Smart trades, like buying deeply discounted Solana tokens, are a hallmark of Michael Novogratz, founder and chief executive officer of Galaxy Digital. VICTOR J. BLUE/BLOOMBERG

While one part of his firm was advising on asset sales, traders at Mike Novogratz's Galaxy Digital bought a hoard of Solana tokens at a steep discount from bankrupt crypto exchange FTX. Windfall profits are likely.

By Nina Bambysheva, Forbes Staff

When FTX filed for bankruptcy, savvy crypto traders smelled a lucrative opportunity. Sam Bankman-Fried's crypto empire was seemingly missing billions of dollars worth of customers' funds but held $3.4 billion in various cryptocurrencies that the estate would have to sell to satisfy creditors' claims, likely at hefty discounts to their trading prices.

Most of those in charge of the bankruptcy had little experience with crypto so early attempts to consolidate the funds sometimes resulted in embarrassing losses worth tens of thousands of dollars. In September 2023, the bankruptcy estate tapped the asset management arm of billionaire Michael Novogratz's Galaxy Digital Holdings to help manage its vast crypto pile. This included selling, hedging, and staking the digital tokens—a process that allows token holders to earn passive income in exchange for helping to validate transactions added to a blockchain network.

Roughly a third of FTX's crypto trove was held in SOL, the native token of the Solana blockchain, which Bankman-Fried championed. Between August 2020 and May 2021, Bankman-Fried's companies bought close to 60 million of mostly locked SOL, according to the Solana Foundation. In late August 2023, the cryptocurrency was trading at around $20 per token, but by year's end, its price increased five-fold, surpassing $100. It seemed like if FTX could quickly cash out its SOL and other assets, it would be able to satisfy the claims of its customers in full, at least in their dollar value as of the petition date—something creditors rarely achieve in major bankruptcies.

The caveat is that most of the tokens Bankman-Fried owned are locked, meaning they can only be sold in batches on a monthly basis between 2025 and 2028. Multi-year vesting schedules like this typically mean that tokens have to be auctioned at steep discounts to compensate for the considerable risk buyers assume due to crypto's volatility. However, the potential returns could be enormous. Enter Galaxy's trading unit, which positioned itself on the buying end of the auction.

In **the fall of 2023,** the debtors faced a challenging task. Offloading billions worth of SOL quickly would destabilize an already volatile market that was just starting to recover from the havoc FTX's collapse caused, so taking advice from Galaxy Asset Management, it opted to spread the sale across multiple auctions.

The first batch—between 25 million and 30 million— sold in late March at a price $64 apiece representing more than a 60% discount to SOL's price at the time. The auctioned tokens were purchased by a small circle of firms including hedge funds Pantera Capital and Neptune Digital Assets.

Previously undisclosed buyers also included Brevan Howard Digital, venture firm Multicoin Capital and the Solana Foundation, according to a source familiar with the deal. The Solana Foundation is a Zug, Switzerland-based non-profit initially set up by developers who created the blockchain that is dedicated to the growth and security of the Solana network. All declined or did not return *Forbes'* request for comment.

But Novogratz's Galaxy was also among the first auction buyers of FTX's locked SOL. Galaxy Trading bought tokens on behalf of investors for a special-purpose fund that raised about $620 million and charged a 1% management fee, according to Bloomberg. Assuming Galaxy's fund paid the discounted price of $64 per SOL, it ended up with 9,687,500 SOL tokens. Pantera, which also participated in the bid, had created a similar fund to buy up to $250 million worth of SOL. At current prices, Galaxy's fund's presumed 9.7 million token purchase would already be sitting on a $1.03 billion paper profit.

During the second auction, held in late April, the FTX estate reportedly offloaded 1.8 million SOL, with successful bids ranging from $95-$110 per token (at 15% to 26% markdowns from market prices). Galaxy Trading again raised money from investors for this auction, capping the minimum commitment at $5 million, according to The Block. Pantera also participated. The last batch of SOL sales wrapped up on May 22, drawing Pantera and the newly established crypto exchange Figure Markets. Figure scooped up 800,000 tokens at $102 a piece at roughly a 42% discount from the token's recent price of $177. Total potential profits for the second auction? More than $130 million, based on current prices.

