# FRG
# FRANCHISE GROUP, INC.

## Overview

November 3, 2022

THE VITAMIN SHOPPE · AMERICAN FREIGHT FURNITURE • MATTRESS • APPLIANCE · PET SUPPLIES PLUS · WAG N' WASH · BUDDY'S HOME FURNISHINGS · Sylvan Learning · Badcock &more HOME FURNITURE

# Legal – Disclaimer

***Cautionary Statement Regarding Forward-Looking Statements and Information***

*Franchise Group, Inc. is referred to herein as the "Company." This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "expect," "believe," "estimate," "plan," "project," "anticipate," "intend," "will," "may," "view," "opportunity," "potential," and other similar words. Such statements include, but are not limited to, statements about future financial and operating results, the Company's plans, objectives, estimates, expectations, and intentions, estimates and strategies for the future, including estimates or projections of revenues, income, earnings per share, capital expenditures, dividends, liquidity, capital structure, synergies, EBITDA or other financial items, descriptions of the Company's or management's plans or objectives for future operations, products or services, or descriptions of assumptions underlying any of the above and other statements that are not historical facts. Although the Company believes that its expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance, or achievements of the Company will not differ materially from any projected future results, performance or achievements expressed or implied by such forward-looking statements. Actual future results, performance or achievements may differ materially from historical results or those anticipated depending on a variety of factors, many of which are beyond the control of the Company. These risks and uncertainties include, but are not limited to, those set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2021 (especially in Part I, Item 1A, Risk Factors and Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations), the Company's Quarterly Reports on Form 10-Q and in the Company's other filings with the Securities and Exchange Commission ("SEC"). There may be other factors of which the Company is not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. You understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties. All of the forward-looking statements made in this presentation are expressly qualified by the cautionary statements contained or referred to herein. The Company does not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements. You are cautioned not to rely on the forward-looking statements contained in this presentation.*

***Non-GAAP Financial Information:*** *This presentation discusses EBITDA, Adjusted EBITDA and Supplemental Adjusted EBITDA which are not calculated in conformity with U.S. Generally Accepted Accounting Principles (GAAP). The Company defines and calculates Adjusted EBITDA as net income (loss) before interest, income taxes, depreciation and amortization adjusted for certain non-core or non-operational items related to executive severance and related costs, stock-based compensation, shareholder litigation costs, corporate governance costs, prepayment penalty on early debt repayment, accrued judgements and settlements, net of estimated revenue, store closures, rebranding costs, acquisition costs, inventory fair value step up amortization. This does not give effect to supplemental information related to cost synergies and acquisition impacts. Management believes the presentation of these measures is useful to investors as supplemental measures in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period because they exclude items that we do not believe are reflective of our core or ongoing operating results. These measures are used by our management to evaluate performance and make resource allocation decisions each period. Adjusted EBITDA is also the primary operating metric used in the determination of executive management's compensation. In addition, a measure similar to Adjusted EBITDA is used in the Company's credit facilities, but is calculated differently. EBITDA, Adjusted EBITDA, and Supplemental Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other income statement information prepared in accordance with GAAP and our presentation of these non-GAAP measures may not be comparable to similarly titled measures used by other companies.*

*This presentation also contains additional information referred to herein as Supplemental Information, that is provided to reflect the estimated cost savings related to various management actions taken at our acquired businesses and other impacts of our acquisitions. Such information is included in our calculations of references to Supplemental Adjusted EBITDA. The information primarily presents the realized and unrealized cost synergies assuming such actions were taken as of January 1, 2020. The majority of the cost synergies or dis-synergies have been realized or are expected to be realized by the end of 2020. Management believes this information is useful to investors as it provides relevant information regarding the status of the Company's transformation activities and the estimated impacts during the period. Reasonable estimates were made by considering the cost reductions from contract termination charges or modifications to achieve more favorable pricing, reductions in duplicative costs upon integration and optimization activities that reduce overall spend. As these amounts are estimates and certain activities have not fully been implemented, these amounts are subject to change. Management believes that there is a reasonable basis for its estimates and they fairly present the estimated effects of management actions related to the Company's acquisitions.*

# Franchise Group overview

## Headquarters: Delaware, Ohio

### Franchise Group Overview

- **Franchise Group, Inc. ("FRG") is a growing, diversified owner and operator of franchised and franchisable businesses in resilient verticals with robust margin and cash flow characteristics**
- **Goal of FRG is to maximize free cash flow and pay a growing and dependable dividend to shareholders**
- **FRG applies operating and capital allocation philosophies and solutions to augment cash generation of the brands**
- **FRG remains acquisitive and seeks businesses that:**
  - **Provide market and demographic diversity and resiliency**
  - **Demonstrate superior unit level economics**
  - **Offer existing and prospective franchisees multiple brands to cluster and leverage infrastructure**

### Franchise Group Subsidiaries

**$MM**

| | **Proforma LTM 12/25/2021** | | |
|---|---|---|---|
| **Subsidiaries** | **Revenue** | **EBITDA** | **Franchised locations / total stores[3]** |
| The Vitamin Shoppe | $1,172.7 | $137.2 | 1 / 702 |
| American Freight Furniture • Mattress • Appliance | 988.9 | 93.4 | 6 / 365 |
| Pet Supplies Plus | 1,120.5 | 93.2 | 406 / 639[(4)] |
| Buddy's Home Furnishings | 64.4 | 17.9 | 299 / 336 |
| Sylvan Learning[1] | 38.2 | 12.4 | 702 / 708 |
| Badcock & more Home Furniture[2] | 907.1 | 60.0 | 317 / 383 |
| FRG Corporate | | (4.1) | |
| **Proforma FRG Franchise Group, Inc.** | **$4,291.8** | **$410.0** | **1,731 / 3,133** |

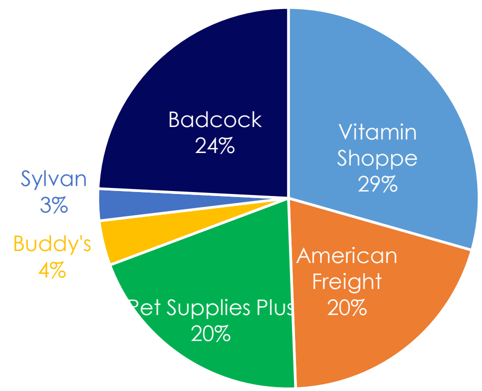
[1] Total store count of 713 includes 147 satellite centers; [2] PF results for Badcock assume the sale of real estate and transition to third party financing has been completed. Dealer stores are counted as franchised in the store count. [3] store count as of September 24, 2022. [4] Includes 13 WagNWash franchised locations

