The Container Store®

Q4 and Full Year FY21 Earnings

NYSE: TCS

May 17, 2022

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 presentation that do not relate to matters of historical fact should be considered forward-looking statements, including statements regarding our future opportunities and expectations for our business; our goals, strategies, priorities and initiatives; market opportunities; sales trends and momentum; and our anticipated financial performance, including long-term targets and our plans regarding Path to $2 Billion; and expected store, manufacturing facility and distribution center openings. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions.

These statements are neither promises nor guarantees, and 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. Such risks include, but not limited to, the following: the COVID-19 pandemic and the associated impact on our business, results of operations and financial condition; our ability to continue to lease space on favorable terms; costs and risks relating to new store openings; quarterly and seasonal fluctuations in our operating results; cost increases that are beyond our control; our inability to protect our brand; our failure or inability to protect our intellectual property rights; overall decline in the health of the economy, consumer spending, and the housing market; our inability to source and market new products to meet consumer preferences; failure to successfully anticipate consumer preferences and demand; competition from other stores and internet-based competition; vendors may sell similar or identical products to our competitors; our and our vendors' vulnerability to natural disasters and other unexpected events; disruptions at our Elfa manufacturing facilities; deterioration or change in vendor relationships or events that adversely affect our vendors or their ability to obtain financing for their operations, including COVID-19; our payment terms for goods and services, and our negotiation of alternative terms for lease payments and other business contracts, each as a result of COVID-19; product recalls and/or product liability, as well as changes in product safety and other consumer protection laws; risks relating to operating two distribution centers; our dependence on foreign imports for our merchandise; our reliance upon independent third party transportation providers; our inability to effectively manage our online sales; 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; damage to, or interruptions in, our information systems as a result of external factors, working from home arrangements, staffing shortages and difficulties in updating our existing software or developing or implementing new software; 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; fluctuations in currency exchange rates; our inability to maintain sufficient levels of cash flow to meet growth expectations; our fixed lease obligations; 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; changes to global markets and inability to predict future interest expenses; our reliance on key executive management; our inability to find, train and retain key personnel; labor relations difficulties; increases in health care costs and labor costs; violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery and anti-kickback laws; impairment charges and effects of changes in estimates or projections used to assess the fair value of our assets; effects of tax reform and other tax fluctuations; significant fluctuations in the price of our common stock; substantial future sales of our common stock, or the perception that such sales may occur, which could depress the price of our common stock; risks related to being a public company; our performance meeting guidance provided to the public; anti-takeover provisions in our governing documents, which could delay or prevent a change in control; and our failure to establish and maintain effective internal controls. 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, (the "SEC") on June 3, 2021, as updated from time to time in 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. Because forward-looking statements are inherently subject to risks and uncertainties, you should not rely on these forward-looking statements as predictions of future events. 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.

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Fiscal 2021 Results

The Container Store®

ORGANIZING SOLUTIONS | CUSTOM CLOSETS | IN-HOME SERVICES

$1.1B
Consolidated Sales

10.5% increase vs. FY20*
19.5% increase vs. FY19

$1.62
Earnings Per Diluted Share

$0.45 or 39% increase vs. FY20*
$1.32 or 440% increase vs. FY19

$1.65
Adjusted Earnings Per Diluted Share**

$0.41 increase vs. FY20*
$1.37 increase vs. FY19

58.2%
Gross Margin

60 bps increase vs. FY20
Flat vs. FY19

11.5%
Operating Margin

150 bps increase vs. FY20
680 bps increase vs. FY19

$159.0M
Adjusted EBITDA**

$8.5M increase vs. FY20*
$68.2M increase vs. FY19

* Includes the impact of the 53rd week in FY20: $17.7 million in net sales, $5.3 million in adjusted EBITDA, and $0.07 in EPS and adjusted EPS.
** Non-GAAP measure; Refer to Adjusted EPS reconciliation on slide 24 and Adjusted EBITDA reconciliation on slide 26.

