

EST. 1892

# Abercrombie & Fitch

NEW YORK

**TAG 7<sup>th</sup> ANNUAL SPRING CONSUMER CONFERENCE**

MARCH 24, 2015

## **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**

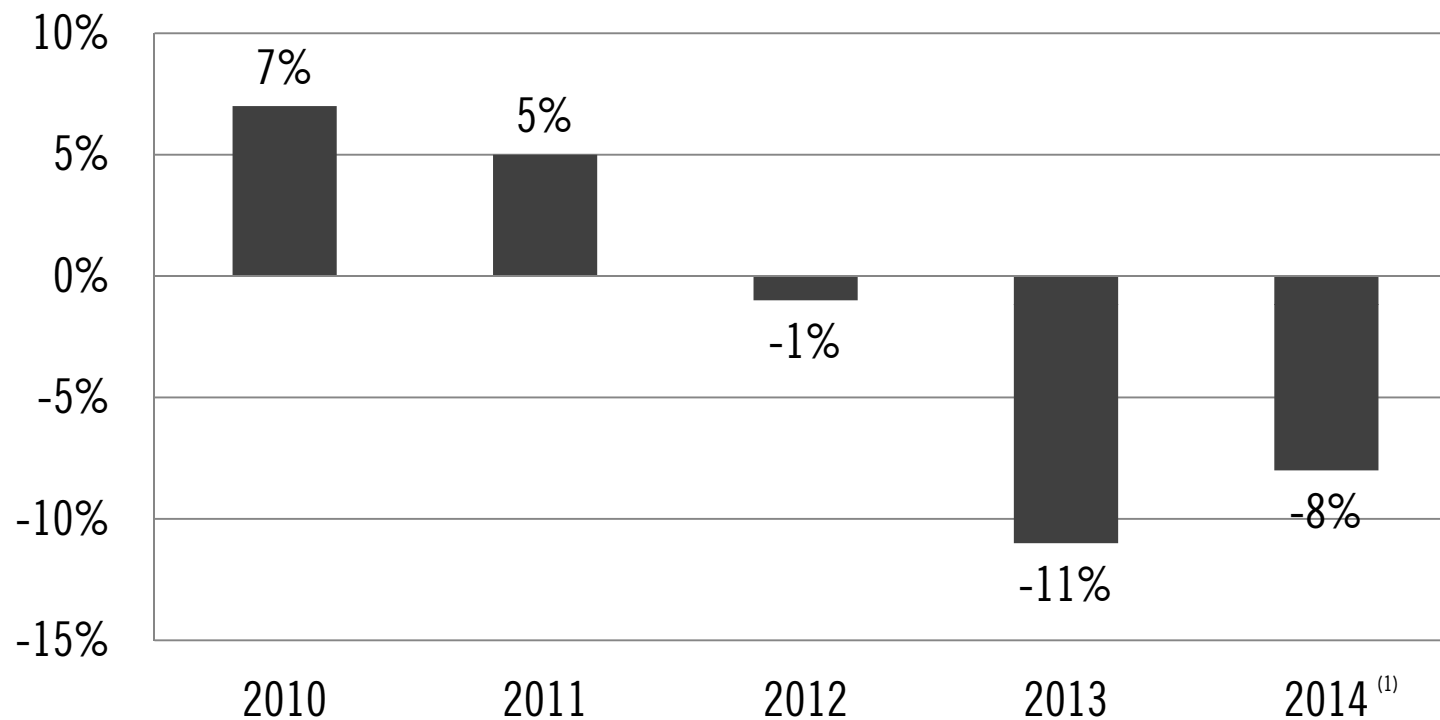
All dollar and share amounts are in 000's unless otherwise stated.

