



STAGE®

BEALLS  
GOODY'S  
PALAIS ROYAL  
Peebles  
STAGE  
*Gordmans*

March 7, 2019

# SAFE HARBOR



## Forward-Looking Statements

This presentation contains forward-looking statements. Such statements are intended to qualify for the protection of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “estimate,” “expect,” “objective,” “goal,” “project,” “intend,” “plan,” “believe,” “will,” “should,” “may,” “target,” “forecast,” “guidance,” “outlook” and similar expressions generally identify forward-looking statements. Similarly, descriptions of the Company’s objectives, strategies, plans, goals or targets are also forward-looking statements. Forward-looking statements relate to the expectations of management as to future occurrences and trends, including statements expressing optimism or pessimism about future operating results or events and projected sales, earnings, capital expenditures and business strategy.

Forward-looking statements are based upon a number of assumptions and factors concerning future conditions that may ultimately prove to be inaccurate. Forward-looking statements are not guarantees of future performance, and actual results may differ materially from those discussed in forward-looking statements as a result of various factors. Such factors include, but are not limited to, the ability of the Company to maintain normal trade terms with vendors, the ability of the Company to comply with the covenant requirements contained in its revolving credit facility agreement, the demand for the Company’s merchandise and other factors. The demand for merchandise and sales volume may be affected by significant changes in economic conditions, including an economic downturn, unemployment rates, consumer confidence, energy and gasoline prices and other factors influencing discretionary consumer spending. Other factors affecting the demand for merchandise and sales volume include unusual weather patterns, an increase in the level of competition, changes in fashion trends, changes in the average cost of merchandise, availability of merchandise on normal payment terms and the failure to achieve the expected results of the Company’s merchandising, marketing and store operating plans. Additional assumptions, factors and risks concerning future conditions are discussed in the Risk Factors section of the Company’s most recent Annual Report on Form 10-K as filed with the SEC (“Form 10-K”), and other factors discussed from time to time in the Company’s other SEC filings.

Forward-looking statements are based upon management’s then-current views and assumptions regarding future events and operating performance. Although management believes the expectations expressed in forward-looking statements are based on reasonable assumptions within the bounds of its knowledge, forward-looking statements involve risks, uncertainties and other factors which may materially affect the Company’s business, financial condition, results of operations or liquidity. Most of these factors are difficult to predict and are generally beyond the Company’s control.

This presentation should be considered in conjunction with the Form 10-K and the Company’s other SEC filings. You should consider all such risks, uncertainties and other factors carefully in evaluating forward-looking statements. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. This presentation was prepared as of March 7, 2019, and the Company undertakes no obligation to publicly update forward-looking statements whether as a result of new information, future events or otherwise.

## Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures. Please refer to the appendices for a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Management believes this supplemental financial information enhances an investor’s understanding of the Company’s financial performance as it excludes those items which impact comparability of operating trends. The non-GAAP financial information should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by GAAP. The inclusion of non-GAAP financial information as used in this presentation is not necessarily comparable to other similarly titled measures of other companies due to the potential inconsistencies in the method of presentation and items considered.

# OUR HISTORY

1920

1992

2003

2009

2010

2012

2016

2017



Palais Royal and Bealls are formed as a family owned business



Acquired Stage brand



Acquired Peebles, Inc.



