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# Abercrombie & Fitch

NEW YORK

**INVESTOR PRESENTATION**

2014 THIRD QUARTER

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

A&F cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this presentation or made by management or spokespeople of A&F involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify forward-looking statements. Except as may be required by applicable law, we assume no obligation to publicly update or revise our forward-looking statements. The factors included in the disclosure 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 the fiscal year ended February 1, 2014, in some cases have affected and in the future could affect the Company's financial performance and could cause actual results for the 2014 Fiscal year and beyond to differ materially from those expressed or implied in any of the forward-looking statements included in this presentation or otherwise made by management.

## **OTHER INFORMATION**

All dollar and share amounts are in 000's unless otherwise stated. Sub-totals and totals may not foot due to rounding.

# Q3 ADJUSTED P&L SUMMARY\*

	2014	% OF NET SALES	2013	% OF NET SALES
NET SALES	\$911,453	100.0%	\$1,033,293	100.0%
GROSS PROFIT	567,070	62.2%	651,040	63.0%
OPERATING EXPENSE	514,970	56.5%	600,392	58.1%
OTHER OPERATING INCOME, NET	(1,534)	-0.2%	(9,851)	-1.0%
OPERATING INCOME	53,634	5.9%	60,499	5.9%
INTEREST EXPENSE, NET	5,572	0.6%	1,655	0.2%
INCOME BEFORE TAXES	48,062	5.3%	58,844	5.7%
TAX PROVISION	17,656	1.9%	18,299	1.8%
NET INCOME	\$30,406	3.3%	\$40,545	3.9%
NET INCOME PER SHARE				
BASIC	\$0.43		\$0.53	
DILUTED	\$0.42		\$0.52	
WEIGHTED-AVERAGE SHARES OUTSTANDING				
BASIC	70,814		76,456	
DILUTED	72,128		77,677	

\* The Q3 Adjusted P&L Summary for the current and prior periods is presented on a non-GAAP basis and excludes the charges set out on page 4. A reconciliation between GAAP and non-GAAP results is included as an appendix to the presentation.

# EXCLUDED CHARGES (PRE-TAX)

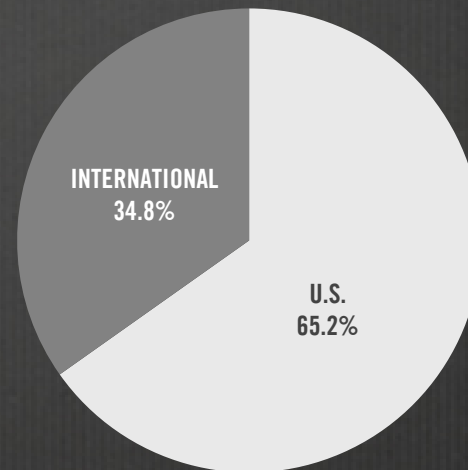
2014	Q1	Q2	Q3	Q4	YEAR TO DATE
ASSET IMPAIRMENT, LEASE TERMINATION AND STORE CLOSURE COSTS	—	—	\$18,958		\$18,958
PROFIT IMPROVEMENT AND CORPORATE GOVERNANCE	9,964	1,964	1,310		13,238
GILLY HICKS RESTRUCTURING CHARGES	5,633	419	—		6,052
TOTAL	\$15,597	\$2,383	\$20,268		\$38,248

2013	Q1	Q2	Q3	Q4	FULL YEAR
ASSET IMPAIRMENT, LEASE TERMINATION AND STORE CLOSURE COSTS	—	—	43,571	3,144	46,715
PROFIT IMPROVEMENT AND CORPORATE GOVERNANCE	—	2,575	7,590	3,674	13,839
GILLY HICKS RESTRUCTURING CHARGES	—	—	\$44,708	\$36,792	\$81,500
TOTAL	—	\$2,575	\$95,869	\$43,610	\$142,054

# Q3 COMPARABLE SALES\*

	<u>Q3</u>
<b>TOTAL COMPANY</b>	<b>-10%</b>
<b>GEOGRAPHIC:</b>	
<b>US</b>	<b>-7%</b>
<b>INTERNATIONAL</b>	<b>-15%</b>
<b>BRAND:</b>	
<b>ABERCROMBIE &amp; FITCH</b>	<b>-6%</b>
<b>abercrombie kids</b>	<b>-10%</b>
<b>HOLLISTER CO.</b>	<b>-12%</b>

