



The Container Store | Goldman Sachs Global Retailing | September 9, 2021

Kate McShane:

Good afternoon. I'm Kate McShane. I am the hardlines, broadlines and grocery analyst here at Goldman Sachs. We are here at Goldman Sachs 28th annual global retailing conference. And it's my pleasure to introduce the members of the management team for The Container Store. The Container Store is the country's leading specialty retailer of storage and organization products and solutions and custom closets. It has over 90 locations nationwide offering a full suite of custom closets with annual revenue of slightly lower than a billion dollars. Today we have with us, Satish Malhotra, President and Chief Executive Officer of The Container Store. Satish joined TCS in February, 2021 as the CEO and president, and brings over 20 years of experience holding various leadership roles at Sephora. And we also have with us Jeff Miller, Chief Financial Officer. He joined the company in 2013 and has been in the current role since August, 2020. Satish and Jeff, thank you so much for joining us today.

Jeff Miller:

Thank you.

Satish Malhotra:

Absolutely. Thank you for having us.

Kate McShane:

So you've CEO now about eight months, I believe. And you came in at a pretty interesting time given that we were in the midst of a global pandemic. So in addition to learning a new business and company, you also had to steer a company during a time of a lot of uncertainty. So I wondered if you could maybe take a step back and walk us through what about The Container Store intrigued you enough to take this job? And then from there, can you walk us through how you're approaching running the business for the near term versus implementing new strategies to position the business for the longterm?

Satish Malhotra:

Sure, absolutely. Thank you for the question. I think what I would say first and foremost is as I was doing my due diligence about The Container Store, I really fell in love with the culture, the strong culture that The Container Store had to offer. And as I was going through both online and in-store experience, I

really felt there was really fantastic bones that The Container Store have to offer the consumer market. And I felt with my experience, I could really come in and help take it to the next level. And so since joining in February, I have really spent a considerable amount of time with teams across the organization, really trying to understand the core strengths and where those opportunities lied. We even conducted a survey with our loyal customers asking them why they love The Container Store. And through my many conversations, walked away with kind of three key observations where I felt that by focusing on them and working on them, we can then really take The Container Store to that next level.

Satish Malhotra:

One of the key observations was I felt that the product offering we were delivering to our customers was very fragmented, right? TCS, as you said earlier on, it was built in a unique position as the authority in providing storage and organizations through its custom closets line and in-home organization services, as well as the extensive general merchandise assortment. But these three offerings were treated as a separate, distinct, almost siloed customer journeys. They weren't ever connected together holistically for the customer. We didn't make it easy for the customer to understand the benefits of each offering and how they complimented that entire experience. I found that while we had over 10 million loyalty members, the vast majority of them never purchased a custom closet. They were only general merchandise customers. They never got to experience the transformation of a custom designed space, nor did they get the benefit from the help of an in-home organizer like I have.

Satish Malhotra:

And I think it's very transformational when you get to experience all three and our ability to deliver that now to the customer in a cohesive manner, in a unique ecosystem that sets us up for success in driving great market share in a very sizable, addressable market of over \$20 billion. The second observation I had as I was speaking to our most loyal customers was that there was a overwhelming need for organization, right? Our most loyal customers, they really understood those meaningful benefits that they got to realize on a daily basis. It's almost they were awakened to the power of organization. That organization increased their sense of wellbeing. And customers felt that by decluttering, they could also distress, right? Some even saw a boost in productivity or they saw an improvement in their relationships like I do on a regular basis now with my wife and my kids in this new way of life that we're living. What I was fortunate to find, though, all of these customers saw The Container Store as their happy place where they could find everything they needed to contain the chaos of everyday living.

Satish Malhotra:

And listening to these customers I realized that we needed to evolve our approach, our mission, so to speak, and to help educate new customers to the many benefits of organization, just like we're seeing with the collaborations with The Home Edit and Marie Kondo today. So now as a mission led company, we're working to create a movement to take a more of an amplified approach in helping customers transform their lives through the power of organization. Which by the way, is our new internal brand purpose now. We believe, I believe that everyone can benefit from organization from childhood to late adulthood. I've just helped my father who's 81 and living with us, help him organize his space, in particular his regimen that he has for his pills. And it's really made a huge difference in his ability to feel in control and being able to take care of himself. There were many days he was missing taking his pills or taking the wrong pills.

