



**Q1 FY19 Earnings Release
Supplemental Material
December 10, 2018**

dressbarn at Macy's

maurices

Justice

LANE BRYANT

CATHERINES

ANN TAYLOR

LOFT

LOU & GREY

Safe Harbor Statement

Certain statements made within this presentation may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially. Forward-looking statements are statements related to future, not past, events, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” “estimate,” “forecast,” “target,” “preliminary,” or “range,” and include the Company’s outlook for the second quarter and full year of Fiscal Year 2019. The Company does not undertake to publicly update or review its forward-looking statements even if experience or future changes make it clear that our projected results expressed or implied will not be achieved.

Detailed information concerning those risks and uncertainties are readily available in the Company’s filings with the U.S. Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Where indicated, certain financial information herein has been presented on a non-GAAP basis. This basis adjusts for non-recurring items that management believes are not indicative of the Company’s underlying operating performance. These measures may not be directly comparable to similar measures used by other companies and should not be considered a substitute for performance measures in accordance with GAAP such as operating income and net income. Additionally, a reconciliation of the projected non-GAAP EPS, which is a forward-looking non-GAAP financial measure, to the most directly comparable GAAP financial measures, is not provided because the Company is unable to provide such reconciliation without unreasonable effort. The inability to provide a reconciliation is due to the uncertainty and inherent difficulty predicting the occurrence, the financial impact and the periods in which the non-GAAP adjustments may be recognized. These GAAP measures may include the impact of such items as restructuring charges, acquisition and integration related expenses, asset impairments, non-cash purchase accounting adjustments and the tax effect of all such items. As previously stated, the Company has historically excluded these items from non-GAAP financial measures. The Company currently expects to continue to exclude such items in future disclosures of non-GAAP financial measures and may also exclude other items that may arise (collectively, “non-GAAP adjustments”). The decisions and events that typically lead to the recognition of non-GAAP adjustments, such as actions under the Company’s Change for Growth program and impairments of certain long-lived intangible assets, are inherently unpredictable as to if or when they may occur. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to future results. Reference should be made to today’s earnings release for the nature of such adjustments and for a reconciliation of such non-GAAP measures to the Company’s financial results prepared in accordance with GAAP.

Q1 FY19

Earnings Highlights

	GAAP		non-GAAP ^(a)	
	Q1 FY19	Q1 FY18	Q1 FY19	Q1 FY18
Comp Sales			3%	(5%)
Gross Margin	59.4%	60.7%	59.4%	60.7%
BD&O	19.8%	20.0%	19.8%	20.0%
SG&A	31.5%	31.0%	31.5%	30.9%
Operating Income (\$M)	\$38.9	\$39.9	\$46.8	\$68.9
EPS	\$0.03	\$0.03	\$0.06	\$0.11

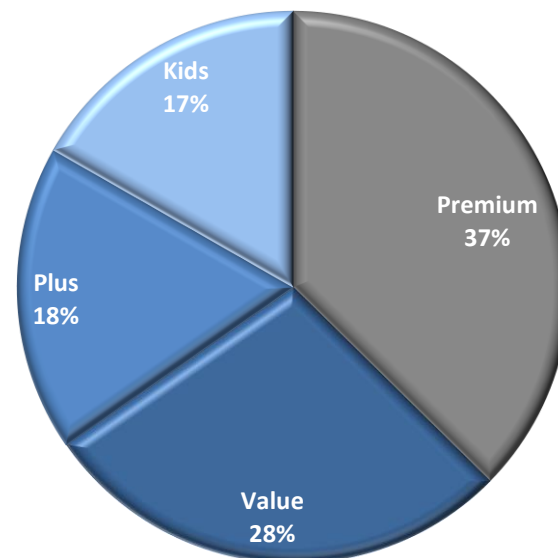
(a) non-GAAP figures are adjusted to exclude restructuring expenses, acquisition and integration expenses, and non-cash purchase accounting adjustments

Q1 FY19 Sales Summary

Comp Sales Performance

	Q1 FY19	Q1 FY18
Premium Fashion	8%	(6%)
Ann Taylor	7%	(6%)
LOFT	9%	(6%)
Value Fashion	(3%)	(7%)
maurices	(3%)	(5%)
dressbarn	(4%)	(10%)
Plus Fashion	(2%)	(4%)
Lane Bryant	(2%)	(5%)
Catherines	(3%)	(3%)
Kids Fashion	12%	(2%)
Total Company	3%	(5%)

