

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

	52 Weeks Ended March 2, 2019	53 Weeks Ended March 3, 2018	52 Weeks Ended February 25, 2017
Net sales	\$ 1,552,938	\$ 1,798,522	\$ 1,828,446
Cost of sales	1,102,035	1,140,372	1,131,138
Gross profit	450,903	658,150	697,308
Selling, general and administrative expenses	587,459	575,953	581,770
Depreciation	51,529	53,603	54,603
Operating income (loss)	(188,085)	28,594	60,935
Nonoperating (income) and expenses:			
Interest, investment income and other	(2,000)	(1,665)	3,603
Interest expense	15,294	12,362	12,073
	13,294	10,697	15,676
Income (loss) before income taxes	(201,379)	17,897	45,259
Income tax provision (benefit)	(2,546)	6,271	15,130
Net income (loss)	\$ (198,833)	\$ 11,626	\$ 30,129
Earnings (loss) per share:			
Basic	\$ (2.46)	\$ 0.14	\$ 0.37
Diluted	\$ (2.46)	\$ 0.14	\$ 0.37
Dividends declared per share:	\$ —	\$ 0.28	\$ 0.28
Average shares outstanding during period:			
Basic	80,708	80,223	80,919
Diluted	80,708	80,254	80,984

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

Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	52 Weeks Ended March 2, 2019	53 Weeks Ended March 3, 2018	52 Weeks Ended February 25, 2017
Net income (loss)	\$ (198,833)	\$ 11,626	\$ 30,129
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments, net of taxes of \$0, \$(167) and \$60, respectively	(1,096)	396	1,274
Pension adjustments, net of taxes of \$0, \$293 and \$(1,243), respectively	712	(459)	1,949
Other comprehensive income (loss)	(384)	(63)	3,223
Comprehensive income (loss)	\$ (199,217)	\$ 11,563	\$ 33,352

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Pier 1 Imports, Inc.

CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)

	March 2, 2019	March 3, 2018
ASSETS		
Current assets:		
Cash and cash equivalents, including temporary investments of \$49,532 and \$115,456, respectively	\$ 54,878	\$ 135,379
Accounts receivable, net of allowance for doubtful accounts of \$251 and \$236, respectively	21,189	22,149
Inventories	347,584	347,440
Prepaid expenses and other current assets	49,876	48,794
Total current assets	473,527	553,762
Properties and equipment, net	149,356	178,767
Other noncurrent assets	33,407	39,790
	\$ 656,290	\$ 772,319
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 121,969	\$ 71,279
Gift cards and other deferred revenue	37,655	55,281
Accrued income taxes payable	302	2,301
Current portion of long-term debt	2,000	2,000
Other accrued liabilities	107,539	106,268
Total current liabilities	269,465	237,129
Long-term debt	245,624	197,906
Other noncurrent liabilities	51,672	59,714
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par, 500,000,000 shares authorized, 125,232,000 issued	125	125
Paid-in capital	138,350	168,424
Retained earnings	534,419	726,232
Cumulative other comprehensive loss	(7,861)	(7,477)
Less — 39,618,000 and 41,974,000 common shares in treasury, at cost, respectively	(575,504)	(609,734)
Total shareholders' equity	89,529	277,570
	\$ 656,290	\$ 772,319

