

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

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	May 2, 2020	% of Net Sales	May 4, 2019	% of Net Sales
Net sales	\$ 485,359	100.0 %	\$ 733,972	100.0 %
Cost of sales, exclusive of depreciation and amortization	221,214	45.6 %	289,882	39.5 %
Gross profit	264,145	54.4 %	444,090	60.5 %
Stores and distribution expense	322,124	66.4 %	356,612	48.6 %
Marketing, general and administrative expense	108,257	22.3 %	111,947	15.3 %
Flagship store exit (benefits) charges	(543)	(0.1)%	1,744	0.2 %
Asset impairment, exclusive of flagship store exit charges	42,928	8.8 %	1,662	0.2 %
Other operating loss (income), net	506	0.1 %	(617)	(0.1)%
Operating loss	(209,127)	(43.1)%	(27,258)	(3.7)%
Interest expense, net	3,371	0.7 %	616	0.1 %
Loss before income taxes	(212,498)	(43.8)%	(27,874)	(3.8)%
Income tax expense (benefit)	31,533	6.5 %	(9,588)	(1.3)%
Net loss	(244,031)	(50.3)%	(18,286)	(2.5)%
Less: Net income attributable to noncontrolling interests	117	0.0 %	869	0.1 %
Net loss attributable to Abercrombie & Fitch Co.	<u>\$ (244,148)</u>	<u>(50.3)%</u>	<u>\$ (19,155)</u>	<u>(2.6)%</u>

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

Basic	\$ (3.90)	\$ (0.29)
Diluted	\$ (3.90)	\$ (0.29)

Weighted-average shares outstanding:

Basic	62,541	66,540
Diluted	62,541	66,540

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Thirteen Weeks Ended May 2, 2020
(in thousands, except change in net sales, gross profit rate, operating margin and per share data)
(Unaudited)

	2020	2019	% Change
Net sales			
GAAP ⁽¹⁾	\$ 485,359	\$ 733,972	(34)%
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(6,824)	1%
Non-GAAP constant currency basis	\$ 485,359	\$ 727,148	(33)%
Gross profit	2020	2019	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 264,145	\$ 444,090	(610)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(6,048)	30
Non-GAAP constant currency basis	\$ 264,145	\$ 438,042	(580)
Operating loss	2020	2019	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ (209,127)	\$ (27,258)	(3,940)
Excluded items ⁽⁴⁾	(42,928)	—	(890)
Adjusted non-GAAP	\$ (166,199)	\$ (27,258)	(3,050)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(3,115)	50
Adjusted non-GAAP constant currency basis	\$ (166,199)	\$ (30,373)	(3,000)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	2020 ⁽⁵⁾	2019	\$ Change
GAAP ⁽¹⁾	\$ (3.90)	\$ (0.29)	\$(3.61)
Excluded items, net of tax ⁽⁴⁾	(0.62)	—	(0.62)
Adjusted non-GAAP	\$ (3.29)	\$ (0.29)	\$(3.00)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(0.03)	0.03
Adjusted non-GAAP constant currency basis	\$ (3.29)	\$ (0.32)	\$(2.97)

⁽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 this year consist of pre-tax store asset impairment charges of \$42.9 million, which are principally the result of the impact of COVID-19 on store cash flows.

⁽⁵⁾ Net loss per diluted share for the first quarter of fiscal 2020 reflects adverse tax impacts of \$90.9 million, or \$1.45 per diluted share, related to valuation allowances on deferred tax assets and other tax charges.

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 certain asset impairment charges related to the company's flagship stores and significant impairments primarily attributable to the COVID-19 pandemic, 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) direct-to-consumer sales with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of foreign currency rate fluctuation.

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.

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

Abercrombie & Fitch Co. Schedule of Non-GAAP Financial Measures Thirteen Weeks Ended May 2, 2020 (in thousands, except per share data) (Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 42,928	\$ 42,928	\$ —
Operating loss	(209,127)	(42,928)	(166,199)
Loss before income taxes	(212,498)	(42,928)	(169,570)
Income tax expense ^{(3) (4)}	31,533	(4,432)	35,965
Net loss attributable to Abercrombie & Fitch Co. ⁽⁴⁾	\$ (244,148)	\$ (38,496)	\$ (205,652)
Net loss per diluted share attributable to Abercrombie & Fitch Co. ⁽⁴⁾	\$ (3.90)	\$ (0.62)	\$ (3.29)
Diluted weighted-average shares outstanding:	62,541		62,541

⁽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 \$42.9 million, which are principally the result of the impact of COVID-19 on store cash flows.

⁽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.

⁽⁴⁾ Net loss per diluted share for the first quarter of fiscal 2020 reflects adverse tax impacts of \$90.9 million, or \$1.45 per diluted share, related to valuation allowances on deferred tax assets and other tax charges.