Purchased the Goody's trade name



Launched e-commerce website



Relaunched private label credit card program with enhanced cardholder benefits



Launched tender neutral Style Circle Rewards to promote customer loyalty

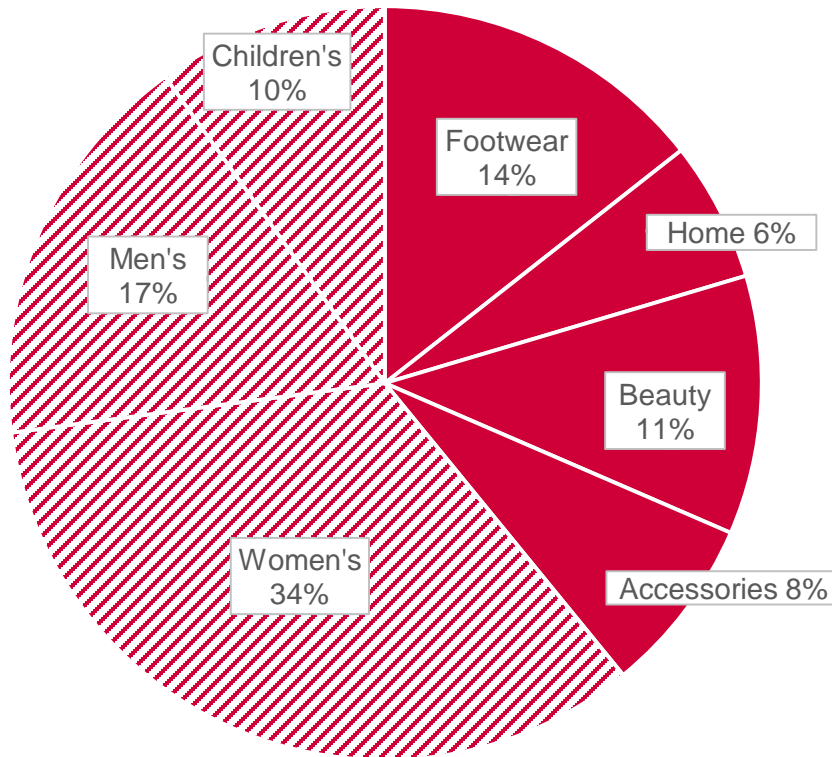




Entered off-price segment with strategic Gordmans acquisition

# MERCHANDISE ASSORTMENT

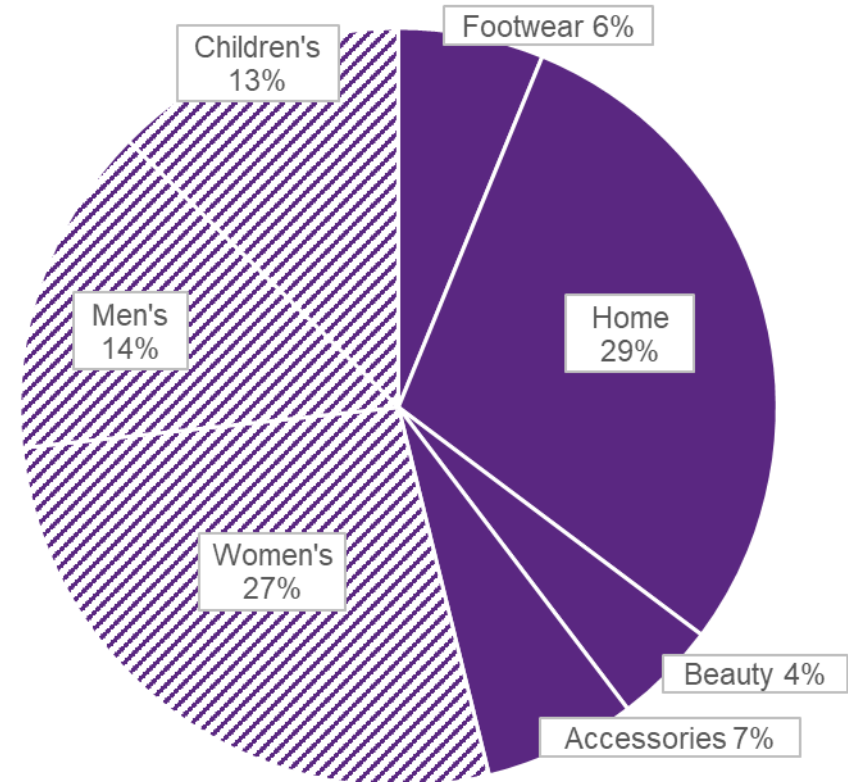
Our department stores offer a deeper, more curated assortment and our off-price stores offer a scarcity-driven treasure hunt experience


## Department Stores - 2018



 Apparel  
 Non-Apparel

## Off-Price - 2018



 Apparel  
 Non-Apparel

# DEPARTMENT STORES

*We give her the style and value she loves, for all the stages she's on and all the stages she's in*

- 691 stores in 34 states and an e-commerce website\*
- Average store size is ~18k selling sq. ft.
- Predominately in small and mid-sized communities with strong brand recognition
- Brand names with high/low promotions
- Primarily female guests with a median age of 56 and a median income of \$47k

