Analyzing the Financial Data and Decisions of the Women's Apparel Industry during the COVID-19 Pandemic

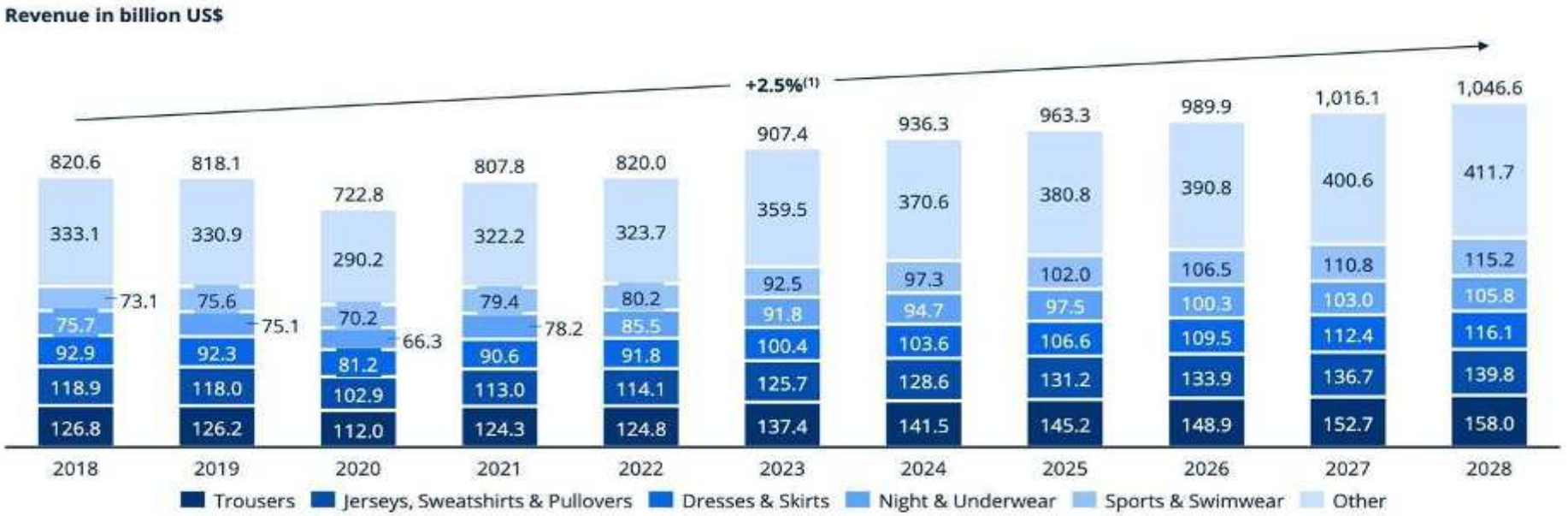
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Introduction



Industry Analysis

- In 2023, U.S. women's apparel market reported revenues of $187 billion
- Expected global revenue to reach $907 billion
- US retail apparel market accounts for 19% of global apparel market
- CAGR: 2.5%



American Eagle

American Eagle was forced to reevaluate its supply chain strategy to have more control

