

# Abercrombie & Fitch Co.

**S&P Recommendation** **STRONG BUY** ★★★★★

**Price**  
\$73.06 (as of May 8, 2008)

**12-Mo. Target Price**  
\$95.00

**Investment Style**  
Large-Cap Growth

**UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION**

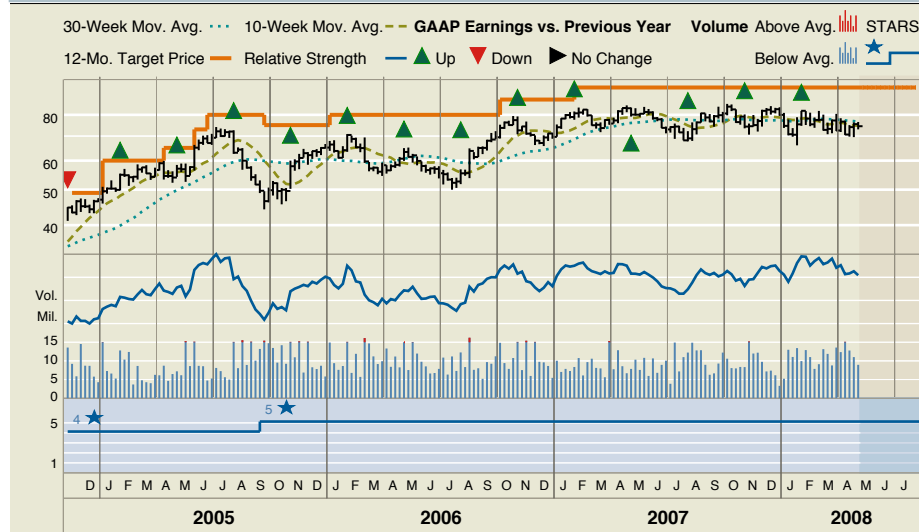
**GICS Sector** Consumer Discretionary  
**Sub-Industry** Apparel Retail

**Summary** This apparel retailer, which specializes in lifestyle branding, operates about 1000 retail apparel stores across four brands.

**Key Stock Statistics** (Source S&P, Vickers, company reports)

52-Wk Range	<b>\$85.77– 66.05</b>	S&P Oper. EPS 2009E	<b>5.95</b>	Market Capitalization(B)	<b>\$6.296</b>	Beta	<b>0.92</b>
Trailing 12-Month EPS	<b>\$5.20</b>	S&P Oper. EPS 2010E	<b>6.85</b>	Yield (%)	<b>0.96</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>15</b>
Trailing 12-Month P/E	<b>14.1</b>	P/E on S&P Oper. EPS 2009E	<b>12.3</b>	Dividend Rate/Share	<b>\$0.70</b>	S&P Credit Rating	<b>NA</b>
\$10K Invested 5 Yrs Ago	<b>\$24,391</b>	Common Shares Outstg. (M)	<b>86.2</b>	Institutional Ownership (%)	<b>97</b>		

**Price Performance**



**Qualitative Risk Assessment**

**LOW**    **MEDIUM**    **HIGH**

Our risk assessment reflects our view of ANF's debt-free balance sheet and strong cash flow, offset by a consumer base whose tastes change constantly.

**Quantitative Evaluations**

**S&P Quality Ranking** **A-**

D    C    B-    B    B+    **A-**    A    A+

**Relative Strength Rank** **MODERATE**

LOWEST = 1    **38**    HIGHEST = 99

**Revenue/Earnings Data**

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2008	742.4	804.5	973.9	1,229	3,750
2007	657.3	658.7	863.5	1,139	3,318
2006	546.8	571.6	704.9	961.4	2,785
2005	411.9	401.4	520.7	687.3	2,021
2004	346.7	355.7	445.0	560.4	1,708
2003	312.8	329.2	419.3	534.5	1,596

Earnings Per Share (\$)	2008	2007	2006	2005	2004	2003
2008	0.65	0.88	1.29	2.40	5.20	
2007	0.62	0.72	1.11	2.14	4.59	
2006	0.45	0.63	0.79	1.80	3.66	
2005	0.30	0.44	0.42	1.15	2.28	
2004	0.26	0.35	0.51	0.96	2.06	
2003	0.23	0.31	0.48	0.93	1.94	

Fiscal year ended Jan. 31. Next earnings report expected: Late May. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

**Dividend Data** (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.175	05/25	06/01	06/05	06/26/07
0.175	08/24	08/30	09/04	09/25/07
0.175	11/21	11/30	12/04	12/18/07
0.175	02/15	02/27	02/29	03/18/08

Dividends have been paid since 2004. Source: Company reports.