# FINANCIAL RESULTS | **ADJUSTED P&L SUMMARY\***

	2014	% OF NET SALES	2013	% OF NET SALES
NET SALES	\$3,744,030	100.00%	\$4,116,897	100.00%
GROSS PROFIT	2,313,570	61.80%	2,575,435	62.60%
OPERATING EXPENSE	2,137,116	57.10%	2,375,632	57.70%
OPERATING INCOME	191,693	5.10%	222,877	5.40%
NET INCOME	\$112,309	3.00%	\$150,619	3.70%
NET INCOME PER DILUTED SHARE	\$1.54		\$1.91	
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	72,937		78,666	

\*The Adjusted P&L Summary for the current and prior period is presented on a non-GAAP basis, excluding asset impairment, lease termination, store closure, profit improvement initiative, corporate governance, Gilly Hicks restructuring and CEO transition charges. Refer to the 8-K filed on March 5, 2015, for further information.

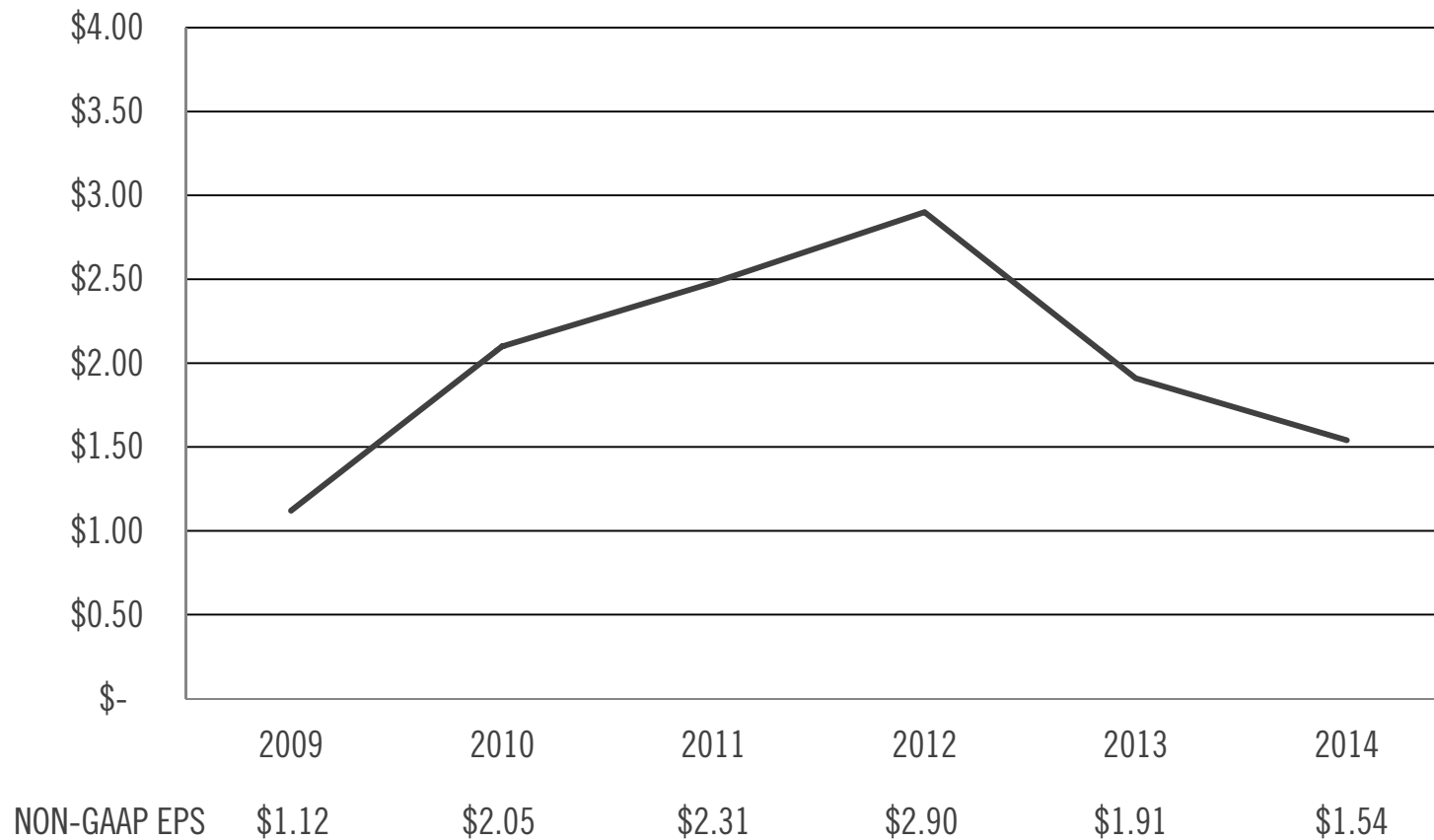
## FINANCIAL RESULTS | COMPARABLE SALES\*



\*Comparable sales are calculated on a constant currency basis and beginning in Fiscal 2012 include direct-to-consumer.

