

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

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	July 31, 2021	% of Net Sales	August 1, 2020	% of Net Sales
Net sales	\$ 864,850	100.0 %	\$ 698,328	100.0 %
Cost of sales, exclusive of depreciation and amortization	301,365	34.8 %	274,720	39.3 %
Gross profit	563,485	65.2 %	423,608	60.7 %
Stores and distribution expense	325,935	37.7 %	310,370	44.4 %
Marketing, general and administrative expense	123,913	14.3 %	97,252	13.9 %
Flagship store exit benefits	(88)	0.0 %	(3,884)	(0.6)%
Asset impairment, exclusive of flagship store exit charges	786	0.1 %	8,083	1.2 %
Other operating income, net	(1,848)	(0.2)%	(2,356)	(0.3)%
Operating income	114,787	13.3 %	14,143	2.0 %
Interest expense, net	11,275	1.3 %	7,098	1.0 %
Income before income taxes	103,512	12.0 %	7,045	1.0 %
Income tax (benefit) expense	(6,944)	(0.8)%	1,253	0.2 %
Net income	110,456	12.8 %	5,792	0.8 %
Less: Net income attributable to noncontrolling interests	1,956	0.2 %	328	0.0 %
Net income attributable to Abercrombie & Fitch Co.	<u>\$ 108,500</u>	12.5 %	<u>\$ 5,464</u>	0.8 %

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

Basic	\$ 1.77	\$ 0.09
Diluted	\$ 1.69	\$ 0.09

Weighted-average shares outstanding:

Basic	61,428	62,527
Diluted	64,136	63,286

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	Twenty-six Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	% of Net Sales	August 1, 2020	% of Net Sales
Net sales	\$ 1,646,255	100.0 %	\$ 1,183,687	100.0 %
Cost of sales, exclusive of depreciation and amortization	587,636	35.7 %	495,934	41.9 %
Gross profit	1,058,619	64.3 %	687,753	58.1 %
Stores and distribution expense	642,543	39.0 %	632,494	53.4 %
Marketing, general and administrative expense	244,860	14.9 %	205,509	17.4 %
Flagship store exit benefits	(1,188)	(0.1)%	(4,427)	(0.4)%
Asset impairment, exclusive of flagship store exit charges	3,450	0.2 %	51,011	4.3 %
Other operating income, net	(3,266)	(0.2)%	(1,850)	(0.2)%
Operating income (loss)	172,220	10.5 %	(194,984)	(16.5)%
Interest expense, net	19,881	1.2 %	10,469	0.9 %
Income (loss) before income taxes	152,339	9.3 %	(205,453)	(17.4)%
Income tax (benefit) expense	(823)	0.0 %	32,786	2.8 %
Net income (loss)	153,162	9.3 %	(238,239)	(20.1)%
Less: Net income attributable to noncontrolling interests	2,894	0.2 %	445	0.0 %
Net income (loss) attributable to Abercrombie & Fitch Co.	<u>\$ 150,268</u>	9.1 %	<u>\$ (238,684)</u>	(20.2)%
Net income (loss) per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ 2.43		\$ (3.82)	
Diluted	\$ 2.32		\$ (3.82)	
Weighted-average shares outstanding:				
Basic	61,914		62,543	
Diluted	64,803		62,543	

Reporting and Use of GAAP and Non-GAAP Measures

The company believes that each of the non-GAAP financial measures presented are useful to investors as they provide a measure of the company's operating performance excluding the effect of certain items which the company believes do not reflect its future operating outlook, such as asset impairment charges primarily attributable to the COVID-19 pandemic or related to the company's flagship stores, therefore supplementing investors' understanding of comparability of operations across periods. Management used these non-GAAP financial measures during the periods presented to assess the company's performance and to develop expectations for future operating performance. Non-GAAP financial measures should be used supplemental to, and not as an alternative to, the company's GAAP financial results, and may not be calculated in the same manner as similar measures presented by other companies.

In addition, at times the company provides comparable sales, defined as the percentage year-over-year change in the aggregate of: (1) sales for stores that have been open as the same brand at least one year and whose square footage has not been expanded or reduced by more than 20% within the past year, with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of foreign currency rate fluctuation, and (2) digital net sales with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of foreign currency rate fluctuation. In light of store closures related to COVID-19, the Company has not disclosed comparable sales for Fiscal 2021.

