



NEXT DESTINATION ON TAILORED BRANDS:

STRONG BUY

ADMS 4536 M Security Valuation (Winter 2019)

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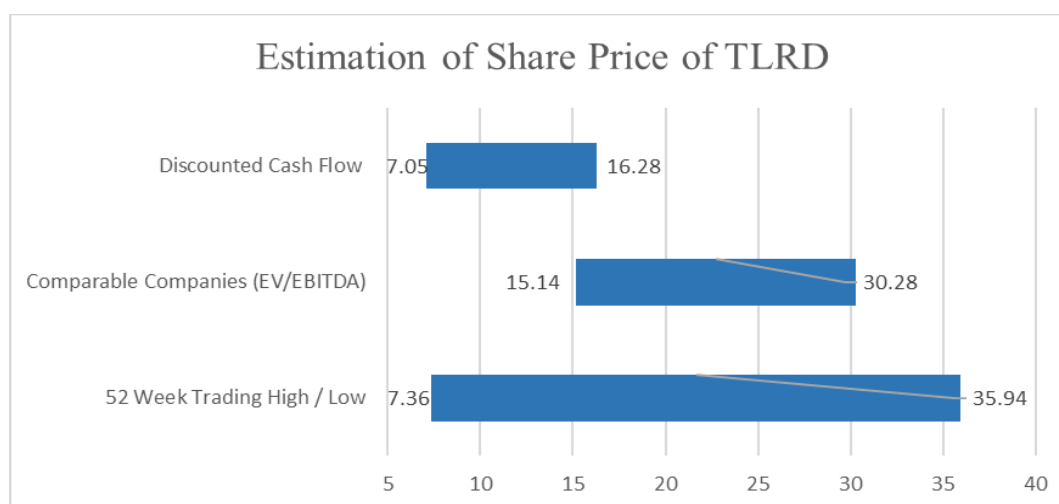
Summary and Investment Conclusion

With the Men's apparel retailing industry in North America slowly contracted over the past five years to 2019 as more and more male shopped clothing on line, analysts and investors are worried about the future profitability and development of the industry. Among the men's apparel retailers, Tailored Brands's stock has the greatest potential to increase in the future five years. The company is the leader of men's apparel industry and has acquired and created partnerships with some companies in recent years, such as Joseph A. Bank Clothiers Inc (for \$1.8 billion USD in 2014).

Based on my comparable companies' analysis, Tailored Brands's key multiples are undervalued compared to other five players in men's apparel market in North America, including Express Inc, Cato Corporation, American Eagle, Guess Inc and Gap Inc. Moreover, for my historical analysis, the company had relatively stable margins and sales in recent years, and management continued to strengthen balance sheet and generate strong cash flow.

For my discounted cash flow analysis, I have three scenarios, including upside case, base case and downside case. In base case, Tailored Brands's stock price is \$13.47 showing an upside potential of 63.7% based on current price \$8.23 (April.20th, 2019). For upside case, the price of stock is \$16.28 displaying a upside potential of 97.8%. Lastly, the downside risk is limited to \$7.05 showing a decrease of 14.3%. Therefore, my recommendation for Tailored Brands's stock is strong buy because of the downside risk is relatively small compared to substantial upside potential in the future.

The following bridge chart displays the sum-of -the-parts analysis, summarizing historical trading prices, analyst consensus target, comparable companies' analysis, precedent transactions and discounted cash flow analysis. My target price of Tailored Brands's per share value is around \$16, from \$15.14 to \$16.28.



Industry Overview

The industry of Tailored Brands is men's apparel retailing industry in North America. Men's apparel retailing industry mainly consists of suits, formal wear, shirts, t-shirts, casual slacks, jeans, sport coats, blazers, sports apparel, sweaters, overcoats, raincoats and accessories for men and boys. Retailers also offer custom suits and other apparel to satisfy customers' needs.

The supply industries of men's apparel retailing industry are Men's & Boys' Apparel Manufacturing and Men's & Boys' Apparel Wholesaling industries. The demand side is consumers. The key economic drivers of men's apparel retailing industry are directly connected to consumers, including Per capita disposable income, Percentage of services conducted online, Consumer Confidence Index and National unemployment rate. Although the industry faces pressure from external competitors, such as online-based retailers, industry demand has been supported by positive macroeconomic conditions.

In last year 2018, North America apparel-store shares exceeded S&P 500 while department stores' shares did not outperform. From Graph 1, although the decrease of Specialty Apparel peers was steeper than that of S&P 500 during November and December 2018, the index of Apparel stores was still higher than S&P 500. That means investors still have confidence on the Specialty Apparel industry.

Graph 1: 2018 Index Returns of US Specialty Apparel peers



(Source: Bloomberg Intelligence)

1. Competitors in Men's Apparel Market

There are mainly four kinds of competitors exist in the men's apparel market. The first type is companies focused on men's apparel, such as Tailored Brands and Destination XL Group. The other types of competitors are from related industries of men's apparel industry. The second type is family clothing stores that also provide various apparel, accessories, and related consumer products for women and children without specializing in apparel for a gender or age group, such as Gap Inc and Guess Inc. Moreover, the third type companies are department stores that retail a broad range of general merchandise, such as Target Corporation and Walmart Inc. The last type is E-commerce & Online companies that also offers men's clothing, like Amazon.com Inc.

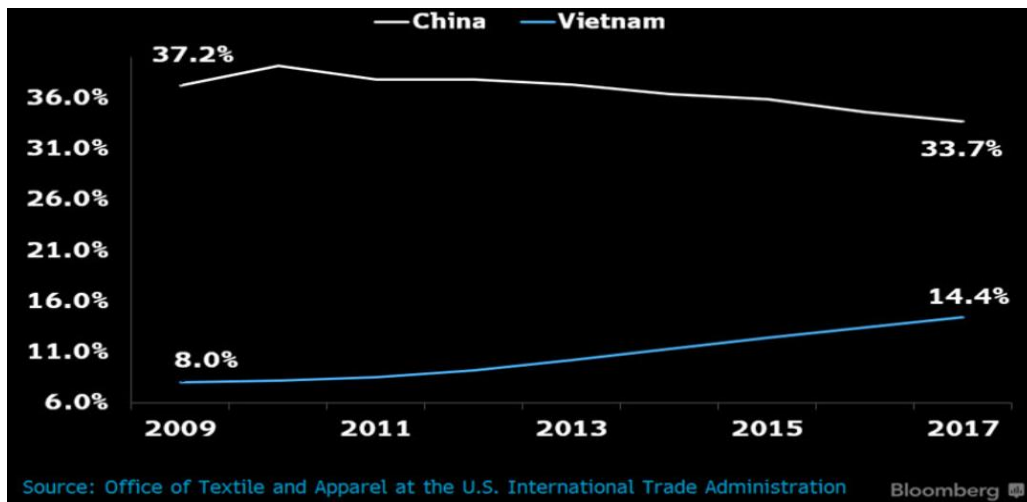
More specifically, the competitors of men's apparel retailing industry in North America are mainly Tailored Brands Inc and Destination XL Group Inc. The Tailored Brands is a major player with around 20.6% market share. The company is specialized in men's suit sales and tuxedo rentals and generates most of its revenue through over 1,400 retail stores in North America. The company also has revenue through corporate apparel. In fiscal 2018, the company reported \$3.24 billion USD in total revenue. The Destination XL Group Inc has 4.2% market shares and is headquartered in Canton, MA. The company is a leading retailer of men's big-and-tall apparel and stocks branded and private-label suits and casual wear throughout its 328 locations across the United States, London and Toronto.

