

EST. 1892

# Abercrombie & Fitch

NEW YORK

**INVESTOR PRESENTATION**

2014 FOURTH 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 2015 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.

# Q4 ADJUSTED P&L SUMMARY\*

	2014	% OF NET SALES	2013	% OF NET SALES
NET SALES	\$1,119,544	100.0%	\$1,299,137	100.0%
GROSS PROFIT	681,885	60.9%	767,107	59.0%
OPERATING EXPENSE	555,589	49.6%	620,541	47.8%
OTHER OPERATING INCOME, NET	(5,795)	-0.5%	(7,994)	-0.6%
OPERATING INCOME	132,091	11.8%	154,560	11.9%
INTEREST EXPENSE, NET	4,776	0.4%	2,513	0.2%
INCOME BEFORE TAXES	127,315	11.4%	152,047	11.7%
TAX EXPENSE	46,495	4.2%	47,784	3.7%
NET INCOME	\$80,820	7.2%	\$104,263	8.0%
NET INCOME PER SHARE				
BASIC	\$1.16		\$1.36	
DILUTED	\$1.15		\$1.34	
WEIGHTED-AVERAGE SHARES OUTSTANDING				
BASIC	69,409		76,467	
DILUTED	70,136		77,568	

\* The Q4 Adjusted P&L Summary for the current and prior period is presented on a non-GAAP basis and excludes the charges set out on page 5. A reconciliation between GAAP and non-GAAP results is included as an appendix to the presentation.

# FULL YEAR ADJUSTED P&L SUMMARY\*

	2014	% OF NET SALES	2013	% OF NET SALES
NET SALES	\$3,744,030	100.0%	\$4,116,897	100.0%
GROSS PROFIT	2,313,570	61.8%	2,575,435	62.6%
OPERATING EXPENSE	2,137,116	57.1%	2,375,632	57.7%
OTHER OPERATING INCOME, NET	(15,239)	-0.4%	(23,074)	-0.6%
OPERATING INCOME	191,693	5.1%	222,877	5.4%
INTEREST EXPENSE, NET	14,365	0.4%	7,546	0.2%
INCOME BEFORE TAXES	177,328	4.7%	215,331	5.2%
TAX EXPENSE	65,019	1.7%	64,712	1.6%
NET INCOME	\$112,309	3.0%	\$150,619	3.7%
NET INCOME PER SHARE				
BASIC	\$1.56		\$1.95	
DILUTED	\$1.54		\$1.91	
WEIGHTED-AVERAGE SHARES OUTSTANDING				
BASIC	71,785		77,157	
DILUTED	72,937		78,666	

\* The Full Year Adjusted P&L Summary for the current and prior period is presented on a non-GAAP basis and excludes the charges set out on page 5. 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	FULL YEAR
ASSET IMPAIRMENT, LEASE TERMINATION AND STORE CLOSURE CHARGES	—	—	\$18,958	\$31,641	\$50,599
PROFIT IMPROVEMENT INITIATIVE AND CORPORATE GOVERNANCE	9,964	1,964	1,310	718	13,956
GILLY HICKS RESTRUCTURING CHARGES	5,633	419	—	2,378	8,431
CEO TRANSITION COSTS	—	—	—	5,188	5,188
TOTAL	\$15,597	\$2,383	\$20,268	\$39,925	\$78,174

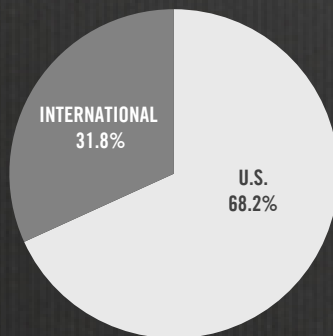
2013	Q1	Q2	Q3	Q4	FULL YEAR
ASSET IMPAIRMENT, LEASE TERMINATION AND STORE CLOSURE CHARGES	—	—	\$43,571	\$3,144	\$46,715
PROFIT IMPROVEMENT INITIATIVE AND CORPORATE GOVERNANCE	—	2,575	7,590	3,674	13,839
GILLY HICKS RESTRUCTURING CHARGES	—	—	44,708	36,792	81,500
TOTAL	—	\$2,575	\$95,869	\$43,610	\$142,054

# COMPARABLE SALES\*

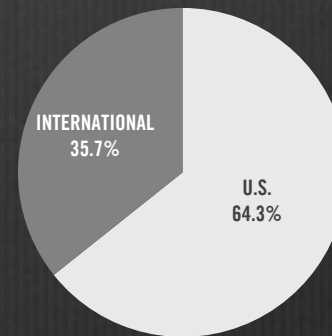
	<u>Q4</u>
<b>TOTAL COMPANY</b>	-10%
<b>GEOGRAPHIC:</b>	
<b>US</b>	-6%
<b>INTERNATIONAL</b>	-17%
<b>BRAND:</b>	
<b>ABERCROMBIE &amp; FITCH</b>	-9%
<b>abercrombie kids</b>	-6%
<b>HOLLISTER CO.</b>	-11%

