



Fourth Quarter 2018  
Investor  
Presentation

Stein Mart

# 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.

# 2018 Financial Results

# Fourth Quarter 2018 Results

Dollars in \$ millions Favorable / (Unfavorable)	2018	2017	Change
Net Sales	\$ 340.8	\$ 384.9	\$ (44.0)
<i>Comp Sales %</i>	-3.5%	-5.4%	1.9%
Other Revenue	3.6	3.2	0.4
Gross Profit	92.5	102.4	(10.0)
<i>Gross Profit %</i>	27.1%	26.6%	0.5%
SG&A Expenses	89.5	101.5	12.1
<b>Operating Income</b>	<b>6.6</b>	<b>4.1</b>	<b>2.5</b>
Interest Expense	2.5	1.4	(1.1)
Pretax Loss	4.1	2.8	1.3
Income Tax (Benefit)/Expense	(0.3)	3.2	(3.5)
<b>Net Income/(Loss)</b>	<b>\$ 4.4</b>	<b>\$ (0.4)</b>	<b>\$ 4.8</b>
<b>EPS, adjusted*</b>	<b>\$ 0.07</b>	<b>\$ 0.08</b>	<b>\$ (0.01)</b>
<b>EBITDA, adjusted*</b>	<b>\$ 13.6</b>	<b>\$ 15.0</b>	<b>\$ (1.4)</b>

\*Adjusted amounts exclude items detailed in the Non-GAAP tables presented in Notes 1 & 2 to our 3/13/19 earnings release.

## Net Sales

- Comparable sales down 3.5% (shifted)
- Ecommerce sales +15%
- Lower traffic, impacted by change in holiday marketing strategy
- Good conversion

## Gross Profit

- Continued rate improvement
- Increased 50 bps from reduced markdowns, higher regular-price selling
- Offset by deleverage of occupancy costs on lower sales

## SG&A Expenses

- Continued impact of cost savings initiatives, closed stores & lower advertising spend
- Q4 2018 includes \$3.3 million benefit of change in vacation policy

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# Fiscal Year 2018 Results

Dollars in \$ millions Favorable / (Unfavorable)	2018	2017	Change
Net Sales	\$ 1,257.6	\$ 1,318.6	\$ (61.0)
<i>Comp Sales %</i>	-1.0%	-6.2%	5.2%
Other Revenue	15.1	13.9	1.2
Gross Profit	337.8	330.9	6.8
<i>Gross Profit %</i>	26.9%	25.1%	1.8%
SG&A Expenses	348.1	376.1	28.1
<b>Operating Income/(Loss)</b>	<b>4.9</b>	<b>(31.2)</b>	<b>36.1</b>
Interest Expense	10.9	4.8	(6.1)
Pretax Loss	(6.0)	(36.0)	30.0
Income Tax Benefit	(0.0)	(11.7)	11.7
<b>Net Loss</b>	<b>\$ (6.0)</b>	<b>\$ (24.3)</b>	<b>\$ 18.3</b>
<b>EPS, adjusted*</b>	<b>\$ (0.10)</b>	<b>\$ (0.43)</b>	<b>\$ 0.33</b>
<b>EBITDA, adjusted*</b>	<b>\$ 39.5</b>	<b>\$ 7.6</b>	<b>\$ 31.9</b>

\*Adjusted amounts exclude items detailed in the Non-GAAP tables presented in Notes 1 & 2 to our 3/13/19 earnings release.

## Net Sales

- Comparable sales down 1.0% (shifted)
- Ecommerce sales +62%
- Decrease in total Net Sales includes impact of closing stores in 2018 & prior year benefit of 53rd week in 2017

## Gross Profit

- Increased 180 bps from reduced markdowns & higher regular-price selling

## SG&A Expenses

- Decreased from cost savings initiatives & impact of closed stores
- Partially offset by higher Ecommerce costs
- 2018 includes \$3.3M benefit of change in vacation policy (Q4)