For Corporate apparel industry in North America, the future revenue is relatively uncertain because of changing dress codes in work environment. In one aspect, companies increasingly offer custom tailoring to differentiate their employees' casual attire from that of department stores, while they permit employees to dress more casually.

2. Applicable Tariffs & Impacts

Applicable tariffs and US-China trade relations have considerable influence on men's apparel industry in North American. Based on Graph 2, China is the largest exporter of apparel to America currently, accounting for 33.7% totally. Additionally, Vietnam is the second exporter of apparel into America, only 14% totally, but the proportion of Vietnam increased constantly in recent five years. Applicable tariffs on finished apparel may impact more than a third American apparel imports and the extra costs might be paid by customers. If the price of apparel increase, the demand of apparel is more likely to decline. Therefore, some American companies should lower their source products from China because of rising tariffs.

Graph 2: Top Exporters of Apparel to U.S. (% of Total)



(Source: Bloomberg Intelligence)

3. Highlights for Industry Trends

Retail stores specialize in men's apparel offer consumers personalized products and services and focus on changing customer preference all the time. In recent years, there are three major trends industry in men's apparel industry in North American, including changing consumer preferences, increasing application of technology and continuing merger and acquisition (M&A) activity.

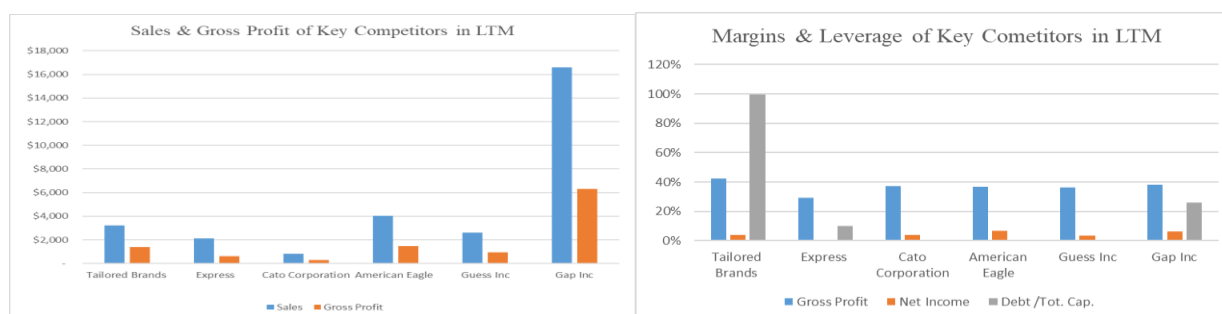
Firstly, the consumer preferences of men's apparel change substantially in recent years and are anticipated to decrease the demand of men's attire in the future. Industry revenue will continue to decline, though at a more rapid rate than the previous period. The main reasons are companies' requirements and demographic changes. The demand of men's attire will decrease because more and more companies permit their employees to dress casually. Today's dress codes in working environment is more casual and relaxing. Additionally, demographic trends will change men's retailing companies' main markets. Baby boomers' demand of suits will decline because many of them will retire, while demand of Generation X and Y consumers will grow considerably.

Secondly, the use of new technology will increase considerably in the future, especially for artificial intelligence (AI), software and social media. More and more retailing companies are focusing on E-commerce, Mobile commerce and social media marketing, instead of traditional business. In other words, new buying channels backed by new technology add pressure for physical stores. For example, mobile commerce is likely to develop fast in coming years, especially for in-app purchases. According to Bloomberg, "On Black Friday, almost 66% of total orders from Shopify's merchant base came via mobile compared with 64% in 2017 and 54% in 2016."

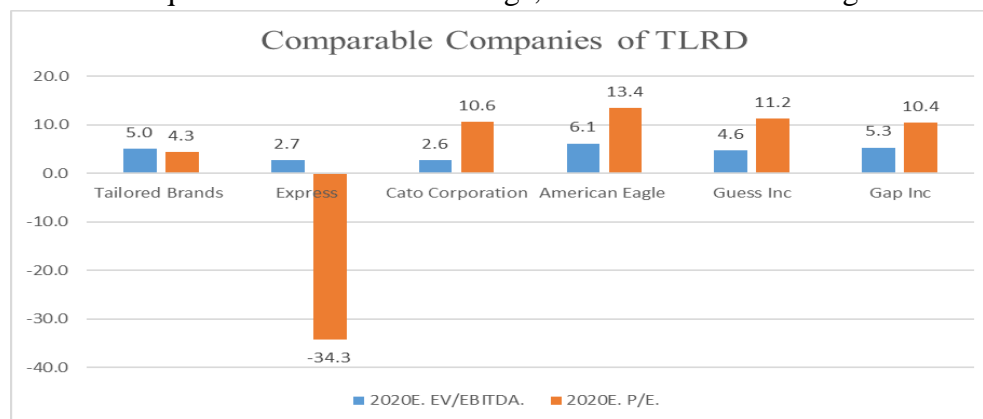
Thirdly, M&A activity is expected to continue in the industry, so the number of companies operating in the industry will decrease steadily in the next five years. Large-scale men's apparel companies will expand their brands by acquiring smaller-scale companies to earn more market shares. According to IBISWorld forecast, the number of industry enterprises will decline at an annualized rate of 1.4%, totaling 8,114 operators. As a result, the number of industry employees and the total industry wages will also decline.

4. Key Metrics for Main Competitors

Based on my research, I choose five main competitors in men's apparel and related family apparel industry, including Express Inc, Cato Corporation, American Eagle, Guess Inc and Gap Inc. The following two bar charts display the key metrics for the five competitors. Gap had the highest sales (\$16,580 m USD) and gross profit (\$6,322 m USD) in last twelve-month, while Cato Corp only had \$830 m sales and \$307 m gross profit. Though Tailored Brands had highest gross margin 43%, its net income margin is 4% just equal to the mean value of the six companies and its Debt/ Total Cap. is the highest 99.69%. Cato Corp and American Eagle had no debt, and Guess Inc had low debt.



The following chart summarizes my estimation of EV/EBITDA and P/E ratios in 2020 for the six companies. Tailored Brands's EV/EBITDA (5.0x) is slightly higher than the mean of peer companies (4.3x), but its P/E is lower than all comparable companies, except for that of Express Inc which shows a considerable and abnormal negative value. Therefore, the current stock price of Tailored Brands is quite low relative to earnings, so investors should long the stock.