GEOGRAPHIC SALES MIX



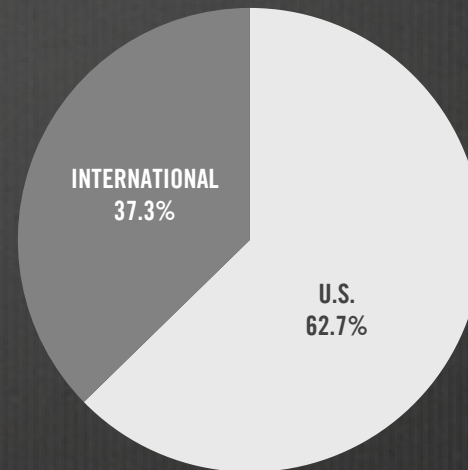
\* Includes comparable store and DTC sales.



# YEAR-TO-DATE COMPARABLE SALES\*

	<u>YTD</u>
TOTAL COMPANY	-7%
GEOGRAPHIC:	
US	-6%
INTERNATIONAL	-10%
BRAND:	
ABERCROMBIE & FITCH	-3%
abercrombie kids	-8%
HOLLISTER CO.	-10%

GEOGRAPHIC SALES MIX



\* Includes comparable store and DTC sales.

# Q3 ADJUSTED OPERATING EXPENSE\*

THIRD QUARTER	2014	% OF NET SALES	2013	% OF NET SALES	Δ bps <sup>(3)</sup>
STORE OCCUPANCY <sup>(1)</sup>	\$187,459	20.6%	\$196,610	19.0%	160
ALL OTHER <sup>(2)</sup>	223,735	24.5%	283,983	27.5%	(300)
STORES AND DISTRIBUTION	411,194	45.1%	480,593	46.5%	(140)
MARKETING, GENERAL & ADMINISTRATIVE	103,776	11.4%	119,799	11.6%	(20)
TOTAL	\$514,970	56.5%	\$600,392	58.1%	(160)

\* Third quarter adjusted operating expense excludes the charges set out on page 4. A reconciliation between GAAP and non-GAAP results is included as an appendix to the presentation.

<sup>(1)</sup> Includes rent, other landlord charges, utilities, depreciation and other occupancy expense.

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

<sup>(3)</sup> Rounded based on reported percentages.

# Q3 ADJUSTED P&L ANALYSIS\*

	SALES	2014 OPERATING INCOME	SALES	2013 OPERATING INCOME
<b>U.S. STORES <sup>(1)</sup></b>	\$475,717	\$77,897 16.4%	\$561,788	\$81,314 14.5%
<b>INTERNATIONAL STORES <sup>(1)</sup></b>	248,221	58,847 23.7%	296,937	76,186 25.7%
<b>DIRECT TO CONSUMER</b>	187,515	59,544 31.8%	174,568	65,616 37.6%
<b>MARKETING, GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	-	(103,776)	-	(119,799)
<b>STORE PRE-OPENING COSTS <sup>(2)</sup></b>	-	(2,582)	-	(6,276)
<b>ALL OTHER, NET <sup>(3)</sup></b>	-	(36,296)	-	(36,542)
<b>TOTAL</b>	<b>\$911,453</b>	<b>\$53,634</b>	<b>\$1,033,293</b>	<b>\$60,499</b>

\* Third quarter adjusted operating income excludes the charges set out on page 4. A reconciliation between GAAP and non-GAAP results is included as an appendix to the presentation.

<sup>(1)</sup> Operating Income for U.S. Stores and International Stores is reported on an aggregate four-wall basis, and excludes pre-opening costs. Also includes third party sell-off of excess merchandise.

<sup>(2)</sup> Store Pre-Opening Costs include pre-opening rent, payroll, travel and other expenses.

<sup>(3)</sup> All Other includes Store Management & Support, DC and Other Expenses, net of Other Income.



# SHARE REPURCHASES

	FY 2014			FY 2013		
	SHARES REPURCHASED	COST	AVERAGE COST	SHARES REPURCHASED	COST	AVERAGE COST
FIRST QUARTER	3,825.7	\$150,000	\$39.21	349.7	\$16,305	\$46.63
SECOND QUARTER	1,459.4	\$60,000	\$41.11	2,033.0	\$99,501	\$48.94
THIRD QUARTER	2,039.0	\$75,038	\$36.80	-	-	-
FOURTH QUARTER				-	-	-
TOTAL	7,324.1	\$285,038	\$38.92	2,382.7	\$115,806	\$48.60