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

	May 2, 2020	February 1, 2020	May 4, 2019
<u>Assets</u>			
Current assets:			
Cash and equivalents	\$ 703,989	\$ 671,267	\$ 586,133
Receivables	88,639	80,251	82,026
Inventories	426,594	434,326	432,350
Other current assets	67,412	78,905	71,803
Total current assets	1,286,634	1,264,749	1,172,312
Property and equipment, net	654,784	665,290	633,686
Operating lease right-of-use assets	1,133,618	1,230,954	1,252,249
Other assets	216,795	388,672	364,719
Total assets	\$ 3,291,831	\$ 3,549,665	\$ 3,422,966
<u>Liabilities and stockholders' equity</u>			
Current liabilities:			
Accounts payable	\$ 162,747	\$ 219,919	\$ 180,041
Accrued expenses	285,799	302,214	240,050
Short-term portion of operating lease liabilities	307,173	282,829	278,392
Short-term portion of borrowings	210,000	—	—
Income taxes payable	8,232	10,392	16,022
Total current liabilities	973,951	815,354	714,505
Long-term liabilities:			
Long-term portion of operating lease liabilities	\$ 1,184,448	\$ 1,252,634	\$ 1,207,103
Long-term portion of borrowings, net	232,178	231,963	250,736
Other liabilities	103,188	178,536	145,659
Total long-term liabilities	1,519,814	1,663,133	1,603,498
Total Abercrombie & Fitch Co. stockholders' equity	790,239	1,058,810	1,094,839
Noncontrolling interests	7,827	12,368	10,124
Total stockholders' equity	798,066	1,071,178	1,104,963
Total liabilities and stockholders' equity	\$ 3,291,831	\$ 3,549,665	\$ 3,422,966

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

	Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Operating activities		
Net cash used for operating activities	\$ (90,776)	\$ (71,316)
Investing activities		
Purchases of property and equipment	\$ (46,990)	\$ (43,872)
Net cash used for investing activities	\$ (46,990)	\$ (43,872)
Financing activities		
Proceeds from ABL facility borrowings	\$ 210,000	\$ —
Purchases of common stock	(15,172)	—
Dividends paid	(12,556)	(13,246)
Other financing activities	(10,604)	(7,076)
Net cash provided by (used for) financing activities	\$ 171,668	\$ (20,322)
Effect of foreign currency exchange rates on cash	\$ (3,891)	\$ (2,638)
Net increase (decrease) in cash and equivalents, and restricted cash and equivalents	\$ 30,011	\$ (138,148)
Cash and equivalents, and restricted cash and equivalents, beginning of period	\$ 692,264	\$ 745,829
Cash and equivalents, and restricted cash and equivalents, end of period	<u>\$ 722,275</u>	<u>\$ 607,681</u>

Abercrombie & Fitch Co.
Store Count

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
February 1, 2020	391	155	256	52	647	207
New	—	—	1	1	1	1
Permanently closed	(1)	(2)	(4)	—	(5)	(2)
May 2, 2020	390	153	253	53	643	206
New	—	—	—	1	—	1
Permanently closed	(2)	—	(1)	—	(3)	—
May 27, 2020	388	153	252	54	640	207
<i>Number of stores currently open ⁽³⁾</i>	176	89	109	35	285	124
<i>Percent of stores currently open ⁽³⁾</i>	45%	58%	43%	65%	45%	60%

⁽¹⁾ Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes 10 international franchise stores as of May 2, 2020 and nine as of February 1, 2020. Excludes 14 Company-operated temporary stores as of May 2, 2020 and 16 as of February 1, 2020.

⁽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 eight international franchise stores as of May 2, 2020 and seven as of February 1, 2020. Excludes four Company-operated temporary stores as of May 2, 2020 and eight as of February 1, 2020.

⁽³⁾ In response to COVID-19, the company temporarily closed certain of its Company-operated stores. These amounts relate to the number of stores open as of May 27, 2020. Stores that have reopened after being temporarily closed as a result of the COVID-19 pandemic may reflect modified operating hours.

Abercrombie & Fitch Co.