# Investment highlights

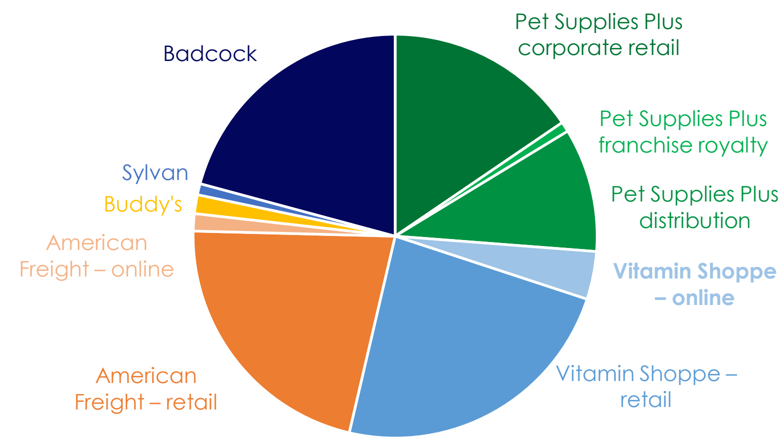
- Diversified platform of franchised or franchisable concepts, producing asset light recurring revenue
- Disciplined, value-based acquisition strategy targeting superior cash flow and leading unit economics
- Resilient throughout economic cycles and COVID-19 pandemic
- Committed to a conservative financial policy and a refranchising strategy creates significant cash inflows to de-lever
- Synergistic platform drives incremental efficiencies across operating businesses
- Experienced management team with strong shareholder alignment

# Diversified platform of franchised or franchisable concepts, producing asset light recurring revenue

## Adjusted EBITDA by business[1]




## Revenue by channel




## Market position of portfolio[2]

AMERICAN FREIGHT FURNITURE • MATTRESS • APPLIANCE

**#1**

National as-is appliance[3] provider

THE VITAMIN SHOPPE

**#2**

Wellness provider

BUDDY'S HOME FURNISHINGS

**#3**

Rent-to-own store

PET SUPPLIES PLUS

**#3**

Pet care retailer[5]

Sylvan Learning

**#3**

Tutoring provider[4]

Badcock &more HOME FURNITURE

**#3**

Home-furnishing retailer in Southeast[6]

[1] As of 12/25/21A LTM; [2] Management estimates; [3] As-is appliances defined as one-of-a-kind, discontinued, obsolete, reconditioned, overstocked, scratched and dented household appliances and unbranded furniture; [4] Based on center count; [5] Based on US retail location; [6] Based on store count as of 5/31/21 for Badcock's primary competitors including Farmers Home Furniture, Conn's HomePlus, Schewels, Kimbrell's, Hudson's Furniture, Turner's Fine Furniture, Kane's Furniture, Havertys Furniture, Rooms To Go, Ashley HomeStore, American Signature Furniture and Big Lots!

# Disciplined, value-based acquisition strategy targeting superior cash flow and leading unit economics

- Acquisition strategy targets franchised or franchisable businesses that produce strong cash flow and support attractive and growing dividends to shareholders
    - Superior unit level economics ensuring franchise “salability” and success
    - Franchising increases scalability, operating margins and cash flow conversion of profits
    - Low capital expenditure requirements

- Acquired businesses must have strong unit-economics and typically fit into one of three categories:
    - Multi-unit franchise businesses that can be scaled
    - Multi-unit businesses that are predominantly corporate-owned but can be re-franchised and grown through franchising
    - Multi-unit businesses that can be accretive to FRG

- Established corporate platform enables FRG to deploy capital to acquire assets that may have few natural buyers but become more valuable as part of FRG:
    - Financial discipline
    - Shared services
    - Purchasing efficiencies
    - Best practices

# Synergistic platform drives best practices and incremental efficiencies across operating businesses

### Disciplined Value-based Acquisitions

**Scalable Multi-Unit Franchisable Businesses**

**Refranchisable Corporate-owned Multi-Unit Businesses**

**Restructurable Multi-Unit Businesses**

### Scalable Franchise Holding Company

**Franchise Marketing and Sales Expertise**

**Operational Efficiencies and Franchise Best Practices**

**Buying Scale**

**Shared Services**

### Best-in-class Franchise Platform

**Franchisee Partners** — **Multi-branded Platform of Desirable Multi-Unit Franchises**

**Shareholders** — **Sustainable Franchise Royalties and Opportunistic Franchise Sales**

### Target Characteristics

- Consumer Facing
- Asset light
- Strong box characteristics
- High product margin
- Strong cash flow

### Operating Companies Expected to Benefit from Common Policies and Scale

- Health & welfare benefit plans
- Logistics, freight and shipping
- Marketing efficiencies
- Consolidated corporate accounting and finance functions
- Technology and software
- Payroll & HR information systems
- Purchasing efficiencies
- Insurance
- Implementing operational best practices
- Implementing more structured financial discipline

**Aggregated platform of multiple brands and increased scale provides cost of capital advantage to financing each business alone**

# Franchising momentum

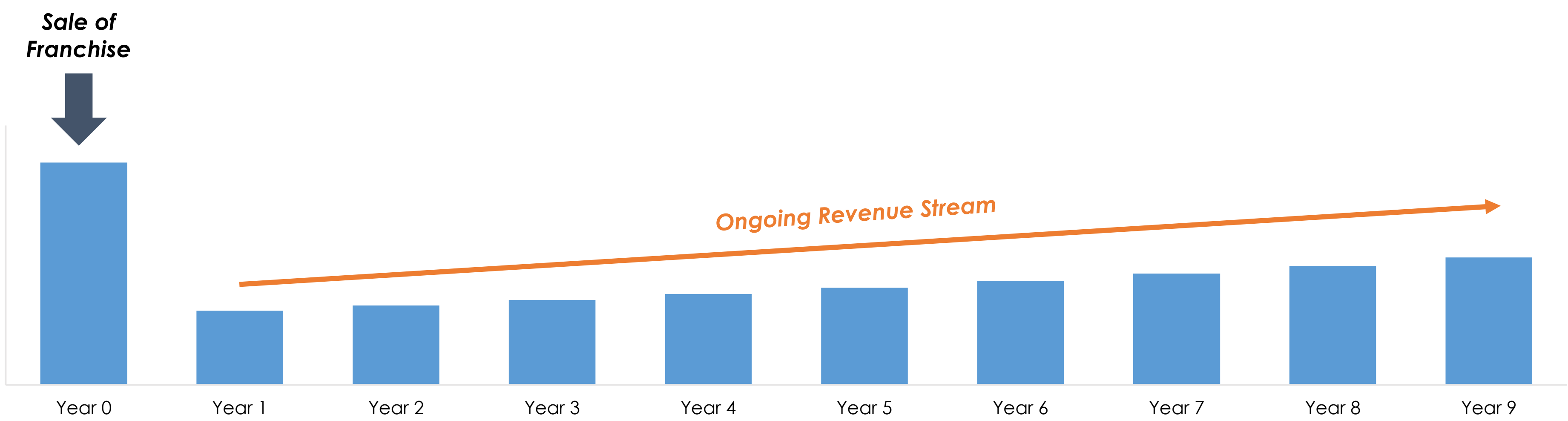
**Franchising Update**

- **All brands are now franchised with robust pipelines for additional franchising**
  - **Opened 109 new franchise locations in FY 2021 and have growing backlog of 467 new locations as September 24, 2022**
- **Fully staffed with experienced professionals at FRG and at the brand level to sell, train and support franchisees**
- **Implemented cloud-based solutions for efficient management, growth and operational best practices**
- **Over 55% of all FRG locations are currently franchised or run by independent dealers**

