

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	August 3, 2019	% of Net Sales	August 4, 2018	% of Net Sales
Net sales	\$ 841,078	100.0 %	\$ 842,414	100.0 %
Cost of sales, exclusive of depreciation and amortization	342,445	40.7 %	335,519	39.8 %
Gross profit	498,633	59.3 %	506,895	60.2 %
Stores and distribution expense	376,347	44.7 %	374,552	44.5 %
Marketing, general and administrative expense	115,694	13.8 %	123,883	14.7 %
Flagship store exit charges	44,994	5.3 %	—	0.0 %
Asset impairment, exclusive of flagship store exit charges	715	0.1 %	8,671	1.0 %
Other operating loss (income), net	367	0.0 %	(434)	(0.1)%
Operating (loss) income	(39,484)	(4.7)%	223	0.0 %
Interest expense, net	1,370	0.2 %	3,023	0.4 %
Loss before income taxes	(40,854)	(4.9)%	(2,800)	(0.3)%
Income tax (benefit) expense	(11,330)	(1.3)%	24	0.0 %
Net loss	(29,524)	(3.5)%	(2,824)	(0.3)%
Less: Net income attributable to noncontrolling interests	1,618	0.2 %	1,029	0.1 %
Net loss attributable to Abercrombie & Fitch Co.	<u>\$ (31,142)</u>	(3.7)%	<u>\$ (3,853)</u>	(0.5)%
Net loss per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ (0.48)		\$ (0.06)	
Diluted	\$ (0.48)		\$ (0.06)	
Weighted-average shares outstanding:				
Basic	65,156		68,008	
Diluted	65,156		68,008	

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	Twenty-six Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2019	% of Net Sales	August 4, 2018	% of Net Sales
Net sales	\$ 1,575,050	100.0 %	\$ 1,573,313	100.0 %
Cost of sales, exclusive of depreciation and amortization	632,327	40.1 %	624,073	39.7 %
Gross profit	942,723	59.9 %	949,240	60.3 %
Stores and distribution expense	732,959	46.5 %	731,899	46.5 %
Marketing, general and administrative expense	227,641	14.5 %	248,780	15.8 %
Flagship store exit charges	46,738	3.0 %	3,808	0.2 %
Asset impairment, exclusive of flagship store exit charges	2,377	0.2 %	9,727	0.6 %
Other operating income, net	(250)	— %	(2,994)	(0.2)%
Operating loss	(66,742)	(4.2)%	(41,980)	(2.7)%
Interest expense, net	1,986	0.1 %	6,041	0.4 %
Loss before income taxes	(68,728)	(4.4)%	(48,021)	(3.1)%
Income tax benefit	(20,918)	(1.3)%	(3,689)	(0.2)%
Net loss	(47,810)	(3.0)%	(44,332)	(2.8)%
Less: Net income attributable to noncontrolling interests	2,487	0.2 %	1,982	0.1 %
Net loss attributable to Abercrombie & Fitch Co.	<u>\$ (50,297)</u>	(3.2)%	<u>\$ (46,314)</u>	(2.9)%

Net loss per share attributable to Abercrombie & Fitch Co.:

Basic	\$ (0.76)	\$ (0.68)
Diluted	\$ (0.76)	\$ (0.68)

Weighted-average shares outstanding:

Basic	65,848	68,254
Diluted	65,848	68,254

Abercrombie & Fitch Co.
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	<u>August 3, 2019 ⁽¹⁾</u>	<u>February 2, 2019</u>	<u>August 4, 2018</u>
<u>Assets</u>			
Current assets:			
Cash and equivalents	\$ 499,757	\$ 723,135	\$ 581,166
Receivables	98,691	73,112	91,719
Inventories	487,109	437,879	454,913
Other current assets	86,586	101,824	115,276
Total current assets	<u>1,172,143</u>	<u>1,335,950</u>	<u>1,243,074</u>
Property and equipment, net	649,360	694,855	691,933
Operating lease right-of-use assets	1,216,998	—	—
Other assets	368,503	354,788	379,190
Total assets	<u>\$ 3,407,004</u>	<u>\$ 2,385,593</u>	<u>\$ 2,314,197</u>
<u>Liabilities and stockholders' equity</u>			
Current liabilities:			
Accounts payable	\$ 226,234	\$ 226,878	\$ 213,167
Accrued expenses	279,050	293,579	311,930
Short-term portion of operating lease liabilities	273,989	—	—
Short-term portion of deferred lease credits	—	19,558	19,449
Income taxes payable	10,903	18,902	8,189
Total current liabilities	<u>790,176</u>	<u>558,917</u>	<u>552,735</u>
Long-term liabilities:			
Long-term portion of operating lease liabilities	\$ 1,229,609	\$ —	\$ —
Long-term portion of borrowings, net	251,033	250,439	249,920
Long-term portion of deferred lease credits	—	76,134	75,963
Leasehold financing obligations	—	46,337	47,171
Other liabilities	132,891	235,145	241,024
Total long-term liabilities	<u>1,613,533</u>	<u>608,055</u>	<u>614,078</u>
Total Abercrombie & Fitch Co. stockholders' equity	991,977	1,208,900	1,137,310
Noncontrolling interests	11,318	9,721	10,074
Total stockholders' equity	<u>1,003,295</u>	<u>1,218,621</u>	<u>1,147,384</u>
Total liabilities and stockholders' equity	<u>\$ 3,407,004</u>	<u>\$ 2,385,593</u>	<u>\$ 2,314,197</u>