Note: Mean peer EV/EBITDA 4.3x, Mean Peer P/E 2.3x

Business Summary

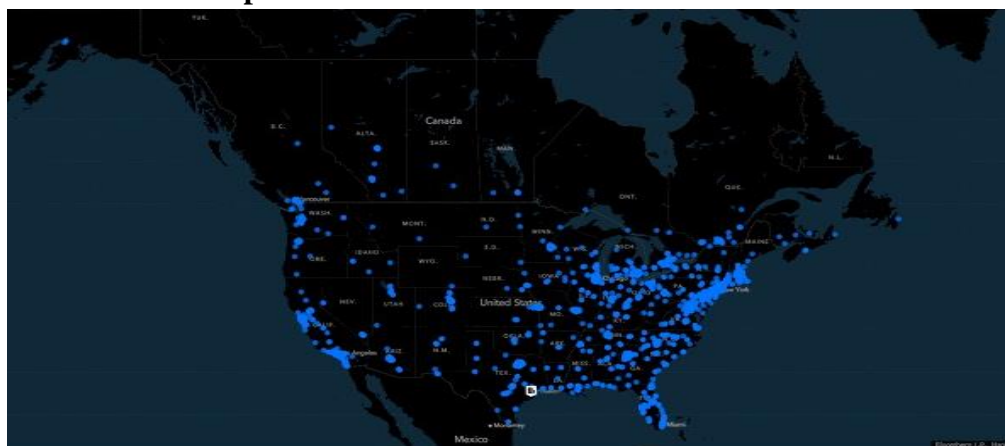
Tailored Brands, Inc (ticker: TLRD) was created in 2016 as a holding company of formerly public Men's Wearhouse, Inc. The company is headquartered in Houston, Texas, and has other major offices in Fremont, California; New York City; and Hampstead, Maryland. It has satellite offices across the US, Canada, Europe, and Asia. The company is a US-based specialty apparel retailer providing suits, suit separates, sport coats, slacks, sportswear, outerwear, dress shirts, shoes, and accessories for men, as well as tuxedo and suit rental product. Currently, Tailored Brands has more than 1,400 stores under various brands in North America.

1. Segments & Brands

Tailored Brands operates two main segments, including Retail and Corporate Apparel. The Retail segment contributes 93% of sales, including four brands: Men's Wearhouse/ Men's Wearhouse and Tux (tuxedo sales and rentals), Jos. A Bank Clothiers, Moores (Canadian apparel stores) and K&G (thrifter shoppers with men's, women's and children's apparel). Moreover, the Corporate Apparel segment contributes 7% sales, supplying corporate apparel, uniforms and workwear through Twin Hill in the United States and Dimensions, Alexandra and Yaffy in the United Kingdom to corporations and other businesses.

Geographically, United States segment accounts for 88% sales, while International segment contributes 12% sales. Tailored Brands' stores are in all 50 American states, the District of Columbia, and Puerto Rico. Its largest markets are California, Florida, and Texas, home to about a quarter of its US stores. In Canada, the Moores chain has stores in all 10 provinces (about two thirds are in Ontario and Quebec). The following graph shows the current locations of Tailored Brands's stores. Stores are mainly located in the west and east coasts of America.

Graph 1: Current Locations of Stores of TLRD

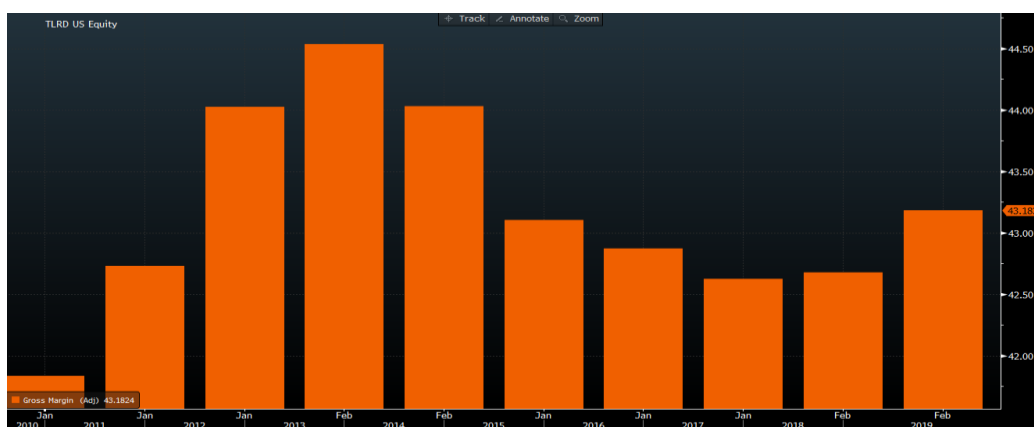


(Source: Bloomberg Intelligence)

2. Historical Margins

The following two graphs display the past 10 years historical gross margin, operating margin and profit margin of Tailored Brands, from 2010 to 2019. The gross margin increased sharply from 2010 to the peak 2013 (1,108.1 million). Then it gradually decreased from 2013 to 2017, especially in 2015. The gross margin raised in the recent two years, particularly in 2019. Additionally, the operating margin increased greatly from 2010 to 2012, and kept relatively stable in the next four years. It declined in 2016, then gradually raised from 2017 to 2019. Moreover, the profit margin shows similar trend with gross margin. Profit margin increased substantially from 2010 to 2013 but decreased continuously from 2014 to 2017. Profit margin raised again in recent two year.

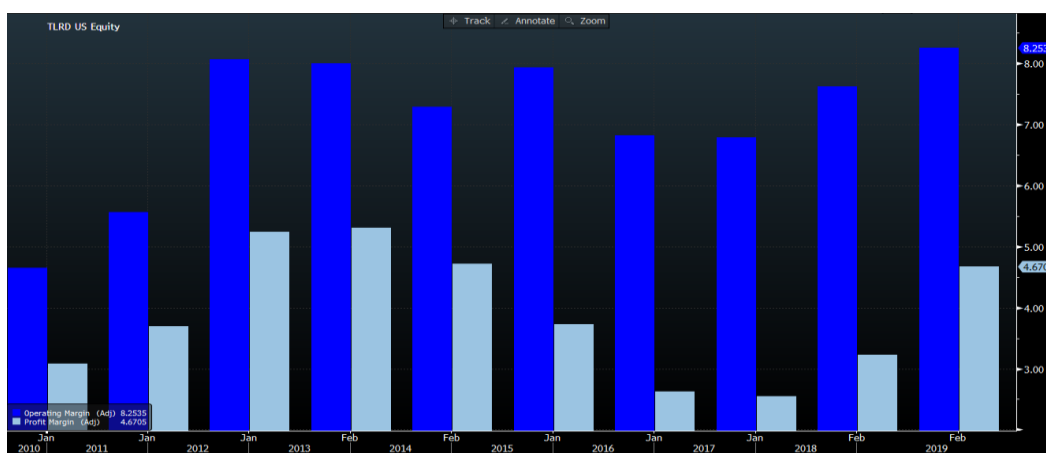
Chart 1: 10 Year Historical Gross Margin in USD



(Source: Bloomberg Intelligence)

Chart 2: 10 Year Historical Operating Margin & Profit Margin in USD

Note: Operating Margin (Dark Blue Bar) & Profit Margin (Light Blue Bar)



