



# Abercrombie & Fitch Co.

Abercrombie  
& Fitch

abercrombie  
kids

  
HOLLISTER  
CALIFORNIA

*gilly hicks*  
by HOLLISTER

Investor Presentation: Third Quarter 2019



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## 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 disclosed in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for the fiscal year ended February 2, 2019, and in A&F's subsequently filed quarterly reports on Form 10-Q, in some cases have affected, and in the future could affect, the company's financial performance and could cause actual results for the 2019 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

The following presentation includes certain adjusted non-GAAP financial measures. Additional details about non-GAAP financial measures and a reconciliation of GAAP financial measures to non-GAAP financial measures is included in the news release issued by the company on November 26, 2019 which is available in the "Investors" section of the company's website, located at [corporate.bercrombie.com](http://corporate.bercrombie.com). As used in the presentation, "GAAP" refers to accounting principles generally accepted in the United States of America. As used in the presentation, "Abercrombie" refers to the company's Abercrombie & Fitch and abercrombie kids brands. Sub-totals and totals may not foot due to rounding. Net income and net income per share financial measures included herein are attributable to Abercrombie & Fitch Co., excluding net income attributable to noncontrolling interests.

# INTRODUCTION

# OUR BRANDS ALLOW CUSTOMERS AROUND THE WORLD TO EXPRESS THEIR INDIVIDUALITY AND STYLE

*HOLLISTER ALSO CARRIES 'GILLY HICKS BY HOLLISTER' WHICH OFFERS INTIMATES, LOUNGEWEAR AND SLEEPWEAR.*

## Hollister

The quintessential retail brand of the global teen consumer, Hollister celebrates liberating the spirit of an endless summer inside everyone. Inspired by California's laidback attitude, Hollister's clothes are designed to be lived in and made your own, for wherever life takes you. Hollister provides an engaging, welcoming and unique shopping experience around the globe.

## Abercrombie & Fitch

Abercrombie & Fitch believes that every day should feel as exceptional as the start of the long weekend. Since 1892, the brand has been a specialty retailer of quality apparel, outerwear and fragrance - designed to inspire our global customers to feel confident, be comfortable and face their Fierce.

## abercrombie kids

A global specialty retailer of quality, comfortable, made-to-play favorites, abercrombie kids sees the world through kids' eyes, where play is life and every day is an opportunity to be anything and better everything.

# OUR JOURNEY

FISCAL 2019 IS THE  
SECOND YEAR OF OUR  
'GROWING WHILE  
TRANSFORMING' PHASE

## PHASE 1

### STABILIZING WHILE TRANSFORMING

- BUILT THE FOUNDATION
- RETURNED TO GROWTH
- CENTERED AROUND THE CUSTOMER
- DEVELOPED PLAYBOOKS TO ALIGN PRODUCT, VOICE & EXPERIENCE

## PHASE 2

### GROWING WHILE TRANSFORMING

- COMPARABLE SALES GROWTH
- GROSS PROFIT RATE EXPANSION
- LEVERAGE EXPENSES

## PHASE 3

### ACCELERATING GROWTH

- EXPAND GLOBALLY
- TAKE SHARE IN THE U.S.

# OUR TRANSFORMATION INITIATIVES

## OPTIMIZING OUR GLOBAL STORE NETWORK

- RIGHTSIZING STORE FLEET AND ADAPTING TO THE EVOLVING ROLE OF THE STORE AS CUSTOMERS' SHOPPING PREFERENCES SHIFT

## ENHANCING DIGITAL AND OMNI-CHANNEL CAPABILITIES

- CREATING BEST-IN-CLASS CUSTOMER EXPERIENCES WHILE GROWING PROFITABLY ACROSS CHANNELS

## INCREASING THE SPEED AND EFFICIENCY OF OUR CONCEPT-TO-CUSTOMER PRODUCT LIFE CYCLE

- FURTHER INVESTMENT IN CAPABILITIES TO POSITION SUPPLY CHAIN FOR GREATER SPEED, AGILITY AND FLEXIBILITY
- LEVERAGE DATA AND ANALYTICS TO OFFER THE RIGHT PRODUCT AT THE RIGHT TIME AND THE RIGHT PRICE

## IMPROVING OUR CUSTOMER ENGAGEMENT THROUGH OUR LOYALTY PROGRAMS AND MARKETING OPTIMIZATION

- BETTER LEVERAGE DATA, INCLUDING OUR LOYALTY PROGRAMS, TO ENGAGE WITH CUSTOMERS ACROSS CHANNELS
- DRIVE MORE EFFICIENT AND EFFECTIVE MARKETING SPEND

# OUR FISCAL 2020 TARGET

AS PRESENTED DURING OUR INVESTOR DAY ON APRIL 25, 2018

**A LOW SINGLE-DIGIT SALES CAGR  
FROM POSITIVE COMPARABLE SALES  
AND GLOBAL MARKET EXPANSION**

**OPERATING EXPENSE  
LEVERAGE**

**MODEST  
GROSS PROFIT RATE  
EXPANSION**

**DOUBLE FISCAL 2017 ADJUSTED NON-GAAP  
OPERATING INCOME MARGIN OF 2.9%**



## Q3 CEO COMMENTARY

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

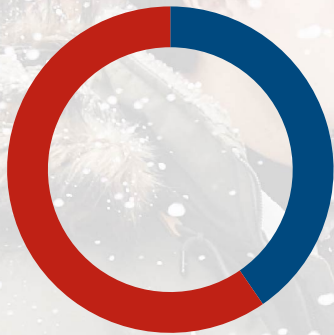
*“While we are focused on the upcoming holiday season, we also continue to make progress against our long-term transformation initiatives including: delivering 34 new store experiences, keeping us on track for our goal of 85 for the year; continuing the global rollout of omni capabilities and new payment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