	<u>YTD</u>
<b>TOTAL COMPANY</b>	-8%
<b>GEOGRAPHIC:</b>	
<b>US</b>	-6%
<b>INTERNATIONAL</b>	-12%
<b>BRAND:</b>	
<b>ABERCROMBIE &amp; FITCH</b>	-4%
<b>abercrombie kids</b>	-7%
<b>HOLLISTER CO.</b>	-10%

Q4 SALES MIX



YTD SALES MIX



\* Comparable store sales are calculated on a constant currency basis and exclude Gilly Hicks. Sales mix includes store and DTC sales.

# Q4 ADJUSTED OPERATING EXPENSE\*

	Q4 2014	% OF NET SALES	Q4 2013	% OF NET SALES	Δ bps <sup>(3)</sup>
<b>STORE OCCUPANCY <sup>(1)</sup></b>	\$185,012	16.5%	\$192,533	14.8%	170
<b>ALL OTHER <sup>(2)</sup></b>	256,647	22.9%	312,582	24.1%	(120)
<b>STORES AND DISTRIBUTION</b>	441,659	39.4%	505,115	38.9%	50
<b>MARKETING, GENERAL &amp; ADMINISTRATIVE</b>	113,930	10.2%	115,426	8.9%	130
<b>TOTAL</b>	\$555,589	49.6%	\$620,541	47.8%	180

\* Q4 adjusted operating expense excludes the charges set out on page 5. 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.

# Q4 ADJUSTED P&L ANALYSIS\*

	SALES	2014 OPERATING INCOME	SALES	2013 OPERATING INCOME
<b>U.S. STORES <sup>(1)</sup></b>	\$554,475	\$107,886 19.5%	\$646,105	\$104,420 16.2%
<b>INTERNATIONAL STORES <sup>(1)</sup></b>	263,962	73,250 27.8%	337,700	92,300 27.3%
<b>DIRECT TO CONSUMER</b>	301,107	99,326 33.0%	315,332	118,158 37.5%
<b>MARKETING, GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	-	(113,930)	-	(115,426)
<b>STORE PRE-OPENING COSTS <sup>(2)</sup></b>	-	(1,959)	-	(4,738)
<b>ALL OTHER, NET <sup>(3)</sup></b>	-	(32,482)	-	(40,154)
<b>TOTAL</b>	<b>\$1,119,544</b>	<b>\$132,091</b>	<b>\$1,299,137</b>	<b>\$154,560</b>

\* Q4 adjusted operating income excludes the charges set out on page 5. 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

# Q4 STORE OPENINGS

BRAND	CENTER	CITY	DATE
Hollister	Yas Mall	Abu Dhabi, UAE	11/19/2014
A&F	Gotemba Premium Outlet	Shizuoka, Japan	11/22/2014
A&F	Westgate Outlets	Glendale, AZ	11/26/2014
Hollister	Lalaport Koshein	Hyogo, Japan	12/6/2014
A&F	Kingston Collection Outlet	Kingston, MA	12/6/2014
Hollister	Taikoo Li Chengdu	Chengdu, China	12/13/2014
Hollister	Seattle Premium Outlets	Tulalip, WA	12/13/2014
A&F	The Avenues	Kuwait City, Kuwait	12/23/2014

# Q4 STORE COUNT ACTIVITY

ALL BRANDS	TOTAL	U.S.	CANADA	EUROPE	REST OF WORLD*
START OF Q4 2014	1,000	834	18	122	26
OPENINGS	8	3	—	—	5
CLOSINGS	(39)	(38)	—	(1)	—
END OF Q4 2014	969	799	18	121	31

## A&F

START OF Q4 2014	282	255	4	16	7
OPENINGS	4	2	—	—	2
CLOSINGS	(7)	(7)	—	—	—
END OF Q4 2014	279	250	4	16	9

## abercrombie kids

START OF Q4 2014	133	127	2	4	—
OPENINGS	—	—	—	—	—
CLOSINGS	(11)	(11)	—	—	—
END OF Q4 2014	122	116	2	4	—

## HOLLISTER CO.

START OF Q4 2014	585	452	12	102	19
OPENINGS	4	1	—	—	3
CLOSINGS	(21)	(20)	—	(1)	—
END OF Q4 2014	568	433	12	101	22

\* Includes Asia, Australia and the Middle East.