Financial Information

(Unaudited)

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

	2016	2017 ⁽¹⁾	2018	Fiscal 2019				2019	Fiscal 2020	
				Q1	Q2	Q3	Q4		Q1	2020
Net sales	\$ 3,326,740	\$ 3,492,690	\$ 3,590,109	\$ 733,972	\$ 841,078	\$ 863,472	\$ 1,184,551	\$ 3,623,073	\$ 485,359	\$ 485,359
Cost of sales, exclusive of depreciation and amortization	1,298,172	1,408,848	1,430,193	289,882	342,445	344,541	495,287	1,472,155	221,214	221,214
Gross profit	2,028,568	2,083,842	2,159,916	444,090	498,633	518,931	689,264	2,150,918	264,145	264,145
Stores and distribution expense	1,562,703	1,540,032	1,536,216	356,612	376,347	377,697	440,587	1,551,243	322,124	322,124
Marketing, general and administrative expense	453,202	471,914	484,863	111,947	115,694	114,075	122,899	464,615	108,257	108,257
Flagship store exit charges (benefits)	15,757	2,393	5,806	1,744	44,994	285	234	47,257	(543)	(543)
Asset impairment, exclusive of flagship store exit charges	7,930	14,391	11,580	1,662	715	12,610	4,148	19,135	42,928	42,928
Other operating (income) loss, net	(26,212)	(16,938)	(5,915)	(617)	367	(215)	(935)	(1,400)	506	506
Operating income (loss)	15,188	72,050	127,366	(27,258)	(39,484)	14,479	122,331	70,068	(209,127)	(209,127)
Interest expense, net	18,666	16,889	10,999	616	1,370	2,922	2,829	7,737	3,371	3,371
Income (loss) before income taxes	(3,478)	55,161	116,367	(27,874)	(40,854)	11,557	119,502	62,331	(212,498)	(212,498)
Income tax (benefit) expense	(11,196)	44,636	37,559	(9,588)	(11,330)	3,987	34,302	17,371	31,533	31,533
Net income (loss)	7,718	10,525	78,808	(18,286)	(29,524)	7,570	85,200	44,960	(244,031)	(244,031)
Less: Net income attributable to noncontrolling interests	3,762	3,431	4,267	869	1,618	1,047	2,068	5,602	117	117
Net income (loss) attributable to Abercrombie & Fitch Co.	<u>\$ 3,956</u>	<u>\$ 7,094</u>	<u>\$ 74,541</u>	<u>\$ (19,155)</u>	<u>\$ (31,142)</u>	<u>\$ 6,523</u>	<u>\$ 83,132</u>	<u>\$ 39,358</u>	<u>\$ (244,148)</u>	<u>\$ (244,148)</u>

	2016	2017 ⁽¹⁾	2018	Fiscal 2019				2019	Fiscal 2020	
				Q1	Q2	Q3	Q4		Q1	2020
Net income (loss) per share attributable to Abercrombie & Fitch Co.:										
Basic	\$ 0.06	\$ 0.10	\$ 1.11	\$ (0.29)	\$ (0.48)	\$ 0.10	\$ 1.32	\$ 0.61	\$ (3.90)	\$ (3.90)
Diluted	\$ 0.06	\$ 0.10	\$ 1.08	\$ (0.29)	\$ (0.48)	\$ 0.10	\$ 1.29	\$ 0.60	\$ (3.90)	\$ (3.90)
Weighted-average shares outstanding:										
Basic	67,878	68,391	67,350	66,540	65,156	63,099	62,916	64,428	62,541	62,541
Diluted	68,284	69,403	69,137	66,540	65,156	63,911	64,198	65,778	62,541	62,541
Hollister comparable sales ⁽²⁾	0 %	8 %	5%	2%	0%	(2)%	(2)%	(1)%	<i>Not provided</i>	<i>Not provided</i>
Abercrombie comparable sales ^{(2) (3)}	(11)%	(2)%	1%	1%	0%	3 %	8 %	3 %	<i>Not provided</i>	<i>Not provided</i>
Comparable sales ⁽²⁾	(5)%	3 %	3%	1%	0%	0 %	1 %	1 %	<i>Not provided</i>	<i>Not provided</i>
Shares outstanding	67,758	68,195	66,227	66,637	63,146	62,757	62,786	62,786	62,284	62,284
Number of stores - end of period	898	868	861	857	863	881	854	854	849	849
Gross square feet - end of period	7,007	6,710	6,566	6,503	6,476	6,556	6,303	6,303	6,265	6,265

⁽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. Due to the 53rd week in fiscal 2017, fourth quarter of fiscal 2017 comparable sales are compared to the fourteen week period ended February 4, 2017, first quarter of fiscal 2018 comparable sales are compared to the thirteen week period ended May 6, 2017, second quarter of fiscal 2018 comparable sales are compared to the thirteen week period ended August 5, 2017, third quarter of fiscal 2018 comparable sales are compared to the thirteen week period ended November 4, 2017, and fourth quarter of fiscal 2018 comparable sales are compared to the 13 week period ended February 3, 2018. The Company did not provide comparable sales results for the first quarter of fiscal 2020.

⁽³⁾ Abercrombie includes the Company's Abercrombie & Fitch and abercrombie kids brands.