When details of the first auction surfaced, numerous FTX creditors as well as other bidders were taken aback. "It just looks very bad when both the buy side and the sell side of your house participate in the same transaction," says one source with knowledge of the sales who requested anonymity.

"It's not unheard of, or even that uncommon, for an investment bank to participate in multiple parts of a sale or liquidation event, like what happened here," says Rob Hadick, general partner at crypto-focused venture capital firm Dragonfly. "That said, it's clearly bad optics that will raise eyebrows from any creditor committee…Things like unfair access to information and disincentivization of robust price discovery are valid concerns."

A spokesperson for Galaxy declined to comment on the specifics of the SOL token sales and its special-purpose fund and referred *Forbes* to FTX for comment. It's unclear precisely how much Novogratz's Galaxy stands to profit from FTX's bankruptcy reorganization. Galaxy Digital's stock, which trades in Toronto, has gained 161% in the last 12 months and now has a market capitalization of $3.6 billion. According to the company's Q1 financial statements, as of March 31 Galaxy held a $104.1 million investment in the Galaxy-sponsored Galaxy Digital Crypto Vol Fund, which acquired Solana from the FTX estate during the quarter.

The Official Committee of Unsecured Creditors (UCC) of FTX, consisting of the exchange's former large customers and market makers, has approved the token sales and FTX's spokesperson issued a statement in support of Galaxy's dual role in the bankruptcy reorganization:

"The Bankruptcy Court approved the terms of Galaxy Asset Management's retention, which were subject to review and objection by parties in interest (with no objections received), including the ability of Galaxy to execute transactions with Galaxy affiliates…The price Galaxy's affiliate paid for the Solana was the same or higher than the price paid by other buyers for all sales payments received to-date, and all Solana sales were approved by the Official Committee of Unsecured Creditors and the Ad Hoc Committee of Non-U.S. customers. Sales to Galaxy in accordance with the Court-approved framework do not reflect a conflict of interest, and any reports to the contrary are categorically false."

Still, some FTX creditors and customers are complaining. Listen to Sunil Kavuri, a former FTX customer who had more than $2 million invested with the exchange and is a member of an unofficial "Customer Ad-Hoc Committee" which consists of more than a thousand former FTX.com customers: "I would say that [those managing the bankruptcy] have destroyed in excess of $10 billion, in my opinion. So more than how much Sam Bankman-Fried actually cost us initially," says Kavuri, who is based in the United Kingdom. "The major costs would be Solana."

Man using digital tablet online connect to internet banking. currency exchange. online shopping and digital payment. GETTY

The Joint Chiefs of Global Tax Enforcement (J5) have issued a warning to financial institutions with risk indicators that may indicate money laundering, cybercrime, tax evasion, and other illicit activities. Risk indicators play a pivotal role in enhancing financial institutions' ability to detect and report money laundering and illicit activities involving crypto assets.

According to the J5, detecting signs of money laundering and tax evasion requires gathering, analyzing, and reporting financial data. Keeping financial institutions informed about what to look for makes it more likely that they will detect and report suspicious activity.

Crypto Asset Layering

The J5 believes that financial institutions should prioritize the detection of layering involving crypto assets—basically money laundering where transactions are intentionally complicated to conceal the illicit origin of funds. This can include, for example, unusually high volumes with rapid movement of funds between digital wallets, especially across multiple jurisdictions. It could also include transactions where the customer is sending or receiving large volumes from private wallet addresses and conversion across different crypto assets.

Other signs include customers who are sending and receiving cryptocurrency from crypto mixers, gambling platforms, and peer-to-peer (P2P) platforms or when a disproportionate amount of activity involves buying and selling privacy coins. Red flags also include sending and receiving cryptocurrency from darknet marketplaces, fraud shops, or high-risk exchanges or when the customer is transacting in round dollar and structured amounts to avoid bank reporting requirements.