Analysis prepared by **Marie Driscoll, CFA** on February 19, 2008, when the stock traded at **\$75.62**.

**Highlights**

- ▶ We see low single-digit same-store sales gains (comps) for FY 09 (Jan.), versus a 1% comp decrease in FY 08, a 2% increase in FY 07 and a 26% gain in FY 06, driven by a modest increase in transactions per store and favorable pricing. Combined with an approximate 10% gain in square footage and a 25% lift in direct (e-commerce) sales, we forecast sales growth of 14% for FY 09. Direct sales rose 49% in FY 08 to \$259 million.
- ▶ We estimate a 10 basis point gross margin contraction, to 66.9%, in FY 08, with a modestly higher markdown in tandem with higher initial markups. We see store and distribution expense down 10 basis points, to 36.9% of sales, in tandem with a higher minimum wage, offset by a 20 basis point reduction in marketing, general and administrative expenses. We look for an operating margin expansion of 10 basis points in FY 09, to 19.8% of sales.
- ▶ We estimate FY 09 operating EPS of \$5.95.

**Investment Rationale/Risk**

- ▶ We see Hollister as ANF's major growth driver for boosting sales growth (up 15% in FY 08) along with international expansion and direct to consumer (e-commerce) initiatives. The January 2008 launch of a fifth concept, Gilly Hicks, is targeted at the A&F female and her intimate apparel needs, a promising category in our view. ANF will continue to tweak RUEHL (addressing the casual lifestyle apparel needs of an A&F graduate, the 25+ year old). We see international expansion providing an incremental \$1 billion opportunity.
- ▶ Risks to our recommendation and target price include negative same-store sales trends, and fashion and inventory risk. In terms of corporate governance, we are concerned about the presence of affiliated outsiders on the board.
- ▶ Our 12-month target price of \$95 applies the peer forward P/E of 16X our FY 09 EPS estimate. The shares traded recently at about 13X our FY 09 EPS estimate, a 20% discount to the level of peers and to the S&P 500. We believe that as investors focus on what we see as ANF's brand-building strategies, superior operating metrics, and management acumen, the multiple will expand.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

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**Abercrombie & Fitch Co.****Business Summary** February 19, 2008

**CORPORATE OVERVIEW.** Abercrombie & Fitch, established in 1892, operates four branded retail concepts: Abercrombie & Fitch (360 stores as of February 2007), abercrombie (177), Hollister (393) and RUEHL (14), and e-commerce sites for the three larger retail concepts. Each targets a different age demographic and all employ casual luxury positioning. Hollister targets 14 to 17 year old high school boys and girls at lower price points than traditional A&F stores, thereby minimizing cannibalization between brands.

**MARKET PROFILE.** The company participates in the specialty apparel retail market targeted at youth, spanning the tween to young adult demographic. While the U.S. apparel market is considered mature, with demand mirroring population growth and a modicum related to fashion, the youth marketplace is generally considered attractive based on its spending clout. According to NPD consumer data, collectively, this group accounts for approximately 35% of total apparel spending, with the "sweet spot" being teenagers, who represent about 20%.