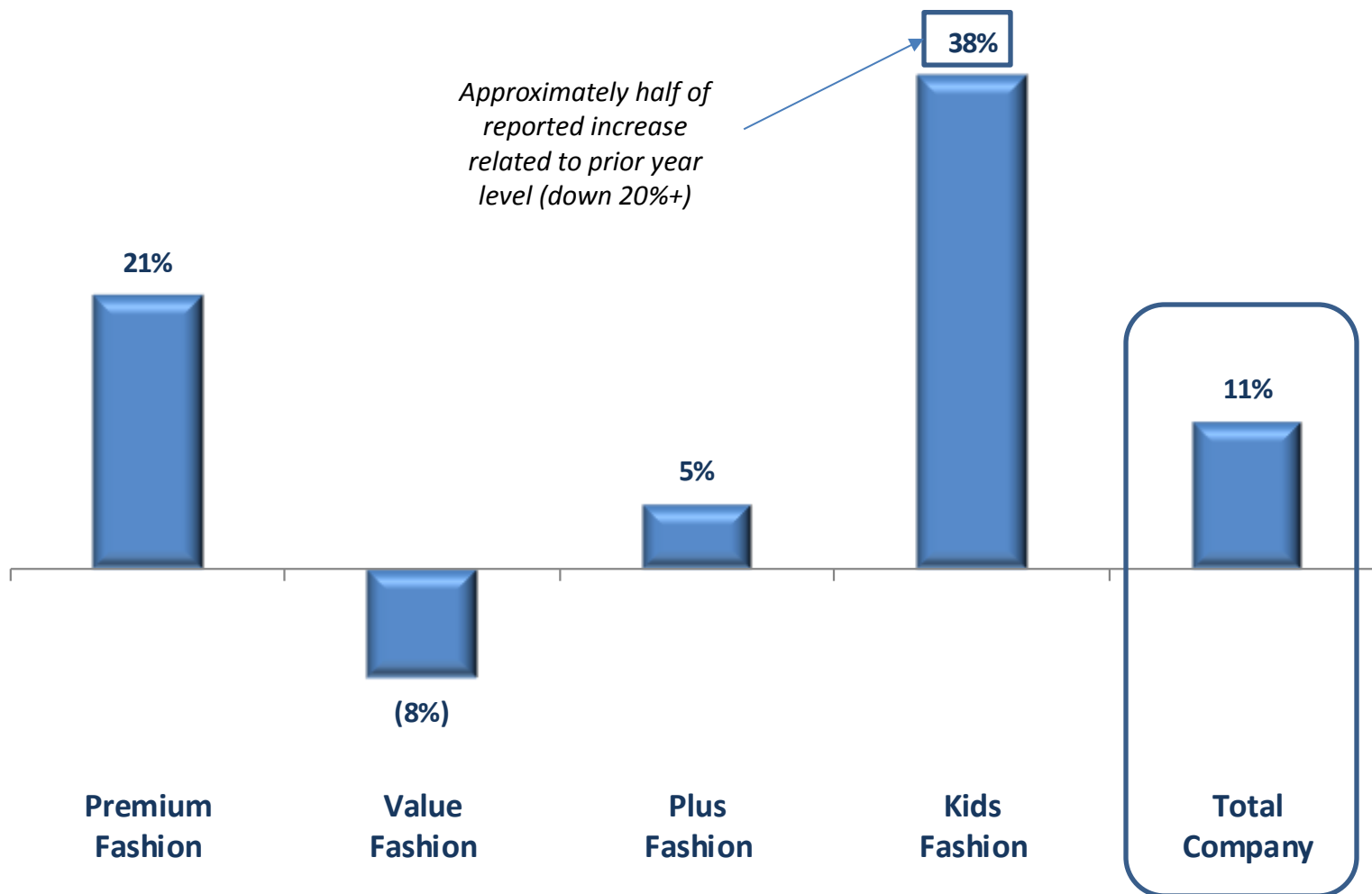
Q1 FY19 Sales Mix



Q1 FY19

End-of-Period Inventory (Cost)

Approximately half of the total company increase was caused by receipt timing shifts related to 53rd week in prior fiscal year, with impact primarily in Kids and Premium segments