The company also provides certain financial information on a constant currency basis to enhance investors' understanding of underlying business trends and operating performance, by removing the impact of foreign currency exchange rate fluctuations. The effect from foreign currency, calculated on a constant currency basis, is determined by applying current year average exchange rates to prior year results and is net of the year-over-year impact from hedging. The per diluted share effect from foreign currency is calculated using a 26% tax rate.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended July 31, 2021
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 786	\$ 786	\$ —
Operating income	114,787	(786)	115,573
Income before income taxes	103,512	(786)	104,298
Income tax benefit ⁽³⁾	(6,944)	(224)	(6,720)
Net income attributable to Abercrombie & Fitch Co.	\$ 108,500	\$ (562)	\$ 109,062
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 1.69	\$ (0.01)	\$ 1.70
Diluted weighted-average shares outstanding:	64,136		64,136

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$0.8 million.

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

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

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

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$8.1 million, which are principally the result of the impact of COVID-19 on store cash flows.

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

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Twenty-six Weeks Ended July 31, 2021
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 3,450	\$ 3,450	\$ —
Operating income	172,220	(3,450)	175,670
Income before income taxes	152,339	(3,450)	155,789
Income tax benefit ⁽³⁾	(823)	(673)	(150)
Net income attributable to Abercrombie & Fitch Co.	\$ 150,268	\$ (2,777)	\$ 153,045
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 2.32	\$ (0.04)	\$ 2.36
Diluted weighted-average shares outstanding:	64,803		64,803

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$3.5 million.

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

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

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

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$51.0 million, which are principally the result of the impact of COVID-19 on store cash flows.

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

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Thirteen Weeks Ended July 31, 2021
(in thousands, except percentage and basis point changes and per share data)
(Unaudited)

	2021	2020	% Change
Net sales			
GAAP ⁽¹⁾	\$ 864,850	\$ 698,328	24%
Impact from changes in foreign currency exchange rates ⁽²⁾	—	16,706	(2)%
Net sales on a constant currency basis	\$ 864,850	\$ 715,034	21%
Gross profit			
	2021	2020	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 563,485	\$ 423,608	450
Impact from changes in foreign currency exchange rates ⁽²⁾	—	12,178	(20)
Gross profit on a constant currency basis	\$ 563,485	\$ 435,786	430
Operating income			
	2021	2020	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 114,787	\$ 14,143	1,130
Excluded items ⁽⁴⁾	(786)	(8,083)	110
Adjusted non-GAAP	\$ 115,573	\$ 22,226	1,020
Impact from changes in foreign currency exchange rates ⁽²⁾	—	3,418	(40)
Adjusted non-GAAP constant currency basis	\$ 115,573	\$ 25,644	980
Net income per diluted share attributable to Abercrombie & Fitch Co.			
	2021	2020	\$ Change
GAAP ⁽¹⁾	\$ 1.69	\$ 0.09	\$1.60
Excluded items, net of tax ⁽⁴⁾	(0.01)	(0.15)	0.14
Adjusted non-GAAP	\$ 1.70	\$ 0.23	\$1.47
Impact from changes in foreign currency exchange rates ⁽²⁾	—	0.04	(0.04)
Adjusted non-GAAP constant currency basis	\$ 1.70	\$ 0.27	\$1.43

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

⁽²⁾ The estimated impact from foreign currency is determined by applying current period exchange rates to prior year results and is net of the year-over-year impact from hedging. The per diluted share estimated impact from foreign currency is calculated using a 26% tax rate.

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

⁽⁴⁾ Excluded items consist of pre-tax store asset impairment charges of \$0.8 million and \$8.1 million for the current year and prior year, respectively.

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

	July 31, 2021	January 30, 2021	August 1, 2020
Assets			
Current assets:			
Cash and equivalents	\$ 921,504	\$ 1,104,862	\$ 766,721
Receivables	87,151	83,857	88,323
Inventories	415,604	404,053	453,239
Other current assets	77,392	68,857	75,160
Total current assets	1,501,651	1,661,629	1,383,443
Property and equipment, net	532,795	550,587	635,703
Operating lease right-of-use assets	791,036	893,989	1,073,464
Other assets	229,911	208,697	216,204
Total assets	\$ 3,055,393	\$ 3,314,902	\$ 3,308,814
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 289,475	\$ 289,396	\$ 284,221
Accrued expenses	351,991	396,365	351,849
Short-term portion of operating lease liabilities	219,453	248,846	278,495
Income taxes payable	26,260	24,792	6,425
Total current liabilities	887,179	959,399	920,990
Long-term liabilities:			
Long-term portion of operating lease liabilities	\$ 791,793	\$ 957,588	\$ 1,122,853
Long-term borrowings, net	303,015	343,910	343,250
Other liabilities	106,473	104,693	108,111
Total long-term liabilities	1,201,281	1,406,191	1,574,214
Total Abercrombie & Fitch Co. stockholders' equity	956,566	936,628	805,681
Noncontrolling interests	10,367	12,684	7,929
Total stockholders' equity	966,933	949,312	813,610
Total liabilities and stockholders' equity	\$ 3,055,393	\$ 3,314,902	\$ 3,308,814