**COMPETITIVE LANDSCAPE.** The retail landscape is consolidating, with share accruing to the mass merchants and specialty chains while the traditional department store is losing ground. Specialty chains compete on customer knowledge garnered from daily interactions, focus groups and marketing intelligence, and this knowledge is often combined with high customer service levels to result in an attractive price/value equation for the consumer. ANF's target demographic is attracted to strong brands, as well as fashion and value, when determining apparel selections. While the specialty channel holds the largest share of the apparel market, S&P estimates that the sub-segment serving the youth demographic represents about 3% of total retail sales. With barriers to entry minimal (capital investment in merchandise, rent and labor expense) and potential returns on investment high and quick (four wall return on investment exceed 40% in 12 months for many specialty retailers), there is a steady flow of new industry participants. In addition to competing with other apparel retailers, regardless of channel, for the youth's discretionary spending, ANF competes with merchandise and services, especially consumer electronics and entertainment services.

**PRIMARY BUSINESS DYNAMICS.** As a growth retailer, ANF increases sales by opening new stores and via same-store sales (or comp) increases. Following FY 06's stellar 26% comp, the FY 07 (Jan.) comp performance was muted, at 2%, and driven by increases in transactions per store. ANF's consolidated retail sales per gross sq. ft. were \$500 in FY 07, versus \$464 in FY 06, \$360 in FY 05, \$345 in FY 04, and \$379 and \$401 in FY 03 and FY 02, respectively. Hollister, at about \$1.4 billion in sales and \$568 sales per square foot, remains a significant growth vehicle, with a U.S. store potential of 600 to 800 stores. ANF's newest concept, RUEHL, was launched in the fall of 2004 to target a 22 to 35 age demographic, and ANF is gradually improving productivity metrics for this brand, which could be a 200+ store opportunity, in our opinion. A core competency and competitive advantage is ANF's brand strategy. ANF has organically grown iconic retail brands that resonate with their target consumer (the "cool" factor), and kept to a disciplined amount of new store growth, thereby maintaining strong supply demand dynamics while avoiding brand dilution, in our view. Brand building is done at the store level via extensive customer service, store graphics, and fixtures, as well as traditional marketing. ANF pursues a non-promotional merchandise strategy (which contributes to elevating the brand), and a merchandise mix of casual basics limits inventory (and markdown) risk. ANF is pursuing international growth opportunities in Canada and the U.K.

**FINANCIAL TRENDS.** In FY 05, ANF embarked upon a program of store investment to reinvigorate its brands along with increased inventory investment, and in the following year (FY 06), it turned around a three-year trend of negative same-store sales growth with a 26% comp. In FY 07, ANF continued to grow its business by a combination of new stores and the direct-to-consumer business as comps decelerated to a 2% gain (down 4% at the A&F adult business, up 5% at Hollister, 10% at the aspirational abercrombie brand and 14% at RUEHL). Despite decelerating productivity, ANF was able to maintain leading gross, EBITDA, and net margins, a testament to its strong adherence to brand management and severe cost containment, in our view, as store labor, headquarters personnel, and inventory investment were curtailed. In FY 07, ROA, ROE and ROIC were 21%, 34% and 35%, respectively. We see continued leading profitability measures at ANF over the intermediate term. ANF anticipates FY 08 capital spending of \$395 million to \$405 million, with about \$220 million allocated to new store construction, remodels, and conversions, about \$60 million to refresh existing stores, \$85 million for home office, IT and direct-to-consumer distribution and logistic systems, and \$35 million to purchase an airplane.

**Corporate Information****Investor Contact**

T.D. Lennox (614-283-6751)

**Office**

6301 Fitch Path, New Albany, OH 43054.

**Telephone**

614-283-6500.

**Fax**

614-479-7079.

**Email**

investor\_relations@abercrombie.com

**Website**<http://www.abercrombie.com>**Officers****Chrmn & CEO**

M.S. Jeffries

**EVP & CFO**

M.W. Kramer

**Board Members**

J. B. Bachmann  
D. J. Brestle  
L. J. Brisky  
R. M. Gertmenian  
J. A. Golden  
A. M. Griffin  
M. S. Jeffries  
J. W. Kessler  
E. F. Limato  
A. A. Tuttle

**Domicile**

Delaware

**Founded**

1892

**Employees**

99,000

**Stockholders**

5,140

# Abercrombie & Fitch Co.

## Quantitative Evaluations

<b>S&amp;P Fair Value Rank</b>	5+	1	2	3	4	5
		LOWEST				HIGHEST
Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).						

