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Container Store

First Quarter 2021 Earnings Call

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CONFERENCE CALL PARTICIPANTS

Steven Forbes, *Guggenheim Securities*

Tami Zakaria, *J.P. Morgan*

Kate McShane, *Goldman Sachs*

PRESENTATION

Operator

Greetings, and welcome to The Container Store's First Quarter 2021 Earnings Call.

As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Caitlin Churchill, Investor Relations.

Caitlin Churchill

Good afternoon, everyone, and thanks for joining us today for The Container Store's First Quarter Fiscal Year 2021 Earnings Results Conference Call. Speaking today are Satish Malhotra, Chief Executive Officer, and Jeff Miller, Chief Financial Officer. After Satish and Jeff have made their formal remarks, we will open the call to questions.

Before we begin, I need to remind you that certain comments made during this call regarding our plans, strategies, expectations regarding liquidity and goals, our anticipated financial performance, and our plans in response to COVID-19 and the potential impact of COVID-19 on our business may constitute forward-looking statements and are made pursuant to and within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

Such forward-looking statements are subject to both known and unknown risks and uncertainties that could cause actual results to differ materially from such statements. Those important factors are referred to in The Container Store's press release issued today and in our Annual Report on Form 10-K filed with the SEC on June 3, 2021. The forward-looking statements made today are as of the date of this call, and The Container Store does not undertake any obligation to update their forward-looking statements.

Finally, the speakers may refer to certain adjusted or non-GAAP financial measures on this call. A reconciliation schedule of the non-GAAP financial measures to the most directly comparable GAAP measures is also available in The Container Store's press release issued today. A copy of today's press release and investor deck may be obtained by visiting the Investor Relations page of the website at www.containerstore.com.

I will now turn the call over to Satish.

Satish.

Satish Malhotra

Thank you, Caitlin, and thank you all for joining our call today. I'll first discuss the highlights of our fiscal Q1 performance, followed by details on our growth initiatives. Jeff will then review our financial results in more depth and discuss our outlook.

We are just thrilled with our first quarter performance, where we delivered profitability for the first time in over a decade with record first quarter sales. This achievement is really worth repeating. We delivered profitability for the very first time in over a decade during our first fiscal quarter, which has traditionally been a loss-making quarter due to lower sales and the inability to leverage on our fixed expenses.

For the quarter, we achieved consolidated net sales of $245.3 million, growing nearly 62% compared to last year and 17% over first quarter 2019.

Our record sales, combined with strong gross margins and disciplined expense management, drove a 10.8% operating profit margin and adjusted EPS of $0.36, an improvement of $0.68 compared to last year and $0.44 over first quarter 2019.

We also saw continued growth of our POP! Loyalty Program, with total members enrolled at the end of Q1 of almost 10.3 million members, signifying the total increase of approximately 15% on a year-over-year basis. As a reminder, about 75% of our sales are linked to our POP! Program. By better mining this rich data, we can offer our customers more personalized and targeted interaction, which we believe will increase their frequency and spend with us.

It's important to note, we achieved record breaking results in Q1 all while pressure testing our strategic growth initiatives. For example, we materially changed our promotional cadence and our approach to our custom closet and general merchandise categories in Q1.

As previously mentioned on our last call, we see considerable growth opportunities in selling premium closet spaces over $2,000, but we have minimal share. To that end, we executed our first stand-alone Avera event, which attracted a healthy percentage of new customers to The Container Store. We sold a variety of custom spaces that average $6,000 per space, ranging from traditional closet spaces to entertainment centers, offices, mudrooms and even basement spaces. Moreover, the Avera event also produced a halo effect in growing full price sales in our other closet lines: Elfa Classic, Elfa Décor, and Laren.

I'm pleased to say the success of the Avera event validated the growth we see in premium closet spaces and our ability to capture it. Additionally, as mentioned before, a small percentage of our general merchandise customers are also custom closet customers, and we see growth opportunities in converting these customers to custom closets. Our recent Elfa For The Win event demonstrated our ability to drive growth within our existing customer base.

This event rewarded customers for purchasing additional Elfa starter sets and spaces for a better overall discount. We are pleased to share, one-third of the spaces sold during the event were to first time custom closet customers, of which more than two-thirds came from existing general merchandise customers. Additionally, over 60% of the sales during the event came from customers purchasing three or more Elfa starter sets and spaces. We generated $6 million in Elfa component sales, which were not even part of the event.