# INCOME STATEMENT

# Q3 NET SALES AND COMPARABLE SALES APPROXIMATELY FLAT TO LAST YEAR AND CONSTANT CURRENCY NET SALES INCREASED 1%\*

## BRAND



### HOLLISTER

**\$515M**

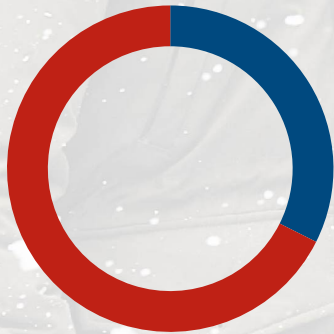
- 59.6% OF TOTAL NET SALES
- NET SALES FLAT TO LAST YEAR
- NEGATIVE COMPARABLE SALES OF 2%

### ABERCROMBIE

**\$349M**

- 40.4% OF TOTAL NET SALES
- NET SALES UP 1% LAST YEAR
- POSITIVE COMPARABLE SALES OF 3%

## GEOGRAPHY



### UNITED STATES

**\$584M**

- 67.6% OF TOTAL NET SALES
- NET SALES UP 4% FROM LAST YEAR
- POSITIVE COMPARABLE SALES OF 3%

### INTERNATIONAL

**\$280M**

- 32.4% OF TOTAL NET SALES
- NET SALES DOWN 6% FROM LAST YEAR
- NEGATIVE COMPARABLE SALES OF 8%

\* Comparable sales are calculated on a constant currency basis and exclude revenue other than store and online sales.

# Q3 OPERATING EXPENSE

	GAAP 2019	% OF NET SALES	GAAP 2018	% OF NET SALES	Δ BPS <sup>(3)</sup>
<b>STORE OCCUPANCY <sup>(1)</sup></b>	\$150,794	17.5%	\$154,593	18.0%	(50)
<b>ALL OTHER <sup>(2)</sup></b>	226,903	26.3%	217,266	25.2%	110
<b>STORES AND DISTRIBUTION</b>	377,697	43.7%	371,859	43.2%	50
<b>MARKETING, GENERAL &amp; ADMINISTRATIVE</b>	114,075	13.2%	117,181	13.6%	(40)
<b>FLAGSHIP STORE EXIT CHARGES</b>	285	0.0%	—	0.0%	—
<b>ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES</b>	12,610	1.5%	656	0.1%	140
<b>TOTAL</b>	\$504,667	58.4%	\$489,696	56.9%	150

<i>(in thousands)</i>	NON-GAAP 2019*	% OF NET SALES	NON-GAAP 2018*	% OF NET SALES	Δ BPS <sup>(3)</sup>
<b>STORE OCCUPANCY <sup>(1)</sup></b>	\$150,794	17.5%	\$154,593	18.0%	(50)
<b>ALL OTHER <sup>(2)</sup></b>	226,903	26.3%	217,266	25.2%	110
<b>STORES AND DISTRIBUTION</b>	377,697	43.7%	371,859	43.2%	50
<b>MARKETING, GENERAL &amp; ADMINISTRATIVE</b>	114,075	13.2%	120,186	14.0%	(80)
<b>FLAGSHIP STORE EXIT CHARGES</b>	285	0.0%	—	0.0%	—
<b>ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES</b>	2,142	0.2%	656	0.1%	10
<b>TOTAL</b>	\$494,199	57.2%	\$492,701	57.2%	—

\* Q3 adjusted non-GAAP operating expense for the current and prior periods are presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out of page 30.

(1) Includes operating lease costs, rent, other landlord charges, utilities, depreciation and other occupancy expense.

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

(3) Rounded based on reported percentages.

# Q3 INCOME STATEMENT SUMMARY

<i>(in thousands)</i>	2019	% OF NET SALES	2018	% OF NET SALES
<b>NET SALES</b>	\$863,472	100.0%	\$861,194	100.0%
<b>GROSS PROFIT <sup>(1)</sup></b>	518,931	60.1%	527,819	61.3%
<b>OPERATING EXPENSE</b>	504,667	58.4%	489,696	56.9%
<b>OTHER OPERATING INCOME, NET</b>	(215)	0.0%	(1,557)	(0.2)%
<b>OPERATING INCOME</b>	14,479	1.7%	39,680	4.6%
<b>INTEREST EXPENSE, NET</b>	2,922	0.3%	2,857	0.3%
<b>INCOME BEFORE INCOME TAXES</b>	11,557	1.3%	36,823	4.3%
<b>INCOME TAX EXPENSE</b>	3,987	0.5%	12,047	1.4%
<b>NET INCOME</b>	\$6,523	0.8%	\$23,919	2.8%
<b>NET INCOME PER SHARE</b>				
<b>BASIC</b>	\$0.10		\$0.36	
<b>DILUTED</b>	\$0.10		\$0.35	
<b>WEIGHTED-AVERAGE SHARES OUTSTANDING</b>				
<b>BASIC</b>	63,099		66,818	
<b>DILUTED</b>	63,911		68,308	

<sup>(1)</sup> Gross profit is derived from cost of sales, exclusive of depreciation and amortization.