<b>Fair Value Calculation</b>	\$95.10	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that ANF is Undervalued by \$22.04 or 30.2%.
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<b>Investability Quotient Percentile</b>	98
	LOWEST = 1 HIGHEST = 100
ANF scored higher than 98% of all companies for which an S&P Report is available.	

<b>Volatility</b>	LOW	AVERAGE	HIGH
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<b>Technical Evaluation</b>	BEARISH	Since April, 2008, the technical indicators for ANF have been BEARISH.
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<b>Insider Activity</b>	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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## Expanded Ratio Analysis

	2007	2006	2005	2004
Price/Sales	2.22	2.28	3.07	2.74
Price/EBITDA	9.26	9.60	13.67	11.74
Price/Pretax Income	10.95	11.56	17.57	13.94
P/E Ratio	17.43	19.02	28.65	22.79
Avg. Diluted Shares Outstg (M)	92.0	91.2	95.1	99.6

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	19.16	26.02	19.66	19.71
Net Income	26.41	29.69	19.57	20.36

## Ratio Analysis (Annual Avg.)

Net Margin (%)	12.72	11.81	11.93	12.41
% LT Debt to Capitalization	Nil	Nil	Nil	Nil
Return on Equity (%)	35.18	34.55	31.59	41.97

## Company Financials Fiscal Year Ended Jan. 31

Per Share Data (\$)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Tangible Book Value	NA	19.17	11.34	7.78	9.21	7.71	6.02	4.28	3.05	1.83
Cash Flow	NA	6.18	5.02	3.39	2.73	2.50	2.05	1.85	1.65	1.16
Earnings	5.20	5.20	3.66	2.28	2.06	1.94	1.65	1.55	1.39	0.96
S&P Core Earnings	5.20	4.59	3.38	2.32	1.81	1.70	1.45	1.35	NA	NA
Dividends	0.70	0.60	0.50	0.50	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	13%	13%	14%	22%	Nil	Nil	Nil	Nil	Nil	Nil
Calendar Year	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Prices:High	85.77	79.42	74.10	47.45	33.65	33.85	47.50	31.31	50.75	36.13
Prices:Low	67.72	49.98	44.17	23.07	20.65	14.97	16.21	8.00	21.00	14.44
P/E Ratio:High	16	17	20	21	16	17	29	20	37	38
P/E Ratio:Low	13	11	12	10	10	8	10	5	15	15

## Income Statement Analysis (Million \$)

Revenue	NA	3,318	2,785	2,021	1,708	1,596	1,365	1,238	1,042	816
Operating Income	NA	794	661	453	398	370	313	284	270	188
Depreciation	NA	146	124	106	66.6	56.9	41.2	30.7	27.7	20.9
Interest Expense	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Pretax Income	NA	672	549	353	335	316	277	261	249	170
Effective Tax Rate	NA	37.2%	39.2%	38.7%	38.8%	38.4%	39.0%	39.5%	40.0%	40.0%
Net Income	NA	422	334	216	205	195	169	158	150	102
S&P Core Earnings	476	422	312	220	180	170	148	138	NA	NA

## Balance Sheet & Other Financial Data (Million \$)

Cash	NA	530	462	350	521	401	239	138	194	164
Current Assets	NA	1,092	947	652	753	601	405	304	300	218
Total Assets	NA	2,248	1,790	1,348	1,199	995	771	588	458	319
Current Liabilities	NA	511	492	414	280	211	164	155	138	122
Long Term Debt	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Common Equity	NA	1,405	995	669	871	750	595	423	311	186
Total Capital	NA	1,436	1,034	725	891	770	597	423	311	186
Capital Expenditures	NA	403	256	185	99.1	93.0	127	153	83.8	41.9
Cash Flow	NA	568	458	322	272	252	210	189	177	123
Current Ratio	NA	2.1	1.9	1.6	2.7	2.8	2.5	2.0	2.2	1.8
% Long Term Debt of Capitalization	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
% Net Income of Revenue	NA	12.7	12.0	10.7	12.0	12.2	12.4	12.8	14.4	12.5
% Return on Assets	NA	20.9	21.0	15.8	18.5	22.1	24.8	30.2	38.5	40.6
% Return on Equity	NA	35.2	40.1	28.3	25.3	29.0	33.1	43.1	60.2	83.4

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Abercrombie & Fitch Co.

