

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

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	February 1, 2020	% of Net Sales	February 2, 2019	% of Net Sales
Net sales	\$ 1,184,551	100.0 %	\$ 1,155,602	100.0 %
Cost of sales, exclusive of depreciation and amortization	495,287	41.8 %	472,745	40.9 %
Gross profit	689,264	58.2 %	682,857	59.1 %
Stores and distribution expense	440,587	37.2 %	432,458	37.4 %
Marketing, general and administrative expense	122,899	10.4 %	118,902	10.3 %
Flagship store exit charges	234	0.0 %	1,998	0.2 %
Asset impairment, exclusive of flagship store exit charges	4,148	0.4 %	1,197	0.1 %
Other operating income, net	(935)	(0.1)%	(1,364)	(0.1)%
Operating income	122,331	10.3 %	129,666	11.2 %
Interest expense, net	2,829	0.2 %	2,101	0.2 %
Income before income taxes	119,502	10.1 %	127,565	11.0 %
Income tax expense	34,302	2.9 %	29,201	2.5 %
Net income	85,200	7.2 %	98,364	8.5 %
Less: Net income attributable to noncontrolling interests	2,068	0.2 %	1,428	0.1 %
Net income attributable to Abercrombie & Fitch Co.	\$ 83,132	7.0 %	\$ 96,936	8.4 %

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

Basic	\$ 1.32	\$ 1.47
Diluted	\$ 1.29	\$ 1.42

Weighted-average shares outstanding:

Basic	62,916	66,074
Diluted	64,198	68,071

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Operations
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(Unaudited)

	Fifty-Two Weeks Ended		Fifty-Two Weeks Ended	
	February 1, 2020	% of Net Sales	February 2, 2019	% of Net Sales
Net sales	\$ 3,623,073	100.0 %	\$ 3,590,109	100.0 %
Cost of sales, exclusive of depreciation and amortization	1,472,155	40.6 %	1,430,193	39.8 %
Gross profit	2,150,918	59.4 %	2,159,916	60.2 %
Stores and distribution expense	1,551,243	42.8 %	1,536,216	42.8 %
Marketing, general and administrative expense	464,615	12.8 %	484,863	13.5 %
Flagship store exit charges	47,257	1.3 %	5,806	0.2 %
Asset impairment, exclusive of flagship store exit charges	19,135	0.5 %	11,580	0.3 %
Other operating income, net	(1,400)	0.0 %	(5,915)	(0.2)%
Operating income	70,068	1.9 %	127,366	3.5 %
Interest expense, net	7,737	0.2 %	10,999	0.3 %
Income before income taxes	62,331	1.7 %	116,367	3.2 %
Income tax expense	17,371	0.5 %	37,559	1.0 %
Net income	44,960	1.2 %	78,808	2.2 %
Less: Net income attributable to noncontrolling interests	5,602	0.2 %	4,267	0.1 %
Net income attributable to Abercrombie & Fitch Co.	<u>\$ 39,358</u>	1.1 %	<u>\$ 74,541</u>	2.1 %
Net income per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ 0.61		\$ 1.11	
Diluted	\$ 0.60		\$ 1.08	
Weighted-average shares outstanding:				
Basic	64,428		67,350	
Diluted	65,778		69,137	

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

	February 1, 2020 ⁽¹⁾	February 2, 2019
<u>Assets</u>		
Current assets:		
Cash and equivalents	\$ 671,267	\$ 723,135
Receivables	80,251	73,112
Inventories	434,326	437,879
Other current assets	78,905	101,824
Total current assets	1,264,749	1,335,950
Property and equipment, net	665,290	694,855
Operating lease right-of-use assets	1,230,954	—
Other assets	393,876	354,788
Total assets	\$ 3,554,869	\$ 2,385,593
 <u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable	\$ 219,919	\$ 226,878
Accrued expenses	302,214	293,579
Short-term portion of operating lease liabilities	282,829	—
Short-term portion of deferred lease credits	—	19,558
Income taxes payable	10,392	18,902
Total current liabilities	815,354	558,917
Long-term liabilities:		
Long-term portion of operating lease liabilities	\$ 1,252,634	\$ —
Long-term portion of borrowings, net	231,963	250,439
Long-term portion of deferred lease credits	—	76,134
Leasehold financing obligations	—	46,337
Other liabilities	183,740	235,145
Total long-term liabilities	1,668,337	608,055
Total Abercrombie & Fitch Co. stockholders' equity	1,058,810	1,208,900
Noncontrolling interests	12,368	9,721
Total stockholders' equity	1,071,178	1,218,621
Total liabilities and stockholders' equity	\$ 3,554,869	\$ 2,385,593

⁽¹⁾ The company adopted the new lease accounting standard in the first quarter of fiscal 2019 using a modified retrospective transition method and elected the option to not restate comparative period financial statements.