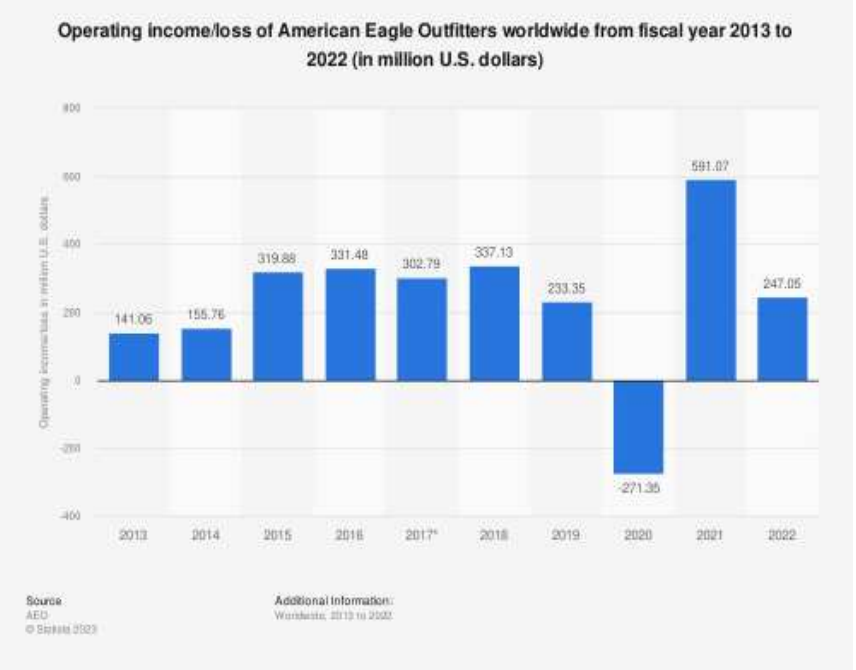
- Acquired Quiet Logistics and Airterra

American Eagle combated financial struggles during COVID-19 by:

- Issuing convertible senior notes worth $415 million
- Postponing dividend payments and ceasing buying back shares
- Putting employees on indefinite furloughs and enacting a “hiring freeze”
- Decreasing inventory receipts because of store closures and decreased demand

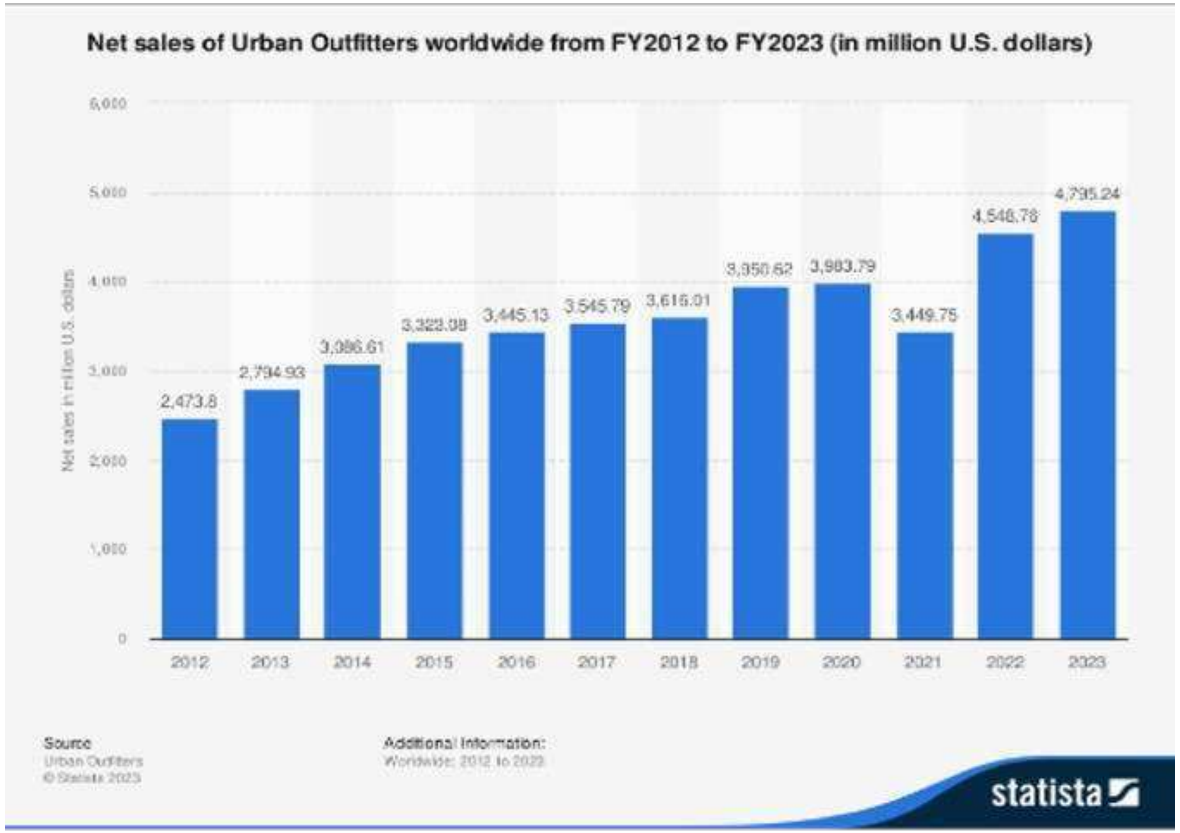
Following COVID-19, American Eagle had an impressive growth trajectory, with sales exceeding pre-pandemic levels.

