



Abercrombie & Fitch Co.

Abercrombie
& Fitch

abercrombie
kids


HOLLISTER
CALIFORNIA

gilly hicks
by HOLLISTER

Investor Presentation: Second Quarter 2019



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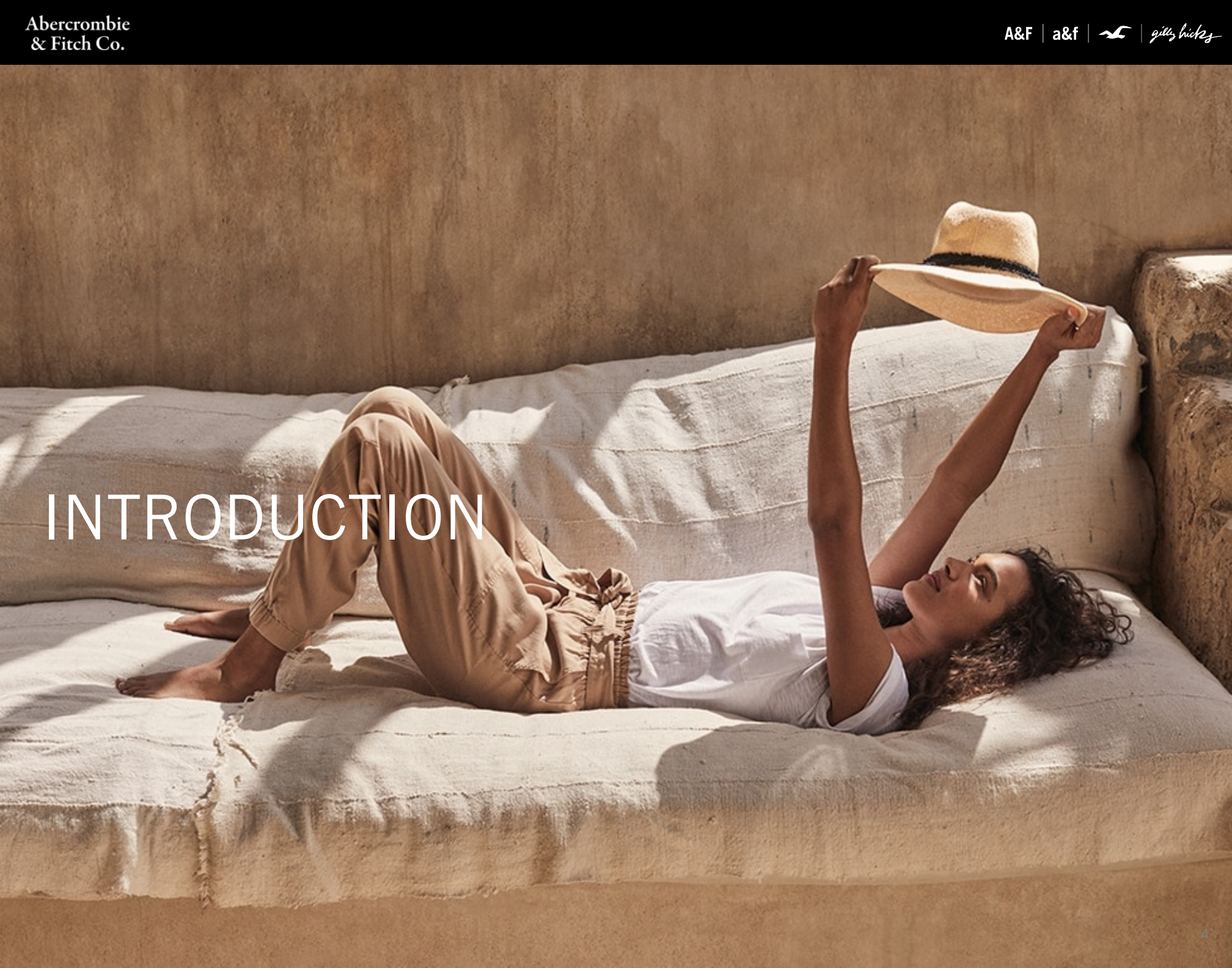
SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

A&F cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this presentation or made by management or spokespeople of A&F 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. Except as may be required by applicable law, we assume no obligation to publicly update or revise our forward-looking statements. The factors disclosed in "ITEM 1A. RISK FACTORS" of A&F's Annual Report on Form 10-K for the fiscal year ended February 2, 2019, and in A&F's subsequently filed quarterly report on Form 10-Q, in some cases have affected, and in the future could affect, the company's financial performance and could cause actual results for the 2019 fiscal year and beyond to differ materially from those expressed or implied in any of the forward-looking statements included in this presentation or otherwise made by management.

OTHER INFORMATION

The following presentation includes certain adjusted non-GAAP financial measures. Additional details about non-GAAP financial measures and a reconciliation of GAAP financial measures to non-GAAP financial measures is included in the news release issued by the company on August 29, 2019 which is available in the "Investors" section of the company's website, located at corporate.abercrombie.com. As used in the presentation, "GAAP" refers to accounting principles generally accepted in the United States of America. As used in the presentation, "Abercrombie" refers to the company's Abercrombie & Fitch and abercrombie kids brands. Sub-totals and totals may not foot due to rounding. Net (loss) income and net (loss) income per share financial measures included herein are attributable to Abercrombie & Fitch Co., excluding net income attributable to noncontrolling interests.

INTRODUCTION



OUR BRANDS ALLOW CUSTOMERS AROUND THE WORLD TO EXPRESS THEIR INDIVIDUALITY AND STYLE

HOLLISTER ALSO CARRIES 'GILLY HICKS BY HOLLISTER' WHICH OFFERS INTIMATES, LOUNGEWEAR AND SLEEPWEAR.

Hollister

The quintessential retail brand of the global teen consumer, Hollister celebrates liberating the spirit of an endless summer inside everyone. Inspired by California's laidback attitude, Hollister's clothes are designed to be lived in and made your own, for wherever life takes you. Hollister provides an engaging, welcoming and unique shopping experience around the globe.

