The Container Store®

Investor Presentation

September 2019

Forward-Looking Statements and Non-GAAP Financial Measures

- 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 identified by terms such as "will," "expect," "plan," "could," "believe," "estimates," or "continue," or other similar expressions and statements about our future opportunities; expectations regarding The Container Store Group, Inc.'s (the "Company," "we" or "our") goals, strategies, priorities and initiatives; becoming the first choice for customized organization solutions and services; expectations regarding new store openings, remodeling and relocations; estimates regarding competitive position; planned investments regarding marketing and Custom Closets; expectations regarding our second distribution center; planned merchandise changes and anticipated financial performance and tax rate for fiscal 2019.

- These forward-looking statements are based on management's current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the following: overall decline in the health of the economy and consumer spending; competition from other stores and internet-based competition; security breaches or cyber-attacks of our website or information technology systems; the failure of our operating and financial performance in any given period to meet the guidance that we provide to the public; the failure of our significant business initiatives; our inability to source and market new products to meet consumer preferences; our indebtedness may restrict our current and future operations; our inability to effectively manage our online sales; our dependence on a single distribution center for all of our stores; risks related to opening a second distribution center; our reliance upon independent third-party transportation providers; our inability to locate available retail store sites on terms acceptable to us; our failure to successfully anticipate consumer preferences and demand; our vulnerability to natural disasters and other unexpected events; disruptions to our information systems or our failure to adequately support, maintain and upgrade those systems; our dependence on third party web service providers; our inability to manage costs and risks relating to new store openings and relocations; our inability to protect our brand; our inability to manage our growth; fluctuations in currency exchange rates; increases in costs that may or may not be controllable by us; our inability to maintain sufficient levels of cash flow to meet growth expectations; disruptions in the global financial markets leading to difficulty in borrowing sufficient amounts of capital to finance the carrying costs of inventory to pay for capital expenditures and operating costs; our dependence on foreign imports for our merchandise; our inability to obtain merchandise on a timely basis at competitive prices as a result of changes in vendor relationships; vendors may sell similar or identical products to our competitors; our reliance on key executive management; our inability to find, train and retain key personnel; labor relations difficulties; violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery and anti-kickback laws; our fixed lease obligations; claims made against us from time to time that may result in litigation; product recalls and/or product liability, as well as changes in consumer protection laws; changes in statutory, regulatory, accounting, and other legal requirements; changes in estimates or projections used to assess the fair value of our assets; changes in our effective tax rate; recently enacted changes to U.S. tax laws; the seasonality of our business; disruptions at one of our Elfa manufacturing facilities; our inability to protect our intellectual property rights; and claims by third parties that we infringe on their intellectual property rights.

- 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 May 30, 2019, and our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation. Any such forward-looking statements represent management's estimates as of the date of this presentation. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this presentation.

- Non-GAAP Financial Measures - Certain financial measures included in these presentation materials, and which may be referred to in management's discussion of the Company's results and outlook, have not been calculated in accordance with generally accepted accounting principles ("GAAP"), and therefore are referred to as non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation or as an alternative to such measures determined in accordance with GAAP. Please refer to the Appendix at the end of these materials for reconciliations of non-GAAP financial measures.

AGENDA

- Introduction and growth drivers
- Investment highlights
- Financial highlights
- Q&A

Introduction and Growth Drivers

1. Leadership team committed to Company's long-term success
2. Company snapshot
3. Broad geographic footprint
4. Key drivers of future growth

1 The Container Store Leadership Team: Committed to the Company's Long-term Success

Executive Leadership Team

Melissa Reiff

Chairman & Chief Executive Officer

- Chairman since August 2019
- CEO since July 2016
- Director since 2007
- Served as TCS President since 2006 and COO since 2013
- Joined the Company in 1995 as VP Sales and Marketing

Jodi Taylor

Chief Financial & Administrative Officer

- CFO since December 2007
- CAO since 2016
- CPA and BBA in Accounting from the University of Iowa
- Over 25 years of retail CFO experience including at Harold's and Baby Superstore

Melissa Collins, Chief Marketing Officer

- CMO since July 2016
- Joined the Company in 1997

Gretchen Ganc, EVP of Strategy & Analytics

- Joined the Company in 2017

John Gehre, Chief Merchandising Officer

- Chief Merchant since August 2019
- Joined the Company in 2018

Eva Gordon, EVP of Stores & Services

- EVP of Stores & Services since 2016
- Joined the Company in 2006

John Thrailkill, EVP of Technology & Business Development

- EVP of Technology & Business Development since 2016
- Joined the Company in 1991

Deep and tenured bench of talent across all functional areas, complemented by key new hires in Strategy & Analytics, Merchandising & Planning, and Marketing

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2 Company Snapshot

- **Category Leading Retailer:** World's largest retailer focused exclusively on storage and organization products and solutions
  - **Including Custom Closets which represents 50%[4] of TCS total consolidated sales**
- **Broad Geographic Footprint:** 93 stores across 33 states plus the District of Columbia, growing online, call center & B2B business
- **Attractive Customer Demographics:** Affluent, loyal and passionate customers with approximately 7.7mm enrolled in our POP! loyalty program
- **Compelling Assortment and Store Experience:** Elfa, the Company's wholly-owned Swedish subsidiary, designs and manufactures component-based shelving and drawer systems – exclusive to The Container Store in the United States. One-of-a-kind retail concept offering a differentiated customer experience

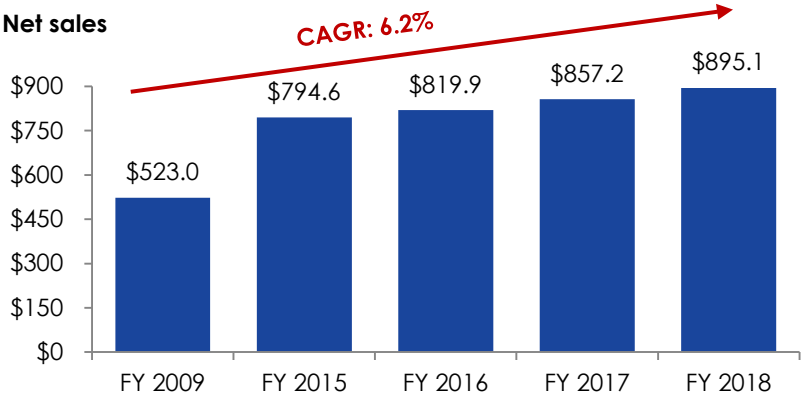
Business Segments ($mm)

Total Consolidated Revenue (FY 2018): $895.1 mm[1]

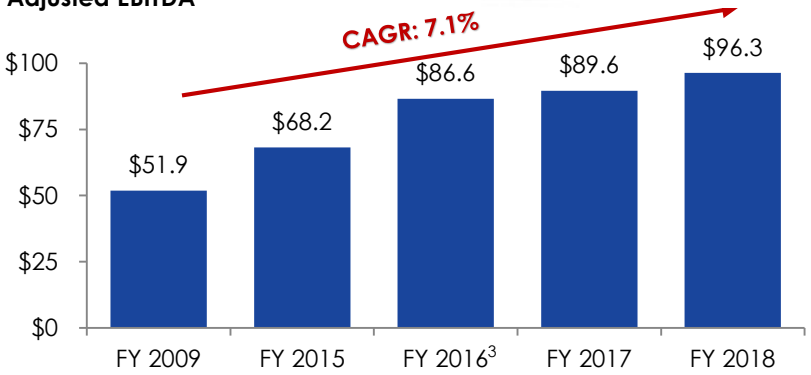
The Container Store Merchandise Mix

Financial Summary ($mm)

Net sales



Adjusted EBITDA[2]



[1] Consolidated revenue reflects total revenue net of intercompany eliminations; Elfa segment sales reflect only third-party sales
[2] Non-GAAP measure; For FY 2009, and FY 2012 – FY 2018 non-GAAP reconciliations, refer to slide 26 in the Appendix to this presentation
[3] FY 2016 includes a net benefit of $3.9 million related to the reversal of deferred compensation as a result of amended and restated employment agreements entered into with key executives during the first quarter of FY 2016.
[4] Includes Elfa®, Avera™, Laren™, closet completion products, installation services sold by the TCS segment, and Elfa segment sales to third parties

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Broad Geographic Footprint

Farmers Market store in LA reopened July 2019 as first "The Container Store Custom Closets" store. During Q3 FY 2019, we expect to relocate the Galleria store in Dallas using this new format.

