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

# Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended May 2, 2020**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 001-12107**

# Abercrombie & Fitch Co.

*(Exact name of Registrant as specified in its charter)*

| **Delaware** | **31-1469076** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **6301 Fitch Path, New Albany, Ohio** | **43054** |
| *(Address of principal executive offices)* | *(Zip Code)* |

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

**Not Applicable**

*(Former name, former address and former fiscal year, if changed since last report)*

**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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | 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. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class A Common Stock | Shares outstanding as of June 5, 2020 |
|---|---|
| **$0.01 Par Value** | **62,375,867** |

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# PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

**Abercrombie & Fitch Co.**
**Condensed Consolidated Statements of Operations and Comprehensive Loss**
**(Thousands, except per share amounts)**
**(Unaudited)**

| | Thirteen Weeks Ended | |
|---|---|---|
| | May 2, 2020 | May 4, 2019 |
| Net sales | $ 485,359 | $ 733,972 |
| Cost of sales, exclusive of depreciation and amortization | 221,214 | 289,882 |
| Gross profit | 264,145 | 444,090 |
| Stores and distribution expense | 322,124 | 356,612 |
| Marketing, general and administrative expense | 108,257 | 111,947 |
| Flagship store exit (benefits) charges | (543) | 1,744 |
| Asset impairment, exclusive of flagship store exit charges | 42,928 | 1,662 |
| Other operating loss (income), net | 506 | (617) |
| Operating loss | (209,127) | (27,258) |
| Interest expense, net | 3,371 | 616 |
| Loss before income taxes | (212,498) | (27,874) |
| Income tax expense (benefit) | 31,533 | (9,588) |
| Net loss | (244,031) | (18,286) |
| Less: Net income attributable to noncontrolling interests | 117 | 869 |
| Net loss attributable to A&F | $ (244,148) | $ (19,155) |
| | | |
| Net loss per share attributable to A&F | | |
| Basic | $ (3.90) | $ (0.29) |
| Diluted | $ (3.90) | $ (0.29) |
| | | |
| Weighted-average shares outstanding | | |
| Basic | 62,541 | 66,540 |
| Diluted | 62,541 | 66,540 |
| | | |
| Other comprehensive income (loss) | | |
| Foreign currency translation, net of tax | $ (5,399) | $ (2,786) |
| Derivative financial instruments, net of tax | 8,865 | (53) |
| Other comprehensive income (loss) | 3,466 | (2,839) |
| Comprehensive loss | (240,565) | (21,125) |
| Less: Comprehensive income attributable to noncontrolling interests | 117 | 869 |
| Comprehensive loss attributable to A&F | $ (240,682) | $ (21,994) |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

# Abercrombie & Fitch Co.
## Condensed Consolidated Balance Sheets
## (Thousands, except par value amounts)
## (Unaudited)

| | May 2, 2020 | February 1, 2020 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and equivalents | $ 703,989 | $ 671,267 |
| Receivables | 88,639 | 80,251 |
| Inventories | 426,594 | 434,326 |
| Other current assets | 67,412 | 78,905 |
| Total current assets | 1,286,634 | 1,264,749 |
| Property and equipment, net | 654,784 | 665,290 |
| Operating lease right-of-use assets | 1,133,618 | 1,230,954 |
| Other assets | 216,795 | 388,672 |
| Total assets | $ 3,291,831 | $ 3,549,665 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | $ 162,747 | $ 219,919 |
| Accrued expenses | 285,799 | 302,214 |
| Short-term portion of operating lease liabilities | 307,173 | 282,829 |
| Short-term portion of borrowings | 210,000 | — |
| Income taxes payable | 8,232 | 10,392 |
| Total current liabilities | 973,951 | 815,354 |
| Long-term liabilities: | | |
| Long-term portion of operating lease liabilities | 1,184,448 | 1,252,634 |
| Long-term portion of borrowings, net | 232,178 | 231,963 |
| Other liabilities | 103,188 | 178,536 |
| Total long-term liabilities | 1,519,814 | 1,663,133 |
| Stockholders' equity | | |
| Class A Common Stock - $0.01 par value: 150,000 shares authorized and 103,300 shares issued for all periods presented | 1,033 | 1,033 |
| Paid-in capital | 389,904 | 404,983 |
| Retained earnings | 2,022,366 | 2,313,745 |
| Accumulated other comprehensive loss, net of tax ("AOCL") | (105,420) | (108,886) |
| Treasury stock, at average cost: 41,016 and 40,514 shares as of May 2, 2020 and February 1, 2020, respectively | (1,517,644) | (1,552,065) |
| Total Abercrombie & Fitch Co. stockholders' equity | 790,239 | 1,058,810 |
| Noncontrolling interests | 7,827 | 12,368 |
| Total stockholders' equity | 798,066 | 1,071,178 |
| Total liabilities and stockholders' equity | $ 3,291,831 | $ 3,549,665 |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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# Abercrombie & Fitch Co.
## Condensed Consolidated Statements of Stockholders' Equity
## (Thousands, except per share amounts)
## (Unaudited)

Thirteen Weeks Ended May 2, 2020

| | Common Stock | | | | | | Treasury stock | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares outstanding | Par value | Paid-in capital | Non-controlling interests | Retained earnings | AOCL | Shares | At average cost | Total stockholders' equity |
| Balance, February 1, 2020 | 62,786 | $ 1,033 | $ 404,983 | $ 12,368 | $ 2,313,745 | $ (108,886) | 40,514 | $ (1,552,065) | $ 1,071,178 |
| Net loss | — | — | — | 117 | (244,148) | — | — | — | (244,031) |
| Purchase of Common Stock | (1,397) | — | — | — | — | — | 1,397 | (15,172) | (15,172) |
| Dividends ($0.20 per share) | — | — | — | — | (12,556) | — | — | — | (12,556) |
| Share-based compensation issuances and exercises | 895 | — | (20,241) | — | (34,675) | — | (895) | 49,593 | (5,323) |
| Share-based compensation expense | — | — | 5,162 | — | — | — | — | — | 5,162 |
| Derivative financial instruments, net of tax | — | — | — | — | — | 8,865 | — | — | 8,865 |
| Foreign currency translation adjustments, net of tax | — | — | — | — | — | (5,399) | — | — | (5,399) |
| Distributions to noncontrolling interests, net | — | — | — | (4,658) | — | — | — | — | (4,658) |
| Ending balance at May 2, 2020 | 62,284 | $ 1,033 | $ 389,904 | $ 7,827 | $ 2,022,366 | $ (105,420) | 41,016 | $ (1,517,644) | $ 798,066 |

Thirteen Weeks Ended May 4, 2019

| | Common Stock | | | | | | Treasury stock | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares outstanding | Par value | Paid-in capital | Non-controlling interests | Retained earnings | AOCL | Shares | At average cost | Total stockholders' equity |
| Balance, February 2, 2019 | 66,227 | $ 1,033 | $ 405,379 | $ 9,721 | $ 2,418,544 | $ (102,452) | 37,073 | $ (1,513,604) | $ 1,218,621 |
| Impact from adoption of the new lease accounting standard | — | — | — | — | (75,165) | — | — | — | (75,165) |
| Net loss | — | — | — | 869 | (19,155) | — | — | — | (18,286) |
| Dividends ($0.20 per share) | — | — | — | — | (13,246) | — | — | — | (13,246) |
| Share-based compensation issuances and exercises | 410 | — | (12,037) | — | (14,631) | — | (410) | 20,380 | (6,288) |
| Share-based compensation expense | — | — | 2,632 | — | — | — | — | — | 2,632 |
| Derivative financial instruments, net of tax | — | — | — | — | — | (53) | — | — | (53) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | — | (2,786) | — | — | (2,786) |
| Distributions to noncontrolling interests, net | — | — | — | (466) | — | — | — | — | (466) |
| Ending balance at May 4, 2019 | 66,637 | $ 1,033 | $ 395,974 | $ 10,124 | $ 2,296,347 | $ (105,291) | 36,663 | $ (1,493,224) | $ 1,104,963 |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

# Abercrombie & Fitch Co.
## Condensed Consolidated Statements of Cash Flows
## (Thousands)
## (Unaudited)

| | Thirteen Weeks Ended | |
|---|---|---|
| | May 2, 2020 | May 4, 2019 |
| Operating activities | | |
| Net loss | $ (244,031) | $ (18,286) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Depreciation and amortization | 44,037 | 41,042 |
| Asset impairment | 42,928 | 1,662 |
| Loss on disposal | 6,283 | 1,991 |
| Provision for (benefit from) deferred income taxes | 23,353 | (9,895) |
| Share-based compensation | 5,162 | 2,632 |
| Changes in assets and liabilities: | | |
| Inventories | 6,320 | 4,962 |
| Accounts payable and accrued expenses | (72,533) | (74,199) |
| Operating lease right-of-use assets and liabilities | 20,029 | (10,862) |
| Income taxes | (3,982) | 855 |
| Other assets | 32,213 | (10,287) |
| Withdrawal of funds from Rabbi Trust assets | 50,000 | — |
| Other liabilities | (555) | (931) |
| 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 borrowings under the asset-based senior secured credit facility | 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 | $ 722,275 | $ 607,681 |
| Supplemental information related to non-cash activities | | |
| Purchases of property and equipment not yet paid at end of period | $ 46,174 | $ 22,771 |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | $ 35,182 | $ 117,829 |
| Supplemental information related to cash activities | | |
| Cash paid for interest | $ 4,387 | $ 3,881 |
| Cash paid for income taxes | $ 3,714 | $ 2,872 |
| Cash received from income tax refunds | $ 568 | $ 7,049 |
| Cash paid for operating lease liabilities | $ 66,510 | $ 94,245 |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

**Abercrombie & Fitch Co.**

**Index for Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Abercrombie & Fitch Co.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

## 1. NATURE OF BUSINESS

Abercrombie & Fitch Co. (“A&F”), a company incorporated in Delaware in 1996, through its subsidiaries (collectively, A&F and its subsidiaries are referred to as “Abercrombie & Fitch” or the “Company”), is a global multi-brand omnichannel specialty retailer, whose products are sold primarily through its Company-owned store and digital channels, as well as through various third-party wholesale, franchise and licensing arrangements. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids under the Hollister, Abercrombie & Fitch and abercrombie kids brands. The brands share a commitment to offering unique products of enduring quality and exceptional comfort that allow customers around the world to express their own individuality and style. The Company primarily has operations in North America, Europe and Asia, among other regions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Principles of consolidation*

The accompanying Condensed Consolidated Financial Statements include historical financial statements of, and transactions applicable to, the Company and reflect its financial position, results of operations and cash flows.

The Company has interests in an Emirati business venture and in a Kuwaiti business venture with Majid al Futtaim Fashion L.L.C. (“MAF”), each of which meets the definition of a variable interest entity (“VIE”). The Company is deemed to be the primary beneficiary of these VIEs; therefore, the Company has consolidated the operating results, assets and liabilities of these VIEs, with MAF’s portion of net income presented as net income attributable to noncontrolling interests (“NCI”) on the Condensed Consolidated Statements of Operations and Comprehensive Loss and MAF’s portion of equity presented as NCI on the Condensed Consolidated Balance Sheets.

*Fiscal year*

The Company’s fiscal year ends on the Saturday closest to January 31. This typically results in a fifty-two week year, but occasionally gives rise to an additional week, resulting in a fifty-three week year. Fiscal years are designated in the Condensed Consolidated Financial Statements and notes, as well as the remainder of this Quarterly Report on Form 10-Q, by the calendar year in which the fiscal year commences. All references herein to the Company’s fiscal years are as follows:

| Fiscal year | Year ended | Number of weeks |
|---|---|---|
| Fiscal 2019 | February 1, 2020 | 52 |
| Fiscal 2020 | January 30, 2021 | 52 |

*Interim financial statements*

The Condensed Consolidated Financial Statements as of May 2, 2020, and for the thirteen week periods ended May 2, 2020 and May 4, 2019, are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, the Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto contained in A&F’s Annual Report on Form 10-K for Fiscal 2019 filed with the SEC on March 31, 2020. The February 1, 2020 consolidated balance sheet data, included herein, were derived from audited consolidated financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”).

In the opinion of management, the accompanying Condensed Consolidated Financial Statements reflect all adjustments (which are of a normal recurring nature) necessary to state fairly, in all material respects, the financial position, results of operations and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for Fiscal 2020.

*Use of estimates*

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Due to the inherent uncertainty involved with estimates, actual results may differ. The extent to which the current outbreak of coronavirus disease (“COVID-19”) impacts the Company’s business and financial results will depend on numerous evolving factors including, but not limited to: the magnitude and duration of the COVID-19 pandemic and its impact on the length or frequency of store closures, and the extent to which COVID-19 will impact worldwide macroeconomic conditions including interest rates, the speed of the anticipated recovery, and governmental, business and consumer reactions to the pandemic. The Company’s assessment of these, as well as other factors, could result in material impacts to the Company’s consolidated financial statements in future reporting periods.

*Recent accounting pronouncements*

The Company reviews recent accounting pronouncements on a quarterly basis and has excluded discussion of those not applicable to the Company and those that did not have, or are not expected to have, a material impact on the Company’s consolidated financial statements.

*Condensed Consolidated Statements of Cash Flows reconciliation*

The following table provides a reconciliation of cash and equivalents and restricted cash and equivalents to the amounts shown on the Condensed Consolidated Statements of Cash Flows:

| *(in thousands)* | Location | May 2, 2020 | February 1, 2020 | May 4, 2019 | February 2, 2019 |
|---|---|---|---|---|---|
| Cash and equivalents | Cash and equivalents | $ 703,989 | $ 671,267 | $ 586,133 | $ 723,135 |
| Long-term restricted cash and equivalents | Other assets | 18,286 | 18,696 | 21,548 | 22,694 |
| Short-term restricted cash and equivalents | Other current assets | — | 2,301 | — | — |
| Cash and equivalents and restricted cash and equivalents | | $ 722,275 | $ 692,264 | $ 607,681 | $ 745,829 |

## 3. IMPACT OF COVID-19

*Recent developments*

As a result of COVID-19, in January 2020, the Company began to experience business disruptions in the Asia-Pacific (“APAC”) region, including the temporary closure of stores in China and the surrounding area, modified operating hours in certain stores that remained open, and a decline in traffic. In late February 2020, the situation escalated as the scope of COVID-19 worsened beyond the APAC region, with the United States (the “U.S.”) and the Europe, Middle East and Africa (“EMEA”) region experiencing significant outbreaks. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. In response to COVID-19, certain governments have imposed travel restrictions and local statutory quarantines. The Company is monitoring and reacting to the COVID-19 situation on a daily basis, including by conforming to local governments’ guidance and recommending associates who are able to perform their role remotely to do so.

In mid-March 2020, with the well-being of the Company’s customers, associates and business partners in mind, the Company temporarily closed its Company-operated stores across brands in North America and the EMEA region. The Company began to reopen these stores on a rolling basis beginning in late April 2020. The Company has experienced sales productivity for reopened stores of approximately 80% and 60% for the U.S. and the EMEA region, respectively, since their reopenings as compared to last year’s levels. The majority of the Company’s stores in the APAC region have also reopened, although many with temporarily reduced operating hours. The Company plans to follow the guidance of local governments to determine when it can reopen remaining stores and to evaluate whether further store closures will be necessary. As of June 5, 2020, approximately 58% of Company-operated stores were open.

The Company’s digital operations across brands have continued to serve the Company’s customers during this unprecedented period of temporary store closures. The Company experienced 25% digital sales growth for the first quarter of Fiscal 2020 as compared to the first quarter of Fiscal 2019, with month-over-month acceleration in digital sales growth since temporary store closures were enacted in mid-March and through the Company's most recent fiscal month of May.

The Company has seen, and may continue to see, material adverse impacts as a result of COVID-19. Current circumstances are dynamic and future impacts, including the duration and impact on overall customer demand, are uncertain.

*Impact of COVID-19 during the first quarter of Fiscal 2020*

The Company has seen, and may continue to see material reductions in sales across brands and regions as a result of COVID-19. Total net sales for the first quarter of Fiscal 2020 decreased approximately 34% as compared to the first quarter of Fiscal 2019. The year-over-year decline was primarily driven by temporary widespread store closures in response to COVID-19, partially offset by digital sales growth of approximately 25% to more than $275 million.

As a result of the continued effects of COVID-19 and the temporary closure of the Company's stores, the Company recognized approximately $14.8 million of charges to reduce the carrying value of inventory in cost of sales, exclusive of depreciation and amortization on the Condensed Consolidated Statements of Operations and Comprehensive Loss during the first quarter of Fiscal 2020.