⁽¹⁾ The company adopted the new lease accounting standard in the first quarter of fiscal year 2019 using a modified retrospective transition method and elected the option to not restate comparative period financial statements.

Reporting and Use of GAAP and Non-GAAP Measures

The company believes that each of the non-GAAP financial measures presented are useful to investors as they provide a measure of the company's operating performance excluding the effect of certain items which the company believes do not reflect its future operating outlook, and therefore supplement 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. Non-GAAP financial measures should be used supplemental to, and not as an alternative to, the company's GAAP financial results, and may not be calculated in the same manner as similar measures presented by other companies.

The company also 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. The effect from foreign currency, calculated on a constant currency basis, is determined by applying current year average exchange rates to prior year results and is net of the year-over-year impact from hedging. The per diluted share effect from foreign currency is calculated using a 27% tax rate.

In addition, the company provides comparable sales, defined as the percentage year-over-year change in the aggregate of: (1) 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 prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of foreign currency rate fluctuation, and (2) direct-to-consumer sales with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of foreign currency rate fluctuation.

At times, the company may also refer to certain non-GAAP store-level metrics, including 4-wall operating margins. Store-level 4-wall operating margins exclude certain components of the company's results of operations, including but not limited to, amounts related to marketing, depreciation and amortization related to home-office and IT assets, distribution center expense, direct-to-consumer expense, and other corporate overhead expenses that are considered normal operating costs as well as all asset impairment and flagship store exit charges. This measure also excludes certain product costs related to direct-to-consumer, wholesale, licensing and franchise operations as well as variances from estimated freight and import costs, and provisions for inventory shrink and lower of cost or net realizable value. In addition, this metric excludes revenue other than store sales and does not include gift card breakage. As such, store-level 4-wall operating margins is not indicative of the overall results of the company and does not accrue directly to the benefit of shareholders because of these exclusions. The company provides store-level 4-wall operating margins on occasion because it believes that it provides a meaningful supplement to the company's operating results.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended August 4, 2018
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 8,671	\$ 8,671	\$ —
Operating income	223	(8,671)	8,894
(Loss) income before income taxes	(2,800)	(8,671)	5,871
Income tax expense ⁽³⁾	24	(647)	671
Net (loss) income attributable to Abercrombie & Fitch Co.	\$ (3,853)	\$ (8,024)	\$ 4,171
Net (loss) income per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.06)	\$ (0.12)	\$ 0.06
Diluted weighted-average shares outstanding:	68,008		69,733

⁽¹⁾ "GAAP" refers to accounting principles generally accepted in the United States of America.

⁽²⁾ Excluded Items consist of asset impairment charges of \$8.7 million related to store assets whose carrying value exceeded fair value.

⁽³⁾ Excluded Items consist of discrete tax charges of \$2.0 million related to the Tax Cuts and Jobs Act of 2017, and the tax effect of excluded items, calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Twenty-six Weeks Ended August 4, 2018
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Marketing, general and administrative expense ⁽²⁾	\$ 248,780	\$ 5,600	\$ 243,180
Asset impairment, exclusive of flagship store exit charges ⁽³⁾	9,727	8,671	1,056
Operating loss	(41,980)	(14,271)	(27,709)
Loss before income taxes	(48,021)	(14,271)	(33,750)
Income tax benefit ⁽⁴⁾	(3,689)	(2,188)	(1,501)
Net loss attributable to Abercrombie & Fitch Co.	\$ (46,314)	\$ (12,083)	\$ (34,231)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.68)	\$ (0.18)	\$ (0.50)
Diluted weighted-average shares outstanding:	68,254		68,254

⁽¹⁾ "GAAP" refers to accounting principles generally accepted in the United States of America.