FY21 Key Accomplishments

Deeping Our Relationship

1. Delivering **engaging in-store experience** with a **Net Promoter Score of 79**.
2. Continuing to align assortment with customer values, including offering over **1,600 sustainable** products.
3. Launched an **inspiring new brand promise**, a new icon and an inclusive brand campaign with over $8B video views on TikTok.
4. Launched a new tier-based **loyalty program**, **Organized Insider.**

Expanding Our Reach

1. Best financial results in Company history with **net sales of over $1 billion.**
2. Acquired and integrated Closet Works to fortify our position in the wood-based space business.
3. Increased the number of design specialists focused on selling premium spaces, with **at least half selling more than $1 million**.
4. Strengthened **e-commerce experience** with improved site speed, 45% faster. Integrated: Narvar, Afterpay, PayPal & Instacart

Strengthening Our Capabilities

1. Launched first **mobile app**, with nearly 50k downloads and a 4.7-star rating.
2. Piloted **mobile point of sale** for quicker check out.
3. Raised hourly minimum wage to **$15 per hour**.
4. Launched **Supplier Diversity program.** Purchased over 6% from diverse-owned small businesses.
5. Joined U.S. EPA Green Power Partnership. Releasing **first sustainability report** in June.

Q4 Fiscal 2021

Financial Results

The Container Store®

Q4 Fiscal 2021 Results

$305.5M
Consolidated Sales

2.9% decrease vs. FY20*
26.6% increase vs. FY19

$0.46
Earnings Per Diluted Share

$0.23 decrease vs. FY20*
$0.20 increase vs. FY19

$0.46
Adjusted Earnings Per Diluted Share**

$0.25 decrease vs. FY20*
$0.20 increase vs. FY19

57.0%
Gross Margin

230 bps decrease vs. FY20
200 bps decrease vs. FY19

12.1%
Operating Margin

410 bps decrease vs. FY20
250 bps increase vs. FY19

$46.4M
Adjusted EBITDA**

$13.1M decrease vs. FY20*
$10.7M increase vs. FY19

* Includes the impact of the 53rd week in FY20: $17.7 million in net sales, $5.3 million in adjusted EBITDA, and $0.07 in EPS and adjusted EPS.
** Non-GAAP measure; Refer to Adjusted EPS reconciliation on slide 23 and Adjusted EBITDA reconciliation on slide 25.

Balance Sheet & Cash Flow Highlights

$14.3M
Cash & Equivalents

$23.6M
FY21 Free Cash Flow**

1.0x
Leverage Ratio

$121.1M
Total Liquidity

$162.5M
Total Debt

$33.4M
FY21 Capital Expenditures

** Non-GAAP measure; Free cash flow represents Cash provided by operating activities of $57.0M less Capital expenditures of $33.4M.

Quarterly Sales Growth Performance for TCS Segment vs. FY19

	Sales Growth over FY19			
FY2021	Q1	Q2	Q3	Q4
Custom Closets*	22.6%	21.7%	19.5%	26.6%
General Merchandise	12.7%	13.5%	15.6%	29.3%
Total	**17.2%**	**17.2%**	**17.3%**	**27.8%**

*Custom Closets includes elfa®, Laren®, Avera®, and closet completion products.

Fiscal 2022

Financial Outlook

The Container Store®

Fiscal 2022 Outlook

~$1.125B Consolidated Net Sales	**Low-Single Digits** Comparable Store Sales
$1.20-$1.30 Earnings per Diluted Share	**51 Million** Assumed Fully Diluted Shares
$60M-$65M Capital Expenditures	**2** Planned Store Openings