During the first quarter of Fiscal 2020, reductions in revenue have not been offset by proportional decreases in expense, as the Company continued to incur store occupancy costs such as operating lease costs and depreciation expense, and certain other costs such as compensation and administrative expenses, resulting in a negative effect on the relationship between the Company's costs and revenues. During the thirteen weeks ended May 2, 2020, the Company suspended rent payments for a significant number of stores, and continues to engage with its landlords. In the period during which rent was due, the Company reclassified related amounts from operating lease liability to accrued expenses, while continuing to recognize operating lease cost in the Condensed Consolidated Statement of Operations and Comprehensive Loss.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which among other things, provides refundable employee retention tax credits for wages paid to employees who are unable to work during the COVID–19 outbreak and the deferral of the employer–paid portion of social security taxes. Similar relief programs have also been established throughout the EMEA and APAC regions. Based on the Company's preliminary evaluation of the CARES Act and legislation across regions, the Company qualifies for certain payroll tax credits, and such government subsidies have been treated as offsets to the related operating expenses when recognized. During the first quarter of Fiscal 2020, the qualified payroll tax credits reduced payroll expenses by approximately $8.8 million on the Condensed Consolidated Statements of Operations and Comprehensive Loss, with $7.9 million of expected relief classified in receivables on the Condensed Consolidated Balance Sheet as of May 2, 2020. The Company intends to continue to defer qualified payroll and other tax payments as permitted by the CARES Act and other regional legislation.

The Company also recognized asset impairment charges related to the Company's right-of-use assets and property and equipment of $42.9 million during the first quarter of Fiscal 2020, which were principally the result of the impact of COVID-19 on store cash flows. Refer to Note 9, "*ASSET IMPAIRMENT*," for additional information.

In addition, the Company has also experienced other material impacts as a result of COVID-19, such as the establishment of deferred tax valuation allowances and other tax charges, adversely impacting results in the first quarter of Fiscal 2020 by approximately $90.9 million. Refer to Note 11, "*INCOME TAXES*," for additional information.

*Balance sheet, cash flow and liquidity*

Throughout the first quarter of Fiscal 2020, the Company took various actions to preserve liquidity and manage cash flows in order to best position the business for key stakeholders, including (i) partnering with merchandise and non-merchandise vendors in regards to payment terms; (ii) reducing and recadencing inventory receipts to better align inventory with expected market demand; (iii) significantly reducing expenses to better align operating costs with sales; and (iv) implementing various compensation actions related to the Company's store and corporate associates, as well as A&F's non-associate directors.

As a precautionary measure and to improve the Company's cash position, in March 2020, the Company borrowed $210.0 million under its asset-based senior secured revolving credit facility and withdrew the majority of excess funds from the Company's overfunded Rabbi Trust assets, which provided the Company with $50.0 million of additional cash. Refer to Note 12, "*BORROWINGS*," and Note 10 " *RABBI TRUST ASSETS*," for additional information.

In addition, in response to COVID-19, in March 2020, the Company announced that it has temporarily suspended its share repurchase program and in May 2020, the Company announced that it has temporarily suspended its dividend program, in order to preserve liquidity and maintain financial flexibility. The Company will review these temporary suspensions throughout the year to determine, in light of facts and circumstances at that time, whether and when to reinstate these programs.

As of May 2, 2020, the Company had liquidity of $763.4 million as compared to $913.8 million as of February 1, 2020, comprising of cash and equivalents and actual incremental borrowing available to the Company under the Amended ABL Facility.

## 4. REVENUE RECOGNITION

*Disaggregation of revenue*

All revenues are recognized in net sales in the Condensed Consolidated Statements of Operations and Comprehensive Loss. For information regarding the disaggregation of revenue, refer to Note 16, "*SEGMENT REPORTING*."

*Contract liabilities*

The following table details certain contract liabilities representing unearned revenue as of May 2, 2020, February 1, 2020, May 4, 2019 and February 2, 2019:

| *(in thousands)* | May 2, 2020 | February 1, 2020 | May 4, 2019 | February 2, 2019 |
|---|---|---|---|---|
| Gift card liability | $ 24,671 | $ 28,844 | $ 22,067 | $ 26,062 |
| Loyalty program liability | $ 18,814 | $ 23,051 | $ 19,830 | $ 19,904 |

The following table details recognized revenue associated with the Company's gift card program and loyalty programs for the thirteen weeks ended May 2, 2020 and May 4, 2019:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Revenue associated with gift card redemptions and gift card breakage | $ 11,009 | $ 15,284 |
| Revenue associated with reward redemptions and breakage related to the Company's loyalty programs | $ 5,709 | $ 6,518 |

## 5. NET LOSS PER SHARE

Net loss per basic and diluted share attributable to A&F is computed based on the weighted-average number of outstanding shares of Class A Common Stock ("Common Stock"). Additional information pertaining to net loss per share attributable to A&F is as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Shares of Common Stock issued | 103,300 | 103,300 |
| Weighted-average treasury shares | (40,759) | (36,760) |
| Weighted-average — basic shares | 62,541 | 66,540 |
| Dilutive effect of share-based compensation awards | — | — |
| Weighted-average — diluted shares | 62,541 | 66,540 |
| Anti-dilutive shares (1) | 2,195 | 2,812 |

(1) Reflects the total number of shares related to outstanding share-based compensation awards that have been excluded from the computation of net loss per diluted share because the impact would have been anti-dilutive. Unvested shares related to restricted stock units with performance-based and market-based vesting conditions can achieve up to 200% of their target vesting amount and are reflected at the maximum vesting amount less any dilutive portion.

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## 6. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are prioritized based on a three-level hierarchy. The three levels of inputs to measure fair value are as follows:

- Level 1—inputs are unadjusted quoted prices for identical assets or liabilities that are available in active markets that the Company can access at the measurement date.
- Level 2—inputs are other than quoted market prices included within Level 1 that are observable for assets or liabilities, directly or indirectly.
- Level 3—inputs to the valuation methodology are unobservable.

The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The three levels of the hierarchy and the distribution of the Company's assets and liabilities that are measured at fair value on a recurring basis, were as follows:

| | Assets at Fair Value as of May 2, 2020 | | | |
|---|---|---|---|---|
| *(in thousands)* | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash equivalents [1] | $ 265 | $ 23,571 | $ — | $ 23,836 |
| Rabbi Trust assets [2] | 1 | 59,638 | — | 59,639 |
| Restricted cash equivalents [3] | 6,298 | 8,050 | — | 14,348 |
| Total assets | $ 6,564 | $ 91,259 | $ — | $ 97,823 |

| | Assets and Liabilities at Fair Value as of February 1, 2020 | | | |
|---|---|---|---|---|
| *(in thousands)* | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash equivalents [1] | $ 225 | $ 58,447 | $ — | $ 58,672 |
| Derivative instruments [4] | — | 1,969 | — | 1,969 |
| Rabbi Trust assets [2] | 1 | 109,048 | — | 109,049 |
| Restricted cash equivalents [3] | 9,765 | 4,601 | — | 14,366 |
| Total assets | $ 9,991 | $ 174,065 | $ — | $ 184,056 |
| | | | | |
| Liabilities: | | | | |
| Derivative instruments [4] | $ — | $ 1,460 | $ — | $ 1,460 |
| Total liabilities | $ — | $ 1,460 | $ — | $ 1,460 |

(1) Level 1 assets consist of investments in money market funds. Level 2 assets consist of time deposits.
(2) Level 1 assets consist of investments in money market funds. Level 2 assets consist of trust-owned life insurance policies.
(3) Level 1 assets consist of investments in U.S. treasury bills and money market funds. Level 2 assets consist of time deposits.
(4) Level 2 assets and liabilities consist primarily of foreign currency exchange forward contracts.

The Company's Level 2 assets and liabilities consist of:

- Time deposits, which are valued at cost approximating fair value due to the short-term nature of these investments;
- Trust-owned life insurance policies which are valued using the cash surrender value of the life insurance policies; and
- Derivative instruments, primarily foreign currency exchange forward contracts, which are valued using quoted market prices of the same or similar instruments, adjusted for counterparty risk.

*Fair value of long-term borrowings*

The Company's borrowings under the Company's term loan facility are carried at historical cost in the accompanying Condensed Consolidated Balance Sheets. The carrying amount and fair value of gross borrowings under the Company's term loan facility were as follows:

| *(in thousands)* | May 2, 2020 | February 1, 2020 |
|---|---|---|
| Gross borrowings outstanding, carrying amount | $ 233,250 | $ 233,250 |
| Gross borrowings outstanding, fair value | $ 219,255 | $ 233,979 |

## 7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

| *(in thousands)* | May 2, 2020 | February 1, 2020 |
|---|---|---|
| Property and equipment, at cost | $ 2,751,471 | $ 2,744,967 |
| Less: Accumulated depreciation and amortization | (2,096,687) | (2,079,677) |
| Property and equipment, net | $ 654,784 | $ 665,290 |

Refer to Note 9, "*ASSET IMPAIRMENT*," for details related to property and equipment impairment charges incurred during the thirteen weeks ended May 2, 2020 and May 4, 2019.

## 8. LEASES

The Company has leases related to its Company-operated retail stores as well as for certain of its distribution centers, office space, information technology and equipment.

During the thirteen weeks ended May 2, 2020, the Company suspended rent payments for a significant number of stores, and continues to engage with its landlords. In the period during which rent was due, the Company reclassified related amounts from operating lease liability to accrued expenses, while continuing to recognize operating lease cost in the Condensed Consolidated Statement of Operations and Comprehensive Loss.

The following table provides a summary of the Company's operating lease costs for the thirteen weeks ended May 2, 2020 and May 4, 2019:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Single lease cost (1) | $ 93,492 | $ 92,274 |
| Variable lease cost (2) | 27,901 | 42,845 |
| Operating lease right-of-use asset impairment (3) | 35,008 | — |
| Total operating lease cost | $ 156,401 | $ 135,119 |

(1) Includes amortization and interest expense associated with operating lease right-of-use assets and liabilities.
(2) Includes variable payments related to both lease and nonlease components, such as contingent rent payments made by the Company based on performance, and payments related to taxes, insurance, and maintenance costs.
(3) Refer to Note 9, "*ASSET IMPAIRMENT*," for details related to operating lease right-of-use asset impairment charges.

As of May 2, 2020, the Company had minimum commitments related to additional operating lease contracts that have not yet commenced, primarily for its Company-operated retail stores, of approximately $2.6 million.

## 9. ASSET IMPAIRMENT

Asset impairment charges for the thirteen weeks ended May 2, 2020 and May 4, 2019 were as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Operating lease right-of-use asset impairment | $ 35,008 | $ — |
| Property and equipment asset impairment | 7,920 | 1,662 |
| Total asset impairment | $ 42,928 | $ 1,662 |

Asset impairment charges for the thirteen weeks ended May 2, 2020 were principally the result of the impact of COVID-19 on store cash flows and were related to certain of the Company's stores across brands, geographies and store formats. The impairment charge reduced the carrying value of these stores' assets to their estimated fair value of approximately $127.9 million, including $118.8 million related to operating lease right-of-use assets.

Asset impairment charges for the thirteen weeks ended May 4, 2019, related to certain of the Company's mall-based stores. The impairment charge reduced the carrying value of these stores' assets to their estimated fair value of approximately $2.8 million, all of which related to operating lease right-of-use assets.

## 10. RABBI TRUST ASSETS

As a precautionary measure and to preserve liquidity in light of the circumstances surrounding COVID-19, during the thirteen weeks ended May 2, 2020, the Company withdrew the majority of excess funds from the overfunded Rabbi Trust assets, providing the Company with $50.0 million of additional cash.

Investments of Rabbi Trust assets consisted of the following as of May 2, 2020 and February 1, 2020:

| *(in thousands)* | May 2, 2020 | February 1, 2020 |
|---|---|---|
| Trust-owned life insurance policies (at cash surrender value) | $ 59,638 | $ 109,048 |
| Money market funds | 1 | 1 |
| Rabbi Trust assets | $ 59,639 | $ 109,049 |

Realized gains resulting from the change in cash surrender value of the Rabbi Trust assets for the thirteen weeks ended May 2, 2020 and May 4, 2019 were as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Realized gains related to Rabbi Trust assets | $ 590 | $ 791 |

## 11. INCOME TAXES

The quarterly provision for income taxes is based on the current estimate of the annual effective income tax rate and is adjusted as necessary for discrete quarterly events. The Company's quarterly provision and the estimate of the annual effective tax rate are subject to significant variation due to several factors. These factors include variability in the pre-tax jurisdictional mix of earnings, changes in how the Company does business including entering into new businesses or geographies, changes in foreign currency exchange rates, changes in laws, regulations, interpretations and administrative practices, relative changes in expenses or losses for which tax benefits are not recognized and the impact of discrete items. In addition, jurisdictions where the Company anticipates an ordinary loss for the fiscal year are excluded from the overall computation of estimated annual effective tax rate and no tax benefit are recognized in the period related to losses in such jurisdictions. The impact of these items on the effective tax rate will be greater at lower levels of pre-tax earnings.

*Impact of valuation allowances and other tax charges during the first quarter of Fiscal 2020*

The Company's effective tax rate for the first quarter of Fiscal 2020 was impacted by $90.9 million of adverse tax impacts, ultimately giving rise to income tax expense on a consolidated pre-tax loss. Further details regarding these adverse tax impacts are as follows:

- The Company anticipates pre-tax losses for the fiscal year in certain jurisdictions, based on information currently available, primarily due to the significant adverse impacts of COVID-19. The Company did not recognize income tax benefits on $212.0 million of pre-tax losses during the first quarter of Fiscal 2020, resulting in an adverse tax impact of $56.6 million.
- The Company recognized discrete charges of $34.3 million related to the establishment of valuation allowances and other tax charges in certain jurisdictions during the thirteen weeks ended May 2, 2020, principally as a result of the significant adverse impacts of COVID–19. These charges related to valuation allowances recognized by the Company of $10.5 million and $6.0 million related to the U.S. and Germany, respectively, as well as valuation allowances and other tax charges in certain other jurisdictions against underlying tax asset balances that existed as of February 1, 2020. The Company also recognized valuation allowances of $78.9 million related to Switzerland with a U.S. branch equally offsetting amount, which in net, did not have an impact on the Condensed Consolidated Statement of Operations and Comprehensive Loss. Changes in assumptions may occur based on new information that becomes available resulting in adjustments in the period in which a determination is made.

*Global legislation in response to COVID-19*

In March 2020, the CARES Act was enacted into U.S. law, intended to provide economic relief to those impacted by COVID-19 and enhance business' liquidity. The Company continues to examine impacts that the CARES Act may have on U.S. income taxes; however, the Company does not currently expect that these provisions will have a material impact on its income taxes.

The Company is still assessing the applicability of other recently passed global legislation, including the potential income tax measures offered in other jurisdictions where the Company's operations have also been impacted by COVID-19.

*Share-based compensation*

Refer to Note 13, "*SHARE-BASED COMPENSATION*," for details on discrete income tax benefits and charges related to share-based compensation awards during the thirteen weeks ended May 4, 2019.

## 12. BORROWINGS

*Asset-based revolving credit facility*

On August 7, 2014, the Company, through its subsidiary Abercrombie & Fitch Management Co. ("A&F Management") as the lead borrower (with A&F and certain other subsidiaries as borrowers or guarantors), entered into an asset-based revolving credit agreement.

On October 19, 2017, the Company, through its subsidiary A&F Management, entered into a Second Amendment to Credit Agreement (the "ABL Second Amendment"), amending and extending the maturity date of the asset-based revolving credit agreement to October 19, 2022. As amended, the asset-based revolving credit agreement continues to provide for a senior secured revolving credit facility of up to $400 million (the "Amended ABL Facility").

As a precautionary measure and to improve the Company's cash position in light of the circumstances surrounding COVID-19, during the thirteen weeks ended May 2, 2020, the Company borrowed $210.0 million under the Amended ABL Facility. Borrowings under the Amended ABL Facility as of May 2, 2020 and February 1, 2020 were as follows:

| *(in thousands)* | May 2, 2020 | February 1, 2020 |
|---|---|---|
| Short-term portion of borrowings, gross at carrying amount | $ 210,000 | $ — |

As of May 2, 2020, the interest rate on borrowings under the Amended ABL Facility was 1.82%. The Amended ABL Facility will mature on October 19, 2022.

As of May 2, 2020, the Company had availability under the Amended ABL Facility of $89.4 million, net of $0.8 million in outstanding stand-by letters of credit. As the Company must maintain excess availability equal to the greater of 10% of the loan cap or $30 million under the Amended ABL Facility, actual incremental borrowing available to the Company under the Amended ABL Facility was $59.4 million as of May 2, 2020.

The provisions under the credit agreement applicable to the Amended ABL Facility have not changed from those described in Note 12, "BORROWINGS," in the Notes to Consolidated Financial Statements contained in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of A&F's Annual Report on Form 10-K for Fiscal 2019.

*Term loan facility*

On August 7, 2014, the Company, through its subsidiary A&F Management as the borrower (with A&F and certain other subsidiaries as guarantors), entered into a term loan agreement, which provides for a term loan facility of $300 million (the "Term Loan Facility" and, together with the Amended ABL Facility, the "Credit Facilities").

On June 22, 2018, A&F, through A&F Management, entered into the Second Amendment to Term Loan Credit Agreement (the "Term Loan Second Agreement"), which served to reprice the Term Loan Facility. As permitted under the credit agreement applicable to the Term Loan Facility, among other things, the Term Loan Second Amendment provided for the issuance by A&F Management of refinancing term loans in an aggregate principal amount of $253.3 million in exchange for the term loans then outstanding under the Term Loan Facility, which resulted in the reduction of the applicable margins for term loans by 0.25%.