Satish Malhotra:

And by organizing his cabinet it really made a remarkable difference. And that's what we can do across the gamut. The last observation I had was that TCS really had good, strong strength and capability to deliver meaningful growth. Our employees, when you speak to them, they're very eager and passionate about making TCS the best version of itself. And we weathered the 2020 extremely well, right? Strengthening our financial position through prudent expense management and debt reduction. We also have the added advantage of owning Elfa International, who manufacturer our Elfa classic decor and Avera closet lines, which in some cases may be unusual for a retailer to be vertically integrated, but it's proven to be a competitive advantage for us so we get to benefit from both the manufacturing and retail margins here. And I found when I was talking to our employees, whether in the US or in Sweden, that all of them were ready for the challenge of doubling our business all while delivering those enriching benefits of organization to our customers.

Satish Malhotra:

So these observations essentially served as the foundation layer for our three strategic pillars which aim at delivering some meaningful growth over the coming years. Our first pillar is focused on deepening our relationship with our current customers, but we believe we can gain even greater share of wallet with them. And we're seeing it just in our past activities. Over the past few months, we've become far more purposeful of introducing custom closets now to our general merchandise only customers. In fact, the last two custom closet event, it was extremely rewarding to see a healthy number of these customers move over and become custom closet customers as well. And so finally, we've been able to put the bridge and help the general merchant customers appreciate and understand the value associated with having a custom space designed and installed for them. We've also recently added greeters and selling specialists to our stores. And that was funded by non-selling payroll.

Satish Malhotra:

We had a lot of payroll going towards non-selling activity. And by optimizing the back of office, we were able to take that payroll and put it where our customers were. And we're already seeing higher average tickets. We're seeing much greater and improved Net Promoter Scores because of these changes. And very soon we'll be adding specialists within specific zones of our stores to really help further engage and assist with our customers. And then finally, I will tell you, under pillar one, it's around creating more of discovery moments in our store. I really believe in the importance of having these discovery moments. Having an opportunity for customers to really engage with products that we have in our stores or online. And we're doing that through new visuals. If you go into our stores, you'll see more consumer, user generated testimonials and before and after pictures that really do a great job storytelling the power of what we have to offer.

Satish Malhotra:

And you'll see it in our front of store presentation. We have one right now for Marie Kondo and we see a lot of customers engaging with that presentation or even our in-store demonstrations as personally witnessed customers touching and playing and engaging with products, either at the front of the

Satish Malhotra:

... or through our demonstrations, like our very versatile [Alpha Starter Sets], I have six of them, and customers, once they play and engage with them, they quickly discover that they need those items and put them in their carts and off they go to check out. And that's what we're trying to promote in our pillar

of really deepening that connection with our current customers and expanding our share of wallet. When it comes to new customers, pillar number two is really focused around expanding our reach because we do believe there's potential for us to really go after a whole slew of new customers. And we're already pressure testing that. Today, we do a very good job of selling custom spaces that are below \$2,000, but we have minimal share in spaces above \$2,000. And I believe we can capture new clients, new customers just by being focused on the premium closet spaces during our events now.

Satish Malhotra:

A few months ago, we had our standalone. For the first time, we had a standalone event for Avera, our most premium closet line, and we were delighted to see our ability to sell not only a variety of custom spaces, whether it was mudrooms and basements and attics and traditional closets, but these spaces were averaging \$6,000 per space. And what we also saw, which was a great delight to us, that of the total customers that shopped during the event, 40% of them were new to TCS. So, a great way to drive new customers by focusing on that premium line. We also believe there's an opportunity to grab new customers by dramatically improving our e-commerce experience. Unfortunately, our website today, it's very clunky, it's slow, and it's not at all where I'd like our e-commerce experience to be. I think we can do a great opportunity for improving our load times, providing more engaging content, relevant site searches, and payment options like we did with Afterpay. And soon, we'll be introducing additional payment types.

Satish Malhotra:

But I think that is a great way for new customers to experience what we have to offer, and particularly because we only have 94 physical locations today. And third, but not least, as we talk about physical locations, we clearly see there's an opportunity to gain new customers by adding more stores. We're still very early in determining what that footprint is going to look like, but we are excited about offering a hub and spoke model. We think there's, like I said, a tremendous amount of white space out there, and by having a combination of both our flagship stores coupled with smaller, more accessible, and convenient-located locations, we can drive more customers, more new customers, so that they can benefit in the amazing transformational experience an organization can bring. And then, finally, our third pillar, which is as important as driving growth, both through existing customers and new customers, it's around strengthening our capabilities.

