

ABERCROMBIE & FITCH (NYSE:ANF)

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OVERVIEW

- Company Description:
  - Abercrombie & Fitch Co. is a leading global apparel retailer that specializes in casual wear and accessories for young adults, teenagers, and tweens. The brand is known for its trendy apparel across its various segments and operates under two main brands Abercrombie and Hollister.
- Business Segments:
  - **Abercrombie & Fitch:** Offers premium casual and semi-formal wear targeted at a youthful audience.
  - **Hollister Co.:** Aimed at a younger demographic offering budget friendly apparel that is focused on surf inspired causal wear.
  - **Abercrombie kids:** Provides stylish clothing in kids sizes that are like the design of the main Abercrombie products.
  - **Gilly Hicks:** A subsidiary of the Hollister brand that is focused on ladies' loungewear, sleepwear and underwear

Abercrombie & Fitch Co.

Abercrombie & Fitch | abercrombie kids | HOLLISTER | Gilly Hicks

OVERVIEW CONTINUED

- Geographic segments:
  - **Americas:** Primary market with the bulk of stores being in north America
  - **Europe and the middle east:** Strong presence across countries like the UK and Germany as well as the Arab world
  - **Asia-Pacific**: Emerging market with many store openings in China
- Key Highlights:
  - Focus on sustainability and responsible product sourcing.
  - E-commerce growth strategy to expand online shopping segment.
  - Strong engagement through social media and influencer collaborations.

COMPETITORS OVERVIEW

- The top competitors are:
  - American Eagle (NYSE: AEO)
  - Urban Outfitters (Nasdaq: URBN)
  - Aeropostale (private)

Abercrombie & Fitch

URBAN OUTFITTERS

AMERICAN EAGLE
OUTFITTERS

- The chosen competitor that we have chosen to make our comparisons on is American Eagle Outfitters. The rationale is listed as follows:
  - **Target Market:** Both ANF and AEO target a similar demographic of young people looking for trendy and stylish apparel.
  - **Product offerings:** Both firms are split up into various brands offering different tiers of products based on price points and demographics.
  - **Brand positioning:** While both firms target the same audience, Abercrombie focuses more on an upscale aesthetic while American Eagle portrays its brand in a more laid back fashion.

FINANCIAL COMPARISON

ABERCROMBIE & FITCH

	2023	2022	2021	2020
Gross Margin	62.92%	56.91%	62.27%	60.51%
Operating Margin	11.32%	2.51%	9.24%	-0.65%

ANF

	Current Assets	Current Liabilities	Total Working Capital	Percentage Increases
2023	1,228,018	902,200	325,818	-33.85%
2022	1,507,759	1,015,240	492,519	-29.86%
2021	1,661,629	959,399	702,230	56.26%
2020	1,264,749	815,354	449,395	

ANF

	Debt-Equity Ratio	% Short Term Debt	% Long Term Debt	EBITDA/Interest Ratio
2023	2.84	44.96%	55.04%	15.97
2022	2.51	48.29%	51.71%	3.07
2021	2.49	40.56%	59.44%	9.70
2020	2.31	32.90%	67.10%	-3.30

AMERICAN EAGLE

	2023	2022	2021	2020
Gross Margin	34.98%	39.75%	30.54%	35.33%
Operating Margin	4.95%	11.80%	-7.22%	5.42%

AEO

	Current Assets	Current Liabilities	Total Working Capital	Percentage Increases
2023	1,100,241	768,948	331,293	-40.21%
2022	1,396,924	842,871	554,053	-16.58%
2021	1,522,643	858,482	664,161	124.25%
2020	1,047,930	751,756	296,174	

AEO

	Debt-Equity Ratio	% Short Term Debt	% Long Term Debt	EBITDA/Interest Ratio
2023	1.14	42.21%	57.79%	31.75
2022	1.66	35.67%	64.33%	21.88
2021	2.16	36.56%	63.44%	-4.43
2020	1.07	36.13%	63.87%	-71.96

FINANCIAL COMPARISON (FCF, WACC, GROWTH RATE)

FCF

FCF	Abercrombie
NOPLAT	$349,237.46
Depreciation	$141,104.00
Add:	**$490,341.46**
Working Cap	$570,445.00
PPE	$538,023.00
Net LT Liab	$957,426.00
Less:	**$2,065,894.00**
FCF	($1,575,552.54)

WACC

- 8.9%

GROWTH RATE

- 14.89%

FINAL VALUATION

- ENTERPRISE VALUE: $7,800,000,000
- EQUITY VALUE: $7,795,234,000
- VALUE PER SHARE: $155.05
- CURRENT STOCK PRICE: $149.69

Abercrombie & Fitch has very low debt, lots of cash, and is still relatively undervalued relative to its current market price.

RECOMMENDATION

- RECOMMENDATION:
  - **STRONG BUY**
- RATIONALE:
  - **STRONG FINANCIAL STATEMENTS**
  - **STRONG FUNDAMENTALS**
  - **LOW DEBT**
  - **SLIGHTLY UNDERVALUED**



QUESTIONS?