Q1 FY19

Capital Structure / Cash Flow

➤ Capital expenditures:	\$32 million ^(a)
➤ Ending cash and equivalents:	\$199 million
➤ Ending debt:	\$1,372 million ^(b)
➤ Ending net debt to TTM EBITDA:	~2.7x ^(c)
➤ TTM EBITDA cash interest coverage:	~4.5x ^(c,d)
➤ Current liquidity:	\$672 million ^(e)

(a) Excludes change in period end accruals (\$21 million as of Q4 FY18 and \$14 million as of Q1 FY19)

(b) Reflects term loan balance; asset-based revolver undrawn at quarter end

(c) Ending debt net of cash and equivalents to TTM non-GAAP EBITDA of \$435 million

(d) Based on TTM average Term Loan balance of \$1,488 million and TTM average interest rate of approximately 6.5%

(e) Ending cash and equivalents plus \$473 million of availability under the asset based revolver

Real Estate Summary

	Store Locations End of Q4	Q1 FY19			Q1 FY18 Store Locations End of Q1
		Store Locations Opened	Store Locations Closed	Store Locations End of Q1	
Premium Fashion	976	5	(6)	975	1,001
Ann Taylor	304	1	(2)	303	320
LOFT	672	4	(4)	672	681
Value Fashion	1,702	0	(18)	1,684	1,780
maurices	972	0	(11)	961	1,008
dressbarn	730	0	(7)	723	772
Plus Fashion	1,097	0	(5)	1,092	1,119
Lane Bryant	749	0	(2)	747	764
Catherines	348	0	(3)	345	355
Kids Fashion	847	0	(2)	845	894
Total Company	4,622	5	(31)	4,596	4,794

Q1 Results vs. 9/24/18 Guidance

non-GAAP Basis

	<u>Actual</u>	<u>Guidance</u>
Total Company Sales	\$1.592B	\$1.54 to \$1.56B
Comparable Sales	3.5%	Flat to up 2%
Gross Margin	59.4%	60.0% to 60.5%
Depreciation and amortization	\$82M	~\$84M
Operating Income	\$47M	\$22 to \$42M
Interest expense ^(a)	\$26M	~\$27M
Diluted share count	201M	200M
EPS	\$0.06	(\$0.04) to \$0.06

(a) Inclusive of non-cash interest of approximately \$3M related to the amortization of the term loan original issue discount and debt issuance costs (consistent with guidance).

Q2 and Full Year FY19 Guidance

non-GAAP Basis



	<u>Q2 FY19</u>	<u>Full Year FY19</u>
Total Sales	\$1.675 to \$1.705B	\$6.45 to \$6.55B
Comparable Sales	up 2 to 4%	up low single digits
Gross Margin	54.2% to 54.8%	57.6% to 58.1%
Depreciation and amortization	~\$84M	\$327 to \$332M
Operating (Loss) Income	(\$30M) to (\$10M)	\$120 to \$140M
Interest expense ^(a)	~\$26M	~\$108M
Diluted share count ^(b)	198M	201M
EPS ^(c)	(\$0.25) to (\$0.15)	\$0.00 to \$0.10
Ending store count		4,375 to 4,425