Additional details on borrowings under the Term Loan Facility as of May 2, 2020 and February 1, 2020 are as follows:

| *(in thousands)* | May 2, 2020 | February 1, 2020 |
|---|---|---|
| Long-term portion of borrowings, gross at carrying amount | $ 233,250 | $ 233,250 |
| Unamortized discount | (296) | (355) |
| Unamortized fees | (776) | (932) |
| Long-term portion of borrowings, net | 232,178 | 231,963 |
| Less: short-term portion of borrowings, net | — | — |
| Long-term portion of borrowings, net | $ 232,178 | $ 231,963 |

The interest rate on borrowings under the Term Loan Facility was 4.50% as of May 2, 2020. The Term Loan Facility will mature on August 7, 2021.

The provisions under the credit agreement applicable to the Term Loan Facility have not changed from those described in Note 12, "BORROWINGS," in the Notes to Consolidated Financial Statements contained in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of A&F's Annual Report on Form 10-K for Fiscal 2019.

*Representations, warranties and covenants*

The Credit Facilities contain various representations, warranties and restrictive covenants that, among other things and subject to specified exceptions, restrict the ability of A&F and its subsidiaries to incur indebtedness (including guarantees), grant liens, make investments, pay dividends or distributions with respect to capital stock, make prepayments on other indebtedness, engage in mergers, dispose of certain assets or change the nature of their business. In addition, excess availability equal to the greater of 10% of the loan cap or $30 million must be maintained under the Amended ABL Facility. The Credit Facilities do not otherwise contain financial maintenance covenants.

Both Credit Facilities contain certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance and providing additional guarantees and collateral in certain circumstances.

The Company was in compliance with the covenants under the Credit Facilities as of May 2, 2020.

## 13. SHARE-BASED COMPENSATION

*Financial statement impact*

The following table details share-based compensation expense and the related income tax benefit for the thirteen weeks ended May 2, 2020 and May 4, 2019:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Share-based compensation expense | $ 5,162 | $ 2,632 |
| Income tax benefit associated with share-based compensation expense recognized [1] | $ — | $ 550 |

[1] No income tax benefit was recognized related to share-based compensation expense during the thirteen weeks ended May 2, 2020 due to the U.S. being a loss jurisdiction.

The following table details discrete income tax benefits and charges related to share-based compensation awards during the thirteen weeks ended May 2, 2020 and May 4, 2019:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Income tax discrete benefits realized for tax deductions related to the issuance of shares [1] | $ — | $ 1,239 |
| Income tax discrete charges realized upon cancellation of stock appreciation rights [1] | — | (165) |
| Total income tax discrete benefits related to share-based compensation awards | $ — | $ 1,074 |

[1] No income tax benefits or charges related to these items were recognized during the thirteen weeks ended May 2, 2020 due to the U.S. being a loss jurisdiction.

The following table details the amount of employee tax withheld by the Company upon the issuance of shares associated with restricted stock units vesting and the exercise of stock appreciation rights for the thirteen weeks ended May 2, 2020 and May 4, 2019:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Employee tax withheld upon issuance of shares [1] | $ 5,323 | $ 6,288 |

[1] Classified within other financing activities on the Condensed Consolidated Statements of Cash Flows.

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*Restricted stock units*

The following table summarizes activity for restricted stock units for the thirteen weeks ended May 2, 2020:

| | Service-based Restricted Stock Units | | Performance-based Restricted Stock Units | | Market-based Restricted Stock Units | |
|---|---|---|---|---|---|---|
| | Number of Underlying Shares [1] | Weighted-Average Grant Date Fair Value | Number of Underlying Shares | Weighted-Average Grant Date Fair Value | Number of Underlying Shares | Weighted-Average Grant Date Fair Value |
| Unvested at February 1, 2020 | 1,676,831 | $ 18.68 | 747,056 | $ 15.11 | 421,784 | $ 23.05 |
| Granted | 1,646,771 | 7.29 | — | — | — | — |
| Adjustments for performance achievement | — | — | 38,381 | 11.37 | 134,122 | 11.79 |
| Vested | (639,921) | 18.00 | (478,728) | 9.58 | (350,447) | 11.79 |
| Forfeited | (12,881) | 19.99 | (817) | 17.56 | — | — |
| Unvested at May 2, 2020 [2] | 2,670,800 | $ 11.81 | 305,892 | $ 22.39 | 205,459 | $ 34.90 |

(1) Includes 79,028 unvested restricted stock units as of May 2, 2020, subject to vesting requirements related to the achievement of certain performance metrics, such as operating income and net income, for the fiscal year immediately preceding the vesting date. Holders of these restricted stock units have the opportunity to earn back one or more installments of the award if the cumulative performance requirements are met in a subsequent year.

(2) Unvested shares related to restricted stock units with performance-based and market-based vesting conditions are reflected at 100% of their target vesting amount in the table above. Certain unvested shares related to restricted stock units with performance-based vesting conditions can be achieved at up to 200% of their target vesting amount.

The following table details unrecognized compensation cost and the remaining weighted-average period these costs are expected to be recognized for restricted stock units as of May 2, 2020:

| *(in thousands)* | Service-based Restricted Stock Units | Performance-based Restricted Stock Units | Market-based Restricted Stock Units |
|---|---|---|---|
| Unrecognized compensation cost | $ 28,275 | $ 161 | $ 3,308 |
| Remaining weighted-average period cost is expected to be recognized (years) | 1.4 | 0.1 | 0.9 |

Additional information pertaining to restricted stock units for the thirteen weeks ended May 2, 2020 and May 4, 2019 follows:

| *(in thousands)* | May 2, 2020 | May 4, 2019 |
|---|---|---|
| **Service-based restricted stock units:** | | |
| Total grant date fair value of awards granted | $ 12,005 | $ 14,473 |
| Total grant date fair value of awards vested | $ 11,519 | $ 10,971 |
| | | |
| **Performance-based restricted stock units:** | | |
| Total grant date fair value of awards granted | $ — | $ 5,312 |
| Total grant date fair value of awards vested | $ 4,586 | $ — |
| | | |
| **Market-based restricted stock units:** | | |
| Total grant date fair value of awards granted | $ — | $ 4,176 |
| Total grant date fair value of awards vested | $ 4,132 | $ 511 |

No market-based restricted stock units were granted during the thirteen weeks ended May 2, 2020. The weighted-average assumptions used for market-based restricted stock units in the Monte Carlo simulation during the thirteen weeks ended May 4, 2019 were as follows:

| | | May 4, 2019 |
|---|---|---|
| Grant date market price | $ | 25.34 |
| Fair value | $ | 36.24 |
| Assumptions: | | |
| Price volatility | | 57% |
| Expected term (years) | | 2.9 |
| Risk-free interest rate | | 2.2% |
| Dividend yield | | 3.2% |
| Average volatility of peer companies | | 40.0% |
| Average correlation coefficient of peer companies | | 0.2407 |

*Stock appreciation rights*

The following table summarizes stock appreciation rights activity for the thirteen weeks ended May 2, 2020:

| | Number of Underlying Shares | | Weighted-Average Exercise Price | | Aggregate Intrinsic Value | Weighted-Average Remaining Contractual Life (years) |
|---|---|---|---|---|---|---|
| Outstanding at February 1, 2020 | 796,725 | $ | 40.06 | | | |
| Granted | — | | — | | | |
| Exercised | — | | — | | | |
| Forfeited or expired | (162,475) | | 44.86 | | | |
| Outstanding at May 2, 2020 | 634,250 | $ | 38.84 | $ | — | 2.6 |
| Stock appreciation rights exercisable at May 2, 2020 | 634,250 | $ | 38.84 | $ | — | 2.6 |
| Stock appreciation rights expected to become exercisable in the future as of May 2, 2020 | — | $ | — | $ | — | 0.0 |

No stock appreciation rights were exercised during the thirteen weeks ended May 2, 2020. Additional information pertaining to stock appreciation rights for the thirteen weeks ended May 4, 2019 follows:

| *(in thousands)* | | May 4, 2019 |
|---|---|---|
| Total grant date fair value of awards exercised | $ | 2,379 |

## 14. DERIVATIVE INSTRUMENTS

The Company is exposed to risks associated with changes in foreign currency exchange rates and uses derivative instruments, primarily forward contracts, to manage the financial impacts of these exposures. The Company does not use forward contracts to engage in currency speculation and does not enter into derivative financial instruments for trading purposes.

The Company uses derivative instruments, primarily foreign currency exchange forward contracts designated as cash flow hedges, to hedge the foreign currency exchange rate exposure associated with forecasted foreign currency denominated intercompany inventory sales to foreign subsidiaries and the related settlement of the foreign currency denominated intercompany receivables. Fluctuations in foreign currency exchange rates will either increase or decrease the Company’s intercompany equivalent cash flows and affect the Company’s U.S. Dollar earnings. Gains or losses on the foreign currency exchange forward contracts that are used to hedge these exposures are expected to partially offset this variability. Foreign currency exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed upon settlement date. These foreign currency exchange forward contracts typically have a maximum term of twelve months. The sale of the inventory to the Company’s customers will result in the reclassification of related derivative gains and losses that are reported in accumulated other comprehensive loss (“AOCL”) into earnings.

The Company also uses foreign currency exchange forward contracts to hedge certain foreign–currency–denominated net monetary assets/liabilities. Examples of monetary assets/liabilities include cash balances, receivables and payables. Fluctuations in foreign currency exchange rates result in transaction gains or losses being recorded in earnings, as U.S. GAAP requires that monetary assets/liabilities be remeasured at the spot exchange rate at quarter–end or upon settlement. The Company has chosen not to apply hedge accounting to these instruments because there are no differences in the timing of gain or loss recognition on the hedging instruments and the hedged items.

The Company did not have any outstanding foreign currency exchange forward contracts as of May 2, 2020. The location and amounts of derivative fair values of foreign currency exchange forward contracts on the Condensed Consolidated Balance Sheet as of February 1, 2020 were as follows:

| *(in thousands)* | Location | February 1, 2020 | Location | February 1, 2020 |
|---|---|---|---|---|
| Derivatives designated as cash flow hedging instruments | Other current assets | $ 1,869 | Accrued expenses | $ 1,377 |
| Derivatives not designated as hedging instruments | Other current assets | 100 | Accrued expenses | 83 |
| Total | | $ 1,969 | | $ 1,460 |

The fair value of derivative instruments is valued using quoted market prices of the same or similar instruments, adjusted for counterparty risk.

As a result of COVID–19, there was a significant change in the expected timing of previously hedged intercompany sales transactions, resulting in a dedesignation of the related hedge instruments. At the time of dedesignation of these hedges, they were in a net gain position of approximately $12.6 million. Due to the extenuating circumstances leading to dedesignation, gains associated with these hedges at the time of dedesignation are deferred in AOCL until being reclassified into cost of goods sold, exclusive of depreciation and amortization when the originally forecasted transactions occur and the hedged items affect earnings. During the thirteen weeks ended May 2, 2020 and subsequent to the dedesignation of these hedges, these hedge contracts were settled.

Information pertaining to derivative gains or losses from foreign currency exchange forward contracts designated as cash flow hedging instruments for the thirteen weeks ended May 2, 2020 and May 4, 2019 follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Gain recognized in AOCL [(1)] | $ 12,235 | $ 2,263 |
| Gain reclassified from AOCL into cost of sales, exclusive of depreciation and amortization [(2)] | $ 3,370 | $ 2,541 |

(1) Amount represents the change in fair value of derivative contracts.
(2) Amount represents gain reclassified from accumulated other comprehensive loss to cost of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Loss when the hedged item affects earnings, which is when merchandise is converted to cost of sales, exclusive of depreciation and amortization.

Substantially all of the unrealized gain will be recognized in costs of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the next twelve months.

Additional information pertaining to derivative gains or losses from foreign currency exchange forward contracts not designated as hedging instruments for the thirteen weeks ended May 2, 2020 and May 4, 2019 follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Gain recognized in other operating loss (income), net | $ 742 | $ 275 |

## 15. ACCUMULATED OTHER COMPREHENSIVE LOSS

For the thirteen weeks ended May 2, 2020, the activity in accumulated other comprehensive loss was as follows:

| | Thirteen Weeks Ended May 2, 2020 | | |
|---|---|---|---|
| *(in thousands)* | Foreign Currency Translation Adjustment | Unrealized Gain (Loss) on Derivative Financial Instruments | Total |
| Beginning balance at February 1, 2020 | $ (109,967) | $ 1,081 | $ (108,886) |
| Other comprehensive (loss) income before reclassifications | (5,399) | 12,235 | 6,836 |
| Reclassified gain from accumulated other comprehensive loss [1] | — | (3,370) | (3,370) |
| Other comprehensive (loss) income after reclassifications [2] | (5,399) | 8,865 | 3,466 |
| Ending balance at May 2, 2020 | $ (115,366) | $ 9,946 | $ (105,420) |

(1) Amount represents gain reclassified from accumulated other comprehensive loss to cost of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Loss.
(2) No tax effect was recognized during the thirteen weeks ended May 2, 2020 due to the U.S. being a loss jurisdiction.

For the thirteen weeks ended May 4, 2019, the activity in accumulated other comprehensive loss was as follows:

| | Thirteen Weeks Ended May 4, 2019 | | |
|---|---|---|---|
| *(in thousands)* | Foreign Currency Translation Adjustment | Unrealized Gain (Loss) on Derivative Financial Instruments | Total |
| Beginning balance at February 2, 2019 | $ (104,887) | $ 2,435 | $ (102,452) |
| Other comprehensive (loss) income before reclassifications | (2,786) | 2,263 | (523) |
| Reclassified gain from accumulated other comprehensive loss [1] | — | (2,541) | (2,541) |
| Tax effect | — | 225 | 225 |
| Other comprehensive loss after reclassifications | (2,786) | (53) | (2,839) |
| Ending balance at May 4, 2019 | $ (107,673) | $ 2,382 | $ (105,291) |

(1) Amount represents gain reclassified from accumulated other comprehensive loss to cost of sales, exclusive of depreciation and amortization, on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

## 16. SEGMENT REPORTING

The Company's two operating segments are brand-based: Hollister and Abercrombie, the latter of which includes the Company's Abercrombie & Fitch and abercrombie kids brands. These operating segments have similar economic characteristics, classes of consumers, products, and production and distribution methods, operate in the same regulatory environments, and have been aggregated into one reportable segment. Amounts shown below include net sales from wholesale, franchise and licensing operations, which are not a significant component of total revenue, and are aggregated within their respective operating segment and geographic area.

The Company's net sales by operating segment for the thirteen weeks ended May 2, 2020 and May 4, 2019 were as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Hollister | $ 273,012 | $ 428,448 |
| Abercrombie | 212,347 | 305,524 |
| Total | $ 485,359 | $ 733,972 |

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. The Company's net sales by geographic area for the thirteen weeks ended May 2, 2020 and May 4, 2019 were as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| U.S. | $ 322,862 | $ 469,658 |
| EMEA | 112,654 | 173,944 |
| APAC | 32,335 | 65,576 |
| Other | 17,508 | 24,794 |
| International | $ 162,497 | $ 264,314 |
| Total | $ 485,359 | $ 733,972 |

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## 17. FLAGSHIP STORE EXIT (BENEFITS) CHARGES

*Global Store Network Optimization*

Reflecting a continued focus on one of the Company's key transformation initiatives 'Global Store Network Optimization,' the Company continues to pivot away from its large format flagship stores and strives to open smaller, more productive omnichannel focused brand experiences. As a result, the Company has closed certain of its flagship stores and may have additional closures as it executes against this strategy.

The Company recognizes impacts related to the exit of its flagship stores in flagship store exit (benefits) charges on the Consolidated Statements of Operations and Comprehensive Loss. Details of the (benefits) charges incurred during the thirteen weeks ended May 2, 2020 and May 4, 2019 related to this initiative were as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 |
| Asset disposals and other store-closure costs [1] | $ — | $ (12) |
| Employee severance and other employee transition costs | (543) | 1,756 |
| Total flagship store exit (benefits) charges | $ (543) | $ 1,744 |

(1) Amounts represent costs incurred in returning the store to its original condition, including updates to previous accruals for asset retirement obligations and costs to remove inventory and store assets.

Future fixed lease payments associated with closed flagship stores are reflected within short-term and long-term operating lease liabilities on the Condensed Consolidated Balance Sheets. These payments are scheduled to be paid through the fiscal year ending January 30, 2029 ("Fiscal 2028") and are not expected to exceed $15 million in aggregate in any fiscal year.

As the Company continues its 'Global Store Network Optimization' efforts, it may incur incremental charges or future cash expenditures not currently contemplated due to events that may occur as a result of, or that are associated with, previously announced flagship store closures and flagship store closures that have not yet been finalized. At this time, the Company is not able to quantify the amount of incremental charges or future cash expenditures that may take place in future periods resulting from any potential flagship store closures given the unpredictable nature of lease exit negotiations and ultimate lease renewal decisions.

# Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the Company's Condensed Consolidated Financial Statements and notes thereto included in this Quarterly Report on Form 10-Q in "ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)," to which all references to Notes in MD&A are made.