Seattle Area
- Bellevue
- Seattle

Portland

Sacramento

San Jose

San Francisco Area
- San Francisco
- Corte Madera
- Walnut Creek
- Palo Alto

Salt Lake City

Los Angeles Area
- Century City
- Costa Mesa
- Farmers Market
- El Segundo
- Oxnard
- Pasadena

Las Vegas

Glendale

Albuquerque, NM

Phoenix

Scottsdale

San Diego

Tucson

Denver Area
- Park Meadows
- Cherry Creek
- Flat Iron

Omaha

Edina

Milwaukee

Des Moines

St. Louis

Overland Park

Dallas Fort Worth Area
- Dallas NW Highway
- Dallas Galleria
- Fairview
- Southlake
- Stonebriar
- Fort Worth
- Arlington

Oklahoma City[1]

Little Rock

Austin

San Antonio

Houston Area
- Baybrook
- Houston Galleria
- North Houston
- The Woodlands

Chicago Area
- Chicago
- Oak Brook
- Northbrook
- Schaumburg
- South Loop

Cleveland, OH

Indianapolis

Cincinnati

Nashville

Germantown

Atlanta Area
- Alpharetta
- Buckhead
- Perimeter

Orlando

Palm Beach

Boca Raton

Tampa

Miami Area
- Miami
- Hallandale Beach

Boston Area
- Chestnut Hill
- Natick
- North Shore

New York City Area
- 6th Avenue
- Lexington Avenue
- Westbury
- Yonkers
- Staten Island

Cranston, RI

White Plains, NY

Novi

Troy

Pittsburgh

King of Prussia

Columbus

NJ Area
- Bridgewater
- Cherry Hill
- Livingston
- Paramus

Washington D.C. Area
- Arlington
- Rockville
- Tysons West
- D.C.
- Reston, VA
- Newark, DE

Raleigh

Charlotte

Dallas NW Highway relaunched in June 2018 with modernized look and feel; we believe this could represent a significant opportunity to improve both our existing and new store productivity

Reston, VA store expected to complete remodel September 2019 to allow for significant expansion of Custom Closets displays in a prototypical store. We believe this could provide key learnings to apply to other existing stores.

Legend

TCS Existing 93 Locations[1]

[1]As of September 2019

Significant opportunity to both open stores in new domestic markets and increase penetration in existing geographies, especially with the introduction of smaller format stores

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Key Drivers of Future Growth: Proven Strategic Initiatives

Custom Closets Focus

- Robust pipeline of new and innovative products and solutions expected to address the estimated $6 billion Custom Closets market and drive growth
- Exclusive/proprietary product offerings support ongoing market leadership
- In April 2019, launched new Avera product line, rebranded TCS Closets as Laren, and rebranded all four product lines collectively as "The Container Store Custom Closets"

Existing & New Store Opportunity

- Emphasis on redesigning store formats to allow customers to accomplish their storage and organization projects, including enhanced Custom Closets presentations
- 2018 Dallas flagship redesigned store outperforming the fleet and gives us confidence in our ability to redesign additional stores to increase store productivity
- Launched new format store July 2019 – "The Container Store Custom Closets" store in Farmers Market, Los Angeles
- Performance of smaller format tests give us confidence in our ability to continue to grow and expand even more profitably
- New store openings continue to deliver attractive sales and returns

Omni-Channel/ Digital

- We continue to drive growth through our omni-channel strategy
- Recent launch of enhanced Custom Closets digital design tools, as well as improved checkout process, are among efforts focused around enhancing online customer experience
- Posted +29.2% increase in Q1 FY 2019 direct-to-customer online sales, following a +19.1% increase in FY 2018

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Investment Highlights

1. Category-leading specialty retailer with no direct competitor
2. Attractive and loyal customer demographics
3. Commitment to owning the Custom Closets business with solutions for every size, style and budget
4. Unique merchandise mix that supports complete solutions to help customers accomplish their projects
5. Modernized marketing approach to attract new and existing customers
6. Continuous innovation of the omni-channel customer experience
7. Prudent management of existing store base and strategic expansion of infrastructure for future growth
8. Acute focus on expense management and profitability improvement
9. Employee-first culture based on seven Foundation Principles

1

Category Leading Specialty Retailer

Category Leading Competitive Position:

- Innovative & Quality Product Assortment ✓
- The Container Store Branded / Proprietary Offerings ✓
- Custom Closets with Elfa, Avera & Laren exclusive to The Container Store in the United States ✓
- Competitive Pricing ✓
- Solutions Selling Approach / Accomplishing Projects ✓
- Customer Experience – Highly Trained Employees ✓

The Container Store's industry leadership, unmatched product assortment, excellent customer service and national footprint create significant barriers to entry

We continue to lead the category we created 41 years ago

Note: Based on management estimates and determinations when comparing against a peer set that includes storage and organization, upscale housewares, mid-scale housewares, big-box, office supply, home improvement, e-commerce and specialty/Mom & Pop retailers

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2 Attractive and Loyal Customer Demographics

Customer Profile

- We have approximately 7.7mm customers (POP! Stars) enrolled in our POP! customer engagement/loyalty program
- Majority of existing customers are highly educated men and women with a higher than average household income
- They need us to help accomplish their storage and organizational projects
  - Complete their "to-do lists" especially during life stages and key occasions like remodeling and moving
  - Make the most of their home by maximizing their space
  - Expect high service and a convenient shopping experience, both in-store and online

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3 Commitment to Owning Custom Closets Business

Custom Closets, a market estimated at $6 billion, represents a significant growth opportunity. In April 2019, we launched Avera, a mid-tier Custom Closets offering, and rebranded all four product lines to be "The Container Store Custom Closets"

elfa® CLASSIC

- Elfa® is the foundation of our Custom Closets and space design solutions; sold since inception in 1978
- Component-based nature is consistent with our solutions-based selling approach and drives higher average ticket
- Elfa® is our highest volume and highest gross margin department (Elfa® Classic & Elfa® Decor comprising 28% of TCS FY 2018 net sales)

elfa® DÉCOR

- Adds the beauty of wood and deluxe options to Elfa® Classic with wood shelves, solid drawer fronts and trim in four finishes

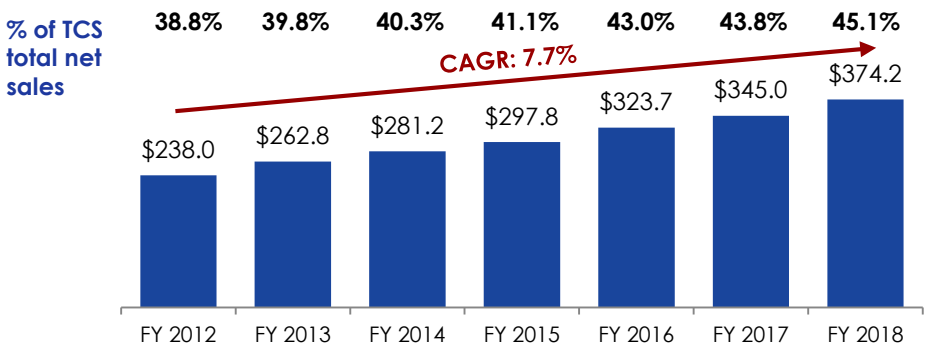
avera™

- Launched in April 2019, mid-tier priced closet option complementing the Elfa® and Laren™ lines

laren™

- Formerly TCS Custom Closets. Launched in FY 2015 and available in all 93 stores – meeting customer demand for high-end closet offering