Q1 Fiscal 2022 Guidance

Mid-Single Digits

Consolidated Net Sales Growth

$0.15-$0.20

Earnings per Diluted Share

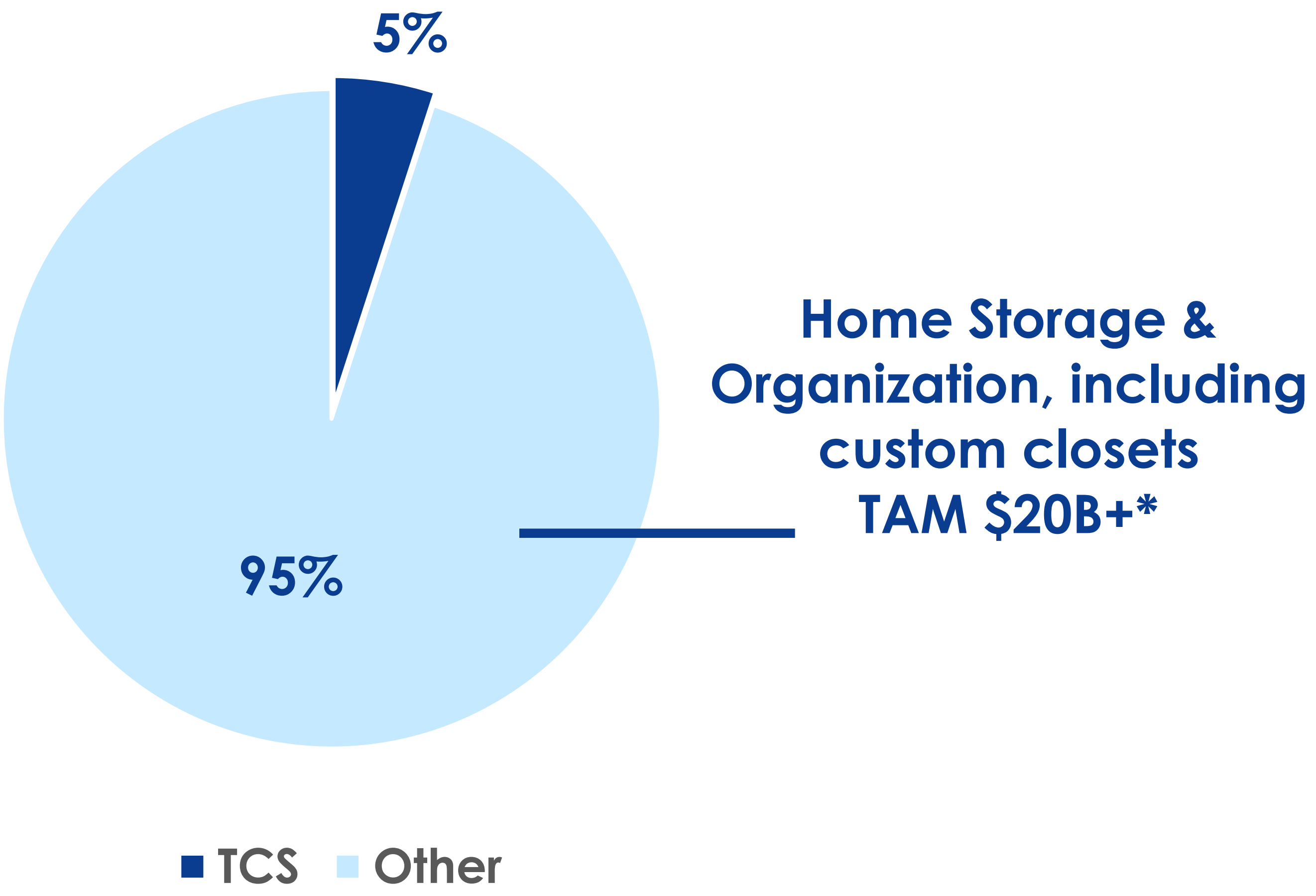
A Transformation Story

Our Path to $2 Billion

The Container Store®

Attractive Industry With Market Share Opportunity

Despite The Container Store's leadership position and differentiator as one of the only specialty retailers focused on storage and organization solutions, and custom closets, The Container Store has just ~5% of the $20B+ home storage and organization total addressable market (TAM).



