



# Q4 and Fiscal 2019 Preliminary and Unaudited Results and Business Update

May 12, 2020



# Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including without limitation statements regarding our goals, strategies, priorities and initiatives; our anticipated financial performance; and the Company's plans in response to the outbreak of COVID-19 and re-opening its stores.

These forward-looking statements are based on management's current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the following: the outbreak of COVID-19 and the associated impact on our business, results of operations and financial condition; our optimization plan may not result in improved sales and profitability; our inability to open or relocate new stores, or remodel existing stores, in the timeframe and at the locations we anticipate; overall decline in the health of the economy, consumer spending, and the housing market; our inability to manage costs and risks relating to new store openings; our inability to source and market new products to meet consumer preferences; our failure to achieve or maintain profitability; risks relating to the opening of a second distribution center; effects of a security breach or cyber-attack of our website or information technology systems, including relating to our use of third-party web service providers; our vulnerability to natural disasters and other unexpected events, including health epidemics or pandemics such as COVID-19; our reliance upon independent third party transportation providers; our inability to protect our brand; our failure to successfully anticipate consumer preferences and demand; our inability to manage our growth; inability to locate available retail store sites on terms acceptable to us; our inability to maintain sufficient levels of cash flow to meet growth expectations; disruptions in the global financial markets leading to difficulty in borrowing sufficient amounts of capital to finance the carrying costs of inventory to pay for capital expenditures and operating costs; fluctuations in currency exchange rates; our inability to effectively grow and manage our online sales; competition from other stores and internet-based competition; our inability to obtain merchandise on a timely basis at competitive prices as a result of changes in vendor relationships; vendors may sell similar or identical products to our competitors; our reliance on key executive management, and the transition in our executive leadership; our inability to find, train and retain key personnel; labor relations difficulties; increases in health care costs and labor costs; our dependence on foreign imports for our merchandise; violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery and anti-kickback laws; our indebtedness may restrict our current and future operations, and we may not be able to refinance our debt on favorable terms, or at all; effects of tax reform; and uncertainty with respect to tax and trade policies, tariffs and government regulations affecting trade between the United States and other countries.

These and other important factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on May 30, 2019, and our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation. Any such forward-looking statements represent management's estimates as of the date of this presentation. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this presentation.

# Financial Disclosure Advisory

- The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). The expected financial results discussed in this press release are preliminary and represent the most current information available to the Company's management, as financial closing procedures for the fourth quarter and fiscal year ended March 28, 2020 are not yet complete. These estimates are not a comprehensive statement of the Company's financial results for the fourth quarter and fiscal year ended March 28, 2020 and actual results may differ materially from these estimates as a result of the completion of year-end accounting procedures and adjustments, including the execution of the Company's internal control over financial reporting, the completion of the preparation and audit of the Company's financial statements and the subsequent occurrence or identification of events prior to the formal issuance of the audited financial statements for fiscal 2019. In addition, any statements regarding the Company's financial performance in fiscal April 2020 or to date in the first quarter of fiscal 2020 are not necessarily indicative of the Company's financial performance that may be expected to occur for the first quarter of fiscal 2020 or for any future fiscal period.

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# Our Response to COVID-19

## Prioritizing Health and Safety of Employees and Customers

### Swift Execution of Action Plans

- Assembled cross-functional COVID-19 task force for decisive, rapid execution and collaborative communication

### Temporarily Closed Stores

- Pivoted to contactless Click & Pick Up/Curbside Delivery model on April 6, 2020, where state and local mandates allow and employees are willing and able to work (currently in ~79 of 93 stores) as well as in-store scheduled appointments (with only limited customers at a time in store)

### Focusing on Website-Generated Sales

- Website-generated sales have increased dramatically since late March 2020
- Major focus on distribution operations to keep pace with demand; recent opening of second DC helpful

### Planning the Re-Opening of Stores

- Developing comprehensive plan for re-opening stores to maximize results and ensure employee and customer safety, including temperature checks for employees prior to working (already being done in our distribution centers)
- Simultaneously determining opportunity areas across the business to support consumers' changing needs and capitalize on trends

**We're Here For You**

In these unprecedented times, we're happy to offer services that allow you to safely get the things you need.

**FREE Store Pick Up**  
Schedule your own pickup time. We'll bring your order out to your car.

**Online Closet Design Tool**

Enter your dimensions. Customize your design. Place your order. It's that easy.