Satish Malhotra:

We want to drive top line growth in a very systemic and process-driven and profitable manner, and that starts off with making sure we've got the right teams in place. We've done a great job attracting great talent, especially in key areas where we needed new talent to come in, whether it was technology, digital marketing, real estate, DE&I, and ESG. And these new hires have already hit the ground running, providing a significant boost in their respective areas of responsibilities. For example, our new hired CIO, he's already put in place a fantastic, robust technical roadmap and is actively working on delivering ship from store capabilities and a mobile point of sale solution, which, among other benefits, really allows us to take full advantage of our online assortment and making it available in store, and is working fast and furiously on a customer facing mobile app.

Satish Malhotra:

So all great work in terms of strengthening our capabilities through talent. We've got significant focus on ensuring that we can look at every possible operational efficiency, and when there's savings to be had,

we reinvest that back into the business to help support our strategic pillars, just like we did with our store payroll. And some of the recent hires that we put in place are also working feverishly on ensuring that we can become an employer of choice while expanding our efforts on ESG. So, with all that said, I will tell you, look, it is an extremely exciting time to be at TCS. I'm thrilled at the start that we've had for fiscal 2021 where we've delivered profitability in our first quarter for the first time in over a decade. And I'm just so proud of how the teams are executing against our strategic growth pillars. So lots in store for The Container Store.

Kate McShane:

Well, thank you for that. There's a lot to unpack there, so many new initiatives, so much to look forward to. I could ask 1,000 questions, actually. I think I'm going to start with the closet piece because when I think of The Container Store, I think where maybe you're a little under appreciated is for the closet piece, but it's also a bigger differentiator I think for you as well. So I wondered if you could maybe talk, give us a little bit of an education, about the closet space. What do you think the TAM is? Who do you think your competition is? And, what would you emphasize as the point of differentiation that The Container Store brings with your custom closet solutions?

Satish Malhotra:

Absolutely. I think it's first and foremost, there's a point to understand just what is our offering. Today, we have four lines in our custom closet business. We've got our Classic Line, which is really the original custom closet system. It's a wall-hanging based system. Incredibly strong and customizable. It is a do-it-yourself installation as well. And it provides a great level of mobility in terms of being able to move shelves and drawers, which most systems out there actually prevent you from doing that. They're a bit more fixated in its system. So our Classic System a really a great phenomenal workhorse product for us. Our next system is Alpha Decor, which combines the strength of flexibility of our Classic System, but adds a flare of premium-ness of it with wood features and deluxe options with a variety of finishes. And then we have our Avera Line, which is a system unlike any other in that it is, again, a wall-based system, but it delivers an upscale built-in look at an incredible price. And it has features like full extension drawers that open and close to the touch, back panels, LED lighting to complete the look. All of those three lines are exclusively ours, and through our ownership with Alpha International, we get to benefit from both the manufacturer and retail margins. And then, our most premium line is Laren, which provides a custom built luxury look and it's a floor-based system and that's primarily wood-based, and it offers glass front doors. What I have behind me is Laren system and it is a beautiful look and finish. So those are our lines, and as I mentioned before, our Classic and Decor lines do extremely well in the under 2,000 range. We have significant market share there. There are not a lot of players that offer a solution like ours in that space.

Satish Malhotra:

Where there is competition is in the space above \$2,000. You see a lot of players out there. Some national players and a lot of fragmented players, and I think that's where I'm excited about our ability to really go after that market. That's where I think we have got significant share. At our most recent Avera event, we were able to see that we could capitalize on selling premium spaces. And not just at \$2,000. We were averaging 6,000 with the Avera event. The secret there, if you think about, okay, what's changed? And I think it was really our approach, is getting the organization as a whole focused on our Avera business, making sure that the marketing, the training, the installation, the incentive plans were all geared around our ability to sell these premium spaces.

Satish Malhotra:

And as soon as we focused on it as a company, it was just so satisfying to see the results that we were able to bring about during that event. And I think it leads us very well into the future because there's no stopping us now in terms of really capitalizing on this more premium look, this premium line, and being able to increase our average ticket while we're at it. And it doesn't mean we'll walk away from the business that we have today under 2,000. There's plenty of opportunity to go after that. But I also think there's more growth to be had in the above 2,000 line.

