

StoreInteSM ANN Inc. (ANN) - Quarterly Financial Summary: Q3 FY 2011 ended Oct 29, 2011
Highlights:

- Total sales increased 11.6% to \$564.0 million vs. \$565.65 consensus estimate
- Comparable store sales rose 5.5% on top of 11.5% gain last year
- Gross margins up 34 bps on profitable growth in the e-commerce & factory/outlet channels, improvement at LOFT stores
- Merchandise inventories increased 19.9%, or 11% on a sq ft basis (excluding e-commerce)
- Net income increased 33.4% to \$32.3 million, Diluted EPS jumped 48.8% to \$0.61 vs. \$0.57 consensus estimate

vs Consensus Estimates	Quarter Ended Oct 29, 2011		
	Actual	Estimate	Beat / (Miss)
Sales (1,000's)	\$564,003	\$565,650	-0.3%
Diluted EPS	\$0.61	\$0.57	7.0%

- Ann Taylor comped up 2.5% on top of 21.9% gain last year: anntaylor.com +45.8%, +1.8% Ann Factory, -5.8% Ann Stores
 - The softness at Ann Taylor stores was primarily due to a lack of depth and breadth in color and fashion. In addition, due to the macro-economic uncertainty, the customer was far more selective in her purchasing and wanted more fashion, rather than core investment pieces. Although traffic remained strong, Ann was more promotional than planned, which enabled clear through of inventory and affected gross margin rate performance for the quarter, as well as a decrease in AURs and DPTs.
- LOFT comped up 11.0%: LOFT.com +33.5%, +23.7% LOFT Outlet, +8.6% LOFT Stores
 - All channels delivered on brand's promise to offer feminine, casual, high-quality fashion at great value. In addition, year-over-year strategy to increase the penetration of styles below \$50 at LOFT stores resonated positively with customers during the quarter. The combination of these strategies enabled increase of full-price sales performance and decrease of overall level of promotional activity as compared to the third quarter of Fiscal 2010, resulting in substantially higher gross margin rate and increases in AURs, UPTs and DPTs.

Kay Krill, President and CEO commented, "ANN INC. delivered another outstanding quarter, generating our fourth consecutive quarter of double-digit sales growth and our ninth consecutive quarter of double-digit growth in earnings and diluted earnings per share. Looking ahead to the balance of the fiscal year, we are on track to achieve another year of significant growth in sales and earnings. By brand, LOFT generated exceptional results, as compelling product and effective marketing drove significantly higher sales and profitability across all LOFT channels. The Ann Taylor brand delivered solid performance, reflecting outstanding results in the e-commerce channel, solid performance in the factory channel and softer-than-expected sales in the stores channel."

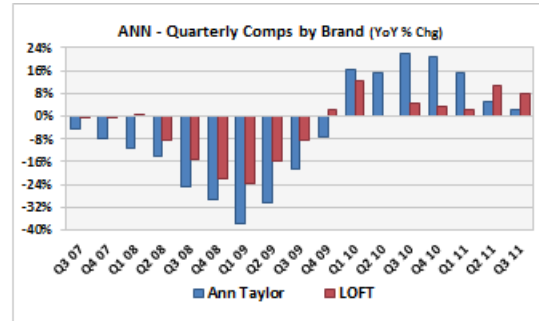
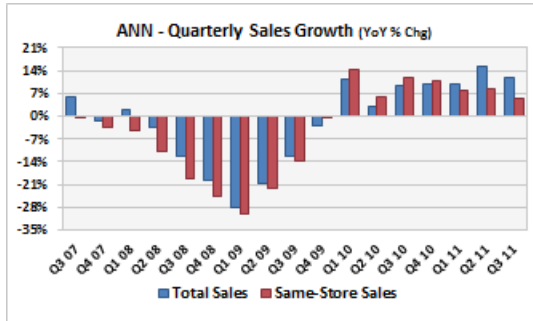
Fiscal 4th quarter outlook:

- Ann expects total sales to be \$580 million (+12.6%) on mid-single digit comp increase vs +11.0% comp in Q4 '10
- Gross margin rate is expected to be 52.0% vs
- SG&A expenses estimated to approach \$275 million (+8.3% over last year, 47.4% of sales vs 49.3%) with increase primarily reflecting support for the Company's strategic growth initiative to accelerate factory outlet expansion, an increased investment in marketing compared to the fourth quarter of 2010 and higher variable store operating costs to support planned top-line growth.

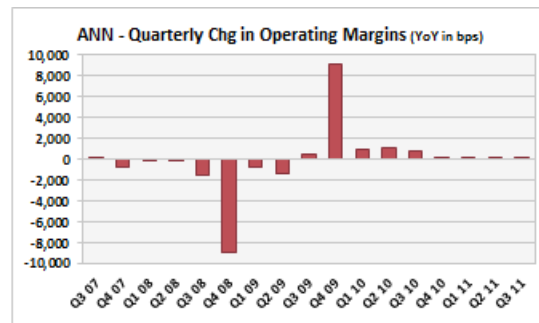
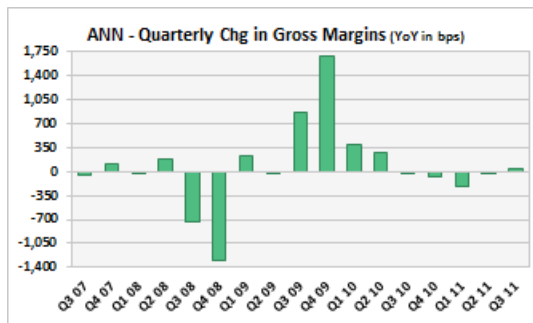
Fiscal 2011 full-year outlook:

- Total sales to be approximately \$2.225 billion (+12.4%) on mid-single digit comp increase vs +10.7% comp in 2010
- Gross margin rate is expected to approach 55.5% vs. 55.8% in 2010
- SG&A expenses expected to be approximately 48% of net sales, reflecting leverage of more than 150 basis points, as a result of continued disciplined expense management and expected sales growth versus fiscal 2010. Total SG&A expenses expected to approach \$1.065 billion, compared with \$979 million in fiscal 2010. The overall increase primarily reflects support for the Company's 2011 strategic growth initiatives, including opening of new stores and outlets, incremental marketing investment to drive traffic growth to all channels, continued investment in high growth e-commerce business.
- Total weighted avg square footage is expected to increase approximately 4% by year-end, reflecting the opening of approximately 80 new stores, partially offset by approximately 30 store closures and the impact of downsizes. The Company expects to have approximately 945 stores at fiscal year-end.
- Anticipates ending the fiscal year with an increase in total inventory per square foot, excluding e-commerce, in the mid-single digits, in line with comparable sales expectations.

Sales & Comps	Quarter Ended Oct 29, 2011			Nine Months Ended Oct 29, 2011		
	Sales (1,000's)	YoY Chg	Comp	Sales (1,000's)	YoY Chg	Comp
Ann Taylor Stores	\$121,280	-5.6%	-5.8%	\$363,956	0.5%	7.0%
Ann Taylor E-Commerce	\$34,617	43.5%	45.8%	\$86,675	38.8%	38.1%
Ann Taylor Factory	\$73,816	4.6%	1.8%	\$219,854	7.6%	7.8%
Total Ann Taylor Brand	\$229,713	2.9%	2.5%	\$670,485	6.6%	10.2%
LOFT Stores	\$248,532	6.5%	5.9%	\$748,106	4.0%	3.8%
LOFT E-Commerce	\$32,758	22.8%	23.0%	\$84,918	27.5%	33.1%
LOFT Outlet	\$53,000	140.3%	10.9%	\$142,323	183.6%	20.0%
Total LOFT Brand	\$334,290	18.5%	7.9%	\$975,347	16.7%	6.7%
Total Company	\$564,003	11.6%	5.5%	\$1,645,832	12.3%	8.2%



Margins	Quarter Ended Oct 29, 2011			Nine Months Ended Oct 29, 2011		
	Dollars (1,000's)	Margin	YoY Chg (bps)	Dollars (1,000's)	Margin	YoY Chg (bps)
Gross Margin	\$324,240	57.5%	34	\$930,993	56.6%	-62
Operating Margin	\$54,742	9.7%	162	\$142,337	8.6%	118



Earnings Data	Quarter Ended		Nine Months Ended	
	Oct 29, 2011	YoY Chg	Oct 29, 2011	YoY Chg
Net Income	\$32,280	33.4%	\$84,386	29.0%
Diluted EPS	\$0.61	48.8%	\$1.58	43.6%

Stores & Square Footage	Quarter Ended Oct 29, 2011			
	Stores	YoY Chg	Sq Feet (1,000's)	YoY Chg
Ann Taylor Stores	276	0.0%	1,448	-3.5%
Ann Taylor Factory	97	5.4%	691	3.4%
Total Ann Taylor Brand	373	1.4%	2,139	-1.4%
LOFT Stores	503	-0.6%	2,931	-0.8%
LOFT Outlet	74	124.2%	519	139.2%
Total LOFT Brand	577	7.1%	3,450	8.8%
Total Company	950	4.7%	5,589	4.7%

Store Operating Metrics

	Quarter Ended		Nine Months Ended	
	Oct 29, 2011	YoY Chg	Oct 29, 2011	YoY Chg
Dollars per Transaction				
Ann Taylor Brand	\$83.87	-1.2%	\$81.77	-0.2%
LOFT Brand	\$68.84	7.4%	\$64.45	4.0%
Avg Units per Transaction				
Ann Taylor Brand	2.41	1.3%	2.38	1.7%
LOFT Brand	2.69	6.3%	2.53	2.4%
Average Unit Retail Sold				
Ann Taylor Brand	\$34.80	-2.4%	\$33.79	-3.5%
LOFT Brand	\$25.59	1.0%	\$24.32	-3.1%
Sales per Avg Gross Sq Ft				
Ann Taylor Stores	\$83.81	-1.7%	\$251.13	6.3%
Ann Taylor Factory	\$106.82	1.1%	\$320.95	4.9%
Total Ann Taylor Brand	\$91.25	-0.3%	\$273.54	6.3%
LOFT Stores	\$84.95	7.7%	\$255.81	5.7%
LOFT Outlet	\$103.41	-20.3%	\$335.87	-2.0%
Total LOFT Brand	\$87.71	7.4%	\$265.94	7.8%
Total Company	\$89.07	3.9%	\$268.90	7.1%
Sales per Avg Store (1,000s)				
Ann Taylor Stores	\$443	-4.6%	\$1,348	5.0%
Ann Taylor Factory	\$761	-0.8%	\$2,302	3.6%
Total Ann Taylor Brand	\$526	-2.5%	\$1,597	5.5%
LOFT Stores	\$495	7.4%	\$1,492	5.1%
LOFT Outlet	\$726	-16.0%	\$2,343	1.5%
Total LOFT Brand	\$524	9.1%	\$1,584	8.8%
Total Company	\$525	4.0%	\$1,589	7.4%

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