

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 2, 2022

Abercrombie & Fitch Co.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1-12107

(Commission File Number)

31-1469076

(I.R.S. Employer Identification No.)

6301 Fitch Path, New Albany, Ohio

(Address of principal executive offices)

43054

(Zip Code)

Registrant's telephone number, including area code: (614) 283-6500

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 Par Value	ANF	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On March 2, 2022, Abercrombie & Fitch Co. (the "Company") issued a news release (the "Release") reporting the Company's unaudited financial results for the fourth quarter and fiscal year ended January 29, 2022. A copy of the Release is included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

In conjunction with the Release, the Company also made available additional unaudited quarterly financial information for each of the quarters in the fiscal years ended January 29, 2022 and January 30, 2021, along with additional financial information for the fiscal years ended February 1, 2020, February 2, 2019 and February 3, 2018. The additional financial information is included as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

In conjunction with the Release, the Company also made available an investor presentation of results for the fourth quarter and fiscal year ended January 29, 2022. The presentation, which is available under the "Investors" section of the Company's website, located at corporate.abercrombie.com, is included as Exhibit 99.3 to this Current Report on Form 8-K and is incorporated herein by reference. Information on the Company's website is not, and will not be deemed to be, a part of this Current Report on Form 8-K or incorporated into any other filings the Company may make with the Securities and Exchange Commission.

The Company's management conducted a conference call on March 2, 2022 to review the Company's financial results for the fourth quarter and fiscal year ended January 29, 2022. A copy of the transcript of the conference call is included as Exhibit 99.4 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(a) through (c) Not applicable

(d) Exhibits:

The following exhibits are included with this Current Report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
99.1	News release issued by Abercrombie & Fitch Co. on March 2, 2022
99.2	Additional unaudited financial information made available by Abercrombie & Fitch Co. on March 2, 2022
99.3	Investor presentation of results for the fourth quarter and fiscal year ended January 29, 2022 made available by Abercrombie & Fitch Co. on March 2, 2022
99.4	Transcript of conference call held by management of Abercrombie & Fitch Co. on March 2, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: March 3, 2022

Abercrombie & Fitch Co.

By: /s/ Scott Lipesky
Scott Lipesky
Executive Vice President and Chief Financial Officer

ABERCROMBIE & FITCH CO. REPORTS FOURTH QUARTER AND FULL YEAR RESULTS

- **Fourth quarter and full year operating margin of 8.4% and 9.2% on a reported basis, respectively, and 8.6% and 9.6% on an adjusted non-GAAP basis, the highest in over a decade.**
- **Fourth quarter and full year net income per diluted share of \$1.12 and \$4.20, respectively on a reported basis and \$1.14 and \$4.35, respectively on an adjusted non-GAAP basis.**
- **Repurchased \$142 million, or 4.1 million shares in the fourth quarter for a total of \$377 million, or 10.2 million shares in Fiscal 2021; contributing to a 15% reduction in shares outstanding from Fiscal 2020.**

New Albany, Ohio, March 2, 2022: Abercrombie & Fitch Co. (NYSE: ANF) today announced results for the fourth quarter and fiscal year ended January 29, 2022. These compare to results for the fourth quarter and fiscal year ended January 30, 2021. Descriptions of the use of non-GAAP financial measures and reconciliations of GAAP and non-GAAP financial measures accompany this release.

Fran Horowitz, Chief Executive Officer, said, "2021 is a testament to the fundamental changes we have made to strengthen our foundation and improve our profitability. For the year, we delivered: Net sales of \$3.7 billion with 47% digital penetration; a double-digit AUR growth rate; reported and adjusted operating income of \$343 million and \$355 million, respectively, roughly 330% above 2019 levels; and a 9.6% adjusted operating margin, our highest in over a decade. In addition, by returning cash to shareholders through share repurchases, we reduced our ending share count by 15%."

"We are pleased with our recent performance. Following inventory receipt delays that impacted the peak holiday selling period, sales trends initially improved as product began to arrive. While mid-January was impacted by the Omicron surge, sales rebounded in late January as cases fell and new assortments set. Momentum has continued quarter-to-date, with an acceleration in the sales trend from total fourth quarter levels. Importantly, response to early spring assortments has been strong, and we do not anticipate significant inventory supply issues for the remainder of the quarter."

"Looking ahead, we will continue to thoughtfully manage the business to support long-term growth leveraging our multi-year investments in systems, processes and tools across digital, technology and data and analytics. We look forward to sharing more details on our three-year plan at our June Investor Day."

Details related to net income (loss) per diluted share for the fourth quarter and full year are as follows:

	Fourth Quarter		Full Year	
	2021	2020	2021	2020 ⁽¹⁾
GAAP	\$ 1.12	\$ 1.27	\$ 4.20	\$ (1.82)
Excluded items, net of tax effect ⁽²⁾	(0.03)	(0.23)	(0.15)	(1.10)
Adjusted non-GAAP	\$ 1.14	\$ 1.50	\$ 4.35	\$ (0.73)
Impact from changes in foreign currency exchange rates ⁽³⁾	—	(0.01)	—	0.01
Adjusted non-GAAP constant currency	\$ 1.14	\$ 1.51	\$ 4.35	\$ (0.74)

⁽¹⁾ Net loss per diluted share for the full year of fiscal 2020 includes adverse tax impacts of \$101 million, or \$1.61 per diluted share, related to valuation allowances on deferred tax assets and other tax charges as a result of the COVID-19 pandemic.

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges and the tax effect of pre-tax excluded items.

⁽³⁾ The estimated impact from foreign currency is calculated by applying current period exchange rates to prior year results using a 26% tax rate.

A summary of results for the fourth quarter ended January 29, 2022:

- **Net sales** of \$1.2 billion up 4% as compared to last year and down 2% as compared to pre-COVID, 2019 fourth quarter net sales.
- **Digital net sales** of \$556 million or 48% of total net sales as compared to \$475 million or 40% in the fourth quarter of 2019.
- **Gross profit rate** of 58.3%, down approximately 220 basis points as compared to last year and up 10 basis points as compared to 2019. Compared to 2019, higher average unit retail offset the adverse impact of approximately 700 basis points related to higher freight costs.
- **Operating expense**, excluding other operating income, was up 3% as compared to last year and up 3% compared to 2019. The year-over-year increase reflects an increase in payroll and marketing expenses partially offset by a decrease in store occupancy. Operating expense as a percentage of sales decreased to 50.2% from 50.5% last year and increased from 47.9% as compared to 2019.
- **Operating income** of \$98 million and \$100 million on a reported and adjusted non-GAAP basis, respectively, as compared to \$116 million and \$131 million last year, on a reported and adjusted non-GAAP basis, respectively.
- **Net income per diluted share** of \$1.12 and \$1.14 on a reported and adjusted non-GAAP basis, respectively, as compared to net income per diluted share last year of \$1.27 and \$1.50 on a reported and adjusted non-GAAP basis, respectively.

A summary of results for the full year ended January 29, 2022:

- **Net sales** of \$3.7 billion up 19% as compared to last year and up 2% as compared to pre-COVID 2019 full year net sales.
- **Digital net sales** of \$1.7 billion or 47% of total net sales as compared to \$1.2 billion or 33% in fiscal 2019.
- **Gross profit rate** of 62.3%, up approximately 180 basis points as compared to last year and up 290 basis points as compared to 2019. Compared to 2019, higher AUR fully offset the adverse impact of approximately 370 basis points related to higher freight costs.
- **Operating expense**, excluding other operating income, was up 3% as compared to last year and down 5% compared to 2019. Operating expense as a percentage of sales decreased to 53.3% from 61.3% last year and from 57.5% as compared to 2019.
- **Operating income** of \$343 million and \$355 million on a reported and adjusted non-GAAP basis, respectively. This compares to operating (loss) income last year of \$(20) million and \$52 million on a reported and adjusted non-GAAP basis, respectively.
- **Net income per diluted share** of \$4.20 and \$4.35 on a reported and adjusted non-GAAP basis, respectively, as compared to net loss per diluted share last year of \$(1.82) and \$(0.73) on a reported and adjusted non-GAAP basis, respectively.
- **Generated positive operating cash flows** of \$274 million during the full year ended January 29, 2022, ending the year with liquidity of approximately \$1.1 billion.

Net Sales

Net sales by brand and region for the fourth quarter and full year are as follows:

(in thousands)	Fourth Quarter					
	2021	2020	2019	1 YR % Change	2 YR % Change	
Net sales by brand:						
Hollister ⁽¹⁾	\$ 668,777	\$ 655,424	\$ 710,540	2%	(6)%	
Abercrombie ⁽²⁾	492,576	466,620	474,011	6%	4%	
Total company	\$ 1,161,353	\$ 1,122,044	\$ 1,184,551	4%	(2)%	
Net sales by region: ⁽³⁾						
United States	\$ 841,687	\$ 788,056	\$ 814,079	7%	3%	
EMEA	226,074	235,286	255,639	(4)%	(12)%	
APAC	46,212	58,868	76,059	(21)%	(39)%	
Other ⁽⁴⁾	47,380	39,834	38,774	19%	22%	
International	319,666	333,988	370,472	(4)%	(14)%	
Total company	\$ 1,161,353	\$ 1,122,044	\$ 1,184,551	4%	(2)%	
(in thousands)	Full Year					
	2021	2020	2019	1 YR % Change	2 YR % Change	
Net sales by brand:						
Hollister ⁽¹⁾	\$ 2,147,979	\$ 1,834,349	\$ 2,158,514	17%	0%	
Abercrombie ⁽²⁾	1,564,789	1,291,035	1,464,559	21%	7%	
Total company	\$ 3,712,768	\$ 3,125,384	\$ 3,623,073	19%	2%	
Net sales by region: ⁽³⁾						
United States	\$ 2,652,158	\$ 2,127,403	\$ 2,410,802	25%	10%	
EMEA	755,072	709,451	822,202	6%	(8)%	
APAC	171,701	176,636	264,895	(3)%	(35)%	
Other ⁽⁴⁾	133,837	111,894	125,174	20%	7%	
International	1,060,610	997,981	1,212,271	6%	(13)%	
Total company	\$ 3,712,768	\$ 3,125,384	\$ 3,623,073	19%	2%	

⁽¹⁾ Hollister includes the Hollister, Gilly Hicks and Social Tourist brands.

⁽²⁾ Abercrombie includes the Abercrombie & Fitch and abercrombie kids brands.

⁽³⁾ Net sales by geographic area are presented by attributing revenues to an individual country on the basis of the country in which the merchandise was sold for in-store purchases and on the basis of the shipping location provided by customers for digital orders.

⁽⁴⁾ Other includes all sales that do not fall within the United States, EMEA, or APAC regions.

Financial Position and Liquidity

As of January 29, 2022 the company had:

- **Cash and equivalents** of \$823 million as compared to \$1,105 million last year driven primarily by share repurchases.
- **Inventories** of \$526 million, an increase of approximately 30% over last year due to higher inventory in-transit and increased freight costs. Units on hand were approximately flat to last year.
- **Long-term gross borrowings** under the company's senior secured notes of \$308 million (the "Senior Secured Notes") which mature in July 2025 and bear interest at a rate of 8.75% per annum.
- **Borrowing available** under the senior-secured asset-based revolving credit facility (the "ABL Facility") of \$248 million.
- **Liquidity**, comprised of cash and equivalents and borrowing available under the ABL Facility, of approximately \$1.1 billion. This compares to liquidity of \$1.3 billion as of January 30, 2021.

Cash Flow and Capital Allocation

Details related to the company's cash flows for the full year ended January 29, 2022 are as follows:

- **Net cash provided by operating activities** of \$274 million.
- **Net cash used for investing activities** of \$97 million. Capital expenditures were \$97 million in fiscal 2021 as compared to \$102 million in fiscal 2020.
- **Net cash used for financing activities** of \$447 million, reflecting \$377 million of share repurchases and \$47 million purchase of its senior notes.

The company repurchased approximately 4.1 million shares during the fourth quarter and 10.2 million for the full year, returning \$377 million to shareholders through share repurchases, and has \$358 million remaining on the share repurchase authorization established in November 2021.

During the second quarter of fiscal 2021, the company spent \$47 million to purchase \$42.3 million at par value of its senior secured notes. During the first quarter of fiscal 2021, the company paid \$64 million to settle all remaining obligations related to the SoHo Hollister flagship store in New York City, which reduced the company's operating lease liabilities by \$65 million and eliminated future interest expense related to this obligation.

Depreciation and amortization was \$144 million for fiscal 2021 as compared to \$166 million in fiscal 2020.

Fiscal 2022 Full Year Outlook

For fiscal 2022, the company expects:

- **Net sales** to be up 2 to 4% from \$3.7 billion in 2021 with the U.S. continuing to outperform EMEA and APAC. We expect the increase to be driven by growth in both comparable sales and store count.
- **Gross profit rate** to be down around 200 basis points as compared to the fiscal 2021 rate of 62.3%, with 300-400 basis points of cost inflation partially offset by higher average unit retail.
- **Operating expense, excluding other operating income**, to be up in a range similar to sales of up 2 to 4% to fiscal 2021 adjusted non-GAAP operating expenses of \$1.97 billion, which excluded \$12 million in impairment charges.
- **Effective tax rate** to be in the high 20s.
- **Capital expenditures** of approximately \$150 million.

Fiscal 2022 First Quarter Outlook

For the first quarter of fiscal 2022, the company expects:

- **Net sales** to be up low-single-digits to fiscal first quarter 2021 level of \$781 million.
- **Gross profit rate** to be down around 400 basis points to fiscal 2021 rate of 63.4% reflecting \$65 million of incremental freight costs compared to fiscal first quarter 2021, partially offset by improved average unit retail.
- **Operating expense, excluding other operating income**, to be up around 6% to fiscal 2021 adjusted non-GAAP operating expenses of \$436 million, which excluded \$3 million in impairment charges, with approximately half of the increase due to lapping COVID-related rent abatements and government assistance recognized in fiscal first quarter 2021.

Conference Call

Today at 8:30 AM, ET, the company will conduct a conference call. To listen to the conference call, dial (800) 458-4121 or go to corporate.abercrombie.com. The international call-in number is (323) 794-2093. This call will be recorded and made available by dialing the replay number (888) 203-1112 or the international number (719) 457-0820 followed by the conference ID number 1753535 or through corporate.abercrombie.com. A presentation of fourth quarter and full year results will be available in the "Investors" section at corporate.abercrombie.com at approximately 7:30 AM, ET, today.