Abercrombie & Fitch

The specialty retailer of high-quality apparel and accessories for men and women. For more than 125 years, the iconic brand has outfitted innovators, explorers and entrepreneurs. Today, it reflects the updated attitude of the modern customer, while remaining true to its heritage of creating expertly crafted products with an effortless, American style.

abercrombie kids

abercrombie kids creates smart and creative apparel of enduring quality that celebrates the wide-eyed wonder of children from 5 to 14 years. Its products are "made for play" and are tough enough to stand up to everyday adventures.

OUR JOURNEY

FISCAL 2019 IS THE SECOND YEAR OF OUR 'GROWING WHILE TRANSFORMING' PHASE

PHASE 1

PHASE 2

PHASE 3

STABILIZING WHILE TRANSFORMING

- BUILT THE FOUNDATION
- RETURNED TO GROWTH
- CENTERED AROUND THE CUSTOMER
- DEVELOPED PLAYBOOKS TO ALIGN PRODUCT, VOICE & EXPERIENCE

GROWING WHILE TRANSFORMING

- COMPARABLE SALES GROWTH
- GROSS PROFIT RATE EXPANSION
- LEVERAGE EXPENSES

ACCELERATING GROWTH

- EXPAND GLOBALLY
- TAKE SHARE IN THE U.S.

OUR TRANSFORMATION INITIATIVES

OPTIMIZING OUR GLOBAL STORE NETWORK

- RIGHTSIZING STORE FLEET AND ADAPTING TO THE EVOLVING ROLE OF THE STORE AS CUSTOMERS' SHOPPING PREFERENCES SHIFT

ENHANCING DIGITAL AND OMNI-CHANNEL CAPABILITIES

- CREATING BEST-IN-CLASS CUSTOMER EXPERIENCES WHILE GROWING PROFITABLY ACROSS CHANNELS

INCREASING THE SPEED AND EFFICIENCY OF OUR CONCEPT-TO-CUSTOMER PRODUCT LIFE CYCLE

- FURTHER INVESTMENT IN CAPABILITIES TO POSITION SUPPLY CHAIN FOR GREATER SPEED, AGILITY AND FLEXIBILITY
- LEVERAGE DATA AND ANALYTICS TO OFFER THE RIGHT PRODUCT AT THE RIGHT TIME AND THE RIGHT PRICE

IMPROVING OUR CUSTOMER ENGAGEMENT THROUGH OUR LOYALTY PROGRAMS AND MARKETING OPTIMIZATION

- BETTER LEVERAGE DATA, INCLUDING OUR LOYALTY PROGRAMS, TO ENGAGE WITH CUSTOMERS ACROSS CHANNELS
- DRIVE MORE EFFICIENT AND EFFECTIVE MARKETING SPEND

OUR FISCAL 2020 TARGET

AS PRESENTED DURING OUR INVESTOR DAY ON APRIL 25, 2018

A LOW SINGLE-DIGIT SALES CAGR
FROM POSITIVE COMPARABLE SALES
AND GLOBAL MARKET EXPANSION

OPERATING EXPENSE
LEVERAGE

MODEST
GROSS PROFIT RATE
EXPANSION

DOUBLE FISCAL 2017 ADJUSTED NON-GAAP
OPERATING INCOME MARGIN OF 2.9%

Q2 CEO COMMENTARY

"Trends improved throughout the second quarter, enabling us to deliver constant currency revenue growth and meet our previously-issued comp and gross profit rate outlook, while continuing to tightly manage expenses. Importantly, we have had a solid start to back-to-school in the U.S. and we look forward to building on that momentum in the back half through exciting product and cohesive marketing campaigns."

"While we are committed to delivering near-term results, we remain keenly focused on our long-term goals as we execute on our transformation initiatives. In the second quarter, we delivered 26 new store experiences, closed our Hollister SoHo flagship store in NYC, realized double digit digital sales growth, continued our investments in key personalization tools, and grew our loyalty membership accounts across brands. We plan to build on these actions as we continue to lay the foundation to achieving our fiscal 2020 target."

INCOME STATEMENT



Q2 NET SALES DECREASED 0.2%, CONSTANT CURRENCY NET SALES INCREASED 1% AND COMPARABLE SALES FLAT*

BRAND



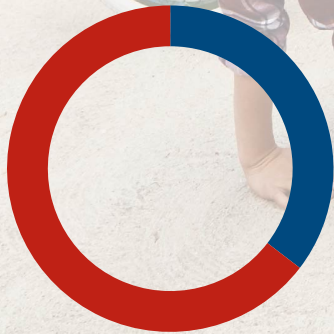
HOLLISTER
\$505M

- 60.0% OF TOTAL NET SALES
- NET SALES UP 1% FROM LAST YEAR
- FLAT COMPARABLE SALES

ABERCROMBIE
\$336M

- 40.0% OF TOTAL NET SALES
- NET SALES DOWN 2% FROM LAST YEAR
- FLAT COMPARABLE SALES

GEOGRAPHY



UNITED STATES
\$543M

- 64.6% OF TOTAL NET SALES
- NET SALES UP 2% FROM LAST YEAR
- POSITIVE COMPARABLE SALES OF 2%

INTERNATIONAL
\$298M

- 35.4% OF TOTAL NET SALES
- NET SALES DOWN 4% FROM LAST YEAR
- NEGATIVE COMPARABLE SALES OF 3%

* Comparable sales are calculated on a constant currency basis and exclude revenue other than store and online sales.

