



# Stein Mart®

**First Quarter 2019  
Investor Presentation**



# Forward-looking statements

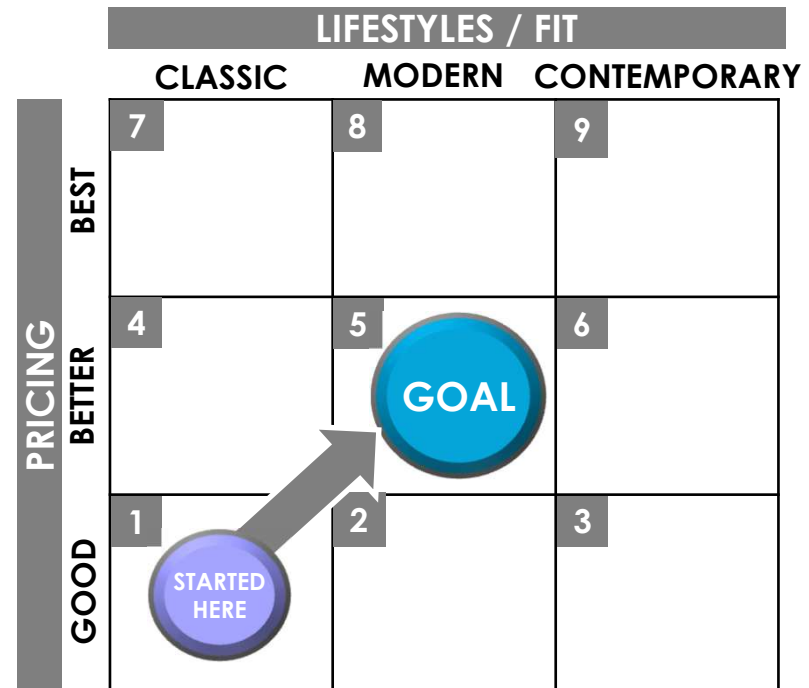
Forward-looking statements are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon current expectations and assumptions that are subject to risks and uncertainties that could cause actual results to differ. Additional information concerning these factors can be found in the company's filings with the U.S. Securities and Exchange Commission.

# Strategic Initiatives

## Ongoing and Second Half

# Evolving product mix

- **New buying model**
  - Good-Better-Best pricing architecture with Classic-Modern-Contemporary lifestyle filter
  - Balancing classic offerings while growing modern and contemporary categories
  - Casting a wider net of brands that appeal to a broader group of customers
- **Expanded under-developed categories** such as dresses, active, swim, contemporary and denim
- **Reset most of selling floor** to improve shopping experience
  - Right-sized businesses
  - Upgraded signage for greater brand recognition
  - Removed jewelry cases to improve access to merchandise
- **Adding categories**
  - Kids and fine jewelry in 2019



# Continued focus on inventory productivity



- **Increased inventory turns**
  - Edited assortments, SKUs and brands
  - Using planned in-season reserve receipts to support trends, test newness and conduct opportunistic buys
  - Managing receipt flow timing to better match sales
- **Improved profitability**
  - Simplified/lowered markdowns through improved practices
  - Focused on regular-priced selling
  - Lowered clearance levels
  - Maintaining 2018 expanded gross profit rate in 2019
- **Decreased inventories**
  - Improved cash flow
  - Lowered inventories in every quarter for past two years
  - Average store inventories decreased 4.3% 2018, on top of decreases of 10% in 2017 and 6.9% in 2016

# Growing Ecommerce

## Ecommerce sales growth:

2015 +71% - 2016 +29% - 2017 +52% - 2018 +62%\* - **Q1 2019 +14%**

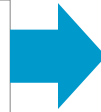
### Enhanced assortment

- Expanded assortment & exclusives
- Drop ship expansion

### Site improvements

- Added "Find it in store"
- Personalized product recommendation feature
- Updated navigation
- Simplified checkout