Geographical Risk Indicators

Financial institutions also need to exercise care when dealing with cryptocurrency transactions tied to jurisdictions known for weak regulatory frameworks, inadequate anti-money laundering (AML) controls, or heightened levels of corruption. Those transactions may involve exchanges operating out of high-risk jurisdictions identified as non-cooperative for AML purposes or changing IP addresses. Other factors include customer accounts accessed with IP addresses from high-risk jurisdictions, shared use of an account or access login from devices tracked to IP addresses in high-risk jurisdictions, or crypto addresses that match addresses on recognized watch lists such as the Office of Foreign Assets-Control (OFAC) list.

High-Risk Counterparties

Customer counterparties transaction beneficiaries and senders can be significant risk indicators for money laundering and illicit activities in crypto assets. Financial institutions and crypto exchanges should closely monitor customer transactions for indicators, including crypto assets that originated from an over-the-counter trade broker that advertises its services as privacy-oriented or anonymous.

Red flags may include funds or cryptocurrencies that are added or withdrawn from crypto addresses or wallets with exposure links to known suspicious sources, including darknet marketplaces, mixing/tumbling services, questionable gambling sites, illegal activities (for example, ransomware), and interaction with financial institutions or individuals subject to sanctions or based in sanctioned states.

New Client Onboarding

The J5 reminds financial institutions that robust know-your-customer (KYC) practices help crypto-asset exchanges identify potential risks associated with crypto asset transactions and ensure compliance. Warning signs can include attempts by customers to provide as little identity information as possible, including incomplete or insufficient identification, or when the customer is difficult to contact, responding only via email or web chat at unusual hours.

Flags can also include clients who register with the exchange within a short period using a shared address, mobile device, phone number, and IP addresses, or the customer's anonymity-oriented email provider.

Also noteworthy? When a client has access to multiple bank accounts and others— that may indicate money mule activity.

Ransomware And Cybercriminals

Finally, crypto exchanges have an essential role in detecting and reporting financial flows related to ransomware and stopping ransomware payments. Cybercriminals will try and conceal the origin and destination of ransomware payments before the digital currency arrives at the final wallet or bank account under their control.

Risk indicators assist financial institutions in identifying potential bad actors or accounts associated with organizations that perpetrate ransomware and cybercrime. Signs to watch for include unusually high usage of privacy coins (digital currencies that provide enhanced anonymity by obscuring the amount, destination, and origin of transactions) or chain-hopping (where one digital currency is exchanged for another and is moved from one blockchain to another).

You can read the complete notice here.

Comments

The most recent advisory was developed by a specialized team of cyber experts, with representation from each J5 member country.

"We are operating in a digital world without borders, and it is more important than ever to raise awareness of risk indicators that are tied to cryptocurrency assets that may be indicative of criminal J5 issues notice to financial institutions about risk indicators tied to cryptocurrency assets activity," said Eric Ferron, Director General of the Criminal Investigations Directorate at the Canada Revenue Agency. "By working together with financial institutions across the globe, we are enhancing our abilities to detect and report money laundering and illicit activities involving cryptocurrency assets."

"Identification and detection play a crucial role in combating cybercrime on a global level," said Guy Ficco, Chief of IRS Criminal Investigation. "Anytime we can pool the resources of our J5 partners to issue pertinent information to financial institutions about cybercrime indicators, we will seize the opportunity."

The J5 was organized in 2018 to combat crime on a global level by sharing resources. The J5 consists of criminal intelligence communities from Australia, Canada, the Netherlands, the United Kingdom, and the United States, committed to collaborating in the fight against international and transnational tax crime and money laundering. Membership of the J5 includes the heads of tax crime and senior officials in tax agencies, including the Australian Criminal Intelligence Commission (ACIC) and Australian Taxation Office (ATO), the Canada Revenue Agency (CRA), the Fiscale Inlichtingen-en Opsporingsdienst (FIOD), HM Revenue & Customs (HMRC) and Internal Revenue Service Criminal Investigation (IRS-CI).