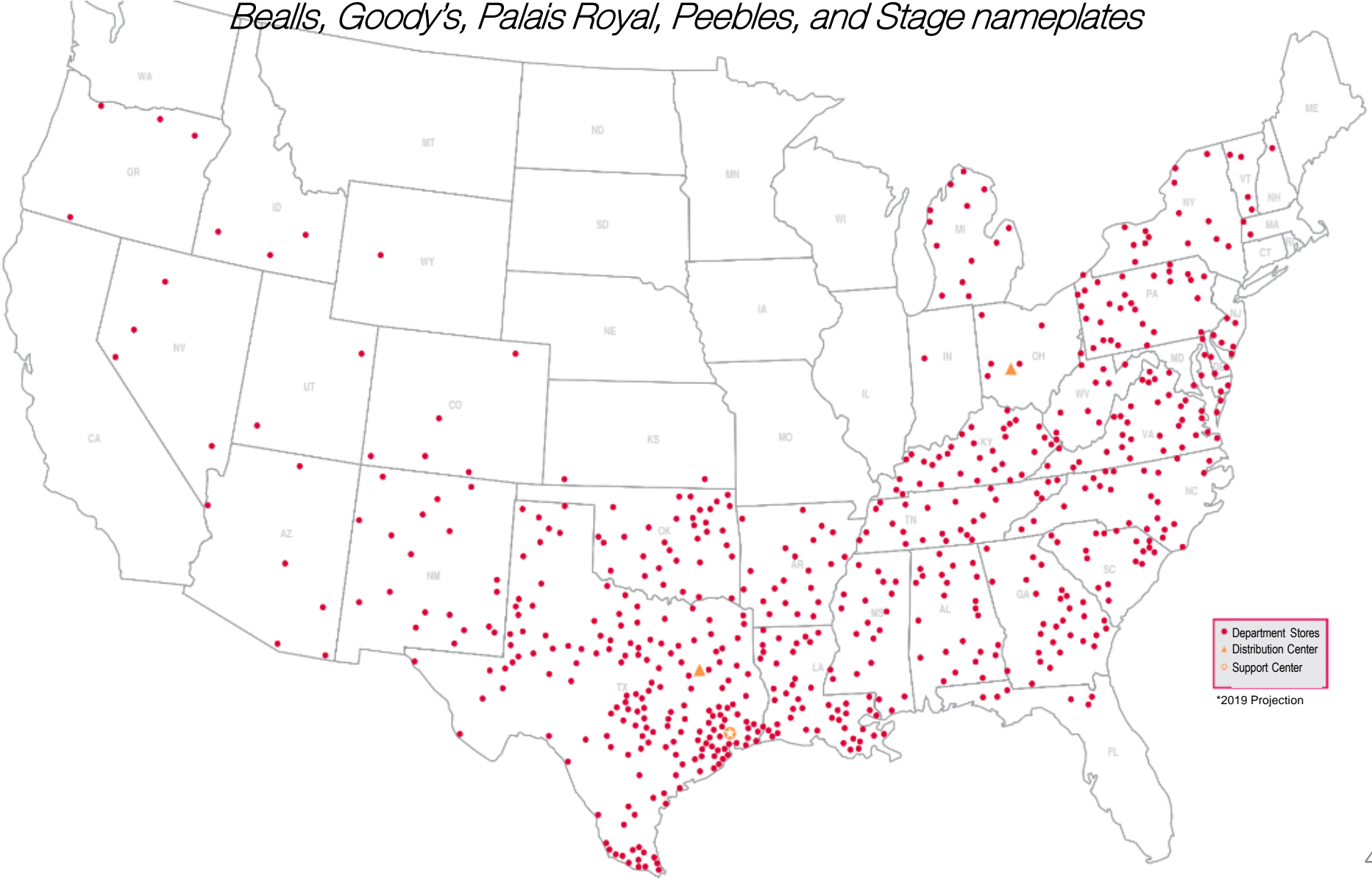


\*store count as of March 21, 2019

# DEPARTMENT STORE FOOTPRINT



*Bealls, Goody's, Palais Royal, Peebles, and Stage nameplates*



# GORDMANS OFF-PRICE

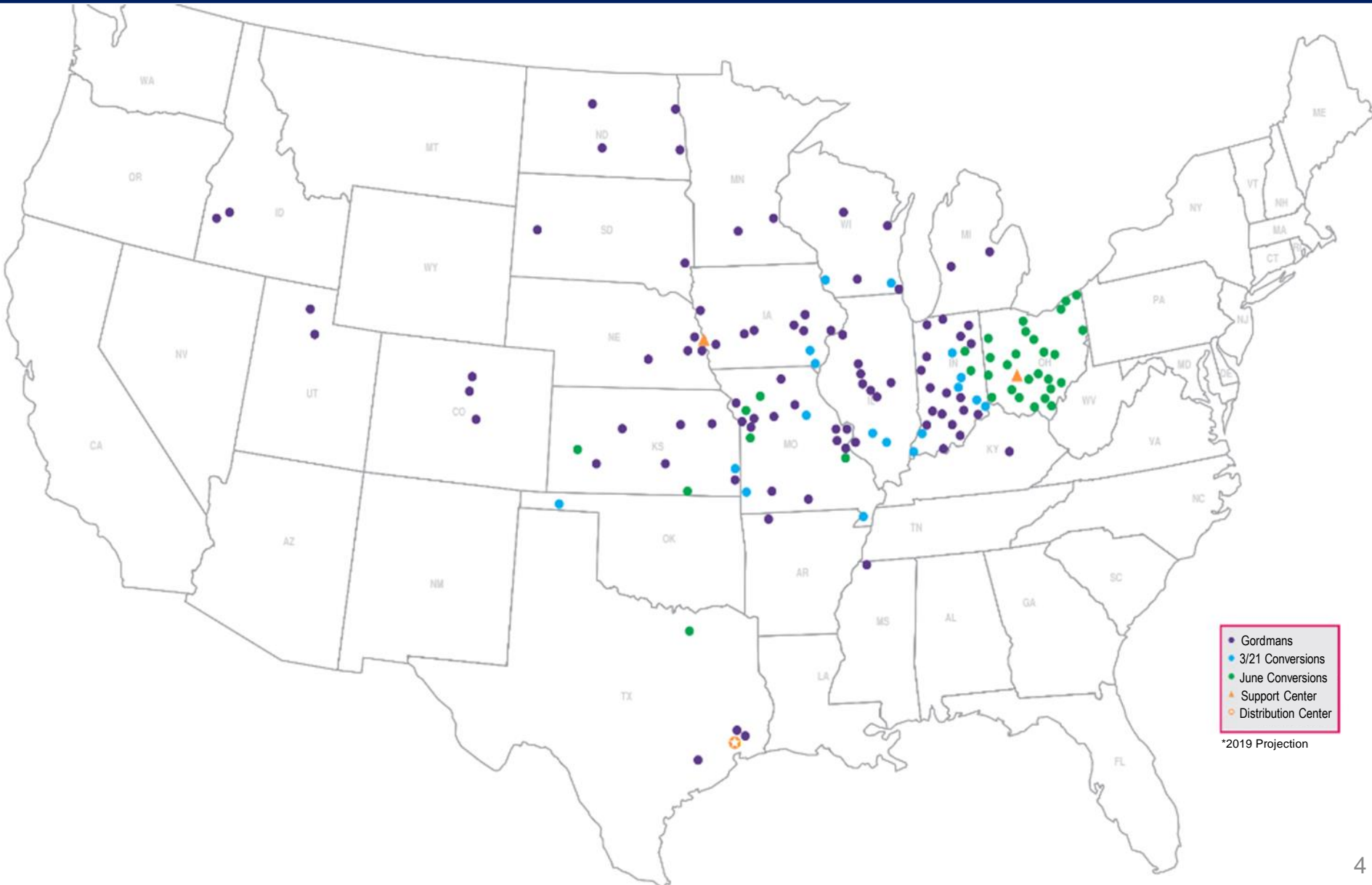
*Thrill every guest with fun finds and exciting deals*

- 105 stores in 20 states\*
- Average store size is ~30k selling sq. ft.
- Predominately in mid-sized markets, with conversions mostly in smaller mid-west markets
- “Bigger deals, smaller prices” in off-price environment
- Primarily female guests with a median age of 41 and a median income of \$57k