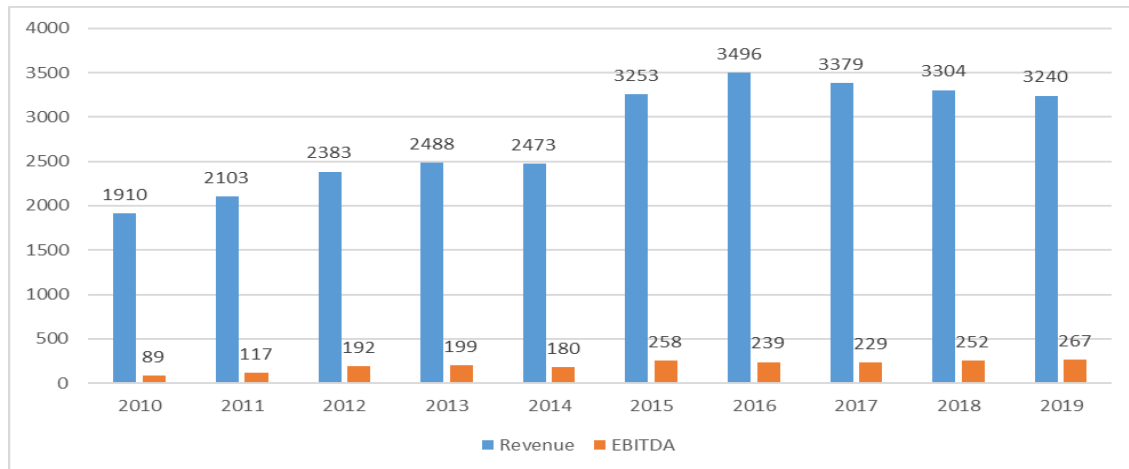
(Source: Bloomberg Intelligence)

3. Historical and Proforma Revenues and EBITDA

The following two charts show the 10 years historical and 5 years proforma revenues and EBITDA of Tailored Brands.

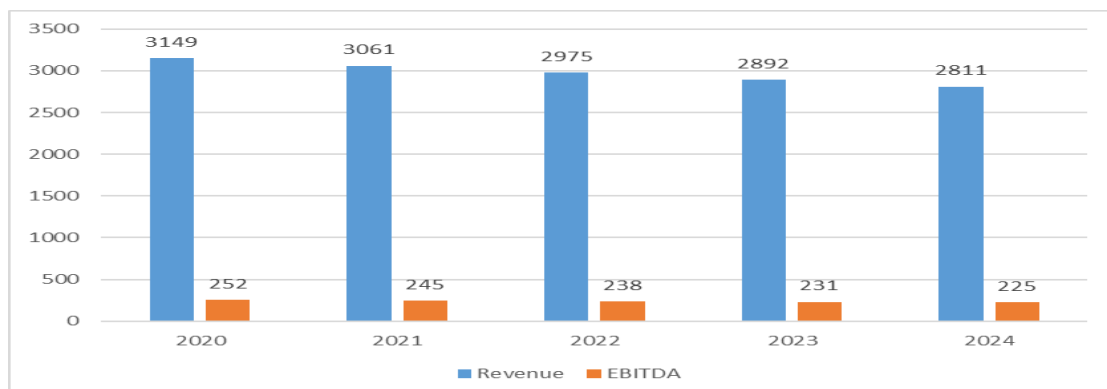
From Chart 4, we can see the revenues and EBITDA have similar movement. The historical revenues increased steadily from 2010 to 2014, and then raised dramatically in 2015. Since peaking at \$3.5 billion in fiscal 2015 (ended January 2016), Tailored Brands' revenue has fallen slightly in the following three years to 3.24 billion in 2019. EBITDA increased constantly from \$89 million 2010 to the peak of \$258 million in 2015, then slightly decreased in the following two years. EBITDA gradually increased back to \$267 million in 2019.

Chart 4: 10 Year Historical Revenues & EBITDA in Millions USD



From Chart 5, the forecast revenues in the next five year will decrease steadily, from \$3.15 billion in 2020 to \$2.81 billion in 2024 because of decreasing demand of apparel. EBITDA will also slightly decrease from \$252 million in 2020 to 225 million in 2024.

Chart 5: 5 Year Revenues & EBITDA in Millions USD



4. Historical Acquisitions

Formerly called Men's Wearhouse, Tailored Brands was founded by George Zimmer as a retail men's clothing store in 1973. The company held an IPO in 1992 raising \$13 million when it had 100 stores. It acquired many competitors when Zimmer was the leader.

In 1997, Tailored Brands purchased, then liquidated, the bankrupt Kuppenheimer chain. In 2006, the company acquired After Hours Formalwear, a clothier specializing in black tie formalwear. The formalwear group then specializes in tuxedo rentals for men and boys for black tie events. In 2009, it acquired the trade and assets of Alexandra plc, which was in administration and Dimensions Corporate wear to develop its presence in Europe. In 2013, Tailored Brands acquired the Joseph Abboud brand. In 2015, the company opened a flagship store for Joseph Abboud. Tailored Brands has also expanded portfolio of luxury brands over the five years to 2018 to increase margins. In June 2014, the company acquired Joseph A. Bank Clothiers Inc. (Jos. A. Bank) for \$1.8 billion; these stores now make up more than 30.0% of the company's total US establishments (IBISWorld).

5. Strategic Outlook

The strategic outlook of Tailored Brands is focused on three major aspects, including offering personalized products and services, providing satisfying experiences, and building valuable brands.

More specifically, the company try to satisfy customers' increasing needs of casualization of workplace and special occasion attire, so it expands portfolio of products and services. Additionally, Tailored Brands plan to invest more in store fleet to meet customers' expectations of more convenient shopping. The company will also improve e-commerce capabilities by "virtualized inventory" that enables customers to order more conveniently. It also improves customers' shopping experience by "Look Finder" that offer product recommendations.

Additionally, Tailored Brands continues to invest in and promote its 1905 line at Jos. A Bank that combines vintage details with modern fits to attract younger customers. Moreover, the company realizes the significance of corporate social responsibility. For example, 10wareness Kenneth Cole at Men's Wearhouse helps veterans' transition back into the workforce (Bloomberg).

Valuation

Tailored Brands valuation has been determined by a discounted cash flow analysis that applies a three-statement operating model based on historical and forecast data. The operating model contains most recent year historical data and predicts future five years financial statements. The forecast reflects relevant information of company management, industry trends and macroeconomic events. Below is a list of assumptions that used to the five-year projection of Tailored Brands financial statement:

1. General Assumptions

- Federal tax rate of America will be 21% in next five years.
- Stock-based compensations is a line item and will decrease slightly year by year.
- Tailored Brands will not issue preferred stocks or convertible bonds in next five years.
- Tailored Brands will not have income of noncontrolling interests next five years.
- The ratios of Depreciation and Amortization to Sales will remain constant in the future.

2. Operating Model Assumptions

1) Revenues

- Sales growth rate will be negative 2.8% in the next five years based on the assumptions of Tailored Brands and current industry trends. According to the company, Men's Wearhouse to be down 3% to 5%; Joseph A. Bank to be down 3% to 5%; Moores to be down 5% to 7%; and K&G to be flat to up 2%. Moreover, men's apparel industry revenue will continue to decline because of external competitors, such as e-commerce.
- Sales from corporate apparel will be down 10% to 12% with about half of the decline from a weaker British pound. Because corporate apparel segment currently contributes 7% sales, it will not have considerably impact to the company.

