



Second 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

Ongoing initiatives

Nurturing ongoing initiatives, while rolling out new ones!

INVENTORY PRODUCTIVITY

- Increasing inventory turns
- Decreased inventories
- Continuous flow of receipts

GROWING ECOMMERCE

- Double-digit growth YTD
- Enhanced assortment
- Site improvements
- Ship-from-store driving volume

Second-half initiatives

Driving comparable sales with new initiatives coming online now.
Greater impact in 2020 when initiatives are in place a full year.

CATEGORY EXPANSION

MARKETING

OMNI-CHANNEL

NEW TECHNOLOGY

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Category expansion – KIDS



- The right fashion at great values - now for the entire family!
- Featuring name-brand apparel for babies, girl's (sizes 2-16) and boys (2-20)
 - Other categories, including shoes, toys
- Creates incremental sales by attracting a new customer
- Increases basket size for existing customers that can now conveniently shop for their children in our stores and online
- Was a significant business in the past



LUCKY ♣ BRAND



Category expansion – FINE JEWELRY

- Launching fine jewelry departments in 50+ stores (October)
 - Expanded online assortment (September)
 - \$500 average price point
 - Diamonds, pearls, 14K gold, gemstones
- Key item assortment with prices below \$200 in all stores
- An opportunity to expand our luxury offerings
- Drives new shopping occasions to increase transactions and average unit retail
- Operated on a concession model
 - No upfront inventory or capital investment
- Expecting to expand doors in 2020



Expanding Omni-capabilities

- **Click & Collect (BOPIS) – AUGUST 2019**
 - First off-price retailer to offer this service
 - About 15% of demand sales expected to shift to instore pickup
 - Drives store traffic and creates incremental attachment sales
 - Reduces shipping costs
- **Smart Fulfillment Logic – AUGUST 2019**
 - Identifies the best location to fill online orders
 - Speeds up shipping times
 - Reduces shipping costs
- **Endless Aisle, Line Busting, Credit Solution – JUNE 2019**
 - “Save the sale” capability
 - Mobile technology gives stores ability to locate product; order it online for customer
 - Mobile checkout expedites lines during peak periods
- **“True Fit” – MAY 2019**
 - Reduces returns & improve profitability

**LOOKING FOR
THE RIGHT...**

**SIZE?
COLOR?
STYLE?**

Let us quickly check an item's availability for you

**JUST
ASK!**

Loyalty - New **SMart Rewards** program



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.



- Combines Credit Card and Preferred Customer programs into a **single loyalty program** (October)
 - Doubling the earn-rate
 - Cardholders will earn 2 points per dollar
 - Stein Mart Elite cardholders will earn 4 points per dollar
 - Eases migration of non-credit Preferred Customers to credit
 - Rebranding/reissuing all Stein Mart credit cards with new design
 - Re-engages current cardholders
 - Encourages new cardholders to take part in new program
 - Drives incremental trips and traffic to stores
- **Enhanced, multi-tender loyalty program** (Q1-2020)
 - Will pilot in about 100 stores
 - Focus is to attract non-credit cardholders
 - Lower hurdles to achieve rewards
 - Faster reward expiration to create urgency to use
 - Drives sales by acquiring new customers; growing customer share and credit penetration

Marketing campaign management



- Implemented **marketing campaign management** (August)
 - Executing automated email marketing campaigns based on customers' behavior
- Utilizes POS and online browsing/spending information to create targeted, personalized email and direct mail messaging focused on individual preferences
- Email examples include:
 - Telling her previously browsed items are 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

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Conversion improvement program



- Completed planned rollout to 50% of chain
- Program analyzes store traffic and transactions
- Provides store-level data to management; key insights to improve operations
 - Generates awareness of store conversion performance
 - Store managers can optimize store labor to improve customer service and conversion, during high traffic hours
- Early results are positive
- Plans for further expansion in 2020