## INTRODUCTION

MD&A is provided as a supplement to the accompanying Condensed Consolidated Financial Statements and notes thereto to help provide an understanding of the Company's results of operations, financial condition, and liquidity. MD&A is organized as follows:

- Overview. This section provides a general description of the Company's business and certain segment information.
- Current Trends and Outlook. This section provides a discussion related to COVID-19's impact on the Company's business and other certain risks and challenges, as well as a summary of the Company's performance for the thirteen weeks ended May 2, 2020 and May 4, 2019.
- Results of Operations. This section provides an analysis of certain components of the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss for the thirteen weeks ended May 2, 2020 and May 4, 2019.
- Liquidity and Capital Resources. This section provides a discussion of the Company's financial condition, changes in financial condition and liquidity as of May 2, 2020, which includes (i) an analysis of financial condition as compared to February 1, 2020; (ii) an analysis of changes in cash flows for the thirteen weeks ended May 2, 2020 as compared to the thirteen weeks ended May 4, 2019; and (iii) an analysis of liquidity, including a discussion related to preserving liquidity during COVID-19, the availability under credit facilities, the Company's share repurchase and dividend programs, and outstanding debt and covenant compliance.
- Recent Accounting Pronouncements. The recent accounting pronouncements the Company has adopted or is currently evaluating, including the dates of adoption and/or expected dates of adoption, and anticipated effects on the Company's Condensed Consolidated Financial Statements, are discussed, as applicable.
- Critical Accounting Policies and Estimates. This section discusses accounting policies considered to be important to the Company's results of operations and financial condition, which typically require significant judgment and estimation on the part of management in their application.
- Non-GAAP Financial Measures. MD&A provides discussion of certain financial measures that have been determined to not be in accordance with GAAP. This section includes certain reconciliations for non-GAAP financial measures and additional details on these financial measures, including information as to why the Company believes the non-GAAP financial measures provided within MD&A are useful to investors.

The COVID-19 pandemic poses various risks to the Company, certain of which are detailed throughout the disclosures under the heading "FORWARD-LOOKING STATEMENTS AND RISK FACTORS" in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2019. Any one of these risks, or a combination of risks could result in further adverse impacts on the Company's business, results of operations, financial condition and cash flows. In addition, the following factors, categorized by the primary nature of the associated risk, including the disclosures under the heading "FORWARD-LOOKING STATEMENTS AND RISK FACTORS" in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2019, in some cases have affected and in the future could affect the Company's financial performance and cause actual results for Fiscal 2020 and beyond to differ materially from those expressed or implied in any of the forward-looking statements included in this Quarterly Report on Form 10-Q or otherwise made by management:

Macroeconomic and industry risks include:
- 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 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 or civil unrest could have a material adverse impact on our business; and
- 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.

Strategic risks include:

- 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; and
- 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.

Operational risks include:

- 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; and
- We rely on the experience and skills of our executive officers and associates, and the failure to attract or retain this talent, or effectively manage succession could have a material adverse impact on our business.

Legal, tax, regulatory and compliance risks include:

- Fluctuations in our tax obligations and effective tax rate may result in volatility in our results of operations and 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
- Our credit facilities 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.

The factors listed above are not our only risks. Additional risks may arise, and current evaluations of risks may change, which could lead to material, adverse effects on our business, operating results and financial condition.

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Quarterly Report on Form 10-Q or made by the Company, its management or spokespeople involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify forward-looking statements. Future economic and industry trends that could potentially impact revenue and profitability are difficult to predict. Therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties in the forward-looking statements included herein, including the uncertainty surrounding COVID-19, the inclusion of such information should not be regarded as a representation by the Company, or any other person, that the objectives of the Company will be achieved. The forward-looking statements included herein are based on information presently available to the management of the Company. Except as may be required by applicable law, the Company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

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## OVERVIEW

*Business summary*

The Company is a global multi-brand omnichannel specialty retailer, whose products are sold primarily through its Company-owned store and digital channels, as well as through various third-party wholesale, franchise and licensing arrangements. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids under the Hollister, Abercrombie & Fitch and abercrombie kids brands. The brands share a commitment to offering unique products of enduring quality and exceptional comfort that allow customers around the world to express their own individuality and style. The Company primarily has operations in North America, Europe and Asia, among other regions.

The Company's two operating segments are brand-based: Hollister and Abercrombie, the latter of which includes the Company's Abercrombie & Fitch and abercrombie kids brands.

The Company's fiscal year ends on the Saturday closest to January 31. All references herein to the Company's fiscal years are as follows:

| Fiscal year | Year ended | Number of weeks |
|---|---|---|
| Fiscal 2018 | February 2, 2019 | 52 |
| Fiscal 2019 | February 1, 2020 | 52 |
| Fiscal 2020 | January 30, 2021 | 52 |

Due to the seasonal nature of the retail apparel industry, the results of operations for any current period are not necessarily indicative of the results expected for the full fiscal year and the Company could have significant fluctuations in certain asset and liability accounts. The Company historically experiences its greatest sales activity during the fall season, the third and fourth fiscal quarters, due to Back-to-School and Holiday sales periods, respectively.

## CURRENT TRENDS AND OUTLOOK

*COVID-19*

As a result of COVID 19, in January 2020, we began to experience business disruptions in the APAC region, including the temporary closure of stores in China and the surrounding area, modified operating hours in certain stores that remained open, and a decline in traffic. In late February 2020, the situation escalated as the scope of COVID-19 worsened beyond the APAC region, with the U.S. and the EMEA region experiencing significant outbreaks. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. In response to COVID-19, certain governments have imposed travel restrictions and local statutory quarantines and we have recommended associates who are able to perform their role remotely to do so. We are reacting to the COVID-19 situation on a daily basis, including by conforming to local government guidance and monitoring developments in government legislation or other government actions in response to the COVID-19 outbreak.

In mid-March 2020, with the well-being of our customers, associates and business partners in mind, we temporarily closed our Company-operated stores across brands in North America and the EMEA region. We began to reopen these stores on a rolling basis beginning in late April 2020. We have experienced sales productivity for reopened stores of approximately 80% and 60% for the U.S. and the EMEA region, respectively, since their reopenings as compared to last year's levels. The majority of our stores in the APAC region have reopened, although many with temporarily reduced operating hours. We plan to follow the guidance of local governments to determine when we can reopen remaining stores and to evaluate whether further store closures will be necessary. As of June 5, 2020, approximately 58% of Company-operated stores were open.

We are following guidance from government and health authorities, and complying with the requirements, to put a range of precautionary measures in place, including:

- Requiring associates to use face coverings;
- Encouraging or requiring customers to use face coverings, in accordance with local government direction;
- Conducting associate wellness checks in accordance with local government direction;
- Enhancing cleaning routines;
- Implementing various measures to encourage social distancing, including managing occupancy limits;
- Installing plexiglass barriers at checkout in some locations;
- Encouraging contactless payment options, where available;
- Opening fitting rooms where permissible, with additional cleaning and social distancing procedures;
- Reducing hours in select locations;
- Removing returned merchandise from the sales floor for a period of time; and
- Continuing to offer in-store pickups for online orders at certain locations when selected during the online checkout.

Our robust digital operations across brands have continued to serve our customers during this unprecedented period of temporary store closures as our distribution centers implemented enhanced cleaning and social distancing measures in order to remain operational. We experienced 25% digital sales growth for the first quarter of Fiscal 2020 as compared to the first quarter of Fiscal 2019, with month-over-month acceleration in digital sales growth since temporary store closures were enacted in mid-March. This growth has further accelerated in May. Despite the recent strength in digital sales, we have historically generated the majority of our revenue through stores and there can be no assurance that the current performance in the digital channel will continue.

We are focused on managing inventories and the impacts COVID-19 has had, and continues to have, on our global supply chain, including potential disruptions of product deliveries. We source the majority of our merchandise outside of the U.S. through arrangements with vendors primarily located in southeast Asia. In order to complete production, these vendors' manufacturing factories are dependent on raw materials from fabric mills that are primarily located in the APAC region. We continue to collaborate with our third-party partners to mitigate significant delays in delivery of merchandise as certain factories are operating at a limited capacity. During the first quarter of Fiscal 2020, we reduced certain orders that were not already in production, delayed and recadenced deliveries and implemented various strategies to tightly manage inventories, including utilizing our ship-from-store capabilities in select locations to unlock in-store inventory.

We remain committed to, and confident in, our long-term vision and continue to evaluate opportunities to make progress against our key transformation initiatives while balancing the near-term challenges and unprecedented uncertainty presented by COVID-19. Our progress executing against the following key transformation initiatives has created the foundation to allow us to quickly respond to COVID-19:

- Optimizing our global store network;
- Enhancing digital and omnichannel capabilities;
- Increasing the speed and efficiency of our concept-to-customer product life cycle by further investing in capabilities to position our supply chain for greater speed, agility and efficiency, while leveraging data and analytics to offer the right product at the right time and the right price; and
- Improving our customer engagement through loyalty programs and marketing optimization.

We entered this period of uncertainty with a healthy liquidity position and have taken and continue to take immediate, aggressive and prudent actions, including reevaluating all expenditures, to balance our short and long-term liquidity needs, in order to best position the business for our key stakeholders. We have taken and continue to take various actions to preserve liquidity and manage cash flows, including, but not limited to:

- Partnering with merchandise and non-merchandise vendors in regards to payment terms;
- Reducing and recadencing inventory receipts to better align inventory with expected market demand;
- Reducing expenses to better align operating costs with sales;
- Implementing various compensation actions related to our store and corporate associates, as well as our non-associate directors;
- Borrowing $210.0 million under our Amended ABL Facility in March 2020 to improve our cash position;
- Withdrawing $50.0 million from the overfunded Rabbi Trust assets in March 2020, which represented the majority of excess funds; and
- Suspending our share repurchase program in March 2020 and suspending the dividend program in May 2020. We believe these suspensions to be temporary and plan to review throughout the year to determine, in light of facts and circumstances at that time, whether and when to reinstate these programs.

As of May 2, 2020 we had liquidity of $763.4 million as compared to $913.8 million as of February 1, 2020.

We have seen, and may continue to see, material adverse impacts as a result of COVID-19. Current circumstances are dynamic and future impacts, including the duration and impact on overall customer demand, are uncertain.

It is possible that our preparations for the events listed above are not adequate to mitigate their impact, and that these events could further adversely affect our business and results of operations. For discussion of significant risks that have the potential to cause our actual results to differ materially from our expectations, refer to the disclosures under the heading "FORWARD-LOOKING STATEMENTS AND RISK FACTORS" in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2019.

*United Kingdom's withdrawal from the European Union ("Brexit")*

In June 2016, the United Kingdom passed a referendum to recommend withdrawing from the European Union. Although the United Kingdom left the European Union in January 2020, the final terms of the United Kingdom's withdrawal remain unclear. We believe that this referendum and the uncertainty surrounding the terms of the United Kingdom's withdrawal adversely impacted international sales results in Fiscal 2019, with decreased traffic and declining values of the Euro and British Pound as compared to the U.S. Dollar over Fiscal 2018.

Upon withdrawal from the Europe Union in January 2020, the United Kingdom entered a transition period during which there will be on-going negotiations. During this transition period, the United Kingdom's existing trading relationship with the European Union will remain in place and it will continue to follow the European Union's rules. It is not clear at this time what, if any, agreements will be reached by the current December 31, 2020 transition period deadline, or the impact that COVID-19 may have on the negotiation timeline.

There is continued uncertainty related to the impact on consumer behavior, trade relations, economic conditions, foreign currency exchange rates and the free movement of goods, services, people and capital between the United Kingdom and the European Union during this time of transition. The United Kingdom's withdrawal from the European Union could also adversely impact other areas of our business, including, but not limited to, an increase in duties and delays in the delivery of merchandise from our Netherlands distribution center to our customers in the United Kingdom if trade barriers materialize. The United Kingdom's withdrawal from the European Union could also adversely impact the operations of our vendors and of our other third-party partners.

In order to mitigate the risks associated with the United Kingdom's withdrawal from the European Union, our team is: collaborating across the organization and testing our systems; working with external partners to develop contingency plans for potential adverse impacts; and taking actions to reduce, to the extent possible, the potential impact of any incremental duty exposure. It is possible that our preparations for the events listed above are not adequate to mitigate their impact, and that these events could further adversely affect our business and results of operations. For discussion of significant risks that have the potential to cause our actual results to differ materially from our expectations, refer to the disclosures under the heading "FORWARD-LOOKING STATEMENTS AND RISK FACTORS" in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2019.

*Global Store Network Optimization*

A component of optimizing our global store fleet is pivoting away from large format flagship stores as we strive to open smaller, more productive omnichannel focused brand experiences. As a result, we have closed certain of our flagship stores and may have additional closures as we execute against this strategy. Although some of these closures may be completed through natural lease expirations, certain other of our leases include early termination options that can be exercised under specific conditions. We may also elect to exit or modify our other leases, and could incur charges related to these actions.

For context, at the beginning of Fiscal 2019, we had 19 flagship stores, and as of the end of the first quarter of Fiscal 2020, we had 15 flagship stores. Details related to recently closed flagship stores are as follows:

| Brand (1) | Flagship location | Timing of store closure |
|---|---|---|
| Abercrombie & Fitch | Pedder Street, Hong Kong Special Administrative Region, China | First quarter of Fiscal 2017 |
| Abercrombie & Fitch | Copenhagen, Denmark | First quarter of Fiscal 2019 |
| Hollister | SoHo, New York City, U.S. | Second quarter of Fiscal 2019 |
| Abercrombie | Milan, Italy | Fourth quarter of Fiscal 2019 |
| abercrombie kids (2) | London, United Kingdom | Fourth quarter of Fiscal 2019 |

(1) Abercrombie includes the Abercrombie & Fitch and abercrombie kids brands and, when used in the table above, signifies a location with an abercrombie kids carveout within an Abercrombie & Fitch store that would be represented as a single store count.
(2) The abercrombie kids store in London will be converted to corporate office space and the location will be utilized as our EMEA regional headquarters.

Additional details related to store count and gross square footage are as follows:

| | Hollister (1) | | Abercrombie (2) | | Total Company | | |
|---|---|---|---|---|---|---|---|
| | U.S. | International | U.S. | International | U.S. | International | Total |
| Number of stores: | | | | | | | |
| February 1, 2020 | 391 | 155 | 256 | 52 | 647 | 207 | 854 |
| New | — | — | 1 | 1 | 1 | 1 | 2 |
| Permanently closed | (1) | (2) | (4) | — | (5) | (2) | (7) |
| **May 2, 2020** | 390 | 153 | 253 | 53 | 643 | 206 | 849 |
| New | 1 | 1 | — | 2 | 1 | 3 | 4 |
| Permanently closed | (5) | — | (1) | — | (6) | — | (6) |
| **June 5, 2020** | **386** | **154** | **252** | **55** | **638** | **209** | **847** |
| *Number of stores currently open (3)* | *215* | *103* | *137* | *39* | *352* | *142* | *494* |
| *Percent of stores currently open (3)* | *56%* | *67%* | *54%* | *71%* | *55%* | *68%* | *58%* |
| Gross square footage *(in thousands)*: | | | | | | | |
| May 2, 2020 | 2,594 | 1,244 | 1,812 | 615 | 4,406 | 1,859 | 6,265 |

(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 figures relate to the number of stores open as of June 5, 2020. Stores that have reopened after being temporarily closed as a result of the COVID-19 pandemic may reflect modified operating hours.

*Summary of results*

A summary of results for the thirteen weeks ended May 2, 2020 and May 4, 2019 follows:

| *(in thousands, except change in net sales, gross profit rate, operating margin and per share amounts)* | GAAP | | Non-GAAP [1] | |
|---|---|---|---|---|
| **Thirteen Weeks Ended** | May 2, 2020 | May 4, 2019 | May 2, 2020 | May 4, 2019 |
| Net sales | $ 485,359 | $ 733,972 | | |
| Change in net sales | (33.9)% | 0.4 % | | |
| Gross profit rate | 54.4 % | 60.5 % | | |
| Operating loss | $ (209,127) | $ (27,258) | $ (166,199) | $ (27,258) |
| Operating loss margin | (43.1)% | (3.7)% | (34.2)% | (3.7)% |
| Net loss attributable to A&F | $ (244,148) | $ (19,155) | $ (205,652) | $ (19,155) |
| Net loss per diluted share attributable to A&F | $ (3.90) | $ (0.29) | $ (3.29) | $ (0.29) |

(1) Discussion as to why the Company believes that these non-GAAP financial measures are useful to investors is provided below under "*NON-GAAP FINANCIAL MEASURES*."

Certain components of the Company's Condensed Consolidated Balance Sheets as of May 2, 2020 and February 1, 2020 were as follows:

| *(in thousands)* | May 2, 2020 | February 1, 2020 |
|---|---|---|
| Cash and equivalents | $ 703,989 | $ 671,267 |
| Gross short-term borrowings outstanding, carrying amount | $ 210,000 | $ — |
| Gross long-term borrowings outstanding, carrying amount | $ 233,250 | $ 233,250 |
| Inventories | $ 426,594 | $ 434,326 |

Certain components of the Company's Condensed Consolidated Statements of Cash Flows for the thirteen week periods ended May 2, 2020 and May 4, 2019 were as follows:

| *(in thousands)* | May 2, 2020 | May 4, 2019 |
|---|---|---|
| Net cash used for operating activities | $ (90,776) | $ (71,316) |
| Purchases of property and equipment | $ (46,990) | $ (43,872) |
| Purchases of Common Stock | $ (15,172) | $ — |
| Dividends paid | $ (12,556) | $ (13,246) |
| Proceeds from Amended ABL Facility borrowings | $ 210,000 | $ — |

# RESULTS OF OPERATIONS

*Net sales*

The Company’s net sales by operating segment for the thirteen weeks ended May 2, 2020 and May 4, 2019 were as follows:

| | Thirteen Weeks Ended | | | |
|---|---|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 | $ Change | % Change |
| Hollister | $ 273,012 | $ 428,448 | $ (155,436) | (36)% |
| Abercrombie [1] | 212,347 | 305,524 | (93,177) | (30)% |
| Total | $ 485,359 | $ 733,972 | $ (248,613) | (34)% |

(1) Includes Abercrombie & Fitch and abercrombie kids brands.