## Sub-Industry Outlook

Our fundamental outlook for apparel retailers is neutral. We see about 3% sales growth for the specialty channel in 2008, reflecting slowing consumer spending offset by market share gains. We anticipate channel migration from the department store to the specialty format as consumers react to the new national Macy's (formerly Federated-May).

In 2007, the specialty channel expanded at a 4.6% pace to capture 31% of the apparel market, flat with its 2006 share and up from 30% in 2005, according to NPD Fashionworld consumer estimated data. Total apparel sales rose 2.7%. Department stores' share of the market was flat at 16%, in tandem with flat sales.

Initial markups have expanded modestly as retailers' abilities to source goods at lower prices have improved. Average unit retail in the aggregate was up about 2% year over year. Information technology has enabled retailers to apply science to markdowns, resulting in improved merchandise margins. We see teen apparel retailers benefiting from a steady flow of new product to stores, which includes a greater proportion of accessories as well as new bottom silhouettes as merchants seek to provide newness to denim and twill.

Longer term, we believe the demographic underpinnings for apparel sales are weak, as an older population focuses on funding retirement, children's tuition, and health care costs. These expenditures should garner a greater share of household disposable income. We believe companies with strong brands, differentiated products, superior customer service, and attractive price-value propositions are likely to outperform their peers.

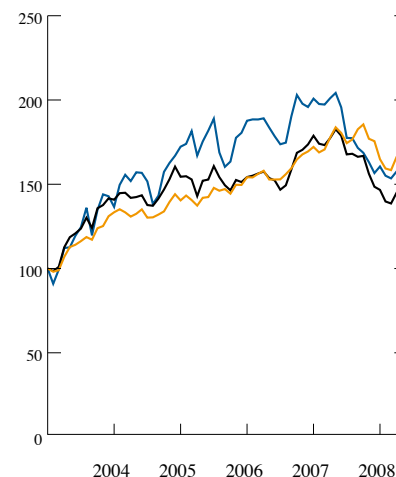
Year to date through April 11, the S&P Apparel Retail Index declined 6.7% versus a 9.0% drop for the S&P 1500 Index. In 2007, the sub-industry index decreased 20.0% versus a 3.6% increase for the S&P 1500. In our view, the recent drop in the fed funds rate may prove positive for the group. Looking at the price action for the group in the past four instances of an interest rate cut, six months later the group outperformed the broader market 50% of the time. The onset of a rate reduction program has historically been favorable for retail stocks generally, but readers should note past performance is not necessarily an indicator of future results.

--Marie Driscoll, CFA

## Stock Performance

**GICS Sector: Consumer Discretionary**  
**Sub-Industry: Apparel Retail**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 04/30/08