*Source: BCG Analysis

Our Expected Transformation to $2B Is Powered by Three Strategic Priorities

1.
Deepening Our Relationship With Customers

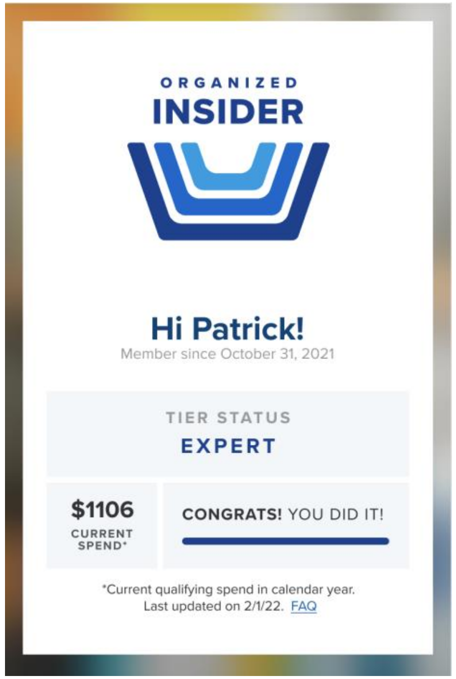
2.
Expanding Our Reach

3.
Strengthening Our Capabilities

1. Winning with Product
- Aiming to expand sustainable products from 15% of assortment to 35% by the end of fiscal 2027
- Planned launch of Rosanna Pansino by iDesign this Summer, a sustainable line of product
- Expecting to expand garage product offering and launch our wood-based Preston Garage collection

2. Developing Branding that Evokes Emotion
- Supporting new brand campaign, Welcome to The Organization, with the intent to increase aided and unaided brand awareness

3. Enhancing the Loyalty Program
- Enhancing new tier-based loyalty program, Organized Insider to increase active rate



Expanding Our Reach

1. Developing Our Store Network

- Targeting 76 new stores by fiscal 2027
- Targeting sales productivity of $400 per selling square foot for small format stores

2. Accelerating E-Commerce

- Enhancing digital marketing strategies to acquire new customers, and aiming to capture social commerce
- Aiming to achieve an online sales CAGR in the high teens through fiscal 2027

3. Bolstering Custom Spaces

- Aiming to significantly increase market share with our offering by fiscal 2027
- Moving beyond custom closets to custom spaces, including closet, living and garage
- Planning to open two wood-based manufacturing facilities by fiscal 2027

Strengthening Our Capabilities

1. Improving Operations

- Continuing to invest in technology, including disaster recovery plans and a cloud migration strategy
- Planning to open a new distribution center by fiscal 2027

2. Being An Employer of Choice

- Emphasizing diversity, equity and inclusion
- Continuing to invest in our people
- Aiming to leverage SG&A to achieve low double-digit operating margins through fiscal 2027

3. Focusing on Environmental, Social and Governance (ESG)

- Focusing on the impact we have on people and the planet

Targeting $2 billion in consolidated net sales and over $3.00 in earnings per diluted share by the end of fiscal 2027

76 new stores*
Low Double-Digit Store Growth CAGR
Generating $400 million of incremental sales

+

Low-Single Digit
Comparable Store Annual Sales Growth

=

Low-Double Digit
Consolidated Net Sales Growth CAGR

+

Slight Operating Margin Expansion

=

Over $3.00
Earnings per Diluted Share

*1/3 expected to open in the first 3 years, remainder 2/3 expected to open in last 3 years