# Q3 ADJUSTED INCOME STATEMENT SUMMARY\*

<i>(in thousands)</i>	2019	% OF NET SALES	2018	% OF NET SALES
<b>NET SALES</b>	\$863,472	100.0%	\$861,194	100.0%
<b>GROSS PROFIT <sup>(1)</sup></b>	518,931	60.1%	527,819	61.3%
<b>OPERATING EXPENSE</b>	494,199	57.2%	492,701	57.2%
<b>OTHER OPERATING INCOME, NET</b>	(215)	0.0%	(1,557)	(0.2)%
<b>OPERATING INCOME</b>	24,947	2.9%	36,675	4.3%
<b>INTEREST EXPENSE, NET</b>	2,922	0.3%	2,857	0.3%
<b>INCOME BEFORE INCOME TAXES</b>	22,025	2.6%	33,818	3.9%
<b>INCOME TAX EXPENSE</b>	6,472	0.7%	10,578	1.2%
<b>NET INCOME</b>	\$14,506	1.7%	\$22,383	2.6%
<b>NET INCOME PER SHARE</b>				
<b>BASIC</b>	\$0.23		\$0.33	
<b>DILUTED</b>	\$0.23		\$0.33	
<b>WEIGHTED-AVERAGE SHARES OUTSTANDING</b>				
<b>BASIC</b>	63,099		66,818	
<b>DILUTED</b>	63,911		68,308	

\* The Q3 Adjusted Income Statement Summary is presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out on page 30.

<sup>(1)</sup> Gross profit is derived from cost of sales, exclusive of depreciation and amortization.



# CAPITAL ALLOCATION

# RETURNED \$102.5M TO SHAREHOLDERS IN FY 2019 THROUGH SHARE REPURCHASES AND DIVIDENDS\*

<i>(in thousands, except for average cost)</i>	SHARE REPURCHASES <sup>(1)</sup>			DIVIDENDS	TOTAL
	NUMBER OF SHARES	COST	AVERAGE COST		
<b>Q1 2019</b>	—	—	—	13,246	13,246
<b>Q2 2019</b>	3,545	57,812	16.31	13,139	70,951
<b>Q3 2019</b>	412	5,730	13.92	12,574	18,304
<b>YTD 2019</b>	3,957	\$63,542	\$16.06	\$38,959	\$102,501

<i>(in thousands, except for average cost)</i>	SHARE REPURCHASES			DIVIDENDS	TOTAL
	NUMBER OF SHARES	COST	AVERAGE COST		
<b>Q1 2018</b>	778	\$18,670	\$23.99	\$13,642	\$32,312
<b>Q2 2018</b>	969	25,000	25.80	13,554	38,554
<b>Q3 2018</b>	1,184	25,000	21.11	13,354	38,354
<b>Q4 2018</b>	—	—	—	13,164	13,164
<b>FISCAL 2018</b>	2,932	\$68,670	\$23.42	\$53,714	\$122,384

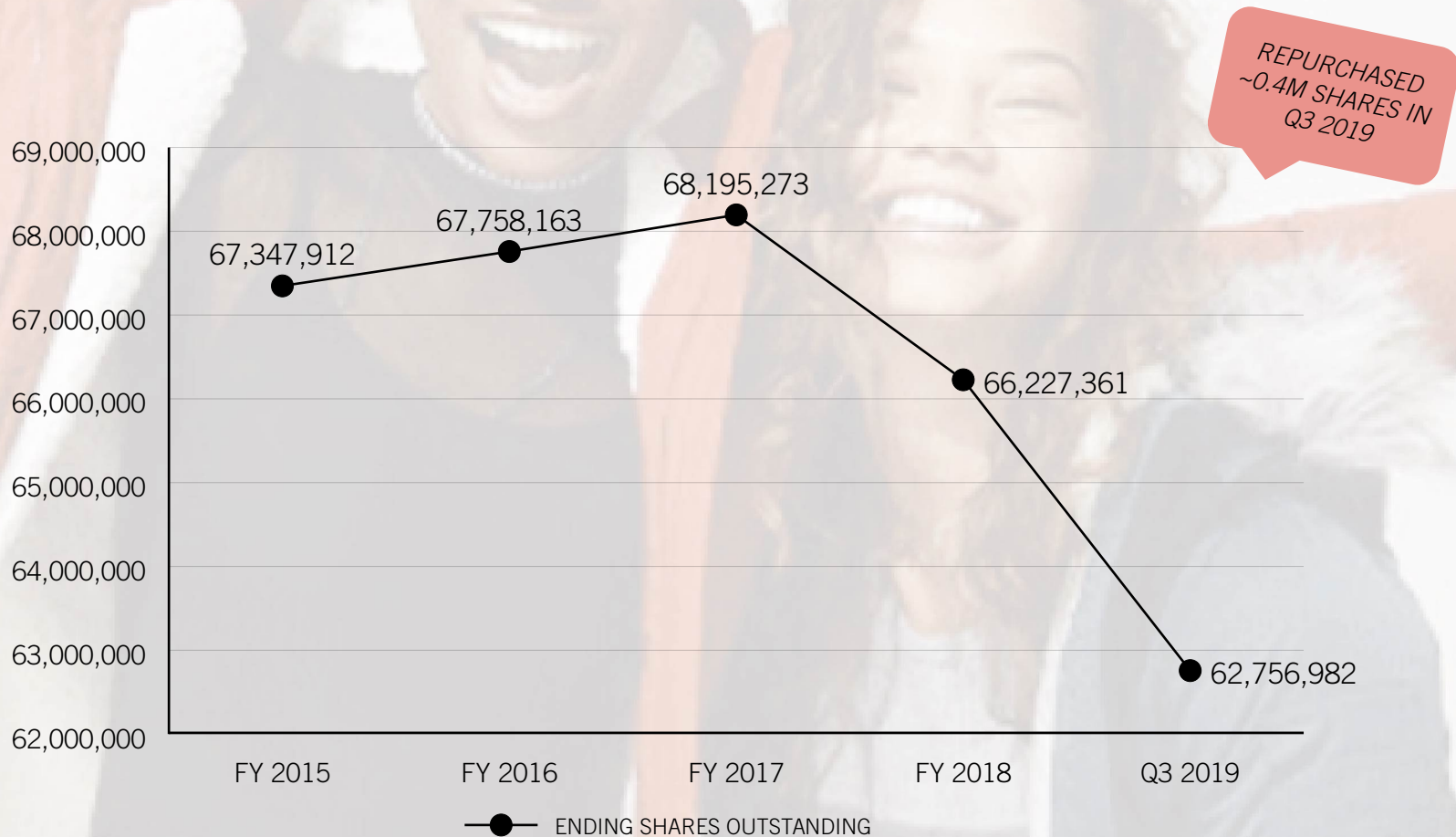
<sup>(1)</sup> At the end of the third quarter of fiscal 2019, the company had approximately 4.6 million shares remaining available for purchase under its publicly announced stock repurchase authorizations.