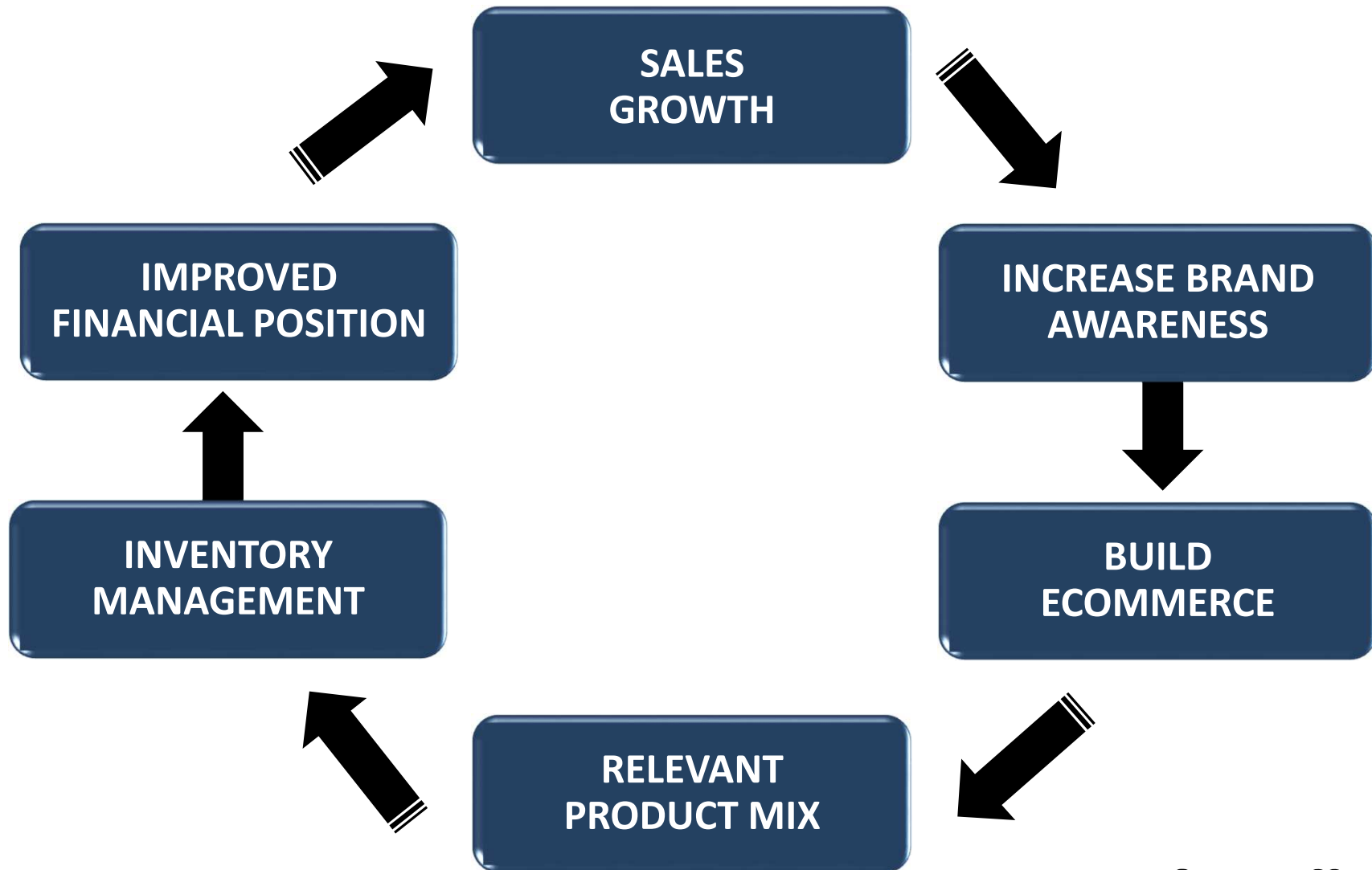
## EBITDA

- Operating Income improvements & reduced capex improved financial position

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# Strategic Priorities

# Strategic priorities



# Our product mix is evolving



## **New buying model**

- Balancing classic offerings while growing modern & contemporary
- Adding brands, trends, newness (+Kids in 2019)
- Reduced duplication to increase productivity

## **Optimizing off-price characteristics**

- Increased in-season & opportunistic buying
- Keeping receipts open to buy into trends
- Improved markdown practices

## **Reset selling floor**

- Improved shopping experience
- Right-sized businesses
- Eliminated case lines
- Streamlined signage