<sup>(1)</sup> Fiscal 2014 comparable sales exclude Gilly Hicks.

# FINANCIAL RESULTS | **ADJUSTED EPS\***



\* Adjusted EPS is presented on a non-GAAP basis from continuing operations, excluding asset impairment, lease termination, store closure, profit improvement initiative, corporate governance, Gilly Hicks restructuring and CEO transition charges.

# FINANCIAL RESULTS | 2014 TAKEAWAYS

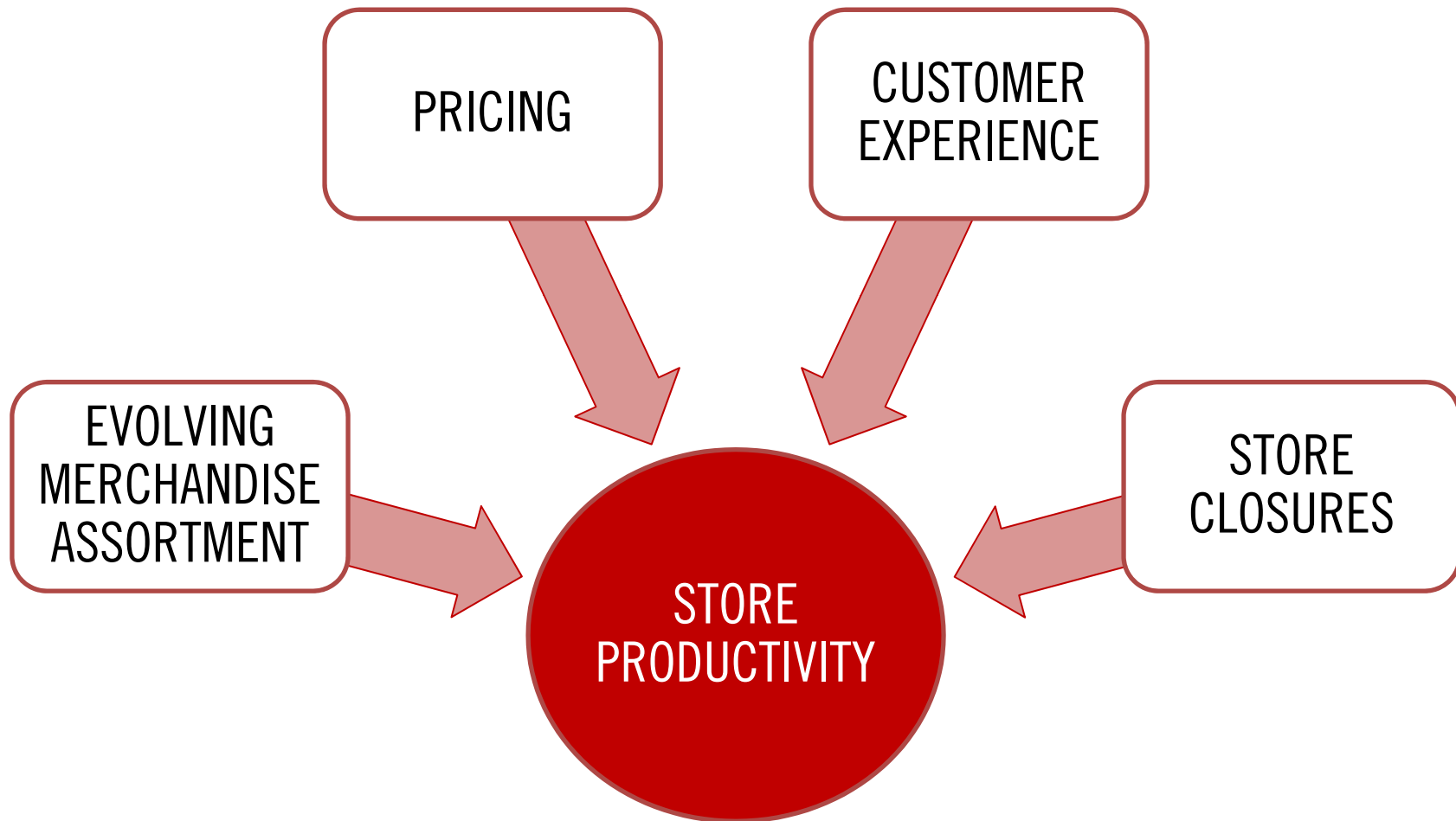