\*store count as of March 21, 2019

# GROWING OFF-PRICE FOOTPRINT





# WHY OFF-PRICE?

**1** Growing retail sector with 5 year revenue +43% by 2021\*

**2** Increasing industry brick and mortar locations with long term store target of 7,500, up 49% from mid 2017\*

**3** Business model creates a sense of urgency with frequent newness that drives traffic

**4** Insulated from Amazon and online competition, difficult to replicate online

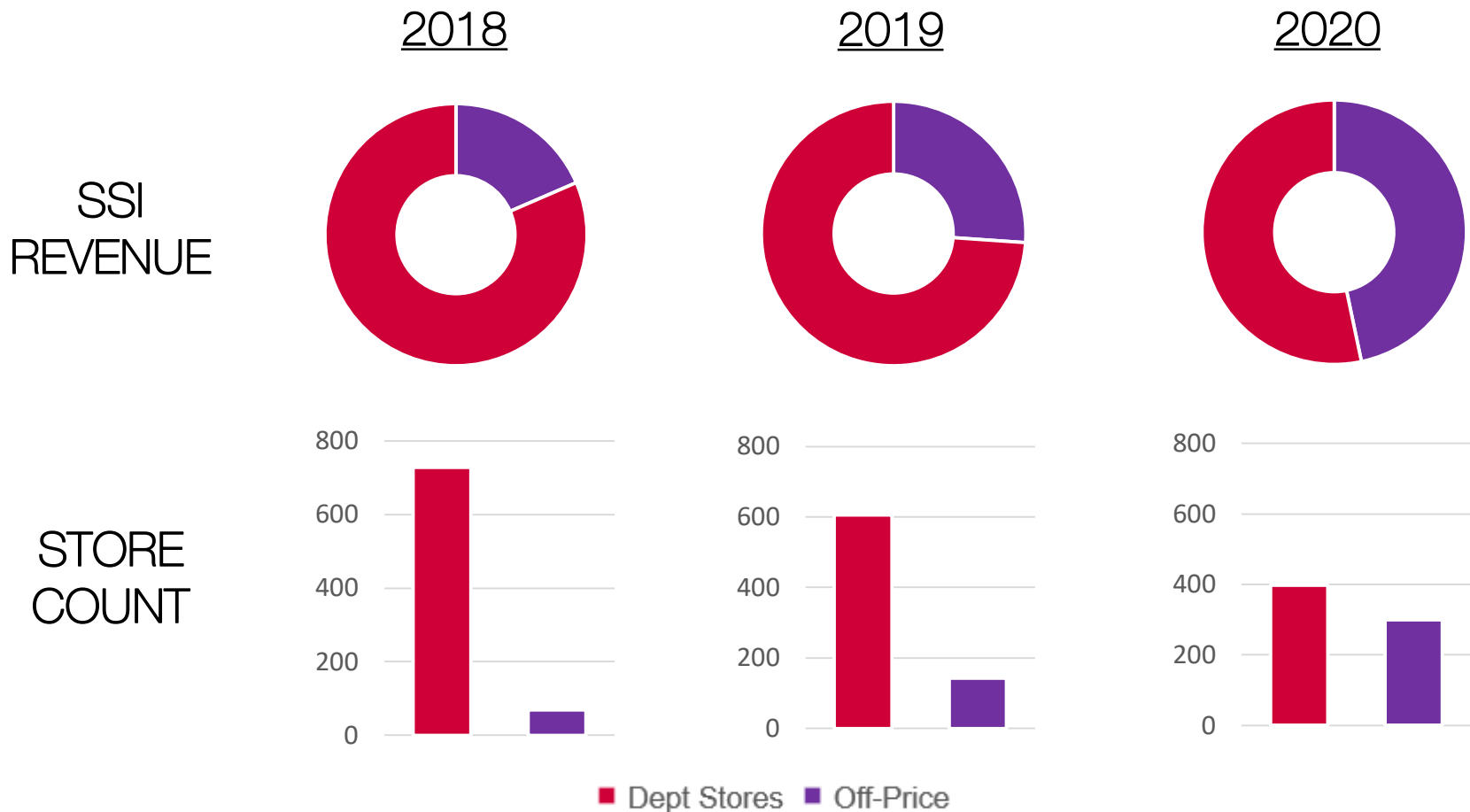
**5** Appeals to a younger demographic and customers who prioritize value