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 Press Release 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," "should," "are confident," and similar expressions may identify forward-looking statements. Except as may be required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements. The following factors, in addition to those disclosed in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for the fiscal year ended January 30, 2021, and in A&F's subsequently filed quarterly reports on Form 10-Q, in some cases have affected, and in the future could affect, A&F's financial performance and could cause actual results for fiscal 2021 and beyond to differ materially from those expressed or implied in any of the forward-looking statements included in this Press Release or otherwise made by management: COVID-19 has and may continue to materially adversely impact and cause disruption to our business; changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits could have a material adverse impact on our business; failure to engage our customers, anticipate customer demand and changing fashion trends, and manage our inventory commensurately could have a material adverse impact on our business; our failure to operate effectively in a highly competitive and constantly evolving industry could have a material adverse impact on our business; fluctuations in foreign currency exchange rates could have a material adverse impact on our business; our ability to attract customers to our stores depends, in part, on the success of the shopping malls or area attractions that our stores are located in or around; the impact of war, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience could have a material adverse impact on our business; the impact of extreme weather, infectious disease outbreaks, including COVID-19, and other unexpected events could result in an interruption to our business, as well as to the operations of our third-party partners, and have a material adverse impact on our business; failure to successfully develop an omnichannel shopping experience, a significant component of our growth strategy, or failure to successfully invest in customer, digital and omnichannel initiatives could have a material adverse impact on our business; our failure to optimize our global store network could have a material adverse impact on our business; our failure to execute our international growth strategy successfully and inability to conduct business in international markets as a result of legal, tax, regulatory, political and economic risks could have a material adverse impact on our business; our failure to appropriately address emerging environmental, social and governance matters could have a material adverse impact on our reputation and, as a result, our business; failure to protect our reputation could have a material adverse impact on our business; if our information technology systems are disrupted or cease to operate effectively, it could have a material adverse impact on our business; we may be exposed to risks and costs associated with cyber-attacks, data protection, credit card fraud and identity theft that could have a material adverse impact on our business; our reliance on our distribution centers makes us susceptible to disruptions or adverse conditions affecting our supply chain; changes in the cost, availability and quality of raw materials, labor, transportation, and trade relations could have a material adverse impact on our business; we depend upon independent third parties for the manufacture and delivery of all our merchandise, and a disruption of the manufacture or delivery of our merchandise could have a material adverse impact on our business; we rely on the experience and skills of our executive officers and associates, and the failure to attract or retain this talent, effectively manage succession, and establish a diverse workforce could have a material adverse impact on our business; in the past, we have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future. If we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected; fluctuations in our tax obligations and effective tax rate may result in volatility in our results of operations could have a material adverse impact on our business; our litigation exposure, or any securities litigation and shareholder activism, could have a material adverse impact on our business; failure to adequately protect our trademarks could have a negative impact on our brand image and limit our ability to penetrate new markets which could have a material adverse impact on our business; changes in the regulatory or compliance landscape could have a material adverse impact on our business; and the agreements related to our senior secured asset-based revolving credit facility and our senior secured notes include restrictive covenants that limit our flexibility in operating our business and our inability to obtain credit on reasonable terms in the future could have an adverse impact on our business.

Other Information

This document includes certain adjusted non-GAAP financial measures where management believes it to be helpful in understanding the Company's results of operations or financial position. Additional details about non-GAAP financial measures and a reconciliation of GAAP financial measures to non-GAAP financial measures can be found in the "Reporting and Use of GAAP and Non-GAAP Measures" section. As used in the presentation, "Hollister" refers to the company's Hollister, Gilly Hicks, and Social Tourist brands and "Abercrombie" refers to the company's Abercrombie & Fitch and abercrombie kids brands. Sub-totals and totals may not foot due to rounding. Net income (loss) and net income (loss) per share financial measures included herein are attributable to Abercrombie & Fitch Co., excluding net income attributable to noncontrolling interests.

About Abercrombie & Fitch Co.

Abercrombie & Fitch Co. (NYSE: ANF) is a leading, global, omnichannel specialty retailer of apparel and accessories for men, women and kids through five renowned brands. The iconic Abercrombie & Fitch brand was born in 1892 and aims to make every day feel as exceptional as the start of a long weekend. abercrombie kids sees the world through kids' eyes, where play is life and every day is an opportunity to be anything and better anything. The Hollister brand believes in liberating the spirit of an endless summer inside everyone and making teens feel celebrated and comfortable in their own skin. Gilly Hicks, offering intimates, loungewear and sleepwear, is designed to give all Gen Z customers their daily dose of happy. Social Tourist, the creative vision of Hollister and social media personalities, Dixie and Charli D'Amelio, offers trend forward apparel that allows teens to experiment with their style, while exploring the duality of who they are both on social media and in real life.

The brands share a commitment to offering products of enduring quality and exceptional comfort that allow consumers around the world to express their own individuality and style. Abercrombie & Fitch Co. operates approximately 720 stores under these brands across North America, Europe, Asia and the Middle East, as well as the e-commerce sites www.bercrombie.com, www.bercrombiekids.com, www.hollisterco.com, www.gillyhicks.com and www.socialtourist.com.

Investor Contact:

Pamela Quintiliano
Abercrombie & Fitch Co.
(614) 283-6751
Investor_Relations@anfcorp.com

Media Contact:

Mackenzie Gusweiler
Abercrombie & Fitch Co.
(614) 283-6192
Public_Relations@anfcorp.com

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

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	January 29, 2022	% of Net Sales	January 30, 2021	% of Net Sales
Net sales	\$ 1,161,353	100.0 %	\$ 1,122,044	100.0 %
Cost of sales, exclusive of depreciation and amortization	484,221	41.7 %	443,025	39.5 %
Gross profit	677,132	58.3 %	679,019	60.5 %
Stores and distribution expense	435,129	37.5 %	412,827	36.8 %
Marketing, general and administrative expense	145,686	12.5 %	137,334	12.2 %
Flagship store exit charges	24	0.0 %	854	0.1 %
Asset impairment, exclusive of flagship store exit charges	1,901	0.2 %	15,597	1.4 %
Other operating income, net	(3,741)	(0.3)%	(3,492)	(0.3)%
Operating income	98,133	8.4 %	115,899	10.3 %
Interest expense, net	6,959	0.6 %	8,997	0.8 %
Income before income taxes	91,174	7.9 %	106,902	9.5 %
Income tax expense	23,348	2.0 %	21,646	1.9 %
Net income	67,826	5.8 %	85,256	7.6 %
Less: Net income attributable to noncontrolling interests	2,317	0.2 %	2,864	0.3 %
Net income attributable to Abercrombie & Fitch Co.	\$ 65,509	5.6 %	\$ 82,392	7.3 %
Net income per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ 1.18		\$ 1.32	
Diluted	\$ 1.12		\$ 1.27	
Weighted-average shares outstanding:				
Basic	55,740		62,581	
Diluted	58,700		64,788	

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

	Fifty-Two Weeks Ended		Fifty-Two Weeks Ended	
	January 29, 2022	% of Net Sales	January 30, 2021	% of Net Sales
Net sales	\$ 3,712,768	100.0 %	\$ 3,125,384	100.0 %
Cost of sales, exclusive of depreciation and amortization	1,400,773	37.7 %	1,234,179	39.5 %
Gross profit	2,311,995	62.3 %	1,891,205	60.5 %
Stores and distribution expense	1,429,476	38.5 %	1,391,584	44.5 %
Marketing, general and administrative expense	536,815	14.5 %	463,843	14.8 %
Flagship store exit (benefit) charges	(1,153)	0.0 %	(11,636)	(0.4)%
Asset impairment, exclusive of flagship store exit charges	12,100	0.3 %	72,937	2.3 %
Other operating income, net	(8,327)	(0.2)%	(5,054)	(0.2)%
Operating income (loss)	343,084	9.2 %	(20,469)	(0.7)%
Interest expense, net	34,110	0.9 %	28,274	0.9 %
Income (loss) before income taxes	308,974	8.3 %	(48,743)	(1.6)%
Income tax expense	38,908	1.0 %	60,211	1.9 %
Net income (loss)	270,066	7.3 %	(108,954)	(3.5)%
Less: Net income attributable to noncontrolling interests	7,056	0.2 %	5,067	0.2 %
Net income (loss) attributable to Abercrombie & Fitch Co.	\$ 263,010	7.1 %	\$ (114,021)	(3.6)%
Net income (loss) per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ 4.41		\$ (1.82)	
Diluted	\$ 4.20		\$ (1.82)	
Weighted-average shares outstanding:				
Basic	59,597		62,551	
Diluted	62,636		62,551	

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, such as asset impairment charges primarily attributable to the COVID-19 pandemic or related to the company's flagship stores, therefore supplementing 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.

In addition, at times 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) digital net 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. In light of store closures related to COVID-19, the Company has not disclosed comparable sales for Fiscal 2021.

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 26% tax rate.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended January 29, 2022
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 1,901	\$ 1,901	\$ —
Operating income	98,133	(1,901)	100,034
Income before income taxes	91,174	(1,901)	93,075
Income tax expense ⁽³⁾	23,348	(373)	23,721
Net income attributable to Abercrombie & Fitch Co.	\$ 65,509	\$ (1,528)	\$ 67,037
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 1.12	\$ (0.03)	\$ 1.14
Diluted weighted-average shares outstanding:	58,700		58,700

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$1.9 million.

⁽³⁾ The tax effect of excluded items is the difference between the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended January 30, 2021
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 15,597	\$ 15,597	\$ —
Operating income	115,899	(15,597)	131,496
Income before income taxes ⁽²⁾	106,902	(15,597)	122,499
Income tax expense ⁽³⁾	21,646	(664)	22,310
Net income attributable to Abercrombie & Fitch Co.	\$ 82,392	\$ (14,933)	\$ 97,325
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 1.27	\$ (0.23)	\$ 1.50
Diluted weighted-average shares outstanding:	64,788		64,788

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$15.6 million related to certain of the company's flagship stores.

⁽³⁾ The tax effect of excluded items is the difference between the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Fifty-Two Weeks Ended January 29, 2022
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 12,100	\$ 12,100	\$ —
Operating income	343,084	(12,100)	355,184
Income before income taxes	308,974	(12,100)	321,074
Income tax expense ⁽³⁾	38,908	(2,421)	41,329
Net income attributable to Abercrombie & Fitch Co.	\$ 263,010	\$ (9,679)	\$ 272,689
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ 4.20	\$ (0.15)	\$ 4.35
Diluted weighted-average shares outstanding:	62,636		62,636

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$12.1 million.

⁽³⁾ The tax effect of excluded items is the difference between the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Fifty-Two Weeks Ended January 30, 2021
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded Items	Adjusted Non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 72,937	\$ 72,937	—
Operating (loss) income	(20,469)	(72,937)	52,468
(Loss) income before income taxes	(48,743)	(72,937)	24,194
Income tax expense ⁽³⁾	60,211	(4,299)	64,510
Net (loss) income attributable to Abercrombie & Fitch Co.	\$ (114,021)	\$ (68,638)	(45,383)
Net (loss) income per diluted share attributable to Abercrombie & Fitch Co.	\$ (1.82)	\$ (1.10)	(0.73)
Diluted weighted-average shares outstanding:	62,551		62,551

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$72.9 million, which are principally the result of the impact of COVID-19 on store cash flows related to certain of the company's flagship stores.

⁽³⁾ The tax effect of excluded items is the difference between the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Thirteen Weeks Ended January 29, 2022
(in thousands, except percentage and basis point changes and per share data)
(Unaudited)

	2021	2020	% Change
Net sales			
GAAP ⁽¹⁾	\$ 1,161,353	\$ 1,122,044	4%
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(6,591)	(1)%
Net sales on a constant currency basis	\$ 1,161,353	\$ 1,115,453	4%
Gross profit			BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 677,132	\$ 679,019	(220)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(3,996)	0
Gross profit on a constant currency basis	\$ 677,132	\$ 675,023	(220)
Operating income			BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 98,133	\$ 115,899	(190)
Excluded items ⁽⁴⁾	(1,901)	(15,597)	120
Adjusted non-GAAP	\$ 100,034	\$ 131,496	(310)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	151	(10)
Adjusted non-GAAP constant currency basis	\$ 100,034	\$ 131,647	(320)
Net income per diluted share attributable to Abercrombie & Fitch Co.			\$ Change
GAAP ⁽¹⁾	\$ 1.12	\$ 1.27	\$(0.15)
Excluded items, net of tax ⁽⁴⁾	(0.03)	(0.23)	0.20
Adjusted non-GAAP	\$ 1.14	\$ 1.50	\$(0.36)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(0.01)	0.01
Adjusted non-GAAP on a constant currency basis	\$ 1.14	\$ 1.51	\$(0.37)

⁽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 26% tax rate.

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

⁽⁴⁾ Excluded items consist of pre-tax asset store impairment charges of \$1.9 million and \$15.6 million for the current year and prior year, respectively.

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Fifty-two Weeks Ended January 30, 2021
(in thousands, except percentage and basis point changes and per share data)
(Unaudited)

	2021	2020	% Change
Net sales			
GAAP ⁽¹⁾	\$ 3,712,768	\$ 3,125,384	19%
Impact from changes in foreign currency exchange rates ⁽²⁾	—	25,927	1%
Net sales on a constant currency basis	\$ 3,712,768	\$ 3,151,311	18%
Gross profit			BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 2,311,995	\$ 1,891,205	180
Impact from changes in foreign currency exchange rates ⁽²⁾	—	13,865	0
Gross profit on a constant currency basis	\$ 2,311,995	\$ 1,905,070	180
Operating income (loss)			BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 343,084	\$ (20,469)	990
Excluded items ⁽⁴⁾	(12,100)	(72,937)	200
Adjusted non-GAAP	\$ 355,184	\$ 52,468	790
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(1,399)	10
Adjusted non-GAAP on a constant currency basis	\$ 355,184	\$ 51,069	800
Net income (loss) per diluted share attributable to Abercrombie & Fitch Co.			\$ Change
GAAP ⁽¹⁾	\$ 4.20	\$ (1.82)	\$6.02
Excluded items, net of tax ⁽⁴⁾	(0.15)	(1.10)	0.95
Adjusted non-GAAP	\$ 4.35	\$ (0.73)	\$5.08
Impact from changes in foreign currency exchange rates ⁽²⁾	—	0.01	(0.01)
Adjusted non-GAAP on a constant currency basis	\$ 4.35	\$ (0.74)	\$5.09

⁽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 26% tax rate.

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

⁽⁴⁾ Excluded items consist of pre-tax asset store impairment charges of \$12.1 million and \$72.9 million for the current year and prior year, respectively.