- TRANSFORMATION TO A BRANDED ORGANIZATION
  - FOCUSED ACCOUNTABILITY
  - BRAND DIFFERENTIATION
- GRADUALISM IN ASSORTMENT CHANGES
- STORE FRONT AND U.K. PRICE TESTS
- OMNI-CHANNEL CAPABILITIES
- INITIAL STEPS WITH WHOLESALING, FRANCHISING AND LICENSING

# STRATEGIC PRIORITIES



# STRATEGIC PRIORITIES | **STORE PRODUCTIVITY**





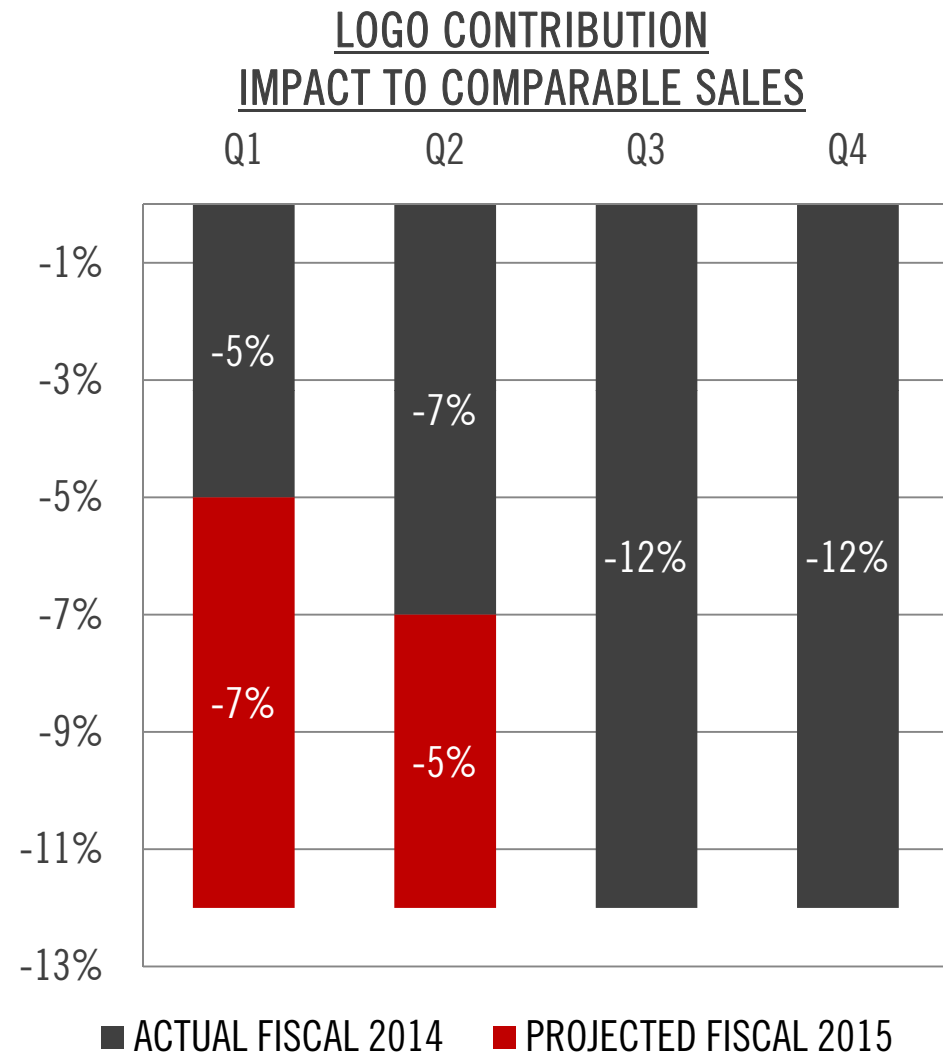
# STORE PRODUCTIVITY | EVOLVING THE ASSORTMENT