2019 Financial Results

Improved financial position - Managing cash flow



- **Reduced debt** over \$36 million at end of Q2-2019 vs. end of Q2-2018
 - Availability increased \$34 million to \$77 million at end of Q2-2019 (including \$15 million available under life insurance policies)
- **Decreased inventory**
 - Store inventories down 3% at end of Q2-2019*
 - Store inventories down 15% Y-o-Y 2018 vs. 2016
- **Lowered SG&A expenses** through cost savings initiatives
 - \$6.8 million lower in first half 2019 vs. first half 2018, including impact of closed stores
 - \$30 million lower in full year 2018 vs. 2017
- **2019 capital expenditures** planned flat to 2018 levels

*As described in our 8/21/19 earnings release, excluding the impact of Y-o-Y timing differences and inventories for our new Kids department in 2019, average store inventories were down to Q2-2018.

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Second quarter 2019 results

| Dollars in \$ millions Favorable / (Unfavorable) | 2019 | 2018 | Change |
|---|------------------|------------------|------------------|
| Net Sales | \$ 292.4 | \$ 310.9 | \$ (18.5) |
| <i>Adj'd. Comp Sales % (1)</i> | -1.9% | 0.7% | -2.6% |
| Other Revenue | 4.0 | 3.6 | 0.4 |
| Gross Profit | 74.7 | 79.3 | (4.6) |
| <i>Gross Profit %</i> | 25.5% | 25.5% | 0.0% |
| SG&A Expenses | 78.5 | 80.9 | 2.4 |
| Operating Income | 0.2 | 2.0 | (1.8) |
| Interest Expense | 2.2 | 2.9 | 0.7 |
| Pretax Loss | (2.0) | (0.9) | (1.1) |
| Income Tax Expense | 0.1 | 0.1 | (0.0) |
| Net Loss | \$ (2.1) | \$ (1.0) | \$ (1.1) |
| EPS | \$ (0.04) | \$ (0.02) | \$ (0.02) |
| EBITDA, adjusted* | \$ 7.0 | \$ 10.2 | \$ (3.2) |

(1) *Adjusted comparable sales* decrease for Q2-2019 excludes the impact of the shift of a 12-Hour Sale event from the second quarter to the first. Unadjusted Q2-19 comparable sales decreased 3.6%.

*Adjusted EBITDA reflects amounts detailed in the Non-GAAP tables presented in Note 2 to our 8/21/19 earnings release.

Net Sales

- Event shift and soft selling caused a slow start to second quarter
- Comparable sales impacted by shift of a 12-Hour Sale event from Q2 to Q1
 - Excluding shift, Q2 comp sales decreased 1.9%
 - Comp sales for June/July were ~flat.
 - Transactions and units per transaction were lower; AUR higher
- Ecommerce sales +7%

Gross Profit

- Rate was flat to last year's improved rate
 - On a two-year basis, rate has improved 470 bps on lower markdowns and higher productivity

SG&A Expenses

- Decrease from lower store expenses, including impact of closed stores
 - Store payroll was well-managed in reaction to lower than planned sales

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First half 2019 results

| Dollars in \$ millions Favorable / (Unfavorable) | 2019 | 2018 | Change |
|---|----------------|----------------|------------------|
| Net Sales | \$ 606.5 | \$ 637.5 | \$ (31.0) |
| <i>Comp Sales %</i> | -2.6% | 0.0% | -2.6% |
| Other Revenue | 9.2 | 8.0 | 1.2 |
| Gross Profit | 162.1 | 175.3 | (13.2) |
| <i>Gross Profit %</i> | 26.7% | 27.5% | -0.8% |
| SG&A Expenses | 164.6 | 171.4 | 6.8 |
| Operating Income | 6.7 | 11.8 | (5.1) |
| Interest Expense | 4.7 | 5.3 | 0.6 |
| Pretax Income | 2.0 | 6.5 | (4.5) |
| Income Tax Expense | 0.1 | 0.1 | - |
| Net Income | \$ 1.9 | \$ 6.4 | \$ (4.5) |
| EPS | \$ 0.04 | \$ 0.14 | \$ (0.10) |
| EBITDA, adjusted* | \$ 20.8 | \$ 28.7 | \$ (7.9) |

*Adjusted EBITDA reflects amounts detailed in the Non-GAAP tables presented in Note 2 to our 8/21/19 earnings release.