Reporting and Use of GAAP and Non-GAAP Measures

The company believes that each of the non-GAAP financial measures presented are useful to investors as they provide a measure of the company's operating performance excluding the effect of certain items which the company believes do not reflect its future operating outlook, such as certain asset impairment charges related to the company's flagship stores, 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.

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.

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

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

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended February 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⁾	\$ 4,148	\$ 2,284	\$ 1,864
Operating income	122,331	(2,284)	124,615
Income before income taxes	119,502	(2,284)	121,786
Income tax expense ⁽³⁾	34,302	(1,528)	35,830
Net income attributable to Abercrombie & Fitch Co.	\$ 83,132	\$ (756)	\$ 83,888
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 1.29	\$ (0.01)	\$ 1.31
Diluted weighted-average shares outstanding:	64,198		64,198

⁽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 \$2.3 million related to certain of the company's flagship stores.

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

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended February 2, 2019
(in thousands, except per share data)
(Unaudited)

	<u>GAAP ⁽¹⁾</u>	<u>Excluded items</u>	<u>Adjusted non-GAAP</u>
Income before income taxes ⁽²⁾	\$ 127,565	\$ —	\$ 127,565
Income tax expense ⁽³⁾	29,201	(5,299)	34,500
Net income attributable to Abercrombie & Fitch Co.	\$ 96,936	\$ 5,299	\$ 91,637
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 1.42	\$ 0.08	\$ 1.35
Diluted weighted-average shares outstanding:	68,071		68,071

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

⁽²⁾ There were no pre-tax excluded items in the fourth quarter of Fiscal 2018.

⁽³⁾ The effective annual tax rate used in the adjusted non-GAAP tax provision reflects the impact of prior quarters' excluded items and discrete tax benefits of \$6.0 million related to the Tax Cuts and Jobs Act of 2017. The tax effect of excluded items is calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

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

	<u>GAAP ⁽¹⁾</u>	<u>Excluded items</u>	<u>Adjusted non-GAAP</u>
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 19,135	\$ 12,752	\$ 6,383
Operating income	70,068	(12,752)	82,820
Income before income taxes	62,331	(12,752)	75,083
Income tax expense ⁽³⁾	17,371	(4,013)	21,384
Net income attributable to Abercrombie & Fitch Co.	\$ 39,358	\$ (8,739)	\$ 48,097
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 0.60	\$ (0.13)	\$ 0.73
Diluted weighted-average shares outstanding:	65,778		65,778

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

⁽²⁾ Excluded items consist of pre-tax store asset impairment charges of \$12.8 million related to certain of the company's flagship stores.

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

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Fifty-Two Weeks Ended February 2, 2019
(in thousands, except per share data)
(Unaudited)

	<u>GAAP</u> ⁽¹⁾	<u>Excluded Items</u>	<u>Adjusted Non-GAAP</u>
Marketing, general and administrative expense ⁽²⁾	\$ 484,863	\$ 2,595	\$ 482,268
Asset impairment, exclusive of flagship store exit charges ⁽³⁾	11,580	8,671	2,909
Operating income	127,366	(11,266)	138,632
Income before income taxes	116,367	(11,266)	127,633
Income tax expense ⁽⁴⁾	37,559	(6,018)	43,577
Net income attributable to Abercrombie & Fitch Co.	\$ 74,541	\$ (5,248)	\$ 79,789
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 1.08	\$ (0.08)	\$ 1.15
Diluted weighted-average shares outstanding:	69,137		69,137

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

⁽²⁾ Excluded items consist of pre-tax net charges \$2.6 million related to certain legal matters, which received final court approval and were paid in the fourth quarter of Fiscal 2018.

⁽³⁾ Excluded items consist of pre-tax store asset impairment charges of \$8.7 million related to certain of the company's flagship stores.