# Q3 STORE OPENINGS

BRAND	CENTER	CITY	DATE
A&F	IFS Chengdu	Chengdu, CN	8/30/2014
abercrombie kids	Savile Row	London, UK	8/30/2014
A&F	Centro Oberhausen	Oberhausen, DE	9/4/2014
A&F	Gilroy Outlet	Gilroy, US	9/18/2014
Hollister	Mall of Berlin	Berlin, DE	9/25/2014
A&F	Atlantic City Outlet	Atlantic City, US	10/25/2014
Hollister	Lotte World	Seoul, SK	10/30/2014

# FULL YEAR GUIDANCE UPDATES\*

FULL YEAR ADJUSTED DILUTED EARNINGS PER SHARE IN THE RANGE OF \$1.50-\$1.65

FOURTH QUARTER COMPARABLE SALES DOWN BY A MID-TO-HIGH SINGLE-DIGIT

FOURTH QUARTER GROSS MARGIN RATE HIGHER THAN FOURTH QUARTER OF FISCAL 2013, LOWER THAN YEAR-TO-DATE RATE

FULL YEAR TAX RATE IN THE UPPER 30s

FULL YEAR WEIGHTED AVERAGE SHARE COUNT OF APPROXIMATELY 73.1 MILLION SHARES

CAPITAL EXPENDITURES FOR THE FISCAL YEAR OF APPROXIMATELY \$200 MILLION

\*Guidance for the full year does not include charges related to the Gilly Hicks restructuring, other potential impairment, lease termination and store closure charges, the Company's profit improvement initiative or certain corporate governance matters.

# Q3 STORE COUNT ACTIVITY

ALL BRANDS	TOTAL	U.S.	CANADA	EUROPE	REST OF WORLD*
START OF Q3 2014	997	836	18	119	24
OPENINGS	7	2	-	3	2
CLOSINGS	(4)	(4)	-	-	-
END OF Q3 2014	1,000	834	18	122	26

## A&F

START OF Q3 2014	279	254	4	15	6
OPENINGS	4	2	-	1	1
CLOSINGS	(1)	(1)	-	-	-
END OF Q3 2014	282	255	4	16	7

## abercrombie kids

START OF Q3 2014	133	128	2	3	-
OPENINGS	1	-	-	1	-
CLOSINGS	(1)	(1)	-	-	-
END OF Q3 2014	133	127	2	4	-

## HOLLISTER CO.

START OF Q3 2014	585	454	12	101	18
OPENINGS	2	-	-	1	1
CLOSINGS	(2)	(2)	-	-	-
END OF Q3 2014	585	452	12	102	19

\* Includes Asia, Australia, UAE and the Middle East.

# APPENDIX: RECONCILIATION OF Q3 2014 NON-GAAP FINANCIAL MEASURES

THIRTEEN WEEKS ENDED NOVEMBER 1, 2014  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	GAAP	EXCLUDED CHARGES <sup>(1)</sup>	ADJUSTED NON-GAAP <sup>(2)</sup>
STORES AND DISTRIBUTION EXPENSE	\$413,551	\$2,357	\$411,194
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	104,981	1,205	103,776
ASSET IMPAIRMENT	16,706	16,706	—
INCOME (LOSS) BEFORE TAXES	27,794	20,268	48,062
TAX EXPENSE (BENEFIT)	9,567	8,089	17,656
NET INCOME (LOSS)	\$18,227	\$12,179	\$30,406
NET INCOME (LOSS) PER DILUTED SHARE	\$0.25		\$0.42
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING:	72,128		72,128

<sup>(1)</sup> Excluded charges consists of pre-tax charges of \$16.7 million for store-related asset impairments for stores whose asset carrying value exceeded the fair value, primarily associated with 4 Abercrombie & Fitch, including the Ginza Flagship, 12 Hollister and 23 abercrombie stores, \$2.3 million for lease terminations and store closures, \$0.7 million related to the Company's profit improvement initiative, and \$0.6 million for legal, advisory and other related to certain corporate governance matters.

<sup>(2)</sup> Non-GAAP financial measures should not be used as alternatives to net income and net income per diluted share and are also not intended to supersede or replace the Company's GAAP financial measures. The Company believes it is useful to investors to provide the non-GAAP financial measures to assess the Company's operating performance.