**Refranchise Strategy**

- **Refranchising strategy creates significant cash inflows to de-lever and encourages area development**

$, not to scale



# Experienced management team with strong shareholder alignment

**Selected Experience**

| | | |
|---|---|---|
| **Brian Kahn**<br>*CEO, President, and Director* | • President, Chief Executive Officer and Director of FRG<br>• Founded and serves as investment manager of Vintage Capital Management<br>– Value-oriented, operations-focused, private and public equity investor specializing in the consumer, aerospace and defense, and manufacturing sectors<br>• Extensive experience as an executive, director, franchisor or franchisee, and/or equity investor in franchised and franchisable businesses, including Buddy's, Flexi Compras, Good-to-Go Wheels and Tires, Rent-a-Center, Aaron's, Papa Murphy's, Zoe's Kitchen, Vitamin Shoppe, Liberty Tax, Rentway, and Red Robin | |
| **Eric Seeton**<br>*CFO* | • Chief Financial Officer of FRG<br>• Previously served as the SVP and CFO of API Technologies Corporation<br>• Held senior finance roles with multiple public and private companies<br>• Certified Public Accountant (inactive) | |
| **Andrew Kaminsky**<br>*EVP & CAO* | • Executive Vice President and Chief Administrative Officer of FRG<br>• Previously held executive and operating positions with Viavi Solutions Inc., Cobham plc and Aeroflex Holding Corp.<br>• 15+ years in investment banking, including as a Managing Director at Oppenheimer & Co. Inc. and CIBC | |
| **Andrew Laurence**<br>*EVP* | • Executive Vice President of FRG<br>• Partner of Vintage Capital since January 2010, responsible for transaction sourcing, due diligence and execution<br>• Previous experience as an officer and director of public companies, including API Technologies and IEC Electronics | |
| **Lee Wight**<br>*EVP & Chief Commercial Officer* | • Executive Vice President and Chief Commercial Officer of FRG<br>• Previously served as EVP, Chief Operating Officer and CFO of Conn's, Inc. & CEO and President of Professional Directional, Inc.<br>• Senior Managing Director and Director of private equity firms Diamond Castle Holdings and DLJ Merchant Banking, respectively<br>• Previously held Board positions on multiple public and private companies such as Multi-Color Corp., Community Choice Financial, Frontier Drilling and US Express Leasing | |
| **Todd Evans**<br>*Chief Franchising Officer* | • Chief Franchising Officer of FRG<br>• Over 20 years of experience, having previously led Franchising at uBreakiFix, Rent-A-Wheel, Rent-A-Tire and Aaron's | |

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PET SUPPLIES PLUS

BUDDY'S HOME FURNISHINGS

Sylvan Learning

WAG N WASH

Badcock &more HOME FURNITURE

# Brand Overviews

# Pet Supplies Plus

## Founded: 1988 | Headquarters: Livonia, Michigan

### Company description

- Pet Supplies Plus is a leading US pet care franchisor with 639 corporate and franchise stores across 39 states (62% franchised)
- Above-market growth over last 5 years has been enabled by PSP's differentiated in-store and online experience, strong omnichannel offering and captive distribution capabilities
- Same-day delivery, BOPIS and subscription services underpins differentiated online model
- Offers a curated selection of premium brands, proprietary private labels and retail price parity with online players
- Captive distribution network provides ~90% of merchandise to all stores acting like a second royalty stream while saving franchisees money.

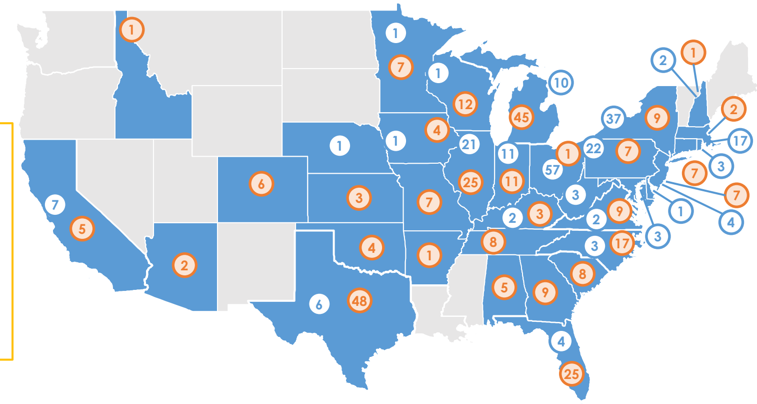
### PSP store footprint

**635+** store locations

**39** US states with PSP stores

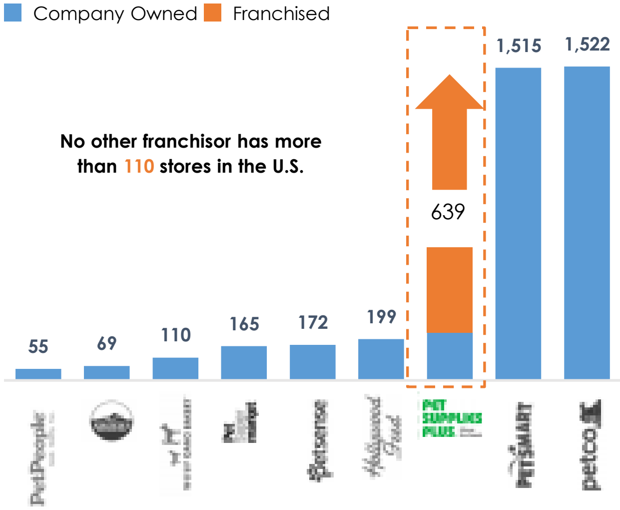
**3** Distribution centers

PSP store footprint
Franchised: 406
Company-owned: 233



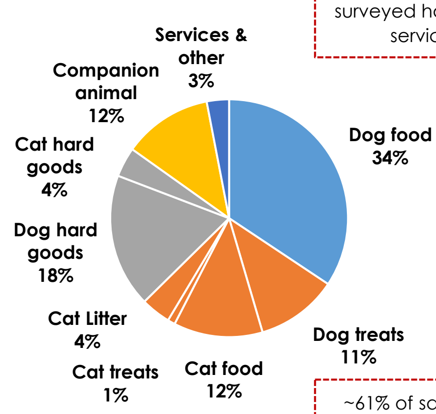
**Over 1,000 opportunities incremental to existing store base, plus massive independent pet franchise conversion opportunity[2]**

### #1 pet franchisor with significant whitespace[1]




### Systemwide sales by category

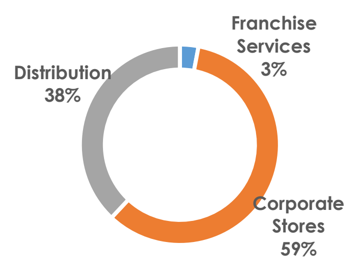
~25% of neighbors surveyed have used services



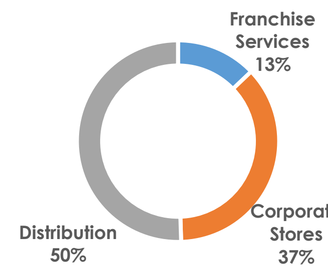

~61% of sales from high-frequency, replenishment sales

### 2021 revenue and EBITDA business mix

**Revenue**




**EBITDA**




[1] Store count as of 12/25/21, excludes averages for mid-size chains (23) and independents (18); [2] Buxton Whitespace Analysis

