

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

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	August 1, 2020	% of Net Sales	August 3, 2019	% of Net Sales
Net sales	\$ 698,328	100.0 %	\$ 841,078	100.0 %
Cost of sales, exclusive of depreciation and amortization	274,720	39.3 %	342,445	40.7 %
Gross profit	423,608	60.7 %	498,633	59.3 %
Stores and distribution expense	310,370	44.4 %	376,347	44.7 %
Marketing, general and administrative expense	97,252	13.9 %	115,694	13.8 %
Flagship store exit (benefits) charges	(3,884)	(0.6)%	44,994	5.3 %
Asset impairment, exclusive of flagship store exit charges	8,083	1.2 %	715	0.1 %
Other operating (income) loss, net	(2,356)	(0.3)%	367	0.0 %
Operating income (loss)	14,143	2.0 %	(39,484)	(4.7)%
Interest expense, net	7,098	1.0 %	1,370	0.2 %
Income (loss) before income taxes	7,045	1.0 %	(40,854)	(4.9)%
Income tax expense (benefit)	1,253	0.2 %	(11,330)	(1.3)%
Net income (loss)	5,792	0.8 %	(29,524)	(3.5)%
Less: Net income attributable to noncontrolling interests	328	0.0 %	1,618	0.2 %
Net income (loss) attributable to Abercrombie & Fitch Co.	<u>\$ 5,464</u>	0.8 %	<u>\$ (31,142)</u>	(3.7)%

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

Basic	\$ 0.09	\$ (0.48)
Diluted	\$ 0.09	\$ (0.48)

Weighted-average shares outstanding:

Basic	62,527	65,156
Diluted	63,286	65,156

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	Twenty-six Weeks Ended		Twenty-six Weeks Ended	
	August 1, 2020	% of Net Sales	August 3, 2019	% of Net Sales
Net sales	\$ 1,183,687	100.0 %	\$ 1,575,050	100.0 %
Cost of sales, exclusive of depreciation and amortization	495,934	41.9 %	632,327	40.1 %
Gross profit	687,753	58.1 %	942,723	59.9 %
Stores and distribution expense	632,494	53.4 %	732,959	46.5 %
Marketing, general and administrative expense	205,509	17.4 %	227,641	14.5 %
Flagship store exit (benefits) charges	(4,427)	(0.4)%	46,738	3.0 %
Asset impairment, exclusive of flagship store exit charges	51,011	4.3 %	2,377	0.2 %
Other operating income, net	(1,850)	(0.2)%	(250)	0.0 %
Operating loss	(194,984)	(16.5)%	(66,742)	(4.2)%
Interest expense, net	10,469	0.9 %	1,986	0.1 %
Loss before income taxes	(205,453)	(17.4)%	(68,728)	(4.4)%
Income tax expense (benefit)	32,786	2.8 %	(20,918)	(1.3)%
Net loss	(238,239)	(20.1)%	(47,810)	(3.0)%
Less: Net income attributable to noncontrolling interests	445	0.0 %	2,487	0.2 %
Net loss attributable to Abercrombie & Fitch Co.	<u>\$ (238,684)</u>	(20.2)%	<u>\$ (50,297)</u>	(3.2)%

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

Basic	\$ (3.82)	\$ (0.76)
Diluted	\$ (3.82)	\$ (0.76)

Weighted-average shares outstanding:

Basic	62,543	65,848
Diluted	62,543	65,848

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.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended August 1, 2020
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 8,083	\$ 8,083	\$ —
Operating income	14,143	(8,083)	22,226
Income before income taxes	7,045	(8,083)	15,128
Income tax expense ⁽³⁾	1,253	1,166	87
Net income attributable to Abercrombie & Fitch Co.	\$ 5,464	\$ (9,249)	\$ 14,713
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 0.09	\$ (0.15)	\$ 0.23
Diluted weighted-average shares outstanding:	63,286		63,286

⁽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 \$8.1 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.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Twenty-six Weeks Ended August 1, 2020
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 51,011	\$ 51,011	\$ —
Operating loss	(194,984)	(51,011)	(143,973)
Loss before income taxes	(205,453)	(51,011)	(154,442)
Income tax expense ⁽³⁾	32,786	(3,266)	36,052
Net loss attributable to Abercrombie & Fitch Co.	\$ (238,684)	\$ (47,745)	\$ (190,939)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (3.82)	\$ (0.76)	\$ (3.05)
Diluted weighted-average shares outstanding:	62,543		62,543

⁽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 \$51.0 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.