Custom Closets Historical Sales[1,2] ($mm)



[1] Custom Closets includes elfa®, Laren™, Avera™, closet completion products and installation services
[2] FY 2012 – FY 2015 are based on old fiscal year; FY 2016 - FY 2018 is under new fiscal calendar

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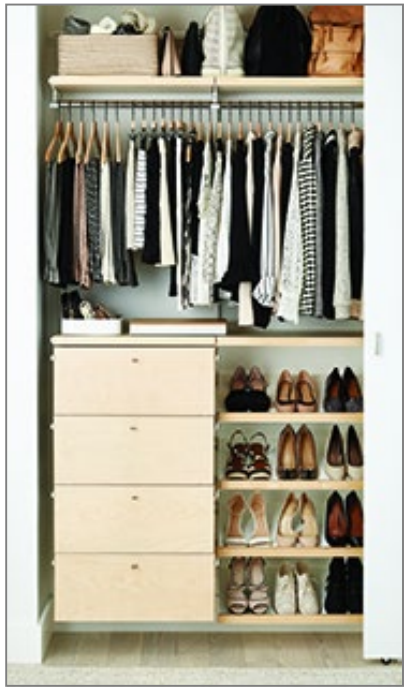
3 Custom Closets for Every Size, Style and Budget

elfa® CLASSIC

Elfa® is the original custom closet system. Exclusively ours, this wall-hanging system is incredibly strong and customizable – allowing you to easily move shelves and drawers. It's ideal for closets, pantries, offices, craft rooms and garages.



elfa® DÉCOR

Exclusively ours, Elfa® Décor combines the strength and flexibility of Elfa® Classic with the beauty of wood and deluxe options. Take your custom closet to the next level with real wood shelves, drawers and trim in a variety of finishes.

avera™

Introducing the evolution of custom closets. Exclusively ours, Avera's™ patent-pending, flexible design delivers a built-in look at an incredible price. Features include Full-Extension Drawers that open and close at a touch, Back Panels that complete the look and optional LED lighting.

laren™

For unparalleled custom built-in luxury, look no further than Laren™. Formerly known as TCS Closets and exclusive to us, Laren™ offers extraordinary 1"-thick construction, a variety of exclusive finishes and options like glass-front doors and LED lighting.

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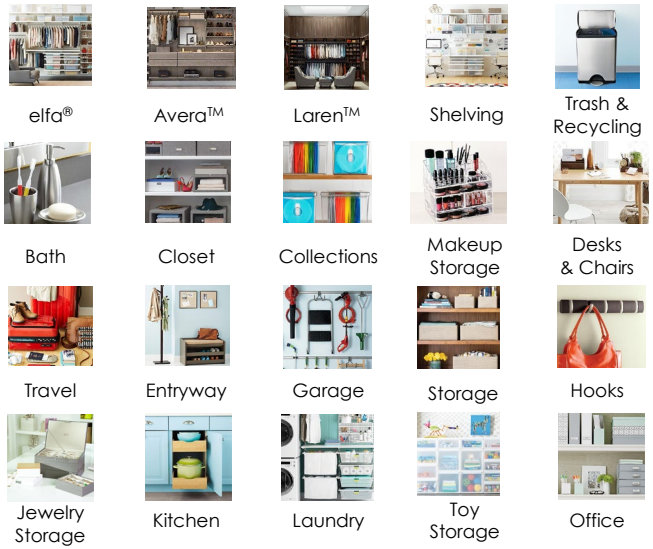
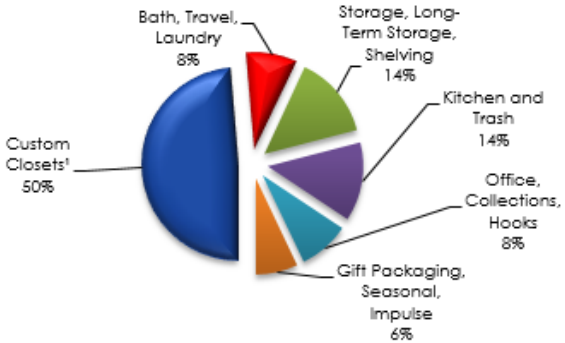
4 Unique Merchandise Mix that Supports Complete Solutions to Help Customers Accomplish Their Projects

Merchandise Strategy

- We are the premier storage and organizational solutions provider; we sell solutions, not items
- Fresh offering of ~10,000 products with over 2,000 new SKUs introduced annually
- Continued focus on new product development, with the introduction of proprietary new products and private label that leverage strength of brand
- Powerful, long-lasting vendor relationships drive competitive pricing and selection
- Strategic brand collaborations with best-in-class, celebrity level influencers including exclusive product lines (i.e., The Home Edit)
- Approach to merchandising that relies on disciplined focus, curated selection, TCS branded products, design, quality and competitive pricing
- Greater than 50% of net sales for FY 2018 were from merchandise exclusive or proprietary to The Container Store
- Custom Closets, including elfa®, and Avera™, are key area of sales and profitability growth
  - Exclusive and proprietary nature of Custom Closets offering provides competitive advantage
  - Custom Closets offering best sold in-store or in-home



Merchandise Mix as a Percent of FY 2018 Total Net Sales



[1] Includes elfa®, Laren™, Avera™, closet completion products, installation services sold by the TCS segment, and Elfa segment sales to third parties

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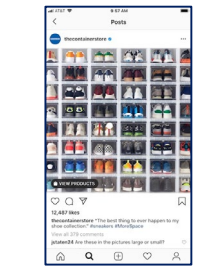
5 Modernized Marketing Approach to Attract New and Existing Customers

Marketing Strategy

- Launched new brand marketing campaign in FY2018…"The Container Store. *Where Space Comes From*"…to clearly communicate our brand's purpose of helping customers accomplish their projects and maximizing space
- In FY 2019, plan to invest an incremental approximate $6 million in marketing focused around Custom Closets
- Mediums utilized include national cable TV, local TV, radio, magazines, billboards, in-store signage, social media and direct mail
- Expanding digital footprint is building brand momentum
- Strategic partnerships with brand ambassadors and influencers are increasing visibility with target audiences
- Leveraging our customer database with approximately 7.7mm POP! Stars to deliver personalized offers and drive traffic
- Targeting professional organizers, architects and interior designers through our Trade Program and larger businesses through our Business Solutions group
- Modernized campaigns and media mix allocation are driven by data analytics



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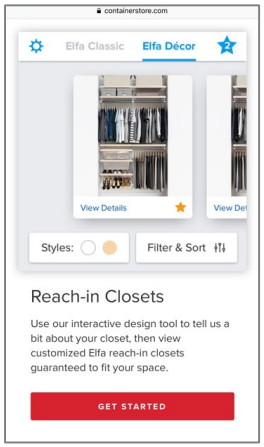
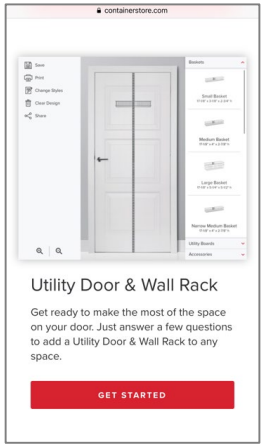
6