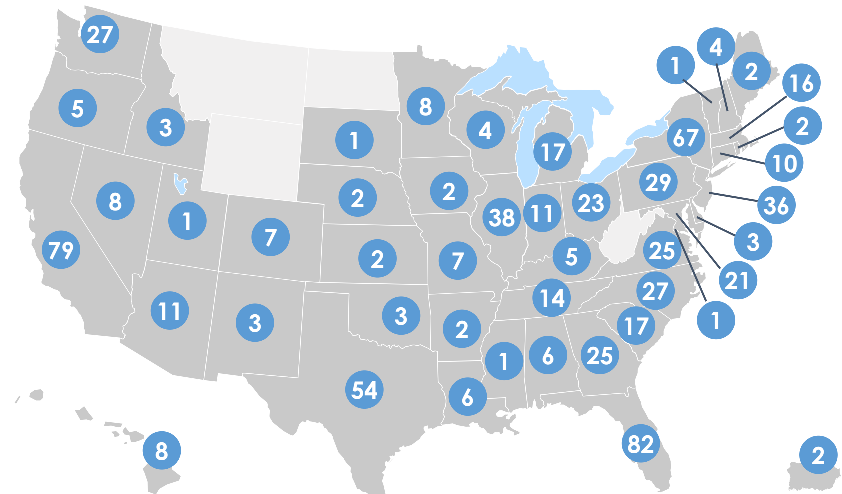
# The Vitamin Shoppe

Founded: 1977 | Headquarters: Secaucus, New Jersey

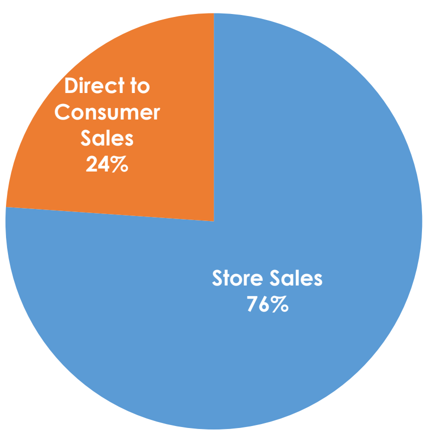
## Company Overview

- **Leading omnichannel specialty health and wellness supplement retailer**
  - **702 locations (no mall stores, and all are currently company-operated, representing a significant refranchising opportunity)**
  - **~14,000 SKUs from ~700 brands, including The Vitamin Shoppe®, BodyTech®, True Athlete®, Mytrition®, plnt®, ProBioCare® and Next Step® brands**
- **Ongoing shift toward private label brands is expected to drive margin expansion and customer retention**
  - **PB grew to 26% of total sales in 2021**
- **E-commerce sites complement in-store experience by extending product offerings**
  - **Direct-to-consumer sales have grown to ~24% of all sales in 2021**
  - **Investments in BOPIS, Instacart and ship-from-store**

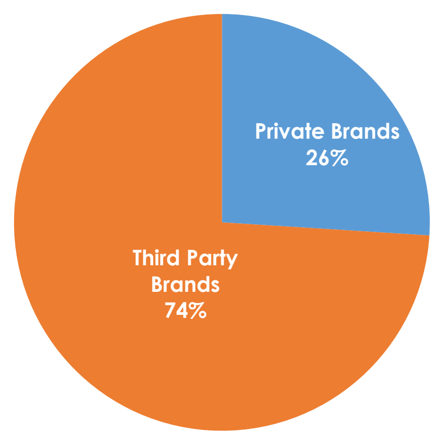
## Vitamin Shoppe Locations




## Fiscal 2021 Revenue Mix by Channel




## Fiscal 2021 Private Brand Revenue



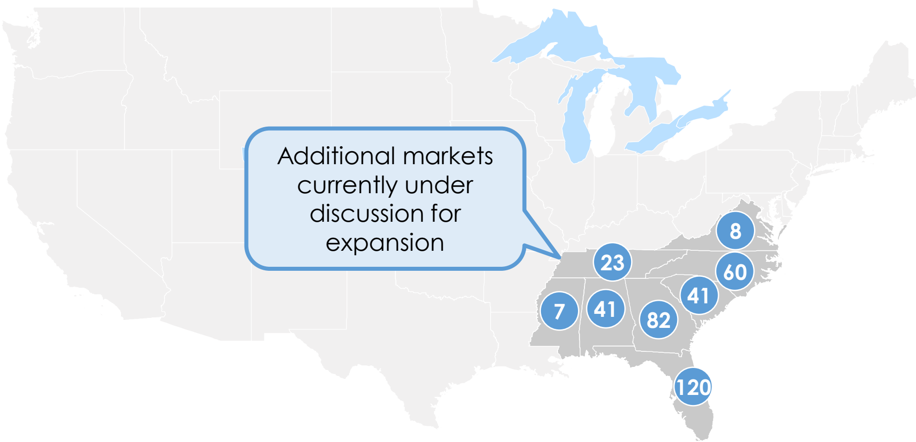
# Badcock Home Furniture &more

## Founded: 1904 | Headquarters: Mulberry, Florida

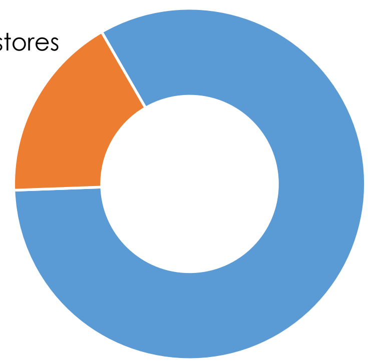
### Company Overview

- **Badcock is one of the largest home-furnishings retailers in the country with 383 stores across 8 states in the rural Southeastern US**
- **Offers a variety of products ranging from furniture, appliances, bedding, and floor covering, to home entertainment items**
- **Badcock runs an independent dealer network model for the majority of its stores, enabling entry into attractive locations without tying up capital. Dealer contract length of 10-years**
    - **Stores are paid a monthly commission based on completed sales**
- **The individual stores are not responsible for extending credit, collections, pricing, advertising, or inventory**
- **Rollout of third-party waterfall financing is in process**

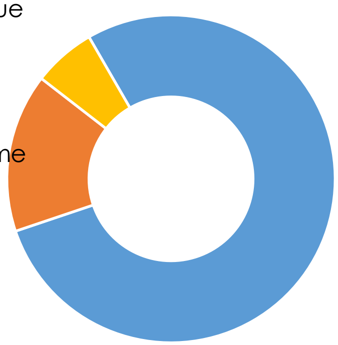
### Badcock's Locations




### Revenue End Markets / Store Mix[1]




### Revenue Product Mix[1]




[1] As of FY 2021 (December 2021)