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 the shipping location provided by customers for digital orders. The Company’s net sales by geographic area for the thirteen weeks ended May 2, 2020 and May 4, 2019 were as follows:

| | Thirteen Weeks Ended | | | |
|---|---|---|---|---|
| *(in thousands)* | May 2, 2020 | May 4, 2019 | $ Change | % Change |
| U.S. | $ 322,862 | $ 469,658 | $ (146,796) | (31)% |
| EMEA | 112,654 | 173,944 | (61,290) | (35)% |
| APAC | 32,335 | 65,576 | (33,241) | (51)% |
| Other | 17,508 | 24,794 | (7,286) | (29)% |
| International | $ 162,497 | $ 264,314 | $ (101,817) | (39)% |
| Total | $ 485,359 | $ 733,972 | $ (248,613) | (34)% |

For the first quarter of Fiscal 2020, net sales decreased 34% as compared to the first quarter of Fiscal 2019, primarily due to a decrease in units sold driven by temporary store closures across brands in response to COVID-19. Lost sales from temporary store closures were partially offset by approximately 25% digital sales growth.

Average unit retail decreased year-over-year, driven by strategic and targeted promotions in response to the current retail environment, with changes in foreign currency exchange rates adversely impacting net sales by $7 million, or 1%. Excluding the adverse impact of changes in foreign currency exchange rates, net sales for the first quarter of Fiscal 2020 decreased 33% as compared to the first quarter of Fiscal 2019.

*Cost of sales, exclusive of depreciation and amortization*

| | Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | May 2, 2020 | | May 4, 2019 | | |
| *(in thousands)* | | % of Net sales | | % of Net sales | BPS Change [1] |
| Cost of sales, exclusive of depreciation and amortization | $ 221,214 | 45.6% | $ 289,882 | 39.5% | 610 |

(1) The estimated basis point (“BPS”) change has been rounded based on the change in the percentage of net sales.

For the first quarter of Fiscal 2020, cost of sales, exclusive of depreciation and amortization, as a percentage of net sales increased by approximately 610 basis points as compared to the first quarter of Fiscal 2019. Current year results reflect the adverse impacts of approximately $15 million, or 300 basis points, of charges to reduce the carrying value of inventory, primarily as a result of the continued effects of COVID-19. The remainder of the year-over-year decline is primarily attributable to decreased average unit retail due to strategic and targeted promotions in response to the current retail environment without a corresponding decrease in average unit cost and an adverse impact from changes in foreign currency exchange rates of approximately 30 basis points.

*Gross profit*

| | Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | May 2, 2020 | | May 4, 2019 | | |
| *(in thousands)* | | % of Net sales | | % of Net sales | BPS Change [1] |
| Gross profit | $ 264,145 | 54.4% | $ 444,090 | 60.5% | (610) |

[1] The estimated basis point change has been rounded based on the change in the percentage of net sales.

Gross profit is derived from net sales less cost of sales, exclusive of depreciation and amortization.

*Stores and distribution expense*

| | Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | May 2, 2020 | | May 4, 2019 | | |
| *(in thousands)* | | % of Net sales | | % of Net sales | BPS Change [1] |
| Stores and distribution expense | $ 322,124 | 66.4% | $ 356,612 | 48.6% | 1,780 |

[1] The estimated basis point change has been rounded based on the change in the percentage of net sales.

For the first quarter of Fiscal 2020, stores and distribution expense decreased 10% as compared to the first quarter of Fiscal 2019, primarily driven by a $28 million reduction in payroll expense driven by temporary store closures in response to COVID-19, net of a benefit of $9 million related to expected government subsidies in certain jurisdictions where the Company qualifies. The Company also experienced a $14 million reduction in store occupancy expense driven by temporary store closures in response to COVID-19. These reductions in expense were partially offset by a $9 million increase in shipping and handling expense related to 25% growth in digital sales year-over-year.

For the first quarter of Fiscal 2020, stores and distribution expense as a percentage of net sales increased by approximately 1,780 basis points as compared to the first quarter of Fiscal 2019, primarily due to the deleverage associated with lost sales from temporary store closures in response to COVID-19.

*Marketing, general and administrative expense*

| | Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | May 2, 2020 | | May 4, 2019 | | |
| *(in thousands)* | | % of Net sales | | % of Net sales | BPS Change [1] |
| Marketing, general and administrative expense | $ 108,257 | 22.3% | $ 111,947 | 15.3% | 700 |

[1] The estimated basis point change has been rounded based on the change in the percentage of net sales.

For the first quarter of Fiscal 2020, marketing, general and administrative expense decreased 3% as compared to the first quarter of Fiscal 2019, primarily driven by reductions in certain expenses related to the Company's transformation initiatives and a decrease in marketing expense.

For the first quarter of Fiscal 2020, marketing, general and administrative expense as a percentage of net sales increased by approximately 700 basis points as compared to the first quarter of Fiscal 2019 primarily due to the deleverage associated with lost sales from temporary store closures in response to COVID-19.

*Flagship store exit (benefits) charges*

| | Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | May 2, 2020 | | May 4, 2019 | | |
| *(in thousands)* | | % of Net sales | | % of Net sales | BPS Change [1] |
| Flagship store exit (benefits) charges | $ (543) | (0.1)% | $ 1,744 | 0.2% | (30) |

[1] The estimated basis point change has been rounded based on the change in the percentage of net sales.

Refer to Note 17, "*FLAGSHIP STORE EXIT (BENEFITS) CHARGES*."

*Asset impairment, exclusive of flagship store exit charges*

| *(in thousands)* | Thirteen Weeks Ended May 2, 2020 | | % of Net sales | Thirteen Weeks Ended May 4, 2019 | | % of Net sales | BPS Change (1) |
|---|---|---|---|---|---|---|---|
| Asset impairment, exclusive of flagship store exit charges | $ | 42,928 | 8.8% | $ | 1,662 | 0.2% | 860 |
| Excluded items: | | | | | | | |
| Asset impairment charges (2) | | (42,928) | (8.8)% | | — | 0.0% | (890) |
| Adjusted non-GAAP asset impairment, exclusive of flagship store exit charges | $ | — | 0.0% | $ | 1,662 | 0.2% | (30) |

(1) The estimated basis point change has been rounded based on the change in the percentage of net sales.
(2) Refer to "*NON-GAAP FINANCIAL MEASURES*," for further details.

Refer to Note 9, "*ASSET IMPAIRMENT*."

*Other operating loss (income), net*

| *(in thousands)* | Thirteen Weeks Ended May 2, 2020 | | % of Net sales | Thirteen Weeks Ended May 4, 2019 | | % of Net sales | BPS Change (1) |
|---|---|---|---|---|---|---|---|
| Other operating (loss) income, net | $ | (506) | (0.1)% | $ | 617 | 0.1% | 20 |

(1) The estimated basis point change has been rounded based on the change in the percentage of net sales.

*Operating loss*

| *(in thousands)* | Thirteen Weeks Ended May 2, 2020 | | % of Net sales | Thirteen Weeks Ended May 4, 2019 | | % of Net sales | BPS Change (1) |
|---|---|---|---|---|---|---|---|
| Operating loss | $ | (209,127) | (43.1)% | $ | (27,258) | (3.7)% | (3,940) |
| Excluded items: | | | | | | | |
| Asset impairment charges (2) | | 42,928 | 8.8% | | — | 0.0% | 890 |
| Adjusted non-GAAP operating loss | $ | (166,199) | (34.2)% | $ | (27,258) | (3.7)% | (3,050) |
| Adverse impact from changes in foreign currency exchange rates | | — | 0.0% | | (3,115) | (0.4)% | 50 |
| Adjusted non-GAAP operating loss on a constant currency basis (2) | $ | (166,199) | (34.2)% | $ | (30,373) | (4.2)% | (3,000) |

(1) The estimated basis point change has been rounded based on the change in the percentage of net sales.
(2) Refer to "*NON-GAAP FINANCIAL MEASURES*," for further details.

*Interest expense, net*

| *(in thousands)* | Thirteen Weeks Ended May 2, 2020 | | % of Net sales | Thirteen Weeks Ended May 4, 2019 | | % of Net sales | BPS Change (1) |
|---|---|---|---|---|---|---|---|
| Interest expense | $ | 5,073 | 1.0% | $ | 4,532 | 0.6% | 40 |
| Interest income | | (1,702) | (0.4)% | | (3,916) | (0.5)% | 10 |
| Interest expense, net | $ | 3,371 | 0.7% | $ | 616 | 0.1% | 60 |

(1) The estimated basis point change has been rounded based on the change in the percentage of net sales.

For the first quarter of Fiscal 2020, interest expense, net increased $2.8 million as compared to the first quarter of Fiscal 2019. The year-over-year increase in interest expense, net, is primarily due to lower interest income earned on the Company's investments and cash holdings and an increase in interest expense related to certain of the Company's long-term obligations.

*Income tax expense (benefit)*

| | Thirteen Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | May 2, 2020 | | | May 4, 2019 | | |
| *(in thousands, except ratios)* | | | Effective Tax Rate | | | Effective Tax Rate |
| Income tax expense (benefit) | $ | 31,533 | (14.8)% | $ | (9,588) | 34.4% |
| Excluded items: | | | | | | |
| Tax effect of pre-tax excluded items [1] | | 4,432 | | | — | |
| Adjusted non-GAAP income tax expense (benefit) | $ | 35,965 | (21.2)% | $ | (9,588) | 34.4% |

(1) The tax effect of pre-tax excluded items is the difference between the tax provision calculation on a GAAP basis and on an adjusted non-GAAP basis. Refer to "*Operating loss*" for details of pre-tax excluded items.

The Company's effective tax rate for the first quarter of Fiscal 2020 was adversely impacted by $90.9 million of adverse tax impacts, ultimately giving rise to income tax expense on a consolidated pre-tax loss and adversely impacting first quarter of Fiscal 2020 net loss per diluted share by $1.45. These adverse tax impacts are as follows:

- The Company did not recognize income tax benefits on $212.0 million of pre-tax losses generated in the first quarter of Fiscal 2020 in certain jurisdictions as the Company currently anticipates pre-tax losses in these jurisdictions for the fiscal year, resulting in adverse tax impacts of $56.6 million.
- The Company recognized discrete charges of $34.3 million related to the establishment of valuation allowances and other tax charges in certain jurisdictions, including, but not limited to Switzerland, Germany and the U.S. principally as a result of the significant adverse impacts of COVID-19.

Refer to Note 11, "*INCOME TAXES*."

*Net loss attributable to A&F*

| | Thirteen Weeks Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | May 2, 2020 [1] | | | May 4, 2019 | | | |
| *(in thousands)* | | | % of Net sales | | | % of Net sales | BPS Change [2] |
| Net loss attributable to A&F | $ | (244,148) | (50.3)% | $ | (19,155) | (2.6)% | (4,770) |
| Excluded items, net of tax [3] | | 38,496 | 7.9% | | — | 0.0% | 790 |
| Adjusted non-GAAP net loss attributable to A&F | $ | (205,652) | (42.4)% | $ | (19,155) | (2.6)% | (3,980) |

(1) Results for the first quarter of Fiscal 2020 reflect 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.
(2) The estimated basis point change has been rounded based on the change in the percentage of net sales.
(3) Excluded items presented above under "*Operating loss*," and "*Income tax expense (benefit).*"

*Net loss per diluted share attributable to A&F*

| | Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | May 2, 2020 [1] | | May 4, 2019 | | $ Change |
| Net loss per diluted share attributable to A&F | $ | (3.90) | $ | (0.29) | $(3.61) |
| Excluded items, net of tax [2] | | 0.62 | | — | 0.62 |
| Adjusted non-GAAP net loss per diluted share attributable to A&F | $ | (3.29) | $ | (0.29) | $(3.00) |
| Adverse impact from changes in foreign currency exchange rates | | — | | (0.03) | 0.03 |
| Adjusted non-GAAP net loss per diluted share attributable to A&F on a constant currency basis | $ | (3.29) | $ | (0.32) | $(2.97) |

(1) Results for the first quarter of Fiscal 2020 reflect 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.
(2) Excluded items presented above under "*Operating loss*," and "*Income tax expense (benefit).*"

## LIQUIDITY AND CAPITAL RESOURCES

*Overview*

The Company's capital allocation strategy, priorities and investments are reviewed by the Company's Board of Directors considering both liquidity and valuation factors. The Company's current capital allocation strategy is to prioritize navigating the near-term challenges that COVID-19 presents and continuing to fund operating activities. The Company believes that it will have adequate liquidity to fund operating activities over the next 12 months.

The Company had cash and equivalents of $704.0 million and $671.3 million as of May 2, 2020 and February 1, 2020, respectively. As of May 30, 2020, subsequent to the end of the first quarter of Fiscal 2020, the Company had cash and equivalents of approximately $730 million.

*Primary sources of cash*

The Company's business has two principal selling seasons: the spring season, which includes the first and second fiscal quarters ("Spring") and the fall season, which includes the third and fourth fiscal quarters ("Fall"). The Company generally experiences its greatest sales activity during the Fall season, due to the back-to-school and holiday sales periods. The Company relies on excess operating cash flows, which are largely generated in Fall, to fund operations throughout the year and to reinvest in the business to support future growth. The Company also has an asset-based senior secured revolving credit facility available as a source of additional funding.

As a precautionary measure in response to COVID-19, in March 2020, the Company borrowed $210 million under the asset-based revolving credit facility to improve its cash position and withdrew the majority of excess funds from the overfunded Rabbi Trust assets, providing the Company with $50 million of additional cash.

As of May 2, 2020, the Company had remaining availability under the Amended ABL Facility of $89.4 million, net of $0.8 million in outstanding stand-by letters of credit. As the Company must maintain excess availability equal to the greater of 10% of the loan cap or $30 million under the Amended ABL Facility, actual incremental borrowing available to the Company under the Amended ABL Facility was approximately $59.4 million as of May 2, 2020.

*Primary uses of cash*

Over the next twelve months, the Company expects its primary cash requirements to be towards funding operating activities, including the acquisition of inventory, and obligations related to compensation, leases and any lease buyouts or modifications it may exercise, taxes and other operating activities. The Company entered this period of uncertainty with a healthy liquidity position and has taken and continues to take immediate, aggressive and prudent actions, including reevaluating all expenditures, in order to balance the Company's short and long-term liquidity needs and best position the business for key stakeholders.

The Company also evaluates opportunities for investments in line with its key transformation initiatives that have positioned the business to quickly respond to the COVID-19 pandemic and strives to invest in projects that have high expected returns. These improvements may include new store experiences or investments in its omnichannel initiatives or loyalty programs. In addition, the Company evaluates store closures, including flagship lease buyouts and options to early terminate store leases. Historically, the Company has utilized free cash flow generated from operations to fund any discretionary capital expenditures, which have been prioritized towards new store experiences, as well as digital and omnichannel investments, information technology, and other projects. Total capital expenditures for Fiscal 2020 are expected to be approximately $100 million, of which approximately $47 million occurred during the first quarter of Fiscal 2020.

At times, the Company may utilize excess liquidity, towards debt service requirements, including voluntary debt prepayments, or required repayments, if any, based on annual excess cash flows, as defined in the term loan credit agreement applicable to the Term Loan Facility.

*Share repurchases and dividends*

In response to COVID-19, in March 2020, the Company announced that it has temporarily suspended its share repurchase program and in May 2020, the Company announced that it has temporarily suspended its dividend program, in order to preserve liquidity and maintain financial flexibility. The Company will review these temporary suspensions throughout the year to determine, in light of facts and circumstances at that time, whether and when to reinstate these programs.

Dividends are declared at the discretion of A&F's Board of Directors. A quarterly dividend, of $0.20 per share outstanding, was declared in February for Fiscal 2020 and in each of February, May, August and November in Fiscal 2019 and Fiscal 2018. Dividends were paid in March for Fiscal 2020, and each of March, June, September and December in Fiscal 2019 and Fiscal 2018. A&F's Board of Directors reviews the dividend on a quarterly basis and establishes the dividend amount based on A&F's financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other factors, including the potential severity of impacts to the business resulting from COVID-19 and any restrictions related to the Company's Credit

Facilities. There can be no assurance that the Company will reinstate its dividend program in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

Historically, the Company has repurchased shares of its Common Stock from time to time, dependent on market and business conditions, with the primary objective to offset dilution from issuances of Common Stock associated with the exercise of employee stock appreciation rights and the vesting of restricted stock units. Shares repurchased may be in the open market, including pursuant to any trading plans established in accordance with Rule 10b5-1 of the Exchange Act, through privately negotiated transactions or other transactions or by a combination of such methods. Refer to "ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS" for additional information regarding the Company's share repurchases during the first quarter of Fiscal 2020 made prior to the temporary suspension of the share repurchase program, as well as for the number of shares remaining available for purchase under the Company's June 2019 publicly announced stock repurchase authorization.