### Rolled-out Ship from Store Q1-2018



### Accomplishments

- Increasing sales
- More customer visits
- Higher conversion
- Higher average order value
- Increased customer satisfaction
- Increased cross-selling

### Ship-from-store\*

- Driving significant volume
- Improved inventory productivity

\*Completed rollout of program to ship online orders from stores in Q1-2018

# Second half 2019 initiatives

- Driving comparable sales through new product categories, expanding Omni capabilities, improving customer communications, and store traffic/conversion initiatives
- All coming online this fall, with greater impact in 2020 when initiatives are in place for a full year

**CATEGORY EXPANSION**

**CUSTOMER-CENTRIC**

**OMNI-CHANNEL**

**TRAFFIC AND  
CONVERSION**

# 2019 Product Category Expansion

## Children's Apparel

- Rolling out to most of chain in Q3
- Introduces a broad range of products across all ages (infant to pre-teen) for both boys and girls with well-known brands
- Increases comparable sales by attracting a new customer
- Increases basket size for existing customers who can shop for their kids in our store
- Kids was a large contributor in the past; exited business in 2006



Girls



Boys



Shoes



Toys



Bed & Bath



Décor

## Fine Jewelry

- Launching fine jewelry departments in 50 stores with an expanded assortment online
- An opportunity to expand our luxury offerings
- Drives new shopping occasions to increase transactions and average unit retail
- Will be operated on a concession model
  - No upfront inventory or capital investment
- Expect to expand doors in 2020



Fine Earrings

Fine Necklaces

Fine Rings



Fine Watches

Men's

Vintage Jewelry

Vintage Chanel Jewelry



# Expanding Omni capabilities in 2019



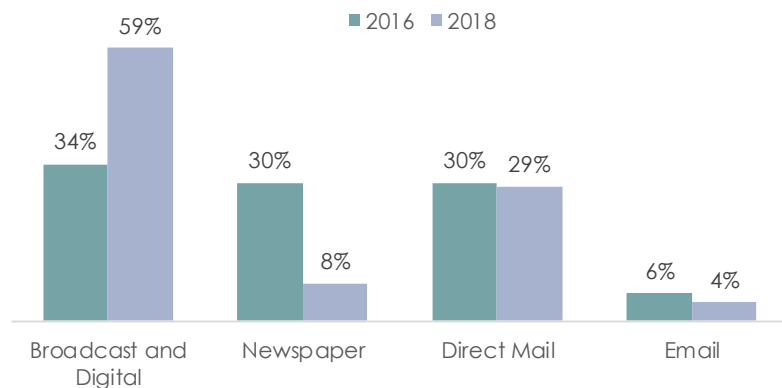
- **Endless Aisle, Line Busting, Credit Solution** (completing roll-out in Q2)
  - “Save the sale” capability
  - Integrating mobile technology gives stores access to additional inventory
  - Mobile checkout, including taking credit card applications, expedite lines during peak selling periods
- **Click & Collect (BOPIS)**
  - Launching buy online, pick up in store this Fall
  - Expected to represent 10-15% of web sales
  - Drives store traffic, providing opportunity for incremental sales when customer shops while picking up order
  - Reduces shipping costs
- **Other Enhancements**
  - Implementing **Smart Fulfillment logic** in Q3
    - Identifies the best/most profitable location to fill online orders based on shipping proximity to the sale
    - Reduces shipping costs
  - Launched **“True Fit”** in May to reduce returns and improve profitability

# 2019 Customer-centric initiatives

## Marketing

- Changed media mix
  - Shifted mix from direct mail and newspaper to direct mail, broadcast and digital
  - Decreased newspaper spend to just 8% from 30% in 2016
- Added Media Mix Intelligence
  - Measuring marketing ROI analytics quarterly to maximize efficiency of mix and expand ROI
- Consolidated broadcast media to digital agency
  - Brings best in class intelligence to navigate changing media landscape
  - Allows for more targeted, nimble spend

**Spend by Medium (% of Total Media Spend)**



## Campaign Management Platform

- Implementing a marketing campaign management tool to push out personalized content beginning in Q4
- Utilizes POS and online browsing/spending information to create targeted messaging focused on the individual's style, brand and category preferences. Email examples include:
  - Reminder to complete purchase of abandoned items in her cart
  - Telling her previously browsed items are now on sale
  - Sending information about categories or brands she likes to shop
- Unlocks incremental sales by communicating and marketing with customers the way they shop

# Loyalty program: changes coming this fall



Insider perks.  
Birthday surprises.  
The secret is out.