- AEO reached a significant peak in net revenue of nearly $5 million



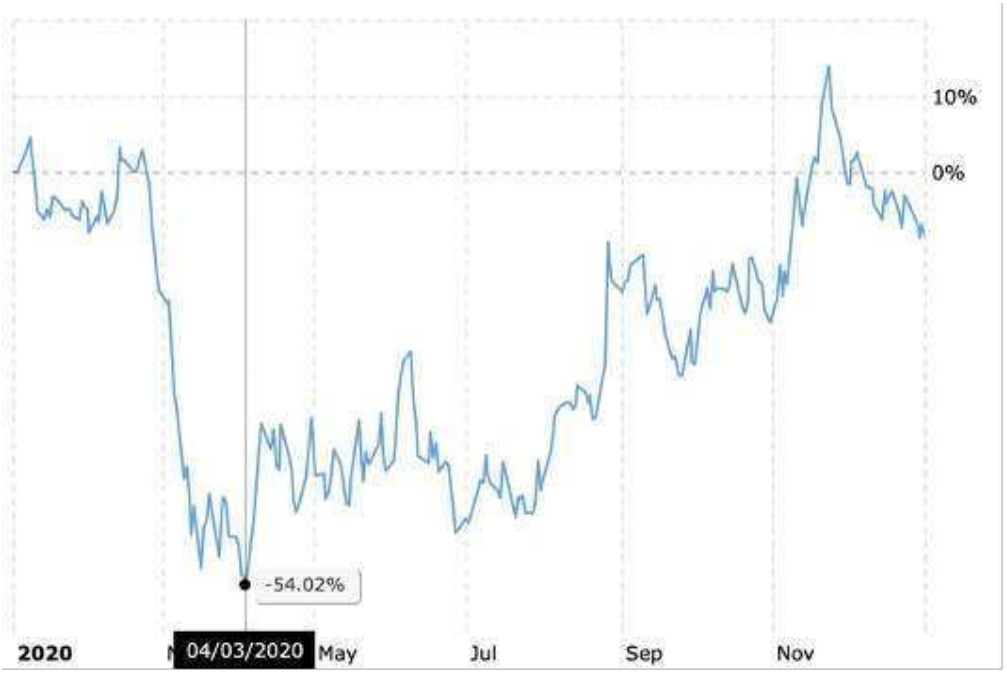
Urban Outfitters

- Net sales for company have steadily increased prior to pandemic, with peak in 2019
  - "We thought we were on our way to deliver outstanding quarterly results." (GLOBE)
- Closed 40% of company's store fleet, furloughed employees in all sectors for 60 days, & a shift to online retail platform
  - Slow to impart change in their retail process and suffered the revenue loss as a direct result
- By the end of the first quarter:
  - Net income loss of $138 Million
  - Shares slid by over 5%
  - Total Sales fell 32% (from 864 Million to $588 Million)



Urban Outfitters

- Occupancy expenses were deleveraged, but rent remained unadjusted
  - Lease expense incurred by firm was $190.6 Million, with a $1.6 Million loss on disposition of property and equipment
  - “$43.3 million year-over-year increase in inventory obsolescence reserves because of excess inventory and an increased promotional environment” (Ell)
- With the brand’s shift to online retail, they were able to recover a significant amount of their COVID-19-related losses
  - Focus remained on strengthening balance sheet and retaining liquidity to preserve financial flexibility by years end
  - Firing on all cylinders to clear merchandise through the online channel
- Decline in company's stock throughout 2020
  - All-time low for the year being a 54% decrease
  - Slow economic and buying conditions, and the impact these have had on purchasing in the apparel industry
- In store traffic was reported to be increasing
  - With their new customer count being up by 60%
  - Even with this increase revenue remains down
- Balance sheet was in recovery into 2022 from aftereffects of COVID



