

Company Name: The Container Store Group, Inc. (TCS)
Event: ICR Conference 2022
Date: January 11, 2022

<<Steven Forbes, Analyst, Guggenheim Partners>>

Hello everyone and welcome to The Container Store's ICR Conference Presentation. I'm Steven Forbes, Guggenheim Hardlines Analyst. And I have the pleasure of introducing CEO and President, Satish Malhotra; and CFO, Jeff Miller. Satish joined The Container Store in February of 2021 after spending over 20 years at Sephora and as quickly established and begun executing upon new strategic growth plans, inclusive of product innovation, brand collaborations, new customer experiences, new unit growth plans and most recently an acquisition that really leverages manufacturing capabilities and wood-based products that should continue to benefit the brand into years to come. So, lots of exciting things to talk about today. Thank you both Jeff and Satish for being here. Thank you all for attending.

And let me now hand it over to Satish to share TCS story.

<<Satish Malhotra, Chief Executive Officer & President>>

All right. Well, thank you, Steve. I appreciate the opening remarks and thank you all for joining us today. As you've heard, my name is Satish Malhotra, and I am the CEO and President of The Container Store and I'm thrilled to share with you today our growth plans. But first on the screen is our forward-looking and Safe Harbor statements; as a reminder, this presentation may contain forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are subject to various risks, uncertainties and other important factors that may cause actual results to differ materially from our expectations. This slide contains additional information on forward-looking statements and the related risks and we encourage you to review it carefully. A copy of today's presentation may be obtained by visiting investor.containerstore.com.

So during our brief time together, I will provide you with a quick overview of The Container Store, discuss the total addressable market and why it matters and I'll highlight the building blocks that will fuel our growth ambition. So The Container Store was founded in 1978 in Dallas, Texas, and has grown to be the nation's leading specialty retailer with over 10,000 SKUs dedicated to storage and organization products. This strength combined with our versatile Custom Closet business and specialized in-home services makes us a compelling and unique destination for our customers.

We also have a really strong company culture centered around our seven foundation principles and we work really hard to do the right thing. Now, while we only have 94 locations across the U.S., we do have more than 10 million members in our POP! loyalty

program and over 5,000 specialists, who are passionate about our products and in servicing our customers' needs. In fiscal 2020, we generated just shy of \$1 billion in consolidated net sales, which was an improvement of 8% over the prior year. And thanks to our exclusive and wholly-owned Elfa business, which as a reminder designs and manufactures our component based shelving and drawer systems, we're able to benefit from both the manufacturing and retail gross margins. I'm proud to say that The Container Store is entering its next phase of growth in a strong financial position.

But first, why does The Container Store exist? What we strongly believe our purpose is to transform the lives of our customers through the power of organization and this is an ambitious purpose, but an important one, especially when considering the benefits of an organized life, which many customers realized for the first time during the pandemic and yet there are still so many people out there, who have yet to discover the life transforming benefits of organization. Like the sense of pride, you feel from seeing your space, even a simple kitchen junk drawer transformed. That transformation can truly unlock a whole new way of living and can help boost motivation, reduce stress, anxiety and yes can even improve relationships.

At present |The Container Store owns just 5% of \$20 billion total addressable market and less than 10% of a \$6 billion Custom Closet market. The \$20 billion total market opportunity applies to all spaces of the home, including closets, garages, bathrooms, kitchen, pantries, playrooms and much more. Today, we are underpenetrated in many of these categories like garages, for example. We have just a small percent of the garage market share, but believe we can grow it to be more in line with our pantry and kitchen category market share, which could result in millions of dollars and additional sales to our business. This is one of the reasons we created a dedicated garage section in all of our stores last summer. And it is also one of the reasons why we strategically acquired Closet Works last month. Closet Works is a designer, manufacturer and supplier of premium wood based custom organization solutions.

This acquisition not only allows us to meet the growing consumer demand of premium wood based spaces with an expanded assortment, but it also enables us to increase our share in the Custom Closet market. Closet Works is based in Chicago, but services the United States. And we will now have access to a turnkey manufacturing facility, which will allow us to have ownership of the entire process from design to manufacturing, to installation, all while benefiting from an expanded assortment and both the manufacturing and retail gross margins. We look forward to working with the talented team at Closet Works to strengthen our position in the Custom Closets category.

Now, as I mentioned earlier, there are many people who have yet to discover the life transforming benefits of organization. And then there are those that are aware of these benefits, but who simply do not know how to start realizing them. And to that end, you'll begin to see The Container Store taking a more active approach at educating people to the power of organization and welcoming them to The Container Store. Next month, we are launching a new brand campaign alongside our new brand icon, which you are getting an

exclusive first look at on the screen today. The branding campaign welcome to the organization is an important open invitation to all to learn and discover the power of organization. It is also an opportunity for our current customers to share their transformational journeys with others.

And as we head into a new store growth mode, the new brand campaign will allow us to welcome new customers to our extensive product assortment, our versatile Custom Closet solution, and specialized in-home services. We're excited to launch this branding campaign to help customers discover the power of organization and to join our movement. The welcoming begins on 2/22/2022, the last most organized day of the century, how cool is that.