Kate McShane:

Thank you for that. I wonder if we could pivot now to more the merchandise side and the partnerships that you have specifically with the Home Edit and Marie Kondo. Home Edit, this will sound pun-ey, but it was a home run. You couldn't watch the Home Edit or follow them on Instagram

Kate McShane:

... Instagram without The Container Store being tagged and everything. And so I wondered if you could maybe talk about how you view partnerships, how you elongate the interest of the consumer as a result of those partnerships, any updates maybe with the Marie Kondo line, just launching, any kind of early reads that you could talk to us about?

Satish Malhotra:

Sure. First of all, we're just thrilled with the partnerships that we have both with the Home Edit and Marie Kondo. Marie Kondo, her show Sparking Joy launched 8/31. It's three-part series. I got to watch all three of them. And what I loved about the show in particular was not just Marie's opportunity to help educate folks on how to get organized, but really the impact of organization and how it strengthened the relationships, whether it was a father and son working in a garden business or a mother and her children and the work that she was doing at a church. I mean, she was really taking organization outside of the home into other areas. But the relationships that came about and really flourished because of organization, I think, it was priceless. Which is very much what we're excited to do with our own campaign in our ability to amplify the benefits of organization.

Satish Malhotra:

So as I mentioned earlier, you go into our stores and now you'll see a front of store really positioned well with our sustainable KonMari product line. And you get to find items from the closet to the kitchen, to the office, and we're really there helping customers find the right solution for their needs. And the response has been very positive to those customers.

Satish Malhotra:

In addition, we've recently launched our newest line with Home Edit. It's the Home Edit Wooden Collection, and it's made of Paulownia woods, one of the fastest growing hardwood trees in the world. Lightweight, beautiful colors, extensive offering. And again, the customer response has been very favorable there as well.

Satish Malhotra:

In fact, so much so, we've also seen a great demand for sustainability. So over the last few months, we're actively working on improving the assortment that we have dedicated towards sustainability. We

have now 10% of our assortment that is classified as sustainably sourced. And later this month, you'll start to see a leaf icon being introduced both in stores and online that help identify which products are sustainably sourced.

Satish Malhotra:

I think the advantages of these collaborations... And I appreciate you saying the home run was really about bringing about an awareness on the importance of organizations. And so future collaborations for us is that really nurturing the established ones, but cultivating new ones in different categories. So we have tastemakers today. We have four tastemakers that go about promoting kitchen transformations. We've got our brand ambassadors who are working on promoting office and garage projects. We're constantly working at new collaborations that can really help bring about the awareness and the importance of organization as we are also embarking our own campaign around talking about the importance of organization as well.

Satish Malhotra:

So I just think we're in a great position to continue to benefit from people being educated, however that's done, and through whoever for whatever collaborations that may be, while we also bring about our own voice and amplify it a much bigger way.

Kate McShane:

Okay. Thank you for that. I'm sorry. My light goes off in my office. I wondered if we could maybe talk about the financial outlook a little bit for the rest of the year. Certainly, you have a lot of puts and takes with regards to the top line and certainly gross margin and SG&A. There are supply chain disruptions. There's elevated costs on the product side, within the transportation side, and then finally there's wage inflation as well. So I wondered if you could maybe talk us through how you're thinking about how that looks for the rest of the fiscal year and how you're managing through some of those inflationary headwinds.

Satish Malhotra:

Sure, I'll let Jeff take that one.

Jeff Miller:

Great. Thanks, Kate. Yeah. So yeah, certainly like all other retailers, we're experiencing the supply chain disruptions like everyone else. And we're seeing it in the form of manufacturer limitations, container shortages, [inaudible] freight, and shipping cost increases. And we're also seeing higher commodity prices, meaning we have two big areas of our business where we are seeing resin prices increase for our plastic related products. And we have steel price pressures as well, which would also impact our custom closets. So those things are all driving higher costs from a product standpoint and requiring longer lead times with our vendors to ensure we can service our customers.

Jeff Miller:

And we plan to continue employing multiple methods to help mitigate the impacts on these higher costs, which include vendor negotiations, actively managing our supply chain, changing where the routes are, how we're getting it. And along with adjusting retail pricing, like other retailers out there. And Satish already talked a little bit about promotional cadence and the way we're looking at it

going forward. And certainly as we going forward, we'll be able to adjust promotional cadence to help offset some of the headwinds associated with the increased costs.