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

	January 29, 2022	January 30, 2021
Assets		
Current assets:		
Cash and equivalents	\$ 823,139	\$ 1,104,862
Receivables	69,102	83,857
Inventories	525,864	404,053
Other current assets	89,654	68,857
Total current assets	1,507,759	1,661,629
Property and equipment, net	508,336	550,587
Operating lease right-of-use assets	698,231	893,989
Other assets	225,165	208,697
Total assets	\$ 2,939,491	\$ 3,314,902
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 374,829	\$ 289,396
Accrued expenses	395,815	396,365
Short-term portion of operating lease liabilities	222,823	248,846
Income taxes payable	21,773	24,792
Total current liabilities	1,015,240	959,399
Long-term liabilities:		
Long-term portion of operating lease liabilities	\$ 697,264	\$ 957,588
Long-term borrowings, net	303,574	343,910
Other liabilities	86,089	104,693
Total long-term liabilities	1,086,927	1,406,191
Total Abercrombie & Fitch Co. stockholders' equity	826,090	936,628
Noncontrolling interests	11,234	12,684
Total stockholders' equity	837,324	949,312
Total liabilities and stockholders' equity	\$ 2,939,491	\$ 3,314,902

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

	Fifty-Two Weeks Ended	
	January 29, 2022	January 30, 2021
Operating activities		
Net cash provided by operating activities	\$ 273,997	\$ 404,918
Investing activities		
Purchases of property and equipment	\$ (96,979)	\$ (101,910)
Withdrawal of Rabbi Trust assets	—	50,000
Net cash used for investing activities	\$ (96,979)	\$ (51,910)
Financing activities		
Proceeds from issuance of senior secured notes	\$ —	\$ 350,000
Proceeds from borrowings under the asset-based senior secured credit facility	—	210,000
Repayment of term loan facility borrowings	—	(233,250)
Repayment of borrowings under the asset-based senior secured credit facility	—	(210,000)
Purchase of senior secured notes	(46,969)	—
Payment of debt issuance costs and fees	(2,016)	(7,318)
Purchases of common stock	(377,290)	(15,172)
Dividends paid	—	(12,556)
Other financing activities	(20,623)	(11,987)
Net cash (used for) provided by financing activities	\$ (446,898)	\$ 69,717
Effect of foreign currency exchange rates on cash	\$ (19,909)	\$ 9,168
Net increase (decrease) in cash and equivalents, and restricted cash and equivalents	\$ (289,789)	\$ 431,893
Cash and equivalents, and restricted cash and equivalents, beginning of period	\$ 1,124,157	\$ 692,264
Cash and equivalents, and restricted cash and equivalents, end of period	\$ 834,368	\$ 1,124,157

Abercrombie & Fitch Co.
Store Count Activity

Thirteen Weeks Ended January 29, 2022

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total Company ⁽³⁾		
	United States	International	United States	International	United States	International	Total
October 30, 2021	355	151	181	48	536	199	735
New	1	7	1	6	2	13	15
Permanently closed	(5)	(4)	(9)	(3)	(14)	(7)	(21)
January 29, 2022	351	154	173	51	524	205	729

Fifty-Two Weeks Ended January 29, 2022

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total Company ⁽³⁾		
	United States	International	United States	International	United States	International	Total
January 30, 2021	347	150	190	48	537	198	735
New	10	12	7	9	17	21	38
Permanently closed	(6)	(8)	(24)	(6)	(30)	(14)	(44)
January 29, 2022	351	154	173	51	524	205	729

⁽¹⁾ Hollister includes the company's Hollister and Gilly Hicks brands. Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes 9 international franchise stores as of January 29, 2022, 10 international franchise stores as of October 30, 2021, and 9 international franchise stores as of January 30, 2021. Excludes 14 Company-operated temporary stores as of each of January 29, 2022 and October 30, 2021, and 12 Company-operated temporary stores as of January 30, 2021.

⁽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 14 international franchise stores as of January 29, 2022, 13 international franchise stores as of and October 30, 2021, and 10 international franchise stores as of January 30, 2021. Excludes five Company-operated temporary stores as of January 29, 2022, four temporary stores as of October 30, 2021, and two Company-operated temporary stores as of January 30, 2021.

⁽³⁾ This store count excludes one international third-party operated multi-brand outlet store as of each of January 29, 2022, October 30, 2021, and January 30, 2021

Abercrombie & Fitch Co.

Financial Information

(Unaudited)

(in thousands, except per share data, store data, and comparable sales data)

	2017 ⁽¹⁾	2018	2019	Fiscal 2020				2020	Fiscal 2021				2021
				Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Net sales	\$ 3,492,690	\$ 3,590,109	\$ 3,623,073	\$ 485,359	\$ 698,328	\$ 819,653	\$ 1,122,044	\$ 3,125,384	\$ 781,405	\$ 864,850	\$ 905,160	\$ 1,161,353	\$ 3,712,768
Cost of sales, exclusive of depreciation and amortization	1,408,848	1,430,193	1,472,155	221,214	274,720	295,220	443,025	1,234,179	286,271	301,365	328,916	484,221	1,400,773
Gross profit	2,083,842	2,159,916	2,150,918	264,145	423,608	524,433	679,019	1,891,205	495,134	563,485	576,244	677,132	2,311,995
Stores and distribution expense	1,540,032	1,536,216	1,551,243	322,124	310,370	346,263	412,827	1,391,584	316,608	325,935	351,804	435,129	1,429,476
Marketing, general and administrative expense	471,914	484,863	464,615	108,257	97,252	121,000	137,334	463,843	120,947	123,913	146,269	145,686	536,815
Flagship store exit charges (benefits)	2,393	5,806	47,257	(543)	(3,884)	(8,063)	854	(11,636)	(1,100)	(88)	11	24	(1,153)
Asset impairment, exclusive of flagship store exit charges	14,391	11,580	19,135	42,928	8,083	6,329	15,597	72,937	2,664	786	6,749	1,901	12,100
Other operating (income) loss, net	(16,938)	(5,915)	(1,400)	506	(2,356)	288	(3,492)	(5,054)	(1,418)	(1,848)	(1,320)	(3,741)	(8,327)
Operating income (loss)	72,050	127,366	70,068	(209,127)	14,143	58,616	115,899	(20,469)	57,433	114,787	72,731	98,133	343,084
Interest expense, net	16,889	10,999	7,737	3,371	7,098	8,808	8,997	28,274	8,606	11,275	7,270	6,959	34,110
Income (loss) before income taxes	55,161	116,367	62,331	(212,498)	7,045	49,808	106,902	(48,743)	48,827	103,512	65,461	91,174	308,974
Income tax expense (benefit)	44,636	37,559	17,371	31,533	1,253	5,779	21,646	60,211	6,121	(6,944)	16,383	23,348	38,908
Net income (loss)	10,525	78,808	44,960	(244,031)	5,792	44,029	85,256	(108,954)	42,706	110,456	49,078	67,826	270,066
Less: Net income attributable to noncontrolling interests	3,431	4,267	5,602	117	328	1,758	2,864	5,067	938	1,956	1,845	2,317	7,056
Net income (loss) attributable to Abercrombie & Fitch Co.	\$ 7,094	\$ 74,541	\$ 39,358	\$ (244,148)	\$ 5,464	\$ 42,271	\$ 82,392	\$ (114,021)	\$ 41,768	\$ 108,500	\$ 47,233	\$ 65,509	\$ 263,010

	2017 ⁽¹⁾	2018	2019	Fiscal 2020				2020	Fiscal 2021				2021	
				Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Net income (loss) per share attributable to Abercrombie & Fitch Co.:														
Basic	\$ 0.10	\$ 1.11	\$ 0.61	\$ (3.90)	\$ 0.09	\$ 0.68	\$ 1.32	\$ (1.82)	\$ 0.67	\$ 1.77	\$ 0.80	\$ 1.18	\$ 4.41	
Diluted	\$ 0.10	\$ 1.08	\$ 0.60	\$ (3.90)	\$ 0.09	\$ 0.66	\$ 1.27	\$ (1.82)	\$ 0.64	\$ 1.69	\$ 0.77	\$ 1.12	\$ 4.20	
Weighted-average shares outstanding:														
Basic	68,391	67,350	64,428	62,541	62,527	62,558	62,581	62,551	62,380	61,428	58,796	55,740	59,597	
Diluted	69,403	69,137	65,778	62,541	63,286	63,877	64,788	62,551	65,305	64,136	61,465	58,700	62,636	
Hollister comparable sales ^{(2) (3)}	8 %	5 %	(1)%	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	
Abercrombie comparable sales ^{(2) (4)}	(2)%	1 %	3 %	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	
Comparable sales ⁽²⁾	3 %	3 %	1 %	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	
Shares outstanding	68,195	66,227	62,786	62,284	62,365	62,384	62,399	62,399	61,935	59,692	57,037	52,985	52,985	
Number of stores - end of period	868	861	857	853	854	853	735	735	731	733	735	729	729	
Gross square feet - end of period	6,710	6,566	6,314	6,285	6,296	6,235	5,232	5,232	5,189	5,150	5,159	5,052	5,052	

⁽¹⁾ Fiscal 2017 was a fifty-three week year.

⁽²⁾ Comparable sales are calculated on a constant currency basis and exclude revenue other than store and online sales. The Company did not provide comparable sales results for fiscal 2020 or fiscal 2021 due to widespread temporary store closures as a result of COVID-19.

⁽³⁾ Hollister includes the Company's Hollister, Gilly Hicks, and Social Tourist brands.

⁽⁴⁾ Abercrombie includes the Company's Abercrombie & Fitch and abercrombie kids brands.



Abercrombie & Fitch Co.

Abercrombie & Fitch | abercrombie kids | HOLLISTER | GILLY HICKS | SOCIAL TOURIST®

INVESTOR PRESENTATION: FOURTH QUARTER 2021



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 spokespersons 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," "should," "are confident," 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. Risks and uncertainties related to the duration and impact of the COVID-19 pandemic on the company and the factors disclosed in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for the fiscal year ended January 30, 2021, 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 2021 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 March 2, 2022 which is available in the "Investors" section of the company's website, located at 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, "Hollister" refers to the company's Hollister, Gilly Hicks, and Social Tourist brands and "Abercrombie" refers to the company's Abercrombie & Fitch and abercrombie kids brands. Sub-totals and totals may not foot due to rounding. Net income (loss) and net income (loss) per share financial measures included herein are attributable to Abercrombie & Fitch Co., excluding net income attributable to noncontrolling interests.

TABLE OF CONTENTS

Safe Harbor and Other Information	2
Company Overview	4
Focus Areas	7
Digital Evolution	11
Global Store Network Optimization	13
Q4 2021 and Full Year Results	17
Financial Position, Liquidity & Capital Allocation	25
Appendix	31



COMPANY OVERVIEW



OUR FIVE GLOBAL BRANDS

COMPANY OVERVIEW



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.



HOLLISTER

The quintessential apparel brand of the global teen consumer, Hollister Co. believes in liberating the spirit of an endless summer inside everyone. At Hollister, summer isn't just a season, it's a state of mind. Hollister creates carefree style designed to make all teens feel celebrated and comfortable in their own skin, so they can live in a summer mindset all year long, whatever the season.



GILLY HICKS

Hollister also carries a lifestyle brand, Gilly Hicks. At Gilly Hicks, we know everyone has their own unique happy place. We exist to help you find yours. Gilly Hicks focuses on underwear, loungewear and activewear designed to give all Gen Z customers their daily dose of happy.



SOCIAL TOURIST

Social Tourist is a creative vision of liberating the spirit of endless summer through social media personalities like Dixie and Charli D'Amelio. The lifestyle brand trend forward app allows teens to experiment with style, while exploring the duality of who they are both on social media and in real life.

GLOBAL, DIGITALLY-LED OMNICHANNEL RETAILER

COMPANY OVERVIEW

THE COMPANY'S PRODUCTS ARE SOLD GLOBALLY, PRIMARILY THROUGH ITS COMPANY-OWNED DIGITAL AND STORE CHANNELS, AS WELL AS THROUGH VARIOUS THIRD-PARTY ARRANGEMENTS

\$1.7B

FISCAL 2021 DIGITAL SALES WERE ROUGHLY \$1.7 BILLION, 47% OF TOTAL NET SALES

5

GLOBAL BRANDS

729

COMPANY-OPERATED RETAIL STORES

29%

OF FISCAL 2021 NET SALES WERE DERIVED INTERNATIONALLY

~90%

OF GLOBAL STORE FLEET WITH SHIP-FROM-STORE AND PURCHASE-ONLINE-PICK-UP-IN-STORE CAPABILITIES

110

CAPABILITY TO SHIP TO OVER 110 COUNTRIES

24

INTERNATIONAL THIRD-PARTY OPERATED STORES

9

WHOLESALE PARTNERSHIPS, PRIMARILY INTERNATIONAL

Information provided on this slide is as of January 29, 2022 unless otherwise specified.



FOCUS AREAS



OUR PREVIOUSLY-STATED TRANSFORMATION INITIATIVES

FOCUS AREAS

THE FOLLOWING TRANSFORMATION INITIATIVES HAVE CREATED THE FOUNDATION TO ALLOW US TO QUICKLY RESPOND TO COVID-19 AND FOCUS ON LONG-TERM SUSTAINABLE GROWTH:

- 1 OPTIMIZING OUR GLOBAL STORE NETWORK**
 - Rightsizing store fleet and adapting to the evolving role of the store as customers' shopping preferences shift
- 2 ENHANCING DIGITAL AND OMNI-CHANNEL CAPABILITIES**
 - Creating best-in-class customer experiences while growing profitably across channels
- 3 INCREASING THE SPEED AND EFFICIENCY OF OUR CONCEPT-TO-CUSTOMER PRODUCT LIFE CYCLE**
 - Investing in capabilities to position supply chain for greater speed, agility and flexibility
 - Utilizing data and analytics to offer the right product at the right time and the right price
- 4 IMPROVING OUR CUSTOMER ENGAGEMENT THROUGH OUR LOYALTY PROGRAMS AND MARKETING OPTIMIZATION**
 - Leveraging data, including our loyalty programs, to engage with customers across channels
 - Driving more efficient and effective marketing spend

SUCCESSFULLY EXECUTED TO 2021 FOCUS AREAS

FOCUS AREAS

WE ENTERED 2021 ON OFFENSE WHILE WORKING TOWARDS RECAPTURING LOST SALES DUE TO COVID-19

ACCELERATING DIGITAL, DATA AND TECHNOLOGY INVESTMENTS TO INCREASE AGILITY AND IMPROVE CUSTOMER EXPERIENCE

INCREASING OUR MARKETING INVESTMENTS TO BUILD ON THE MOMENTUM WE SEE ACROSS BRANDS AND GEOGRAPHIES

DEDICATING RESOURCES TOWARDS ACCELERATING GROWTH OF GILLY HICKS AND LAUNCHING SOCIAL TOURIST

OPTIMIZING SQUARE FOOTAGE WHILE BEING OPPORTUNISTIC IN GLOBAL STORE EXPANSION

INTEGRATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES AND STANDARDS THROUGHOUT THE ORGANIZATION

HOW WE ARE NAVIGATING COVID-19

FOCUS AREAS

FOCUSING ON THE WELL-BEING OF ASSOCIATES AND CUSTOMERS

Implemented a range of health and safety measures with the well-being of the Company's customers, associates and business partners in mind, including but not limited to ensuring all stores follow local mandates relating to face coverings, social distancing, cleaning measures, reduced operating hours and/or temporary closures

OPTIMIZING DIGITAL OPERATIONS

- Following recommended cleaning and distancing measures in the company's distribution centers to continue digital operations and mitigate shipping delays
- Focusing on a seamless digital checkout experience for customers
- Continuing to offer Purchase-Online-Pickup-in-Store, including curbside pickup at a majority of U.S. locations
- Working cross-functionally and utilizing Ship-from-Store capabilities to best leverage in-store inventory

PRUDENTLY MANAGING CASH FLOWS IN THE NEAR-TERM GIVEN CONTINUED GLOBAL UNCERTAINTY AND TEMPORARY STORE CLOSURES

- Partnering with merchandise and non-merchandise vendors in regards to payment terms
- Reevaluating budgeted expenses to better align operating costs with expected sales
- Tightly managing inventories
- Continuing suspension of the company's dividend program, but returning cash to shareholders through share repurchases
- Assessing government policy and economic stimulus responses to COVID-19



DIGITAL EVOLUTION



AGGRESSIVELY INVESTING TO SUPPORT TRANSFORMATION TO A DIGITALLY-LED GLOBAL OMNI-CHANNEL RETAILER

DIGITAL EVOL

INVESTMENTS IN DIGITAL AND OMNICHANNEL CAPABILITIES OF **\$150M+**

EXPECTED DIGITAL AND OMNICHANNEL INVESTMENT FOR THE YEAR OF **\$30M+**

FISCAL 2018 - FISCAL 2021

FISCAL 2022

FISCAL 2018

Digital sales penetration of **28%, <\$1.0B**

FISCAL 2021*

Digital sales penetration of **47%, \$1.7B+**

* In fiscal 2021, the company was impacted by the COVID-19 pandemic and experienced widespread temporary store closures, while the company's digital operations continued to serve the customers during this unprecedented period.