Stein Mart SMART REWARDS members get exclusive access to additional savings and rewards all year long. Sign up or apply today at the register or at [SteinMart.com/rewards](http://SteinMart.com/rewards).



- Merging Credit Card ("CC") & Preferred Customer programs under new Stein Mart **Smart Rewards Program**
  - Simplifying message so customers understand benefits better
  - No change in value proposition
  - Allows for easier migration of non-credit Preferred Customers to credit
  - Reissuing all Stein Mart CCs with a new design
- Piloting **enhanced, multi-tender loyalty program**
  - Testing in approximately 100 stores
  - Increased value proposition
  - Lower hurdles to achieve rewards, but faster expiration to create urgency to use
  - Expected to drive sales by
    - Incenting customers
    - Acquiring new customers/re-engaging lapsed ones
    - Driving incremental trips and traffic to stores
    - Growing customer share and credit penetration

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# 2019 Store traffic-driving initiatives

## Traffic/ Conversion Tracking

- Piloting program which tracks real-time store traffic and conversion benchmarking
- Expanding to about 50% of chain by end of August
- Management receives daily scorecards from store analytics platform that combines hourly traffic and transaction data
  - Generates awareness of store conversion performance in real-time
- Store-level, hourly data provides key insights to improve operations
  - Store managers can optimize store labor to improve customer service and conversion, during high traffic hours

## Amazon Hub Lockers

- Amazon Hub Lockers operating in 170 store locations by early June
  - No start-up costs
- Lockers create additional store traffic as Amazon customers visit stores to pickup or return Amazon.com packages
  - Lockers strategically located in back of store, creating good use of low-productivity areas, forcing customers to walk through the store

# Improved financial position



## Managing cash flow

- Decreased inventory
  - Store inventories down 5% in Q1-2019; down 15% Y-o-Y 2018 vs. 2016
- Lowered SG&A expenses
  - \$4.4 million lower in Q1-2019 vs. Q1-2018
  - Cost savings initiatives reduced expenses by \$30 million in full year 2018
- Planned 2019 capital expenditures flat to lower 2018 levels
- Reduced debt over \$55 million at end of Q1-2019 compared to end of Q1-2018
  - Availability increased \$77 million, including \$15 million available to borrow under life insurance policies

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# 2019 Financial Results

# First Quarter 2019 Results

Dollars in \$ millions Favorable / (Unfavorable)	2019	2018	Change
Net Sales	\$ 314.2	\$ 326.6	\$ (12.4)
<i>Comp Sales %</i>	-1.7%	-0.7%	-1.0%
Other Revenue	5.2	4.4	0.8
Gross Profit	87.5	96.0	(8.5)
<i>Gross Profit %</i>	27.8%	29.4%	-1.6%
SG&A Expenses	86.1	90.5	4.4
<b>Operating Income</b>	<b>6.6</b>	<b>9.9</b>	<b>(3.3)</b>
Interest Expense	2.5	2.5	(0.0)
Pretax Income	4.0	7.4	(3.3)
Income Tax Expense	0.1	0.1	(0.0)
<b>Net Income</b>	<b>\$ 4.0</b>	<b>\$ 7.3</b>	<b>\$ (3.3)</b>
<b>EPS</b>	<b>\$ 0.08</b>	<b>\$ 0.16</b>	<b>\$ (0.08)</b>
<b>EBITDA, adjusted*</b>	<b>\$ 13.9</b>	<b>\$ 18.4</b>	<b>\$ (4.5)</b>

\*Adjusted EBITDA reflects amounts detailed in the Non-GAAP tables presented in Note 2 to our 5/22/19 earnings release.