Lastly, we are delighted with the customer response we received to our front of store transformation. Our front of store presentation focused exclusively on curated products at full price, supported with compelling before and after customer testimonial graphics. The front of store presentation provided customers with an opportunity to learn, discover, and engage with key merchandise offerings from our kitchen and closet categories.

The bold changes we made in our custom closet promotions and front of store transformation served to drive both sales as well as gross margin expansion during the first quarter.

Another area changed during Q1, was our in-store and online customer experience. We positively enhanced our in-store customer experience through the addition of greeters and selling specialists. As a reminder, this was funded by reducing our non-selling payroll hours. Through our partnership with Medallia, we were able to learn that customers who were greeted or assisted in-store experienced a significantly higher than average ticket and net promoter score as compared to those that were not.

To date, our in-store net promoter score as tracked by Medallia is at a 77, which again is higher than many other known retailers. Based on these positive results, we will now be zoning specialists in key areas of the store to help assist and engage with our customers.

From an online perspective, during Q1, we made some modest improvements to the site navigation, with the goal of making it easier for customers to find what they were looking for. We also made significant improvements from a shipping perspective, with 96% of all direct to customer orders being shipped within 48 hours of order placement.

The changes implemented in Q1 combined with the dedicated work of our stores, distribution centers, and support teams fueled our outstanding Q1 performance. As we look forward, we are optimistic that our actions will continue to support our goal of driving continued growth.

A quick update now on our previously communicated strategic initiatives. We are making good progress on our first initiative, deepening our relationship with our customers by winning with product and evoking emotion through branding. In July, we launched our newest line of sustainable products, The Home Edit Wooden collection. This incredibly lightweight collection is made of Paulownia wood, one of the fastest growing hardwood trees in the world. The line celebrates The Home Edit’s passion for multifunctional solutions to maximize spaces throughout the home by storing everything from toys to pantry items, and kitchen utensils.

We are equally thrilled about Marie Kondo's upcoming Netflix series, *Sparking Joy*, available for subscribers on August 31. The show will include transformations of spaces beyond the home. To celebrate the show, customers can expect to see our exclusive sustainable KonMari product line merchandise at the front of our stores in late August. From closet to kitchen to office, we will help customers find the right KonMari solutions for their needs.

In the spirit of listening to our customers, we are also using the strength of our private label assortment, known for its outstanding durability, quality and value, to launch new exclusive products that our customers are craving.

For example, in late Q1, we launched the highly anticipated extra-large drop-front shoe box. This shoe box holds up to a size 16 shoe, enables you to see the shoes or shoe box stored inside, and is proudly made in the U.S.A. This product was requested by our sneakerhead fan base, and also delivered on their ask for a stronger door hinge. Our exclusive drop-front products will be prominently displayed in our stores beginning in August.

Another example of our private label strength is the introduction of The Container Store trash cans and chrome under cabinet roll outs; both private label products are already delighting customers and positively impacting our margins. While over 50% of our sales come from private label products, there is still untapped growth opportunity to deliver unique solutions to meet our customer's needs.

When it comes to branding, we just completed work without agency partner, Preacher, to move our brand purpose from a functional to an emotional state. I'm delighted to share our Company’s purpose is to help transform the lives of our customers through the power of organization. With our new brand purpose, we intend to bring awareness to the enriching benefits of an organized life. We have seen first-hand the transformation of our customer's lives where, for example, decluttering can truly lead to de-stressing. We have challenged ourselves to enlighten new customers to the power of organization while still delivering for those customers who are already aware of the life-transforming benefits of organization.

As it relates to our second strategic priority, expanding our reach, we are still in the early phases of this strategy. But we are seeing momentum in business-to-business sales after bringing the program in-house and organizing it under one central leader. We have secured new contracts with private luxury residences in high-rises, senior living communities, and mixed-use development. Additionally, we are reinvesting our trade program, which kicked off with a sponsorship of the 2021 American Society of Interior Designers Conference. We are pleased with the attention we have put on our B2B and trade programs, which are beginning to show positive growth signs.