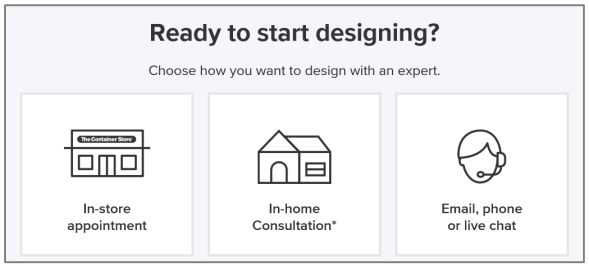
Continuous Innovation of the Omni-Channel Customer Experience

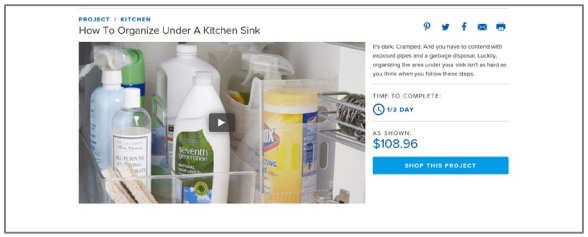
Omni-Channel Strategy

- Customers can choose to shop in-store or online using a desktop or mobile device
- Online purchases can either be delivered to the customer's specified location or picked up in any of our 93 stores
- The customer design process can be started in-store, in-home, online, or via email, phone or chat
- Custom Closets design tools available on desktop and mobile allow customers to create their own custom storage & organization solutions
- Easy-to-shop, pre-packaged components of best-selling solutions are sold in-store and online
- More than 350 online videos, blogs and tips provide inspiration and help customers accomplish projects across all areas of their homes
- New simplified checkout process makes it faster and easier for customer to make a purchase
- Using analytics for ongoing optimization of the customer experience
- The second distribution center that is scheduled to open later in FY 2019 is expected to enable faster delivery of customer orders









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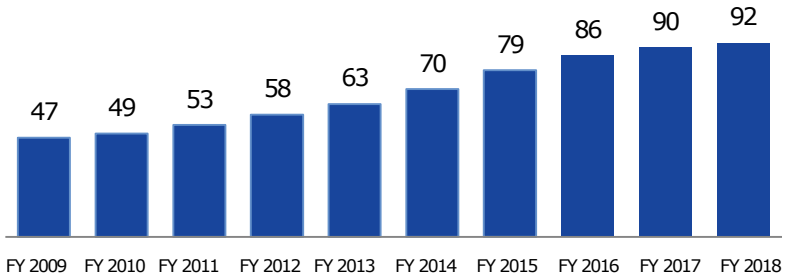
7 Prudent Management of Existing Store Base and Strategic Expansion of Infrastructure for Future Growth

Real Estate Strategy

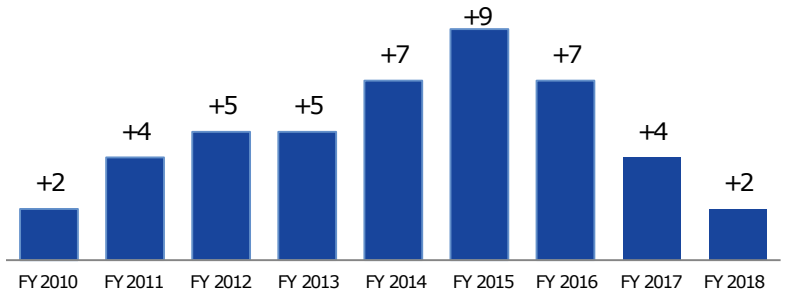
- Disciplined approach to desirable real estate site selection in both large and small markets
- Quantitative focus, partnering with eSite to analyze customer demographics
  - Consumer profile and purchase behavior through extensive customer database
  - Analysis of range of store trade area and drive-time
- Slower new store growth in near-term with four new stores having opened in FY 2018 (including two relocations) and two stores planned for FY 2019 (including one relocation); expect to slightly accelerate new store growth beginning in fiscal 2020
- Larger portion of cap-ex has been spent on existing stores in order to optimize floor space for Custom Closets, elevate in-store experience and enhance infrastructure
- Moved forward with opening a second distribution center in the Aberdeen, MD; facility expected to be operational by late FY 2019

Total Store Count



Note: FY 2012 – FY 2015 not recast for fiscal year change

Store Count Growth



Note: FY 2012 – FY 2015 not recast for fiscal year change

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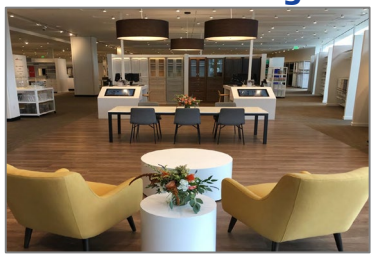
7 Prudent Management of Existing Store Base Focused on Testing & Learning in Redesigned Formats

Redesigned Approach to Store Format and Design

- Redeveloped strategy focused on smaller format stores allows us to better capture prime locations, reinvigorate productivity and continue to optimize sales and profitability
- After opening one 25% smaller store format in FY 2017 as a test, three of the four new stores that opened in FY 2018 were also opened as smaller format stores, two of these being relocations of existing stores
  - One new store in Germantown, TN recently opened in September FY 2019 utilizing a smaller store format
- Relaunch of Dallas NW Highway store in June 2018 features a more modern aesthetic, a new layout and merchandising displays, sleeker fixtures, and integrated technology, making it easier and more convenient for customers to accomplish their projects
- Existing and new stores opened are incorporating selected elements from the Dallas NW Highway redesign that have best resonated with customers
- In July 2019, reopened Farmers Market store in Los Angeles as the first "The Container Store Custom Closets" store, focused even more on Custom Closets and complete solutions to accomplish projects in key areas of the home
  - Dallas Galleria store expected to relocate during FY 2019 and open as another "The Container Store Custom Closet" store
- In FY 2019, planning to roll out merchandising changes across all stores in storage, office, closet and kitchen departments based on positive results in test stores
- Infrastructure and platform already in place to support reinvigorated store growth strategy following opening of second distribution center by late FY 2019

Dallas NW Highway Store Relaunch Images

Farmers Market LA New Store Format Images



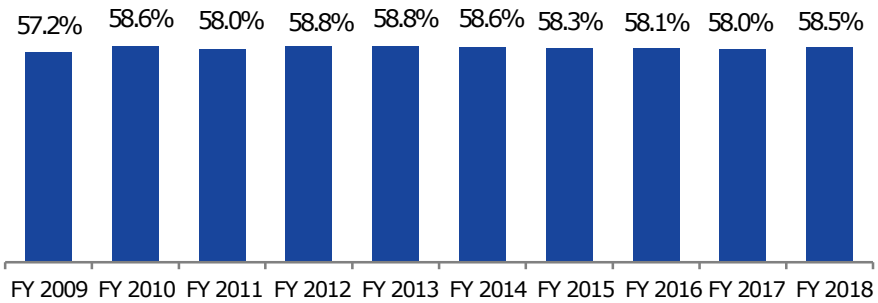
8

Acute Focus on Expense Management and Profitability Improvement

Gross Margin

- Disciplined approach to pricing and over 50% of net sales are exclusive or proprietary products
- Utilize strategic campaigns, sale campaigns, global promotions and targeted offers, as well as traditional markdowns when necessary
- Demonstrated ability to hold margins even during challenging retail environments, driven by proprietary offering and superior customer service

