

Initiating Coverage

Abercrombie & Fitch Co (\$ANF)

Tailored for Turnaround: Abercrombie's Revival

Key Takeaway: Despite ongoing tariff pressures, Abercrombie & Fitch Co. (A&F Co.) shares surged over 14% following strong Q1 earnings and unprecedented sales. The company is managing rising costs without resorting to broad price increases, reflecting strong operational excellence. Hollister's standout performance, along with a more focused brand strategy, has helped rebuild investor confidence. Leadership remains optimistic about future growth, driven by continued product innovation and global expansion.

Exceeding Financial Expectations: Abercrombie & Fitch Co. delivered a standout in fiscal Q1 2025, exceeding expectations with record net sales of \$1.1 billion, an 8% year-over-year increase, and earnings per share of \$1.59, which is \$0.23 above analyst estimates. This growth was driven by a 22% surge in Hollister sales, which offset a 4% decline in the Abercrombie brand compared to last year's 31% gain. Performance was strong across regions, with notable gains in EMEA (+12%) and the Americas (+7%). Despite projecting lower full-year EPS (\$9.50–\$10.50) and operating margin (12.5%–13.5%) due to \$50 million in anticipated tariff expenses, the company raised its full-year sales outlook to 3%–6%, showing confidence in underlying demand. A&F Co. also repurchased \$200 million in shares, tightening equity and signaling strong capital management.

A Remarkable Rebrand: A&F Co. has transformed from a struggling teen retailer to a strong market performer. This shows how strategic rebranding and operational efficiency can significantly drive shareholder value, even in the typically low-growth retail sector. This rebrand, led by CEO Fran Horowitz since 2014, moved away from its former exclusionary image, successfully redefining its target demographic to include millennial and Gen Z adults for the Abercrombie brand, while Hollister continues to cater to teens. The shift involved offering more inclusive sizing, elevated product collections of "core", timeless wardrobe staples, and an emphasis on "fit and finish," which has resonated with a broader customer base and improved pricing power. This strategic pivot has not only revitalized the brand's appeal but also underpinned its impressive financial resurgence and substantial shareholder returns.

Valuation: We initiate coverage with a \$115 PT.



Consortium Research Group
Consumer | Apparel Retail
July 16th, 2025

Stock Rating: Overweight

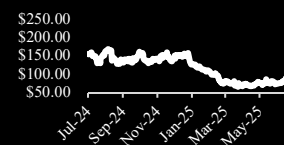
Price Target: \$115.00

Price: \$89.57

Potential Upside: 28.52%

Ticker: SANF

1 Year History



Consumer Coverage Team

Analyst
Yuyi Liu
University of Pennsylvania
yuyiliu@wharton.upenn.edu

Company Overview

Reinventing Relevance: Once known for its dark store lighting, overpowering cologne, and controversial commitment to a narrow beauty standard (e.g., refusing to sell larger sizes), Abercrombie was widely viewed as a symbol of the more toxic parts of early 2000s popular teen culture. However, the company has undergone a remarkable transformation under CEO Fran Horowitz. Since launching the “Always Forward Plan” in June 2022, A&F Co. has evolved from an exclusive, logo-centric brand into a modern, inclusive, and digitally driven retailer with broad demographic appeal. This reinvention has strengthened not only the flagship Abercrombie brand but also the entire portfolio, including Hollister Co. and Gilly Hicks. A&F Co. has successfully expanded its reach beyond teenagers to young adults in their 20s to mid-40s by revamping merchant processes, incorporating customer feedback, and staying ahead of fashion trends when innovating products. The focus on elevated basics, inclusive denim fits, and versatile wardrobe staples has resonated across age groups, while updated store layouts and increased digital investments have improved both in-store and online experiences. With a strong focus on data-driven insights and omnichannel integration, A&F Co. is proving that brands, even those over a century old, can evolve, stay relevant, and thrive in today’s retail landscape.