⁽²⁾ Excluded Items consist of legal charges of \$5.6 million in connection with a settlement of a class action claim, which received final court approval in the fourth quarter of fiscal 2018.

⁽³⁾ Excluded Items consist of asset impairment charges of \$8.7 million related to store assets whose carrying value exceeded fair value.

⁽⁴⁾ Excluded Items consist of discrete tax charges of \$2.0 million related to the Tax Cuts and Jobs Act of 2017, and the tax effect of excluded items, calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Thirteen Weeks Ended August 3, 2019
(in thousands, except change in net sales, gross profit rate, operating margin and per share data)
(Unaudited)

Net sales	2019	2018	% Change
<i>Total company:</i>			
GAAP ⁽¹⁾	\$ 841,078	\$ 842,414	0 %
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(9,957)	1 %
Net sales on a constant currency basis	\$ 841,078	\$ 832,457	1 %
<i>Hollister:</i>			
GAAP ⁽¹⁾	\$ 504,758	\$ 500,836	1 %
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(6,984)	1 %
Net sales on a constant currency basis	\$ 504,758	\$ 493,852	2 %
<i>Abercrombie:</i>			
GAAP ⁽¹⁾	\$ 336,320	\$ 341,578	(2)%
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(2,973)	1 %
Net sales on a constant currency basis	\$ 336,320	\$ 338,605	(1)%
<i>United States:</i>			
GAAP ⁽¹⁾	\$ 543,472	\$ 531,446	2 %
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	*	*
Net sales on a constant currency basis	\$ 543,472	\$ 531,446	2 %
<i>International:</i>			
GAAP ⁽¹⁾	\$ 297,606	\$ 310,968	(4)%
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(9,957)	3 %
Net sales on a constant currency basis	\$ 297,606	\$ 301,011	(1)%
Gross profit			
	2019	2018	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 498,633	\$ 506,895	(90)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(8,025)	30
Gross profit on a constant currency basis	\$ 498,633	\$ 498,870	(60)
Operating (loss) income			
	2019	2018	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ (39,484)	\$ 223	(470)
Excluded items ⁽⁴⁾	—	(8,671)	110
Adjusted non-GAAP	\$ (39,484)	\$ 8,894	(580)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(4,307)	50
Adjusted non-GAAP on a constant currency basis	\$ (39,484)	\$ 4,587	(530)
Net (loss) income per diluted share attributable to Abercrombie & Fitch Co.			
	2019	2018	\$ Change
GAAP ⁽¹⁾	\$ (0.48)	\$ (0.06)	\$ (0.42)
Excluded items, net of tax ⁽⁴⁾	—	(0.12)	0.12
Adjusted non-GAAP	\$ (0.48)	\$ 0.06	\$ (0.54)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(0.05)	0.05
Adjusted non-GAAP on a constant currency basis	\$ (0.48)	\$ 0.01	\$ (0.49)

* Not applicable.

⁽¹⁾ "GAAP" refers to accounting principles generally accepted in the United States of America.

⁽²⁾ The estimated impact from foreign currency is determined by applying current period exchange rates to prior year results and is net of the year-over-year impact from hedging. The per diluted share estimated impact from foreign currency is calculated using a 27% tax rate.

⁽³⁾ The estimated basis point change has been rounded based on the percentage change.

⁽⁴⁾ Excluded items consist of pre-tax store asset impairment of \$8.7 million and discrete tax charges of \$2.0 million related to the Tax Cuts and Jobs Act of 2017 for the prior year, and the tax effect of excluded items, calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis. There were no excluded items in the current year.

Abercrombie & Fitch Co.
Store Count Activity

Thirteen Weeks Ended August 3, 2019

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
May 4, 2019	393	149	267	48	660	197
New	4	3	1	—	5	3
Closed	(2)	—	—	—	(2)	—
August 3, 2019	395	152	268	48	663	200

Twenty-six Weeks Ended August 3, 2019

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
February 2, 2019	393	149	270	49	663	198
New	5	3	1	—	6	3
Closed	(3)	—	(3)	(1)	(6)	(1)
August 3, 2019	395	152	268	48	663	200

⁽¹⁾ Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes nine international franchise stores as of each of August 3, 2019 and May 4, 2019 and eight as of February 2, 2019. Excludes six U.S. company operated Gilly Hicks temporary stores as of August 3, 2019 and two as of May 4, 2019.

⁽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 seven international franchise stores as of each of August 3, 2019, May 4, 2019 and February 2, 2019. Excludes four U.S. company operated abercrombie kids temporary stores as of August 3, 2019.