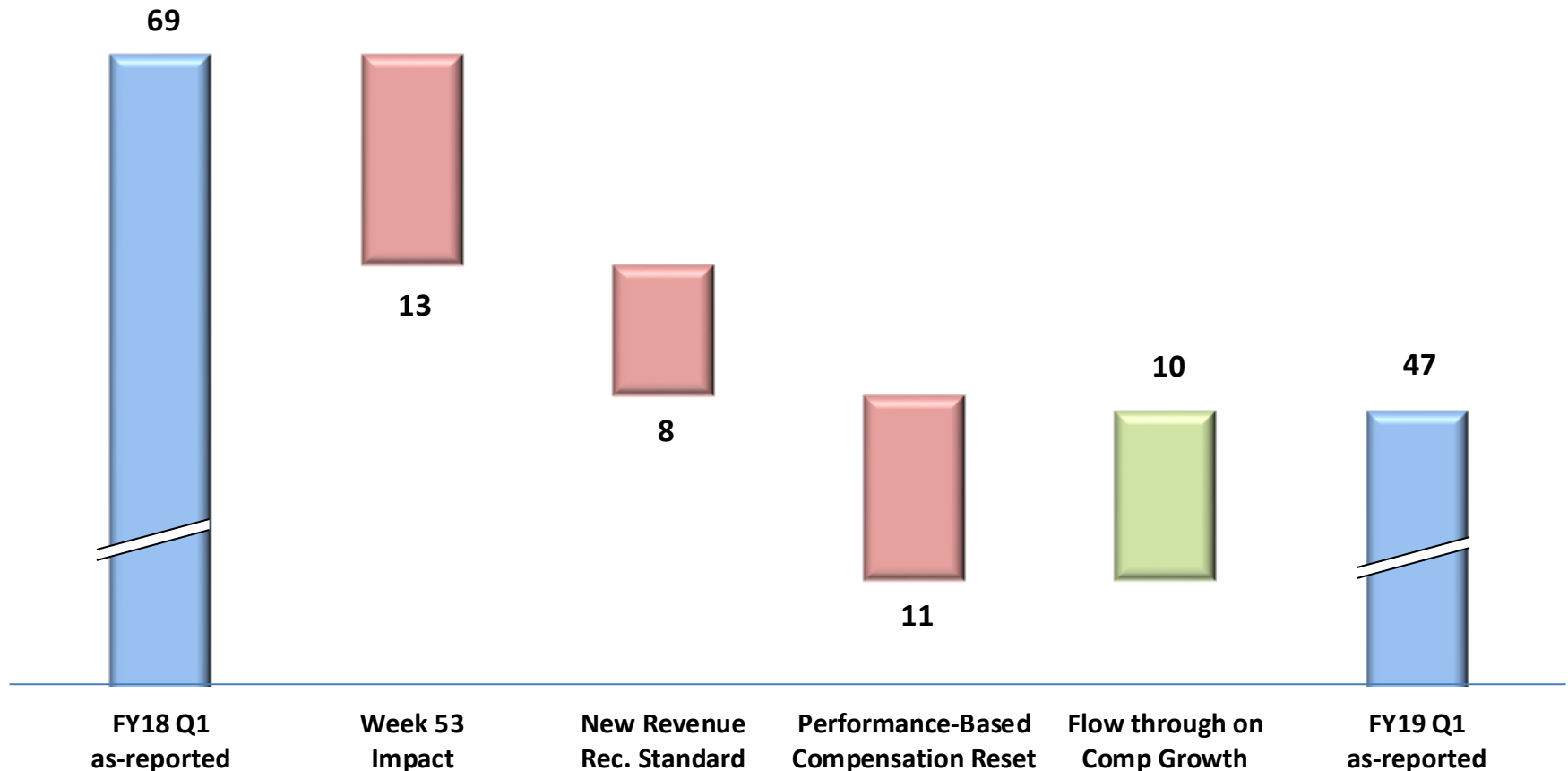
(a) Inclusive of non-cash interest of approximately \$3M and \$11M related to the amortization of the term loan original issue discount and debt issuance costs for Q2 Fiscal 2019 and Full Year Fiscal 2019.

(b) Share count for Q2 Fiscal 2019 excludes the impact of dilutive securities due to the projected loss.

(c) Inclusive of the statutory tax rate and changes in tax regulations on foreign sourced income and non-deductible executive compensation.