Also this quarter, we opened a new smaller format store in Annapolis, Maryland, and early results are exceeding our expectations. The customer response has been outstanding from opening day. Recently, we announced plans to open an even smaller store at 12,000 square feet in Colorado Springs, Colorado, in 2022. We're excited about the demand of our stores in different markets. We not only see great growth opportunities in new markets, but also expansion opportunities in existing markets with a smaller footprint store using a hub-and-spoke model. While we are still early in the process of determining and refining our store growth plans, including a possible store-within-store concept, we remain focused on optimizing the productivity of our existing store base.

Finally, I will conclude with an update on priority number three: strengthening our capabilities. With the recent hiring of our CIO, we have put in place a robust technical roadmap to enable and support our growth plans. For example, we are actively working on technology that would allow us to ship from store, further improving upon our last mile delivery efforts and taking advantage of managing our inventory on an enterprise-wide level. We're also working on a mobile point of sale solution. This will allow us to dramatically improve checkout speed, will make our online assortment available store, and will support our even smaller store format concept.

Additionally, we are diligently working on enhancing our customer e-commerce experience through a faster site, engaging content, more relevant site searches, and recommendations and additional payment options. These enhancements are on top of improvements and fulfillment transparency through our new partnership with Narvar, which was launched in July on the heels of launching Afterpay online. Our partnership with Afterpay is already attracting new customers and delivering a higher-than-average ticket, both in-store and online.

I'll now turn the call over to Jeff to discuss our financial results in more detail.

Jeff Miller

Thank you, Satish, and good afternoon, everyone.

First, I'd like to reiterate how pleased we are to have delivered the first profitable Q1 in over a decade with record setting sales. For the first quarter, consolidated net sales were $245.3 million, reflecting a year-over-year increase of 61.7% and an increase of 17.1% compared to the first quarter of Fiscal ‘19. As a reminder, due to the COVID-19 pandemic, we lost approximately 20% of our operating days during the first quarter of Fiscal 2020 as a result of complete store closures, in addition to lost operating hours due to modified schedules and capacity limitations in our stores.

By segment, net sales for The Container Store retail business were $228.7 million, a 64.1% increase compared to $139.4 million last year, and a 17.2% increase compared to $195.1 million in the first quarter of Fiscal 2019. Custom closet sales were up 58.6% compared to Fiscal 2020 and contributed 29.1% of the 64.1% year-over-year increase in net sales. Other product categories were up 69.5% in Q1 and contributed the remaining 35% of our net sales increase year-over-year. Compared to Q1 Fiscal 2019, custom closets were up 22.6% and other product categories were up 12.7%.

As a reminder, the disruption from COVID 19 spurred a strong acceleration in our online channel in Q1 of Fiscal 2020. In Q1 of Fiscal 2021, we saw a shift back to the brick-and-mortar stores, as expected. With that said, for the first quarter of Fiscal 2021, our online channel decreased to 50.7% year-over-year. However, when compared to the first quarter of Fiscal 2019, our online channel increased by 44.1%. Including curbside pickup, our website-generated sales in Q1 were down 45.3% from last year but up 61.6% when compared to the first quarter of Fiscal 2019.

Website-generated sales represented a total of 22.5% of TCS net sales in Q1 of Fiscal 2021 compared to 67.5% in Q1 last year and 16.3% in Q1 of Fiscal 2019. We ended the quarter with online orders taken but not shipped totaling approximately $2.4 million compared to $4.8 million in the prior year period.

We also had unearned revenue of $21.6 million this year versus $14.6 million last year, driven by a large increase in custom closet orders taken but not yet installed associated with the highly successful Avera and Elfa events that Satish mentioned.

Elfa third-party net sales of $16.6 million increased 34.8% compared to the first quarter of Fiscal 2020. Excluding the impact of foreign currency translation, Elfa third-party net sales increased 17.2% year-over-year and were consistent with the first quarter of Fiscal 2019.

From a profitability standpoint, our consolidated gross margin for Q1 was 59.6% compared to 51.6% last year and 57.2% in the first quarter of Fiscal 2019. By segment, gross margin of The Container Store improved 840 basis points compared to last year, primarily due to the previously mentioned sales shift back into our brick-and-mortar stores, which resulted in less direct-to-consumer shipping costs this year, combined with less promotional activity and partially offset by mix. Compared to the first quarter of Fiscal 2019, The Container Store gross margin improved 80 basis points, primarily due to less promotional activity.