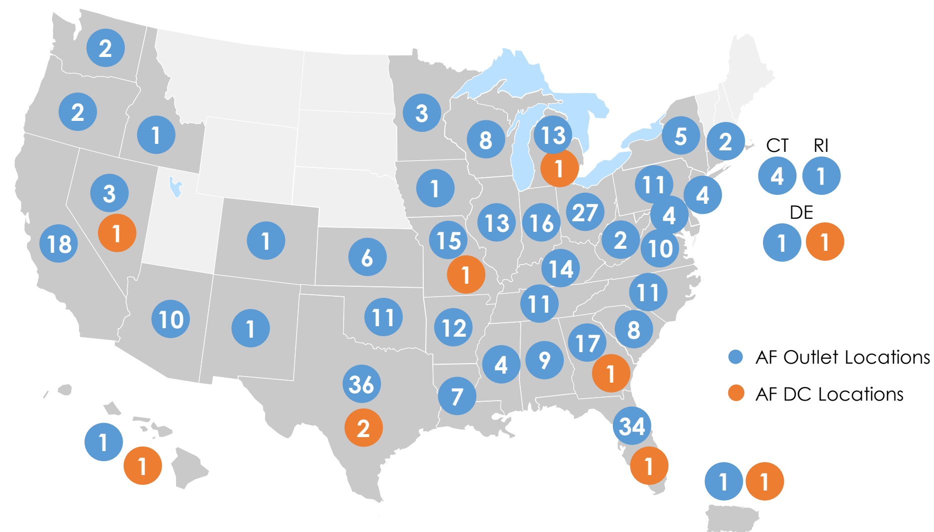
# American Freight

## Founded: 1994 | Headquarters: Delaware, Ohio

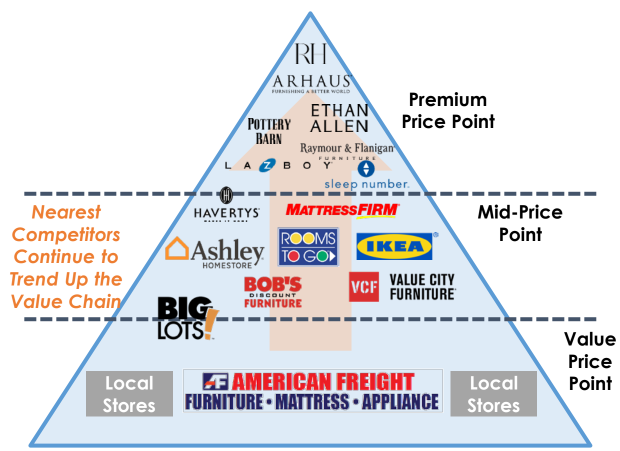
### Company Overview

- **Created through the combination of American Freight and Sears Outlet**
- **Category-defining retailer of value furniture and appliances with 365 locations across 30+ states**
- **Only national provider of As-Is appliance which serves as a liquidation channel for major appliance vendors**
- **Currently only covering 128 of 210 designated market areas in the U.S.**
- **Simplified supply chain that leverages domestic manufacturers and distributors**
- **Expected to continue to gain market share in the value furniture segment as other players of scale move towards premiumization**

### American Freight Locations




### Well Positioned in the Value Furniture Retail Segment




### Fiscal 2021 Mix by Merchandise Category

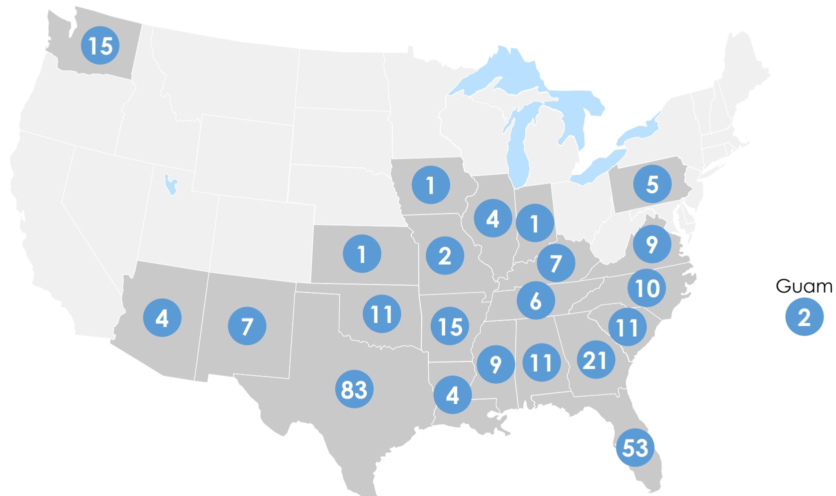
# Buddy's

## Founded: 1961 | Headquarters: Orlando, Florida

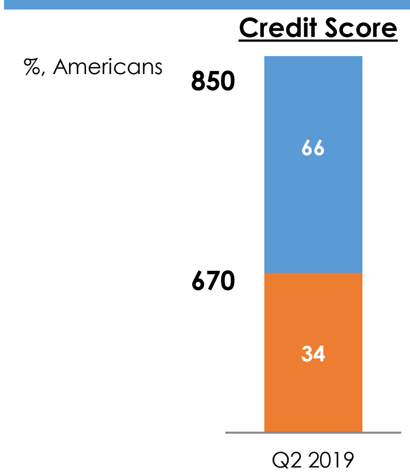
### Company Overview

- We believe we are the 3rd largest operator of rent-to-own ("RTO") stores in North America
  - 336 stores (~89% franchised)
  - Located in 21 U.S. states and territories
- Highest percentage of franchised stores in the RTO industry, providing a potential path to growth without significant capital deployment
  - Buddy's refranchising strategy provides a "playbook" for other FRG business lines
- Our 37 company-operated stores serve as a proving ground for operational initiatives
- Sources products from large, well-known brands, such as Ashley Furniture, Sealy, LG, GE, Samsung, Whirlpool, Dell, and HP

### Buddy's Locations



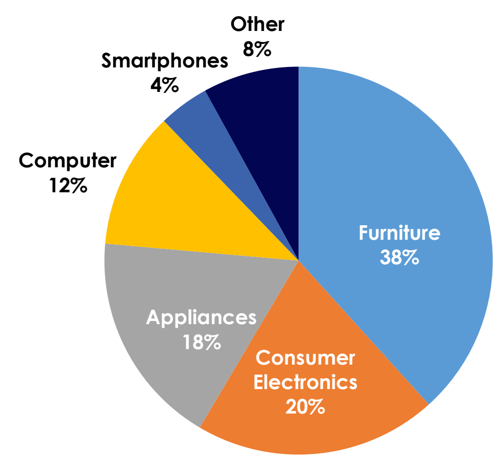

### Total Addressable Market Consistently ~1/3 of US Population




***34%***

**of Americans had a FICO score below 670 in the second quarter of 2019, these consumers are in the "subprime" category**

### Fiscal 2021 Revenue Mix by Merchandise Category




Source: Company Information, Fair Isaac Corporation, Experian

# Sylvan Learning

## Founded: 1979 | Headquarters: Hunt Valley, Maryland

### Company Description

- **Sylvan is a leading omnichannel tutoring franchisor for Pre-K-12 students and families in the U.S.**
- **Sylvan addresses the full range of remedial to advanced student needs with a broad variety of academic curriculums delivered in an omnichannel format**
- **Sylvan has the ability to provide a range of services, including on-premises, online, one-on-one and in group tutoring**
- **99%+ franchised – only 6 corporate locations**
- **Growing $20 billion education market**