Net Sales

- Comparable sales primarily impacted by lower transactions
- Ecommerce sales +11%

Gross Profit

- Lower rate reflects higher markdowns as a percent of sales; deleverage of occupancy costs on lower sales
 - Markdowns as a percent of sales were higher due to planned accelerated markdown cadence

SG&A Expenses

- Decrease from lower store expenses, including impact of closed stores; offset by higher Ecommerce expense to support this growing business
- Expect second half expenses to be down slightly to last year's second half

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Company Overview

Stein Mart is a national specialty off-price retailer

OFFERINGS

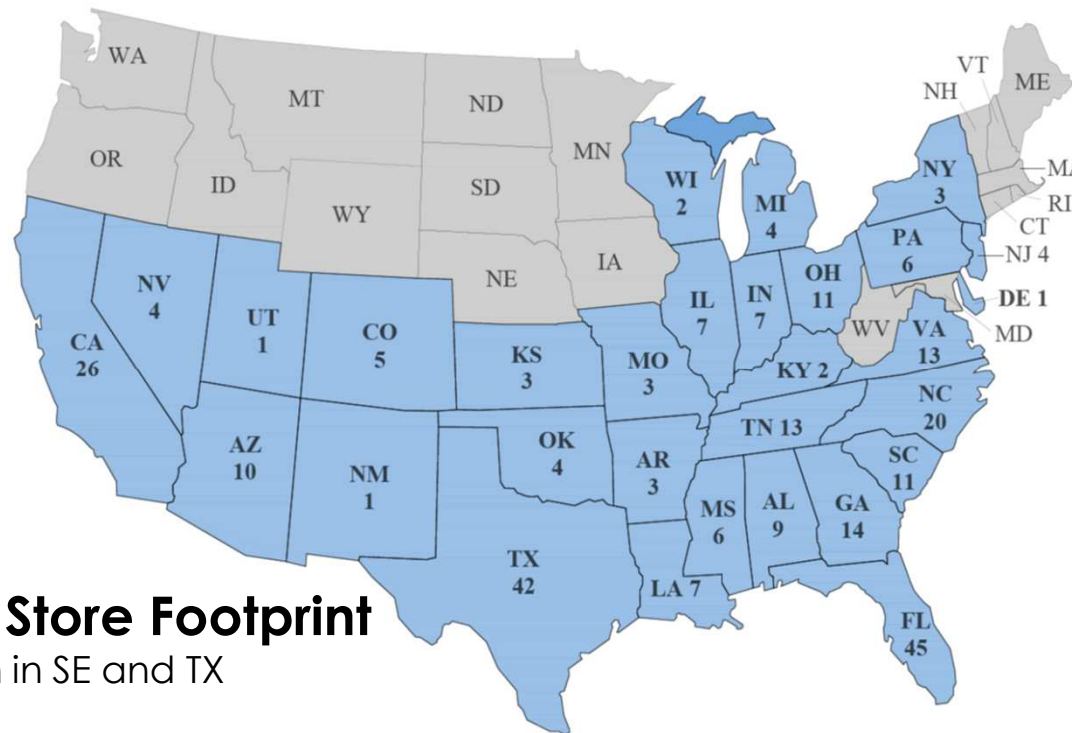
Fashion apparel for women and men, home décor, accessories, shoes