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Ship your closet directly to your home.

Pick up your order at your nearest store.

Install your Elfa closet yourself. It's easy!

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# Strengthening Our Financial Position

## Proactively Preserving Liquidity and Creating Financial Flexibility

### Implemented Widespread Cost Reductions

- Furloughed many store and corporate employees for undetermined period of time
- Temporarily reduced base salaries of executives and certain other salaried employees by up to 45%
- Deferred any fiscal 2019 executive bonuses earned for undetermined period of time
- Waived quarterly board fees otherwise payable April 1, 2020 for non-employee directors
- Reduced or stopped all discretionary spend across all areas of the business
- Extended payment terms for most goods and services; negotiating alternative terms for rent payments
- Reducing merchandise purchases and lowering inventory levels
- Pursuing postponement of applicable customs duties for merchandise imports

### Additional Liquidity Actions Taken

- Drew down additional \$50 million of available funds from revolving credit facility in March 2020
- Executed significant reductions to CAPEX; focused only on essential items

#### A Message From Melissa Reiff, Chief Executive Officer

##### To Our Loyal and Valued Customer:

On behalf of The Container Store family, I hope you and yours are safe and healthy. The COVID-19 pandemic continues to impact our world in ways we could not imagine, and I want to share my thoughts with you, our loyal customers, on how The Container Store is responding and assure you that we are still here to serve you now and long after we have conquered this crisis. Please know we have made every decision carefully, thoughtfully, and with compassion for all impacted.

##### Temporary Store Closures

Effective immediately, we have temporarily closed all of our stores. To protect the health of our employees and customers, we will continue to serve our customers online at containerstore.com. In addition, at many of our stores, we will offer Click & Pick Up, our contactless curbside service, and scheduled In-Store Appointments (only allowing one customer in the store at a time). And of course, we will continue ALL precautionary measures that include hand washing, social distancing, wiping down surfaces, wearing masks and gloves, etc.

##### Temporary Employee Impact

Our employees are the heart and soul of The Container Store, however, due to our temporary store closures, we have made the difficult but necessary decision to furlough many store employees, and home office colleagues in various areas of our company. Many employees have also accepted temporary pay cuts, including meaningful pay cuts for myself and the executives of our company. We do not take any of this lightly and hope that we can bring many of our cherished employees back soon.

Impacted employees in our stores will receive two-weeks of emergency pay and are eligible for unemployment benefits as well as support through our Employee First Fund. This Fund provides grants to employees experiencing unforeseen emergencies and challenges, such as the crisis we find ourselves in today. Initially funded through a company contribution, the Fund receives ongoing support through donations made by our employees and other company stakeholders.

This pandemic has caused people and businesses to make decisions and take actions never contemplated before. We have carefully and thoughtfully acted to ensure the safety and future stability of our company so that we can continue to offer great jobs, benefits, and services to our communities.

Our hearts go out to those who have been affected by this crisis. We are grateful to all the healthcare workers, volunteers, and governments who are working to bring this situation to an end. We thank you for your loyalty, understanding and support.

My very best,



MELISSA REIFF | CEO | THE CONTAINER STORE

# Adapting Our Business Model

## Addressing Consumers' Changing Needs, Attitudes & Behaviors

### Highlighting Relevant Storage & Organization Solutions

- As customers spend more time at home, focusing on key products and solutions to help customers work from home, accomplish home projects, stay organized in the kitchen and other areas to help maximize space

### Adjusting Marketing Campaigns and Promotions

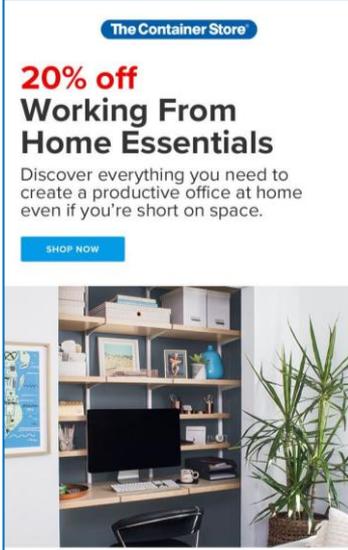
- Shifting campaign timing and offers to align with customer needs
- Reducing and re-allocating spend to optimize for available and preferred channels of shopping

### Enhancing Online Tools and Introducing New Services

- Continuing to improve online design tools and the overall user experience
- In April, launched new virtual in-home design services for Custom Closets
- Expanding fulfillment options so customers have multiple ways to get their merchandise

