

TAILORED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 1, 2020	February 2, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,420	\$ 32,671
Accounts receivable, net	39,973	34,686
Inventories	696,657	724,086
Assets held for sale	34,935	—
Other current assets	49,130	66,823
Current assets - discontinued operations	—	171,376
Total current assets	<u>835,115</u>	<u>1,029,642</u>
PROPERTY AND EQUIPMENT, AT COST:		
Land	17,181	19,162
Buildings	149,942	151,071
Leasehold improvements	650,778	628,572
Furniture, fixtures and equipment	575,986	647,241
	<u>1,393,887</u>	<u>1,446,046</u>
Less accumulated depreciation and amortization	<u>(998,075)</u>	<u>(1,021,730)</u>
PROPERTY AND EQUIPMENT, net	395,812	424,316
OPERATING LEASE RIGHT-OF-USE ASSETS	880,291	—
RENTAL PRODUCT, net	92,897	99,770
GOODWILL	79,271	79,491
INTANGIBLE ASSETS, net	116,843	153,711
OTHER ASSETS	18,730	8,489
NON-CURRENT ASSETS - DISCONTINUED OPERATIONS	—	25,071
TOTAL ASSETS	<u>\$ 2,418,959</u>	<u>\$ 1,820,490</u>
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 183,897	\$ 204,775
Accrued expenses and other current liabilities	246,110	268,698
Current portion of operating lease liabilities	186,304	—
Income taxes payable	3,416	13,478
Current portion of long-term debt	9,000	11,619
Current liabilities - discontinued operations	—	40,025
Total current liabilities	<u>628,727</u>	<u>538,595</u>
LONG-TERM DEBT, net	1,094,398	1,153,242
OPERATING LEASE LIABILITIES	726,327	—
DEFERRED TAXES, net AND OTHER LIABILITIES	67,813	119,545
NON-CURRENT LIABILITIES - DISCONTINUED OPERATIONS	—	5,477
Total liabilities	<u>2,517,265</u>	<u>1,816,859</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' (DEFICIT) EQUITY:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized, no shares issued	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 50,909,984 and 50,180,832 shares issued	508	501
Capital in excess of par	514,397	505,157
Accumulated deficit	(568,697)	(468,048)
Accumulated other comprehensive loss	(34,514)	(33,979)
Treasury stock, 2,336,852 and 0 shares, at cost	(10,000)	—
Total shareholders' (deficit) equity	<u>(98,306)</u>	<u>3,631</u>
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY	<u>\$ 2,418,959</u>	<u>\$ 1,820,490</u>

The accompanying notes are an integral part of these consolidated financial statements.

TAILORED BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

For the Years Ended
February 1, 2020, February 2, 2019, and February 3, 2018

(In thousands, except per share amounts)

	Fiscal Year		
	2019	2018	2017
Net sales:			
Retail clothing product	\$ 2,358,392	\$ 2,454,747	\$ 2,439,817
Rental services	383,521	399,146	428,355
Alteration and other services	139,348	150,618	184,849
Total net sales	2,881,261	3,004,511	3,053,021
Cost of sales:			
Retail clothing product	1,107,642	1,096,032	1,085,799
Rental services	56,750	59,243	69,973
Alteration and other services	132,302	132,591	139,840
Occupancy costs	415,955	406,037	415,981
Total cost of sales	1,712,649	1,693,903	1,711,593
Gross margin:			
Retail clothing product	1,250,750	1,358,715	1,354,018
Rental services	326,771	339,903	358,382
Alteration and other services	7,046	18,027	45,009
Occupancy costs	(415,955)	(406,037)	(415,981)
Total gross margin	1,168,612	1,310,608	1,341,428
Advertising expense	159,052	165,248	172,001
Selling, general and administrative expenses	911,722	919,798	951,831
Goodwill impairment charge	—	—	1,500
Operating income	97,838	225,562	216,096
Interest income	523	563	564
Interest expense	(71,272)	(79,570)	(100,471)
(Loss) gain on extinguishment of debt, net	(77)	(30,253)	5,445
Earnings before income taxes	27,012	116,302	121,634
Provision for income taxes	1,645	17,706	34,617
Net earnings from continuing operations	25,367	98,596	87,017
(Loss) earnings from discontinued operations, net of tax	(107,643)	(15,356)	9,686
Net (loss) earnings	\$ (82,276)	\$ 83,240	\$ 96,703
Net earnings from continuing operations per common share:			
Basic	\$ 0.51	\$ 1.98	\$ 1.77
Diluted	\$ 0.51	\$ 1.94	\$ 1.76
Net (loss) earnings from discontinued operations per common share:			
Basic	\$ (2.16)	\$ (0.31)	\$ 0.20
Diluted	\$ (2.16)	\$ (0.30)	\$ 0.20
Net (loss) earnings per common share:			
Basic	\$ (1.65)	\$ 1.67	\$ 1.97
Diluted	\$ (1.65)	\$ 1.64	\$ 1.95
Weighted-average common shares outstanding:			
Basic	49,774	49,856	49,094
Diluted	49,929	50,725	49,468