Modernizing Digital Infrastructure: Abercrombie & Fitch Co. went through a major digital transformation to modernize its infrastructure and deliver more personalized, data-driven customer experiences. Facing limitations from its traditional, on-premises systems, A&F Co. migrated its e-commerce environment and data estate to Microsoft Azure, creating a unified Global Data Cloud platform. This move enabled the company to streamline operations across its portfolio of brands and shift focus from maintenance to innovation. With its new cloud-first strategy, A&F Co. improved development speed, scaled operations during peak seasons, and provided its teams with real-time insights through tools like Power BI, Databricks, and Snowflake. The platform supports faster deployment cycles, greater operational efficiency, and accelerated adoption of generative AI. Through these measures, A&F Co. has seen double-digit growth in personalized customer experiences, illustrating how its data modernization efforts are driving smarter decision-making and deeper engagement across channels.

Cool Collabs: Abercrombie is not just about fashion; it's increasingly about purpose. The company actively engages in strategic partnerships, particularly within the social impact sphere, aligning with its commitment to a more inclusive and responsible corporate identity. Notable collaborations with organizations like GLSEN (the Gay, Lesbian & Straight Education Network), SeriousFun Children's Network, The Steve Fund, and The Trevor Project underscore A&F Co.’s dedication to youth mental health, LGBTQ+ inclusivity, and children's well-being. On products, the successful and expanding partnership with the National Football League (NFL) for licensed graphic apparel has consistently exceeded expectations, showcasing the brand's ability to innovate and tap into relevant and diverse consumer interests. Under CEO Fran Horowitz’s leadership, management is committed to its "Always Forward Plan," focusing on sustained growth. The company's strategic vision and proven ability to adapt and connect with modern consumers position Abercrombie & Fitch for continued success and a strong presence in the global retail landscape.

Industry Overview

From Bricks to Clicks and Beyond: The apparel retail industry has been rapidly shifting from traditional brick-and-mortar stores to a more complex, digital-first, omnichannel model. Consumers today demand seamless shopping experiences, whether browsing online, utilizing mobile apps, or visiting physical stores. This change requires significant investment in digital commerce platforms, robust loyalty programs, and integrated supply chains to provide real-time inventory visibility and efficient delivery. Retailers, including Abercrombie & Fitch, must implement this integration to meet consumer expectations for convenience and accessibility,

connecting online and offline channels. Offering personalized experiences is crucial to succeed in today's retail landscape. Companies are increasingly using AI and data analytics to recommend products to customers and improve efficiency in areas like demand forecasting and inventory management.

The Conscious Consumer: The apparel industry has been shifted by consumer values that are moving beyond price sensitivity to demanding purpose-driven brands. Today's consumers, particularly Gen Z and Millennials, are increasingly conscious of environmental and social impacts, prioritizing quality, durability, and ethical production over fast fashion's fleeting trends. This trend favors "slow fashion" and drives demand for sustainable materials, circular economy practices (e.g., resale and upcycling), and transparent supply chains. Inclusivity, encompassing diverse body types, ages, genders, and cultural representation, is no longer optional but a fundamental expectation. Brands that align their values with these evolving consumer priorities (e.g., authenticity, accountability) are gaining more brand equity and loyalty, while those sticking to outdated models risk losing relevance.

Competition Amid Economic Pressure: The specialty apparel retail market is highly competitive, with companies ranging from large-scale retailers and e-commerce platforms like Amazon and Alibaba to smaller online-focused brands such as ASOS and Fashion Nova. Pricing pressure is consistently intense, constantly pushing retailers to launch new product ideas and marketing campaigns. The Consumer Price Index rose by 0.3% this month, bringing the 12-month inflation rate to 2.7%, the highest since February. Companies continue to face rising operating costs and pressure from aggressive pricing strategies. At the same time, supply chains are under strain due to raw material shortages, labor issues, and shifting geopolitical conditions, requiring brands to diversify sourcing and plan for disruptions. To succeed, apparel companies must stay flexible, adopt new technologies, and respond quickly to changing market conditions.

