

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

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	November 2, 2019	% of Net Sales	November 3, 2018	% of Net Sales
Net sales	\$ 863,472	100.0 %	\$ 861,194	100.0 %
Cost of sales, exclusive of depreciation and amortization	344,541	39.9 %	333,375	38.7 %
Gross profit	518,931	60.1 %	527,819	61.3 %
Stores and distribution expense	377,697	43.7 %	371,859	43.2 %
Marketing, general and administrative expense	114,075	13.2 %	117,181	13.6 %
Flagship store exit charges	285	0.0 %	—	0.0 %
Asset impairment, exclusive of flagship store exit charges	12,610	1.5 %	656	0.1 %
Other operating income, net	(215)	0.0 %	(1,557)	(0.2)%
Operating income	14,479	1.7 %	39,680	4.6 %
Interest expense, net	2,922	0.3 %	2,857	0.3 %
Income before income taxes	11,557	1.3 %	36,823	4.3 %
Income tax expense	3,987	0.5 %	12,047	1.4 %
Net income	7,570	0.9 %	24,776	2.9 %
Less: Net income attributable to noncontrolling interests	1,047	0.1 %	857	0.1 %
Net income attributable to Abercrombie & Fitch Co.	\$ 6,523	0.8 %	\$ 23,919	2.8 %

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

Basic	\$ 0.10	\$ 0.36
Diluted	\$ 0.10	\$ 0.35

Weighted-average shares outstanding:

Basic	63,099	66,818
Diluted	63,911	68,308

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	Thirty-nine Weeks Ended		Thirty-nine Weeks Ended	
	November 2, 2019	% of Net Sales	November 3, 2018	% of Net Sales
Net sales	\$ 2,438,522	100.0 %	\$ 2,434,507	100.0 %
Cost of sales, exclusive of depreciation and amortization	976,868	40.1 %	957,448	39.3 %
Gross profit	1,461,654	59.9 %	1,477,059	60.7 %
Stores and distribution expense	1,110,656	45.5 %	1,103,758	45.3 %
Marketing, general and administrative expense	341,716	14.0 %	365,961	15.0 %
Flagship store exit charges	47,023	1.9 %	3,808	0.2 %
Asset impairment, exclusive of flagship store exit charges	14,987	0.6 %	10,383	0.4 %
Other operating income, net	(465)	0.0 %	(4,551)	(0.2)%
Operating loss	(52,263)	(2.1)%	(2,300)	(0.1)%
Interest expense, net	4,908	0.2 %	8,898	0.4 %
Loss before income taxes	(57,171)	(2.3)%	(11,198)	(0.5)%
Income tax (benefit) expense	(16,931)	(0.7)%	8,358	0.3 %
Net loss	(40,240)	(1.7)%	(19,556)	(0.8)%
Less: Net income attributable to noncontrolling interests	3,534	0.1 %	2,839	0.1 %
Net loss attributable to Abercrombie & Fitch Co.	\$ (43,774)	(1.8)%	\$ (22,395)	(0.9)%
Net loss per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ (0.67)		\$ (0.33)	
Diluted	\$ (0.67)		\$ (0.33)	
Weighted-average shares outstanding:				
Basic	64,932		67,775	
Diluted	64,932		67,775	

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

	<u>November 2, 2019 ⁽¹⁾</u>	<u>February 2, 2019</u>	<u>November 3, 2018</u>
<u>Assets</u>			
Current assets:			
Cash and equivalents	\$ 410,775	\$ 723,135	\$ 520,523
Receivables	92,736	73,112	87,714
Inventories	590,883	437,879	572,173
Other current assets	86,275	101,824	109,888
Total current assets	1,180,669	1,335,950	1,290,298
Property and equipment, net	665,862	694,855	684,527
Operating lease right-of-use assets	1,223,512	—	—
Other assets	415,962	354,788	360,804
Total assets	<u>\$ 3,486,005</u>	<u>\$ 2,385,593</u>	<u>\$ 2,335,629</u>
<u>Liabilities and stockholders' equity</u>			
Current liabilities:			
Accounts payable	\$ 269,578	\$ 226,878	\$ 266,933
Accrued expenses	269,334	293,579	293,410
Short-term portion of operating lease liabilities	284,694	—	—
Short-term portion of deferred lease credits	—	19,558	19,465
Income taxes payable	13,728	18,902	10,360
Total current liabilities	837,334	558,917	590,168
Long-term liabilities:			
Long-term portion of operating lease liabilities	\$ 1,234,502	\$ —	\$ —
Long-term portion of borrowings, net	241,343	250,439	250,142
Long-term portion of deferred lease credits	—	76,134	79,667
Leasehold financing obligations	—	46,337	46,081
Other liabilities	178,460	235,145	235,281
Total long-term liabilities	1,654,305	608,055	611,171
Total Abercrombie & Fitch Co. stockholders' equity	983,512	1,208,900	1,124,470
Noncontrolling interests	10,854	9,721	9,820
Total stockholders' equity	994,366	1,218,621	1,134,290
Total liabilities and stockholders' equity	<u>\$ 3,486,005</u>	<u>\$ 2,385,593</u>	<u>\$ 2,335,629</u>

⁽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 27% 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 related to 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 margins 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 November 2, 2019
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded items	Adjusted non-GAAP
Asset impairment, exclusive of flagship store exit charges ⁽²⁾	\$ 12,610	\$ 10,468	\$ 2,142
Operating income	14,479	(10,468)	24,947
Income before income taxes	11,557	(10,468)	22,025
Income tax expense ⁽³⁾	3,987	(2,485)	6,472
Net income attributable to Abercrombie & Fitch Co.	\$ 6,523	\$ (7,983)	\$ 14,506
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 0.10	\$ (0.12)	\$ 0.23
Diluted weighted-average shares outstanding:	63,911		63,911