Elfa gross margin decreased 610 basis points compared to last year, primarily due to higher direct material costs and unfavorable customer mix. Elfa's gross margin in the first quarter of Fiscal 2021 has slightly improved as compared to the first quarter of Fiscal 2019.

Consolidated SG&A dollars increased 27.7% to $110.1 million compared to $86.3 million in Q1 last year. The increase in SG&A dollars is reflective of the restoration of certain expenses that were temporarily suspended in Fiscal 2020 as part of our COVID-19 pandemic management strategy. As a percent of sales, SG&A decreased approximately 1,200 basis points year-over-year to 44.9%, primarily due to the leverage of occupancy, payroll, marketing and other costs on higher sales during the quarter. Additionally, as compared to the first quarter of 2019, SG&A decreased 710 basis points as a percent of sales, primarily driven by fixed cost leverage associated with higher sales.

Our net interest expense in the first quarter of Fiscal 2021 decreased 35.6% to $3.2 million from $4.9 million in the prior year due to lower principal balance on our senior secured term loan facility and fewer borrowings on our revolver. The effective tax rate for the quarter was 24.3% compared to 29.3% in the first quarter last year. The decrease in the effective tax rate is primarily due to the impact of permanent and discrete items on higher pre-tax income in the first quarter of Fiscal 2021.

Net income for the quarter on a GAAP basis was $17.7 million, or $0.35 per diluted share, as compared to a GAAP net loss of $16.7 million, or $0.34 per diluted share, in the first quarter of last year. Adjusted net income was $18.2 million, or $0.36 per diluted share, as compared to last year's adjusted net loss of $15.5 million, or $0.32 per diluted share. In Q1 2019, we reported a loss per share of $0.08, so we have an increased adjusted EPS by over 5 times in this two-year time period.

Our adjusted EBITDA increased over 7 times to $33.5 million in the first quarter of this year compared to $4.5 million in Q1 last year and an increase of over threefold compared to $10.6 million in Q1 2019.

Turning to our balance sheet, we ended the quarter with $10.5 million in cash, $166.3 million in net debt, and total liquidity including availability on our revolving credit facilities of approximately $119.8 million. Our current leverage ratio is less than one times.

We ended the quarter with consolidated inventory up 32.8%. Keep in mind that last year we had taken actions to cut inventory levels in order to preserve capital. This year we have increased unit levels to support strong sales trends and to account for longer lead times resulting from supply chain disruption. And, like other retailers, we continue to experience freight and shipping costs headwinds along with higher commodity prices. We have and plan to continue employing multiple methods to help mitigate the impacts of higher costs, which includes vendor negotiations, actively managing our supply chain, along with adjusting our retail pricing and promotional cadence.

We used $3.8 million in free cash flow during the quarter compared to last year when we generated $21.7 million. As a reminder, due to the seasonality of our business, we typically use cash over the first three quarters and generate our free cash flow primarily in Q4. Last year, we focused on preserving cash in the first quarter of Fiscal 2020 due to the uncertainty related to the pandemic, including the just mentioned inventory management actions, as well as deferring almost $12 million in cash lease payments to future periods.

On that note, we paid down approximately $2.4 million of the deferred cash lease payments in the first quarter of Fiscal 2021. The outstanding balance, as of July 3, 2021, was $2.2 million, which will be paid over the remainder of Fiscal 2021.

Now for our outlook.

We expect Q2 consolidated sales growth as compared to last year to be approximately 4%. EPS in the second quarter is expected to be approximately $0.28. The expected sales growth in Q2 amounts to a 9% increase as compared to the second quarter of Fiscal 2019, and expected EPS improvement of over $0.20 over that same time period.

Consistent with our approach on the last call, we're not providing full year guidance; however, given the outperformance in Q1, we are sharing an updated scenario for sales growth and resulting associated margin outcomes. In a scenario where sales increases are in the mid-single-digits compared to last year, we would expect 50 to 100 basis points of operating margin contraction in Fiscal 2021 compared to last year.

The expected operating margin contraction is related to higher SG&A in terms of dollars and as a percent of sales compared to Fiscal 2020. We still expect year-over-year gross margin pressure in each of the remaining quarters in Fiscal 2021, given the freight and shipping costs headwinds along with higher commodity prices. However, given the magnitude of our first quarter gross margin outperformance, we no longer expect a gross margin decline on a full year basis in this mid-single-digit sales growth scenario.