\* Amounts may not foot due to rounding.



# SHARES OUTSTANDING

AT THE END OF THE THIRD QUARTER OF FISCAL 2019, THE COMPANY HAD APPROXIMATELY 4.6 MILLION SHARES REMAINING AVAILABLE FOR PURCHASE UNDER ITS PUBLICLY ANNOUNCED STOCK REPURCHASE AUTHORIZATIONS.



(in thousandths)	FY 2015	FY 2016	FY 2017	FY 2018	YTD 2019
<b>SHARES REPURCHASED</b>	2,461	—	—	2,932	3,957
<b>TOTAL COST</b>	\$50,033	\$—	\$—	\$68,670	\$63,542

# CONTINUED FOCUS ON FREE CASH FLOW

<i>(in thousands)</i>	NET CASH PROVIDED BY OPERATING ACTIVITIES	CAPITAL EXPENDITURES	FREE CASH FLOW <sup>(1)</sup>
<b>FY 2014</b>	\$300,629	\$174,624	\$126,005
<b>FY 2015</b>	\$315,755	\$143,199	\$172,556
<b>FY 2016</b>	\$185,169	\$140,844	\$44,325
<b>FY 2017</b>	\$287,658	\$107,001	\$180,657
<b>FY 2018</b>	\$352,933	\$152,393	\$200,540

<sup>(1)</sup> Free cash flow is a non-GAAP measure and is computed by subtracting capital expenditures from net cash provided by operating activities, both of which are disclosed in the table above, preceding the measure of free cash flow.

**FY 2019 OUTLOOK:**  
~\$130M STORES &  
~\$70M DTC, OMNI,  
& OTHER

YTD 2019 CAPITAL EXPENDITURES: ~\$154M

FY 2019 CAPITAL INVESTMENTS OUTLOOK: ~\$200M

# BALANCE SHEET SUMMARY

	NOVEMBER 2, 2019 <sup>(1)</sup>	FEBRUARY 2, 2019	NOVEMBER 3, 2018
<b>CASH AND EQUIVALENTS</b>	\$410,775	\$723,135	\$520,523
<b>RECEIVABLES</b>	92,736	73,112	87,714
<b>INVENTORIES</b>	590,883	437,879	572,173
<b>OTHER CURRENT ASSETS</b>	86,275	101,824	109,888
<b>TOTAL CURRENT ASSETS</b>	\$1,180,669	\$1,335,950	\$1,290,298
<b>PROPERTY AND EQUIPMENT, NET</b>	665,862	694,855	684,527
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	1,223,512	—	—
<b>OTHER ASSETS</b>	415,962	354,788	360,804
<b>TOTAL ASSETS</b>	\$3,486,005	\$2,385,593	\$2,335,629
<b>ACCOUNTS PAYABLE</b>	\$269,578	\$226,878	\$266,933
<b>ACCRUED EXPENSES</b>	269,334	293,579	293,410
<b>SHORT-TERM PORTION OF OPERATING LEASE LIABILITIES</b>	284,694	—	—
<b>SHORT-TERM PORTION OF DEFERRED LEASE CREDITS</b>	—	19,558	19,465
<b>INCOME TAXES PAYABLE</b>	13,728	18,902	10,360
<b>TOTAL CURRENT LIABILITIES</b>	\$837,334	\$558,917	\$590,168
<b>LONG-TERM PORTION OF OPERATING LEASE LIABILITIES</b>	1,234,502	—	—
<b>LONG-TERM PORTION OF BORROWINGS, NET</b>	241,343	250,439	250,142
<b>LONG-TERM PORTION OF DEFERRED LEASE CREDITS</b>	—	76,134	79,667
<b>LEASEHOLD FINANCING OBLIGATIONS</b>	—	46,337	46,081
<b>OTHER LIABILITIES</b>	178,460	235,145	235,281
<b>TOTAL LONG-TERM LIABILITIES</b>	\$1,654,305	\$608,055	\$611,171
<b>TOTAL ABERCROMBIE &amp; FITCH CO. STOCKHOLDERS EQUITY</b>	983,512	1,208,900	1,124,470
<b>NONCONTROLLING INTEREST</b>	10,854	9,721	9,820
<b>TOTAL STOCKHOLDERS' EQUITY</b>	\$994,366	\$1,218,621	\$1,134,290
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$3,486,005	\$2,385,593	\$2,335,629