You can read more about the J5 here.
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Kelly Phillips Erb

PREMIUM EDITORS' PICK

IRS Says Direct File Will Be A Permanent, Free Tax Filing Option In All 50 States

The announcement, which was made jointly by U.S. Secretary of the Treasury Janet L. Yellen and IRS Commissioner Danny Werfel, made clear that the agency intended to extend and expand the Direct File program which operated as a pilot during the 2024 filing season.

Kelly Phillips Erb Forbes Staff

Kelly Phillips Erb is a Forbes senior writer who covers tax.

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Internal Revenue Service Commissioner Daniel Werfel, shown in February, before testifying to the House Ways and Means Committee. CQ-ROLL CALL, INC VIA GETTY IMAGES

Direct File will be a permanent, free tax filing option—that's the word from the U.S. Department of the Treasury and IRS.

The announcement, which was made jointly by U.S. Secretary of the Treasury Janet L. Yellen and IRS Commissioner Danny Werfel, made clear that not only would the program be permanent, but it would be available to all 50 states and the District of Columbia for the 2025 filing season. However, not all taxpayers will benefit immediately. The pilot was limited to those with simple returns. Yellen acknowledged the challenges in rolling the program out to all taxpayers, saying, “over the next few years, we will expand Direct File so that it supports all of the most common tax situations.”

"Meeting your tax obligations and claiming the credits and deductions for which you're eligible should be easy," said Yellen, noting that "the IRS has been underfunded for decades, so taxpayers haven't gotten the support they deserve. Thanks to the Inflation Reduction Act, we've been changing this."

Direct File Pilot

As part of a pilot program in 2024, eligible taxpayers were able to file their federal tax return for free, directly with the IRS, using Direct File.

The pilot was announced in October 2023 and closed after the filing season ended in April 2024. The IRS has called it a success, saying that several hundred thousand taxpayers across 12 states signed up for Direct File accounts, and 140,803 taxpayers filed their federal tax returns using the new service. Eligibility was limited to taxpayers with simple returns in Arizona, California, Florida, Massachusetts, Nevada, New Hampshire, New York, South Dakota, Tennessee, Texas, Washington, and Wyoming.

The IRS began promoting the program in January of 2024, with a more robust push to taxpayers when the program fully opened in March. The March rollout of the pilot program included making the service available in Spanish.

According to the IRS, taxpayers filed—for free—to obtain more than $90 million in refunds and saved an estimated $5.6 million in filing costs.

(An earlier IRS survey indicated that the average American spends $270 to file their taxes.)

Inflation Reduction Act

As part of the Inflation Reduction Act, Congress tasked the IRS with delivering a report on, among other things, the cost of developing and running a free direct e-file tax return system, including costs to build and administer each release, with a focus on multi-lingual and mobile-friendly features and safeguards for taxpayer data. The IRS released the report to Congress in May 2023.

According to the report, the IRS spent several months studying how an IRS-run free direct e-file tax return system might work. Most taxpayers surveyed by the agency reported interest in using an IRS-provided tool to prepare and file their taxes. At the time, the IRS indicated it hoped to make that a reality for some taxpayers for the 2024 tax filing season.

At the same time, the House GOP proposed an appropriations bill that would bar the IRS from using funding to develop or provide a free direct-file tax return system without the prior approval of the Committees on Appropriations of the House and the Senate, House Ways and Means Committee, and Senate Finance Committee. The House failed to pass a long-term appropriations bill, and the short-term funding bill did not address the direct-file tax program.

When the filing season opened in January 2024, the IRS announced the limited-scope pilot, which it claimed would allow the IRS to evaluate the costs, benefits, and operational challenges associated with providing the option to taxpayers.

The pilot was, the IRS says, a success. According to the IRS, Direct File users reported a high degree of satisfaction and quick answers to their filing questions. In a GSA Touchpoints survey of more than 11,000 Direct File users, 90% of respondents ranked their experience with Direct File as "Excellent" or "Above Average." Most survey respondents who filed taxes in the prior year reported having to pay to prepare their taxes last year. Among survey respondents, 47% of users paid to file their taxes last year, and 16% did not file last year at all.