2) Expenses

- The ratio of Costs of Goods Sold (COGS) to Sales will remain steady in next five years, around 57%. As the sales growth rate will decrease, the dollar amount of COGS will also decline.
- Selling, general, and administrative (SG&A) cost will remain constant in the following five years, accounting for 35% of revenue. Management do not expect SG&A to leverage in the first quarter in 2019, but highlight SG&A is vital to build a sustainable operating model and deliver leverage in the long run. Management has done an excellent job in last year because SG&A decreased \$22 million expenses and advertising expense also declined \$3 million in the fourth quarter.
- Interest expenses will decrease in 2020, from 79.9 million to 78.2 million. In 2018, the company refinanced and favorably repriced our term loan, extending its maturity to 2025

and reducing the interest rate by 25 basis points. At year-end, debt was approximately \$1.2 billion, down \$232 million compared with one year ago.

- One-time charges in the following five years are assumed to be zero.

3) Balance Sheet

- Inventories of Tailored Brands is projected to decline because the company will perform better about the timing of retail inventory purchases supported by new forecasting and replenishment technology. Management said at year-end inventories were down \$22 million or 3% versus last year with corporate apparel inventories down 11% and retail inventories down 1%.
- The long-term debt of Tailored Brands will slightly decrease in the future. The company repaid \$10 million on revolving credit facility during Q4, leaving \$49 million of borrowings outstanding on the facility and ended the quarter with \$55 million of cash.
- For real estate, management expect to close three Jos. A. bank stores to reduce leverage and improve cost savings program.
- Some line items are expected to be zero in next five years, including current deferred tax asset, equity investments, client deposits, income taxes payable and deferred revenue.

4) Cash flows

- Capital expenditure in 2020 will be \$88.2, around 2.8% of sales. Because the guidance of Tailored Brands' CapEx is approximately \$90 million, reflecting a timing shift of certain project cash outflows to 2019.
- The cost structure of Tailored Brands will be improved in the future. In fiscal 2018, management generated strong free cash flow and significantly reduced debt.

5) Other Projections

- Quarterly earnings per share (EPS) will be \$0.15 for Tailored Brands. The company expect first quarter EPS of \$0.10 to \$0.15.
- Management expects the future effective tax rate in the range of 30% to 33%, primarily as a result of an increase in tax expense related to the accounting for employee share-based awards.

For the base case of DCF analysis, WACC of 5.5% was used with exit multiple of 2.5x and revenue growth rate of -3% arrive at an implied price of \$13.47 which shows a upside potential of 63.7% based on current price \$8.23 (April.20th,2019). For upside case, the price of stock should be \$16.28 displaying a upside potential of 97.8%, using 5.5% WACC with 3.0x exit multiple and -1.8% revenue growth rate. Lastly, the downside risk of is limited to \$7.05 showing a decrease of 14.3% based on current price, using 5.5% WACC with exit multiple 2.0x and -10% revenue growth rate in next five years. Therefore, my recommendation for Tailored Brands's stock is strong buy because of the downside risk is quite small but the upside potential is huge in the future.

Risks

1. Reasons for Lower-Than-Expected Stock Price

There are three main reasons of disappointing stock price of Tailored Brands. Firstly, the company even the apparel retailing industry was negatively affected by uncontrollable macro factors, such as stock market volatility and the temporary government shutdown in America.

Secondly, the men's apparel retailing industry faces external competitors and the industry revenue is likely to decrease. Moreover, the demographic changes of consumers and changing dress code increase the uncertainty of future development of the industry.

Finally, Tailored Brands's ability to satisfy new customers' needs and then earn positive profits is questionable as the sales growth is expected to decrease in the future.

2. Quality Issues & Future Plans

Tailored Brands have two main quality issues, including improving products and services and increasing efficiency of management.

Firstly, the company should offer more personalized products and services and provide satisfying experiences for customers to increase its competitiveness in the market. Fortunately, the company already have a strong custom suit offering. The company has a fit certification program to 6,400 wardrobe consultants, starting June of 2018. "In fiscal 2018, we more than doubled our custom suit business to over \$220 million" (Earnings Call). Moreover, Tailored Brands already owns a convenient store footprint that puts it within 10 miles of 70% of the men in North America. The company also develops its e-commerce business and expect customers will be able to transact seamlessly across all channels. It attempts to find a balance between price promotions and brand storytelling.

Secondly, Tailored Brands need to be more efficient in internal management to lower operating costs. The company already strengthened its executive team and has its talent pool by attracting external talent. It plans to add more talent in marketing, e-commerce, merchandising, technology and insights and analytics.

In conclusion, Tailored Brands has great potential to successfully manage its quality issues based on its current plan and management.

Historical and Proforma Tables

Appendix – A: Consolidated Statements

1. Consolidated Statement of Earnings

Consolidated Statements of Earnings		Historical								
In Millions of USD, f/y ending Jan or Feb	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	1,909.6	2,102.7	2,382.7	2,488.3	2,473.2	3,252.5	3,496.3	3,378.7	3,304.3	3,239.9
+ Sales & Services Revenue	1,896.1	1,976.4	2,139.2	2,248.8	2,226.4	2,995.2	3,252.5	3,098.4	3,053.0	3,004.5
+ Other Revenue	13.5	126.3	243.5	239.4	246.8	257.4	243.8	280.3	251.3	235.4
Revenue Growth:		10.1%	13.3%	4.4%	-0.6%	31.5%	7.5%	-3.4%	-2.2%	-2.0%
- Cost of Revenue	1,110.7	1,204.2	1,333.8	1,380.1	1,384.2	1,850.6	1,997.4	1,938.5	1,894.2	1,840.8
Gross Profit	798.9	898.4	1,048.9	1,108.1	1,089.0	1,401.9	1,498.9	1,440.2	1,410.2	1,399.1
Gross Margin:	41.8%	42.7%	44.0%	44.5%	44.0%	43.1%	42.9%	42.6%	42.7%	43.2%
- Operating Expenses	710.0	781.4	856.9	909.1	908.8	1,144.0	1,260.3	1,211.0	1,158.6	1,131.7
+ Selling, General & Admin	710.0	781.4	854.8	909.1	920.5	1,144.0	1,260.1	1,211.0	1,158.6	1,131.3
+ Other Operating Expense	0.0	0.0	2.0	0.0	-11.7	0.0	0.3	0.0	0.0	0.3
EBITDA	88.8	117.0	192.1	199.1	180.2	257.9	238.5	229.2	251.6	267.4
EBITDA Margin:	4.7%	5.6%	8.1%	8.0%	7.3%	7.9%	6.8%	6.8%	7.6%	8.3%
- Non-Operating (Income) Loss	0.3	1.1	1.0	0.9	2.8	65.7	105.8	103.0	99.9	79.9
+ Interest Expense, Net	0.3	1.1	1.0	0.9	2.8	65.7	105.8	103.0	99.9	79.0
+ Other Non-Op (Income) Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
EBT	88.5	115.9	191.1	198.2	177.4	192.2	132.7	126.2	151.7	187.5
EBT Margin:	4.6%	5.5%	8.0%	8.0%	7.2%	5.9%	3.8%	3.7%	4.6%	5.8%
- Abnormal Losses (Gains)	19.5	15.4	6.6	0.5	50.6	186.9	1,328.5	94.6	16.8	84.8
Pretax Income (Loss), GAAP	69.0	100.5	184.4	197.7	126.8	5.4	-1,195.8	31.6	135.0	102.7
- Income Tax Expense (Benefit)	22.8	32.9	63.9	65.6	42.6	5.5	-169.0	6.6	38.3	19.4
Income (Loss) Incl. MI	46.2	132.1	120.5	132.1	84.2	-0.1	-1,026.7	25.0	96.7	83.2
- Minority Interest	0.0	0.0	-0.1	0.3	0.4	0.3	0.0	0.0	0.0	0.0
Net Income, GAAP	46.2	131.7	120.6	131.7	83.8	-0.4	-1,026.7	25.0	96.7	83.2
- Preferred Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Other Adjustments	0.0	0.0	1.5	1.6	0.4	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	46.2	130.2	119.1	130.2	83.3	-0.4	-1,026.7	24.9	96.7	83.2
+ Net Abnormal Losses (Gains)	12.7	10.0	4.3	0.3	32.9	121.6	1,118.4	61.2	9.9	68.1
Net Income Avail to Common, Adj	58.9	77.7	123.4	130.5	116.3	121.2	91.7	86.1	106.6	151.3
Net Income Margin:	3.1%	3.7%	5.2%	5.2%	4.7%	3.7%	2.6%	2.5%	3.2%	4.7%