# STRATEGIC BENEFITS



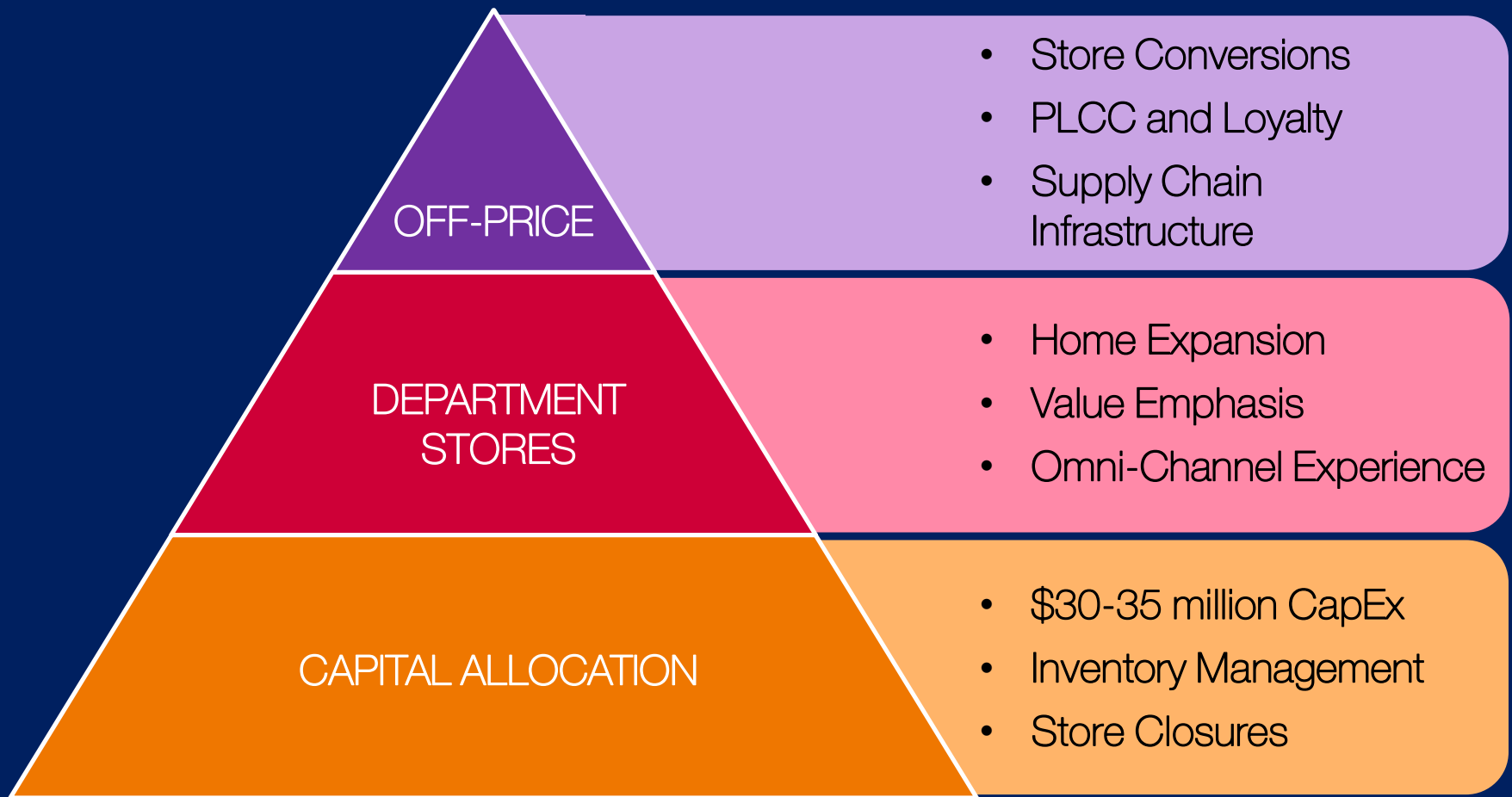
# MULTI-YEAR OFF-PRICE GROWTH

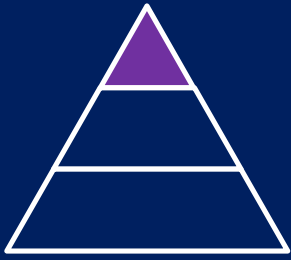
Store conversion efforts result in nearly 300 off-price stores representing approximately 50% of sales volume by mid-2020



# 2019 OBJECTIVES

*Our 2019 focus is on accelerating off-price growth, expanding home in department stores, and generating positive cash flow*





# STORE CONVERSIONS

## 2018 Conversions

- Sales from our 9 conversions increased more than 50% in Q4 2018
- Sales from our 6 smaller Midwest conversions increased more than 150% in Q4 2018