Now let's discuss our building blocks that aim to enable us to capture significant market share and deliver meaningful growth to our shareholders in the coming years. First, we look to increase the productivity of our current store fleet by continuing to enhance our in-store experience. We are delighted by the progress we have made over the past year by creating discovery moments throughout our store and by empowering each store to try new ways to creatively sell our products. For example, we have recently added demonstration costs to our stores, which give customers the opportunity to see how product works firsthand from our knowledgeable specialist.

Customers love to be able to touch and play with items before purchasing them. Customers also love seeing transformation of real spaces throughout our marketing. The powerful visuals of before and after moments shown on our screen, shown on your screen helps inspire customers to see what is possible and motivate them to take action. Now by celebrating our phenomenal selection of general merchandise products, our exclusive and versatile Custom Closets and specialized in-home virtual services, we are able to make The Container Store a compelling destination for our customers, who achieve order – who want to achieve order in increasingly busy and chaotic world. And while I can go on and on about all the changes we've made, change is believing, so let's take a look at the recent changes we've made in-store.

[Video Presentation Starts]

Let's take a look at how we've transformed our stores to create discovery moments and give our customers an unforgettable in-store experience. First impressions are instantaneous. Feelings based on clues and solidified by personal experience. And if a brand is lucky, those impressions get shared. Welcome to the power of organization at The Container Store. We started by changing the first things customers see, replacing always on sale messages with engaging graphics and product groupings that stir anticipation before customers even enter the store. Once inside, a host greets them with a smile and makes a connection. By pivoting from displays that shouted sale to ones that tell stories, we've created an environment full of discovery moments. We've put this spotlight on introducing new partnerships, product collections and private label offerings,

like our new ways to holiday, an outstanding collection of holiday entertaining and cooking products.

In telling our stories, we invited customers to share theirs, to introduce our new private label trash cans, we highlighted quotes and UGC from real customers in addition to creating eye-catching packaging, focusing on what customers love is a theme you can find throughout our store, as we let our customers do the talking. Most importantly, we listened forging lasting connections around what matters most to our customers like offering a variety of products made from sustainable materials. We used new and aisle frames to focus attention on key collections and to help create those discovery moments down the aisle.

Our renewed focus on key best sellers can also be seen in our shelving section where we resized the department and created lifestyle displays with helpful graphics that encourage customers to imagine how easy it would be to transform their own spaces. In the garage section, new signage features tips to guide new customers through setting up storage for tools, sports equipment and more. In the gift wrap aisle, bold colors, patterns and glitter draw customers in. We reduced the assortment focused on everyday wraps and organized roles, toes and tissue by color, making it easy for customers to find exactly what they're looking for.

Discovery moments abound in the storage section with cross merchandising signage that prompts customers to explore how our cubes are designed to fit our cubby shelves and they continue with engaging live demonstrations that build excitement and tap into our specialists' expertise to inspire our customers. Throughout the store, interactive science and play zones encourage customers to explore options and discover something new on strategically placed basket building tables. Then to connect with a wider variety of customers, we expanded our assortment of kitchen gadgets.

Our new collection features everything from kitchen basics for someone setting up their first home to time savers for the seasoned home cook. But one of our biggest stories is Elfa made easy. We've boxed up some of our best selling Elfa solutions to create our incredibly easy Elfa Grab & Go collection, and then merchandise everything together for a singular and powerful presentation. And finally, we brought Elfa made easy to life in the Elfa component aisle by adding step by step graphics and intuitive displays. Creating a custom solution and discovering the transformative power of organization has never been easier.

[Video Presentation Ends]

So as you can see, we've been quite busy. Hopefully, you appreciate the video because it really does do a great job of showcasing everything that we've done to enhance our in-store experience. Our second focus will be to continue to focus on accelerating e-commerce. Now, today we have made significant strides in including – improving our

site speed, introducing a new rating and review tool and adding product badging, so customers can easily find sustainable solutions online.

Most recently we introduced multivariant product pages, as seen on the screen, which will show customers additional sizes and/or color options on the actual product detail page. These multivariant product pages will continue to rollout in the coming months and will make site navigation much easier for our customers. Lastly, I'm thrilled about our new mobile app, which we expect to launch this spring. It would be another way to meet customers where they are already shopping and will allow us to introduce them to our new tier-based loyalty program, which is also in development.

Our third focus is around store growth, and it will be a significant focus as we're committed to opening at least 100 new stores in the coming years. Now there is much ground to cover, not only in existing key markets to create added accessibility, but also in some new markets too. Our focus will be on opening stores that have a smaller footprint without compromising productivity. Additionally, our Custom Closet offering will be found at the heart of each store alongside at curated product selection. Now site selection is well underway by our real estate's team, and we look forward to sharing more details when they are available.

And last, but certainly not least, we plan to double down on Custom Closets, which we've already done demonstrated our commitment to through our strategic acquisition of Closet Works. Our ambition is to more than double our Custom Closet business, and we see a significant opportunity to do so by selling more premium wood-based spaces while celebrating the strength of our popular and affordable component-based system. Elfa. We are starting the important work of integrating Closet Works into the TCS family, and we look forward to offering an expanded Custom Closet assortment to our customers later this year.

I want to thank you for your time today, and I'm eager to answer questions during our breakout session.