# Increasing inventory profitability/productivity

## Improved inventory management

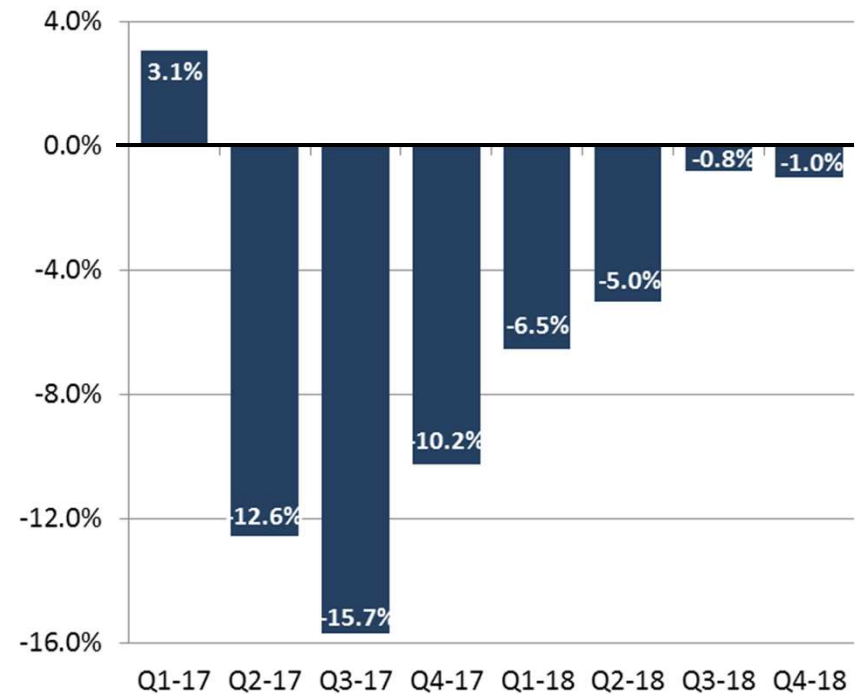
- Simplified and lowered markdowns
- Less upfront buying
- Focused on regular-price selling
- Improved markdown practices



## Accomplishments

- Increased gross profit rate
- Higher regular-price selling
- Faster turns
- Lower inventories

## Changes in Quarterly Sales vs. Inventories



**Inventories decreased compared to change in sales for last 7 quarters**

## Ecommerce sales growth:

2015 +71% - 2016 +29% - 2017 +52% - **2018 +62%**

### Enhanced assortment

- Expanded assortment & exclusives
- Drop ship expansion

### Site improvements

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

### Roll-out of Ship from Store



### 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

# 2019 Ecommerce initiatives: Growth & profitability



## Endless Aisle

- Operating in 45 FL stores mid-March 2019
- Completing roll-out in 2<sup>nd</sup> quarter
- Save the sale capability
- Opens chain-wide inventory to all stores
- Mobile checkout

## Increase Profitability

- Adding **Smart Fulfillment Logic** (Q2-2019)
  - Identifies best/most profitable location to fill order
- Launching **Click & Collect**, buy online, pick up in store (Q3-2019)
  - Expected to be 10-15% of web sales
  - Reduces shipping costs
  - Drives store traffic & customer satisfaction

# Marketing: Building a compelling brand strategy

***We have reinvented our marketing our model...***

## **Messaging**

- Hired new award winning creative agency

## **Focus**

- New modern and contemporary brands at great value while balancing classic fashion for core customers

## **Reach**

- Shifted mix from direct mail & newspaper to direct mail, broadcast & digital

## **Customer acquisition**

- Is KEY, as we grow brand awareness



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# 2019 Marketing initiatives



## **Leveraging technology**

- To mine customer data & enrich media intelligence

## **Implementing Campaign Management**

- Tool to personalize email & direct mail

## **Integrating broadcast media to digital agency**

- Brings best in class intelligence to navigate changing media landscape
- Allows us to be more targeted and nimble with spend
- Testing and reacting during 2019 transition



# 2019 initiatives to grow sales - SMart Rewards



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).