⁽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 \$10.5 million related to certain of the company's international Abercrombie & Fitch 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 November 3, 2018
(in thousands, except per share data)
(Unaudited)

	<u>GAAP ⁽¹⁾</u>	<u>Excluded items</u>	<u>Adjusted non-GAAP</u>
Marketing, general and administrative ⁽²⁾	\$ 117,181	\$ (3,005)	\$ 120,186
Operating income	39,680	3,005	36,675
Income before income taxes	36,823	3,005	33,818
Income tax expense ⁽³⁾	12,047	1,469	10,578
Net income attributable to Abercrombie & Fitch Co.	\$ 23,919	\$ 1,536	\$ 22,383
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 0.35	\$ 0.02	\$ 0.33
Diluted weighted-average shares outstanding:	68,308		68,308

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

⁽²⁾ Excluded items consist of pre-tax benefits of \$3.0 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 discrete net tax charges of \$0.4 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.
Schedule of Non-GAAP Financial Measures
Thirty-nine Weeks Ended November 2, 2019
(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⁾	14,987	10,468	4,519
Operating loss	(52,263)	(10,468)	(41,795)
Loss before income taxes	(57,171)	(10,468)	(46,703)
Income tax benefit ⁽³⁾	(16,931)	(2,485)	(14,446)
Net loss attributable to Abercrombie & Fitch Co.	\$ (43,774)	\$ (7,983)	\$ (35,791)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.67)	\$ (0.12)	\$ (0.55)
Diluted weighted-average shares outstanding:	64,932		64,932

⁽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 \$10.5 million related to certain of the company's international Abercrombie & Fitch 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
Thirty-nine Weeks Ended November 3, 2018
(in thousands, except per share data)
(Unaudited)

	<u>GAAP ⁽¹⁾</u>	<u>Excluded items</u>	<u>Adjusted non-GAAP</u>
Marketing, general and administrative expense ⁽²⁾	\$ 365,961	\$ 2,595	\$ 363,366
Asset impairment, exclusive of flagship store exit charges ⁽³⁾	10,383	8,671	1,712
Operating (loss) income	(2,300)	(11,266)	8,966
(Loss) income before income taxes	(11,198)	(11,266)	68
Income tax expense ⁽⁴⁾	8,358	(719)	9,077
Net loss attributable to Abercrombie & Fitch Co.	\$ (22,395)	\$ (10,547)	\$ (11,848)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.33)	\$ (0.16)	\$ (0.17)
Diluted weighted-average shares outstanding:	67,775		67,775

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

⁽²⁾ Excluded items consist of pre-tax charges of \$5.6 million and benefits of \$3.0 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 international Abercrombie & Fitch flagship stores.

⁽⁴⁾ Excluded items consist of discrete net tax charges of \$2.4 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 November 2, 2019
(in thousands, except change in net sales, gross profit rate, operating margin and per share data)
(Unaudited)

	2019	2018	% Change
Net sales			
GAAP ⁽¹⁾	\$ 863,472	\$ 861,194	0%
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(8,302)	1%
Non-GAAP constant currency basis	\$ 863,472	\$ 852,892	1%
Gross profit			
	2019	2018	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 518,931	\$ 527,819	(120)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(8,531)	40
Non-GAAP constant currency basis	\$ 518,931	\$ 519,288	(80)
Operating income			
	2019	2018	BPS Change ⁽³⁾
GAAP ⁽¹⁾	\$ 14,479	\$ 39,680	(290)
Excluded items ⁽⁴⁾	(10,468)	3,005	(150)
Adjusted non-GAAP	\$ 24,947	\$ 36,675	(140)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(5,406)	60
Adjusted non-GAAP constant currency basis	\$ 24,947	\$ 31,269	(80)
Net income per diluted share attributable to Abercrombie & Fitch Co.			
	2019	2018	\$ Change
GAAP ⁽¹⁾	\$ 0.10	\$ 0.35	\$ (0.25)
Excluded items, net of tax ⁽⁴⁾	(0.12)	0.02	(0.14)
Adjusted non-GAAP	\$ 0.23	\$ 0.33	\$ (0.10)
Adverse impact from changes in foreign currency exchange rates ⁽²⁾	—	(0.06)	0.06
Adjusted non-GAAP constant currency basis	\$ 0.23	\$ 0.27	\$ (0.04)

* Not applicable.

(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 27% 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 flagship store asset impairment charges of \$10.5 million related to certain of the company's international Abercrombie & Fitch flagship stores, and the tax effect of excluded items. Excluded items last year consist of pre-tax benefits of \$3.0 million related to certain legal matters, discrete net tax charges of \$0.4 million related to the Tax Cuts and Jobs Act of 2017, and the tax effect of 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 November 2, 2019

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
August 3, 2019	395	152	268	48	663	200
New	5	2	9	2	14	4
Closed	—	—	—	—	—	—
November 2, 2019	400	154	277	50	677	204

Thirty-nine Weeks Ended November 2, 2019

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total	
	United States	International	United States	International	United States	International
February 2, 2019	393	149	270	49	663	198
New	10	5	10	2	20	7
Closed	(3)	—	(3)	(1)	(6)	(1)
November 2, 2019	400	154	277	50	677	204

⁽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 November 2, 2019 and August 3, 2019 and eight as of February 2, 2019. Excludes 10 U.S. company operated temporary stores as of November 2, 2019 and six as of August 3, 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 of each of November 2, 2019, August 3, 2019 and February 2, 2019. Excludes seven U.S. company operated abercrombie kids temporary stores as of November 2, 2019 and four as of August 3, 2019.