Overall Experience Using Direct File KELLY PHILLIPS ERB

When asked what they particularly liked, respondents most commonly cited Direct File's ease of use, trustworthiness, and that it was free. Additionally, 86% of respondents said their experience with Direct File increased their trust in the IRS.

(You can read what some taxpayers had to say to Forbes about their experiences here.)

Proposal To Treasury

On May 22, Werfel recommended to Yellen that Direct File be made permanent. "Taxpayers across the nation have told us they want no-cost filing options," he wrote. "Direct File – which provides taxpayers a new option to file online, for free, directly with the IRS – is the answer to that call."

Additionally, Werfel noted that "Millions of taxpayers who did not live in one of the 12 pilot states visited the Direct File website to learn more about this option or asked live chat assistors to make Direct File available in their state."

On May 28, Yellen responded that she agreed with the proposal, pointing out that countries like the United Kingdom and Australia have offered products like Direct File for some time. While she didn't directly address costs, she noted that the IRA "was passed in order to give the President the tools needed to lower costs for the American people."

While funding appears secure today—Werfel indicated in his remarks on May 30 that the Biden administration had budgeted $75 million for the program—that isn't necessarily the last word. A program like Direct File will require additional financial support, especially as it expands to include more complex returns, and that may not sit well with some Republican members of Congress.

What About Free File?

IRS currently offers another product—Free File—as part of a public-private partnership between the IRS and Free File Inc., formerly the Free File Alliance. Through this partnership, tax preparation and filing software providers make their online products available to eligible taxpayers.

Qualifying Free File taxpayers typically have adjusted gross income (AGI) of $79,000 or less. If your AGI is over $79,000, you can use IRS Free File Fillable Forms, the electronic version of IRS paper forms. According to the IRS, in 2024, Free File saw an increase of about 200,000 tax returns, reaching 2.9 million as of May 11. That's an increase of 7.3% from the 2.7 million filed through the same period last year.

Does Direct File's success mean an exit for Free File? Werfel says no, confirming, "We remain committed to the IRS's ongoing relationship with the Free File Alliance, who have been critical partners in serving taxpayers for two decades. As we work to expand the Direct File system, we will also strengthen free filing options for taxpayers. Giving taxpayers additional options strengthens the tax filing system."

Earlier this month, the IRS announced that it had agreed to extend the Free File program through October 2029, following an agreement to continue making free private-sector tax software available to taxpayers.

Reactions

Adam Ruben, VP of Campaigns and Political Strategy at Economic Security Project, a leading member of the Coalition for Free and Fair Filing, welcomed the announcement, saying, "IRS Direct File delivered on the promise of free and simplified tax filing for taxpayers, and we are excited to see that the program is here to stay. It was evident that taxpayers saw the value of Direct File, both in making their lives easier and demonstrating what great government customer service looks like." Ruben added, "We are already working with our partners in states across the nation to support the expansion of Direct File next year so more taxpayers can take advantage of free and simplified tax filing in the next tax season."

Alex Lundrigan, Federal Workforce Development and Finance Policy Coordinator at Young Invincibles, a national organization committed to expanding economic opportunity for young adults ages 18 to 34, echoed those comments, saying, "This is a monumental win for taxpayers, especially young adults and those in low-income communities, who will exponentially benefit from this free, easy, and public filing option. While we will continue to celebrate this win, we know there will be more challenges ahead. It is imperative that advocates continue protecting IRS funding and stop attacks at the federal level that will try to derail this program's permanent implementation."

Rep. Don Beyer (D-Virginia 8th District) called the announcement "Huge news" on X, formerly known as Twitter, adding, "This is a big win for the American people! Virginia should absolutely join for 2025."