New Store Economics

12,500 SQFT
Size

$5M
Year 1 Revenue

20.0%
Year 1 Store EBITDA Margin

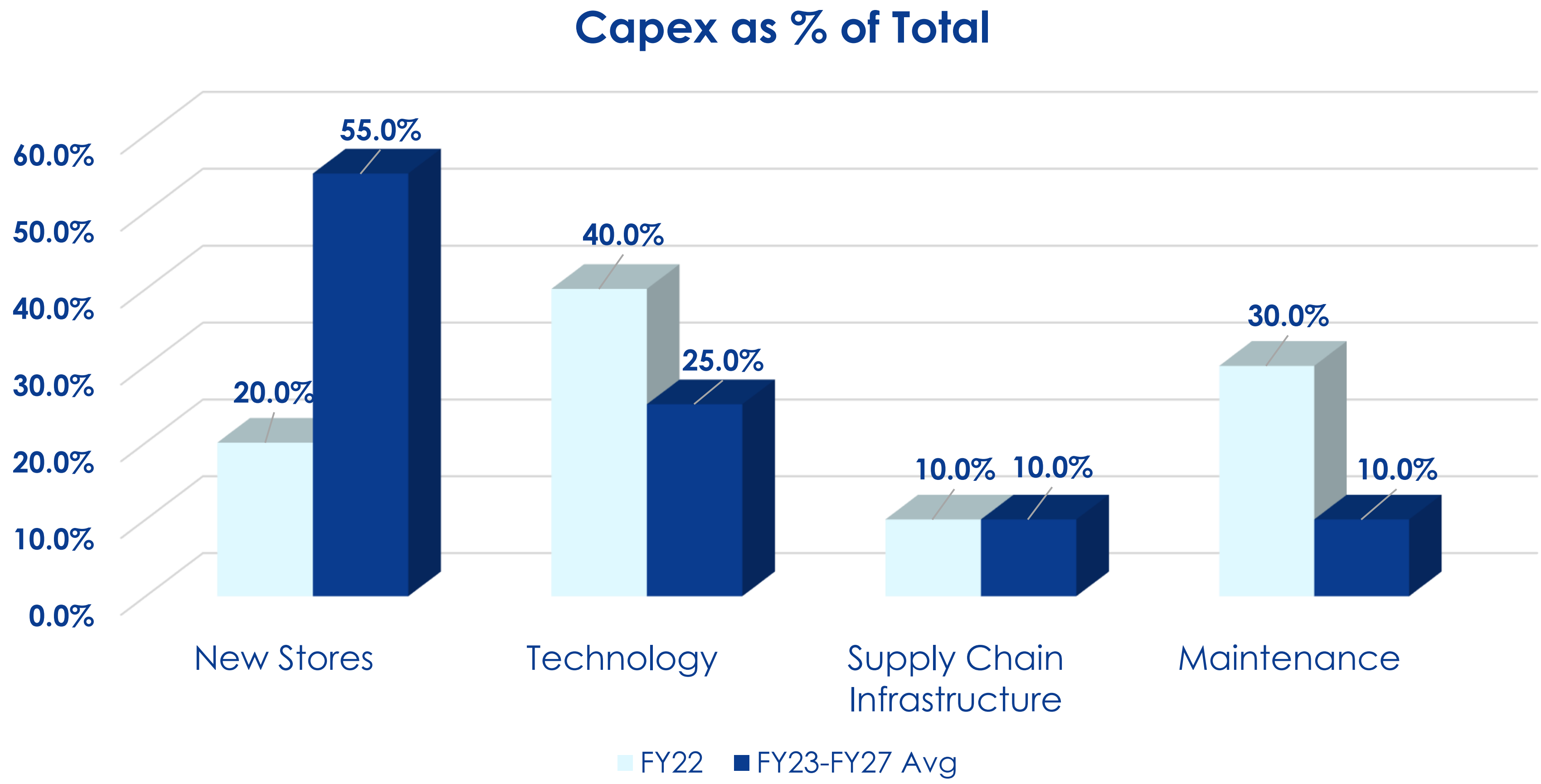
$3M
Cash Investment

2.5 YRS
Payback Period

Capital Expenditures

5.5%-6.0%

Capital Expenditures as a percent of Annual Sales



Appendix

Quarterly Adjusted EPS Reconciliation

Below is a reconciliation of the non-GAAP financial measures of adjusted net income and adjusted net income per common share – diluted to the GAAP financial measures of net income and net income per common share - diluted:

		Q4 FY21		Q4 FY20		Q4 FY19
Numerator:						
Net income	$	23,158	$	35,084	$	12,528
Acquisition-related costs (a)		53		-		-
COVID-19 costs (b)		11		403		-
Severance and other (c)		17		23		-
Taxes (d)		(8)		168		-
Adjusted net income	$	23,231	$	35,678	$	12,528
Denominator:						
Weighted average common shares – diluted		50,286,381		50,537,033		48,397,919
Net income per common share – diluted	$	0.46	$	0.69	$	0.26
Adjusted net income per common share – diluted	$	0.46	$	0.71	$	0.26

a) Includes costs incurred in the fourth quarter of fiscal 2021 associated with the acquisition of Closet Works on December 30, 2021, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
b) Includes incremental costs attributable to the COVID-19 pandemic, which primarily consist of sanitization costs in the fourth quarter of fiscal 2021 and the fourth quarter of fiscal 2020, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
c) Severance and other include amounts our management does not consider in our evaluation of ongoing operations.
d) Tax impact of adjustments to net income that are considered to be unusual or infrequent tax items, all of which we do not consider in our evaluation of ongoing performance.

Full Year Adjusted EPS Reconciliation

Below is a reconciliation of the non-GAAP financial measures of adjusted net income and adjusted net income per common share – diluted to the GAAP financial measures of net income and net income per common share - diluted:

	FY21	FY20	FY19
Numerator:			
Net income	$ 81,718	$ 58,283	$ 14,487
Management transition costs (a)	473	1,200	-
Loss on extinguishment of debt (b)	-	893	-
Elfa France closure (c)	-	-	402
Employee retention credit (d)	-	(1,028)	-
Acquisition-related costs (e)	745	-	-
COVID-19 costs (f)	203	2,266	-
Severance and other (g)	17	1,111	-
Taxes (h)	(302)	(935)	(112)
Adjusted net income	$ 82,854	$ 61,790	$ 14,777
Denominator:			
Weighted average common shares – diluted	50,294,118	49,712,637	48,964,564
Net income per common share – diluted	$ 1.62	$ 1.17	$ 0.30
Adjusted net income per common share – diluted	$ 1.65	$ 1.24	$ 0.30

a) Costs related to the transition of key executives including signing bonus, severance, and relocation costs recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
b) Loss recorded as a result of the amendment made to the Senior Secured Term Loan Facility in the third quarter of fiscal 2020, which we do not consider in our evaluation of our ongoing operations.
c) Charges related to the closure of Elfa France operations in the second quarter of fiscal 2019, which we do not consider in our evaluation of ongoing performance.
d) Employee retention credit related to the CARES Act recorded in the third quarter of fiscal 2020 as selling, general and administrative expense, which we do not consider in our evaluation of ongoing performance.
e) Includes costs incurred in the third and fourth quarters of fiscal 2021 associated with the acquisition of Closet Works on December 30, 2021, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
f) Includes incremental costs attributable to the COVID-19 pandemic, which primarily consist of sanitization costs in the first quarter of fiscal 2021 and fiscal 2020, and hazard pay for distribution center employees in the first quarter of fiscal 2020, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
g) Includes costs primarily incurred in the first half of fiscal 2020 associated with the reduction in workforce as a result of the COVID-19 pandemic and the related temporary store closures in fiscal 2020, which we do not consider in our evaluation of ongoing performance.
h) Tax impact of adjustments to net income that are considered to be unusual or infrequent tax items, all of which we do not consider in our evaluation of ongoing performance.