## 2019 Conversions

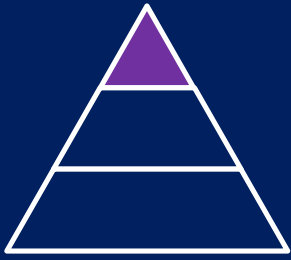
- 37 stores in March
- Additional 30 to 40 stores in June
- Primarily located in smaller Midwest markets



## Mid-2020 Projections

- Approximately 300 off-price stores
- Off-price sales approximately 50% of our total volume





# PLCC & SUPPLY CHAIN

## PLCC and Loyalty

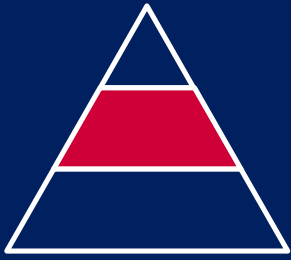
- Launched cross-shopping capabilities for PLCC in October 2018
- Integrated enriched Style Circle Rewards loyalty program in March 2019
- Drive long-term penetration goal of 25%



## Supply Chain Infrastructure

- Invest in supply chain to support 2019 and long term growth
- Engage consultant to optimize supply chain





# HOME EXPANSION

## 2018 Results

- Successful pilot of home expansion in Fall 2018
- Comp sales increase of 25% in 2018



## 2019 Initiative

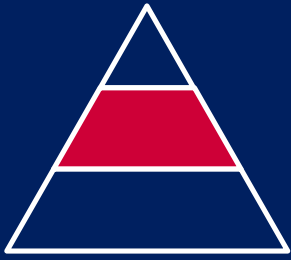
- \$5 million investment for high capacity home fixtures in all department stores
- Reflow store floorplan to ensure maximum impact of home department



## 2019 Projections

- Increase home department sales penetration from 6% to 10%
- Leverage off-price buys to expand home assortment





# VALUE & E-COMMERCE

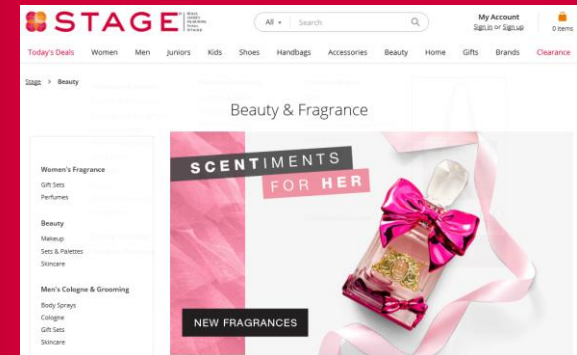
## Value Emphasis

- Leverage increased value through Gordmans off-price expertise
- Offer exciting finds at amazing price points through collaborations with thredUP and LXR vintage, luxury handbags



## Omni-Channel Experience

- Enable stage.com shopping for in store guests
- Offer convenience for guest and drive in store traffic with “buy online ship to store”







# CAPITAL ALLOCATION

## \$30-35 million CapEx

- 2019 in line with historical spend
- Funds 70 to 80 conversions at \$125k per store and \$5 million for home initiative



## Inventory Management

- Store level scarcity in off-price results in faster turn
- Conversion stores deliver increased sales with faster turn



## Store Closures

- Improve profitability by closing underperforming locations
- Improve cash flow by monetizing closing store inventory



# 2019 FINANCIAL OUTLOOK



## Sales

- Net sales between \$1,590 million and \$1,620 million
- Comparable sales between +3% and +5%
- Key comp sales drivers:
  - Off-price conversions: +200 bps
  - Home expansion: +300 bps

## Earnings

- EBITDA between \$10 million and \$15 million
- Net loss between \$65 million and \$60 million
- Loss per share between \$2.25 and \$2.10
- Positive cash flow

## Capital & Store Count

- Capital expenditures between \$30 million and \$35 million
- Convert between 70 and 80 stores to off-price
- Close between 40 and 60 department stores

# Appendix

Stage Stores, Inc.  
Reconciliation of Non-GAAP Financial Measures

(Unaudited)

As of March 7, 2019

(\$ in millions)	2019 Guidance	
	Low	High
Net (loss) (GAAP)	\$(65)	\$(60)
Interest expense	16	16
Income tax	1	1
Depreciation and amortization	58	58
EBITDA (non-GAAP)	\$10	\$15