### Sylvan Locations

**708 locations in 49 states and 7 countries**

**In-Center**
*~570 Franchised Learning Centers*

**In-Satellite**
*165 Additional Sites (incl. Schools)*

**Virtual**
*Fully remote tutoring available anytime, anywhere*

**In-Home**
*Face-to-face learning delivered at students' homes*

### Suite of Services

**SylvanSync & Personalized Tutoring**

Highly personalized learning plan developed with specific goals unique to each child's needs, delivered by expert tutors

***Hourly rates covering:***
- Reading, Mathematics, Writing, Study Skills
- Homework Help
- State Test Prep

**College Preparation**

Support for the college bound student, with learning tailored to individual advancement goals in a 1:1 or small group class setting

***Per program and hourly rates covering:***
- SAT and ACT Prep
- In Pilot:
  - AP Prep
  - Course for Credit
  - College Coaching

**STEM**

Fun, hands-on after school classes, weekend workshops, and developmental camps driving critical thinking & creativity

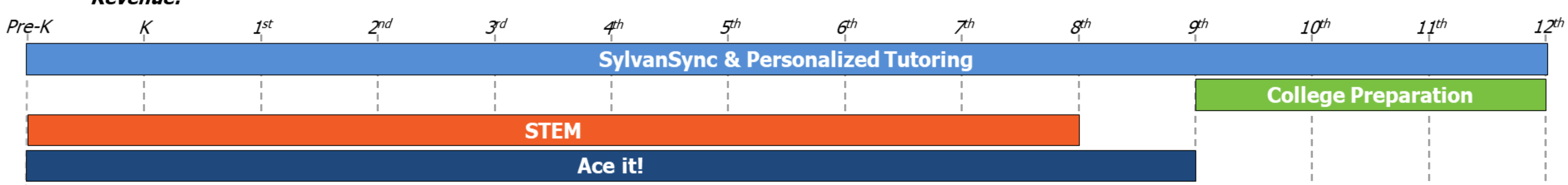
***Per-class rates covering:***
- Mathematics, Science, Engineering
- STEM Camps
- Robotics
- Coding

**Ace it!**

Small group, intervention-focused programs to remediate specific skill deficits in Math and Reading, with 8:1 max teacher-student ratios

***Per course rates covering:***
- Reading (K-8)
- Math (K-Algebra)

| ***% of Total Revenue:*** | SylvanSync & Personalized Tutoring | College Preparation | STEM | Ace it! |
|---|---|---|---|---|
| | *~90%* | *5–10%* | *<5%* | *<5%* |

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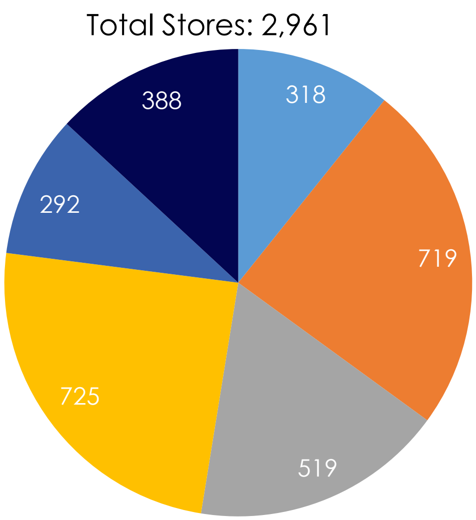
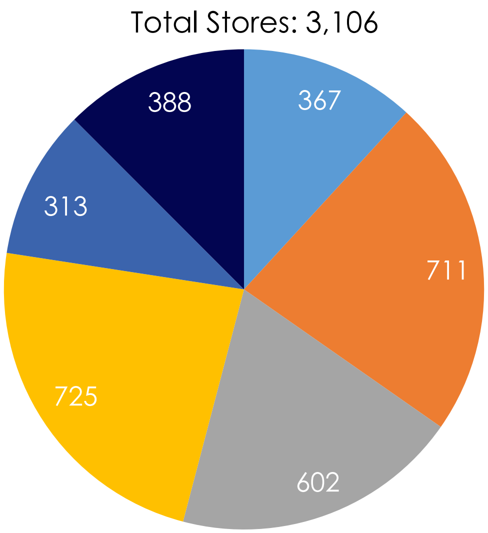
# Financial Review

# Store counts / franchise backlog

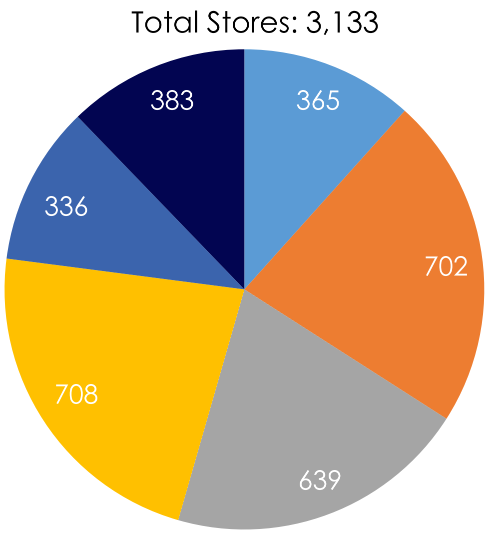
## Year End 2020




## Year End 2021




## September 2022

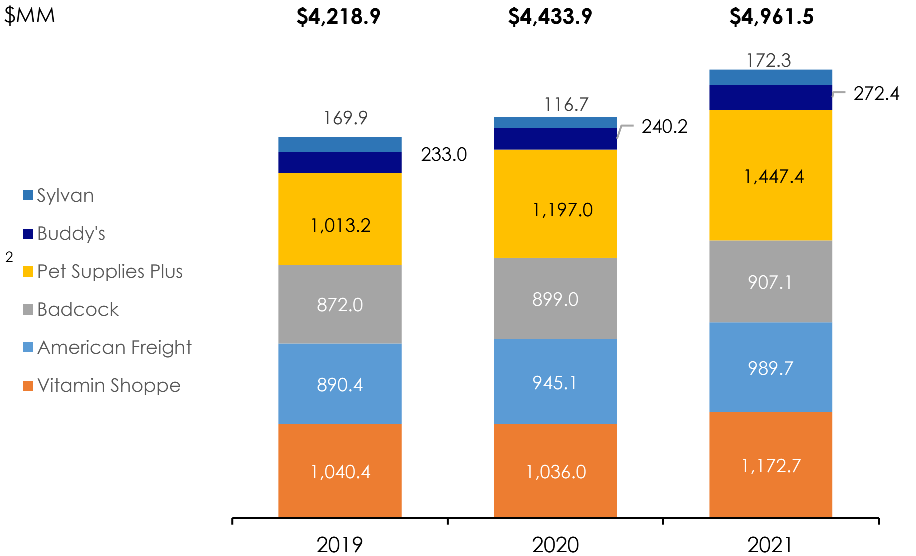



| September 24, 2022 - Franchise Backlog | |
|---|---|
| Sylvan | 18 |
| Buddy's | 98 |
| Pet Supplies Plus | 257[1] |
| American Freight | 39 |
| Vitamin Shoppe | 55 |
| Total FRG | 467 |