- BALANCING FASHION RELEVANCE, QUALITY AND VALUE
- BUILDING TAILORED ASSORTMENTS
- BALANCING CATEGORY OFFERINGS
- BUYING WITH GREATER CONVICTION



# STORE PRODUCTIVITY | LOGO CONTRIBUTION IMPACT

- CONTRIBUTED -12% OF THE -10% COMPARABLE SALES IN Q3 AND Q4
- NEGATIVE LOGO HEADWIND CONTINUING IN THE FIRST HALF OF FISCAL 2015
- FINDING THE RIGHT BALANCE WITH FASHION LOGO



# STORE PRODUCTIVITY | PRICING

- GLOBAL PRICING FOCUS
- SIMPLER PRICING AND CLEARER PROMOTIONAL MESSAGES
- U.K. PRICE TEST ROLL OUT
- ESSENTIALS AND MUST-HAVES

**A&F** | ESSENTIALS



# STORE PRODUCTIVITY | CUSTOMER EXPERIENCE

- MORE INVITING AND EASIER SHOPPING EXPERIENCE
- HOLLISTER STORE FRONTS

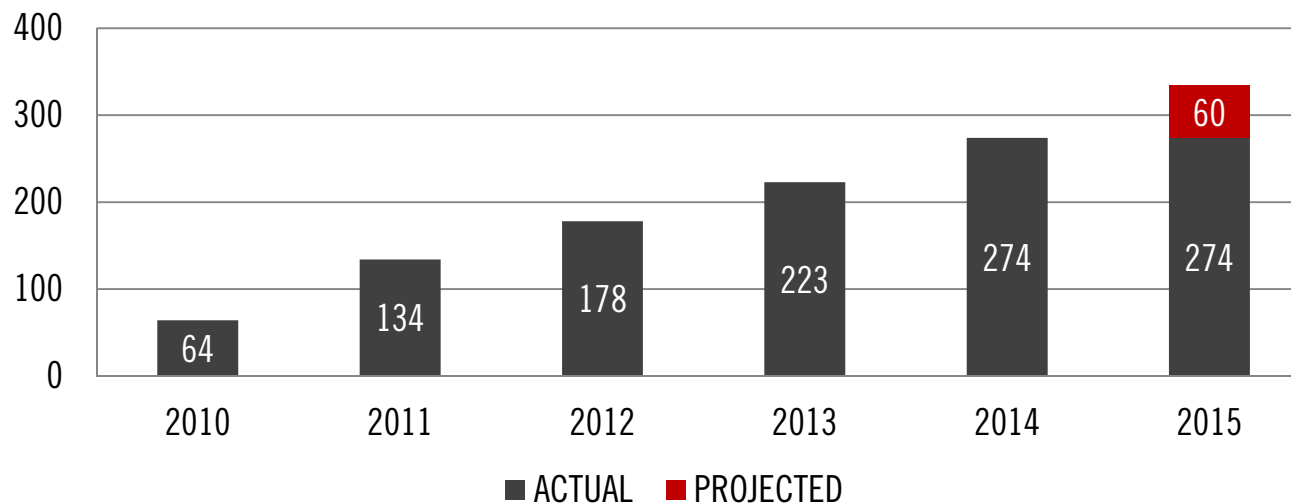


- IN-STORE ENVIRONMENT
- TESTING NEW STORE FORMATS
- STORE ASSOCIATE TRAINING AND INCENTIVE PROGRAMS

## STORE PRODUCTIVITY | U.S. STORE CLOSURES\*

- CLOSED 51 U.S. STORES IN FISCAL 2014
- CUMULATIVE CLOSURES SINCE 2010 OF APPROXIMATELY 275 U.S. STORES
- EXPECT TO CLOSE APPROXIMATELY 60 STORES IN FISCAL 2015
- NEARLY 70% OF U.S. LEASES EXPIRE OVER THE NEXT THREE YEARS