GLOBAL STORE NETWORK OPTIMIZATION



729 STORES AS OF FY21

GLOBAL STORE NETWORK
OPTIMIZATION

NEW STORE OPENINGS & CLOSINGS

TOTAL COMPANY ⁽¹⁾	TOTAL	UNITED STATES	CANADA	EUROPE	ASIA	MIDDLE EAST
END OF Q4 2020	735	537	17	123	46	12
OPENINGS	38	17	—	14	7	—
PERMANENT CLOSINGS	(44)	(30)	(1)	(10)	(3)	—
END OF Q4 2021	729	524	16	127	50	12
HOLLISTER ⁽²⁾	TOTAL	UNITED STATES	CANADA	EUROPE	ASIA	MIDDLE EAST
END OF Q4 2020	497	347	10	107	27	6
OPENINGS	22	10	—	8	4	—
PERMANENT CLOSINGS	(14)	(6)	—	(6)	(2)	—
END OF Q4 2021	505	351	10	109	29	6
ABERCROMBIE ⁽³⁾	TOTAL	UNITED STATES	CANADA	EUROPE	ASIA	MIDDLE EAST
END OF Q4 2020	238	190	7	16	19	6
OPENINGS	16	7	—	6	3	—
PERMANENT CLOSINGS	(30)	(24)	(1)	(4)	(1)	—
END OF Q4 2021	224	173	6	18	21	6

GROSS SQUARE FOOTAGE

(in thousands)	HOLLISTER		ABERCROMBIE		TOTAL COMPANY		TOTAL
	U.S.	INTERNATIONAL	U.S.	INTERNATIONAL	U.S.	INTERNATIONAL	
Q4 2020	2,309	1,219	1,311	393	3,620	1,612	5,232
Q4 2021	2,312	1,212	1,161	367	3,473	1,579	5,052

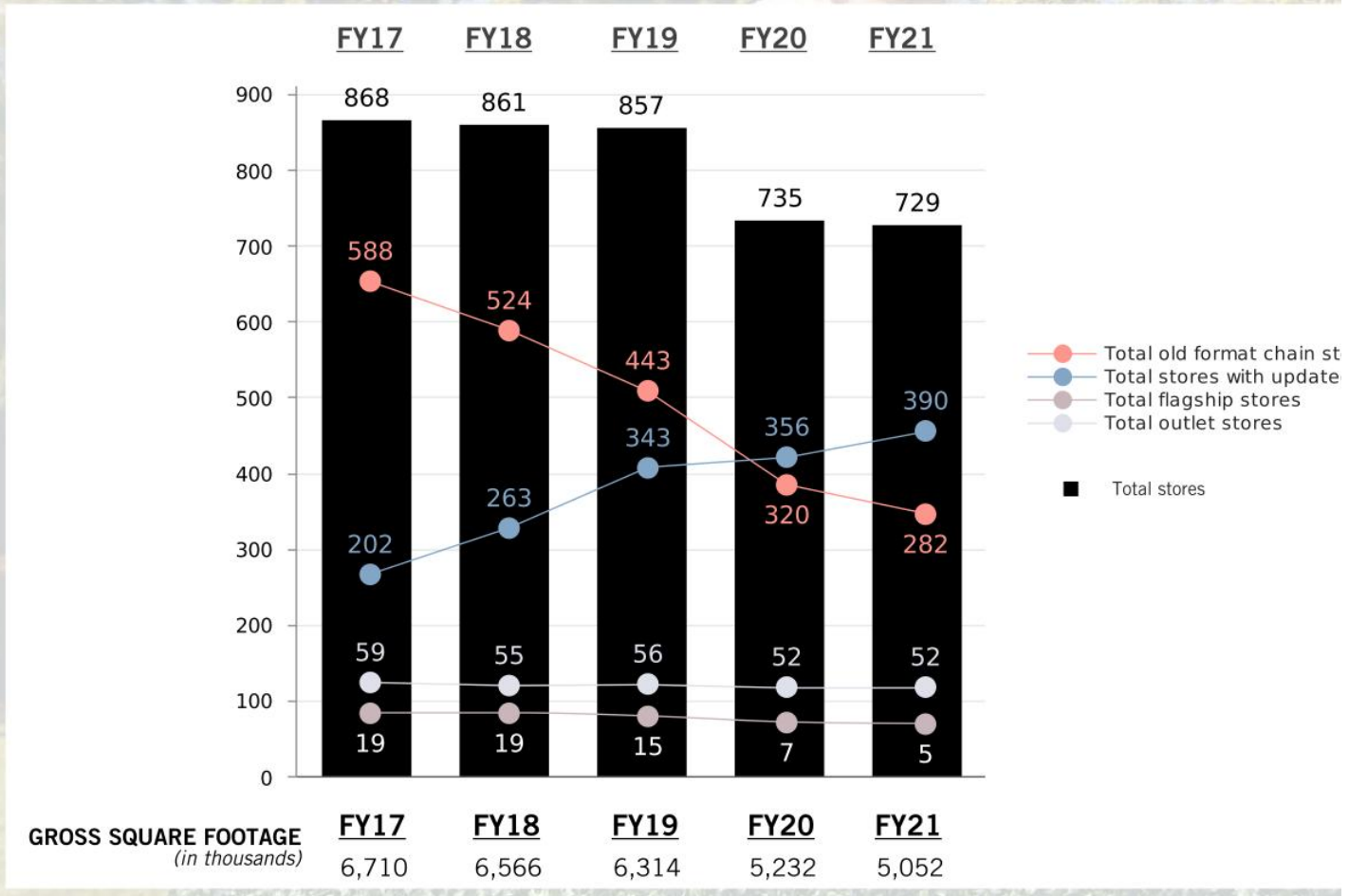
⁽¹⁾ Store count excludes one international third-party operated multi-brand outlet store as of January 29, 2022.

⁽²⁾ Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes 9 international franchise stores as of January 29, 2022 and January 30, 2021. Excludes 14 Company-operated temporary stores as of January 29, 2022 and 12 as of January 30, 2021.

⁽³⁾ Locations with abercrombie kids carveouts within Abercrombie & Fitch stores are represented as a single store count. Excludes 14 international franchise stores as of January 29, 2022, and 14 international franchise stores as of January 30, 2021. Excludes five Company-operated temporary stores as of January 29, 2022 and two as of January 30, 2021.

REMOVED 1.7M GROSS SQUARE FEET GLOBALLY SINCE 2017; EXPECT TO SEE NET STORE OPENINGS IN 2022

GLOBAL STORE OPTIMIZATION



* Prior period figures have been revised to reflect a change in classification of certain stores to be consistent with current presentation.

91% OF U.S. STORES LOCATED IN A/B MALLS; CONTINUE TO REPOSITION GLOBAL FLEET

GLOBAL STORE
OPTIMIZATION

YTD STORE OPTIMIZATION ACTIVITY

	HOLLISTER	ABERCROMBIE	TOTAL
NEW STORES	22	16	38
REMODELS	2	—	2
RIGHT-SIZES	2	3	5
NEW EXPERIENCES	26	19	45
PERMANENT CLOSURES	(14)	(30)	(44)

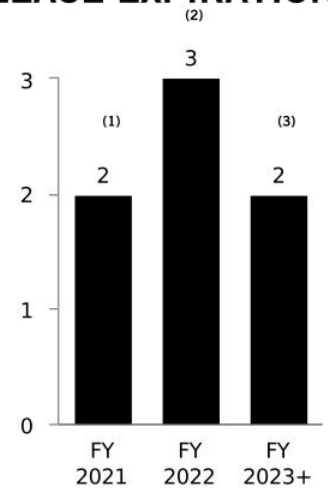
Q4 2021 STORE FLEET DETAIL

	HOLLISTER		ABERCROMBIE		TOTAL COMPANY	
	# OF STORES	% OF FLEET	# OF STORES	% OF FLEET	# OF STORES	% OF FLEET
LEGACY STORES	185	37%	97	43%	282	39%
UPDATED FORMATS	304	60%	86	38%	390	53%
OUTLETS	15	3%	37	17%	52	7%
FLAGSHIPS	1	—%	4	2%	5	1%
TOTAL	505	100%	224	100%	729	100%

Q4 2021 U.S. STORE FLEET *

	A MALL	B MALL	C MALL	FLAGSHIPS	TOTAL
# OF STORES	228	245	46	2	521
% OF U.S. FLEET	44%	47%	9%	—%	100%

FLAGSHIP STORE CLOSURES/ LEASE EXPIRATIONS



(1) Includes the A&F Singapore and A&F Hamburg, Germany locations.

(2) Includes the A&F Amsterdam, Netherlands, the A&F Shanghai, China locations as well as the A&F 5th Avenue, New York City

(3) Includes the Hollister 5th Avenue, New York City and A&F Ginza, Japan locations.

* Mall rating based on Green Street Advisors as of March 2022.



Q4 2021 AND FULL YEAR RESULTS

CEO COMMENTARY

Q4 2021 AND
FULL YEAR RE

“2021 is a testament to the fundamental changes we have made to strengthen our foundation and improve profitability. For the year, we delivered: Net sales of \$3.7 billion with 47% digital penetration; a double-digit growth rate; reported and adjusted operating income of \$343 million and \$355 million, respectively, roughly 330% above 2019 levels; and a 9.6% adjusted operating margin, our highest in over a decade. In addition to returning cash to shareholders through share repurchases, we reduced our ending share count by 15%.”

“We are pleased with our recent performance. Following inventory receipt delays that impacted the peak holiday selling period, sales trends initially improved as product began to arrive. While mid-January was impacted by the Omicron surge, sales rebounded in late January as cases fell and new assortments set. Momentum has continued quarter-to-date, with an acceleration in the sales trend from total fourth quarter levels. Importantly, response to early spring assortments has been strong, and we do not anticipate significant inventory supply issues for the remainder of the quarter.”

“Looking ahead, we will continue to thoughtfully manage the business to support long-term growth leveraging multi-year investments in systems, processes and tools across digital, technology and data and analytics. We look forward to sharing more details on our three-year plan at our June Investor Day.”

FRAN HOROWITZ, CHIEF EXECUTIVE OFFICER



NET INCOME (LOSS) PER SHARE

Q4 2021 RESULTS

SIGNIFICANT ITEMS IMPACTING RESULTS

- Net sales for the fourth quarter and full year increased 4% and 19%, respectively, as compared to last year, with full year increases in stores and online sales.
- Gross profit rate for the fourth quarter declined 220 basis points as compared to last year to 58.3%, driven by higher average unit cost from freight partially offset by higher average unit retail on lower promotions. Full year gross margin increased 180 basis points to 62.3% driven by higher average unit retail on lower promotions.
- Store occupancy expense for the fourth quarter increased by \$9M and for the full year decreased \$68M, as compared to last year, with the increase reflecting a decrease in store count and favorable rent negotiations.
- Marketing expense for the fourth quarter and full year increased \$33M and \$89M, respectively, including digital sales marketing, reflecting the company's initiatives to make strategic investments across marketing.
- Asset impairment charges for the fourth quarter and full year of \$2M and \$12M, respectively.

	Q4 2021	Q4 2020	FY 2021	FY 2020
GAAP	\$ 1.12	\$ 1.27	\$ 4.20	\$ (1.82)
EXCLUDED ITEMS, NET OF TAX EFFECT ⁽¹⁾	(0.03)	(0.23)	(0.15)	(1.10)
ADJUSTED NON-GAAP	\$1.14	\$1.50	\$4.35	\$(0.73)
IMPACT FROM FOREIGN CURRENCY EXCHANGE RATES ⁽²⁾	—	(0.01)	—	0.01
ADJUSTED NON-GAAP ON A CONSTANT CURRENCY BASIS	\$1.14	\$1.51	\$4.35	\$(0.74)

⁽¹⁾ Adjusted non-GAAP results exclude the effect of certain items set out of page 32.

⁽²⁾ The estimated impact from foreign currency is calculated by applying current period exchange rates to prior year results using a 26% tax rate.

NET SALES

Q4 2021 RESULTS

TOTAL COMPANY NET SALES UP 4% TO \$1.2B

Q4 2021 DIGITAL SALES OF \$556M, OR 48% OF TOTAL NET SALES

HOLLISTER
\$669M

UP 2% TO LAST YEAR
57.6% OF TOTAL NET SALES

ABERCROMBIE
\$493M

UP 6% TO LAST YEAR
42.4% OF TOTAL NET SALES

UNITED STATES
\$842M

UP 7% TO LAST YEAR
72.5% OF TOTAL NET SALES

EMEA
\$226M

DOWN 4% TO LAST YEAR
19.5% OF TOTAL NET SALES

APAC
\$46M

DOWN 21% TO LAST YEAR
4.0% OF TOTAL NET SALES

OTHER
\$47M

UP 19% TO LAST YEAR
4.1% OF TOTAL NET SALES

NET SALES

FULL YEAR RE

TOTAL COMPANY NET SALES UP 19% TO \$3.7B

FULL YEAR DIGITAL SALES OF ROUGHLY \$1.7B, OR 47% OF TOTAL NET SALES

HOLLISTER
\$2.1B

UP 17% TO LAST YEAR

57.9% OF TOTAL NET SALES

ABERCROMBIE
\$1.6B

UP 21% TO LAST YEAR

42.1% OF TOTAL NET SALES

UNITED STATES
\$2.7B

UP 25% TO LAST YEAR

71.4% OF TOTAL NET SALES

EMEA
\$755M

UP 6% TO LAST YEAR

20.3% OF TOTAL NET SALES

APAC
\$172M

DOWN 3% TO LAST YEAR

4.6% OF TOTAL NET SALES

OTHER
\$134M

UP 20% TO LAST YE

3.6% OF TOTAL NET S

OPERATING EXPENSE

Q4 2021 RESULTS

GAAP

(in thousands)	Q4 2021	% OF NET SALES	Q4 2020	% OF NET SALES	Δ
STORE OCCUPANCY ⁽¹⁾	\$112,591	9.7%	\$103,657	9.2%	
ALL OTHER ⁽²⁾	322,538	27.8%	309,170	27.6%	
STORES AND DISTRIBUTION	435,129	37.5%	412,827	36.8%	
MARKETING, GENERAL & ADMINISTRATIVE	145,686	12.5%	137,334	12.2%	
FLAGSHIP STORE EXIT CHARGES	24	0.0%	854	0.1%	
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	1,901	0.2%	15,597	1.4%	
TOTAL	\$582,740	50.2%	\$566,612	50.5%	

NON-GAAP*

(in thousands)	Q4 2021	% OF NET SALES	Q4 2020	% OF NET SALES	Δ
STORE OCCUPANCY ⁽¹⁾	\$112,591	9.7%	\$103,657	9.2%	
ALL OTHER ⁽²⁾	322,538	27.8%	309,170	27.6%	
STORES AND DISTRIBUTION	435,129	37.5%	412,827	36.8%	
MARKETING, GENERAL & ADMINISTRATIVE	145,686	12.5%	137,334	12.2%	
FLAGSHIP STORE EXIT CHARGES	24	0.0%	854	0.1%	
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	—	0.0%	—	0.0%	
TOTAL	\$580,839	50.0%	\$551,015	49.1%	

* Q4 non-GAAP operating expense is presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out of page 32.