On the SG&A side, we are restoring certain expenses that were temporarily pulled back in Fiscal 2020 as part of our pandemic management strategies, such as reinstated 401k match and merit increases. In addition, our planned marketing cadence will also contribute to an expected increase in the second half SG&A dollars and associated deleverage as compared to the first half of Fiscal 2021. In this mid-single-digit sales growth scenario, we expect overall second half Fiscal 2021 SG&A dollars to be largely consistent with the second half of Fiscal 2020. However, given the currently planned quarterly cadence of our spend in the second half, we expect to see increases in Q3 SG&A dollars year-over-year and slight declines in Q4.

We expect total capital expenditures for the year to be approximately $47 million. Additionally, we expect interest expense to be approximately $14 million and our effective tax rate to be approximately 30%.

I'll now pass it back to Satish for closing remarks.

Satish Malhotra

Thank you, Jeff.

In closing, we are thrilled with this record start to Fiscal 2021. More importantly, I'm so proud of our team and the energy, passion and discipline with which they're executing on our strategic growth priorities. Our customers are already noticing the bold changes we are making and are responding very favorably towards them. While we are in the early stages on our path to $2 billion in sales, we are pleased with the progress we are making. We look forward to the continued momentum in our business as we deepen our relationship with customers, expand our reach and strengthen our capabilities to make The Container Store the best version of itself.

This concludes our prepared remarks. I'll now turn the call over to the Operator to open the lines for questions.

Operator

Thank you. We will now be conducting a question-and-answer session.

Our first question is from Steven Forbes with Guggenheim Securities. Please proceed.

Steven Forbes

Good evening.

Satish, you briefly mentioned the growth initiatives, right, during the prepared remarks. But curious if you could provide some additional context around the productivity initiatives, right, since they're sort of first on the agenda here. If we look at the store transformation that you discussed and then also greeters, sellers and zoning specialists, any color on what sort of—how many stores are going to be touched this year, how many stores will be operating with that new sort of employee model, as we think about the potential impact right across the footprint here?

Satish Malhotra

Hi, Steve, thank you for that question.

Yes, listen, I would say I'm proud of the fact that we are continuing to focus on driving productivity of our existing stores, as you well noted. We look to do it really in a couple of ways. One is focusing on product, with that front of store presentation, which will be impacted across all the fleet of stores. That is something we've rolled out, and it is something that you can actually go into our stores and see today. We continue to also focus on our private label business, as I mentioned, whether it be the extra-large dropfront shoe box or our introduction of trash cans, chrome under cabinet/sinks, those are also available across the fleet of our stores.

When it comes to even our sustainability sourced product, we're now at 10% of our SKUs, and that's also across the fleet of our stores as well. When you think about what we're doing from an Air of Excitement point of view from an in-store experience, a new greeter program was launched initially with a few stores as we are testing out the program, and now it's rolled out across the entire fleet. What we are looking to do as we move forward now is actually have specialists being zoned in key areas of the store. That's a program that has not yet rolled out, but will be rolling out shortly.

What we continue to see, quite frankly, is each of those areas, whether it's the focus on our product, the attention we put on in-store experiences has really helped us deliver an improvement, both in conversion and our average ticket and our NPS scores; as I mentioned, we ended Q1 at 77 and that's a measure that we're very proud of.

Steven Forbes

Then just a quick follow-up, given the planned opening of a smaller footprint store in 2022. Have you thought about or determined when you expect to sort of conclude on the right format and any anticipated cadence of unit growth going forward? Is that sort of within the next 12 months, 24 months, is there any sort of defined timeframe or internal goal around concluding that?

Satish Malhotra

Yes. Listen, we are definitely actively working through what our expansion plans look like, both in new markets, where we see a tremendous amount of demand, as well as in our existing markets, which is why we're testing a smaller format store, so that we could put forth a hub-and-spoke model. We're still running through what that modeling could look like. As I mentioned previously, we've hired a new Vice President of Real Estate, actively working at our expansion plans; not to mention our potential shop-within-shop concept as well. It's all in the works, I think; unfortunately, you just need to be a bit more patient with us as we work through that, but I think it will be coming shortly.