*Credit facilities*

On August 7, 2014, the Company, through its subsidiary Abercrombie & Fitch Management Co. ("A&F Management") as the lead borrower (with A&F and certain other subsidiaries as borrowers or guarantors), entered into an asset-based senior secured revolving credit agreement. On October 19, 2017, the Company, through its subsidiary A&F Management, entered into a Second Amendment to Credit Agreement (the "ABL Second Amendment"), amending and extending the maturity date of the asset-based revolving credit agreement. As amended, the asset-based senior secured revolving credit agreement continues to provide for a senior secured credit facility of up to $400 million (the "Amended ABL Facility").

On August 7, 2014, the Company, through its subsidiary A&F Management as the borrower (with A&F and certain other subsidiaries as guarantors), entered into a term loan agreement, which provides for a term loan facility of $300 million (the "Term Loan Facility" and, together with the Amended ABL Facility, the "Credit Facilities"). On June 22, 2018, the Company, through its subsidiary A&F Management, entered into a Second Amendment to Term Loan Credit Agreement, which, among other things, repriced the Term Loan Facility by reducing the applicable margins for term loans by 0.25%.

As of May 2, 2020, the Company had approximately $210.0 million in gross borrowings outstanding under the Amended ABL Facility at an interest rate of 1.82%. The Amended ABL Facility matures on October 19, 2022. As of May 2, 2020, the Company had remaining availability under the Amended ABL Facility of $89.4 million, net of $0.8 million in outstanding stand-by letters of credit. As the Company must maintain excess availability equal to the greater of 10% of the loan cap or $30 million under the Amended ABL Facility, actual incremental borrowing available to the Company under the Amended ABL Facility was approximately $59.4 million as of May 2, 2020.

As of May 2, 2020, the Company had approximately $233.3 million in gross borrowings outstanding under the Term Loan Facility at an interest rate of 4.50%. The Term Loan Facility matures on August 7, 2021.

The Credit Facilities are further described in Note 12, "*BORROWINGS*."

*Income taxes*

The Company's earnings and profits from its foreign subsidiaries could be repatriated to the U.S., without incurring additional federal income tax. The Company has determined that the balance of the Company's undistributed earnings and profits from its foreign subsidiaries as of February 2, 2019 are considered indefinitely reinvested outside of the U.S., and if these funds were to be repatriated to the U.S., the Company would expect to incur an insignificant amount of state income taxes and foreign withholding taxes. The Company accrues for both state income taxes and foreign withholding taxes with respect to earnings and profits earned after February 2, 2019, in such a manner that these funds could be repatriated without incurring additional taxes.

As of May 2, 2020, $285.1 million of the Company's $704.0 million of cash and equivalents was held by foreign affiliates. The Company is not dependent on dividends from its foreign affiliates to fund its U.S. operations or pay dividends, if any, to A&F's stockholders.

The Company's income taxes are further described in Note 11, "*INCOME TAXES*."

*Analysis of cash flows*

The table below provides certain components of the Company's Condensed Consolidated Statements of Cash Flows for the thirteen weeks ended May 2, 2020 and May 4, 2019:

| | Thirteen Weeks Ended | |
|---|---|---|
| | May 2, 2020 | May 4, 2019 |
| *(in thousands)* | | |
| Cash and equivalents, and restricted cash and equivalents, beginning of period | $ 692,264 | $ 745,829 |
| Net cash used for operating activities | (90,776) | (71,316) |
| Net cash used for investing activities | (46,990) | (43,872) |
| 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, end of period | $ 722,275 | $ 607,681 |

*Operating activities* - The year-over-year change in cash flow associated with operating activities was primarily due to lower cash receipts as a result of a 34% decrease in net sales from last year driven by temporary store closures in response to COVID-19 during the first quarter of Fiscal 2020. This decrease in cash receipts was partially mitigated by actions taken by the Company during the first quarter of Fiscal 2020 to preserve liquidity and manage cash flows including (i) partnering with merchandise and non-merchandise vendors in regards to payment terms; (ii) reducing and recadencing inventory receipts to better align inventory with expected market demand; (iii) significantly reducing expenses to better align operating costs with sales; and (iv) implementing various compensation actions related to the Company's store and corporate associates, as well as A&F's non-associate directors. In addition, during the first quarter of Fiscal 2020, the Company withdrew the majority of excess funds from the overfunded Rabbi Trust assets as a precautionary measure in response to COVID-19, providing the Company with $50 million of additional cash.

*Investing activities* - For the thirteen weeks ended May 2, 2020, net cash outflows for investing activities were used for capital expenditures of $47.0 million as compared to $43.9 million for the thirteen weeks ended May 4, 2019. Based on actions taken to preserve liquidity and manage cash flows in light of the COVID-19 pandemic, the Company expects capital expenditures for Fiscal 2020 to be approximately $100 million as compared to $203 million of capital expenditures in Fiscal 2019.

*Financing activities* - For the thirteen weeks ended May 2, 2020, net cash provided by financing activities primarily consisted of $210.0 million in proceeds from the Amended ABL Facility, partially offset by share repurchases made and dividends declared prior to the Company's decision to temporarily suspend its share repurchase and dividend programs to increase financial flexibility in light of COVID-19 of approximately $27.7 million in aggregate. For the thirteen weeks ended May 4, 2019, net cash used for financing activities consisted primarily of dividend payments of $13.2 million.

## *Off-balance sheet arrangements*

As of May 2, 2020, the Company did not have any material off-balance sheet arrangements.

## *Contractual obligations*

The Company's contractual obligations consist primarily of operating leases, purchase orders for merchandise inventory, unrecognized tax benefits, certain retirement obligations, lease deposits and other agreements to purchase goods and services that are legally binding and that require minimum quantities to be purchased. These contractual obligations impact the Company's short-term and long-term liquidity and capital resource needs.

Other than the Company's short-term draw on the Amended ABL Facility of $210 million in March 2020 to increase its cash position and enhance liquidity in light of the uncertainty surrounding the impact of COVID-19, there have been no material changes during the thirteen weeks ended May 2, 2020, in the contractual obligations as of February 1, 2020, with the exception of those obligations which occurred in the normal course of business (primarily changes in the Company's merchandise inventory-related purchases and lease obligations, which fluctuate throughout the year as a result of the seasonal nature of the Company's operations).

## RECENT ACCOUNTING PRONOUNCEMENTS

The Company describes its significant accounting policies in Note 2, “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,” of the Notes to Consolidated Financial Statements contained in “ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA” of A&F’s Annual Report on Form 10-K for Fiscal 2019. The Company reviews recent accounting pronouncements on a quarterly basis and has excluded discussion of those not applicable to the Company and those that did not have, or are not expected to have, a material impact on the Company’s consolidated financial statements.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company describes its critical accounting policies and estimates in “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS,” of A&F’s Annual Report on Form 10-K for Fiscal 2019. There have been no significant changes in critical accounting policies and estimates since the end of Fiscal 2019.

| Policy | Effect if Actual Results Differ from Assumptions |
|---|---|
| **Long-lived Assets** | |
| Long-lived assets, primarily operating lease right-of-use assets, leasehold improvements, furniture, fixtures and equipment, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset group might not be recoverable. These include, but are not limited to, material declines in operational performance, a history of losses, an expectation of future losses, adverse market conditions and store closure or relocation decisions. On at least a quarterly basis, the Company reviews for indicators of impairment at the individual store level, the lowest level for which cash flows are identifiable.<br><br>Stores that display an indicator of impairment are subjected to an impairment assessment. The Company’s impairment assessment requires management to make assumptions and judgments related, but not limited, to management’s expectations for future operations and projected cash flows. The key assumptions used in the Company’s undiscounted future store cash flow models include sales, gross profit and, to a lesser extent, operating expenses.<br><br>An impairment loss may be recognized when these undiscounted future cash flows are less than the carrying amount of the asset group. In the circumstance of impairment, any loss would be measured as the excess of the carrying amount of the asset group over its fair value. Fair value of the Company’s store-related assets is determined at the individual store level based on the highest and best use of the asset group. The key assumptions used in the Company’s fair value analysis may include discounted future store cash flows and comparable market rents. | If actual results are not consistent with the estimates and assumptions used, there may be a material impact on the Company’s financial condition or results of operation.<br><br>Store assets that were tested for impairment as of May 2, 2020 and not impaired, had long-lived assets with a net book value of $121.8 million, which included $110.0 million of operating lease right-of-use assets as of May 2, 2020.<br><br>Store assets that were previously-impaired as of May 2, 2020, had a remaining net book value of $164.4 million, which included $151.3 million of operating lease right-of-use assets, as of May 2, 2020. |

## NON-GAAP FINANCIAL MEASURES

This Quarterly Report on Form 10-Q includes discussion of certain financial measures on both a GAAP and a non-GAAP basis. The Company believes that each of the non-GAAP financial measures presented in this "ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" is useful to investors as it provides a meaningful basis to evaluate the Company's operating performance excluding the effect of certain items that 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. These non-GAAP financial measures should be used as a supplement 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.

*Comparable sales*

At times, the Company provides comparable sales, defined as the year-over-year percentage 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 the prior year's net sales converted at the current year's foreign currency exchange rates to remove the impact of foreign currency exchange rate fluctuations, and (2) digital sales with the prior year's net sales converted at the current year's foreign currency exchange rates to remove the impact of foreign currency exchange rate fluctuations. Comparable sales exclude revenue other than store and digital sales. Management uses comparable sales to understand the drivers of year-over-year changes in net sales as well as a performance metric for certain performance-based restricted stock units. The Company believes comparable sales is a useful metric as it can assist investors in distinguishing the portion of the Company's revenue attributable to existing locations from the portion attributable to the opening or closing of stores. The most directly comparable GAAP financial measure is change in net sales. In light of store closures related to COVID-19, the Company has not disclosed comparable sales for the first quarter of Fiscal 2020.

*Excluded items*

The following financial measures are disclosed on a GAAP and on an adjusted non-GAAP basis excluding the following items, as applicable:

| Financial measures [(1)] | Excluded items |
|---|---|
| Asset impairment, exclusive of flagship store exit charges | Certain asset impairment charges |
| Operating loss | Certain asset impairment charges |
| Income tax expense (benefit) [(2)] | Tax effect of pre-tax excluded items |
| Net loss and net loss per share attributable to A&F [(2)] | Pre-tax excluded items and the tax effect of pre-tax excluded items |

(1) Certain of these financial measures are also expressed as a percentage of net sales.
(2) The tax effect of excluded items is the difference between the tax provision calculation on a GAAP basis and on an adjusted non-GAAP basis.

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*Financial information on a constant currency basis*

The Company 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. Management also uses financial information on a constant currency basis to award employee performance-based compensation. The effect from foreign currency exchange rates, calculated on a constant currency basis, is determined by applying the current period's foreign currency exchange rates to the prior year's results and is net of the year-over-year impact from hedging. The per diluted share effect from foreign currency exchange rates is calculated using a 26% effective tax rate.

A reconciliation of financial metrics on a constant currency basis to GAAP for the thirteen weeks ended May 2, 2020 and May 4, 2019 follows:

| *(in thousands, except change in net sales, gross profit rate, operating margin and per share data)* | Thirteen Weeks Ended | | |
|---|---|---|---|
| **Net sales** | May 2, 2020 | May 4, 2019 | % Change |
| GAAP | $ 485,359 | $ 733,972 | (34)% |
| Adverse impact from changes in foreign currency exchange rates | — | (6,824) | 1% |
| Non-GAAP on a constant currency basis | $ 485,359 | $ 727,148 | (33)% |
| **Gross profit** | May 2, 2020 | May 4, 2019 | BPS Change [1] |
| GAAP | $ 264,145 | $ 444,090 | (610) |
| Adverse impact from changes in foreign currency exchange rates | — | (6,048) | 30 |
| Non-GAAP on a constant currency basis | $ 264,145 | $ 438,042 | (580) |
| **Operating loss** | May 2, 2020 | May 4, 2019 | BPS Change [1] |
| GAAP | $ (209,127) | $ (27,258) | (3,940) |
| Excluded items [2] | (42,928) | — | (890) |
| Adjusted non-GAAP | $ (166,199) | $ (27,258) | (3,050) |
| Adverse impact from changes in foreign currency exchange rates | — | (3,115) | 50 |
| Adjusted non-GAAP on a constant currency basis | $ (166,199) | $ (30,373) | (3,000) |
| **Net loss per diluted share attributable to A&F [3]** | May 2, 2020 | May 4, 2019 | $ Change |
| GAAP | $ (3.90) | $ (0.29) | $(3.61) |
| Excluded items, net of tax [2] | (0.62) | — | (0.62) |
| Adjusted non-GAAP | $ (3.29) | $ (0.29) | $(3.00) |
| Adverse impact from changes in foreign currency exchange rates | — | (0.03) | 0.03 |
| Adjusted non-GAAP on a constant currency basis | $ (3.29) | $ (0.32) | $(2.97) |

(1) The estimated basis point change has been rounded based on the change in the percentage of net sales.
(2) Excluded items this year consist of pre-tax store asset impairment charges of $42.9 million and the tax effect of pre-tax excluded items.
(3) Net loss per diluted share for the thirteen weeks ended May 2, 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.

# Item 3. Quantitative and Qualitative Disclosures About Market Risk

## INVESTMENT SECURITIES

The Company maintains its cash equivalents in financial instruments, primarily time deposits and money market funds, with original maturities of three months or less. Due to the short-term nature of these instruments, changes in interest rates are not expected to materially affect the fair value of these financial instruments.

The Rabbi Trust includes amounts to meet funding obligations to participants in the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan I, the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan II and the Supplemental Executive Retirement Plan. The Rabbi Trust assets primarily consist of trust-owned life insurance policies which are recorded at cash surrender value. The change in cash surrender value of the trust-owned life insurance policies held in the Rabbi Trust resulted in realized gains of $0.6 million for the thirteen weeks ended May 2, 2020 and $0.8 million for the thirteen weeks ended May 4, 2019, which are recorded in interest expense, net on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

The Rabbi Trust assets are included in other assets on the Condensed Consolidated Balance Sheets as of May 2, 2020 and February 1, 2020, and are restricted in their use as noted above.

## INTEREST RATE RISK

As of May 2, 2020, the Company had approximately $233.3 million in long-term gross borrowings outstanding under the Term Loan Facility and approximately $210.0 million in short-term gross borrowings outstanding under the Amended ABL Facility.

The Credit Facilities carry interest rates that are tied to the LIBO rate, or an alternate base rate, plus a margin. The interest rate on the Term Loan Facility has a 100 basis point LIBO rate floor which was applicable as of May 2, 2020. An increase of 100 basis points to the underlying LIBO rate as of May 2, 2020 would increase the Fiscal 2020 annual interest expense on borrowings under the Term Loan Facility and Amended ABL Facility by approximately $3.7 million.

This hypothetical analysis for Fiscal 2020 may differ from the actual change in interest expense due to actual interest rate terms and limitations described within the Credit Facility agreements and potential changes in interest rates and gross borrowings outstanding under the Company's Credit Facilities. The expected transition from the widespread use of LIBO rate to alternative rates over the next several years is not expected to have a material impact on interest expense on borrowings outstanding under the Company's Credit Facilities.

## FOREIGN CURRENCY EXCHANGE RATE RISK

A&F's international subsidiaries generally operate with functional currencies other than the U.S. Dollar. Since the Company's Condensed Consolidated Financial Statements are presented in U.S. Dollars, the Company must translate all components of these financial statements from functional currencies into U.S. Dollars at exchange rates in effect during or at the end of the reporting period. The fluctuation in the value of the U.S. Dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities. The potential impact of foreign currency exchange rate fluctuations increases as international operations relative to domestic operations increase.

A&F and its subsidiaries have exposure to changes in foreign currency exchange rates associated with foreign currency transactions and forecasted foreign currency transactions, including the purchase of inventory between subsidiaries and foreign-currency-denominated assets and liabilities. The Company has established a program that primarily utilizes foreign currency exchange forward contracts to partially offset the risks associated with the effects of certain foreign currency transactions and forecasted transactions. Under this program, increases or decreases in foreign currency exchange rate exposures are partially offset by gains or losses on foreign currency exchange forward contracts, to mitigate the impact of foreign currency exchange gains or losses. The Company does not use forward contracts to engage in currency speculation. Outstanding foreign currency exchange forward contracts are recorded at fair value at the end of each fiscal period.

Foreign currency exchange forward contracts are sensitive to changes in foreign currency exchange rates. As the Company's foreign currency exchange forward contracts are primarily designated as cash flow hedges of forecasted transactions, the hypothetical change in fair values would be expected to be largely offset by the net change in fair values of the underlying hedged items.

The Company has no outstanding foreign currency exchange contracts as of May 2, 2020. Refer to Note 14, "*DERIVATIVE INSTRUMENTS*," for the fair value of outstanding foreign currency exchange forward contracts included in other current assets and accrued expenses as of February 1, 2020.