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

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

⁽³⁾ Rounded based on reported percentages.

OPERATING EXPENSE

FULL YEAR RE

GAAP

<i>(in thousands)</i>	2021	% OF NET SALES	2020	% OF NET SALES	Δ
STORE OCCUPANCY ⁽¹⁾	\$428,764	11.5%	\$496,269	15.9%	(
ALL OTHER ⁽²⁾	1,000,712	27.0%	895,315	28.6%	(
STORES AND DISTRIBUTION	1,429,476	38.5%	1,391,584	44.5%	(
MARKETING, GENERAL & ADMINISTRATIVE	536,815	14.5%	463,843	14.8%	
FLAGSHIP STORE EXIT (BENEFITS) CHARGES	(1,153)	0.0%	(11,636)	(0.4)%	
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	12,100	0.3%	72,937	2.3%	(
TOTAL	\$1,977,238	53.3%	\$1,916,728	61.3%	(

NON-GAAP*

<i>(in thousands)</i>	2021	% OF NET SALES	2020	% OF NET SALES	Δ
STORE OCCUPANCY ⁽¹⁾	\$428,764	11.5%	\$496,269	15.9%	(
ALL OTHER ⁽²⁾	1,000,712	27.0%	895,315	28.6%	(
STORES AND DISTRIBUTION	1,429,476	38.5%	1,391,584	44.5%	(
MARKETING, GENERAL & ADMINISTRATIVE	536,815	14.5%	463,843	14.8%	
FLAGSHIP STORE EXIT (BENEFITS) CHARGES	(1,153)	0.0%	(11,636)	(0.4)%	
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	—	0.0%	—	0.0%	
TOTAL	\$1,965,138	52.9%	\$1,843,791	59.0%	(

* Non-GAAP operating expense is presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out of page 32.

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

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

(3) Rounded based on reported percentages.

INCOME STATEMENT

**Q4 2021 AND
FULL YEAR RE**

	Q4 GAAP				FULL YEAR GAAP			
	Q4 2021	% OF NET SALES	Q4 2020	% OF NET SALES	2021	% OF NET SALES	2020	NET INCOME
<i>(in thousands)</i>								
NET SALES	\$1,161,353	100.0%	\$1,122,044	100.0%	\$3,712,768	100.0%	\$3,125,384	
GROSS PROFIT ⁽¹⁾	677,132	58.3%	679,019	60.5%	2,311,995	62.3%	1,891,205	
OPERATING EXPENSE	582,740	50.2%	566,612	50.5%	1,977,238	53.3%	1,916,728	
OTHER OPERATING INCOME, NET	(3,741)	(0.3)%	(3,492)	(0.3)%	(8,327)	(0.2)%	(5,054)	
OPERATING INCOME (LOSS)	98,133	8.4%	115,899	10.3%	343,084	9.2%	(20,469)	
INTEREST EXPENSE, NET	6,959	0.6%	8,997	0.8%	34,110	0.9%	28,274	
INCOME (LOSS) BEFORE INCOME TAXES	91,174	7.9%	106,902	9.5%	308,974	8.3%	(48,743)	
INCOME TAX EXPENSE	23,348	2.0%	21,646	1.9%	38,908	1.0%	60,211	
NET INCOME (LOSS)	\$65,509	5.6%	\$82,392	7.3%	\$263,010	7.1%	\$(114,021)	
NET INCOME (LOSS) PER SHARE								
BASIC	\$1.18		\$1.32		\$4.41		\$(1.82)	
DILUTED	\$1.12		\$1.27		\$4.20		\$(1.82)	
WEIGHTED-AVERAGE SHARES								
BASIC	55,740		62,581		59,597		62,551	
DILUTED	58,700		64,788		62,636		62,551	

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



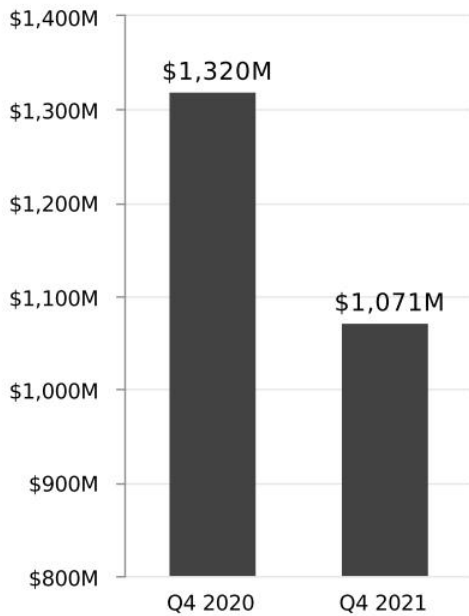
FINANCIAL POSITION, LIQUIDITY & CAPITAL ALLOCATION



FINANCIAL POSITION AND LIQUIDITY SUMMARY

FINANCIAL POSITION, LIQUIDITY & CAPITAL ALLOCATION

LIQUIDITY*



* Liquidity is comprised of cash and equivalents and borrowing available under the ABL Facility.

CASH & EQUIVALENTS

\$823M AS COMPARED TO \$1,105M LAST YEAR

SHORT-TERM BORROWINGS

NO BORROWINGS OUTSTANDING UNDER ABL FACILITY
\$248M OF BORROWING AVAILABLE UNDER ABL FACILITY

GROSS LONG-TERM BORROWINGS

\$308M OUTSTANDING AS COMPARED TO \$350M LAST YEAR

INVENTORIES

\$526M UP 30% FROM LAST YEAR DUE TO HIGHER IN-TRANSIT AND FREIGHT COST; UNITS ON HAND APPROXIMATELY FLAT TO LAST YEAR

CASH FLOW SUMMARY

FINANCIAL POSITION, LIABILITIES
& CAPITAL ALLOCATION

(in thousands)	FULL YEAR ENDED	
	JANUARY 29, 2022	JANUARY 30, 2021
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$273,997	\$404,918
NET CASH USED FOR INVESTING ACTIVITIES	\$(96,979)	\$(51,910)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	\$(446,898)	\$69,717

(in thousands)	NET CASH PROVIDED BY OPERATING ACTIVITIES	CAPITAL EXPENDITURES	FREE CASH FLOW ⁽²⁾
FY 2016	\$185,169	\$140,844	\$44,325
FY 2017	\$287,658	\$107,001	\$180,657
FY 2018	\$352,933	\$152,393	\$200,540
FY 2019	\$300,685	\$202,784	\$97,901
FY 2020	\$404,918	\$101,910	\$303,008
FY 2021	\$273,997	\$96,979	\$177,018

⁽¹⁾ 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.

BALANCE SHEET

FINANCIAL POSITION,
& CAPITAL ALLOCATION

(in thousands)	JANUARY 29, 2022	JANUARY 30, 2021
CASH AND EQUIVALENTS	\$823,139	\$1,104,862
RECEIVABLES	69,102	83,857
INVENTORIES	525,864	404,053
OTHER CURRENT ASSETS	89,654	68,857
TOTAL CURRENT ASSETS	\$1,507,759	\$1,661,629
PROPERTY AND EQUIPMENT, NET	508,336	550,587
OPERATING LEASE RIGHT-OF-USE ASSETS	698,231	893,989
OTHER ASSETS	225,165	208,697
TOTAL ASSETS	\$2,939,491	\$3,314,902
ACCOUNTS PAYABLE	\$374,829	\$289,396
ACCRUED EXPENSES	395,815	396,365
SHORT-TERM PORTION OF OPERATING LEASE LIABILITIES	222,823	248,846
INCOME TAXES PAYABLE	21,773	24,792
TOTAL CURRENT LIABILITIES	\$1,015,240	\$959,399
LONG-TERM PORTION OF OPERATING LEASE LIABILITIES	697,264	957,588
LONG-TERM BORROWINGS, NET	303,574	343,910
OTHER LIABILITIES	86,089	104,693
TOTAL LONG-TERM LIABILITIES	\$1,086,927	\$1,406,191
TOTAL ABERCROMBIE & FITCH CO. STOCKHOLDERS EQUITY	826,090	936,628
NONCONTROLLING INTEREST	11,234	12,684
TOTAL STOCKHOLDERS' EQUITY	\$837,324	\$949,312
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,939,491	\$3,314,902

SHARE REPURCHASES AND DIVIDENDS

FINANCIAL POSITION, LIABILITIES
& CAPITAL ALLOCATION

The Company repurchased approximately 4.1 million shares during the fourth quarter and 10.2 million for the full year, returning \$377 million to shareholders through share repurchases, and has \$358 million remaining on the share repurchase authorization established in November 2021.

<i>(in thousands, except for average cost)</i>	SHARE REPURCHASES			DIVIDENDS	TOTAL
	NUMBER OF SHARES	COST	AVERAGE COST		
FY 2016	—	\$—	\$—	\$54,066	\$54,066
FY 2017	—	\$—	\$—	\$54,392	\$54,392
FY 2018	2,932	\$68,670	\$23.42	\$53,714	\$122,384
FY 2019	3,957	\$63,542	\$16.06	\$51,510	\$115,052
FY 2020	1,397	\$15,172	\$10.86	\$12,556	\$27,728
FY 2021	10,200	\$377,290	\$36.99	\$—	\$377,290

<i>(in thousands)</i>	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
ENDING SHARES OUTSTANDING	67,758	68,195	66,227	62,786	62,399	52,985

STATEMENT OF CASH FLOWS

FINANCIAL POSITION,
& CAPITAL ALLOCATION

(in thousands)	YEAR TO DATE PERIOD ENDED	
	January 29, 2022	January 30,
NET CASH PROVIDED BY OPERATING ACTIVITIES ⁽¹⁾	\$273,997	\$404,910
PURCHASES OF PROPERTY AND EQUIPMENT	(96,979)	(101,910)
WITHDRAWAL OF RABBI TRUST ASSETS ⁽¹⁾	—	50,000
NET CASH USED FOR INVESTING ACTIVITIES ⁽¹⁾	\$(96,979)	\$(51,910)
PROCEEDS FROM ISSUANCE OF SENIOR SECURED NOTES	—	350,000
PURCHASE OF SENIOR SECURED NOTES	(46,969)	—
PROCEEDS FROM BORROWINGS UNDER THE ABL FACILITY	—	210,000
REPAYMENT OF TERM LOAN FACILITY BORROWINGS	—	(233,250)
REPAYMENT OF ABL FACILITY BORROWINGS	—	(210,000)
PAYMENT OF DEBT ISSUANCE COSTS AND FEES	(2,016)	(7,318)
PURCHASES OF COMMON STOCK	(377,290)	(15,172)
DIVIDENDS PAID	—	(12,556)
OTHER FINANCING ACTIVITIES	(20,623)	(11,987)
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	\$(446,898)	\$69,710
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH	(19,909)	9,168
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS, AND RESTRICTED CASH AND EQUIVALENTS	\$(289,789)	\$431,890
CASH AND EQUIVALENTS, AND RESTRICTED CASH AND EQUIVALENTS, BEGINNING OF PERIOD	\$1,124,157	\$692,260
CASH AND EQUIVALENTS, AND RESTRICTED CASH AND EQUIVALENTS, END OF PERIOD	\$834,368	\$1,124,150



APPENDIX



EXCLUDED ITEMS

APPENDIX

<i>(in thousands)</i>	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021
ASSET IMPAIRMENT	\$2,664	\$786	\$6,749	\$1,901	\$12,100
TAX EFFECT ⁽¹⁾	(449)	(224)	(1,375)	(373)	(2,421)
TOTAL EXCLUDED ITEMS	\$2,215	\$562	\$5,374	\$1,528	\$9,679

<i>(in thousands)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
ASSET IMPAIRMENT	\$42,928	\$8,083	\$6,329	\$—	\$57,340
TAX EFFECT ⁽¹⁾	(4,432)	1,166	(369)	—	—
TOTAL EXCLUDED ITEMS	\$38,496	\$9,249	\$5,960	\$—	\$57,340

⁽¹⁾ The tax effect of excluded items is the difference between the tax provision calculation on a GAAP basis and an adjusted non-GAAP basis.

Q4 RECONCILIATION OF ADJUSTED NON-GAAP RESULTS

APPENDIX

	Q4 2021 GAAP	EXCLUDED ITEMS	Q4 2021 NON-GAAP
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	\$1,901	\$1,901	\$—
OPERATING INCOME	98,133	(1,901)	100,034
INCOME BEFORE INCOME TAXES	91,174	(1,901)	93,075
INCOME TAX EXPENSE ⁽¹⁾	23,348	(373)	23,721
NET INCOME	\$65,509	\$(1,528)	\$67,037
NET INCOME PER DILUTED SHARE	\$1.12	\$(0.03)	\$1.14
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	58,700		58,700
	Q4 2020 GAAP	EXCLUDED ITEMS	Q4 2020 NON-GAAP
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	\$15,597	\$15,597	\$—
OPERATING INCOME	115,899	(15,597)	131,496
INCOME BEFORE INCOME TAXES	106,902	(15,597)	122,499
INCOME TAX EXPENSE ⁽¹⁾	21,646	(664)	22,310
NET INCOME	\$82,392	\$(14,933)	\$97,325
NET INCOME PER DILUTED SHARE	\$1.27	\$(0.23)	\$1.50
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	64,788		64,788

⁽¹⁾ The tax effect of excluded items, calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

FULL YEAR RECONCILIATION OF ADJUSTED NON-GAAP RESULTS

APPENDIX

	FY 2021 GAAP	EXCLUDED ITEMS	FY 2021 NON-GAAP
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	\$12,100	\$12,100	\$—
OPERATING INCOME	343,084	(12,100)	355,184
INCOME BEFORE INCOME TAXES	308,974	(12,100)	321,074
INCOME TAX EXPENSE ⁽¹⁾	38,908	(2,421)	41,329
NET INCOME	\$263,010	\$(9,679)	\$272,689
NET INCOME PER DILUTED SHARE	\$4.20	\$(0.15)	\$4.35
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	62,636		62,636
	FY 2020 GAAP	EXCLUDED ITEMS	FY 2020 NON-GAAP
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	\$72,937	\$72,937	\$—
OPERATING (LOSS) INCOME	(20,469)	(72,937)	52,468
(LOSS) INCOME BEFORE INCOME TAXES	(48,743)	(72,397)	23,654
INCOME TAX EXPENSE ⁽¹⁾	60,211	(4,299)	64,510
NET LOSS	\$(114,021)	\$(68,638)	\$(45,383)
NET LOSS PER DILUTED SHARE	\$(1.82)	\$(1.10)	\$(0.73)
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	62.551		62.551

⁽¹⁾ The tax effect of excluded items, calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

Q4 RECONCILIATION OF CONSTANT CURRENCY RESULTS

APPENDIX

NET SALES	Q4 2021	Q4 2020	Δ %
GAAP	\$1,161,353	\$1,122,044	4%
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(6,591)	(1)%
NON-GAAP CONSTANT CURRENCY BASIS	\$1,161,353	\$1,115,453	4%
GROSS PROFIT	Q4 2021	Q4 2020	Δ BPS ⁽²⁾
GAAP	\$677,132	\$679,019	(220)
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(3,996)	0
NON-GAAP CONSTANT CURRENCY BASIS	\$677,132	\$675,023	(220)
OPERATING INCOME	Q4 2021	Q4 2020	Δ BPS ⁽²⁾
GAAP	\$98,133	\$115,899	(190)
EXCLUDED ITEMS ⁽³⁾	(1,901)	(15,597)	120
ADJUSTED NON-GAAP	\$100,034	\$131,496	(310)
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(151)	(10)
ADJUSTED NON-GAAP CONSTANT CURRENCY BASIS	\$100,034	\$131,647	(320)
NET INCOME PER DILUTED SHARE	Q4 2021	Q4 2020	Δ \$
GAAP	\$1.12	\$1.27	\$(0.15)
EXCLUDED ITEMS, NET OF TAX ⁽³⁾	(0.03)	(0.23)	0.20
ADJUSTED NON-GAAP	\$1.14	\$1.50	\$(0.36)
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(0.01)	0.01
ADJUSTED NON-GAAP CONSTANT CURRENCY BASIS	\$1.14	\$1.51	\$(0.37)

- ⁽¹⁾ 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 26% tax rate.
- ⁽²⁾ The estimated basis point impact has been rounded based on the percentage change.
- ⁽³⁾ Excludes the effect of certain items set out on page 32.