CASH & EQUIVALENTS  
\$411M AS  
COMPARED TO  
\$521M LAST YEAR

INVENTORIES UP 3%  
FROM LAST YEAR

GROSS BORROWINGS  
\$243M AS COMPARED  
TO \$253M LAST YEAR

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

A woman with long brown hair, wearing a white knit beanie with a pom-pom and a white knit cardigan over a lace top, stands in front of a window. She is smiling and has her hand near her chin. The window shows a view of trees and a building. To the left, there are string lights hanging vertically.

# GLOBAL STORE NETWORK OPTIMIZATION

# GLOBAL STORE NETWORK: 881 STORES AS OF Q3

EXCLUDING 16 INTERNATIONAL FRANCHISE STORES ACROSS BRANDS



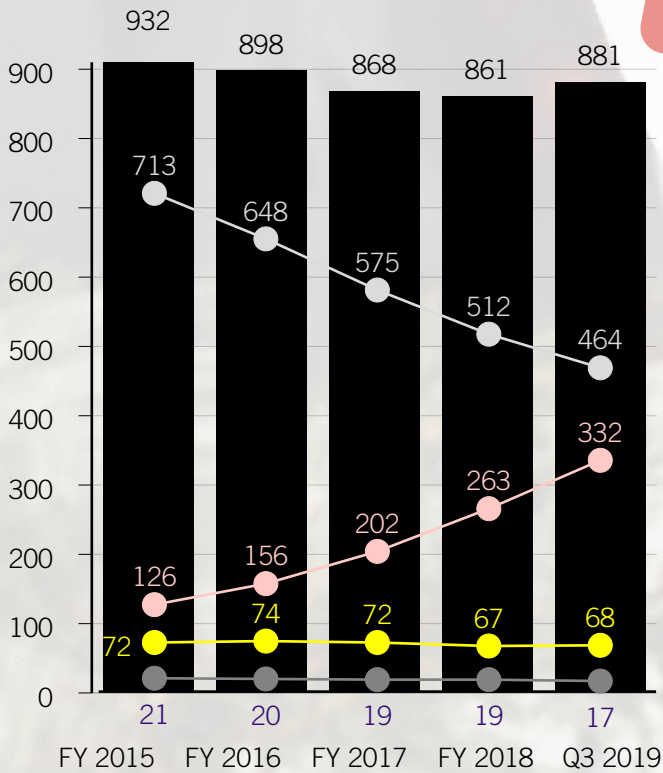
554



327

# GLOBAL STORE NETWORK: OPTIMIZING STORE FLEET

OVER 1/3<sup>RD</sup> OF GLOBAL FLEET IN UPDATED FORMATS



	Q3 2019 STORE FLEET DETAIL					
	HOLLISTER		ABERCROMBIE		TOTAL COMPANY	
	# OF STORES	% OF FLEET	# OF STORES	% OF FLEET	# OF STORES	% OF FLEET
<b>LEGACY STORES</b>	246	44%	218	67%	464	53%
<b>UPDATED FORMATS</b>	280	51%	52	16%	332	38%
<b>OUTLETS</b>	27	5%	41	13%	68	8%
<b>FLAGSHIPS</b>	1	—%	16	5%	17	2%
<b>TOTAL</b>	<b>554</b>	100%	<b>327</b>	100%	<b>881</b>	100%

- Total stores
- Total stores with updated formats
- Total old format chain stores
- Total outlet stores
- Total flagship stores



# GLOBAL STORE NETWORK: REDUCING GROSS SQUARE FOOTAGE

	HOLLISTER		ABERCROMBIE		TOTAL COMPANY		
	U.S.	INTERNATIONAL	U.S.	INTERNATIONAL	U.S.	INTERNATIONAL	TOTAL
<b>FY 2015</b>	2,856	1,183	2,634	619	5,490	1,802	7,292
<b>FY 2016</b>	2,737	1,218	2,411	641	5,148	1,859	7,007
<b>% CHANGE</b>	<b>(4)%</b>	<b>3%</b>	<b>(8)%</b>	<b>4%</b>	<b>(6)%</b>	<b>3%</b>	<b>(4)%</b>
<b>FY 2017</b>	2,681	1,200	2,210	619	4,891	1,819	6,710
<b>% CHANGE</b>	<b>(2)%</b>	<b>(1)%</b>	<b>(8)%</b>	<b>(3)%</b>	<b>(5)%</b>	<b>(2)%</b>	<b>(4)%</b>
<b>FY 2018</b>	2,658	1,234	2,028	646	4,686	1,880	6,566
<b>% CHANGE</b>	<b>(1)%</b>	<b>3%</b>	<b>(8)%</b>	<b>4%</b>	<b>(4)%</b>	<b>3%</b>	<b>(2)%</b>
<b>Q3 2019</b>	2,659	1,261	2,001	635	4,660	1,896	6,556
<b>% CHANGE</b>	<b>—%</b>	<b>2%</b>	<b>(1)%</b>	<b>(2)%</b>	<b>(1)%</b>	<b>1%</b>	<b>—%</b>