Q2 OPERATING EXPENSE

CONTINUE TO
LEVERAGE STORE
OCCUPANCY
EXPENSE

<i>(in thousands)</i>	GAAP 2019	% OF NET SALES	GAAP 2018	% OF NET SALES	Δ BPS ⁽³⁾
STORE OCCUPANCY ⁽¹⁾	\$152,581	18.1%	\$156,112	18.5%	(40)
ALL OTHER ⁽²⁾	223,766	26.6%	218,440	25.9%	70
STORES AND DISTRIBUTION	376,347	44.7%	374,552	44.5%	20
MARKETING, GENERAL & ADMINISTRATIVE	115,694	13.8%	123,883	14.7%	(90)
FLAGSHIP STORE EXIT CHARGES	44,994	5.3%	—	—%	530
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	715	0.1%	8,671	1.0%	(90)
TOTAL	\$537,750	63.9%	\$507,106	60.2%	370

<i>(in thousands)</i>	NON-GAAP 2019	% OF NET SALES	NON-GAAP 2018*	% OF NET SALES	Δ BPS ⁽³⁾
STORE OCCUPANCY ⁽¹⁾	\$152,581	18.1%	\$156,112	18.5%	(40)
ALL OTHER ⁽²⁾	223,766	26.6%	218,440	25.9%	70
STORES AND DISTRIBUTION	376,347	44.7%	374,552	44.5%	20
MARKETING, GENERAL & ADMINISTRATIVE	115,694	13.8%	123,883	14.7%	(90)
FLAGSHIP STORE EXIT CHARGES	44,994	5.3%	—	—%	530
ASSET IMPAIRMENT, EXCLUSIVE OF FLAGSHIP STORE EXIT CHARGES	715	0.1%	—	—%	10
TOTAL	\$537,750	63.9%	\$498,435	59.2%	470

* Q2 adjusted non-GAAP operating expense for the prior period is presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out of page 30.

(1) Includes operating lease costs, rent, other landlord charges, utilities, depreciation and other occupancy expense.

(2) Includes selling payroll, store management and support, other store expense, direct-to-consumer expense, and distribution center costs.

(3) Rounded based on reported percentages.

Q2 INCOME STATEMENT SUMMARY

<i>(in thousands)</i>	2019	% OF NET SALES	2018	% OF NET SALES
NET SALES	\$841,078	100.0%	\$842,414	100.0%
GROSS PROFIT ⁽¹⁾	498,633	59.3%	506,895	60.2%
OPERATING EXPENSE	537,750	63.9%	507,106	60.2%
OTHER OPERATING INCOME, NET	367	0.0%	(434)	(0.1)%
OPERATING (LOSS) INCOME	(39,484)	(4.7)%	223	0.0%
INTEREST EXPENSE, NET	1,370	0.2%	3,023	0.4%
LOSS BEFORE INCOME TAXES	(40,854)	(4.9)%	(2,800)	(0.3)%
INCOME TAX (BENEFIT) EXPENSE	(11,330)	(1.3)%	24	0.0%
NET LOSS	\$(31,142)	(3.7)%	\$(3,853)	(0.5)%
NET LOSS PER SHARE				
BASIC	\$(0.48)		\$(0.06)	
DILUTED	\$(0.48)		\$(0.06)	
WEIGHTED-AVERAGE SHARES OUTSTANDING				
BASIC	65,156		68,008	
DILUTED	65,156		68,008	

⁽¹⁾ Gross profit is derived from cost of sales, exclusive of depreciation and amortization.

Q2 ADJUSTED INCOME STATEMENT SUMMARY*

<i>(in thousands)</i>	2019	% OF NET SALES	2018	% OF NET SALES
NET SALES	\$841,078	100.0%	\$842,414	100.0%
GROSS PROFIT ⁽¹⁾	498,633	59.3%	506,895	60.2%
OPERATING EXPENSE	537,750	63.9%	498,435	59.2%
OTHER OPERATING INCOME, NET	367	0.0%	(434)	(0.1)%
OPERATING (LOSS) INCOME	(39,484)	(4.7)%	8,894	1.1%
INTEREST EXPENSE, NET	1,370	0.2%	3,023	0.4%
(LOSS) INCOME BEFORE INCOME TAXES	(40,854)	(4.9)%	5,871	0.7%
INCOME TAX (BENEFIT) EXPENSE	(11,330)	(1.3)%	671	0.1%
NET (LOSS) INCOME	\$(31,142)	(3.7)%	\$4,171	0.5%
NET (LOSS) INCOME PER SHARE				
BASIC	\$(0.48)		\$0.06	
DILUTED	\$(0.48)		\$0.06	
WEIGHTED-AVERAGE SHARES OUTSTANDING				
BASIC	65,156		68,008	
DILUTED	65,156		69,733	

* The Q2 Adjusted Income Statement Summary for the prior period is presented on an adjusted non-GAAP basis, and excludes the effect of certain items set out on page 30.

⁽¹⁾ Gross profit is derived from cost of sales, exclusive of depreciation and amortization.



CAPITAL ALLOCATION

RETURNED \$84.2M TO SHAREHOLDERS IN FY 2019 THROUGH SHARE REPURCHASES AND DIVIDENDS*

RETURNED \$84.2
MILLION TO
SHAREHOLDERS
YEAR-TO-DATE

<i>(in thousands, except for average cost)</i>	SHARE REPURCHASES ⁽¹⁾			DIVIDENDS	TOTAL
	NUMBER OF SHARES	COST	AVERAGE COST		
Q1 2019	—	\$—	\$—	\$13,246	\$13,246
Q2 2019	3,545	57,812	16.31	13,139	70,951
YTD 2019	3,545	\$57,812	\$16.31	\$26,385	\$84,197

