

# Fourth Quarter 2017 IR Presentation

**Stein Mart®**  
SAVING is a beautiful thing®



# Forward-Looking Statement

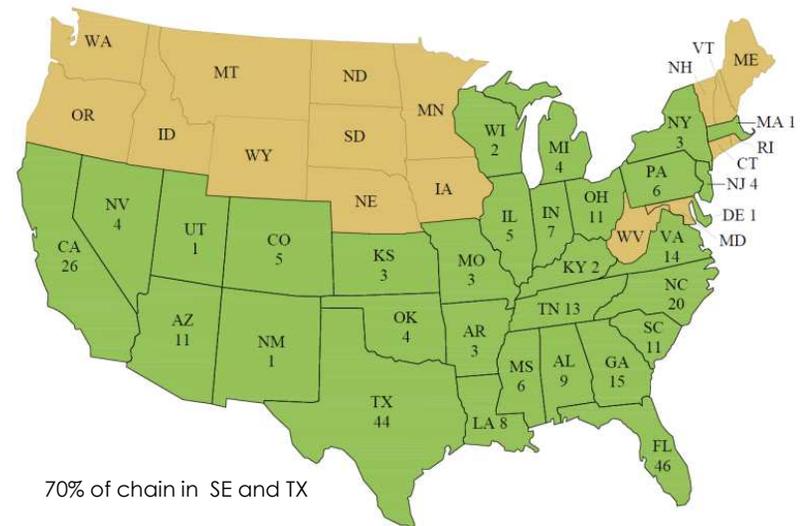
*In the course of this presentation and in response to your questions, statements may be made as to certain matters that constitute forward-looking information that is subject to certain risk and uncertainties. Additional information concerning those factors that could cause actual results to differ from those in the forward-looking statements can be found in the company's fiscal Annual Report on Form 10-K for the year ended January 28, 2017 and other filings with the SEC.*

# COMPANY OVERVIEW

# About Stein Mart

- National specialty off-price retailer
- Fashion apparel for women and men, home décor, accessories and shoes
- 293 stores in 31 states and steinmart.com
- Loyal, mature customer with household income of nearly \$100,000

## National Store Footprint



*HYBRID MARKET POSITION - How we differentiate from the competition*

vs. Department Stores

- Every day low prices competitive with off-price
- Convenient off-mall locations
- Assortment edited for our customer

vs. Off-Price Retailers

- Attractive store appearance
- Merchandise displayed by category, brand
- Customer service

Shifting

Stein Mart®

# Our Stores

- Off-mall in better neighborhood, regional and community shopping centers
- Optimal co-tenants are higher-end grocers, apparel and cosmetic retailers, better restaurants
- New stores average 32,000 gross and 28,000 selling sq ft
  - Overall average is 35,000 sq ft
- Store leases are generally for a 10-year term with options to extend for two or more 5-year periods