Jeff Miller:

We think about increased pricing and promotional activity and whether or not that puts pressure on overall sales; the way we're seeing our customers, they're actually seeing the value. They don't see the transactions necessarily as a commodity transaction; they're seeing it as a transformational investment in their lives. And so as that message is continuing to resonate with our customers that are coming to the store, we do think that we'll be able to continue with the promotional cadence that we have planned.

Jeff Miller:

And then from an inventory perspective, like I said, we had longer lead times. We're counting on longer lead times. And we've increased stock levels just to handle the higher sales volume activity that we have. And we feel good about where we are, where we ended Q1. And we'll continue to build inventory as we go through Q3 as typically we do, as we build up for our big annual Elfa sale event that starts at the end of Q3 and goes through Q4. But while we're still chasing some levels of inventory, we do feel good overall.

Jeff Miller:

When I think about from a profitability standpoint, we haven't provided full year P&L outlook, but we did provide some color around what it would look like, what our profitability would look like, in a mid single digits sales increase. And that scenario, in consideration of restoring certain expenses that we cut back in fiscal 2020, we would see some level of operating margin contraction, somewhere in the range of 50 to 100 basis points at the current time. We do see, because of the overperformance in Q1 and the gross margin line, while there is headwinds through the remainder of the year related to gross margin, as the average costing of higher commodity and freight costs are going to come through, we do believe that overall gross margin for fiscal '21 will not be down from fiscal '20.

Jeff Miller:

And the other thing I would like to say from an SG&A perspective, we do expect an increase in SG&A dollars and associated de-leverage in the second half of the year, as compared to the first half of fiscal '21. So when you look at fiscal '21, we'll have more de-leverage in the back half.

Jeff Miller:

What I'll also say is that in terms of total dollars for SG&A, we'd expect them to be in line with the same amount we spent in 2020. However, due to timing of events and other investments, we would expect more dollars in Q3 than in Q4, based on the current cadence.

Kate McShane:

Okay, great. Thank you. I just want to remind the audience we do have the opportunity to ask questions of the management team. You just have to type it into your screen and it comes to my email so I can ask it on your behalf. There's a little bit of a delay so if you do have a pressing question, give yourself a couple of minutes, just because it takes a few minutes to get to us.

Kate McShane:

In the meantime, we're asking four questions of every company that is presenting at the Goldman Sachs Retail Conference. And so I thought this would be a good time to ask it. It's multiple choice. The problem asking this at the end is we do touch upon a lot of this already in the fireside chat, but this is just really for posterity.

Kate McShane:

So when you think about consumer demand going forward, and as we get further and further away from stimulus payments, et cetera, do you expect to see momentum in your business accelerate, decelerate, or stay the same through the back half of calendar year '21?

Jeff Miller:

Yeah. Kate, I'll take that. While we saw an incredible sales growth over the last few quarters, we really haven't seen a strong correlation as it relates to like stimulus checks and when they've come out from our customer base. And in our current Q1 earnings call in early August, we provided guidance for Q2 of sales growth to be around 4%, which amounts to about 9% compared to Q2 of 2019. Which we believe represents a healthy level performance for our business. Given the uncertain environment, it's hard

Jeff Miller:

... hard for us to look out past into Q3 and four. So we haven't given full guidance. We just talked a little bit about the scenario a few minutes ago, where, in a situation where we have mid-single digit sales increase, we would expect that 50 to 100 basis point operating margin contraction. But right now, it's hard for us to really look out that far, just given the uncertainties in the environment.

Satish Malhotra:

Yeah. If I could add as well, what I would say is, if anything, what we're starting to see is whether it's the pandemic, the stimulus, the shift in the home increases that we're seeing, is all of this has really brought about a significant awareness around the importance of organization. Through our surveys, we've seen that over 50% of people, consumers are just simply overwhelmed by clutter, and they're just seeking ways to help contain the chaos of everyday living. So what I like about where we're heading, irrespective of the macro environment, is we know that we can be a solution and provide a solution, provide help, to as many customers who are looking for help, whether it's a system, a method, an organized space, a design solution, or just finding the right products to keep customers' belongings in.

Satish Malhotra:

I think that is going to transcend. That is something that's going to continue, because if anything, we know that our lives are getting more complicated and chaotic and we all can do with help. So the good news is, is that we're here, TCS is here, the Container Store is here to help customers find those solutions, simplify those lives, maximize those spaces and help realize those meaningful benefits, because an organized living really is becoming a way of life. I live it every day.