Consistent Gross Margin Over Time

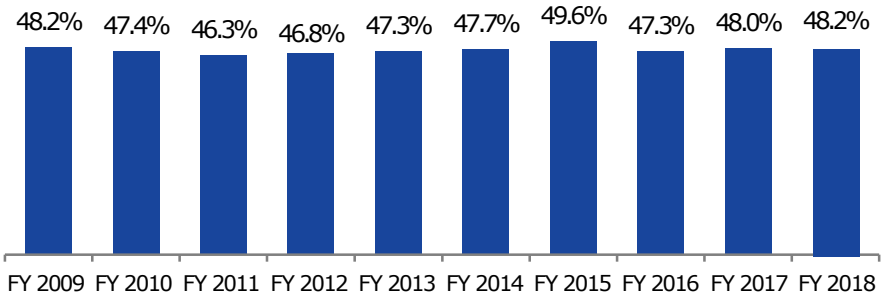


Note: FY 2012 – FY 2015 not recast for fiscal year change

Continued Strong SG&A Control

- SG&A Savings and Efficiency Program generated significant savings, resulting in FY 2016 SG&A leverage of 220bps
- Adjusted EBITDA margin[1,2] expanded from 8.6% to 10.8% from FY 2015 to FY 2018
- FY 2017 and FY 2018 SG&A include approximately 80bps and 50bp of Optimization Plan execution expenses, respectively
- Beyond FY 2018, we expect to leverage fixed costs with low single digit comparable store sales

SG&A as % of Sales



Note: FY 2012 – FY 2015 not recast for fiscal year change

[1] Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net sales
[2] Adjusted EBITDA margin is a non-GAAP measure, refer to the Adjusted EBITDA reconciliations on slides 26 and 27

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9

Employee-First Culture Based on Seven Foundation Principles

Highly Trained and Passionate Employees

- Expert, well-trained salespeople
- Provide extensive formal training to employees, especially during their first year of employment
- Full-time voluntary turnover of approximately 17% over the past two years
- Quality interactions between customers and passionate, tenured employees
- Our solutions-based selling approach is designed to improve customer conversion by providing a differentiated shopping experience
- Fortune 100 best companies to work for 19 years

1. 1 Great Person = 3 Good People®
2. Communication IS Leadership®
3. Fill the other guy's basket to the brim. Making money then becomes an easy proposition.®
4. The Best Selection, Service & Price®
5. Intuition does not come to an unprepared mind. You need to train before it happens.®
6. Man in the Desert Selling®
7. Air of Excitement!®

Attractive customer demographics and highly motivated "solution selling" employees create a unique retail experience difficult to replicate online

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Financial Highlights

1. Q1 2019 results
2. Sustained improvement in year-over-year results
3. Historical financial overview

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1

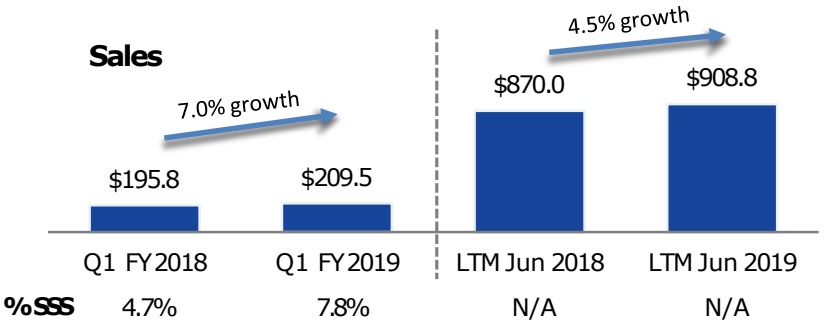
Q1 FY 2019 Results

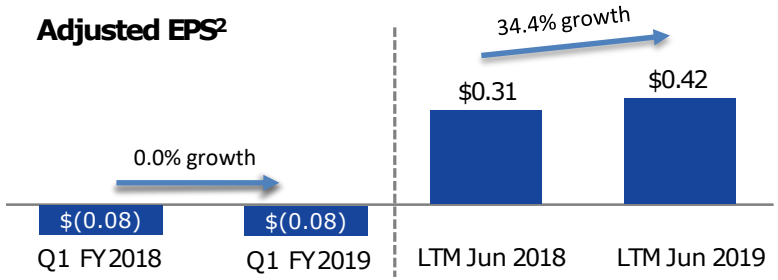
Performance Highlights

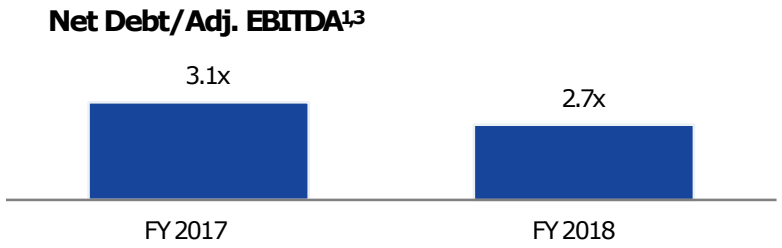
- Q1 consolidated net sales increased 7.0% to $209.5mm
- Comparable store sales increased 7.8%, driven by strong Custom Closets sales and continued growth from other product categories
  - The Container Store retail business net sales were $195.1mm, up 8.3% compared to Q1 FY2018
  - Elfa net sales were $14.4mm, down 8.3% due to foreign currency
- 29.2% increase in pure direct-to-customer online sales
- Consolidated Gross Margin decreased 140 bps to 57.2% primarily due to sales mix as a result of successful marketing and merchandising campaigns, as well as higher direct material costs at Elfa in part driven by foreign currency
- Consolidated SG&A as a percent of net sales decreased 240 bps primarily due to Optimization Plan consulting expenses incurred last year but not this year, and ongoing savings and efficiency efforts
- Consolidated Adjusted EBITDA[1] declined from $12.4mm to $10.6mm
  - TCS incurred approximately $3.1mm of incremental expense in Q1 FY 2019 due to the opening of a second distribution center and planned Custom Closets marketing spend
- Adjusted EPS[2] was flat at ($0.08) in both Q1 FY 2018 and Q1 FY 2019 despite this $3.1mm of incremental expense for a second distribution center and Custom Closets marketing

[1] Non-GAAP reconciliation for Adjusted EBITDA figures are shown on slides 26 and 27
[2] Non-GAAP reconciliation for quarterly and LTM adj. EPS figures are shown on slide 29
[3] Non-GAAP reconciliation for Net Debt figures and Net Debt to Adjusted EBITDA ratios are shown on slide 30