### U.S. CUMULATIVE CLOSURES BY YEAR

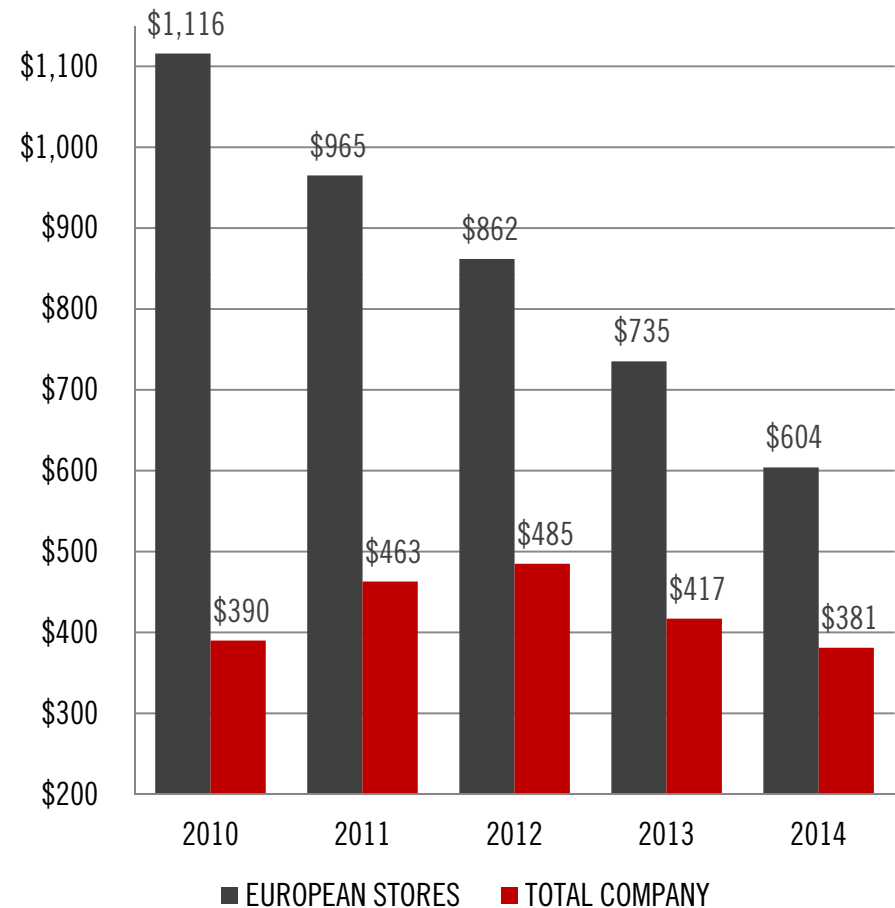


\* Excludes Gilly Hicks

## STORE PRODUCTIVITY | EUROPEAN STORES

- SALES PER GROSS FOOT HAVE DECLINED BUT ARE STILL HEALTHLY
- OVER 90% OF EUROPEAN STORES OPERATE AT FOUR-WALL EBITDA MARGINS ABOVE 20%
- LEASE FLEXIBILITY