## **NEW Stein Mart SMart Rewards program**

- Introducing this fall

## **Merging credit card & preferred customer programs**

- Simplified messaging
- Allows for easier migration of non-credit preferred customers to credit

## **Reissuing ALL cards**

- New design
- Additional marketing will create excitement and greater program-awareness

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# Improved financial position



## **Managing cash flow**

- Inventory management
  - Store inventories down 15% from 2016
- Lowered SG&A expenses
  - Cost savings initiatives reduced expenses by \$30 million in 2018
- Reduced capital expenditures by \$11 million in 2018

## **Extended credit agreements** (Sept. 2018)

- \$275 million five-year agreements (Q3-18)
- Terms extended to September 2023
- Revolver increased to \$240M
- FILO term loan decreased to \$35M
- Lower blended interest rate

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# 2019 Outlook

We expect the following factors to influence our business in 2019:

- We anticipate flat to low single-digit increases in comparable store sales,
- We expect to maintain our improved 2018 gross profit rate
  - Leverage of occupancy costs, offset by higher Ecommerce fulfillment
- SG&A expenses are expected to be about the same as in 2018
- Interest expense is estimated to be approximately \$1.5 million lower





# Company Overview

# Stein Mart is a national specialty off-price retailer

## OFFERINGS

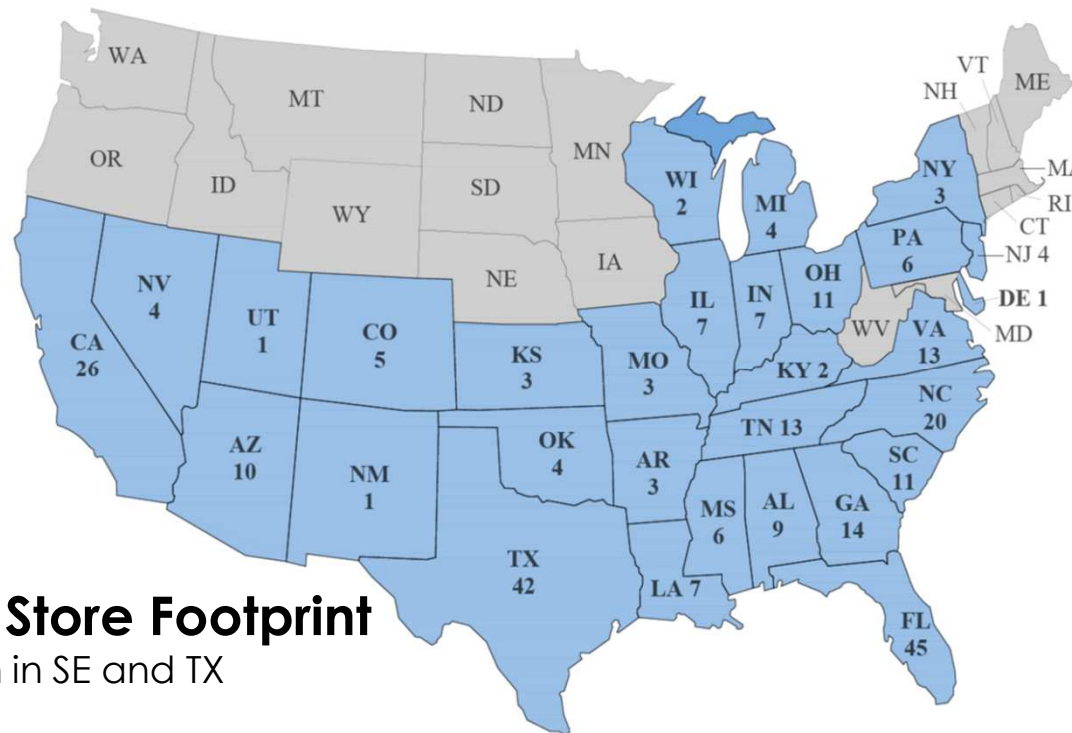
Fashion apparel for women and men, home décor, accessories, shoes

## CUSTOMERS

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

## FOOTPRINT

30 states  
287 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

## Vs. Department and Specialty Stores

### **PRICING**

Prices competitive with off-price

### **LOCATION**

Convenient off-mall locations

### **OFFERINGS**

Assortment edited for our customer

SHIFTING

## Vs. Off-Price Retailers

### **ATMOSPHERE**

Attractive store appearance

### **ORGANIZATION**

Merchandise displayed by category, brand

### **SERVICE**

Customer service