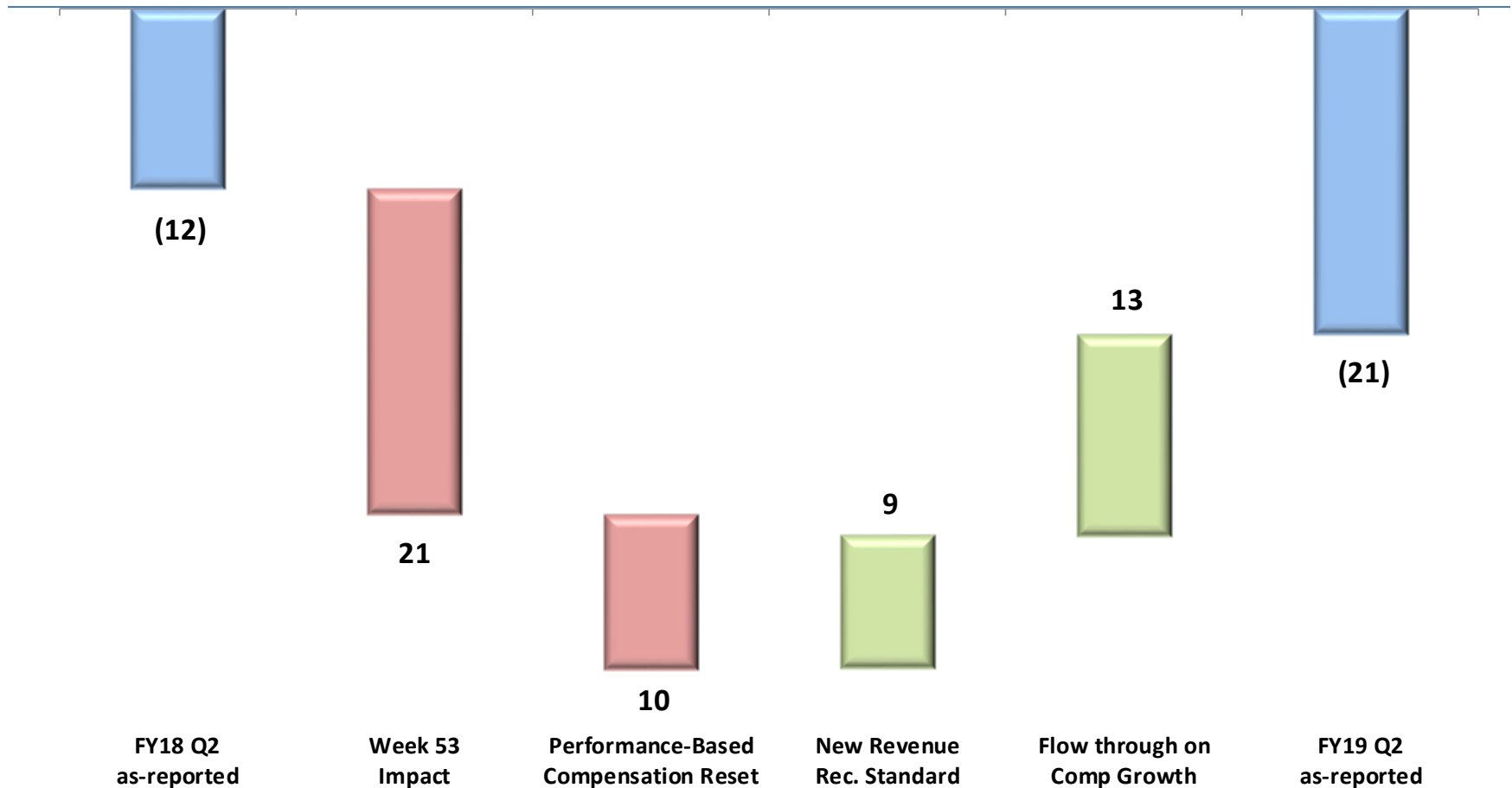
FY19 Q1 adjusted operating income walk non-GAAP Basis

(\$ millions)



FY19 Q2 adjusted operating income walk non-GAAP Basis

(\$ millions)



Change for Growth program savings outlook

(\$ millions)

		<u>FY17(A)</u>	<u>FY18(A)</u>	<u>FY19(E)</u>	<u>FY20(E)</u>	<u>Total(E)</u>
	Operating model					
SG&A	Front office efficiencies	29	37	0		66
SG&A	Corporate efficiencies	7	22	13		42
SG&A	Non-merch procurement	16	43	30	11	100
BD&O	Fleet Optimization	11	18	23	8	60
SG&A	IT efficiencies		2	15	15	32
Total Opex		63	122	81	34	300
COGS	Sourcing	0	15	9	TBD	24
Total savings		63	137	90	34	324

Comparable Sales

impact of FY18 53rd week shift

(\$ millions)

Comparable sales increase / (decrease) resulting from additional week

	<u>Premium</u>	<u>Value</u>	<u>Plus</u>	<u>Kids</u>	<u>ascena</u>
Q1	0.4	(1.9)	(2.6)	(18.4)	(22.5)
Q2	(9.9)	(9.1)	(4.3)	(5.2)	(28.4)
Q3	N / A	17.1	10.1	6.0	33.2
Q4	N / A	(6.1)	(3.2)	17.6	8.3
Full Year	(9.5)	0.0	0.0	0.0	(9.5)

Note: Premium segment 53rd week executed in January 2018 vs. remaining segments, which were executed in July 2018

FY19 Q1 adjusted operating expense walk non-GAAP Basis

(\$ millions)