Consolidated Statements of Earnings		Projected			
In Millions of USD, f/y ending Jan or Feb	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue	3149.2	3061.0	2975.3	2892.0	2811.0
<i>Revenue Growth:</i>		-2.8%	-2.8%	-2.8%	-2.8%
- COGS	1795.0	1744.8	1695.9	1648.4	1602.3
Gross profit	1354.1	1316.2	1279.4	1243.6	1208.7
<i>Gross Margin:</i>	43.0%	43.0%	43.0%	43.0%	43.0%
- SG&A	1102.2	1071.4	1041.4	1012.2	983.9
EBITDA	251.9	244.9	238.0	231.4	224.9
<i>EBITDA Margin:</i>	8.0%	8.0%	8.0%	8.0%	8.0%
- Depreciation	100.8	98.0	95.2	92.5	90.0
- Amortization	39.0	39.0	39.0	39.0	7.9
- Stock-based comp	14.4	14.0	13.6	13.2	12.8
EBIT	97.8	93.9	90.2	86.6	114.2
<i>EBITDA Margin:</i>	3.1%	3.1%	3.0%	3.0%	4.1%
EBITA	151.2	146.9	142.8	138.8	134.9
- Interest (income) / expense	78.2	80.3	83.9	86.5	88.6
- Equity income in affiliates	0.0	0.0	0.0	0.0	0.0
- Other (income) / expense	86.0	86.0	86.0	86.0	86.0
Income before taxes	-66.5	-72.4	-79.7	-85.9	-60.4
- Provision for tax	-14.0	-15.2	-16.7	-18.0	-12.7
GAAP net income	-52.5	-57.2	-62.9	-67.9	-47.7
- Minority interest	0.0	0.0	0.0	0.0	0.0
- Preferred dividends	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common	-52.5	-57.2	-62.9	-67.9	-47.7
<i>Net Income Margin:</i>	-1.7%	-1.9%	-2.1%	-2.3%	-1.7%

2. Consolidated Statement of Financial Position

Consolidated Statements of Financial Position		Historical								
In Millions of USD, f/y ending Jan or Feb	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Assets										
+ Cash and Cash Equivalents	186.0	136.4	125.3	156.1	59.3	62.3	30.0	70.9	103.6	55.4
+ Accounts Receivable	16.7	60.6	56.7	63.0	63.2	73.3	63.9	65.7	79.8	73.1
+ Inventories	434.9	486.5	572.5	556.5	599.5	938.3	1,022.5	955.5	851.9	830.4
+ Prepaids and Other Current Assets	72.7	80.5	70.9	79.5	93.2	169.8	143.5	73.6	78.3	70.7
Total Current Assets	710.4	764.0	825.4	855.2	815.1	1,243.7	1,259.9	1,165.7	1,113.6	1,029.6
+ Property, Plant and Equipment, net	344.7	332.6	355.7	389.1	408.2	566.1	521.8	484.2	460.7	439.2
+ Goodwill and Intangible Assets	63.7	125.3	121.5	120.3	184.0	1,556.2	297.1	288.7	289.3	243.4
+ Other Assets	115.3	98.4	103.4	131.8	147.9	142.3	165.5	159.3	136.4	108.3
Total Assets	1,234.2	1,320.3	1,406.0	1,496.3	1,555.2	3,508.2	2,244.3	2,097.9	2,000.0	1,820.5
Liabilities & Shareholders' Equity										
+ Accounts Payable	224.0	266.6	281.1	294.2	324.8	480.4	491.6	444.1	395.3	492.9
+ Accrued Liabilities	141.0	142.7	157.7	170.2	176.0	270.5	254.5	266.8	250.1	263.9
+ Other Current Liabilities	0.0	0.0	0.1	0.0	0.5	0.0	2.3	2.4	41.5	34.1
Total Current Liabilities	224.0	266.7	281.3	294.2	335.3	491.4	536.3	459.9	443.8	538.6
+ Total Debt	43.5	0.0	0.0	0.0	87.5	1,637.7	1,612.5	1,582.2	1,389.8	1,153.2
+ Deferred Tax Liabilities	62.2	69.8	92.9	92.9	109.3	—	112.5	92.1	95.3	53.5
+ Other Long-Term Liabilities	0.0	0.0	0.0	0.0	0.0	409.3	83.1	71.3	68.9	71.5
Total Noncurrent Liabilities	105.7	69.8	92.9	92.9	196.8	2,047.0	1,808.1	1,745.6	1,554.0	1,278.3
Total Liabilities	329.8	336.5	374.1	387.1	532.1	2,538.4	2,344.4	2,205.5	1,997.8	1,816.9
+ Non Controlling Interest	0.0	12.9	12.7	13.0	14.0	0.0	0.0	0.0	0.0	0.0
+ Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	328.4	342.4	363.5	387.0	412.5	441.4	456.3	471.3	492.1	505.7
+ Common Stock	0.7	0.7	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5
+ Additional Paid in Capital	327.7	341.7	362.7	386.3	412.0	440.9	455.8	470.8	491.6	505.2
- Treasury Stock	412.6	412.8	476.7	517.9	3.4	3.2	3.0	0.0	0.0	0.0
+ Retained Earnings	956.0	1,003.0	1,095.5	1,190.2	572.7	537.3	-524.9	-538.8	-479.2	-468.0
+ Other Equity	32.54	38.37	36.92	36.92	27.31	-5.67	-28.49	-40.08	-10.78	-33.98
Total Equity	904.4	983.9	1,031.8	1,109.2	1,023.1	969.8	-100.1	-107.6	2.2	3.6
Total Liabilities & Equity	1,234.2	1,320.3	1,406.0	1,496.3	1,555.2	3,508.2	2,244.3	2,097.9	2,000.0	1,820.5