Peer Comparisons

Comparable Companies

<i>\$mm</i>					
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
American Eagle Outfitters, Inc. (NYSE:AEO)	\$1,666.8	\$3,346.1	\$8.8	\$5,274.4	\$517.9
Urban Outfitters, Inc. (NasdaqGS:URBN)	\$6,334.1	\$6,652.7	\$15.3	\$5,679.4	\$647.6
Levi Strauss & Co. (NYSE:LEVI)	\$7,206.8	\$8,790.2	\$13.5	\$6,401.9	\$917.8
The Gap, Inc. (NYSE:GAP)	\$8,200.0	\$11,466.0	\$9.5	\$15,161.0	\$1,667.0
Abercrombie & Fitch Co.	\$3,804.8	\$4,236.6	\$8.1	\$5,025.2	\$877.6

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
American Eagle Outfitters, Inc. (NYSE:AEO)	6.5x	36.9%	9.8%	5.8%	(1.0%)
Urban Outfitters, Inc. (NasdaqGS:URBN)	10.3x	35.3%	11.4%	9.2%	8.4%
Levi Strauss & Co. (NYSE:LEVI)	9.6x	60.8%	14.3%	11.3%	7.2%
The Gap, Inc. (NYSE:GAP)	6.9x	41.4%	11.0%	7.7%	1.1%
Abercrombie & Fitch Co.	4.8x	63.2%	17.5%	14.4%	12.5%

High	10.27x	63.2%	17.5%	14.4%	12.5%
75th Percentile	9.58x	60.8%	14.3%	11.3%	8.4%
Average	7.60x	47.5%	12.8%	9.7%	5.7%
Median	6.88x	41.4%	11.4%	9.2%	7.2%
25th Percentile	6.46x	36.9%	11.0%	7.7%	1.1%
Low	4.83x	35.3%	9.8%	5.8%	-1.0%

Abercrombie & Fitch Co. Valuation

Implied Enterprise Value (25th Percentile)	\$	5,670
Implied Enterprise Value (Median)	\$	6,036
Implied Enterprise Value (75th Percentile)	\$	8,405

Implied Share Price (25th Percentile)	\$	134.17
Implied Share Price (Median)	\$	141.86
Implied Share Price (75th Percentile)	\$	191.58

Source: CapIQ

Investment Theses

Capitalizing on Y2K Fashion Resurgence: The Y2K style, short for “the year 2000”, has surged in popularity since the pandemic, fueled by Instagram and TikTok videos celebrating early 2000s fashion through styling tips and clothing hauls. Fast fashion brands like Shein and Forever 21 quickly jumped on this trend. However, consumers specifically crave Abercrombie and Hollister pieces like babydoll tops, henley long sleeves, and vintage-washed flared bootcut jeans—styles these brands haven’t produced since the early 2000s.

As styling videos reminiscing about Y2K fashion went viral, demand for these pieces skyrocketed. Pre-owned Abercrombie and Hollister sweaters now sell for more than triple their original retail prices on eBay and other e-commerce platforms. Many sell above \$100, with some reaching \$200-\$300, up to 6 times higher than the brands’ average sweater price of \$40–70. Sellers frequently label these items as “rare,” “unique,” “vintage,” “dead-stock”, and of course, “Y2K.”

Recently, Abercrombie and Hollister have embraced this nostalgia. Hollister dedicated a “Babydoll Tops” section in its Women’s Tops, and both brands launched henley collections—from slim-fitting to oversized waffle-knit styles, including camisoles and sleeves of varying lengths. These lines have been hugely popular, with most items consistently selling out and customers eagerly waiting for restocks. Even new releases carry

“Almost Gone!” tags due to strong demand. This clear consumer enthusiasm positions Abercrombie and Hollister to capitalize on the ongoing Y2K fashion resurgence, driving sales growth and strengthening brand loyalty.

Social Strategy That Sells: Through an omnichannel strategy, A&F Co. has significantly amplified its brand resonance with customers. Their savvy use of social media and digital engagement—including influencer marketing and trending TikTok hashtags like #HollisterPartner—builds a vibrant online community that effectively reaches a younger demographic.