Sub-Industry      Sector      S&P 1500

**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

## Sub-Industry : Apparel Retail Peer Group\*: Youth Apparel Retailers

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Abercrombie &amp; Fitch Co'A'</b>	<b>ANF</b>	<b>6,262</b>	<b>72.66</b>	<b>85.77/66.05</b>	<b>0.92</b>	<b>1.0</b>	<b>14</b>	<b>95.10</b>	<b>A-</b>	<b>98</b>	<b>12.7</b>	<b>NA</b>
Aeropostale Inc	ARO	2,149	32.20	33.65/18.29	1.46	Nil	19	39.10	NR	87	7.5	NA
Amer Eagle Outfitters	AEO	3,762	18.36	30.19/15.58	0.78	2.2	10	17.60	B+	86	13.9	NA
Buckle Inc	BKE	1,507	49.51	50.50/30.05	0.44	2.0	20	NA	B+	87	10.5	NA
Charlotte Russe Hldg	CHIC	407	16.34	29.50/12.27	0.44	Nil	11	21.60	B	90	4.9	NA
Guess Inc	GES	3,859	40.90	57.20/30.00	1.33	0.8	22	36.70	B-	77	10.4	4.0
Pacific Sunwear of Calif	PSUN	875	12.37	23.06/8.87	1.10	Nil	NM	13.30	B	88	2.7	NA
Urban Outfitters	URBN	5,480	32.90	35.37/19.20	1.85	Nil	35	39.90	B	95	9.5	NA
Wet Seal'A'	WTSLA	336	3.60	6.33/1.81	1.16	Nil	16	3.50	C	78	NM	2.3
Zumiez Inc	ZUMZ	586	20.43	53.99/13.26	2.53	Nil	24	26.70	NR	58	6.3	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**Abercrombie & Fitch Co.****S&P Analyst Research Notes and other Company News****May 8, 2008**

Up 1.54 to 74.20... Posts 6% higher April same-store sales, 18% higher total sales.

**May 8, 2008**

11:27 am ET ... APRIL RETAIL SALES (ANF 73.77\*\*\*\*): Our sales-weighted index of 13 apparel retailers posted a +1.8% Annualized Percentage Rate comp vs. our flat est., and year-ago -7.7%. Teen retailers mostly beat expectations; ARO +25% and ANF +6%. Heavy promotions drove Saks' +24%. Shoppers are flocking to off-price retailers for best value, in our view. APR benefited from Easter shift and we view underlying trend as weaker than APR results suggest. We think most apparel retailers enter May with clean inventories and should benefit from tax rebate checks. Our broader measure of 23 retailers was +3.9% vs. -3.1% and our 2.4% est. /M. Driscoll-CFA

**April 10, 2008**

Down 0.58 to 73.40... Posts 10% lower March same-store sales, 45% higher total company direct-to-consumer net sales.

**April 7, 2008**

On April 2, 2008, John A. Golden notified Abercrombie & Fitch Co. that he intended to retire from the Board of Directors of the Company on June 11, 2008, having completed 10 years of service as a director of the Company.

**March 18, 2008**

On March 14, 2008, Russell M. Gertmenian notified Abercrombie & Fitch Co. that he had decided not to stand for re-election to the Board of Directors of the Company. Mr. Gertmenian, who has been a member of the Board of Directors of the Company since 1999, cited personal reasons, and not any disagreement with the Company, as the basis for his decision. Mr. Gertmenian's term as a director will expire at the 2008 Annual Meeting of Stockholders.

**March 6, 2008**

Down 2.24 to 76.80... Posts 2% lower Feb. same-store sales, 11% higher total sales. Says total co. direct-to-consumer net sales increased 39% for Feb.

**February 26, 2008**

12:24 pm EST... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF ABERCROMBIE & FITCH (ANF 81.0\*\*\*\*): We recently walked through ANF's newest concept, Gilly Hicks, which meets the intimate apparel needs of the A&F female. The prototype store is 10,000 square feet. Plans are for 16 stores in '08 and 17 more in '09. The Natick, MA store cost about \$490 per square foot to build; ANF expects to reengineer this cost down to a more acceptable \$300 over the next 12 months. Intimate apparel is a \$11B-plus market, according to research firm NPD, and had 5% trailing 12-month growth for Sept '07, with 34% in specialty channel. We regard intimates as strong growth opportunity for ANF. /M.Driscoll-CFA

**February 21, 2008**

11:10 am EST... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF J CREW GROUP (JCG 42.32\*\*\*\*): JCG opens first NY-based Madewell store in hip Soho to positive trade reactions. Madewell is contemporary casual (female) rooted in denim, with multiple categories including boots, handbags, outerwear, leggings. Color is important (like J.Crew). Seven stores are open with 3 more planned in '08. We expect Madewell to benefit from opportunity for new contemporary denim lines. Many specialty retailers are targeting contemporary casual, from American Eagle's (AEO 22\*\*\*\*) Martin & Osa, to Abercrombie's (ANF 77\*\*\*\*)'s Ruehl. We view Madewell as competitive and expect L/T success. /M.Driscoll-CFA