Quarterly Adjusted EBITDA Reconciliation

Below is a reconciliation of the non-GAAP financial measures of EBITDA and Adjusted EBITDA to the GAAP financial measure of net income:

	Q4 FY21	Q4 FY20	Q4 FY19
Net income	$ 23,158	$ 35,084	$ 12,528
Depreciation and amortization	8,877	8,461	10,501
Interest expense, net	3,176	3,728	5,296
Income tax provision	10,631	12,204	5,287
EBITDA	$ 45,842	$ 59,477	$ 33,612
Pre-opening costs (a)	8	915	2,249
Non-cash lease expense (b)	(693)	(4,164)	(637)
Stock-based compensation (c)	1,104	2,837	535
Foreign exchange losses (gains) (d)	20	(2)	(69)
Acquisition-related costs (e)	53	-	-
COVID-19 costs (f)	11	403	-
Severance and other (g)	17	66	5
Adjusted EBITDA	$ 46,362	$ 59,532	$ 35,695

a) Non-capital expenditures associated with opening new stores and relocating stores, and costs associated with opening the second distribution center, including marketing expenses, travel and relocation costs, and training costs. We adjust for these costs to facilitate comparisons of our performance from period to period.
b) Reflects the extent to which our annual GAAP operating lease expense has been above or below our cash operating lease payments. The amount varies depending on the average age of our lease portfolio (weighted for size), as our GAAP operating lease expense on younger leases typically exceeds our cash operating lease payments, while our GAAP operating lease expense on older leases is typically less than our cash operating lease payments. Non-cash lease expense increased in fiscal 2020 due to renegotiated terms with landlords due to COVID-19 that resulted in deferral of $11.9 million of certain cash lease payments, of which all amounts were repaid in fiscal 2021.
c) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on volume and vesting timing of awards. We adjust for these charges to facilitate comparisons from period to period.
d) Realized foreign exchange transactional gains/losses our management does not consider in our evaluation of our ongoing operations.
e) Includes costs incurred in the fourth quarter of fiscal 2021 associated with the acquisition of Closet Works on December 30, 2021, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance
f) Includes incremental costs attributable to the COVID-19 pandemic, which consist of sanitization costs in the fourth quarter of fiscal 2021 and the fourth quarter of fiscal 2020, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
g) Severance and other includes amounts our management does not consider in our evaluation of ongoing operations.

Full Year Adjusted EBITDA Reconciliation

Below is a reconciliation of the non-GAAP financial measures of EBITDA and Adjusted EBITDA to the GAAP financial measure of net income:

	FY21	FY20	FY19
Net income	$ 81,718	$ 58,283	$ 14,487
Depreciation and amortization	34,289	34,731	38,638
Interest expense, net	12,760	17,268	21,541
Income tax provision	30,976	22,560	6,715
EBITDA	$ 159,743	$ 132,842	$ 81,381
Pre-opening costs (a)	694	1,026	8,237
Non-cash lease expense (b)	(7,115)	4,147	(2,169)
Stock-based compensation (c)	4,263	7,823	3,110
Management transition costs (d)	473	1,200	-
Loss on extinguishment of debt (e)	-	893	-
Foreign exchange (gains) losses (f)	(14)	200	(167)
Elfa France closure (g)	-	-	402
Employee retention credit (h)	-	(1,028)	-
Acquisition-related costs (i)	745	-	-
COVID-19 costs (j)	203	2,266	-
Severance and other costs (credits) (k)	17	1,154	(23)
Adjusted EBITDA	$ 159,009	$ 150,523	$ 90,771