Select Financial Data







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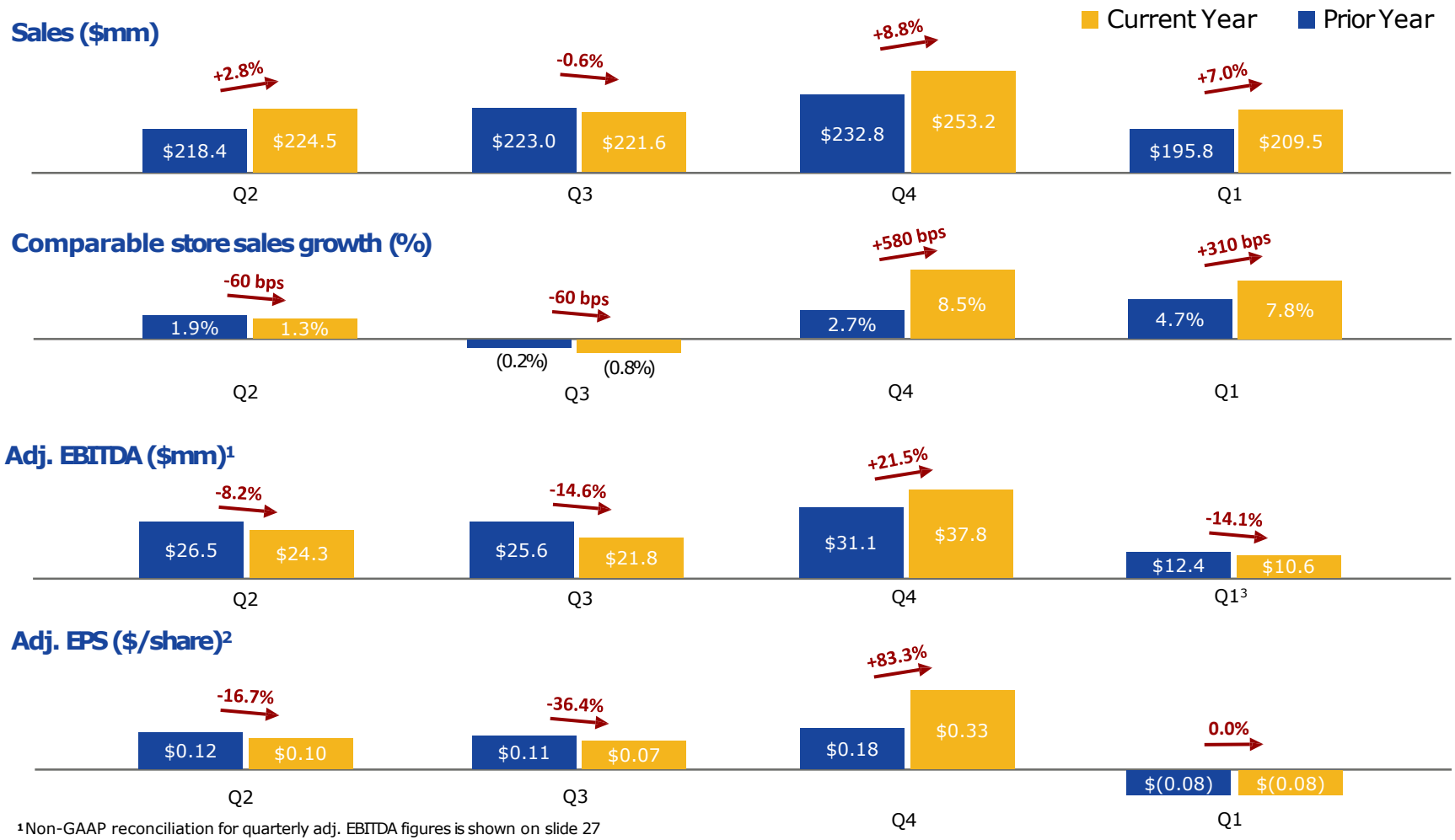
2

Sustained Improvements in Year-over-Year Performance



[1] Non-GAAP reconciliation for quarterly adj. EBITDA figures is shown on slide 27
[2] Non-GAAP reconciliation for quarterly adj. EPS figures is shown on slide 29
[3] TCS incurred approximately $3.1mm of incremental expense in Q1 FY 2019 due to the planned opening of a second distribution center and planned Custom Closets marketing spend

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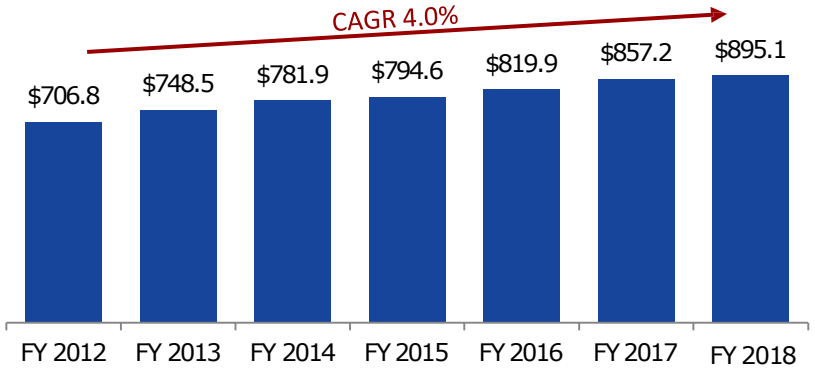
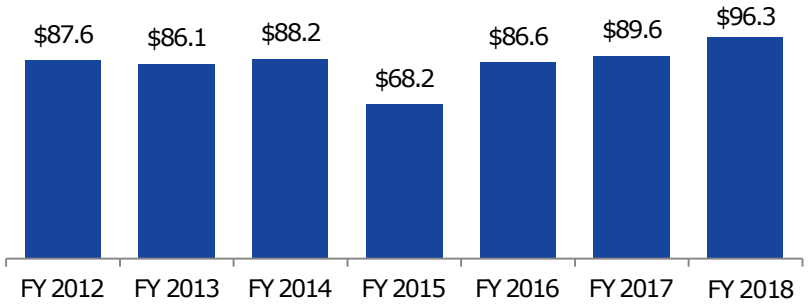
3

Historical Financial Overview

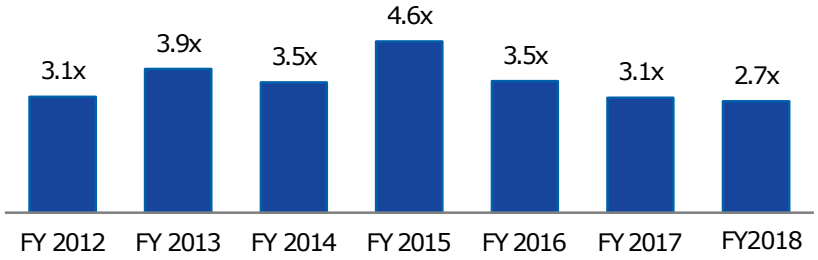
Consolidated Net Sales ($mm)[1]



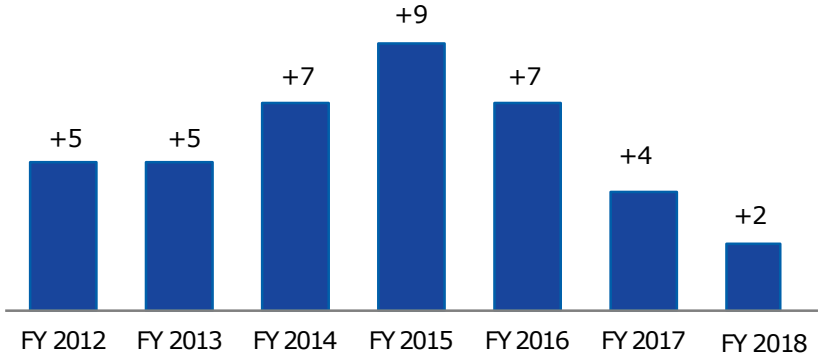
Consolidated Adj. EBITDA[1,2] ($mm)



Consolidated Net Debt/Adj. EBITDA[1,2,3]



Store Count Growth[1]



[1] FY 2012 – FY 2015 not recast for fiscal year change
[2] Non-GAAP reconciliation for FY 2012 – FY 2018 is shown on slide 26
[3] Non-GAAP reconciliation for Net Debt figures and Net Debt to Adjusted EBITDA ratios are shown on slide 30

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Appendix

Annual Adjusted EBITDA Reconciliation

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

	LTM									
	19-Jun	18-Jun	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY09
Net income (loss)	$24,345	$20,341	$21,680	$19,428	$14,953	$5,142	$22,673	$8,166	($130)	($4,197)
Depreciation and amortization	36,674	37,717	36,305	37,922	37,124	34,230	31,011	30,353	29,550	23,845
Interest expense, net	25,076	28,696	27,275	25,013	16,687	16,810	17,105	21,185	21,388	27,331
Provision (benefit) for income taxes	1,966	(11,618)	281	(12,723)	9,402	2,909	7,193	447	(4,449)	(1,623)
EBITDA	$88,061	$75,136	$85,541	$69,640	$78,166	$59,091	$77,982	$60,151	$46,359	$45,356
Management fees (a)	-	-	-	-	-	-	-	667	1,000	-
Pre-opening costs (b)	2,234	4,253	2,103	5,293	6,852	9,033	8,283	6,672	7,562	1,167
Goodwill and trade name impairment (c)	-	-	-	-	-	-	-	-	15,533	-
IPO costs (d)	-	-	-	-	-	-	-	1,259	-	-
Non-cash lease expense (e)	(754)	(2,091)	(1,327)	(1,915)	(1,365)	(1,844)	(374)	260	2,014	4,033
Restructuring charges (f)	-	-	-	-	-	-	-	532	6,369	-
Stock-based compensation (g)	3,071	2,118	2,846	2,026	1,989	1,556	1,289	15,137	283	-
Loss on extinguishment of debt (h)	2,082	2,369	2,082	2,369	-	-	-	1,229	7,333	-
Foreign exchange (gains) losses (i)	(53)	(482)	60	(596)	(342)	241	(171)	(224)	55	959
Optimization Plan implementation charges (j)	-	12,809	4,864	11,479	-	-	-	-	-	-
Elfa manufacturing facility closure (k)	-	803	-	803	-	-	-	-	-	-
Other adjustments (l)	(42)	649	178	504	1,259	82	1,221	418	1,077	347
Adjusted EBITDA	$94,599	$95,564	$96,347	$89,603	$86,559	$68,159	$88,230	$86,101	$87,585	$51,862