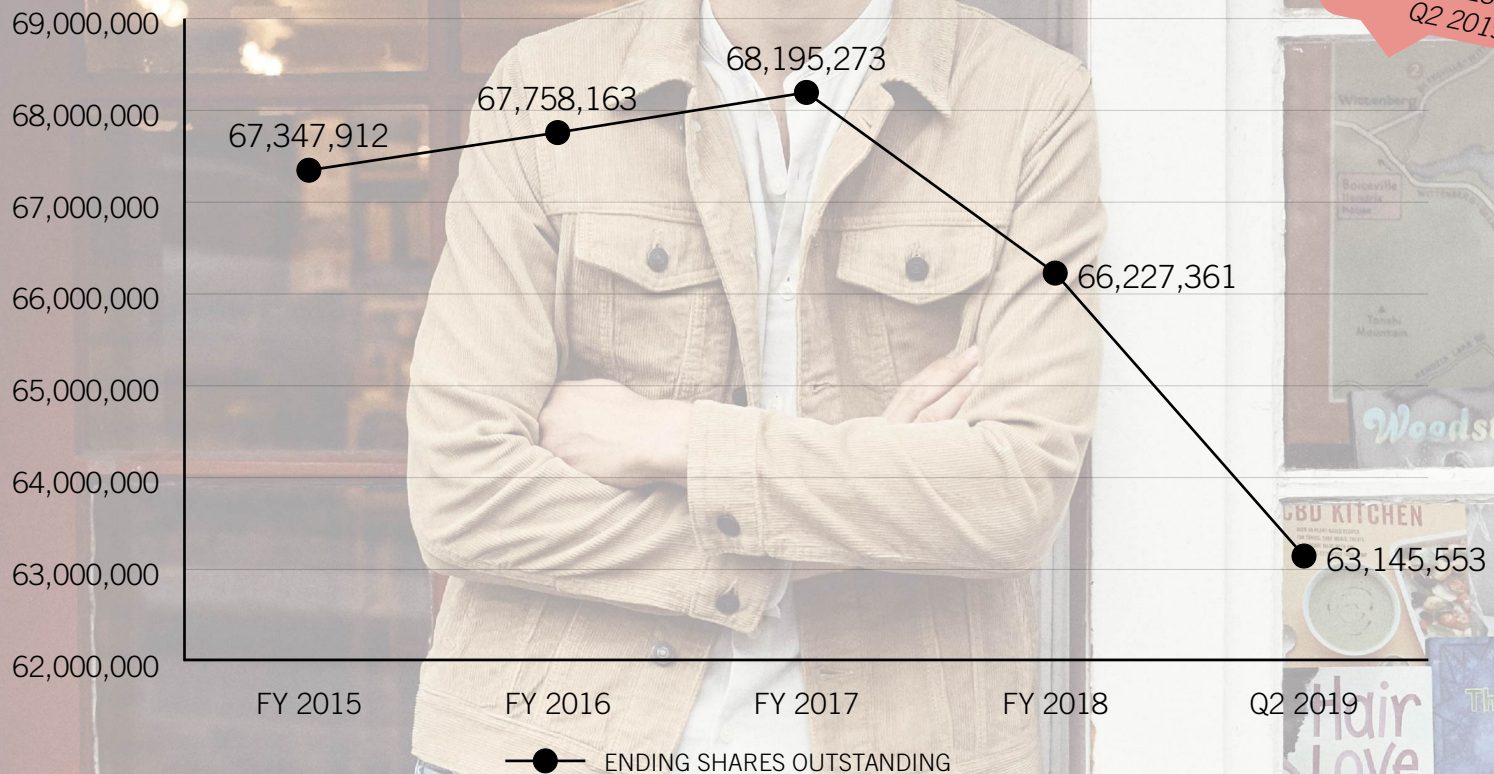
<i>(in thousands, except for average cost)</i>	SHARE REPURCHASES			DIVIDENDS	TOTAL
	NUMBER OF SHARES	COST	AVERAGE COST		
Q1 2018	778	\$18,670	\$23.99	\$13,642	\$32,312
Q2 2018	969	25,000	25.80	13,554	38,554
Q3 2018	1,184	25,000	21.11	13,354	38,354
Q4 2018	—	—	—	13,164	13,164
FISCAL 2018	2,932	\$68,670	\$23.42	\$53,714	\$122,384

⁽¹⁾ At the end of the second quarter of fiscal 2019, the company had approximately 5.0 million shares remaining available for purchase under its publicly announced stock repurchase authorizations.

* Amounts may not foot due to rounding.

SHARES OUTSTANDING

AT THE END OF THE SECOND QUARTER OF FISCAL 2019, THE COMPANY HAD APPROXIMATELY 5.0 MILLION SHARES REMAINING AVAILABLE FOR PURCHASE UNDER ITS PUBLICLY ANNOUNCED STOCK REPURCHASE AUTHORIZATIONS.



(in thousandths)	FY 2015	FY 2016	FY 2017	FY 2018	YTD 2019
SHARES REPURCHASED	2,461	—	—	2,932	3,545
TOTAL COST	\$50,033	\$—	\$—	\$68,670	\$57,812

CONTINUED FOCUS ON FREE CASH FLOW

<i>(in thousands)</i>	NET CASH PROVIDED BY OPERATING ACTIVITIES	CAPITAL EXPENDITURES	FREE CASH FLOW ⁽¹⁾
FY 2014	\$300,629	\$174,624	\$126,005
FY 2015	\$315,755	\$143,199	\$172,556
FY 2016	\$185,169	\$140,844	\$44,325
FY 2017	\$287,658	\$107,001	\$180,657
FY 2018	\$352,933	\$152,393	\$200,540

⁽¹⁾ Free cash flow is a non-GAAP measure and is computed by subtracting capital expenditures from net cash provided by operating activities, both of which are disclosed in the table above, preceding the measure of free cash flow.