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

	Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020
Operating activities		
Net cash provided by operating activities	\$ 49,945	\$ 46,233
Investing activities		
Purchases of property and equipment	\$ (35,269)	\$ (75,621)
Withdrawal of funds from Rabbi Trust assets ⁽¹⁾	—	50,000
Net cash used for investing activities	\$ (35,269)	\$ (25,621)
Financing activities		
Proceeds from issuance of senior secured notes	—	350,000
Proceeds from borrowings under the asset-based senior secured credit facility	—	210,000
Repayment of term loan facility borrowings	—	(233,250)
Repayment of borrowings under the asset-based senior secured credit facility	—	(210,000)
Purchase of senior secured notes	(46,969)	—
Payment of debt issuance or modification costs and fees	(1,837)	(6,558)
Purchases of common stock	(135,249)	(15,172)
Dividends paid	—	(12,556)
Other financing activities	(16,192)	(11,135)
Net cash (used for) provided by financing activities	\$ (200,247)	\$ 71,329
Effect of foreign currency exchange rates on cash	\$ (2,547)	\$ 1,785
Net (decrease) increase in cash and equivalents, and restricted cash and equivalents	\$ (188,118)	\$ 93,726
Cash and equivalents, and restricted cash and equivalents, beginning of period	\$ 1,124,157	\$ 692,264
Cash and equivalents, and restricted cash and equivalents, end of period	\$ 936,039	\$ 785,990

⁽¹⁾ As disclosed in the Form 10-K for the year ended January 30, 2021, during the fourth quarter ended January 30, 2021, an error relating to the cash flow presentation of the \$50 million withdrawal of the excess funds from the company's Rabbi Trust assets was identified. The cash flows presented for the year-to-date periods ended May 2, 2020, August 1, 2020, and October 31, 2020 incorrectly classified such withdrawal as a cash inflow from operating activities, rather than a cash inflow from investing activities. This cash flow statement reflects the correct classification.

**Abercrombie & Fitch Co.
Store Count**

Thirteen Weeks Ended July 31, 2021

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total Company ⁽³⁾		
	United States	International	United States	International	United States	International	Total
May 1, 2021	349	150	184	48	533	198	731
New	6	3	4	1	10	4	14
Permanently closed	—	(3)	(9)	—	(9)	(3)	(12)
July 31, 2021	<u>355</u>	<u>150</u>	<u>179</u>	<u>49</u>	<u>534</u>	<u>199</u>	<u>733</u>

Twenty-Six Weeks Ended July 31, 2021

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total Company ⁽³⁾		
	United States	International	United States	International	United States	International	Total
January 30, 2021	347	150	190	48	537	198	735
New	8	4	4	2	12	6	18
Permanently closed	—	(4)	(15)	(1)	(15)	(5)	(20)
July 31, 2021	<u>355</u>	<u>150</u>	<u>179</u>	<u>49</u>	<u>534</u>	<u>199</u>	<u>733</u>

⁽¹⁾ Hollister includes the company's Hollister and Gilly Hicks brands. Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes 10 international franchise stores as of each of July 31, 2021 and May 1, 2021, and 9 international franchise stores as of January 30, 2021. Excludes 14 Company-operated temporary stores as of July 31, 2021 and 12 Company-operated temporary stores as of each of May 1, 2021, and January 30, 2021.

⁽²⁾ Abercrombie includes the company's Abercrombie & Fitch and abercrombie kids brands. Locations with abercrombie kids carveouts within Abercrombie & Fitch stores are represented as a single store count. Excludes 12 international franchise stores as of each of July 31, 2021 and May 1, 2021, and 10 international franchise stores as of January 30, 2021. Excludes four Company-operated temporary stores as of each of July 31, 2021 and May 1, 2021, and two Company-operated temporary stores as of January 30, 2021.

⁽³⁾ This store count excludes one international third-party operated multi-brand outlet store as of each of July 31, 2021, May 1, 2021, and January 30, 2021.