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Thirteen Weeks Ended August 1, 2020
(in thousands, except percentage and basis point changes and per share data)
(Unaudited)

	2020	2019	% Change
Net sales			
GAAP ⁽¹⁾	\$ 698,328	\$ 841,078	(17)%
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(2,125)	—%
Non-GAAP constant currency basis	\$ 698,328	\$ 838,953	(17)%
Gross profit			
	2020	2019	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 423,608	\$ 498,633	140
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(1,408)	—
Non-GAAP constant currency basis	\$ 423,608	\$ 497,225	140
Operating income (loss)			
	2020	2019	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 14,143	\$ (39,484)	670
Excluded items ⁽⁴⁾	(8,083)	—	(120)
Adjusted non-GAAP	\$ 22,226	\$ (39,484)	790
Benefit from changes in foreign currency exchange rates ⁽²⁾	—	926	(10)
Adjusted non-GAAP constant currency basis	\$ 22,226	\$ (38,558)	780
Net income (loss) per diluted share attributable to Abercrombie & Fitch Co.			
	2020	2019	\$ Change
GAAP ⁽¹⁾	\$ 0.09	\$ (0.48)	\$0.57
Excluded items, net of tax ⁽⁴⁾	(0.15)	—	(0.15)
Adjusted non-GAAP	\$ 0.23	\$ (0.48)	\$0.71
Benefit from changes in foreign currency exchange rates ⁽²⁾	—	0.02	(0.02)
Adjusted non-GAAP constant currency basis	\$ 0.23	\$ (0.46)	\$0.69

⁽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 \$8.1 million, which are principally the result of the impact of COVID-19 on store cash flows.

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

	August 1, 2020	February 1, 2020	August 3, 2019
<u>Assets</u>			
Current assets:			
Cash and equivalents	\$ 766,721	\$ 671,267	\$ 499,757
Receivables	88,323	80,251	98,691
Inventories	453,239	434,326	487,109
Other current assets	75,160	78,905	86,586
Total current assets	1,383,443	1,264,749	1,172,143
Property and equipment, net	635,703	665,290	649,360
Operating lease right-of-use assets	1,073,464	1,230,954	1,216,998
Other assets	216,204	388,672	368,503
Total assets	<u>\$ 3,308,814</u>	<u>\$ 3,549,665</u>	<u>\$ 3,407,004</u>
<u>Liabilities and stockholders' equity</u>			
Current liabilities:			
Accounts payable	\$ 284,221	\$ 219,919	\$ 226,234
Accrued expenses	351,849	302,214	279,050
Short-term portion of operating lease liabilities	278,495	282,829	273,989
Income taxes payable	6,425	10,392	10,903
Total current liabilities	920,990	815,354	790,176
Long-term liabilities:			
Long-term portion of operating lease liabilities	\$ 1,122,853	\$ 1,252,634	\$ 1,229,609
Long-term borrowings, net	343,250	231,963	251,033
Other liabilities	108,111	178,536	132,891
Total long-term liabilities	1,574,214	1,663,133	1,613,533
Total Abercrombie & Fitch Co. stockholders' equity	805,681	1,058,810	991,977
Noncontrolling interests	7,929	12,368	11,318
Total stockholders' equity	813,610	1,071,178	1,003,295
Total liabilities and stockholders' equity	<u>\$ 3,308,814</u>	<u>\$ 3,549,665</u>	<u>\$ 3,407,004</u>

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

	Twenty-six Weeks Ended	
	August 1, 2020	August 3, 2019
Operating activities		
Net cash provided by (used for) operating activities	\$ 96,233	\$ (36,055)
Investing activities		
Purchases of property and equipment	\$ (75,621)	\$ (94,224)
Net cash used for investing activities	\$ (75,621)	\$ (94,224)
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)	—
Payment of debt issuance costs and fees	(6,558)	—
Purchases of common stock	(15,172)	(57,812)
Dividends paid	(12,556)	(26,385)
Other financing activities	(11,135)	(7,727)
Net cash provided by (used for) financing activities	\$ 71,329	\$ (91,924)
Effect of foreign currency exchange rates on cash	\$ 1,785	\$ (2,455)
Net increase (decrease) in cash and equivalents, and restricted cash and equivalents	\$ 93,726	\$ (224,658)
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	\$ 785,990	\$ 521,171

**Abercrombie & Fitch Co.
Store Count**

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
May 2, 2020	390	153	253	53	643	206
New	1	2	1	3	2	5
Permanently closed	(5)	—	(1)	—	(6)	—
August 1, 2020	386	155	253	56	639	211
New	—	—	—	—	—	—
Permanently closed	—	—	—	(1)	—	(1)
August 24, 2020	386	155	253	55	639	210
<i>Number of stores currently open ⁽³⁾</i>	<i>331</i>	<i>155</i>	<i>217</i>	<i>55</i>	<i>548</i>	<i>210</i>
<i>Percent of stores currently open ⁽³⁾</i>	<i>86%</i>	<i>100%</i>	<i>86%</i>	<i>100%</i>	<i>86%</i>	<i>100%</i>

⁽¹⁾ Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes nine and 10 international franchise stores as of August 1, 2020 and May 2, 2020, respectively. Excludes 15 and 14 Company-operated temporary stores as of August 1, 2020 and May 2, 2020, respectively.

⁽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 each of August 1, 2020 and May 2, 2020. Excludes six and four Company-operated temporary stores as of August 1, 2020 and May 2, 2020, respectively.

⁽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 August 24, 2020. Stores that have reopened after being temporarily closed as a result of the COVID-19 pandemic may reflect modified operating hours.