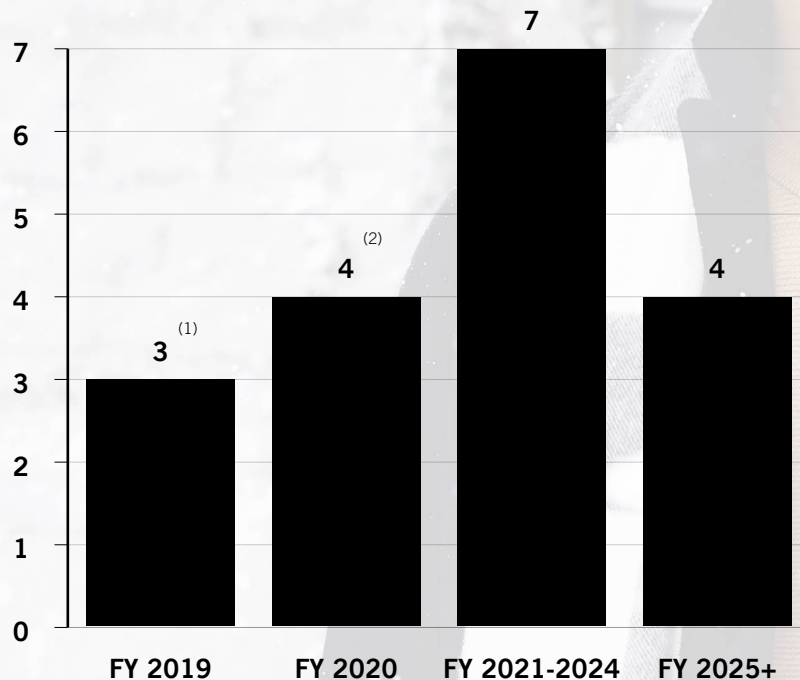
CLOSED PEDDER  
A&F FLAGSHIP IN  
FY 2017

CLOSED SOHO  
HOLLISTER &  
COPENHAGEN  
A&F FLAGSHIPS  
IN FY 2019

# GLOBAL STORE NETWORK: FLAGSHIPS

## FISCAL 2019 FLAGSHIP CLOSURES & FUTURE NATURAL LEASE EXPIRATION CADENCE\*

## P&L IMPACT OF FLAGSHIP STORES



Entered fiscal 2019 with 19 flagships after closing the A&F Pedder location in fiscal 2017. In fiscal 2018, these 19 flagships' combined 4-wall operating margin adversely impacted operating margin by 110 basis points and adversely impacted comparable sales by 120 basis points.

Fiscal 2019 flagship closures, whose combined 4-wall operating margin adversely impacted fiscal 2018 operating margin by 30 basis points, include:

- A&F Copenhagen, Denmark (Q1 2019);
- Hollister SoHo, New York City (Q2 2019); and
- A&F Milan, Italy (expected to close by the end of fiscal 2019)

In addition to the A&F Fukuoka, Japan and A&F 5<sup>th</sup> Avenue, New York City flagship locations, two additional flagships are available for closure in fiscal 2020 through natural lease expirations. These four flagships' 4-wall operating margin adversely impacted fiscal 2018 operating margin by 10 basis points.

\* This table excludes the abercrombie kids Savile Row, London, United Kingdom flagship location, as its closure date has not been finalized.

<sup>(1)</sup> Includes the A&F Copenhagen, Denmark, the A&F Milan, Italy and the Hollister SoHo, New York City locations.

<sup>(2)</sup> Includes the A&F Fukuoka, Japan and the A&F 5<sup>th</sup> Avenue, New York City locations.



# GLOBAL STORE NETWORK OPTIMIZATION

	Q3 2019 ACTIVITY		
	HOLLISTER	ABERCROMBIE <sup>(1)</sup>	TOTAL COMPANY
<b>NEW STORES</b>	7	11	18
<b>REMODELS</b>	10	—	10
<b>RIGHT-SIZES</b>	2	4	6
<b>TOTAL NEW EXPERIENCES</b>	19	15	34
<b>STORE CLOSURES</b>	—	—	—

<sup>(1)</sup> Includes seven new stores and two right-sizes related to the abercrombie kids brand.

	FULL YEAR 2019 OUTLOOK <sup>(1)</sup>		
	HOLLISTER	ABERCROMBIE <sup>(2)</sup>	TOTAL COMPANY
<b>NEW STORES</b>	20	20	40
<b>REMODELS</b>	25	—	25
<b>RIGHT-SIZES</b>	10	10	20
<b>TOTAL NEW EXPERIENCES</b>	55	30	85
<b>STORE CLOSURES</b>			UP TO 40

<sup>(1)</sup> Actual new store experiences for fiscal 2019 may differ from expectations.

<sup>(2)</sup> Includes 15 new stores and five right-sizes related to the abercrombie kids brand.

APPROXIMATELY  
1/3<sup>RD</sup> OF  
OPENINGS ARE  
INTERNATIONAL

CLOSURES  
PRIMARILY IN  
THE U.S.