Consolidated Statements of Financial Position		Projected			
In Millions of USD, f/y ending Jan or Feb	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Assets					
Cash and Equivalents	10.0	10.0	10.0	10.0	10.0
Accounts Receivable	71.1	69.1	67.1	65.3	63.4
Inventory	809.7	787.1	765.0	743.6	722.8
Deferred Tax Asset, Current	0.0	0.0	0.0	0.0	0.0
Other Current Assets	68.9	67.0	65.1	63.3	61.5
Total Current Assets	959.7	933.1	907.3	882.2	857.7
PP&E, net	426.5	414.3	402.4	390.8	379.5
Goodwill	79.5	79.5	79.5	79.5	79.5
Other Intangible Assets	124.9	85.9	46.9	7.9	0.0
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other Assets	108.2	108.2	108.2	108.2	108.2
Total Assets	1698.8	1621.0	1544.3	1468.6	1425.0
Liabilities & Shareholders' Equity					
Accounts Payable	223.3	217.1	211.0	205.1	199.3
Accrued Expenses	257.3	250.1	243.1	236.3	229.7
Other Current Liabilities	33.3	32.3	31.4	30.5	29.7
Current Portion of Long-term Debt	11.7	11.7	11.7	11.7	11.7
Total Current Liabilities	525.6	511.2	497.2	483.6	470.4
Total Debt	1096.8	1091.8	1095.1	1105.7	1122.9
Net Deferred Tax Liability / (Asset)	-14.0	-29.2	-45.9	-63.9	-76.6
Other Long-term Liabilities	125.0	125.0	125.0	125.0	125.0
Total Liabilities	1733.5	1698.8	1671.4	1650.4	1641.7
Noncontrolling Interests	0.0	0.0	0.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Common Equity	-34.6	-77.8	-127.2	-181.8	-216.7
Total Equity	-34.6	-77.8	-127.2	-181.8	-216.7
Total Liabilities & Shareholders' Equity	1698.8	1621.0	1544.3	1468.6	1425.0

3. Consolidated Statement of Cash Flows

Consolidated Statements of Cash Flows		Historical								
In Millions of USD, f/y ending Jan or Feb	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Cash from Operating Activities										
+ Net Income	46.2	67.7	120.6	131.7	83.8	-0.4	-1,026.7	25.0	96.7	83.2
+ Depreciation & Amortization	123.3	109.5	104.8	113.3	121.0	147.1	166.9	157.4	144.5	139.3
+ Non-Cash Items	-16.6	-1.3	14.4	-43.1	-22.9	-29.2	1,055.0	48.0	10.5	48.7
+ Stock-Based Compensation	9.8	10.8	11.9	13.5	15.0	12.7	13.3	17.4	20.6	14.8
+ Deferred Income Taxes	-30.2	8.7	29.4	5.2	2.3	-13.1	-184.8	-24.0	-5.8	-8.0
+ Other Non-Cash Adj	3.7	-20.8	-26.9	-61.8	-40.1	-28.8	1,226.6	54.5	-4.3	41.9
+ Changes in Non-Cash Work Capital	10.3	-5.9	-77.1	23.9	7.0	-22.8	-63.5	12.3	99.0	51.5
Cash from Operating Activities	163.2	169.9	162.8	225.7	188.9	94.8	131.7	242.6	350.8	322.7
Cash from Investing Activities										
+ Change in Fixed & Intang	-56.1	-58.8	-91.8	-121.4	-104.1	-96.3	-112.9	-99.1	-89.5	-82.3
+ Net Change in LT Investment	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Net Cash From Acq & Div	0.0	-97.8	0.0	0.0	-94.9	-1,491.4	0.0	0.0	-0.5	17.8
+ Other Investing Activities	19.4	0.0	0.0	-2.1	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Investing Activities	-36.7	-156.6	-91.8	-123.5	-199.0	-1,587.7	-112.9	-99.1	-89.9	-64.5
Cash from Financing Activities										
+ Dividends Paid	-14.7	-19.1	-25.1	-37.1	-35.5	-34.8	-35.0	-35.2	-35.8	-36.9
+ Cash From (Repayment) Debt	-26.6	-49.5	0.0	0.0	97.5	1,588.8	-8.0	-64.4	-198.8	-257.8
+ Cash (Repurchase) of Equity	4	4.9	-53.7	-29.8	-139.2	11.6	4.3	2.2	1.9	6.6
+ Other Financing Activities	0.0	-1.6	-3.0	-4.4	-5.6	-64.7	-8.1	-1.4	-4.3	-14.6
Cash from Financing Activities	-36.9	-65.3	-81.8	-71.3	-82.9	1,500.9	-46.8	-98.8	-236.9	-302.7
Effect of Foreign Exchange Rates	9.1	2.3	-0.3	-0.2	-3.8	-5.0	-4.3	-3.9	8.8	-3.6
Net Changes in Cash	98.6	-49.6	-11.1	30.8	-96.8	3.0	-32.3	40.9	32.7	-48.2

Consolidated Statements of Cash Flows		Projected			
In Millions of USD, f/y ending Jan or Feb	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Cash from Operating Activities					
Net Income	-52.5	-57.2	-62.9	-67.9	-47.7
Depreciation	100.8	98.0	95.2	92.5	90.0
Amortization of Intangibles	39.0	39.0	39.0	39.0	7.9
Stock-Based Compensation	14.4	14.0	13.6	13.2	12.8
Equity Income in Affiliates	0.0	0.0	0.0	0.0	0.0
Cash Dividends from Equity Investments	0.0	0.0	0.0	0.0	0.0
PIK Accrual – Convertible bond	0.0	0.0	0.0	0.0	0.0
PIK Accrual – Preferred stock	0.0	0.0	0.0	0.0	0.0
Income Statement Adjustments	154.2	150.9	147.8	144.8	110.7
(Increase) / Decrease in Working Capital	11.4	12.2	11.9	11.5	11.2
Increase / (Decrease) in Net DTL	-14.0	-15.2	-16.7	-18.0	-12.7
(Increase) / Decrease in Other Assets	0.0	0.0	0.0	0.0	0.0
Increase / (Decrease) in Other Liabilities	0.0	0.0	0.0	0.0	0.0
Balance Sheet Adjustments	-2.6	-3.0	-4.9	-6.5	-1.5
Cash Flow from Operating Activities	99.1	90.8	80.0	70.4	61.5
Investing Activities					
Cash Flow from Investing Activities	-88.2	-85.7	-83.3	-81.0	-78.7
Financing Activities					
Revolver	-4.8	-4.8	3.3	10.6	17.2
Term Loan	-51.5	-0.2	0.0	0.0	0.0
Senior Note	0.0	0.0	0.0	0.0	0.0
Convertible Bond	0.0	0.0	0.0	0.0	0.0
Perferred Stock	0.0	0.0	0.0	0.0	0.0
Common Dividend	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing Activities	-56.3	-5.0	3.3	10.6	17.2
Net Changes in Cash	-45.4	0.0	0.0	0.0	0.0