⁽⁴⁾ Excluded items consist of discrete net tax benefits of \$3.5 million related to the Tax Cuts and Jobs Act of 2017, and the tax effect of excluded items, calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Thirteen Weeks Ended February 1, 2020
(in thousands, except change in net sales, gross profit rate, operating margin and per share data)
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Net sales			
GAAP ⁽¹⁾	\$ 1,184,551	\$ 1,155,602	3%
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(2,549)	0%
Net sales on a constant currency basis	\$ 1,184,551	\$ 1,153,053	3%
Gross profit			
GAAP ⁽¹⁾	\$ 689,264	\$ 682,857	(90)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(7,421)	50
Gross profit on a constant currency basis	\$ 689,264	\$ 675,436	(40)
Operating income			
GAAP ⁽¹⁾	\$ 122,331	\$ 129,666	(90)
Excluded items ⁽⁴⁾	(2,284)	—	(20)
Adjusted non-GAAP	\$ 124,615	\$ 129,666	(70)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(6,661)	50
Adjusted non-GAAP on a constant currency basis	\$ 124,615	\$ 123,005	(20)
Net income per diluted share attributable to Abercrombie & Fitch Co.			
GAAP ⁽¹⁾	\$ 1.29	\$ 1.42	\$(0.13)
Excluded items, net of tax ⁽⁴⁾	(0.01)	0.08	(0.09)
Adjusted non-GAAP	\$ 1.31	\$ 1.35	\$(0.04)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(0.07)	0.07
Adjusted non-GAAP on a constant currency basis	\$ 1.31	\$ 1.27	\$0.04

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

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

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

⁽⁴⁾ Excluded items this year consist of pre-tax asset impairment charges of \$2.3 million related to certain of the company's flagship stores, and the tax effect of excluded items. Excluded items last year consist of the impact of prior quarters' pre-tax excluded items on the adjusted non-GAAP tax provision, as well as discrete net tax benefits of \$6.0 million related to the Tax Cuts and Jobs Act of 2017. The tax effect of excluded items is calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Reconciliation of Constant Currency Financial Measures
Fifty-two Weeks Ended February 1, 2020
(in thousands, except change in net sales, gross profit rate, operating margin and per share data)
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Net sales			
GAAP ⁽¹⁾	\$ 3,623,073	\$ 3,590,109	1%
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(37,097)	1%
Net sales on a constant currency basis	\$ 3,623,073	\$ 3,553,012	2%
Gross profit			BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 2,150,918	\$ 2,159,916	(80)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(32,421)	30
Gross profit on a constant currency basis	\$ 2,150,918	\$ 2,127,495	(50)
Operating income			BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 70,068	\$ 127,366	(160)
Excluded items ⁽⁴⁾	(12,752)	(11,266)	0
Adjusted non-GAAP	\$ 82,820	\$ 138,632	(160)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(18,766)	50
Adjusted non-GAAP on a constant currency basis	\$ 82,820	\$ 119,866	(110)
Net income per diluted share attributable to Abercrombie & Fitch Co.			\$ Change
GAAP ⁽¹⁾	\$ 0.60	\$ 1.08	\$(0.48)
Excluded items, net of tax ⁽⁴⁾	(0.13)	(0.08)	(0.05)
Adjusted non-GAAP	\$ 0.73	\$ 1.15	\$(0.42)
Impact from changes in foreign currency exchange rates ⁽²⁾	—	(0.20)	0.20
Adjusted non-GAAP on a constant currency basis	\$ 0.73	\$ 0.95	\$(0.22)

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

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

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

⁽⁴⁾ Excluded items this year consist of pre-tax asset impairment charges of \$12.8 million related to certain of the company's flagship stores, and the tax effect of excluded items. Excluded items last year consist of pre-tax net charges of \$2.6 million related to certain legal matters, asset impairment charges of \$8.7 million related to certain of the company's flagship stores, discrete net tax benefits of \$3.5 million related to the Tax Cuts and Jobs Act of 2017, and the tax effect of pre-tax excluded items. The tax effect of excluded items is calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Store Count Activity

Thirteen Weeks Ended February 1, 2020

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
November 2, 2019	400	154	277	50	677	204
New	2	2	5	4	7	6
Closed	(11)	(1)	(26)	(2)	(37)	(3)
February 1, 2020	391	155	256	52	647	207

Fifty-Two Weeks Ended February 1, 2020

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
February 2, 2019	393	149	270	49	663	198
New	12	7	15	6	27	13
Closed	(14)	(1)	(29)	(3)	(43)	(4)
February 1, 2020	391	155	256	52	647	207

⁽¹⁾ Excludes nine international franchise stores as of each of February 1, 2020 and November 2, 2019, and eight as of February 2, 2019. Excludes 17 U.S. company operated temporary stores as of February 1, 2020 and 10 as of November 2, 2019.

⁽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 seven international franchise stores as each of February 1, 2020, November 2, 2019 and February 2, 2019. Excludes eight U.S. company operated temporary stores as of February 1, 2020 and seven as of November 2, 2019.