# Q3 STORE COUNT ACTIVITY

TOTAL COMPANY	TOTAL	UNITED STATES	CANADA	EUROPE	ASIA	MIDDLE EAST
<b>END OF Q2 2019</b>	863	663	18	123	49	10
<b>OPENINGS</b>	18	14	—	3	1	—
<b>CLOSINGS</b>	—	—	—	—	—	—
<b>END OF Q3 2019</b>	881	677	18	126	50	10
<b>HOLLISTER <sup>(1)</sup></b>						
<b>END OF Q2 2019</b>	547	395	11	105	30	6
<b>OPENINGS</b>	7	5	—	2	—	—
<b>CLOSINGS</b>	—	—	—	—	—	—
<b>END OF Q3 2019</b>	554	400	11	107	30	6
<b>ABERCROMBIE <sup>(2)</sup></b>						
<b>END OF Q2 2019</b>	316	268	7	18	19	4
<b>OPENINGS</b>	11	9	—	1	1	—
<b>CLOSINGS</b>	—	—	—	—	—	—
<b>END OF Q3 2019</b>	327	277	7	19	20	4

<sup>(1)</sup> Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes nine international franchise stores as of each of November 2, 2019 and August 3, 2019 and eight as of February 2, 2019. Excludes 10 U.S. company operated temporary stores as of November 2, 2019 and six as of August 3, 2019.

<sup>(2)</sup> 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 November 2, 2019, August 3, 2019 and February 2, 2019. Excludes seven U.S. company operated abercrombie kids temporary stores as of November 2, 2019 and four as of August 3, 2019.

# OUTLOOK



# FISCAL 2019 OUTLOOK

	PREVIOUS FULL YEAR OUTLOOK	CURRENT FULL YEAR OUTLOOK
<b>NET SALES</b> <sup>(1)</sup>	IN THE RANGE OF FLAT TO UP 2%	IN THE RANGE OF FLAT TO UP 1%
<b>CHANGES IN FOREIGN CURRENCY</b>	\$45M ADVERSE IMPACT TO NET SALES	\$40M ADVERSE IMPACT TO NET SALES
<b>COMPARABLE SALES</b> <sup>(2)</sup>	IN THE RANGE OF FLAT TO UP 2%	IN THE RANGE OF FLAT TO UP 1%
<b>GROSS PROFIT RATE</b> <sup>(3)</sup>	DOWN IN THE RANGE OF 50 TO 90 BASIS POINTS	DOWN APPROXIMATELY 100 BASIS POINTS
<b>GAAP OPERATING EXPENSE</b> <sup>(4)</sup>	UP IN THE RANGE OF 2% TO 3%	*
<b>WEIGHTED AVERAGE DILUTED SHARES</b> <sup>(5)</sup>	APPROXIMATELY 66M SHARES	*
<b>EFFECTIVE TAX RATE</b>	MID 20S	*
<b>CAPITAL INVESTMENTS</b>	APPROXIMATELY \$200M	*

\* No change from the previous outlook.

<sup>(1)</sup> Includes the adverse impact from changes in foreign currency exchange rates of approximately \$40 million.

<sup>(2)</sup> Comparable sales are calculated on a constant currency basis.

<sup>(3)</sup> As compared to fiscal 2018 gross profit rate of 60.2%, reflecting the combined adverse impact from changes in foreign currency exchange rates and China tariffs of approximately 40 basis points.

<sup>(4)</sup> As compared to fiscal 2018 adjusted non-GAAP operating expense of \$2.03 billion. Excludes other operating income, net. Fiscal 2019 includes second quarter flagship store exit charges of approximately \$45 million and third quarter asset impairment charges of \$13 million.

<sup>(5)</sup> Excludes the effect of potential share buybacks.

	FOURTH QUARTER OUTLOOK
<b>NET SALES</b> <sup>(1)</sup>	IN THE RANGE OF FLAT TO UP 2%
<b>CHANGES IN FOREIGN CURRENCY</b>	\$5M ADVERSE IMPACT TO NET SALES
<b>COMPARABLE SALES</b> <sup>(2)</sup>	IN THE RANGE OF FLAT TO UP 2%
<b>GROSS PROFIT RATE</b> <sup>(3)</sup>	DOWN APPROXIMATELY 150 BASIS POINTS
<b>GAAP OPERATING EXPENSE</b> <sup>(4)</sup>	IN THE RANGE OF FLAT TO UP 2%
<b>EFFECTIVE TAX RATE</b>	MID-TO-UPPER 20S

<sup>(1)</sup> Includes the adverse impact from changes in foreign currency exchange rates of approximately \$5 million.

<sup>(2)</sup> Comparable sales are calculated on a constant currency basis.

<sup>(3)</sup> As compared to fiscal 2018 gross profit rate of 59.1%, reflecting the combined adverse impact from changes in foreign currency exchange rates and China tariffs of approximately 70 basis points.

<sup>(4)</sup> As compared to fiscal 2018 adjusted non-GAAP operating expense of \$555 million.