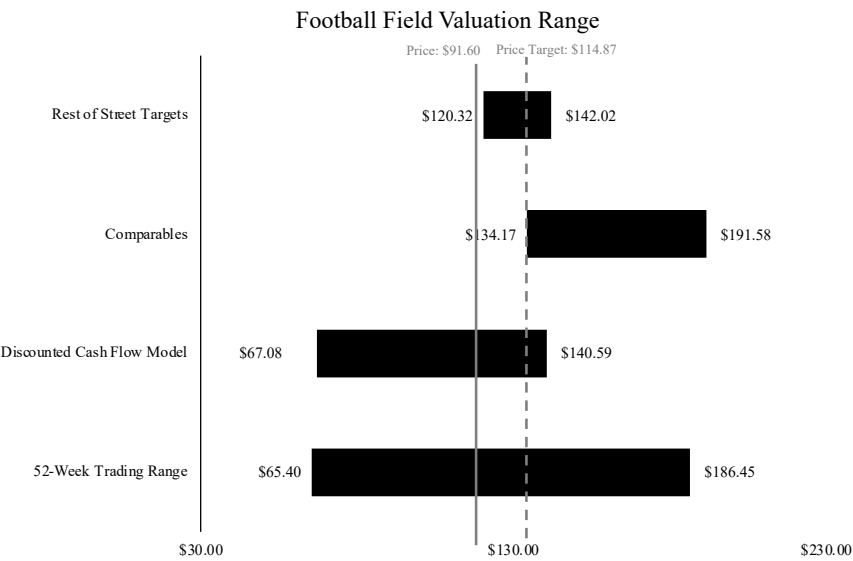
What sets Hollister apart is the inclusivity of the #HollisterPartner program, open to anyone with a public Instagram or TikTok and at least 1,500 followers—a very common threshold among its teen and young adult audience. Participants sign up through the Hollister Style Hub, where they receive products from new collections and can be featured on the brand’s social channels. This low barrier to entry encourages authentic engagement from real customers, making the brand feel more relatable and discoverable through trusted voices.

Beyond this, strategic collaborations like the recent F1 Racing Collection with McLaren, Williams Racing, and Alpine, as well as officially licensed NFL apparel—including popular Super Bowl LIX Chiefs and Eagles gear—showcase A&F Co.’s ability to tap broader cultural trends and diversify appeal. Hollister’s newly launched “Festival Lineup” collection, created with The Castellows, a neotraditional country trio, channeling a youthful, casual, and playful summer festival vibe with clear Y2K and early 2000s influences. Many pieces are already running low in stock due to high demand. Value, comfort, and style are what customers say keep them loyal to A&F Co.—clear signs that the brand’s product lineup and rebrand are resonating.

Shifting Supply: Since ditching its “growth-at-all-costs” mindset, Abercrombie has been focusing on operating margin expansion and implementing more sustainable growth measures. Some of their recent efforts include reconfiguring stores, closing underperforming locations, opening new stores in Fort Worth, New York City’s Fifth Avenue, and expanding across demanding markets in London and Shanghai. Abercrombie & Fitch has also opened “The Getaway” concept stores, designed to offer customers an immersive experience that evokes a sense of escape. These stores combine unique merchandise with a curated atmosphere to create a relaxing, getaway-inspired vibe. Amidst uncertainties in the retail industry like supply shortages, rising costs, and unpredictable tariffs, Abercrombie is also focusing on diversifying their supply chain. After the COVID-19 pandemic, Abercrombie reduced its sourcing from China from 30% to low single digits. It’s now expanding production across Vietnam, Cambodia, and India, which face much lower tariffs at 10%. Abercrombie is also pursuing leaner inventories and implementing AI to apply a read-and-react strategy, where they replenish stock based on response to demand. This strategy helps Abercrombie reduce excess stock while emphasizing customer-centric products.

Price Target & Valuation

Our analysis gives \$ANF a price target of \$115 and an overweight rating.



Potential Downsides to Our Rating

Fleeting Trend or a Lasting Legacy? Despite A&F Co.’s successful brand reinvention and broadened appeal, the apparel industry remains inherently susceptible to rapid shifts in consumer preferences and trends. While A&F Co. has demonstrated an improved ability to adapt, a significant and unforeseen change in style, a resurgence of "fast fashion" (fashion that prioritizes quick, low-cost trends over quality), or the rise of new competitor aesthetics and styles could erode their market share and brand relevance. If their current “elevated casual” aesthetic loses popularity or they fail to remain relevant with Gen Z and Millennial tastes, sales could stagnate or decline, impacting profitability. The risk is compounded by the increasing influence of social media and microtrends, which can accelerate preference shifts.