a) Fees paid to LGP in accordance with our management services agreement, which was terminated on November 6, 2013 in association with our IPO.
b) Non-capital expenditures associated with opening new stores and relocating stores, 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.
c) Non-cash charges related to impairment of intangible assets, primarily related to the Elfa segment, which we do not consider in our evaluation of our ongoing performance.
d) Charges incurred in connection with our IPO, which we do not expect to recur and do not consider in our evaluation of ongoing performance.
e) 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.
f) Includes charges incurred to restructure business operations at Elfa, including the sale of a subsidiary in Germany and the closedown of a manufacturing facility in Norway in fiscal 2012, as well as the relocation of certain head office functions in sales and marketing from the Västervik, Sweden, manufacturing location to the group headquarters in Malmö, Sweden in fiscal 2012, which we do not consider in our evaluation of our ongoing performance.
g) 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.
h) Loss recorded as a result of the repayment of the then outstanding term loan facility and senior subordinated notes in April 2012, and the amendments made to the Senior Secured Term Loan Facility in April 2013, November 2013, August 2017 and September 2018, which we do not consider in our evaluation of our ongoing operations.
i) Realized foreign exchange transactional gains/losses our management does not consider in our evaluation of our ongoing operations.
j) Charges incurred to implement our Optimization Plan, which include certain consulting costs recorded in selling, general and administrative expenses, cash severance payments associated with the elimination of certain full-time positions at the TCS segment recorded in other expenses, and cash severance payments associated with organizational realignment at the Elfa segment recorded in other expenses, which we do not consider in our evaluation of ongoing performance.
k) Charges related to the closure of an Elfa manufacturing facility in Lahti, Finland in December 2017, recorded in other expenses, which we do not consider in our evaluation of our ongoing performance.
l) Other adjustments include amounts our management does not consider in our evaluation of our ongoing operations, including certain severance and other charges.

Quarterly Adjusted EBITDA Reconciliation

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

	Q2		Q3		Q4		Q1		LTM	
	FY18	**FY17**	**FY18**	**FY17**	**FY18**	**FY17**	**FY19**	**FY18**	**19-Jun**	**18-Jun**
Net income (loss)	$3,241	($875)	$9,321	$28,379	$15,882	($399)	($4,099)	($6,764)	$24,345	$20,341
Depreciation and amortization	9,128	9,505	8,887	9,477	8,953	9,398	9,706	9,337	36,674	37,717
Interest expense, net	7,377	5,873	6,008	7,300	5,982	7,615	5,709	7,908	25,076	28,696
Provision (benefit) for income taxes	1,417	517	(3,926)	(21,780)	6,270	13,125	(1,795)	(3,480)	1,966	(11,618)
EBITDA	$21,163	$15,020	$20,290	$23,376	$37,087	$29,739	$9,521	$7,001	$88,061	$75,136
Pre-opening costs (a)	881	1,418	691	1,872	185	617	477	346	2,234	4,253
Non-cash lease expense (b)	(581)	(276)	101	(714)	(210)	(464)	(64)	(637)	(754)	(2,091)
Stock-based compensation (c)	769	510	632	585	859	437	811	586	3,071	2,118
Loss on extinguishment of debt (d)	2,082	2,369	-	-	-	-	-	-	2,082	2,369
Foreign exchange losses (gains) (e)	9	130	22	(360)	(9)	(290)	(75)	38	(53)	(482)
Optimization Plan implementation charges (f)	-	6,786	-	422	-	737	-	4,864	-	12,809
Elfa manufacturing facility closure (g)	-	517	-	335	-	(49)	-	-	-	803
Other adjustments (h)	24	42	80	45	(119)	369	(27)	193	(42)	649
Adjusted EBITDA	$24,347	$26,516	$21,816	$25,561	$37,793	$31,096	$10,643	$12,391	$94,599	$95,564

a) Non-capital expenditures associated with opening new stores and relocating stores, 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.
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) Loss recorded as a result of the repayment of the then outstanding term loan facility and senior subordinated notes in April 2012, and the amendments made to the Senior Secured Term Loan Facility in April 2013, November 2013, August 2017 and September 2018, which we do not consider in our evaluation of our ongoing operations.
e) Realized foreign exchange transactional gains/losses our management does not consider in our evaluation of our ongoing operations.
f) Charges incurred to implement our Optimization Plan, which include certain consulting costs recorded in selling, general and administrative expenses, cash severance payments associated with the elimination of certain full-time positions at the TCS segment recorded in other expenses, and cash severance payments associated with organizational realignment at the Elfa segment recorded in other expenses, which we do not consider in our evaluation of ongoing performance.
g) Charges related to the closure of an Elfa manufacturing facility in Lahti, Finland in December 2017, recorded in other expenses, which we do not consider in our evaluation of our ongoing performance.
h) Other adjustments include amounts our management does not consider in our evaluation of our ongoing operations, including certain severance and other charges.

Annual Adjusted EPS Reconciliation

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

	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY09
Numerator:								
Net income (loss) available to common shareholders	$21,680	$19,428	$14,953	$5,142	$22,673	($51,581)	($90,479)	($66,065)
Distributions accumulated to preferred shareholders (a)	-	-	-	-	-	59,747	90,349	61,868
Management transition benefits (b)	-	-	(2,852)	-	-	-	-	-
Elfa manufacturing facility closure (c)	-	803	-	-	-	-	-	-
Loss on extinguishment of debt (d)	2,082	2,369	-	-		1,229	7,333	-
Optimization Plan implementation charges (e)	4,864	11,479	-	-	-	-	-	-
Gain on disposal of subsidiary and real estate (f)	(374)	-	-	-	(3,681)	-	-	-
IPO related stock-based compensation (g)	-	-	-	-	-	14,602	-	-
IPO Costs (h)	-	-	-	-		1,259	-	-
Goodwill and trade impairment (i)	-	-	-	-	-	-	15,533	-
Restructuring charges (j)	-	-	-	-		532	6,369	-
Taxes (k)	(7,820)	(20,485)	1,292	-	(2,491)	(9,434)	(12,946)	892
Adjusted net income	$20,432	$13,594	$13,393	$5,142	$16,501	$16,354	$16,159	($3,305)
Denominator:								
Weighted average common shares – diluted	48,400,407	48,147,725	48,016,010	47,985,717	48,520,865	17,955,757	2,929,789	2,936,341
Adjust weighting factor of outstanding shares (l)	-	-	-	-	-	30,939,876	45,011,391	45,004,839
Adjusted weighted average common shares outstanding – diluted	48,400,407	48,147,725	48,016,010	47,985,717	48,520,865	48,895,633	47,941,180	47,941,180
Net income (loss) per common share – diluted	$ 0.45	$ 0.40	$ 0.31	$ 0.11	$ 0.47	$ (2.87)	$ (30.88)	$ (22.50)
Adjusted net income per common share – diluted	$ 0.42	$ 0.28	$ 0.28	$ 0.11	$ 0.34	$ 0.33	$ 0.34	$ (0.07)