Abercrombie & Fitch

- Pre-COVID Struggles
  - Prior to the COVID-19 pandemic A&F was facing many issues regarding turning around the business
    - Changing consumer preferences away from exclusivity and sex appeal to a more inclusive body image friendly one
    - Declining sales as a result of mis-managed leadership
    - Competition from fast fashion such as SHIEN
    - Late mover in the E-Commerce revolution



Increased digital net sales penetration

2020	2019
54% OF ANNUAL REVENUE	33% OF ANNUAL REVENUE

Net sales adversely impacted by COVID-19

2020	2019	% CHANGE
$3.13B	$3.62B	-14%

Net (loss) income per diluted share attributable to A&F

	2020*	2019**
GAAP	($1.82)	$0.60
NON-GAAP	($0.73)	$0.73

* Both GAAP and Non-GAAP results included adverse tax impact resulting from COVID-19 of $1.61 per diluted share.
** Both GAAP and Non-GAAP results included the adverse impact from flagship store exit charges of approximately $0.53 per diluted share, net of estimated tax effect.

Fortified balance sheet and strong liquidity position

	January 30, 2021	February 1, 2020
LIQUIDITY	$1.3B	$0.9B

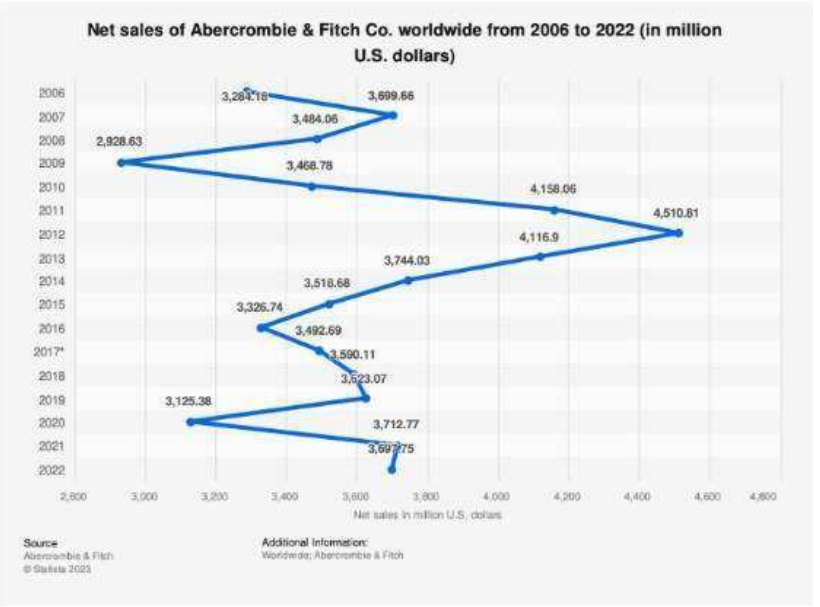
Abercrombie & Fitch

A&F's measures to lessen the impact of the pandemic include:

- Reducing expenses by closing stores, furloughing employees and negotiating retail store leases
- Raising $210 million under its asset-based credit facility
- Withdrawing about $50 million from its overfunded trust assets
- Completely cut sale repurchases and cease dividends

A&F is in a strong financial position post-COVID due to the company's sales growth remaining profitable.

- First-quarter earnings per share (EPS) of $0.39
- First-quarter revenue rose 2.9% to $836 million
- Average unit retail jumped by a double-digit percentage since the COVID-19 pandemic



Conclusion:

American Eagle, Urban Outfitters, and Abercrombie & Fitch all handled the COVID-19 pandemic in unique ways that best fit each company to sustain the financial success and dominance it had within the women's apparel industry.



Abercrombie & Fitch
Strategic management & capital allotments helped sprout the post-pandemic growth of this firm



Urban Outfitters
Slow to react to pandemic, and profit took hit as a result, slowly recovering but weathered pandemic in a better position due to online retail



American Eagle
Showed adaptability & economic resilience demonstrated through their post pandemic growth surpassing pre-pandemic levels