Sen. Chuck Schumer (D-N.Y.) likewise applauded the news, tweeting, "It's great news that the IRS' Direct File program is now a permanent and free tax filing option! Now, taxpayers nationwide can save time and money by filing directly with the IRS. And it's made possible by key investments in the IRS from our Inflation Reduction Act!"

Intuit Inc., the platform that owns TurboTax, saw its stock tumble 35.31 points—5.9%—following the news. Shares had also dropped sharply earlier in the month when the company reported losing one million customers who use its TurboTax service for free. The shares fell 8.3% to $606.99 at the close on May 24, 2024. Today, the shares closed at $562.97.

An Intuit spokesperson said, about the announcement, "Today's decision by Treasury and the IRS to expand Direct File doesn't change the fact that this program is a solution in search of a problem and every American can already file their taxes for free, without any cost to the government or taxpayers. This was true on the day Direct File was launched and remains true today."

In 2019, *ProPublica* wrote a series of articles focusing on the lengths it claims tax software companies like Intuit Intuit took—like extensive lobbying and hiding free options—to get taxpayers to pay for services. The allegations created quite a stir—and resulted in litigation. Intuit and H&R

Block Block opted out of the program, with both companies not participating in Free File for 2024.

The American Coalition for Taxpayer Rights (ACTR), which represents retail tax preparation and tax software companies, including Intuit and H&R Block among its members, blasted the program as "costly and duplicative."

Why It Matters

Most U.S. taxpayers file their returns electronically—90.7% of individually filed returns were filed electronically in fiscal year 2023, according to the IRS Data Book, 2023. Paid preparers and paid tax software account for most of the more than 140 million U.S. households that file returns.

How Did Taxpayers File Their Income Tax Returns In 2023? KELLY PHILLIPS ERB

At the end of the 2024 filing season, over half (54%) of all e-filed returns were prepared by tax preparers, a percentage that's likely to increase when taxpayers on extension submit their returns. Considering the complexity of returns generally filed by professional preparers—and the timeline for ramping up Direct File to include more complicated returns—that's not likely to change any time soon.

FORBES

IRS Extends Free File Program Through 2029, While Direct File Future Remains Uncertain

By **Kelly Phillips Erb**

FORBES

How TurboTax Is Using AI To Demystify Taxes For Spanish Speakers

By **Kelly Phillips Erb**

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BREAKING

The Beloved 90s Fashion Brand Is Making A Turnaround—Even Beating Nvidia Over The Past Year

Hyunsoo Rim Contributor

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TOPLINE Abercrombie & Fitch, the iconic fashion brand that dominated the Y2K era, reported record-breaking first-quarter earnings Wednesday, signaling a successful turnaround as young millennials turned back to the nostalgic brand's inclusive revamp—with shares growing over fivefold, outpacing Nvidia over the past year.

Abercrombie & Fitch continues its winning streak as young millennials turn back to the nostalgic ... [+] GETTY IMAGES

KEY FACTS

- Abercrombie & Fitch reported a 22% annual increase in first-quarter sales topping $1 billion—the "highest first-quarter net sales in company history"—following last year's 16% revenue growth.

- Shares surged more than 20% Wednesday after the earnings announcement, extending to a 459% gain over the past year as of Friday afternoon—outperforming Nvidia's 187% stock growth in the same period.

- The company increased its full-year outlook on net sales growth to around 10%, up from the previous forecast of 4-6%.

- The company's two brands both delivered solid sales growth: Abercrombie brands—targeting millennials aged 23 to 40-plus—posted a 31% increase, while Hollister brands—catering to 13- to 21-year-old Gen Zs—saw a 12% rise.

- Once an iconic mall staple in the 1990s and early 2000s, the Ohio-based retailer faced severe criticism and declining popularity in the 2010s due to its controversial and exclusive marketing tactics, including sexualized advertising and refusing to make XL or XXL sizes.

- Under the leadership of CEO Fran Horowitz since 2017, the company has reinvented itself by focusing on inclusivity, broadening its product range and revamping the brand image targeting young professionals who grew up wearing the nostalgic brand.