How Fragile is Fashion? Abercrombie & Fitch’s global supply chain is vulnerable to disruptions that can affect both costs and inventory levels. Issues like geopolitical tensions, trade restrictions (including tariffs and changes to de minimis import rules), labor shortages, or natural disasters in key manufacturing hubs can drive up raw material prices, slow production, and increase shipping costs. Although the company has taken steps to diversify its sourcing beyond China, a sharp and sustained rise in operational costs could hinder profit margins, especially if they’re not balanced by pricing changes or operational efficiencies. At the same time, intense competition in the market may make it difficult to raise prices without losing customers, putting further pressure on profitability even in times of solid demand.

Our Price Target: **\$115.00**

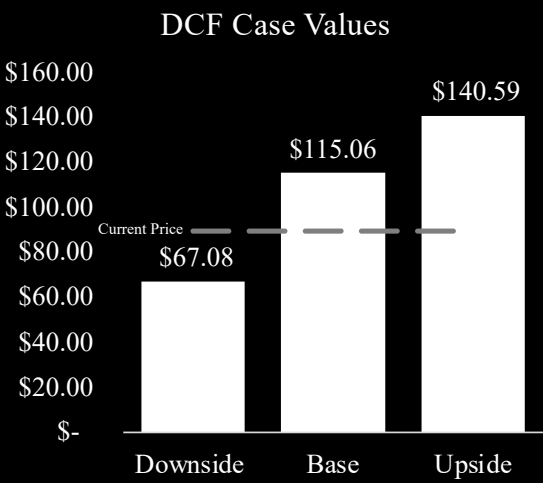
Our PT reflects a steady sales growth from Hollister, while international markets gradually expand through region-specific product offerings and new store openings. Although tariffs remain a challenge, we expect A&F Co. to partially offset these costs through operational improvements: efficient inventory management, diversified sourcing, and leaner manufacturing. We also anticipate continued share repurchases and solid free cash flow.

Our Upside Case: **\$141.00**

Our upside case assumes A&F Co.’s social media marketing expands reach, while omnichannel efforts increase customer retention. International markets like India and EMEA surpass growth expectations, with operating margins rising above guidance. AI-driven inventory planning and efficient supply chains further enhance margins, supporting a premium valuation comparable to leading retailers.

Our Downside Case: **\$67.00**

Our downside case assumes ongoing macroeconomic challenges reducing discretionary spending. A&F Co. may lose pricing power amid tougher competition from fast fashion and global brands. Tariff-driven cost increases strain margins more than expected, while international expansion could face delays or limited success. These rising costs would decrease margins from higher promotions and rising supply costs.



Economic Tides or Tsunami? As a retailer of discretionary goods, Abercrombie & Fitch's performance is highly sensitive to broader macroeconomic conditions. Any events such as an economic slowdown, persistent inflation, rising interest rates, or higher unemployment could impact consumer purchasing power, leading to a contraction in their discretionary spending. Even if sentiment has recently rebounded and inflation has recently been comparatively low, a sustained period of economic uncertainty or a downturn could reduce demand for non-essential items like apparel and accessories, impacting sales volumes. Consumers might trade down to lower-priced alternatives or reduce overall purchases, challenging A&F Co.'s ability to maintain its recent growth trajectory and profitability margins.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	4,949	4,929	5,212	5,511	5,828	5.6%
EBITDA	632	904	392	421	452	-10.6%
EBIT	491	750	229	251	274	-17.7%
NOPAT	98	74	307	17	340	51.3%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	12.8%	18.3%	7.5%	7.6%	7.8%	10.8%
EBIT Margin	9.9%	15.2%	4.4%	4.6%	4.7%	7.8%
Revenue Growth	15.6%	-0.4%	5.7%	5.7%	5.8%	6.5%
EBIT Growth	353.4%	52.7%	-69.4%	9.4%	9.2%	71.0%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	4.6x	4.3x	4.7x	4.8x	5.0x	4.7x
EV/Sales	0.6x	0.6x	0.6x	0.5x	0.5x	0.6x
EV/EBITDA	4.8x	3.3x	7.7x	7.1x	6.7x	5.9x
FCF Yield	21.8%	23.5%	21.4%	20.8%	20.1%	19.2%