Steven Forbes

Thank you. Best of luck, and stay safe.

Satish Malhotra

Thank you. You too.

Operator

Thank you. Our next question is from Tami Zakaria with J.P. Morgan. Please proceed.

Tami Zakaria

Hi, thank you so much for taking my questions.

My first question is around the second quarter outlook. I think in your call, forgive me if I misheard, but I think in your call, I heard you say custom closets had about $22 million of sales that were booked but not delivered. Are you expecting all of those unearned revenue to be recognized in the second quarter? If so, that's like 9% of growth over last year's second quarter versus your guide of 4%. Just trying to understand how do you get to that 4% guide for the quarter, given you have unearned revenues coming in?

Jeff Miller

Hi, Tami, this is Jeff. Thank you.

Yes. We do have some orders taken but not installed at the end of Q1, similar to like we typically do. We would expect to have orders at the end of Q2 as well, just based on certain promotional cadence that we may be having. You can't just take all of it from Q1 and drop it to 0, because we always carry a balance of basically deferred sale.

Tami Zakaria

Got it. Okay. It's not like all of it flows through in the second quarter.

Jeff Miller

Right. Well, correct.

Tami Zakaria

Got it. Okay. Then my other question is, I think your gross margin leverage this quarter was very interesting, and you spoke about lower promotions benefiting that. I'm just curious, was there any special campaign that you didn't repeat this year versus last year, or was it just overall promotional management, fewer discounts, and stuff like that?

Jeff Miller

Yes, Tami, we were very pleased with the gross margin performance for Q1, and it's really twofold. I mentioned the return of our customer back to the brick-and-mortar store on a year-over-year basis. If you remember last year, we experienced a higher percentage of our sales with online sales direct-to-consumer. Certainly, the shipping costs that we incurred last year versus this year benefited our margin this year. The second thing is, as you mentioned, the promotional cadence on a year-over-year basis last year, we were in the process of preserving cash and reducing inventory levels. We had a number of promotionas, much more promotional items out in Q1 last year versus this year. In fact, this year the designs were new to Container Store. I mean, the Avera sale, we had never done a sale like that, and actually lifted, it had a halo effect, on full price closet spaces.

While the Avera line was on a promotional rate, the Elfa Classic, Elfa Décor and the Laren lines were not on promotion, and they were sold at full price. We benefited from that. Then the Elfa for the Win, the same thing: the customers, the more they bought the better discount they received. They benefited the more they bought, which means instead of selling the full—last year where we may have had Elfa on sale for 25% off across the board, customers this year had to buy more spaces. The customers that bought less actually paid a higher margin.

Tami Zakaria

Got it, got it. There was a higher ticket purchase this year versus last year.

Jeff Miller

Higher ticket?

Tami Zakaria

Yes. As in, they were incentivized to buy more to avail a discount; that made the difference.

Jeff Miller

That's correct.

Tami Zakaria

Got it. Okay, great. Thank you so much.

Operator

Thank you. Our next question is from Kate McShane with Goldman Sachs. Please proceed.

Kate McShane

Hi, good afternoon. Thanks for taking my question.

I just had a quick question around marketing in the second half. I wondered if you could maybe repeat your comment on what that looks like at the back part of the year in terms of dollar spend and how it compares to maybe 2019. Just specifically, what are some of the initiatives around marketing?

Jeff Miller

Hi, Kate. Sure.

The marketing spend for the scenario that I outlined. I was talking about SG&A expenses on the second half of the year. Specifically, I was talking that the total dollars spent in SG&A in the second half will be very similar to what we did dollar-wise in Fiscal 2020. And where I think I got a little more detailed was from a cadence standpoint: within the second half, SG&A dollars will actually increase in Q3 related to marketing, one of the items being related to marketing activities in Q3, versus dollars being slightly down on a year-over-year in Q4. Satish spoke to some of our new purpose and branding, and not only that, it's also Q3 is the start of our annual Elfa sale and it's traditionally a heavier weighted from a marketing perspective.

Kate McShane

Thank you.

Jeff Miller

Any other questions, Kate?

Operator

I believe there are no further questions. I would like to turn the call back to Management for any further closing remarks.

Satish Malhotra

Well, I just want to say thank you for joining us today and for your interest in The Container Store. Have a great evening.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you very much for your participation. Have a great day.