FULL YEAR RECONCILIATION OF CONSTANT CURRENCY RESULTS

APPENDIX

NET SALES	FY 2021	FY 2020	Δ %
GAAP	\$3,712,768	\$3,125,384	19%
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	25,927	1%
NON-GAAP CONSTANT CURRENCY BASIS	\$3,712,768	\$3,151,311	18%
GROSS PROFIT	FY 2021	FY 2020	Δ BPS ⁽²⁾
GAAP	\$2,311,995	\$1,891,205	180
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	13,865	0
NON-GAAP CONSTANT CURRENCY BASIS	\$2,311,995	\$1,905,070	180
OPERATING (LOSS) INCOME	FY 2021	FY 2020	Δ BPS ⁽²⁾
GAAP	\$343,084	\$(20,469)	990
EXCLUDED ITEMS ⁽³⁾	(12,100)	(72,937)	200
ADJUSTED NON-GAAP	\$355,184	\$52,468	790
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	1,399	10
ADJUSTED NON-GAAP CONSTANT CURRENCY BASIS	\$355,184	\$51,069	800
NET (LOSS) INCOME PER DILUTED SHARE	FY 2021	FY 2020	Δ \$
GAAP	\$4.20	\$(1.82)	\$6.02
EXCLUDED ITEMS, NET OF TAX ⁽³⁾	(0.15)	(1.10)	0.95
ADJUSTED NON-GAAP	\$4.35	\$(0.73)	\$5.08
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	0.01	(0.01)
ADJUSTED NON-GAAP CONSTANT CURRENCY BASIS	\$4.35	\$(0.74)	\$5.09

⁽¹⁾ 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 26% tax rate.

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

⁽³⁾ Excludes the effect of certain items set out on page 32.

Abercrombie & Fitch Co.

Abercrombie & Fitch | abercrombie kids | HOLLISTER | GILLY HICKS



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REFINITIV STREETEVENTS

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REFINITIV 

CORPORATE PARTICIPANTS

Fran Horowitz *Abercrombie & Fitch Co. - CEO & Director*

Pamela Nagler Quintiliano *Abercrombie & Fitch Co. - VP of IR*

Scott D. Lipesky *Abercrombie & Fitch Co. - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Corey Tarlowe *Jefferies LLC, Research Division - Equity Analyst*

Dana Lauren Telsey *Telsey Advisory Group LLC - CEO & Chief Research Officer*

Janet Joseph Kloppenburg *JJK Research Associates, Inc. - President*

Kimberly Conroy Greenberger *Morgan Stanley, Research Division - MD*

Marni Shapiro *The Retail Tracker - Co-Founder*

Matthew Robert Boss *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Mauricio Serna Vega *UBS Investment Bank, Research Division - Analyst*

Paul Lawrence Lejuez *Citigroup Inc., Research Division - MD and Senior Analyst*

Susan Kay Anderson *B. Riley Securities, Inc., Research Division - VP & Analyst*

PRESENTATION

Operator

Good day, and welcome to the Abercrombie & Fitch Fourth Quarter and Year-End Fiscal Year 2021 Earnings Call. Today's conference is being recorded. (Operator Instructions) At this time, I would like to turn the conference over to Pam Quintiliano. Please go ahead.

Pamela Nagler Quintiliano - *Abercrombie & Fitch Co. - VP of IR*

Thank you. Good morning, and welcome to our Fourth Quarter 2021 Earnings Call. Joining me today on the call are Fran Horowitz, Chief Executive Officer; and Scott Lipesky, Chief Financial Officer. Earlier this morning, we issued our fourth quarter earnings release, which is available on our website at corporate.bercrombie.com under the Investors section. Also available on our website is an investor presentation.

Please keep in mind that any forward-looking statements made on the call are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the expectations and assumptions we mention today. A detailed discussion of these factors and uncertainties is contained in the company's filings with the Securities and Exchange Commission.

In addition, we will be referring to certain non-GAAP financial measures during the call. Additional details and a reconciliation of GAAP to adjusted non-GAAP financial measures are included in the release issued earlier this morning. With that, I will turn the call over to Fran.

Fran Horowitz - *Abercrombie & Fitch Co. - CEO & Director*

Good morning, everyone. I am excited to be here today to discuss our fiscal 2021 results and the initiatives that empowered us to achieve a 9.6% adjusted annual operating margin, our highest in over a decade and well above the 5.8% target outlined at our 2018 Investor Day. But first, I'd like to thank our global stores, distribution center and home office teams as well as our partners. Without you, we could not have realized such significant improvements. I'd also like to take a moment to send our thoughts and prayers to all of those impacted by the current situation in Ukraine.

Now on to our results. First, I'm going to discuss the substantial foundational changes made from fiscal year-end 2018, which anchors to our 2018 Investor Day through 2021 before turning to fourth quarter and full year results and our thoughts on 2022. As a reminder, at our 2018 Investor Day, we discussed the initiatives necessary to stabilize, transform and ultimately accelerate growth. These included: optimizing our global store network, enhancing digital and omni capabilities, increasing the speed and efficiency of our concept to customer life cycle, and improving customer engagement through loyalty programs and marketing optimization. As COVID hit and others were in survival mode, our balance sheet enabled us to double down our initiatives. As a result, today, we are firmly in our growth phase.

Let's take a moment to discuss. Starting with global store network optimization. Over the past 3 fiscal years, we have removed 1.5 million gross square feet or 23% out of our base through 228 closures, including 14 flagships. The vast majority of closures were oversized Abercrombies. This has resulted in a reduction in annual store occupancy costs of \$197 million or 31% since fiscal 2018. A huge shout-out to our real estate team who has rigorously evaluated every store in our portfolio and the role it plays.

But it's important to note that optimizing our footprint has not been solely focused on closures. We continue to reposition each brand while evolving the experience to enhance our suite of omni tools, including: purchase online, pick-up in store; curbside pickup; order in store; ship from store; and same-day delivery. At Abercrombie, which has a significantly higher digital penetration in Hollister, reflecting the shopping preferences of its millennial customer base, we have added 65 new experiences over the past 3 fiscal years.

On average, these are roughly 30% to 50% smaller than our heritage stores and better reflect the modern Abercrombie & Fitch through clean and open sight lines and improved functionality that supports the digital nature of our customer. Today, roughly 40% of Abercrombie stores are in an updated format.

At Gen Z brand, Hollister, the teen view is going to the malls for social activity. With a newer and more updated store base, the number and size of stores has remained relatively stable over the past 3 years, and our primary focus has been to open up and brighten the storefront and interior. Currently, around 60% of Hollisters are in an updated format. We also have a dedicated Gilly Hicks space in each Hollister globally, including 28 side-by-side locations.

Simply put, there has been a fundamental shift in how we think about the purpose of a store. We no longer take a one-size-fits-all approach. With tens of millions of customers in our database, we have quantitative and qualitative data to inform our approach to each market. A great example is our recently opened Abercrombie Southport Chicago store. At roughly 2,300 selling square feet, it's one of our smallest footprints yet, offering only women's products, reflecting known demand in the area, and thus far, we are beating internal expectations.

We are excited to have added another highly productive customer-centric store format and we'll continue to explore different opportunities that reflect market-specific nuances. Needless to say, I am thrilled with our progress. We have shuttered underproductive locations and found new ways to meet our customers through enhanced shopping experiences, both in-stores and online. And while closing stores took a meaningful chunk of sales out of our base, it was absolutely the right decision for the longer-term health of our company and our brands. We are ready to move forward, unencumbered by a dated and expensive store base that does not accurately reflect who we are today.

While there is no finish line, we have reached a pivotal moment for our company and our brands. We have exited our stabilization phase and are now on a path of growth with a continued focus on the omnichannel brand experience, which includes both stores and digital. In 2022, for the first time since 2008, we expect to see net store openings with a minimum of 50 new omni-enabled experiences, offset by an estimated 30 closures and square footage to be up in the low single-digit range for the year. We will continue to maintain our discipline, surrounding size, location and economics. Ultimately, we believe that stores and digital are complementary brand experiences and that there is the opportunity to further increase digital sales, even as we introduce more store locations.

Turning to digital. When COVID accelerated the shift to this channel, the consistent investments we had made over the last several years enabled us to fulfill that demand. Financially, we executed against our long-term plan of reducing occupancy to fund increased digital fulfillment. In fiscal 2021, even as stores reopened, roughly half of our sales were digital versus about 1/3 in 2018.

Now on to our third area of transformation. Speed. In order to be nimble and stay on top of current and upcoming trends, we refined our design calendar, rebalanced our vendors and expanded countries of origin. This has enabled us to move quicker and further improve the quality of our product. Looking ahead, we will continue to evolve our sourcing and transportation strategies to mitigate inventory risk by further diversifying production, adjusting our product calendar and adding ports and carriers.

Last, but certainly not least, let's discuss customer engagement, where the most critical step thus far has been clearly defining the purpose and competitive positioning of each brand. With this lens, our teams have evolved how we stay close to our customer and their ever-changing needs. While there are so many great examples, let's start with Abercrombie's best dressed guest franchise. For those of you who haven't heard, 2022 is predicted to be a record year for weddings. With our "Best Dressed Guest" Collection, we provide outfitting options for all their wedding, shower, bachelor and bachelorette party needs. For our Gen Z customer who's not preparing for wedding season just yet, we collaborated with World Fortnite Champion, Bugha, on gamer training events and associated product. These programs [at both] (added by the company after the call) Abercrombie and Hollister have been highly successful and speak to the innovative ways we are gathering customer insights and executing to them.

With the DNA and positioning solidified for each of our brands, our marketing teams are authentically engaging with their respective customers on the channels that are most relevant to them. We continue to unlock and realize the power of social selling through influencers, affiliates and platforms such as TikTok, Instagram, and LikeToKnowIt, or LTK. LTK, one of the top global influencer platforms, recently recognized Abercrombie by including 2 pieces on its 2021 Most Popular Items List, the seamless tank body suit and the asymmetrical snap-up fleece. We also launched a highly successful mini me collaboration for kids with one of LTK's top performers, Sister Studio. Additionally, we have tapped into social selling that is relevant to our teen with social tourists, hosting TikTok's first-ever live fashion show made by Gen Z for Gen Z.

As our product voice and experience have clicked, our target customer has noticed. At fiscal year-end 2021, we had roughly 34 million combined growth global followers across brands and social media platforms and approximately 18 million loyalty accounts. And just recently, Abercrombie and Hollister were voted America's Best Loyalty Programs for 2022 by Newsweek and Statista. And here's the punchline. These initiatives have enabled us to increase sales shift investments from occupancy into marketing and digital, while growing our adjusted operating margin by 570 basis points from fiscal year-end 2018.

As we've evolved our brands and operating model, we have also been working on our corporate culture. We recently launched our corporate purpose, being here for you on the journey to being and becoming who you are. And we were named one of Fortune's 2021 Best Places to Work in Retail and designated a Best Place to Work for LGBTQ Equality by the Human Rights Campaign Corporate Equality Index for the 16th year in a row.

I know I have spoken for quite a while on our transformation initiatives, but it is a critical part of our story and the foundation for how we are going to thrive in the future. Since our 2018 Investor Day, we have become stronger, smarter, faster and more agile with 5 clearly defined and differentiated brands, all of which have global growth opportunity.

So focusing on 2021, we achieved the following: 19% sales growth from fiscal 2020 and 2% growth from fiscal 2019; a gross profit rate of 62.3%; 180 basis points above fiscal 2020 and 290 basis points above fiscal 2019, with double-digit AUR growth offsetting 370 basis points of freight cost headwinds compared to fiscal 2019; a 9.6% adjusted operating margin, our best since 2008; and adjusted earnings per share of \$4.35, our highest since 2007. And this year, we also became more aggressive with shareholder returns, repurchasing 10.2 million shares for \$377 million and reducing total shares outstanding by 15%. We were faced with many unexpected challenges throughout the year but especially in the fourth quarter, with the rise of a new COVID variant, elevated freight costs and major inventory receipt delays to name just a few.

For the quarter, total sales were up 4% from [fiscal] (added by the company after the call) 2020 and down 2% from [fiscal] (added by the company after the call) 2019, with U.S. sales up 7% and 3%, respectively. We had significant unexpected inventory receipt delays from late November into December, leaving us unable to fulfill peak holiday demand. Following the delays in the mid-January Omicron peak, we ended the quarter strong as remaining receipts arrived and case counts declined. The fourth quarter marked our seventh consecutive quarter of AUR growth with all brands, regions and channels contributing to improvements on reduced promotions, markdown and clearance activity.

Turning to brand-specific performance. Hollister was the most heavily impacted by inventory receipt delays, store closures and EMEA exposure. Our teams navigated the challenges well and are in good position for the spring season. While there are many fourth quarter product standouts at Hollister, jeans remained one of the best performing categories as girls and guys embraced newer silhouettes. Even though jeans are already a top 3 sales driver on an annual basis, we believe there's opportunity for more growth and look forward to sharing additional detail on our plans as the year progresses.

At Gilly Hicks, our customer responded well to underwear and sleep, 2 categories we added newness following the brand relaunch and continued to love our active collection, Gilly Go. Reaction to recently introduced men's product remains strong, and our first Gilly stand-alone store is exceeding internal expectations with additional locations, including in the U.K. and Germany scheduled to open this spring. At our newest brand, Social Tourist, we are learning something new with every collection. It's been an amazing ride curating this social-first brand with the D'Amelio family. We are leaning into Social Tourist's unique positioning, which has helped us find creative ways to engage and attract customers and have applied these learnings to our other brands.

At A&F Adults, the young millennial customer continues to rediscover the brand. Elevated fashion content and size inclusivity have been key drivers of success. In the fourth quarter, women's remained on a path of accelerated growth driven by must-win categories, including jeans, where sales more than doubled, and we see additional opportunity as well as dresses, sweaters and knits. Abercrombie brand love is strong with customers and press continuing to support the theme that Abercrombie is back, and we could not agree more. Just last week, we had a soft launch of our active sub-brand, your personal best, and response has been amazing. This is another great example of taking and actioning on customer feedback. At Abercrombie Kids, our play is life mindset continue to drive our product and our comfy dressy assortment for holiday proved to be a standout.