- The company's inclusive strategy includes offering denim in a range of styles and sizes—such as 90s low-rise baggy jeans, ultra high-rise straight jeans and the Curve Love line which went viral on TikTok—shifting away from its previous image of fitting only slim customers.

- In March, Abercrombie launched the A&F Wedding Shop Collection—tailored to brides and wedding guests—to diversify its product lines beyond casual wear, which Horowitz said "clearly exceeded expectations from the beginning," during the earnings call on Wednesday.

KEY BACKGROUND

Abercrombie & Fitch has undergone a significant transformation over the past decade. In 2015, the company announced it would end its "sexualized marketing" practices using shirtless models and tone down the provocative in-store atmosphere—characterized by dim lighting, strong cologne scents and loud music. After being labeled America's most-hated retailer in 2016, Horowitz, then-chief merchandising officer, committed to fostering "a more diverse and inclusive culture." Upon becoming CEO in 2017, Horowitz spearheaded a comprehensive rebranding, featuring models of various body shapes and skin tones, and expanding product lines. In 2019, the company introduced Curve Love, tailored to curvier customers with sizes up to XXXL, which now accounts for nearly half of the women's denim segment, according to Horowitz's recent interview with Vogue Business. The company also launched Your Personal Best (YPB), an activewear line in 2022, and unveiled a bridal shop in March, catering to the diverse lifestyles of young millennials. On the back of these strategic shifts, the retailer's stock soared 285% in 2023, with an additional 91% surge so far this year.

CRUCIAL QUOTE

"The key factor behind Abercrombie's success is a relentless focus on the customer," Neil Saunders, managing director and retail analyst at GlobalData, told Forbes. "The brand has also been transformed from its 1990s vibe into a modern label that is appealing to younger and middle-aged shoppers. On the assortment side, a focus on quality and moving into areas of growth like athleisure and wedding outfits have served Abercrombie very well."

NEWS PEG

The 131-year-old apparel company had a controversial history under its former CEO Mike Jeffries. In a 2006 interview with Salon, he said that the company targeted an "attractive all-American kid with a great attitude and a lot of friends." He also said the company would "hire good-looking people in our stores," as "we want to market to cool, good-looking people. We don't market to anyone other than that." This approach led to a series of controversies, including a $50 million settlement in 2004 over discriminatory hiring practices. Amid increasing criticism and 11 straight quarters of declining same-store sales, Jeffries left the company in 2014. The brand hit a 17-year low stock price below the $10 mark in 2017, five months after Horowitz took over as CEO.

TANGENT

While Abercrombie & Fitch is making headlines with its stunning revival, Gap is another nostalgic 90s brand signaling a comeback under new leadership. Following the appointment of Richard Dickson—former president of toymaker Mattel who helped revive Barbie—as CEO last August, the company has undergone a turnaround, which seems to be paying off so far: shares rose by 256% over the past year as of Friday afternoon, with the company's promising earnings announcement Thursday pushing up shares over 20% after market close. The company posted an annual sales growth of 3% for the first quarter, with all four brands—Gap, Old

Navy, Athleta and Banana Republic—seeing quarterly sales growth "for the first time in what we can't necessarily find in our history," according to Dickson in an earnings call. The company also raised its full-year guidance to "up slightly year-over-year" from the prior outlook of "roughly flat," with its market share gaining for the fifth consecutive quarter. Gap appointed fashion designer Zac Posen, also known as the former Project Runway judge, as the company's creative director in March—which would enhance "the brand's reinvigoration" and has already started to "show up on the scoreboards," according to Dickson. Posen has recently elevated Gap's media exposure by dressing Da'Vine Joy Randolph in a custom denim gown on the Met Gala red carpet, and Anne Hathaway in a white shirt dress for a Bulgari event in Rome—the dress was launched online on Tuesday and sold out within several hours.

FURTHER READING

Beyond the 'young millennial': Can Abercrombie maintain momentum? (Vogue Business)

Gap Snaps Slump With Sales Gain (The Wall Street Journal)

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