision whether to offer you employment, when deciding whether to continue your employment (if you are hired), and when making other employment-related decisions directly affecting you, may wish to obtain and use a "consumer report" from a "consumer reporting agency" ("CRA"). These terms are defined in the Fair Credit Reporting Act ("FCRA"), which applies to you. As either an applicant for employment or an employee of Abercrombie & Fitch, you are a "consumer" with rights under the FCRA.

By signing below, you acknowledge receipt of the above disclosures regarding the FCRA and voluntarily authorize Abercrombie & Fitch to obtain "consumer reports" about you from a "consumer reporting agency" and to consider the "consumer reports" when making decisions regarding whether to offer you employment, when deciding whether to continue your employment (if you are hired), and when making other employment-related decisions regarding you. During any period while you may be employed by Abercrombie & Fitch, you hereby authorize Abercrombie & Fitch to make further like inquiries to a "consumer reporting agency" as Abercrombie & Fitch may from time to time deem necessary for employment purposes.

Name (signature) /s/ Samir Desai

Last Name Desai First Name Samir Middle Initial ______

Date May 24, 2021

Address ******
Street City State Zip

Social Security # ******

Driver's License # ****** State Where License Issued: ******

Month/Day/Year of Birth ******

Current Home Address: ******

Alias of Other Name(s) Used (if applicable):
******
Last Name First Name Middle Initial

EXHIBIT 31.1

CERTIFICATIONS

I, Fran Horowitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Abercrombie & Fitch Co. for the quarterly period ended July 31, 2021;

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 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 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.

Abercrombie & Fitch Co.

Date: September 8, 2021

By: /s/ Fran Horowitz

Fran Horowitz
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Scott Lipesky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Abercrombie & Fitch Co. for the quarterly period ended July 31, 2021;

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 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 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.

Abercrombie & Fitch Co.

Date: September 8, 2021

By: /s/ Scott Lipesky

Scott Lipesky

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

Certifications by Chief Executive Officer (who serves as Principal Executive Officer) and Executive Vice President and Chief Financial Officer (who serves as Principal Financial Officer) 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 Abercrombie & Fitch Co. (the "Corporation") on Form 10-Q for the quarterly period ended July 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Fran Horowitz, Chief Executive Officer of the Corporation (serving as Principal Executive Officer of the Corporation) and Scott Lipesky, Executive Vice President and Chief Financial Officer of the Corporation (serving as Principal Financial Officer of the Corporation), certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, 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) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Corporation and its subsidiaries.

/s/ Fran Horowitz	/s/ Scott Lipesky
Fran Horowitz Chief Executive Officer (Principal Executive Officer)	Scott Lipesky Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: September 8, 2021	Date: September 8, 2021

* These certifications are being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. These certifications shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Corporation specifically incorporates these certifications by reference in such filing.