Now on to marketing. Over the last few calls, we've discussed increased investments, and I want to take a moment to highlight some of our successes. At Hollister, we owned Black Friday on TikTok with 185 million impressions and a whopping 75% of Gen Z on TikTok seeing an ad for Hollister or Gilly Hicks. We also hosted Hollister's first virtual store in Snapchat, which launched on Black Friday, and they had a total of 30 million impressions and had 8 weeks of storytelling with influencers and affiliates across TikTok and Instagram, including weekly Instagram live shops for holiday. At Abercrombie Adults, Abercrombie & Fitch search volume grew 250% over the last year and 150% in Q4 alone. We had our best social selling quarter ever with triple-digit year-over-year growth, including a record Cyber Week for digital. We are at such an exciting point in our journey and have the foundation firmly in place to accelerate growth. Quarter-to-date, we've had a nice build in sales trend from Q4 levels and have seen a strong early response to our spring assortments.

While we face several near-term headwinds, including ongoing COVID unknowns, the lapping of stimulus, supply chain and input cost pressure and the potential impact of geopolitical uncertainty, we believe that our target customer is currently healthy, engaged and hungry for the new fashion content we are offering across brands. Operationally, we are thoughtfully executing to growth. We have the balance sheet to support our long-term strategic view and are committed to profitable global expansion. We look forward to sharing more detail on our 3-year plan at our Investor Day this June.

With that, I'm going to turn it over to Scott to discuss our recent results in more detail and our outlook for 2022.

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

Thanks, Fran, and good morning. With 2021 coming to a close, we wrapped up a critical multiyear period where we made significant progress in transforming our operating model and improving our profitability profile. Like Fran, I'm extremely proud of how our teams have accelerated our transformation, while navigating a tremendous amount of personal and professional challenges over the past 2 years.

Turning to our results. I'll start by covering Q4 and full year 2021 with references to 2020 and 2019, where applicable. I'll finish with thoughts on 2022. For Q4, we delivered net sales of \$1.16 billion, up 4% to 2020 and down 2% to 2019. As mentioned in our January business update, we experienced significant unforeseen inventory receipt delays for the peak holiday selling period, primarily impacting Hollister and Gilly Hicks. We are caught up on receipts and do not anticipate significant inventory supply issues for the first quarter. We continue to execute against multiple initiatives to mitigate go-forward inventory disruptions, including updating our product calendar and diversifying our ports, carriers and countries of origin.

5

Compared to 2020, net sales were up 2% for Hollister, which includes Gilly Hicks and Social Tourist and 6% for Abercrombie, which includes kids. By region, net sales increased 7% in the U.S. and decreased 4% in our international regions. Compared to 2019, net sales were down 6% at Hollister, up 4% at Abercrombie, up 3% in the U.S. and down 14% internationally. We continued to see stronger trends in the U.S. as compared to EMEA and APAC, where we saw ongoing disruptions from COVID-related lockdowns and restrictions. Our largest market, the U.K., was impacted throughout much of the quarter, while the Netherlands and Austria experienced COVID-related closures. As stores and markets have reopened, sales have rebounded nicely.

Moving on to gross profit. Our rate of [58.3%] was down 220 basis points to 2020 and up 10 basis points to 2019. Compared to 2019, we saw approximately \$80 million of freight inflation or 700 basis points, up slightly from our previous \$75 million estimate. We fully offset these freight headwinds through higher AURs across brands and channels on reduced promotions and markdowns. Excluding these headwinds, the gross profit rate would have been up 710 basis points compared to 2019.

I'll now cover the rest of our Q4 results on an adjusted non-GAAP basis. Excluded from our non-GAAP results this quarter are \$2 million of pretax asset impairment charges, which adversely impacted results by approximately \$0.03. Last year, we excluded \$16 million of pretax asset impairment charges, which adversely impacted results by \$0.23. Operating expense, excluding other operating income, was \$581 million versus \$551 million last year and \$566 million in 2019.

Compared to 2019, operating expense increased by 3% due primarily to investments in marketing, higher digital fulfillment expense and higher incentive-based compensation, partially offset by savings and store-related expenses. Operating income was \$100 million compared to \$131 million last year and \$125 million in 2019. The effective tax rate was approximately 25%. Net income per diluted share was \$1.14 compared to \$1.50 last year and \$1.31 in 2019.

Turning to full year 2021 results, which I'll cover on an adjusted non-GAAP basis. Due to the COVID-driven impact on fiscal 2020, I will be using 2019 as the primary comparison year. Full year results exclude approximately \$12 million of pretax asset impairment charges primarily attributable to COVID. These charges adversely impacted results by \$0.15. In 2019, we excluded \$13 million of pretax asset impairment charges, which adversely impacted results by \$0.13.

For the year, net sales were \$3.7 billion, up 2% to 2019 driven by record high digital sales, partially offset by lower store sales. For the year, digital sales penetration was 47%. Gross profit rate was 62.3%, up 290 basis points in 2019. For the full year, freight inflation adversely impacted gross profit rate by approximately 370 basis points. We fully offset this impact through higher AURs on reduced promotions and markdowns. As a reminder, we did not increase ticket prices in 2021. Operating expense, excluding other operating income, was \$1.97 billion compared to \$2.07 billion in 2019. 2019 results included \$47 million of flagship charges primarily related to the exit of our SoHo Hollister flagship. In 2021, we continued to tightly manage expenses, which represented 52.9% of sales, our lowest rate since 2007.

Compared to 2019, store occupancy was lower due to store closures and right sizes. This reduction was partially offset by higher digital fulfillment, marketing and incentive-based compensation expenses. Operating income was \$355 million or 9.6% of sales, our highest operating margin since 2008. The effective tax rate for the year was 13%. Net income per diluted share was \$4.35. Turning to the balance sheet. We ended the year with inventory of \$526 million, up 30% to last year. Of the increase, 10 points came from higher end transit due to extended shipping times and around 20 points came from higher freight costs. Units on hand were approximately flat to last year.

Moving through 2022. We plan to continue to maintain a disciplined approach to inventories, while optimizing receipt timing with the assumption that the supply chain will remain challenged for the foreseeable future. We exited the year in a strong financial position with cash and cash equivalents of \$823 million and total liquidity of approximately \$1.1 billion. The cash balance at year-end was \$280 million lower than last year as we aggressively returned excess cash to shareholders in the form of share repurchases. In the fourth quarter, we repurchased 4.1 million shares for \$142 million, bringing the total for the year to 10.2 million shares for \$377 million.

At year-end, we had 53 million shares outstanding, down 15% from the beginning of the year. Capital expenditures were \$97 million with roughly 1/3 of the spend attributable to stores and the remainder to digital technology and maintenance needs. On the store fleet historically, for the year,

we closed a total of 44 locations and opened 38, ending the year with 729 stores. We continue to evolve our go-to-market strategy as we increasingly leverage the data and known shopping behaviors of the respective local consumer and are excited about our planned store count growth in 2022.

I'll finish up with our thoughts on 2022. In our outlook, we make assumptions on inflation for the year based on our current knowledge. For the full year, we expect net sales to be up 2% to 4% from \$3.7 billion in 2021 with the U.S. continuing to outperform EMEA and APAC. We are cautiously optimistic we'll see a trend change in these regions as COVID restrictions continue to abate. As a reminder, our largest international exposure is the U.K., followed by Germany and France.

Gross profit rates will be down around 200 basis points to 2021 level of [62.3%]. Compared to 2021, we expect to see 300 to 400 basis points of freight and raw material inflation, weighted towards freight in the first half and raw materials in the second half. Our expectations assume we will offset a portion of these headwinds through higher AURs on a balance of select ticket increases and further reductions in promotional depth and breadth.

Operating expense, excluding other operating income, to be up in a range similar to sales of up 2% to 4% to 2021 adjusted non-GAAP level of \$1.97 billion. Outside of inflation, expense increases are planned to be focused primarily on improving the digital experience, modernizing technology and opening new stores. Finally, we expect an effective tax rate in the high 20s.

Assuming we deliver against these expectations, we expect our full year operating margin to be in the 7% to 8% range. Regarding capital allocation. We expect capital expenditures of approximately \$150 million with about half related to digital and technology and half related to stores and maintenance. For excess cash, we plan to continue to focus on share repurchases, pending market conditions and share price. Entering 2022, we have \$358 million remaining on the \$500 million share repurchase authorization established in November 2021.

As Fran mentioned, we are pleased with our quarter-to-date performance. For the first quarter, we expect net sales to be up low single digits to Q1 2021 level of \$781 million. Gross profit rate to be down around 400 basis points to 2021 rate of 63.4%, reflecting around \$65 million of incremental freight costs compared to Q1 2021, partially offset by improved AUR.

Operating expense, excluding other operating income, to be up around 6% to Q1 2021 level of \$436 million, with approximately half of the increase due to lapping COVID-related rent abatements and government assistance recognized in Q1 2021. We enter this year in a position of strength and are excited to build on our recent success. While we expect to see high levels of inflation, we have evolved our gross margin and expense structure to a place where we anticipate absorbing a significant amount of this pressure and once again delivering an operating margin, well above pre-pandemic levels.

Looking ahead, we plan to utilize our strong balance sheet and cash generation to make ongoing investments in our customer experience and in the modernization of our systems to improve agility, speed and further embed data and analytics in our decision-making. We view these investments, along with our ongoing focus on our customer as critical to enabling long-term global growth across our portfolio of brands. We look forward to discussing these themes as well as our multiyear financial targets in more detail at our Investor Day this June.

With that, operator, we are ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today comes from Paul Lejuez of Citi.

Paul Lawrence Lejuez - Citigroup Inc., Research Division - MD and Senior Analyst

Curious if you can give any more color on the sales guidance in terms of what you assume by geography or concept? Just trying to understand which pieces of the business are likely to outperform versus underperform that top line guidance for both quarter and full year. Any quantification there? And I'm curious if you've seen any recent impact in your European business. Just what everything that's going on over there. Curious how the European customer is responding. And then last, just also curious if you're seeing any change in the promotional cadence out there amongst the competition. Or any signs from your customer that they might be resisting the higher AURs?

Scott D. Lipsey - Abercrombie & Fitch Co. - Executive VP & CFO

Yes, Paul, good to hear from you. I'll start with the color on the sales guidance. So thinking about the year in total, so up 2% to 4% this year, thinking about that in 2 ways, there'll be a balance of new stores. So that will be a net new store grower this year, which is a great thing for the company. We've been reducing our store count for years and years, and we're at a point now where we are turning that up the other way. So really exciting on that side. And then we'll have a balance of comps.

When we think about growth, we expect growth from both of our brands, Abercrombie and Hollister. Likely Hollister will continue -- I'm sorry, Abercrombie will continue to outperform Hollister a bit, but we expect growth by both brands and really the same trends continuing across geos. Expect the U.S. to outperform the international regions. Again, we're cautiously optimistic that the international business will inflect here as we get through the worst of COVID, but time will tell, and we're not going to forecast that until it actually happens. So that's how we're thinking about the sales outlook. And I would say those themes, pretty consistent as you think about Q1.

Fran Horowitz - Abercrombie & Fitch Co. - CEO & Director

Yes. I'll jump in on promotional cadence, Paul. So we look back on '21, what an exciting year for us. To reduce the promotions that we were able to take out of the business in '21 were quite an exciting accomplishment for all of us. So we did see the consumer, to your point, 7 quarters of AUR growth and 4 recent quarters of double-digit AUR growth. So he and she have shown some elasticity that is clearly based on the fact that our product voice and experience are resonating and we are keeping tight control on inventory. We will keep both of those things as part of our strategy as we head into '22, and we'll continue to monitor this customer on a weekly basis, like Scott and I do with the teams.

Scott D. Lipsey - Abercrombie & Fitch Co. - Executive VP & CFO

Just to close the loop on the EMEA current climate, Paul. A lot going on, obviously, in the European region. It's a horrible situation, what's happening in the Ukraine. We do not have a large exposure to that part of the world in Eastern Europe. And on the Western European side, we're kind of comping the reopening this year versus a pretty shutdown economy last year. So a lot of moving parts there, and our hearts go out to what's happening in that region.

Operator

And we can now move on to Susan Anderson of B. Riley.

Susan Kay Anderson - B. Riley Securities, Inc., Research Division - VP & Analyst

I was wondering if maybe you can talk a little bit more about Gilly Hicks on maybe give some color on the size of the brand now, if it's material, and then the growth you're expecting over the next few years in number of stand-alone stores. And potentially other new product categories you can expand into such as like the Gilly Go as we look forward.

Fran Horowitz - Abercrombie & Fitch Co. - CEO & Director

Hey, Susan. Love to talk about Gilly. So as you know, we launched Gilly back in July and established a nice new platform for it, which is finding your happy place, which is really resonating with our consumer, and we introduce guys into the brand as well. So starting with that, we carry guys now in our side-by-side, in our freestanding store in Easton and that is resonating nicely and selling nicely. Gilly Go, we added during the pandemic, and that has also been a nice growth vehicle for us.

So Gilly had a strong year, excited about the product acceptance that we're seeing, as you mentioned. So we did open up Easton and have seen a nice response to that store. We are a test-and-learn culture here. So what we're learning from that store is enabling us to open up 2 that we named this morning. So we're opening up a store in the U.K. and Germany as well. And we have a few more on the docket. When we get to our Investor Day in June, we're going to give more specificity about Gilly.

Susan Kay Anderson - B. Riley Securities, Inc., Research Division - VP & Analyst

Okay. Great. And then maybe you could talk about -- have you seen, I guess, it sounds like denim is still very strong, maybe dresses are coming back. But have you seen I guess is everything selling very well, including fashion now? Or have you kind of seen that pendulum swing towards more fashion? And is that what you're expecting for this year for maybe dresses to kind of take the strength and denim is still strong but maybe not as strong as they had been?

Fran Horowitz - Abercrombie & Fitch Co. - CEO & Director

This is actually -- our denim business and our dress business has been strong for quite a few years now. We even talked back during the real height of the pandemic that we were selling fashion in both denim and dresses. I couldn't tell you exactly where everybody was wearing it too, but we certainly talked about the fact that, that they were both resonating. Today, that continues to be so. We had a strong year in both those categories, in both of our brands for '21. We're still seeing strength in both of them. I mentioned during my script that we are looking at what could be a record year in weddings, and so dresses are resonating in both brands.

There's so much fashion and exciting new things happening, particularly in the denim area that the more newness and the more fashion we keep sending out to our consumer, the hungrier and excited they are about the product. So again, just to sum it up, both are strong and expect to continue to see that.

Operator

We can move on to Dana Telsey of Telsey Group.

Dana Lauren Telsey - Telsey Advisory Group LLC - CEO & Chief Research Officer

As you think about the digital business, which I believe is around 48% of sales or so, where do you see that going? And now that you're shifting to being a net store opener, how do you see the percentage in the U.S. business malls versus off-mall? And going forward, is your rent expense going forward lower than what it had been in 2019? Or how are you thinking about occupancy cost?