FY 2019 OUTLOOK:
~\$120M STORES &
~\$80M DTC, OMNI,
& OTHER

YTD 2019 CAPITAL EXPENDITURES: ~\$94M

FY 2019 CAPITAL INVESTMENTS OUTLOOK: ~\$200M

BALANCE SHEET SUMMARY

	AUGUST 3, 2019 ⁽¹⁾	FEBRUARY 2, 2019	AUGUST 4, 2018
CASH AND EQUIVALENTS	\$499,757	\$723,135	\$581,166
RECEIVABLES	98,691	73,112	91,719
INVENTORIES	487,109	437,879	454,913
OTHER CURRENT ASSETS	86,586	101,824	115,276
TOTAL CURRENT ASSETS	\$1,172,143	\$1,335,950	\$1,243,074
PROPERTY AND EQUIPMENT, NET	649,360	694,855	691,933
OPERATING LEASE RIGHT-OF-USE ASSETS	1,216,998	—	—
OTHER ASSETS	368,503	354,788	379,190
TOTAL ASSETS	\$3,407,004	\$2,385,593	\$2,314,197
ACCOUNTS PAYABLE	\$226,234	\$226,878	\$213,167
ACCRUED EXPENSES	279,050	293,579	311,930
SHORT-TERM PORTION OF OPERATING LEASE LIABILITIES	273,989	—	—
SHORT-TERM PORTION OF DEFERRED LEASE CREDITS	—	19,558	19,449
INCOME TAXES PAYABLE	10,903	18,902	8,189
TOTAL CURRENT LIABILITIES	\$790,176	\$558,917	\$552,735
LONG-TERM PORTION OF OPERATING LEASE LIABILITIES	1,229,609	—	—
LONG-TERM PORTION OF BORROWINGS, NET	251,033	250,439	249,920
LONG-TERM PORTION OF DEFERRED LEASE CREDITS	—	76,134	75,963
LEASEHOLD FINANCING OBLIGATIONS	—	46,337	47,171
OTHER LIABILITIES	132,891	235,145	241,024
TOTAL LONG-TERM LIABILITIES	\$1,613,533	\$608,055	\$614,078
TOTAL ABERCROMBIE & FITCH CO. STOCKHOLDERS EQUITY	991,977	1,208,900	1,137,310
NONCONTROLLING INTEREST	11,318	9,721	10,074
TOTAL STOCKHOLDERS' EQUITY	\$1,003,295	\$1,218,621	\$1,147,384
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,407,004	\$2,385,593	\$2,314,197

CASH & EQUIVALENTS
\$500M AS COMPARED
TO \$581M LAST YEAR

INVENTORIES UP 7% FROM
LAST YEAR, WITH
APPROXIMATELY HALF OF
THE INCREASE DUE TO
INCREASED IN-TRANSIT
INVENTORIES AND LOWER
INVENTORY RESERVES

GROSS
BORROWINGS
\$253M IN LINE
WITH LAST YEAR

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

A photograph of two women sitting on a light-colored sofa. The woman on the left has curly hair and is wearing a white lace-trimmed top and white pants. The woman on the right has straight hair and is wearing a white off-the-shoulder lace top and white shorts. The background is a wall with vertical wood paneling.

GLOBAL STORE NETWORK OPTIMIZATION

GLOBAL STORE NETWORK: 863 STORES AS OF Q2

EXCLUDING 16 INTERNATIONAL FRANCHISE STORES ACROSS BRANDS

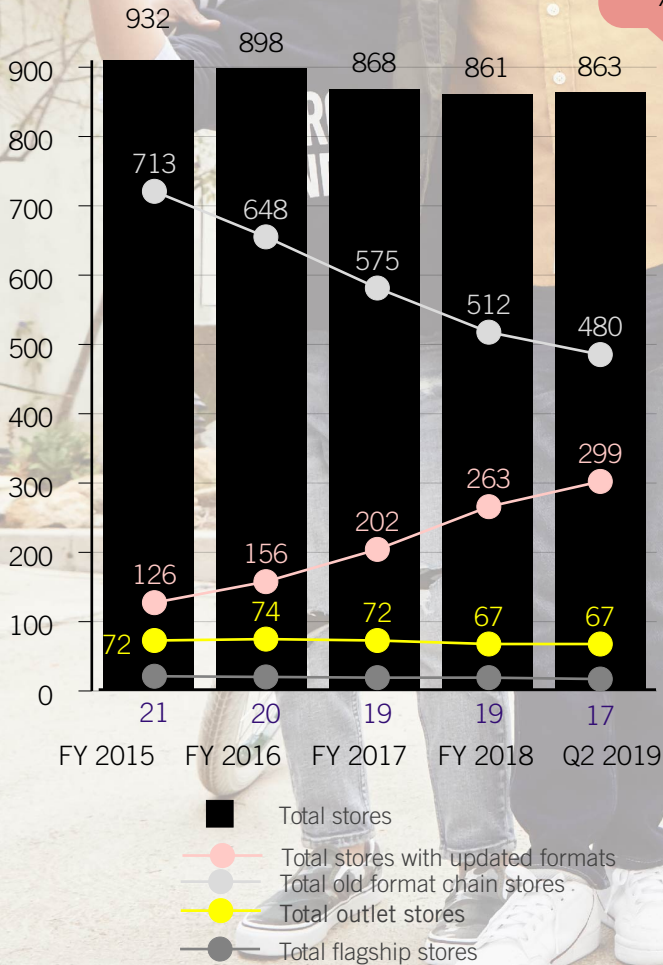



HOLLISTER


ABERCROMBIE

GLOBAL STORE NETWORK: OPTIMIZING STORE FLEET

OVER 1/3RD OF GLOBAL FLEET IN UPDATED FORMATS AS OF Q2 2019



	Q2 2019 STORE FLEET DETAIL					
	HOLLISTER		ABERCROMBIE		TOTAL COMPANY	
	# OF STORES	% OF FLEET	# OF STORES	% OF FLEET	# OF STORES	% OF FLEET
LEGACY STORES	258	47%	222	70%	480	56%
UPDATED FORMATS	261	48%	38	12%	299	35%
OUTLETS	27	5%	40	13%	67	8%
FLAGSHIPS	1	—%	16	5%	17	2%
TOTAL	547	100%	316	100%	863	100%