### SALES PER GROSS SQUARE FOOT\*

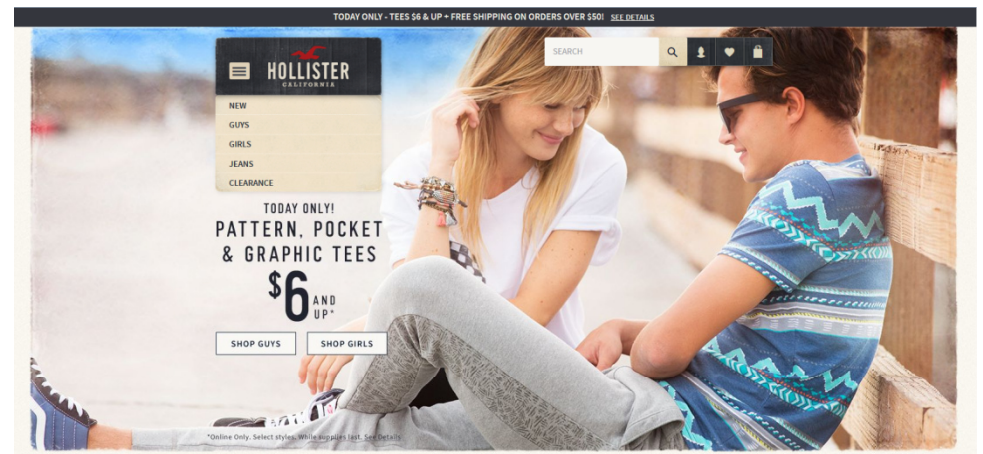
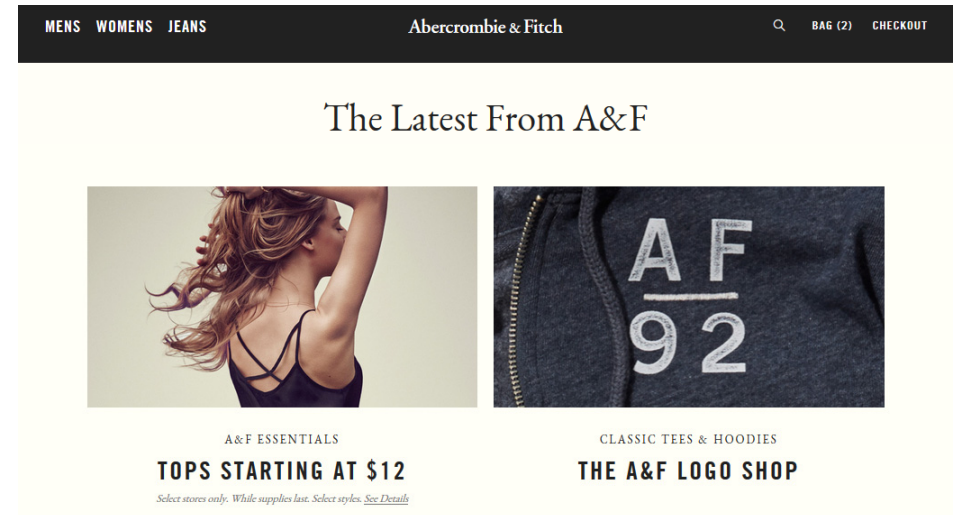


\* Square footage is calculated on the last day of the respective fiscal year.



# STRATEGIC PRIORITIES | DTC/ OMNI-CHANNEL

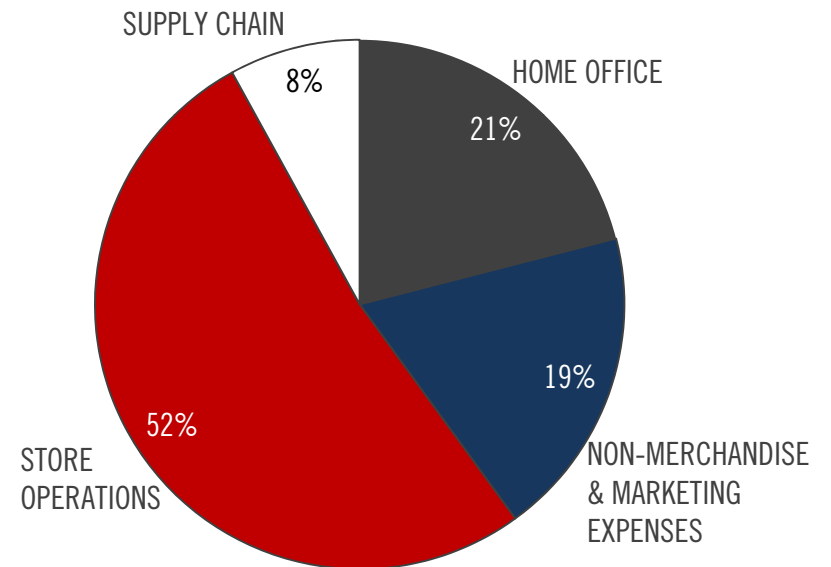
- ENSURE CONSISTENT SEAMLESS EXPERIENCE
- SITE AND MOBILE OPTIMIZATION
- OVER 40 LOCALIZED SITES IN 10 LANGUAGES
- OMNI-CHANNEL CAPABILITIES