a) Distributions accumulated to preferred shareholders in arrears were eliminated as of November 6, 2013 in connection with the completion of the Company's IPO, and are not considered in our evaluation of ongoing performance.
b) Certain management transition costs incurred and benefits realized, including the impact of amended and restated employment agreements entered into with key executives during fiscal 2016, which resulted in the reversal of accrued deferred compensation associated with the original employment agreements, net of costs incurred to execute the agreements, partially offset by cash severance payments, which we do not consider in our evaluation of ongoing performance.
c) Charges related to the closure of an Elfa manufacturing facility in Lahti, Finland in December 2017, recorded in other expenses, which we do not consider in our evaluation of our ongoing performance.
d) Loss recorded as a result of the repayment of the then outstanding term loan facility and senior subordinated notes in April 2012, and the amendments made to the Senior Secured Term Loan Facility in April 2013, November 2013, August 2017 and September 2018, which we do not consider in our evaluation of our ongoing operations.
e) Charges incurred to implement our Optimization Plan, which includes certain consulting costs recorded in selling, general and administrative expenses, cash severance payments associated with the elimination of certain full-time positions at the TCS segment recorded in other expenses, and cash severance payments associated with organizational realignment at the Elfa segment recorded in other expenses, which we do not consider in our evaluation of ongoing performance.
f) Gain recorded as a result of the sale of a Norwegian subsidiary, whose primary asset was a manufacturing facility that was shut down and consolidated into a like facility in Sweden as part of Elfa's restructuring efforts in fiscal 2012, the sale of a building at Elfa in fiscal 2014, as well as the sale of a building in Lahti, Finland, recorded in fiscal 2018, which we do not consider in our evaluation of ongoing performance.
g) Non-cash charges related to stock-based compensation programs incurred in connection with our IPO, which we do not consider in our evaluation of our ongoing performance.
h) Charges incurred in connection with our IPO, which we do not expect to recur and do not consider in our evaluation of ongoing performance.
i) Non-cash charges related to impairment of intangible assets at the Elfa segment, which we do not consider in our evaluation of our ongoing performance.
j) Includes charges incurred to restructure business operations at Elfa, including the sale of a subsidiary in Germany and the closedown of a manufacturing facility in Norway in fiscal 2012, as well as the relocation of certain head office functions in sales and marketing from the Västervik, Sweden, manufacturing location to the group headquarters in Malmö, Sweden in fiscal 2012, which we do not consider in our evaluation of our ongoing performance.
k) Tax impact of adjustments to net income (loss), as well as other unusual or infrequent tax items, including the impact of a $1.8 million reduction in tax expense recorded in fiscal 2014 primarily related to a refund of tax paid in a prior period, the estimated impact of the Tax Cuts and Jobs Act in fiscal 2017, and the exclusion of the impact of certain valuation allowances on deferred tax assets, and the tax benefit recorded in the first quarter of fiscal 2018 as a result of a reduction in the Swedish tax rate and the tax benefit recorded in the third quarter of fiscal 2018 as a result of the finalization of the Tax Act, as well as the exclusion of a tax benefit recorded in the third quarter of fiscal 2012 as a result of a reduction in the Swedish tax rate from 26.3% to 22.0%, which we do not consider in our evaluation of ongoing performance.
l) Fiscal 2013 and 2012 are calculated based on the assumption that the number of shares outstanding as of March 1, 2014 was outstanding at the beginning of the applicable fiscal year.

Quarterly Adjusted EPS Reconciliation

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

	LTM									
	19-Jun	18-Jun	Q1 FY19	Q1 FY18	Q4 FY18	Q4 FY17	Q3 FY18	Q3 FY17	Q2 FY18	Q2 FY17
Numerator:										
Net (loss) income	$24,345	$20,341	($4,099)	($6,764)	$15,882	($399)	$9,321	$28,379	$3,241	($875)
Elfa manufacturing facility closure (a)	-	803	-	-	-	(49)	-	335	-	517
Loss (gain) on disposal of real estate (b)	($374)	$0	-	-	$13	-	($387)	-	$0	$0
Loss on extinguishment of debt (c)	2,082	2,369	-	-	-	-	-	-	2,082	2,369
Optimization Plan implementation charges (d)	$0	$12,809	$0	$4,864	-	$737	$0	$422	$0	$6,786
Taxes (e)	(5,708)	(21,266)	-	(2,112)	258	8,152	(5,391)	(24,053)	(575)	(3,253)
Adjusted net (loss) income	$20,345	$15,056	($4,099)	($4,012)	$16,153	$8,441	$3,543	$5,083	$4,748	$5,544
Denominator:										
Weighted average common shares – diluted	48,575,054	48,312,750	48,231,148	48,138,907	48,382,433	48,202,980	48,381,455	48,167,882	48,519,166	48,058,231
Net (loss) income per common share – diluted	$0.50	$0.42	($0.08)	($0.14)	$0.33	($0.01)	$0.19	$0.59	$0.07	($0.02)
Adjusted net (loss) income per common share – diluted	$0.42	$0.31	($0.08)	($0.08)	$0.33	$0.18	$0.07	$0.11	$0.10	$0.12

a) Charges related to the closure of an Elfa manufacturing facility in Lahti, Finland in December 2017, recorded in other expenses, which we do not consider in our evaluation of our ongoing performance.
b) Gain recorded as a result of the sale of a building in Lahti, Finland, recorded in fiscal 2018 in (gain) loss on disposal of assets, which we do not consider in our evaluation of our ongoing performance.
c) Loss recorded as a result of the amendment made to the Senior Secured Term Loan Facility in fiscal 2018 and the amendment made to the Senior Secured Term Loan Facility and the Revolving Credit Facility in fiscal 2017, which we do not consider in our evaluation of our ongoing performance.
d) Charges incurred to implement our Optimization Plan, which includes certain consulting costs recorded in selling, general and administrative expenses, cash severance payments associated with the elimination of certain full-time positions at the TCS segment recorded in other expenses, and cash severance payments associated with organizational realignment at the Elfa segment recorded in other expenses, which we do not consider in our evaluation of ongoing performance.
e) Tax impact of adjustments to net income (loss), the estimated impact of the Tax Cuts and Jobs Act enacted in the third quarter of fiscal 2017, the tax benefit recorded in the first quarter of fiscal 2018 as a result of a reduction in the Swedish tax rate, and the tax benefit recorded in the third quarter of fiscal 2018 as a result of the finalization of the impact of the Tax Act, as well as the exclusion of the impact of certain valuation allowances on deferred tax assets, which are considered to be unusual or infrequent tax items, all of which we do not consider in our evaluation of ongoing performance.

Annual Consolidated Net Debt

Below is the calculation of the Annual Net Total Debt and the associated Net Total Debt to Adjusted EBITDA ratio:

	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Cash	$7,364	$8,399	$10,736	$13,609	$24,994	$18,046	$25,351
Swedish Debt (a)	5,511	-	3,358	5,620	9,297	20,702	22,123
Revolver - U.S. (b)	12,000	-	-	-	-	-	-
Term Loan - U.S. (c)	249,481	284,503	313,212	321,512	325,234	328,533	272,938
TCS Install Note Payable - U.S.	-	-	-	-	-	1,625	3,792
Capital Leases & Other	494	662	901	745	397	424	-
Total Debt	267,487	285,165	317,471	327,878	334,928	351,284	298,853
Net Total Debt	260,123	276,766	306,735	314,269	309,934	333,238	273,502
Adjusted EBITDA	96,347	89,603	86,559	68,159	88,230	86,101	87,585
Net Total Debt / Adjusted EBITDA	2.7x	3.1x	3.5x	4.6x	3.5x	3.9x	3.1x

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).

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. In addition, the Company repaid $20M on the outstanding loans which reduced the aggregate principal amount to $272.5M.