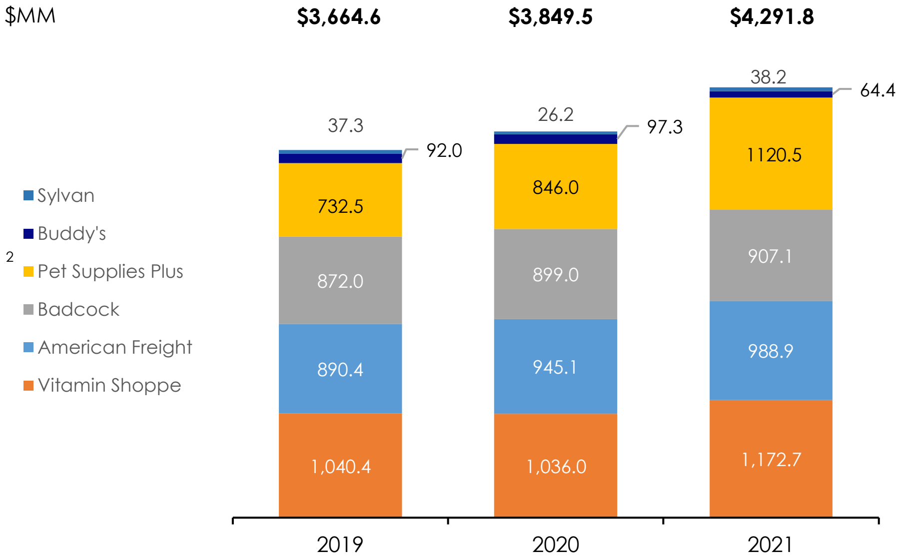
* Badcock does not have backlog for dealer stores [1] Includes 31 Wag N Wash locations

# Historical pro forma financial summary

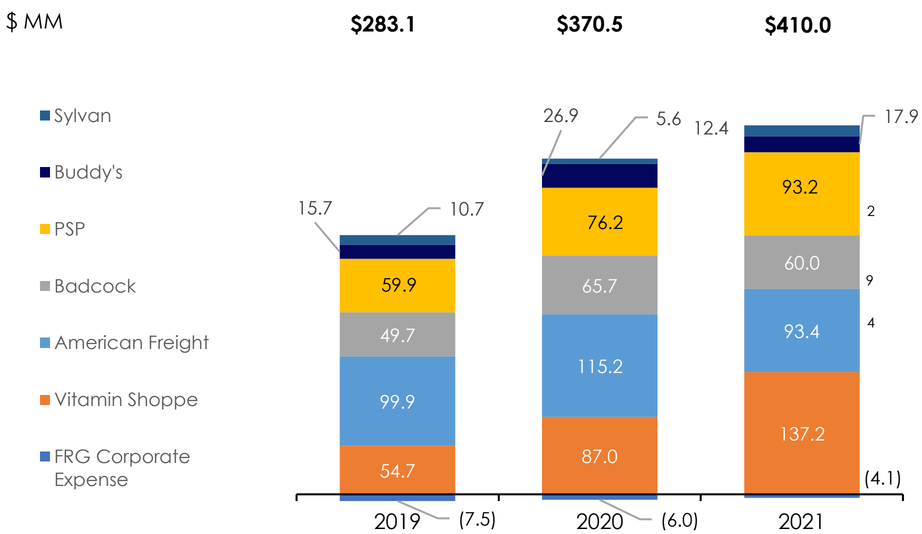
## System-Wide Revenue




## Revenue



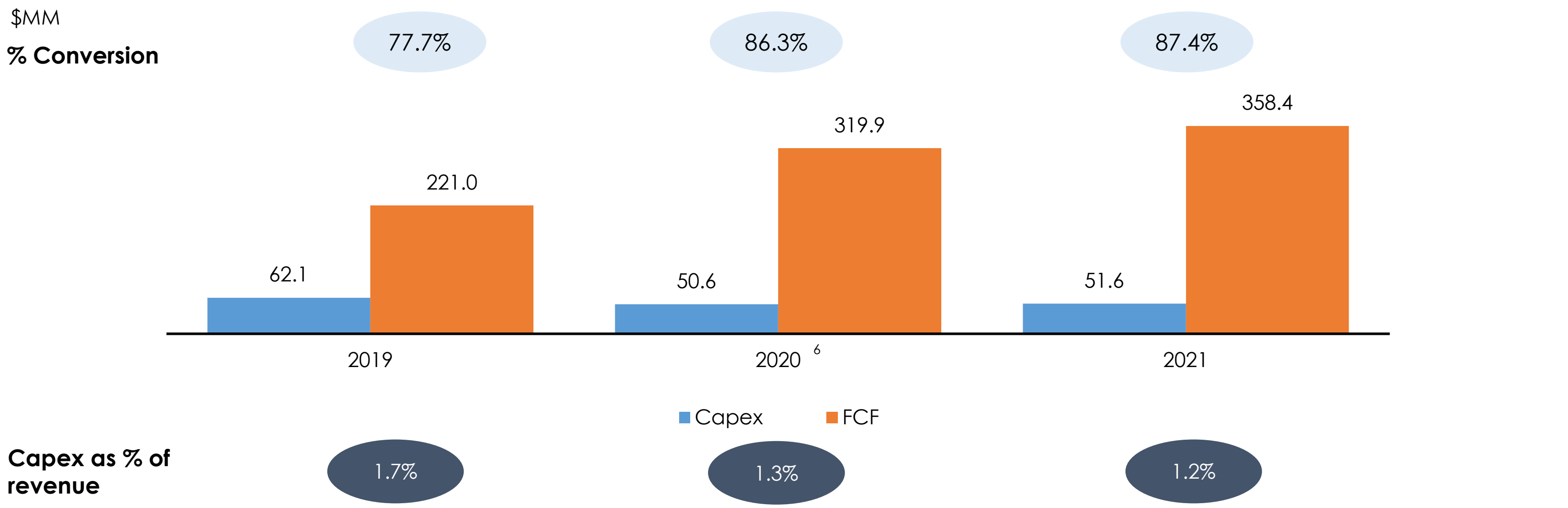

## Adjusted EBITDA



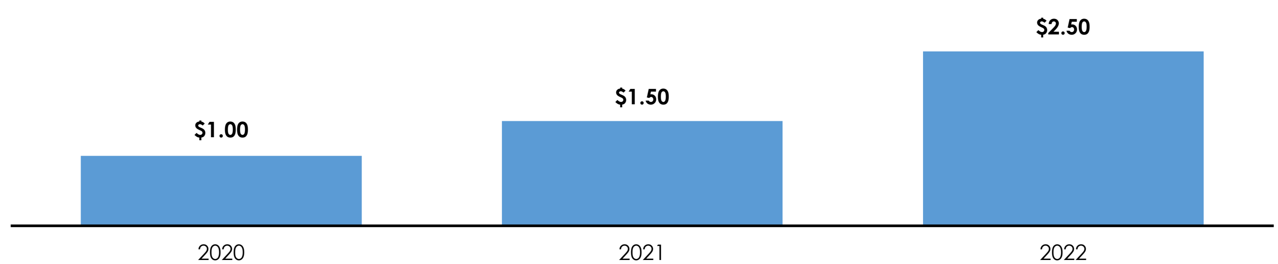

[1] Fiscal year ends on the last Saturday of the calendar year; [2] PSP as of 01/02/21; [3] Pro forma American Freight and Sears Outlet; [4] EBITDA includes $42MM in unrealized synergies annual in 2018 and 2019; [5] Free Cash Flow = Adjusted EBITDA – Capex; [6] AFO normalized in 2020 reporting, reducing capex $4.4MM as part of rebranding; [7] Excludes Liberty Tax; [8] PF LTM EBITDA for Owned OpCo's Ending Period [9] Proforma Badcock for sale leaseback, estimated removal of finance income and impact of Covid.10 Only includes legacy American Freight stores