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Pier 1 Imports, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	52 Weeks Ended March 2, 2019	53 Weeks Ended March 3, 2018	52 Weeks Ended February 25, 2017
Cash flows from operating activities:			
Net income (loss)	\$ (198,833)	\$ 11,626	\$ 30,129
Adjustments to reconcile to net cash provided by (used in) operating activities:			
Depreciation	59,523	61,430	60,504
Stock-based compensation expense	2,756	3,809	8,228
Deferred compensation, net	4,169	2,414	8,438
Deferred income taxes	(3,071)	6,012	(19,645)
Excess tax benefit from stock-based awards	—	—	(312)
Other	3,615	2,111	8,301
Changes in cash from:			
Inventories	(540)	53,536	4,883
Prepaid expenses and other assets	3,348	(17,546)	863
Accounts payable and other liabilities	32,249	(33,829)	(5,697)
Accrued income taxes payable, net of payments	(2,014)	(23,757)	20,046
Net cash provided by (used in) operating activities	(98,798)	65,806	115,738
Cash flows from investing activities:			
Capital expenditures	(36,444)	(53,249)	(44,181)
Proceeds from disposition of properties	2,058	160	74
Proceeds from sale of restricted investments	12,063	27,562	3,409
Purchase of restricted investments	(6,927)	(26,082)	(2,375)
Net cash used in investing activities	(29,250)	(51,609)	(43,073)
Cash flows from financing activities:			
Cash dividends	—	(22,294)	(22,501)
Purchases of treasury stock	—	(10,000)	(10,566)
Stock purchase plan and other, net	1,400	2,307	1,329
Excess tax benefit from stock-based awards	—	—	312
Repayments of long-term debt	(2,000)	(2,000)	(2,000)
Debt issuance costs	(1,170)	(1,291)	—
Borrowings under revolving line of credit	—	8,000	38,000
Repayments of borrowings under revolving line of credit	—	(8,000)	(38,000)
Borrowings under FILO/ABL Term Loan	50,000	—	—
Net cash provided by (used in) financing activities	48,230	(33,278)	(33,426)
Effect of exchange rate changes on cash	(683)	—	—
Change in cash and cash equivalents	(80,501)	(19,081)	39,239
Cash and cash equivalents at beginning of period	135,379	154,460	115,221
Cash and cash equivalents at end of period	\$ 54,878	\$ 135,379	\$ 154,460
Supplemental cash flow information:			
Interest paid	\$ 14,668	\$ 11,750	\$ 12,219
Income taxes paid, net of refunds	\$ 2,864	\$ 24,388	\$ 13,077

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Stock		Paid-in Capital	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	Outstanding Shares	Amount					
Balance February 27, 2016	83,472	\$ 125	\$211,019	\$ 729,537	\$ (10,637)	\$ (645,287)	\$ 284,757
Net income	—	—	—	30,129	—	—	30,129
Other comprehensive income	—	—	—	—	3,223	—	3,223
Purchases of treasury stock	(1,794)	—	—	—	—	(10,566)	(10,566)
Stock-based compensation expense	1,302	—	(12,077)	—	—	20,305	8,228
Exercise of stock options, stock purchase plan, and other	202	—	(7,441)	—	—	6,199	(1,242)
Cash dividends (\$0.28 per share)	—	—	—	(22,501)	—	—	(22,501)
Balance February 25, 2017	83,182	\$ 125	\$191,501	\$ 737,165	\$ (7,414)	\$ (629,349)	\$ 292,028
Net income	—	—	—	11,626	—	—	11,626
Other comprehensive loss	—	—	—	—	(63)	—	(63)
Purchases of treasury stock	(1,927)	—	—	—	—	(10,000)	(10,000)
Stock-based compensation expense	1,648	—	(19,845)	—	—	23,654	3,809
Stock purchase plan and other	355	—	(3,232)	(265)	—	5,961	2,464
Cash dividends (\$0.28 per share)	—	—	—	(22,294)	—	—	(22,294)
Balance March 3, 2018	83,258	\$ 125	\$168,424	\$ 726,232	\$ (7,477)	\$ (609,734)	\$ 277,570
Net loss	—	—	—	(198,833)	—	—	(198,833)
Cumulative effect of accounting change	—	—	—	7,020	—	—	7,020
Other comprehensive loss	—	—	—	—	(384)	—	(384)
Stock-based compensation expense	1,309	—	(14,591)	—	—	17,347	2,756
Stock purchase plan and other	1,047	—	(15,483)	—	—	16,883	1,400
Balance March 2, 2019	85,614	\$ 125	\$138,350	\$ 534,419	\$ (7,861)	\$ (575,504)	\$ 89,529

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