Appendix – B: Comparable Companies Analysis

Tailored Brands Inc

Benchmarking Analysis – Financial Statistics and Ratios, Page 1

(\$ in millions, except per share data)

Company	Ticker	Market Valuation		LTM Financial Statistics					LTM Profitability Margins				Growth Rates						
		Equity Value	Enterprise Value	Sales	Gross Profit	EBITDA	EBIT	Net Income	Gross Profit (%)	EBITDA (%)	EBIT (%)	Net Income (%)	Sales		EBITDA		EPS		
													Hist. 1-year	Est. 1-year	Hist. 1-year	Est. 1-year	Hist. 1-year	Est. 1-year	Est. LT
Tailored Brands Inc	TLRD U	\$413	\$1,522	\$3,240	\$1,378	\$386	\$246	\$129	43%	12%	8%	4%	-2%	-2%	4%	-25%	38%	-36%	NA
Tier I: Specialty Chemicals																			
Express Inc	EXPR	\$254	\$147	\$2,116	\$616	\$115	\$1,736	\$16	29%	5%	82%	1%	-2%	-5%	-10%	-52%	-27%	-150%	0%
Cato Corporation	CATO C	339	132	830	307	48	32	33	37%	6%	4%	4%	-2%	0%	-15%	-7%	24%	-4%	0%
American Eagle Outfitters	AEO	3,756	3,331	4,036	1,488	516	348	264	37%	13%	9%	7%	6%	5%	12%	6%	29%	9%	0%
Guess Inc	GES	1,101	951	2,610	940	205	137	86	36%	8%	5%	3%	0%	0%	0%	0%	0%	0%	17%
Gap Inc	GPS	9,881	9,761	16,580	6,322	1,957	1,379	1,016	38%	12%	8%	6%	5%	1%	-2%	-5%	27%	-4%	0%
Mean									35%	9%	22%	4%	1%	0%	-3%	-12%	10%	-30%	3%
Median									37%	8%	8%	4%	0%	0%	-2%	-5%	24%	-4%	0%

Tailored Brands Inc

Benchmarking Analysis – Financial Statistics and Ratios, Page 2

(\$ in millions, except per share data)

Company	Ticker	General		Return on Investment				LTM Leverage Ratios			LTM Coverage Ratios			Credit Ratings	
		FYE	Predicted Beta	ROIC (%)	ROE (%)	ROA (%)	Implied Div. Yield (%)	Debt / Tot. Cap. (%)	Debt / EBITDA (x)	Net Debt / EBITDA (x)	EBITDA / Int. Exp. (x)	EBITDA - Cpx / Int. (x)	EBIT / Int. Exp. (x)	Moody's	S&P
Tailored Brands Inc	TLRD U	Feb-02	0.96	22%	3551%	7%	9%	100%	3.0x	2.9x	4.8x	3.8x	3.1x	NA	B+
Tier I: Specialty Chemicals															
Express Inc	EXPR	Feb-02	0.83	363%	3%	1%	0%	10%	0.6x	-0.9x	0.0x	0.0x	0.0x	NA	B+
Cato Corporation	CATO C	Feb-02	0.92	29%	10%	7%	10%	0%	0.0x	-4.3x	-12.7x	-11.6x	-8.4x	NA	NA
American Eagle Outfitters	AEO	Feb-02	0.76	40%	21%	14%	3%	0%	0.0x	-0.8x	0.0x	0.0x	0.0x	NA	NA
Guess Inc	GES	Feb-02	0.55	0%	21%	10%	5%	0%	0.0x	0.2x	-0.8x	-186.6x	-88.3x	NA	NA
Gap Inc	GPS	Feb-02	0.69	40%	29%	13%	4%	26%	0.6x	-0.1x	48.9x	31.3x	34.5x	Baa2	BB+
Mean			0.75	94%	17%	9%	4%	7%	0.3x	-1.2x	7.1x	-33.4x	-12.4x		
Median			0.76	40%	21%	10%	4%	0%	0.0x	-0.8x	0.0x	0.0x	0.0x		

Tailored Brands Inc

Comparable Companies Analysis

(\$ in millions, except per share data)

		Current Share Price	% of 52-wk. High	Equity Value	Enterprise Value	Enterprise Value /									LTM	Total	Price /			LT
Company	Ticker					LTM Sales	2020E Sales	2021E Sales	LTM EBITDA	2020E EBITDA	2021E EBITDA	LTM EBIT	2020E EBIT	2021E EBIT	EBITDA Margin	Debt / EBITDA	LTM EPS	2020E EPS	2021E EPS	EPS Growth
Tier I: Specialty Chemicals																				
Express Inc	EXPR	\$3.77	32%	\$254	\$147	0.1x	0.1x	0.1x	1.3x	2.7x	2.2x	0.1x	-5.9x	-14.0x	5%	0.6x	17.0x	-34.3x	-75.4x	0%
Cato Corporation	CATO C	13.78	51%	339	132	0.2x	0.2x	0.2x	2.7x	2.9x	2.8x	4.1x	4.1x	4.0x	6%	0.0x	10.2x	10.6x	10.2x	0%
American Eagle Outfitters	AEO	21.78	73%	3,756	3,331	0.8x	0.8x	0.7x	6.4x	6.1x	5.7x	9.6x	9.2x	8.5x	13%	0.0x	14.5x	13.4x	12.3x	0%
Guess Inc	GES	13.53	50%	1,101	951	0.4x	0.3x	0.3x	4.6x	4.6x	4.1x	7.0x	6.9x	5.8x	8%	0.0x	12.9x	11.2x	9.3x	17%
Gap Inc	GPS	26.14	76%	9,881	9,761	0.6x	0.6x	0.6x	5.0x	5.3x	5.2x	7.1x	7.4x	7.3x	12%	0.6x	9.8x	10.4x	10.2x	0%
Mean						0.4x	0.4x	0.4x	4.0x	4.3x	4.0x	5.6x	4.3x	2.3x	9%	0.3x	12.9x	2.3x	-6.7x	3%
Median						0.4x	0.3x	0.3x	4.6x	4.6x	4.1x	7.0x	6.9x	5.8x	8%	0.0x	12.9x	10.6x	10.2x	0%
High						0.8x	0.8x	0.7x	6.4x	6.1x	5.7x	9.6x	9.2x	8.5x	13%	0.6x	17.0x	13.4x	12.3x	17%
Low						0.1x	0.1x	0.1x	1.3x	2.7x	2.2x	0.1x	-5.9x	-14.0x	5%	0.0x	9.8x	-34.3x	-75.4x	0%

Appendix – C: Discounted Cash Flow Analysis

Tailored Brands

Discounted Cash Flow Analysis

(\$ in millions, fiscal year ending February 2nd)

Operating Scenario

1

Mid-Year Convention

Y

Summary of Scenario Analysis:



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