

Stein Mart (SMRT)

Reconciliation of Operating Income (Loss), Tax (Benefit) Expense, Net Income (Loss), and Diluted EPS (GAAP Basis) to Adjusted (Non-GAAP Basis)

Unaudited (in thousands, except for share data)

We report our consolidated financial results in accordance with generally accepted accounting principles ("GAAP"). However, to supplement these consolidated financial results, management believes that certain non-GAAP operating results, which exclude those items detailed below, may provide a more meaningful measure to compare our results of operations between periods.

We believe these non-GAAP results provide useful information to both management and investors by excluding certain items that impact comparability of the results.

	2018				2017				2015			
	Operating Income (Loss)	Tax Benefit	Net Income (Loss)	Diluted EPS	Operating Income (Loss)	Tax Provision (Benefit)	Net (Loss) Income	Diluted EPS	Operating Income	Tax Provision	Net Income	Diluted EPS
FIRST QUARTER:												
GAAP Basis									\$ 22,758	\$ 8,508	\$ 13,564	\$ 0.29
Adjustments:												
Ecommerce start-up costs (5)									501	190	311	0.01
Investigation and related fees (6)									463	176	287	0.01
Store closing and asset impairment charges									55	21	34	-
Total adjustments									1,019	387	632	0.02
Adjusted/Non-GAAP Basis									\$ 23,777	\$ 8,895	\$ 14,196	\$ 0.31
SECOND QUARTER:												
GAAP Basis									\$ 7,390	\$ 2,489	\$ 4,094	\$ 0.09
Adjustments:												
Ecommerce start-up costs (5)									772	293	479	0.01
Investigation and related fees (6)									(277)	(105)	(172)	-
Store closing and asset impairment charges									9	3	6	-
Total adjustments									504	192	312	0.01
Adjusted/Non-GAAP Basis									\$ 7,894	\$ 2,681	\$ 4,406	\$ 0.10
THIRD QUARTER:												
GAAP Basis									\$ 704	\$ 10	\$ (197)	\$ (0.01)
Adjustments:												
Ecommerce start-up costs (5)									1,280	486	794	0.02
Investigation and related fees (6)									30	11	19	-
Store closing and asset impairment charges									(37)	(14)	(23)	-
Total adjustments									1,273	483	790	0.02
Adjusted/Non-GAAP Basis									\$ 1,977	\$ 493	\$ 593	\$ 0.01
FOURTH QUARTER:												
GAAP Basis	\$ 6,594	\$ (316)	\$ 4,434	\$ 0.09	\$ 4,126	\$ 3,190	\$ (415)	\$ (0.01)	\$ 10,711	\$ 3,562	\$ 6,250	\$ 0.13
Adjustments:												
Change in vacation policy (1)	(3,267)	-	(3,267)	(0.07)								
Store closing and asset impairment charges	2,312	-	2,312	0.05	3,152	1,162	1,990	0.05	2,008	763	1,245	0.03
Hurricane related (recoveries)/expenses, net of insur. proceeds (3)	(955)	-	(955)	(0.02)	(363)	(134)	(229)	(0.01)				
Expenses related to legal settlements	918	-	918	0.02								
Impact of Tax Act (4)					-	2,167	2,167	0.05				
Ecommerce start-up costs (5)									1,013	385	628	0.01
Investigation and related fees (6)									(166)	(63)	(103)	-
Total adjustments	(992)	-	(992)	(0.02)	2,789	3,195	3,928	0.09	2,855	1,085	1,770	0.04
Adjusted/Non-GAAP Basis	\$ 5,602	\$ (316)	\$ 3,442	\$ 0.07	\$ 6,915	\$ 6,385	\$ 3,513	\$ 0.08	\$ 13,566	\$ 4,647	\$ 8,020	\$ 0.17
FISCAL YEAR:												
GAAP Basis	\$ 4,859	\$ (25)	\$ (5,998)	\$ (0.13)	\$ (31,234)	\$ (11,698)	\$ (24,324)	\$ (0.52)	\$ 41,563	\$ 14,569	\$ 23,711	\$ 0.51
Adjustments:												
Change in vacation policy	(3,267)	-	(3,267)	(0.07)								
Store closing and asset impairment charges	2,803	-	2,803	0.06	3,792	1,398	2,394	0.05	2,035	773	1,262	0.03
Credit agreements extension fees (2)	1,100	-	1,100	0.02								
Hurricane related (recoveries)/expenses, net of insur. proceeds (3)	(237)	-	(237)	(0.01)	492	181	311	0.01				
Expenses related to legal settlements	1,057	-	1,057	0.02	67	25	42	-				
Impact of Tax Act (4)					-	1,724	1,724	0.03				
Ecommerce start-up costs (5)									3,565	1,355	2,210	0.04
Investigation and related fees (6)									51	19	32	-
Total adjustments	1,456	-	1,456	0.03	4,351	3,328	4,471	0.09	5,651	2,147	3,504	0.07
Adjusted/Non-GAAP Basis	\$ 6,315	\$ (25)	\$ (4,542)	\$ (0.10)	\$ (26,883)	\$ (8,370)	\$ (19,853)	\$ (0.43)	\$ 47,214	\$ 16,716	\$ 27,215	\$ 0.58

(1) Decrease in accrued compensated absences during the fourth quarter of 2018 due to a change in vacation policy.

(2) Advisory fees related to the extension and amendment of credit agreements completed in September 2018.

(3) Property losses incurred earlier in the year from hurricanes were recovered in the fourth quarter.

(4) Represents impacts of the Tax Cuts and Jobs Act of 2017.

(5) Net loss from start-up of our ecommerce business launched in September 2013.

(6) Professional fees and other expenses, net of insurance recoveries, related to the SEC investigation into our 2012 financial restatement which was settled in September 2015.