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TAILORED BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the Years Ended
February 1, 2020, February 2, 2019 and February 3, 2018

(In thousands)

	Fiscal Year		
	2019	2018	2017
Net (loss) earnings	\$ (82,276)	\$ 83,240	\$ 96,703
Currency translation adjustments, net of tax	(4,847)	(18,704)	29,089
Unrealized (loss) gain on cash flow hedges, net of tax	(22,054)	(4,459)	227
Adjustment to minimum pension liability, net of tax	(519)	(34)	(15)
Release of cumulative foreign currency translation adjustment to loss from discontinued operations	26,885	—	—
Comprehensive (loss) income	<u>\$ (82,811)</u>	<u>\$ 60,043</u>	<u>\$ 126,004</u>

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TAILORED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY

(In thousands, except shares)

	Common Stock	Capital in Excess of Par	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock, at Cost	Total (Deficit) Equity
BALANCES — January 28, 2017	\$ 487	\$ 470,801	\$ (538,823)	\$ (40,083)	\$ —	\$ (107,618)
Net earnings	—	—	96,703	—	—	96,703
Other comprehensive income	—	—	—	29,301	—	29,301
Cash dividends — \$0.72 per share	—	—	(37,046)	—	—	(37,046)
Share-based compensation	—	20,636	—	—	—	20,636
Common stock issued — 504,156 shares	5	1,898	—	—	—	1,903
Tax payments related to vested deferred stock units	—	(1,687)	—	—	—	(1,687)
BALANCES — February 3, 2018	492	491,648	(479,166)	(10,782)	—	2,192
Net earnings	—	—	83,240	—	—	83,240
Other comprehensive loss	—	—	—	(23,197)	—	(23,197)
Cumulative adjustment upon ASC 606 adoption (see Note 7)	—	—	(35,824)	—	—	(35,824)
Cash dividends — \$0.72 per share	—	—	(36,298)	—	—	(36,298)
Share-based compensation	—	14,770	—	—	—	14,770
Common stock issued — 892,976 shares	9	6,640	—	—	—	6,649
Tax payments related to vested deferred stock units	—	(7,901)	—	—	—	(7,901)
BALANCES — February 2, 2019	501	505,157	(468,048)	(33,979)	—	3,631
Net loss	—	—	(82,276)	—	—	(82,276)
Other comprehensive loss	—	—	—	(27,420)	—	(27,420)
Cumulative adjustment upon ASC 842 adoption (see Note 17)	—	—	(402)	—	—	(402)
Cash dividends — \$0.36 per share	—	—	(17,971)	—	—	(17,971)
Release of cumulative foreign currency translation adjustment to loss from discontinued operations	—	—	—	26,885	—	26,885
Share-based compensation	—	8,902	—	—	—	8,902
Common stock issued — 729,152 shares	7	1,554	—	—	—	1,561
Tax payments related to vested deferred stock units	—	(1,216)	—	—	—	(1,216)
Treasury stock repurchased — 2,336,852 shares	—	—	—	—	(10,000)	(10,000)
BALANCES — February 1, 2020	<u>\$ 508</u>	<u>\$ 514,397</u>	<u>\$ (568,697)</u>	<u>\$ (34,514)</u>	<u>\$ (10,000)</u>	<u>\$ (98,306)</u>

The accompanying notes are an integral part of these consolidated financial statements.