GLOBAL STORE NETWORK: REDUCING GROSS SQUARE FOOTAGE

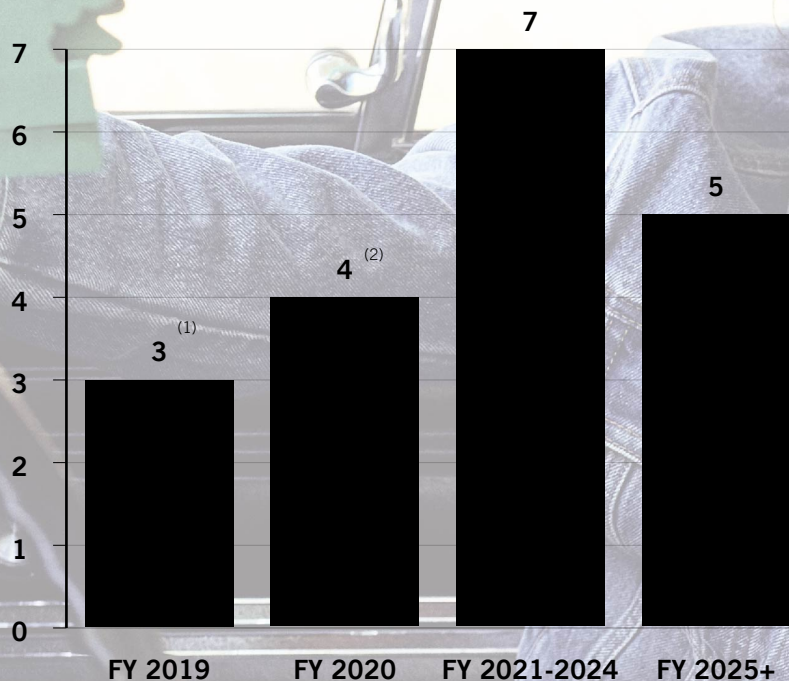
	HOLLISTER		ABERCROMBIE		TOTAL COMPANY		
	U.S.	INTERNATIONAL	U.S.	INTERNATIONAL	U.S.	INTERNATIONAL	TOTAL
FY 2015	2,856	1,183	2,634	619	5,490	1,802	7,292
FY 2016	2,737	1,218	2,411	641	5,148	1,859	7,007
% CHANGE	(4)%	3%	(8)%	4%	(6)%	3%	(4)%
FY 2017	2,681	1,200	2,210	619	4,891	1,819	6,710
% CHANGE	(2)%	(1)%	(8)%	(3)%	(5)%	(2)%	(4)%
FY 2018	2,658	1,234	2,028	646	4,686	1,880	6,566
% CHANGE	(1)%	3%	(8)%	4%	(4)%	3%	(2)%
Q2 2019	2,622	1,250	1,980	624	4,602	1,874	6,476
% CHANGE	(1)%	1%	(2)%	(3)%	(2)%	—%	(1)%

PEDDER A&F
FLAGSHIP CLOSED
IN FY 2017

SOHO HOLLISTER &
COPENHAGEN A&F
FLAGSHIP CLOSED
IN FY 2019

GLOBAL STORE NETWORK: FLAGSHIPS

Fiscal 2019 Flagship Closures & Future Natural Lease Expiration Cadence



Entered fiscal 2019 with 19 flagships after closing the A&F Pedder location in fiscal 2017:

- In fiscal 2018, these 19 flagships' combined 4-wall operating margin adversely impacted operating margin by 110 basis points and adversely impacted comparable sales by 120 basis points

Fiscal 2019 flagship closures include:

- A&F Copenhagen, Denmark (Q1 2019);
- Hollister SoHo, New York City (Q2 2019); and
- A&F Milan, Italy (expected to close by the end of fiscal 2019)

These 3 flagships' 4-wall operating margin adversely impacted fiscal 2018 operating margin by 30 basis points

In addition to A&F Fukuoka, Japan (expected to close in the second half of fiscal 2020) 3 flagships are available for closure in fiscal 2020 through natural lease expirations

- This combined group's 4-wall operating margin adversely impacted fiscal 2018 operating margin by 10 basis points

⁽¹⁾ Includes the A&F Copenhagen, Denmark, the Hollister SoHo, New York City and the A&F Milan, Italy locations, whose closures were announced in the first quarter of fiscal 2019.

⁽²⁾ Includes the A&F Fukuoka, Japan location, whose closure was announced in the first quarter of fiscal 2019.

Q2 STORE COUNT ACTIVITY

TOTAL COMPANY	TOTAL	UNITED STATES	CANADA	EUROPE	ASIA	MIDDLE EAST
END OF Q1 2019	857	660	18	122	48	9
OPENINGS	8	5	—	1	1	1
CLOSINGS	(2)	(2)	—	—	—	—
END OF Q2 2019	863	663	18	123	49	10

HOLLISTER ⁽¹⁾

END OF Q1 2019	542	393	11	104	29	5
OPENINGS	7	4	—	1	1	1
CLOSINGS	(2)	(2)	—	—	—	—
END OF Q2 2019	547	395	11	105	30	6

CLOSURES INCLUDE HOLLISTER SOHO FLAGSHIP

ABERCROMBIE ⁽²⁾

END OF Q1 2019	315	267	7	18	19	4
OPENINGS	1	1	—	—	—	—
CLOSINGS	—	—	—	—	—	—
END OF Q2 2019	316	268	7	18	19	4

⁽¹⁾ Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes nine international franchise stores as of each of August 3, 2019 and May 4, 2019. Excludes six U.S. company operated Gilly Hicks temporary stores as of August 3, 2019 and two as of May 4, 2019.

⁽²⁾ Locations with abercrombie kids carveouts within Abercrombie & Fitch stores are represented as a single store count. Excludes seven international franchise stores as of each of August 3, 2019 and May 4, 2019. Excludes four U.S. company operated abercrombie kids temporary stores as of August 3, 2019.