# Item 4. Controls and Procedures

## DISCLOSURE CONTROLS AND PROCEDURES

A&F maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to provide reasonable assurance that information required to be disclosed in the reports that A&F files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to A&F’s management, including A&F’s principal executive officer and A&F’s principal financial officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

A&F’s management, including the Chief Executive Officer of A&F (who serves as Principal Executive Officer of A&F) and the Senior Vice President and Chief Financial Officer of A&F (who serves as Principal Financial Officer and Principal Accounting Officer of A&F), evaluated the effectiveness of A&F’s design and operation of its disclosure controls and procedures as of the end of the fiscal quarter ended May 2, 2020. The Chief Executive Officer of A&F (in such individual’s capacity as the Principal Executive Officer of A&F) and the Senior Vice President and Chief Financial Officer of A&F (in such individual’s capacity as the Principal Financial Officer of A&F) concluded that A&F’s disclosure controls and procedures were effective at a reasonable level of assurance as of May 2, 2020, the end of the period covered by this Quarterly Report on Form 10-Q.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in A&F’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during A&F’s fiscal quarter ended May 2, 2020 that materially affected, or are reasonably likely to materially affect, A&F’s internal control over financial reporting.

As the COVID-19 pandemic evolves, the Company will continue to monitor and assess any potential impacts COVID-19 may have on the design and operating effectiveness of the Company’s internal controls.

# PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

The Company is a defendant in lawsuits and other adversary proceedings arising in the ordinary course of business. The Company's legal costs incurred in connection with the resolution of claims and lawsuits are generally expensed as incurred, and the Company establishes estimated liabilities for the outcome of litigation where losses are deemed probable and the amount of loss, or range of loss, is reasonably estimable. The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible and it is able to determine such estimates. The Company's accrued charges for certain legal contingencies are classified within accrued expenses on the Condensed Consolidated Balance Sheets included in "ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)," of this Quarterly Report on Form 10-Q. Based on currently available information, the Company cannot estimate a range of reasonably possible losses in excess of the accrued charges for legal contingencies. In addition, the Company has not established accruals for certain claims and legal proceedings pending against the Company where it is not possible to reasonably estimate the outcome or potential liability, and the Company cannot estimate a range of reasonably possible losses for these legal matters. Actual liabilities may differ from the amounts recorded, due to uncertainties regarding final settlement agreement negotiations, court approvals and the terms of any approval by the courts, and there can be no assurance that the final resolution of legal matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's assessment of the current exposure could change in the event of the discovery of additional facts.

## Item 1A. Risk Factors

The Company's risk factors as of May 2, 2020 have not changed materially from those disclosed in Part I, "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for Fiscal 2019. The COVID-19 pandemic may exacerbate the risks discussed within the aforementioned Annual Report on Form 10-K, certain of which have had and could continue to have a material effect on the Company.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of equity securities during the first quarter of Fiscal 2020 that were not registered under the Securities Act of 1933, as amended.

The following table provides information regarding the purchase of shares of Common Stock of A&F made by or on behalf of A&F or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during each fiscal month of the thirteen weeks ended May 2, 2020:

| Period (fiscal month) | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) | Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (3) |
|---|---|---|---|---|
| February 2, 2020 through February 29, 2020 | 2,005 | $ 16.88 | — | 4,615,446 |
| March 1, 2020 through April 4, 2020 | 1,968,816 | $ 10.39 | 1,397,388 | 3,218,058 |
| April 5, 2020 through May 2, 2020 | 708 | $ 10.57 | — | 3,218,058 |
| Total | 1,971,529 | $ 10.40 | 1,397,388 | 3,218,058 |

(1) An aggregate of 574,141 shares of A&F's Common Stock purchased during the thirteen weeks ended May 2, 2020 were withheld for tax payments due upon the vesting of employee restricted stock units.

(2) Amounts represent shares of A&F's Common Stock repurchased during the thirteen weeks ended May 2, 2020 prior to the temporary suspension of the Company's share repurchase program, pursuant to A&F's publicly announced stock repurchase authorization. On June 12, 2019, A&F's Board of Directors authorized the repurchase of 5.0 million shares of A&F's Common Stock, which was announced on June 12, 2019.

(3) The number shown represents, as of the end of each period, the maximum number of shares of A&F's Common Stock that may yet be purchased under A&F's publicly announced stock repurchase authorization described in footnote 2 above. The shares may be purchased, from time to time, depending on business and market conditions. The Company has temporarily suspended its share repurchase program in order to preserve liquidity and maintain financial flexibility in light of the circumstances surrounding COVID-19.

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# Item 6. Exhibits

| Exhibit | Document |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Abercrombie & Fitch Co., reflecting amendments through the date of this Quarterly Report on Form 10-Q, incorporated herein by reference to Exhibit 3.2 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2011 (File No. 001-12107). [This document represents the Amended and Restated Certificate of Incorporation of Abercrombie & Fitch Co. in compiled form incorporating all amendments. This compiled document has not been filed with the Delaware Secretary of State.] |
| 3.2 | Amended and Restated Bylaws of Abercrombie & Fitch Co. reflecting amendments through the date of this Quarterly Report on Form 10-Q, incorporated herein by reference to Exhibit 3.10 to A&F's Annual Report on Form 10-K for the fiscal year ended February 3, 2018 (File No. 001-12107). [This document represents the Amended and Restated Bylaws of Abercrombie & Fitch Co. in compiled form incorporating all amendments.] |
| 10.1 | Form of Restricted Stock Unit Award Agreement used to evidence the grant of restricted stock units to associates (employees) of Abercrombie & Fitch Co. and its subsidiaries under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates on and after March 26, 2019* |
| 10.2 | Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors (as amended effective May 20, 2020), incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed on May 21, 2020 (File No. 001-12107). |
| 10.3 | Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates (as amended effective May 20, 2020), incorporated herein by reference to Exhibit 10.2 to A&F's Current Report on Form 8-K dated and filed on May 21, 2020 (File No. 001-12107). |
| 10.4 | Summary of Compensation Structure for Non-Associate Directors of Abercrombie & Fitch Co. for Fiscal 2020.* |
| 10.5 | Summary of Terms of the Annual Restricted Stock Unit Grants made and to be made to the Non-Associate Directors of Abercrombie & Fitch Co. under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors in Fiscal 2020.* |
| 31.1 | Certifications by Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| 31.2 | Certifications by Senior Vice President and Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| 32.1 | Certifications by Chief Executive Officer (who serves as Principal Executive Officer) and Senior Vice President and Chief Financial Officer (who serves as Principal Financial Officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its Inline XBRL tags are embedded within the Inline XBRL document.* |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document.* |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document.* |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document.* |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document.* |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document.* |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).* |

* Filed herewith.
** Furnished herewith.

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# Signatures

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, thereunto duly authorized.

Abercrombie & Fitch Co.

Date: June 10, 2020

By: /s/ Scott Lipesky

Scott Lipesky

Senior Vice President and Chief Financial Officer
(Principal Financial Officer, Principal Accounting Officer and Authorized Officer)

RESTRICTED STOCK UNIT AWARD AGREEMENT
(2016 Long-Term Incentive Plan for Associates)

This RESTRICTED STOCK UNIT AWARD AGREEMENT (this "AGREEMENT") is made to be effective as of [Grant Date] (the date on which the COMMITTEE (as defined below) approves the award, referred to as the "GRANT DATE"), by and between Abercrombie & Fitch Co., a Delaware corporation (the "COMPANY"), and [Participant Name], an employee of the COMPANY or one of the COMPANY's subsidiaries or affiliates ("PARTICIPANT").

WITNESSETH:

WHEREAS, pursuant to the provisions of the 2016 Long-Term Incentive Plan for Associates of the COMPANY (the "PLAN"), the Compensation and Organization Committee (the "COMMITTEE") of the Board of Directors of the COMPANY (the "BOARD") administers the PLAN; and

WHEREAS, the COMMITTEE has determined that PARTICIPANT should be granted rights to receive [Shares Granted] shares of Class A Common Stock, $0.01 par value, of the COMPANY (such rights, the "RESTRICTED STOCK UNITS"), subject to the restrictions, conditions and other terms set forth in this AGREEMENT;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreement, intending to be legally bound thereby:

1. Grant of RESTRICTED STOCK UNITS. Pursuant to, and subject to, the terms and conditions set forth in this AGREEMENT and in the PLAN, the COMPANY hereby grants to PARTICIPANT [Shares Granted] RESTRICTED STOCK UNITS of the COMPANY (subject to adjustment as provided in Section 11(c) of the PLAN and Section 5(F) of this AGREEMENT, if applicable). Each RESTRICTED STOCK UNIT shall represent the right to receive one issued and outstanding share of Class A Common Stock, $0.01 par value (the "SHARES"), of the COMPANY, but shall be subject to the restrictions, conditions and other terms set forth in this AGREEMENT.

2. Terms and Conditions of the RESTRICTED STOCK UNITS.

(A) RESTRICTED PERIOD. Except as provided under Sections 3 and 4 of this AGREEMENT, the period of restriction (the "RESTRICTED PERIOD"), after which the RESTRICTED STOCK UNITS shall become vested and no longer be subject to forfeiture to the COMPANY shall lapse in three separate annual installments (each a "TRANCHE" and each date on which a TRANCHE becomes vested, a "VESTING DATE") on the applicable anniversary of the date on which this grant is approved by the COMMITTEE and then recorded and communicated through the System of Record and which shall not be earlier than the GRANT DATE (the "ANNIVERSARY"), according to the following schedule:

(i) the RESTRICTED PERIOD shall lapse as to **33.3%** of the RESTRICTED STOCK UNITS (subject to adjustment as provided in Section 11(c) of the PLAN), and such RESTRICTED STOCK UNITS shall become vested, on the first ANNIVERSARY, provided PARTICIPANT is employed by the COMPANY or a subsidiary or affiliate of the COMPANY on such date;

(ii) the RESTRICTED PERIOD shall lapse as to **33.3%** of the RESTRICTED STOCK UNITS (subject to adjustment as provided in Section 11(c) of the PLAN), and such RESTRICTED STOCK UNITS shall become vested, on the second ANNIVERSARY, provided PARTICIPANT is employed by the COMPANY or a subsidiary or affiliate of the COMPANY on such date;

(iii) the RESTRICTED PERIOD shall lapse as to **33.4%** of the RESTRICTED STOCK UNITS (subject to adjustment as provided in Section 11(c) of the PLAN), and such RESTRICTED STOCK UNITS shall become vested, on the third ANNIVERSARY, provided PARTICIPANT is employed by the COMPANY or a subsidiary or affiliate of the COMPANY on such date.

(B) Non-Transferability of RESTRICTED STOCK UNITS. RESTRICTED STOCK UNITS may not be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of PARTICIPANT to any party (other than the COMPANY or a subsidiary or affiliate of the COMPANY) or assigned or transferred (whether by operation of law or otherwise) by PARTICIPANT, otherwise than by will or by the applicable laws of descent and distribution, and the RESTRICTED STOCK UNITS shall not be subject to execution, attachment or similar process.

(C) Lapse of RESTRICTED PERIOD. Upon the lapse of the RESTRICTED PERIOD applicable to any RESTRICTED STOCK UNITS, as promptly as is reasonably practicable, and in no case later than March 15th of the year after the year the RESTRICTED PERIOD lapses, SHARES of the COMPANY shall be issued to PARTICIPANT and the COMPANY shall deliver a stock certificate or other appropriate documentation evidencing the number of SHARES of the COMPANY issued in settlement of such vested RESTRICTED STOCK UNITS to PARTICIPANT.

(D) Tax Withholding. The COMPANY shall have the right to require PARTICIPANT to remit to the COMPANY an amount sufficient to satisfy any applicable federal, state, local and foreign tax withholding requirements in respect of the settlement of the RESTRICTED STOCK UNITS. Unless PARTICIPANT is notified otherwise, the COMPANY will withhold SHARES of the COMPANY otherwise deliverable upon settlement of the RESTRICTED STOCK UNITS having a FAIR MARKET VALUE (as defined in the PLAN) on the date of settlement equal to the amount required to be withheld (but only to the extent of the minimum amount that must be withheld to comply with applicable federal, state, local and foreign income, employment and wage tax laws).

(E) Rights as Holder of RESTRICTED STOCK UNITS. With respect to these RESTRICTED STOCK UNITS, PARTICIPANT shall have no rights as a stockholder of the COMPANY (including no right to vote or receive dividends) with respect to any SHARES of the COMPANY until the date of issuance to PARTICIPANT of a certificate or other evidence of ownership representing such SHARES in settlement thereof. In addition, dividend equivalents will not be paid or payable with respect to the RESTRICTED STOCK UNITS subject to this AGREEMENT until such date of issuance.

3. Change of Control. Unless the BOARD or the COMMITTEE provides otherwise prior to a “Change of Control” (as such term is defined in the PLAN), upon a Change of Control, Section 9 of the PLAN shall govern the treatment of the RESTRICTED STOCK UNITS.

4. Effect of Termination of Employment.

(A) The grant of the RESTRICTED STOCK UNITS shall not confer upon PARTICIPANT any right to continue in the employment of the COMPANY or any of the subsidiaries or affiliates of the COMPANY or interfere with or limit in any way the right of the COMPANY or any of the subsidiaries or affiliates of the COMPANY to modify the terms of or terminate the employment of PARTICIPANT at any time in accordance with applicable law and the COMPANY’s or the subsidiary’s or affiliate’s governing corporate documents.

(B) Except as the COMMITTEE may at any time provide, and subject to Section 4(E) of this AGREEMENT, if the employment of PARTICIPANT with the COMPANY and the subsidiaries and affiliates of the COMPANY is terminated for any reason other than death or “total disability” (as defined below) prior to the lapsing of the RESTRICTED PERIOD applicable to any RESTRICTED STOCK UNITS, such RESTRICTED STOCK UNITS shall be forfeited to the COMPANY.

(C) If PARTICIPANT becomes totally disabled prior to the lapsing of the RESTRICTED PERIOD applicable to any RESTRICTED STOCK UNITS, such RESTRICTED PERIOD shall immediately lapse and the RESTRICTED STOCK UNITS shall become fully vested.

(D) If PARTICIPANT dies while employed by the COMPANY or one of the subsidiaries or affiliates of the COMPANY prior to the lapsing of the RESTRICTED PERIOD applicable to any RESTRICTED STOCK UNITS, such RESTRICTED PERIOD shall immediately lapse and the RESTRICTED STOCK UNITS shall become fully vested.

(E) Upon the retirement of PARTICIPANT, the COMMITTEE may, but shall not be required to, shorten or terminate the RESTRICTED PERIOD applicable to the RESTRICTED STOCK UNITS.

(F) For purposes of this AGREEMENT, “total disability” shall have the definition set forth in the Abercrombie & Fitch Co. Long Term Disability Plan, which definition is incorporated herein by reference.

5. Forfeiture of RESTRICTED STOCK UNITS.

(A) The RESTRICTED STOCK UNITS shall be subject to the following additional forfeiture conditions, to which PARTICIPANT, by accepting the RESTRICTED STOCK UNITS, agrees. If any of the events specified in Section 5(B)(i), (ii), (iii) or (iv) of this AGREEMENT occurs (a “FORFEITURE EVENT”), the following forfeiture will result:

(i) any RESTRICTED STOCK UNITS held by PARTICIPANT and not then settled will be immediately forfeited and canceled upon the occurrence of the FORFEITURE EVENT; and

(ii) PARTICIPANT will be obligated to repay to the COMPANY, in cash, within five business days after demand is made therefor by the COMPANY, the total amount of “AWARD GAIN” (as defined below) realized by PARTICIPANT upon each settlement of RESTRICTED STOCK UNITS that occurred on or after (x) the date that is twenty-four months prior to the occurrence of the FORFEITURE EVENT, if the FORFEITURE EVENT occurred while PARTICIPANT was employed by the COMPANY or a subsidiary or affiliate of the COMPANY, or (y) the date that is twenty-four months prior to the date PARTICIPANT’s employment by the COMPANY or a subsidiary or affiliate of the COMPANY terminated, if the FORFEITURE EVENT occurred after PARTICIPANT ceased to be so employed. For purposes of this Section 5, the term “AWARD GAIN” shall mean, in respect of any settlement of RESTRICTED STOCK UNITS granted to PARTICIPANT, the FAIR MARKET VALUE as of the applicable VESTING DATE of the cash and/or SHARES of the COMPANY paid or payable to PARTICIPANT (regardless of any elective deferrals).