**February 15, 2008**

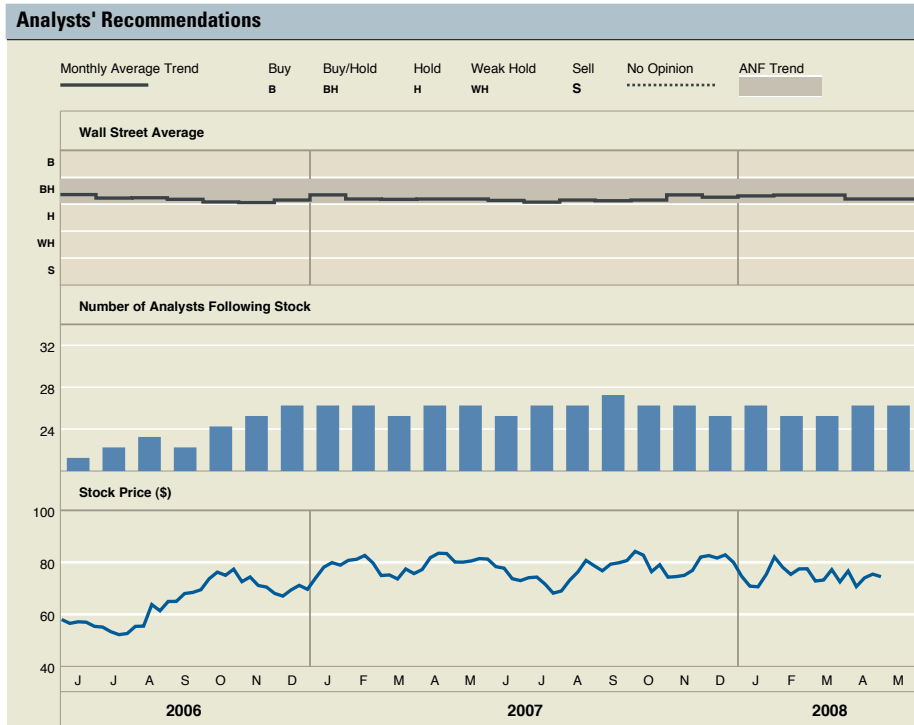
Posts \$2.40 (incl. \$0.04 of favorable tax adjustments) vs. \$2.14 Q4 EPS on 7.9% higher total co. sales, 1.0% lower same-store sales. Sees \$1.61-\$1.65 H1 FY 09 EPS, an increase of 5%-8% from H1 FY 08 EPS results. Notes the low end of EPS guidance reflects a 1% same-store sales decline scenario for H1 FY 09.

**February 15, 2008**

11:01 am EST... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF ABERCROMBIE & FITCH (ANF 76.04\*\*\*\*): Jan-Q EPS of \$2.40 vs. \$2.14 beats our

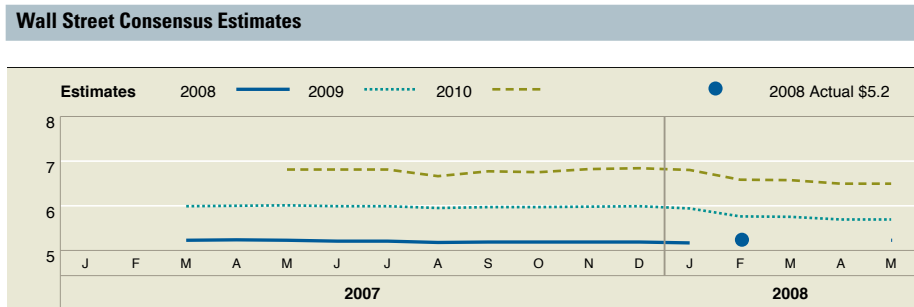
estimate by \$0.10 as higher initial markups and lower shrink drove a healthy 80 bps improvement in gross margin. Effective tax rate of 36.9% was also lower than we expected. We think ANF kicked off early spring selling with minimal markdown risk, as inventory per square foot was down double digits at the end of FY 08 (Jan.). Weighing this positive factor against the company's cautious sales outlook for the first half of this year, we trim our FY 09 EPS estimate by \$0.10 to \$5.95. We reiterate our 12-month target price of \$95. /M.Driscoll-CFA, J.Asaeda