# Historical pro forma financial summary

## Capital Expenditures and PF Free Cash Flow[5]



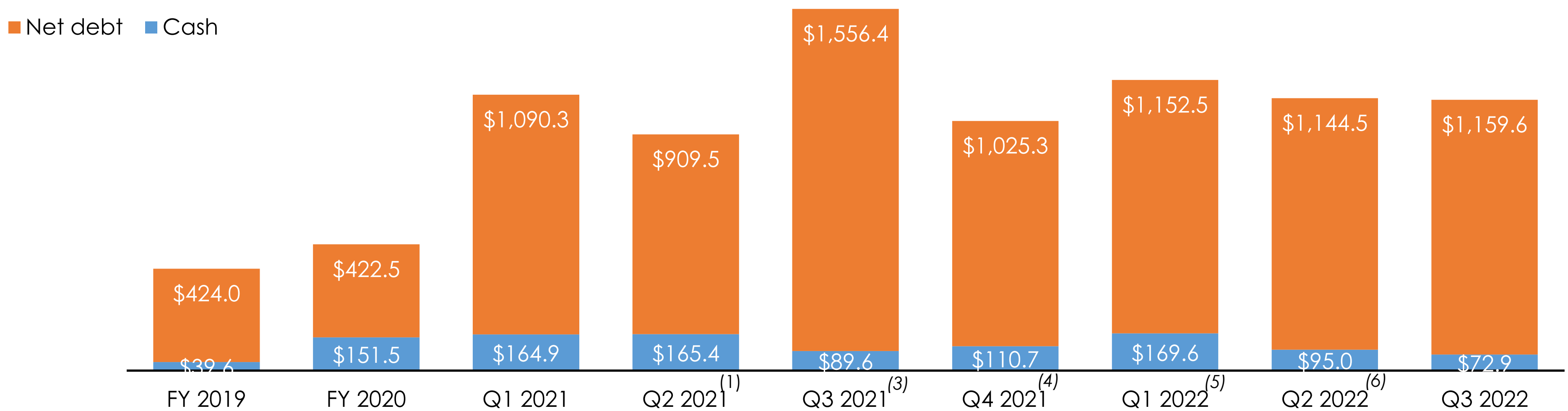

## Annual Dividend Rate




[1] Fiscal year ends on the last Saturday of the calendar year; [2] PSP as of 01/02/21; [3] Pro forma American Freight and Sears Outlet; [4] EBITDA includes $42MM in unrealized synergies annual in 2018 and 2019; [5] Free Cash Flow = Adjusted EBITDA – Capex; [6] AFO normalized in 2020 reporting, reducing capex $4.4MM as part of rebranding; [7] Excludes Liberty Tax; [8] PF LTM EBITDA for Owned OpCo's Ending Period 9 Proforma Badcock for sale leaseback, estimated removal of finance income and impact of Covid.

# Cash & net debt

$MM




| | FY 2019 | FY 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Net Leverage (2) | 4.3x | 1.6x | 3.1x | 2.7x | 3.7x | 2.5x | 2.9x | 3.0x | 3.2x |

- **Commitment to prudent financial policy**
  - Target net leverage of 2x-3x through cycles
  - Will stretch to 4x opportunistically for acquisitions that offer rapid deleveraging through refranchising, non-core asset sales or enhanced cash flow

(1) Q2 2021 reflects $182 million debt repayment from proceeds from the sale of Liberty Tax; (2) Net Leverage = net debt/LTM Proforma Adjusted EBITDA for the period
(3) Q3 2021 reflects $575 million of new debt for purchase of Badcock Furniture and includes reduction to cash of $81.0 million for purchase of Sylvan Learning
(4) Q4 2021 reflects A/R sale of $400M and full paydown of Badcock TL Debt
(5) Q1 2022 reflects full paydown of Badcock TL debt including $20M of incremental cash from Sale Lease Back proceeds
(6) Q2 2022 reflects paydown of TL debt from proceeds of HQ Badcock SLB $17M

# Appendix

FRG
FRANCHISE GROUP, INC.

AMERICAN FREIGHT
FURNITURE • MATTRESS • APPLIANCE

BUDDY'S
HOME FURNISHINGS

PET SUPPLIES PLUS

Sylvan Learning

THE VITAMIN SHOPPE

Badcock &more
HOME FURNITURE

WAG N' WASH

# Reconciliation of GAAP Net Income/(Loss) to Non-GAAP

| ($ In thousands except share count and per share data) | For the Twelve Months Ended December 25, 2021 | |
|---|---|---|
| Net income (loss) from continuing operations / Net income (loss) from continuing operations per diluted share | $ 191,966 | $ 4.69 |
| Less: Preferred dividend declared | (8,515) | (0.21) |
| Adjusted Net Income available to Common Stockholder | 183,451 | 4.48 |
| Add back: | | |
| Executive severance and related costs | 302 | 0.01 |
| Stock based compensation | 14,956 | 0.37 |
| Litigation costs and settlements | (1,130) | (0.03) |
| Corporate compliance costs | 2,172 | 0.05 |
| Store closures | 2,429 | 0.06 |
| Securitized receivables, net | (19,919) | (0.49) |
| Prepayment penalty on early debt repayment | 36,726 | 0.90 |
| Right-of-use asset impairment | 2,948 | 0.07 |
| Integration costs | 16,655 | 0.41 |
| Divestiture costs | 515 | 0.01 |
| Acquisition costs | 22,878 | 0.56 |
| Loss on investment in equity securities | 31,774 | 0.78 |
| Acquisition bargain purchase gain | (132,559) | (3.24) |
| Adjustments to EBITDA | (22,253) | (0.54) |
| Non-cash amortization of debt issuance costs | 48,552 | 1.18 |
| Amortization of acquisition-related intangibles | 9,953 | 0.24 |
| Tax impact | (22,621) | (0.55) |
| Valuation Allowance Tax Benefit / Timing | (33,789) | (0.82) |
| Impact of diluted share count assuming non-GAAP net income | - | - |
| Total Adjustments to Net income (loss) from continuing operations | (20,157) | (0.49) |
| Non-GAAP Net Income from continuing operations / Non-GAAP diluted EPS from continuing operations | **$ 163,297** | **$ 3.99** |
| Basic weighted average shares | | 40,199,681 |
| Non-GAAP diluted weighted average shares outstanding | | 40,964,182 |

Thank you!