# APPENDIX: RECONCILIATION OF Q4 2014 NON-GAAP FINANCIAL MEASURES

THIRTEEN WEEKS ENDED JANUARY 31, 2015  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	GAAP	EXCLUDED CHARGES <sup>(1)</sup>	ADJUSTED NON-GAAP <sup>(2)</sup>
STORES AND DISTRIBUTION EXPENSE	\$445,629	\$3,970	\$441,659
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	119,225	5,295	113,930
RESTRUCTURING CHARGES	2,378	2,378	—
ASSET IMPAIRMENT	28,282	28,282	—
INCOME BEFORE TAXES	87,390	39,925	127,315
TAX EXPENSE	43,002	3,493	46,495
NET INCOME	\$44,388	\$36,432	\$80,820
NET INCOME PER DILUTED SHARE	\$0.63	\$0.52	\$1.15

<sup>(1)</sup> Excluded charges consist of pre-tax charges of \$17.0 million related to the impairment of store assets whose carrying value exceeded fair value, primarily associated with 4 Abercrombie & Fitch stores, 4 abercrombie kids stores and 9 Hollister stores, \$11.3 million related to the write down of a Company owned aircraft to estimated net sales value, \$3.4 million related to lease termination and store closure charges, primarily associated with two Hollister stores in Australia, \$5.2 million related to CEO transition costs, \$2.4 million related to the restructuring of the Gilly Hicks brand, and \$0.7 million related to the Company's profit improvement initiative and certain governance matters.

<sup>(2)</sup> Non-GAAP financial measures should not be used as alternatives to GAAP 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 FULL YEAR NON-GAAP FINANCIAL MEASURES

FIFTY-TWO WEEKS ENDED JANUARY 31, 2015  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	GAAP	EXCLUDED CHARGES <sup>(1)</sup>	ADJUSTED NON-GAAP <sup>(2)</sup>
STORES AND DISTRIBUTION EXPENSE	\$1,703,051	\$8,335	\$1,694,716
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	458,820	16,420	442,400
RESTRUCTURING CHARGES	8,431	8,431	—
ASSET IMPAIRMENT	44,988	44,988	—
INCOME BEFORE TAXES	99,154	78,174	177,328
TAX EXPENSE	47,333	17,686	65,019
NET INCOME	\$51,821	\$60,488	\$112,309
NET INCOME PER DILUTED SHARE	\$0.71	\$0.83	\$1.54

<sup>(1)</sup> Excluded charges consist of pre-tax charges of \$33.7 million related to the impairment of store assets whose carrying value exceeded fair value, primarily associated with 7 Abercrombie & Fitch stores, 27 abercrombie kids stores and 17 Hollister stores, \$11.3 million related to the write down of a Company owned aircraft to estimated net sales value, \$8.4 million related to the restructuring of the Gilly Hicks brand, \$7.5 million related to legal, advisory and other costs associated with certain corporate governance matters, \$6.5 million related to the Company's profit improvement initiative, \$5.6 million related to lease termination and store closure charges, and \$5.2 million related to CEO transition costs.

<sup>(2)</sup> Non-GAAP financial measures should not be used as alternatives to GAAP 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 Q4 2013 NON-GAAP FINANCIAL MEASURES

THIRTEEN WEEKS ENDED FEBRUARY 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	\$505,607	\$492	\$505,115
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	118,608	3,182	115,426
RESTRUCTURING CHARGES	36,792	36,792	—
ASSET IMPAIRMENT	3,144	3,144	—
INCOME BEFORE TAXES	108,437	43,610	152,047
TAX EXPENSE	42,331	5,453	47,784
NET INCOME	\$66,106	\$38,157	\$104,263
NET INCOME PER DILUTED SHARE	\$0.85	\$0.49	\$1.34

<sup>(1)</sup> Excluded charges consist of pre-tax charges of \$36.8 million related to the restructuring of the Gilly Hicks brand, \$3.7 million related to the Company's profit improvement initiative, and \$3.1 million related to the impairment of store assets whose carrying value exceeded fair value.

<sup>(2)</sup> Non-GAAP financial measures should not be used as alternatives to GAAP 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 FULL YEAR 2013 NON-GAAP FINANCIAL MEASURES

FIFTY-TWO WEEKS ENDED FEBRUARY 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	\$1,907,687	\$1,131	\$1,906,556
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSE	481,784	12,708	469,076
RESTRUCTURING CHARGES	81,500	81,500	—
ASSET IMPAIRMENT	46,715	46,715	—
INCOME BEFORE TAXES	73,277	142,054	215,331
TAX EXPENSE	18,649	46,063	64,712
NET INCOME	\$54,628	\$95,991	\$150,619
NET INCOME PER DILUTED SHARE	\$0.69	\$1.22	\$1.91

<sup>(1)</sup> Excluded charges consist of pre-tax charges of \$46.7 million related to the impairment of store assets whose carrying value exceeded fair value, primarily associated with 23 Abercrombie & Fitch stores, 4 abercrombie kids stores and 70 Hollister stores, \$81.5 million related to the restructuring of the Gilly Hicks brand, and \$13.8 million related to the Company's profit improvement initiative.

<sup>(2)</sup> Non-GAAP financial measures should not be used as alternatives to GAAP 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.