(B) The forfeitures specified in Section 5(A) of this AGREEMENT will be triggered upon the occurrence of any one of the following FORFEITURE EVENTS at any time during PARTICIPANT’s employment by the COMPANY or a subsidiary or affiliate of the COMPANY, or during the twenty-four-month period following termination of such employment:

(i) PARTICIPANT, acting alone or with others, directly or indirectly, (I) engages, either as an employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or stockholder unless PARTICIPANT’s interest is insubstantial, in any business in an area or region in which the COMPANY or any subsidiary or affiliate of the COMPANY conducts business at the date the event occurs, which is directly in competition with a business then conducted by the COMPANY or a subsidiary or affiliate of the COMPANY; (II) induces any customer or supplier of the COMPANY or a subsidiary or affiliate of the COMPANY, with which the COMPANY or a subsidiary or affiliate of the COMPANY has a business relationship, to curtail, cancel, not renew, or not continue his or her or its business with the COMPANY or any subsidiary or affiliate of the COMPANY; or (III) induces, or attempts to influence, any employee of or service provider to the COMPANY or a subsidiary or affiliate of the COMPANY to terminate such employment or service. The COMMITTEE shall, in its discretion, determine which lines of business the COMPANY and the subsidiaries and affiliates of the COMPANY conduct on any particular date and which third parties may reasonably be deemed to be in competition with the COMPANY or any subsidiary or affiliate of the COMPANY. For purposes of this Section 5(B)(i), PARTICIPANT’s interest as a stockholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and PARTICIPANT’s interest as an owner, investor, or partner is insubstantial if it represents ownership, as determined by the COMMITTEE in its discretion, of less than five percent of the outstanding equity of the entity;

(ii) PARTICIPANT discloses, uses, sells, or otherwise transfers, except in the course of employment with or other service to the COMPANY or any subsidiary or affiliate of the COMPANY, any confidential or proprietary information of the COMPANY or any subsidiary or affiliate of the COMPANY, including but not limited to information regarding the COMPANY’s or any subsidiary’s or affiliate’s current and potential customers, organization, employees, finances, and methods of operations and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain (other than by PARTICIPANT’s breach of this provision), except as required by law or pursuant to legal process, or PARTICIPANT makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which may, directly or indirectly, disparage or be damaging to the COMPANY or any of the subsidiaries or affiliates of the COMPANY or their respective officers, directors, employees, advisors, businesses or reputations, except as required by law or pursuant to legal process;

(iii) PARTICIPANT fails to cooperate with the COMPANY or any subsidiary or affiliate of the COMPANY in any way, including, without limitation, by making PARTICIPANT available to testify on behalf of the COMPANY or such subsidiary or affiliate of the COMPANY in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or otherwise fails to assist the COMPANY or any subsidiary or affiliate of the COMPANY in any way, including, without limitation, in connection with any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the COMPANY or such subsidiary or affiliate of the COMPANY, as reasonably requested; or

(iv) PARTICIPANT, during the period PARTICIPANT is employed by the COMPANY or any subsidiary or affiliate of the COMPANY and for twenty-four months thereafter (the “NON-SOLICITATION PERIOD”), alone or in conjunction with another person, (I) interferes with or harms, or attempts to interfere with or harm, the relationship of the Company or any subsidiary or affiliate of the COMPANY with any person who at any time was a customer or supplier of the Company or any subsidiary or affiliate of the COMPANY or otherwise had a business relationship with the Company or any subsidiary or affiliate of the COMPANY; or (II) hires, solicits for hire, aids in or facilitates the hire, or causes to be hired, either as an employee, contractor or consultant, any person who is currently employed, or was employed at any time during the six-month period prior thereto, as an employee, contractor or consultant of the Company or any subsidiary or affiliate of the COMPANY.

(C) Despite the conditions set forth in this Section 5, PARTICIPANT is not hereby prohibited from engaging in any activity set forth in Section 5(B)(i) of this AGREEMENT, including but not limited to competition with the COMPANY and the subsidiaries and affiliates of the COMPANY. Rather, the non-occurrence of the FORFEITURE EVENTS set forth in Section 5(B) of this AGREEMENT is a condition to PARTICIPANT's right to realize and retain value from the RESTRICTED STOCK UNITS, and the consequences under the PLAN and this AGREEMENT if PARTICIPANT engages in an activity giving rise to any such FORFEITURE EVENTS are the forfeitures specified therein and as otherwise provided in this AGREEMENT. The COMPANY and PARTICIPANT shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Sections 5(A) and 5(B) of this AGREEMENT.

(D) The COMMITTEE may, in its discretion, waive in whole or in part the COMPANY's right to forfeiture under this Section 5, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the COMPANY.

(E) In addition to the above, PARTICIPANT agrees that any of the conduct described in Sections 5(B)(ii) and (iv) of this AGREEMENT would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law. PARTICIPANT agrees that in the event of such occurrence or any threat thereof, the Company shall be entitled to an immediate injunction and restraining order to prevent such conduct and threatened conduct and/or continued conduct by PARTICIPANT and/or any and all persons and/or entities acting for and/or with PARTICIPANT, and without having to prove damages and to all costs and expenses incurred by the Company in seeking to enforce the COMPANY's rights under this Agreement. These remedies are in addition to any other remedies to which the Company may be entitled at law or in equity. PARTICIPANT agrees that the covenants of PARTICIPANT contained in Section 5(B) of this AGREEMENT are reasonable. For the same reasons, the COMPANY shall be entitled to an immediate injunction without having to prove damages to enforce the COMPANY's right to forfeit the RESTRICTED STOCK UNITS pursuant to Section 5(C) for a violation of Section 5(B)(i).

(F) This Section 5(F) shall apply only if PARTICIPANT was granted the RESTRICTED STOCK UNITS under this AGREEMENT pursuant to the achievement of a performance goal under Section 7 of the PLAN. If the COMMITTEE determines that the earlier determination as to the achievement of the performance goal was based on incorrect data and that in fact the performance goal had not been achieved or had been achieved to a lesser extent than originally determined and a number of the RESTRICTED STOCK UNITS would not have been granted, given the correct data, then (i) the aggregate number of RESTRICTED STOCK UNITS set forth in Section 1 of this AGREEMENT shall be reduced by such number of RESTRICTED STOCK UNITS that would not have been granted (such RESTRICTED STOCK UNITS, the "EXCESS RSUs"), (ii) any EXCESS RSUs that have not yet vested in accordance with the terms of this AGREEMENT shall be forfeited and (iii) any SHARES of the COMPANY received upon settlement of vested EXCESS RSUs (or if such SHARES were disposed of, the cash equivalent) shall be returned to the COMPANY as provided by the COMMITTEE.

6. Restrictions on Transfers of SHARES. Anything contained in this AGREEMENT or elsewhere to the contrary notwithstanding, the COMPANY may postpone the issuance and delivery of SHARES of the COMPANY upon any settlement of the RESTRICTED STOCK UNITS until completion of any stock exchange listing or registration or other qualification of such SHARES under any state, federal or foreign law, rule or regulation as the COMPANY may consider appropriate; and may require PARTICIPANT in connection with the issuance of the SHARES to make such representations and furnish such information as the COMPANY may consider appropriate in connection with the issuance of the SHARES in compliance with applicable laws, rules and regulations. SHARES of the COMPANY issued and delivered upon settlement of the RESTRICTED STOCK UNITS shall be subject to such restrictions on trading, including appropriate legending of certificates to that effect, as the COMPANY, in its discretion, shall determine are necessary to satisfy applicable laws, rules and regulations.

7. PLAN as Controlling; PARTICIPANT Acknowledgments. All terms and conditions of the PLAN applicable to the RESTRICTED STOCK UNITS which are not set forth in this AGREEMENT shall be deemed incorporated herein by reference. In the event that any term or condition of this AGREEMENT is inconsistent with the terms and conditions of the PLAN, the PLAN shall be deemed controlling. PARTICIPANT acknowledges receipt of a copy of the PLAN and of the Prospectus related to the PLAN. PARTICIPANT also acknowledges that all decisions, determinations and interpretations of the COMMITTEE in respect of the PLAN, this AGREEMENT and the RESTRICTED STOCK UNITS shall be final, conclusive and binding on PARTICIPANT, all other persons interested in the PLAN and stockholders of the COMPANY.

8. Governing Law. To the extent not preempted by applicable federal or foreign law, this AGREEMENT shall be governed by and construed in accordance with the laws of the State of Delaware, except with respect to provisions relating to the covenants set forth in Section 5 of this AGREEMENT, which shall be governed by the laws of the State of Ohio.

9. Rights and Remedies Cumulative. All rights and remedies of the COMPANY and of PARTICIPANT enumerated in this AGREEMENT shall be cumulative and, except as expressly provided otherwise in this AGREEMENT, none shall exclude

any other rights or remedies allowed by law or in equity, and each of said rights or remedies may be exercised and enforced concurrently.

10. Captions. The captions contained in this AGREEMENT are included only for convenience of reference and do not define, limit, explain or modify this AGREEMENT or its interpretation, construction or meaning and are in no way to be construed as a part of this AGREEMENT.

11. Severability. If any provision of this AGREEMENT or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable, then such determination shall not affect any other provision of this AGREEMENT or the application of said provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this AGREEMENT that if any provision of this AGREEMENT is susceptible of two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

12. Number and Gender. When used in this AGREEMENT, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

13. Entire Agreement. This AGREEMENT, including the PLAN incorporated herein by reference, constitutes the entire agreement between the COMPANY and PARTICIPANT in respect of the subject matter of this AGREEMENT, and this AGREEMENT supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of this AGREEMENT. No officer, employee or other servant or agent of the COMPANY, and no servant or agent of PARTICIPANT, is authorized to make any representation, warranty or other promise not contained in this AGREEMENT. Other than as set forth in Section 11(e) of the PLAN, no change, termination or attempted waiver of any of the provisions of this AGREEMENT shall be binding upon either party hereto unless contained in a writing signed by the party to be charged.

14. Successors and Assigns of the COMPANY. The obligations of the COMPANY under this AGREEMENT shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the COMPANY, or upon any successor corporation or organization succeeding to substantially all of the assets and businesses of the COMPANY.

IN WITNESS WHEREOF, the COMPANY has caused this AGREEMENT to be executed by its duly authorized officer, and PARTICIPANT has executed this AGREEMENT, in each case effective as of the GRANT DATE.

COMPANY:

ABERCROMBIE & FITCH CO.

By:

______________________________

Its: ______________

Title: ______________

PARTICIPANT:

______________________________

Printed Name:

______________________________

Address:

______________________________

______________________________

[Acceptance Date]

**Summary of Compensation Structure for**
**Non-Associate Directors of Abercrombie & Fitch Co. for Fiscal 2020**

Non-Associate Directors

Any officer of Abercrombie & Fitch Co. (the “Company”) who is also a member of the Board of Directors (the “Board”) of the Company receives no additional compensation for services rendered as a director. Directors of the Company who are not employees, or as referred to by the Company, “associates,” of the Company or of a subsidiary of the Company (“non-associate directors”) are to receive:

- an annual cash retainer of $65,000 for Board service (paid quarterly in arrears);

- an additional annual cash retainer for each standing committee Chair and member of $25,000 and $12,500, respectively, other than (i) the Chair and the members of the Audit and Finance Committee who are to receive an additional annual cash retainer of $40,000 and $25,000, respectively; and (ii) the Chair of the Compensation and Organization Committee who is to receive an additional annual cash retainer of $30,000, in each case for serving in the stated capacity. In each case, the retainers are paid quarterly in arrears;

- an additional annual cash retainer for the Company’s Non-Executive Chairman of the Board as described below under the caption for “Non-Executive Chairman of the Board Compensation”;

- an annual grant of restricted stock units (“RSUs”), to be granted on the date of the annual meeting of stockholders of the Company (if the non-associate directors continue to serve after the annual meeting of stockholders) pursuant to the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors (or any successor plan approved by the Company’s stockholders), and which will vest on the earlier of (i) the first anniversary of the grant date or (ii) the date of the next regularly scheduled annual meeting of stockholders of the Company after the grant date; in each case, subject to earlier vesting in the event of a non-associate director’s death or total disability or upon termination of service in connection with a change of control of the Company; and

- an additional grant of RSUs for the Company’s Non-Executive Chairman of the Board as described below under the caption for “Non-Executive Chairman of the Board Compensation.”

For the fiscal year ending January 30, 2021 (“Fiscal 2020”), non-associate directors received an annual grant of RSUs on the date of the 2020 Annual Meeting of Stockholders held on May 20, 2020 (the “2020 Annual Meeting”) if they continued to serve after the 2020 Annual Meeting, with the market value of the underlying shares of the Company’s Class A Common Stock, $0.01 par value (the “Common Stock”), on the grant date to be $150,000.

All non-associate directors are reimbursed for their expenses for attending meetings of the Board and Board committees and receive the discount on purchases of the Company’s merchandise extended to all Company associates.

Non-Executive Chairman of the Board Compensation

In connection with Terry L. Burman’s assumption of the role of Non-Executive Chairman of the Board on February 3, 2018, Mr. Burman received and will continue to receive the following compensation:

- an additional annual cash retainer of $100,000, paid quarterly in arrears;

- an additional annual grant of RSUs, with the market value of the shares of Common Stock underlying this annual grant being equal to $100,000 on the grant date (the “Non-Executive Chairman RSU Retainer”), to be granted on the date of the annual meeting of stockholders of the Company (if Mr. Burman continues to serve after the annual meeting of stockholders) pursuant to the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors (or any successor plan approved by the Company’s stockholders), and which will vest on the earlier of (i) the first anniversary of the grant date or (ii) the date of the next regularly scheduled annual meeting of stockholders of the Company after the grant date; in each case, subject to earlier vesting in the event of Mr. Burman’s death or total disability or upon a change of control of the Company; and

- if Mr. Burman's service as Non-Executive Chairman of the Board ends for any reason other than his death or total disability, a pro-rata portion of unvested RSUs subject to the Non-Executive Chairman RSU Retainer will vest to reflect the portion of the year that has elapsed between the grant date and the date on which his service as Non-Executive Chairman of the Board ends.

Impact of COVID-19

As a result of the continued effects of COVID-19 on the Company, the quarterly payment of the annual cash retainer of $65,000 for Board service was temporarily reduced by 50% for the second quarter of Fiscal 2020.

**Summary of Terms of the Annual Restricted Stock Unit Grants made and to be made to the Non-Associate Directors of Abercrombie & Fitch Co. under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors in Fiscal 2020**

Non-Associate Directors

For the fiscal year ending January 30, 2021 ("Fiscal 2020"), members of the Board of Directors (the "Board") of Abercrombie & Fitch Co. (the "Company") who are not employees, or as referred to by the Company, "associates", of the Company or of a subsidiary of the Company ("non-associate directors") are eligible to receive an annual grant of restricted stock units ("RSUs") as part of their compensation. Each RSU represents the right to receive one share of Class A Common Stock, $0.01 par value, of the Company (the "Common Stock"), upon vesting. The market value of the shares of Common Stock underlying the RSUs on the grant date is to be $150,000 (the "Non-Associate Director RSU Retainer").

The annual Non-Associate Director RSU Retainer has been and will continue to be subject to the following provisions:

- RSUs are to be granted annually on the date of the annual meeting of stockholders of the Company (if the non-associate directors continue to serve after the annual meeting of stockholders) pursuant to the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors (or any successor plan approved by the Company's stockholders); and

- RSUs will vest on the earlier of (i) the first anniversary of the grant date or (ii) the date of the next regularly scheduled annual meeting of stockholders of the Company after the grant date, subject to earlier vesting in the event of a non-associate director's death or total disability or upon termination of service in connection with a change of control of the Company.

Non-Executive Chairman of the Board

Effective February 3, 2018, the Board elected Terry L. Burman to serve as Non-Executive Chairman of the Board of the Company. In his capacity as Non-Executive Chairman of the Board of the Company, Mr. Burman is to receive the following equity compensation for Fiscal 2020:

- an additional annual grant of RSUs, with the market value of the shares of Common Stock underlying this annual grant being equal to $100,000 on the grant date (the "Non-Executive Chairman RSU Retainer"), to be granted on the date of the annual meeting of stockholders of the Company (if Mr. Burman continues to serve after the annual meeting of stockholders) pursuant to the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors (or any successor plan approved by the Company's stockholders), and which will vest on the earlier of (i) the first anniversary of the grant date or (ii) the date of the next regularly scheduled annual meeting of stockholders of the Company after the grant date; in each case, subject to earlier vesting in the event of Mr. Burman's death or total disability or upon a change of control of the Company; and

- if Mr. Burman's service as Non-Executive Chairman of the Board of the Company ends for any reason other than his death or total disability, a pro-rata portion of unvested RSUs subject to the Non-Executive Chairman RSU Retainer will vest to reflect the portion of the period that has elapsed between the grant date and the date on which his service as Non-Executive Chairman of the Board of the Company ends.

EXHIBIT 31.1

**CERTIFICATIONS**

I, Fran Horowitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Abercrombie & Fitch Co. for the quarterly period ended May 2, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Abercrombie & Fitch Co.

Date: June 10, 2020

By: /s/ Fran Horowitz
Fran Horowitz
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

**CERTIFICATIONS**

I, Scott Lipesky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Abercrombie & Fitch Co. for the quarterly period ended May 2, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Abercrombie & Fitch Co.

Date: June 10, 2020

By: /s/ Scott Lipesky

Scott Lipesky

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

**Certifications by Chief Executive Officer (who serves as Principal Executive Officer) and Senior Vice President and Chief Financial Officer (who serves as Principal Financial Officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***

In connection with the Quarterly Report of Abercrombie & Fitch Co. (the "Corporation") on Form 10-Q for the quarterly period ended May 2, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Fran Horowitz, Chief Executive Officer of the Corporation (serving as Principal Executive Officer of the Corporation) and Scott Lipesky, Senior Vice President and Chief Financial Officer of the Corporation (serving as Principal Financial Officer of the Corporation), certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Corporation and its subsidiaries.

| | |
|---|---|
| /s/ Fran Horowitz | /s/ Scott Lipesky |
| Fran Horowitz<br>Chief Executive Officer<br>(Principal Executive Officer) | Scott Lipesky<br>Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| Date: June 10, 2020 | Date: June 10, 2020 |

* These certifications are being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. These certifications shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Corporation specifically incorporates these certifications by reference in such filing.