# APPENDIX



## EXCLUDED ITEMS

<i>(in thousands)</i>	Q1 2019	Q2 2019	Q3 2019	YTD 2019
<b>ASSET IMPAIRMENT</b>	\$—	\$—	\$10,468	\$10,468
<b>TAX EFFECT <sup>(1)</sup></b>	—	—	(2,485)	(2,485)
<b>TOTAL EXCLUDED ITEMS</b>	\$—	\$—	\$7,983	\$7,983

<i>(in thousands)</i>	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
<b>LEGAL CHARGES</b>	\$5,600	\$—	\$(3,005)	\$—	\$2,595
<b>ASSET IMPAIRMENT</b>	—	8,671	—	—	8,671
<b>PRE-TAX EXCLUDED ITEMS</b>	5,600	8,671	(3,005)	—	11,266
<b>TAX EFFECT <sup>(1)</sup></b>	(1,541)	(2,689)	1,064	683	(2,483)
<b>TAX CUTS AND JOBS ACT OF 2017</b>	—	2,042	405	(5,982)	(3,535)
<b>TOTAL EXCLUDED ITEMS</b>	\$4,059	\$8,024	\$(1,536)	\$(5,299)	\$5,248

<sup>(1)</sup> The tax effect of excluded items is the difference between the tax provision calculation on a GAAP basis and an adjusted non-GAAP basis. In the fourth quarter of fiscal 2018, excluded items consist of the impact of prior quarters' excluded items on the adjusted non-GAAP tax provision, as well as discrete net tax benefits related to the Tax Cuts and Jobs Act of 2017.

# RECONCILIATION OF ADJUSTED NON-GAAP RESULTS

	Q3 2019 GAAP	EXCLUDED ITEMS	Q3 2019 NON-GAAP
<b>ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES</b>	\$12,610	\$10,468	\$2,142
<b>OPERATING INCOME</b>	14,479	(10,468)	24,947
<b>INCOME BEFORE INCOME TAXES</b>	11,557	(10,468)	22,025
<b>INCOME TAX EXPENSE <sup>(1)</sup></b>	3,987	(2,485)	6,472
<b>NET INCOME</b>	\$6,523	\$(7,983)	\$14,506
<b>NET INCOME PER DILUTED SHARE</b>	\$0.10	\$(0.12)	\$0.23
<b>DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING</b>	63,911		63,911

	Q3 2018 GAAP	EXCLUDED ITEMS	Q3 2018 NON-GAAP
<b>MARKETING, GENERAL &amp; ADMINISTRATIVE EXPENSE</b>	\$117,181	\$(3,005)	\$120,186
<b>OPERATING INCOME</b>	39,680	3,005	36,675
<b>INCOME BEFORE INCOME TAXES</b>	36,823	3,005	33,818
<b>INCOME TAX EXPENSE <sup>(1)</sup></b>	12,047	1,469	10,578
<b>NET INCOME</b>	\$23,919	\$1,536	\$22,383
<b>NET INCOME PER DILUTED SHARE</b>	\$0.35	\$0.02	\$0.33
<b>DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING</b>	68,308		68,308

<sup>(1)</sup> Excluded items consist of discrete net tax charges of \$0.4 million related to the Tax Cuts and Jobs Act of 2017 in the third quarter of Fiscal 2018, 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.

# RECONCILIATION OF CONSTANT CURRENCY RESULTS

<b>NET SALES</b>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>Δ %</b>
GAAP	\$863,472	\$861,194	0%
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES <sup>(1)</sup>	—	(8,302)	1%
<b>NON-GAAP CONSTANT CURRENCY BASIS</b>	<b>\$863,472</b>	<b>\$852,892</b>	<b>1%</b>
<b>GROSS PROFIT</b>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>Δ BPS <sup>(2)</sup></b>
GAAP	\$518,931	\$527,819	(120)
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES <sup>(1)</sup>	—	(8,531)	40
<b>NON-GAAP CONSTANT CURRENCY BASIS</b>	<b>\$518,931</b>	<b>\$519,288</b>	<b>(80)</b>
<b>OPERATING INCOME</b>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>Δ BPS <sup>(2)</sup></b>
GAAP	\$14,479	\$39,680	(290)
EXCLUDED ITEMS <sup>(3)</sup>	(10,468)	3,005	(150)
<b>ADJUSTED NON-GAAP</b>	<b>\$24,947</b>	<b>\$36,675</b>	<b>(140)</b>
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES <sup>(1)</sup>	—	(5,406)	60
<b>ADJUSTED NON-GAAP CONSTANT CURRENCY BASIS</b>	<b>\$24,947</b>	<b>\$31,269</b>	<b>(80)</b>
<b>NET INCOME PER DILUTED SHARE</b>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>Δ \$</b>
GAAP	\$0.10	\$0.35	\$(0.25)
EXCLUDED ITEMS, NET OF TAX <sup>(3)</sup>	(0.12)	0.02	(0.14)
<b>ADJUSTED NON-GAAP</b>	<b>\$0.23</b>	<b>\$0.33</b>	<b>\$(0.10)</b>
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES <sup>(1)</sup>	—	(0.06)	0.06
<b>ADJUSTED NON-GAAP CONSTANT CURRENCY BASIS</b>	<b>\$0.23</b>	<b>\$0.27</b>	<b>\$(0.04)</b>

<sup>(1)</sup> The 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 impact from foreign currency is calculated using a 27% tax rate.

<sup>(2)</sup> The estimated basis point impact has been rounded based on the percentage change.

<sup>(3)</sup> Excludes the effect of certain items set out on page 30.





# Abercrombie & Fitch Co.

Abercrombie  
& Fitch

abercrombie  
kids

  
HOLLISTER  
CALIFORNIA

*gilly Hicks*  
BY HOLLISTER