Fran Horowitz - Abercrombie & Fitch Co. - CEO & Director

Dana, good morning. I'll kick this one off. So exciting. Digital business has grown tremendously for us from 1/3, as you said, close to half of our business. As we think about the future of our business, both are important. Digital will grow and stores will grow. That is clearly the magic that makes our omni business. As the stores have reopened, we're actually seeing the channels rebalance a bit. So we haven't declared exactly where we think that's going. But today, at about 50% for both and growth for both is how we see it.

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

As we think about on-mall, off-mall, the Southport, the Chicago example we gave is a good one. We're going to continue to evolve our toolkit as it comes to stores and how we approach each market. So more to come there. I think we'll start to see a little bit more off-mall than we've had in our past.

Going to the occupancy question, which was the last question. We've been on quite a journey here on occupancy. You've been on that journey with us. Our occupancy dollars are down close to \$200 million when you look back a couple of years to that 2019 level. At this point, we're baking that into our outlook for next year. It's a great starting point. Our occupancy dollars will tick up a little bit as we become net openers of stores. But we're not going to lose that discipline that we've had here for the past couple of years. It's got to be the right size at the right location and the right economics. And if we get that, we will sign the deal. And so we don't expect large oversized expensive stores like we've had in the past, but we are going to maintain that discipline going forward.

Operator

And the next question comes from Matthew Boss of JPMorgan.

Matthew Robert Boss - JPMorgan Chase & Co, Research Division - MD and Senior Analyst

Great. So Fran, you cited top line acceleration in February relative to the fourth quarter. Could you elaborate on trends that you're seeing across your brands? Any early reception that you're seeing to spring assortments? And then, Scott, what is embedded this year for AUC or freight as we think about shaping the margin structure this year?

Fran Horowitz - Abercrombie & Fitch Co. - CEO & Director

Hey, Matt. So yes, we are excited to see where we are for February. That's coming off of 2 specific things. We talked a lot during ICR about the delayed receipts. Those continue to sell through from our consumers. So excited to see that. And the reception to our early spring receipts have been strong, and that's across brands and genders.

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

Yes. On the AUC, as we think about the full year, we're looking at about 300 to 400 basis points impact on margin from AUC. And I'd say that the front half is going to be weighted more towards freight as we lap lower freight last year. The freight really started to spike up in Q3 and Q4 last year. So -- we'll lap that with higher freight this spring. And in the back half, we'll start to see some of that cotton inflation flow through. So in total, we're saying about 300 to 400 basis points from cost increases into AUC. We do expect gross margins to be down approximately 200 basis points. So our expectation is that we will offset a portion of that 300 to 400 basis points freight, and raw material cost headwinds with higher AURs.

Operator

And our next question comes from Janet Kloppenburg of JJK Research Associates.

Janet Joseph Kloppenburg - JJK Research Associates, Inc. - President

I'm just wondering about the freight assumptions for the year. I think you said, Scott, that there's \$65 million impact in the first quarter. How do you see -- in your 7% to 8% EBIT margin assumptions for this year, how do you see freight for the rest of the year? Is there some opportunity for moderation later in the year? And Fran, it sounds like Abercrombie is -- has really got some strong momentum. And it feels like it's a little bit better

than Hollister's. I was just wondering, is that just because productivity levels of being recaptured at A&F? Or do you think that there are some other issues confronting Hollister, perhaps the impact of your having more restrictions than the U.S.? I'd just love to see -- understand your view on the sales momentum of Hollister versus A&F and how we should think about that going forward.

Fran Horowitz - *Abercrombie & Fitch Co. - CEO & Director*

Okay. So let's start. We'll go backwards, Janet. So starting with A&F, yes, the brand is on fire, and it is so awesome that the brand is back.

I'm sure you've been with us for quite a time.

Janet Joseph Kloppenburg - *JJK Research Associates, Inc. - President*

Right. It looks amazing. I mean it's just -- it's really quite well done. Yes.

Fran Horowitz - *Abercrombie & Fitch Co. - CEO & Director*

Thank you. So it's obviously, Hollister got to start much earlier in this journey. And I will tell you that we are actually really excited about our Hollister business. Our U.S. business, specifically, let's focus on that for a minute. Yes, we were 6% ahead of 2019 in the U.S., and Hollister has a different composition to it. So to your point, it's more store-based, it's more international-based. And we do see the delays that we incurred in December and January, a higher penetration on Hollister and on Gilly. So both brands are resonating. A&F trend is a bit stronger than Hollister, but Hollister is still strong, and we're excited. They got their assortment architecture right. Their denim business is terrific. So lots of good things happening in both brands.

Scott D. Lipesky - *Abercrombie & Fitch Co. - Executive VP & CFO*

Right, Janet, on the freight, the \$65 million that we called out for freight is related to Q1, so year-over-year growth in freight in Q1. Zooming out to the year, getting back to that 300 to 400 basis points is our estimate right now for freight and raw material impact for the year. I think we as well as pretty much everyone that ships product across the ocean, we're all hopeful for some kind of moderation in the back half, but who knows when that might come. We're not planning for it. I think we're all hoping for it.

When we think about the operating margins for the year, our sales are up 2% to 4%, expenses will track against that. So call it expense leverage, deleverage, essentially 0. And then we look at that gross margin in the middle. We're expecting around 200 basis points decrease from 2021. So that's really what's driving the expected operating margins down from this year into next year. And we'll see, we're putting a realistic AUR out there. We've had a really strong run on AUR, 7 straight quarters, double-digit for last year. We're expecting more on top of that. But at this point, we're not expecting we would overcome all of that inflation.

Operator

The next question comes from Kimberly Greenberger of Morgan Stanley.

Kimberly Conroy Greenberger - *Morgan Stanley, Research Division - MD*

I wanted to ask about the outlook for gross margin here in 2022. Are you contemplating any return of some promotions either across the industry or in your store? Or do you think you'll be able to hold all of those AUR gains that you got last year and build upon those with the additional price actions in 2022?

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

Our expectation is that we will be able to hold those gains. Our expectation for the year, I just mentioned, the AUR to be up off of 2021 levels. We are increasing tickets in select places, and we also think we have an opportunity to pull back on some additional promotions. You know better than anyone. I read your tracker. It's very nice. We were promotional all year last year. We are in a promotional business. So what we are trying to do as a company is pull down our promotions. What used to be 40 to 50 are now a 30 and a 20, and we've had great success with that.

So what we're going to do, stepping back, looking at the full year, we're going to deliver great products. We're going to keep our inventory in control and that's going to put us in the best control of our promotional calendar. So the short answer is yes. We think we can hold those gains and build on them in 2022.

Kimberly Conroy Greenberger - Morgan Stanley, Research Division - MD

Okay. Great, Scott and that is a great segue to my second question, which is just on inventory. How should we think about inventory levels throughout the year 2021? Do you expect a similar kind of increase to what we're seeing here at the end of Q4 to be relatively durable over the next 3 quarters?

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

Yes. Coming into this year, just breaking apart of that inventory, so we were up 30%, which have seen a lot of that across the industry. There's some interesting things happening out there. In transit, we all know the transportation lag now versus the past. So we're seeing higher in transit this year. And then we're also seeing some of those higher freight costs baked into that inventory level.

As we think about the units on hand, our units on hand starting the year were flat to last year. So we're in a really good place, continue to be clean. As we look towards the rest of the year, as we've gone through last year, specifically back-to-school and more into holiday, we lessen business on the table due to some of those late receipts. So we're going to make sure that some of those receipts are here at a better time line than last year. All of the efforts that our supply chain and sourcing team have been making to ensure our receipts are properly timed and placed and received. as we're optimistic that we'll have better on-hand inventories as we start some of these peak quarters and the peak holiday selling period.

Operator

Our next question comes from Corey Tarlowe of Jefferies.

Corey Tarlowe - Jefferies LLC, Research Division - Equity Analyst

You had mentioned that, I believe 40% of Abercrombie stores are in updated format. Can you talk about the comp performance of these updated stores versus some of the older stores?

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

Hey, Corey. Scott, I'll grab this one. Yes. The performance in these stores has been good, and it's been interesting to read. I'd say it's hard to read during COVID here because of the wild nature of the stores in each region. So going back to 2019 when we were talking about this, the store performance was really strong in these stores.

And regardless of the performance, this is a significant step for the brand to modernize the experience in the stores to match what's happening on social and to match what's happening on our sites and our apps, whenever we're marketing. So we will continue to remodel these Abercrombie

stores. We'll continue to close some of the legacy stores and reposition the new stores. So excited about raising that 40% rates of the modern store experiences because we just love where this brand is and where this brand is going.

Corey Tarlowe - *Jefferies LLC, Research Division - Equity Analyst*

Great. And then just a follow-up on stores. How should we be thinking about the idea that you're going to be a net store opener this year after years of closing stores with some flagships still, I believe, remaining to be closed and the continued evolution of digital and the continued expansion of your store fleet? Just any color as it relates to expectations for store growth this year in the context of kind of continued flagship closures and expansion of digital, that would be very helpful.

Fran Horowitz - *Abercrombie & Fitch Co. - CEO & Director*

Corey, the way to think about this thing a net store opener is that it is an exciting new chapter for us. We have not been a net store opener since 2008. Omni for us equals stores plus digital, and we believe that we have an opportunity to grow both. Our capital is invested in both. As Scott just talked about, I mean, new smaller, more efficient stores for us, which are omni hubs, right, the consumer comes to bring their pop in or do their DTC return or shop for new product is a winning formula for us. So we need to have stores in order to be omni-capable. So the way I would think about it, just to sum it up, is that being a net store opener for us is an exciting new chapter. It talks about the fact that our balance sheet is strong and that we have growth ahead of us.

Operator

(Operator Instructions) Our next question today comes from Mauricio Serna of UBS.

Mauricio Serna Vega - *UBS Investment Bank, Research Division - Analyst*

Great. I wanted to ask about the store -- the new stores. You mentioned you plan to open 50 new stores then close 30. Does that store closure include any flagships? And then you also mentioned about the sales growth expectations being a mix of higher comp store sales and expansion. Could you provide a little bit more details on that breakdown? And lastly, regarding marketing. I mean how much should we think marketing as a percentage of sales should increase this year? I mean is the intention to continue investing at a higher pace than sales growth?

Scott D. Lipesky - *Abercrombie & Fitch Co. - Executive VP & CFO*

All right. Let me click down through these. So let's start with the closures. We will have a couple of flagships run off this year, more than likely pending any kind of short-term extensions. But the estimate on the rest of the closures of around 30 will be across brands. We'll continue to target those malls where landlords not investing and our customers moving away from those centers as well as oversized stores and legacy stores. So part of the great thing about closing stores and then opening more stores is repositioning that fleet. And to the question we just discussed, being able to close legacy stores and open more modernized experience is a great thing for all of our brands.

I'll hop to the marketing question. So as a percent of sales, we did increase marketing nicely this year versus 2019. That was funded by those reductions in occupancy, that almost \$200 million that we talked about. So really nice to be able to position from a fixed cost to a variable cost, number one, but also give us the best chance to grow and win with our brands. So our marketing as a percent of sales. We feel good where we were in 2021. So we'll probably keep that pretty level as we go forward. On the sales comp, as we -- I missed that middle question. Can you repeat that again?

Mauricio Serna Vega - UBS Investment Bank, Research Division - Analyst

Yes. The sales growth for guidance for the year, I recall you mentioned there's some contribution from comp store sales, but also the store expansion. If we could -- could you give us an idea of how is that balance?

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

Yes, sure. I'd say it's a balance, probably down the middle. We'll get some comp growth, half of it and some of it will come from new store expansion. We did close 38 stores last year, 44 stores last year. So we'll see -- we'll lose those sales, and we'll offset that with new store openings this year, so call it about half and half.

Mauricio Serna Vega - UBS Investment Bank, Research Division - Analyst

And just very quickly, the stores that you're closing, are they bigger than the ones that you're opening like on an individual store basis?

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

More than likely, we have an estimate for the year, not exactly a targeted store list, but we still have a portion of the fleet that is oversized, and we will continue to work through that as quickly as we can.

Operator

And the next question comes from Marni Shapiro of Retail Tracker.

Marni Shapiro - The Retail Tracker - Co-Founder

Stores really look fantastic. And congrats on the new launch in activewear. Looks great. Fran, can you talk a little bit about what -- you've talked a little bit about this omni-enabled. But I'm curious from your perspective, what that means to the company. It sounds a little bit like using those stores as a hub. What does that mean for the shopper? Are there also things happening in the stores, the cash rep is still there, for example. Can she scan items? Or what's the long-term thought about the omni? And then I have one follow-up question just on inventory.

Fran Horowitz - Abercrombie & Fitch Co. - CEO & Director

Sure. So kicking off with omni. I mean what is omni to us, Marni? It's our future, right? Having a great omnichannel brand experience for the consumer, so every touch point that he or she comes to the brand on, that they have a seamless consistent experience is our end goal, and that's what we're working to. Scott brought up a little bit about this store we just opened up in Chicago, the Southport store. That speaks to a couple of things. First, it speaks to data and analytics, right, telling us that this consumer, we had a big digital consumer in that market and she needed a place to pop in, right, pop in and (inaudible) online or return our DTC purchases or just come in and shop. So as we continue to build out our data analytics and our omni. Those 2 things come hand in hand, will help us continue to grow the business.

Scott D. Lipesky - Abercrombie & Fitch Co. - Executive VP & CFO

Yes. But just to add on, when you think about a store, I'd call it maybe 80% of the functionality is going to be similar. But then it's really on the build-out. That other 20%, how do we tailor that market to the local consumer? Depending on the store or the market, we see pop-ins at a much higher rate in some places, and a lot of places, it's smaller. And there's not a lot of digital returns, and it's purely a shopping experience. So what we do is we tweak the store format to match that market. We have all the same functionality in those stores, but it depends on how much space

we give to those. That functionality, where we put the cash rep, how many fitting rooms we have. So that's and the technology we put in the fitting room. So that's all the work that we're doing and really tailoring that experience for each market.

Marni Shapiro - *The Retail Tracker - Co-Founder*

Would it allow you -- I know this is kind of a silly question given how lean inventories are right now. But would it allow you to, longer term, carry less inventory in those stores as well?

Scott D. Lipesky - *Abercrombie & Fitch Co. - Executive VP & CFO*

Yes, some cases and in some cases, more.

Fran Horowitz - *Abercrombie & Fitch Co. - CEO & Director*

Right, exactly.

Marni Shapiro - *The Retail Tracker - Co-Founder*

Okay. And then just a follow-up on the inventory. I know Hollister was more severely impacted than Abercrombie. As the inventory start to flow into the stores, was it highly seasonal? Is this something you had to pack away? Or is it something you were able to flow through when the customer responded to the full price anyway?

Fran Horowitz - *Abercrombie & Fitch Co. - CEO & Director*

The latter. So what's exciting, Marni, for our business, we don't do a lot of deals -- true seasonal product. We do some mostly probably in our sleepwear category. And so we made those decisions before we bought the product, and we did have to pack away a little bit nothing, nothing significant. But the exciting thing was that we knew [the receipts] that were coming in. We had some testing on them, and the consumer responded accordingly. So we are selling through those nicely as well as our new spring receipts. So both are working.

Operator

As there are no further questions at this time, I would like to turn the call back to Fran Horowitz for any additional or closing remarks.

Fran Horowitz - *Abercrombie & Fitch Co. - CEO & Director*

Just want to thank everyone for joining us today.

Operator

Ladies and gentlemen, that concludes today's conference call. We thank you for your participation. You may now disconnect.

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