GLOBAL STORE NETWORK OPTIMIZATION

	Q2 2019 ACTIVITY		
	HOLLISTER	ABERCROMBIE ⁽¹⁾	TOTAL COMPANY
NEW STORES	7	1	8
REMODELS	6	—	6
RIGHT-SIZES	6	6	12
TOTAL NEW EXPERIENCES	19	7	26
STORE CLOSURES	(2)	—	(2)

⁽¹⁾ Includes one new store and three right-sizes related to the abercrombie kids brand.

	FULL YEAR 2019 OUTLOOK ⁽¹⁾		
	HOLLISTER	ABERCROMBIE ⁽²⁾	TOTAL COMPANY
NEW STORES	20	20	40
REMODELS	25	—	25
RIGHT-SIZES	10	10	20
TOTAL NEW EXPERIENCES	55	30	85
STORE CLOSURES			UP TO 40

⁽¹⁾ Actual new store experiences for fiscal 2019 may differ from expectations.

⁽²⁾ Includes 15 new stores and five right-sizes related to the abercrombie kids brand.

APPROXIMATELY
ONE THIRD OF
OPENINGS ARE
INTERNATIONAL

CLOSURES
PRIMARILY IN
THE U.S.

OUTLOOK



FISCAL 2019 OUTLOOK

	PREVIOUS FULL YEAR OUTLOOK	CURRENT FULL YEAR OUTLOOK
NET SALES ⁽¹⁾	UP IN THE RANGE OF 2% TO 4%	IN THE RANGE OF FLAT TO UP 2%
CHANGES IN FOREIGN CURRENCY	\$30M ADVERSE IMPACT TO NET SALES	\$45M ADVERSE IMPACT TO NET SALES
COMPARABLE SALES ⁽²⁾	UP LOW-SINGLE DIGITS	IN THE RANGE OF FLAT TO UP 2%
GROSS PROFIT RATE ⁽³⁾	UP SLIGHTLY	DOWN IN THE RANGE OF 50 TO 90 BASIS POINTS
GAAP OPERATING EXPENSE ⁽⁴⁾	UP IN THE RANGE OF 4% TO 5%	UP IN THE RANGE OF 2% TO 3%
WEIGHTED AVERAGE DILUTED SHARES ⁽⁵⁾	APPROXIMATELY 68M SHARES	APPROXIMATELY 66M SHARES
EFFECTIVE TAX RATE	MID 20S	*
CAPITAL INVESTMENTS	APPROXIMATELY \$200M	*

* No change from the previous outlook.

⁽¹⁾ Includes the adverse impact from changes in foreign currency exchange rates of approximately \$45 million.

⁽²⁾ Comparable sales are calculated on a constant currency basis.

⁽³⁾ As compared to fiscal 2018 gross profit rate of 60.2%, reflecting a combined adverse impact from changes in foreign currency exchange rates and China tariffs of approximately 60 basis points.

⁽⁴⁾ As compared to fiscal 2018 adjusted non-GAAP operating expense of \$2.03 billion. Excludes other operating income, net. Fiscal 2019 includes second quarter flagship store exit charges of approximately \$45 million.

⁽⁵⁾ Excludes the effect of potential share buybacks.

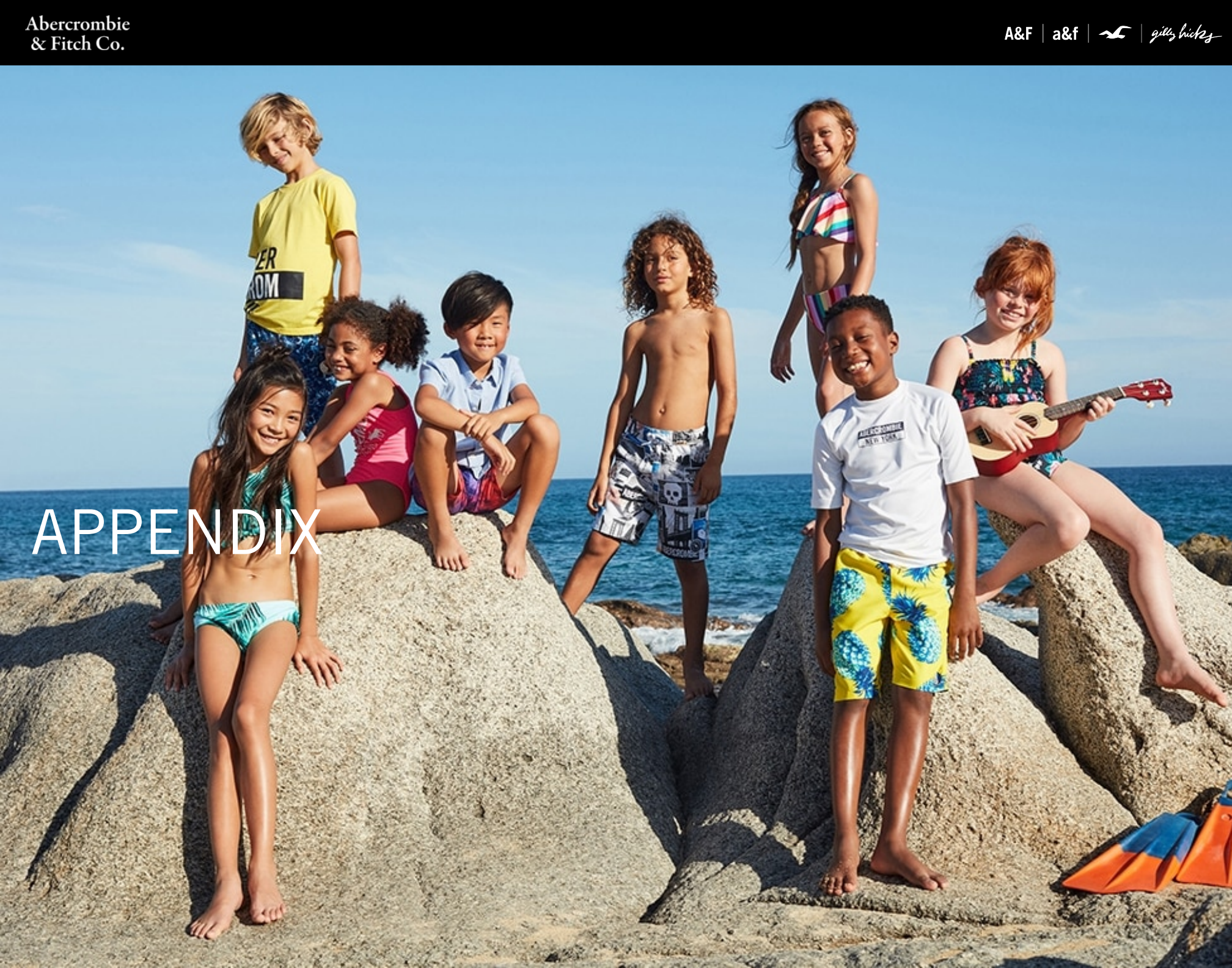
	THIRD QUARTER OUTLOOK
NET SALES ⁽¹⁾	UP APPROXIMATELY 1%
CHANGES IN FOREIGN CURRENCY	\$10M ADVERSE IMPACT TO NET SALES
COMPARABLE SALES ⁽²⁾	APPROXIMATELY FLAT
GROSS PROFIT RATE ⁽³⁾	DOWN APPROXIMATELY 100 BASIS POINTS
GAAP OPERATING EXPENSE ⁽⁴⁾	UP IN THE RANGE OF 1% TO 2%
EFFECTIVE TAX RATE	MID-TO-UPPER 20S