*Note: All stores are leased*



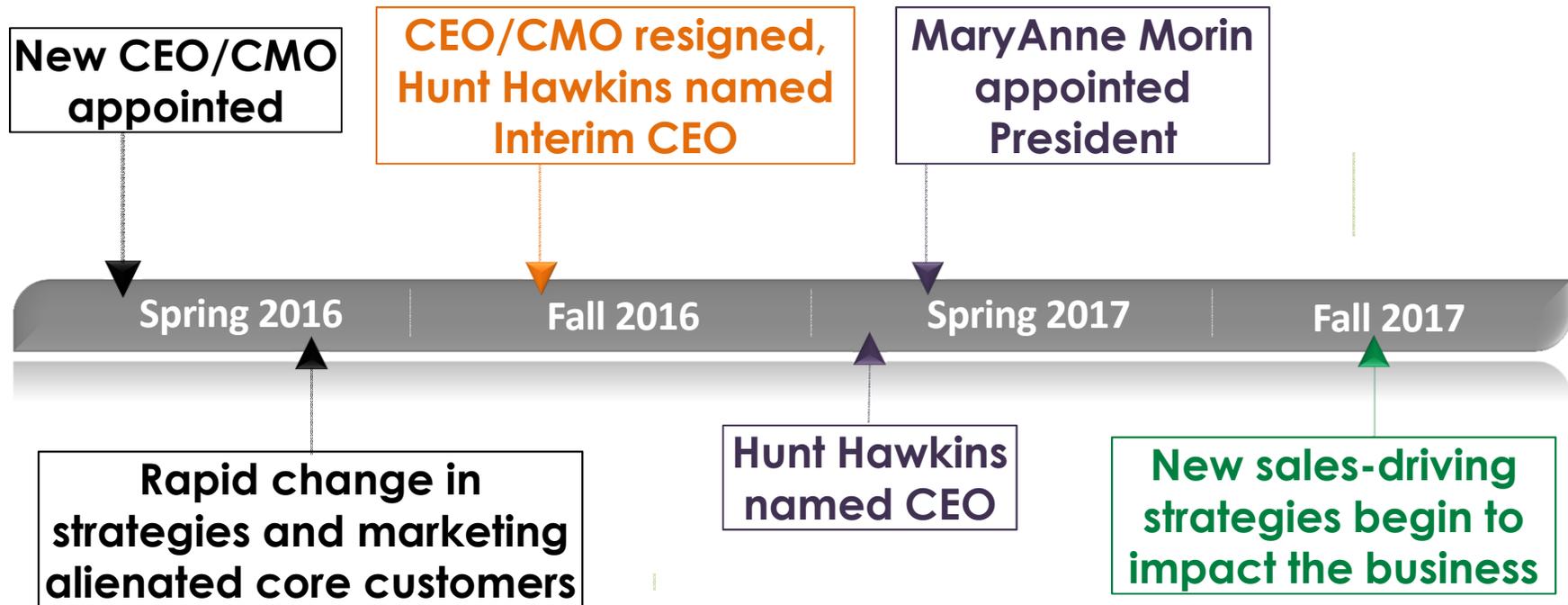
*Jacksonville, FL*



*Scottsdale, AZ*

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# Transition: 2015 to 2017



# FINANCIAL RESULTS

# Overview

- 2017: A transition year to change practices and position for the future
- Significant changes are improving results
  - Evolved merchandise selection strategy to refresh assortment
  - Re-set our stores to highlight brands and product changes
  - Improved inventory management and productivity
  - Added ship-from-store to fulfillment to satisfy Omni demand
  - Launched a new advertising campaign
- Strengthened financial position through strong cash management
  - Strong fourth quarter 2017 operating income growth
  - Lower borrowings at end of 2017
  - Further cost reductions planned for 2018
  - Obtained additional financing in first quarter 2018
- Expect meaningful first half 2018 profitability from improving results

# Fourth Quarter Results

Income Statement Items <i>Amounts in \$ millions</i>	Fourth Quarter		
	2017	2016	Change
Net Sales	\$ 384.9	\$ 385.5	\$ (0.6)
<i>Comp Sales %</i>	-5.4%	-5.5%	
Gross Profit	\$ 102.4	\$ 87.9	\$ 14.5
<i>Gross Profit %</i>	26.6%	22.8%	3.8%
Operating Income (Loss), reported	\$ 4.1	\$ (8.1)	\$ 12.2
Operating Income (Loss), before impairment charges	\$ 7.3	\$ (7.0)	\$ 14.3
EPS	\$ (0.01)	\$ (0.11)	\$ 0.10
Adjusted EPS*	\$ 0.08	\$ (0.09)	\$ 0.17
EBITDA, as reported	\$ 12.2	\$ 0.8	\$ 11.4
EBITDA, adjusted^	\$ 15.4	\$ 2.1	\$ 13.3

\* Excludes asset impairment charges from both period and higher income tax expense related to the 2017 Tax Act.

^ EBITDA excludes items detailed in the Adjusted EBITDA table (Note 2) included in our 3/14/2018 earnings release.

