

Item 8. Financial Statements and Supplementary Data

Abercrombie & Fitch Co. Consolidated Statements of Operations and Comprehensive Income (Thousands, except per share amounts)

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Net sales	\$ 3,623,073	\$ 3,590,109	\$ 3,492,690
Cost of sales, exclusive of depreciation and amortization	1,472,155	1,430,193	1,408,848
Gross profit	2,150,918	2,159,916	2,083,842
Stores and distribution expense	1,551,243	1,536,216	1,540,032
Marketing, general and administrative expense	464,615	484,863	471,914
Flagship store exit charges	47,257	5,806	2,393
Asset impairment, exclusive of flagship store exit charges	19,135	11,580	14,391
Other operating income, net	(1,400)	(5,915)	(16,938)
Operating income	70,068	127,366	72,050
Interest expense, net	7,737	10,999	16,889
Income before income taxes	62,331	116,367	55,161
Income tax expense	17,371	37,559	44,636
Net income	44,960	78,808	10,525
Less: Net income attributable to noncontrolling interests	5,602	4,267	3,431
Net income attributable to A&F	\$ 39,358	\$ 74,541	\$ 7,094
Net income per share attributable to A&F			
Basic	\$ 0.61	\$ 1.11	\$ 0.10
Diluted	\$ 0.60	\$ 1.08	\$ 0.10
Weighted-average shares outstanding			
Basic	64,428	67,350	68,391
Diluted	65,778	69,137	69,403
Other comprehensive (loss) income			
Foreign currency translation, net of tax	\$ (5,080)	\$ (19,940)	\$ 41,180
Derivative financial instruments, net of tax	(1,354)	12,542	(14,932)
Other comprehensive (loss) income	(6,434)	(7,398)	26,248
Comprehensive income	38,526	71,410	36,773
Less: Comprehensive income attributable to noncontrolling interests	5,602	4,267	3,431
Comprehensive income attributable to A&F	\$ 32,924	\$ 67,143	\$ 33,342

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Abercrombie & Fitch Co.
Consolidated Balance Sheets
(Thousands, except par value amounts)

	February 1, 2020	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	388,672	354,788
Total assets	\$ 3,549,665	\$ 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	—
Income taxes payable	10,392	18,902
Short-term portion of deferred lease credits	—	19,558
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	178,536	235,145
Total long-term liabilities	1,663,133	608,055
Stockholders' equity		
Class A Common Stock - \$0.01 par value: 150,000 shares authorized and 103,300 shares issued at each of February 1, 2020 and February 2, 2019	1,033	1,033
Paid-in capital	404,983	405,379
Retained earnings	2,313,745	2,418,544
Accumulated other comprehensive loss, net of tax ("AOCL")	(108,886)	(102,452)
Treasury stock, at average cost: 40,514 and 37,073 shares at February 1, 2020 and February 2, 2019, respectively	(1,552,065)	(1,513,604)
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	\$ 3,549,665	\$ 2,385,593

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Abercrombie & Fitch Co.
Consolidated Statements of Cash Flows
(Thousands)

	Fiscal 2019	Fiscal 2018	Fiscal 2017
<u>Operating activities</u>			
Net income	\$ 44,960	\$ 78,808	\$ 10,525
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	173,625	178,030	194,549
Asset impairment	22,364	11,580	14,391
Loss on disposal	6,298	6,020	7,460
Amortization of deferred lease credits prior to adoption of new lease accounting standard	—	(21,320)	(22,149)
Provision for deferred income taxes	9,150	5,946	37,485
Share-based compensation	14,007	21,755	22,108
Changes in assets and liabilities			
Inventories	2,270	(23,820)	(18,298)
Accounts payable and accrued expenses	10,821	63,155	13,622
Operating lease right-of use assets and liabilities	46,442	—	—
Income taxes	(5,473)	5,409	13,698
Other assets	(20,137)	33,302	25,185
Other liabilities	(3,642)	(5,932)	(10,918)
Net cash provided by operating activities	300,685	352,933	287,658
<u>Investing activities</u>			
Purchases of property and equipment	(202,784)	(152,393)	(107,001)
Proceeds from sale of property and equipment	—	—	203
Net cash used for investing activities	(202,784)	(152,393)	(106,798)
<u>Financing activities</u>			
Purchases of common stock	(63,542)	(68,670)	—
Dividends paid	(51,510)	(53,714)	(54,392)
Repayments of term loan facility borrowings	(20,000)	—	(15,000)
Other financing activities	(12,821)	(9,307)	(5,421)
Net cash used for financing activities	(147,873)	(131,691)	(74,813)
Effect of foreign currency exchange rates on cash	(3,593)	(20,975)	24,276
Net (decrease) increase in cash and equivalents, and restricted cash and equivalents	(53,565)	47,874	130,323
Cash and equivalents, and restricted cash and equivalents, beginning of period	745,829	697,955	567,632
Cash and equivalents, and restricted cash and equivalents, end of period	\$ 692,264	\$ 745,829	\$ 697,955
<u>Supplemental information related to non-cash activities</u>			
Purchases of property and equipment not yet paid at end of period	\$ 44,199	\$ 17,299	\$ 14,277
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 391,753	\$ —	\$ —
<u>Supplemental information related to cash activities</u>			
Cash paid for interest	\$ 17,514	\$ 14,221	\$ 13,381
Cash paid for income taxes	\$ 20,717	\$ 24,331	\$ 16,230
Cash received from income tax refunds	\$ 8,773	\$ 9,631	\$ 27,934
Cash paid for operating lease liabilities	\$ 422,850	\$ —	\$ —

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