# Abercrombie & Fitch Co.



Of the total 27 companies following ANF, 26 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	8	31	8	8
Buy/Hold	4	15	4	6
Hold	12	46	12	10
Weak Hold	2	8	2	1
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>26</b>	<b>100</b>	<b>26</b>	<b>25</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2010	6.51	6.90	6.20	22	11.2
2009	5.70	5.95	5.51	28	12.8
<b>2010 vs. 2009</b>	<b>▲ 14%</b>	<b>▲ 16%</b>	<b>▲ 13%</b>	<b>▼ -21%</b>	<b>▼ -13%</b>
Q1'10	0.72	0.73	0.70	2	NM.2
Q1'09	0.65	0.74	0.58	24	NM
<b>Q1'10 vs. Q1'09</b>	<b>▲ 11%</b>	<b>▼ -1%</b>	<b>▲ 21%</b>	<b>▼ -92%</b>	<b>NM</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

- Argus Research Corp.
- BWS Financial
- Banc of America Securities LLC.
- Bear Stearns & Co.
- Buckingham Research Group, Inc.
- Cleveland Research Company
- Cowen & Co.
- Credit Suisse First Boston
- D A Davidson & Company
- Friedman, Billings, Ramsey & Co.
- JP Morgan Securities
- Lehman Brothers, Inc.
- MKM Partners LLC
- Merrill Lynch Research
- Morgan Stanley & Company
- Morgan, Keegan & Company, Inc.
- Needham & Co.
- Oppenheimer
- Piper Jaffray
- RBC Capital Markets (US)
- Robert W Baird & Co.
- Robinson Humphrey Co., The
- Smith Barney
- Stifel Nicolaus & Co.
- Susquehanna Financial Group
- Thomas Weisel Partners
- Wachovia Securities

### Wall Street Consensus vs. Performance

For fiscal year 2009, analysts estimate that ANF will earn \$5.70. For fiscal year 2010, analysts estimate that ANF's earnings per share will grow by 14% to \$6.51.

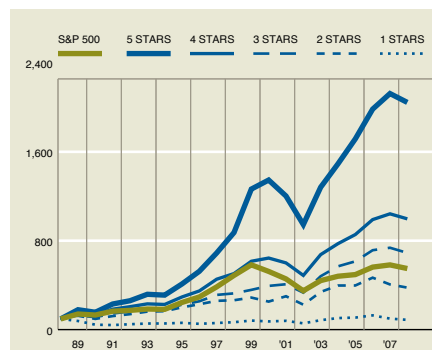
# Abercrombie & Fitch Co.

## Glossary

### S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

### STARS Average Annual Performance



### S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

### Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

### Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

### Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

### S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

### S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

### Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

### Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

### S&P's IQ Rationale:

#### Abercrombie & Fitch Co 'A'

	Raw Score	Max Value
Proprietary S&P Measures	78	115
Technical Indicators	20	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	51	75
<b>IQ Total</b>	<b>168</b>	<b>250</b>

### Volatility

Rates the volatility of the stock's price over the past year.

### Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

### Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

### Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

### S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

### Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

### S&P Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

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**In the U.S.:** As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 34.2% of issuers with buy recommendations, 57.3% with hold recommendations and 8.5% with sell recommendations.

**In Europe:** As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services Europe have recommended 47.0% of issuers with buy recommendations, 36.3% with hold recommendations and 16.7% with sell recommendations.

**In Asia:** As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services Asia have recommended 50.4% of issuers with buy recommendations, 42.5% with hold recommendations and 7.1% with sell recommendations.

**Globally:** As of March 31, 2008, research analysts at Standard & Poor's Equity Research Services globally have recommended 37.1% of issuers with buy recommendations, 53.4% with hold recommendations and 9.5% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

**Relevant benchmarks:** In the U.S. the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

**For All Regions:** All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

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This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.