# First Half 2018 Outlook

We expect first-half 2018 operating income in excess of \$8 million with the following factors influencing our business compared to the first half of 2017:

- We anticipate flat to low single-digit increases in comparable store sales, driven by e-Commerce
- We expect gross profit expansion of approximately 200 basis points
- SG&A expenses are expected to be slightly lower, inclusive of higher e-Commerce and advertising expenses
- Interest expense is estimated to be \$2 million higher



# BUSINESS DEVELOPMENT STRATEGIES

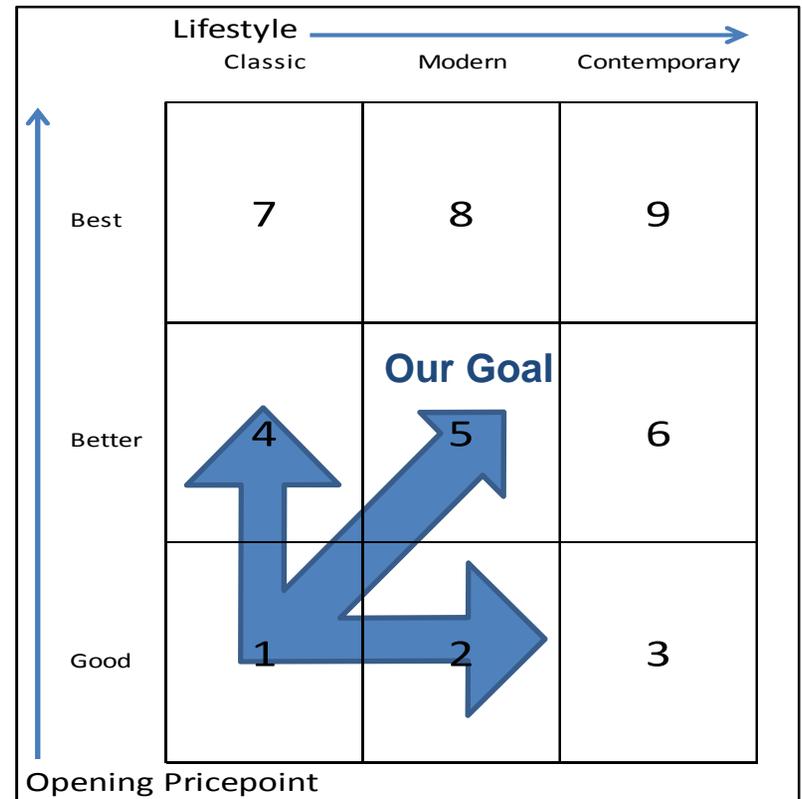
# Strategic Priorities

- Return to comparable sales growth
  - Evolving product mix with a focus on brands and trends
  - Growing e-Commerce
  - Impactful advertising build our brand
  - Providing exceptional customer experience
- Maintain strong inventory management
  - Achieve more profitable sales
  - Higher inventory turn
  - Increased merchandise margins
- Strengthen Financial Position
  - Lower inventories, reduced capital spending, tight expense control
  - Adequate borrowing availability



# Evolving Product Mix

- New buying model implemented in 2017
  - Good-Better-Best pricing architecture with Classic-Modern-Contemporary lifestyle filter
  - Balance classic offerings while growing penetration of modern & contemporary brands
- Realigned Ladies' Apparel buying responsibilities by brand and lifestyle
  - Reduced duplication is increasing productivity
- Keeping receipt dollars open longer enables teams to buy into trends as they develop
- Re-inventing underperforming categories
  - Adding brands, trends and newness
  - Reducing slow-moving inventories