CUSTOMERS

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

FOOTPRINT

30 states
283 stores
www.steinmart.com

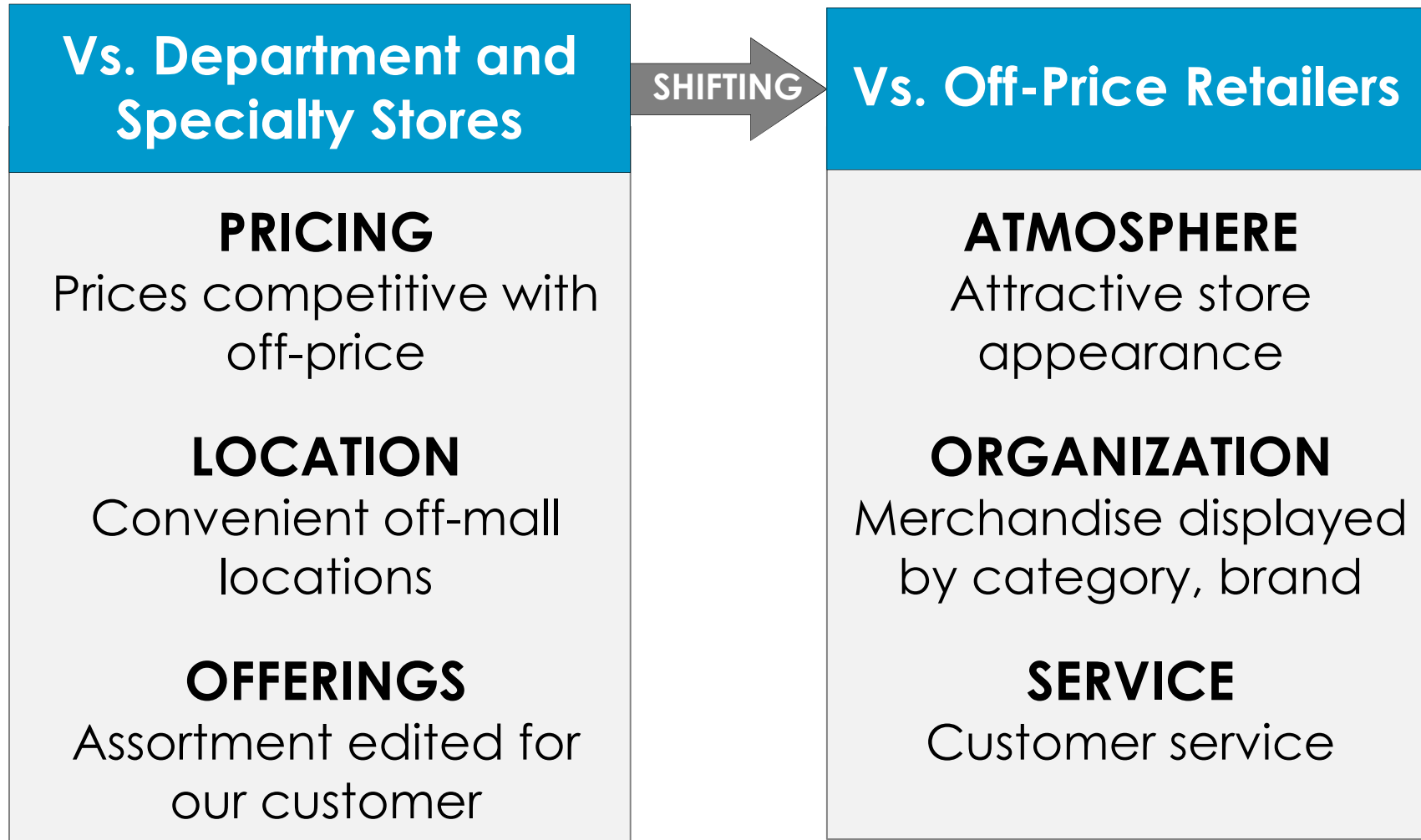


National Store Footprint

70% of chain in SE and TX

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We differentiate from the competition



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SAVING is a beautiful thing