### Shifting Resources Across Channels

- Sharing resources with common skill sets across channels to address dramatic shifts in demand



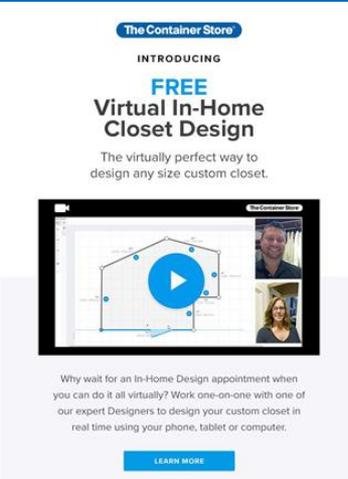
The Container Store

**20% off**  
**Working From Home Essentials**

Discover everything you need to create a productive office at home even if you're short on space.

SHOP NOW

This advertisement features a photograph of a home office with a desk, computer monitor, and shelves filled with storage containers. The text promotes a 20% discount on home office essentials.



The Container Store

INTRODUCING  
**FREE**  
**Virtual In-Home Design**

The virtually perfect way to design any size custom closet.

LEARN MORE

This advertisement shows a virtual design interface with a play button and a video call window. The text highlights a free virtual design service for custom closets.

# Q4 and Fiscal 2019

## Preliminary Unaudited Financial Highlights

### Q4 Fiscal 2019 Preliminary Unaudited Highlights

- Consolidated sales of \$241M, down 4.7% vs. LY, primarily due to COVID-19
- Comp store sales down 3.6% with Custom Closets contributing +80 bps and Other Products contributing -440 bps. We were up against a strong 8.5% comp in Q4 last year in part due to the January 1, 2019 launch of Marie Kondo's "Tidying Up" show on Netflix
  - 51 stores were closed more than one day in March, due to COVID-19. If all these stores were removed from the month of March in both fiscal 2018 and 2019, Q4 comp store sales would have been down 1.8% with Custom Closets contributing +120 bps and Other Products contributing -300 bps
- GM% of 59.0%, up 40 bps vs. LY; Gross profit of \$142M, down 3.9% vs. LY
- SG&A of \$106M, down 3.6% vs. LY; SG&A % of sales 44% deleveraged by 50 bps vs. LY

### Fiscal 2019 Preliminary Unaudited Highlights

- Consolidated sales of \$916M, up 2.3% vs. LY
- Comp store sales up 2.9% with Custom Closets contributing +350 bps and Other Products contributing -60 bps
  - 51 stores were closed more than one day in March, due to COVID-19. If all these stores were removed from the month of March in both fiscal 2018 and 2019, Fiscal 2019 comp store sales would have been up 3.6% with Custom Closets contributing +370 bps and Other Products contributing -10 bps
- GM% of 58.2%, down 30 bps vs LY; Gross profit of \$533M, up 1.9% vs. LY
- SG&A of \$440M, up 2.2% vs. LY; SG&A % of 48.1% leveraged by 10 bps vs. LY



# First Quarter Fiscal 2020 Business Update

- The Container Store's retail sales for the four-week period ended April 25, 2020, declined approximately 45% compared to the same four-week period in the prior year fiscal year. However, this does not include approximately \$11 million of online orders taken but not shipped to customers due to a surge in demand. Major efforts are underway to increase order shipments in our distribution centers
- When you look at sales based on orders taken, which takes into consideration customer orders taken and not yet delivered to a customer and is more reflective of customer demand trends, Q1 fiscal 2020 to date May 11, 2020, The Container Store is maintaining approximately 76% of our total retail sales generated for the same time last year. However, it's important to note that these online orders need to be shipped and delivered to customers in order for us to collect cash and record them into our Q1 fiscal 2020 GAAP sales results
- From a liquidity perspective, our actions we have outlined have allowed us to maintain cash balances at The Container Store that are relatively comparable to the levels we had at the end of fiscal March, with fiscal April cash balances ending at approximately \$62 million. As noted, our cash balances at the end of fiscal April do not include approximately \$11 million of unshipped Online orders since we do not charge for the order until we ship the product. Based on what we see today, we currently believe that we have adequate liquidity as we look out over the next year
- Due to the level of market uncertainty, The Container Store will not provide Fiscal 2020 Outlook at this time