⁽¹⁾ Includes the adverse impact from changes in foreign currency exchange rates of approximately \$10 million.

⁽²⁾ Comparable sales are calculated on a constant currency basis.

⁽³⁾ As compared to fiscal 2018 gross profit rate of 61.3% reflecting a combined adverse impact from changes in foreign currency exchange rates and China tariffs of approximately 90 basis points.

⁽⁴⁾ As compared to fiscal 2018 adjusted non-GAAP operating expense of \$493 million.



APPENDIX

EXCLUDED ITEMS*

<i>(in thousands)</i>	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FULL YEAR
LEGAL CHARGES	\$5,600	\$—	\$(3,005)	\$—	\$2,595
ASSET IMPAIRMENT	—	8,671	—	—	8,671
PRE-TAX EXCLUDED ITEMS	5,600	8,671	(3,005)	—	11,266
TAX EFFECT ⁽¹⁾	(1,541)	(2,689)	1,064	683	(2,483)
TAX CUTS AND JOBS ACT OF 2017	—	2,042	405	(5,982)	(3,535)
TOTAL EXCLUDED ITEMS	\$4,059	\$8,024	\$(1,536)	\$(5,299)	\$5,248

* There were no excluded items in the current year.

⁽¹⁾ The tax effect of excluded items is the difference between the tax provision calculation on a GAAP basis and an adjusted non-GAAP basis. In the fourth quarter of fiscal 2018, excluded items consist of the impact of prior quarters' excluded items on the adjusted non-GAAP tax provision, as well as discrete net tax benefits related to the Tax Cuts and Jobs Act of 2017.

RECONCILIATION OF ADJUSTED NON-GAAP RESULTS*

<i>(in thousands)</i>	Q2 2018 GAAP	EXCLUDED ITEMS	Q2 2018 NON-GAAP
ASSET IMPAIRMENT ⁽¹⁾	\$8,671	\$8,671	\$—
OPERATING INCOME	223	(8,671)	8,894
(LOSS) INCOME BEFORE INCOME TAXES	(2,800)	(8,671)	5,871
INCOME TAX EXPENSE ⁽²⁾	24	(647)	671
NET (LOSS) INCOME	\$(3,853)	\$(8,024)	\$4,171
NET (LOSS) INCOME PER DILUTED SHARE	\$(0.06)	\$(0.12)	\$0.06
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	68,008		69,733

* There were no excluded items in the current year.

⁽¹⁾ Excluded items consist of store asset impairment charges of \$8.7 million.

⁽²⁾ Excluded items consist of discrete tax charges of \$2.0 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.

RECONCILIATION OF CONSTANT CURRENCY RESULTS

NET SALES	Q2 2019	Q2 2018	Δ %
GAAP	\$841,078	\$842,414	0%
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(9,957)	1%
NON-GAAP CONSTANT CURRENCY BASIS	\$841,078	\$832,457	1%
GROSS PROFIT	Q2 2019	Q2 2018	Δ BPS ⁽²⁾
GAAP	\$498,633	\$506,895	(90)
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(8,025)	30
NON-GAAP CONSTANT CURRENCY BASIS	\$498,633	\$498,870	(60)
OPERATING (LOSS) INCOME	Q2 2019	Q2 2018	Δ BPS ⁽²⁾
GAAP	\$(39,484)	\$223	(470)
EXCLUDED ITEMS ⁽³⁾	—	(8,671)	110
ADJUSTED NON-GAAP	\$(39,484)	\$8,894	(580)
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(4,307)	50
ADJUSTED NON-GAAP ON A CONSTANT CURRENCY BASIS	\$(39,484)	\$4,587	(530)
NET (LOSS) INCOME PER DILUTED SHARE	Q2 2019	Q2 2018	Δ \$
GAAP	\$(0.48)	\$(0.06)	\$(0.42)
EXCLUDED ITEMS, NET OF TAX ⁽³⁾	—	(0.12)	0.12
ADJUSTED NON-GAAP	\$(0.48)	\$0.06	\$(0.54)
IMPACT FROM CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ⁽¹⁾	—	(0.05)	0.05
ADJUSTED NON-GAAP ON A CONSTANT CURRENCY BASIS	\$(0.48)	\$0.01	\$(0.49)

⁽¹⁾ The 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 impact from foreign currency is calculated using a 27% tax rate.

⁽²⁾ The estimated basis point impact has been rounded based on the percentage change.

⁽³⁾ Excludes the effect of certain items set out on page 30.



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