Satish Malhotra:

Once you've experienced that organized feeling, there's no going back. So that really provides us comfort as we think about the future trajectory of where we're going, and the business and the demand. Interestingly, I was in a store visit in Houston and actually heard customers speak about their

custom closets as an investment, both in their mental wellbeing, but also in their financial wellbeing, which obviously piqued my interest. Many customers were talking about how they get to recoup the cost of their custom closet investment when they sell their homes. So I think that really the demand for organization continues far into the future, as more and more customers get awakened to those transformative benefits, both mentally speaking, and now financially speaking as well.

Kate McShane:

That's a great point. I have noticed that in a lot of real estate listings is that they do highlight the closets that's for sure. The second question we're asking is about digital penetration in 2022, just would you expect digital penetration to be higher or lower or the same in 2022, versus 2021?

Jeff Miller:

Yeah. So Kate, digital channels, as you've seen over the last few earnings reports were growing very nicely, actually pre-pandemic. We actually saw growth pre-pandemic. Then once we get into the pandemic, it absolutely accelerated. Our website generated sales increased 120% in fiscal '20, representing 34% of our total sales. That compares to historically around 16 for website generation. So when you look at fiscal '21, we expect to do moderate, we do expect moderation from 2020 levels, but as we look forward, we certainly aim to continue to grow our web-generated channel. We're investing, strategic outlines some of the things that we're doing to invest, to help improve the overall experience. We talked about just recently implementing Narvar, same-day delivery, Instacart. We're looking at site speed, site search capabilities. There's a lot of different things that we're doing to help drive the consumer. They certainly shifted, but we've seen as the pandemic has only accelerated the shift to e-commerce and the comfort in web-generated sales. So, we're excited about the opportunity on that go-forward basis.

Kate McShane:

Okay, great. Then the last two questions that we're asking is, how should we think about promotions in 2022 versus 2021? Will they be higher, lower or the same?

Satish Malhotra:

Yeah, I think we continue to focus our strategy on reducing the reliance on promotions and really emphasizing full-price selling, and by doing so, as you know, we can deliver a much greater fall through without hindering our top line performance. That's what you're starting to see our events take hold. We're very purposeful. We're very driven around what events we're going to be bringing to the consumer and the duration of those events, making sure that there is a sense of urgency, in terms of getting those deals and benefiting, obviously from driving traffic, but also benefiting from a halo effect that happens in other areas of the business. So I think as we look forward, the continued approach is going to be far greater emphasis on full-price product and discovery moments, with a pullback in terms of promotion. We're already seeing it today and we're excited about the customers really resonating with those discovery moments. That's been supplemented with user-generated content that we spoke about earlier, the knowledge and experience that we have through our specialists. So we let that do the work for us and it's working exceptionally well for us.

Kate McShane:

Great. Then our last question is with regards to the supply chain and inventory, so it's a two-parter. One is, what is your biggest lever to help mitigate any supply chain pressures? The second part is, do you expect your inventories to grow faster than sales next quarter?

Jeff Miller:

Yeah, so, speaking as far as one biggest lever to mitigate supply chain pressures, the pressures are coming from so many different places. I don't know if I can necessarily speak to one big lever. I spoke a little bit earlier about the fact that we're mitigating higher costs or vendor negotiations, managing, or actively managing our supply chain and adjusting retail pricing and promotional cadence, which Satish just spoke about. So there's a number of different levers that we're looking at to help mitigate the differing risks that we're seeing across the landscape. As it relates to inventory growth in the second half of the year, I mean, typically during this time of period, the Container Store typically builds inventory as we prepare for the annual [inaudible] sales I mentioned earlier. So I would expect that inventories would grow. At the same time, if you were to use the scenario of mid-single digit sales growth for the second half for the full year, it implies negative sales decline for the second half of the year.

Jeff Miller:

So, in that case, I would say inventory would grow definitely more than sales, but the second half of the year is... We started the year saying it's a tale of two halves and we're finishing up the first half and we're really super excited to see what the second half brings to us. I think we're doing a lot of things to prepare for it. When we lap incredible sales activity that we had in the second half of fiscal '20, we're just excited to go after the customer where they need to be.

Kate McShane:

Okay, thank you for that. We are at almost 3:10, which is our stop time today. So I just want to thank you both for joining us today and giving us all your insight into the Container Store. Thanks for joining us and thank you for everybody who dialed in.

Jeff Miller:

Thank you!

Satish Malhotra:

Thank you very much Kate, we do appreciate it.