About \$ANF

Abercrombie & Fitch Co. (\$ANF), founded in 1892 and headquartered in New Albany, Ohio, is a leading global omnichannel retailer of apparel, accessories, and personal care products. Through its brands (including Abercrombie, Hollister, Gilly Hicks, and Abercrombie Kids), the company serves customers across the Americas, Europe, the Middle East, Africa, and Asia-Pacific. Known for its youthful, trend-focused styles and strong brand loyalty, Abercrombie & Fitch sells products via retail stores, e-commerce, wholesale, franchises, and licensing. The company's goal is to deliver authentic, high-quality products that connect with consumers while driving sustainable growth through innovation and international expansion.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark

(TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Abercrombie & Fitch Co.	
Discounted Cash Flow	
Active Case:	2 Base
Current Share Price	\$88.89

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Stub						0.54	1.54	2.54	3.54	4.54	5.54
Discount Period						0.23	0.96	1.96	2.96	3.96	4.96
Revenue	3,125	3,713	3,698	4,281	4,949	4,929	5,212	5,511	5,828	6,163	6,518
Revenue Growth	-14%	19%	0%	16%	16%	0%	6%	6%	6%	6%	6%
Abercrombie	1,291	2,148	1,735	2,202	2,556	2,533	2,673	2,823	2,985	3,161	3,351
Hollister	1,834	1,565	1,963	2,079	2,392	2,395	2,539	2,688	2,843	3,002	3,168
EBIT	136	33	351	108	491	750	229	251	274	299	326
EBIT Margin	4%	1%	9%	3%	10%	15%	4%	5%	5%	5%	5%
Tax Expense	38	(41)	44	92	151	190	62	71	82	94	108
Effective Tax Rate	28%	-124%	13%	85%	31%	25%	27%	29%	30%	32%	33%
NOPAT	98.18	74.29	306.76	16.78	340.07	559.88	167.40	179.29	191.74	204.76	218.36
D&A	174	166	144	132	141	154	163	170	178	187	196
Capex	(203)	(102)	(97)	(165)	(158)	(183)	(208)	(289)	(379)	(478)	(587)
Changes in NWC	7	(215)	46	130	(173)	20	(261)	(138)	0	154	326
UFCF	468	557	502	184	812	877	799	777	749	715	675
PV of FCF						858	731	648	570	496	427

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.48
Risk Free Rate	4.39%
Cost of Equity	8.05%
Weighted Average Cost of Debt	8.75%
Tax Rate	27.00%
Cost of Debt	1.63%
Total Equity	\$3,730
Total Debt	(\$722)
Equity/Total Capitalization	74.49%
Debt/Total Capitalization	25.51%
WACC	9.68%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$675
Growth	2.00%
Terminal Value	\$8,790
PV of Terminal Value	\$5,558
PV of Projection Period	\$3,729
PV of Terminal Value	\$5,558
Implied TEV	\$9,287
(-) Debt	\$952
(+) Cash	\$1,673
Implied Equity Value	\$10,009
Basic Shares Outstanding	48
Implied Share Price	\$210.09
Upside/Downside	136.35%
Implied Exit BF EV/EBIT	28.5x

Terminal Value	
Exit Multiple Method	
2034 EBIT	\$326
EV/EBIT Exit Multiple	5.0x
Terminal Value	\$1,630
PV of Terminal Value	\$1,030
PV of Projection Period	\$3,729
PV of Terminal Value	\$1,030
Implied TEV	\$4,760
(-) Debt	\$952
(+) Cash	\$1,673
Implied Equity Value	\$5,481
Diluted Shares Outstanding	48
Implied Share Price	\$115.06
Upside/Downside	29.4%
Implied PGR	-33.7%

Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$115.06
Upside/Downside	29.44%