# Merchandise Presentation

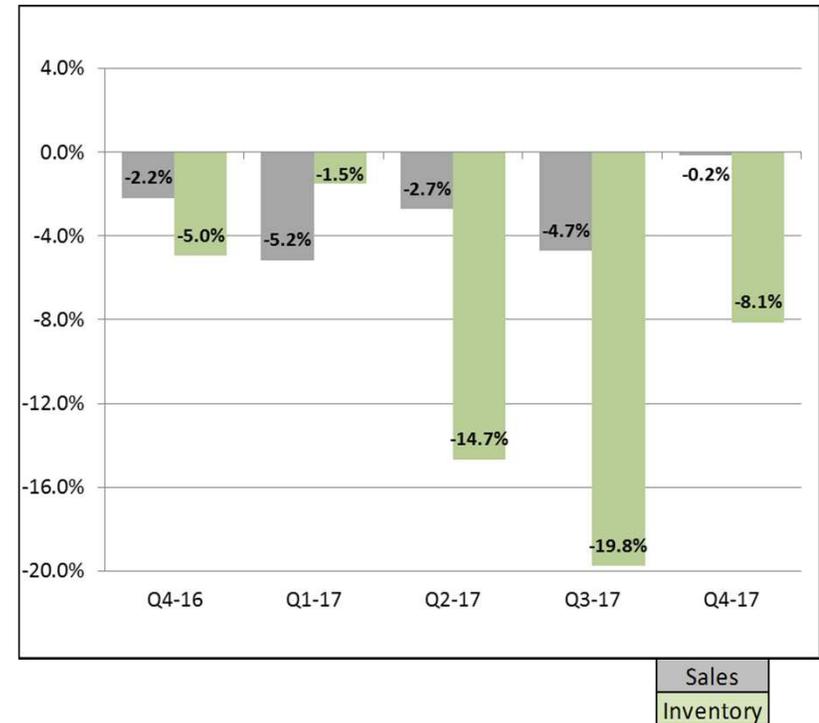
- Reset most of store in 2017
- New Ladies' Apparel Flow in Fall 2017
  - Brands grouped by lifestyle
  - Signage upgraded for better brand recognition
  - Reduced fixtures to improve shoppability
- Removed jewelry cases (65 stores in 2017)
  - Opened sightlines to Accessories improved handbag sales trend
- New Home area in all stores in first quarter 2018
  - Tested smaller Home Décor area format in Fall 2017 (100 stores)
    - Reduced inventories and right-sized space to streamline presentation
  - 75% of assortment for Spring 2018 is new and focused on trends and lifestyle



# Improved Inventory Productivity

- Increasing inventory turns and profitability
  - Edited assortments, SKUs and brands
  - Managing the timing of receipts to better match sales
  - Continual flow of product with more in-season buying
  - Improved markdown practices
  - Average comp store inventories down 10% at end of 2017
    - Much lower clearance levels
- Q4-2017 gross profit rate +380 basis points driven by lower markdowns and increased regular-price selling

Changes in quarterly inventory vs sales



- Increases traffic to stores
  - Drives brand awareness
  - Supports Omni-Channel strategy
- Higher TV advertising driving customers to the website
- Enhanced assortment and site improvements
  - Expanded online assortments and exclusives
  - Added SEE BRAND in 2017
  - Expanding drop ship capabilities
  - Added FIND IT IN STORES in March 2018
- Customer visits, conversion and average order value are increasing
- E-Commerce demand sales, including orders shipped from stores, increased 80 percent in Q4-2017
- Projected to be bottom-line contributor in 2018



# eCommerce – Ship From Store

- Key aspect of Omni-Channel strategy
- October pilot had strong initial results
  - Increased to 50 stores in November; added 60 more stores in February
  - Expanding to all stores in first quarter 2018
- Benefits:
  - Omni-channel driving significant volume
  - Conversion has increased 42 bps
  - Incremental sales to shipping stores
  - Improved inventory productivity and higher margins
  - “Save the sale” capability
  - Gives us valuable insight to digital demand



# Modernized Marketing and Advertising

## ***Brands you know at prices you'll love – Saving is a beautiful thing***

- Launched a new advertising campaign September 2017 with new award-winning agency - BOHAN
  - Objective to build brand awareness
  - Emphasize fashion, savings (not discount), brands, experience
  - Develop a clear, compelling brand strategy
  - Aimed at customer acquisition and retention
- Optimize marketing spend
  - Shifted media spend to more television and digital to fund high reach channels
  - Additional TV is increasing traffic to our website



# Strengthening Financial Position

- Managing cash flow to reduce debt
  - Lowered borrowings by \$26 million in 2017
- Lower inventory levels for all 2017 quarters
  - Year-end store inventories 10 percent lower
- SG&A expense reductions
  - Excluding expenses for the 53<sup>rd</sup> week and impairments, Q4-2017 \$2.9 million lower, inclusive of higher new store and advertising expenses
  - Further reductions in excess of \$10 million in 2018 (corporate headcount, store labor, other)
- Reduced 2017 capital expenditures \$21 million
  - Projecting 2018 capital spend of \$10 million
  - Eliminated new store openings



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