# STRATEGIC PRIORITIES | **COST MANAGEMENT**

- \$250 MILLION IN CUMULATIVE SAVINGS
- REDUCING AVERAGE UNIT COST
- “PRODUCTIVITY AS A WAY OF LIFE”

## CUMULATIVE ANNUAL PROFIT IMPROVEMENT SAVINGS (BY WORKSTREAM)

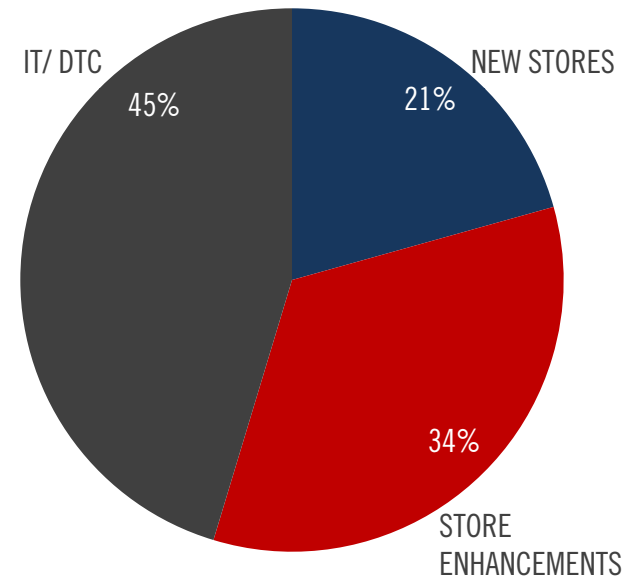




# STRATEGIC PRIORITIES | CAPITAL EXPENDITURES

- DISCIPLINED CAPITAL ALLOCATIONS
- CAPITAL EXPENDITURES OF AROUND \$150 MILLION IN FISCAL 2015
- FOCUSED INVESTMENTS TO SUPPORT STRATEGIC PRIORITIES

## FISCAL 2015 CAPITAL EXPENDITURES



# STRATEGIC PRIORITIES | **BRAND REACH**

- SELECTIVE INTERNATIONAL GROWTH
- OUTLETS
- WHOLESALE, FRANCHISING AND LICENSING



# STRATEGIC PRIORITIES | ORGANIZATIONAL STRUCTURE

- COMPLETING TRANSITION TO A FULLY BRANDED MODEL
- INCREASED ACCOUNTABILITY
- INCENTIVE COMPENSATION ALIGNED WITH BRAND PERFORMANCE

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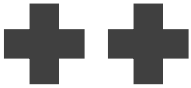




  
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CALIFORNIA

## 2015 OUTLOOK\*

- SIGNIFICANT FX HEADWIND
- CONTINUED PRESSURE FROM REDUCED LOGO, PARTICULARLY IN THE FIRST HALF OF THE YEAR
- GROSS MARGIN FLAT TO SLIGHTLY UP
- CAPITAL EXPENDITURES OF AROUND \$150 MILLION

\*Outlook for the full year does not include charges related to asset impairment, lease termination, store closure, profit improvement, corporate governance, restructuring, other potential impairments and share repurchases.

## 2015 OUTLOOK | OPERATING EXPENSES

	IMPACT
FOREIGN CURRENCY:	
PROFIT IMPROVEMENT:	
NORMALIZED INCENTIVE COMPENSATION:	
MARKETING/ DTC INVESTMENT/ OTHER:	
NET NEW/ CLOSE STORE IMPACT:	
EXPENSE MANAGEMENT WITH COMPARABLE SALES:	



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