TAILORED BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended

February 1, 2020, February 2, 2019 and February 3, 2018

(In thousands)

	Fiscal Year		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) earnings	\$ (82,276)	\$ 83,240	\$ 96,703
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Depreciation and amortization	107,174	104,216	106,493
Non-cash lease expense	194,529	—	—
Rental product amortization	34,289	35,058	38,021
Goodwill impairment charge	—	23,991	1,500
Loss (gain) on extinguishment of debt, net	77	30,253	(5,445)
Amortization of deferred financing costs and discount on long-term debt	1,878	3,422	7,066
Loss on divestiture of business	83,513	3,766	—
Loss on release of cumulative foreign currency translation adjustment	26,885	—	—
Loss on disposition of assets	2,628	4,821	1,237
Asset impairment charges	3,404	1,026	3,547
Share-based compensation	8,902	14,770	20,636
Deferred tax benefit	(13,461)	(8,009)	(5,763)
Other	80	272	938
Changes in operating assets and liabilities:			
Accounts receivable	3,161	2,264	(9,440)
Inventories	26,243	(4,482)	114,652
Rental product	(30,513)	(16,217)	(9,582)
Other assets	(20,015)	9,385	(5,956)
Accounts payable, accrued expenses and other current liabilities	(39,325)	43,706	(10,843)
Income taxes payable	(11,750)	9,993	4,650
Operating lease and other liabilities	(195,782)	(18,803)	2,354
Net cash provided by operating activities	99,641	322,672	350,768
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(88,502)	(82,286)	(94,958)
Proceeds from divestiture of business, net	45,034	17,755	—
Acquisition of business, net of cash	—	—	(457)
Proceeds from sales of property and equipment	311	—	5,480
Net cash used in investing activities	(43,157)	(64,531)	(89,935)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on original term loan	—	(993,420)	(53,379)
Proceeds from new term loan	—	895,500	—
Payments on new term loan	(9,370)	(9,000)	—
Proceeds from asset-based revolving credit facility	1,333,000	655,500	276,300
Payments on asset-based revolving credit facility	(1,331,500)	(607,000)	(276,300)
Repurchase and retirement of senior notes	(54,425)	(199,365)	(145,371)
Deferred financing costs	—	(6,713)	(2,580)
Cash dividends paid	(28,071)	(36,946)	(35,761)
Proceeds from issuance of common stock	1,561	6,649	1,903
Tax payments related to vested deferred stock units	(1,216)	(7,901)	(1,687)
Repurchases of common stock	(10,000)	—	—
Net cash used in financing activities	(100,021)	(302,696)	(236,875)
Effect of exchange rate changes	2,526	(3,621)	8,760
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,011)	(48,176)	32,718
Balance at beginning of period	55,431	103,607	70,889
Balance at end of period	\$ 14,420	\$ 55,431	\$ 103,607

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for:

Interest	\$ 65,669	\$ 77,571	\$ 106,372
Income taxes, net	\$ 38,031	\$ 11,431	\$ 39,537

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:

Accounts receivable related to the sale of corporate apparel business	\$ 6,048	\$ —	\$ —
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We had unpaid capital expenditure purchases included in accounts payable, accrued expenses and other current liabilities and current liabilities – discontinued operations of approximately \$2.8 million, \$11.7 million and \$2.9 million in fiscal 2019, 2018 and 2017, respectively. Capital expenditure purchases are recorded as cash outflows from investing activities in the consolidated statement of cash flows in the period in which they are paid.

The accompanying notes are an integral part of these consolidated financial statements.