# APPENDIX: RECONCILIATION OF 2014 YTD NON-GAAP FINANCIAL MEASURES

THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2014  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	GAAP	EXCLUDED CHARGES <sup>(1)</sup>	ADJUSTED NON-GAAP <sup>(2)</sup>
STORES AND DISTRIBUTION EXPENSE	\$1,257,422	\$4,365	\$1,253,057
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	339,595	11,125	328,470
RESTRUCTURING CHARGES	6,053	6,053	—
ASSET IMPAIRMENT	16,706	16,706	—
INCOME (LOSS) BEFORE TAXES	11,764	38,249	50,013
TAX EXPENSE (BENEFIT)	4,331	14,193	18,524
NET INCOME (LOSS)	\$7,433	\$24,056	\$31,489
NET INCOME (LOSS) PER DILUTED SHARE	\$0.10		\$0.43
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING:	73,870		73,870

<sup>(1)</sup> Excluded charges consists of pre-tax charges of \$16.7 million for store-related asset impairments for stores whose asset carrying value exceeded the fair value, primarily associated with 4 Abercrombie & Fitch, including the Ginza flagship, 12 Hollister and 23 abercrombie stores, \$7.5 million for legal, advisory and other related to certain corporate governance matters, \$6.1 million related to the restructuring of the Gilly Hicks brand, \$5.7 million related to the Company's profit improvement initiative and \$2.3 million for lease termination and store closures.

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# APPENDIX: RECONCILIATION OF Q3 2013 NON-GAAP FINANCIAL MEASURES

THIRTEEN WEEKS ENDED NOVEMBER 2, 2013  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	GAAP	EXCLUDED CHARGES <sup>(1)</sup>	ADJUSTED NON-GAAP <sup>(2)</sup>
STORES AND DISTRIBUTION EXPENSE	\$481,232	\$639	\$480,593
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	126,750	6,951	119,799
RESTRUCTURING CHARGES	44,708	44,708	—
ASSET IMPAIRMENT	43,571	43,571	—
INCOME (LOSS) BEFORE TAXES	(37,025)	95,869	58,844
TAX EXPENSE (BENEFIT)	(21,381)	39,680	18,299
NET INCOME (LOSS)	\$(15,644)	\$56,189	\$40,545
NET INCOME (LOSS) PER DILUTED SHARE	\$(0.20)		\$0.52
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING:	76,456		77,677

<sup>(1)</sup> Excluded charges consists of pre-tax charges of \$43.6 million for store-related asset impairments for stores whose asset carrying value exceeded the fair value, primarily associated with 23 Abercrombie & Fitch, 3 abercrombie and 70 Hollister stores, including the 5th Avenue flagship, \$44.7 million related to the restructuring of the Gilly Hicks brand and \$7.6 million related to the Company's profit improvement.

<sup>(2)</sup> Non-GAAP financial measures should not be used as alternatives to net income and net income per diluted share and are also not intended to supersede or replace the Company's GAAP financial measures. The Company believes it is useful to investors to provide the non-GAAP financial measures to assess the Company's operating performance.

# APPENDIX: RECONCILIATION OF 2013 YTD NON-GAAP FINANCIAL MEASURES

THIRTY-NINE WEEKS ENDED NOVEMBER 2, 2013  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	GAAP	EXCLUDED CHARGES <sup>(1)</sup>	ADJUSTED NON-GAAP <sup>(2)</sup>
STORES AND DISTRIBUTION EXPENSE	\$1,402,080	\$639	\$1,401,441
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	363,176	9,526	353,650
RESTRUCTURING CHARGES	44,708	44,708	—
ASSET IMPAIRMENT	43,571	43,571	—
INCOME (LOSS) BEFORE TAXES	(35,159)	98,444	63,285
TAX EXPENSE (BENEFIT)	(23,682)	40,610	16,928
NET INCOME (LOSS)	\$(11,477)	\$57,834	\$46,357
NET INCOME (LOSS) PER DILUTED SHARE	\$(0.15)		\$0.59
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING:	77,387		77,387

<sup>(1)</sup> Excluded charges consists of pre-tax charges of \$43.6 million for store-related asset impairments for stores whose asset carrying value exceeded the fair value, primarily associated with 23 Abercrombie & Fitch, 3 abercrombie and 70 Hollister stores, including the 5th Avenue flagship, \$44.7 million related to the restructuring of the Gilly Hicks brand and \$10.1 million related to the Company's profit improvement.

<sup>(2)</sup> Non-GAAP financial measures should not be used as alternatives to net income and net income per diluted share and are also not intended to supersede or replace the Company's GAAP financial measures. The Company believes it is useful to investors to provide the non-GAAP financial measures to assess the Company's operating performance.