Full Year Adjusted EBITDA Reconciliation

a) Non-capital expenditures associated with opening new stores and relocating stores, and net costs associated with opening the second distribution center, including marketing expenses, travel and relocation costs, and training costs. We adjust for these costs to facilitate comparisons of our performance from period to period.
b) Reflects the extent to which our annual GAAP operating lease expense has been above or below our cash operating lease payments. The amount varies depending on the average age of our lease portfolio (weighted for size), as our GAAP operating lease expense on younger leases typically exceeds our cash operating lease payments, while our GAAP operating lease expense on older leases is typically less than our cash operating lease payments. Non-cash lease expense increased in fiscal 2020 due to renegotiated terms with landlords due to COVID-19 that resulted in deferral of $11.9 million of certain cash lease payments, of which all amounts were repaid in fiscal 2021. In the thirteen and fifty-two weeks ended March 28, 2020, lease expenses associated with the opening of the second distribution center were excluded from Non-cash lease expense and included in Pre-opening costs.
c) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on volume and vesting timing of awards. We adjust for these charges to facilitate comparisons from period to period.
d) Costs related to the transition of key executives including signing bonus, severance, and relocation costs recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
e) Loss recorded as a result of the Seventh Amendment made to the Senior Secured Term Loan Facility in the third quarter of fiscal 2020, which we do not consider in our evaluation of our ongoing performance.
f) Realized foreign exchange transactional gains/losses our management does not consider in our evaluation of our ongoing operations.
g) Charges related to the closure of Elfa France operations in the second quarter of fiscal 2019, which we do not consider in our evaluation of ongoing performance.
h) Employee retention credit related to the CARES Act recorded in the third quarter of fiscal 2020 as selling, general and administrative expense which we do not consider in our evaluation of ongoing performance.
i) Includes costs incurred in the third and fourth quarters of fiscal 2021 associated with the acquisition of Closet Works on December 30, 2021, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance
j) Includes incremental costs attributable to the COVID-19 pandemic, which primarily consist of sanitization costs in the first quarter of fiscal 2021 and fiscal 2020, and hazard pay for distribution center employees in the first quarter of fiscal 2020, all of which are recorded as selling, general and administrative expenses, which we do not consider in our evaluation of ongoing performance.
k) Includes costs primarily incurred in the first half of fiscal 2020 associated with the reduction in workforce as a result of the COVID-19 pandemic and the related temporary store closures in fiscal 2020, and for fiscal 2019 consists of severance and other charges/credits unrelated to COVID-19, which we do not consider in our evaluation of ongoing performance.

Annual Consolidated Net Debt / Leverage Ratio

	FY21
Cash	$14,252
Swedish Debt (a)	1,790
Revolver - U.S. (b)	-
Term Loan - U.S. (c)	160,481
Capital Leases & Other	179
Total Debt	162,450
Net Total Debt	153,198
Adjusted EBITDA	159,009
Net Total Debt / Adjusted EBITDA	1.0x

a) Includes a term loan and revolver. Interest expense is STIBOR + 170 bps for the term and Nordea's base rate + 140 bps for the revolver. Maturity date was August 29, 2019 and was subsequently amended to April 1, 2024.
b) Amended in Oct. 2015 to, among other items, increase aggregate principal amount from $75 million to $100 million, decrease the interest rate from a range of LIBOR + 125 bps to 175 bps to LIBOR +125 bps, and extend maturity date to Oct. 2020 (or Jan. 2019 subject to the status of the Term loan). Amended in August 2017 to extend maturity date to August 2022 (or May 2021 subject to the status of the Term loan). Amended in November 2020 to extend the maturity date to November 2025 (or October 2025 subject to the status of the Term Loan).
c) $362.25 million term loan issued on April 8, 2012. Interest expense was LIBOR + 425 bps, subject to a LIBOR floor of 125 bps. Maturity date was April 6, 2019. Repricing transaction on 11/27/13. Interest expense was LIBOR + 325 bps, subject to a LIBOR floor of 100 bps. Maturity date was April 6, 2019. Amended in August 2017 to, among other items, decrease aggregate principal amount from $362.25 million to $300 million, increase the interest rate from LIBOR + 325 bps to LIBOR +700 bps, and extend maturity date to August 2021. Amended in September 2018 to, among other items, extend the maturity date to September 2023 and decrease the applicable interest rate margin to 5.00% for LIBOR loans and 4.00% for base rate loans. Amended in November 2020 to, among other items, extend the Term Loan maturity date to January 31, 2026, and pay down approximately $47.2M of outstanding loans, which reduced the aggregate principal amount to $200.0M. The applicable interest rate margin for LIBOR loans was 4.75% and 3.75% for base rate loans.