## Net Sales

- Comparable sales down 1.7%, impacted by:
  - Late start to spring in key markets
  - Benefit of a 12-Hour Sale event shifted from Q2 to Q1
- Ecommerce sales +14%
- Lower traffic and AUR; higher units per transaction

## Gross Profit

- Rate decrease of 160 bps primarily driven by a planned reduction from accelerated markdown cadence and impact of the sales event shift
- Expect full year rate to be flat to 2018

## SG&A Expenses

- Decreased \$4.4 million from lower store expenses, including impact of closed stores
- Expect remainder of year SG&A expenses to be flat to LY

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# Company Overview



# Stein Mart is a national specialty off-price retailer

## OFFERINGS

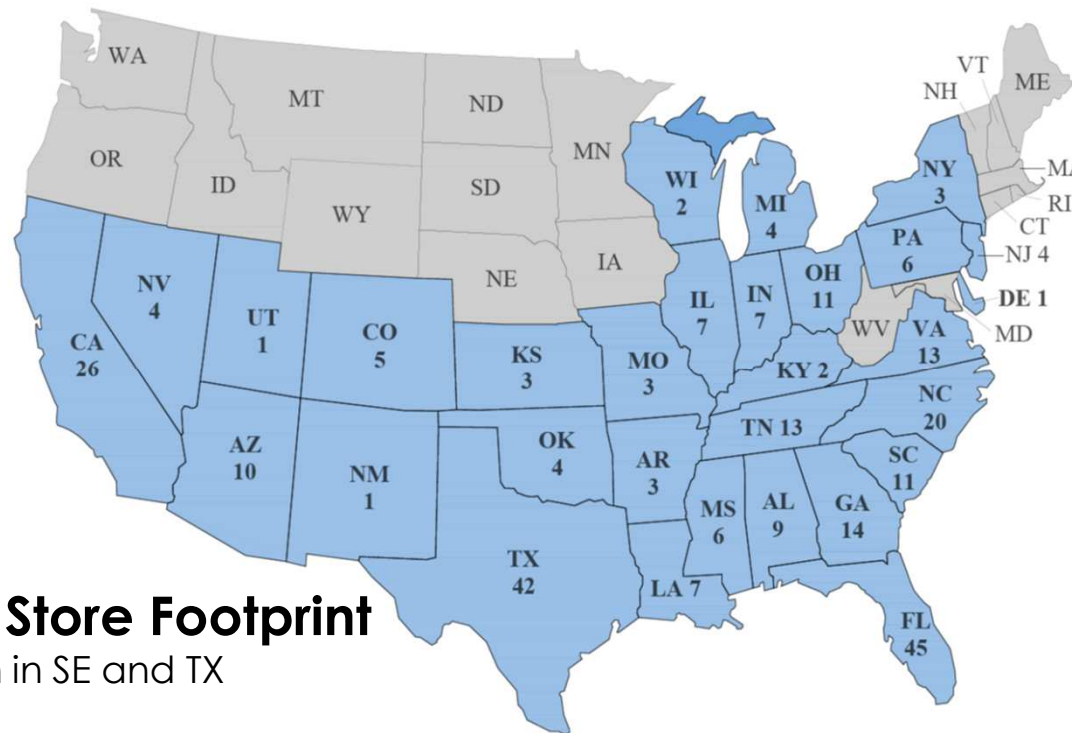
Fashion apparel for women and men, home décor, accessories, shoes

## CUSTOMERS

Loyal, ageless, household income of nearly \$100,000

## FOOTPRINT

30 states  
283 stores  
[www.steinmart.com](http://www.steinmart.com)



## National Store Footprint

70% of chain in SE and TX

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# We differentiate from the competition

